Translation

October 31, 2018

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 <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
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Scheduled date of the submission of quarterly securities report: November 14, 2018
Scheduled date of the commencement of dividend payment: December 10, 2018
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 second quarter of fiscal year 2019 (cumulative: from April 1, 2018 to September 30, 2018)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
For the six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2018	789,131	8.1	23,435	—	22,756	—	9,981	—
September 30, 2017	729,802	3.3	(12,887)	—	(12,600)	—	(12,087)	—

(Note) Comprehensive income: For the six months ended September 30, 2018: 11,597 million yen (—%)
For the six months ended September 30, 2017: (9,173) million yen (—%)

	Basic earnings per share	Diluted earnings per share
For the six months ended	Yen	Yen
September 30, 2018	25.32	—
September 30, 2017	(30.66)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2018	1,102,872	563,520	50.4
March 31, 2018	1,114,870	557,586	49.4

(Reference) Equity: As of September 30, 2018: 555,879 million yen As of March 31, 2018: 550,307 million yen

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

2. Dividends

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

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

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

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,620,000	5.3	66,000	84.9	66,000	82.9	37,000	102.9	93.84

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

* Notes

(1) Changes in significant subsidiaries during the six 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, (4) 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 15.

(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 September 30, 2018: 411,339,992 shares
   As of March 31, 2018: 411,339,992 shares
b. Number of treasury shares as of the end of the period
   As of September 30, 2018: 17,065,006 shares
   As of March 31, 2018: 17,064,197 shares
c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
   For the six months ended September 30, 2018: 394,275,419 shares
   For the six months ended September 30, 2017: 394,277,124 shares

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

*Proper use of earnings forecasts and other noteworthy events

- Descriptions of the above financial projections and other data are based on information currently available to the Company and certain assumptions that we consider to be reasonable. Actual financial results may differ significantly from the projections for various reasons. For points to note when using such assumptions and financial projections, please see "1. Qualitative Information on Settlement of Accounts for the Six 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 hold a financial results meeting for analysts on November 1, 2018. The materials distributed at this financial results meeting shall be posted on the Company's website after the meeting has been held.

Attached Materials

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

(1) Explanation of operating results

During the six months of the fiscal year ending March 31, 2019, the economic environment was plagued by ongoing uncertainties ahead due to factors that have included effects of political developments overseas, yet gradual economic recovery held course amid underlying strengths in corporate earnings. Moreover, the logistics industry continues to face a severe business environment partially due to tightening of the domestic labor market, which is in addition to an upward trend with respect to small parcel volume partially due to expansion of the e-commerce market brought about by rapidly changing styles of consumption.

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

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

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

Our consolidated financial results for the period under review are as follows.

(Millions of yen)

Item	For the six months ended September 30, 2017	For the six months ended September 30, 2018	Change	Growth (%)
Operating revenue	729,802	789,131	59,329	8.1
Operating profit	(12,887)	23,435	36,323	–
Ordinary profit	(12,600)	22,756	35,357	–
Profit attributable to owners of parent	(12,087)	9,981	22,069	–

As mentioned above, operating revenue amounted to 789,131 million yen, up 59,329 million yen from the year-ago period. This is largely attributable to an increase in the TA-Q-BIN unit price, and despite a decrease in TA-Q-BIN delivery volume amid promotion of structural reforms in the Delivery Business. Operating expenses amounted to 765,696 million yen, up 23,006 million yen from the year-ago period. This is largely attributable to an increase in personnel expenses incurred in promoting systemic improvements and other initiatives, and despite a decrease in commission expenses associated with lower TA-Q-BIN delivery volume.

As a result, operating profit amounted to 23,435 million yen, up 36,323 million yen from the year-ago period.

Meanwhile, due to a situation where Yamato Home Convenience Co., Ltd. was found to have inappropriately billed employees of our corporate clients for moving services, the above consolidated financial results factor in an estimated effect of the incident amounting to 3,104 million yen, based on investigation results.

Initiatives for the entire Yamato Group

a. The Yamato Group has been taking steps on a Group-wide basis to develop an upbeat working environment, which is more "employee-friendly" and "rewarding," centered on the "Office for Reforming Working Styles" established in Yamato Transport Co., Ltd., and its "Working Styles Innovation Committees" in its respective Group companies, as a means of placing utmost priority on "reforming working styles" in order to practice "inclusive management," a Yamato Group founding principle. Moreover, we have been pursuing our “Value Networking” design, on the basis of creating business models for generating a high level of added value through the combined efforts of our respective businesses, while at the same time contributing to growth strategies and international competitive strengths of the Japanese economy. Meanwhile, we are also taking steps to forge a robust corporate culture that acts as a foundation for business creation and development.

b. We continued to drive initiatives geared toward forging a more robust corporate culture. To that end, we worked on enhancing the efficiency and dependability of operations, in part by improving our transport systems and by using our information technology network to enable visual monitoring of operating volumes. Moreover, we actively engaged in CSR-related activities linked to Yamato Group business endeavors, such as through safety and environmental measures, and efforts to prosper communities.

c. To further evolve our “Value Networking” design, we have been crafting business models that deliver a high level of added value by leveraging the Yamato Group’s business network. Also, to address varied customer needs in Japan and overseas, we will make more effective use of our innovative network platform consisting of the “Haneda Chronogate,” “Okinawa International Logistics Hub,” and respective gateways linking major cities in the Kanto, Chubu, and Kansai regions, in addition to our existing “last mile” network.

d. In our business looking toward global markets, we have been working to forge collaboration among five regions, Japan, East Asia, South East Asia, Europe and the Americas, while strengthening our capabilities in each geographic region to respond to the growth of cross-border logistics. During the period under review, we have been actively promoting efforts to build cross-border networks that provide substantial added value by leveraging our certification under international standards pertaining to small parcel chilled and frozen goods delivery services, such that has already been acquired by eight Yamato Group companies.

e. With the aim of improving customer convenience particularly in the e-commerce market, we have been continuously working to establish an environment that ensures customers ease in picking up their parcels. To that end we have been actively promoting efforts to build an open-type network of parcel lockers primarily in train stations, convenience stores and other such locations, and have worked on other efforts for the development of next-generation logistics services including the utilization of automated driving technologies. Moreover, we have been taking steps that involve digitization and automation of our overall logistics operations in order to address challenges presented by society such as the labor shortage as it intensifies, and in order to better serve the rapidly expanding e-commerce market.

Summary of each operating segment

- **Delivery**

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

(Million parcels / units)

Category	For the six months ended September 30, 2017	For the six months ended September 30, 2018	Change	Growth (%)
TA-Q-BIN	930	874	(55)	(6.0)
Kuroneko DM-Bin	750	626	(124)	(16.5)

a. In the Delivery Business, the Yamato Group concentrated on TA-Q-BIN-centered business development, aiming to provide infrastructure that best suits our customers and contribute to enriching people’s lives.

b. Amid a severe business environment partially due to tightening of the domestic labor market, which is in addition to an upward trend with respect to small parcel volume partially due to expansion of the e-commerce market brought about by rapidly changing styles of consumption, during the period under review, continuing on from the previous fiscal year, we promoted our initiatives to rebuild our ‘last mile’ network that include adequate pricing initiatives and enhancement of collection and delivery systems to live up to the trust and expectations of customers in order to strike a balance between regaining profitability and expanding collection and delivery capacity. In addition, we also engaged in efforts geared to structural reform of trunk-route networks for the purposes of further streamlining transportation and optimizing the entire network.

c. In the still growing e-commerce market, we have been taking steps to expand sales of the “TA-Q-BIN Compact” and “Nekopos” services which enable customers to send small parcels simply, and proceeded with offering a greater number of drop-off points for sending by collaborating with multiple flea market websites. During the period under review, we continued to team up with e-commerce companies in offering a service environment where customers who have purchased a product are able to specify either a business office of Yamato Transport Co., Ltd., a convenience store or an open-type parcel locker (PUDO station) as a location for pick-up, while also promoting use of our “Kuroneko Members” service for individual customers. Meanwhile we have also been working in conjunction with online auction companies in efforts to provide greater convenience by implementing new features that make it easier to ship merchandise sold at auction from PUDO station open-type parcel lockers.

d. With respect to corporate clients, we have been accurately pinpointing managerial challenges and actively proposing solutions to address those challenges. Moreover, we have been working to boost profitability by making proposals that provide high added value using the Group’s business resources. During the period under review, we continued our efforts to support business of our customers through initiatives that have included promoting membership in the “Yamato Business Members” service for corporate clients, offering them enhanced features that provide greater convenience.

e. We have been taking steps to improve services for residents geared toward resolving issues facing communities. In part, this has involved collaborating with numerous municipalities and companies in efforts that entail helping those who have difficulties doing their shopping and helping to watch over elderly residents. Moreover, we have also been helping to revitalize local industry particularly through initiatives that involve supporting tourism and helping to expand sales channels for locally produced products.

f. Operating revenue amounted to 623,137 million yen, up 9.9% from the year-ago period owing to a higher TA-Q-BIN unit price as a result of promotion of “structural reforms in the Delivery Business”, despite a decrease in TA-Q-BIN delivery volume. Amid increasing expenses related to our reform initiatives, operating profit amounted to 14,980 million yen, an improvement of 42,320 million yen from the year-ago period.

- **BIZ-Logistics**

a. In the BIZ-Logistics Business, the Yamato Group is providing customers with innovative logistics systems by combining management resources such as the TA-Q-BIN network with logistics functions, maintenance and recall handling functions, cleansing functions for medical devices and international transportation functions.

b. For the e-commerce industry and others, we are offering one-stop services for various types of logistical support services in line with customer needs, including placing and accepting orders, visual monitoring of inventories for customers and enabling speedier shipments. During the period under review, use of this service continued to increase particularly among our existing customers.

c. For medical service providers, we have been developing medical device loaner support (storage, cleaning and delivery) and other services that help revolutionize logistics operations. During the period under review, we generated increased use of this service particularly among our existing large-lot customers and also actively expanded sales of the service in part by gaining new customers.

d. Operating revenue amounted to 74,619 million yen, up 8.2% from the year-ago period mainly due to favorable results from existing services for e-commerce business operators, and progress made in providing industry-specific solutions. Operating profit amounted to 1,830 million yen, down 46.9% from the year-ago period mainly as a result of having incurred upfront expenses to achieve business growth.

- **Home Convenience**

a. In the Home Convenience Business, we have been working toward enabling customers to achieve greater convenience and comfort in their lives through lifetime lifestyle support businesses and corporate enterprise business that draw on the Yamato Group’s nationwide network.

b. With respect to individual customers, the Yamato Group has been providing 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 the “Comfortable Lifestyle Support Service” which aims to help customers resolve everyday inconveniences inside the home.

c. For our corporate clients, we have been providing services such as those involving equipment transport for office relocations and event-related deliveries.

d. Operating revenue amounted to 18,862 million yen, down 15.0% from the year-ago period. The decrease was partially a result of having stopped taking new orders with respect to all moving-related services, including those involving individual customers, and also a result of having factored in an estimated effect amounting to 3,104 million yen based on investigation results with respect to a situation involving inappropriate billing for moving-related services provided to employees of corporate clients. As for profits, the segment posted an operating loss of 4,422 million yen partially because of the stop on taking new orders with respect to all moving-related services, and also because of the aforementioned estimated effect of the incidents on profits.

- **e-Business**

a. In the e-Business, the Yamato Group helps customers streamline their business processes and solve potential issues by proactively developing solution platform business that combines 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. We have been offering the “Certified Web Retrieval Service” for the financial industry which enables subscribers to safely and simply submit documentation. The service helps our customers streamline their administrative operations by enabling service subscribers to use their smartphones, personal computers and other such devices to upload identification papers and other documents necessary when completing application processes. During the period under review, we extended the service to the insurance industry and otherwise actively expanded sales of the service in part by gaining new customers.
c. Operating revenue amounted to 12,693 million yen, down 4.3% from the year-ago period mainly due to effects of a decrease in the number of projects involving system processing for customers stemming from a decrease in TA-Q-BIN delivery volume, and despite having increased sales of the “Certified Web Retrieval Service” and having made progress in capturing more system configuration business as a result of enhanced sales activities for our existing customers. Operating profit amounted to 3,961 million yen, up 5.9% from the year-ago period mainly due to firm results with respect to use of our highly profitable existing services.

- **Financial**

a. In the Financial Business, the Yamato Group has been developing settlement and financial services tailored to a range of customer needs for payment collection of mail-order products, business-to-business transaction settlement, and vehicle leasing.
b. With respect to our payment settlement services, in addition to providing our mainstay service “TA-Q-BIN Collect,” we have also been promoting increased customer use of both our “Kuroneko Web Collect” comprehensive internet-based transaction settlement service, “Kuroneko Pay After Delivery Services” and our e-money settlement services. During the period under review, we have been taking steps to expand sales of our “Raku-uru Cart” service. This service helps business operators newly enter the e-commerce market, which is poised for expansion going forward, by providing one-stop support in terms of shopping cart function, payment settlement and delivery services. Moreover, we focused on improving our service offerings in part by promoting increased sales of our ID-linked “Kuroneko Pay” service that links “Kuroneko Member” information with purchases to promote greater convenience to customers who use online shopping while also helping e-commerce companies increase their sales.
c. In the lease services business, we have been working to expand business of 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 39,956 million yen, down 2.2% from the year-ago period mainly due to a decrease in “TA-Q-BIN Collect” delivery volume largely stemming from a shrinking market for cash-on-delivery brought about by changing payment settlement needs, and despite increases in the use of our “Kuroneko Web Collect” and “Kuroneko Pay After Delivery Services.” Operating profit was 3,416 million yen, down 15.8% from the year-ago period.

- **Autoworks**

a. In the Autoworks Business, the Yamato Group provides its 24-hour-a-day, 365-day-a-year service that enables customers to service their vehicles without stopping operation, which involves carrying out periodic maintenance under a membership framework, thereby providing value to logistics operations providers in the form of "improvement of vehicle maintenance convenience" and "maintenance expense reduction." Furthermore, we provide services that help our customers improve their asset utilization ratios, by adding options of "maintaining and safeguarding logistics facilities and equipment, and improving such workplace environments," along with "offering insurance plans tailored to customer risk management needs" which provide coverage for such assets.
b. In vehicle maintenance services, we have embarked on efforts to handle new areas of business, particularly those that involve providing support for reducing workloads of sales drivers and ensuring safe vehicle operation, as well as carrying out inspections and maintenance of small electric trucks with lower exhaust emissions and large electric buses that are being put to use in tourism destinations.
c. Operating revenue amounted to 12,876 million yen, up 5.4% from the year-ago period largely as a result of an increase in the number of vehicles serviced. Operating profit was 2,496 million yen, up 4.6% from the year-ago period mainly due to progress made in streamlining business processes, particularly in terms of standardizing and enabling visual monitoring of business operations by introducing production methods of manufacturers.

- **Other**

a. The "JITBOX Charter service" provides transportation by transport box. The service takes advantage of its network consisting of multiple companies and provides added value to customers through timely delivery and frequent, right-volume delivery. During the period under review, service use grew steadily due to favorable results with respect to existing services.
b. Operating profit excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies decreased 6.9% from the year-ago period to 892 million yen.

CSR Initiatives

a. The Yamato Group places utmost priority on protecting human life and conducts a range of safety measures. During the period under review, the entire Yamato Group including its overseas operations carried out the "Zero Traffic Accidents Campaign" in efforts to heighten safety awareness on a Group-wide basis. In addition, since 1998 we have been holding our "Safety Classes for Children," through which we convey the importance of traffic safety, in day care facilities, kindergartens and elementary schools across Japan. A total of about 3.10 million people have now participated.
b. The Yamato Group works to ensure that its distribution mechanisms are environmentally sound, under its policy of "Nekology" (combining "Kuroneko" with "ecology") for promoting its environmental conservation initiatives. We also hold "Kuroneko Yamato Environmental Class" sessions designed to provide support for environmental education of children who will bear responsibilities of the next generation. We have held such classes on an ongoing basis nationwide since 2005, attracting about 240 thousand participants so far.
c. Aspiring to be a company that continually evolves in step with society, led by Yamato Welfare Foundation, the Yamato Group conducts various activities to help realize a society in which disabled people can freely enjoy a lifestyle as a member of the workforce. Specifically, we engage in ongoing programs that support economic independence of people with disabilities, such that include actively employing people with disabilities at the Swan Bakery which makes and sells bread, providing them with workplaces through the consigned delivery of Kuroneko DM-Bin, and operating job-finding support facilities where they take part in training to acquire skills and knowledge necessary for employment.
d. Aiming to create more sustainable social value, the Yamato Group promotes initiatives for sharing value with society based on "Creating Shared Value (CSV)." During the period under review, we have initiated our "combined passenger-cargo" operations using scheduled-route passenger buses and railways in Fukui prefecture and have also been promoting those operations in the twelve geographic regions of Iwate prefecture, Miyazaki prefecture, Hokkaido, Kumamoto prefecture, Hyogo prefecture, Nagano prefecture,

Wakayama prefecture, Tokushima prefecture, Aichi prefecture, Gifu prefecture, Oita prefecture and Fukui prefecture, thereby helping to improve lifestyle services for local residents both by keeping scheduled bus and railway networks running in hilly and mountainous areas where populations are substantially declining and getting older, and also by streamlining distribution in those locations. In addition, for residents of suburban housing complexes which are undergoing changes with respect to people's life stages, we have been providing support for community development geared to ensuring that local residents are able to lead comfortable lives. Our efforts have involved helping to revitalize local communities where we have our business locations, and providing such residents with lifestyle support services that include handling shopping and housekeeping on their behalf. Moreover, we have been working with government bodies in efforts geared to revitalizing communities and resolving issues by leveraging the Yamato Group's management resources with respect to initiatives that include helping to watch over elderly residents, supporting tourism, and expanding sales channels for locally produced products in respective regions throughout Japan. We are currently involved in 987 initiatives now being implemented or otherwise under discussion.

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

(2) Explanation of financial position

(Assets, liabilities and net assets)

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

Total assets were 1,102,872 million yen as of September 30, 2018, down 11,998 million yen from the end of the previous fiscal year. The major factor in this was a decrease of 17,602 million yen in cash and deposits, despite increases in property, plant and equipment of 4,196 million yen and investment securities of 2,586 million yen.
Liabilities decreased 17,931 million yen to 539,351 million yen from the end of the previous fiscal year. The decrease was largely attributable to a 25,711 million yen decrease in loans payable, despite an increase in provision for bonuses of 10,387 million yen.
Total net assets were 563,520 million yen, up 5,933 million yen from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings of 4,462 million yen due to the recording of profit attributable to owners of parent of 9,981 million yen and payment of dividends of surplus of 5,519 million yen.

Accordingly, the equity ratio changed to 50.4% from the previous fiscal year’s 49.4%.

(Cash flows)

Net cash provided by operating activities for the period under review amounted to 45,305 million yen. Compared with the year-ago period, the amount of net cash provided increased by 56,584 million yen. This is largely attributable to the recording of profit before income taxes of 21,727 million yen due to an increase in profit before income taxes of 35,197 million yen.
Net cash used in investing activities was 30,205 million yen. Compared with the year-ago period, the amount of net cash used increased by 8,674 million yen. This is largely attributable to an 11,224 million yen increase in purchase of property, plant and equipment.
Net cash used in financing activities was 32,586 million yen. Compared with the year-ago period, the amount of net cash used increased by 9,785 million yen. This is largely attributable to a 9,822 million yen increase in repayment of loans payable.

As a result of the above, cash and cash equivalents were 185,070 million yen at the end of the period under review, down 17,792 million yen from the end of the previous fiscal year.

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

Going forward, the economic situation is likely to remain one that is plagued by ongoing uncertainties ahead due to factors such as effects of political developments overseas, despite the prospect of gradual economic recovery holding course amid underlying strengths in corporate earnings.
The severe business environment affecting the logistics industry is likely to persist amid factors that include further tightening of the domestic labor market, amid a continued upward trend with respect to small parcel volume brought about by rapidly changing styles of consumption and other such trends.
In that environment, the Yamato Group’s efforts in the Delivery Business will involve striking a balance between regaining profitability and expanding collection and delivery capacity, which will entail promoting initiatives to rebuild its “last mile” network including adequate pricing initiatives and enhancement of its collection and delivery systems. Also in the non-delivery businesses, we will expand our revenue base which will involve taking steps to expand our existing service offerings by enlisting the strengths of Group companies, while also drawing on Group-wide ties in promoting solution sales geared toward addressing customers’ business challenges.
As for expenditures, we will focus on controlling outsourcing costs amid the likelihood of rising personnel expenses primarily with respect to employee salaries incurred in process of promoting our “reforming working styles” initiatives.

Meanwhile, given the situation where Yamato Home Convenience Co., Ltd. (YHC) inappropriately billed corporate clients for moving-related services provided to their employees, we conducted another review to assess YHC’s contractual compliance involving all of its moving-related services, including those for its individual customers. In conducting the review, we considered information and advice from an “investigation committee consisting of external independent experts" established within the Company, including a survey of facts relating to the incidents, analysis of the causes thereof, and proposals for measures to prevent recurrence. We opted to stop taking new orders involving services that are not in compliance until having finished re-designing product offerings so that they comply with contracts. The effect of this has been reflected in the consolidated earnings forecasts.

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

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	204,422	186,819
Notes and accounts receivable - trade	224,099	220,968
Accounts receivable - installment	46,692	46,616
Lease investment assets	52,641	53,280
Merchandise and finished goods	749	616
Work in process	146	205
Raw materials and supplies	1,919	2,188
Other	30,328	32,004
Allowance for doubtful accounts	(1,365)	(1,305)
Total current assets	559,635	541,395
Non-current assets		
Property, plant and equipment		
Buildings and structures	336,986	338,355
Accumulated depreciation	(198,538)	(200,912)
Buildings and structures, net	138,447	137,443
Vehicles	197,587	203,765
Accumulated depreciation	(180,329)	(181,373)
Vehicles, net	17,257	22,392
Land	174,959	174,607
Lease assets	15,669	14,400
Accumulated depreciation	(9,074)	(9,005)
Lease assets, net	6,595	5,395
Other	173,144	177,083
Accumulated depreciation	(105,347)	(107,668)
Other, net	67,797	69,415
Total property, plant and equipment	405,057	409,254
Intangible assets	20,131	19,407
Investments and other assets		
Investment securities	59,841	62,427
Other	71,251	71,358
Allowance for doubtful accounts	(920)	(844)
Allowance for investment loss	(126)	(126)
Total investments and other assets	130,045	132,814
Total non-current assets	555,235	561,476
Total assets	1,114,870	1,102,872

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	155,323	145,446
Short-term loans payable	66,952	57,040
Current portion of bonds	10,000	10,000
Lease obligations	2,239	2,094
Income taxes payable	11,019	15,219
Deferred installment income	5,900	5,688
Provision for bonuses	33,208	43,596
Other	110,390	112,398
Total current liabilities	395,035	391,484
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	60,300	44,500
Lease obligations	3,548	2,897
Net defined benefit liability	75,495	76,290
Other	12,903	14,179
Total non-current liabilities	162,247	147,867
Total liabilities	557,283	539,351
Net assets		
Shareholders' equity		
Capital stock	127,234	127,234
Capital surplus	36,813	36,813
Retained earnings	416,854	421,317
Treasury shares	(39,081)	(39,084)
Total shareholders' equity	541,821	546,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,958	15,187
Foreign currency translation adjustment	1,146	83
Remeasurements of defined benefit plans	(5,618)	(5,672)
Total accumulated other comprehensive income	8,486	9,598
Non-controlling interests	7,279	7,640
Total net assets	557,586	563,520
Total liabilities and net assets	1,114,870	1,102,872

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

(Millions of yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Operating revenue	729,802	789,131
Operating cost	717,675	740,377
Operating gross profit	12,126	48,754
Selling, general and administrative expenses	25,014	25,319
Operating profit (loss)	(12,887)	23,435
Non-operating income		
Interest income	66	70
Dividend income	601	616
Other	611	535
Total non-operating income	1,279	1,222
Non-operating expenses		
Interest expenses	146	118
Share of loss of entities accounted for using equity method	554	1,073
Other	290	708
Total non-operating expenses	992	1,900
Ordinary profit (loss)	(12,600)	22,756
Extraordinary income		
Gain on sales of non-current assets	141	3
Gain on sales of investment securities	—	37
Total extraordinary income	141	40
Extraordinary loss		
Loss on retirement of non-current assets	55	94
Impairment loss	954	973
Loss on valuation of investment securities	—	0
Other	—	0
Total extraordinary loss	1,010	1,069
Profit (loss) before income taxes	(13,469)	21,727
Income taxes	(1,537)	11,597
Profit (loss)	(11,931)	10,130
Profit attributable to non-controlling interests	155	148
Profit (loss) attributable to owners of parent	(12,087)	9,981

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit (loss)	(11,931)	10,130
Other comprehensive income		
Valuation difference on available-for-sale securities	2,156	2,584
Foreign currency translation adjustment	(208)	(1,062)
Remeasurements of defined benefit plans, net of tax	809	(54)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	2,758	1,467
Comprehensive income	(9,173)	11,597
(Breakdown)		
Comprehensive income attributable to owners of parent	(9,648)	11,094
Comprehensive income attributable to non-controlling interests	475	503

(3) Consolidated statement of cash flows

(Millions of yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	(13,469)	21,727
Depreciation	21,170	22,516
Impairment loss	954	973
Increase (decrease) in net defined benefit liability	1,033	888
Increase (decrease) in provision for bonuses	7,130	10,396
Increase (decrease) in provision for special wage payments	(15,129)	—
Decrease (increase) in notes and accounts receivable - trade	(1,400)	2,301
Increase (decrease) in notes and accounts payable - trade	(11,009)	(9,743)
Other, net	4,762	3,634
Subtotal	(5,956)	52,695
Interest and dividend income received	747	676
Interest expenses paid	(232)	(206)
Income taxes paid	(5,837)	(7,859)
Net cash provided by (used in) operating activities	(11,278)	45,305
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,114)	(27,338)
Proceeds from sales of property, plant and equipment	1,110	1,921
Purchase of investment securities	(522)	(97)
Proceeds from sales of investment securities	—	80
Payments of loans receivable	(2,250)	(1,786)
Collection of loans receivable	473	630
Other payments	(6,016)	(5,678)
Other proceeds	1,788	2,063
Net cash provided by (used in) investing activities	(21,531)	(30,205)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,943	(14,006)
Repayments of finance lease obligations	(1,306)	(1,218)
Proceeds from long-term loans payable	4,000	—
Repayment of long-term loans payable	(25,826)	(11,700)
Cash dividends paid	(5,515)	(5,517)
Other, net	(94)	(144)
Net cash provided by (used in) financing activities	(22,800)	(32,586)
Effect of exchange rate change on cash and cash equivalents	(48)	(306)
Net increase (decrease) in cash and cash equivalents	(55,658)	(17,792)
Cash and cash equivalents at beginning of period	228,926	202,863
Cash and cash equivalents at end of period	173,268	185,070

(4) Notes to consolidated financial statements

(Notes to premise of going concern)

Not applicable.

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

Not applicable.

(Changes in scope of consolidation and equity method application)

Material changes in scope of consolidation

Yamato Multi-Maintenance Solutions Co., Ltd. is excluded from the scope of consolidation effective from the first quarter of the fiscal year ending March 31, 2019, because it ceases to exist upon absorption-type merger having been carried out with Yamato Logistics Co., Ltd., the surviving company.

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

Calculation of tax expenses

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

(Additional information)

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances

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

(Segment information, etc.)
[Segment information]

I For the six months ended September 30, 2017

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

(Millions of yen)

	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial
Operating revenue					
(1) Operating revenue from customers	566,768	68,974	22,199	13,261	40,871
(2) Inter-segment operating revenue or transfers	33,619	6,738	7,029	19,117	1,459
Total	600,388	75,713	29,228	32,378	42,331
Segment profit (loss)	(27,339)	3,445	39	3,742	4,058

	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	12,216	5,509	729,802	–	729,802
(2) Inter-segment operating revenue or transfers	15,147	30,797	113,909	(113,909)	–
Total	27,364	36,307	843,711	(113,909)	729,802
Segment profit (loss)	2,385	17,220	3,553	(16,441)	(12,887)

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.

2. Information regarding impairment losses of non-current assets or goodwill, etc. by reportable segment
(Significant impairment loss on non-current assets)
In the BIZ-Logistics segment, the Company has decreased the book value of an asset group with diminished profitability to the recoverable value, and has accordingly recorded an impairment loss of 685 million yen for the six months ended September 30, 2017.

II For the six months ended September 30, 2018

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

(Millions of yen)

	Delivery	BIZ-Logistics (Note 1)	Home Convenience (Note 1)	e-Business (Note 1)	Financial
Operating revenue					
(1) Operating revenue from customers	623,137	74,619	18,862	12,693	39,956
(2) Inter-segment operating revenue or transfers	32,973	5,518	6,217	19,452	1,460
Total	656,110	80,137	25,080	32,145	41,417
Segment profit (loss)	14,980	1,830	(4,422)	3,961	3,416

	Autoworks	Other (Notes 2, 3)	Total	Reconciliation (Note 4)	Amount recorded in consolidated statement of income (Note 5)
Operating revenue					
(1) Operating revenue from customers	12,876	6,985	789,131	–	789,131
(2) Inter-segment operating revenue or transfers	15,860	32,386	113,869	(113,869)	–
Total	28,737	39,372	903,001	(113,869)	789,131
Segment profit (loss)	2,496	18,879	41,142	(17,707)	23,435

Notes: 1. Effective from the first quarter of the fiscal year ending March 31, 2019, changes have been made to reportable segments for certain businesses as a result of organizational restructuring being carried out to reform organizational structures and innovate the management system under the "KAIKAKU 2019 for NEXT100" medium-term management plan. As the principal points of change, the Technical Network business, which was previously included in Home Convenience, the e-Logistics solution business, e-On Demand solutions business, and Setup and Logistics solutions business, which previously were included in e-Business, are now included in BIZ-Logistics. The segment information for the six months ended September 30, 2017 has been prepared and presented according to the new classification.
2. Other includes business-to-business distribution via JITBOX Charter and shared services.
3. Operating revenue in Other includes dividends which the Company received from the Group companies as a pure holding company and the effect of this on operating revenue and segment profit is 18,593 million yen.
4. The adjustment of segment profit resulted from eliminating transactions among segments, etc.
5. We made an adjustment between segment profit and operating profit in the consolidated statement of income.

2. Information regarding impairment losses of non-current assets or goodwill, etc. by reportable segment
(Significant impairment loss on non-current assets)
In the Home Convenience segment, the Company has decreased the book value of an asset group with diminished profitability to the recoverable value, and has accordingly recorded an impairment loss of 897 million yen for the six months ended September 30, 2018.

3. Supplementary Information
Operating revenue by business

Business segment		For the six months ended September 30, 2017		For the six months ended September 30, 2018		Change (%)	Fiscal year ended March 31, 2018	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		Amount (Millions of yen)	Ratio (%)
Delivery	TA-Q-BIN	517,254	70.9	575,593	72.9	11.3	1,099,341	71.4
	Kuroneko DM-Bin	41,706	5.7	37,045	4.7	(11.2)	82,542	5.4
	Express	20,797	2.8	20,357	2.6	(2.1)	42,456	2.8
	Others	50,055	6.9	49,565	6.3	(1.0)	102,881	6.7
	Eliminations	(63,045)	(8.6)	(59,425)	(7.5)	(5.7)	(125,453)	(8.2)
	Total	566,768	77.7	623,137	79.0	9.9	1,201,769	78.1
BIZ-Logistics	Trading logistics service	18,561	2.5	21,042	2.7	13.4	39,075	2.5
	Sales and Logistics	22,142	3.0	21,325	2.7	(3.7)	46,493	3.0
	Multi maintenance	6,857	0.9	8,447	1.1	23.2	15,586	1.0
	Products Logistics	2,342	0.3	2,628	0.3	12.2	4,797	0.3
	Technical Network*	2,268	0.3	833	0.1	(63.3)	4,428	0.3
	e-Logistics solution*	5,702	0.8	5,616	0.7	(1.5)	12,381	0.8
	Others*	26,590	3.6	28,421	3.6	6.9	54,049	3.5
	Eliminations	(15,492)	(2.1)	(13,696)	(1.7)	(11.6)	(31,663)	(2.1)
	Total	68,974	9.5	74,619	9.5	8.2	145,148	9.4
Home Convenience	Home convenience	20,914	2.9	17,220	2.2	(17.7)	41,938	2.7
	Business convenience	8,325	1.1	7,868	1.0	(5.5)	16,396	1.1
	Eliminations	(7,040)	(1.0)	(6,226)	(0.8)	(11.6)	(13,467)	(0.9)
	Total	22,199	3.0	18,862	2.4	(15.0)	44,868	2.9
e-Business	Credit card solution	5,003	0.7	4,496	0.6	(10.1)	9,733	0.6
	IT operating	3,365	0.5	3,514	0.4	4.4	6,971	0.5
	Web-based mail order solution	2,783	0.4	2,727	0.3	(2.0)	5,899	0.4
	Others*	23,125	3.2	24,236	3.1	4.8	47,248	3.1
	Eliminations	(21,017)	(2.9)	(22,282)	(2.8)	6.0	(42,549)	(2.8)
	Total	13,261	1.8	12,693	1.6	(4.3)	27,303	1.8
Financial	Payment	17,725	2.4	15,559	2.0	(12.2)	34,883	2.3
	Lease	19,746	2.7	20,629	2.6	4.5	40,498	2.6
	Credit & Finance	1,890	0.3	1,788	0.2	(5.4)	3,768	0.2
	Others	3,007	0.4	3,468	0.4	15.3	6,785	0.4
	Eliminations	(1,498)	(0.2)	(1,489)	(0.2)	(0.6)	(2,979)	(0.2)
	Total	40,871	5.6	39,956	5.1	(2.2)	82,956	5.4
Autoworks	Truck solution	24,437	3.3	25,517	3.2	4.4	48,768	3.2
	Others	4,222	0.6	4,516	0.6	7.0	8,868	0.6
	Eliminations	(16,442)	(2.3)	(17,157)	(2.2)	4.3	(32,994)	(2.1)
	Total	12,216	1.7	12,876	1.6	5.4	24,641	1.6
Other	JITBOX Charter service	4,645	0.6	6,094	0.8	31.2	10,467	0.7
	Others	33,655	4.6	35,434	4.5	5.3	48,935	3.2
	Eliminations	(32,791)	(4.5)	(34,542)	(4.4)	5.3	(47,277)	(3.1)
	Total	5,509	0.8	6,985	0.9	26.8	12,125	0.8
Total		729,802	100.0	789,131	100.0	8.1	1,538,813	100.0

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

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