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.

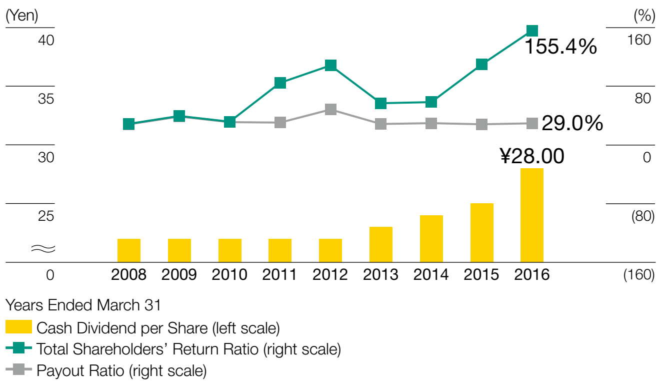
My view with regard to ROE, which has been positioned to serve as an important indicator toward enhanced shareholder value, is to prioritize working to boost operating income and to bring about an improvement in ROE by the sum of business and financial strategies. In addition to bringing about improvements 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.