

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2018
<under Japanese GAAP>

Company name: Yamato Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange
 Stock code: 9064
 URL: <http://www.yamato-hd.co.jp/>
 Representative: Masaki Yamauchi, President
 Contact: Kenichi Shibasaki, Senior Managing Executive Officer, in charge of Financing and Accounting
 Tel: +81-3-3541-4141 (from overseas)

Scheduled date of the submission of quarterly securities report: August 10, 2017
 Scheduled date of the commencement of dividend payment: —
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than 1 million yen are discarded.)

1. Consolidated financial results for the first quarter of fiscal year 2018
(cumulative: from April 1, 2017 to June 30, 2017)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the three months ended								
June 30, 2017	355,478	4.0	(10,000)	—	(9,582)	—	(7,937)	—
June 30, 2016	341,876	3.9	7,433	80.0	7,666	60.7	3,661	91.8

(Note) Comprehensive income: For the three months ended June 30, 2017: (7,007) million yen (—%)
 For the three months ended June 30, 2016: 3,228 million yen (55.0%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the three months ended		
June 30, 2017	(20.13)	—
June 30, 2016	9.19	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2017	1,122,892	532,936	46.9
March 31, 2017	1,114,672	545,559	48.4

(Reference) Equity: As of June 30, 2017: 526,344 million yen As of March 31, 2017: 539,179 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2017	—	13.00	—	14.00	27.00
Fiscal 2018	—				
Fiscal 2018 (Forecast)		13.00	—	14.00	27.00

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

3. Consolidated earnings forecasts for fiscal year 2018 (from April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year	718,000	1.6	(13,000)	—	(13,000)	—	(13,000)	—	(32.97)
Full year	1,490,000	1.6	25,000	(28.3)	25,000	(28.3)	12,000	(33.5)	30.44

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

* Notes

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

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

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

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

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

(4) Number of issued shares (common shares)

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

As of June 30, 2017:	411,339,992 shares
As of March 31, 2017:	411,339,992 shares
- b. Number of treasury shares as of the end of the period

As of June 30, 2017:	17,062,806 shares
As of March 31, 2017:	17,062,391 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the three months ended June 30, 2017:	394,277,367 shares
For the three months ended June 30, 2016:	398,516,406 shares

*Quarterly financial results reports are not required to be subjected to quarterly reviews.

*Proper use of earnings forecasts and other noteworthy events

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

Attached Materials

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

(1) Explanation of operating results

During the three months ended June 30, 2017, the economic environment was plagued by ongoing uncertainties ahead due to factors that have included effects of political developments overseas, yet gradual economic recovery held course amid underlying strengths in corporate earnings. Moreover, the logistics industry continues to face a severe business environment partially due to tightening of the domestic labor market, which is in addition to an upward trend with respect to small parcel volume partially due to expansion of the mail order market brought about by rapidly changing styles of consumption.

Under such circumstances, the Yamato Group has been working to transform the entire Group's business model so that it will be able to keep providing high-quality services, and is accordingly placing focus on "reforming working styles" in a manner that enables a more upbeat working environment for its employees who form the cornerstone of its operations.

In the Delivery Business, we have embarked on our "structural reforms in the Delivery Business" initiatives which involve "improving and developing the employee working environment," "placing controls on total TA-Q-BIN volume," "optimizing the entire TA-Q-BIN delivery network," "boosting efficiency by enhancing the 'last mile' network," and "revising TA-Q-BIN basic fees and respective service standards." With respect to our objective of "placing controls on total TA-Q-BIN volume" in particular, we have issued requests to our large-lot corporate clients that include asking that they adjust their shipping schedules during busy seasons and cut down on re-deliveries so that we can avoid the prospect of surges in parcel volume that would cause greater employee workloads. At the same time, we are also negotiating review of our rates. However, our financial performance has been severely affected by a situation where in the course of carrying out the five structural reforms just mentioned, we continue to face a scenario where profits have been pressured by rising labor costs, including those of outsourcing workforce, in conjunction with increases in TA-Q-BIN delivery volume.

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

In addition, we recorded payments for specially acknowledged working hours of 5,200 million yen additionally recognized as the result of further confirmation on a fact-finding investigation into working hours of employees during the three months ended June 30, 2017, which has been carried out on a Group-wide basis since the previous fiscal year.

Our consolidated financial results for the three months ended June 30, 2017 are as follows.

Item	(Millions of yen)			
	For the three months ended June 30, 2016	For the three months ended June 30, 2017	Change	Growth (%)
Operating revenue	341,876	355,478	13,601	4.0
Operating profit	7,433	(10,000)	(17,434)	—
Ordinary profit	7,666	(9,582)	(17,249)	—
Profit attributable to owners of parent	3,661	(7,937)	(11,599)	—

Initiatives for the entire Yamato Group

- a. The Yamato Group has been pursuing its "Value Networking" design, on the basis of creating business models for generating a high level of added value through the combined efforts of our respective businesses, while at the same time contributing to growth strategies and international competitive strengths of the Japanese economy. Meanwhile, we are also taking steps to forge a robust corporate culture that acts as a foundation for business creation and development.
- b. We continued to drive initiatives geared toward forging a more robust corporate culture. To that end, we worked on enhancing the efficiency and dependability of operations, in part by improving our transport systems and by using our information technology network to enable visual monitoring of operating

volumes. Moreover, we actively engaged in CSR-related activities linked to Yamato Group business endeavors, such as through environmental and safety measures, and efforts to prosper communities. Moreover, we have been taking steps to develop a more employee-friendly working environment by promoting our “reforming working styles” initiatives on a Group-wide basis, with such efforts centered on the “office for reforming working styles” newly established in Yamato Transport Co., Ltd., and our “working styles innovation committees” in our respective Group companies.

- c. To further promote our “Value Networking” design, we have been crafting business models that deliver a high level of added value by leveraging the Yamato Group’s business network. Also, to address varied customer needs in Japan and overseas, we will make more effective use of our innovative network platform consisting of the “Haneda Chronogate,” “Atsugi Gateway,” “Chubu Gateway” and “Okinawa International Logistics Hub” facilities, and “Kansai Gateway,” which is scheduled to go into operation in this Autumn, in addition to our existing “last mile” network.
- d. In our business looking toward overseas markets, we have been working to forge collaboration among five regions, Japan, East Asia, South East Asia, Europe and the Americas, while strengthening our capabilities in each geographic region to respond to the growth of cross-border logistics. During the three months ended June 30, 2017, we signed a comprehensive partnership agreement in April with the leading specialist for express parcel delivery in France. The agreement was entered into for the purpose of expanding our cross-border small parcel chilled and frozen transport business between Japan and France, and contains a cross license agreement for sharing both companies’ know-how with respect to small parcel chilled and frozen transport. Furthermore, in May we have been actively promoting efforts to build cross-border networks that provide substantial added-value with initiatives involving six Yamato Group companies acquiring certification under international standards pertaining to chilled and frozen goods delivery services.
- e. With the aim of improving customer convenience particularly in the mail order market, we have been working to establish an environment that ensures customers ease in picking up their parcels. Moreover, to that end we have been actively promoting efforts to build an open-type network of parcel lockers primarily in train stations, convenience stores and other such locations. Also, with our sights set on developing next-generation logistics services, collaborating with major companies that provide Internet services, in April we initiated practical trial runs of our “RoboNeko Yamato” project which involves providing on-demand delivery services that make use of automated driving technologies, in some areas of Kanagawa Prefecture. We have also been picking up the pace with initiatives geared to drawing on cutting-edge technologies with efforts in that regard that have included streamlining transportation between gateways through use of a new type of large semi-truck trailer capable of mass-volume transport, which we were the first in Japan to introduce to our operations in the previous fiscal year.

Summary of each operating segment

● Delivery

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

Category	(Million parcels / units)			
	For the three months ended June 30, 2016	For the three months ended June 30, 2017	Change	Growth (%)
TA-Q-BIN	429	450	21	5.1
Kuroneko DM-Bin	388	384	(4)	(1.1)

- a. In the Delivery Business, the Yamato Group concentrated on TA-Q-BIN-centered business development, aiming to provide infrastructure that best suits our customers and contribute to enriching people’s lives.
- b. Amid a severe business environment partially due to tightening of the domestic labor market, which is in addition to an upward trend with respect to small parcel volume partially due to expansion of the mail order market brought about by rapidly changing styles of consumption, we have embarked on our “structural reforms in the Delivery Business” initiatives which involve “improving and developing the employee working environment,” “placing controls on total TA-Q-BIN volume,” “optimizing the entire TA-Q-BIN delivery network,” “boosting efficiency by enhancing the ‘last mile’ network,” and “revising TA-Q-BIN basic fees and respective service standards.” With respect to our objective of “improving and developing the employee working environment,” we have taken steps geared to ensuring that employees are able to take lunch breaks while also preventing situations where they are subject to long working hours. To that end, in

April we set earlier deadlines for accepting TA-Q-BIN deliveries, and in June we changed to a framework of five designated time slots for TA-Q-BIN deliveries, from six time slots previously. With respect to our objective of “placing controls on total TA-Q-BIN volume,” we have been issuing requests to our large-lot corporate clients that include asking that they adjust their shipping schedules during busy seasons and cut down on re-deliveries so that we can avoid the prospect of surges in parcel volume that would cause greater employee workloads. At the same time, we are also forging ahead in negotiations entailing review of our rates.

- c. Given expectations for growth in the mail order market, we have been taking steps to expand sales of the “TA-Q-BIN Compact” and “Nekopos” services which enable customers to send small parcels simply at reasonable fees, and otherwise engaging in efforts to provide greater convenience to our customers who use mail-order services by collaborating with multiple flea market websites and offering delivery services at a greater number of service access points.
- d. With respect to corporate clients, we have been accurately pinpointing managerial challenges and actively proposing solutions to address those challenges. Moreover, we worked to boost profitability by making proposals that provide high added value using the Group’s business resources. During the three months ended June 30, 2017, we launched our new “B2 Cloud” shipping label issuance service which operates using a cloud-based platform with the aim of improving customer convenience.
- e. In our business geared toward revitalizing communities, we have been taking steps to improve services for residents by collaborating with numerous municipalities and companies in efforts to provide support with regard to helping those who face difficulties doing their shopping and watching over elderly residents. Moreover, we have also been helping to revitalize local industry through initiatives that include lending support for enabling communities to achieve higher sales of locally produced products by offering swift delivery to Asia of perishable goods and other agricultural products in a manner that ensures they stay fresh.
- f. Operating revenue amounted to 273,349 million yen, up 2.9% from the year-ago period due to an increase in delivery volume of TA-Q-BIN resulting from continuous rapid growth in the mail order market. As for profits, the segment posted operating loss of 17,285 million yen due to factors such as an increase in labor costs including those involving outsourcing workforce in order to maintain service quality, as well as the recording of special payments as the result of further confirmation on a fact-finding investigation into working hours.

● BIZ-Logistics

- a. In the BIZ-Logistics Business, the Yamato Group is providing customers with innovative logistics systems by combining management resources such as the TA-Q-BIN network with logistics functions, maintenance and recall handling functions, cleansing functions for medical devices and international transportation functions.
- b. For the mail-order industry and others, we are offering one-stop services involving various types of logistical support in line with customer needs, including support for facilitating everything from placing and accepting orders to visual monitoring of inventories and enabling speedier shipments. During the three months ended June 30, 2017, these operations generated favorable results due to factors that included an increased volume of existing services.
- c. For medical service providers, we have been developing medical device loaner support (storage, cleaning and delivery) and other services that help revolutionize logistics operations. During the three months ended June 30, 2017, we have been actively promoting efforts to increase sales, in part by entering into business alliances with business operators who offer health care services and medical products on a global scale.
- d. Operating revenue amounted to 28,596 million yen, up 9.3% from the year-ago period due to favorable results from existing services for mail-order business operators. As for profits, the segment posted operating profit of 1,049 million yen, down 12.2% from the year-ago period mainly due to lackluster results in overseas transport services.

● Home Convenience

- a. In the Home Convenience Business, we are working toward enabling customers to achieve greater convenience and comfort in their lives through lifetime lifestyle support businesses and corporate enterprise support business that draw on the Yamato Group's nationwide network.
- b. With respect to individual customers, the Yamato Group operated a variety of services to assist in daily life such as the "Raku Raku Household TA-Q-BIN" service for delivering large furniture items and home appliances, and moving-related services and "Comfortable Lifestyle Support Service" which aims to help customers resolve everyday inconveniences "inside the home." During the three months ended June 30, 2017, we have been actively promoting efforts to increase sales of our "Raku Raku Household TA-Q-BIN" service through initiatives that include linking up with flea market website applications and providing new delivery services that make it easy for customers to send large packages.
- c. For our corporate clients, we have been developing our business support services including "Technical Network Business" where we combine the networks of the Yamato Group and our construction and installation contractors so that we can provide one-stop support in handling everything from household equipment delivery and set-up, to installation and maintenance of such equipment. During the three months ended June 30, 2017, we have been steadily working toward gaining new customers in part by launching services that involve providing total solutions encompassing everything from installations to maintenance with respect to international broadcast distribution services.
- d. Operating revenue amounted to 12,766 million yen, up 3.1% from the year-ago period, due mainly to firm results with respect to use of our moving-related services and "Raku Raku Household TA-Q-BIN" service, which are our existing services. Operating profit was 322 million yen, up 491.2% from the year-ago period.

● e-Business

- a. In the e-Business, the Yamato Group helps customers streamline their business processes and solve potential issues by proactively conducting solution platform business that combine logistics technology and financial technology with information technology. In addition, with the aim of helping to accelerate growth of Yamato Group businesses, we have been moving beyond conventional information technologies through efforts geared to promoting use of emerging technologies that harness artificial intelligence (AI), the Internet of things (IoT) and other such innovations.
- b. With respect to services for assisting with order-acceptance and dispatching operations, the Yamato Group provides a "Web-based Shipment Control" that comprehensively supports such operations as dispatch information processing, printing of delivery slips, and freight tracking. In the three months ended June 30, 2017, use of this service increased particularly among our existing large-lot customers, against a backdrop that included mail-order market growth.
- c. For our customers who mainly make use of pamphlets, catalogs and other such promotional materials in their marketing activities, we have been developing our e-On Demand Solutions business which involves providing total solutions in terms of systems for ordering promotional products, warehouse storage, administration, delivery and other logistics functions, and printing. During the three months ended June 30, 2017, use of this service increased largely as a result of having gained new customers through aggressive marketing activities.
- d. Operating revenue amounted to 11,545 million yen, up 6.3% from the year-ago period mainly as a result of having achieved a greater volume of business in the "Web-based Shipment Control." Operating profit was 2,472 million yen, up 25.3% from the year-ago period.

● Financial

- a. In the Financial Business, the Yamato Group has been developing settlement and financial services tailored to a range of customer needs for payment collection of mail-order products, business-to-business transaction settlement, and vehicle leasing.
- b. With respect to our payment settlement services, in addition to providing our mainstay service "TA-Q-BIN Collect," we have also been promoting increased customer use of both our "Kuroneko Web Collect" comprehensive internet-based transaction settlement service, "Kuroneko Pay After Delivery" services and our e-money settlement services. During the three months ended June 30, 2017, we provided a wide range of payment settlement services to our customers who use the "TA-Q-BIN Collect" service by

promoting use of our “Kuroneko Web Collect” and “Kuroneko Pay After Delivery” services, and concurrently worked to increase profitability. Moreover, in June we began combining operations that involve performing calculations with respect to our various payment settlement services, with the aims of slashing customer costs, streamlining operations and heightening convenience.

- c. In the lease services business, we have been generating favorable results with respect to financial leases primarily involving trucks and installment sales. We have also been developing peripheral operations that include providing vehicle referrals and resale support, while forging ahead in making proposals involving total solutions related to vehicles.
- d. Operating revenue amounted to 20,594 million yen, up 10.6% from the year-ago period due to steady results of lease services business. Operating profit was 2,045 million yen, up 7.2% from the year-ago period.

● Autoworks

- a. In the Autoworks Business, the Yamato Group develops its “24-hour-a-day, 365-day-a-year service that enables customers to service their vehicles without stopping operation,” thereby providing value to logistics operations and logistics service providers in the form of “improvement of vehicle maintenance convenience” and “reduced maintenance expenses.” Furthermore, to better provide one-stop service solutions geared toward customer business operations, we have added services for “maintaining and safeguarding logistics facilities and equipment, and improving such workplace environments,” along with “offering insurance plans tailored to customer risk management needs” which provide coverage for such assets.
- b. In the three months ended June 30, 2017, we took steps to expand sales by aggressively marketing out “Repairworks” services entailing periodic on-site customer visits.
- c. Operating revenue amounted to 6,113 million yen, up 0.4% from the year-ago period as a result of an increase in the number of vehicles serviced. Operating profit was 1,181 million yen, up 10.2% from the year-ago period.

● Other

- a. The “JITBOX Charter service” provides transportation by transport box. The service takes advantage of its network consisting of multiple companies and provides added value to customers through timely delivery and frequent, right-volume delivery. In the three months ended June 30, 2017, service use grew steadily due to favorable results with respect to existing services.
- b. Operating profit in Other excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies decreased 31.7% from the year-ago period to 328 million yen.

CSR Initiatives

- a. The Yamato Group places utmost priority on protecting human life and conducts a range of safety measures. During the three months ended June 30, 2017, we carried out our “Zero Accident Campaign,” which was deployed throughout the entire Group including our overseas operations, and engaged in efforts to heighten safety awareness on a Group-wide basis. In addition, since 1998 we have been holding our “Safety Classes for Children,” through which we convey the importance of traffic safety, in day care facilities, kindergartens and elementary schools across Japan. A total of about 3.00 million people have now participated.
- b. The Yamato Group works to ensure that its distribution mechanisms are environmentally sound, under its policy of “Nekology” (combining “Kuroneko” with “ecology”) for promoting its environmental conservation initiatives. We also hold “Kuroneko Yamato Environmental Class” sessions designed to provide support for environmental education of children who will bear responsibilities of the next generation. We have held such classes on an ongoing basis nationwide since 2005, attracting about 230 thousand participants so far.
- c. Aspiring to be a company that continually evolves in step with society, led by Yamato Welfare Foundation, the Yamato Group conducts various activities to help realize a society in which disabled people can freely enjoy a lifestyle as a member of the workforce. Specifically, we engage in ongoing programs that support economic independence of people with disabilities, such that include actively employing people with

disabilities at the Swan Bakery which makes and sells bread, providing them with workplaces through the consigned delivery of Kuroneko DM-Bin, and operating job-finding support facilities where they take part in training to acquire skills and knowledge necessary for employment.

- d. Aiming to create more sustainable social value, the Yamato Group promotes initiatives for sharing value with society based on “Creating Shared Value (CSV).” During the three months ended July 30, 2017, we initiated our “combined passenger-cargo” operations using scheduled-route passenger buses in Hyogo prefecture, which is in addition to Iwate prefecture, Miyazaki prefecture, Hokkaido and Kumamoto prefecture with such operations already, thereby helping to improve lifestyle services for local residents both by keeping scheduled bus networks running in hilly and mountainous areas where populations are substantially declining and getting older, and also by streamlining distribution in those locations. In addition, we were able to successfully reduce CO₂ emissions and achieve other positive outcomes by streamlining logistics operations at our Next Delivery SQUARE facility which assumes the role of providing collective delivery services and other aspects of logistics infrastructure within the Fujisawa Sustainable Smart Town (Fujisawa SST) community which opened in Kanagawa Prefecture’s Fujisawa City in November 2016. In recognition of those results, we were granted the Logistics Environment Conservation Activity Award at the 18th Logistics Environment Awards ceremony which was sponsored by the Japan Association for Logistics and Transport. Moreover, we continued to engage in efforts geared to revitalizing communities and resolving issues by leveraging the Yamato Group’s management resources, with respect to initiatives that include helping to watch over elderly residents, supporting tourism, and expanding sales channels for specialty products in respective regions throughout Japan. As a result, we have worked with government bodies on 1,971 such endeavors thus far.
- e. In order to earn the confidence of Yamato Group’s customers and society acting as a company that forms an important part of social infrastructure, we have been promoting management in conformity with compliance and working on Group-wide initiatives with respect to “reforming working styles” through developing a more comfortable working environment for employees, such as promoting reviewing our management rules on working hours and a framework for broad reform of work arrangements for our employees.

(2) Explanation of financial position

Total assets were 1,122,892 million yen as of June 30, 2017, up 8,219 million yen from the end of the previous fiscal year. The major factor in this was an increase of 5,109 million yen in deferred tax assets.

Liabilities increased 20,842 million yen to 589,955 million yen from the end of the previous fiscal year. The increase was largely attributable to a 68,913 million yen gain in accrued expenses upon having recognized scheduled payments of summer bonuses and payments for specially acknowledged working hours, but was offset by a 18,603 million yen decrease in provision for bonuses, a 15,129 million yen decrease in provision for special wage payments, and a 8,825 million yen decrease in income taxes payable due to the payment of income taxes.

Total net assets were 532,936 million yen, down 12,622 million yen from the end of the previous fiscal year. This was mainly attributable to a decrease in retained earnings of 13,459 million yen due to the recording of loss attributable to owners of parent of 7,937 million yen and payment of dividends of surplus of 5,519 million yen.

Accordingly, the equity ratio changed to 46.9% from the previous fiscal year's 48.4%.

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

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

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

In that environment, we will engage in "reforming working styles" and endeavor to improve and develop the working environment across the entire Yamato Group, while in the Delivery Business working to achieve sustainable growth and enhance profitability in order to improve corporate value by promoting our "structural reforms in the Delivery Business." In the fiscal year ending March 31, 2018, we expect that the severe business environment will persist during the first half, during which time we will carry out negotiations on volumes, pricing and other matters during the period amid continuing upward momentum with respect to total TA-Q-BIN volume. Beginning in the second half, however, we expect there to be a trend of recovering earnings amid a scenario where initiatives involving controls on total volume and pricing begin taking effect, thereby helping to curb subcontracting expenses and other such costs.

The Yamato Group has made changes to the consolidated earnings forecasts for the half year and for the full year of the fiscal year ending March 31, 2018 since the announcement made on April 28, 2017.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	230,128	224,990
Notes and accounts receivable - trade	208,130	207,853
Accounts receivable - installment	46,141	47,174
Lease investment assets	50,777	50,693
Merchandise and finished goods	739	830
Work in process	216	357
Raw materials and supplies	1,818	2,159
Other	49,839	61,641
Allowance for doubtful accounts	(1,282)	(1,200)
Total current assets	586,510	594,498
Non-current assets		
Property, plant and equipment		
Buildings and structures	341,134	341,797
Accumulated depreciation	(196,244)	(198,501)
Buildings and structures, net	144,889	143,296
Vehicles	194,073	196,299
Accumulated depreciation	(177,671)	(178,450)
Vehicles, net	16,401	17,848
Land	178,620	178,602
Lease assets	16,448	15,722
Accumulated depreciation	(8,446)	(7,725)
Lease assets, net	8,001	7,997
Other	158,810	159,739
Accumulated depreciation	(101,653)	(102,700)
Other, net	57,157	57,039
Total property, plant and equipment	405,070	404,784
Intangible assets	21,671	21,004
Investments and other assets		
Investment securities	54,281	55,451
Other	47,916	47,939
Allowance for doubtful accounts	(778)	(786)
Total investments and other assets	101,420	102,604
Total non-current assets	528,162	528,393
Total assets	1,114,672	1,122,892

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	155,736	146,061
Short-term loans payable	60,974	57,765
Lease obligations	2,427	2,418
Income taxes payable	14,399	5,574
Deferred installment income	6,010	6,008
Provision for bonuses	31,948	13,344
Provision for special wage payments	15,129	—
Other	85,222	160,588
Total current liabilities	371,848	391,762
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	89,900	89,900
Lease obligations	4,866	4,656
Net defined benefit liability	70,952	71,401
Other	11,545	12,235
Total non-current liabilities	197,264	198,193
Total liabilities	569,113	589,955
Net assets		
Shareholders' equity		
Capital stock	127,234	127,234
Capital surplus	36,813	36,813
Retained earnings	409,270	395,811
Treasury shares	(39,077)	(39,078)
Total shareholders' equity	534,241	520,780
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,975	11,975
Foreign currency translation adjustment	(422)	(1,201)
Remeasurements of defined benefit plans	(5,614)	(5,209)
Total accumulated other comprehensive income	4,938	5,564
Non-controlling interests	6,379	6,591
Total net assets	545,559	532,936
Total liabilities and net assets	1,114,672	1,122,892

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

(Millions of yen)

	For the three months ended June 30, 2016	For the three months ended June 30, 2017
Operating revenue	341,876	355,478
Operating cost	323,065	353,118
Operating gross profit	18,811	2,359
Selling, general and administrative expenses	11,377	12,360
Operating profit (loss)	7,433	(10,000)
Non-operating income		
Interest income	41	36
Dividend income	336	587
Other	262	335
Total non-operating income	641	959
Non-operating expenses		
Interest expenses	165	76
Share of loss of entities accounted for using equity method	—	317
Other	242	146
Total non-operating expenses	407	541
Ordinary profit (loss)	7,666	(9,582)
Extraordinary income		
Gain on sales of non-current assets	145	139
Total extraordinary income	145	139
Extraordinary loss		
Loss on retirement of non-current assets	56	24
Disaster recovery expenses for the Kumamoto Earthquake	805	—
Other	2	—
Total extraordinary loss	863	24
Profit (loss) before income taxes	6,948	(9,467)
Income taxes	3,219	(1,595)
Profit (loss)	3,728	(7,871)
Profit attributable to non-controlling interests	67	66
Profit (loss) attributable to owners of parent	3,661	(7,937)

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	For the three months ended June 30, 2016	For the three months ended June 30, 2017
Profit (loss)	3,728	(7,871)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,566)	1,238
Foreign currency translation adjustment	378	(779)
Remeasurements of defined benefit plans, net of tax	686	404
Share of other comprehensive income of entities accounted for using equity method	—	0
Total other comprehensive income	(500)	864
Comprehensive income	3,228	(7,007)
(Breakdown)		
Comprehensive income attributable to owners of parent	3,145	(7,311)
Comprehensive income attributable to non-controlling interests	82	304

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

Not applicable.

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

Not applicable.

(Changes in scope of consolidation and equity method application)

Material changes in scope of consolidation

YAMATO (CHINA) CO., LTD. is included in the scope of consolidation effective from the first quarter ended June 30, 2017, due to being newly established by the Company.

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

Calculation of tax expenses

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

(Segment information, etc.)

[Segment information]

1. Information regarding the amounts of operating revenue and profit or loss by reportable segment
For the three months ended June 30, 2016

(Millions of yen)

	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial
Operating revenue					
(1) Operating revenue from customers	265,628	26,171	12,377	10,858	18,626
(2) Inter-segment operating revenue or transfers	16,099	3,300	2,980	7,598	760
Total	281,727	29,472	15,357	18,457	19,386
Segment profit	213	1,195	54	1,973	1,908

	Autoworks	Other (Notes 1, 2)	Total	Reconciliation (Note 3)	Amount recorded in consolidated statement of income (Note 4)
Operating revenue					
(1) Operating revenue from customers	6,087	2,127	341,876	—	341,876
(2) Inter-segment operating revenue or transfers	6,944	40,905	78,588	(78,588)	—
Total	13,031	43,032	420,465	(78,588)	341,876
Segment profit	1,071	34,898	41,316	(33,882)	7,433

- Notes: 1. Other includes business-to-business distribution via JITBOX Charter and shared services.
2. Operating revenue in Other includes dividends which the Company received from the Group companies as a pure holding company and the effect of this on operating revenue and segment profit is 34,409 million yen.
3. The adjustment of segment profit resulted from eliminating transactions among segments, etc.
4. We made an adjustment between segment profit and operating profit in the consolidated statement of income.

For the three months ended June 30, 2017

(Millions of yen)

	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial
Operating revenue					
(1) Operating revenue from customers	273,349	28,596	12,766	11,545	20,594
(2) Inter-segment operating revenue or transfers	16,986	3,315	3,142	9,248	794
Total	290,335	31,912	15,908	20,794	21,388
Segment profit (loss)	(17,285)	1,049	322	2,472	2,045

	Autoworks	Other (Notes 1, 2)	Total	Reconciliation (Note 3)	Amount recorded in consolidated statement of income (Note 4)
Operating revenue					
(1) Operating revenue from customers	6,113	2,513	355,478	—	355,478
(2) Inter-segment operating revenue or transfers	7,562	24,187	65,237	(65,237)	—
Total	13,675	26,700	420,715	(65,237)	355,478
Segment profit (loss)	1,181	17,157	6,943	(16,944)	(10,000)

- Notes: 1. Other includes business-to-business distribution via JITBOX Charter and shared services.
2. Operating revenue in Other includes dividends which the Company received from the Group companies as a pure holding company and the effect of this on operating revenue and segment profit is 17,482 million yen.
3. The adjustment of segment profit resulted from eliminating transactions among segments, etc.
4. We made an adjustment between segment profit and operating loss in the consolidated statement of income.

3. Supplementary Information

Operating revenue by business

Business segment		For the three months ended June 30, 2016		For the three months ended June 30, 2017		Change (%)	Fiscal year ended March 31, 2017	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		Amount (Millions of yen)	Ratio (%)
Delivery	TA-Q-BIN	239,782	70.1	247,748	69.7	3.3	1,047,668	71.4
	Kuroneko DM-Bin	21,703	6.4	21,369	6.0	(1.5)	85,383	5.8
	Express	10,315	3.0	10,202	2.9	(1.1)	42,272	2.9
	Others	22,956	6.7	25,074	7.1	9.2	99,497	6.8
	Eliminations	(29,129)	(8.5)	(31,045)	(8.7)	6.6	(123,793)	(8.4)
	Total	265,628	77.7	273,349	76.9	2.9	1,151,028	78.5
BIZ-Logistics	Trading logistics service	9,005	2.6	9,211	2.6	2.3	35,583	2.4
	Sales and Logistics	9,648	2.9	11,083	3.1	14.9	40,390	2.8
	Multi maintenance	3,112	0.9	3,324	0.9	6.8	13,916	0.9
	Products Logistics	1,095	0.3	1,191	0.3	8.7	4,390	0.3
	Others	10,932	3.2	11,289	3.2	3.3	43,637	3.0
	Eliminations	(7,623)	(2.2)	(7,503)	(2.1)	(1.6)	(29,275)	(2.0)
Total	26,171	7.7	28,596	8.0	9.3	108,643	7.4	
Home Convenience	Home convenience	10,879	3.2	11,157	3.1	2.6	42,016	2.9
	Business convenience	3,589	1.0	3,632	1.0	1.2	17,847	1.2
	Technical Network	894	0.3	1,124	0.3	25.6	3,951	0.3
	Eliminations	(2,986)	(0.9)	(3,148)	(0.9)	5.4	(14,651)	(1.0)
	Total	12,377	3.6	12,766	3.6	3.1	49,163	3.4
e-Business	e-logistics solution	2,822	0.8	2,834	0.8	0.4	11,465	0.8
	Credit card solution	2,240	0.7	2,411	0.7	7.6	9,711	0.7
	IT operating*	1,651	0.5	1,760	0.5	6.6	6,834	0.5
	Web-based mail order solution	1,274	0.4	1,253	0.4	(1.7)	5,625	0.4
	Others	12,083	3.5	13,671	3.8	13.1	53,954	3.7
	Eliminations	(9,214)	(2.7)	(10,385)	(2.9)	12.7	(41,952)	(2.9)
	Total	10,858	3.2	11,545	3.2	6.3	45,639	3.1
Financial	Payment	9,012	2.6	9,090	2.6	0.9	37,403	2.5
	Lease	8,642	2.5	9,976	2.8	15.4	36,040	2.5
	Credit & Finance	926	0.3	897	0.3	(3.2)	3,650	0.2
	Others	824	0.2	1,444	0.4	75.1	4,021	0.3
	Eliminations	(780)	(0.2)	(813)	(0.2)	4.3	(3,131)	(0.2)
	Total	18,626	5.4	20,594	5.8	10.6	77,985	5.3
Autoworks	Truck solution	11,800	3.5	12,262	3.4	3.9	47,472	3.2
	Others	1,848	0.5	2,053	0.6	11.1	7,888	0.5
	Eliminations	(7,562)	(2.2)	(8,202)	(2.3)	8.5	(30,746)	(2.1)
	Total	6,087	1.8	6,113	1.7	0.4	24,613	1.7
Other	JITBOX Charter service	1,989	0.6	2,158	0.6	8.5	9,126	0.6
	Others	42,498	12.4	26,136	7.4	(38.5)	63,984	4.4
	Eliminations	(42,360)	(12.4)	(25,780)	(7.3)	(39.1)	(63,333)	(4.3)
	Total	2,127	0.6	2,513	0.7	18.2	9,777	0.7
Total		341,876	100.0	355,478	100.0	4.0	1,466,852	100.0

* Effective from the first quarter of the fiscal year ending March 31, 2018, the name of the IT operating solution category in the e-Business segment has been changed to the IT operating.