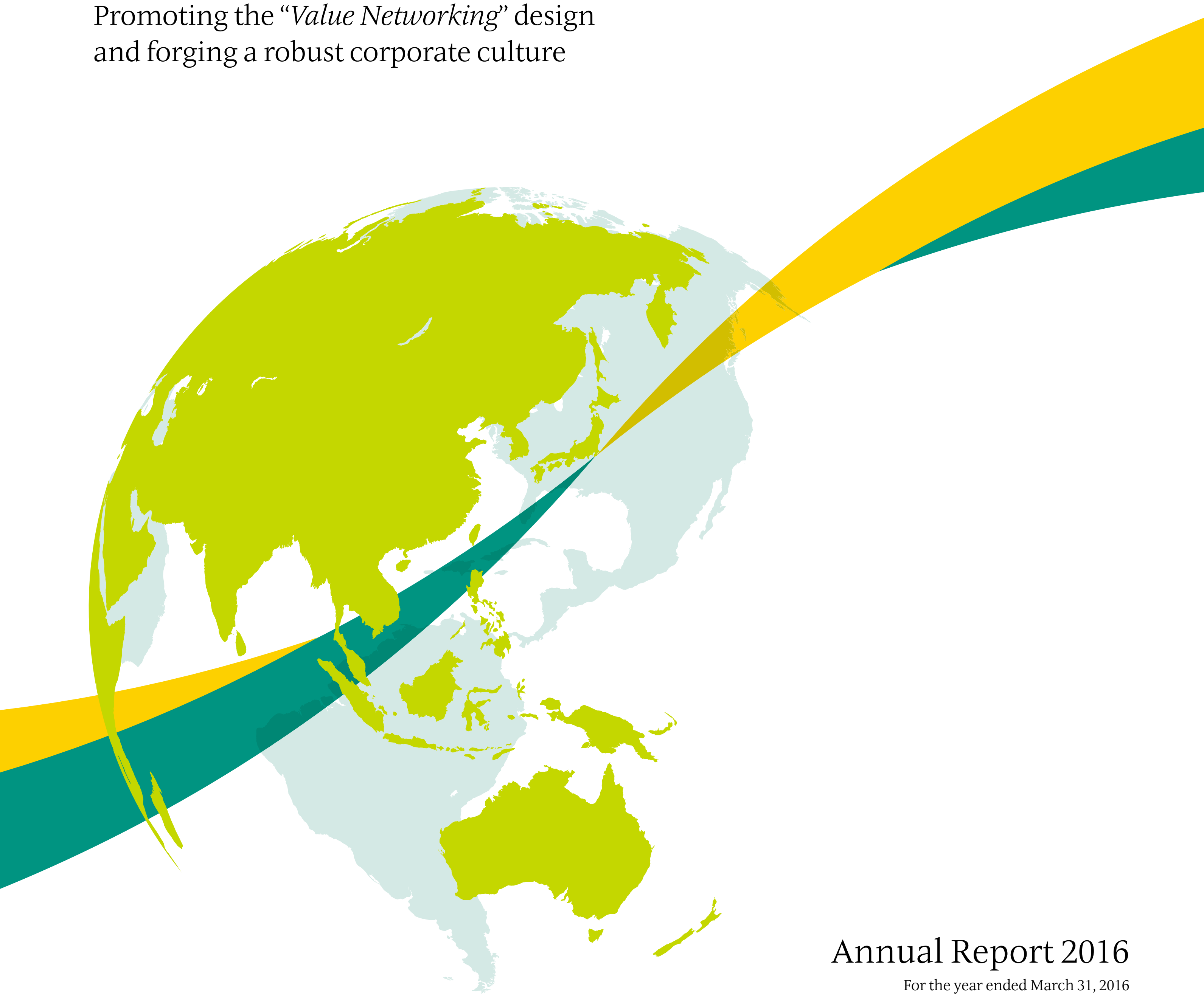
NEW ERA OF GROWTH POTENTIAL

Promoting the "*Value Networking*" design
and forging a robust corporate culture



Annual Report 2016

For the year ended March 31, 2016

YAMATO HOLDINGS CO., LTD.

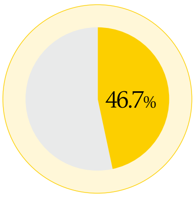
Management Philosophy

The Yamato Group helps enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles, and developing an innovative logistics system.

Profile

The special characteristic of management at the Yamato Group is its "management starts in the field" way of thinking. Formulated in 1931 to serve as its founding spirit, the Company's precepts, which have not changed once since the *TA-Q-BIN* services were started in 1976, are positioned as the genesis of the Yamato Group. The Yamato Group has been creating unprecedented services that are needed by society to respond to changes in social structure, markets, and customer needs (companies and consumers), which have been subtly perceived by employees in the field on the front line of business. These efforts have given the Yamato Group of today its competitive edge.

Domestic Parcel Delivery Market Share

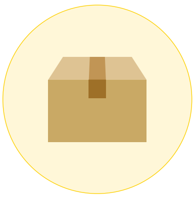


No.1

Proportion of Japan Covered by *TA-Q-BIN* Network

100%

TA-Q-BIN Annual Delivery Volume



1.7 billion parcels

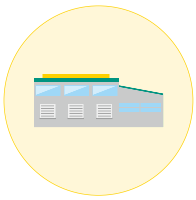
Employees

Approx.
200,000

Sales Drivers

Approx.
60,000

TA-Q-BIN Centers



Approx.
6,000*

* Number of organizations

Editorial Policy

Having built up long-standing relationships of trust with all of its many and varied stakeholders, the Yamato Group discloses not only information of a legal nature but also information considered necessary for those stakeholders. The Yamato Group adopted the policy that such information shall be conveyed promptly and accurately as well as fairly and equitably. Conveying information, including that of a non-financial nature, on such aspects as management strategies, business overviews, corporate governance, and corporate social responsibility (CSR) activities, this annual report is intended to comprehensively deepen the reader's understanding of the Yamato Group. Please visit our website for more detailed information.

Business Foundation Expanded with *TA-Q-BIN* at Its Core

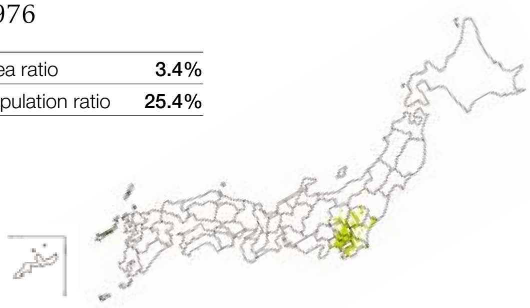
Expansion

Not confining ourselves to simple "delivery," in the case of *TA-Q-BIN* we are aiming for unique services that exceed the expectations of society and customers at the same time as services that provide high-value-added logistics infrastructure. Leveraging our network, which extends to every corner of Japan, to accurately assess the individual needs of our customers, from those sending packages to those receiving them, helps create more pleasant and convenient services.

Expansion of *TA-Q-BIN* Network

1976

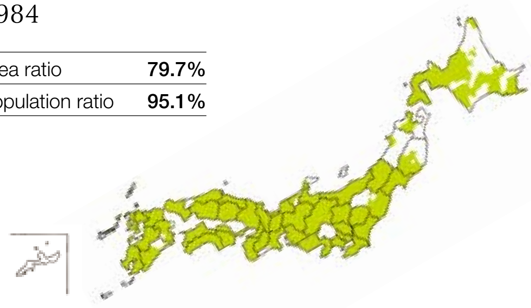
Area ratio	3.4%
Population ratio	25.4%



Founded in 1919, Yamato Transport Co., Ltd., launched its *TA-Q-BIN* business in 1976. Its initial delivery area was confined to the Kanto area, and business started on the first day with a mere 11 shipping items.

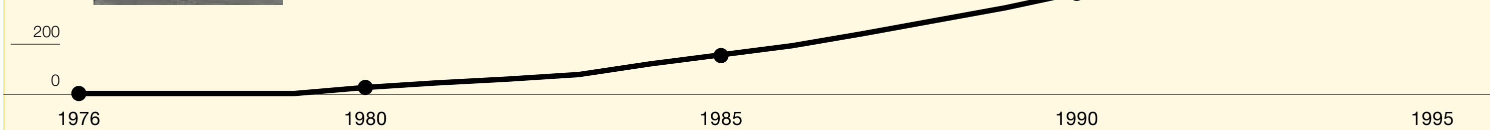
1984

Area ratio	79.7%
Population ratio	95.1%



The *TA-Q-BIN* network expanded to cover approximately 80% of Japan, and the number of *TA-Q-BIN* agencies reached 80,000 in 1984. The number of employees exceeded 10,000, and Yamato had grown significantly as a company.

TA-Q-BIN Delivery Volume and Development History for Products and Services



1976

Launch of *TA-Q-BIN* service

Need

Increased proliferation of package delivery services between people

1983 / 1984

***Ski TA-Q-BIN* service / *Golf TA-Q-BIN* service**

Need

Increase in lifestyles that emphasize the easy enjoyment of leisure

1986

TA-Q-BIN Collect

Need

Rise of varied settlement needs when utilizing mail-order sales operators

1988

***Cool TA-Q-BIN* service**

Need

Heightened awareness of food freshness

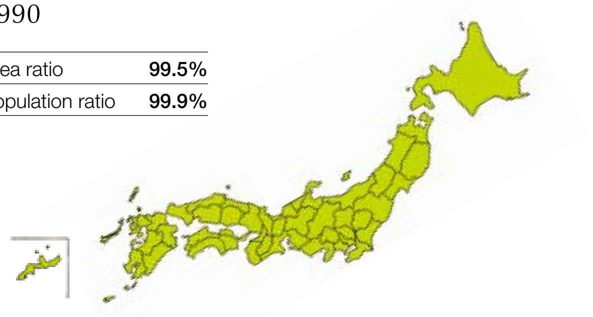
TA-Q-BIN is the Yamato Group's flagship service offering. Since its launch in 1976, we have pursued a strategy of differentiation based on the development of additional strategic offerings and an improvement in delivery quality. As a result of these efforts, the Yamato Group has outperformed the growth in the express parcel delivery market as a whole and steadily expanded its market share. The Yamato Group is currently developing its overseas *TA-Q-BIN* business across Asia.

TA-Q-BIN Delivery Volume

1980
22.26 million parcels → 2016
1.7 billion parcels

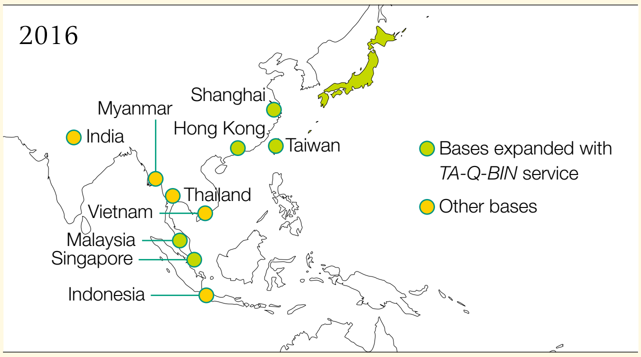
1990

Area ratio	99.5%
Population ratio	99.9%



By 1990, *TA-Q-BIN* network coverage extended to 99.5% of Japan. We commenced *TA-Q-BIN* services on the Bonin (Ogasawara) Islands in 1997, completing a nationwide *TA-Q-BIN* network.

2016



TA-Q-BIN business in Taiwan commenced in 2000 as the first overseas base in Asia. As at the end of March 2016, the Company had a total of five overseas bases in operation: Shanghai, Singapore, Hong Kong, Malaysia, and Taiwan. We will extend the *TA-Q-BIN* business to other parts of the world in the years to come, focusing on East Asia and members of ASEAN.

1998
Time Period Delivery
Need
Growing need for specific time zone for delivery in keeping with changing lifestyles

2004
***Driver Direct* service**
Need
Differentiation to speedily respond to customers' requests

2007
***Kuroneko Members* service**
Need
Service diversification through proliferation of IT

2010
***TA-Q-BIN* service expansion in Asia**
Need
Development of logistics infrastructure in Asia

2013
***International Cool TA-Q-BIN* service**
Need
Further diversification and sophisticated *TA-Q-BIN* needs

2013
Completion of *Haneda Chronogate*, the largest general logistics terminal in Japan
Need
Creation of value added through logistics

2015
TA-Q-BIN Compact / Nekopos
Need
Attributable to an expanding e-commerce market, response to the need to send small packets at reasonable prices

2000 2005 2010 2015 2016

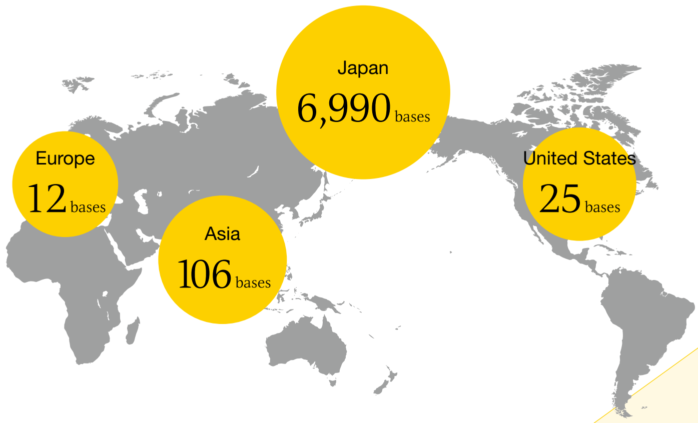
Management System That Creates New Value

Management Philosophy

The Yamato Group helps enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles, and developing an innovative logistics system.

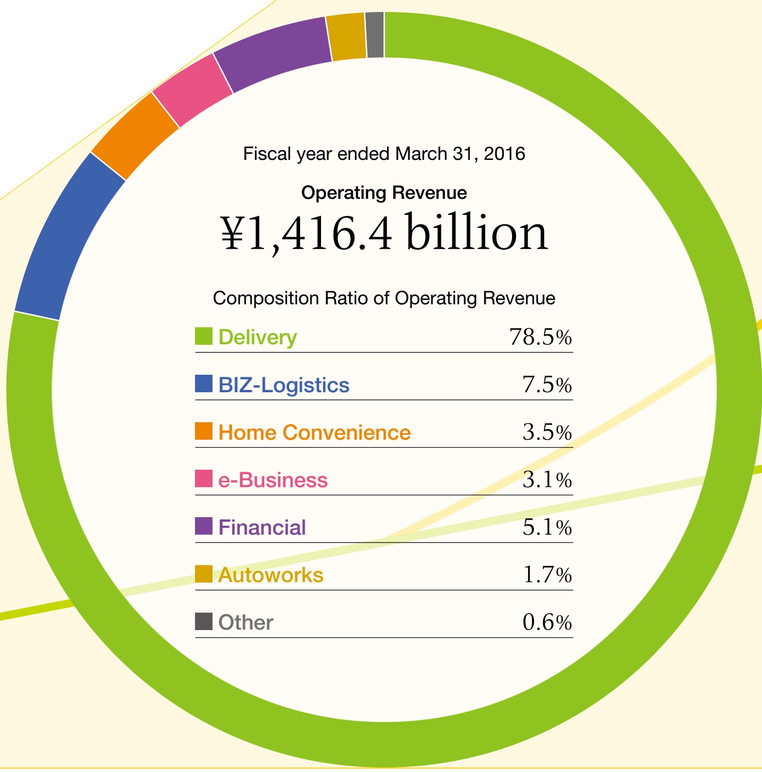
Growing Number of Business Facilities in Japan and Overseas

The Yamato Group is currently operating 7,133 business facilities in the world. With the aim of becoming Asia's No. 1 solution provider in distribution and lifestyle support, our goal in the final year of the long-term *DAN-TOTSU Management Plan 2019* that was formulated in 2011, we are naturally making progress as a unified Group with the enhancement of domestic business as well as overseas business, including the growth market of Asia.



Creation of New Value following Organic Integration of Delivery Business and Non-Delivery Businesses

Under the previous operating holding company structure, Yamato Transport Co., Ltd., had both a management supervisory function and a delivery business execution function. Therefore, the management of the entire Group was biased toward the delivery business. In November 2005, we launched a pure holding company, Yamato Holdings Co., Ltd., which assumed the decision-making and supervisory functions, and under the new structure each business company, including Yamato Transport Co., Ltd., fulfills executive functions as part of the holding company. This move was designed to grow not only the delivery business but also the non-delivery businesses by accelerating the management speed.



Amid diversifying social needs, we generated business beyond the *TA-Q-BIN* framework, inaugurated a holdings system in 2005 to continue business promotion, and formulated a new management philosophy.

Delivery Business

Delivery

The Delivery Business provides small parcel delivery services for the general public and corporations. Guided by its basic corporate philosophy of “Total Reliability,” the business provides mainly *TA-Q-BIN* services to improve convenience in customers’ lives.

Non-Delivery Businesses

BIZ-Logistics

The BIZ-Logistics Business is a corporate distribution operation involved in services such as logistics and medical products distribution. The business provides customers with an innovative logistics system by combining management resources such as the *TA-Q-BIN* network with maintenance and recall response as well as international transport functions.

Home Convenience

The Home Convenience Business is a community-based lifestyle support operation that provides services such as the pickup, delivery, and assembly and installation of home furnishings and appliances. The business provides lifestyle-related services utilizing the Yamato Group’s nationwide network, with the aim of supporting the convenient and comfortable lifestyles of customers.

e-Business

The e-Business comprises operations in contract data processing and information systems development. The e-Business provides solutions that integrate data, distribution, and settlement functions to raise business process efficiency and solve potential business problems that customers face.

Financial

The Financial Business provides settlement services and financial products for corporations and the general public. From payment collection on mail-order product deliveries to business-to-business (B2B) logistics settlement, the Financial Business is striving to respond to every means of settlement to meet the needs of customers.

Autoworks

The Autoworks Business performs the maintenance and upkeep of trucks and other vehicles for logistics and distribution business operators under contract. Utilizing technologies for reliably maintaining and repairing trucks, the Autoworks Business provides three forms of value: 1) compliance with statutory vehicle inspections, 2) convenient vehicle maintenance, and 3) reduced maintenance and repair costs.

Other

The Yamato Group’s Other segment provides box charter business, such as the *JITBOX Charter* service, and extensive shared services centered on the trunk-route transport business.

Yamato Group's Medium- to Long-Term Management Plan

Strategy

Based on the nine-year, long-term *DAN-TOTSU Management Plan 2019* that is designed to establish the Yamato Group in the position of being Asia's No. 1 solution provider in distribution and lifestyle support by the fiscal year ending March 31, 2020, which will mark the 100th anniversary of the Company's founding, the Group is aiming to create new businesses and accelerate growth. Dividing the nine years into the three stages of *HOP*, *STEP*, and *JUMP*, under the second-stage *DAN-TOTSU Three-Year Plan STEP* medium-term management plan (from the year ended March 2015 to the year ending March 2017), the Group is leveraging and strengthening the business foundation built under *HOP* and ensuring a sure-footed leap in the final *JUMP* phase by enhancing its underpinning growth strategy.

HOP

Year Ended March 31, 2012—Year Ended March 31, 2014

- Further strengthening the business foundation and networks

STEP

Year Ended March 31, 2015—Year Ending March 31, 2017

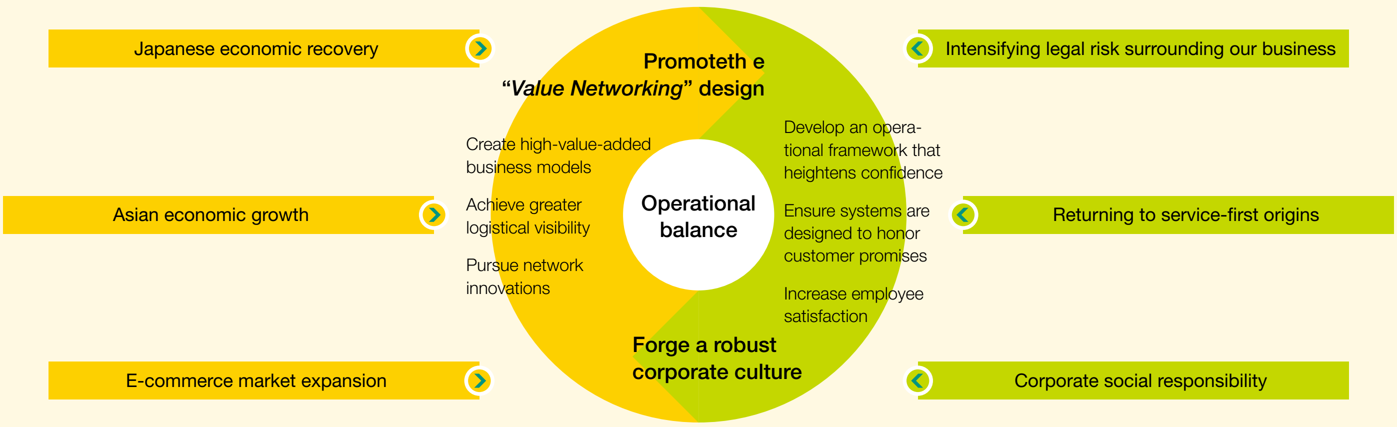
- Leveraging the business foundation built under *HOP*
- Ongoing efforts to further strengthen the business foundation and networks

Overview of *DAN-TOTSU Three-Year Plan STEP*

Under *DAN-TOTSU Three-Year Plan STEP*, the Company is carrying out a plan based on two strategies: promoting the "*Value Networking*" design and forging a robust corporate culture.

In promoting the "*Value Networking*" design, the Company creates high-value-added business models by further strengthening the business foundation, such as *Atsugi Gateway* and *Haneda Chronogate*, which were constructed under the previous medium-term management plan *HOP*, and by promoting logistics network innovation. By making thorough improvements in cost, quality, and speed, the Company brought about an evolution in logistics and the means to create value. In addition, from a global perspective, the Company is aiming to create new markets centered on Yamato Asia, its supervisory company in the ASEAN region.

In forging a robust corporate culture, the Company has put in place a framework to maintain quality that will be trusted by customers by further enhancing its governance and the promotion of CSR and by planning to build a stable business foundation to bring about business creation and growth.



The Yamato Group is making headway in its aim to become Asia's No. 1 solution provider in distribution and lifestyle support to maximize both corporate earnings and corporate value.

JUMP

Year Ending March 31, 2018—Year Ending March 31, 2020

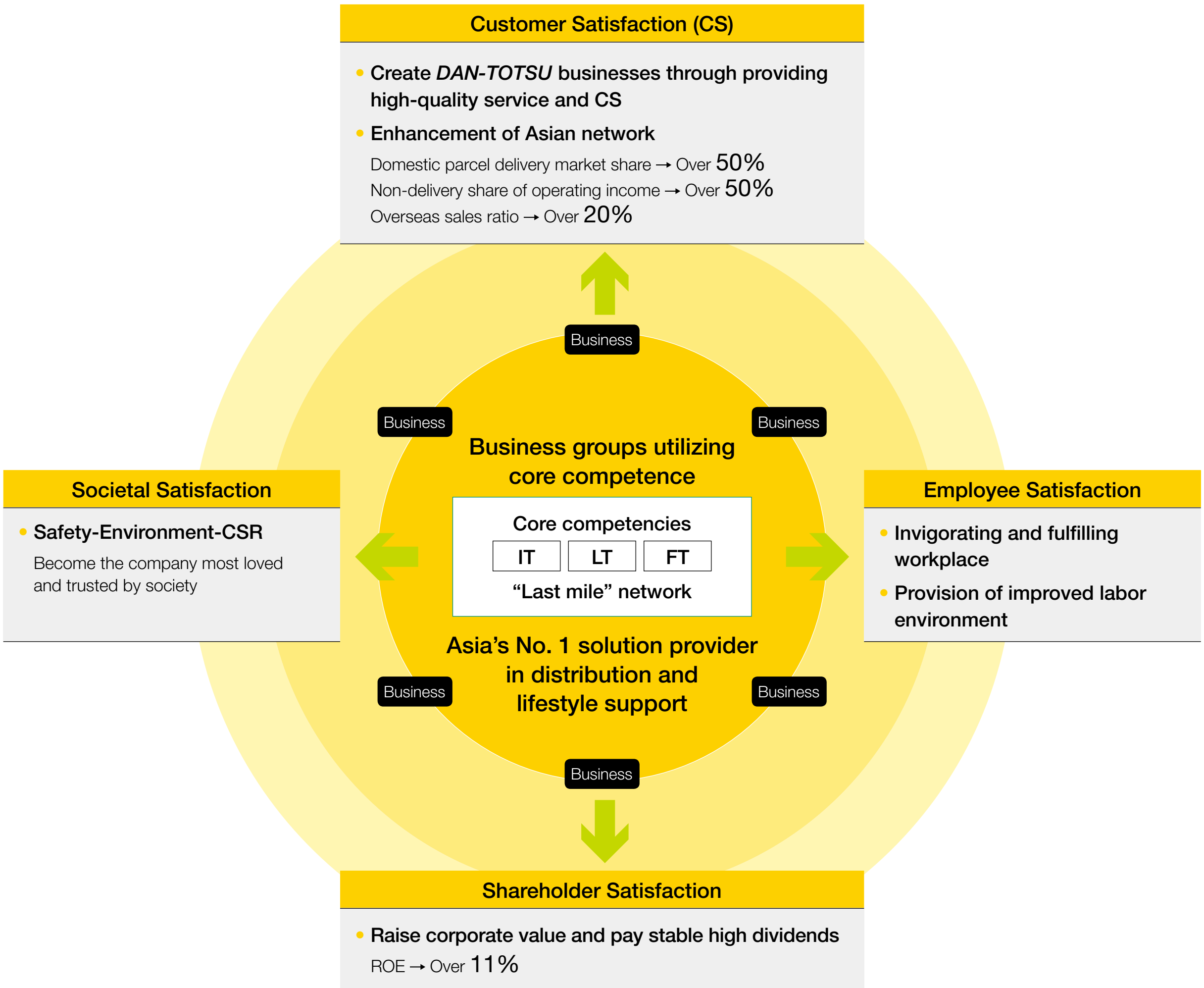
Long-term *DAN-TOTSU Management Plan 2019*
Asia's No. 1 solution provider in distribution and lifestyle support

Long-term *DAN-TOTSU Management Plan 2019*

(1) Delivery: Secure growth resources for non-delivery businesses through recovery in *TA-Q-BIN* growth momentum

(2) Non-delivery: Create businesses and accelerate growth momentum

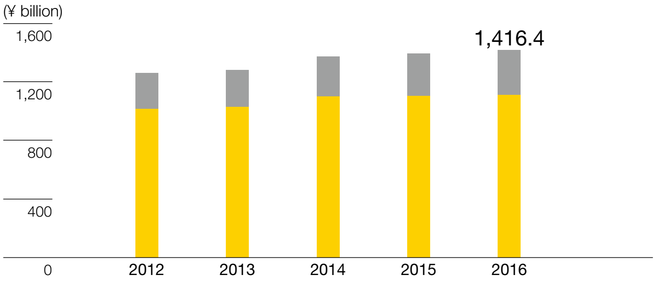
(3) Strengthen governance and promote CSR



Performance Highlights

Fiscal years ended March 31

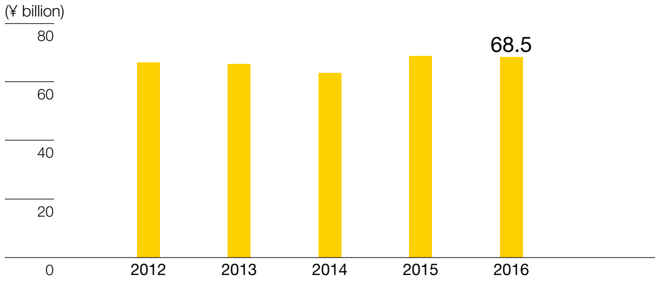
Operating Revenues



Delivery Business
Non-delivery Businesses

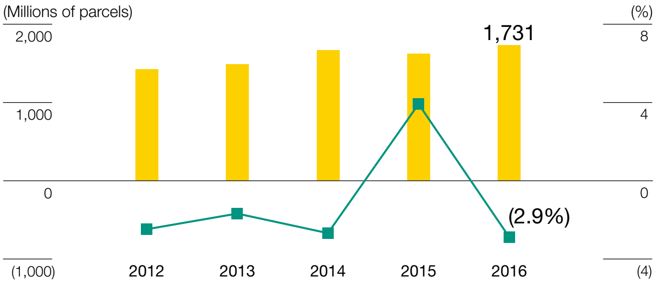
Besides an increase in *TA-Q-BIN* delivery volume in the Delivery Business due to an increase in primarily large-lot shipments for mail-order customers and the growth of new services, operating revenues increased 1.4% year on year, to ¥1,416.4 billion, due to steady growth in non-delivery businesses.

Operating Income



Despite the effectiveness of cost controls on *TA-Q-BIN* delivery volume, operating income edged down 0.6%, to ¥68.5 billion, as a result of such factors as the growth achieved by the new *TA-Q-BIN* services failing to make up for the adverse effects of discontinuing the *Kuroneko Mail* service.

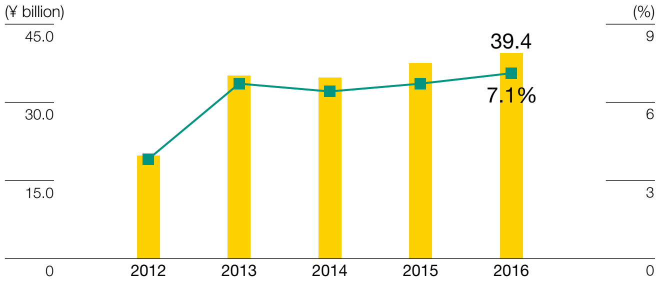
TA-Q-BIN Delivery Volume / *TA-Q-BIN* Unit Price Growth Rate (YoY)



TA-Q-BIN Delivery Volume (left scale)
TA-Q-BIN Unit Price Growth Rate (YoY) (right scale)

Due to a range of factors, including the growth of new services and the increased number of shipments for primarily large-lot mail-order customers, *TA-Q-BIN* delivery volume increased 6.7% year on year, to 1,731 million parcels. In contrast, with a change in the composition of the delivery volume, the *TA-Q-BIN* unit price growth rate decreased 2.9% year on year.

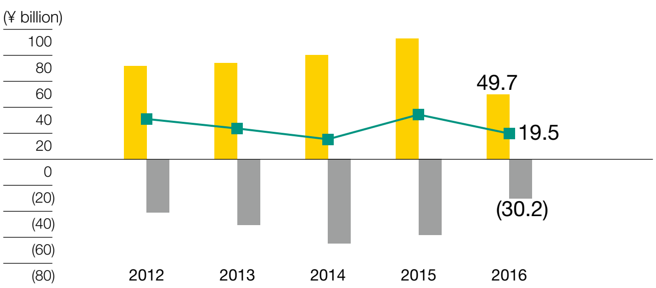
Net Income Attributable to Owners of Parent / ROE



Net Income Attributable to Owners of Parent (left scale)
ROE (right scale)

Net income attributable to owners of parent increased 5.0% year on year, to ¥39.4 billion. ROE thus edged up 0.4 of a percentage point compared with the previous fiscal year and stood at 7.1%.

Operating and Investing Cash Flows / Free Cash Flows*

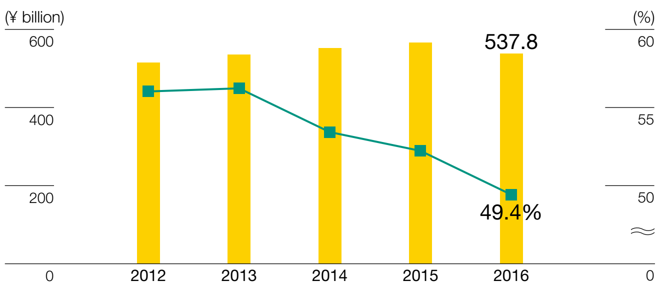


Cash Flows from Operating Activities
Cash Flows from Investing Activities
Free Cash Flows

As a result of net cash provided by operating activities falling ¥42.9 billion year on year, and net cash used in investing activities increasing ¥28.3 billion, free cash flows decreased ¥14.7 billion year on year.

* Free Cash Flows = Cash Flows from Operating Activities + Cash Flows from Investing Activities

Total Shareholders' Equity / Shareholders' Equity Ratio



Total Shareholders' Equity (left scale)
Shareholders' Equity Ratio (right scale)

Due to investments to expand networks in the Asian region as well as the issuance of bonds that were allocated to working capital, the shareholders' equity ratio decreased 2.8 percentage points year on year, to 49.4%. However, the Group's financial base remained as highly sound as ever.

Contents

Forward-Looking Statements
This annual report contains forward-looking statements concerning Yamato Holdings' future plans, strategies, and performance.
These statements represent assumptions and beliefs based on information currently available and are not historical facts.
Furthermore, forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, customer demand, foreign currency exchange rates, tax laws, and other regulations.
Yamato Holdings therefore cautions readers that actual results may differ materially from these predictions.

Applying the finishing touches to the "*Value Networking*" design, we are building momentum to make great strides going forward.

In addition to having completed the construction of innovative logistics hubs, such as *Haneda Chronogate, Atsugi Gateway*, and *Okinawa Southern Gate*, the Yamato Group is pushing ahead with its "*Value Networking*" design, which was announced in 2013. I would like to take this opportunity to explain the specific path and what moves the Company will now be making for that future leap to be a sure-footed one.

The fiscal year ended March 31, 2016, was a year in which we steadily addressed the tasks that needed to be done, and the change was noticeable.

Looking back, the fiscal year ended March 31, 2016, was a year in which the Yamato Group enabled three changes to take shape. The first was progress with the "*Value Networking*" design, which the Company has positioned as its "third innovation." By innovating our network and spurring logistics to evolve from a focus on cost to the means for generating new value, we are making progress with our avowed vision of realizing logistics reform for our customers, no matter the nature or scale of their businesses. In addition to establishing the new Okinawa global logistics center *Southern Gate* in 2015 as a geopolitical strategic hub connecting Japan with Southeast Asia, the "*Value Networking*" design is making steady progress, reflected by the opening of *Chubu Gateway* in October 2016 and *Kansai Gateway* in 2017.

The second change was the Company's launch of new *TA-Q-BIN* services. When we discontinued the previous *Kuroneko Mail* service and launched *Kuroneko DM-Bin*, we introduced our new strategic products, *TA-Q-BIN Compact* and *Nekopos*, whose main target is the still-burgeoning e-commerce (EC) market.

The third change was the development of globalization. As always, the Company has been aiming on a daily basis to make its *TA-Q-BIN* services more deep-rooted in every part of Asia. At the same time, efforts have been made to focus on expanding the network, such as *Haneda Chronogate* and the *Okinawa International Logistics Hub*. Especially in the fiscal year under review, we made proactive efforts to expand and upgrade in particular *International Cool TA-Q-BIN*, which delivers Japanese agricultural and fishery products to Asia. After adding Hong Kong and Taiwan, where sales had commenced in the previous fiscal year, our latest efforts resulted in the start of sales to Singapore and Malaysia. In January 2016, we concluded a business collaboration and capital alliance agreement with GD Express Carrier Bhd., one of the leading parcel delivery companies in Malaysia. Seizing the opportunities that this collaboration will present to us, we will raise our presence in Malaysia by expanding across the entire country the network that up until now has been centered on cities as well as by responding to high-quality small parcel transportation needs.

In contrast, regarding the Company's financial results, there was a decrease in earnings over the year. In addition to results for the new *TA-Q-BIN* services being unable to make up for the effects of discontinuing the *Kuroneko Mail* service, costs were incurred in advertising the new services and in switching systems. When dividing results into the first half and second half of the year, however, business performance in the latter marked an all-time high in terms of operating income. The major contributory factors to the record-high operating income in the second half were not confined solely to the steady growth of the new services; in addition to realizing further growth by skillfully capturing business from the expansion of e-commerce with our existing *TA-Q-BIN* services, added impetus was provided by lower crude oil prices and the precise accomplishment of cost improvements through cost controls. My assessment is that we have achieved changes in a form that bodes well for the future.

Masaki Yamauchi

Representative Director,
President and Executive Officer

What sets us apart from competitors are different types of added value

A variety of moves, including business collaborations, are evident in the logistics industry. However, the "*Value Networking*" design for which we are aiming represents an unprecedented concept. For example, in the standard service for third-party logistics, or 3PL, customers' packages are received, stored, and delivered in this order. This is a service that, so to speak, undertakes logistics management directly. In contrast, by fusing the added value of information technology (IT), logistics technology (LT), and financial settlement technology (FT) in the "last mile" network that is regarded as our strength, the "*Value Networking*" design is able to provide benefits—including "parcel shipments and storage locations are not selected," "costs that do not go up, even if speed and quality do," and "no distinction made on account of a customer's business scale and distribution volume"—to multiple customers at the same time, which represents a service that has clearly set itself apart from conventional 3PL services. With the extension of the "last mile" network via approximately 4,000 stores that are spread across Japan, the impression is made of "last mile" as a cloud-based network, meaning customers can use the stores for the amount they need when they need it, regardless of location.

Meanwhile, in the case of a conventional 3PL service, the location and function are fixed, thus there is the possibility that any changes, such as adjustments in procurement channels or an increase in the number of suppliers, will require time and incur costs.

I am confident that the "*Value Networking*" design, which is capable of utilizing the network for just the amount needed and at the required location, will match the needs of many different customers, including manufacturing industries where mixed model/low volume production is demanded, and e-commerce (EC) businesses that ship various amounts in unspecified numbers. With the added value that the "last mile" network offers, I am expecting the Company to evolve into a high-profit structure by asking for appropriate fees commensurate with this added value.

Business opportunities that grow due to changes in the world and society

I believe the Company's business opportunities can be broadly divided into two types.

First, there is a global shift toward borderless logistics. I think this will increasingly develop primarily in Asia and represent a major business opportunity for us. This is an area that is already being addressed, but by leveraging the high-quality, meticulous services that we have built up in Japan, we will steadily make inroads and expand in the growth markets of ASEAN.

The second business opportunity is the informatization of society. If we reach the point at which more detailed information is passing back and forth at even greater frequency, it follows that we will reach a point at which the speed demanded of logistics will also be even greater than it is now. If this occurs, there should be an increasing need for speedier and, although in small lots, high-frequency transportation, even in conventional B2B logistics. Moreover, I believe that the rate at which various pieces of information are exchanged and the benefits demanded from products will become more complex. For instance, it is conceivable that consumer needs will become even more diversified, such as food harvested in a specific producing area or cosmetics with ingredients in combinations that are ideally suited to specific consumers. In other words, since responding to each and every request will be required more than ever and such requests will be of an even more customized nature, it is expected that we may not be limited to transporting goods, and the necessity of performing a variety of processes will also arise.

As always, we have been expanding and upgrading our IT, LT, and FT functions. Therefore, we take pride in being able to respond fully to these types of customized needs. By demonstrating our comprehensive strengths and steadily riding the informatization of society wave, I would like these efforts to lead to business opportunities.

I believe the Company's business opportunities can be broadly divided into two types.

First, there is a global shift toward borderless logistics. The second business opportunity is the informatization of society.

Realizing improvements in service value and productivity by technological capabilities

Another topic that is attracting attention is the Internet of Things (IoT). A typical example of how to leverage this technology is to embed sensors in equipment to collect and analyze a variety of data and controlling maintenance costs by carrying out maintenance at appropriate times to minimize equipment failures. Efforts such as these are gradually spreading among our customers. Furthermore, services are appearing that include, for example, the utilization of the IoT to determine the amount of toner remaining in a printer and to automatically send more toner directly before it runs out. Before these moves are adopted in earnest, I would like to make steady progress with IT investments in such a way that we can be sure to keep ahead so that everything can be linked together as a system.

Logistics is not just about transporting packages. For example, in addition to collaborating with manufacturers to ascertain how best to supply a product to consumers, we build up a picture of what types of processes will be performed up until the time that product is delivered into the hands of the consumer. We believe we can establish extremely efficient logistics by building a system together with those manufacturers. This simply means that we will adopt a style that differs from traditional logistics.

There will also be changes made to the efficiency of the Company's *TA-Q-BIN* services by further leveraging information and communication technology (ICT). By increasing the amount of information received prior to delivery, such as the delivery volume, delivery route, and weather, sales drivers can be better prepared for the next day's work, and more meticulous communication with customers regarding such matters as changes in the specified delivery time prior to delivery will also be possible. Even if the delivery is for the next day, interactions with customers will be completed the day before. Such changes are going to happen. As a result, this will lead to a reduction in cases where the customer is not present at the time of delivery, which is a social issue, as if a customer knows in advance the type of package that is coming and to what location it will be sent, artificial intelligence (AI) will make it possible to calculate beforehand the optimal delivery route and storage location. Since this will improve service quality and operational efficiency, and subsequently lead to further improvements in our profit margins, I would like to make steady investments in this area.

To remain as a company that is needed by society

I believe that the survival of a company rests on whether it is needed by society. In other words, whether a company is capable of continuing to create services in response to change is the key. In order to perceive such change, it is necessary to attach importance to the front line, since if you value the front line, not only the challenges with which deliveries are beset but also the social problems encountered with respect to each region will be visible. Having an awareness of creating shared value (CSV), which is referred to as Project G for "government," we would like to provide new value that revitalizes local economies and brings about improvements in convenience for local residents through corporate activities. The same applies not

We will launch the next medium-term management plan, *DAN-TOTSU Three-Year Plan JUMP*, in April 2017. The fiscal year ending March 31, 2017, is a year for the Group to make steady preparations for *JUMP*.

only in Japan but also elsewhere in Asia. The ongoing problems of a decreasing birthrate and an aging population tends to be seen as unique to Japan, but at some point the time will come when other Asian regions will also be faced with the same demographic issues. At that time, we will be able to apply the knowledge we have gained in Japan. As a leading company in resolving social issues, I would like the Yamato Group to be a company that plays an active role globally in this regard.

Another important point concerning the survival of the Company is the strengthening of governance. Of the Company's five directors, two are outside directors. Although the Board of Directors is small in number, the balance of inside and outside directors is exceptionally good, and we pride ourselves in being able to send feedback to management with respect to global trends and changes in society from an objective point of view. The relationship between the inside directors who are well-versed in logistics and the outside directors who offer new perspectives and views functions well.

In conclusion

We will launch the next medium-term management plan, *DAN-TOTSU Three-Year Plan JUMP*, in April 2017. The fiscal year ending March 31, 2017, is a year for the Group to make steady preparations for *JUMP*. With regard to the "*Value Networking*" design, following the sequential progression until now of *Haneda Chronogate, Atsugi Gateway*, and *Okinawa Southern Gate*, we have expanded and upgraded the base network while accelerating its development across Asia. In addition, the "*Value Networking*" design is becoming more and more ingrained through the practical use of new services by customers at *Haneda Chronogate* and elsewhere. In the years to come, we plan to complete the domestic gateways linking the Kanto area, Chubu area, and Kansai area, while invigorating cross-border transportation within Asia and aiming for dramatic growth during the course of *DAN-TOTSU Three-Year Plan JUMP*. Looking ahead to the Company's centenary year in 2019, we will add the finishing touches to the measures we have been addressing until now, so please expect great things from the Yamato Group as it rises through the *HOP* and *STEP* stages on its way to the *JUMP* growth stage.

September 2016

M. Yamauchi

Masaki Yamauchi
Representative Director,
President and Executive Officer

Message from the Chief Financial Officer

In addition to bringing about improvements in profitability by steadily carrying out the business plans and making all-out efforts toward profit growth, we are targeting an improvement in corporate value by conducting investments for business growth that draw on our robust financial foundation.

Kenichi Shibasaki

Senior Managing Executive Officer
Responsible for Financing and Accounting and Investor Relations

Business Performance in Year Ended March 31, 2016

In the fiscal year ended March 31, 2016, operating revenues increased ¥19.7 billion compared with the previous fiscal year, due to growth in the *TA-Q-BIN* and non-delivery businesses and other factors. Despite the effectiveness of cost optimization on *TA-Q-BIN* delivery volume, operating income edged down ¥0.4 billion year on year, as growth achieved by new *TA-Q-BIN* services failed to make up for the adverse effects of discontinuing the *Kuroneko Mail* service.

Despite high levels of corporate earnings in the fiscal year under review, the operating environment was plagued by a lack of firm business sentiment amid the negative impacts of the economic slowdown in emerging nations and the appreciation of the yen. With regard to personal consumption, real wages languished and buying behavior still remained stagnant amid deeply entrenched anxieties over the prospect of rising prices. The Yamato Group also continued to face harsh operating circumstances as tight labor market conditions persisted. In this environment, we are working toward achieving the objectives of the long-term *DAN-TOTSU Management Plan 2019* and the medium-term management plan *DAN-TOTSU Three-Year Plan STEP*. To that end, we are focusing on the creation of a business model for generating substantial added value by building a premium-quality network to enable efficient logistics and the fusing together of the Group's business resources.

In the Delivery Business, we achieved greater customer use of the new *TA-Q-BIN Compact* and *Nekopos* services launched in April 2015, thanks to increased sales to mail-order business operators and progress made in forming partnerships with flea market websites. Operating revenues in the Delivery Business rose as a result of greater *TA-Q-BIN* delivery volume centered on our new services. Regarding income, however, earnings decreased because growth in business generated by *Kuroneko DM-Bin* and the new services did not make up for the impact of the discontinuation of the *Kuroneko Mail* service.

In the non-delivery businesses, we took steps to expand our existing service offerings by enlisting the strengths of Group companies, while also drawing on Groupwide ties as we aggressively promoted solution sales geared toward addressing customers' business challenges. As a result, the BIZ-Logistics Business, the Home Convenience Business, and the e-Business all achieved increases in operating revenue and operating income. Meanwhile, the Financial Business and the Autoworks Business, which had been impacted by a shrinking market for cash-on-delivery settlement and the lower unit price of fuel, respectively, unavoidably suffered declines in operating income.

Although there was a counteraction from the special air cargo demand that had arisen from the strikes at U.S. seaports in the fiscal year ended March 31, 2015, in the BIZ-Logistics Business the services that have helped innovate logistic operations for medical service providers and mail-order services recorded strong performances. Operating revenue in the Home Convenience Business did not increase by a significant amount due to a fall in the number of large home appliances handled for transportation and installation brought on by regulations on the supply and demand of electricity. However, thanks to the strong performance of *Comfortable Lifestyle Support Service*, which is used mainly on weekdays, weekday capacity utilization rates increased, contributing to an improvement in profitability. Not only did the e-Business see a continued expansion in sales for the e-money settlement system, the "Setup and Logistics Solution business," which works with companies such as telecommunications equipment companies, also made a good showing, thus contributing to an increase in both revenue and profit.

As a result of the above, operating revenues for the fiscal year ended March 31, 2016, increased ¥19.7 billion year on year, or

1.4%, to ¥1,416.4 billion, and operating income edged down ¥0.4 billion, or 0.6%, to ¥68.5 billion. Net income attributable to owners of parent for the fiscal year under review increased ¥1.9 billion, or 5.0%, to ¥39.4 billion.

Year Ending March 31, 2017 Forecasts

The final year of the medium-term management plan *DAN-TOTSU Three-Year Plan STEP*—the fiscal year ending March 31, 2017—is positioned as a year for establishing a solid footing to make rapid progress under the next medium-term management plan, *DAN-TOTSU Three-Year Plan JUMP*. As well as creating additional services to realize "*Value Networking*" design that targets B2B logistics, I believe it will be necessary to continue making services easier to use for a greater number of customers. We will plan to expand our business domains and enhance overseas business through proactive investment geared toward growth over the medium-to-long term.

We forecast consolidated operating revenues will increase ¥43.6 billion (3.1%) year on year, to ¥1,460.0 billion, while operating income will decrease ¥3.5 billion (5.2%), to ¥65.0 billion. We are expecting the increases in revenue to continue due to such factors as a rise in *TA-Q-BIN* delivery volume and growth in the non-delivery businesses. In contrast, for operating income we are factoring in the negative impact of approximately ¥8.0 billion from external factors such as the growing size-based enterprise tax burden, the rising retirement benefit costs that accompanied changes in the discount rate, and the increased social insurance costs that followed the expansion of insurance coverage due to changes in social insurance systems.

Long-Term Management Plan and ROE

The entire Yamato Group is pushing forward in unison with a view to converting into more tangible forms its management philosophy of helping to "enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles, and developing an innovative logistics system." To this end, the Yamato Group formulated *DAN-TOTSU Management Plan 2019* in January 2011 to strive as much as possible to become Asia's No. 1 solution provider in distribution and lifestyle support by the fiscal year ending March 31, 2020, which marks the 100th anniversary of the Company's founding. Under this long-term plan, we aim to raise the levels of satisfaction of all our stakeholders, including shareholders, customers, society at large, and employees.

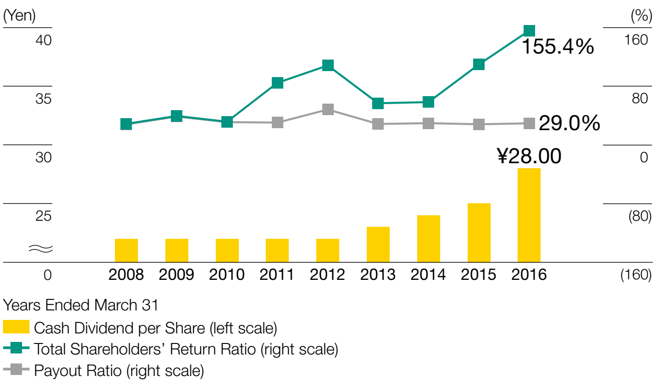
My view with regard to ROE, which has been positioned to serve as an important indicator toward enhanced shareholder value, is to prioritize working to boost operating income and to bring about an improvement in ROE by the sum of business and financial strategies. In addition to bringing about improvements in profitability by carrying out the business plans, we are working to enhance capital efficiency by implementing capital measures that draw on our robust financial foundation, while recognizing that factors linked to improvements in corporate value will present a challenge.

Implementation of Capital Policies to Enhance Financial Quality and Basic Policy on Shareholder Returns

While placing top priority on profit growth toward a sustainable improvement in shareholder value, the Yamato Group flexibly reviews and implements the payment of dividends to all its shareholders with a targeted consolidated dividend payout ratio of 30% of consolidated net income. During the fiscal year ended March 31, 2016, we purchased and retired ¥50.0 billion in treasury stock. ROE edged up 0.4 percentage point compared with the previous fiscal year, to 7.1%, and the total shareholders' return ratio, a combination of both dividends and purchase of treasury stock, exceeded 100%.

For the fiscal year ended March 31, 2016, annual dividends amounted to ¥28 per share (comprising ordinary dividends of ¥13 and commemorative dividends of ¥2 for the 40th anniversary of launching *TA-Q-BIN*), ¥3 higher than in the previous fiscal year, and the consolidated dividend payout ratio was 29.0%. For the fiscal year ending March 31, 2017, we are planning to increase the dividend (excluding the commemorative dividend) by ¥1, to ¥27 per share, and anticipate a consolidated dividend payout ratio of 27.6%.

Change of Dividend



Credit Rating

The Yamato Group consistently and continually generates cash to maintain the agility and flexibility of financial activities while sufficiently covering ordinary expenditures. As of March 31, 2016, Yamato Holdings had received the following credit rating from Rating and Investment Information, Inc. (R&I):

R&I	AA–

The Yamato Group will strive to remain aware of capital costs, while at the same time maintain the existing credit rating to facilitate smooth capital procurement.

Going forward, I would like to ask our shareholders for their continued support as we strive to meet their expectations through efforts to improve corporate value.

Ten-Year Summary and Business Highlights

Years ended March 31

Years ended March 31	2007	2008	2009	2010	2011	2012	2013
RESULTS OF OPERATIONS:							
Operating revenues	¥1,161,568	¥1,225,974	¥1,251,922	¥1,200,834	¥1,236,520	¥1,260,833	¥1,282,374
Delivery	934,607	981,142	997,898	966,480	995,651	1,014,564	1,028,219
Non-delivery	226,961	244,832	254,024	234,354	240,869	246,269	254,155
Operating costs	1,064,044	1,129,008	1,167,764	1,110,971	1,143,006	1,163,777	1,181,834
Selling, general and administrative expenses	30,363	28,786	28,437	28,474	29,200	30,405	34,337
Operating income	67,161	68,180	55,721	61,389	64,314	66,651	66,203
Income before income taxes and minority interests	66,825	67,596	48,996	60,434	61,836	45,817	64,284
Income taxes	32,470	31,447	23,349	28,096	28,491	26,059	29,563
Net income attributable to owners of parent	33,813	35,353	25,523	32,282	33,208	19,787	35,144
PER SHARE OF COMMON STOCK:							
Basic net income	¥ 75.59	¥ 79.80	¥ 57.60	¥ 71.84	¥ 73.42	¥ 46.00	¥ 81.85
Diluted net income	74.00	78.12	56.45	71.16	73.30	44.87	79.84
Cash dividends	20.00	22.00	22.00	22.00	22.00	22.00	23.00
Net assets per share	1,005.63	1,050.99	1,073.86	1,130.33	1,173.60	1,197.26	1,261.35
Stock price (closing), end of year	1,900	1,460	927	1,314	1,290	1,279	1,740
FINANCIAL POSITION:							
Working capital	¥ 140,377	¥ 125,355	¥ 159,937	¥ 165,890	¥ 185,922	¥ 182,111	¥ 186,868
Total shareholders' equity	445,263	465,801	475,815	512,910	515,602	514,996	534,451
Total assets	829,721	874,219	869,606	878,641	899,363	919,295	950,153
Capital expenditures	48,881	124,832	45,856	39,700	52,472	48,615	48,052
Depreciation and amortization	40,150	44,772	42,697	39,883	39,583	38,682	37,936
Net cash provided by operating activities	80,763	116,896	84,463	77,064	87,899	71,843	73,950
KEY RATIOS:							
Operating income margin (%)	5.78	5.56	4.45	5.11	5.20	5.29	5.16
Net margin (%)	2.91	2.88	2.04	2.69	2.69	1.57	2.74
Return on assets (ROA) (%)	4.17	4.15	2.93	3.69	3.74	2.18	3.76
Return on equity (ROE) (%)	7.78	7.76	5.42	6.53	6.46	3.84	6.70
Current ratio (%)	149.30	144.89	158.00	159.82	170.34	164.50	162.39
Shareholders' equity ratio (%)	53.66	53.28	54.72	58.38	57.33	56.02	56.25
Assets turnover (Times)	1.43	1.44	1.44	1.37	1.39	1.39	1.37
Interest coverage ratio (Times)	260.66	223.00	58.57	88.35	73.71	90.52	108.36
Price earnings ratio (PER) (Times)	25.1	18.3	16.1	18.3	17.6	27.8	21.3
Price book-value ratio (PBR) (Times)	1.9	1.4	0.9	1.2	1.1	1.1	1.4
NON-FINANCIAL DATA:							
Number of employees	157,653	169,836	170,662	167,555	171,642	177,301	177,108
Full-time	77,170	80,843	82,601	82,395	83,427	84,293	84,422
Part-time	80,483	88,993	88,061	85,160	88,215	93,008	92,686
TA-Q-BIN delivery volume (Millions of parcels)	1,174	1,236	1,232	1,262	1,348	1,423	1,487
Unit price (Yen)	647	644	646	624	609	600	591
Kuroneko DM-Bin handling volume (Millions of units)	1,970	2,206	2,231	2,262	2,312	2,187	2,112
Unit price (Yen)	66	64	65	65	64	62	61

Foreign currency translation: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥112.68 to U.S.$1.
Note: On March 31, 2015, we ceased accepting items for *Kuroneko Mail* and from April 1 launched *Kuroneko DM-Bin*.

	2014	2015	2016 (Millions of Yen)	2016 (Thousands of U.S. Dollars)
	¥1,374,610	¥1,396,708	¥ 1,416,413	$12,570,226
	1,099,400	1,101,439	1,111,867	9,867,479
	275,210	295,269	304,546	2,702,747
	1,274,471	1,290,715	1,306,200	11,592,121
	37,043	37,046	41,673	369,832
	63,096	68,947	68,540	608,273
	65,882	69,158	68,079	604,176
	31,003	31,555	28,415	252,174
	34,776	37,533	39,425	349,882

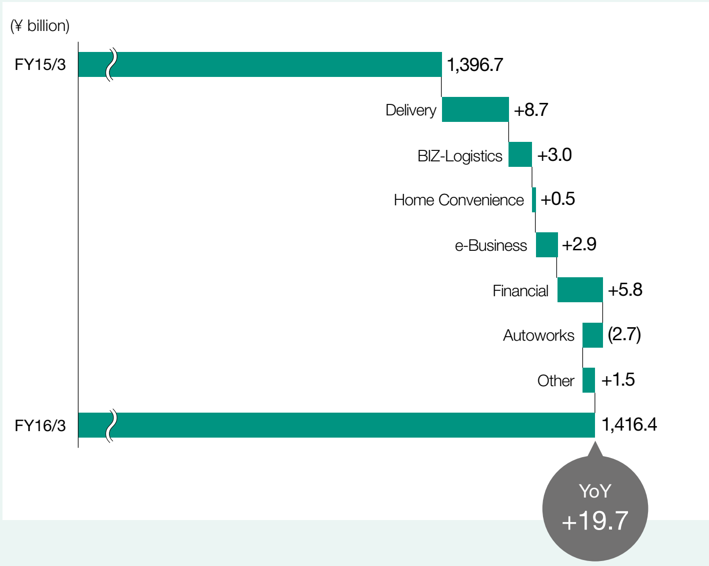
			Yen	U.S. Dollars
	¥ 82.22	¥ 90.41	¥ 96.45	$ 0.86
	80.18	88.26	95.64	0.85
	24.00	25.00	28.00	0.25
	1,316.12	1,368.66	1,349.56	11.98
	2,224	2,772	2,247	–

			Millions of Yen	Thousands of U.S. Dollars
	¥ 179,999	¥ 209,172	¥ 235,884	$ 2,093,404
	551,379	565,521	537,821	4,772,995
	1,032,134	1,082,531	1,089,437	9,668,411
	79,531	52,022	53,945	478,747
	42,266	46,058	46,739	414,794
	80,075	92,620	49,715	441,209

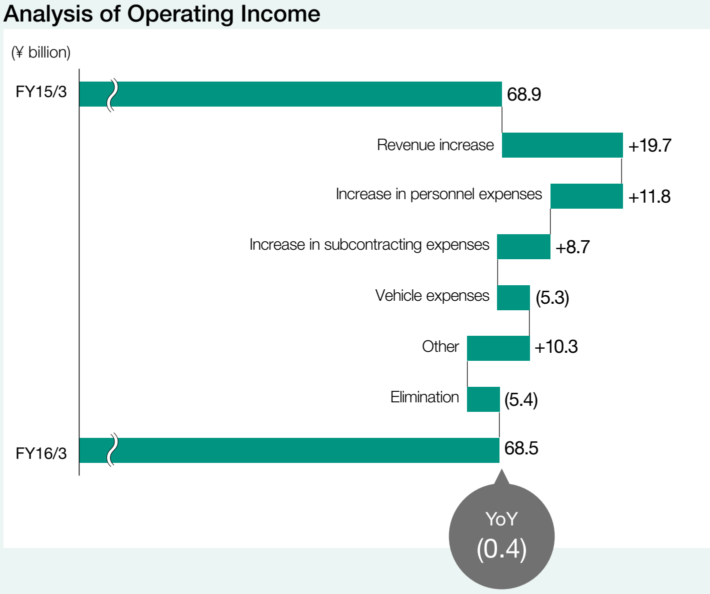
	4.59	4.94	4.84
	2.53	2.69	2.78
	3.51	3.55	3.63
	6.41	6.75	7.15
	151.82	158.59	167.76
	53.42	52.24	49.37
	1.39	1.32	1.30
	153.41	173.45	125.33
	27.0	30.7	23.3
	1.7	2.0	1.7

	193,146	197,056	196,582
	87,279	88,247	89,112
	105,867	108,809	107,470
	1,665	1,622	1,731
	574	595	578
	2,084	1,901	1,536
	61	61	57

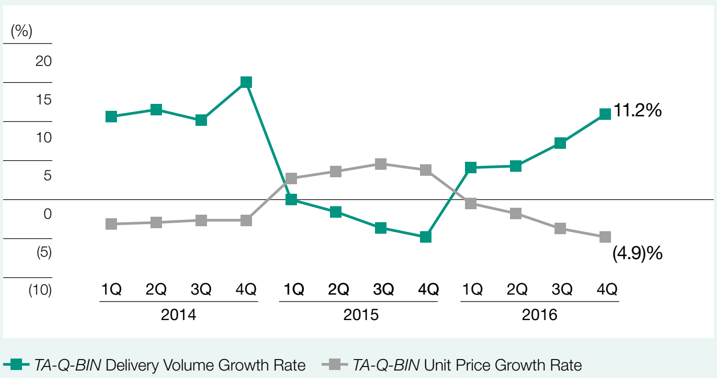
Analysis of Operating Revenues



Analysis of Operating Income



Quarterly YoY Growth Rates of *TA-Q-BIN* Delivery Volume and Unit Price






Special Feature

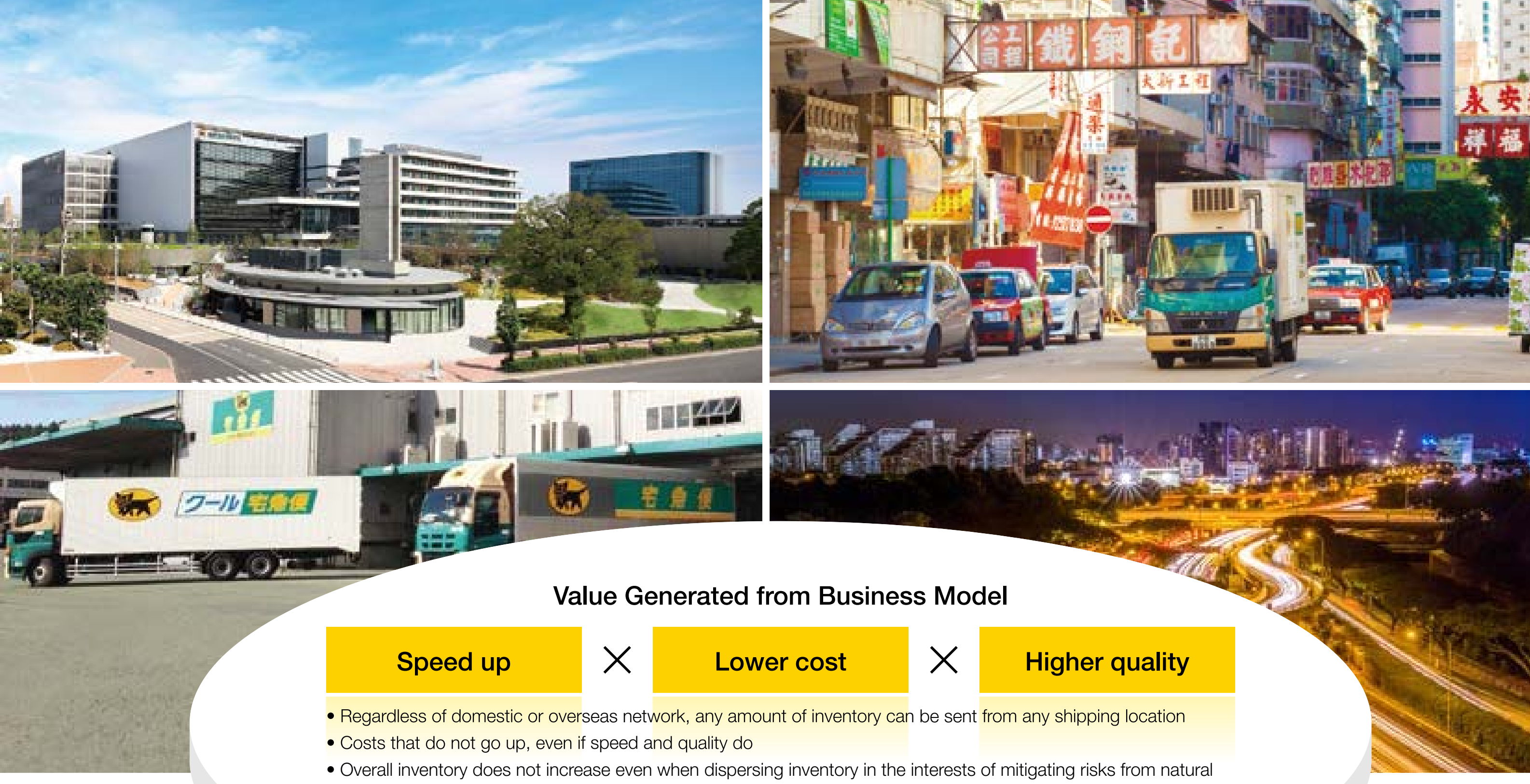
“*Value Networking*” Design Gathering Pace

Offers Benefits of Wide-Ranging Added Value during Processes That Goods Flow Through

In July 2013, the Yamato Group commenced its “*Value Networking*” design. By innovating its domestic and overseas networks, the Group is bringing about the evolution of logistics from a focus on cost to a “means for generating new value,” thereby contributing to growth strategies for the Japanese economy and engaging in logistics reform. Seamlessly fusing its unique information technology (IT), logistics technology (LT), and financial settlement technology (FT) functions as well as the nationwide domestic and Asian “last mile” networks that are its core competence, the Group is providing innovative solutions that are dramatically improving logistics in all three areas: speed, cost, and quality.

“*Value Networking*” Design Plan Based on Five Engines of Reform

- **Non-stop logistics network**
  that branches out from full operations and provides swift value-added services
- **Cloud-based network**
  that is unrestrained by shipping location, shipping format, and shipping volume
- **World’s first integrated delivery network of international refrigerated packages**
- **Logistics visualization**
  that enables both senders and receivers to share
- **Demand chain-perspective innovation**
  that optimizes logistics for both purchasers and suppliers



Value Generated from Business Model

Speed up × **Lower cost** × **Higher quality**

- Regardless of domestic or overseas network, any amount of inventory can be sent from any shipping location
- Costs that do not go up, even if speed and quality do
- Overall inventory does not increase even when dispersing inventory in the interests of mitigating risks from natural disasters, for example
- No need for customers to make excessive investments in logistics and systems on their own
- International refrigerated transportation that maintains a high degree of freshness can be utilized at low cost

Creation of High-Value-Added Business Model

Development in Asia

Expansion of logistics for corporate customers

Community-based / Lifestyle support

Non-delivery Businesses

IT **LT** **FT**

IT : Information Technology
LT: Logistics Technology
FT: Financial Settlement Technology

Delivery Business

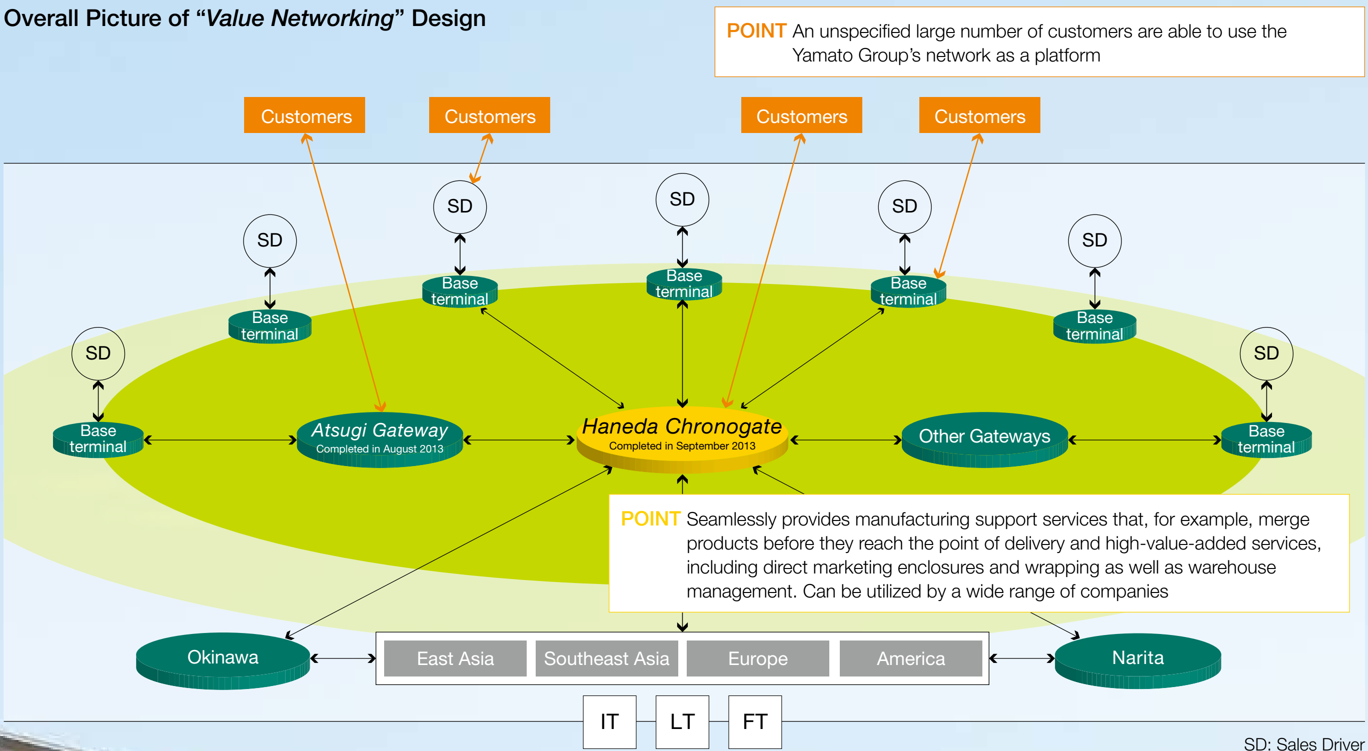
Domestic nationwide and Asian "last mile" networks built around *TA-Q-BIN*

Evolving Networks: Expanding "*Value Networking*" across Japan and the Rest of Asia

The challenge of changing logistics to a "means for generating new value" had already started in 2007 when acquiring land to construct the *Haneda Chronogate*. At that time, the Company was advancing four network innovations at the same time: the building of a *TA-Q-BIN* network in Asia; the construction of the *Haneda Chronogate* general logistics terminal hub to connect Japan with the rest of Asia; the establishment of "gateway" terminals to realize same-day deliveries between major cities in Japan; and the full-scale operation of the *Okinawa International Logistics Hub* to bring to fruition next-day deliveries to other parts of Asia. By fusing these projects to the *TA-Q-BIN* networks that pride themselves on their overwhelming competitiveness, we are able to provide value-added logistics at unprecedented speed and at low cost from any location in the same way as a cloud-based operation. These four networks will become even more evolved with the establishment of the network connecting the Kanto area, Chubu area, and Kansai area, which will occur following the completion of the *Chubu Gateway* in September 2016 and the *Kansai Gateway* in fall 2017. We will further expand our operating domain going forward by integrating these networks with networks in Asia centered on the international logistics hub in Okinawa. Through this expansion, customer can select the parcel storage and shipment locations, whether in Japan or overseas. If products are accepted at the nearest customer contact points even in small lots, these points will still serve as gateways to a seamless logistics network. For this reason, the Company will be able to bring to fruition the moving of inventory to cloud computing, under which the total amount of inventory will not increase even when dispersed to locations closer to the consumption areas and points of delivery.

Without stopping the flow of goods, the Company will be capable of endowing products with added value through their assembly, merging, and maintenance, for example. Also, these solutions can be utilized by a wide range of companies, without regard to the scale or type of business.

Overall Picture of "*Value Networking*" Design



SD: Sales Driver
IT: Information Technology
LT: Logistics Technology
FT: Financial Settlement Technology

Case Study: High-value-added services based on "*Value Networking*" design

Nestle Nespresso K.K.

Major improvement in user satisfaction by integrated provision of logistics and repair operations

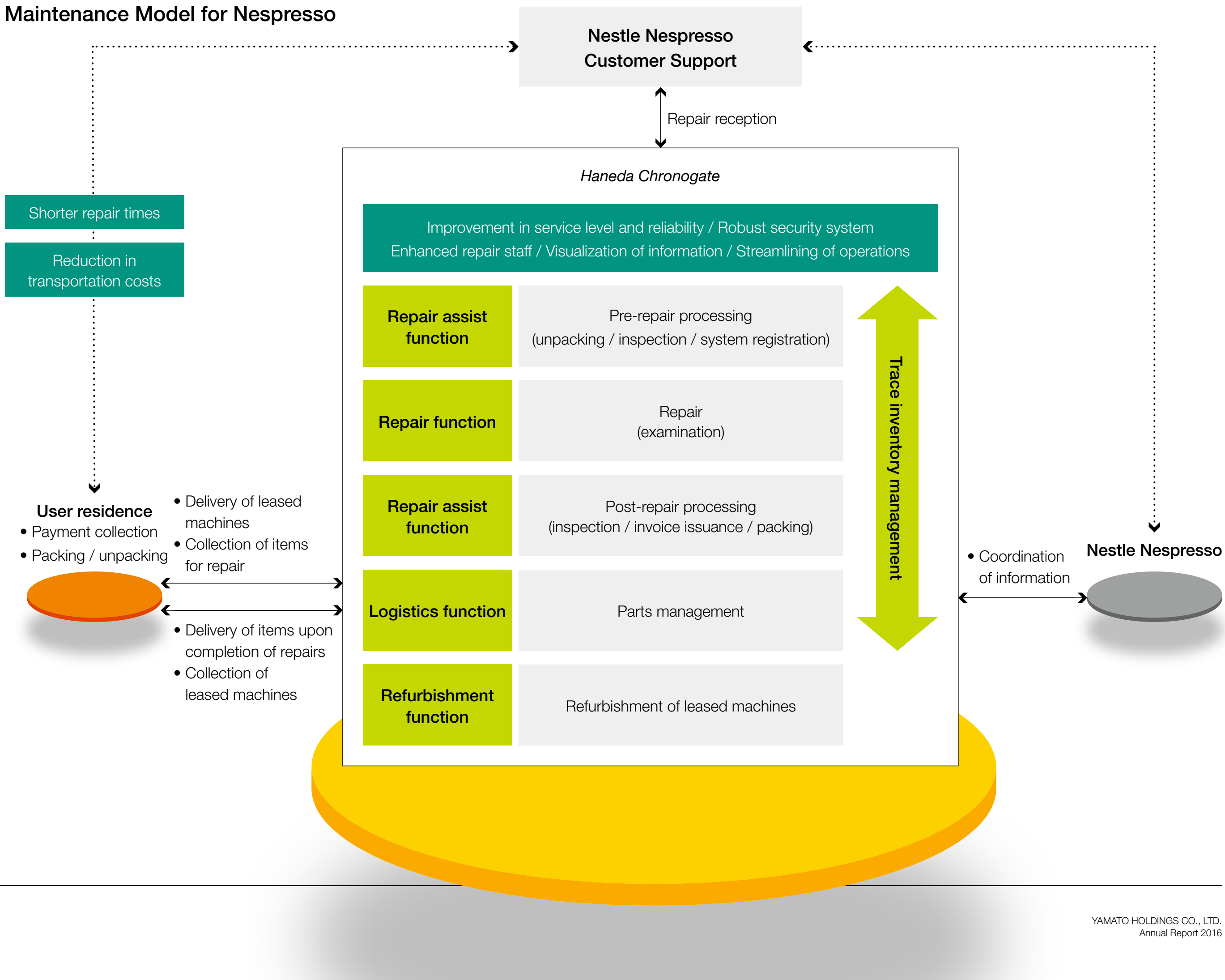
The premium brand "Nespresso" enables the enjoyment of authentic espresso coffee. As the brand's convenience and premium taste have become popular, lovers of the product have been rapidly increasing in number in Japan in recent years. On the other hand, the surge in sales had resulted in a proportionate rise in the number of cases of Nespresso coffee machines that required repairs. As such, the company's transportation costs related to repairs had been increasing as well. Moreover, the repair center was located in the suburbs, and as a result the aspect of retaining personnel to carry out the repairs had been beset with problems.

Nestle Nespresso, the company that markets Nespresso products, was attracted to the maintenance support services the Company offers as a way to resolve its problems. Seizing the opportunity provided by the completion of *Haneda Chronogate*, Nestle Nespresso transferred its repair center to inside the new facility and, in addition to entrusting the Company with collection and delivery operations as in the past, handed over responsibility for the repair operations. By adopting this strategy, Nespresso built a system under which the entire process from the collection of machines in need of repair from homes, the repairs themselves, and the delivery of machines after repair is outsourced to the Yamato Group.

Comment from Nestle Nespresso

We dispensed with transporting machines between bases, which involved travel to and from the repair center and the terminal, and at the same time achieved a shortening of lead times by an average of one day and reductions in transportation costs. Furthermore, improvements other than in lead times resulted, such as the timely reporting of monthly performance data and hence faster responses, a reduction in human error through the use of operational systems, and a quicker pace in the speed of the operation through closer communication with those responsible for carrying out the repairs. As a result, we have achieved a year-on-year reduction of more than 50% in the number of user complaints relating to repairs for two consecutive years.

Maintenance Model for Nespresso



Case Study: Challenges Confronted in Expanding Presence in Asia

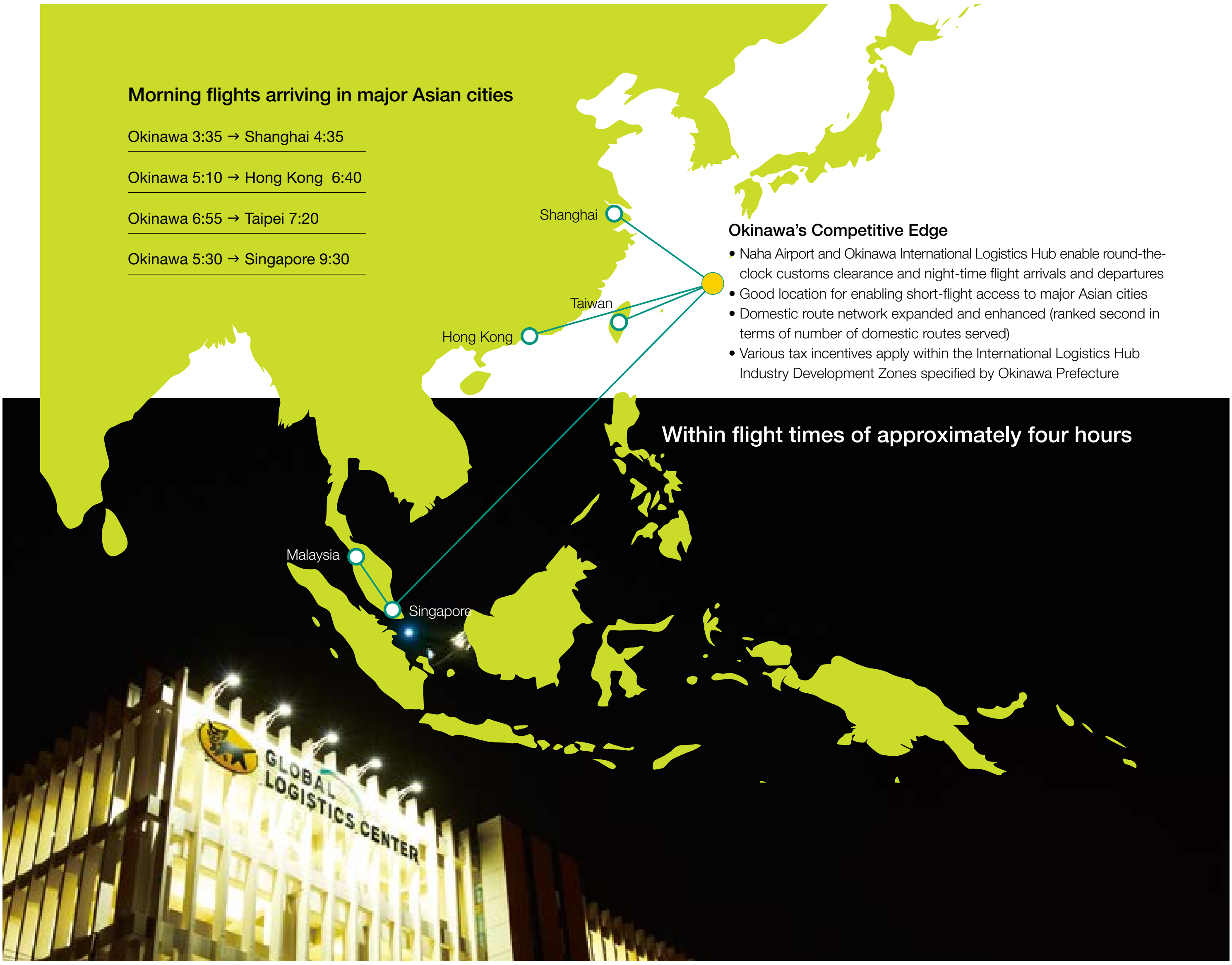
Southern Gate Operations in Okinawa

Realizing the provision of rapid transportation and high-value-added functions to various regions in Asia

Progress is being made in setting up borderless logistics as a result of economic growth and market expansion in Asian regions, which are bringing calls for the development of international logistics that is faster, of higher quality, and more competitively priced. In addition, there are growing needs among customers to reduce their total inventories of products to be shipped overseas. To address these needs, we have been leveraging an international logistics center in Okinawa, a strategic location for logistics in Asia, from August 2013. In November 2015, we commenced operations of the global logistics center "*Southern Gate*" in Okinawa, thereby further strengthening our logistics functions.

While taking advantage of Okinawa's superior position, in addition to the value from existing efforts to enhance competitiveness and control costs through total inventory management, *Southern Gate* realizes non-stop logistics in a borderless manner by providing unprecedented value-added functions—including replenishment, kitting, repair and maintenance, and merging—and supports the strengthening of customers' own competitiveness.

Southern Gate holds the key to rapid transportation to Asian regions



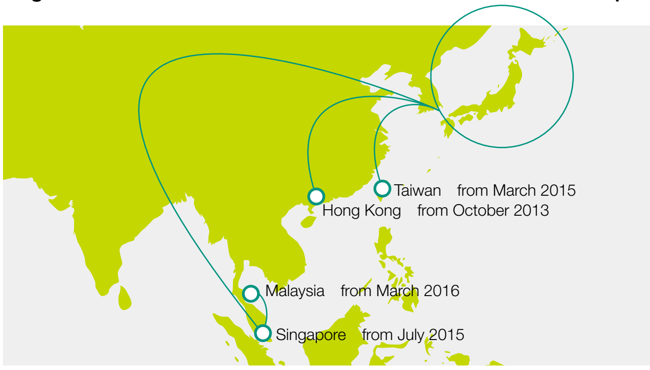
International Cool TA-Q-BIN Expanding in Asia

Realizing Seamless International Refrigerated Transportation, Contributing to Sales Channel Expansion of Japanese Agricultural and Fishery Products

Capable of shipping anything from a single item from anywhere in Japan, *International Cool TA-Q-BIN* is a seamless international refrigerated small-lot transportation service that delivers fresh Japanese seasonal ingredients to Asia via next-day deliveries at the earliest. By expedited international shipping that leverages the round-the-clock customs clearance performed at *Okinawa International Logistics Hub*, Yamato sales drivers in the regions where the service has been developed deliver to stores and residences by the shortest route in the morning two days later. For Japanese business operators, shipping easily on a daily basis to Asia, where there is burgeoning demand for Japanese agricultural and fishery products as well as foodstuffs, is greatly expanding business opportunities. In cooperation with local governments across Japan, the Yamato Group is connecting overseas restaurants with producers and operators in every area of Japan and accelerating the initiatives to increase sales channels for Japanese agricultural and fishery products.

With commencement to Hong Kong in October 2013, services have been progressively expanding to include other regions: Taiwan in March 2015, Singapore in July 2015, and Malaysia in March 2016. In addition to working to augment services, the Company is making concerted efforts to extend the delivery areas in the regions where the service has been developed and invigorating the mutual movement of shipments from regions where *TA-Q-BIN* services have been developed, including Japan. Furthermore, in March 2016, with the aim of establishing international standards for refrigerated delivery services, we concluded a contract and commenced joint initiatives with the Japanese arm of the British Standards Institution.

Regions Where *International Cool TA-Q-BIN* Has Been Developed



Business Collaboration with Leading Malaysian Parcel Delivery Company GD Express Carrier Bhd.

Accelerating the Building of Small-Lot Transportation Networks in ASEAN

In developing its *TA-Q-BIN* service across Asia from 2010, the Yamato Group has been engaged in providing Asia with high-quality, high-value-added logistics services that integrate small-lot transportation networks with logistics and forwarding. As part of the acceleration of this strategy in Asia, the Group concluded a business collaboration and capital alliance agreement with GD Express Carrier Bhd. (GDEX), one of the leading parcel delivery companies in Malaysia, in January 2016.

Listed on the Kuala Lumpur Stock Exchange, GDEX is a transportation business company that has, in terms of sales, the second-largest share of Malaysia's parcel delivery market. Featuring a nationwide network for parcel delivery services in Malaysia and achieving the highest profit margin in the industry, the company has managed to achieve significant growth in the business-to-business (B2B) parcel delivery sector in recent years, registering significant growth compared with other companies in the industry. With this type of strong business foundation, the competitiveness and presence of both companies will be enhanced by integrating the strengths of the Yamato Group. Going forward, the Group will continue to expand its high-value-added small parcel network in the ASEAN region.

Company name:	GD Express Carrier Bhd.
Headquarters:	Malaysia
Business:	Parcel delivery and other related businesses
Main features:	Network of 193 bases in Malaysia More than 2,700 staff members and a fleet of 578 trucks (fiscal year ended June 30, 2015)

Source: Compiled by Yamato Holdings Co., Ltd., from GDEX's website

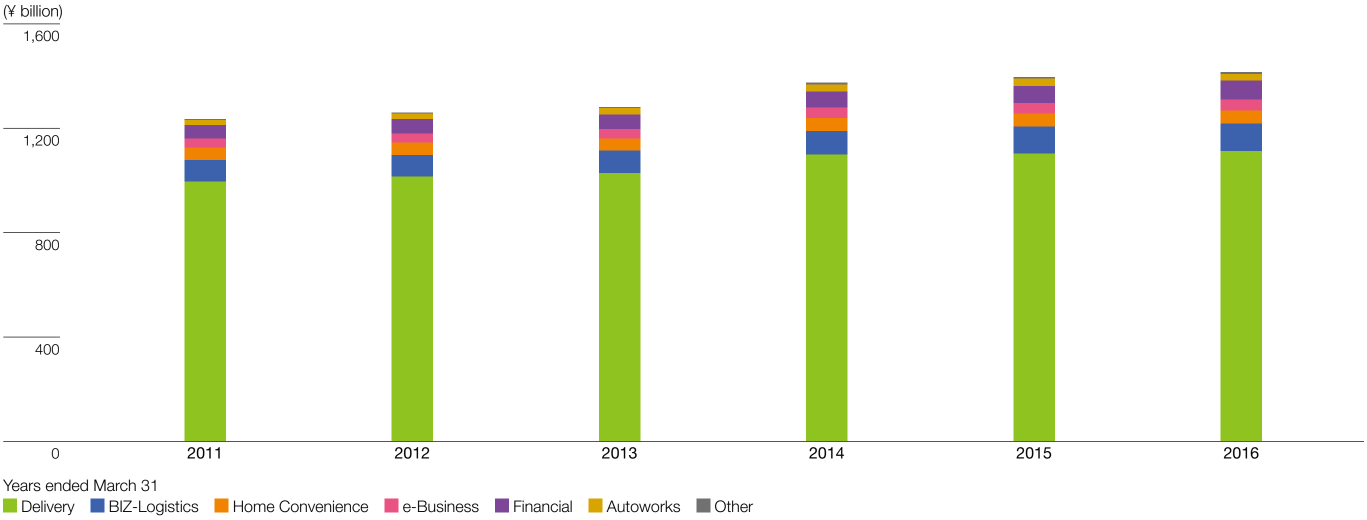
Business Performance Overview

Year Ended March 31, 2016

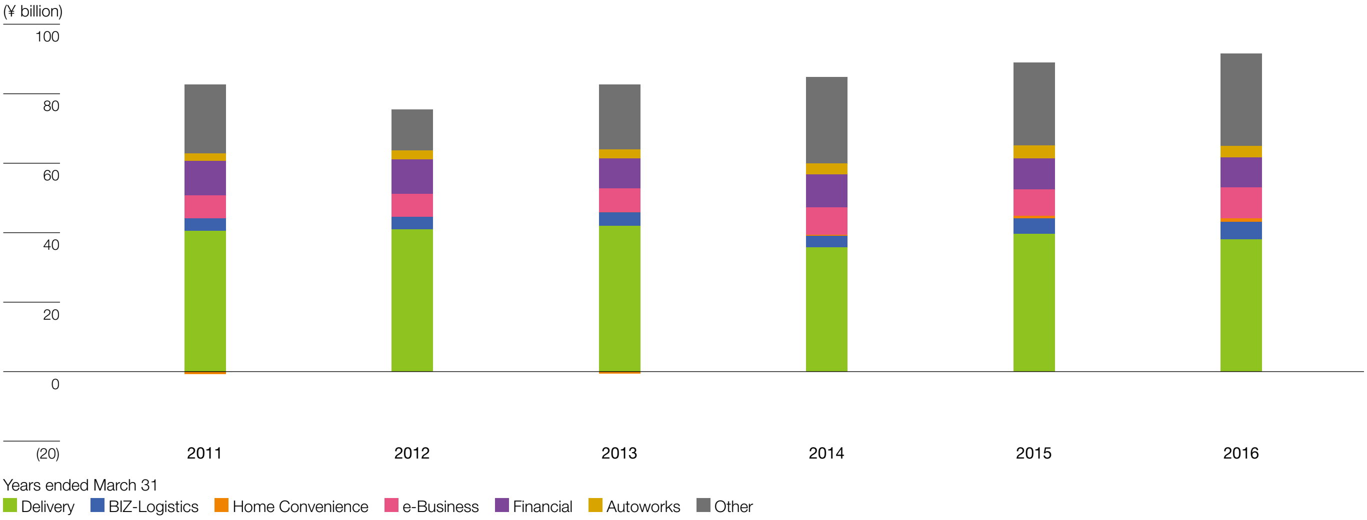
Under the "*Value Networking*" design concept that leverages the "last mile" network of the Delivery Business, several businesses are realizing steady growth. While there has been an impact from the discontinuation of the *Kuroneko Mail* service, efforts are being made to raise the profitability of the Group as a whole by expanding into new *TA-Q-BIN* services and accelerating the creation of a high-value-added business model.

With regard to the growth investments that will drive efforts to raise profitability, the Group is deciding on policies that will lead to a focus on accelerating the creation of a high-value-added business model, the expansion of business model domains based primarily on the "*Value Networking*" design, and on strengthening overseas businesses through network expansion. At the same time, the Group is looking primarily into alliances and also M&A, depending on the situation. In the case of its overseas businesses, while continuing to regard ASEAN as its priority region, the Group will focus its efforts on activating cross-border transportation between five pivotal areas: North America, Europe, East Asia, ASEAN, and Japan.

Operating Revenues by Business



Operating Income (Loss)*



* Before consolidation adjustments

Organization

As of March 31, 2016

■ Consolidated subsidiaries ● Non-consolidated subsidiaries

Yamato Holdings Co., Ltd.

- **Delivery**
  - ■ Yamato Transport Co., Ltd.
  - ■ Okinawa Yamato Transport Co., Ltd.
  - ■ Yamato Global Express Co., Ltd.
  - ■ Express Network Co., Ltd.
  - ■ Yamato Dialog & Media Co., Ltd.
  - ■ Yamato Contact Service Co., Ltd.
  - ■ Yamato Staff Supply Co., Ltd.
  - ■ Yamato (China) Transport Co., Ltd.
  - ■ Yamato Transport (HK) Ltd.
- **BIZ-Logistics**
  - ■ Yamato Logistics Co., Ltd.
  - ■ Yamato Global Logistics Japan Co., Ltd.
  - ■ Yamato Multi-Maintenance Solutions Co., Ltd.
  - ■ Yamato Packing Service Co., Ltd.
  - ■ Yamato Packing Technology Institute Co., Ltd.
  - ■ Konan Industry Co., Ltd.
  - ■ Yamato Transport U.S.A., Inc.
  - ■ Yamato Transport Europe B.V.
  - ■ Yamato International Logistics Co., Ltd.
  - ■ Yamato International Logistics (Hong Kong) Ltd.
  - ■ Taiwan Yamato International Logistics Inc.
  - ■ Yamato Transport (S) Pte. Ltd.
  - ■ Yamato Transport (M) Sdn. Bhd.
  - ● Yamato Transport Mexico S.A. de C.V.
  - ● Shanghai Wai Gao Qiao Bonded Logistics Zone Yamato Warehouse Co., Ltd.
  - ● Yamato Logistics India Pvt. Ltd.
  - ● PT. Yamato Indonesia
  - ● Yamato Logistics Vietnam Co., Ltd.
  - ● Yamato Tidiki Express Pte. Ltd.
- **Home Convenience**
  - ■ Yamato Home Convenience Co., Ltd.
- **e-Business**
  - ■ Yamato System Development Co., Ltd.
  - ■ Yamato Web Solutions Co., Ltd.
- **Financial**
  - ■ Yamato Financial Co., Ltd.
  - ■ Yamato Credit & Finance Co., Ltd.
  - ■ Yamato Lease Co., Ltd.
  - ■ Yamato Payment Service (HK) Ltd.
- **Autoworks**
  - ■ Yamato Autoworks Co., Ltd.
  - ■ Yamato Autoworks Iwate Co., Ltd.
  - ■ Yamato Autoworks Hokushinetsu Co., Ltd.
  - ■ Yamato Autoworks Shikoku Co., Ltd.
  - ■ Yamato Autoworks Okinawa Co., Ltd.
- **Other**
  - ■ Yamato Asia Pte. Ltd.
  - ■ BoxCharter Co., Ltd.
  - ■ Yamato Box Charter Co., Ltd.
  - ■ Yamato Management Service Co., Ltd.
  - ■ Yamato Multi Charter Co., Ltd.
  - ■ Kobe Yamato Transport Co., Ltd.
  - ● Swan Co., Ltd.

Notes: 1. From the fiscal year ended March 31, 2016, Yamato Staff Supply which was previously included in the Other segment is included in the Delivery Business.
2. From the fiscal year ended March 31 2016, Yamato Dialog & Media is included in the scope of consolidation.
3. In June 2016, Yamato Transport (HK), Yamato International Logistics (Hong Kong), and Yamato Payment Service (HK) merged to establish Yamato Logistics (HK).

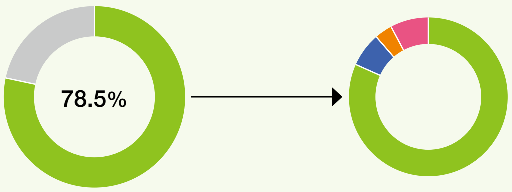
Delivery

With the goal of being one of Japan's "most recognized and most endeared companies," the Delivery Business is engaged in business development centered on *TA-Q-BIN* services to help enrich society.

Yutaka Nagao

Representative Director,
President and Executive Officer of Yamato Transport Co., Ltd.

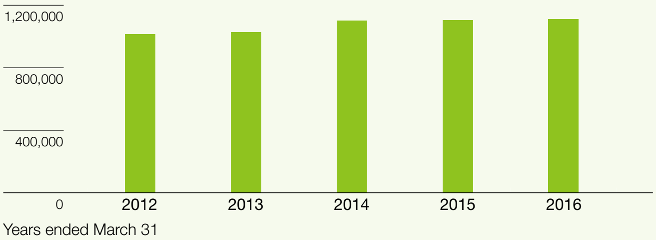
Composition Ratio of Operating Revenues (%)



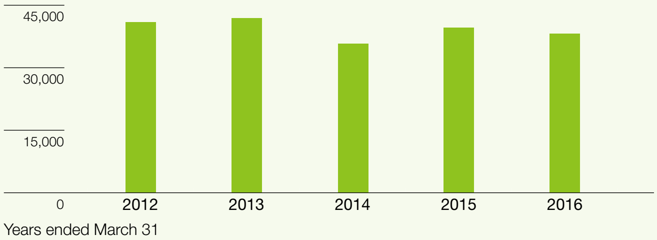
Breakdown of the Composition Ratio of Operating Revenues

TA-Q-BIN	71.0%
Kuroneko DM-Bin	6.2%
Express	3.0%
Others	6.7%

Operating Revenues (¥ million)



Operating Income (¥ million)



A Look Back at the Year Ended March 31, 2016

- Delivery volume firm due to an increase in primarily large-lot shipments for e-commerce (EC) business operators and growth in the new *TA-Q-BIN Compact* and *Nekopos* services
- Launched *Kuroneko DM-Bin* to replace the *Kuroneko Mail* service that was discontinued in the fiscal year ended March 31, 2015
- Despite implementing thorough cost controls, growth from new services not enough to compensate for the impact from having discontinued the *Kuroneko Mail* service. Thus while revenues increased in comparison with previous fiscal year, income decreased

Initiatives for Fiscal Year Ending March 31, 2017

- Regarding revenues and income, we will strengthen sales of the *TA-Q-BIN Compact* and *Nekopos* services launched in the fiscal year ended March 31, 2016, and accelerate the creation of a high-value-added business model by strengthening Groupwide proposal-based sales.
- In terms of cost, despite the expansion of social insurance coverage and changes to the system for imposing size-based enterprise tax, we will transform our structure into one that adjusts costs that are not linked to growth in business volume through such means as establishing a "last mile" network that responds efficiently to customer needs and optimizing the overall main network, including the utilization of the *Chubu Gateway*.

Business Environment Forecasts and Strengths to Be Displayed

With the goal of being one of Japan's "most recognized and most endeared companies," the Delivery Business is engaged in business development centered on *TA-Q-BIN* services to help enrich society.

The environment in which the Delivery Business operates is undergoing major and rapid change. In the Japanese market, the trend is toward increases in volume, due to growth in both EC and markets for transactions between individuals as well as more frequent and smaller lots in B2B logistics. On the other hand, consumers have started to demand services that respond flexibly to their own lifestyles, and the need is growing for the rationalization of receiving shipments tailored to hectic lifestyles. At the same time, in addition to the escalating effects of the personnel shortage due to Japan's decreasing birthrate as well as its aging and shrinking population, new entrants have emerged in the logistics market due to the different industries that own EC businesses and possess cutting-edge technologies.

Against this background, while sensitively identifying these changes, we will bring about further evolution of our strongpoint nationwide "last mile" and main line networks, which combine high response capabilities and quality; review existing services and systems from the bottom up and from every conceivable angle; and work to improve customer convenience.

Efforts toward Realization of "*Value Networking*" Design

As the Delivery Business, we will realize "non-stop logistics" to convert the "*Value Networking*" design concept into tangible forms. In addition to upgrading infrastructure in the Chubu and Kansai areas to join the *Haneda Chronogate* and *Atsugi Gateway*, we are working to expand and upgrade same-day deliveries between major Japanese cities and next-day deliveries within Asia through collaboration between the Okinawa global logistics center *Southern Gate* and our overseas *TA-Q-BIN* networks. Moreover, we will pursue the creation of added value, including the reduction in inventories through the shortening of lead times.

As part of these efforts, in June 2015 we launched "*YES! (Yamato Ec Solutions)*," which is a package service that provides full support for EC business operators. We will proactively develop new services such as *YES!* to contribute to growth in the EC market. Moreover, we will

promote support for corporate management with *Yamato Cloud Depot*, while encouraging an increase in the number of destinations for *International Cool TA-Q-BIN* with the aim of expanding the sales channels for fresh agricultural and fishery products from Japan.

In the meantime, we established Packcity Japan, a joint venture with the Neopost Group, of France, which maintains delivery lockers, in response to diversifying shipment receipt needs and to address both a reduction in "recipient not present" re-deliveries with delivery streamlining. Also, to address problems faced by local and regional communities, we will expand support in four areas—support for product exports, safe lifestyles, tourism, and at times of natural disasters—that involve coordination with regional government agencies.

FOCUS

Expanding New *TA-Q-BIN Compact* and *Nekopos* Services

From corporate customers, there was a need for a high-quality service at a price appropriate for compact mail-order shipments. From individual customers, there was a growing need for speedy and trustworthy services for exchanges of small shipments through auction and flea market websites as well. To respond to these needs, we commenced new services in 2015: *TA-Q-BIN Compact*, by which small packages can easily be shipped in a special box, and *Nekopos*, by which thin, small packages are shipped to recipients' mailboxes. In the case of *TA-Q-BIN Compact*, high-value-added services, such as payment settlement, will be added primarily for EC business operators from time to time, and we are progressively expanding the customer contact points that can handle the service. In the meantime, for *Nekopos*, we enhance coordination with flea market websites and other users. Without the seller and successful bidder having to exchange personal information, such as their addresses, we have established a mechanism for "anonymous delivery" that enables the delivery arrangements to be communicated solely within the site. We will continue to assist by means of logistics so that transactions between individuals can be more convenient than ever and the service can be used with even greater peace of mind.

Fixed-form box specialized for *TA-Q-BIN Compact*

COLUMN





TA-Q-BIN Marks Its 40th Anniversary

Thanks to the support of its customers, *TA-Q-BIN* celebrated its 40th anniversary on January 20, 2016. While initial sales came from delivering 1.7 million items in its first fiscal year, *TA-Q-BIN* has now grown to handling 1,000 times that figure: more than 1.7 billion items in a year. In this section, we look back on the history of *TA-Q-BIN*, which has achieved such significant growth.


TA-Q-BIN manual

Birth of *TA-Q-BIN*

The principle of "*service first, profit later*." Thinking and acting from the position of its customers, the Yamato Group has been developing products and services from the particular perspective of the recipient. The father of *TA-Q-BIN*, then President Masao Ogura, believed that while the unit price per kilogram for small-lot shipments is expensive, revenue would be high if handled in large numbers. With this belief, Mr. Ogura announced the "Main Points of *TA-Q-BIN* Development" for the Company in the summer of 1975.

Using these points as a compass, a working group comprising primarily young employees advanced new product development. Under the principles of "pickup with a single phone call and pickup of even just one item from a private residence; next-day delivery; inexpensive and clear rates; and easy packing," *TA-Q-BIN* was launched on January 20, 1976.

Main Points of *TA-Q-BIN* Development

(1) Consider aspects from the consumer's point of view
(2) Regard *TA-Q-BIN* as a lasting and developmental system
(3) Maintain a uniform standard of service that is better than others
(4) Target an unspecified number of shippers or cargo
(5) Rationalize thoroughly


Ski TA-Q-BIN

TA-Q-BIN's Evolution

Ski TA-Q-BIN

Ski TA-Q-BIN, launched in December 1983, was the first added-value *TA-Q-BIN* service. *Ski TA-Q-BIN* originated in the apple-producing area of Nagano, where the volume of shipments was extremely small after the apple season was over. A local employee's attention was attracted by a group of skiers walking while carrying bulky skies—this was a time in Japan when the number of skiers was increasing. From the local employee's idea for new shipments that would allow customers to enjoy time at the ski resorts unencumbered by their skis, *Ski TA-Q-BIN* started as the first service to link *TA-Q-BIN* and a leisure activity.

Cool TA-Q-BIN

Cool TA-Q-BIN, launched in 1987, is an added-value service through which parcels are delivered with their freshness and taste reliably maintained in two temperature zones, refrigerated and frozen. *Cool TA-Q-BIN* is a representative example of creating demand from the recipient's standpoint. In addition to the sender, Yamato has come to place the utmost emphasis on the convenience of the receiver, which in turn has led to the satisfaction of the sender. In this way, rather than chasing demand, *Cool TA-Q-BIN* has realized the creation of demand. Yamato's constant awareness of the need to improve convenience for the recipient is a point that sets the Company apart from its competitors.





The Company launched its international small-lot refrigerated transportation service, *International Cool TA-Q-BIN*, in 2013 in response to calls from overseas customers who had said they would like to eat fresh Japanese food as well as from Japanese operators and producers who expressed interest in extending their sales channels overseas.


International Cool TA-Q-BIN

Please see also p.43 about the recent initiatives of *TA-Q-BIN*.

Challenge Undertaken with *TA-Q-BIN*

The Company is confronting the challenges of developing services that meet needs when receiving packages that are diversifying in accordance with changes in lifestyles. The key is to increase the number of channels for communication with customers. As a typical example, the *Kuroneko Members* service allows members to use convenient services when they send or receive parcels. In addition to receiving package delivery schedules and notifications if away from home, members have the option to change the date, time, or location of delivery. The *Kuroneko Members* service is actively collaborating with the services and apps of other companies. From January 2016, the services have been working with the communications app LINE. Members are now able to receive delivery notifications and change the date, time, or location of delivery via LINE.

While strengthening communications with *TA-Q-BIN* users in these ways, the Company is focusing on diversifying the act of receiving a parcel. In addition to the more than 4,000 *TA-Q-BIN* offices throughout Japan, receiving points such as collaborating convenience stores have become a significant strength in the receiving process, and efforts are being made to utilize and expand parcel lockers even further. In May 2016, the France-based Neopost Group and the Yamato Group established the joint venture Packcity Japan and commenced the operation of open-type parcel lockers that can be used jointly by numerous operators. In addition to reducing the number of re-deliveries, which is a social issue, it is anticipated that this venture will contribute to a trend in responding to the needs of customers for not only Yamato Transport but also the entire industry.

Open-type express delivery parcel lockers

The services that are evolving in response to changes in people's lifestyles are not confined to receiving services alone. In recent years, opportunities for the exchange of small packages among both professionals in the mail-order industry and individuals are increasing with the expansion of the mail-order market, as well as flea market and auction markets. Not only is the Company responding to the needs of customers to send small packages at more reasonable prices with *TA-Q-BIN Compact* and *Nekopos*, it is also further evolving its services in such ways as commencing an anonymous delivery service in collaboration with certain flea market sites, which allows sellers and successful bidders to complete exchanges of goods without exchanging personal information.

Positioning *TA-Q-BIN*'s 40th anniversary as a new departure point, amid the changes that are rapidly occurring around the world, we will continue to listen to customer requests and further evolve our *TA-Q-BIN* services.

Nationwide Network Completion: Struggles with Regulations

In 1980, four years after the launch of *TA-Q-BIN*, the service was growing to the stage where it was being used by a large number of people. However, Yamato received feedback from customers such as "since you only operate in areas with a high population density, we cannot send packages to rural locations. As a parcel delivery product, *TA-Q-BIN* is incomplete." From that time on, the Company began to regard the establishment of a nationwide network as a significant issue.

However, the problem of route licenses stood in the way of establishing such a network. Even though Yamato Transport submitted license applications to the former Ministry of Transport, due to the negative reactions of local transport companies, a delay in the ministry's review of the applications, and a hesitancy by the ministry to issue licenses, the Company struggled to receive these licenses. Then President Ogura continued to make appeals for the services, stating: "*TA-Q-BIN* will benefit consumers. It is not a product that will take work away from local transport companies."

After creating a door-to-door delivery service from the ground up with a focus on being constantly aware of customer requests and, at times, struggling with regulations, the *TA-Q-BIN* nationwide network gradually expanded and was completed in November 1997 with the commencement of *TA-Q-BIN* in the Ogasawara Islands.

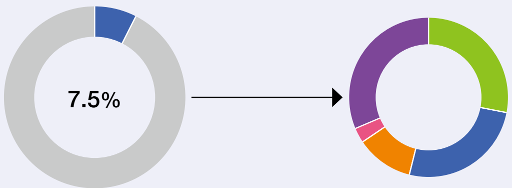
BIZ-Logistics

Guided by the slogan of "LOGINNOVATION," which encapsulates its goal of achieving logistics innovation, the BIZ-Logistics Business devotes its efforts to satisfying and inspiring the Yamato Group's corporate customers, as well as the consumers they serve, through the creation of innovative logistics solutions.

Koji Homma

Representative Director,
President and Executive Officer of Yamato Logistics Co., Ltd.

Composition Ratio of Operating Revenues (%)

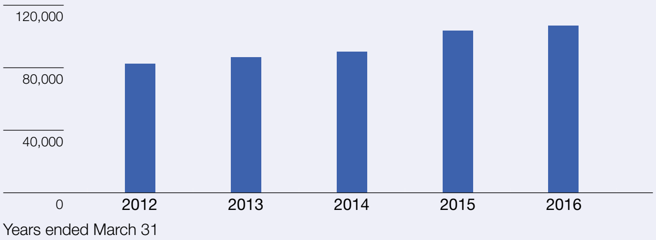


Breakdown of the Composition Ratio of Operating Revenues

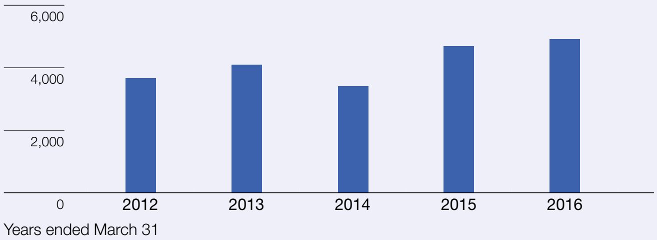
Trading logistics service	2.7%
Sales and Logistics	2.5%
Multi maintenance	1.1%
Export Factory[*1]	0.3%
Others	3.0%

*1. Starting with fiscal year ending March 31, 2017, the name of "*Export Factory*" has been changed to "Products Logistics."

Operating Revenues (¥ million)



Operating Income (¥ million)



A Look Back at the Year Ended March 31, 2016

- Progress made in extending sales for e-commerce (EC)-related services
- Firm results with business involving logistics for medical service providers, such as the services commenced for Johnson & Johnson Services, Inc., in January 2015
- As a result of the above, both revenues and income increased compared with previous fiscal year

Initiatives for Fiscal Year Ending March 31, 2017

- Centered on the Medical Business Strategy Department, formulate business strategies to create innovative distribution in the medical/pharmaceutical product domains
- Realize value-added logistics model through building an innovative reverse logistics network in the Kyushu area
- In association with the opening of *Chubu Gateway*, build an inventory-free model that balances the holding down of dispersed inventory and overall inventory volumes
- For seamless logistics connecting Japan with other countries, develop marketing activities relating to the forwarding business and implement innovative logistics value proposals for specific growth targets, including the cross-border EC and medical fields

Business Environment Forecasts and Unique Strengths to Be Displayed

With the reversing trend from a weak yen to a strong yen, the sense of uncertainty pervading the outlook for the market environment hangs primarily over manufacturers. In contrast, it is anticipated that, due to the development of EC, there will be an ongoing speeding up of moves aimed at shortening distribution that directly connects manufacturers and consumers.

In this business environment, the strength of the BIZ-Logistics Business lies in its ability to provide more highly responsive logistics services without placing a heavy strain on the existing supply chains utilized by each of its customer companies. From the shipper's perspective, we provide non-stop logistics as a cloud-based network that can utilize the Company's network regardless of shipping volume or location. It is precisely these keywords in the "*Value Networking*" design concept that express our strengths.

At present, few of our customer companies' supply chains are configured to remain within Japan, and borderless business is advancing. We recognize that the issues that the BIZ-Logistics Business is confronting will continue to develop on a global scale and not remain confined to the "*Value Networking*" concept within Japan.

Efforts toward Realization of "*Value Networking*" Design

BIZ-Logistics fulfills the role of creating and providing new added value in accordance with the expansion of the domestic and overseas networks that are advancing the Yamato Group as a whole. This business is already recording achievements in the domestic electrical appliance repair and medical fields. In addition to further expanding its value chain targets in the years to come, the business will leverage the gateways that are being progressively expanded in order to face the challenges of making inroads into new business domains.

For example, besides making it possible to minimize inventory without compromising service quality by leveraging the networks that the Yamato Group has put in place, the business is capable of seamlessly responding to both delivery logistics for the business-to-business (B2B) market and mail-order logistics for business-to-consumer (B2C) businesses. By making its many customer companies aware of the provision of this new logistics value, the business is targeting the processes for setting up platforms for logistics bases in Japan and overseas.


Repair of domestic electrical appliances


Cleaning of medical equipment

FOCUS

Augmenting the High-Value-Added Model in Logistics Services

Nippon Becton Dickinson Company started logistics operations in Japan covering the reagent products and parts for the equipment used in life science research from *Haneda Chronogate* in July 2015. Having the Yamato Group undertake all the inspection, storage, picking, packing, and shipping of imported reagents has enabled the customers who purchased the products to receive them sooner than was previously possible. Moreover, by making use of the Yamato Group's *Haneda Chronogate*, which is linked to the *TA-Q-BIN* network, customers who ship in Japan have been able to extend the deadline time for same-day orders and offer more rapid emergency responses.

In January 2016, KDDI Corporation installed and commenced the operation of a cloud-based *Free Rack Auto Pick System* (*FRAPS*)* provided by Yamato Logistics inside its newly built, large-scale logistics base of KDDI, which is located near Tokyo. Linking *FRAPS* with the Yamato Group's know-how and rapid transportation network, merging multiple orders destined for the same stores, and delivering them in bulk to these stores has eased each store's workload, reduced distribution costs, and improved customer satisfaction levels.



FRAPS,*2 installed in parallel inside a *TA-Q-BIN* terminal

*2. *FRAPS* is an acronym for the *Free Rack Auto Pick System*, a setup that can leverage the Company's network regardless of shipping volume or location and can also use "last mile" networks. This picking system uses proprietary flow-through racks.

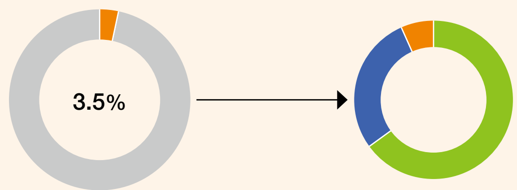
Home Convenience

We provide lifestyle support services that help solve inconveniences at home. In addition, leveraging our networks, we provide a range of solutions to corporate customers in both the private and public sectors to support sales growth and help reduce costs.

Atsushi Ichino

Representative Director,
President and Executive Officer of Yamato Home Convenience Co., Ltd.

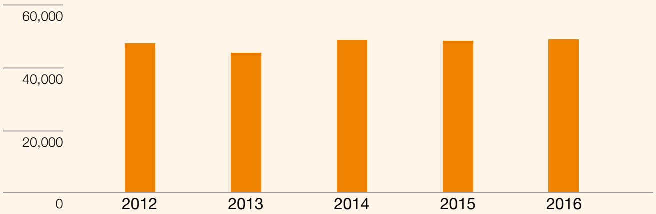
Composition Ratio of Operating Revenues (%)



Breakdown of the Composition Ratio of Operating Revenues

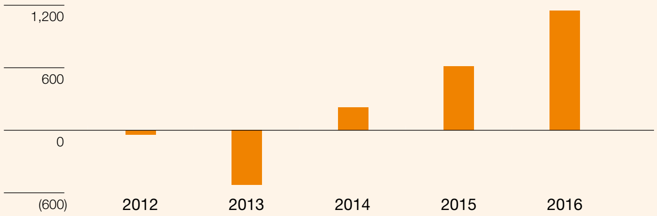
Home convenience	3.0%
Business convenience	1.3%
Technical Network	0.3%

Operating Revenues (¥ million)



Years ended March 31

Operating Income (Loss) (¥ million)



Years ended March 31

A Look Back at the Year Ended March 31, 2016

- Robust performance from office-related services, procurement services, and other operations
- Despite a decrease in the number of large-scale electrical appliance deliveries and installations handled due to electric power supply and demand regulations, there was an improvement in profitability and a contribution made to increased income thanks to gains in weekday capacity utilization rates.
- As a result of the above, both revenues and income increased compared with previous fiscal year.

Initiatives for Fiscal Year Ending March 31, 2017

- The Home Convenience Business plans to expand and upgrade the product lineup in its *Comfortable Lifestyle Support Service* and raise levels of awareness.
- The Business Convenience Business will expand its local government assistance, such as the hometown tax payments, as well as the business support extended to small and medium-sized enterprises.
- In addition to residential equipment and commercial-use equipment, the *Technical Network Business* will extend its communications-related domain centered on digital signage.
- The Home Convenience Business will bolster efforts toward improved productivity by enhancements in weekday income ratio, cost structure reform, and strengthened governance.

Business Environment Forecasts and Unique Strengths to Be Displayed

In modern society, due to the development of IT and distribution networks, a variety of processes and procedures can be carried out even at home, and it has become a simple matter to purchase goods. Since homes are spaces where privacy is protected, the trend will be for a vitalization of consumer activities in the years to come. And, more than removing simple inconveniences, we feel that consumption that aims toward realizing a lifestyle that meets individual preferences where you can comfortably spend time in a way that best suits you will progress even more going forward. Considering that further progress is being made in the social advancement of women and the elderly, in association with the declining birthrate and aging of the population, we think that there will be a growing need for "services inside the home."*

Yamato Home Convenience is the only company in Japan that possesses a centralized nationwide network for dispatching two-person crews for both heavy and bulky items. Furthermore, our front line employees possess advanced skills and qualifications, including as electrical work specialists, in the handling of antiques, and the collection and transportation of industrial waste. We can also provide precise services that draw on our moving and homemaker services we have built up over many years. Furthermore, the *Kuroneko* brand gives customers peace of mind in opening the entrances to their homes. Leveraging these resources, we will continue to promote the provision of services that both resolve inconveniences in the home and support individual self-realization.

Efforts toward Realization of "*Value Networking*" Design

We will promote the building of models that generate high added value toward the realization of the "*Value Networking*" design.

In addition to advancing product development for services inside the home along the lines of the *Comfortable Lifestyle Support Service*, the Home Convenience Business will make progress with platform building to realize lifestyle support businesses that were the systems with existing products. We will also proactively engage in services offering even higher added value, such as amalgamating the services inside the home and recycling services with existing delivery and installation services for the e-commerce (EC) market.

The Business Convenience Business will advance the building of corporate activity support platforms, such as business continuity planning (BCP) support for small and medium-sized enterprises and business efficiency assistance in collaboration with Yamato Group companies. Utilizing the field support center functions at its three bases in Japan, the *Technical Network Business* pursues customer satisfaction from a demand chain point of view by providing networked, high-value-added services that support product life-cycle management.

Moving furniture

Installation of wiring on AV equipment

* "Services inside the home": Not confined to moving or deliveries of household goods, services that assist in a variety of settings inside the home, such as cleaning and remodeling

FOCUS

Improvement in Income Structure by Creation of Added Value

Yamato Home Convenience is engaged in the provision of high-value-added products. In the B2B market, for example, there are an increasing number of cases in which customers wish for the necessary construction and maintenance work to be combined when delivering and installing large pieces of furniture or home electrical appliances not conveyed by *TA-Q-BIN*. Previously, in each case, we responded to these needs in collaboration with local partner construction companies, but since there were difficult aspects to seamless responses, we leveraged the strengths of our two-person deliveries and began to provide integrated services, from delivery and installation to construction, maintenance, and after-sales services. In addition, we are offering enhanced optional services when furniture and home electrical appliances are purchased via e-commerce, from giving operating explanations at the time of delivery, trade-in, and product removal services as well as furniture moving services.

Due to such high-value-added services that are not offered by other companies, in addition to requests for moving services, which we primarily receive on holidays, requests for high-value-added services other than moving services, such as services inside the home, are increasing on weekdays as well. Productivity is also improving. As a result, our income structure has expanded significantly.

Cleaning extractor fans

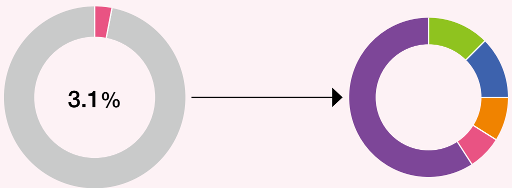
e-Business

Supported by ICT (Information and Communication Technology), the e-Business will incorporate the "*Value Networking*" design and provide optimal solutions that combine logistics functions with financial settlement functions to contribute to customers' business development.

Yoshihiko Hoshino

Representative Director,
President and Executive Officer of Yamato System Development Co., Ltd.

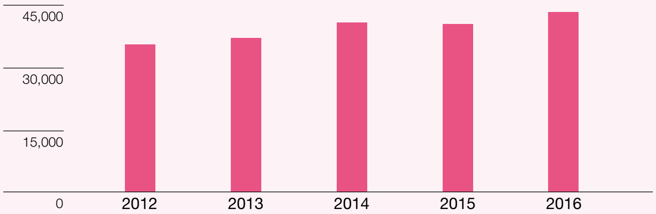
Composition Ratio of Operating Revenues (%)



Breakdown of the Composition Ratio of Operating Revenues

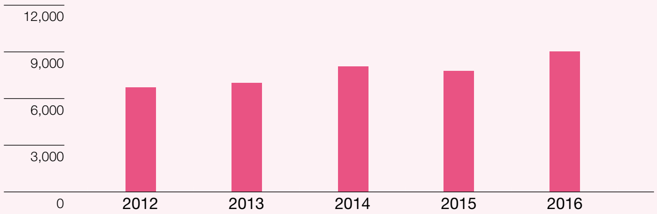
e-logistics solution	0.7%
Credit card solution	0.7%
IT operating solution	0.5%
Web-based mail order solution	0.4%
Others	3.3%

Operating Revenues (¥ million)



Years ended March 31

Operating Income (¥ million)



Years ended March 31

A Look Back at the Year Ended March 31, 2016

- Expanded sales of e-money settlement systems for the amusement industry
- Strong results from "Setup and Logistics Solution business" geared toward mobile virtual network operators (MVNO*1s)
- As a result of the above, both revenues and income increased compared with previous fiscal year

*1. MVNO (Mobile Virtual Network Operator): An operator that does not have its own physical communication network, such as mobile phones or PHS, and provides under its own company brand communications services that are actually borrowed from other operators

Initiatives for Fiscal Year Ending March 31, 2017

- Support of shipments from remote locations centered on the *Web Shipment Control Service,* which leverages the benefits of the Yamato Group's "last mile" network, and provision of a full range of distribution functions and payment settlement functions for the burgeoning re-use market
- Provision of services such as the transportation of specimens for the medical market that requires high-quality transportation

Business Environment Forecasts and Unique Strengths to Be Displayed

As business models that utilize innovative IT are being devised in quick succession, society is expected to undergo major changes. IT is not only aimed at conventional business streamlining, as customer needs have changed into a movement that leverages IT to improve a company's sales and strengthen its competitiveness. As cloud services have become more widespread, their value "from ownership to use" is becoming more prevalent.

In this business environment, in addition to the "experience, development, and operational capabilities" that have been underpinning the delivery of approximately 1.7 billion *TA-Q-BIN* items a year, the e-Business will leverage to the fullest extent its strengths that are not possessed by other companies, including its top 10-ranked domestic network infrastructure, its system management data centers in Tokyo and Osaka that are in non-stop 24-hour operation throughout the year, and high-quality, robust security environments. The e-Business will also develop cloud outsourcing services that can be used anytime, anywhere. In these ways, the e-Business will raise the consolidated proportion of the overall business and bring about an improvement in profitability.

In the meantime, looking ahead to the next medium-term management plan, efforts to dramatically extend growth domains are becoming a pressing issue. Not only in terms of horizontal development, including the expansion of current business domains and entry into new markets for existing services, but also in accelerating the creation and provision of new services and tapping into new business domains, we will constantly implement short-cycle PDCA.

Efforts toward Realizing the "*Value Networking*" Design

The role of the e-Business is to create and provide ICT, which achieves rapid growth for each formation business, in order to accelerate the realization of the "*Value Networking*" design.

In addition to the provision of IT, an initiative in which we have been engaging that contributes to improved efficiency, cost reductions, and enhanced convenience in our overall business, there is demand for the provision of

Printer used in *On-demand Service for Sales Promotion Goods*[*2]

"aggressive IT," which boosts customers' business value. Centered on the ICT Strategy Department, we will utilize various technologies, including IoT (Internet of Things) and AI (Artificial Intelligence), as well as new equipment, such as 3D printers, to provide this kind of IT. We will also actively form business alliances with manufacturers who possess new technology and venture companies, in addition to creating and providing applications that can be used directly by the consumer. By fitting such functions into each formation business, the e-Business will contribute to the overall growth of the Yamato Group.

*2. Service that promptly delivers sales promotion goods such as pamphlets at the necessary time, in the necessary amount, and to the necessary location

FOCUS

Services to Raise Competitiveness of MVNO Business Operators

Yamato System Development Co., Ltd. is expanding and upgrading its administrative support services for MVNO business operators that integrate the launching of MVNO businesses and the activities necessary for their operations on their behalf.

Involving the orders for SIM cards and smartphones the MVNO business operator receives from end-users, these services are a series of operations, from the initial setting to shipment conducted on behalf of the MVNO business operator.

In October 2014, we added functions to take care of work related to confirming identity for MVNO business operators so that they are able to provide voice communications services to end-users. In addition, we offer a variety of services that cover everything from importing tablets from overseas and clearing customs and product inspection to localization work, such as providing Japanese-language packaging and inserting instruction manuals, as well as inventory management and end-user shipping services. We are also developing aftercare services for post shipping and services that carry out such tasks as extending smartphone warranties, providing customer support for damaged products, storing and shipping replacement devices, collecting damaged products, and responding to repairs by the manufacturer. Furthermore, we are making efforts so that MVNO business operators are able to provide the same tablet warranties and affordable smartphones as major phone carriers.

Administrative support for MVNO business operators

Currently, among MVNO businesses, we are focusing our efforts particularly on businesses for corporate customers. Starting with the installation of original security software, we are receiving a wide variety of requests for setting up user passwords and performing the initial set up of accessories. Accordingly, we are putting a structure in place that allows us to respond to these detailed demands.

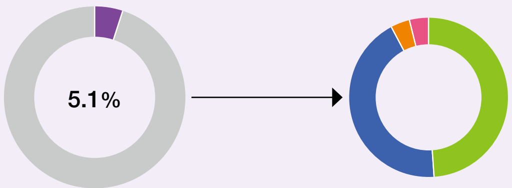
Financial

Providing settlement and financial solutions in Japan and overseas, the Financial Business aims to become a cooperative partner that realizes consumer convenience and business operator logistics reform, while striving to respond to a variety of settlement means.

Toshizo Kurisu

Representative Director,
President and Executive Officer of Yamato Financial Co., Ltd.

Composition Ratio of Operating Revenues (%)

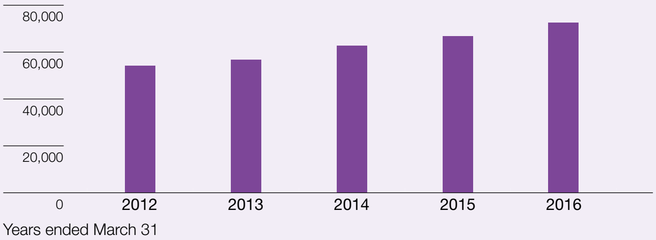


Breakdown of the Composition Ratio of Operating Revenues

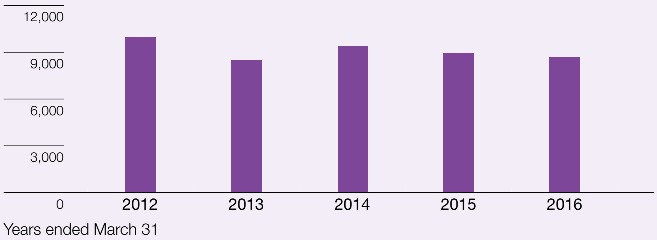
TA-Q-BIN Collect*	2.6%
Lease	2.3%
Credit & Finance	0.2%
Others	0.2%

* Starting with the fiscal year ending March 31, 2017, the name of *TA-Q-BIN Collect* has been changed to "*Payment*"

Operating Revenues (¥ million)



Operating Income (¥ million)



A Look Back at the Year Ended March 31, 2016

- Strong results from financial leases and installment sales in the lease services business
- Impacted by a shrinking market for cash-on-delivery settlement, *TA-Q-BIN Collect* business growth slowed
- As a result of the above, revenues increased and income decreased compared with previous fiscal year

Initiatives for Fiscal Year Ending March 31, 2017

- In the business-to-consumer (B2C) market, we will strengthen proposals for the "three main payment method," which offers our strategic services *Kuroneko Web Collect, Kuroneko Pay After Delivery Service*, and our cash on delivery service as a set.
- In the business-to-business (B2B) market, we will select target markets and implement functional enhancements for our *Kuroneko Anshin Kessai Service*.
- In the lease services business, we will focus mainly on operating leases involving high-quality vehicles over short-term lease as well as the introduction of high-quality previously owned cars, which stems from these operating leases.

Business Environment Forecasts and Unique Strengths to Be Displayed

We are strengthening our strategies in the e-commerce (EC) market to command the No. 1 market share as a settlement provider for mail-order businesses in particular while working to promote solution proposals relating to financial settlement.

In the B2C market, amid further expansion of the mail-order market centered on e-commerce, we will enhance the functions of our strategic service, *Kuroneko Web Collect*. In conjunction with this move, we will propose new services for business operators trying to make a new start in the EC business, such as the development of packaged products that make it easier to launch an EC business and website analysis to bring about improvements in business operators' sales. In addition to enabling EC business operators to make approaches from various locations through such means as constructing an easily understood service site, we are cooperating with our alliance partners to proactively develop promotions through seminars and other efforts, thereby enhancing our product appeal.

For consumers, we brought about further improvements in convenience. These upgrades included the addition of functions that our competitors are unable to provide, such as the real-authorization function, for financial settlements at convenience stores through the *Kuroneko Pay After Delivery Service*, so that consumers can purchase the products they like safely, reliably, and conveniently.

Efforts toward Realization of "*Value Networking*" Design

Without constraining ourselves to the provision of a single-function settlement service, we will propose total solutions that leverage the Group's comprehensive strengths so that mail-order business operators and consumers alike can enjoy convenience.

In the B2B market, as well as leveraging the Group's marketing capabilities as a means to strengthening our marketing system for the *Kuroneko Anshin Kessai Service*, we will divide potential customers into segments and propose solutions. As part of "Project G (Government)" that is being promoted throughout the Yamato Group, while collaborating with local governments and making settlement proposals our lynchpin, we will proactively promote new initiatives, such as supporting the expansion of sales channels for and the export of Japanese products.

In addition to financial leases centered on large and new vehicles, in the lease services business we will work to improve revenue growth and profit margins by total solution proposals related to Group networks and vehicles. These solutions include operating leases that enable the provision of cost-effective leasing rates, even for a new car, and used car leasing, through which we ascertain beforehand and offer quality vehicles that have expired leases.

In overseas markets, we will support further quality improvements centered on cash on delivery, which we have positioned as one of our value-added *TA-Q-BIN* services in the areas in which we already are developing our business. In new areas that are centered on ASEAN, we will gather information while utilizing venture capital and promote the development of new EC-related services tailored to consumer needs.

FOCUS

Favorable Reputation of *Multi e-money Settlement Service*

Yamato Financial is providing its *Multi e-money Settlement Terminal* rental service to enable the settlement of multiple forms of e-money via one terminal. Providing rentals of the *Multi e-money Settlement Terminal*—usable if a power supply and access to a mobile phone network are available—for a minimum of one week enables e-money settlement for the sale of goods, such as at the venues of events that are being held only for a short period of time. Installed and used for charges of food and beverages as well as goods at outdoor events and for settling admission charges for sports events, the *Multi e-money Settlement Terminal* rental equipment is generating positive feedback, such as "the queues were shorter" and "it reduced the handling of cash, so fewer errors were made in the proceeds from sales."

Multi e-money Settlement Terminal

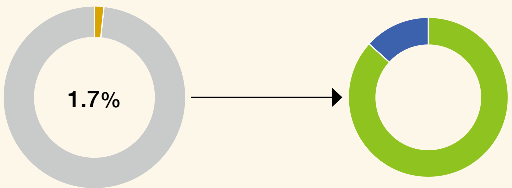
Autoworks

Based on a vision to transform our vehicle maintenance services into the No. 1 autoworks for logistics and distribution business operators, the Autoworks Business is developing a vehicle maintenance service offered around the clock, 365 days a year without downtime.

Tetsuya Egashira

Representative Director,
President and Executive Officer of Yamato Autoworks Co., Ltd.

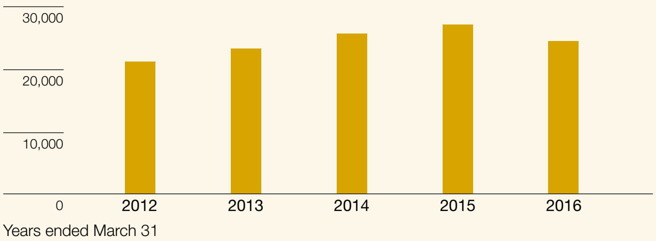
Composition Ratio of Operating Revenues (%)



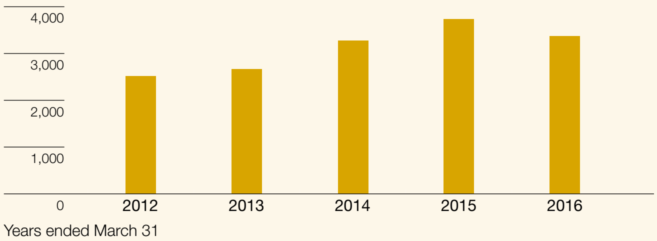
Breakdown of the Composition Ratio of Operating Revenues

Truck solution	3.3%
Others	0.5%

Operating Revenues (¥ million)



Operating Income (¥ million)



A Look Back at the Year Ended March 31, 2016

- Both revenues and income decreased year on year due to the lower unit price of fuel.

Initiatives for Fiscal Year Ending March 31, 2017

- Continue to provide the three “Cs”—Compliance, Convenience, and Cost Reduction—to logistics and distribution business operators centered on vehicle maintenance plants
- In the facility management business, realize 10 services and enhance product lineup to respond flexibly to customer inconveniences. Make efforts to grow the facility management business into the next mainstay business after the vehicle maintenance business

Business Environment Forecasts and Unique Strengths to Be Displayed

Having itself originated as a logistics business operator that are its customers, the Autoworks Business is likewise dedicated to proposals from a perspective close to the customer. Adopting the approach of providing management support for logistics and distribution business operators, the Autoworks Business offers one-stop services that are based on the three “Cs.” The first “C” is Compliance, which is the foundation of management. In this regard, our mobile *Repairworks* service has contributed to improving the completion rate for statutory vehicle inspections. The second “C” is Convenience, where we pursue ever higher levels of convenience for our customers. Based on this concept, we are working to establish a framework that enables the carrying out of vehicle inspections when the vehicles are not in service by around-the-clock, year-round operations. The third “C” stands for Cost reduction, based on helping to improve utilization rates and leveraging procurement capabilities for commercial vehicles. By promoting measures to limit the need for spare vehicles as well as preventive maintenance that aims to improve the completion rate for statutory vehicle inspections, the business is helping to limit occurrences of unexpected costs. We are leveraging the strengths of our network to optimize the procurement of parts and fuel in order to provide customers with high-quality products and services at low costs.

Besides the three “Cs,” we are focusing on environmental efforts, which we refer to as “Clean.” In addition to installing solar power systems, energy-efficient LED lighting, and other facilities at our *Superworks* facilities, we strengthened our research organization with an eye on the increasing use of electric vehicles. As the business segment in charge of the Yamato Group’s vehicles and facilities, we are also actively involved in facilitating energy-saving and recycling, such as in recommending the use of rebuilt and reused parts.

In the logistics industry, the necessity is growing to be compatible with new technologies, including AI (Artificial Intelligence) and automatization, and continuing to make rapid advances with R&D is becoming an issue. As was the case for the revised Freon Law that was enforced in 2015 and the 2016 revisions to the Insurance Business Act,* as the importance of CSR increases we will strengthen our internal systems.

While responding to these environmental changes, we will aim to remain our customers’ management-efficient partner and realize stable profits and earnings by providing services under a membership system that manages en masse the assets—the vehicles and facilities as well as the equipment—of logistics and distribution business operators.

A *Repairworks* purpose-built truck with maintenance functions


Repair of facilities

Efforts toward Realization of “*Value Networking*” Design

By being responsible for the maintenance of vehicles, facilities, and equipment, which are the most important parts of the Group’s logistics network, we increase the accuracy of prediction and prevention by big data management that utilizes the IoT (Internet of Things) and ICT (Information Communication Technology) with the aim of maintaining and inspecting to predict and prevent breakdowns rather than performing repairs after a failure. We will continue to support the entire Group by realizing safe logistics that are a non-stop operation.

* Revisions were made to the Insurance Business Act to require the sale of appropriate products at sales agencies such as insurance stores.

FOCUS

Vehicle Maintenance Plant with Significantly Improved Operational Efficiency

Operational around the clock, all year round, the “*Superworks* Kobe vehicle maintenance plant” that has realized improvements in vehicle operational efficiency was completed in September 2015. We are establishing *Superworks* facilities all over Japan. *Superworks* accept vehicles during downtime, complete inspections and maintenance, and return the vehicles. Including the Kobe plant, we have a total of 23 locations across Japan. By completing vehicle inspections and maintenance outside the hours when a customer’s fleet is operational, we have the ability to offer cost reduction benefits, such as enabling a reduction in the number of spare vehicles owned.

In addition, we commenced the *Repair Network* service by which a mechanic undertakes regular visits and maintenance using a purpose-built *Repairworks* truck. Through this service, we provide support in order to complete 100% of the vehicle inspections that transport business operators are legally obliged to carry out once every three months.

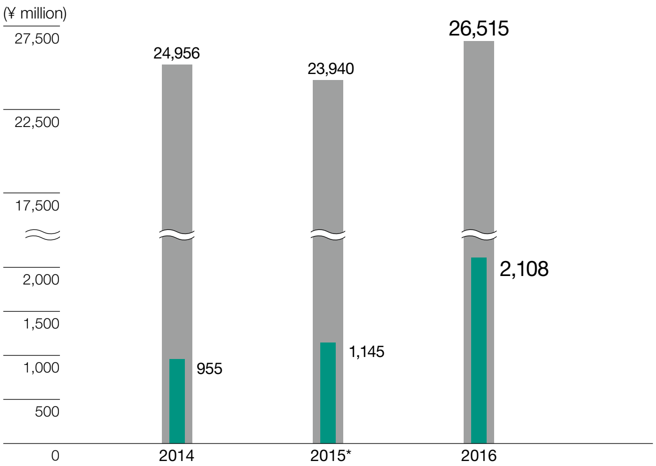
Other

The *JITBOX Charter* service provides transportation by transport box. The service takes advantage of a network consisting of multiple companies and provides added value to customers through timely delivery and frequent, right-volume delivery. In the fiscal year ended March 31, 2016, use of the service steadily increased, resulting from steps to heighten the service's customer convenience, such as the development of new freight payment settlement options, in addition to favorable results from existing service offerings.

Excluding dividends that Yamato Holdings Co., Ltd., received from the Group companies, operating income in Other increased 84.1% from the previous year, to ¥2,108 million.

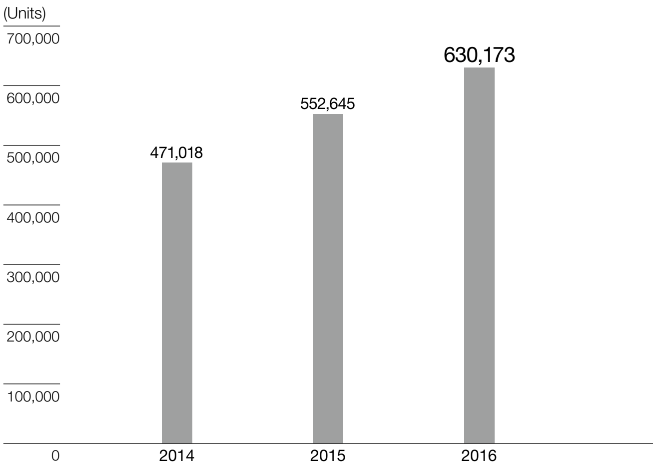
JITBOX Charter

Operating Income



Years ended March 31
■ Including Yamato Holdings ■ Excluding Yamato Holdings
* Amounts for the fiscal year ended March 31, 2015, have been reclassified to the reportable segments for the fiscal year ended March 31, 2016.

Track Record of *JITBOX Charter*



Years ended March 31

YES!—Package services for EC businesses in which every Yamato Group company coordinates

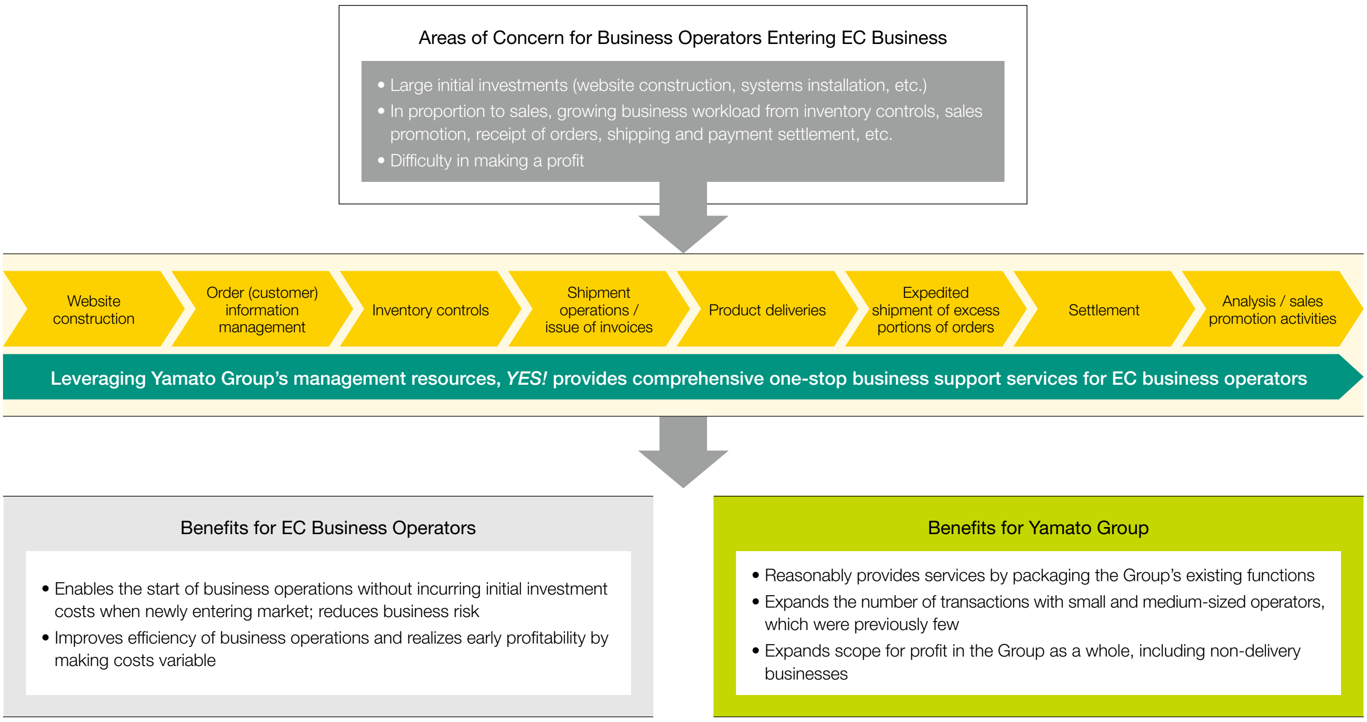
In the rapidly expanding e-commerce (EC) market, each business operator is finding new opportunities in multiple sales channels, such as store openings in major malls or its own company website. However, the management of orders received, the handling of shipments, and responding to customer increases from multiple sales channels are becoming exceedingly complex. To resolve these types of problems, the Company has been offering its "*YES!* (*Yamato Ec Solutions!*)" package services since June 2015 with the intention of providing total support for EC businesses.

YES! provides best-fit packages for all sizes of operation, from recent start-ups and small and medium-sized operators to large-scale operators. In addition to the three functions that are regarded as the basic package—receipt of order management, delivery, and payment settlement—we are able to provide a range of optional services in line with the growth of the business, including convenience store pickup, warehouse management, and call center services, etc. By enabling the integrated management of orders received from, for example, multiple malls, individual websites, and actual stores, the introduction of *YES!* means that invoices can be issued as well. In bundling the services from the management of orders received to the issue of delivery slips, thereby automatically linking the order number with the *TA-Q-BIN* delivery slip number, EC business operators reach the point where they are able to respond promptly to customer enquiries.

For EC operators, this ability means they can start business without initial investment other than in products on the occasion of their entry into the EC business and are thus able to reduce business risk. The services also lead to improvements in business efficiency and early profitability. At the same time, as far as the Yamato Group is concerned, by packaging the existing functions that each Group company has at its disposal, the services do not lead to additional development costs and enable the Group to reasonably provide competitive services. Leading to unprecedentedly comprehensive proposals made to small and medium-sized business operators, the scope for profit gain has been expanded, and the Group can expect an overall increase in revenue and income, including in its non-delivery businesses.

Since EC accounts for 3.7% of total commercial transactions in Japan and remains low in comparison with the ratio in Europe or the United States, further growth is anticipated in the EC market in the years to come. Going forward, the Yamato Group will expand its services that are of benefit to both EC business operators and customers who purchase from them, while supporting the growth of the EC market.

Outline of *YES!* Services



Yamato Group: Creating Shared Value (CSV) Initiatives

Sustainability

Advancing Together with Society, a Growing Yamato Group

The Yamato Group is working to improve its own competitiveness by linking the various changes occurring in society with its own growth opportunities.

Yamato Group Risk / Issue Approach Policies

In this section, we introduce the risks and issues recognized by the Yamato Group and its own approaches in response to them.

Recognized "Change"	Yamato Group Approach	Approach Linked to Growth Opportunities
Globalization of logistics	Realization of the "*Value Networking*" design Acceleration of approaches in Asia Collaboration with e-commerce (EC) business operators and flea market sites	• Realize network innovations → For more details, please see p. 20.
Expanding need for increased trade activity and inter-regional logistics due to high-growth ASEAN markets and TPP		• Expand borderless network centered on Okinawa → For more details, please see p. 22.
Diversification of needs (Expansion of e-commerce market / person-to-person transaction markets)		Collaboration with auction sites and flea market sites → For more details, please see p. 43.
Personnel shortages	Human resource strategy to underpin the "*Value Networking*" design	• Secure and develop diverse human resources → For more details, please see p. 44–45.
Advance of social issues, such as Japan's decreasing birthrate and aging population	Platform-building in collaboration with local governments (Project G)	Strengthen collaboration with local governments → For more details, please see p. 46–47. • Expand bus routes used for combined passenger-cargo operations • Support for watching over seniors/collection of recalled products • Lifestyle Support Service • Diversity
Increases in CO_2 emissions and volume of waste	Build environment-friendly logistics systems	Balancing the reduction of environmental impact and streamlining logistics by promoting modal shift → For more details, please see p. 49.

Change: Diversification of needs (Expansion of e-commerce market / person-to-person trading markets)

Enhancing customer interaction and improving profitability through a customer contact point strategy

In association with changes in lifestyle and the expansion of the e-commerce (EC) market, the needs on the product and shipment receiving side are diversifying. In addition to providing a succession of new services in keeping with the changing times, the Yamato Group is pressing ahead with its customer contact point strategy. This strategy focuses on strengthening communication and diversifying receiving locations to respond to new demand, including delivery at the time the customer wants and delivery to those customers who do not wish to receive items face-to-face.

Strengthening of Communication

Collaboration with EC sites

- Functions that enable users to select delivery points other than their homes at the time of placing an order
- Response to the need for sending packages from individual households

Collaborating with EC sites has enabled the issue of sales slips not only at directly managed stores but also at convenience stores. In collaborating with some sites, the Company is responding with anonymous delivery.

Listing of flea market and auction sites with which Yamato has arranged collaboration:
Mercari / FRIL / Otamart / minne / Yahoo! Auction / Rakuma

***Kuroneko Members*: e-Notification Series**
Changes to delivery date, time, and location as well as re-delivery receipt via the Internet

Collaboration with "LINE"
Expansion of communication channels

Diversification of Receiving Bases

24hrs

Convenience store / Agency
Approx. 39,000 stores in Japan

Yamato Transport's directly managed stores
Approx. 4,000 stores in Japan

At public facilities, including train stations
Locations of parcel lockers
Target: 5,000 locations by 2022

Response to Needs for Non-Face-to-Face Receipt of Goods

NEW!

Non-Face-to–Face (Parcel Lockers)
Round-the-clock availability + Expansion of receipt locations
Packcity Japan, a joint venture with the Neopost Group of France is spearheading installation

Issue: Personnel shortages

Human resources strategy to underpin the "*Value Networking*" design

Human resources who possess flexibility and a wide field of view that defy conventional frameworks will be indispensable in continuing to provide new value and services through the "*Value Networking*" design. By hiring human resources who hail from a range of backgrounds, the Yamato Group would like them to lead by breathing fresh air in the form of new value throughout the Company for the creation of corporate value for the Group as a whole and value that can be shared with society. Human resources create new value. The Company is endeavoring to design workplaces where each and every employee can feel actively engaged, irrespective of gender, age, or nationality.

For more details, please refer to the following pages.

Special Interview:
Human Resources Strategy to Underpin the "*Value Networking*" Design

Fostering and producing in great numbers human resources with flexible creative power unconstrained by business type or category as well as the ability to take rapid action

For more of an insight into the human resources strategy that underpins progress with the "*Value Networking*" design, the person in charge of human resources development explains the main business company, Yamato Transport.

Changing Awareness from Individual Optimization to Overall Optimization

The Yamato Group has been successful in increasing the advancement of *TA-Q-BIN* that has the "last mile" network as its strength. In order to create further innovation in a business that already has finely tuned quality and competitiveness, the key is to change the way of thinking of the employees involved.

For instance, in the case of considering solutions for customers in the B2B market, unless this was carried out in a total solutions manner, the solutions will not meet customer needs. Responding to needs requires a full understanding of the peripheral logistics functions possessed by each company in the Yamato Group and the consistent provision of those functions, from upstream to downstream, to create benefits for the customer. Although *TA-Q-BIN* is the Group's greatest strength, *TA-Q-BIN* is merely part of the solution and one function of logistics. Without an awareness of these aspects by employees who are well-versed in the Delivery Business, the next innovation will not arise. Based on the current conditions where a large number of companies from other industries are entering into the logistics industry, our human resources need to possess extensive judgment unconstrained by business type or category and be aware of the movements of other companies. These human resources also need to have flexible creative power to be able to compete against other companies with the strength of the Yamato Group as well as the ability to take rapid action.

Development of Human Resources

In order to have its human resources acquire a deep understanding of each business and an expansive outlook that assesses the diverse needs of customers, the Yamato Group is introducing personnel exchange initiatives both within the Group and with other companies.

At their seconded locations, I have witnessed employees actively engaging in such tasks as participating in front line projects and promoting sales activities. Upon returning to their

respective Group company, employees take on even more active roles by leveraging their expanded outlook. We anticipate that such employees will grow to become the next generation of management that will oversee the future of the Group.

For younger employees, mainly those in their 20s, we have introduced a job rotation system within the Group. By giving these employees a chance to view the strengths of the entire Group, not just the Group company to which they belong, we hope they can receive inspiration for future innovations. Also, Yamato Transport dispatches trainees to local subsidiaries overseas in areas where we are developing *TA-Q-BIN* services, providing them with an opportunity to study local work practices and engage in communication with local staff. In this way, Yamato Transport is also focusing its efforts on developing global human resources within Japan.

Response to Structural Issue of Decreasing Working Population

The position that is affected the most from a decrease in the working population is the position of sales driver, which serves as the core for the "*Value Networking*" design. Accordingly, securing human resources for this position is a pressing issue. Based on the forecast for the average age and age composition of sales drivers in 5 and 10 years, Yamato Transport is endeavoring to bolster its efforts to attract young adults as potential employees. One of these efforts is strengthening the connection with high schools across the country. While creating trust-based relationships through such means as visiting teaching staff at targeted high schools, the numbers of high school graduates that are being hired is steadily increasing.

Furthermore, in urban areas where competition to acquire human resources is intense, we are taking a wide variety of countermeasures such as using an in-house recruiting system to relocate employees who have the desire to take on challenges in new locations across the country as well as upgrading our dormitories and carrying our recruitment campaigns to attract new hires from other areas. Going forward, we plan to establish a system that takes into consideration a variety of factors such as employment conditions and time slots in which it is easy for a diverse group of human resources to work. In addition to female homemakers, who we have been actively hiring, this diverse group will include seniors and students.

At the same time, with regard to the personnel who carry out the sorting work at base terminals that represents the heart of the *TA-Q-BIN* network, we have been encouraging the employment of foreign nationals in connection with Japanese-language schools for a number of years. Even human resources who are not accustomed to the Japanese language or the business practices in Japan exercise their strengths by using our multilingual business operations manual.

Also, for employees who wish to enhance their abilities, we have established a path that leads to a career in a central position that oversees the future of the Company.

Making Diversity a Growth Engine

Respecting the diversification in employee lifestyles, the Group is promoting the creation of environments in which each and every employee can play an active role, irrespective of age or gender. To take Yamato Transport as an example, besides guest operators and call center operators who are in direct contact with customers, and even in the pickup and delivery work, which is often perceived as work that is done by men, Yamato Transport is increasing the means of delivery, such as trolleys and bicycles, and providing environments that proactively accommodate female employees.

Furthermore, with regard to systems for balancing work life with childcare and nursing care, we are holding discussions between labor and management based on the voices of employees, creating and distributing handbooks, and showcasing the personal experiences of those who have used these system via the Company intranet. In these ways, we are continuing to raise awareness so that employees will make use of these systems. By building mechanisms and systems so that employees can balance life events with their careers and the ways they work, we will continue to pursue a rewarding workplace where employees can work with peace of mind.

With regard to foreign employees, we commenced with the direct hire of personnel from other Asian countries seven years ago, in association with the business strategy involving the full-scale development of *TA-Q-BIN* services overseas. Not only do we recruit students who are on exchanges at Japanese universities, we engage in local hiring activities as well. When hiring foreign nationals, in addition to their language-learning ability, we focus our attention on getting to know the candidates, placing emphasis on their background, to determine whether or not candidates have gained true communication skills through overseas experiences such as studying abroad that lead to mutual understanding. There have been many cases where we have had foreign nationals play in active role in global operations after joining the Company and experience work life in Japan. However, there have also been foreign employees who have made a career for themselves as specialists in logistics services. In this way, the role foreign employees play has become more expansive. Recently, foreign employees have been advancing into the management ranks.

Megumi Hasebe
Manager,
Department of Human Resource Training and Development
Yamato Transport Co., Ltd.

Society

Change: Advance of social issues, such as Japan's decreasing birthrate and aging population

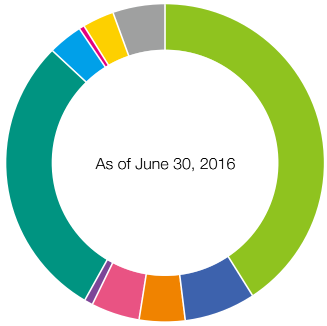
Promotion of CSV in Cooperation with Local Communities (Project G)

In aiming to become the "company most loved and trusted by society," the Yamato Group is promoting Project G, which engages in revitalizing local communities and resolving issues in cooperation with local governments and local government agencies. Project G's solutions include expanding the sales channels for specialty products and watch-over service support for the elderly all over Japan.

Number of Project G Solutions: 1,770 (As of June 30, 2016)

Breakdown of Numbers of Project Agreements with Local Governments

Watch-over support	132
Shopping support services	22
Product support services	14
Tourism promotion support	15
Event support	3
Disaster relief support	92
Hometown tax payments	11
Combined passenger-cargo operations using buses	2
Comprehensive support	11
Other	17



Main Initiatives in Each Region Commenced from the Fiscal Year Ended March 31, 2016, Onward

Period	Region	Collaboration	Specific Initiative(s)
Apr. 2015	Akita Prefecture	Yamato Transport Co., Ltd. Yamato Multi-Maintenance Solutions Co., Ltd.	• Provision of watch-over service for elderly residents when making deliveries • Support service for collection of recalled products (for the elderly)
Jun. 2015	Iwate Prefecture	Yamato Transport Co., Ltd. Northern Iwate Transportation Inc.	• Commencement of combined passenger-cargo operations using buses
Sep. 2015	Miyazaki Prefecture	Yamato Transport Co., Ltd. Miyazaki Kotsu Co., Ltd.	• Commencement of combined passenger-cargo operations using buses
Oct. 2015	Shimane Prefecture	Yamato Transport Co., Ltd. Yamato Home Convenience Co., Ltd.	• Sales of cover letter and box with an original design • Support for people relocating to and promotion for settling in Shimane (Special offer for removal services, etc.)
Jan. 2016	Akita Prefecture	Akita Meat Trading Center NobleMono (Thailand) Yamato Group	• Expansion of overseas sales channels for Akita beef • Yamato Group agent for trade, export procedures, international transport, commodity price settlement, etc.
Feb. 2016	Miyazaki Prefecture	Yamato Transport Co., Ltd. Yamato Multi-Maintenance Solutions Co., Ltd.	• Provision of watch-over service for elderly residents when making deliveries • Support service for collection of recalled products (for the elderly)
Apr. 2016	Tama City, Tokyo	Urban Renaissance Agency Yamato Holdings Co., Ltd.	• Setting up of community center • Receipt of *TA-Q-BIN* items, installation of parcel lockers, shopping agency • Consolidation and bulk delivery of shipments from other home delivery business operators • Housework support • Watch-over service, etc.
Jun. 2016	Tokyo metropolitan area	Yamato Transport Co., Ltd.	• Agreement to support the elderly

Activity Showcase

Delivering Peace of Mind by Watching over Seniors / Collecting Recalled Products

All over Japan, the Yamato Group is engaged in the areas of lifestyle support, which includes watching over seniors and assisting with their shopping, and sales promotion support, such as through expanding the sales channels for specialty products. In February 2016, watch-over service support for the elderly and recalled product collection initiatives aimed at households with elderly occupants were commenced in Nichinan City, Miyazaki Prefecture. Besides contacting the local government in the case that there is concern that a senior at a delivery location has been absent for a long period of time or is suffering from poor health, this service delivers information on recalled products and local government publications to seniors' residences by *TA-Q-BIN*. Should such a product be found, its collection is expedited. In the years to come, while liaising with local governments, the Group will promote initiatives that are linked to the safety of local residents.

Activity Showcase

Lifestyle Support Services That Utilize Tama New Town's Community Base

In April 2016, in collaboration with the Urban Renaissance (UR) Agency and Tama City, Yamato Holdings commenced lifestyle support services with the aim of making the lifestyles of the people living at Tama New Town more abundant. While Tama City and UR provided the venues in the form of Tama area and UR housing complexes, the Yamato Group offers the following services.

- *TA-Q-BIN* receipt services, installation of parcel lockers, collaboration with NPOs and residents' associations, and urban and regional information dissemination
- Deliveries not only by Yamato *TA-Q-BIN* but also consolidation and bulk delivery of shipments from other parcel delivery business operators
- Acceptance of product orders by phone, website, or at a base, delivery of purchased items from store to collection and sorting
- Delivery of products on the same day, from local retail store to residence
- Provision of household support services, which include cleaning, changing light bulbs, and the assembly of furniture, and support for watching over residents
- Proactive employment of people who are resident in the Tama area as staff members for base reception and bulk delivery tasks

Achievements of Combined Passenger-Cargo Operations: *TA-Q-BIN* Transportation That Utilizes Scheduled-Route Passenger Buses

With the dual aim of improving lifestyle services for local residents—by maintaining scheduled bus networks in areas where the processes of depopulation and an aging population are taking hold—and streamlining logistics, Yamato Transport commenced combined passenger-cargo operations in collaboration with bus operators. Currently, the service is in operation in Iwate and Miyazaki prefectures. By switching part of the sector normally operated by truck over to transportation by scheduled-route bus, these operations have led to a reduction in CO_2 emissions and enabled the realization of lower environmental impact. Securing this new source of income has helped bus operators maintain bus routes. From Yamato Transport's point of view, the initiative has allowed its sales drivers to increase the amount of time they stay in their areas and enabled them to perform more region-specific services, such as being in the position to extend pickup times. For local residents, the initiative has led to an improvement in lifestyle services, including being able to steadily utilize scheduled-route buses that represent transportation infrastructure lifelines. In June 2016, this initiative won the Logistics Environmental Conservation Award at the 17th Logistics Environmental Awards sponsored by the Japan Association for Logistics and Transport, which evaluates initiatives of this type.

Promotion of Diversity toward Lasting Development

Faced with changes in various forms of social structure, including labor shortages caused by the declining and aging population as well as the diversification of needs, the Company respects diverse values and each and every employee who has ideas and awareness—regardless of gender, nationality, or age—and works to create workplaces in which people are able to display those abilities to the fullest extent. Consciously incorporating the values of diverse employees into the organization and leading to stronger corporate competitiveness and growth is what the Yamato Group considers diversity.

In August 2014, Yamato Holdings established the Diversity Promotion Department and encourages diversity along the following three lines:

- Fostering an awareness of diversity: Each and every person has a common awareness with regard to the promotion of diversity
- Creating environments in which it is easy to work: Set up environments that enable any person to equally make significant contributions, such as reviewing ways of working and encouraging a work-life balance
- Supporting career formulation: Support for each and every employee to enable him or her to realize personal growth through work

Diversity of Yamato Group in Numbers (April 2015 – March 2016)

610	persons took childcare leave (including 41 male employees)
474	persons worked shorter hours for childcare (including 9 male employees)
25	persons took nursing care leave (including 9 male employees)
29	persons worked shorter hours for nursing care (including 13 male employees)

Safety

Safety Measures toward Achievement of Zero Accidents

The Yamato Group deems community streets and roads as the places to carry out its business activities. Based on our corporate stance of thorough safety management that keeps respect for human life as its top priority, the Group thoroughly adheres to its philosophy of placing safety first and business second to maintain respect for human life as a priority at all times.

Safety Management Disclosure Information

With ensuring the safety of transport business operators as its goal, the Yamato Group has built up a transport safety management system, based on the Transport Safety Management System stipulated by the Ministry of Land, Infrastructure, Transport and Tourism, and remains actively involved in its implementation. Results for the fiscal year ended March 31, 2016, and part of the goals for the fiscal year ending March 31, 2017, are listed below.

Transport Safety Goals and Achievement Status (Yamato Transport Co., Ltd.)

Traffic Accidents

Item	Results for the fiscal year ended March 31, 2016	Goal for the fiscal year ending March 31, 2017
No. of serious traffic accidents	6	0
No. of serious work-related accidents	0	0

Source: Yamato Transport's publicly disclosed "Transport Safety Management" information (Japanese-language only)

Budget / Results Relating to Transport Safety

Results for the Fiscal Year Ended March 31, 2016

1. On-board See-T Navi system Installation expenses .... ¥229.0 million
   Maintenance fees .... ¥324.0 million
2. Long-running no accident commendation awardees amount .... ¥575.0 million
3. Expenses related to long-running no accident commendation ceremony .... ¥59.5 million
4. Expenses related to Nationwide Safety Meet .... ¥7.1 million

Budget Plan for the Fiscal Year Ending March 31, 2017

1. On-board See-T Navi system maintenance fees .... ¥315.0 million
2. Long-running no accident commendation awardees amount .... ¥604.5 million
3. Expenses related to long-running no accident commendation ceremony .... ¥65.8 million
4. Expenses related to Nationwide Safety Meet .... ¥7.1 million
5. Introduction of Event Data Recorders .... ¥77.0 million

Training of Sales Drivers Who Prioritize Safety Above All Else

To train excellent drivers who prioritize safety above all else, the Yamato Group has expanded and upgraded its training system and engages in the provision of detailed guidance on a daily basis.

Yamato Transport drivers hired following a rigorous aptitude test receive training when they join the Company that includes safety training and other training for approximately one month after they have entered the Company. After earning their internal Yamato licenses, they come to the actual business of driving for the first time. Even after that, they hone their driving skills through training sessions one year after joining, regular ride-along instruction and on-the-road patrols by safety experts and safety specialists, and a driving aptitude examination once every three years.

Ingraining Safety Awareness into Employees

The Yamato Group implements its "Zero Traffic Accidents Campaign" in spring and the fall. During the fall campaign in the fiscal year ended March 31, 2016, the aim was to achieve zero accidents with the themes of ensuring safety at traffic crossings (including when pulling onto and off of the road*) and paying particular attention to children and the elderly as well as motorcycles and bicycles.

The Yamato Group also holds the Yamato Transport Nationwide Safety Meet with the aim of improving the safe driving levels as professional drivers, maintaining safety awareness throughout the Company, and improving driving technique. For the Fifth Yamato Transport Nationwide Safety Meet held in October 2015, a new category for female drivers was established.

* Including to and from customers' properties, etc., as well as parking lots

Supporting Safety by Thorough Maintenance Management

Covering the more than 4,000 pickup and delivery base locations of the Yamato Group, Yamato Autoworks is responsible for 50,000 vehicles and their maintenance inspections. Their major maintenance factories are in operation around the clock throughout the year. Aside from naturally responding quickly in the event of a breakdown, they support the mandatory periodic inspections carried out on vehicles by collective management throughout the year. Furthermore, they perform preventive maintenance to carry out maintenance before breakdowns occur by frequently checking the status of vehicles and gathering information. Of the approximately 940 mechanics, the number that hold automobile inspector qualifications, which enable them to carry out complete inspections to determine whether vehicles meet safety standards once maintenance has been completed, has climbed to 590 (as at March 31, 2016). During maintenance, the accuracy of inspections is raised by double checks by another mechanic who carries out interim and maintenance completion inspections.

Environment

A Thoroughly Ecological Approach to Transportation to Achieve Cost Reduction

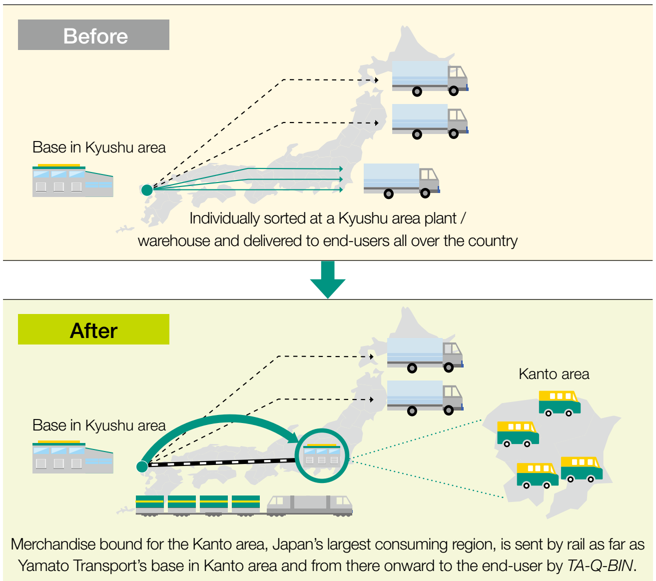
By considering that efforts form part of a corporation's responsibility to society, the Yamato Group refers to its environmental conservation initiatives as "Necology." The Group establishes environment-friendly logistics by thoroughly ensuring the environmental friendliness of all aspects, especially for packaging, transportation, and delivery.

Companywide Promotion of Modal Shift

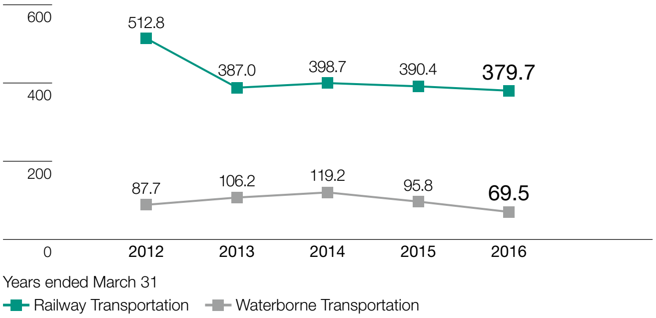
As an initiative designed to reduce CO_2 emissions, the Yamato Group is encouraging all its companies to perform a modal shift that utilizes railways as its trunk-route transport. The Group's efforts to bring about an increasing shift away from trucks, by switching to the use of railways when shipping freight originating in the Kyushu area and bound for the Kanto area, reduced the total number of trucks in a year by approximately 2,300 vehicles and realized a decrease in CO_2 emissions of about 1,800 tons.

Following an assessment of this initiative, Yamato received the Modal Shift Excellent Business Entity Award (Grand Prize) at the 13th Annual Awards Ceremony for Excellent Business Entities Working on Modal Shift that has the Japan Association for Logistics and Transport as its main sponsor.

Utilizing Railways for Long-Distance Transportation



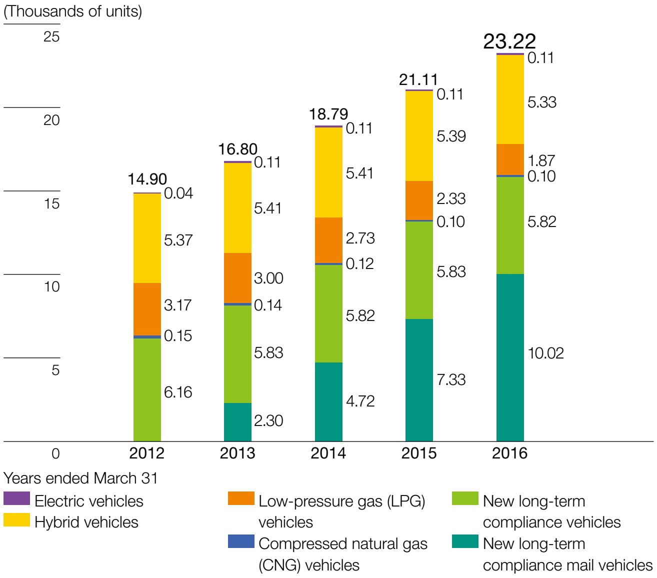
Modal Shift Volume Trends (Yamato Transport Co., Ltd.)



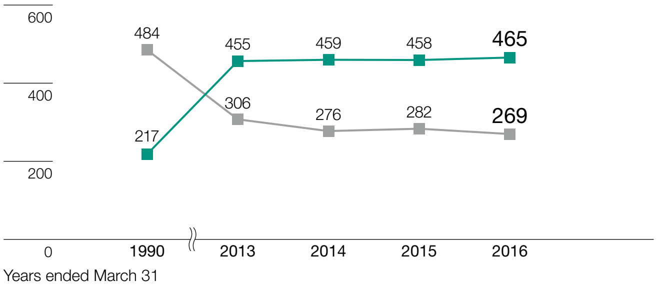
Promoting Area-Compatible Consolidated Deliveries, Keeping Down Vehicle Numbers

Apart from the occasional use of a mini vehicle, the satellite centers set up to undertake pickups and deliveries using bicycles and hand-pushed trolleys are being developed primarily in urban and densely populated areas. For pickups and deliveries in areas close to sales offices, use is being made of hand-pushed trolleys, three-wheelers (a trailer towed by an electric bicycle), and mini vehicles. In areas further afield from sales offices, plans are being made to reduce vehicle numbers by selecting the pickup and delivery method best suited to the area, such as promoting team-based pickup and delivery that combines vehicles and hand-pushed trolleys.

Low-Emission Vehicle Introduction Patterns (Yamato Transport Co., Ltd.)



CO_2 Emissions from Yamato Transport Vehicles



Notes: *1. Figures are calculated in accordance with the Ministerial Ordinance on Calculation of Greenhouse Gas Emissions Arising from Business Activities of Specified Emitters.
*2. CO_2 emissions per basic unit = Total CO_2 emissions / Number of parcels delivered via *TA-Q-BIN* service

Corporate Governance

For the year ended March 31, 2016

Basic Position on Corporate Governance

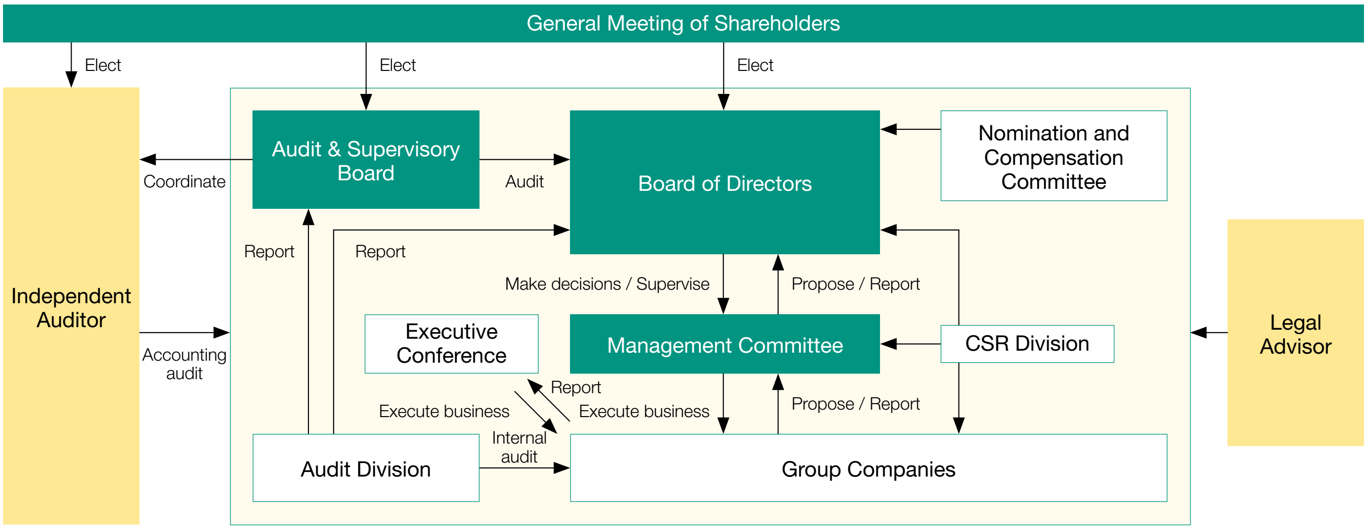
Based on its corporate philosophy, the Yamato Group carries out business activities in accordance with the law and social norms and actively promotes compliance management. Striving to maximize corporate value by effectively utilizing the management resources of the Group is one of the top priorities of management, and we have implemented measures and bolstered management systems as part of our corporate governance initiative. In the fiscal year ended March 31, 2016, by revising our meeting bodies and through other measures, we reinforced the supervisory function with respect to business execution and contemplated ways to ensure highly effective deliberations by the Board of Directors.

Characteristics of Corporate Governance System

(As of July 1, 2016)

System	Company with auditors
Number of directors	5
Of which, outside directors	2
Number of Audit & Supervisory Board members	4
Of which, outside auditors	2
Term of directors	1
Executive officer system in place	Yes
Independent auditor	Deloitte Touche Tohmatsu LLC

Corporate Governance Framework



Concurrent Posts and Main Activities of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Independent officer	Concurrent posts	Main activities	Attendance at meetings of the Board of Directors and/or Audit & Supervisory Board during the fiscal year ended March 31, 2016
Outside Directors	Toshitaka Hagiwara	YES	• Adviser of Komatsu Ltd. • Outside Director of Zensho Holdings Co., Ltd. • Outside Director of Hino Motors, Ltd. • Outside Director of Takamatsu Construction Group Co., Ltd.	Toshitaka Hagiwara has ample experience and extensive knowledge as a businessperson, and he comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 18 of 18 meetings
	Masakatsu Mori	YES	• Vice Chairman of the International University of Japan • Board of Director of SKY Perfect JSAT Holdings Inc. • Board of Director of Stanley Electric Co., Ltd. • Outside Audit & Supervisory Board Member of Kirin Holdings Company, Limited	Masakatsu Mori has ample experience and extensive knowledge as a businessperson, and he comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 15 of 18 meetings
Outside Audit & Supervisory Board members	Motoharu Yokose	YES	• Corporate Advisor of Asahi Tax Corporation • Executive Director of Nomura Real Estate Private REIT, Inc.	Motoharu Yokose has ample experience in finance and accounting through his professional experience as a certified public accountant. Furthermore, he attends regular meetings to exchange opinions with the representative director and president, outside directors, and Audit and Supervisory Board members, monitoring directors' execution of duties primarily by asking questions related to finance and accounting.	Board of Directors: 18 of 18 meetings Audit & Supervisory Board: 15 of 15 meetings
	Hiroyuki Kanae	YES	• Partner, Anderson Mori and Tomotsune LPC	Hiroyuki Kanae has ample experience in finance and accounting through his professional experience as a lawyer. Furthermore, he attends regular meetings to exchange opinions with the representative director and president, outside directors, and Audit and Supervisory Board members, monitoring directors' execution of duties primarily by asking questions related to overseas business risk.	Board of Directors: 18 of 18 meetings Audit & Supervisory Board: 15 of 15 meetings

Board of Directors

Roles and duties

- The Board of Directors shall make important decisions concerning the Company's business and supervises the execution of duties by executive directors and executive officers.
- The Board of Directors shall recognize the medium-term management plan as one of the commitments to shareholders and do its utmost to achieve the goals of the plan. Moreover, the Board of Directors shall sufficiently analyze the initiatives aimed at realizing the goals of the medium-term management plan as well as the extent to which the plan's objectives are being achieved. In addition to providing explanations to shareholders, such analyses shall be reflected in future management plans.
- The Board of Directors shall encourage executive officers to demonstrate a healthy entrepreneurial spirit and not excessively avoid or curb risk, while at the same time establishing a framework that enables it to ensure accountability.
- The scope of responsibility of each executive officer shall be decided by the Board of Directors and disclosed. Executive officers shall execute business in accordance with internal regulations.

Board of Directors management

- To allow Board of Directors meeting attendees the opportunity to prepare for meetings in advance, the Board of Directors secretariat shall send agenda items and related materials to directors well in advance of the meeting date and provide explanations in advance as needed.
- The annual schedule of Board of Directors meetings as well as anticipated agenda items shall be decided in advance, and this information shall be provided to directors and Audit & Supervisory Board members.
- The number of issues to be deliberated as well as the frequency of meetings shall be appropriately set, and the time of meetings shall be decided so as to allow sufficient time for deliberations.
- As needed, meetings comprising Board of Directors meeting attendees shall be held for the purpose of exchanging ideas, thereby encouraging lively debate.
- The effectiveness of the Board of Directors shall be evaluated through questionnaires and interviews performed by the chair.

Policy on cross-shareholdings

The Company shall maintain a policy of owning stocks that are deemed meaningful, based on a comprehensive consideration of the relationship with the Group's businesses and the profitability of the company, among other factors. With respect to the key stocks that the Company owns, a decision shall be made every year at the Board of Directors meeting concerning whether to continue holding the stocks, based on careful consideration of various factors including the effect of holding the stock on strengthening the alliance, the business track record with the company, and the market price of the shares.

In exercising the voting rights of shares held, decisions on supporting or opposing shareholders' meeting agenda items shall be made on a case-by-case basis, with consideration given to the issuing company raising its corporate value, the issuing company's compliance framework, and the possibility that the issue will have a negative impact on the Group's business, among other factors.

Audit & Supervisory Board

Roles and duties

- The Audit & Supervisory Board and its members shall exercise their authority actively and proactively, and they shall appropriately state their opinions at Board of Directors meetings as well as to members of senior management.
- The full-time Audit & Supervisory Board members shall attend Board of Directors meetings and other important meetings related to the execution of business, express reasonable opinions, hold effective Audit & Supervisory Board meetings, and ensure that information is shared and that members work together in a coordinated manner.
- The Audit & Supervisory Board shall regularly hold information exchange meetings for the purpose of sharing information with outside directors, thereby ensuring more robust gathering of information and encouraging teamwork.

Nomination and Compensation Committee

The Nomination and Compensation Committee shall comprise outside directors and the same number or fewer internal directors with an outside director serving as the committee chair. The committee shall deliberate on matters related to the appointment or removal of senior management members based on business performance and multifaceted observations and evaluation, thereby verifying the validity of such decisions, and decide policies on compensation and other matters related to senior management members. The committee shall propose candidates as successors to the representative director to the Board of Directors, following deliberation based on multifaceted observations and evaluations of candidates' track records, human nature, and other factors, thereby increasing management transparency.

Support Framework for Directors and Audit & Supervisory Board Members

- The Company shall establish a support framework that enables it to provide necessary and adequate information at the necessary time to allow directors to effectively fulfill their roles and duties.
- By participating in key business strategy meetings for the overall Group, such as the "Business Summit," "Business Conference," and "Management Plan Unveiling," as well as by observing key Group business sites, including those overseas, participants are able to better understand the business strategies and provide opportunities to see how these strategies are being advanced.
- As a system to help Audit & Supervisory Board members smoothly perform their duties, employees in the internal audit division shall be appointed to assist Audit & Supervisory Board members.
- Audit & Supervisory Board members shall exercise their authority to perform investigations in accordance with the Companies Act. In addition, if a director or employee discovers a fact that could potentially inflict marked damage on the Company, he/she shall immediately report this fact to an Audit & Supervisory Board member, even if there is no request to do so from an Audit & Supervisory Board member.
- If a director or Audit & Supervisory Board member believes it to be necessary, he/she shall obtain advice from an outside expert at the Company's expense.

- The internal audit division shall regularly hold meetings with the full-time Audit & Supervisory Board members, and provide audit reports in a planned manner to the Board of Directors and the Audit & Supervisory Board, thereby enhancing the provision of information to as well as bolstering coordination with outside directors and outside Audit & Supervisory Board members.

Compensation of Directors and Audit & Supervisory Board Members

Directors and Audit & Supervisory Board members	Total compensation and other remuneration (Millions of yen)	Total by compensation and remuneration category (Millions of yen)	Headcount of eligible directors and Audit & Supervisory Board members
		Basic compensation	
Directors (excluding outside directors)	310	310	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	35	35	2
Outside directors and Audit & Supervisory Board members	30	30	4

Policies related to methods for calculation and determination of director compensation

To ensure the objectivity and transparency of policies for determining director compensation, deliberations are conducted through the Nomination and Compensation Committee, more than half of whose members are outside directors, with the Board of Directors making resolutions.

Director compensation comprises fixed remuneration that reflects external standards and performance-based amounts. The compensation of Audit & Supervisory Board members and outside directors is fixed in keeping with the nature of their work.

In addition, for executives at or above the level of executive officer, a certain percentage of their compensation is allocated to purchase shares of Company through the Officers and Executives' Shareholding Association.

Compliance

Strengthening internal control for the Group overall

The Yamato Group has established an internal control system in order to promote sound corporate culture in the Group a whole and to enable employees to perform their duties effectively and efficiently without any misbehavior or mistakes. Having stipulated its basic policy on the internal control system in accordance with the Companies Act, each Group company is working on strengthening internal control.

In addition, in order to respond to the internal control report system pursuant to the Financial Instruments and Exchange Act, we are promoting reviews of business rules and the standardization of operations, checking whether operations have been effectively performed in accordance with the rules, and establishing a system to immediately put improvements in place should there have been any shortcomings.

Internal control over the financial reporting of the Yamato Group as of March 31, 2016, was considered valid, and a report was submitted to the Kanto Local Finance Bureau.

Reinforcing the Whistle-Blower System

With regard to compliance violations by the Company, employees, directors, and other members, the Yamato Group ensures an appropriate framework related to whistle-blowing by having in place a contact point for the president, a contact point managed by the Compliance and Risk Committee, and a contact point managed by an outside attorney. The Company shall secure a framework in which employees who report on such violations are protected under whistle-blower regulations. Violations and responses to violations shall be regularly reported to the Compliance and Risk Committee, as well as reported to the Board of Directors if deemed necessary by the responsible officer.

Business Continuity Plan (BCP)

Revisions and maintenance to prepare for unexpected, large-scale natural disasters and power outages, based on our experience in the Great East Japan Earthquake

The Yamato Group offers the *TA-Q-BIN* service as social infrastructure, and it is expected to keep offering the steady service even under unforeseeable circumstances. In the wake of the emergence of the novel influenza strain (H1N1) in May 2009, we formulated a business continuity plan (BCP).

Based on this BCP, formulated according to response guidelines focusing on maximum priority on human life and on continuation of the *TA-Q-BIN* business, we addressed the problems caused by the Great East Japan Earthquake that occurred in 2011 and the 2016 earthquakes with epicenters in Kumamoto and Oita. Our aim is to prepare for an earthquake occurring directly beneath the Tokyo metropolitan area and an earthquake along the Nankai Trough, which are likely to occur in the future and are expected to cause large-scale damage.

Accountability

The Yamato Group considers the explanation of corporate and management data to shareholders, investors, and other stakeholders to be an important corporate governance issue and is committed to the speedy, accurate, and fair disclosure of information.

The main investor relations activities are listed below.

Item	Number of times	Content
Settlement of Accounts Meetings for analysts and institutional investors	4	Settlement of Accounts Meetings are held each quarter. The first-quarter meeting is held by telephone with the Chief Financial Officer. Meetings for the second, third, and fourth quarters are held with president.
Visits by the president to investors in the United States, Europe, and Asia	1 or more per year to each region	The president or chairman make regular overseas visits to investors in the United States, Europe, and Asia to explain management policies.
Small meetings with the president	2 per year	Creating regular opportunities for direct dialogue with management
Facility tours	2 or more per year	Creating regular opportunities to promote understanding of business operations
Website for investor relations materials	–	Financial results, news releases, securities reports, and quarterly reports; materials pertaining to settlement of accounts meetings, convocation notices for the ordinary general meeting of shareholders, notices of resolution, and disclosure of voting results. Publication of most important information in two languages – Japanese and English – so that information can be communicated to foreign investors.
Establishment of IR department	–	Responsibility for IR strategy

THREE-WAY DISCUSSION ON GOVERNANCE BY THE CHAIRMAN AND THE OUTSIDE DIRECTORS

In Anticipation of the Yamato Group's Further Growth

— The Yamato Group will be marking its centenary in 2019. Amid a changing business environment, Chairman Makoto Kigawa engaged in a three-way discussion with outside directors Toshitaka Hagiwara and Masakatsu Mori on the Yamato Group's corporate governance-related efforts as well as what the Group needs to do to further improve corporate value over the next 100 years.

Approach toward Corporate Governance

Kigawa: Corporate governance is necessary for improvements in corporate value and is the mechanism for supervising the execution of fair and equitable business and overseeing execution with a high degree of transparency. The guidelines that have been shown to ensure this mechanism are recognized as the Corporate Governance Code, which came into effect in June 2015. In 2005, at the time that we switched to a holdings system, we had been implementing initiatives from early on that reflect ideas that are now incorporated in the Corporate Governance Code, such as the introduction of outside directors and outside Audit & Supervisory Board members.

Hagiwara: Corporate governance has to focus on contributing to the improvement of reliability of all stakeholders surrounding a company. While keeping this point in mind, the Board of Directors must meet the expectations of each individual shareholder by engaging in sufficient deliberations and making precise and earnest decisions. In doing so, I think that corporate governance enables the sustainable development of a company.

Mori: By providing superior products and services, employees are useful to both customers and society. And, being useful in this way leads to employee happiness. I believe that repeating this process helps to improve corporate value. This very mechanism is in itself corporate governance. With regard to the traditional governance requirements, in respect of the focal point of the Board of Directors at Japanese companies being placed on decision making, it is recognized that the Corporate Governance Code is intended to strengthen the monitoring and supervisory functions of that decision making itself.

Hagiwara: In addition to monitoring and supervisory functions, I think that another purpose served by the Code is the strengthening of backup systems for "aggressive management decisions" geared toward growth.

I believe that outside directors should ascertain whether or not the initiatives of the Group's management reflect the interest of stakeholders and provide a supportive push in moving forward with growth strategies.

Toshitaka Hagiwara
Outside Director

Kigawa: Speaking of backup, at the time we switched to the holdings system, we only received the simple opinions of outside directors. There was also the aspect to which we were not accustomed to having constructive discussions, but these days I have the feeling that attitudes have changed as we now repeatedly engage in dialogue and proactively incorporate valuable opinions in management.

Hagiwara: What I have realized in the many years that have passed since my appointment as an outside director is that there has been a change in the awareness of the members of the Board of Directors. I feel that the awareness of the Board toward leveraging our opinions as outside directors and outside Audit & Supervisory Board members in growth strategies and important policies has become a pump primer for spirited discussion.

Mori: Three years have passed since I was appointed director, and I feel that discussions at Board of Directors meetings are very lively. Furthermore, I think that Audit & Supervisory Board members excel at freely expressing a range of opinions in comparison with other companies. As for myself, when I engage in a discussion at the Board of Directors meeting, I endeavor to speak while remaining constantly aware that the Group is confronting a difficult issue, namely a decline in the domestic population, and that there is an urgent need to accelerate global business development and to nurture global human resources.

Emphasizing the Front Line in Leveraging Business Judgment

Kigawa: The one thing we are kindly and constantly asking of our outside directors is to see the "front line" for themselves. I don't think there are many companies where outside directors visit the front lines and subsequently maintain communications, including with the executive candidates who will be responsible for the next generation.

Mori: By visiting the front line, regardless of whether the front line happens to be in Japan or overseas, you are able to gain a sense of the kind of human resources who are conducting business there and what type of approach they take in doing so. In terms of promoting a growth strategy, it remains an extremely important point that the management policies and future targets decided at Board of Directors meetings make it through to the front line. What we term an outside director will generally have little opportunity to come into contact with front line personnel, but as you will be able to gain an impression of the front line thanks to this system, you will be able to develop a discussion in an active manner, even a discussion at the Board of Directors meetings.

Hagiwara: By going to the front line, we have the opportunity to talk directly with the next generation of management, providing us with a forum for discussing evaluations based on this dialogue.

Kigawa: Under the holdings system, many scenarios exist that will allow some degree of freedom as a result of having transferred authority for overseeing wide-ranging business domains to the front line. For this reason, verifying whether appropriate risks are being taken is something that is expected of outside directors.

To my mind, however, for these verifications it is important to have actually seen the front line for themselves.

Necessary Strategies for the Yamato Group in Anticipation of Further Growth

Kigawa: The Yamato Group will celebrate its centenary in three years' time. In the meantime, while the *TA-Q-BIN* business has grown significantly, at the present time it is approaching a great turning point. In domestic terms, the *TA-Q-BIN* business has been growing as an overwhelmingly strong business, but already the market is reaching a saturation point. These severe circumstances are creating a difficult environment for improving profit ratios. Accordingly, while it is necessary for the Group to expand the fields of its global business, challenges remain from the standpoints of eliminating new forms of risk and establishing overseas strategies. In view of this situation, it will be necessary to continue strengthening the corporate governance system. In relation to risk in particular, checking from the dual standpoints of the risks necessary for growth and risks to avoid in the first place are recognized as being necessary in management from now on.

Mori: In association with expanding global business, we have to gain the trust of an unprecedentedly large number of stakeholders. Moreover, the fusing of logistics and IT that has been evident in the business environment in recent years is naturally providing added impetus to the Yamato Group, which has capabilities in both of those areas. I would like to express an opinion from the perspective of whether appropriate investment is being conducted for business expansion.

Kigawa: Merely incorporating support functions that utilize IT will dramatically change productivity. We acknowledge that we are an innovation company; however, if we consider whether or not we truly have a good command of IT, there are sure to be as many issues as ever that need to be addressed. Naturally, IT governance is a management strategy itself.

In relation to risk, checking from the dual standpoints of the risks necessary for growth and risks to avoid in the first place are recognized as being necessary in management from now on.

Makoto Kigawa
Representative Director and Chairman

I endeavor to speak while remaining constantly aware that the Group is confronting a difficult issue, namely a decline in the domestic population, and that there is an urgent need to accelerate global business development and to nurture global human resources.

Masakatsu Mori
Outside Director

Hagiwara: As for the Yamato Group's management strategies, there are two roles that we should continue to fulfill as outside directors. The first role is to ascertain whether the Group's management is implementing initiatives that reflect the interests of stakeholders, including the Group's shareholders, or whether those initiatives will run contrary to their expectations. To do so requires a wide variety of experience, as knowledge alone is not enough. The second role is to provide a supportive push for management regarding growth strategies as well as risks that must be overcome. I maintain a constant awareness of these two roles.

Kigawa: As you both have pointed out, for the further growth of the Yamato Group two factors remain in question: the current status of growth strategies through globalization and the spread of IT, and the current status of the associated governance. Please be kind enough to give us a range of opinions from a variety of perspectives going forward.

Directors and Audit & Supervisory Board Members

As of June 24, 2016

(From left)
Haruo Kanda
Makoto Kigawa
Masaki Yamauchi
Toshitaka Hagiwara
Masakatsu Mori

Makoto Kigawa

Representative Director and Chairman

Apr. 1973	Joined the Fuji Bank, Limited
Apr. 2004	Managing Director, Chief Risk Officer / Head of Risk Management Group, and Chief Human Resources Officer / Head of Human Resources Group of Mizuho Corporate Bank, Ltd.
Apr. 2005	Joined the Company
Jun. 2005	Managing Director
Nov. 2005	Representative Managing Director
Apr. 2006	Representative Director and Managing Executive Officer
Jun. 2006	Representative Director and Senior Managing Executive Officer
Mar. 2007	Representative Director and Executive Officer
Mar. 2007	Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.
Jun. 2008	Director and Executive Officer of the Company
Apr. 2011	Representative Director, President and Executive Officer
Apr. 2015	Representative Director and Chairman (current)

Masaki Yamauchi

Representative Director,
President and Executive Officer

Apr. 1984	Joined the Company
Apr. 2005	Executive Officer
Apr. 2005	President, Tokyo Branch
Nov. 2005	Executive Officer of Yamato Transport Co., Ltd.
Nov. 2005	General Manager of Human Resources and Administration
Mar. 2007	Executive Officer of the Company
Mar. 2007	Responsible for Human Resources Strategy
May 2007	Responsible for Management Strategy
Apr. 2008	Representative Director, President and Executive Officer of Yamato Logistics Co., Ltd.
Apr. 2011	Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.
Jun. 2011	Director and Executive Officer of the Company
Apr. 2015	Representative Director, President and Executive Officer (current)

Haruo Kanda

Representative Director,
Vice President and Executive Officer

Jan. 1985	Joined the Company
Apr. 2004	General Manager of Human Resources
Aug. 2005	Executive Officer
Nov. 2005	Executive Officer of Yamato Transport Co., Ltd.
Jul. 2006	Managing Executive Officer
Apr. 2008	Managing Executive Officer of the Company
Jun. 2008	Representative Director and Managing Executive Officer
Apr. 2013	Representative Director and Senior Managing Executive Officer
Apr. 2014	Responsible for Human Resources Strategy, Network Strategy, Legal Affairs, CSR Strategy and Audit
Apr. 2015	Representative Director, Vice President and Executive Officer (current)

Toshitaka Hagiwara

Outside Director

Dec. 1969	Joined Komatsu Ltd.
Jun. 1990	Director
Jun. 1995	Managing Director
Jun. 1997	Executive Managing Director
Jun. 1999	Executive Vice President
Jun. 2003	Chairman and Representative Director of the Board
Jun. 2007	Councilor and Senior Adviser
Jun. 2009	Director of the Company (current)
Jul. 2011	Senior Adviser of Komatsu Ltd.
Jul. 2013	Adviser of Komatsu Ltd. (current)

Masakatsu Mori

Outside Director

Apr. 1969	Joined Arthur Andersen & Co. (currently: Accenture Japan Ltd.)
May 1972	Qualified as Certified Public Accountant
Sep. 1981	Partner (business partner) of Arthur Andersen & Co. (currently: Accenture Japan Ltd.)
Feb. 1989	President of Andersen Consulting (currently: Accenture Japan Ltd.) Board Member of Andersen Consulting (Global) (currently: Accenture)
Apr. 2003	Representative Director and Chairman of Accenture Japan Ltd.
Sep. 2007	Corporate Advisor of Accenture Japan Ltd.
Oct. 2009	President of the International University of Japan (IUJ)
Apr. 2013	Senior Advisor of IUJ
Jun. 2013	Director of the Company (current)
Nov. 2013	Vice Chairman of IUJ (current)

(From left)
Etsuo Ogawa
Kazuko Takahara
Motoharu Yokose
Hiroyuki Kanae

Kazuko Takahara

Full-time Audit & Supervisory Board Member

Apr. 1978	Joined Ministry of Labour (currently: Ministry of Health, Labour and Welfare)
Aug. 2003	Director-general, Gunma Labour Bureau, Ministry of Health, Labour and Welfare
May 2005	Deputy Director of Japan Advanced Information Center of Safety and Health, Japan Industrial Safety and Health Association
Jul. 2006	Director of Compliance Department, Japan Industrial Safety and Health Association
Jul. 2009	Director-general, Hokkaido Labour Bureau, Ministry of Health, Labour and Welfare
Sep. 2012	Principal of Labour College, The Japan Institute for Labour Policy and Training
Apr. 2014	Joined the Company
Jun. 2014	Full-time Audit & Supervisory Board Member (current)

Etsuo Ogawa

Full-time Audit & Supervisory Board Member

Nov. 1973	Joined the Company
Jun. 2002	President, Chugoku Branch
Jun. 2003	Director
Apr. 2004	Responsible for Financing and Accounting
Jun. 2004	Director and Managing Executive Officer
Jun. 2005	Managing Executive Officer
Oct. 2005	Representative Director, President and Executive Officer of Yamato Logistics Co., Ltd.
Apr. 2008	Director and Chairman of the Board of Yamato Logstics Co., Ltd.
Jun. 2009	Audit & Supervisory Board Member of Yamato Home Convenience Co., Ltd.
Jun. 2014	Audit & Supervisory Board Member of Yamato Transport Co., Ltd.
Jun. 2015	Full-time Audit & Supervisory Board Member of the Company (current)

Motoharu Yokose

Audit & Supervisory Board Member
(Independent)

Jan. 1972	Joined Asahi & Co. (currently: KPMG AZSA LLC)
Oct. 1975	Registered as certified public accountant
May 1995	Representative Partner of KPMG AZSA LLC
May 2001	Executive Partner of KPMG AZSA LLC
Jun. 2006	Outside Audit & Supervisory Board Member of Yamato Transport Co., Ltd.
Jul. 2006	Corporate Advisor of Asahi Tax Corporation (current)
Jun. 2009	Audit & Supervisory Board Member of the Company (current)
Aug. 2012	Supervisory Director of Nomura Real Estate Residential Fund, Inc. (current)

Hiroyuki Kanae

Audit & Supervisory Board Member
(Independent)

Apr. 1979	Licensed and registered as an attorney at law (Bengoshi) at Daini Tokyo Bar Association Joined Maeda Tomokatsu Law Office
Sep. 1987	Joined Coudert Brothers LLP (New York)
Jul. 1988	Licensed and registered as an attorney at law in the State of New York
Sep. 1988	Joined Nishi, Tanaka & Takahashi Law Office
Apr. 1992	Partner of Nishi, Tanaka & Takahashi Law Office
May 2001	Joined Shin-Tokyo Law Office as partner
Oct. 2007	Through the consolidation of law offices, name change to Bingham McCutchen Murase, Sakai Mimura Aizawa, Foreign Law Joint Enterprise (Partner)
Jun. 2012	Audit & Supervisory Board Member of the Company (current)
Apr. 2015	Through the consolidation of law offices, name change to Anderson Mori & Tomotsune LPC (Partner) (current)

Executive Officers

As of July 1, 2016

Kenji Minaki

Senior Managing Executive Officer
Responsible for East Asia regional headquarters

Hitoshi Kanamori

Senior Managing Executive Officer
Responsible for Corporate Strategy, Global Marketing and Development, Information Technology Strategy

Kenichi Shibasaki

Senior Managing Executive Officer
Responsible for Financing and Accounting and Investor Relations

Hideo Tanzawa

Managing Executive Officer
Responsible for Business Strategy, Public Relations Strategy, Tokyo Olympic and Paralympic Promotion.

Tomoki Otani

Senior Executive Officer
Responsible for Human Resources Strategy, Logistics Network Strategy, Internal Audit, CSR and Audit of the Company

Toshizo Kurisu

Executive Officer
Representative Director and President, Yamato Financial Co., Ltd.

Atsushi Ichino

Executive Officer
Representative Director and President, Yamato Home Convenience Co., Ltd.

Yoshihiko Hoshino

Executive Officer
Representative Director and President, Yamato System Development Co., Ltd.

Yutaka Nagao

Executive Officer
Representative Director and President, Yamato Transport Co., Ltd.

Koji Homma

Executive Officer
Representative Director and President, Yamato Logistics Co., Ltd.

Tetsuya Egashira

Executive Officer
Representative Director and President, Yamato Autoworks Co., Ltd.

Richard Chua Khing Seng

Executive Officer
Responsible for Southeast Asia regional headquarters
Managing Director, Yamato Asia Pte. Ltd.

Hiromitsu Aikawa

Executive Officer
Responsible for Global Marketing and Development, US and European regional headquarters

Shinji Makiura

Executive Officer
Responsible for Corporate Strategy

Yorimasa Tanaka

Executive Officer
Responsible for Technology Strategy

Ryutaro Narui

Executive Officer
Responsible for Planning and Management of Strategic Alliance

Financial Section

Consolidated Balance Sheet

March 31, 2016

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT ASSETS:			
Cash and cash equivalents (Notes 2.d and 13)	**¥ 249,594**	¥ 247,398	**$ 2,215,067**
Notes and accounts receivable (Note 13):			
Trade	**197,382**	187,834	**1,751,705**
Installment (Note 3)	**43,648**	42,008	**387,362**
Lease (Note 12)	**48,894**	44,948	**433,923**
Allowance for doubtful accounts	**(1,079)**	(1,338)	**(9,577)**
Inventories (Note 4)	**2,858**	3,336	**25,363**
Deferred tax assets (Note 11)	**14,907**	15,687	**132,300**
Prepaid expenses and other current assets	**27,778**	26,333	**246,518**
Total current assets	**583,982**	566,206	**5,182,661**
PROPERTY, PLANT AND EQUIPMENT—At cost:			
Land	**176,139**	187,964	**1,563,181**
Buildings and structures	**326,889**	334,120	**2,901,035**
Vehicles	**196,054**	194,198	**1,739,922**
Machinery and equipment	**126,243**	123,025	**1,120,363**
Leased assets (Note 12)	**15,411**	24,029	**136,765**
Construction in progress	**23,538**	16,025	**208,895**
Others	**21,700**	17,795	**192,579**
Total	**885,974**	897,156	**7,862,740**
Accumulated depreciation	**(480,332)**	(477,055)	**(4,262,793)**
Net property, plant and equipment	**405,642**	420,101	**3,599,947**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 13)	**30,329**	33,843	**269,162**
Investments in and advances to unconsolidated subsidiaries and affiliates	**1,169**	724	**10,376**
Long-term loans	**1,010**	1,040	**8,960**
Software	**14,526**	12,646	**128,910**
Lease deposits	**16,453**	17,902	**146,013**
Deferred tax assets (Note 11)	**27,008**	21,978	**239,687**
Other assets (Note 8)	**9,318**	8,091	**82,695**
Total investments and other assets	**99,813**	96,224	**885,803**
TOTAL	**¥1,089,437**	¥1,082,531	**$ 9,668,411**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2016	2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 13)	**¥ 23,615**	¥ 17,766	**$ 209,574**
Current portion of long-term debt (Notes 7, 13 and 14)	**34,829**	29,071	**309,093**
Notes and accounts payable (Note 13):			
Trade	**148,456**	157,480	**1,317,501**
Other	**14,461**	10,470	**128,338**
Income taxes payable	**19,783**	20,024	**175,565**
Employees' savings deposits	**5,111**	4,944	**45,356**
Accrued expenses	**62,508**	61,295	**554,744**
Deferred profit on installment sales (Notes 3 and 13)	**5,895**	5,655	**52,316**
Other current liabilities (Note 9)	**33,440**	50,329	**296,770**
Total current liabilities	**348,098**	357,034	**3,089,257**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 13 and 14)	**115,903**	88,532	**1,028,604**
Liability for employees' retirement benefits (Notes 2.j and 8)	**71,551**	53,024	**634,996**
Deferred tax liabilities (Note 11)	**2,800**	3,948	**24,844**
Other long-term liabilities (Note 9)	**7,230**	8,794	**64,162**
Total long-term liabilities	**197,484**	154,298	**1,752,606**
COMMITMENTS LIABILITIES (Note 12)			
EQUITY (Notes 10 and 18):			
Common stock—authorized, 1,787,541,000 shares in 2016 and 2015; issued, 411,339,992 shares in 2016 and 435,564,792 shares in 2015	**127,235**	127,235	**1,129,169**
Capital surplus	**36,813**	70,209	**326,705**
Retained earnings	**402,376**	395,353	**3,570,958**
Treasury stock—at cost, 12,823,544 shares in 2016 and 22,370,985 shares in 2015	**(29,076)**	(43,008)	**(258,036)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**9,790**	13,848	**86,887**
Foreign currency translation adjustments	**751**	1,169	**6,662**
Remeasurements of defined employees' retirement benefit plans (Notes 2.j and 8)	**(10,068)**	715	**(89,350)**
Total	**537,821**	565,521	**4,772,995**
Non-controlling interests	**6,034**	5,678	**53,553**
Total equity	**543,855**	571,199	**4,826,548**
TOTAL	**¥1,089,437**	¥1,082,531	**$9,668,411**

Consolidated Statement of Income

Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING REVENUES	¥1,416,413	¥1,396,708	$12,570,226
OPERATING COSTS AND EXPENSES:			
Operating costs	1,306,200	1,290,715	11,592,121
Selling, general and administrative expenses	41,673	37,046	369,832
Total operating costs and expenses	1,347,873	1,327,761	11,961,953
Operating income	68,540	68,947	608,273
OTHER INCOME (EXPENSES):			
Interest and dividend income	833	674	7,395
Interest expense	(548)	(398)	(4,863)
Loss on sales and disposal of property, plant and equipment—net	(91)	(2)	(808)
Loss on impairment of long-lived assets (Note 6)	(1,155)	(1,792)	(10,249)
Gain on sales of marketable and investment securities (Note 5)	54	7	475
Other—net	446	1,722	3,953
Other (expenses) income—net	(461)	211	(4,097)
INCOME BEFORE INCOME TAXES	68,079	69,158	604,176
INCOME TAXES (Note 11):			
Current	27,435	29,815	243,473
Deferred	980	1,740	8,701
Total income taxes	28,415	31,555	252,174
NET INCOME	39,664	37,603	352,002
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	239	70	2,120
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 39,425	¥ 37,533	$ 349,882

	Yen		U.S. Dollars (Note 1)
	2016	2015	2016
PER SHARE OF COMMON STOCK (Notes 2.q and 16):			
Basic net income	¥96.45	¥90.41	$0.86
Diluted net income	95.64	88.26	0.85
Cash dividends applicable to the year	28.00	25.00	0.25

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	**¥ 39,664**	¥ 37,603	**$ 352,002**
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized (loss) gain on available-for-sale securities	**(3,976)**	5,371	**(35,285)**
Foreign currency translation adjustments	**(419)**	826	**(3,713)**
Remeasurements of defined employees' retirement benefit plans	**(10,787)**	2,443	**(95,733)**
Total other comprehensive (loss) income	**(15,182)**	8,640	**(134,731)**
COMPREHENSIVE INCOME	**¥ 24,482**	¥ 46,243	**$ 217,271**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥ 24,166**	¥ 45,878	**$ 214,464**
Non-controlling interests	**316**	365	**2,807**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2016

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2014	418,943	¥127,235	¥100,863	¥371,965	¥(56,079)	¥ 8,770	¥ 342	¥ (1,717)	¥551,379	¥ 8,793	¥560,172
Cumulative effects of changes in an accounting policy				(4,080)					(4,080)	(18)	(4,098)
RESTATED BALANCE		127,235	100,863	367,885	(56,079)	8,770	342	(1,717)	547,299	8,775	556,074
Net income attributable to owners of the parent				37,533					37,533		37,533
Cash dividends, ¥24 per share				(10,065)					(10,065)		(10,065)
Purchase of treasury stock	(12,235)				(30,588)				(30,588)		(30,588)
Disposal of treasury stock	5,590		(405)		10,746				10,341		10,341
Retirement of treasury stock			(31,507)		31,507						
Change in equity related to transaction with non-controlling shareholders	896		1,258		1,406				2,664		2,664
Net change in the year						5,078	827	2,432	8,337	(3,097)	5,240
BALANCE, MARCH 31, 2015	413,194	127,235	70,209	395,353	(43,008)	13,848	1,169	715	565,521	5,678	571,199
Net income attributable to owners of the parent				**39,425**					**39,425**		**39,425**
Cash dividends, ¥26 per share				**(10,674)**					**(10,674)**		**(10,674)**
Adjustment of retained earnings for changes in the scope of consolidation				**88**					**88**		**88**
Purchase of treasury stock	**(19,851)**				**(50,006)**				**(50,006)**		**(50,006)**
Disposal of treasury stock	**5,173**		**(1,637)**		**11,207**				**9,570**		**9,570**
Retirement of treasury stock			**(30,915)**	**(21,816)**	**52,731**						
Change in equity related to transaction with non-controlling shareholders			**(844)**						**(844)**		**(844)**
Net change in the year						**(4,058)**	**(418)**	**(10,783)**	**(15,259)**	**356**	**(14,903)**
BALANCE, MARCH 31, 2016	**398,516**	**¥127,235**	**¥ 36,813**	**¥402,376**	**¥(29,076)**	**¥ 9,790**	**¥ 751**	**¥(10,068)**	**¥537,821**	**¥ 6,034**	**¥543,855**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, MARCH 31, 2015	$1,129,169	$ 623,085	$3,508,634	$(381,681)	$122,894	$10,375	$ 6,348	$5,018,824	$50,396	$5,069,220
Net income attributable to owners of the parent			**349,882**					**349,882**		**349,882**
Cash dividends, $0.23 per share			**(94,730)**					**(94,730)**		**(94,730)**
Adjustment of retained earnings for changes in the scope of consolidation			**780**					**780**		**780**
Purchase of treasury stock				**(443,791)**				**(443,791)**		**(443,791)**
Disposal of treasury stock		**(14,527)**		**99,461**				**84,934**		**84,934**
Retirement of treasury stock		**(274,367)**	**(193,608)**	**467,975**						
Change in equity related to transaction with non-controlling shareholders		**(7,486)**						**(7,486)**		**(7,486)**
Net change in the year					**(36,007)**	**(3,713)**	**(95,698)**	**(135,418)**	**3,157**	**(132,261)**
BALANCE, MARCH 31, 2016	**$1,129,169**	**$ 326,705**	**$3,570,958**	**$(258,036)**	**$ 86,887**	**$ 6,662**	**$(89,350)**	**$4,772,995**	**$53,553**	**$4,826,548**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 68,079	¥ 69,158	$ 604,176
Adjustments for:			
Income taxes—paid	(29,228)	(30,362)	(259,385)
Depreciation and amortization	46,758	46,078	414,964
Loss on sales and disposal of property, plant and equipment—net	91	2	808
Loss on impairment of long-lived assets	1,155	1,792	10,249
Gain on sales of marketable and investment securities	(54)	(7)	(475)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in notes and accounts receivable	(15,422)	(11,898)	(136,869)
Decrease (increase) in inventories	473	(47)	4,200
Decrease in notes and accounts payable	(9,137)	(14,666)	(81,090)
Increase in liability for employees' retirement benefits	2,376	2,796	21,089
Other—net	(15,376)	29,774	(136,458)
Total adjustments	(18,364)	23,462	(162,967)
Net cash provided by operating activities	49,715	92,620	441,209
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	17,273	2,539	153,293
Purchases of property, plant and equipment	(37,426)	(54,308)	(332,148)
Proceeds from sales of marketable and investment securities	110	14	972
Purchases of marketable and investment securities	(1,846)	(1,021)	(16,381)
Increase in investments in and advances to unconsolidated subsidiaries and affiliates	(591)	(127)	(5,243)
Collection of loans	1,054	1,210	9,354
Payment of loans	(1,020)	(1,292)	(9,048)
Other	(7,784)	(5,500)	(69,082)
Net cash used in investing activities	(30,230)	(58,485)	(268,283)
FINANCING ACTIVITIES:			
Proceeds from (repayments of) short-term debt—net	2,708	(6,757)	24,028
Proceeds from long-term debt	58,865	60,400	522,406
Repayments of long-term debt	(16,857)	(19,392)	(149,598)
Dividends paid	(10,721)	(10,146)	(95,146)
Purchase of treasury stock—net	(50,013)	(30,592)	(443,851)
Other	(815)	(682)	(7,230)
Net cash used in financing activities	(16,833)	(7,169)	(149,391)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(654)	690	(5,809)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,998	27,656	17,726
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	213		1,890
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	247,051	219,395	2,192,503
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.d)	¥249,262	¥247,051	$2,212,119
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Decrease in capital surplus due to exercise of stock acquisition rights	¥ (1,637)	¥ (405)	$ (14,527)
Decrease in treasury stock due to exercise of stock acquisition rights	11,207	10,745	99,458
Decrease in zero coupon convertible bonds due to exercise of stock acquisition rights	9,570	10,340	84,931

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2016

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2015 consolidated financial statements to conform them to the classifications and presentations used in 2016.

According to ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements," presentation of net income and others has been changed and presentation of minority interests has been changed to non-controlling interests. In order to reflect these changes, certain reclassifications have been made in the 2015 consolidated financial statements.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamato Holdings Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.68 to $1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2016, include the accounts of the Company and its 40 significant (39 in 2015) subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The unconsolidated subsidiaries, whose combined assets, net sales, net income and retained earnings in the aggregate are not significant to the consolidated financial statements, have not been consolidated with the Company.

There were no affiliates accounted for by the equity method in 2016 or 2015.

Investments in the unconsolidated subsidiaries and affiliates are stated at cost, less a valuation allowance representing possible losses on the investments that are deemed to be other than temporary. If the equity method of accounting had been applied to the investments in such companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting.

c. Recognition of Operating Revenues—The Group recognizes freight charge income as operating revenue at the time when freight has been received from the shipping customer for transportation.

Fees from customers based on installment sales contracts are recognized by the equal installment method.

d. Cash Equivalents—Cash equivalents in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents in the consolidated statement of cash flows include time deposits, certificates of deposit, and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

The difference between cash and cash equivalents in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Cash and cash equivalents presented in the consolidated balance sheet	**¥249,594**	¥247,398	**$2,215,067**
Time deposits due beyond three months		(36)	
Bank overdraft	**(332)**	(311)	**(2,948)**
Cash and cash equivalents presented in the consolidated statement of cash flows	**¥249,262**	¥247,051	**$2,212,119**

e. Inventories—Inventories are stated at the lower of cost determined by the first-in, first-out method or net selling value.

f. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost, and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group had no trading securities at March 31, 2016 and 2015.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment excluding leased assets of the Company and its domestic consolidated subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. Depreciation of leased assets is computed by the straight-line method over the lease period with no residual value carried.

The depreciation of property, plant and equipment of foreign consolidated subsidiaries is computed by the straight-line method over the estimated useful lives of the assets. The range of useful lives is principally as follows:

Buildings and structures	7–60 years
Vehicles	2– 7 years
Machinery and equipment	2–20 years

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

h. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Other Assets—Amortization of intangible assets is computed by the straight-line method.

Depreciation of leased assets is computed by the straight-line method over the lease period with no residual value carried.

j. Retirement and Pension Plan—The Company and consolidated subsidiaries mainly have a contributory trusted pension plan and an unfunded retirement benefit plan. In addition, a defined contribution retirement plan was introduced along with these defined benefit pension plans.

In calculating the retirement benefit obligations, the straight-line basis is used in determining the amount of the expected retirement benefit obligations attributed to service performed up to the end of the current fiscal year. Past service costs are recognized in profit or loss in full in the fiscal year in which it arises. Actuarial gains and losses are amortized on a straight-line basis over five years within the average remaining service period of the eligible employees on and after the fiscal year following the fiscal year in which it arises.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the former standard and the other related practical guidance.

Under the revised accounting standard, actuarial gains and losses are recognized within equity on the consolidated balance sheet after adjusting for tax effects, and funded status is recognized as a liability or asset.

k. Asset Retirement Obligations—In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as reconciliation to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. Leases—For a lessee, all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

For a lessor, all finance leases that deem to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee are recognized as investments in leases.

m. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. Foreign Currency Transactions—All short and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

o. Derivative Financial Instruments—The Company and certain consolidated subsidiaries use derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Company and the consolidated subsidiaries to reduce interest rate risks. The Group has a policy not to enter into derivatives for trading or speculative purposes.

The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

p. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date.

q. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

r. Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

s. New Accounting Pronouncements

Tax Effect Accounting—In March 2016, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which revised the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance does not change the framework of the previous guidance, it provides new guideline for the application of "Accounting Standards for Tax Effect Accounting" with regard to the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable income and temporary differences. The new guidance made certain necessary changes in the requirement for the classification and also in the treatment of the amount of deferred tax assets.

The guidance will be applied to the Company and its domestic consolidated subsidiaries from the beginning of the fiscal year that begins on or after April 1, 2016.

The Company is now in the process of measuring the effect of applying the guidance.

3. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.3% of operating revenues in both 2016 and 2015.

Annual maturities of notes and accounts receivable—installment at March 31, 2016, and related amortization of deferred profit on installment sales are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Year Ending March 31	Receivables	Deferred Profit on Installment Sales	Receivables	Deferred Profit on Installment Sales
2017	¥21,438	¥2,286	$190,256	$20,287
2018	10,950	1,626	97,178	14,426
2019	6,172	1,007	54,776	8,940
2020	3,113	541	27,623	4,803
2021	1,396	271	12,393	2,404
2022 and thereafter	579	164	5,136	1,456
Total	¥43,648	¥5,895	$387,362	$52,316

4. INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Merchandise	**¥ 738**	¥ 722	**$ 6,550**
Work in process	**184**	512	**1,635**
Raw materials and supplies	**1,936**	2,102	**17,178**
Total	**¥2,858**	¥3,336	**$25,363**

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Noncurrent:			
Marketable equity securities	**¥29,216**	¥33,017	**$259,282**
Nonmarketable equity securities	**719**	730	**6,380**
Other	**394**	96	**3,500**
Total	**¥30,329**	¥33,843	**$269,162**

Information regarding each category of the securities classified as available-for-sale at March 31, 2016 and 2015, was as follows:

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**¥15,252**	**¥14,048**	**¥84**	**¥29,216**

	Millions of Yen			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥13,794	¥19,261	¥38	¥33,017

	Thousands of U.S. Dollars			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**$135,357**	**$124,670**	**$745**	**$259,282**

Information for available-for-sale securities, which were sold during the years ended March 31, 2016 and 2015, was as follows:

	Millions of Yen		
March 31, 2016	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥110**	**¥54**	**¥–**
Other			
Total	**¥110**	**¥54**	**¥–**
March 31, 2015			
Available-for-sale:			
Equity securities	¥14	¥7	¥–
Other			
Total	¥14	¥7	¥–

March 31, 2016	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$972	$475	$–
Other			
Total	$972	$475	$–

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2016 and 2015. As a result, the Group recognized an impairment loss of ¥1,155 million ($10,249 thousand) as other expense for the asset groups of the Tokushima Regional Branch of Yamato Transport Co., Ltd. and eight other asset groups for the year ended March 31, 2016, and ¥1,792 million as other expense for the asset groups of Yamato (China) Transport Co., Ltd. and ten other asset groups for the year ended March 31, 2015, due to continuous operating losses of those units or significant declines in market prices. The carrying amounts of the relevant asset groups were written down to the recoverable amounts. In the case where net selling prices were used as recoverable amounts, the relevant asset groups were evaluated mainly based on Real Estate Appraisal Standards, assessed value of fixed assets, and posted land prices.

7. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2016 and 2015, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2016 and 2015, were approximately 0.708% and 0.755%, respectively.
Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
0.010% to 5.500% loans from banks due 2016 to 2020	¥122,834		$1,090,114
0.120% to 6.400% loans from banks due 2015 to 2019		¥100,554	
Lease obligations	7,898	7,389	70,089
Unsecured 0.050% bonds due in March 2019	10,000		88,747
Unsecured 0.090% bonds due in March 2021	10,000		88,747
Zero coupon convertible bonds due in March 2016		9,660	
Total	150,732	117,603	1,337,697
Less current portion	(34,829)	(29,071)	(309,093)
Total	¥115,903	¥ 88,532	$1,028,604

Annual maturities of long-term debt at March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 34,829	$ 309,093
2018	45,934	407,647
2019	45,213	401,253
2020	14,112	125,241
2021	10,331	91,681
2022 and thereafter	313	2,782
Total	¥150,732	$1,337,697

8. RETIREMENT AND PENSION PLANS

The Group has defined benefit pension plans and defined contribution retirement plans for employees.

The defined benefit pension plans provide, under most circumstances, that employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from the consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

(1) Defined Benefit Pension Plans

The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	**¥133,126**	¥119,136	**$1,181,453**
Cumulative effects of changes in an accounting policy		6,312	
Restated balance	**133,126**	125,448	**1,181,453**
Service cost	**10,074**	9,704	**89,400**
Interest cost	**1,147**	1,098	**10,183**
Actuarial loss arising during the year	**14,943**	1,917	**132,612**
Retirement benefits paid	**(5,777)**	(5,041)	**(51,268)**
Balance at end of year	**¥153,513**	¥133,126	**$1,362,380**

The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	**¥80,358**	¥72,079	**$713,157**
Expected return on plan assets	**804**	721	**7,132**
Actuarial (loss) gain arising during the year	**(1,445)**	5,269	**(12,824)**
Contributions from the employer	**4,261**	4,137	**37,817**
Retirement benefits paid	**(1,962)**	(1,848)	**(17,413)**
Balance at end of year	**¥82,016**	¥80,358	**$727,869**

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Defined benefit obligation of funded plan	**¥ 60,980**	¥ 53,415	**$ 541,182**
Plan assets	**(82,016)**	(80,358)	**(727,869)**
	(21,036)	(26,943)	**(186,687)**
Defined benefit obligation of unfunded plan	**92,533**	79,711	**821,198**
Net liability arising from defined benefit obligation	**¥ 71,497**	¥ 52,768	**$ 634,511**

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for employees' retirement benefits	**¥71,551**	¥53,024	**$634,996**
Asset for employees' retirement benefits	**(54)**	(256)	**(485)**
Net liability arising from defined benefit obligation	**¥71,497**	¥52,768	**$634,511**

The amount of liability and asset for employees' retirement benefits that are offset individually by the Company and subsidiaries are combined.

The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥10,074	¥ 9,704	$89,400
Interest cost	1,147	1,098	10,183
Expected return on plan assets	(804)	(721)	(7,132)
Recognized actuarial loss	790	399	7,003
Others	5	(13)	46
Net periodic benefit costs	¥11,212	¥10,467	$99,500

Amounts recognized in other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Actuarial (loss) and gain	¥(15,598)	¥3,751	$(138,433)
Total	¥(15,598)	¥3,751	$(138,433)

Amounts recognized in accumulated other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized actuarial (loss) and gain	¥(14,531)	¥1,067	$(128,962)
Total	¥(14,531)	¥1,067	$(128,962)

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
General accounts	34%	31%
Debt investments	27	24
Equity investments	21	24
Others	18	21
Total	100%	100%

Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	0.1%	0.9%
Expected rate of return on plan assets	1.0%	1.0%

The expected rate of return on plan assets is determined on the basis of the distribution of plan assets, past performance of respective assets that make up investments of plan assets, and market trends.

(2) Defined Contribution Retirement Plans

The amounts contributed to the defined contribution retirement plans of the Group for the years ended March 31, 2016 and 2015, were ¥2,193 million ($19,462 thousand) and ¥2,136 million, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	**¥4,980**	¥4,789	**$44,193**
Additional provisions associated with the acquisition of property, plant and equipment	**150**	170	**1,329**
Reconciliation associated with passage of time	**95**	93	**843**
Reconciliation associated with changes in accounting estimates	**30**	2	**270**
Reduction associated with settlement of asset retirement obligations	**(61)**	(80)	**(543)**
Others	**(10)**	6	**(90)**
Balance at end of year	**¥5,184**	¥4,980	**$46,002**

Changes in accounting estimates were recorded as it became evident that the estimate of the discounted cash flows required for future asset retirement would change at the beginning of the year, which resulted from certain events such as obtaining new information. A reconciliation has been prepared for the change, which resulted in an increase of the asset retirement obligation for the years ended March 31, 2016 and 2015, by ¥30 million ($270 thousand) and ¥2 million, respectively.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of 33.1% and 35.6% for the years ended March 31, 2016 and 2015.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Current:			
Accrued expenses	¥ 9,441	¥ 9,711	$ 83,788
Enterprise tax	1,774	1,769	15,739
Allowance for doubtful accounts	184	216	1,635
Legal welfare expense	1,524	1,818	13,529
Other	2,215	2,466	19,660
Deferred tax assets—current	¥ 15,138	¥ 15,980	$ 134,351
Noncurrent:			
Liability for employees' retirement benefits	¥ 22,029	¥ 17,728	$ 195,499
Loss on valuation of investment securities	1,881	1,992	16,692
Loss on valuation of land	20,759	21,898	184,233
Loss on impairment of long-lived assets	4,575	4,188	40,598
Loss on valuation of telephone subscription rights	468	495	4,157
Unrealized profit	2,138	1,914	18,976
Other	10,288	10,693	91,303
Less valuation allowance	(31,943)	(33,122)	(283,481)
Deferred tax assets—noncurrent	¥ 30,195	¥ 25,786	$ 267,977
Deferred tax liabilities:			
Current—other	¥ (231)	¥ (293)	$ (2,051)
Deferred tax liabilities—current	¥ (231)	¥ (293)	$ (2,051)
Noncurrent:			
Unrealized gain on available-for-sale securities	¥ (3,405)	¥ (4,740)	$ (30,217)
Other	(2,582)	(3,016)	(22,917)
Deferred tax liabilities—noncurrent	¥ (5,987)	¥ (7,756)	$ (53,134)
Deferred tax assets—net	¥ 39,115	¥ 33,717	$ 347,143

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2016, with the corresponding figures for 2015 is as follows:

	2016	2015
Normal effective statutory tax rate	33.1%	35.6%
Per capita levy of local taxes	4.3	4.2
Valuation allowance	0.8	(0.2)
Downward revision to deferred tax assets as of end of the period due to the change in the corporate tax rate	2.7	5.0
Other—net	0.8	1.0
Actual effective tax rate	41.7%	45.6%

On March 29, 2016, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from 32.3% to 30.9%, effective for the fiscal years beginning on April 1, 2016 and 2017, and to 30.6% for the fiscal years beginning on or after April 1, 2018.

The effects of the reform were to decrease deferred tax assets (after subtraction of deferred tax liabilities) in the consolidated balance sheet as of March 31, 2016, by ¥1,895 million ($16,816 thousand), of which ¥1,893 million ($16,802 thousand) is the effect of the change in tax rates, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥1,834 million ($16,275 thousand), of which ¥1,832 million ($16,261 thousand) is the effect of the change in tax rates.

12. LEASES

(1) Lessee

The Group leases certain machinery, computer equipment and other assets.

Future rental payments under noncancelable operating leases at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥153	¥ 85	$1,359
Due after one year	408	65	3,616
Total	¥561	¥150	$4,975

(2) Lessor

The net investments in lease as of March 31, 2016 and 2015, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gross lease receivables	¥47,496	¥44,580	$421,511
Unguaranteed residual values	5,069	4,207	44,990
Unearned interest income	(3,671)	(3,839)	(32,578)
Investments in leases—current	¥48,894	¥44,948	$433,923

Maturities of lease receivables for finance leases that are deemed not to transfer ownership of the leased property to the lessee as of March 31, 2016, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥15,792	$140,147
2018	13,404	118,961
2019	10,078	89,439
2020	5,844	51,865
2021	1,986	17,624
2022 and thereafter	392	3,475
Total	¥47,496	$421,511

The minimum rental commitments under noncancelable operating leases at March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥3,361	¥2,812	$29,826
Due after one year	6,416	5,846	56,942
Total	¥9,777	¥8,658	$86,768

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt including bank loans and bonds, in order to expand its business based on its investment plan to expand its network. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to interest fluctuation risk. Certain consolidated subsidiaries conduct leasing or installment sales operations.

(2) Nature and Extent of Risks Arising from Financial Instruments and the Risk Management for Financial Instruments

Receivables such as notes and accounts receivable and installment sales receivable are exposed to customer credit risk.

Therefore, the Group maintains customers' credit risk by monitoring collections and accrued receivables at due dates.

Marketable and investment securities are mainly equity securities of the companies with which the Group has business relationships or capital alliances. Such securities are exposed to the risk of market price fluctuations.

Most payment terms of payables such as notes and accounts payable are less than one year.

Short-term bank loans and long-term bank loans are mainly related to a financial business. Although a portion of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives such as interest rate swaps. In addition, such interest rate swaps are contracted in accordance with internal rules, which prescribe the authority over derivative transactions.

Accounts payable and bank loans exposed to liquidity risks are managed by each company of the Group, such as through fund settlement, bookkeeping, monitoring of the balances outstanding, and managing cash flows.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. The value could vary depending on the technique used.

Fair values of financial instruments at March 31, 2016 and 2015, were as follows:

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥249,594	¥249,594	
Trade notes and accounts receivable	197,382		
Allowance for doubtful accounts	(125)		
	197,257	198,154	¥ 897
Installment sales receivable	43,648		
Allowance for doubtful accounts	(646)		
Deferred profit on installment sales	(5,895)		
	37,107	42,933	5,826
Investment securities	29,216	29,216	
Trade notes and accounts payable	148,456	148,456	
Short-term loans	55,934	56,018	84
Long-term loans	90,515	90,859	344
Derivatives			

March 31, 2015	Millions of Yen Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥247,398	¥247,398	
Trade notes and accounts receivable	187,834		
Allowance for doubtful accounts	(122)		
	187,712	188,298	¥ 586
Installment sales receivable	42,008		
Allowance for doubtful accounts	(802)		
Deferred profit on installment sales	(5,655)		
	35,551	40,979	5,428
Investment securities	33,017	33,017	
Trade notes and accounts payable	157,480	157,480	
Short-term loans	34,443	34,515	72
Long-term loans	83,877	83,834	(43)
Derivatives			

March 31, 2016	Thousands of U.S. Dollars Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**$2,215,067**	**$2,215,067**	
Trade notes and accounts receivable	**1,751,705**		
Allowance for doubtful accounts	**(1,107)**		
	1,750,598	**1,758,560**	**$ 7,962**
Installment sales receivable	**387,362**		
Allowance for doubtful accounts	**(5,730)**		
Deferred profit on installment sales	**(52,316)**		
	329,316	**381,021**	**51,705**
Investment securities	**259,282**	**259,282**	
Trade notes and accounts payable	**1,317,501**	**1,317,501**	
Short-term loans	**496,393**	**497,142**	**749**
Long-term loans	**803,295**	**806,348**	**3,053**
Derivatives			

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Trade notes and accounts receivable

The fair values of receivables are measured at the amount to be received at maturity discounted at the Group's assumed corporate discount rate. A portion of these receivables is determined by discounting the cash flows related to the receivables at the rate of government bonds.

Installment sales receivable

Allowances for doubtful accounts and deferred profit on installment sales are deducted from the fair values of installment sales receivable, which are determined by discounting the cash flows related to the installment sales receivable at the market interest rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 5.

Trade notes and accounts payable

The fair values of payables, all of which are substantially paid within one year, are measured at the amount to be paid.

Short-term loans and long-term loans

The fair values of short-term bank loans and long-term loans are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

The current portion of long-term bank loans is included in short-term loans in the above table in addition to short-term bank loans on the consolidated balance sheet. Lease payments are not included in long-term loans in the above table.

Derivatives

Fair value information for derivatives is included in Note 14.

(4) Financial Instruments Whose Fair Value Cannot Be Reliably Determined

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investments in equity instruments that do not have a quoted market price in an active market	**¥2,282**	¥1,551	**$20,256**

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen		
March 31, 2016	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	**¥249,594**		
Trade notes and accounts receivable	**181,984**	**¥15,197**	**¥201**
Installment sales receivable	**21,438**	**21,631**	**579**
Total	**¥453,016**	**¥36,828**	**¥780**
March 31, 2015			
Cash and cash equivalents	¥247,398		
Trade notes and accounts receivable	174,738	¥12,915	¥181
Installment sales receivable	20,655	20,730	623
Total	¥442,791	¥33,645	¥804

	Thousands of U.S. Dollars		
March 31, 2016	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	**$2,215,067**		
Trade notes and accounts receivable	**1,615,051**	**$134,869**	**$1,785**
Installment sales receivable	**190,256**	**191,970**	**5,136**
Total	**$4,020,374**	**$326,839**	**$6,921**

(6) Maturity Analysis for Long-term loans

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	**¥ 32,319**	**$ 286,819**
2018	**43,915**	**389,735**
2019	**33,600**	**298,189**
2020	**13,000**	**115,371**
Total	**¥122,834**	**$1,090,114**

Please see Note 7 for annual maturities of long-term loans.

14. DERIVATIVES

The Company and certain consolidated subsidiaries use derivative financial instruments to manage their exposure to fluctuations in interest rates. Interest rate swaps are utilized by the Company and the consolidated subsidiaries to reduce interest rate risk. The Group has a policy not to enter into derivatives for trading or speculative purposes.

The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	**¥26,376**	**¥8,220**	*
March 31, 2015				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥38,582	¥26,376	*

		Thousands of U.S. Dollars		
March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	**$234,079**	**$72,950**	*

* The fair value of interest rate swaps is included in that of hedged items (see Note 13).

15. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
Adjustments arising during the year	¥ (5,252)	¥ 7,258	$ (46,607)
Reclassification adjustments to profit or loss	(53)	(7)	(475)
Amount before income tax effect	(5,305)	7,251	(47,082)
Income tax effect	1,329	(1,880)	11,797
Total	¥ (3,976)	¥ 5,371	$ (35,285)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (419)	¥ 826	$ (3,713)
Remeasurements of defined employees' retirement benefit plans:			
Adjustments arising during the year	¥(16,388)	¥ 3,352	$(145,436)
Reclassification adjustments to profit or loss	790	399	7,003
Amount before income tax effect	(15,598)	3,751	(138,433)
Income tax effect	4,811	(1,308)	42,700
Total	¥(10,787)	¥ 2,443	$ (95,733)
Total other comprehensive (loss) income	¥(15,182)	¥ 8,640	$(134,731)

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2016	Net Income Attributable to Owners of the Parent	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥39,425	408,743	¥96.45	$0.86
Adjustment in net income—Administrative fee (net of tax)	15			
Effect of dilutive securities—Convertible bonds		3,644		
Diluted EPS—Net income for computation	¥39,440	412,387	¥95.64	$0.85
Year Ended March 31, 2015				
Basic EPS—Net income available to common shareholders	¥37,533	415,131	¥90.41	
Adjustment in net income—Administrative fee (net of tax)	5			
Effect of dilutive securities—Convertible bonds		10,187		
Diluted EPS—Net income for computation	¥37,538	425,318	¥88.26	

17. SEGMENT INFORMATION

(1) Description of Reportable Segments

The Group identifies operating segments as components of entity for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to make decisions about resources to be allocated to the segments and assess their performance.

The Company, as a pure holding company, forms six reportable segments classified according to business content and manages them based on these reportable segments. Therefore, the Group has the following six reporting segments: "Delivery," "BIZ-Logistics," "Home Convenience," "e-Business," "Financial," and "Autoworks" based on the above policy.

The Group defines the reporting segments as follows:

Delivery:	Small-parcel delivery services such as TA-Q-BIN (door-to-door parcel delivery) and Kuroneko DM-Bin (posting service)
BIZ-Logistics:	Intercompany logistics services, aimed at the B2B supply-chain management market
Home Convenience:	Lifestyle support services intimately connected with the needs of local markets, such as moving and household effects delivery services
e-Business:	Information services targeted at the business market, including ASP services and the development of information systems
Financial:	Financial services targeted at business customers and consumers, such as settlement and collection
Autoworks:	Vehicle maintenance services and fuel supply targeted at transport companies

(2) Methods of Measurement for the Amounts of Segment Revenues, Segment Income, Segment Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Segment Revenues, Segment Income, Segment Assets, and Other Items

	Millions of Yen									
	2016									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,111,867	¥106,823	¥48,981	¥43,358	¥72,455	¥24,459	¥ 8,470	¥1,416,413	¥ –	¥1,416,413
Intersegment revenues	66,083	12,553	15,247	30,367	3,352	27,539	49,860	205,001	(205,001)	
Total segment revenues	¥1,177,950	¥119,376	¥64,228	¥73,725	¥75,807	¥51,998	¥58,330	¥1,621,414	¥(205,001)	¥1,416,413
Segment income	¥ 38,191	¥ 4,906	¥ 1,147	¥ 9,009	¥ 8,685	¥ 3,373	¥26,515	¥ 91,826	¥ (23,286)	¥ 68,540
Segment assets	649,826	60,471	21,437	43,620	243,037	24,264	11,268	1,053,923	35,514	1,089,437
Other:										
Depreciation and amortization	33,958	2,161	532	4,241	4,069	783	296	46,040	699	46,739
Increase of tangible and intangible fixed assets	34,977	2,840	716	6,414	7,466	696	692	53,801	144	53,945

	Millions of Yen									
	2015									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,103,189	¥103,821	¥48,475	¥40,487	¥ 66,650	¥27,153	¥ 6,933	¥1,396,708	¥ –	¥1,396,708
Intersegment revenues	64,245	12,151	14,546	28,253	3,402	28,558	45,995	197,150	(197,150)	
Total segment revenues	¥1,167,434	¥115,972	¥63,021	¥68,740	¥ 70,052	¥55,711	¥52,928	¥1,593,858	¥(197,150)	¥1,396,708
Segment income	¥ 39,604	¥ 4,683	¥ 613	¥ 7,757	¥ 8,942	¥ 3,733	¥23,940	¥ 89,272	¥ (20,325)	¥ 68,947
Segment assets	661,980	61,508	20,242	40,377	239,027	24,794	10,033	1,057,961	24,570	1,082,531
Other:										
Depreciation and amortization	34,805	1,818	557	3,761	3,438	768	247	45,394	664	46,058
Increase of tangible and intangible fixed assets	33,841	3,201	711	4,965	8,397	455	211	51,781	241	52,022

	Thousands of U.S. Dollars									
	2016									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	$ 9,867,479	$ 948,016	$434,696	$384,785	$ 643,016	$217,064	$ 75,170	$12,570,226	$ –	$12,570,226
Intersegment revenues	586,463	111,406	135,310	269,497	29,749	244,403	442,493	1,819,321	(1,819,321)	
Total segment revenues	$10,453,942	$1,059,422	$570,006	$654,282	$ 672,765	$461,467	$517,663	$14,389,547	$(1,819,321)	$12,570,226
Segment income	$ 338,932	$ 43,537	$ 10,175	$ 79,954	$ 77,080	$ 29,933	$235,314	$ 814,925	$ (206,652)	$ 608,273
Segment assets	5,767,002	536,663	190,246	387,112	2,156,878	215,341	99,999	9,353,241	315,170	9,668,411
Other:										
Depreciation and amortization	301,367	19,178	4,724	37,633	36,108	6,948	2,631	408,589	6,205	414,794
Increase of tangible and intangible fixed assets	310,408	25,204	6,356	56,919	66,261	6,178	6,146	477,472	1,275	478,747

Notes: Effective from the fiscal year ended March 31, 2016, the Delivery Business segment includes the staffing service business, previously included in Other, due to changes involving business segment categories made in accordance with actual circumstances related to management and administration. The segment information for the fiscal year ended March 31, 2015 has been prepared and presented according to the new classification.

"Other" includes JITBOX charter services and shared services.

Segment revenues and segment income of "Other" include dividends for the years ended March 31, 2016 and 2015, of ¥24,890 million ($220,887 thousand) and ¥22,101 million, respectively, which the Company received from its subsidiaries as a pure holding company.

Reconciliations are as follows:

(1) Reconciliations of segment income for the years ended March 31, 2016 and 2015, of ¥23,286 million ($206,652 thousand) and ¥20,325 million, respectively, are intersegment eliminations and others.

(2) Reconciliations of segment assets at March 31, 2016 and 2015, of ¥35,514 million ($315,170 thousand) and ¥24,570 million, respectively, include intersegment eliminations of assets and liabilities of ¥164,798 million ($1,462,531 thousand) and ¥164,857 million, and corporate assets which are not allocated to each reporting segments of ¥200,312 million ($1,777,701 thousand) and ¥189,427 million, respectively.

(3) Reconciliations of increases of tangible and intangible fixed assets at March 31, 2016 and 2015, of ¥144 million ($1,275 thousand) and ¥241 million, respectively, include the Company's capital investment.

Segment income is reconciled with the consolidated statement of income.

[Related Information about Reporting Segments]

(1) Information about products and services

Operating revenues from customers for the years ended March 31, 2016 and 2015, are as follows:

Millions of Yen

2016				2015			
TA-Q-BIN	Kuroneko DM-Bin	Other	Total	*TA-Q-BIN*	Kuroneko Mail	Other	Total
¥939,470	**¥82,701**	**¥394,242**	**¥1,416,413**	¥912,563	¥111,885	¥372,260	¥1,396,708

Thousands of U.S. Dollars

2016			
TA-Q-BIN	Kuroneko DM-Bin	Other	Total
$8,337,505	**$733,950**	**$3,498,771**	**$12,570,226**

(2) Information about geographical areas

Operating revenues for the years ended March 31, 2016 and 2015, are as follows:

Millions of Yen

2016				2015			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥1,390,082	**¥11,481**	**¥14,850**	**¥1,416,413**	¥1,368,793	¥10,261	¥17,654	¥1,396,708

Thousands of U.S. Dollars

2016			
Japan	North America	Other	Total
$12,336,547	**$101,890**	**$131,789**	**$12,570,226**

Property, plant and equipment at March 31, 2016 and 2015, are as follows:

Millions of Yen

2016				2015			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥404,092	**¥432**	**¥1,118**	**¥405,642**	¥418,202	¥442	¥1,457	¥420,101

Thousands of U.S. Dollars

2016			
Japan	North America	Other	Total
$3,586,189	**$3,831**	**$9,927**	**$3,599,947**

(3) Information about loss on impairment of long-lived assets by reporting segments

Loss on impairment of long-lived assets by reporting segments for the years ended March 31, 2016 and 2015, are as follows:

	Millions of Yen									
	2016									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	**¥817**	**¥192**			**¥10**	**¥136**		**¥1,155**		**¥1,155**

	Millions of Yen									
	2015									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	¥1,404	¥91	¥297					¥1,792		¥1,792

	Thousands of U.S. Dollars									
	2016									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	**$7,245**	**$1,707**			**$87**	**$1,210**		**$10,249**		**$10,249**

18. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2016, was approved at the Company's Board of Directors meeting held on May 19, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15.00 ($0.13) per share*	**¥5,978**	**$53,051**

* The dividend per share of ¥15.00 ($0.13) includes commemorative dividends of ¥2.00 ($0.02) for the 40th anniversary of launching *TA-Q-BIN*.

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp/en

To the Board of Directors of
Yamato Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 3, 2016

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data / Stock Information

As of March 31, 2016

Company Name
Yamato Holdings Co., Ltd.

Head Office
16-10, Ginza 2-chome, Chuo-ku, Tokyo
104-8125 Japan
Telephone: 81-3-3541-4141
Facsimile: 81-3-5565-3427

Established
November 29, 1919

Registered
April 9, 1929

Paid-in Capital
127,234,791,077 yen

Website
http://yamato-hd.co.jp/english/

Fiscal Year
From April 1 to March 31

Common Stock
Authorized: 1,787,541,000 shares
Issued: 411,339,992 shares

Stock Exchange Listing
Tokyo Stock Exchange

Transfer Agent and Registrar
Mizuho Trust & Banking Co., Ltd.

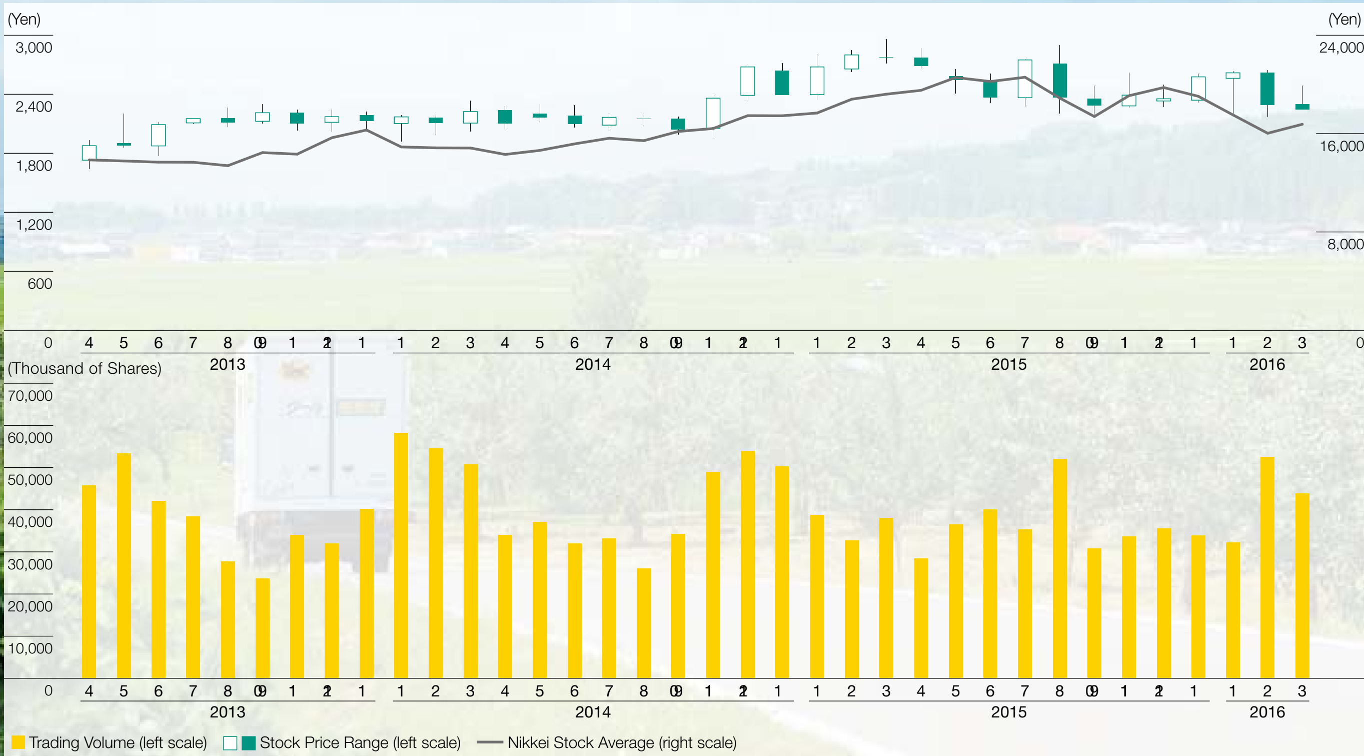
General Meeting of Shareholders
Held in June

Auditor
Deloitte Touche Tohmatsu LLC

Principal Shareholders

	Percentage of total shares outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	8.11%
State Street Bank and Trust Company 505223	6.37%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.88%
Yamato Employees' Shareholding Association	4.37%
Mizuho Bank, Ltd.	3.56%
Nippon Life Insurance Company	3.47%
Meiji Yasuda Life Insurance Company	2.98%
Yamato Trading-Partner Shareholding Association	2.12%
State Street Bank West Client - Treaty 505234	1.48%
Sompo Japan Nipponkoa Insurance Inc.	1.47%
Total	38.82%

Stock Price Range / Trading Volume (Tokyo Stock Exchange)



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104-8125 Japan
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