Financial Statements with Independent Auditor's Report

Consolidated Financial Statements for the Year Ended March 31, 2023, and Independent Auditor's Report

YAMATO HOLDINGS

Yamato Holdings Co., Ltd.

YAMATO HOLDINGS

Consolidated Balance Sheet

March 31, 2023

ASSETS	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT ASSETS:			
Cash and cash equivalents (Notes 2.e and 16)	**¥ 185,374**	¥ 182,645	**$ 1,388,254**
Notes and accounts receivable, and contract assets (Notes 16 and 17):			
Trade	**216,251**	218,923	**1,619,494**
Installment (Note 6)	**50,509**	48,055	**378,262**
Allowance for doubtful accounts	**(1,474)**	(1,457)	**(11,039)**
Inventories (Note 7)	**2,580**	2,216	**19,324**
Prepaid expenses and other current assets	**31,407**	30,463	**235,204**
Total current assets	**484,647**	480,845	**3,629,499**
PROPERTY, PLANT AND EQUIPMENT—At cost:			
Land	**179,811**	179,651	**1,346,601**
Buildings and structures	**381,219**	376,844	**2,854,930**
Vehicles	**196,141**	197,105	**1,468,888**
Machinery and equipment	**133,693**	135,149	**1,001,222**
Leased assets (Note 15)	**47,257**	39,653	**353,909**
Construction in progress	**12,379**	3,165	**92,706**
Others	**5,124**	2,471	**38,370**
Total	**955,624**	934,038	**7,156,626**
Accumulated depreciation	**(512,607)**	(504,159)	**(3,838,891)**
Net property, plant and equipment	**443,017**	429,879	**3,317,735**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 8 and 16)	**32,236**	33,942	**241,415**
Investments in and advances to unconsolidated subsidiaries and affiliates, net of valuation allowance of ¥482 million ($3,607 thousand) in 2023 and ¥439 million in 2022 (Note 16)	**13,173**	17,882	**98,653**
Long-term loans	**2,126**	1,872	**15,921**
Software	**38,150**	38,588	**285,703**
Lease deposits	**22,318**	20,519	**167,137**
Deferred tax assets (Note 14)	**64,292**	54,198	**481,478**
Other assets (Notes 2.k and 11)	**7,628**	9,130	**57,128**
Total investments and other assets	**179,923**	176,131	**1,347,435**
TOTAL	**¥1,107,587**	¥1,086,855	**$ 8,294,669**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT LIABILITIES:			
Short-term bank loans (Notes 10 and 16)	**¥ 10,000**	¥ 15,000	**$ 74,890**
Current portion of long-term debt (Notes 10 and 16)	**5,415**	4,850	**40,554**
Notes and accounts payable:			
Trade	**160,766**	165,346	**1,203,971**
Other	**10,463**	18,440	**78,357**
Income taxes payable	**16,912**	14,396	**126,651**
Accrued expenses	**80,849**	81,905	**605,475**
Deferred profit on installment sales (Notes 6 and 16)	**4,798**	4,714	**35,929**
Other current liabilities (Notes 12 and 17)	**55,556**	48,156	**416,054**
Total current liabilities	**344,759**	352,807	**2,581,881**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 10 and 22)	**32,859**	26,038	**246,078**
Liability for employees' retirement benefits (Notes 2.k and 11)	**98,295**	94,142	**736,127**
Deferred tax liabilities (Note 14)	**482**	1,914	**3,613**
Other long-term liabilities (Note 12)	**14,762**	13,720	**110,551**
Total long-term liabilities	**146,398**	135,814	**1,096,369**
COMMITMENTS LIABILITIES (Note 15)			
EQUITY (Notes 13 and 22):			
Common stock—authorized, 1,787,541,000 shares in 2023 and 2022; issued, 379,824,892 shares in 2023 and 388,575,592 shares in 2022	**127,235**	127,235	**952,856**
Capital surplus	**36,839**	36,813	**275,886**
Retained earnings	**473,892**	464,495	**3,548,955**
Treasury stock—at cost, 17,552,067 shares in 2023 and 22,084,421 shares in 2022	**(39,836)**	(49,552)	**(298,327)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**9,280**	11,499	**69,500**
Foreign currency translation adjustments	**1,782**	(513)	**13,343**
Remeasurements of defined employees' retirement benefit plans (Notes 2.k and 11)	**1,189**	566	**8,902**
Total	**610,381**	590,543	**4,571,115**
Non-controlling interests	**6,049**	7,691	**45,304**
Total equity	**616,430**	598,234	**4,616,419**
TOTAL	**¥1,107,587**	¥1,086,855	**$8,294,669**

Consolidated Statement of Income

Year Ended March 31, 2023

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
OPERATING REVENUES (Note 17)	**¥1,800,668**	¥1,793,618	**$13,485,121**
OPERATING COSTS AND EXPENSES:			
Operating costs	**1,687,242**	1,654,085	**12,635,674**
Selling, general and administrative expenses	**53,341**	62,333	**399,473**
Total operating costs and expenses	**1,740,583**	1,716,418	**13,035,147**
Operating profit	**60,085**	77,200	**449,974**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,915**	1,562	**14,341**
Interest expense	**(905)**	(786)	**(6,777)**
Loss on sales and disposal of property, plant and equipment—net	**(404)**	(361)	**(3,027)**
Loss on impairment of long-lived assets (Note 9)	**(1,995)**	(2,420)	**(14,938)**
Gain on sales of investment securities—net (Note 8)	**1,966**	14,431	**14,723**
Loss on sales of shares of subsidiaries and affiliates—net		(2,222)	
Loss on valuation of investment securities (Note 8)	**(2)**	(49)	**(17)**
(Loss) gain on investments in investment partnerships	**(257)**	4,510	**(1,927)**
Share of loss of entities accounted for using equity method	**(4,159)**	(243)	**(31,144)**
Provision of allowance for doubtful accounts in unconsolidated subsidiaries and affiliates	**(27)**	(57)	**(204)**
Gain on liquidation of subsidiaries		1,210	
Gain on transition of retirement benefit plan (Note 11)		1,420	
Loss on revision of retirement benefit plan (Note 11)		(14,999)	
Dismantlement expenses	**(754)**		**(5,645)**
Other—net	**1,353**	1,844	**10,130**
Other (expenses) income—net	**(3,269)**	3,840	**(24,485)**
PROFIT BEFORE INCOME TAXES	**56,816**	81,040	**425,489**
INCOME TAXES (Note 14):			
Current	**23,018**	29,293	**172,376**
Deferred	**(11,624)**	(5,325)	**(87,049)**
Total income taxes	**11,394**	23,968	**85,327**
PROFIT	**45,422**	57,072	**340,162**
(LOSS) PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**(476)**	1,116	**(3,569)**
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	**¥ 45,898**	¥ 55,956	**$ 343,731**

	Yen 2023	Yen 2022	U.S. Dollars (Note 1) 2023
PER SHARE OF COMMON STOCK (Notes 2.q and 19):			
Basic earnings	**¥126.64**	¥151.03	**$0.95**
Cash dividends applicable to the year	**46.00**	46.00	**0.34**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2023

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
PROFIT	**¥45,422**	¥57,072	**$340,162**
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized loss on available-for-sale securities	**(2,223)**	(5,415)	**(16,644)**
Foreign currency translation adjustments	**2,292**	794	**17,168**
Remeasurements of defined employees' retirement benefit plans	**677**	(5,283)	**5,070**
Share of other comprehensive income of entities accounted for using equity method	**(54)**	108	**(407)**
Total other comprehensive income (loss)	**692**	(9,796)	**5,187**
COMPREHENSIVE INCOME	**¥46,114**	¥47,276	**$345,349**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of parent	**¥46,597**	¥47,210	**$348,968**
Non-controlling interests	**(483)**	66	**(3,619)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2023

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2021	371,025	¥127,235	¥36,813	¥431,572	¥(39,549)	¥15,884	¥(1,317)	¥ 5,730	¥576,368	¥ 7,919	¥584,287
Cumulative effects of changes in accounting policies				(3,343)					(3,343)	(229)	(3,572)
RESTATED BALANCE		127,235	36,813	428,229	(39,549)	15,884	(1,317)	5,730	573,025	7,690	580,715
Profit attributable to owners of parent				55,956					55,956		55,956
Cash dividends, ¥53 per share				(19,690)					(19,690)		(19,690)
Purchase of treasury stock	(4,534)				(10,003)				(10,003)		(10,003)
Disposal of treasury stock											
Net change in the year						(4,385)	804	(5,164)	(8,745)	1	(8,744)
BALANCE, MARCH 31, 2022	366,491	127,235	36,813	464,495	(49,552)	11,499	(513)	566	590,543	7,691	598,234
Profit attributable to owners of parent				**45,898**					**45,898**		**45,898**
Cash dividends, ¥46 per share				**(16,784)**					**(16,784)**		**(16,784)**
Purchase of treasury stock	**(4,218)**				**(10,001)**				**(10,001)**		**(10,001)**
Disposal of treasury stock											
Retirement of treasury stock				**(19,717)**	**19,717**						
Change in equity related to transaction with non-controlling shareholders			**26**						**26**		**26**
Net change in the year						**(2,219)**	**2,295**	**623**	**699**	**(1,642)**	**(943)**
BALANCE, MARCH 31, 2023	**362,273**	**¥127,235**	**¥36,839**	**¥473,892**	**¥(39,836)**	**¥ 9,280**	**¥ 1,782**	**¥ 1,189**	**¥610,381**	**¥ 6,049**	**¥616,430**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, MARCH 31, 2022	$952,856	$275,693	$3,478,579	$(371,089)	$ 86,114	$(3,844)	$4,238	$4,422,547	$ 57,597	$4,480,144
Profit attributable to owners of parent			**343,731**					**343,731**		**343,731**
Cash dividends, $0.34 per share			**(125,693)**					**(125,693)**		**(125,693)**
Purchase of treasury stock				**(74,903)**				**(74,903)**		**(74,903)**
Disposal of treasury stock				**2**				**2**		**2**
Retirement of treasury stock		**(1)**	**(147,662)**	**147,663**						
Change in equity related to transaction with non-controlling shareholders		**194**						**194**		**194**
Net change in the year					**(16,614)**	**17,187**	**4,664**	**5,237**	**(12,293)**	**(7,056)**
BALANCE, MARCH 31, 2023	**$952,856**	**$275,886**	**$3,548,955**	**$(298,327)**	**$ 69,500**	**$13,343**	**$8,902**	**$4,571,115**	**$ 45,304**	**$4,616,419**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
OPERATING ACTIVITIES:			
Profit before income taxes	**¥ 56,816**	¥ 81,040	**$ 425,489**
Adjustments for:			
Income taxes—paid	**(21,160)**	(46,738)	**(158,468)**
Depreciation and amortization	**41,626**	35,570	**311,737**
Loss on sales and disposal of property, plant and equipment—net	**404**	361	**3,027**
Loss on impairment of long-lived assets	**1,995**	2,420	**14,938**
Gain on sales of investment securities—net	**(1,966)**	(14,431)	**(14,723)**
Loss on sales of shares of subsidiaries and affiliates—net		2,222	
Loss on valuation of investment securities	**2**	49	**17**
Share of loss of entities accounted for using equity method	**4,159**	243	**31,144**
Changes in assets and liabilities, net of effects from previously consolidated subsidiaries:			
Decrease (increase) in notes and accounts receivable	**1,234**	(13,434)	**9,244**
(Increase) decrease in inventories	**(357)**	144	**(2,672)**
(Decrease) increase in notes and accounts payable	**(5,259)**	11,537	**(39,387)**
Increase in liability for employees' retirement benefits	**4,634**	21,823	**34,703**
Other—net	**7,826**	(28,789)	**58,611**
Total adjustments	**33,138**	(29,023)	**248,171**
Net cash provided by operating activities	**89,954**	52,017	**673,660**
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	**1,391**	348	**10,419**
Purchases of property, plant and equipment	**(35,435)**	(40,779)	**(265,374)**
Proceeds from sales of investment securities	**2,787**	18,638	**20,874**
Purchases of investment securities	**(1,752)**	(5,690)	**(13,120)**
Decrease in investments in and advances to unconsolidated subsidiaries and affiliates	**3,068**	1,423	**22,974**
Payment for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 21)		(7,313)	
Collection of loans	**1,210**	1,259	**9,061**
Payment of loans	**(1,375)**	(1,466)	**(10,302)**
Other	**(19,314)**	(25,363)	**(144,640)**
Net cash used in investing activities	**(49,420)**	(58,943)	**(370,108)**
FINANCING ACTIVITIES:			
Repayments of short-term debt—net	**(10,690)**	(10,663)	**(80,052)**
Repayments of long-term debt		(14,000)	
Dividends paid	**(17,151)**	(19,741)	**(128,446)**
Purchase of treasury stock—net	**(10,025)**	(10,057)	**(75,079)**
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	**19**		**140**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation (Note 5)	**(778)**		**(5,824)**
Other	**7**	5	**56**
Net cash used in financing activities	**(38,618)**	(54,456)	**(289,205)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**706**	701	**5,286**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,622**	(60,681)	**19,633**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**180,604**	241,285	**1,352,534**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.e)	**¥183,226**	¥180,604	**$1,372,167**
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Newly recorded assets related to lease transactions	**¥ 11,386**	¥ —	**$ 85,267**
Newly recorded liabilities related to lease transactions	**11,797**		**88,344**

*The amounts of newly recorded assets and liabilities related to lease transactions for the fiscal year ended March 31, 2022, are omitted due to immateriality.
See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2023

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2022 consolidated financial statements to conform them to the classifications and presentations used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamato Holdings Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.53 to $1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 29 (30 in 2022) significant subsidiaries (together, the "Group").

Effective from the fiscal year ended March 31, 2023, Yamato Web Solutions Co., Ltd. has been excluded from the scope of consolidation due to absorption-type mergers in which Yamato System Development Co., Ltd. is the surviving company.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The unconsolidated subsidiaries, whose combined assets, net sales, profit and retained earnings in the aggregate are not significant to the consolidated financial statements, have not been consolidated with the Company.

There were 24 (22 in 2022) affiliates accounted for by the equity method.

Effective from the fiscal year ended March 31, 2023, Sweetmag Solutions (M) Sdn. Bhd. and one other company have been included in the scope of equity method due to GDEX BHD., an affiliate accounted for using equity method, newly acquiring their shares.

Investments in the unconsolidated subsidiaries and several affiliates not accounted for by equity method are stated at cost, less a valuation allowance representing possible losses on the investments that are deemed to be other than temporary. If the equity method of accounting had been applied to the investments in such companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that profit is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Unification of Accounting Policies Applied to Foreign Affiliated Companies for the Equity Method—ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the affiliate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that profit is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign affiliate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. Revenue Recognition—Principal performance obligations in the principal businesses relating to revenues recognized from contracts with customers in the Group and the normal timing of satisfaction of performance obligation (the normal timing of recognizing revenues) are as follows:

(1) Retail Business Unit

Retail Business Unit mainly provides small-parcel delivery services such as TA-Q-BIN. In this service, the Group provides a service to collect and deliver cargoes at the customer's request based on a contract with the customer, and revenue from this service is recognized in accordance with satisfaction of performance obligations measured by the progress of delivery, because other companies are not required to perform the transportation process that has already been performed, even if delivery to the designated delivery destination cannot be completed.

(2) Corporate Business Unit

In addition to the same transportation services as Retail Business Unit, Corporate Business Unit provides logistics support services, such as cargo storage and logistics services for inbound and outbound shipments, in order to provide value to the entire supply chain of its customers. The Group provides logistics support services, which include the collection, storage, packing, and delivery of cargo based on contracts with customers, and recognizes each contractually agreed-upon process as a performance obligation, and recognizes revenue for each process under contract in accordance with satisfaction of performance obligations measured by the progress of the work, as the customer receives the economic benefit of the work as it progresses.

e. Cash Equivalents—Cash equivalents in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents in the consolidated statement of cash flows include time deposits, certificates of deposit, and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

The difference between cash and cash equivalents in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Cash and cash equivalents presented in the consolidated balance sheet	**¥185,374**	¥182,645	**$1,388,254**
Time deposits due beyond three months	**(2,148)**	(2,041)	**(16,087)**
Cash and cash equivalents presented in the consolidated statement of cash flows	**¥183,226**	¥180,604	**$1,372,167**

f. Inventories—Inventories are stated at the lower of cost determined by the first-in, first-out method or net selling value.

g. Investment Securities—Investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group had no trading securities at March 31, 2023 and 2022.

Equity securities with no market price and investments in capital are stated at cost determined by the moving-average method.

Investments in the limited partnership for investment partnerships and similar partnerships, which are deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act are stated at net amount of equity interest in the partnership based on the most recent financial statements available according to the reporting date stipulated in the partnership agreement.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment excluding leased assets is computed by the straight-line method. Depreciation of leased assets is computed by the straight-line method over the lease period with no residual value carried.

The range of useful lives is principally as follows:

Buildings and structures	7–60 years
Vehicles	2– 7 years
Machinery and equipment	2–20 years

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

i. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Other Assets—Amortization of intangible assets is computed by the straight-line method.

Depreciation of leased assets is computed by the straight-line method over the lease period with no residual value carried.

k. Retirement and Pension Plans—The Company and consolidated subsidiaries mainly have contributory trusted pension plans and unfunded retirement benefit plans. In addition, defined contribution retirement plans were introduced along with these defined benefit retirement plans.

In calculating the retirement benefit obligations, the straight-line basis is used in determining the amount of the expected retirement benefit obligations attributed to service performed up to the end of the current fiscal year.

Past service costs are recognized in profit or loss in full in the fiscal year in which it arises. Actuarial gains and losses are amortized on a straight-line basis over a period within the average remaining service period of the eligible employees (mainly five years) on and after the fiscal year following the fiscal year in which it arises.

Actuarial gains and losses are recognized within equity on the consolidated balance sheet after adjusting for tax effects, and funded status is recognized as a liability or asset.

l. Asset Retirement Obligations—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as reconciliation to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. Leases—For a lessee, all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

For a lessor, all finance leases that deem to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee are recognized as investments in leases.

n. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company and certain domestic consolidated subsidiaries will transition from the non-consolidated taxation system to the Japanese Group Relief System because they submitted the application for the Japanese Group Relief System during fiscal year ended March 31, 2023 and the approval was granted at April 1, 2023. In addition, the Company has adopted the ASBJ PITF No. 42, "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" with respect to the accounting treatment and disclosure related to tax effect accounting for national and local corporate income taxes from the end of the fiscal year ended March 31, 2023.

o. Foreign Currency Transactions—All short and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

p. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date.

q. Per Share Information—Basic earnings per share is computed by dividing profit attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

For the years ended March 31, 2023 and 2022, diluted earnings per share is not disclosed because the Company had no dilutive securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

r. Accounting Changes and Error Corrections—Under ASBJ Statement No. 24, "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections," accounting treatments are required as follows:

Notes to Consolidated Financial Statements

(1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

s. Performance-Based Share Remuneration Plan "Board Benefit Trust (BBT)"—The Company has introduced a performance-based share remuneration plan "Board Benefit Trust (BBT)" for the directors (except for outside directors) and executive officers who do not concurrently serve as directors of the Company ("Officers"). This plan purports to further enhance the connection between Officers' remuneration and performance and share value of the Company, and raise their motivation to make contributions to increase the Company's long-term performance and corporate value by sharing not only the benefits of a rise in share prices but also the risk of a decline in share prices with shareholders.

The Plan is a performance-based share remuneration plan in which the trust acquires the Company's shares using money contributed by the Company as the source of funds, and Officers are provided with the Company's shares and cash equivalent to the market value of the Company's shares ("Shares of the Company") through the trust in accordance with "Regulation for Benefit of Shares to Officers" established by the Company. As a general rule, Officers shall be entitled to receive Shares of the Company at the time of retirement.

The Company applies the same accounting method as stipulated in the ASBJ PITF No.30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employee etc. through Trusts."

The book value (excluding incidental costs) of the Company's shares held by the trust bank is accounted for as treasury stock in the equity section of the Company's consolidated balance sheet. The book value and number of treasury stock held by the trust bank at March 31, 2023 and 2022, were both ¥1,376 million ($10,308 thousand) and 483,700 shares, respectively.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Impairment of Long-Lived Assets

Amount recorded in the consolidated financial statements for the current fiscal year based on accounting estimates that may have a material impact on the consolidated financial statements for the following fiscal year are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Property, plant and equipment	**¥443,017**	¥429,879	**$3,317,735**
Intangible assets	**43,759**	45,646	**327,712**

In cases where there are indications that an asset may be impaired, an impairment test is performed based on the future cash flows generated by the asset. The cash-generating unit, which is used to determine whether it is necessary for an asset to recognize impairment loss, is the smallest unit in an asset group generating cash inflows generally independent of cash inflows from other assets or asset groups. The criteria of the asset groups are the management accounting classification and the unit used for investment decision making. In Yamato Transport Co., Ltd., the four businesses of Retail, Corporate, Global SCM, and EC were grouped as the smallest cash flow generating units, and assets associated with the Transportation division and the Head Office division were classified as common assets. Because the Retail Business Unit holds most of the above property, plant and equipment and intangible assets, the undiscounted future cash flows used in determining recognition of impairment losses on those assets of the business are based on future management plans that include significant assumptions, such as the unit price and the transaction volume of TA-Q-BIN. These assumptions may have a material impact on the consolidated financial statements for the following fiscal year and thereafter if it becomes necessary for them to be reconsidered due to uncertain economic conditions and the operating conditions of the Group.

4. ADDITIONAL INFORMATION

Dissolution and Liquidation of Subsidiaries

At the meeting held on February 17, 2023, the Board of Directors of the Company resolved to liquidate its consolidated subsidiaries, YAMATO ASIA PTE. LTD. and YAMATO INVESTMENT (HONG KONG) LIMITED.

Reasons for dissolution and liquidation

The Company decided to liquidate YAMATO ASIA PTE. LTD. and YAMATO INVESTMENT (HONG KONG) LIMITED. The Company judged that reorganizing the current management structure based on previous overseas governance by abolishing intermediate holding companies was necessary. The purpose of liquidation is to reconstruct an appropriate governance framework that aligns with business scale, characteristics, country and region-specific factors, and the growth stage of overseas business.

Name, business and ownership of subsidiaries

Name:	YAMATO ASIA PTE. LTD.
Business:	Management of regional business in Southeast Asia, business development and market research
Ownership:	100% owned by the Company

Name:	YAMATO INVESTMENT (HONG KONG) LIMITED
Business:	Management of regional business in East Asia, business development and market research
Ownership:	100% owned by the Company

Schedule of dissolution and liquidation

Board of Directors Resolution (the Company):	February 17, 2023
Extraordinary Meeting of Shareholders (companies involved):	August 2023 (planned)
Conclusion of liquidation:	October 2023 (planned)

Financial situation of the subsidiaries

YAMATO ASIA PTE. LTD.

Net assets: ¥3,676 million ($27,527 thousand)
Total assets: ¥3,768 million ($28,216 thousand)
Total liabilities: ¥92 million ($689 thousand)

YAMATO INVESTMENT (HONG KONG) LIMITED

Net assets: ¥6,172 million ($46,223 thousand)
Total assets: ¥6,176 million ($46,252 thousand)
Total liabilities: ¥4 million ($29 thousand)

Effect on profit or loss due to the dissolution and liquidation

The effect caused by expenses arising from the dissolution and liquidation of the subsidiaries on profit or loss is immaterial.

Significant effect on operating activities due to the dissolution and liquidation

The effect caused by the dissolution and liquidation of the subsidiaries on operating activities is immaterial.

Notes to Consolidated Financial Statements

5. BUSINESS COMBINATIONS

Transactions under Common Control

a. Absorption-type Merger among Consolidated Subsidiaries

At the meeting held on January 20, 2022, the Board of Directors of the Company resolved to conclude contracts involving the absorption-type merger between Yamato System Development Co., Ltd. and Yamato Web Solutions Co., Ltd., which are consolidated subsidiaries of the Company, and they implemented the absorption-type merger on April 1, 2022.

1. Outline of Business Combination

(1) Absorption-type merger in which Yamato System Development Co., Ltd. is the surviving company

Name and business of the companies involved in the business combination

Surviving company

Name: Yamato System Development Co., Ltd. ("YSD")

Business: Research, development, information provision and consulting services for computer-based systems
Operation and management of information processing services and computer systems and related services

Dissolving company

Name: Yamato Web Solutions Co., Ltd. ("YWS")

Business: Worker dispatch services
Fee-based employment placement services
Research, development, information provision and consulting services for computer-based systems

Date of the business combination

April 1, 2022 (effective date)

Legal form of the business combination

Absorption-type merger with YWS as the dissolving company and YSD as the surviving company

Name of the company after the business combination

The name did not change.

(2) Outline and purpose of business combination

The purpose of the business combination is to improve growth potential of the business by further utilizing business resources and optimizing the professional personnel in the IT department through the absorption-type merger with YSD and YWS. YSD is responsible for the IT functions of the Yamato Group, and YWS provides design, construction, operation of website, and staffing services.

2. Outline of Accounting Treatment

The transaction was accounted under common control in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations," and ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures."

b. Additional Acquisition of Shares of Subsidiary

On September 26, 2022, the Company made Yamato Dialogue & Media Co., Ltd., which is a consolidated subsidiary of the Company, a wholly-owned subsidiary through additional acquisition of shares of Yamato Dialogue & Media Co., Ltd. held by DHL eCommerce Japan K.K.

1. Outline of Business Combination

Name and business of the company involved in the business combination

Name: Yamato Dialogue & Media Co., Ltd.

Business: Various businesses related to direct marketing

Date of the business combination

September 26, 2022 (effective date)

Legal form of the business combination

Acquisition of shares from non-controlling shareholders

Name of the company after the business combination

The name did not change.

Outline and purpose of business combination

The purpose of the business combination is to enhance growth potential of the business by increasing the efficiency of the managing process through making Yamato Dialogue & Media Co., Ltd. a wholly-owned subsidiary.

2. Outline of Accounting Treatment

The transaction was accounted for as a transaction with non-controlling shareholder of transactions under common control in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations," and ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures."

3. Matters related to Additional Acquisition of Shares of Subsidiary

Acquisition cost and the breakdown are as follows:

Acquisition consideration:	Cash and cash equivalents	**¥613 million ($4,587 thousand)**
Total acquisition cost:		**¥613 million ($4,587 thousand)**

4. Change in Equity related to Transaction with Non-controlling Shareholders

Main reason for the change in capital surplus

Additional acquisition of shares of subsidiary

Increase in capital surplus by transaction with non-controlling shareholders

¥23 million ($170 thousand)

6. INSTALLMENT RECEIVABLES

Sales recorded on the installment basis were 0.2% of operating revenues in both 2023 and 2022.

Annual maturities of installment receivables at March 31, 2023, and related amortization of deferred profit on installment sales are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Year Ending March 31	Receivables	Deferred Profit on Installment Sales	Receivables	Deferred Profit on Installment Sales
2024	**¥22,182**	**¥2,020**	**$166,121**	**$15,125**
2025	**10,876**	**1,150**	**81,451**	**8,616**
2026	**6,685**	**598**	**50,066**	**4,479**
2027	**3,838**	**324**	**28,742**	**2,424**
2028	**2,147**	**191**	**16,080**	**1,427**
2029 and thereafter	**4,781**	**515**	**35,802**	**3,858**
Total	**¥50,509**	**¥4,798**	**$378,262**	**$35,929**

7. INVENTORIES

Inventories at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Merchandise	**¥ 169**	¥ 187	**$ 1,265**
Work in process	**322**	167	**2,412**
Raw materials and supplies	**2,089**	1,862	**15,647**
Total	**¥2,580**	¥2,216	**$19,324**

8. INVESTMENT SECURITIES

Investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Non-current:			
Marketable equity securities	**¥21,001**	¥21,562	**$157,274**
Non-marketable equity securities	**3,759**	3,813	**28,154**
Other	**7,476**	8,567	**55,987**
Total	**¥32,236**	¥33,942	**$241,415**

Information regarding each category of the securities classified as available-for-sale at March 31, 2023 and 2022, is as follows:

Millions of Yen 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**¥10,807**	**¥10,448**	**¥254**	**¥21,001**

Millions of Yen 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥10,643	¥11,572	¥653	¥21,562

Thousands of U.S. Dollars 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**$80,933**	**$78,242**	**$1,901**	**$157,274**

Information for available-for-sale securities, which were sold during the years ended March 31, 2023 and 2022, is as follows:

March 31, 2023 (Millions of Yen)	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥2,787**	**¥1,970**	**¥4**
Other			
Total	**¥2,787**	**¥1,970**	**¥4**

March 31, 2022 (Millions of Yen)	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥18,638	¥14,431	¥—
Other			
Total	¥18,638	¥14,431	¥—

March 31, 2023 (Thousands of U.S. Dollars)	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$20,870**	**$14,757**	**$34**
Other	**4**		
Total	**$20,874**	**$14,757**	**$34**

Loss on valuation of available-for-sale securities for the years ended March 31, 2023 and 2022, were ¥2 million ($17 thousand) and ¥49 million, respectively.

9. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2023 and 2022. Upon review, due to no future use, continuous operating losses of those units or significant declines in market prices, the Group recognized an impairment loss of ¥1,995 million ($14,938 thousand) as other expense for the asset groups of Credit Card Payment Business Unit of Yamato Credit Finance Co., Ltd. and 4 other asset groups for the year ended March 31, 2023, and ¥2,420 million as other expense for the asset groups of the head office and the Tokyo Regional Branch of Yamato Home Convenience Co., Ltd. and 6 other asset groups for the year ended March 31, 2022. The carrying amounts of the relevant asset groups were written down to their recoverable amounts. In the case where the net selling prices were used as recoverable amounts, idle assets were evaluated at zero, and the relevant asset groups other than idle assets were evaluated mainly based on Real Estate Appraisal Standards, assessed value of fixed assets, and posted land prices. In the case where the recoverable amounts were measured at their value in use, the discount rates used for computation of present value of future cash flows for the years ended March 31, 2023 and 2022, were mainly 5.29% and 5.23%, respectively.

10. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2023 and 2022, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2023 and 2022, were approximately 0.047% and 0.055%, respectively.

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Lease obligations	**¥38,274**	¥30,888	**$286,632**
Total	**38,274**	30,888	**286,632**
Less current portion	**(5,415)**	(4,850)	**(40,554)**
Total	**¥32,859**	¥26,038	**$246,078**

Annual maturities of long-term debt at March 31, 2023, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	**¥ 5,415**	**$ 40,554**
2025	**4,983**	**37,316**
2026	**3,731**	**27,937**
2027	**2,885**	**21,608**
2028	**2,083**	**15,601**
2029 and thereafter	**19,177**	**143,616**
Total	**¥38,274**	**$286,632**

11. RETIREMENT AND PENSION PLANS

The Group has defined benefit retirement plans and defined contribution retirement plans for employees.

The defined benefit retirement plans provide, under most circumstances, that employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from the consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages exceeding the standard retirement age.

(1) Defined Benefit Retirement Plans

The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥151,477	¥183,859	$1,134,407
Service cost	14,233	14,317	106,592
Interest cost	151	169	1,128
Actuarial loss arising during the year	169	1,849	1,266
Retirement benefits paid	(10,721)	(9,901)	(80,289)
Past service cost arising during the year		14,999	
Decrease due to transition to defined contribution pension plans		(52,271)	
Decrease due to change in scope of consolidation		(1,544)	
Balance at end of year	¥155,309	¥151,477	$1,163,104

The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥57,351	¥112,181	$429,500
Expected return on plan assets	574	855	4,295
Actuarial gain arising during the year	657	1,334	4,926
Contributions from the employer	2	3,827	14
Retirement benefits paid	(1,550)	(2,034)	(11,608)
Decrease due to transition to defined contribution pension plans		(57,158)	
Decrease due to change in scope of consolidation		(1,654)	
Balance at end of year	¥57,034	¥ 57,351	$427,127

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Defined benefit obligation of funded plan	¥ 11,802	¥ 12,935	$ 88,385
Plan assets	(57,034)	(57,351)	(427,127)
	(45,232)	(44,416)	(338,742)
Defined benefit obligation of unfunded plan	143,507	138,542	1,074,719
Net liability arising from defined benefit obligation	¥ 98,275	¥ 94,126	$ 735,977

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for employees' retirement benefits	¥98,295	¥94,142	$736,127
Asset for employees' retirement benefits	(20)	(16)	(150)
Net liability arising from defined benefit obligation	¥98,275	¥94,126	$735,977

The amount of the liability and asset for employees' retirement benefits that are offset individually by the Company and subsidiaries are combined.

The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥14,233	¥14,317	$106,592
Interest cost	151	169	1,128
Expected return on plan assets	(574)	(855)	(4,295)
Recognized actuarial loss (gain)	493	(488)	3,689
Past service cost		14,999	
Gain on transition to defined contribution pension plans		(1,420)	
Others	52	(76)	391
Net periodic benefit costs	¥14,355	¥26,646	$107,505

Amounts recognized in other comprehensive income (before income tax effect adjustments) in respect of defined benefit retirement plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Actuarial gain (loss)	¥981	¥(7,510)	$7,349
Total	¥981	¥(7,510)	$7,349

Amounts recognized in accumulated other comprehensive income (before income tax effect adjustments) in respect of defined benefit retirement plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized actuarial gain	¥1,387	¥406	$10,390
Total	¥1,387	¥406	$10,390

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
General accounts	58%	57%
Debt investments	22	22
Others	20	21
Total	100%	100%

Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	0.1%	0.1%
Expected rate of return on plan assets	1.0%	1.0%

The expected rate of return on plan assets is determined on the basis of the distribution of plan assets, past performance of respective assets that make up investments of plan assets, and market trends.

(2) Defined Contribution Retirement Plans

The amounts contributed to the defined contribution retirement plans of the Group for the years ended March 31, 2023 and 2022, were ¥10,796 million ($80,849 thousand) and ¥6,886 million, respectively.

12. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	**¥9,928**	¥9,646	**$74,347**
Additional provisions associated with the acquisition of property, plant and equipment	**23**	456	**168**
Reconciliation associated with passage of time	**104**	105	**779**
Reconciliation associated with changes in accounting estimates	**(7)**	(138)	**(51)**
Reduction associated with settlement of asset retirement obligations	**(449)**	(138)	**(3,362)**
Others	**10**	(3)	**77**
Balance at end of year	**¥9,609**	¥9,928	**$71,958**

Changes in accounting estimates were recorded as it became evident that the estimate of the discounted cash flows required for future asset retirement at the beginning of the year would change. A reconciliation has been prepared for the change, which resulted in a decrease of the asset retirement obligation for the years ended March 31, 2023 and 2022, by ¥7 million ($51 thousand) and ¥138 million, respectively.

13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity.

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Accrued expenses	**¥ 11,197**	¥ 11,871	**$ 83,856**
Legal welfare expense	**1,881**	1,970	**14,086**
Enterprise tax	**1,906**	1,958	**14,277**
Allowance for doubtful accounts	**526**	510	**3,938**
Tax loss carryforwards	**4,257**	3,656	**31,884**
Liability for employees' retirement benefits	**30,777**	29,229	**230,486**
Loss on valuation of land	**20,485**	20,485	**153,408**
Loss on impairment of long-lived assets	**4,242**	3,856	**31,771**
Loss on valuation of investment securities	**920**	1,062	**6,890**
Investments in subsidiaries and affiliates	**10,628**		**79,589**
Unrealized profit	**3,944**	3,812	**29,538**
Loss on valuation of telephone subscription rights	**394**	398	**2,947**
Other	**9,428**	8,679	**70,604**
Total tax loss carryforwards and temporary differences	**100,585**	87,486	**753,274**
Less valuation allowance for tax loss carryforwards	**(4,257)**	(3,651)	**(31,884)**
Less valuation allowance for temporary differences	**(24,585)**	(23,915)	**(184,109)**
Total valuation allowance	**(28,842)**	(27,566)	**(215,993)**
Deferred tax assets	**¥ 71,743**	¥ 59,920	**$ 537,281**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ (2,703)**	¥ (2,756)	**$ (20,248)**
Other	**(5,230)**	(4,880)	**(39,168)**
Deferred tax liabilities	**¥ (7,933)**	¥ (7,636)	**$ (59,416)**
Deferred tax assets—net	**¥ 63,810**	¥ 52,284	**$ 477,865**

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023, are as follows:

	Millions of Yen		
Year Ending March 31	Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowances for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2024	**¥ 24**	**¥ (24)**	**¥—**
2025	**50**	**(50)**	
2026	**36**	**(36)**	
2027	**3**	**(3)**	
2028			
2029 and thereafter	**4,144**	**(4,144)**	
Total	**¥4,257**	**¥(4,257)**	**¥—**

Year Ending March 31	Thousands of U.S. Dollars Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowances for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2024	**$ 180**	**$ (180)**	**$—**
2025	**378**	**(378)**	
2026	**269**	**(269)**	
2027	**19**	**(19)**	
2028			
2029 and thereafter	**31,038**	**(31,038)**	
Total	**$31,884**	**$(31,884)**	**$—**

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2023, was as follows:

	2023
Normal effective statutory tax rate	**30.6%**
Per capita levy of local taxes	**4.7**
Difference of tax rates for foreign subsidiaries	**(0.1)**
Valuation allowance	**(17.0)**
Share of profit or loss of entities accounted for using equity method	**2.2**
Other—net	**(0.3)**
Actual effective tax rate	**20.1%**

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates for the year ended March 31, 2022, was omitted since the difference between both rates was less than 5% of the normal effective statutory tax rates.

15. LEASES

The Group leases certain buildings, cargo aircrafts, computer equipment and other assets as the lessee.

Future rental payments under non-cancelable operating leases at March 31, 2023 and 2022, were as follows:

	Millions of Yen 2023	2022	Thousands of U.S. Dollars 2023
Due within one year	**¥ 9,785**	¥ 7,496	**$ 73,275**
Due after one year	**44,460**	22,608	**332,961**
Total	**¥54,245**	¥30,104	**$406,236**

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt including bank loans and bonds, in order to expand its business based on its investment plan to expand its network. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes but to manage exposure to interest fluctuation risk. Certain consolidated subsidiaries conduct installment sales operations.

(2) Nature and Extent of Risks Arising from Financial Instruments and the Risk Management for Financial Instruments

Receivables such as notes and accounts receivable and installment sales receivable are exposed to customer credit risk. Therefore, the Group minimizes customers' credit risk by monitoring collections and accrued receivables at due dates.

Investment securities are mainly equity securities of the companies with which the Group has business relationships or capital alliances. Such securities are exposed to the risk of market price fluctuations.

Most payment terms of payables such as notes and accounts payable are less than one year.

Short-term bank loans and long-term bank loans are mainly related to a financial business. Bank loans are mainly variable interest rate loans.

Accounts payable and bank loans exposed to liquidity risks are managed by each company of the Group, such as through fund settlement, bookkeeping, monitoring of the balances outstanding, and managing cash flows.

(3) Fair Value of Financial Instruments

Since variable factors are incorporated in the calculation of the fair value of financial instruments, the fair value may change due to the adoption of different assumptions, etc.

Fair value of financial instruments at March 31, 2023 and 2022, were as follows:

March 31, 2023	Millions of Yen Carrying Amount	Fair Value	Difference
Assets:			
Trade notes and accounts receivable, and contract assets	**¥216,251**		
Allowance for doubtful accounts	**(261)**		
	215,990	**¥216,028**	**¥ 38**
Installment sales receivable	**50,509**		
Allowance for doubtful accounts	**(942)**		
Deferred profit on installment sales	**(4,798)**		
	44,769	**49,136**	**4,367**
Available-for-sale securities	**21,001**	**21,001**	
Shares of affiliates	**4,309**	**5,805**	**1,496**
Liabilities:			
Short-term loans	**10,000**	**10,000**	

March 31, 2022	Millions of Yen Carrying Amount	Fair Value	Difference
Assets:			
Trade notes and accounts receivable, and contract assets	¥218,923		
Allowance for doubtful accounts	(158)		
	218,765	¥218,777	¥ 12
Installment sales receivable	48,055		
Allowance for doubtful accounts	(936)		
Deferred profit on installment sales	(4,714)		
	42,405	46,956	4,551
Available-for-sale securities	21,562	21,562	
Shares of affiliates	6,668	10,127	3,459
Liabilities:			
Short-term loans	15,000	15,000	

March 31, 2023	Thousands of U.S. Dollars Carrying Amount	Fair Value	Difference
Assets:			
Trade notes and accounts receivable, and contract assets	**$1,619,494**		
Allowance for doubtful accounts	**(1,954)**		
	1,617,540	**$1,617,824**	**$ 284**
Installment sales receivable	**378,262**		
Allowance for doubtful accounts	**(7,060)**		
Deferred profit on installment sales	**(35,929)**		
	335,273	**367,974**	**32,701**
Available-for-sale securities	**157,274**	**157,274**	
Shares of affiliates	**32,271**	**43,476**	**11,205**
Liabilities:			
Short-term loans	**74,890**	**74,890**	

Cash and cash equivalents are omitted because they are settled in a short period of time and their carrying amounts approximate fair value.

Trade notes and accounts receivable, and contract assets are presented after deducting allowances for doubtful accounts set up for trade notes and accounts receivable, and contract assets not settled in a short period of time.

Installment sales receivable is presented after deducting the relevant allowance for doubtful accounts and deferred profit on installment sales.

Equity securities with no market price and investments in capital are not included in available-for-sale securities or shares of affiliates. The amount of these financial instruments recorded as investment securities on the consolidated balance sheet at March 31, 2023 and 2022, were ¥3,840 million ($28,759 thousand) and ¥3,894 million, respectively, and the amount of these financial instruments recorded as investments in unconsolidated subsidiaries and affiliates on the consolidated balance sheet at March 31, 2023 and 2022, were ¥6,213 million ($46,532 thousand) and ¥7,362 million, respectively.

Investments in partnerships and other similar entities that are recorded on the consolidated balance sheet at net amount of equity interest are not included. The amount of these investments recorded as investment securities on the consolidated balance sheet at March 31, 2023 and 2022, were ¥7,395 million ($55,382 thousand) and ¥8,486 million, respectively.

Trade notes and accounts payable are omitted because most of them are due within one year and their carrying amounts approximate fair value.

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen		
March 31, 2023	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	**¥185,374**	**¥ —**	**¥ —**
Trade notes and accounts receivable, and contract assets	**216,213**	**38**	
Installment sales receivable	**22,182**	**23,546**	**4,781**
Total	**¥423,769**	**¥23,584**	**¥4,781**

	Millions of Yen		
March 31, 2022	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥182,645	¥ —	¥ —
Trade notes and accounts receivable, and contract assets	218,883	40	
Installment sales receivable	22,061	22,729	3,265
Total	¥423,589	¥22,769	¥3,265

	Thousands of U.S. Dollars		
March 31, 2023	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	**$1,388,254**	**$ —**	**$ —**
Trade notes and accounts receivable, and contract assets	**1,619,214**	**280**	
Installment sales receivable	**166,121**	**176,339**	**35,802**
Total	**$3,173,589**	**$176,619**	**$35,802**

(5) Matters Concerning the Breakdown of the Fair Value of Financial Instruments by Level and Other Items

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated by the market price of the asset or liability formed in the active market among observable inputs

Level 2 fair value: Fair value calculated by observable inputs excluding inputs of Level 1

Level 3 fair value: Fair value calculated by unobservable inputs

When multiple inputs that have a significant influence on the fair value calculation are used, the fair value is classified into the lowest priority level in the fair value calculation among the levels to which those inputs belong.

Financial instruments recorded on the consolidated balance sheet at fair value

	Millions of Yen			
	Fair Value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Available-for-sale securities:				
Equity securities	**¥21,001**	**¥—**	**¥—**	**¥21,001**
Total assets	**¥21,001**	**¥—**	**¥—**	**¥21,001**

	Millions of Yen			
	Fair Value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Available-for-sale securities:				
Equity securities	¥21,562	¥—	¥—	¥21,562
Total assets	¥21,562	¥—	¥—	¥21,562

	Thousands of U.S. Dollars			
	Fair Value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Available-for-sale securities:				
Equity securities	**$157,274**	**$—**	**$—**	**$157,274**
Total assets	**$157,274**	**$—**	**$—**	**$157,274**

Financial instruments other than those recorded on the consolidated balance sheet at fair value

	Millions of Yen			
	Fair Value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Trade notes and accounts receivable, and contract assets	**¥ —**	**¥216,028**	**¥—**	**¥216,028**
Installment sales receivable		**49,136**		**49,136**
Shares of affiliates:				
Equity securities	**5,805**			**5,805**
Total assets	**¥5,805**	**¥265,164**	**¥—**	**¥270,969**
Short-term loans	**¥ —**	**¥ 10,000**	**¥—**	**¥ 10,000**
Total liabilities	**¥ —**	**¥ 10,000**	**¥—**	**¥ 10,000**

	Millions of Yen			
	Fair Value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Trade notes and accounts receivable, and contract assets	¥ —	¥218,777	¥—	¥218,777
Installment sales receivable		46,956		46,956
Shares of affiliates:				
Equity securities	10,127			10,127
Total assets	¥10,127	¥265,733	¥—	¥275,860
Short-term loans	¥ —	¥ 15,000	¥—	¥ 15,000
Total liabilities	¥ —	¥ 15,000	¥—	¥ 15,000

	Thousands of U.S. Dollars			
	Fair Value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Trade notes and accounts receivable, and contract assets	**$ —**	**$1,617,824**	**$—**	**$1,617,824**
Installment sales receivable		**367,974**		**367,974**
Shares of affiliates:				
Equity securities	**43,476**			**43,476**
Total assets	**$43,476**	**$1,985,798**	**$—**	**$2,029,274**
Short-term loans	**$ —**	**$ 74,890**	**$—**	**$ 74,890**
Total liabilities	**$ —**	**$ 74,890**	**$—**	**$ 74,890**

Available-for-sale securities and shares of affiliates
Marketable equity securities are valued using the market prices. Since marketable equity securities are traded in active markets, their fair value is classified as Level 1 fair value.

Trade notes and accounts receivable, and contract assets
The fair value of these assets is determined using the discounted present value method based on the amount of the receivable, the period to maturity and the interest rate that takes into account credit risk for each receivable classified by certain time periods and is classified as Level 2 fair value.

Installment sales receivable
The fair value of installment sales receivable is determined using the discounted present value method based on the amount of the receivable, the period to maturity and the interest rate that takes into account credit risk for each receivable classified by certain time periods and is classified as Level 2 fair value.

Short-term loans
The fair value of short-term loans is determined using the discounted present value method based on the total amount of principal and interest and the interest rate that takes into account the remaining term of the debt and credit risk and is classified as Level 2 fair value.

17. REVENUE RECOGNITION

(1) Information about Disaggregated Revenues from Contracts with Customers

	Millions of Yen			
	2023			
	Retail Business Unit	Corporate Business Unit	Other	Total
Transportation income	**¥1,191,265**	**¥617,221**	**¥ 24,617**	**¥1,833,103**
Logistical support income	**3,352**	**259,526**		**262,878**
Others	**25,858**	**33,358**	**151,751**	**210,967**
Revenues from contracts with customers	**1,220,475**	**910,105**	**176,368**	**2,306,948**
Other revenues			**3,437**	**3,437**
Total	**1,220,475**	**910,105**	**179,805**	**2,310,385**
Internal segment revenues or transfers	**(2,563)**	**(47,597)**	**(7,773)**	**(57,933)**
Operating revenues by reportable segments	**1,217,912**	**862,508**	**172,032**	**2,252,452**
Intersegment revenues or transfers	**(323,338)**	**(16,455)**	**(111,991)**	**(451,784)**
Operating revenues from external customers	**¥ 894,574**	**¥846,053**	**¥ 60,041**	**¥1,800,668**

	Millions of Yen			
	2022			
	Retail Business Unit	Corporate Business Unit	Other	Total
Transportation income	¥1,144,359	¥598,306	¥ 50,968	¥1,793,633
Logistical support income	3,587	249,638		253,225
Others	28,184	33,023	171,975	233,182
Revenues from contracts with customers	1,176,130	880,967	222,943	2,280,040
Other revenues			4,583	4,583
Total	1,176,130	880,967	227,526	2,284,623
Internal segment revenues or transfers	(3,716)	(42,691)	(18,327)	(64,734)
Operating revenues by reportable segments	1,172,414	838,276	209,199	2,219,889
Intersegment revenues or transfers	(279,017)	(26,091)	(121,163)	(426,271)
Operating revenues from external customers	¥ 893,397	¥812,185	¥ 88,036	¥1,793,618

	Thousands of U.S. Dollars			
	2023			
	Retail Business Unit	Corporate Business Unit	Other	Total
Transportation income	**$ 8,921,327**	**$4,622,346**	**$ 184,354**	**$13,728,027**
Logistical support income	**25,104**	**1,943,574**		**1,968,678**
Others	**193,653**	**249,814**	**1,136,458**	**1,579,925**
Revenues from contracts with customers	**9,140,084**	**6,815,734**	**1,320,812**	**17,276,630**
Other revenues			**25,737**	**25,737**
Total	**9,140,084**	**6,815,734**	**1,346,549**	**17,302,367**
Internal segment revenues or transfers	**(19,200)**	**(356,450)**	**(58,207)**	**(433,857)**
Operating revenues by reportable segments	**9,120,884**	**6,459,284**	**1,288,342**	**16,868,510**
Intersegment revenues or transfers	**(2,421,460)**	**(123,230)**	**(838,699)**	**(3,383,389)**
Operating revenues from external customers	**$ 6,699,424**	**$6,336,054**	**$ 449,643**	**$13,485,121**

Notes: "Other" includes Yamato System Development Co., Ltd. (development of information systems), and Yamato Autoworks Co., Ltd. (collective vehicle management agent business for transportation companies).
Other revenues consist of transactions related to financial instruments included in the scope of ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," such as installment sales.

(2) Information that Provides a Basis for Understanding Revenue from Contracts with Customers

The same information as in Note 2, "Summary of Significant Accounting Policies" is omitted.

None of the contracts include significant financial elements or variable consideration, and the contractual consideration for services is generally received within 30–70 days from the time of revenue recognition. The contractual consideration for transportation services provided to individual customers in the Retail Business Unit is received at the time the parcel is accepted.

(3) Information about the Relationship between the Satisfaction of Performance Obligations under Contracts with Customers and Cash Flows from Such Contracts, and the Amount and Timing of Revenue Expected to be Recognized in Subsequent Periods from Contracts with Customers that Existed at the End of the Current Fiscal Year

Balance of receivables, contract assets and contract liabilities from contracts with customers

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers, beginning of fiscal year	**¥188,005**	¥178,323	**$1,407,959**
Receivables from contracts with customers, end of fiscal year	**185,549**	188,005	**1,389,571**
Contract assets, beginning of fiscal year	**4,689**	4,146	**35,115**
Contract assets, end of fiscal year	**4,794**	4,689	**35,899**
Contract liabilities, beginning of fiscal year	**12,887**	11,444	**96,511**
Contract liabilities, end of fiscal year	**14,264**	12,887	**106,820**

Contract assets are mainly recognized in TA-Q-BIN transactions and are recognized based on the estimated revenue from the progress of deliveries up to the end of the fiscal year. Contract assets are reclassified to receivables from contracts with customers when the consolidated subsidiary's rights to the consideration become unconditional.

Contract liabilities mainly relate to advances received from customers who have subscribed to the Kuroneko Member Discount program for TA-Q-BIN transactions. Contract liabilities are reversed upon the recognition of revenue.

Among the revenues recognized during the fiscal years ended March 31, 2023 and 2022, the amounts included in the opening balance of contract liabilities were ¥10,427 million ($78,091 thousand) and ¥9,558 million, respectively.

The amounts of revenue recognized in the fiscal years ended March 31, 2023 and 2022, from performance obligations satisfied in prior periods were immaterial.

Transaction prices allocated to remaining performance obligations

The Group applies the practical expedient in noting transaction prices allocated to the remaining performance obligations and does not include performance obligations with original expected contractual terms of one year or less and performance obligations for which the entity is entitled to receive consideration directly corresponding to the value to the customer of the portion of the obligation that has been performed by the entity to date. As a result, there were no significant performance obligations that should have been noted as the transaction price allocated to the remaining performance obligations.

The performance obligations with original expected contractual terms of one year or less mainly relate to TA-Q-BIN transactions in the Retail Business Unit.

In addition, there were no material amounts of consideration arising from contracts with customers that were not included in the transaction price.

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Unrealized gain on available-for-sale securities:			
Adjustments arising during the year	**¥ (304)**	¥ 10,727	**$ (2,274)**
Reclassification adjustments to profit or loss	**(1,970)**	(19,124)	**(14,757)**
Amount before income tax effect	**(2,274)**	(8,397)	**(17,031)**
Income tax effect	**51**	2,982	**387**
Total	**¥(2,223)**	¥ (5,415)	**$(16,644)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 2,143**	¥ 1,437	**$ 16,051**
Reclassification adjustments to profit or loss		(643)	
Amount before income tax effect	**2,143**	794	**16,051**
Income tax effect	**149**		**1,117**
Total	**¥ 2,292**	¥ 794	**$ 17,168**
Remeasurements of defined employees' retirement benefit plans:			
Adjustments arising during the year	**¥ 488**	¥ (1,528)	**$ 3,660**
Reclassification adjustments to profit or loss	**493**	(5,982)	**3,689**
Amount before income tax effect	**981**	(7,510)	**7,349**
Income tax effect	**(304)**	2,227	**(2,279)**
Total	**¥ 677**	¥ (5,283)	**$ 5,070**
Share of other comprehensive income of entities accounted for using equity method:			
Adjustments arising during the year	**¥ 1**	¥ 111	**$ 9**
Reclassification adjustments to profit or loss	**(55)**	(3)	**(416)**
Total	**¥ (54)**	¥ 108	**$ (407)**
Total other comprehensive income (loss)	**¥ 692**	¥ (9,796)	**$ 5,187**

19. EARNINGS PER SHARE

Basic earnings per share ("EPS") for the years ended March 31, 2023 and 2022, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2023	Profit Attributable to Owners of Parent	Weighted-average Shares	EPS	
Basic EPS—Profit attributable to common shareholders	**¥45,898**	**362,446**	**¥126.64**	**$0.95**
Year Ended March 31, 2022				
Basic EPS—Profit attributable to common shareholders	¥55,956	370,488	¥151.03	

20. SEGMENT INFORMATION

(1) Description of Reportable Segments

The Group identifies operating segments as components of entity for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors in order to make decisions about resources to be allocated to the segments and assess their performance.

Under the Company, which is the pure holding company, the Group manages business operations by customer segment and operates through group management structure consisting of the Retail Business Unit, which manages the Retail business that provides delivery services for individual customers and mid-to-small sized corporations, the Corporate Business Unit, which manages the Corporate business, the Global SCM business, and the EC business, that provide transportation services etc. for large corporations, and Other.

The Group defines the reportable segments as follows:

Retail Business Unit:	Delivery services for individual customers and mid-to-small sized corporations
Corporate Business Unit:	Transportation services for large corporations, planning and operation of logistics centers, customs services, air cargo agency services
Other:	Development and operation of IT systems, car maintenance services, sales of fuel, non-life insurance agency services, cargo vehicle transportation services

(2) Methods of Measurement for the Amounts of Segment Revenues, Segment Profit, Segment Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Segment Revenues, Segment Profit, Segment Assets, and Other Items

Millions of Yen

2023	Retail Business Unit	Corporate Business Unit	Other	Total	Reconciliation	Consolidated
Segment revenues:						
Segment revenues from customers	¥ 894,574	¥846,053	¥ 60,041	¥1,800,668	¥ —	¥1,800,668
Intersegment revenues	323,338	16,455	111,991	451,784	(451,784)	
Total segment revenues	¥1,217,912	¥862,508	¥172,032	¥2,252,452	¥(451,784)	¥1,800,668
Segment profit	¥ 32,298	¥ 13,138	¥ 13,901	¥ 59,337	¥ 748	¥ 60,085
Segment assets	788,000	181,737	142,259	1,111,996	(4,409)	1,107,587
Other:						
Depreciation and amortization	21,884	14,796	4,097	40,777	781	41,558
Investment in entities accounted for using equity method	768	4,309		5,077	4,312	9,389
Increase of tangible and intangible fixed assets	38,973	9,101	2,324	50,398	5,293	55,691

Millions of Yen

2022	Retail Business Unit	Corporate Business Unit	Other	Total	Reconciliation	Consolidated
Segment revenues:						
Segment revenues from customers	¥ 893,397	¥812,185	¥ 88,036	¥1,793,618	¥ —	¥1,793,618
Intersegment revenues	279,017	26,091	121,163	426,271	(426,271)	
Total segment revenues	¥1,172,414	¥838,276	¥209,199	¥2,219,889	¥(426,271)	¥1,793,618
Segment profit	¥ 44,464	¥ 17,178	¥ 16,559	¥ 78,201	¥ (1,001)	¥ 77,200
Segment assets	749,718	194,571	156,573	1,100,862	(14,007)	1,086,855
Other:						
Depreciation and amortization	17,538	13,265	3,812	34,615	909	35,524
Investment in entities accounted for using equity method	630	6,668		7,298	5,662	12,960
Increase of tangible and intangible fixed assets	56,587	12,066	7,246	75,899	2,673	78,572

Thousands of U.S. Dollars

2023	Retail Business Unit	Corporate Business Unit	Other	Total	Reconciliation	Consolidated
Segment revenues:						
Segment revenues from customers	$6,699,424	$6,336,054	$ 449,643	$13,485,121	$ —	$13,485,121
Intersegment revenues	2,421,460	123,230	838,699	3,383,389	(3,383,389)	
Total segment revenues	$9,120,884	$6,459,284	$1,288,342	$16,868,510	$(3,383,389)	$13,485,121
Segment profit	$ 241,881	$ 98,391	$ 104,103	$ 444,375	$ 5,599	$ 449,974
Segment assets	5,901,297	1,361,024	1,065,370	8,327,691	(33,022)	8,294,669
Other:						
Depreciation and amortization	163,887	110,808	30,685	305,380	5,845	311,225
Investment in entities accounted for using equity method	5,754	32,271		38,025	32,292	70,317
Increase of tangible and intangible fixed assets	291,866	68,157	17,408	377,431	39,637	417,068

Notes: "Other" includes Yamato System Development Co., Ltd. (development of information systems), and Yamato Autoworks Co., Ltd. (collective vehicle management agent business for transportation companies).

Reconciliations are as follows:

(1) Reconciliations of segment profit for the years ended March 31, 2023 and 2022, of ¥748 million ($5,599 thousand) and ¥1,001 million, respectively, include group-wide expenses that are not allocated to each reportable segment (general administrative expenses of the Company, which is a pure holding company) of ¥7,385 million ($55,308 thousand) and ¥10,384 million, and intersegment eliminations of ¥8,133 million ($60,907 thousand) and ¥9,383 million, respectively.

(2) Reconciliations of segment assets at March 31, 2023 and 2022, of ¥4,409 million ($33,022 thousand) and ¥14,007 million, respectively, include intersegment eliminations of assets and liabilities of ¥112,277 million ($840,837 thousand) and ¥108,626 million, and group-wide assets which are not allocated to each reportable segment of ¥107,868 million ($807,815 thousand) and ¥94,619 million, respectively.

(3) Reconciliations of investments in entities accounted for using equity method at March 31, 2023 and 2022, of ¥4,312 million ($32,292 thousand) and ¥5,662 million, respectively, are investments that are not allocated to each reportable segment.

(4) Reconciliations of increases of tangible and intangible fixed assets for the years ended March 31, 2023 and 2022, of ¥5,293 million ($39,637 thousand) and ¥2,673 million, respectively, are the Company's capital investment.

Segment profit is reconciled with operating profit in the consolidated statement of income.

Segment assets of the Retail Business Unit at March 31, 2023 and 2022, of ¥788,000 million ($5,901,297 thousand) and ¥749,718 million, respectively, include assets of the Transportation division and the Head Office division of Yamato Transport Co., Ltd. of ¥540,417 million ($4,047,156 thousand) and ¥524,780 million, respectively.

Increase of tangible and intangible fixed assets of the Retail Business Unit for the years ended March 31, 2023 and 2022, of ¥38,973 million ($291,866 thousand) and ¥56,587 million, respectively, include the amount of increase of the Transportation division and the Head Office division of Yamato Transport Co., Ltd. of ¥23,631 million ($176,969 thousand) and ¥36,936 million, respectively.

[Related Information about Reportable Segments]

(1) Information about Products and Services

Operating revenues from customers for the years ended March 31, 2023 and 2022, were as follows:

Millions of Yen

	TA-Q-BIN	Kuroneko DM-Bin	Other	Total
2023	¥1,357,419	¥52,856	¥390,393	¥1,800,668
2022	¥1,322,534	¥54,323	¥416,761	¥1,793,618

Thousands of U.S. Dollars

	TA-Q-BIN	Kuroneko DM-Bin	Other	Total
2023	$10,165,646	$395,836	$2,923,639	$13,485,121

(2) Information about Geographical Areas

The disclosure of operating revenues by geographical areas for the years ended March 31, 2023 and 2022, were omitted since operating revenues to external customers in Japan account for more than 90% of the amount of operating revenues in the consolidated statements of income.

The disclosure of property, plant and equipment by geographical areas at March 31, 2023 and 2022, were omitted since property, plant and equipment in Japan account for more than 90% of the amount of property, plant and equipment in the consolidated balance sheet.

(3) Information about Loss on Impairment of Long-Lived Assets by Reportable Segments

Loss on impairment of long-lived assets by reportable segments for the years ended March 31, 2023 and 2022, were as follows:

Millions of Yen

2023	Retail Business Unit	Corporate Business Unit	Other	Total	Eliminations or Group-Wide	Consolidated
Loss on impairment of long-lived assets	¥748	¥281	¥966	¥1,995	¥—	¥1,995

Millions of Yen

2022	Retail Business Unit	Corporate Business Unit	Other	Total	Eliminations or Group-Wide	Consolidated
Loss on impairment of long-lived assets	¥—	¥701	¥1,719	¥2,420	¥—	¥2,420

Thousands of U.S. Dollars

2023	Retail Business Unit	Corporate Business Unit	Other	Total	Eliminations or Group-Wide	Consolidated
Loss on impairment of long-lived assets	$5,604	$2,100	$7,234	$14,938	$—	$14,938

21. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

In January 2022, the Company sold 51% of the shares of Yamato Home Convenience Co., Ltd. As a result, Yamato Home Convenience Co., Ltd. was excluded from the scope of consolidation.

The assets and liabilities of Yamato Home Convenience Co., Ltd. at the time of sales and reconciliation between the selling price and the payment for sales of shares are as follows:

	Millions of Yen
	2022
Current assets	¥10,655
Long-lived assets	1,266
Current liabilities	(5,003)
Long-term liabilities	(467)
Investment account after sales of shares	(3,161)
Loss on sales of shares	(2,673)
Other	(617)
Selling price	
Incidental cost for sales of shares	(111)
Cash and cash equivalents	(7,202)
Net payment for sales of shares	¥ (7,313)

22. SUBSEQUENT EVENTS

a. Purchase and Retirement of Treasury Stock

At the meeting held on May 10, 2023, the Board of Directors of the Company resolved matters related to the purchase of treasury stock in accordance with the provisions of articles of incorporation of the Company pursuant to Article 459, Paragraph 1, item 1 of the Companies Act, and retirement of treasury stock in accordance with the provisions of Article 178 of the Companies Act.

(1) Reason for purchase and retirement of treasury stock

Improvement of capital efficiency and enhancement of return to shareholders

(2) Outline of matters related to purchase of treasury stock

Type of shares to be purchased: Common stock of the Company
Total number of shares to be purchased: Up to 22 million shares (Ratio against the total number of issued shares (excluding treasury stock): 6.06%)
(Note) The Company's shares held by BBT are not included in the above treasury stock.
Acquisition cost: Up to ¥ 50,000 million ($374,448 thousand)
Purchase period: From May 17, 2023 to February 29, 2024
Purchase method: Purchase through the market

(3) Outline of retirement of treasury stock

Type of shares to be retired: Common stock of the Company
Total number of shares to be retired: All of the treasury stock purchased through (2) above
Date of retirement: March 29, 2024 (planned)

b. Issuance of Bonds

At the meeting held on May 17, 2023, the Board of Directors of the Company resolved matters related to issuance of unsecured bonds with an inter-bonds pari passu clause (Green Bond) as follows:

Total issuance amount: ¥20,000 million ($149,779 thousand)
Amount per bond: ¥100 million ($749 thousand)
Issuance price: ¥100 ($0.75) per ¥100 ($0.75) of each bond
Interest rate: Up to the yield on Japanese government bonds with the remaining period equal to maturity of the bond plus 0.5%
Redemption method: Bullet maturity amortization
Maturity: 5 years
Date of issuance: July 6, 2023
Use of funds: Investment related to environment

c. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2023, was approved at the Company's Board of Directors meeting held on May 17, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥23 ($0.17) per share*	**¥8,343**	**$62,483**

* The total cash dividends approved at the Company's Board of Directors meeting held on May 17, 2023, include the dividends of ¥11 million($83 thousand) for the share of the Company held by "Board Benefit Trust (BBT)."

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yamato Holdings Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Yamato Holdings Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Valuation of Yamato Transport Co., Ltd.'s long-lived assets	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
The Group provides delivery and other logistics services. As described in Note 3 to the consolidated financial statements, as of March 31, 2023, the Group's main assets subject to accounting standards related to impairment of long-lived assets are tangible long-lived assets of ¥443,017 million and intangible long-lived assets of ¥43,759 million. Among these balances, tangible long-lived assets of ¥386,242 million, and intangible long-lived assets of ¥40,574 million are attributed to Yamato Transport Co., Ltd. ("Yamato Transport"), a consolidated subsidiary. As of March 31, 2023, there were indications that certain assets or asset groups of Yamato Transport and other subsidiaries may be impaired, and the Group recognized an impairment loss of ¥1,995 million. Yamato Transport grouped its four businesses of Retail, Corporate, Global SCM, and EC as the smallest cash flow generating units, and classified long-lived assets associated with the Transportation division and the Head Office division as common assets. Yamato Transport estimates the total undiscounted future cash flows for certain assets or asset groups with indications of impairment such as continuous operating losses, and compares the total undiscounted future cash flows per asset or asset group to their carrying amounts in order to determine whether any impairment loss should be recognized. The undiscounted future cash flows are estimated based on the future management plan approved by the Board of Directors. The future management plan includes significant assumptions, such as estimated forecast delivery unit prices and estimated future transaction volume. These estimates of delivery unit prices and transaction volume involve uncertainty because they can be affected by future changes in the market. While the delivery unit prices are significant assumption, they are based on past agreements with customers, and are relatively stable. However, the delivery volume involves high uncertainty because it is affected by the growth rate of the e-commerce ("EC") market and the economic environment. Therefore, we have identified the estimated delivery volume, a significant assumption used in estimating the undiscounted future cash flows that involve subjective judgment from the management, as a key audit matter.	Our audit procedures related to Yamato Transport's impairment assessment on its long-lived assets included the following, among others: We obtained an understanding of Yamato Transport's overall business environment through inquiry of the departments in charge and inspection of the minutes of the Board of Directors' meetings, management meetings, business execution meetings and other important approval documents. Our understanding included information on delivery unit prices, delivery volume, external delivery resources, unit commission expenses, number of employees, the circumstances of labor management, and internal transfer of services between divisions. We evaluated Yamato Transport's internal controls related to the estimation of total undiscounted future cash flows for assets or asset groups when there are impairment indications. Those controls include methods used by management to check the reliability and appropriateness of the data relating to profit and loss information of assets or asset groups and significant assumptions used, such as delivery unit prices and delivery volume, and the review and approval process of the accounting estimates by management at the appropriate levels. We tested the estimated undiscounted future cash flows for consistency by comparing the undiscounted future cash flows with the next fiscal year's budget and future management plan approved by the Board of Directors. In addition, we evaluated the accuracy of the estimates prepared by management by comparing the budgets and management plan from the previous years with the corresponding actual results. Regarding the delivery volume, which is the main variable factor included in the estimates based on the future management plan, we inquired with management regarding the correlation between the expected level for delivery volume and the pickup and delivery capacity as well as the status of negotiations with main customers regarding delivery volume. In addition, we compared the estimated delivery volume with available external data related to the total volume of domestic parcel delivery market, including market share, and recent delivery volume published by peer companies. We also conducted a trend analysis on the degree of growth for the overall delivery market based on the historical results.

	Furthermore, regarding the growth rate of the EC market and the economic environment, which could affect the delivery volume, we obtained audit evidence on consumption trends in the EC market, status of expansion of business scale of major customers and industry trends including those of competitor. We then examined whether the audit evidence obtained indicated an accounting estimate that differed from management's estimate.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC
August 7, 2023

Note: The original, signed Independent Auditor's Report is being stored at the Yamato Headquarters.

Financial Statements with Independent Auditor's Report