

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019 <under Japanese GAAP>

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 Listing: Tokyo Stock Exchange
 Stock code: 9064
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 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than 1 million yen are discarded.)

1. Consolidated financial results for the first quarter of fiscal year 2019 (cumulative: from April 1, 2018 to June 30, 2018)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the three months ended								
June 30, 2018	380,690	7.1	9,578	—	9,429	—	4,096	—
June 30, 2017	355,478	4.0	(10,000)	—	(9,582)	—	(7,937)	—

(Note) Comprehensive income: For the three months ended June 30, 2018: 3,980 million yen (—%)
 For the three months ended June 30, 2017: (7,007) million yen (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the three months ended		
June 30, 2018	10.39	—
June 30, 2017	(20.13)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2018	1,116,397	555,904	49.1
March 31, 2018	1,114,870	557,586	49.4

(Reference) Equity: As of June 30, 2018: 548,531 million yen As of March 31, 2018: 550,307 million yen

(Note) The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. The figures presented for the consolidated financial position for the previous fiscal year reflect amounts that have been adjusted retrospectively to reflect the aforementioned standard, etc.

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	13.00	—	14.00	27.00
Fiscal 2019	—	—	—	—	—
Fiscal 2019 (Forecast)	—	14.00	—	14.00	28.00

(Note) Revisions to the forecasts most recently announced: None

3. Consolidated earnings forecasts for fiscal year 2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year	780,000	6.9	15,000	—	15,000	—	9,000	—	22.83
Full year	1,615,000	5.0	61,000	70.9	61,000	69.0	36,000	97.5	91.31

(Note) Revisions to the forecasts most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: Yes

(Note) For details, please see “2. Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to consolidated financial statements, (Application of specific accounting for preparing the quarterly consolidated financial statements)” of the attached materials to the quarterly financial results report on page 13.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- a. Changes due to revision to accounting standards, etc.: None
- b. Changes other than a: None
- c. Changes in accounting estimates: None
- d. Restatement: None

(4) Number of issued shares (common shares)

- a. Number of issued shares as of the end of the period (including treasury shares)

As of June 30, 2018:	411,339,992 shares
As of March 31, 2018:	411,339,992 shares
- b. Number of treasury shares as of the end of the period

As of June 30, 2018:	17,064,434 shares
As of March 31, 2018:	17,064,197 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the three months ended June 30, 2018:	394,275,707 shares
For the three months ended June 30, 2017:	394,277,367 shares

*Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*Proper use of earnings forecasts and other noteworthy events

- Descriptions of the above financial projections and other data are based on information currently available to the Company and certain assumptions that we consider to be reasonable. Actual financial results may differ significantly from the projections for various reasons. For points to note when using such assumptions and financial projections, please see “1. Qualitative Information on Settlement of Accounts for the Three Months, (3) Explanation of consolidated earnings forecasts and other forward-looking statements” of the attached materials to the quarterly financial results report on page 8.
- The Company plans to post supplementary materials on quarterly financial results on the Company’s website promptly after the announcement of the quarterly financial results.

Attached Materials

Index

1. Qualitative Information on Settlement of Accounts for the Three Months.....	2
(1) Explanation of operating results	2
(2) Explanation of financial position	8
(3) Explanation of consolidated earnings forecasts and other forward-looking statements	8
2. Consolidated Financial Statements and Significant Notes Thereto.....	9
(1) Consolidated balance sheet	9
(2) Consolidated statement of income and consolidated statement of comprehensive income	11
Consolidated statement of income (cumulative).....	11
Consolidated statement of comprehensive income (cumulative).....	12
(3) Notes to consolidated financial statements	13
(Notes to premise of going concern).....	13
(Notes on significant changes in the amount of shareholders' equity).....	13
(Changes in scope of consolidation and equity method application).....	13
(Application of specific accounting for preparing the quarterly consolidated financial statements)	13
(Additional information).....	13
(Segment information, etc.)	13
3. Supplementary Information	15
Operating revenue by business.....	15

1. Qualitative Information on Settlement of Accounts for the Three Months

(1) Explanation of operating results

During the three months ended June 30, 2018, the economic environment was plagued by ongoing uncertainties ahead due to factors that have included effects of political developments overseas, yet gradual economic recovery held course amid underlying strengths in corporate earnings. Moreover, the logistics industry continues to face a severe business environment partially due to tightening of the domestic labor market, which is in addition to an upward trend with respect to small parcel volume partially due to expansion of the e-commerce market brought about by rapidly changing styles of consumption.

Under such circumstances, the Yamato Group has been striving to enhance its management foundations in order to continue achieving sustainable growth and thereby enable the Group to keep providing high-quality services based on “KAIKAKU 2019 for NEXT100” medium-term management plan, which while “reforming working styles” is centered on management, focuses on reforms in the three areas of “structural reform in the Delivery Business,” “reform of revenue and business structure geared to achieving discrete growth,” and “reform of Group management structure geared to achieving sustainable growth.”

In the Delivery Business, we promoted our initiatives to rebuild our ‘last mile’ network that include adequate pricing initiatives and enhancement of collection and delivery systems to live up to the trust and expectations of customers in order to strike a balance between regaining profitability and expanding collection and delivery capacity. As a result, our financial performance was firm due to rise in TA-Q-BIN unit price, despite increasing expenses related to our reform initiatives.

In the non-delivery businesses, we continuously took steps to expand our existing service offerings by enlisting the strengths of Group companies, while also drawing on Group-wide ties as we aggressively promoted solution sales geared toward addressing customers’ business challenges.

Our consolidated financial results for the three months ended June 30, 2018 are as follows.

Item	(Millions of yen)			
	For the three months ended June 30, 2017	For the three months ended June 30, 2018	Change	Growth (%)
Operating revenue	355,478	380,690	25,212	7.1
Operating profit	(10,000)	9,578	19,579	—
Ordinary profit	(9,582)	9,429	19,012	—
Profit attributable to owners of parent	(7,937)	4,096	12,034	—

As mentioned above, operating revenue amounted to 380,690 million yen, up 25,212 million yen from the year-ago period. This is largely attributable to an increase in the TA-Q-BIN unit price, and despite a decrease in TA-Q-BIN delivery volume amid promotion of structural reforms in the Delivery Business. Operating expenses amounted to 371,112 million yen, up 5,632 million yen from the year-ago period. This is largely attributable to an increase in personnel expenses incurred in promoting systemic improvements and other initiatives, and despite a decrease in commission expenses associated with lower TA-Q-BIN delivery volume.

As a result, operating profit amounted to 9,578 million yen, up 19,579 million yen from the year-ago period. Meanwhile, due to a situation where Yamato Home Convenience Co., Ltd. was found to have inappropriately billed our corporate clients for moving services, the above consolidated financial results factor in an estimated effect of the incident amounting to 3,104 million yen, based on investigation results.

Initiatives for the entire Yamato Group

- a. The Yamato Group has been taking steps on a Group-wide basis to develop an upbeat working environment, which is more “employee-friendly” and “rewarding,” centered on the “Office for Reforming Working Styles” established in Yamato Transport Co., Ltd., and its “Working Styles Innovation Committees” in its respective Group companies, as a means of placing utmost priority on “reforming working styles” in order to practice “inclusive management,” a Yamato Group founding principle. Moreover, we have been pursuing our “Value Networking” design, on the basis of creating business models for generating a high level of added value through the combined efforts of our respective businesses, while at

the same time contributing to growth strategies and international competitive strengths of the Japanese economy. Meanwhile, we are also taking steps to forge a robust corporate culture that acts as a foundation for business creation and development.

- b. We continued to drive initiatives geared toward forging a more robust corporate culture. To that end, we worked on enhancing the efficiency and dependability of operations, in part by improving our transport systems and by using our information technology network to enable visual monitoring of operating volumes. Moreover, we actively engaged in CSR-related activities linked to Yamato Group business endeavors, such as through safety and environmental measures, and efforts to prosper communities.
- c. To further evolve our “Value Networking” design, we have been crafting business models that deliver a high level of added value by leveraging the Yamato Group’s business network. Also, to address varied customer needs in Japan and overseas, we will make more effective use of our innovative network platform consisting of the “Haneda Chronogate,” “Okinawa International Logistics Hub,” and respective gateways linking major cities in the Kanto, Chubu, and Kansai regions, in addition to our existing “last mile” network.
- d. In our business looking toward global markets, we have been working to forge collaboration among five regions, Japan, East Asia, South East Asia, Europe and the Americas, while strengthening our capabilities in each geographic region to respond to the growth of cross-border logistics. During the three months ended June 30, 2018, we have been promoting efforts to build cross-border networks that provide substantial added value primarily focusing on our cold chain network. In part, this has involved newly acquiring in Thailand certification under international standards pertaining to small parcel chilled and frozen goods delivery services, such that has already been acquired by seven Yamato Group companies.
- e. With the aim of improving customer convenience particularly in the e-commerce market, we have been continuously working to establish an environment that ensures customers ease in picking up their parcels. To that end we have been actively promoting efforts to build an open-type network of parcel lockers primarily in train stations, convenience stores and other such locations, and have worked on other efforts for the development of next-generation logistics services including the utilization of automated driving technologies. Moreover, we have been taking steps that involve digitization and automation of our overall logistics operations in order to address challenges presented by society such as the labor shortage as it intensifies, and in order to better serve the rapidly expanding e-commerce market.

Summary of each operating segment

● Delivery

The delivery volumes of TA-Q-BIN and Kuroneko DM-Bin services are as follows.

Category	(Million parcels / units)			
	For the three months ended June 30, 2017	For the three months ended June 30, 2018	Change	Growth (%)
TA-Q-BIN	450	418	(32)	(7.2)
Kuroneko DM-Bin	384	339	(44)	(11.6)

- a. In the Delivery Business, the Yamato Group concentrated on TA-Q-BIN-centered business development, aiming to provide infrastructure that best suits our customers and contribute to enriching people’s lives.
- b. Amid a severe business environment partially due to tightening of the domestic labor market, which is in addition to an upward trend with respect to small parcel volume partially due to expansion of the e-commerce market brought about by rapidly changing styles of consumption, during the three months ended June 30, 2018, continuing on from the prior fiscal year, we promoted our initiatives to rebuild our ‘last mile’ network that include adequate pricing initiatives and enhancement of collection and delivery systems to live up to the trust and expectations of customers in order to strike a balance between regaining profitability and expanding collection and delivery capacity. In addition, we also engaged in efforts geared to structural reform of trunk-route networks for the purposes of further streamlining transportation and optimizing the entire network.
- c. In the still growing e-commerce market, we have been taking steps to expand sales of the “TA-Q-BIN Compact” and “Nekopos” services which enable customers to send small parcels simply, and proceeded with offering a greater number of drop-off points for sending by collaborating with multiple flea market websites. During the three months ended June 30, 2018, we continued to team up with e-commerce companies in offering a service environment where customers who have purchased a product are able to

specify either a business office of Yamato Transport Co., Ltd., a convenience store or an open-type parcel locker (PUDO) as a location for pick-up, while also promoting use of our “Kuroneko Members” service for individual customers.

- d. With respect to corporate clients, we have been accurately pinpointing managerial challenges and actively proposing solutions to address those challenges. Moreover, we have been working to boost profitability by making proposals that provide high added value using the Group's business resources. During the three months ended June 30, 2018, we continued our efforts to support business of e-commerce companies through initiatives that included upgrading the website of our “Yamato Business Members” service for corporate clients and accordingly enhancing features that provide greater convenience.
- e. We have been taking steps to improve services for residents geared toward resolving issues facing communities. In part, this has involved collaborating with numerous municipalities and companies in efforts that entail helping those who have difficulties doing their shopping and helping to watch over elderly residents. Moreover, we have also been helping to revitalize local industry particularly through initiatives that involve supporting tourism and helping to expand sales channels for locally produced products.
- f. Operating revenue amounted to 299,175 million yen, up 9.4% from the year-ago period owing to a higher TA-Q-BIN unit price as a result of promotion of structural reforms in the Delivery Business, despite a decrease in TA-Q-BIN delivery volume. Amid increasing expenses related to our reform initiatives, operating profit amounted to 6,186 million yen, an improvement of 23,466 million yen from the year-ago period.

● BIZ-Logistics

- a. In the BIZ-Logistics Business, the Yamato Group is providing customers with innovative logistics systems by combining management resources such as the TA-Q-BIN network with logistics functions, maintenance and recall handling functions, cleansing functions for medical devices and international transportation functions.
- b. For the e-commerce industry and others, we are offering one-stop services for various types of logistical support services in line with customer needs, including placing and accepting orders, visual monitoring of inventories for customers and enabling speedier shipments. During the three months ended June 30, 2018, use of this service continued to increase particularly among our existing customers.
- c. For medical service providers, we have been developing medical device loaner support (storage, cleaning and delivery) and other services that help revolutionize logistics operations. During the three months ended June 30, 2018, use of this service increased particularly among our existing large-lot customers.
- d. Operating revenue amounted to 37,071 million yen, up 8.0% from the year-ago period mainly due to favorable results from existing services for e-commerce business operators, and progress made in providing industry-specific solutions. Operating profit amounted to 1,118 million yen, down 38.7% from the year-ago period mainly as a result of having incurred upfront expenses to achieve business growth.

● Home Convenience

- a. In the Home Convenience Business, we are working toward enabling customers to achieve greater convenience and comfort in their lives through lifetime lifestyle support businesses and corporate enterprise support business that draw on the Yamato Group's nationwide network.
- b. With respect to individual customers, the Yamato Group operated a variety of services to assist in daily life such as the “Raku Raku Household TA-Q-BIN” service for delivering large furniture items and home appliances, moving-related services and “Comfortable Lifestyle Support Service” which aims to help customers resolve everyday inconveniences “inside the home.” During the three months ended June 30, 2018, we continued to take steps to achieve greater business volume with respect to our “Raku Raku Household TA-Q-BIN” service that makes it easy for customers to send large packages by linking up with flea market website, and we also aggressively forged ahead with efforts to increase sales of our “Comfortable Lifestyle Support Service.”
- c. For our corporate clients, we have been developing services such as those involving equipment transport and event-related deliveries. During the three months ended June 30, 2018, we continued our efforts to gain orders for office relocations and other such business.
- d. Operating revenue amounted to 9,114 million yen, down 22.9% from the year-ago period, despite having achieved favorable results with respect to operating the “Raku Raku Household TA-Q-BIN” service and the “Comfortable Lifestyle Support Service.” The decrease was a result of having factored in an estimated

effect amounting to 3,104 million yen, based on investigation results with respect to a situation involving inappropriate billing for moving-related services provided to corporate clients. As for profits, the segment posted an operating loss of 3,005 million yen as a result of having factored in the aforementioned estimated effect of 3,104 million yen, in addition to having incurred higher labor costs, including those of outsourcing workforce, associated with promoting our focus on reforming working styles.

● e-Business

- a. In the e-Business, the Yamato Group helps customers streamline their business processes and solve potential issues by proactively developing solution platform business that combine logistics technology and financial technology with information technology. In addition, with the aim of helping to accelerate growth of Yamato Group businesses, we have been moving beyond conventional information technologies through efforts geared to promoting use of emerging technologies that harness artificial intelligence (AI), the Internet of things (IoT) and other such innovations.
- b. With respect to services for assisting with order-acceptance and dispatching operations, the Yamato Group provides a “Web-based Shipment Control” that comprehensively supports such operations as dispatch information processing, printing of delivery slips, and freight tracking. During the three months ended June 30, 2018, use of this service increased particularly among our existing large-lot customers, against a backdrop that included growth of e-commerce market and reuse market.
- c. Operating revenue amounted to 6,220 million yen, down 8.2% from the year-ago period mainly due to effects of a decrease in the number of projects involving system processing for customers stemming from a decrease in TA-Q-BIN delivery volume, and despite having achieved a greater volume of business in the “Web-based Shipment Control” and having captured system configuration business as a result of enhanced sales activities for our existing customers. Operating profit amounted to 1,951 million yen, up 9.0% from the year-ago period mainly due to firm results with respect to use of our highly profitable existing services.

● Financial

- a. In the Financial Business, the Yamato Group has been developing settlement and financial services tailored to a range of customer needs for payment collection of mail-order products, business-to-business transaction settlement, and vehicle leasing.
- b. With respect to our payment settlement services, in addition to providing our mainstay service “TA-Q-BIN Collect,” we have also been promoting increased customer use of both our “Kuroneko Web Collect” comprehensive internet-based transaction settlement service, “Kuroneko Pay After Delivery Services” and our e-money settlement services. During the three months ended June 30, 2018, we promoted use of our “Raku-uru Cart” service, which is poised for expansion going forward. This service helps business operators newly enter the e-commerce market by providing one-stop support in terms of shopping cart function, payment settlement and delivery services. Moreover, we focused on improving our service offerings in part by launching our ID-linked “Kuroneko Pay” service that links “Kuroneko Member” information with purchases to promote greater convenience to customers who use online shopping and increased sales for e-commerce companies.
- c. In the lease services business, we have been generating favorable results with respect to financial leases primarily involving trucks and installment sales. We have also been developing peripheral operations that include providing vehicle referrals and resale support, while forging ahead in making proposals involving total solutions related to vehicles.
- d. Operating revenue amounted to 19,820 million yen, down 3.7% from the year-ago period mainly due to a decrease in “TA-Q-BIN Collect” delivery volume largely stemming from a shrinking market for cash-on-delivery brought about by changing payment settlement needs, and despite increases in the use of our “Kuroneko Web Collect” and “Kuroneko Pay After Delivery Services.” Operating profit was 1,710 million yen, down 16.2% from the year-ago period.

● Autoworks

- a. In the Autoworks Business, the Yamato Group provides its 24-hour-a-day, 365-day-a-year service that enables customers to service their vehicles without stopping operation, which involves carrying out

periodic maintenance under a membership framework, thereby providing value to logistics operations providers in the form of “improvement of vehicle maintenance convenience” and “maintenance expense reduction.” Furthermore, we provide services that help our customers improve their asset utilization ratios, by adding options of “maintaining and safeguarding logistics facilities and equipment, and improving such workplace environments,” along with “offering insurance plans tailored to customer risk management needs” which provide coverage for such assets.

- b. In vehicle maintenance services, we have embarked on efforts to handle new areas of business, particularly those that involve providing support for reducing workloads of sales drivers and ensuring safe vehicle operation, as well as carrying out inspections and maintenance of small electric trucks with lower exhaust emissions and large electric buses that are being put to use in tourism destinations.
- c. During the three months ended June 30, 2018, having assumed ownership of the vehicle maintenance plant facilities of a large-lot customer, we have been taking steps to achieve greater business volume particularly with respect to fully taking on vehicle maintenance going forward.
- d. Operating revenue amounted to 6,051 million yen, down 1.0% from the year-ago period largely as a result of sluggish sales of vehicle equipment. Operating profit was 1,249 million yen, up 5.8% from the year-ago period mainly due to progress made in streamlining business processes, particularly in terms of standardizing and enabling visual monitoring of business operations by introducing production methods of manufacturers.

● **Other**

- a. The “JITBOX Charter service” provides transportation by transport box. The service takes advantage of its network consisting of multiple companies and provides added value to customers through timely delivery and frequent, right-volume delivery. In the three months ended June 30, 2018, service use grew steadily due to favorable results with respect to existing services.
- b. Operating profit excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies decreased 23.1% from the year-ago period to 252 million yen.

CSR Initiatives

- a. The Yamato Group places utmost priority on protecting human life and conducts a range of safety measures. During the three months ended June 30, 2018, the entire Yamato Group including its overseas operations carried out the “Zero Traffic Accidents Campaign” in efforts to heighten safety awareness on a Group-wide basis. In addition, since 1998 we have been holding our “Safety Classes for Children,” through which we convey the importance of traffic safety, in day care facilities, kindergartens and elementary schools across Japan. A total of about 3.00 million people have now participated.
- b. The Yamato Group works to ensure that its distribution mechanisms are environmentally sound, under its policy of “Nekology” (combining “Kuroneko” with “ecology”) for promoting its environmental conservation initiatives. We also hold “Kuroneko Yamato Environmental Class” sessions designed to provide support for environmental education of children who will bear responsibilities of the next generation. We have held such classes on an ongoing basis nationwide since 2005, attracting about 240 thousand participants so far.
- c. Aspiring to be a company that continually evolves in step with society, led by Yamato Welfare Foundation, the Yamato Group conducts various activities to help realize a society in which disabled people can freely enjoy a lifestyle as a member of the workforce. Specifically, we engage in ongoing programs that support economic independence of people with disabilities, such that include actively employing people with disabilities at the Swan Bakery which makes and sells bread, providing them with workplaces through the consigned delivery of Kuroneko DM-Bin, and operating job-finding support facilities where they take part in training to acquire skills and knowledge necessary for employment.
- d. Aiming to create more sustainable social value, the Yamato Group promotes initiatives for sharing value with society based on “Creating Shared Value (CSV).” During the three months ended June 30, 2018, we have been promoting our “combined passenger-cargo” operations using scheduled-route passenger buses and railways in the ten geographic regions of Iwate prefecture, Miyazaki prefecture, Hokkaido, Kumamoto prefecture, Hyogo prefecture, Nagano prefecture, Wakayama prefecture, Tokushima prefecture, Aichi prefecture and Gifu prefecture thereby helping to improve lifestyle services for local residents both by keeping scheduled bus and railway networks running in hilly and mountainous areas where populations

are substantially declining and getting older, and also by streamlining distribution in those locations. In April, we also initiated “combined passenger-cargo” as tourism-support operations in Oita prefecture, which involve delivering luggage belonging to tourists using Airport Limousine Bus transportation to their lodging facilities. In addition, for residents of suburban housing complexes which are undergoing changes with respect to people’s life stages, we have been providing support for community development geared to ensuring that local residents are able to lead comfortable lives. Our efforts have involved helping to revitalize local communities where we have our business locations, and providing such residents with lifestyle support services that include handling shopping and housekeeping on their behalf. Moreover, we have been engaging in efforts geared to revitalizing communities and resolving issues by leveraging the Yamato Group’s management resources, with respect to initiatives that include helping to watch over elderly residents, supporting tourism, and expanding sales channels for locally produced products in respective regions throughout Japan. As a result, we have worked with government bodies on a total of 2,096 such endeavors thus far, which includes 834 current initiatives that are now being implemented or under discussion.

- e. In order to earn the confidence of Yamato Group’s customers and society through acting as a company that forms an important part of social infrastructure, we have been promoting management in conformity with compliance and working on Group-wide initiatives with respect to “reforming working styles” through developing upbeat working environment which is more “employee-friendly” and “rewarding” for employees, such as promoting reviewing our management rules on working hours and creating new working styles for our employees.

(2) Explanation of financial position

The Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, analysis and comparison of the Group’s financial position against the fiscal year ended March 31, 2018, has been performed on the basis of figures calculated upon retrospective application of such accounting standards and other relevant guidance.

Total assets were 1,116,397 million yen as of June 30, 2018, up 1,527 million yen from the end of the previous fiscal year. The major factors in this were increases in notes and accounts receivable - trade of 5,113 million yen, property, plant and equipment of 5,095 million yen and income taxes receivable of 4,105 million yen, despite a decrease of 16,123 million yen in cash and deposits.

Liabilities increased 3,209 million yen to 560,493 million yen from the end of the previous fiscal year. The increase was largely attributable to a 50,390 million yen increase in accrued expenses upon having recognized scheduled payments of summer bonuses, despite decreases in short-term loans payable of 24,483 million yen and provision for bonuses of 18,871 million yen.

Total net assets were 555,904 million yen, down 1,682 million yen from the end of the previous fiscal year. This was mainly attributable to a decrease in retained earnings of 1,423 million yen due to the payment of dividends of surplus of 5,519 million yen and recording of profit attributable to owners of parent of 4,096 million yen.

Accordingly, the equity ratio changed to 49.1% from the previous fiscal year’s 49.4%.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

Going forward, the economic situation is likely to remain one that is plagued by ongoing uncertainties ahead due to factors such as effects of political developments overseas, despite the prospect of gradual economic recovery holding course amid underlying strengths in corporate earnings.

The severe business environment affecting the logistics industry is likely to persist amid factors that include further tightening of the domestic labor market, amid a continued upward trend with respect to small parcel volume brought about by rapidly changing styles of consumption and other such trends.

In that environment, the Yamato Group’s efforts in the Delivery Business will involve striking a balance between regaining profitability and expanding collection and delivery capacity, which will entail promoting initiatives to rebuild its “last mile” network including adequate pricing initiatives and enhancement of its collection and delivery systems. Also in the non-delivery businesses, we will expand our revenue base which will involve taking steps to expand our existing service offerings by enlisting the strengths of Group companies, while also drawing on Group-wide ties in promoting solution sales geared toward addressing customers’ business challenges.

As for expenditures, we will focus on controlling outsourcing costs amid the likelihood of rising personnel expenses primarily with respect to employee salaries incurred in process of promoting our “reforming working styles” initiatives.

Meanwhile, the situation where Yamato Home Convenience Co., Ltd. (YHC) inappropriately billed corporate clients for moving-related services is being taken very seriously. We intend to formulate drastic measures to prevent any such instances for occurring again in the future, and have accordingly taken action that includes establishing an “promotion office for business structure reform” directly under the control of YHC’s president, establishing an in-house investigative committee consisting of independent experts from outside the company, and carrying out a fact-finding investigation and probe pertaining to the incident. YHC will refrain from making new contracts with corporate clients for moving-related services and taking new orders in that regard until reoccurrence preventive measures that the investigative committee deems effective are initiated. The effect of this has been reflected in the consolidated earnings forecasts.

The Yamato Group has made changes to the consolidated earnings forecasts for the half year and for the full year of the fiscal year ending March 31, 2019 since the announcement made on May 1, 2018.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	204,422	188,298
Notes and accounts receivable - trade	224,099	229,212
Accounts receivable - installment	46,692	47,726
Lease investment assets	52,641	53,064
Merchandise and finished goods	749	661
Work in process	146	207
Raw materials and supplies	1,919	1,766
Other	30,328	35,893
Allowance for doubtful accounts	(1,365)	(1,293)
Total current assets	559,635	555,537
Non-current assets		
Property, plant and equipment		
Buildings and structures	336,986	337,836
Accumulated depreciation	(198,538)	(199,140)
Buildings and structures, net	138,447	138,696
Vehicles	197,587	201,383
Accumulated depreciation	(180,329)	(180,752)
Vehicles, net	17,257	20,630
Land	174,959	174,837
Lease assets	15,669	14,777
Accumulated depreciation	(9,074)	(8,699)
Lease assets, net	6,595	6,077
Other	173,144	176,412
Accumulated depreciation	(105,347)	(106,502)
Other, net	67,797	69,910
Total property, plant and equipment	405,057	410,153
Intangible assets	20,131	19,713
Investments and other assets		
Investment securities	59,841	60,526
Other	71,251	71,450
Allowance for doubtful accounts	(920)	(856)
Allowance for investment loss	(126)	(126)
Total investments and other assets	130,045	130,994
Total non-current assets	555,235	560,860
Total assets	1,114,870	1,116,397

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	155,323	149,325
Short-term loans payable	66,952	42,469
Current portion of bonds	10,000	10,000
Lease obligations	2,239	2,186
Income taxes payable	11,019	7,115
Deferred installment income	5,900	5,846
Provision for bonuses	33,208	14,337
Other	110,390	166,117
Total current liabilities	395,035	397,396
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	60,300	60,300
Lease obligations	3,548	3,220
Net defined benefit liability	75,495	75,977
Other	12,903	13,597
Total non-current liabilities	162,247	163,096
Total liabilities	557,283	560,493
Net assets		
Shareholders' equity		
Capital stock	127,234	127,234
Capital surplus	36,813	36,813
Retained earnings	416,854	415,431
Treasury shares	(39,081)	(39,082)
Total shareholders' equity	541,821	540,397
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,958	13,898
Foreign currency translation adjustment	1,146	167
Remeasurements of defined benefit plans	(5,618)	(5,931)
Total accumulated other comprehensive income	8,486	8,134
Non-controlling interests	7,279	7,372
Total net assets	557,586	555,904
Total liabilities and net assets	1,114,870	1,116,397

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income (cumulative)

(Millions of yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Operating revenue	355,478	380,690
Operating cost	353,118	358,649
Operating gross profit	2,359	22,041
Selling, general and administrative expenses	12,360	12,462
Operating profit (loss)	(10,000)	9,578
Non-operating income		
Interest income	36	33
Dividend income	587	376
Other	335	285
Total non-operating income	959	695
Non-operating expenses		
Interest expenses	76	60
Share of loss of entities accounted for using equity method	317	468
Other	146	315
Total non-operating expenses	541	844
Ordinary profit (loss)	(9,582)	9,429
Extraordinary income		
Gain on sales of non-current assets	139	0
Gain on sales of investment securities	—	37
Total extraordinary income	139	37
Extraordinary loss		
Loss on retirement of non-current assets	24	56
Loss on valuation of investment securities	—	0
Other	—	0
Total extraordinary loss	24	57
Profit (loss) before income taxes	(9,467)	9,409
Income taxes	(1,595)	5,241
Profit (loss)	(7,871)	4,167
Profit attributable to non-controlling interests	66	71
Profit (loss) attributable to owners of parent	(7,937)	4,096

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Profit (loss)	(7,871)	4,167
Other comprehensive income		
Valuation difference on available-for-sale securities	1,238	1,104
Foreign currency translation adjustment	(779)	(978)
Remeasurements of defined benefit plans, net of tax	404	(313)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	864	(187)
Comprehensive income	(7,007)	3,980
(Breakdown)		
Comprehensive income attributable to owners of parent	(7,311)	3,745
Comprehensive income attributable to non-controlling interests	304	235

**(3) Notes to consolidated financial statements
(Notes to premise of going concern)**

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in scope of consolidation and equity method application)

Material changes in scope of consolidation

Yamato Multi-Maintenance Solutions Co., Ltd. is excluded from the scope of consolidation effective from the first quarter ended June 30, 2018, because it ceases to exist upon absorption-type merger having been carried out with Yamato Logistics Co., Ltd., the surviving company.

(Application of specific accounting for preparing the quarterly consolidated financial statements)

Calculation of tax expenses

Tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the first quarter under review.

(Additional information)

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances
The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

(Segment information, etc.)

[Segment information]

1. Information regarding the amounts of operating revenue and profit or loss by reportable segment

For the three months ended June 30, 2017

(Millions of yen)

	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial
Operating revenue					
(1) Operating revenue from customers	273,360	34,313	11,816	6,777	20,582
(2) Inter-segment operating revenue or transfers	16,986	3,388	2,967	9,191	795
Total	290,347	37,702	14,784	15,969	21,377
Segment profit (loss)	(17,280)	1,823	230	1,789	2,040

	Autoworks	Other (Notes 1, 2)	Total	Reconciliation (Note 3)	Amount recorded in consolidated statement of income (Note 4)
Operating revenue					
(1) Operating revenue from customers	6,113	2,513	355,478	—	355,478
(2) Inter-segment operating revenue or transfers	7,562	24,187	65,079	(65,079)	—
Total	13,675	26,700	420,557	(65,079)	355,478
Segment profit (loss)	1,181	17,157	6,943	(16,944)	(10,000)

Notes: 1. Other includes business-to-business distribution via JITBOX Charter and shared services.

2. Operating revenue in Other includes dividends which the Company received from the Group companies as a pure holding company and the effect of this on operating revenue and segment profit is 17,482 million yen.

3. The adjustment of segment profit resulted from eliminating transactions among segments, etc.

4. We made an adjustment between segment profit and operating loss in the consolidated statement of income.

For the three months ended June 30, 2018

(Millions of yen)

	Delivery	BIZ-Logistics (Note 1)	Home Convenience (Note 1)	e-Business (Note 1)	Financial
Operating revenue					
(1) Operating revenue from customers	299,175	37,071	9,114	6,220	19,820
(2) Inter-segment operating revenue or transfers	16,771	2,975	2,854	9,633	736
Total	315,947	40,046	11,968	15,854	20,556
Segment profit (loss)	6,186	1,118	(3,005)	1,951	1,710

	Autoworks	Other (Notes 2, 3)	Total	Reconciliation (Note 4)	Amount recorded in consolidated statement of income (Note 5)
Operating revenue					
(1) Operating revenue from customers	6,051	3,236	380,690	—	380,690
(2) Inter-segment operating revenue or transfers	8,127	25,414	66,513	(66,513)	—
Total	14,179	28,651	447,204	(66,513)	380,690
Segment profit (loss)	1,249	18,607	27,818	(18,239)	9,578

Notes: 1. Effective from the first quarter ended June 30, 2018, changes have been made to reportable segments for certain businesses as a result of organizational restructuring being carried out to reform organizational structures and innovate the management system under the "KAIKAKU 2019 for NEXT100" medium-term management plan. As the principal points of change, the Technical Network business, which was previously included in Home Convenience, the e-Logistics solution business, e-On Demand solutions business, and Setup and Logistics solutions business, which previously were included in e-Business, are now included in BIZ-Logistics. The segment information for the three months ended June 30, 2017 has been prepared and presented according to the new classification.

2. Other includes business-to-business distribution via JITBOX Charter and shared services.
3. Operating revenue in Other includes dividends which the Company received from the Group companies as a pure holding company and the effect of this on operating revenue and segment profit is 18,593 million yen.
4. The adjustment of segment profit resulted from eliminating transactions among segments, etc.
5. We made an adjustment between segment profit and operating profit in the consolidated statement of income.

3. Supplementary Information

Operating revenue by business

Business segment		For the three months ended June 30, 2017		For the three months ended June 30, 2018		Change (%)	Fiscal year ended March 31, 2018	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		Amount (Millions of yen)	Ratio (%)
Delivery	TA-Q-BIN	247,748	69.7	274,260	72.0	10.7	1,099,341	71.4
	Kuroneko DM-Bin	21,369	6.0	19,814	5.2	(7.3)	82,542	5.4
	Express	10,202	2.9	10,188	2.7	(0.1)	42,456	2.8
	Others	25,085	7.1	24,862	6.5	(0.9)	102,881	6.7
	Eliminations	(31,045)	(8.7)	(29,950)	(7.9)	(3.5)	(125,453)	(8.2)
	Total	273,360	76.9	299,175	78.6	9.4	1,201,769	78.1
BIZ-Logistics	Trading logistics service	9,211	2.6	10,252	2.7	11.3	39,075	2.5
	Sales and Logistics	11,083	3.1	10,679	2.8	(3.6)	46,493	3.0
	Multi maintenance	3,324	0.9	4,235	1.1	27.4	15,586	1.0
	Products Logistics	1,191	0.3	1,319	0.3	10.7	4,797	0.3
	Technical Network*	1,124	0.3	427	0.1	(62.0)	4,428	0.3
	e-Logistics solution*	2,834	0.8	2,867	0.8	1.2	12,381	0.8
	Others*	13,279	3.7	14,384	3.8	8.3	54,516	3.5
	Eliminations	(7,735)	(2.2)	(7,095)	(1.9)	(8.3)	(31,663)	(2.1)
	Total	34,313	9.7	37,071	9.7	8.0	145,614	9.5
Home Convenience	Home convenience	11,157	3.1	8,460	2.2	(24.2)	41,938	2.7
	Business convenience	3,632	1.0	3,513	0.9	(3.3)	16,396	1.1
	Eliminations	(2,973)	(0.8)	(2,859)	(0.8)	(3.8)	(13,467)	(0.9)
	Total	11,816	3.3	9,114	2.4	(22.9)	44,868	2.9
e-Business	Credit card solution	2,411	0.7	2,177	0.6	(9.7)	9,733	0.6
	IT operating	1,760	0.5	1,695	0.4	(3.7)	6,971	0.5
	Web-based mail order solution	1,253	0.4	1,287	0.3	2.7	5,433	0.4
	Others*	11,680	3.3	12,692	3.3	8.7	47,248	3.1
	Eliminations	(10,328)	(2.9)	(11,632)	(3.1)	12.6	(42,549)	(2.8)
	Total	6,777	1.9	6,220	1.6	(8.2)	26,837	1.7
Financial	Payment	9,078	2.6	7,847	2.1	(13.6)	34,883	2.3
	Lease	9,976	2.8	10,060	2.6	0.8	40,498	2.6
	Credit & Finance	897	0.3	870	0.2	(3.0)	3,768	0.2
	Others	1,444	0.4	1,791	0.5	24.1	6,785	0.4
	Eliminations	(813)	(0.2)	(749)	(0.2)	(7.8)	(2,979)	(0.2)
	Total	20,582	5.8	19,820	5.2	(3.7)	82,956	5.4
Autoworks	Truck solution	12,262	3.4	12,666	3.3	3.3	48,768	3.2
	Others	2,053	0.6	2,165	0.6	5.5	8,868	0.6
	Eliminations	(8,202)	(2.3)	(8,780)	(2.3)	7.0	(32,994)	(2.1)
	Total	6,113	1.7	6,051	1.6	(1.0)	24,641	1.6
Other	JITBOX Charter service	2,158	0.6	2,818	0.7	30.6	10,467	0.7
	Others	26,136	7.4	27,514	7.2	5.3	48,935	3.2
	Eliminations	(25,780)	(7.3)	(27,096)	(7.1)	5.1	(47,277)	(3.1)
	Total	2,513	0.7	3,236	0.9	28.8	12,125	0.8
	Total	355,478	100.0	380,690	100.0	7.1	1,538,813	100.0

* Effective from the first quarter ended June 30, 2018, changes have been made to reportable segments for certain businesses as a result of organizational restructuring being carried out to reform organizational structures and innovate the management system under the "KAIKAKU 2019 for NEXT100" medium-term management plan. The principal changes are shown below. The segment information for the three months ended June 30, 2017 and the fiscal year ended March 31, 2018 have been restated to reflect the new classification.

- The Technical Network business that belonged to Home Convenience is included in BIZ-Logistics.
- e-Logistics solution business that belonged to e-Business is presented in BIZ-Logistics, e-On Demand solutions business and Setup and Logistics solutions business that belonged to other in e-Business is presented in other in BIZ-Logistics.