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 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.

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*.

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.

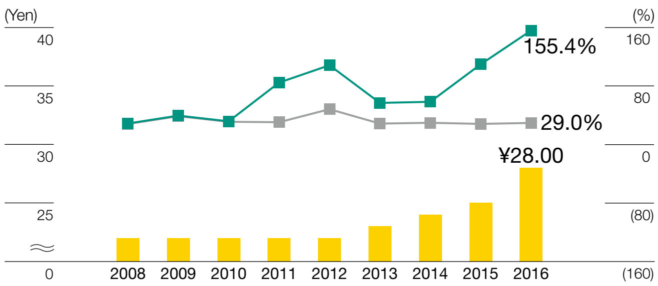
My view with regard to ROE, which has been positioned to serve as an important indicator toward enhanced shareholder value, is to prioritize working to boost operating income and to bring about an improvement in ROE by the sum of business and financial strategies. In addition to bringing about improvements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



Years Ended March 31
Cash Dividend per Share (left scale)
Total Shareholders' Return Ratio (right scale)
Payout Ratio (right scale)

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

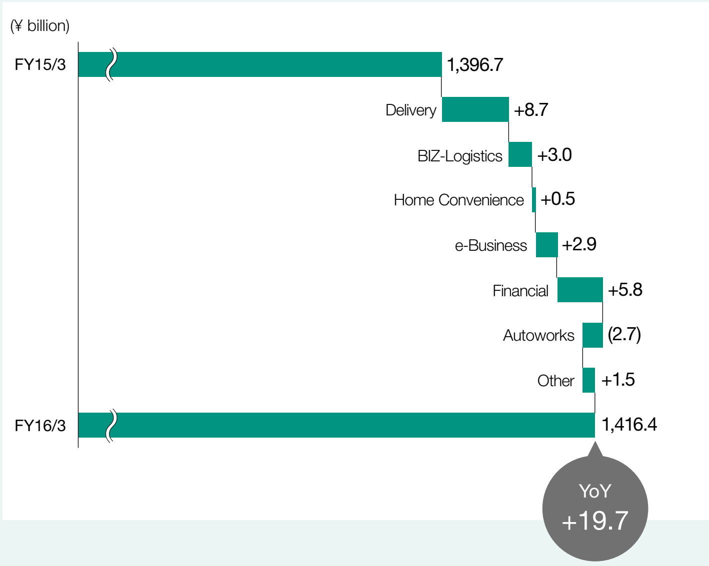
Years ended March 31

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

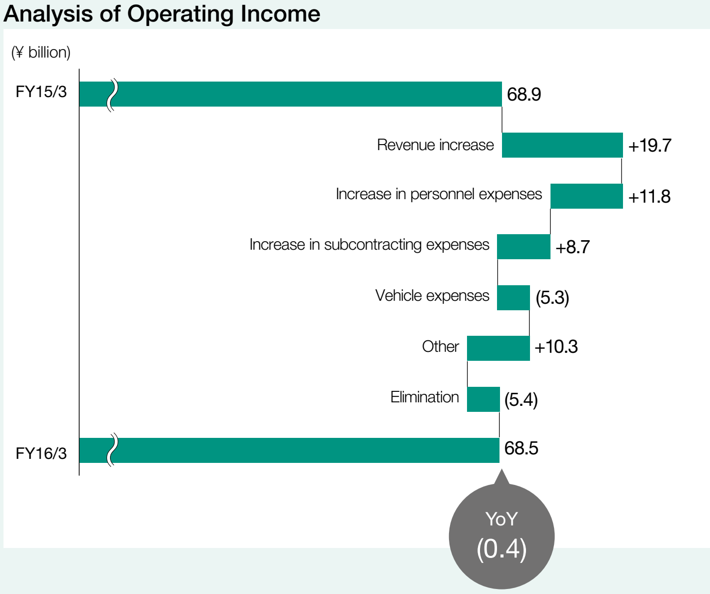
Foreign currency translation: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥112.68 to U.S.$1.
Note: On March 31, 2015, we ceased accepting items for *Kuroneko Mail* and from April 1 launched *Kuroneko DM-Bin*.

		Millions of Yen	Thousands of U.S. Dollars
2014	2015	2016	2016
¥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	

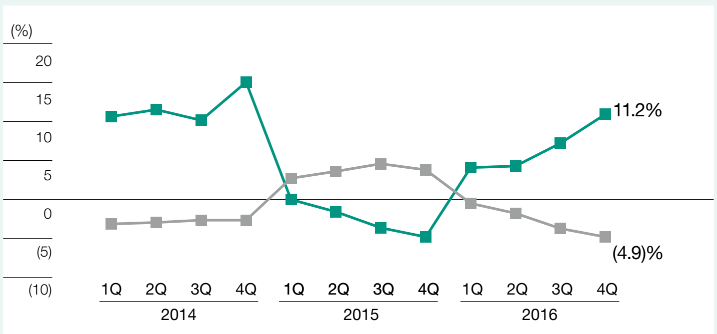
Analysis of Operating Revenues



Analysis of Operating Income



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



TA-Q-BIN Delivery Volume Growth Rate *TA-Q-BIN* Unit Price Growth Rate