

Consolidated Financial Results

for the Second Quarter of the Fiscal Year Ending March 31, 2015

<under Japanese GAAP>

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 Listing: Tokyo Stock Exchange
 Stock code: 9064
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Scheduled date of the submission of quarterly securities report: November 12, 2014

Scheduled date of the commencement of dividend payment: December 10, 2014

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 2015

(cumulative: from April 1, 2014 to September 30, 2014)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the six months ended September 30, 2014	673,237	2.7	21,284	(8.8)	22,322	(6.6)	12,149	(1.8)
September 30, 2013	655,818	6.2	23,350	29.5	23,911	26.3	12,376	53.1

(Note) Comprehensive income: For the six months ended September 30, 2014: 12,989 million yen ((18.1)%)
 For the six months ended September 30, 2013: 15,851 million yen (124.5%)

	Net income per share	Net income per share - fully diluted
	Yen	Yen
For the six months ended September 30, 2014	28.99	28.26
September 30, 2013	29.21	28.48

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2014	1,029,366	563,228	54.2
March 31, 2014	1,032,134	560,172	53.4

(Reference) Equity: As of September 30, 2014: 557,736 million yen As of March 31, 2014: 551,379 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2014	—	12.00	—	12.00	24.00
Fiscal 2015	—	12.00	—	—	—
Fiscal 2015 (Forecast)	—	—	—	12.00	24.00

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

3. Consolidated earnings forecasts for fiscal year 2015 (from April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,400,000	1.8	70,000	10.9	71,000	9.8	41,000	17.9	99.27

(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. Matters Regarding Summary Information (Notes), (1) Application of specific accounting for preparing the quarterly consolidated financial statements" of the attached materials to the quarterly financial results report on page 8.

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

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

(Note) For details, please see "2. Matters Regarding Summary Information (Notes), (2) Changes in accounting policies, changes in accounting estimates, and restatement" of the attached materials to the quarterly financial results report on page 8.

(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, 2014 454,684,992 shares
 - As of March 31, 2014 454,684,992 shares
- b. Number of treasury shares as of the end of the period
 - As of September 30, 2014 34,846,806 shares
 - As of March 31, 2014 35,742,057 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For the six months ended September 30, 2014 419,089,270 shares
 - For the six months ended September 30, 2013 423,712,781 shares

*Indication regarding execution of quarterly review procedures

At the time of the disclosure of this quarterly financial results report, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act are in progress.

*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) Qualitative information on consolidated earnings forecasts" of the attached materials to the quarterly financial results report on page 7.
- The Company plans to hold a financial results meeting for analysts on October 31, 2014. 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) Qualitative information on consolidated operating results

In the six months ended September 30, 2014, despite a diminishing impact from the post-consumption tax hike pull-back in demand, concerns of stagnating consumer spending were particularly evident amid lagging economic recovery. Moreover, the Company also faced harsh operating circumstances, marked by a tightening labor market, rising fuel expenses and an otherwise deteriorating cost environment, along with adverse weather conditions. Operating in this environment, we worked toward achieving the objectives of the Long-Term Management Plan “DAN-TOTSU Management Plan 2019” and the Medium-Term Management Plan “DAN-TOTSU Three-Year Plan STEP.” To that end, we focused our efforts on taking steps to create a business model for generating a high level of added value while pursuing greater sophistication of our existing businesses, by fusing logistics networks that have been developed by the Yamato Group and business resources of individual Group companies.

In the Delivery Business, revenues continued to climb due to progress made with ongoing initiatives to ensure receipt of adequate fees. Nevertheless, earnings decreased amid stalling delivery volumes as a consequence of lagging economic recovery and adverse weather conditions.

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 Group-wide ties as we continued to aggressively pursue solution sales geared toward addressing customers’ business challenges.

Our consolidated financial results for the six months ended September 30, 2014 are as follows.

(Millions of yen)				
Item	For the six months ended September 30, 2013	For the six months ended September 30, 2014	Change	Growth (%)
Operating revenue	655,818	673,237	17,418	2.7
Operating income	23,350	21,284	(2,066)	(8.8)
Ordinary income	23,911	22,322	(1,589)	(6.6)
Net income	12,376	12,149	(226)	(1.8)

Initiatives for the entire Yamato Group

- The Yamato Group has been pursuing its “Value Networking” design, and on the basis of which 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 for 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.
- To further promote our “Value Networking” design, we have been drawing on alliances with Group companies in promoting solution sales, and crafting business models that deliver a high level of added value by leveraging our business network. Also, to address varied customer needs in Japan and overseas, we have been making more effective use of our innovative network platform consisting of the “Haneda Chronogate,” “Atsugi Gateway” and “Okinawa International Logistics Hub” facilities, in addition to our existing “last mile” network.
- Continuing on from the three months ended June 30, 2014, we persisted with efforts geared toward forging a more robust corporate culture. In that regard, we improved the reliability of our quality controls, and accordingly focused on building systems for ensuring that we honor promises made to our customers. 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 energize communities.
- We took aggressive action to reduce costs, including measures to improve productivity, amid a deteriorating external cost environment marked by a tightening labor market and rising fuel expenses. Consequently, we achieved increases both in terms of revenues and income over the three months of the second quarter under review.

Summary of each operating segment

● Delivery

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

Category	(Million parcels / units)			
	For the six months ended September 30, 2013	For the six months ended September 30, 2014	Change	Growth (%)
TA-Q-BIN	794	787	(6)	(0.9)
Kuroneko Mail	1,033	944	(88)	(8.6)

- 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. We have been working to address our failure to fully implement in-house rules for the "Cool TA-Q-BIN" delivery service, which came to light last year. To that end, we have established a division with full-time employees dedicated to the task of maintaining and improving service quality. We have also been working to upgrade systems, thereby bringing in the necessary equipment and supplies and making it possible to visually monitor operating volumes through enhancements to our IT platform. While these actions have enabled us to build a platform for quality control over the six months ended September 30, 2014, we will redouble our efforts going forward to ensure better quality results, without fail, at a level that earns the trust of our customers.
- c. For our individual customers, we have been developing Yamato Transport Co., Ltd.'s proprietary "Kuroneko Member Discount" service and offer TA-Q-BIN discount pricing to customers of the "Kuroneko Members" service through easy settlement using e-money cards. In the six months ended September 30, 2014, we took steps to increase service membership, while actively encouraging use of the service.
- d. With respect to corporate clients, we expanded business that draws on Group company alliances involving TA-Q-BIN deliveries while providing various forms of added value. We also undertook initiatives for collecting fees appropriate to the task of providing consistent quality with respect to TA-Q-BIN deliveries.
- e. Efforts in our business geared toward revitalizing communities have entailed working to create business models that involve our working with municipalities in providing lifetime lifestyle support geared toward delivering solutions designed to adequately address locally-based hardships and challenges. Additionally, we have been developing services that provide greater convenience to tourists accessing train stations and other such facilities. Our service offerings in this area include temporary safekeeping of personal baggage and same-day baggage delivery to lodging facilities using our transportation network.
- f. Operating revenue amounted to 532,857 million yen, up 1.5% from the year-ago period as a result of active efforts with initiatives to ensure receipt of adequate fees. Meanwhile, operating income was 8,093 million yen, down 29.2% from the year-ago period, despite efforts to keep costs in line with operating volumes. The decrease reflects increased costs associated with systemic improvements to ensure quality, along with higher subcontracting costs amid a surge in crude oil prices and a tightening labor market.

● 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 functions and international transportation functions.
- b. We have been expanding the Yamato Group's services for the mail-order industry and business-to-business delivery and procurement logistics into wide ranging offerings designed to address customer demands. Through such services, we provide support for placing and accepting orders, and enabling customers to visually monitor their inventories. In the six months ended September 30, 2014, our "Today Shopping Service," which is designed to significantly diminish lead times between mail order placement and product delivery, attracted increased use, partially as a result of having captured new business for the service.
- c. With respect to our services involving product maintenance and recalls, we have been developing integrated services where we handle collection, repairs and returns of faulty products, while also expanding total support services for dealing with corporate product recalls. In the six months ended September 30, 2014, revenues increased steadily partially as a result of new business gained pertaining to our integrated repair services, and also due to our landing business involving sizeable product recalls.

- d. The Yamato Group provides a variety of solutions targeting clients who depend on international transportation, including air and sea transportation services, small-lot international intermodal transportation services that are interlinked with our TA-Q-BIN network, as well as a packaging and customs services.
- e. Operating revenue amounted to 46,612 million yen, up 6.5% from the year-ago period mainly due to firm results with mail-order services and services involving product repairs. Operating income was 2,101 million yen, up 21.1% from the year-ago period.

● 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. In the six months ended September 30, 2014, we achieved favorable results with respect to use of our "Raku Raku Household TA-Q-BIN" service, which we overhauled to better meet the needs of customers who access e-commerce websites. In addition, we have been developing services such as our "Comfortable Lifestyle Support Service" which helps solve everyday inconveniences involving house cleaning and collection of unwanted items, as well as our traveling sales services where we offer furniture and household electrical appliances to customers in remote areas.
- c. For our corporate clients, we have been developing business support services mainly geared toward corporations, including office relocation services and our Technical Network Business where the Yamato Group and our construction and installation contractors combine networks so that we can provide one-stop support handling everything from household equipment delivery and set-up, to installation and maintenance of such equipment. In the six months ended September 30, 2014, active engagement in Technical Network Business sales activities contributed to higher revenues in this operating segment.
- d. Operating revenue amounted to 23,582 million yen, up 5.0% from the year-ago period, amid a challenging environment characterized by falling numbers of housing starts and fewer condominium sales. The increase in operating revenue is attributable to favorable results with respect to use of our services by the e-commerce businesses and our active engagement in sales activities. With respect to profits, the segment posted an operating loss of 384 million yen, which was an improvement of 253 million yen from the year-ago period, as a result of stringent cost management involving personnel-related expenses and other outlays.

● 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.
- 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 six months ended September 30, 2014, service-use results were favorable, particularly among clients in the mail-order market who ship packages from remote locations.
- c. The Yamato Group has been developing services for customers whose needs involve managing products on an individual basis, such that combine serial acceptance/dispatch control in warehouses, inventory tracking and other information-related services with services involving affixing data to products and partial processing of merchandise. In the six months ended September 30, 2014, revenues increased steadily as use from telecommunications equipment-related services customers increased.
- d. Operating revenue amounted to 19,957 million yen, up 2.0% from the year-ago period, due to an increase in new business and growing sales to existing customers. Operating income was 3,485 million yen, down 0.8% from the year-ago period due in part to increased expenses associated with setting up new offices.

● 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 on mail-order product deliveries, B2B transaction settlement, and vehicle leasing.
- b. With respect to payment settlement services for individual customers, in addition to providing our mainstay product "TA-Q-BIN Collect," we also promoted increased customer use of both our "Kuroneko Web Collect" comprehensive internet-based transaction settlement service and our e-money settlement services provided in conjunction with our e-Business operations. In the six months ended September 30, 2014, we fortified our strategy for approaching the e-commerce market and actively developed business involving "Kuroneko Web Collect." Efforts in this regard included pursuing alliances with related corporations and promoting our consulting services. With respect to e-money related services, we achieved greater use of our multi e-money settlement terminals and higher e-money transaction amounts.
- c. In the lease services business, there was growth in numbers of contracts and the amount of assets amid efforts to propose options centered on customer's viewpoints, on the basis of extensive assessments of customer needs particularly with respect to leases of previously-owned cars. Moreover, premised on the condition of vehicle re-use after lease expiration, we accepted "three-year operating lease" applications for quality vehicles from a broad customer base that includes companies in the transportation businesses and food businesses.
- d. Operating revenue amounted to 31,926 million yen, up 7.4% from the year-ago period, mainly owing to an increase in contracts for pre-owned vehicle leases in the lease services business. Meanwhile, operating income was 4,359 million yen, down 0.9% from the year-ago period due in part to the impact of lower "TA-Q-BIN Collect" delivery volumes stemming from factors such as lagging economic recovery brought on by a pull-back in demand due to the consumption tax hike.

● 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 primarily in the form of "vehicle maintenance convenience," "ensuring compliance with statutory vehicle inspections," 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" along with "insurance agency services where we offer insurance plans tailored to customer needs."
- b. In the six months ended September 30, 2014, the Yamato Group steadily increased the number of vehicles serviced as a result of the strong performance of the "Maintenance Package," which evens out the monthly vehicle maintenance expenses.
- c. Operating revenue amounted to 14,364 million yen, up 16.2% from the year-ago period due to favorable results from the mainstay truck maintenance and other services. Operating income was 2,022 million yen, up 8.5% 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 six months ended September 30, 2014, the service generated increased revenues partially as a result of developing information systems and improving service quality, and also due to favorable results from existing service offerings.
- b. Operating income in Other excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies increased 21.9% from the year-ago period to 487 million yen.

CSR Initiatives

- a. The Yamato Group places utmost priority on protecting human life and conducts a range of safety measures. In the six months ended September 30, 2014, the Group promoted various initiatives such as conducting the "Zero Traffic Accidents Campaign" which is a safety campaign deployed horizontally

throughout the entire group, and we provided employee education programs using vehicles equipped with systems that facilitate safe driving practices. In addition, a total of more than 2.48 million children have now participated in the "Safety Classes for Children" that the Group has continuously conducted in day-care facilities, kindergartens and elementary schools across Japan.

- b. The Yamato Group has established the "Environmental Conservation Declaration" on the basis of the Group corporate philosophy, and moreover works to ensure that our distribution mechanisms are environmentally sound. At the same time, the Yamato Group remains committed to heightening employee awareness of environmental conservation issues, and accordingly the Group pursues environmental conservation initiatives under our policy of "Nekology" (combining "Kuroneko" with "ecology").
- 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 Mail, 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)." In the second quarter under review, continuing on from the prior quarter, the Yamato Group worked in collaboration with government bodies on 745 separate occasions with respect to keeping a protective eye and providing shopping assistance to the elderly living in remote areas, lending support to small- and medium-sized enterprises in conjunction with local governments, and other such initiatives taken in the course of performing myriad services that draw on the Yamato Group's managerial resources. In July, our "Magokoro TA-Q-BIN service, a Creating Shared Value (CSV) initiative entailing our close partnership with local communities," received the Grand Prize at the 2nd "Platinum Award," and the Minister for Internal Affairs and Communications Prize.

(2) Qualitative information on consolidated financial position

(Assets, liabilities and net assets)

Total assets were 1,029,366 million yen as of September 30, 2014, down 2,767 million yen from the end of the previous fiscal year. The major factor in this was a decrease of 10,185 million yen in notes and accounts receivable - trade while property, plant and equipment increased 5,738 million yen due to construction of logistics facilities.

Liabilities decreased 5,823 million yen to 466,138 million yen from the end of the previous fiscal year. The major factors in this were increases in loans payable of 12,319 million yen and accrued consumption taxes of 13,515 million yen while notes and accounts payable - trade decreased 31,358 million yen.

Total net assets were 563,228 million yen, up 3,056 million yen from the end of the previous fiscal year. The major factors included the recording of net income of 12,149 million yen, and the dividends of surplus of 5,027 million yen, in addition to an increase in retained earnings of 3,041 million yen due to a 4,080 million yen decrease of retained earnings as of the beginning of the six months ended September 30, 2014, in line with the application of Accounting Standard for Retirement Benefits and its Guidance.

Accordingly, the equity ratio changed to 54.2% from the previous fiscal year's 53.4%.

(Cash flows)

Net cash provided by operating activities for the six months ended September 30, 2014 amounted to 18,469 million yen, which is a decrease of 10,982 million yen compared with the year-ago period. The major factor was an increase in net decrease in notes and accounts payable - trade of 27,936 million yen.

Net cash used in investing activities was 29,793 million yen. Compared with the year-ago period, the amount of net cash used increased by 6,437 million yen. This is largely attributable to expenditures of 28,261 million yen used for the purchase of property, plant and equipment in line with construction of logistics facilities, which is an increase of 5,683 million yen compared with the year-ago period.

Net cash provided by financing activities was 4,091 million yen, which is an increase of 5,709 million yen compared with the year-ago period. This is largely attributable to proceeds from loans payable of 12,426 million yen, an increase of 6,513 million yen compared with the year-ago period.

As a result of the above, cash and cash equivalents were 211,842 million yen as of September 30, 2014, down 7,553 million yen from the end of the previous fiscal year.

(3) Qualitative information on consolidated earnings forecasts

Looking ahead at the economy, despite a trend toward improvement in employment and income levels, uncertainty is likely to prevail given factors such as stagnating personal consumption and the economic downturn overseas.

In this environment, the Yamato Group will work to increase delivery volumes in the Delivery Business by continuing efforts to offer customer greater convenience and better service quality, while also continuously addressing initiatives to ensure collection of adequate TA-Q-BIN fees. In the non-delivery businesses, we will expand the revenue base through reinforcement of solution sales. On the cost front, the Group will promote allocation of adequate numbers of personnel in line with operating volumes and an optimal number of hired vehicles based on transport volume with the aim of ensuring positive operating income results.

The Yamato Group has made changes to the consolidated earnings forecasts for the full year of the fiscal year ending March 31, 2015 since the announcement made on April 30, 2014.

2. Matters Regarding Summary Information (Notes)

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

Calculation of tax expenses

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

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

Changes in accounting policies

(Application of "Accounting Standard for Retirement Benefits" and Its Guidance)

Effective from the first quarter of the fiscal year ending March 31, 2015, for the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), the Company has additionally applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits.

Due to this, the Company reviewed the calculation method of retirement benefit obligations and current service costs and amended the determination of discount rate from one that is based on the period of years approximate to the expected average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Application of the Accounting Standard for Retirement Benefits and its Guidance is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the review in the determination of retirement benefit obligations and current service costs has been added to or deducted from retained earnings as of the beginning of the six months ended September 30, 2014.

As a result of this change, as of the beginning of the six months ended September 30, 2014, net defined benefit liability increased 6,262 million yen, deferred tax assets increased 2,214 million yen, and retained earnings decreased 4,080 million yen. In addition, the effect of this application on operating income, ordinary income, and income before income taxes and minority interests for the six months ended September 30, 2014 is immaterial.

(Application of "Accounting Standard for Business Combinations," etc.)

Effective from the beginning of the fiscal year starting on or after April 1, 2014, it has become possible to apply the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. Accordingly, the Company has applied these accounting standards (except for the provisions of Paragraph 39 of the Accounting Standard for Consolidated Financial Statements) effective from the first quarter of the fiscal year ending March 31, 2015. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after April 1, 2014, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. Application of the standard commenced on April 1, 2014, and will continue going forward.

As a result of this change, as of the end of the second quarter under review, capital surplus increased 834 million yen. In addition, the effect of this application on operating income, ordinary income, and income before income taxes and minority interests of the six months ended September 30, 2014 is immaterial.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	220,147	212,203
Notes and accounts receivable - trade	188,144	177,959
Accounts receivable - installment	39,480	40,777
Lease investment assets	35,328	40,739
Merchandise and finished goods	780	829
Work in process	234	276
Raw materials and supplies	2,222	1,788
Other	42,611	41,278
Allowance for doubtful accounts	(1,591)	(1,294)
Total current assets	527,359	514,558
Non-current assets		
Property, plant and equipment		
Buildings and structures	329,288	330,404
Accumulated depreciation	(174,246)	(178,725)
Buildings and structures, net	155,042	151,678
Vehicles	187,881	193,516
Accumulated depreciation	(171,770)	(174,178)
Vehicles, net	16,110	19,337
Land	188,343	188,354
Leased assets	23,944	23,959
Accumulated depreciation	(15,201)	(16,769)
Leased assets, net	8,742	7,189
Other	140,979	149,508
Accumulated depreciation	(92,090)	(93,203)
Other, net	48,888	56,305
Total property, plant and equipment	417,127	422,865
Intangible assets	17,518	17,450
Investments and other assets		
Investment securities	26,119	28,624
Other	45,358	47,046
Allowance for doubtful accounts	(1,350)	(1,179)
Total investments and other assets	70,128	74,491
Total non-current assets	504,774	514,808
Total assets	1,032,134	1,029,366

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	172,463	141,104
Short-term loans payable	36,411	33,659
Lease obligations	4,784	3,816
Income taxes payable	20,907	11,517
Deferred installment income	5,349	5,474
Provision for bonuses	29,515	35,832
Other	77,927	87,015
Total current liabilities	347,360	318,420
Non-current liabilities		
Bonds with subscription rights to shares	20,000	20,000
Long-term loans payable	42,266	57,337
Lease obligations	4,379	4,116
Net defined benefit liability	47,224	54,916
Other	10,731	11,347
Total non-current liabilities	124,601	147,717
Total liabilities	471,961	466,138
Net assets		
Shareholders' equity		
Capital stock	127,234	127,234
Capital surplus	100,863	102,121
Retained earnings	371,965	375,007
Treasury shares	(56,079)	(54,675)
Total shareholders' equity	543,984	549,687
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,769	9,937
Foreign currency translation adjustment	342	(290)
Remeasurements of defined benefit plans	(1,717)	(1,598)
Total accumulated other comprehensive income	7,395	8,048
Minority interests	8,792	5,491
Total net assets	560,172	563,228
Total liabilities and net assets	1,032,134	1,029,366

(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, 2013	For the six months ended September 30, 2014
Operating revenue	655,818	673,237
Operating cost	614,338	633,922
Operating gross profit	41,480	39,315
Selling, general and administrative expenses	18,130	18,031
Operating income	23,350	21,284
Non-operating income		
Interest income	49	44
Dividend income	345	387
Other	765	1,003
Total non-operating income	1,160	1,435
Non-operating expenses		
Interest expenses	226	167
Other	372	229
Total non-operating expenses	598	397
Ordinary income	23,911	22,322
Extraordinary income		
Gain on sales of non-current assets	0	407
Gain on sales of investment securities	0	—
Compensation for damage received	—	257
Total extraordinary income	1	664
Extraordinary loss		
Loss on retirement of non-current assets	119	89
Loss on valuation of investment securities	3	—
Loss on litigation	—	598
Other	3	—
Total extraordinary losses	126	687
Income before income taxes and minority interests	23,787	22,299
Income taxes	11,399	10,129
Income before minority interests	12,388	12,169
Minority interests in income	11	20
Net income	12,376	12,149

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	For the six months ended September 30, 2013	For the six months ended September 30, 2014
Income before minority interests	12,388	12,169
Other comprehensive income		
Valuation difference on available-for-sale securities	2,614	1,324
Foreign currency translation adjustment	848	(633)
Remeasurements of defined benefit plans, net of tax	—	128
Total other comprehensive income	3,463	819
Comprehensive income	15,851	12,989
(Breakdown)		
Comprehensive income attributable to owners of parent	15,525	12,810
Comprehensive income attributable to minority interests	325	178

(3) Consolidated statement of cash flows

(Millions of yen)

	For the six months ended September 30, 2013	For the six months ended September 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	23,787	22,299
Depreciation	18,491	21,183
Increase (decrease) in provision for retirement benefits	3,143	—
Increase (decrease) in net defined benefit liability	—	1,653
Increase (decrease) in provision for bonuses	6,487	6,304
Loss (gain) on valuation of investment securities	3	—
Decrease (increase) in notes and accounts receivable - trade	(5,313)	3,117
Increase (decrease) in notes and accounts payable - trade	(3,217)	(31,154)
Other, net	8,164	13,965
Subtotal	51,546	37,369
Interest and dividend income received	399	452
Interest expenses paid	(443)	(325)
Income taxes paid	(22,051)	(19,026)
Net cash provided by (used in) operating activities	29,451	18,469
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,578)	(28,261)
Proceeds from sales of property, plant and equipment	567	1,296
Purchase of investment securities	(5)	(356)
Proceeds from sales of investment securities	2	—
Payments of loans receivable	(711)	(707)
Collection of loans receivable	704	769
Other payments	(3,283)	(3,691)
Other proceeds	1,949	1,158
Net cash provided by (used in) investing activities	(23,355)	(29,793)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,931)	4,000
Repayments of finance lease obligations	(2,460)	(2,555)
Proceeds from long-term loans payable	11,406	16,500
Repayment of long-term loans payable	(562)	(8,073)
Purchase of treasury shares	(5)	(3)
Cash dividends paid	(5,082)	(5,028)
Other, net	17	(747)
Net cash provided by (used in) financing activities	(1,618)	4,091
Effect of exchange rate change on cash and cash equivalents	396	(320)
Net increase (decrease) in cash and cash equivalents	4,874	(7,553)
Cash and cash equivalents at beginning of period	212,641	219,395
Cash and cash equivalents at end of period	217,515	211,842

(4) Notes to consolidated financial statements
(Notes to premise of going concern)
Not applicable.

(Segment information, etc.)
[Segment information]

Information regarding the amounts of operating revenue and income or loss by reportable segment
For the six months ended September 30, 2013

(Millions of yen)

	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial
Operating revenue					
(1) Operating revenue from customers	524,874	43,774	22,468	19,561	29,734
(2) Inter-segment operating revenue or transfers	29,448	5,664	7,232	12,861	1,845
Total	554,323	49,439	29,700	32,422	31,580
Segment income (loss)	11,437	1,734	(637)	3,514	4,401

	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	12,358	3,046	655,818	—	655,818
(2) Inter-segment operating revenue or transfers	14,055	42,196	113,304	(113,304)	—
Total	26,414	45,242	769,122	(113,304)	655,818
Segment income (loss)	1,863	24,416	46,730	(23,380)	23,350

- Notes: 1. Other includes business-to-business distribution via JITBOX Charter, staffing services 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 income is 24,104 million yen.
3. The adjustment of segment income resulted from eliminating transactions among segments.
4. We made an adjustment between segment income and operating income in the consolidated statement of income.

For the six months ended September 30, 2014

(Millions of yen)

	Delivery (Note 1)	BIZ-Logistics	Home Convenience	e-Business (Note 1)	Financial
Operating revenue					
(1) Operating revenue from customers	532,857	46,612	23,582	19,957	31,926
(2) Inter-segment operating revenue or transfers	30,126	5,788	7,527	14,021	1,651
Total	562,984	52,401	31,109	33,979	33,577
Segment income (loss)	8,093	2,101	(384)	3,485	4,359

	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	14,364	3,937	673,237	—	673,237
(2) Inter-segment operating revenue or transfers	14,571	40,474	114,162	(114,162)	—
Total	28,935	44,412	787,399	(114,162)	673,237
Segment income (loss)	2,022	22,665	42,344	(21,060)	21,284

Notes: 1. Effective from the first quarter of the fiscal year ending March 31, 2015, Delivery Business segment includes the contact service business, previously included in the e-Business, due to changes involving business segment categories made in accordance with actual circumstances related to management and administration. The segment information for the six months ended September 30, 2013 has been prepared and presented according to the new classification.

2. Other includes business-to-business distribution via JITBOX Charter, staffing services 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 income is 21,910 million yen.

4. The adjustment of segment income resulted from eliminating transactions among segments.

5. We made an adjustment between segment income and operating income in the consolidated statement of income.

6. Effective from the first quarter of the fiscal year ending March 31, 2015, for the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), the Company has additionally applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Due to this, the Company reviewed the calculation method of retirement benefit obligations and current service costs and amended the determination of discount rate from one that is based on the period of years approximate to the expected average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In addition, the effect of this application on segment income/loss for the six months ended September 30, 2014 is immaterial.

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

Not applicable.

(Important Subsequent Matters)

Purchase and retirement of treasury shares

At the meeting held on October 30, 2014, the Board of Directors resolved matters related to the purchase of treasury shares of the Company, in accordance with the provisions of the Articles of Incorporation, pursuant to Article 459, Paragraph 1, Item 1 of the Companies Act of Japan, and also resolved to retire treasury shares of the Company in accordance with the provisions of Article 178 of the Companies Act of Japan.

1. Reason of purchase and retirement of treasury shares

The Company purchases and retires its treasury shares in order to implement flexible capital policies in accordance with changes in the business environment, and also with the aim of enhancing shareholder value.

2. Contents of matters related to the purchase of treasury shares

Type of shares to be purchased	Common shares of the Company
Total number of shares to be purchased	Up to 16,500,000 shares (ratio to the total number of issued shares (excluding treasury shares) 3.93%)
Total acquisition price of shares to be purchased	Up to 30 billion yen
Acquisition period	From October 31, 2014 to March 31, 2015
Acquisition method	Through the market

3. Contents to retirement of treasury shares

Type of shares to be retired	Common shares of the Company
Total number of shares to be retired	19,120,200 shares (ratio to the total number of issued shares 4.21%)
Scheduled date of share retirement	November 13, 2014

4. Supplementary Information

Operating revenue by business

Business segment		For the six months ended September 30, 2013		For the six months ended September 30, 2014		Change (%)	Fiscal year ended March 31, 2014	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		Amount (Millions of yen)	Ratio (%)
Delivery	TA-Q-BIN	456,560	69.6	467,888	69.5	2.5	958,573	69.7
	Kuroneko Mail	62,578	9.5	58,166	8.7	(7.1)	126,035	9.2
	Express	21,684	3.3	21,311	3.2	(1.7)	45,047	3.3
	Others *1	31,133	4.8	33,899	5.0	8.9	68,023	4.9
	Eliminations	(47,081)	(7.2)	(48,407)	(7.2)	2.8	(98,279)	(7.1)
	Total	524,874	80.0	532,857	79.2	1.5	1,099,399	80.0
BIZ-Logistics	Trading logistics service	18,121	2.8	18,491	2.8	2.0	39,037	2.8
	Sales and Logistics	15,072	2.3	16,444	2.4	9.1	31,103	2.3
	Multi maintenance	4,887	0.7	6,986	1.0	43.0	9,870	0.7
	Export Factory	1,852	0.3	2,032	0.3	9.7	3,781	0.3
	Others	18,119	2.8	18,664	2.8	3.0	36,311	2.7
	Eliminations	(14,278)	(2.2)	(16,006)	(2.4)	12.1	(29,850)	(2.2)
	Total	43,774	6.7	46,612	6.9	6.5	90,254	6.6
Home Convenience	Home convenience	20,284	3.1	20,674	3.1	1.9	42,801	3.1
	Business convenience *2	8,203	1.2	8,129	1.2	(0.9)	17,060	1.2
	Technical Network *2	1,226	0.2	2,319	0.3	89.0	3,047	0.2
	Eliminations	(7,247)	(1.1)	(7,540)	(1.1)	4.0	(14,186)	(1.0)
	Total	22,468	3.4	23,582	3.5	5.0	48,723	3.5
e-Business	e-logistics solution	5,209	0.8	5,302	0.8	1.8	10,766	0.8
	Credit card solution	3,849	0.6	4,050	0.6	5.2	7,890	0.6
	IT operating solution *3	2,886	0.4	3,294	0.5	14.1	6,207	0.5
	Web-based mail order solution *3	2,895	0.5	3,032	0.5	4.7	6,071	0.4
	Others *1, 3	18,382	2.8	19,719	2.9	7.3	38,801	2.8
	Eliminations	(13,661)	(2.1)	(15,441)	(2.3)	13.0	(28,905)	(2.1)
	Total	19,561	3.0	19,957	3.0	2.0	40,831	3.0
Financial	TA-Q-BIN Collect	19,044	2.9	18,030	2.7	(5.3)	40,178	2.9
	Lease	9,911	1.5	12,839	1.9	29.5	20,896	1.5
	Credit & Finance	1,633	0.2	1,698	0.2	4.0	3,239	0.2
	Others	1,030	0.2	1,048	0.2	1.8	2,061	0.2
	Eliminations	(1,885)	(0.3)	(1,690)	(0.3)	(10.3)	(3,647)	(0.3)
	Total	29,734	4.5	31,926	4.7	7.4	62,727	4.5
Autoworks	Truck maintenance	24,388	3.7	26,534	3.9	8.8	49,651	3.6
	Others	3,183	0.5	3,576	0.5	12.4	6,507	0.5
	Eliminations	(15,213)	(2.3)	(15,746)	(2.3)	3.5	(30,508)	(2.2)
	Total	12,358	1.9	14,364	2.1	16.2	25,650	1.9
Other	JITBOX Charter service	2,031	0.3	2,707	0.4	33.3	4,677	0.3
	Others	44,056	6.7	42,748	6.4	(3.0)	64,434	4.7
	Eliminations	(43,041)	(6.5)	(41,518)	(6.2)	(3.5)	(62,089)	(4.5)
	Total	3,046	0.5	3,937	0.6	29.3	7,022	0.5
Total		655,818	100.0	673,237	100.0	2.7	1,374,610	100.0

The notes below describe changes to business segment classifications effective from the first quarter of the fiscal year ending March 31, 2015, made in accordance with actual circumstances related to management and administration. The figures presented for the six months ended September 30, 2013, and for the fiscal year ended March 31, 2014, have been restated in accordance with this change.

*1. The contact service business, previously included in the Others category of the e-Business, is now presented in the Others category of the Delivery Business.

*2. In the Home Convenience Business, the Technical Network, previously included in the Business convenience category, is now presented separately in its own category.

*3. In the e-Business, the Telecommunications network, previously included in the Others category, is now presented in the IT operating solution category; and the chain store solutions, previously included in the Web-based mail order solution category, is now presented in the Others category.