

# TRANSFORMATION PLAN

# “YAMATO NEXT100”

## —GRAND DESIGN—

Integrated Report 2019

# The Yamato Group's Important Role as a Part of Social Infrastructure

Since its founding in 1919, the Yamato Group has created a large number of services that were unprecedented in their time, starting with *TA-Q-BIN*. By doing so, the Group has established itself as a corporate group that serves as a crucial part of social infrastructure.

As we are in the midst of celebrating our 100-year anniversary, we are seeing significant changes occurring rapidly in our business environment, including the diversification of customer expectations and needs, the shift to EC (e-commerce) in various industries, a decline in the overall population, the deterioration of infrastructure in rural communities, a shrinking workforce, and climate change and resource shortages. To realize a sustainable society under these circumstances, it is becoming even more important for corporations to engage in the resolution of social and environmental issues.

As a corporate group that serves as a crucial part of social infrastructure, the Yamato Group will continue to confront social issues and create “new logistics ecosystems” that meet the needs of customers and society at large. In this way, we will realize sustainable growth and improve our corporate value as we work to continue to sustainably contribute to the creation of an enriched society, which is the goal laid out in our Management Philosophy.



## Contents

### MESSAGE FROM MANAGEMENT

- 02 Message from the President
- 08 Message from the Chief Financial Officer

### GROUP STRUCTURE

- 10 Business Structure
- 11 Organization

### THE STARTING POINT OF THE YAMATO GROUP AND ITS 100-YEAR HISTORY

- 12 The Yamato Group's Foundation—  
Yamato's Unchanging Beliefs: Core Values
- 14 The 100-Year History of the Yamato Group—  
A History of Innovation
- 20 The Yamato Group's Strengths—  
Long-Cultivated Competitive Edge

### YAMATO NEXT100

- 22 The Yamato Group's Business Environment
- 24 A Look Back at KAIKAKU 2019 for NEXT100
- 26 Work Style Reform to Implement  
"Inclusive Management"
- 28 Structural Reform in the Delivery Business
- 32 Reform of Revenue and Business Structure  
Geared to Achieving Discrete Growth
- 34 Performance Highlights
- 36 Management Structure Reform Plan  
"YAMATO NEXT100"

### ESG SECTION

- 44 The Yamato Group's ESG
- 46 Environmental Strategies for Realizing  
a Sustainable Society
- 49 Safety Measures to Support  
Business Continuity
- 51 Promotion of CSV in Cooperation with  
Local Communities
- 53 Corporate Governance
- 60 Efforts to Strengthen Group Governance
- 62 Directors / Audit & Supervisory Board  
Members / Executive Officers

### FINANCIAL SECTION

- 66 Ten-Year Summary and  
Business Highlights
- 68 Consolidated Balance Sheet
- 70 Consolidated Statement of Income
- 71 Consolidated Statement of  
Comprehensive Income
- 72 Consolidated Statement of Changes in Equity
- 73 Consolidated Statement of Cash Flows
- 74 Notes to Consolidated Financial Statements
- 97 Independent Auditor's Report

### COMPANY INFORMATION

- 98 Global Network
- 99 Corporate Data / Stock Information

#### Forward-Looking Statements

This integrated report contains forward-looking statements concerning Yamato Holdings' future plans, strategies, and performance. These statements represent assumptions and beliefs based on information currently available and are not historical facts. Furthermore, forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, customer demand, foreign currency exchange rates, tax laws, and other regulations. Yamato Holdings therefore cautions readers that actual results may differ materially from these predictions.

#### Editorial Policy

Having built up long-standing relationships of trust with all of its many and varied stakeholders, the Yamato Group discloses not only information of a legal nature but also information considered necessary for those stakeholders. The Yamato Group adopted the policy that such information shall be conveyed promptly and accurately as well as fairly and equitably. Conveying information, including that of a non-financial nature, on such aspects as management strategies, business overviews, and ESG activities, this integrated report is intended to deepen the reader's comprehensive understanding of the Yamato Group. Please visit our website for more detailed information.

## Message from the President



Since the fiscal year ended March 31, 2018, the Yamato Group has been gradually moving forward with a series of reforms. However, the Group must further pursue innovations in order to improve its corporate value over the medium to long term.

To that end, we have been gathering together the comprehensive strengths of the Group to embark on bold new challenges with the aims of meeting customer and social needs, realizing sustainable growth for the next 100 years, and contributing to the realization of a sustainable society.

### Yutaka Nagao

Representative Director,  
President and Executive Officer

## Celebrating Our 100-Year Anniversary

On November 29, 1919, Yamato Holdings was founded as Yamato Transport Co., Ltd. in the Ginza area of Tokyo. The year 2019 marked the Company's 100-year anniversary. The fact that we were able to celebrate such a significant milestone is due entirely to the support of those who have accompanied us throughout this journey, including our customers and employees, and for that I would like to offer my sincere gratitude.

At a time when packages were delivered by horse carriages and wagons, the Company's founder, Yasuomi Ogura, focused on the future potential of automobiles. Based on the firm belief that trucks would become the main means of cargo transportation, Ogura purchased four out of the only 204 total trucks that were in Japan at the time, and commenced the transport business.

In our 100-year history since establishment, three innovations have driven growth of the Yamato Group. The first came in 1929, when the Company commenced a regular delivery service between Tokyo and Yokohama, which was the first route-based delivery service in Japan. The second innovation was in 1976, when the Company launched the

TA-Q-BIN service. And the third is the promotion of "Value Networking" Design announced in 2013. We currently continue to provide new value to the corporate domain. What has supported our 100-year history is the spirit of innovation that we inherited from our founder as well as the Yamato Group's corporate philosophy centered on the Core Values, which was established by our founder and represents our origin, and the Management Philosophy, which sets out that the purpose of our business is to enrich society. By sharing these beliefs between our management and our frontline personnel as part of the Yamato DNA and engaging in business activities, we have been able to achieve sustainable development as a corporate group that plays a crucial role in today's society.

I believe that "delivery" has the capability to enrich people's lifestyles, and developing new "ways of delivery" and innovating them can bring about change in people's lifestyles and to society as a whole. The Group's mission is to contribute to the realization of an enriched society through innovating new "ways of delivery," as a social infrastructure company as stated in the Management Philosophy.

## Progress of Reforms

In recent years, the business environment surrounding the Yamato Group has been undergoing drastic change. Delivery amounts have been dramatically increasing following the rapid growth of e-commerce while labor supply and demand have been tightening. The fiscal year ended March 31, 2017 marked a significant turning point for the Group as our existing delivery systems faced a significant roadblock as a result of these changes. Furthermore, our customers and their needs are continuing to diversify, and it is becoming difficult to properly respond to these diverse needs through a uniform service such as TA-Q-BIN. In addition, Japanese society is facing such major issues as a declining population and a diminishing rural society, while the world itself is dealing with intensifying threats to its sustainability, including climate change and resource shortages.

Amid such changes in the business environment, we pushed ahead with reforms that will enable us to pursue a genuine shift to new frameworks and systems under the medium-term management plan "KAIKAKU 2019 for NEXT100" (hereinafter, "KAIKAKU 2019"), which we formulated in the fiscal year ended March 31, 2018. These reforms seek to ensure that our employees on the front lines are able to continue to work in an employee-friendly environment that offers rewarding experiences.

I believe we have made genuine accomplishments in regard to "Work Style Reform," which we have been

pursuing as a top priority under KAIKAKU 2019. We have shortened overall working hours and overtime hours for our employees, including sales drivers, by integrating methods to control working hours and introducing new working styles. We have also have seen an increase in the rate at which our employees take annual paid leave. In these ways, we are seeing steady improvements. Based on our Working Styles Awareness Surveys, which target all Group employees and are carried out on a regular basis, we have seen significant improvement in employee awareness in terms of providing employee-friendly working environments and rewarding experiences. At the same time, the survey indicated that a greater number of employees have the desire to continue working with the Yamato Group. While "Work Style Reform" will remain an important theme for us as we go forward, I feel we have already made great strides from the perspective of improving employee satisfaction.

The success we have had with the steady promotion of "Work Style Reform" can be attributed greatly to the results we have achieved with our concurrent promotion of "Structural Reform in the Delivery Business." In addition to establishing an improved pickup and delivery system through the employment of both sales drivers and "Anchor Cast" (drivers for early evening and night deliveries), we have enabled the design of optimal pickup and delivery routes through the introduction of digital operations in the day-to-day work of our sales drivers, thereby improving



## Message from the President

productivity. Also, we have steadily reduced the rate of absence during delivery by expanding customer contact points through efforts such as increased establishment of PUDO stations, which offer open-type parcel lockers.

I can say with confidence based on the initiatives we have been pursuing that digitalization is undoubtedly the key to realizing future growth. As we are expecting to see the use of e-commerce spread even further going forward, promoting digitalization represents a tremendous growth

opportunity for the Group as a whole. For example, if we are able to find out whether the customer receiving a package will be absent or not beforehand, then there is naturally no need to make a delivery. In the same sense, if we can use digital technologies to find out the status of the receipt of a package, then we will be able to optimize and enhance the efficiency of our operational design. This in turn will enable us to improve our pickup and delivery capacity without having to rely on additional manpower.

## Striving to Create a New Business Pillar

To realize sustainable growth for the next 100 years, the Yamato Group must establish a new business pillar to succeed the *TA-Q-BIN* business. To that end, we need to create new value and deliver that value to customers by maximizing the use of our management resources, including the Group's human resources, capabilities, and know-how we have cultivated thus far. One of the most important roles for me as president is to determine how we can allocate the Group's management resources in an optimum manner in a bid to achieve this aim.

Under KAIKAKU 2019, we have been pursuing "Reform of Revenue and Business Structure Geared to Achieving Discrete Growth." To accomplish this reform, we have focused our efforts on strengthening our ability to propose solutions that respond to the needs of the entire supply chain of our corporate clients and establishing new third-party logistics services so to speak. Our greatest competitive edge is our logistics functions that facilitate our *TA-Q-BIN* service, however if we consider these functions from the perspective of the entire supply chain, they lie solely in the downstream domain. If we draw on the Group's management resources of information technology (IT), logistics technology (LT), and financial technology (FT) to the greatest extent possible, we will be able to provide solutions throughout the entire supply chain, from downstream to upstream domains.

Although we have been promoting solution-based sales, we have yet to be able to expand beyond simply the

functions customers can use, such as *TA-Q-BIN*, storage services, and packaging. To overcome this issue, over the past three years we have been cultivating human resources who can identify issues across the entire supply chain of our customers, not issues specific to certain functions, and propose solutions to these issues accordingly. We have also taken steps to establish a structure for promoting account-based sales. In order to provide the best possible solutions to our customers, I believe it is imperative that we consolidate our management resources such as personnel and functions that have been spread across the operating companies within the Group. Guided by this belief, we commenced collaboration between our operating companies on a virtual basis in April 2019, which was followed by the start of full-scale operation of a new sales structure that integrates the corporate sales divisions of each Group company in October 2019.

To accelerate the provision of solutions that encompass the entire supply chain and grow such solutions into a new business pillar, we must not only strengthen our downstream logistics function but we must also work to reshape our management resources such as our networks and terminals, which make our logistics function possible, in a manner that is tailored to the solutions we provide. Furthermore, it is imperative that we continue to pursue innovation, such as revamping our management structure and promoting data-based strategies, if we are to offer the best possible solutions for our customers.

## Further Innovation for the Next 100 Years

In addition to "Structural Reform in the Delivery Business" and "Reform of Revenue and Business Structure Geared to Achieving Discrete Growth," we have been promoting "Reform of Group Management Structure Geared to Achieving Sustainable Growth" under KAIKAKU 2019, while also placing "Work Style Reform" at the center of our management. Although we have achieved a certain level of

results with "Work Style Reform" and "Structure Reform in the Delivery Business" thus far, amid the dramatic changes taking place in the social and economic environment, we have concluded that we must pursue even greater reform to our revenue and business structure as well as our Group management structure in order to contribute to an enriched society in the next generation. I personally feel that the issue

is that the Group itself has not sufficiently addressed the needs of its customers. Furthermore, the issue we must deal with in order to realize sustainable growth essentially boils down to the fact that under our current *TA-Q-BIN*-centered management structure, which includes our strategies, management systems, and organizational and corporate culture, we have been unable to respond to the expectations and needs of our customers and society at large. In reality, as the shift to e-commerce progresses rapidly on an industrial level, a uniform service such as *TA-Q-BIN* will not allow us to offer an appropriate response to corporate clients who wish to optimize their supply chain and e-commerce customers with diverse needs. Viewing our current management structure as the root of our issues, we have formulated “YAMATO NEXT100” as a grand design for restructuring our management over the medium to long term. Guided by this plan, the Yamato Group will continue to tackle social issues head on as a crucial part of social infrastructure, striving to create new logistics ecosystems that meet the needs of customers and society as a whole. By doing so, we will aim to continue to be a corporate group that is able to make sustainable contributions to the realization of an enriched society.

At the core of “YAMATO NEXT100” lies three design policies. The first design policy is to transform the Group’s management so that it can boldly address customer and social needs. Since our transition to a pure holding company in 2005, we have responded to each market under a structure that organizes Group companies by the service they provide. Under this holdings structure, we have had a certain level of success allocating management resources to develop businesses other than *TA-Q-BIN*. However, this success only ended up becoming proposals that are

optimized for specific functions, and we have not been able to make proposals that are optimized from the perspective of customers. In addition, under our layered organizational structure, it takes a considerable amount of time to make decisions. Furthermore, there have been instances where the decision-making of management has been delayed due to our inability to properly grasp the conditions of those working on the front lines. These are some examples of the demerits that have materialized under our current structure. Based on *YAMATO NEXT100*, we will take steps to revamp our existing management structure, transforming it into a structure that can boldly address the diverse needs of each customer, including retail, regional corporations, global corporations, and e-commerce platformers. We will also build management systems to help support this structure. Additionally, we will reduce the distance between management and our frontline personnel by dramatically simplifying our organization and thoroughly revising our operational procedures. Through these means, we will reclaim the strength of being able to carry out timely responses centered on the perspective of our customers.

The second design policy is to shift from our conventional management that has relied on experience and labor capacity to data-driven management. In the logistics industry, there remains a tendency to make decisions based on intuition and experience. Even for the Yamato Group, our *TA-Q-BIN* operations have relied heavily on the front lines, such as our branch offices and sales drivers, and this is something we must reflect on earnestly. For this reason, we will pursue digital transformation so that we can reduce the burden of administrative and indirect operations on the front lines and allow our sales drivers to focus more on our customers, thereby enabling them to offer the best possible service to



## Message from the President



our customers. This will involve digitalizing and enhancing the efficiency of and standardizing not only our *TA-Q-BIN* service but also our logistics operations as a whole. To that end, we will actively leverage AI in order to realize objective and scientific decision-making in the upstream domain on such matters as forecasting demand and business volume based on data analytics, allocating management resources, and determining pricing. By doing so, we will reduce the over burdening, waste, and inconsistencies that have occurred thus far.

The third design policy is to shift to management that creates new delivery methods by partnering with third parties, in addition to our current methods of delivery. In order to thoroughly digitalize the management resources and information that we have accumulated through *TA-Q-BIN* to meet the needs of our customers, we will pursue external partnerships so that we can evolve from our conventional approach of carrying out deliveries completely on our own. In this way, we will aim to achieve growth by creating an

open logistics infrastructure that puts the customer first.

Under these three design policies, we will improve our Groupwide productivity centered on *TA-Q-BIN*, which represents the foundation of our business, while at the same time investing management resources into our growth domains of e-commerce and logistics businesses for our corporate clients and providing optimal services and solutions to our customers. Through these means, we will strive to achieve further growth. To ensure the success of this plan, we clarified the specific actions we should undertake in order to address the 13 management challenges we face on a Groupwide level. Based on the three design policies, we will adopt a two-pronged approach of business transformation aimed at evolving our revenue structure and infrastructure transformation aimed at ensuring the success and sustainability of YAMATO NEXT100. We are already undertaking efforts to achieve these transformations over the next four years, focusing particularly on efforts we should key in on during the first two years of the reform plan.

## Revamping the Group's Management Structure

We will revamp the overall organizational structure of the Yamato Group, transitioning from our current structure that is optimized based on certain functions to a new structure that is optimized based on customer segments, with the aim of enhancing management speed. To this end, in April 2021 the current holding company, Yamato Holdings, will carry out absorption-type mergers and absorption-type company splits involving eight Group companies. By doing so, Yamato Holdings will adopt a business company structure comprising the four business divisions of Retail, Regional Corporate, Global Corporate, and EC (E-Commerce), and the four functional divisions of Transportation Network, Platform, IT, and Professional Service. In other words, we will adopt our “One Yamato” management structure. Each

functional division will oversee the development and operation of functions that provide the source of competitiveness in our business divisions. This includes optimizing our overall transport and delivery process, including our networks, offices, and vehicles; evolving the Yamato Digital Platform, the *Kuroneko Members* service, and other services; and reinforcing our IT capabilities and developing specialized IT personnel. In addition, the Professional Service Functional Division will streamline administrative, indirect, and procurement operations while working to establish thorough operational standards and improve our overall operational efficiency.

Under this new structure, we will continue efforts to fortify our corporate governance by maintaining management transparency and soundness and clarifying the separation



between management oversight and business execution, thereby improving our corporate value. We will also reduce the distance between management and the front lines and accelerate management decision-making. At the same time, we will clarify the scope of authority and responsibility. Through these reforms, we will build an organization in which our frontline personnel can focus better on our customers as we continue to implement “inclusive management.”

In every sense, the revamping of our management structure is a means for achieving our greater goal, which is to evolve our management so that it can boldly address customer and social needs. To ensure that our frontline personnel can provide services to our customers with a higher level of engagement, it is imperative that we realize a genuine transformation among employees in management positions and among the Company's top management as well.

## Promoting Sustainability Initiatives as Part of Our Management Strategy

Our development as a corporate group that serves as a crucial part of social infrastructure is thanks to the support of our stakeholders, and in light of this we have continued to maintain an awareness of our social responsibilities as we promote activities to earn the trust of all of our stakeholders. With the major environmental and social issues the world will face over the next 100 years, we believe it will become even more important for corporations to engage in such issues and resolve them. Based on this belief, we have positioned sustainability initiatives as one of our infrastructure transformations under “YAMATO NEXT100.” To strike a balance between achieving the sustainable development of society and sustainable growth of the Company, we determined two visions for our sustainability initiatives after deliberations that included the participation of our stakeholders. These are “Connect. Deliver the future via green logistics” and “Through co-creation and fair business activities, help create a society that leaves no one behind.” At the same time, we identified materiality (important issues) that we should address on a Groupwide level.

The aim of “Connect. Deliver the future via green logistics” is to establish connections between people, resources, and information in a highly sophisticated manner to increase the efficiency of transportation and provide delivery services that are better for the planet, our lifestyles, and the economy. To that end, we will contribute to realizing a strong, smart society by striving toward carbon neutrality, including

the introduction of electric vehicles and other low-carbon vehicles and the utilization of renewable energy, and creating business models based on sustainable resource use and consumption. Our other vision, “Through co-creation and fair business activities, help create a society that leaves no one behind,” includes the phrase “leaving no one behind,” which is the fundamental principle of the Sustainable Development Goals (SDGs). In order to create the kind of sustainable society that the world is aiming for, we will take the lead in striving to resolving various social issues through fair business activities and co-creation with a diverse array of partners. In addition to contributing to the achievement of decent work by establishing employee-friendly working environments, we will promote efforts related to protecting human rights, embracing diversity, and ensuring employee safety and peace of mind. Additionally, we will leverage data to create shared economic and social value as well as promote sound, resilient supply chain management and co-creation. At the same time, we will focus our efforts on creating communities that are both economically and emotionally enriched.

Going forward, under the sustainability visions we adopted for “YAMATO NEXT100,” we will advance specific efforts with a view to realizing the targets we have established for each materiality and resolving international issues highlighted by the Paris Agreement, the SDGs, and other global initiatives.

## Pursuing New Challenges in Our 101st Year

Our mission as an innovative company that invented the *TA-Q-BIN* service and serves a crucial part of social infrastructure is to offer sustainable new prosperity to society through the creation of new delivery methods. Guided by this mission, we must take drastic steps to transform ourselves so that we can meet the diverse needs of the

new generation and contribute to the realization of a sustainable society.

To innovate deliveries and move on to our next stage as a company, we will pursue transformation on a Groupwide basis with the determination to bring about a new Yamato Group.

February 2020



## Message from the Chief Financial Officer

Based on our new management transformation plan, YAMATO NEXT100, we will carry out the necessary investments to grow our business and improve our cost structure while pursuing further capital efficiency. In these ways, we will aim to improve corporate value over the medium to long term.

**Atsushi Kashimoto**

Executive Officer  
Responsible for Finance and  
Investor Relations Department



### Financial Strategy and Investment Aimed at Creating Future Cash Flows

Investment decisions are made based on whether or not they will increase corporate value over the medium to long term. Under our current medium-term management plan, KAIKAKU 2019 for NEXT100, we have focused on the appropriate execution of recurring investments for the maintenance and expansion of logistics networks, including land, buildings, and vehicles, as well as growth investments for “Work Style Reform” and digital innovation.

Under our new management transformation plan, YAMATO NEXT100, we are planning to make a total of ¥400.0 billion in investments over its four-year period, from the fiscal year ending March 31, 2021 through the fiscal year ending March 31, 2024. We are planning to dedicate this

amount to recurring investments aimed at maintaining and expanding our logistics networks, which include introducing electric vehicles and other low-carbon vehicles, as well as growth investments aimed at shifting toward data-driven management, which includes the digital transformation of our *TA-Q-BIN* service and construction of the Yamato Digital Platform. In addition to this ¥400.0 billion, we are also looking at the functions necessary for Group growth by M&A and alliances with third parties to expedite the speed.

These investments will serve to secure a stable revenue base for the *TA-Q-BIN* service which, coupled with growth in e-commerce and corporate domains as well as reforms to Groupwide cost structure, will lead to an improvement in medium to long term corporate value.

In terms of financial strategy, we will work to maintain and improve financial stability as a basic policy while also placing emphasis on capital efficiency. When making investments, we will engage in fundraising activities with an awareness of financial stability and efficiency. Further, we will strive to maintain our credit rating (AA-, Rating and Investment Information, Inc.) while keeping in mind an optimal capital structure from the perspective of financial stability.

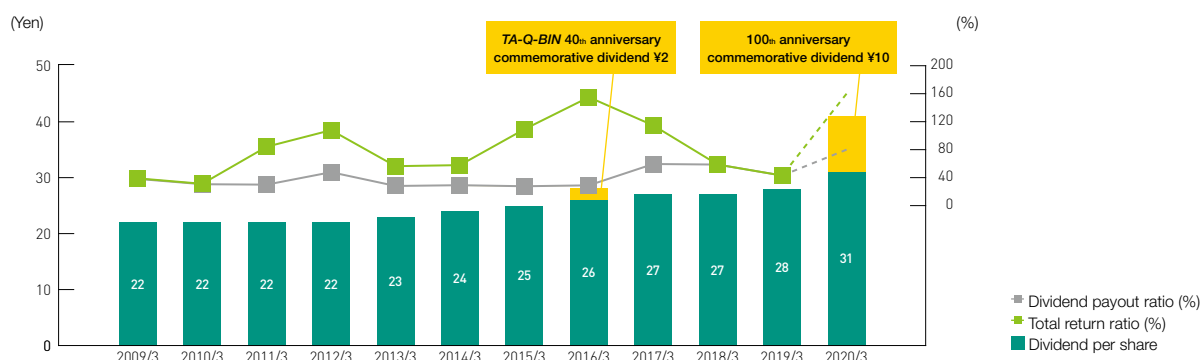
## Basic Stance on Capital Policies and Shareholder Returns

We will examine the timely implementation of appropriate capital policies aimed at achieving stable and flexible shareholder returns. These policies will be based on future growth potential and profitability of our businesses, financial soundness, investment progress, capital efficiency, and other factors. The key indicators for capital policies will be ROE of 10% or more, a dividend payout ratio of 30% or more, and a total return ratio of 50% or more (cumulative for the period from the fiscal year ending March 31, 2021 to the fiscal year ending March 31, 2024).

For the fiscal year ended March 31, 2019, we distributed annual dividends of ¥28 per share, with a payout ratio of 43.0%. On November 29, 2019, during the fiscal year ended March 31, 2020, the Company celebrated its 100-year anniversary. To show our appreciation to our shareholders, we are planning to add a commemorative ¥10 dividend to our regular dividend of ¥31 per share, for an annual dividend totaling ¥41 per share.

Furthermore, to enhance shareholder value, the Company decided to repurchase and cancel its treasury stock as a flexible capital policy in response to changes in the business environment. The Company will acquire up to 35 million shares of common stock (8.88% of total issued shares excluding treasury stock) with a total share acquisition price of up to ¥50.0 billion through market purchase during the period of February 6, 2020 to September 30, 2020. All shares acquired through this process will then be cancelled.

## Shareholder Return Results and Forecasts



## Improving Corporate Value over the Medium to Long Term

The Yamato Group has positioned ROE as a key indicator for improving shareholder value. We will strive to improve ROE by increasing profitability through optimizing the allocation of management resources and implementing growth strategies while remaining cognizant of an optimal capital structure.

At the same time, we will continue to strengthen corporate governance to achieve sustainable growth and a sustainable society. We will also promote Groupwide efforts to achieve the targets of our sustainability visions and materiality (important issues) laid out in “YAMATO NEXT100,” and in turn, create new value. In addition to disclosing such non-financial information in an honest and fair manner, reported from a medium to long term perspective, we also engage in active IR and SR initiatives that include maintaining constructive dialogues with shareholders and investors with the goal of improving corporate value.

# Business Structure

## Delivery Business



### ■ Delivery

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

## Non-Delivery Businesses



### ■ BIZ-Logistics

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



### ■ Home Convenience

In the Home Convenience Business, the Yamato Group is working to deliver greater convenience and comfort to the lives of customers through the provision of its lifetime lifestyle support services, including "Raku Raku Household TA-Q-BIN" service, which helps transport and set up large furniture and household appliances, and the "Comfortable Lifestyle Support" service, which works to reduce daily household inconveniences.



### ■ e-Business

In the e-Business, the Yamato Group helps customers streamline their business processes and solve potential issues by proactively developing the solution platform business, which combines logistics and financial technology with information technology.



### ■ Financial

In the Financial Business, the Yamato Group has been developing settlement and financial services tailored to a range of customer needs for payment collection of mail-order products, business-to-business transaction settlement, and vehicle leasing.



### ■ Autoworks

In the Autoworks Business, the Yamato Group develops services that improve the operating efficiency of customer assets through providing value in the form of "improving vehicle maintenance convenience" and "reducing maintenance expenses."



### ■ Other Services

The Yamato Group's Other Services segment provides box charter business, such as the JITBOX Charter service, and extensive shared services centered on the trunk-route transport business.

Composition  
Ratio of  
Operating  
Revenues

Operating Revenues

¥1,625.3 billion

79.8%

9.1%

2.1%

1.6%

4.9%

1.6%

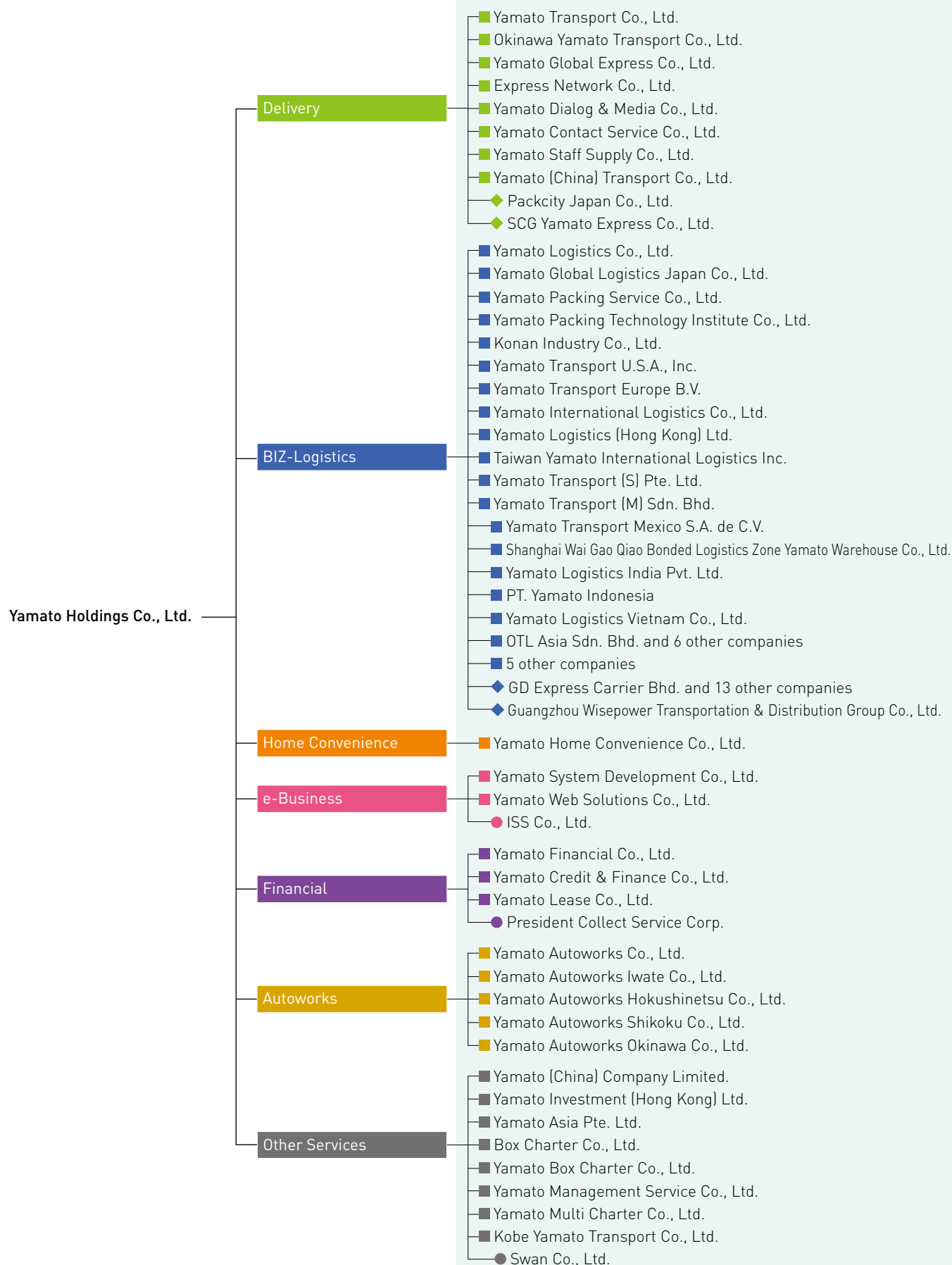
0.9%

(Year Ended March 31, 2019)

# Organization

As of March 31, 2019

■ Consolidated subsidiaries: 39 companies ● Non-consolidated subsidiaries: 20 companies  
◆ Equity-method affiliates: 17 companies





## The Yamato Group's Foundation

# Yamato's Unchanging Beliefs: Core Values

The Yamato Group's foundation lies in its Core Values, which serve as the spirit of the Group's founding and have remained unchanged since its establishment in 1931. Over the next 100 years, we aim to remain a corporate group that is trusted by stakeholders through the promotion of initiatives supported by our Group Corporate Philosophy, which was created based on our unchanging Core Values.

## Core Values

### 1. We all represent the Company.

This value represents the spirit of "inclusive management," whereby employees make decisions based on their own judgments and engage with our customers and business partners with an awareness that they represent the Company.

### 2. We connect our customers' hearts with every delivery.

This value defines deliveries as not simply the transportation of goods, but rather a chance for us to connect with our customers' hearts and offer them joy.

### 3. We conduct ourselves both professionally and ethically.

This value reflects the importance of ensuring that all our employees adhere to laws and regulations as members of society while conducting themselves in an ethical manner.

## Management Philosophy

Yamato helps enrich our society by enhancing our social infrastructure, creating more convenient services for evolving lifestyles and industries, and developing innovative logistics and distribution systems.





## Overview of Our Group Corporate Philosophy



### Management Philosophy

Our Management Philosophy serves as the purpose for operating our businesses and provides the direction toward which we should aim as a company.

### Corporate Stance

Our Corporate Stance serves as our promise to society and represents our basic approach that we constantly implement with the aim of realizing our Management Philosophy.

### Employee Code of Conduct

The Employee Code of Conduct lays out the ideal approach and mindset that all members of the Yamato Group should have as they engage in their daily work in accordance with the Management Philosophy and Corporate Stance.

## Yamato Corporate Philosophy

### Core Values

Our Core Values encapsulate our fundamental way of thinking and can be considered as the spirit of our founding. Within our Group Corporate Philosophy, we position these Core Values as the foundation of the Yamato Group.

To foster a high sense of ethics on a Groupwide basis and further instill the Group Corporate Philosophy among employees and encourage them to implement it in their daily work, we have made partial revisions to our Corporate Stance and Employee Code of Conduct, which serve as integral parts of our Group Corporate Philosophy. We are also promoting ethics training for all employees, among other efforts. For more details on such efforts, please see "Efforts to Strengthen Group Governance" on page 60. ► [P60 Efforts to Strengthen Group Governance](#)



## The 100-Year History of the Yamato Group

### A History of Innovation

From the time it was founded as a truck transportation company by Yasuomi Ogura in 1919 to the present day, the Yamato Group has continued to create unprecedented services that are needed by society. The Group's foundation throughout that history has been the beliefs incorporated within its Core Values, namely, the constant desire to continue to offer even better services for its customers and society at large. These beliefs, which have been a core part of the Group since its founding, have led to the success of the *TA-Q-BIN* service and have underpinned the Group's growth to date.

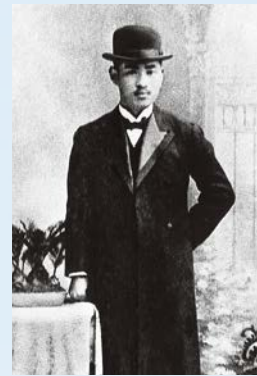
## The Inherited DNA of the Yamato Group

### Core Values

#### Incorporating the Founding Spirit within Our Core Values

Our Core Values, which were established by our founder Yasuomi Ogura in 1931 shortly after our founding, have always been considered something that should remain unchanged throughout our 100-year history. When it came to corporate management, Yasuomi Ogura believed that no matter how logically a business person ran a company, the efforts of each individual employee are the most important aspect of preventing that company's organization from becoming a mere formality and of having that company be accepted by society.

Personnel involved in our transport businesses work on their own individual routes on a daily basis, which means it can take a certain amount of time before the direction of the upper management is communicated to them. Yasuomi Ogura believed that the independence of each employee who places importance on the Core Values is could compensate for this time lag. He therefore took steps to spread awareness of the Core Values across the Company.



Company founder  
Yasuomi Ogura

### Inclusive Management

#### Inheriting the Spirit of Our Founding and Implementing "Inclusive Management"

The beliefs that Yasuomi Ogura incorporated into the Core Values were inherited by the second president of the Company, Masao Ogura—the inventor of *TA-Q-BIN*. Masao Ogura expressed "we all represent the Company," which is the first of our Core Values, in the words "inclusive management." This involves each employee thinking and acting using their own judgments in order to resolve the issues facing our customers and society as a whole. To firmly entrench the spirit of "inclusive management" within the Company, Masao Ogura valued communication and repeatedly conveyed corporate targets to employees both in speech and in writing.

After commencing the *TA-Q-BIN* service, the concept of "inclusive management" was put into practice primarily by our sales drivers, giving rise to products and services that originated from the front lines. "Inclusive management" is something that has been adopted in our current corporate culture and represents a significant strength of the Yamato Group.



*TA-Q-BIN* inventor  
Masao Ogura



# Realizing Continuous Growth by Innovation

2019/3

¥1,625.3 billion

## The 1st Innovation

Creating the first route-based, regular delivery service in Japan (1929–)

## The 2nd Innovation

Creating the TA-Q-BIN service (1976–)

## Efforts toward the 3rd Innovation

“Value Networking” Design (2013–Current)

Operating Revenues

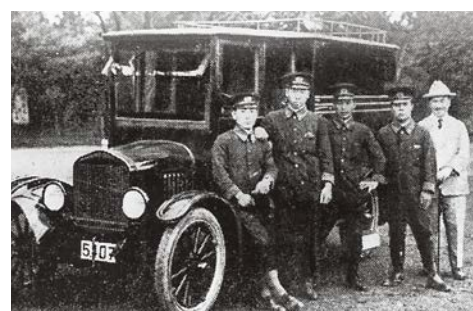
1920 1930 1940 1950 1960 1970 1980 1990 2000 2010 2019

## The Period of Our Founding

The Yamato Group was founded in 1919 as Yamato Transport. Yamato Transport commenced a truck transport service in the Ginza area of Tokyo that comprised four trucks. This represented the starting point for the Yamato Group, a corporate group that has leveraged new ideas to create unprecedented businesses and services.

### 1919 Founds Yamato Transport as a Truck Transportation Company with Four Trucks

In 1919, there were a total of 204 trucks in Japan, and four of those belonged to Yamato Transport, which was located in the Ginza area of Tokyo. This is how the story of the Yamato Group began. At a time when cargo transport via roads was primarily performed using horse carriages and wagons, the Group's founder Yasuomi Ogura accurately predicted the coming of an era that demanded speedy transport, and therefore began his pursuit of a truck transportation business.



A commemorative photo of founder Yasuomi Ogura and his truck drivers taken in front of a truck at the time of the Company's founding

### 1923 Concludes a Contract for the Transport of Products with Mitsukoshi Gofukuten



A special Mitsukoshi Gofukuten vehicle around 1935

In 1923, Yamato Transport commenced the transport of products after receiving a request from Mitsukoshi Gofukuten Co., Ltd. Until that time, Mitsukoshi Gofukuten conducted the majority of its deliveries using private automobiles. However, being impressed with Yamato Transport's low fares as well as the positive attitudes of its drivers and its high reliability as a corporation, Mitsukoshi Gofukuten made the decision to partner with Yamato Transport for the transport of products.



## The 100-Year History of the Yamato Group—A History of Innovation

### The 1st Innovation

Commencing the first route-based, regular delivery service in Japan

In 1929, Yamato Transport started the first route-based, regular delivery service in Japan. Soon after its launch, this service adopted the name *YAMATO-BIN*. Through this service, the Company realized growth by expanding its delivery network across the Tokyo metropolitan area and surrounding areas.

## 1929

### Commences the Route-Based, Regular Delivery Service between Tokyo and Yokohama



A pamphlet from the time the regular delivery service began

Yasuomi Ogura visited London in 1927, where he first came into contact with a transport company that conducted the regular transport of parcels from London to suburban cities via truck. This regular delivery service used horse carriages that would go around the city of London and collect parcels. People with parcels for transport would hang a sign on their homes during the times these horse carriages were making their rounds, and the horse carriage drivers would disembark the carriage and come to the entrance of these homes to

collect the parcels. Yasuomi Ogura believed that this system would be able to meet the demand for small-lot transport in Japan and change the way transport is conducted in the country. He therefore decided to create a similar route-based delivery network in Japan.

Yamato Transport designated tobacco stores and general stores as service points, and supplied them with yellow triangular flags with a red emblem illustrating a cherry blossom with the letter "Y" dyed on them. The stores would hang these flags outside when they had parcels that needed to be transported. Based on this system, Yamato Transport commenced the regular delivery service between Tokyo and Yokohama in 1929, which represented the first route-based delivery service in Japan. By the end of 1935, Yamato Transport had expanded its delivery network to encompass the entire Kanto region.



Triangular flag with an emblem displaying a cherry blossom with the letter "Y"

### Faces a Management Crisis Due to the Delay in Entering the Long-Distance Transport Route between Tokyo and Osaka

## 1960

Yamato Transport received a license to operate along the Tokaido route and began transport operations between Tokyo and Osaka in 1960. This was several years later than many of the Company's competitors. Until that time, Yasuomi Ogura determined that the maximum distance for transport should be 100 km based on route conditions and truck performance, and Yamato Transport therefore focused on short-distance transport within the Tokyo metropolitan area and surrounding areas. However, as the times changed, progress was made in terms of road maintenance, and the performance of trucks had also improved.

When Yamato Transport finally made its entrance onto long-distance routes, numerous other companies had already concluded contracts with business operators on these routes. The Company endeavored to increase its parcel amounts, but with its low unit price, profits soon deteriorated. The Company's performance dropped to record a loss. Changing course from the prosperous road it had thus far traveled, Yamato Transport was faced with a serious management crisis.



Advertisement from the time when the Company began operating on the route between Tokyo and Osaka

**1931**  
Formulates the Core Values

**1935**  
Completes network for regular deliveries across the Tokyo metropolitan area and surrounding areas

**1936**  
Changes name of its fixed-route delivery service to *YAMATO-BIN*

**1947**  
Establishes Echizenbori Workshop and starts packing and shipping service of household goods and furniture for United States military personnel

**1949**  
Lists on the Tokyo Stock Exchange  
Receives license to operate a freight forwarding business and begins this business the following year

**1950**  
Obtains customs broker license from Tokyo Customs and commences the customs clearance business

**1951**  
Concludes an agent contract with C.A.T. (Civil Air) Taiwanese Airlines Corporation and starts the handling of air freight

**1952**  
Commences the handling of marine freight

**1957**  
Receives permission to use the cat trademark from Allied Van Lines Inc. and adopts and begins use of the mother cat and kitten as its logo



Establishes Yamato Shoji Co., Ltd. (currently Yamato Autoworks Co., Ltd.)

**1958**  
Commences the packing and shipping of artworks

**1961**  
Starts the handling of mixed freight for domestic airlines

**1968**  
Sends first employee on an overseas dispatch to New York City



## The 2nd Innovation

### Creating of the TA-Q-BIN service

The launch of *TA-Q-BIN*, a new service that handled small-lot parcels, in 1976 was a major reversal from the conventional way of thinking in the transport industry at the time, which was that transporting large-lot parcels all at once was the most logical approach. With an idea and a system that was truly ahead of its times, the *TA-Q-BIN* service brought about new trends in the logistics and transport industries one after another.

1972

Begins employing female drivers (five at the Fukuoka Branch)

1973

Establishes Yamato System Development Co., Ltd.

1974

Commences operation of the NEKO Total System (The First NEKO System)

1979

Commences formal operation of the *TA-Q-BIN* service on Sundays and holidays

1980

Introduces barcodes for *TA-Q-BIN* invoices  
Begins operation of the Second NEKO System (*TA-Q-BIN Online*)

1981

Completes the first prototype for a new *TA-Q-BIN* pickup and delivery (Walkthrough 1-Ton Vehicle)

1982

Changes trade name to Yamato Transport Co., Ltd.

Launches the *International TA-Q-BIN* service

1984

Launches the *Golf TA-Q-BIN* service

1986

Establishes Yamato Collect Service Co., Ltd. (currently Yamato Financial Co., Ltd.)  
Launches the *Collect* service

1987

Launches the *UPS TA-Q-BIN* service

1988

Launches the *Cool TA-Q-BIN* service  
Commences night delivery services for *TA-Q-BIN*

1989

Launches the *Airport TA-Q-BIN* service

## 1976 Creates the TA-Q-BIN Service



A pamphlet from the time the *TA-Q-BIN* service was launched

### Guidelines for *TA-Q-BIN* Development

- (1) Consider aspects from the consumer's point of view
- (2) Regard *TA-Q-BIN* as a lasting and developmental system
- (3) Maintain a uniform standard of service that is better than others
- (4) Target an unspecified number of shippers or cargo
- (5) Rationalize thoroughly

Masao Ogura, who was appointed as president in 1971, pursued an investigation into why the Company's profits were low. Through his investigation, he realized that the conventional way of thinking in the transportation industry—which was that small-lot-parcels were a burden to pick up and deliver and could not realize appropriate levels of profitability, and that it was more logical to transport large-lot parcels all at once rather than transporting small-lot parcels multiple times—was flawed. Masao Ogura was confident that, since the unit price per kilogram for small-lot-parcels was high, substantial revenues could be generated if the Company were to handle these parcels in large amounts. Guided by this belief, he proposed "Important Guidelines for *TA-Q-BIN* Development" in-house in the summer of 1975. These important guidelines, which are listed on the left, became the basic approach of the development of the *TA-Q-BIN* service. Guided by this approach, members from various divisions of the Company gathered together to form working groups. These groups hammered out the specific details of the *TA-Q-BIN* service.

Through these efforts, the *TA-Q-BIN* service was launched on January 20, 1976, as a concept service that entailed making only one phone call to have a parcel picked up and delivered the next day.

## 1983 Launches Ski TA-Q-BIN

*Ski TA-Q-BIN*, launched in 1983, was the first product that added value to the *TA-Q-BIN* service. *Ski TA-Q-BIN* originated in the apple-producing area of Nagano, where the amount of shipments was extremely small after the apple season was over. A local employee's attention was attracted by a group of skiers walking while carrying bulky skies—this was a time in Japan when the number of skiers was increasing. From the local employee's idea for new shipments that would allow customers to enjoy time at the ski resorts unencumbered by their skis, *Ski TA-Q-BIN* started as the first product to link *TA-Q-BIN* and a leisure activity.



*Ski TA-Q-BIN* delivery at the time the product was launched

## The 100-Year History of the Yamato Group—A History of Innovation

1992

Starts the *TA-Q-BIN Time* service

1995

Establishes the Yamato Transport Corporate Philosophy

1996

Starts operation of regular delivery services during the year-end and New Year's holidays, thus realizing operation on a 365-days-a-year basis

Begins *Kuroneko Mail-Bin*

Redesigns delivery notification forms to have indented edges on both sides to make them more accessible

1998

Commences the *Time Zone TA-Q-BIN Delivery* service  
Launches the *Round Trip TA-Q-BIN* service

2000

Makes genuine entrance into the third-party logistics ("3PL") business

2002

Starts the *TA-Q-BIN E-Mail Notification* service  
Begins *SD Direct Communication* service (currently the *Driver Direct* service)

2005

Starts *TA-Q-BIN Collect*, a comprehensive payment settlement service for mail-order dealers  
Changes corporate name from Yamato Transport Co., Ltd. to Yamato Holdings Co., Ltd. following the transition to a pure holding company

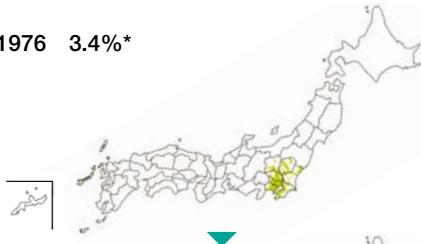
2008

Establishes Yamato Logistics Co., Ltd.

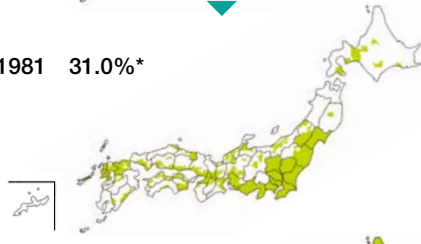
1997

### Completes a Nationwide Network for the *TA-Q-BIN* Service

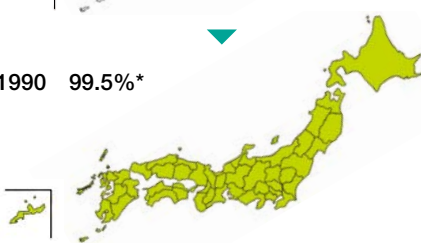
1976 3.4%\*



1981 31.0%\*



1990 99.5%\*



\* Area ratio

In 1981, five years after the launch of the *TA-Q-BIN* service, the Company's network had grown to cover 31% of mainland Japan, with an annual volume of approximately 30 million parcels. Meanwhile, the Company received daily requests from customers living outside its service areas to expand coverage.

Masao Ogura's original vision for *TA-Q-BIN* before its launch was for it to be a service that could handle parcels from all over the country and deliver them to any location.

However, what stood in the way of realizing this vision was the issue of route licenses. When Yamato Transport submitted applications for such licenses with the Ministry of Transport (now part of the Ministry of Land, Infrastructure, Transport and Tourism), the Company was met with opposition from local transport companies and dealt with delays within the Ministry of Transport in the processing of its applications. This made it difficult for the Company to receive the licenses it needed. Throughout this process, Masao Ogura made countless appeals for the *TA-Q-BIN* service, explaining that it is a service that

benefits consumers and not one that aims to take business away from local transport companies.

In this way, the Company battled with regulations while forming partnerships with local route operators and purchasing rights to operate on local routes, thereby expanding its service area. In November 1997, the Company completed its nationwide network for *TA-Q-BIN* with the commencement of service in the Ogasawara Islands (Chichijima and Hahajima).

2007

### Starts *Kuroneko Members*—A Members-Only Service for Individual Customers

With the start of the *Time Zone TA-Q-BIN Delivery* service in 1998 and the *TA-Q-BIN E-Mail Notification* service in 2002, the Company pursued efforts to improve convenience for not only the people sending parcels but also the people receiving them. In 2007, the Company started the *Kuroneko Members* service, thereby making it even more convenient and easier for customers to use the *TA-Q-BIN* service.

In 2010, the Company commenced the *Kuroneko Members Designated Receiving TA-Q-BIN* service, which allows customers to select their desired receipt time as well as the method of receipt. Through this service, the Company shifted its support from "home delivery" to "personalized delivery," in accordance with the changing and diversifying lifestyles of customers.

For its service going forward, the Company aims to further improve convenience for its customers in such ways as promoting receipt of parcels at open-type parcel lockers (PUDO\* Stations), which are set up across the country, and making it possible for customers to set delivery dates and receive delivery notifications via social media.



A *Nekomit* terminal at a store, which allows customers to print invoices

\* Pick Up &amp; Drop Off

## Efforts toward the 3rd Innovation “Value Networking” Design

The Company has opened *gateways* and other new locations such as *Haneda Chronogate*, a comprehensive logistics terminal that connects Japan with countries overseas. In this manner, the businesses of the entire Yamato Group are moving forward into a new era.

### 2010

Starts the *TA-Q-BIN* service in Singapore and Shanghai

### 2011

Starts the *TA-Q-BIN* service in Hong Kong  
Starts the *TA-Q-BIN* service in Malaysia

### 2012

Begins *Yamato Business Members*, a members-only service for corporations  
Starts the *Total Logistics Support* service for medical equipment manufacturers

Completes construction of *Atsugi Gateway*

### 2015

Abolishes *Kuroneko Mail-Bin*  
Launches *TA-Q-BIN Compact*, *Nekopos*, and *Kuroneko DM-Bin*  
Commences combined passenger-cargo operations, which transports *TA-Q-BIN* via bus routes  
Establishes *Southern Gate*, a global logistics center in Okinawa

### 2016

Completes construction of *Chubu Gateway*  
Establishes PUDO Stations, which are open-type parcel lockers

Acquires PAS1018, an international standard for small-lot, chilled, and frozen delivery services  
Commences *TA-Q-BIN* business in Thailand

### 2019

Completes construction of *Tokyo Global Logi Gate*  
Commences joint trunk-route transport using the Super-Full Trailer SF25  
Jointly develops Japan's first small-sized, commercial electric truck that specializes in home delivery  
Successfully implements a functional verification test for the introduction of transport services that utilize electric vertical-takeoff-and-landing (eVTOL) freight aircraft

## 2013 Announces the “Value Networking” Design

In 2013, the Yamato Group announced the “*Value Networking*” Design. The reasons for this announcement were the significant changes occurring in the environment that surrounds the logistics industries, including the declining workforce in Japan, the rapid expansion of e-commerce, the progression of AI and digital technologies, which have impacted all kinds of industries, and the transition to borderless logistics. To shift the focus of logistics from “cost management” to “value generation” and to provide support not only to individual customers but also to corporate clients so that they can improve their productivity and international competitiveness in various business settings, the Company is pursuing efforts to reform the logistics operations of an even greater range of customers.

### Begins Operations at the Comprehensive Logistics Terminal *Haneda Chronogate*

In 2013, operations commenced at *Haneda Chronogate*, which represents the Yamato Group's largest logistics terminal. *Haneda Chronogate* is located near important land, marine, and air terminals and serves as a base for swiftly connecting Japan with overseas countries, handling such tasks as customs clearance, customs bonding, and shipping. In addition, *Haneda Chronogate* actively serves as a location for providing value-added services that require speed, such as the cleaning and maintenance of medical equipment, and product assembly and repair.



*Haneda Chronogate*

## 2017 Commencing Operations of Three Gateways with the Opening of *Kansai Gateway*



*Kansai Gateway*

In November 2017, the Company commenced full-scale operations of *Kansai Gateway* in the Kansai region, which represents the economic and industrial center and largest consumer market of western Japan. By doing so, the Company realized frequent trunk-route transportation between the *Kanto*, *Chubu*, and *Kansai* gateways, which in turn has made it possible to offer customers logistics solutions for the management issues they face, including the integration of inventory storage locations and the adjustment of product inventories.

## November 2019 Marks 100-Year Anniversary of Company's Founding



## Yamato Group's Strengths

# Long-Cultivated Competitive Edge

The Yamato Group has cultivated a unique and powerful competitive edge throughout the 100 years since its founding, and since the birth of the *TA-Q-BIN* service 43 years ago. As the Group moves forward, it will leverage this competitive edge to create new value for its customers, thereby realizing sustainable growth.

### Competitive Edge 02

## Robust Logistics Network and Touchpoints

### Competitive Edge 01

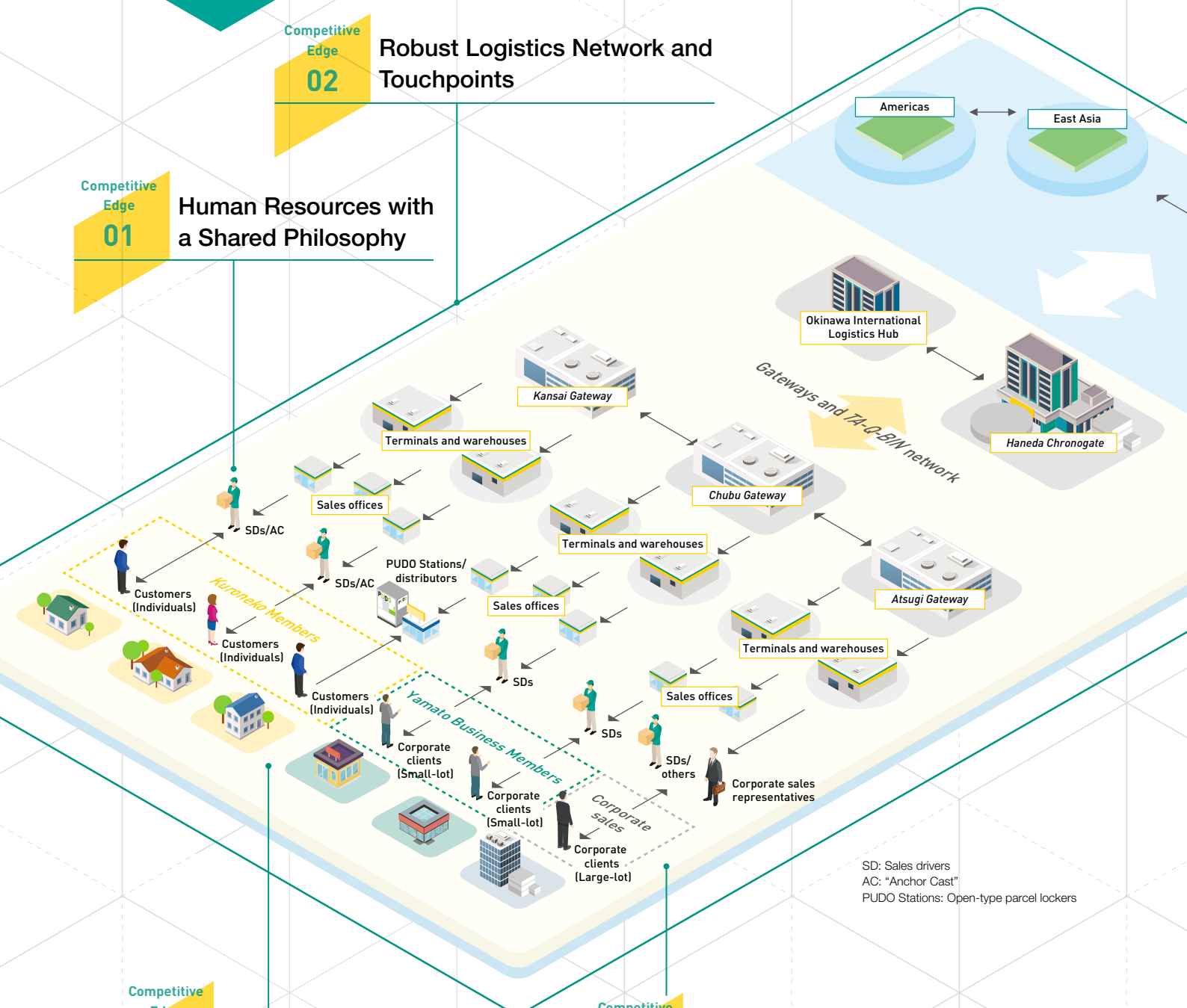
## Human Resources with a Shared Philosophy

### Competitive Edge 04

## Unique Big Data

### Competitive Edge 03

## Vast Customer Base and Abundant Customer Contact Points



## Competitive Edge 01



### Human Resources with a Shared Philosophy

Our human resources share a common philosophy, and work to provide services that make each and every customer happy. At the same time, we gather customer requests and concerns and leverage them to provide solutions and help resolve local issues.

Sales Drivers

Approx. **60,000**

Corporate Sales Representatives

Approx. **450**

Anchor Cast

Approx. **6,500**

Total Employees

Approx. **229,000**

## Competitive Edge 02



### Robust Logistics Network and Touchpoints

Drawing on our nationwide logistics network, we make effective use of innovative core terminal and overseas cross-border networks in order to provide added value unique to the Yamato Group.

Domestic Network and Touchpoints

Approx. **70** terminals / Approx. **4,000** offices /

*Haneda Chronogate* / *Atsugi, Chubu, and Kansai gateways* /

*Okinawa International Logistics Hub*

**Over 100 warehouses** (approx. 30 integrated into terminals) / **Approx. 55,000 vehicles** /

**Approx. 180,000 TA-Q-BIN distribution centers** /

**Approx. 4,900 PUDO Stations**

Overseas Network

**24** countries and regions /

**8 PAS1018\*-certified companies** (including two domestic companies)

\* International standard for refrigerated parcel delivery services

## Competitive Edge 03



### Vast Customer Base and Abundant Customer Contact Points

We utilize our vast customer base and abundant customer contact points, cultivated through TA-Q-BIN and a variety of other services, to provide customer solutions and help resolve local issues.

Corporate Clients

Approx. **1** million companies

Individual Customers and Contacts

Approx. **5** million transactions per day

## Competitive Edge 04



### Unique Big Data

We make use of a variety of cargo-related and other information acquired through our transport and delivery services to create new value, enhance services for our customers, and improve work productivity.

*Kuroneko Members*

Approx. **32** million

*Yamato Business Members*

Approx. **1.1** million

Note: Figures as of September 2019



## The Yamato Group's Business Environment

The business environment surrounding the Yamato Group is experiencing significant and rapid changes. Carrying out business activities in a similar manner as we have in the past will not lead to sustainable growth. Moreover, as a company that serves as a crucial part of social infrastructure, the Group must reinforce its initiatives for realizing a sustainable society in order to address social issues, which are becoming increasingly critical. Based on the awareness of the following social issues, the Group will pursue further reform of its management structure.



**Diversification of customer needs**



**Rapid growth of EC market**



**Declining population & decaying regional infrastructure**



**Declining working population**



**Climate change and resource scarcity**

## Challenges for the Yamato Group



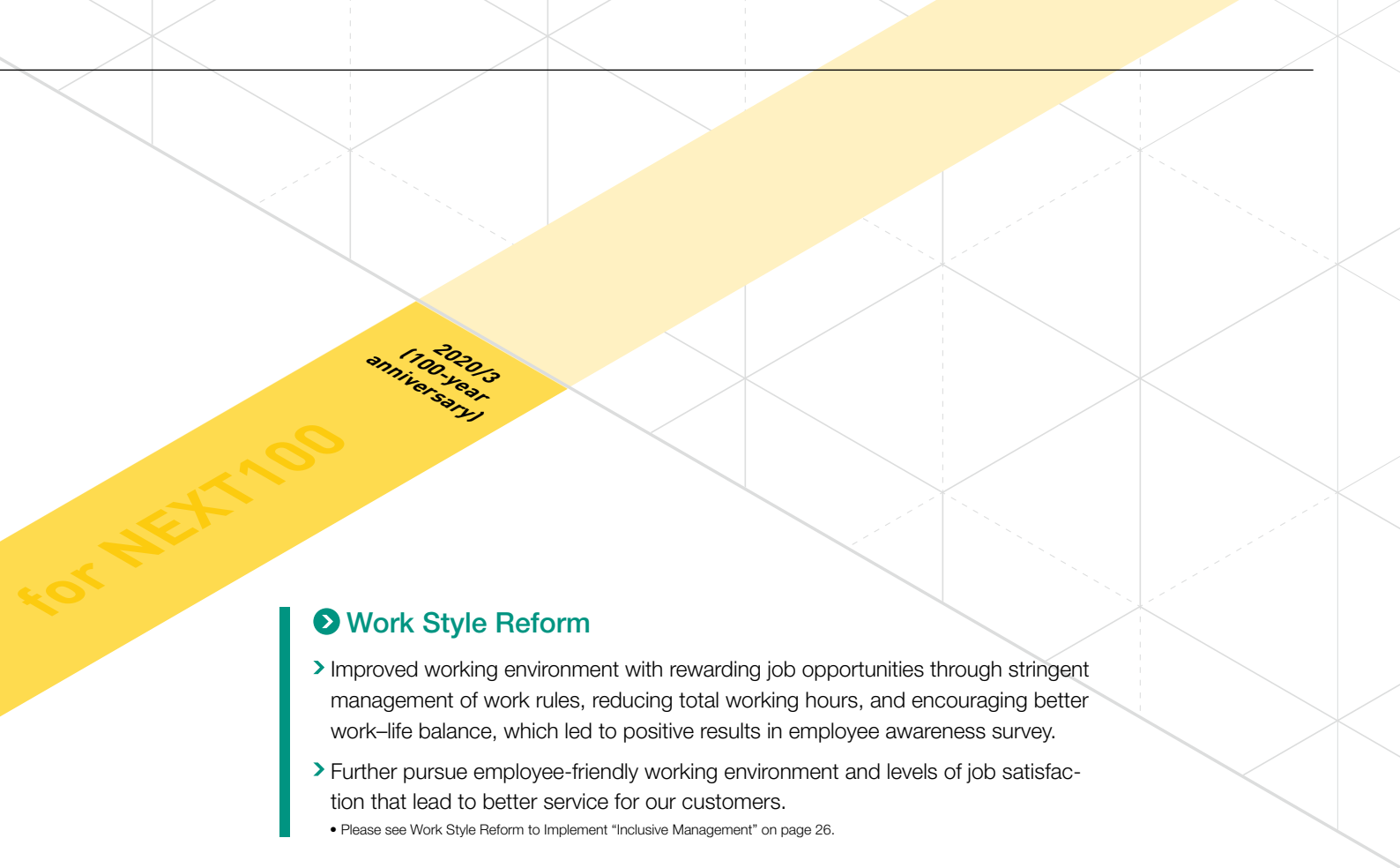
- ▶ **Deepen the understanding of customers to create new services in addition to diversifying package delivery method**
- ▶ **Actively position Yamato at the forefront of the rapidly growing EC market, in view of opportunity for high growth. To that end, restructure management structure and shift to data-driven management**
- ▶ **Build a supply chain as regional infrastructure to contribute to the sustainability of local communities in which Yamato is deeply rooted**
- ▶ **Achieve “minimal workforce personnel in response to growing workload” through thorough mechanization**
- ▶ **Fulfill responsibilities for sustainability as a crucial part of social infrastructure**

## A Look Back at KAIKAKU 2019 for NEXT100

The Yamato Group moved forward with its three-year medium-term management plan, “KAIKAKU 2019 for NEXT100,” which concludes in the fiscal year ending March 31, 2020, the 100th anniversary of its founding. With the aim of reinforcing our management foundation that will allow us to realize sustainable growth we pursued three reforms: “Structural Reform in the Delivery Business,” “Reform of Revenue and Business Structure Geared to Achieving Discrete Growth,” and “Reform of Group Management Structure Geared to Achieving Sustainable Growth,” while also placing “Work Style Reform” at the center of management. We are now beginning to notice the results and issues through these reforms.

### KAIKAKU 2019 for NEXT100





## ➤ Work Style Reform

- Improved working environment with rewarding job opportunities through stringent management of work rules, reducing total working hours, and encouraging better work-life balance, which led to positive results in employee awareness survey.
- Further pursue employee-friendly working environment and levels of job satisfaction that lead to better service for our customers.

• Please see Work Style Reform to Implement "Inclusive Management" on page 26.

## ➤ 01 Structural Reform in the Delivery Business

- Promoted adequate pricing initiatives, delivery capacity redevelopment and growth initiatives such as strengthening corporate sales enhancing and sorting system.
- Advancing toward recovery with delivery amount. There is certainly room for further improvement in productivity of sorting and administrative work as well as the "Last Mile Network." Pursue drastic increase in productivity through digitalization and robotics under YAMATO NEXT100.

• Please see Structural Reform in the Delivery Business on page 28.

## ➤ 02 Reform of Revenue and Business Structure Geared to Achieving Discrete Growth

- Promoted account management in solution sales for a corporate logistics business, which included the integration of sales organizations within the Group. However, need more time for concrete outcomes.
- Aim for growth through customer-oriented logistics solution under YAMATO NEXT100 by combining the Group's management resources for a corporate logistics business.

• Please see Reform of Revenue and Business Structure Geared to Achieving Discrete Growth on page 32.

## ➤ 03 Reform of Group Management Structure Geared to Achieving Sustainable Growth

- Reexamined essential management issues and moved certain items into execution phase.
- Pursue drastic transformation under YAMATO NEXT100 to increase corporate value.

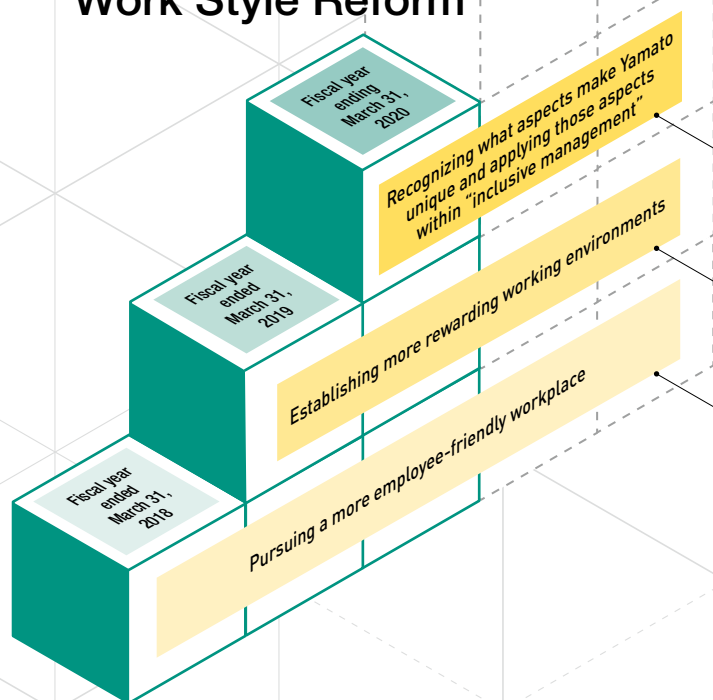
• Please see Management Structure Reform Plan YAMATO NEXT100 on page 36.

KAIKAKU 2019 for NEXT100

# Work Style Reform to Implement “Inclusive Management”

The Yamato Group has made “Work Style Reform” a top priority in order to continue to provide high-quality services. To that end, we are creating even more employee-friendly and rewarding working environments across the entire Group as part of our approach toward implementing “inclusive management” — a Yamato Group founding principle. At the same time, we have joined the White Logistics Movement and are promoting efforts to improve the logistics industry as a whole together with our business partners and other relevant parties. In these ways, we aim to realize the sustainable growth of the Group and society.

## Progress and Results of “Work Style Reform”



## Targets and Major Initiatives in Each Fiscal Year

### Fiscal year ending March 31, 2020

Concentrated on improving certain areas where working environments were not up to sufficient standards while at the same time promoting efforts to maximize “individual capabilities” and invigorate communication between employees

### Fiscal year ended March 31, 2019

Accelerated reforms to our organization and personnel systems, including the introduction of “Anchor Cast” and a system for transitioning to permanent employee contracts, with a view to establishing new working styles

### Fiscal year ended March 31, 2018

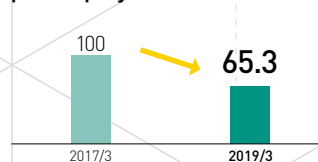
Focused efforts on establishing employee-friendly and rewarding working environments where employees can work with high levels of enthusiasm through such efforts as thorough labor management and the introduction of work systems catered to the life stages of our employees

## Status of Each Management Indicator

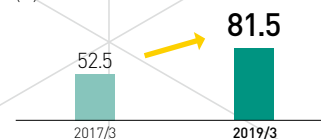
In the two years since the fiscal year ended March 31, 2018, we steadily improved the rate of reducing overtime hours and the rate of annual paid-vacation acquisition. Furthermore, in our employee surveys, we increased the percentage of employees who answered that they believe the workplace environment is employee-friendly and that they find their work rewarding.

Meanwhile, locally, there are still service areas and offices with indicators such as the number of working hours that fall below Groupwide averages. Accordingly, in the fiscal year ending March 31, 2020, we will further accelerate efforts to establish working environments that are employee-friendly and offer all Group employees a sense of reward.

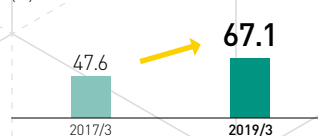
### Decrease in overtime hours per employee\*1



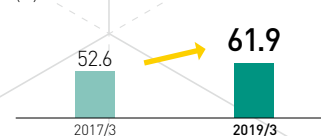
### Percentage of annual paid vacation days taken per employee\*2



### Percentage of employees who find their working environment “employee-friendly”\*\*3



### Percentage of employees who find their working environment “rewarding”\*\*3



\*1 Figure based on actual results for 2017/3 as 100 (Scope: Full-time employees of Yamato Group companies in Japan)

\*2 Number of annual paid vacation days taken per employee in respective fiscal year / Number of annual paid vacation days granted per employee in respective fiscal year × 100 (Scope: Full-time employees of Yamato Group companies in Japan)

\*3 We administer awareness surveys regarding working styles on an annual basis in order to come up with more effective “Work Style Reform” initiatives centered on management. (Scope: Full-time and part-time employees of Yamato Group companies in Japan)



## Evolving Our Working Styles Starting from the Front Lines

To realize new working styles, each employees on the front lines engage in a broad range of creative efforts on a daily basis in accordance with local characteristics and working environments. By horizontally expanding ideas created on the front lines within the Group, our employees will be able to mutually improve one another, which in turn will enable them to provide even better services to our customers. We will continue to put this kind of virtuous cycle into motion in order to remain a corporate group that is chosen by our customers for the next 100 years.



**Example** (Yokohama Main Branch Office and Kamakura Ofuna TA-Q-BIN Center)

### Improving the sales capabilities of the entire center through collaboration between young and veteran sales drivers



<b>Issues</b>	<ul style="list-style-type: none"> <li>• Lack of progress with adequate pricing initiatives</li> <li>• Lack of time to engage in sales due to increasing number of TA-Q-BIN deliveries</li> </ul>
<b>Mission</b>	<ul style="list-style-type: none"> <li>• Establish an environment in which sales can be better conducted</li> </ul>
<b>Initiatives</b>	<ul style="list-style-type: none"> <li>• Create time for sales through the establishment of a neat and orderly workplace, and the introduction of “Anchor Cast,” and the review of operational design</li> <li>• Strengthen collaboration between young and veteran sales drivers to boost sales capabilities of young sales drivers</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Realized profitability at the center in terms of income and expenditures</li> <li>• Increased number of new customers</li> <li>• Significantly reduced operating rate during nighttime hours</li> </ul>

## “Work Style Reform” across the Entire Logistics Industry— Participating in the “White Logistics Movement”

Yamato Transport Co., Ltd. has endorsed the “White Logistics Movement,” which is promoted by the Ministry of Land, Infrastructure, Transport and Tourism; the Ministry of Economy, Trade and Industry; and the Ministry of Agriculture, Forestry and Fisheries. Supported by the mutual understanding and cooperation of its business partners and other relevant parties within this movement, Yamato Transport is working to improve the entire logistics industry in order to realize highly productive logistics operations and work style reforms.

### Main Items from Yamato Transport’s Declaration of Independent Actions (Excerpts)

- We will clarify the details of our business operations, including the separation between transport and cargo handling work, and promote the exchange of written contracts.
- We will actively adopt a modal shift for long-distance sections of routes, thereby contributing to the reform of working styles of our drivers.
- In addition to promoting written transport contracts, we will build digital frameworks that allow for the comprehensive management of contract conditions.
- When handling cargo, we will ensure that safe handling methods are made well-known in order to prevent workplace injury. At the same time, we will clarify handling flow and the extent to which handling work should be carried out.
- In the event that abnormal weather occurs or is forecast, such as typhoons or heavy rains, we will decide on suspending or stopping transport requests, giving the utmost priority to driver safety. In addition, we will respect the decisions made by logistics operators in such situations.



## Promoting Health Management

Based on the Yamato Group Health Declaration, which was established in 2010, the Yamato Group encourages participation in walking events and campaigns to quit smoking at each operating company. Through efforts such as these, the Group is working to improve the health of its employees. As a result, in February 2019 four Group companies\* were recognized under the 2019 Certified Health & Productivity Management Outstanding Organization Recognition Program. Going forward, we will continue to promote “Work Style Reform” as we take steps to maintain and improve the health of our employees and their families.

\* Yamato Logistics Co., Ltd. and Yamato System Development Co., Ltd. were recognized in the 2019 Certified Health & Productivity Management Outstanding Organization Recognition Program’s Large Enterprise Category (the “White 500”) while Express Network Co., Ltd. and Yamato Credit & Finance Co., Ltd. were recognized in the Small to Mid-Sized Enterprise Category.

KAIKAKU 2019 for NEXT100

# Structural Reform in the Delivery Business

In response to rapid changes in the business environment, including the shrinking workforce and the growth of the e-commerce market, we are promoting “Structural Reform in the Delivery Business” to ensure that we continue to provide high-quality services to our customers well into the future. By reinforcing the Delivery Business, which serves as the foundation for the Yamato Group, and restoring its profitability, we will realize further growth across the entire Group.



## Changes in the External Environment

- Tightening labor market conditions
- Increase in delivery amount due to growth of the e-commerce market

## Impact on Management

- Decline in TA-Q-BIN unit price
- Increased costs to secure workforce capacity, including outsourced capacity, to maintain the “last mile” network
- Deteriorating working environment for employees
- Insufficient pickup and delivery capacity

## Response by the Yamato Group

Promotion of “Structural Reform in the Delivery Business” with the aim of restoring profitability and establishing a business foundation that can realize sustainable growth

## Continuing to Promote Adequate Pricing Initiatives

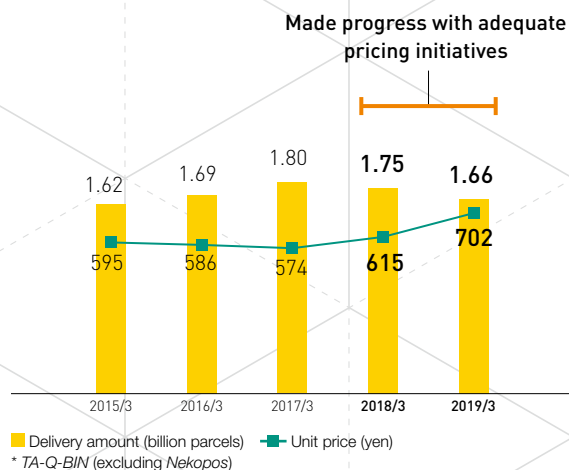
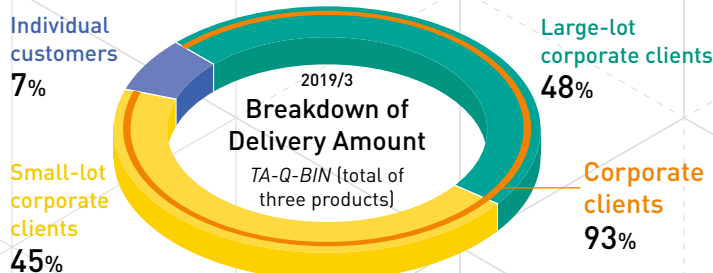
To improve profitability, we have been promoting adequate pricing initiatives since the fiscal year ended March 31, 2018. In October 2017, we revised the basic TA-Q-BIN fees for individual customers for the first time in 27 years. We are also continuing negotiations to revise prices with our corporate clients utilizing the “corporate client pricing system.”\* As a result, we were able to raise the TA-Q-BIN unit price (excluding Nekopos) by ¥128 over a two-year period, from ¥574 in the fiscal year ended March 31, 2017, to ¥702 in the fiscal year ended March 31, 2019.

In the fiscal year ending March 31, 2020, we are pursuing adequate pricing initiatives and promoting sales toward new customers. In addition, we are undertaking efforts to boost productivity in our “last mile” network and our business domains as well as control costs at an appropriate level.

\* A system that reflects not only shipping volumes but also costs related to absence during delivery and cost fluctuations caused by changes in the external environment within TA-Q-BIN fees

## Status of Adequate Pricing Initiatives and Unit Price Fluctuations

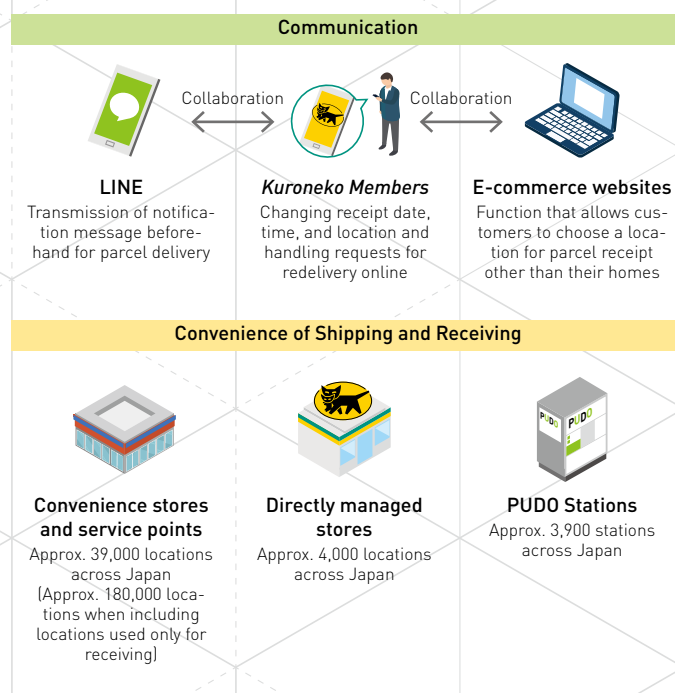
- April 2017** Commenced negotiations to revise prices centered on large-lot corporate customers
- October 2017** Revised basic fees for TA-Q-BIN service (first time in 27 years)
  - A unit-price increase of approximately 15% for individual corporate clients
- October 2017** Gradually revised pricing for corporate clients
- April 2018** Continued to engage in negotiations to revise prices centered on large-lot corporate customers



## Diversifying Touchpoints and Improving Service Convenience

To improve the level of convenience for our customers and increase our pickup and delivery efficiency, we are working to enhance and diversify our touchpoints. In addition to being able to ship and receive parcels from all locations in Japan directly managed by Yamato Transport as well as from convenience stores, our customers can also make use of our open-type parcel lockers, called PUDO Stations, which we are establishing at train stations, supermarkets, and other locations. By doing so, we are making it possible for customers to ship and receive parcels in a manner that better fits their lifestyles.

Additionally, for *Kuroneko Members*, a members-only service for individual customers, we are collaborating with e-commerce websites and the communication app *LINE* to provide additional options for customers to receive parcels at locations other than their homes as well as a function that sends out a notification message beforehand. Through such efforts, we are pursuing even higher levels of convenience for our customers.



	End of March 2017	End of March 2018	End of March 2019
▶ Ratio of deliveries received at other than home	3.8%	4.9%	6.6%
▶ Number of PUDO Station units installed	240	2,637	3,913
▶ Number of <i>Kuroneko Members</i>	Approx. 17 million	Approx. 21 million	Approx. 28 million

## Open-Type Parcel Lockers (PUDO Stations)



### ▶ Merits of PUDO Stations

“Open-type” allows for use by multiple home delivery operators

- Can be used not only by Yamato Transport but also by numerous other major home delivery operators

### Equipped with functions for shipping

- No face-to-face reception, enabling anonymous shipping
- Can ship products purchased on YAHUOKU!, an online auction and flea market app
- Can ship items through the Mercari flea market app
- Can receive and return items from fashion rental services

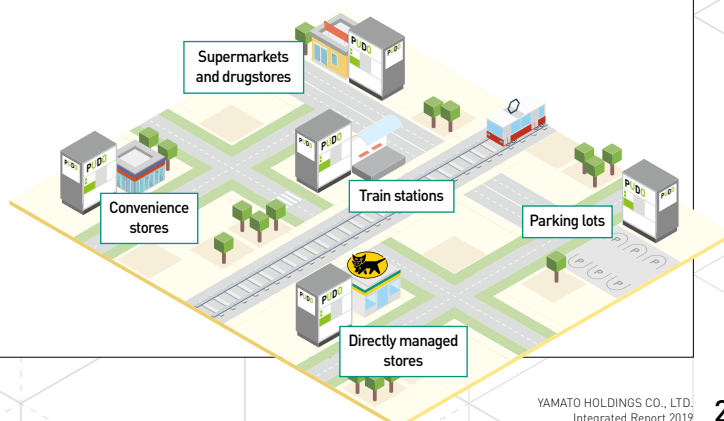
### ▶ Advantages of using PUDO Stations

#### Customer

- Enhanced options for the time and location of receiving or shipping parcels (from apps such as YAHUOKU! and Mercari)

#### Home Delivery Operators

- Improved delivery productivity (enhanced profits)
- Reduction of wasted space caused by establishing separate lockers for each company





## Establishing a New Diversified “Last Mile” Network

To establish an even more efficient “last mile” network, we have introduced a network centered on “Anchor Cast” (drivers who handle *TA-Q-BIN* delivery during the early evening and nighttime hours). In addition to responding to the rising need for nighttime deliveries, reducing the long working hours of our employees, and establishing a more employee-friendly working environment, the aim of establishing a diversified “last mile” network is to increase the amount of time our sales drivers interact with customers.

### Before

- Full-day work by sales drivers
- Increase in working hours
- Insufficient time interacting with customers

### After

- Response to increasing need for nighttime deliveries
- Creation of employee-friendly working environment
- More time interacting with customers

### Before

8:00 13:00 18:00 21:00

Sales drivers

### After

8:00 13:00 18:00 21:00

Sales drivers

“Anchor Cast”

Create pickup and delivery capacity

Increase time interacting with customers

Transfer control to “Anchor Cast”

## Progress and Results of Introducing “Anchor Cast”

### ▶ Key Management Indicators (Results from September 2019)

SD: Sales drivers AC: Anchor Cast

#### ■ Number of AC (as of September 30, 2019)

Approx. **6,500** (up roughly 4,700 compared with the same month of the last year)

#### ■ Percentage of deliveries performed by employees (SD, AC, etc.)

**94.3%** (up 6.1 percentage points compared with the same month of the last year)

#### ■ Parcels collected per SD at work

Up **2.5** parcels year on year

#### ■ Number of SD at work in the morning\*

Up **5.6%** year on year

\* Increase in the number of SD at work in the morning reflects the establishment of a highly efficient operating structure



### ▶ Reaction of Our Sales Drivers and Anchor Cast

#### Anchor Cast



■ I did overtime work in my previous job, but since becoming an Anchor Cast I have been able to finish work at the time stipulated in my contract, so I find it very comfortable to be an Anchor Cast.

(Shinshu Kawanakajima Center, Nagano Main Branch Office)

■ Since becoming an Anchor Cast, I have been able to lead a fulfilling life as I can spend time on my hobbies and life's work in the mornings and have a stable income.

(Akatsuka Center, North Tokyo Main Branch Office)

#### Sales Drivers



■ Handing over afternoon package deliveries to Anchor Cast has allowed me to focus on client liaison (sales) and heightened my motivation in pursuit of incentive increases.

(Maebashi-Kataikai Center, Gunma Main Branch Office)

■ The addition of Anchor Cast has made it possible for all sales drivers at *TA-Q-BIN* centers to take a break at the same time, thereby helping to increase interactions between drivers. As a result, workplace communication has improved.

(Narayama Center, Nara Main Branch Office)

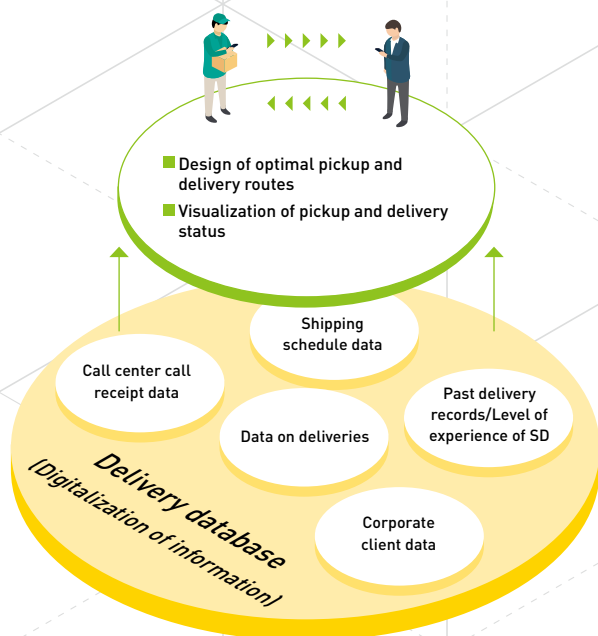
■ Working styles have changed from working from morning until night (like a starting pitcher who pitches the entire game) to handing over afternoon and evening deliveries to Anchor Cast. I feel that being able to get home early more often has helped the retention of new sales drivers.

(Minato Office, Osaka Main Branch Office)

#### Issues Going Forward

- Enhancing the proficiency level of Anchor Cast
- Training designed to promote the sales activities of sales drivers





## Streamlining Operations by Leveraging Digital Technology

We will move forward with the digitalization of information by leveraging our core system, the 8th NEKO System. The data we accumulate through this system will be used in such tasks as designing optimal pickup and delivery routes and monitoring pickup and delivery status. The introduction of the 8th NEKO System will not only enhance the operational efficiency of our sales drivers, but it will also lead to an improvement in employee-friendly working environment. Going forward, we will continue to renew the 8th NEKO System with the aim of further increasing our operational efficiency and providing new value to our customers.

### Benefits

- Reduction in rate of absence
- Improvement in customer satisfaction
- Improvement in productivity
- Reduction in CO<sub>2</sub> emissions

## Joint Trunk-Route Transportation That Provides Greater Transportation Efficiency

Amid the increasingly serious shortage of heavy-duty truck drivers who perform trunk-route transportation and the aging of drivers in the logistics industry as a whole, the Yamato Group has commenced the operation of joint transportation that utilizes the Super-Full Trailer 25 for trunk-route transportation between Kanto and Kansai, with a view to providing more efficient trunk-route transportation, in partnership with three other logistics companies.

Under joint trunk-route transportation, trucks belonging to Seino Transportation, Nippon Express, and Japan Post combine with Yamato Transport's trailers at *Kansai Gateway* and *Atsugi Gateway* to carry out trunk-route transportation. Combining the trailers of different service providers to conduct operations using one vehicle results in more efficient transportation that transcends the boundaries of service providers and is expected to be an effective means to resolving the labor shortage issue faced by the logistics industry as a whole.

Furthermore, this initiative has received certification under a law relating to logistics efficiency and a plan pertaining to energy conservation through combined passenger and freight transportation from the Ministry of Land, Infrastructure, Transport and Tourism.

### Issues Facing the Logistics Industry as a Whole

- Shortage of heavy-duty truck drivers who perform trunk-route transportation
- Difficulty in securing human resources due to a decline in the working population and other factors

### Benefits of Introduction

- Increase in load capacity (twice the capacity of previous heavy-duty trucks)
- More efficient transportation that transcends the boundaries of service providers
- Reduction in CO<sub>2</sub> emissions through a reduction in the number of vehicles



Super-Full Trailer 25



Departing ceremony for joint transportations



Realizing joint transportation by combining the trailers of multiple service providers

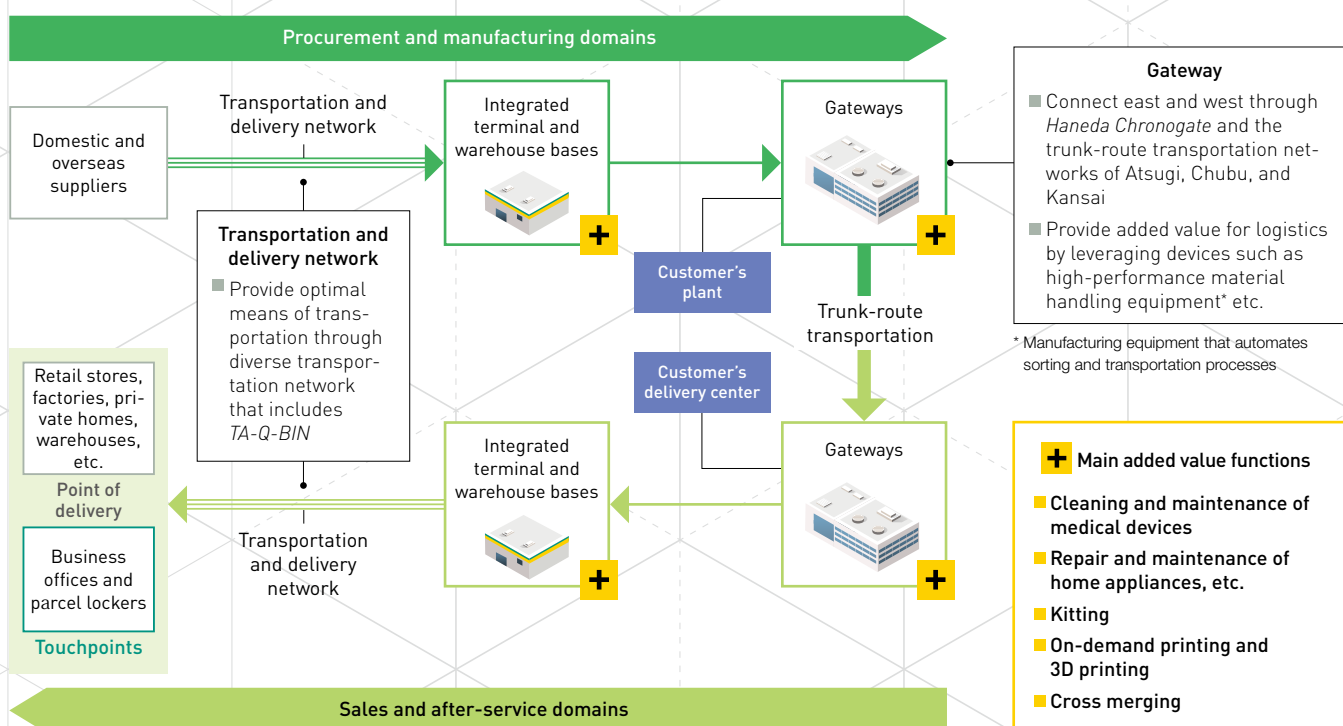
KAIKAKU 2019 for NEXT100

# Reform of Revenue and Business Structure Geared to Achieving Discrete Growth

Further evolving the “Value Networking” design, which we commenced in 2013, we are concentrating our efforts on developing new third-party logistics that provide solutions throughout the entire supply chain of our corporate customers, with the goal of creating the next pillar of our business after *TA-Q-BIN*. In order to provide solutions that contribute to the resolution of issues faced by our corporate customers in Japan and overseas, we will effectively leverage aspects of our network such as *Haneda Chronogate*, the gateways connecting major cities in Kanto, Chubu, and Kansai, our cross-border network extending primarily throughout Asia, in addition to our existing “last mile” network. At the same time, we are working to strengthen account management across the entire Group.

## Supporting the Upstream and Downstream Supply Chains of Our Corporate Customers on an Integrated Basis

Through providing logistics solutions that leverage its more than 100 warehouses across Japan and an advanced transportation and delivery network built up through the *TA-Q-BIN* home delivery service, the Yamato Group provides services designed to optimize the supply chains of its corporate customers. By supporting the supply chains of our corporate customers on an integrated basis, such as cleaning medical devices used at hospitals and maintenance and repairs of home appliances or commercial equipment, we are providing high added value in a variety of ways through reducing logistics processes, lowering logistics costs, and optimizing lead times, while improving inventory turnover and alleviating the stress of end users.





**We will provide solutions to corporate customers by strengthening account management and leveraging the management resources of the entire Group.**



**Yasuharu Kosuge**  
Managing Executive Officer  
Responsible for Global  
Corporate Business Division and  
President, Yamato Logistics  
Co., Ltd.

As the next pillar of its business after *TA-Q-BIN*, the Yamato Group is focusing its efforts on developing new third-party logistics that provide solutions for the entire supply chains of corporate customers. What sets our third-party logistics apart from others for the most part is that it proposes a mechanism that creates benefits for all parties by encompassing not only the Yamato Group's corporate customers (clients) but also their supply chain as a whole, including their suppliers and sales channels. We call this "demand perspective" and believe that addressing the requests and issues not only of our clients but also of the customers of our clients, who are the recipients of packages, will help to maximize our clients' revenue.

The Yamato Group's network is a major strength in resolving issues throughout the entire supply chain of its corporate customers. Yamato Transport currently has approximately 70 large-scale logistics terminals and approximately 4,000 business offices that serve as *TA-Q-BIN* pickup and delivery bases in Japan. This network can be broadly divided into three categories. The first is the pickup side of the network, which collects packages and transports them to the terminals; the second is terminal-to-terminal trunk-route transportation; and the third is the delivery side of the network, the "last mile" from arrival terminal to destination.

Previously, *TA-Q-BIN* services were incorporated into this network. However, we can create new solutions for corporate customers by choosing the optimal means of transportation from a variety of methods, not only providing services through *TA-Q-BIN* sales drivers on the pickup side and delivery side. Moreover, since the density of trunk-route transportation increases by combining packages other than those of *TA-Q-BIN*, we can respond to the high-frequency, small-lot transportation needs of corporate

customers while keeping down transportation costs. Furthermore, although the Yamato Group operates warehouses at more than 100 locations across Japan, approximately 30 of these are integrated logistics terminals. At the bases that form our network, we can provide value unique to the Group that helps to revolutionize the logistics operations of our corporate customers by visualizing the entire supply chain through ICT while providing a variety of functions, such as merging, repairing, and cleaning.

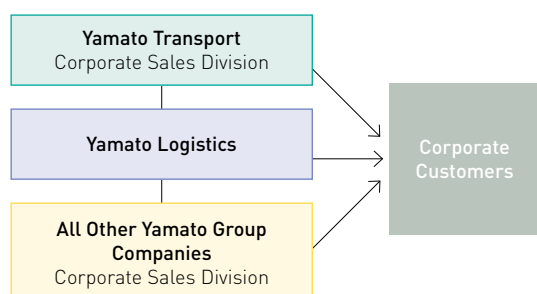
In order to promote our solutions business, it is important to form deep relationships with corporate customers and help resolve the issues they face, after becoming an expert in their industries and businesses. This requires the provision of solutions that cover the entire supply chain of corporate customers by comprehensively leveraging the expertise, functions, and other strengths of the entire Yamato Group, rather than the provision of functions by operating companies on an individual basis. Efforts to bolster account management across the entire Group are also essential.

The Yamato Group is developing a mechanism for corporate sales personnel at Group companies to cooperate with one another. At the same time, we are promoting the cultivation of human resources who will lead solution-based sales and establishing a mechanism to enable corporate sales personnel to propose and sell Group products regardless of the Group company to which they belong, as well as implementing training for that purpose. Our goal is to be recognized as a business partner by our corporate customers through providing solutions. To achieve that goal, we will further refine our strengths and services to heighten the value we deliver to customers.

### ► System for Promoting Corporate Sales

#### Before

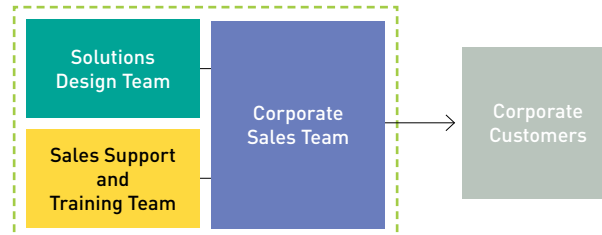
- Promote corporate sales at each operating company



#### After

- Integrate the Group's corporate sales functions virtually
- Organize functions in order to promote account management
  - ▶ Promote corporate sales to target clients through "one team"

#### Yamato Group's Integrated Corporate Sales Team\*



\* Launched on a full scale as of October 2019

# Performance Highlights (Year Ended March 31, 2019)

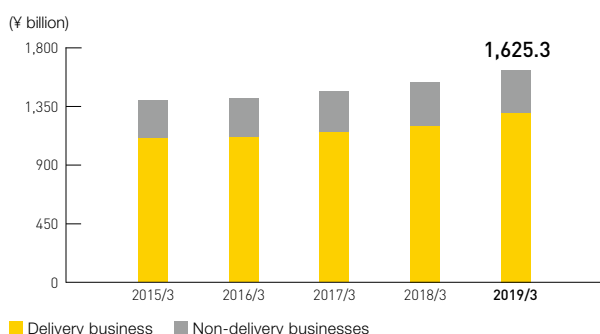
## Financial Information

Operating revenues for the fiscal year ended March 31, 2019 amounted to ¥1,625.3 billion, up 5.6% from the previous fiscal year, largely due to an increase in the *TA-Q-BIN* unit price, despite a decrease in *TA-Q-BIN* delivery amount stemming from the promotion of “Structural Reform in the Delivery Business.”

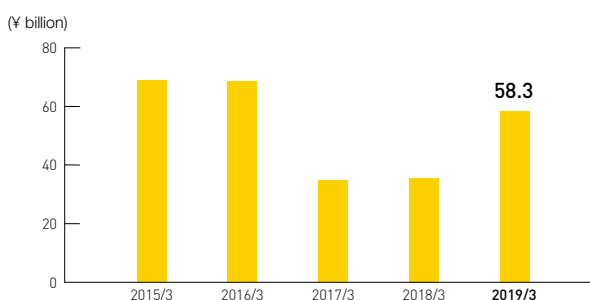
Meanwhile, operating expenses increased mainly due to an increase in personnel expenses, although commission expenses decreased due to an increase the number of employees with a view toward building collection and delivery systems. However, operating revenues exceeded these expenses, resulting in a 63.5% increase in operating profit year on year, to ¥58.3 billion.

Based on these results, profit attributable to owners of parent rose 40.9% compared with the previous fiscal year, to ¥25.6 billion, and return on equity (ROE) increased 1.3 percentage points, to 4.6%.

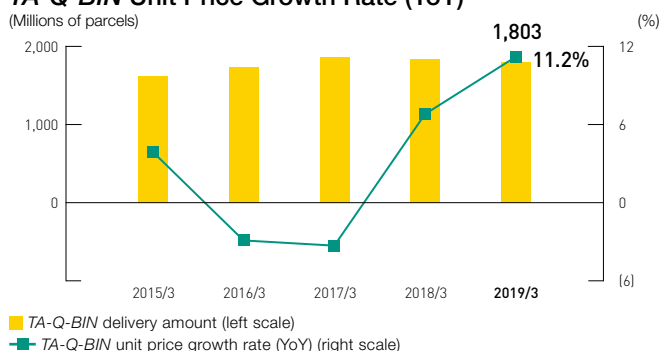
## Operating Revenues



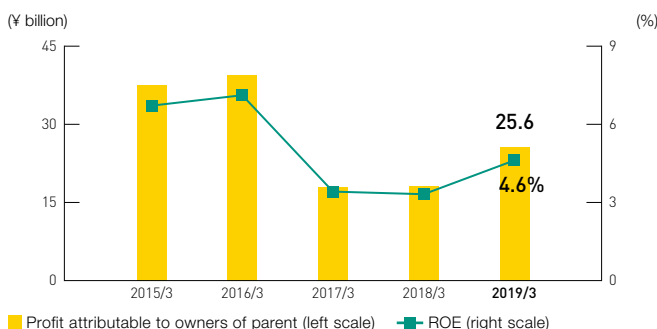
## Operating Profit



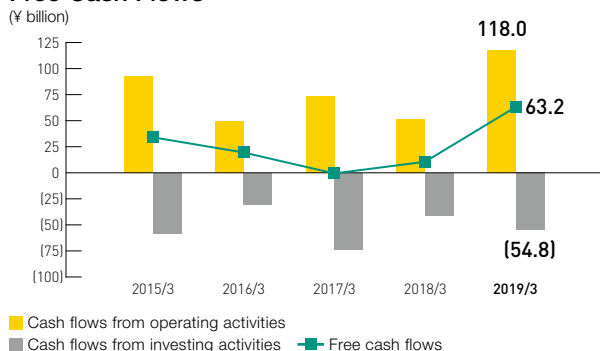
## TA-Q-BIN Delivery Amount / TA-Q-BIN Unit Price Growth Rate (YoY)



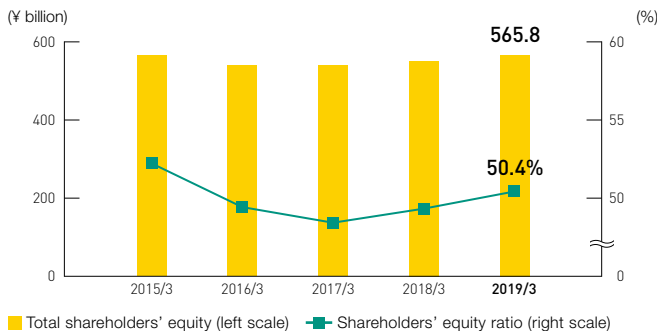
## Profit Attributable to Owners of Parent / ROE



## Operating and Investing Cash Flows / Free Cash Flows\*1



## Total Shareholders' Equity / Shareholders' Equity Ratio

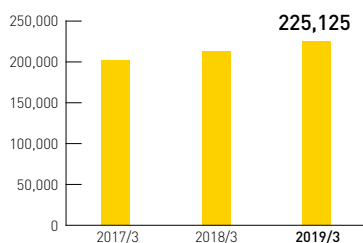




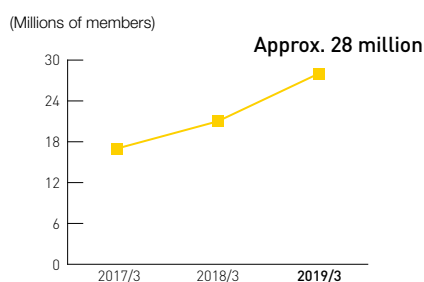
## Non-Financial Information

In order to continue to provide high-quality services, the Yamato Group has made “Work Style Reform” a top priority and is working to create a more employee-friendly and rewarding working environment throughout the Group. Through these initiatives, and by practicing “inclusive management” — one of its founding principles—the Yamato Group aims to achieve sustainable growth. In the fiscal year ended March 31, 2019, the second year of the medium-term management plan “KAIKAKU 2019 for NEXT100,” we made steady progress toward this goal by reducing total working hours and promoting work-life balance. Furthermore, the Company conducts Working Styles Awareness Surveys regularly targeting all employees in which they rate their satisfaction in terms of the employee friendliness of their work environment and sense of fulfillment. The results of these surveys showed an overall increase in satisfaction compared with levels before reforms were introduced, in addition to comparatively low and stable levels of employee turnover.

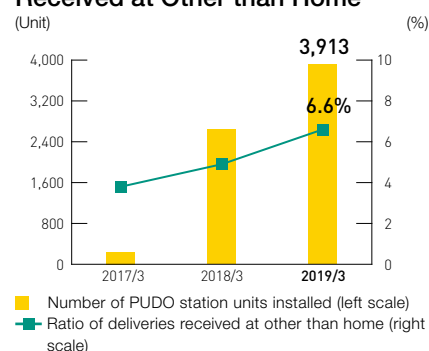
### Number of Employees



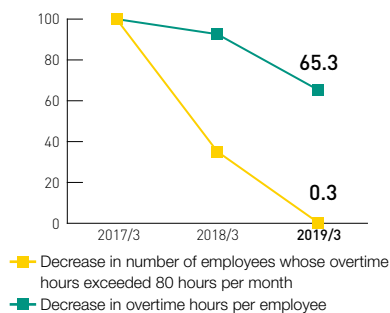
### Number of Members Kuroneko Members Service



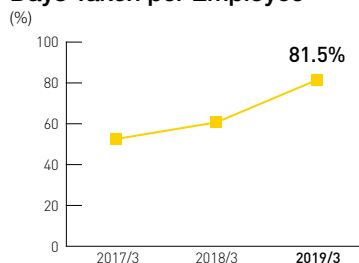
### Number of PUDO Station Units Installed / Ratio of Deliveries Received at Other than Home



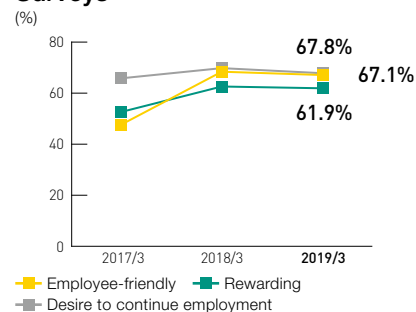
### Implement Status of Total Working Hours of Employees\*2



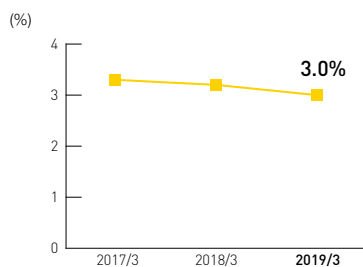
### Percentage of Annual Paid Vacation Days Taken per Employee\*3



### Working Styles Awareness Surveys\*4



### Rate of Resignation\*5



\*1 Free cash flows = Cash flows from operating activities + Cash flows from investing activities

\*2 Figures based on actual results for 2017/3 as 100  
(Scope: Full-time employees of Yamato Group companies in Japan)

\*3 Number of annual paid vacation days taken per employee in respective fiscal year  
Number of annual paid vacation days granted per employee in respective fiscal year  $\times 100$   
(Scope: Full-time employees of Yamato Group companies in Japan)

\*4 We administer awareness surveys regarding working styles on an annual basis in order to come up with more effective “Work Style Reform” initiatives centered on management.  
(Scope: Full-time and part-time employees of Yamato Group companies in Japan)

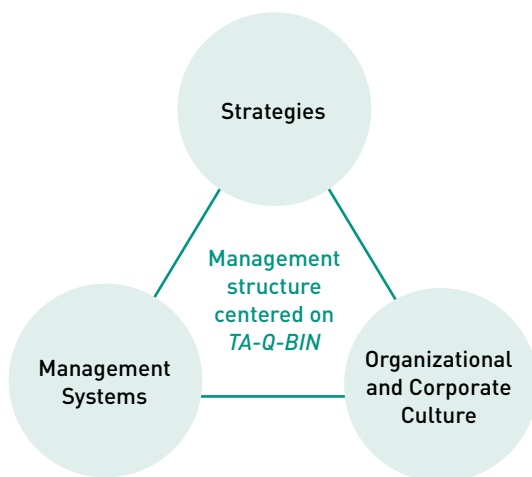
\*5 Number of employee resignations in respective fiscal year (on their own accord)  
Number of registered employees as of respective fiscal year-end + Number of employee resignations in the respective fiscal year (including those due to retirement, etc.)  $\times 100$   
(Scope: Full-time employees of Yamato Group companies in Japan)

# Management Structure Reform Plan

## YAMATO NEXT100

Taking into account changes in the external environment and the results and issues associated with the current medium-term management plan, “KAIKAKU 2019 for NEXT100,” the Yamato Group formulated its management structure reform plan, YAMATO NEXT100. Going forward, the plan will serve as a grand design for management of the Group over the medium to long term. We will aim for sustainable growth and increases in corporate value by steadily advancing the three business structure reforms designed to promote the digital transformation (DX) of *TA-Q-BIN*, establish an e-commerce (EC) ecosystem, strengthen business involving logistics for corporate customers, and carry out the three infrastructure reforms that comprise YAMATO NEXT100: the renewal of the Group’s management systems, transition to data-driven management, and sustainability initiatives.

### Issues for the Yamato Group



#### ► Strategies

*TA-Q-BIN* alone unable to accommodate all rising demand from the EC market and corporate logistics

#### ► Management Systems

Weak management structure for quick decision-making due to dependence on individual skills based on intuition and experience

#### ► Organizational and Corporate Culture

The Yamato Group’s sound culture, “Participatory Management,” no longer practiced

The Yamato Group’s strategies, management systems, and organizational and corporate culture centered on *TA-Q-BIN* do not fully address customer and social needs.

### The Purpose of YAMATO NEXT100

As a social infrastructure provider, Yamato will confront social issues and continuously contribute to the realization of a prosperous society in the next era by creating a “new logistics ecosystem”, meeting the needs of customers and society.

Yamato will offer innovative solutions to customers by combining its various management resources throughout the Yamato Group.

Delivery services help make our lives prosperous.

Developing new delivery services and innovating existing ones change people's lifestyles, and even society as a whole.

Yamato is a company of innovation.

As a social infrastructure provider, the Yamato Group's mission is to contribute to the creation of a prosperous society by innovating delivery services.

This mission is an integral element of the Group's corporate philosophy.

With the recent rapid growth of the e-commerce market, delivery volumes have dramatically risen and now exceed the current capacity of the Group's delivery network. At the same time, customer needs have become increasingly diverse and Japan faces serious social issues such as a shrinking population and a decline in local communities.

Solutions to these social issues have yet to be found, while the delivery services of the future, which will serve as a foundation in the next era, require further innovation. In light of this situation, the Yamato Group will strive to innovate its delivery services and contribute to the realization of a sustainable and prosperous society going forward.

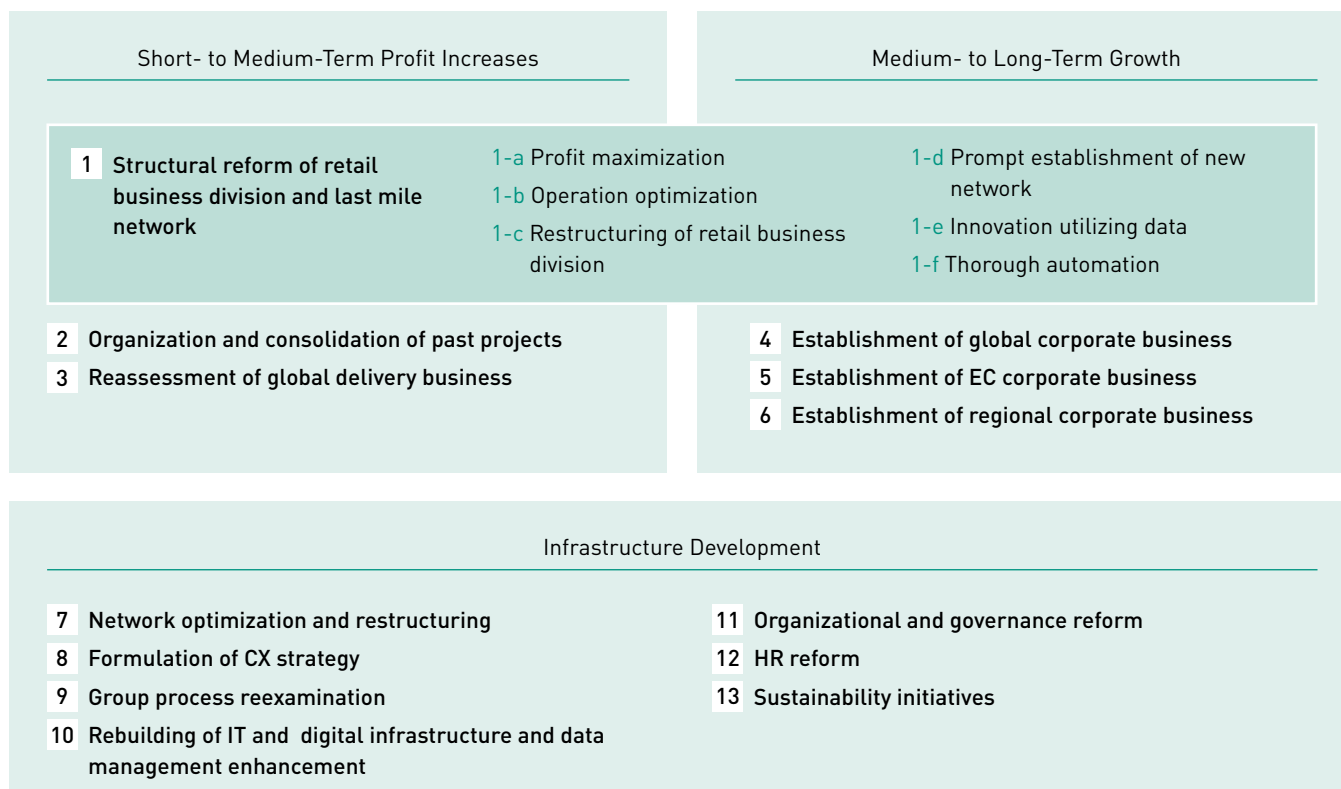
## **Evolving from a “Delivery Business” to a “Delivery Innovation Business”**

As a social infrastructure provider and the pioneer of the *TA-Q-BIN* service, the Yamato Group's mission is to create a sustainable and prosperous society through innovative delivery services. By optimizing our delivery methods and working as a united group, we will transform ourselves into the Yamato of tomorrow.

## Management Structure Reform Plan YAMATO NEXT100

### Addressing 13 Challenges through Management Structure Reform

Through repeated discussions involving all executives of Yamato Holdings, including outside directors, we identified 13 challenges affecting all aspects of the Yamato Group's management. In response to these challenges, we have commenced initiatives geared toward reform, having designed key performance indicators (KPIs), time frames, and specific actions.



### The Basic Strategy of YAMATO NEXT100

Based on the awareness that we will not be able to meet the expectations and needs of our customers and society through our *TA-Q-BIN*-centered strategy, management systems, and organizational and corporate culture, we will promote reform of our management structure under the following new basic strategy.

#### 1 Update the Group's management systems to boldly address customer and social needs

- Address customer needs on a customer segment basis
- Transform management systems (expedite decision-making process)
- Reduce the distance between management and the front lines and unify all Group efforts: One Yamato

#### 2 Transition to data-driven management

- Through the digitalization and optimization of logistics operations, strengthen customer relationships by building an environment where sales drivers can devote more time to serving customers
- Optimize the allocation of management resources by improving accuracy of demand and business volume forecasts
- Visualize management and achieve objective and scientific decision-making

#### 3 Evolve into a management that facilitates an open logistics ecosystem through co-development

- Create new delivery partnerships with third parties in addition to maintaining the existing company delivery channels —Evolving from a “Delivery Business” to a “Delivery Innovation Business”—



## Overview of Structural Reform

We will promote the stabilization of our revenue base hinging on *TA-Q-BIN*, the three business structure reforms aimed at new growth in the e-commerce and corporate logistics domains, and the three infrastructure reforms that will enhance our potential to realize and sustain said stabilization and new growth.

### 3 Business Structure Reforms

- ▶ 1 Digital transformation (DX) of *TA-Q-BIN*
- ▶ 2 Establishment of an EC ecosystem
- ▶ 3 Strengthening of corporate logistics business

### 3 Infrastructure Reforms

- ▶ 1 Renewal of the Group's management systems
- ▶ 2 Translation to data-driven management
- ▶ 3 Sustainability initiatives under the theme "management focused on the environment and society"

## 3 Business Structure Reforms

### ▶ 1 Digital transformation (DX) of *TA-Q-BIN*



Create an environment where frontline sales drivers can dedicate more time to communicating with and proposing solutions to customers to heighten customer satisfaction (such solutions include creating a new delivery service other than *TA-Q-BIN* as a response to various needs, optimizing the amount of deliveries via *TA-Q-BIN*, and reducing administrative and indirect operations.)



Improve the accuracy of demand and delivery amount forecasts using data analytics and optimize staffing, vehicle allocation, delivery routes, sales driver operations, etc., to improve productivity



Expand logistics operation productivity significantly through the digitalization and automation of sorting systems, etc.

### ▶ 2 Establishment of an EC ecosystem

- Newly establish an EC Business Division to serve the continuously rising and evolving EC industry
- Establish a sustainable EC ecosystem capable of meeting the needs of society, senders, consumers, deliverers, etc.
- Aim for the launch of an open digital platform in April 2021

### ▶ 3 Strengthening of corporate logistics business

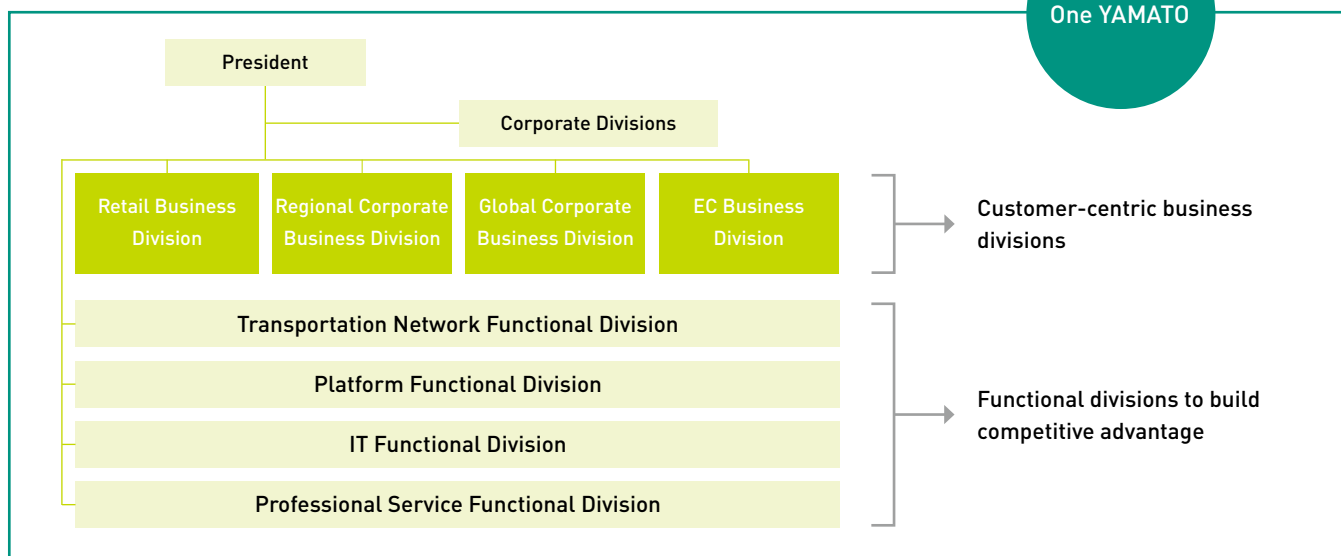
- Promote account management by consolidating Group sales organizations and management resources in the corporate logistics business domain
- Build a database (Yamato Digital Platform [YDP]) and provide logistics solutions based on highly accurate, real-time information
- Connect customers and Yamato with data to optimize the entire customer supply chain in the future

## Management Structure Reform Plan YAMATO NEXT100

### 3 Infrastructure Reforms

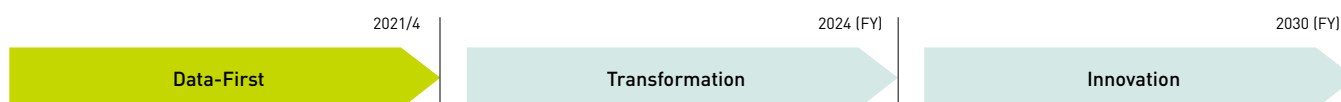
#### ▶ 1 Renewal of the Group's management systems

- Reorganize and simplify decision-making processes to speed up management
- Streamline and standardize duplicate operations and reduce administrative costs



#### ▶ 2 Transition to data-driven management

- Invest approximately ¥100 billion in the digital field over the next four fiscal years
- Launch a new digital organization with 300 personnel in fiscal 2021
- Execute five measures to launch a new organization



- 1: Implement data-driven, forecast-based decision-making and measures
- 2: Integrate corporate customer data to strengthen account management
- 3: Improve service levels through real-time freight flow data
- 4: Optimize and advance resource allocation by visualizing operations and costs
- 5: Begin the construction of the Yamato Digital Platform (YDP) by incorporating cutting-edge technologies and updating existing core systems

#### ▶ 3 Sustainability Initiatives under the theme “management focused on the environment and society”

- ▶ Please see The Yamato Group's ESG on P44.

## Numerical Targets

In regard to investments, over a period of four years beginning in the fiscal year ending March 31, 2021, we will invest ¥100 billion in IT and digital infrastructure and in innovating our logistics network, including the introduction of robotics. Combined with our investments in the shift to electric vehicles, we anticipate our investments to amount to ¥400 billion. Furthermore, aside from this ¥400 billion, we are setting our sights on M&As and alliances with external partners to obtain the functions necessary for ensuring the Group's growth.

We will target operating revenues of ¥2 trillion by incorporating the growth of e-commerce and the logistics business for corporate customers into *TA-Q-BIN*'s stable revenue base. We will also aim for operating profit of ¥120 billion through fundamental improvements to our cost structure in tandem with business growth and for ROE of over 10%.

### Investments (Fiscal year ending March 31, 2020 to fiscal year ending March 31, 2024)

Growth investments	IT and digital infrastructure investments	¥100 Billion
	Logistics network improvement investments	¥100 Billion
Current investments		¥200 Billion
Total		¥400 Billion



### Targets for fiscal year ending March 31, 2024

Operating revenues	¥2 Trillion
Operating profit (Ratio)	¥120 + Billion (6%)
ROE	over 10%

## Capital Policies

Under YAMATO NEXT100, we will improve our business growth and cost structure while pursuing management that puts greater emphasis on both capital efficiency and financial strategies. Going forward, we will examine our capital policies in a timely and appropriate manner based on the following basic stance and capital policies.

1. Basic stance	In consideration of <b>growth</b> , <b>profitability</b> , <b>a sound financial position</b> , <b>investment progress</b> , and <b>capital efficiency</b> , Yamato will conduct timely and appropriate capital policy measures to realize stable dividends and flexibly provide returns to shareholders.		
2. Capital policies (key indicators)	ROE of over <b>10%</b>	Dividend payout ratio of over <b>30%</b>	Total return ratio of over <b>50%</b> (cumulative ratio of four-year fiscal term ending March 31, 2024)

## Management Structure Reform Plan YAMATO NEXT100

### Road Map for YAMATO NEXT100

YAMATO NEXT100, the grand design for our management over the medium to long term, is organized into three periods: the short term, running up to March 31, 2021; the medium term, running through the three-year period from April 1, 2021 to March 31, 2024; and the long term, running from April 1, 2024 and on. Determining priorities for each period, we will push forward with efforts to transform the Group.

Business structure reforms	Short Term (–Mar. 2021)	Medium term (Apr. 2021–Mar. 2024)	Long term (Apr. 2024–)
Digital transformation (DX) of <i>TA-Q-BIN</i>	Stabilize profit base by eliminating inefficiency and significantly improving forecast model accuracy using data analytics and AI	Achieve stable growth under new management structure	
Establishment of an EC ecosystem	<ul style="list-style-type: none"><li>Start dedicated EC delivery service</li><li>Begin collaboration with major EC companies</li></ul>	<ul style="list-style-type: none"><li>Expand dedicated EC delivery service</li><li>Collaborate extensively with major EC companies</li><li>Launch new EC platform</li></ul>	Operate open platform at full-scale utilizing both real and digital infrastructures
Strengthening of corporate logistics business	Develop Yamato-specific solution based on sales force consolidation and account management	Expand developed solution  Further expand	Establish extensive corporate business  global business
Infrastructure reforms			
Renewal of the Group's management systems	Promote construction and maintenance of One Yamato management structure	Establish and operate One Yamato management structure <ul style="list-style-type: none"><li>Scale back decision-making structure and define responsibilities</li></ul>	
	Dramatically improve cost structure		
	Integrate individual HR system and talent pool	Establish a new HR system that supports “YAMATO NEXT100”	
Transition to data-driven management	Build data-first infrastructure <ul style="list-style-type: none"><li>Establish foundation and organization</li><li>Begin updating the existing core systems</li></ul>	Promote digital transformation <ul style="list-style-type: none"><li>Revenues and profits by leveraging infrastructure and organization</li></ul>	Accelerate innovation <ul style="list-style-type: none"><li>Implement latest cutting-edge technology and accelerate innovation</li></ul>
Sustainability initiatives under the theme “management focused on the environment and society”	Build structure linked to businesses and capable of executing sustainability initiatives	Execute sustainability initiatives <ul style="list-style-type: none"><li>Progress toward “green logistics for a sustainable future”</li><li>Start “contribution to the co-development of a fair society that leaves no one behind”</li></ul>	

### Activities going forward based on YAMATO NEXT100

–2021/3

2021/4 to 2024/3

Period for transitioning to a new vision based on YAMATO NEXT100

**The next medium-term management plan**  
(Specific action plan for the next medium-term management plan is scheduled to be announced in January 2021)



## YAMATO NEXT100—Evolving from a “Delivery Business” to a “Delivery Innovation Business”

Fundamentally revising the Yamato Group's *TA-Q-BIN*-centered management structure from a digital perspective, we will strike a balance between achieving high levels of growth and increasing our profit margins through the creation of new delivery innovation founded on data-driven management.



Please refer to our corporate website for further information on YAMATO NEXT100.

[https://www.yamato-hd.co.jp/investors/financials/briefing/pdf/E\\_3q\\_yamatonext\\_2020\\_03.pdf?20020601](https://www.yamato-hd.co.jp/investors/financials/briefing/pdf/E_3q_yamatonext_2020_03.pdf?20020601)

We also plan to provide more details on this plan in *Integrated Report 2020*, which will be published in the fiscal year ending March 31, 2021.

# The Yamato Group's ESG

Guided by its Core Values, which represent the founding spirit of the Company, the Yamato Group is pursuing business activities under its Management Philosophy of “enriching our society.” To realize this philosophy, we seek to increase corporate value and develop a sustainable society through strengthening corporate governance, pursuing sustainable operations from an environmental and social perspective, creating new value, and addressing environmental, social, and governance (ESG)-related issues.





## Sustainability Initiatives

### Management embodying the Environment and Society

Under its two visions for a sustainable future, the Yamato Group will achieve the next level logistics friendly to the environment, society, and economy by attentively connecting people; resources and data.

#### ► Vision: Connect. Deliver the Future via Green Logistics

- By leveraging cutting-edge connections between data, people, and resources, we will increase the efficiency of transportation and provide delivery that is better for the planet, our lifestyles, and the economy. We will support a strong, smart society by striving toward carbon neutrality and by creating business models based on sustainable resource use and consumption.







Materiality	Priorities	Goal	Value Created
 <b>Energy &amp; Climate</b>	Carbon neutrality	<ul style="list-style-type: none"> <li>■ Carbon neutrality by 2050<sup>*1</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ Driving renewable energy growth by stimulating demand</li> <li>■ Mitigating climate risk such as natural disasters</li> <li>■ Promoting widespread use of innovative low-carbon technologies</li> <li>■ Facilitating the availability of low-carbon products</li> </ul>
 <b>Atmosphere</b>	Logistics that protect the atmosphere	<ul style="list-style-type: none"> <li>■ Reduction of air pollutants from vehicles (reduction of NOx and PM from urban area deliveries)</li> </ul>	<ul style="list-style-type: none"> <li>■ Contributing to the health of local communities by preventing air pollution</li> <li>■ Utilizing data to optimize transportation, thereby reducing traffic</li> </ul>
 <b>Resource Conservation &amp; Waste</b>	Resource efficient logistics and business	<ul style="list-style-type: none"> <li>■ Use environmentally friendly materials, and shift to delivery using reusable and minimal packaging</li> </ul>	<ul style="list-style-type: none"> <li>■ Shifting to a circular economy by creating resource recovery networks</li> <li>■ Improving efficiency and economic gains by leveraging the sharing economy</li> </ul>
 <b>Resilience of Companies &amp; Society</b>	Logistics infrastructure that promotes a society in harmony with the environment	<ul style="list-style-type: none"> <li>■ Strengthened collaboration to combat environmental changes</li> </ul>	<ul style="list-style-type: none"> <li>■ Foster collaboration to support a sustainable society</li> <li>■ Improving society's resilience to climate change</li> <li>■ Promoting a low-carbon society through smart mobility</li> </ul>

<sup>\*1</sup> Emissions from the Yamato Group: Scope1 (direct emissions) and Scope2 (indirect emissions from purchased or acquired electricity and other sourced owned or controlled by us).

► **Vision: Through Co-Creation and Fair Business Activities, Help Create a Society That “Leaves No One Behind”<sup>\*2</sup>**

- As a social infrastructure company, Yamato Group will contribute to improving the quality of life (QOL) of various people, including employees and customers, by reducing and eliminating various inequalities and obstacles in society. We will do this by delivering goods and value to everyone through fair and efficient business processes. By promoting digital innovation and our strengths offline, as well as co-creation with various partners, we will be a leader in solving social challenges and creating a society that leaves no one behind.

<sup>\*2</sup> To leave no one behind: Basic philosophy of the SDGs

Materiality	Priorities	Goal	Value Created
 <b>Labor</b>	Creating work environments that are fair, worker-friendly, and engaging	<ul style="list-style-type: none"> <li>■ Achieve “Decent Work”<sup>*3</sup> by 2030 by creating workplaces that are employee friendly and that foster employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>■ Enabling employee work-life balance</li> <li>■ Promoting physical and mental health of employees</li> <li>■ Ensuring enough workers to continue stable business activities</li> <li>■ Providing a model of industry best practices related to labor practices</li> </ul>
 <b>Human Rights &amp; Diversity</b>	Creating a vibrant society that respects human rights and diversity	<ul style="list-style-type: none"> <li>■ Empowerment of socially vulnerable people</li> </ul>	<ul style="list-style-type: none"> <li>■ Promoting a society where human rights are respected and protected</li> <li>■ Sparking innovation through diverse ideas</li> <li>■ Creating job opportunities for diverse individuals, including women and people with disabilities</li> <li>■ Reducing and eliminating of social inequality and obstacles</li> </ul>
 <b>Safety &amp; Security</b>	Ensuring road and occupational safety, improving quality of services and business processes	<ul style="list-style-type: none"> <li>■ Establish business processes that can significantly reduce accidents on the road and at worksites</li> </ul>	<ul style="list-style-type: none"> <li>■ Creating safe cities</li> <li>■ Ensuring health and safety of employees</li> <li>■ Providing a sense of security and well-being</li> </ul>
 <b>Data Utilization &amp; Security</b>	Robust information security, utilization of data from operating vehicles and from transportation for social impact	<ul style="list-style-type: none"> <li>■ “Creating Shared Value” by utilizing data</li> </ul>	<ul style="list-style-type: none"> <li>■ Protecting personal data (respecting human rights)</li> <li>■ Solving environmental and social challenges</li> </ul>
 <b>Supply Chain Management</b>	A resilient and sustainable supply chain that considers the environment and society	<ul style="list-style-type: none"> <li>■ Build a resilient and robust supply chain and co-creation model</li> </ul>	<ul style="list-style-type: none"> <li>■ Continuing to ensure appropriate and stable business activities</li> <li>■ Mitigating reputational risks</li> <li>■ Creating synergy from environmental conservation activities</li> <li>■ Providing an efficient and robust labor practices model</li> </ul>
 <b>Community</b>	Building strong communities through co-creation	<ul style="list-style-type: none"> <li>■ Build a business model that accelerates the revitalization of local economies</li> </ul>	<ul style="list-style-type: none"> <li>■ Revitalizing local economies</li> <li>■ Improving Japan’s global competitiveness through regional revitalization</li> <li>■ Building a foundation for co-creation of a sustainable society</li> </ul>

<sup>\*3</sup> Decent work: Work that ensures dignity, equality, fair income, and safe working conditions

■ **Initiatives to Achieve the SDGs**

The Yamato Group supports international initiatives for building a sustainable society. Toward this end, we became a signatory of the UN Global Compact in April 2014.

The Sustainable Development Goals (SDGs) adopted by the UN in September 2015 represent a set of common targets for the international community to achieve together by 2030. The Yamato Group is now working through its businesses to solve the many urgent social issues facing the world indicated in the SDGs.



## Environment

# Environmental Strategies for Realizing a Sustainable Society

### Materiality

- Energy and climate

### Major Initiatives

- Mitigating and adapting to climate change
  - Shift to low-carbon vehicles
  - Improve response capabilities to natural disasters
  - Promote cooperative transport
  - Expand low-carbon services

### Value Created

- Driving renewable energy growth by stimulating demand
- Mitigating climate risk such as natural disasters
- Promoting widespread use of innovative lowcarbon technologies
- Facilitating the availability of low-carbon products

### Contributions to the SDGs



## Basic Approach

Based on its “Corporate Stance” of “promoting environmental conservation,” the Yamato Group is working to resolve environmental issues through its business. Bearing in mind the responsibility of the logistics industry toward the environment, the Group has clearly stated “eco in transport” and other important items that require specific attention in its Environmental Protection Declaration. In particular, this declaration recognizes the close connection that exists between the risks and opportunities presented by climate change and their importance on business growth, for which we have established CO<sub>2</sub> reduction targets. In addition to reducing the environmental impact of our business, we are pursuing services that help reduce CO<sub>2</sub> emissions, making proposals for deregulation, and cooperating with local governments. In these ways, we are making serious efforts to mitigate and adopt to climate change.

## Promotion System

Deliberations on important environmental issues and policies are held at meetings of such committees as the Management Strategy Committee, which involves the participation of the Company president and directors. The vice president is in charge of the Company’s ESG (environmental, social, and governance) strategy, and the managing executive officers in charge of ESG strategy are responsible for its execution. Specifically, these officers confirm the details of such matters as climate-related risks (transition and physical) and opportunities, the impact of such risks/opportunities on our financial position, and strategies to address these risks/opportunities. They also monitor, manage, and oversee environmental performance indicators such as greenhouse gas emissions. In addition, the Yamato Group Environmental Committee meets each quarter to discuss important matters pertaining to climate change and other environmental issues. The chair of this committee is selected by the managing executive officers responsible for ESG Department, and the committee itself comprises CSR managers from major Group companies. Furthermore, the ESG Department serves as a secretariat of the Yamato Group Environmental Committee. In these ways, we are appropriately managing risks related to climate change through a Companywide process in the same manner that we handle other important environmental risks.

### ■ Environmental Management System (As of September 2019)

#### Representative Director and President

- Representative Director and Vice President (ESG Strategy Management)
- Managing Executive Officer (Responsible for ESG Department)

#### Management Strategy Committee

#### Yamato Group Environmental Committee

Secretariat: ESG Strategy Department

Committee members: Heads of CSR departments at major Group companies

## Initiatives

The Yamato Group identifies and evaluates the risks, opportunities, and impacts associated with climate change in recognition of its importance on realizing a sustainable society and on the Group itself. Furthermore, the Group engages in information disclosure based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD\*).

Our goal is to be a company that grows alongside society by leveraging our business to mitigate and adapt to climate change, while managing risks and creating opportunities and helping to realize a low-carbon society.

\* The TCFD was established in 2015 by the Financial Stability Board (FSB) and presented its recommendations for climate-related financial disclosure in 2017.



## Targets and Results

To mitigate the risks of climate change and expand opportunities, the Yamato Group has set short and long term CO<sub>2</sub> reduction targets and evaluates their results.

## ■ Achieve Carbon Neutrality by 2050\*

### ■ CO<sub>2</sub> Emissions Targets for 2019\*

Reduce CO<sub>2</sub> emissions per operating revenue (tCO<sub>2</sub>/¥100 million of operating revenues) by 10% by the fiscal year ending March 31, 2020 compared to the fiscal year ended March 31, 2010.

\* Scope 1 and Scope 2 emissions.

### ■ Results for the Fiscal Year Ended March 31, 2019

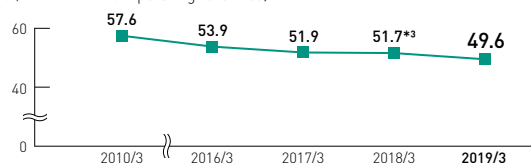
	2010/3 (Base year : BY)	2019/3 (Results)	Compared to BY
CO <sub>2</sub> emissions intensity* <sup>1</sup> , * <sup>2</sup> (tCO <sub>2</sub> /¥100 million of operating revenues)	57.6	49.6	-13.9% (target reached)

\*<sup>1</sup> CO<sub>2</sub> emissions falling under Scope 1 and Scope 2 are used to calculate intensity.

\*<sup>2</sup> Scope of coverage: Domestic consolidated subsidiaries and Swan Co., Ltd. (Excluding Employee Compensation and Benefits Division)

## Trend in CO<sub>2</sub> Emissions intensity

(tCO<sub>2</sub>/¥100 million of operating revenues)



\*<sup>3</sup> Figures for the fiscal year under review have been updated due to revisions made to data for the fiscal year ended March 31, 2018.

## 1 Policy and Legal Risks

In the case of stricter regulations on greenhouse gas emissions and increased obligations on their reduction, costs in the Delivery and BIZ-Logistics businesses may increase as a result of costs associated with the introduction of low-carbon vehicles and renovating facilities. This cost increase may also impact transport and administration expenses. Also, if the Delivery, BIZ-Logistics, or any other businesses are unable to meet the reduction obligations, the Company may issue fees for “credit” purchases.

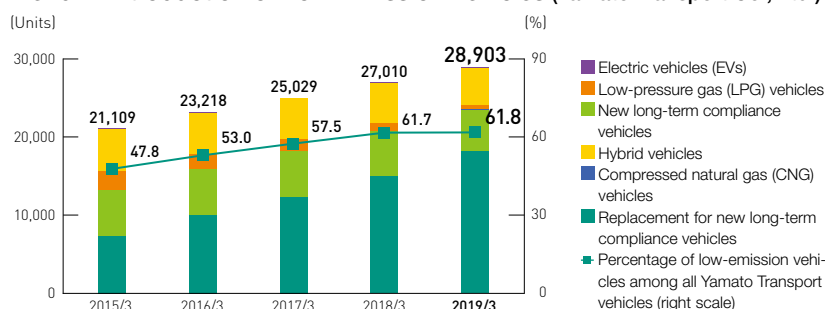
## ► Management

■ We are promoting greenhouse gas (GHG) emission reductions by monitoring energy consumption, conducting analysis, and taking a variety of energy conservation measures. Additionally, we are proactively advancing GHG emission reductions through a shift toward vehicles with lower GHG emissions such as hybrid vehicles and electric vehicles (EV), and the heavy use of electrically power assisted vehicles and hand-pushed trolleys for pickup and delivery services in urban areas. Although we own approximately 100 electric vehicles as of March 2019, from the fiscal year ending March 31, 2020 we will gradually introduce 500 small-sized commercial use electric vehicles, which can be driven without a medium-sized vehicle driver's license. These vehicles, developed jointly with Street Scooter GmbH, a subsidiary of the Deutsche Post DHL Group, will accelerate the efficiency of home deliveries and CO<sub>2</sub> emission reductions. Going forward, we will proactively promote the development and introduction of next-generation mobility, including electric vehicles, with the aim of introducing 5,000 such vehicles, which is half of our small-sized pickup and delivery vehicles, by 2030.



A small-sized commercial-use EV

## Trend in Introduction of Low-Emission Vehicles (Yamato Transport Co., Ltd.)



## Environmental Strategies for Realizing a Sustainable Society

### 2 Physical Risks

In the event of our employees being impacted by disasters or delays in business recovery as a result of increasing severity of heavy rains, typhoons, and other weather conditions, our services could be suspended and this could have an impact on our revenue. Additionally, the increased risk of our employees suffering from heat-stroke due to a rise in average temperatures could lead to an increase in workers' compensation and other types of insurance. Furthermore, an increase in capital expenditure and a rise in insurance premiums for facilities are also possible due to a rise in sea levels, necessitating a revision to flood countermeasures at bases with a high risk of flooding and plans for bases.

### 3 Opportunities to Improve Resource Efficiency

An increase in opportunities to collaborate with other companies, such as on the diversification of modes of transport and joint transportation, may potentially lead to increased transport efficiency as well as a decline in fuel consumption and a reduction in fuel oil costs.

### 4 Opportunities to Expand Low-Carbon Products and Services

Through improving and expanding our services that strike a balance between enhancing customer convenience and containing redeliveries, not only can we decrease GHG emissions but we can also increase orders and boost revenue. Or, the increased use of refrigerated parcel delivery service could have a positive impact on our revenue.

### ► Management

- We strive to ensure the safety of our employees and safeguard parcels and other items by implementing training based on the Disaster Response Manual and responses. In the event of a suspension of *TA-Q-BIN* pickup and delivery services due to a disaster, we seek to minimize its impact by providing such information on Yamato Transport's website. Furthermore, after business recovery, we cooperate in supporting disaster-affected areas by transporting relief supplies in concert with local governments and other agencies.
- We manage chronic risks from increases in average temperatures and sea levels in the following ways. Firstly, to address the problem of heatstroke, we are investing in adaptation measures such as introducing air coolers that are suitable for work at terminals and *TA-Q-BIN* centers and using sweat absorbent, fast-drying fabrics in employee uniforms. Additionally, Yamato Transport is heightening its response capabilities and business continuity by assessing the risk of floods at its bases across Japan and implementing flood training.

### ► Strategy

- In order to provide more-efficient trunk-route transportation to major cities, we are conducting joint trunk-route transportation with other logistics companies with our Super-Full Trailer 25 (a 25-meter-long connected trailer). As this initiative was accredited by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in March 2019 under a law relating to logistics efficiency, it qualifies for subsidy aimed at improving efficiency. Moreover, it was accredited under the MLIT's plan pertaining to energy conservation through combined passenger and freight transportation in October 2019. As a result, the energy-saving effects obtained through this initiative can be reported in the annual report as stipulated in the Energy Conservation Act. This initiative contributes to the greater efficiency of transportation and a reduction in fuel consumption for the industry as a whole.



Eight Super-Full trailers and four full tractors for hauling them have been deployed as of June 2019

### ► Strategy

- We offer the *Kuroneko Members* service, a members-only service for individual customers in which registered members can designate their desired date, time, and place for receiving packages. Moreover, we are seeking to improve the convenience of *TA-Q-BIN* services while containing redeliveries and reducing GHG emissions by expanding the installment of PUDO stations, which offer open-type parcel lockers that facilitate the receipt and shipment of packages.
- In order to contribute to the sound growth of the small-lot, chilled and frozen delivery market, we promoted the creation of international standards related to small-lot, chilled and frozen delivery services in collaboration with the British Standards Institution (BSI). As a result, the BSI issued PAS 1018:2017 in 2017. We will establish a sound presence in the refrigerated parcel delivery market and work to expand our service lineup.

Note: Please refer to Yamato Holdings' CDP2019 responses for more details on its analyses and assessments.

## Safety



### Safety Measures to Support Business Continuity

#### Materiality

- Safety and peace of mind

#### Major Initiatives

- Ensuring road safety
  - Introduce rules, equipment, and systems
  - Spread safety awareness among employees

#### Value Created

- Creating safe cities
- Ensuring health and safety of employees
- Providing a sense of security and well-being

#### Contributions to the SDGs



## Basic Approach

The Yamato Group owns a large number of vehicles and uses public roads as its principal place of business. For that reason, the Group's operations have a major impact on society, and thus we place significant importance on ensuring the safety of communities. Additionally, since traffic safety is considered to be a part of the occupational safety of the employees who drive our vehicles, it is recognized as an important issue for the Yamato Group, which operates its business through its more than 220,000 employees.

Based on the corporate stance of respecting human life and ensuring safety, the Group thoroughly adheres to its philosophy of placing safety first and business second to position respect for human life as a priority at all times. General freight automotive transportation operators of a certain business scale are required to establish safety management regulations and report them to the "minister" of Land, Infrastructure, Transport and Tourism. Group companies subject to this obligation have established safety management regulations in accordance with this law. The Group places particular emphasis on "promoting safety management systematically and continuously through the leadership of top management," as indicated in the law, and is promoting initiatives to this end.

## Safety Management Structure

Based on the Yamato Group's Safety Management Regulations, each Group company has established a safety management structure.

Guided by the leadership of its top management, the Group has set up an organizational management structure involving a collaboration between those on the transportation front lines and those in administrative divisions, in order to enhance the effectiveness of its transportation safety management.

Also, in regard to important information on such matters as serious transportation-related accidents, the Group maintains a framework for sharing such information with Yamato Holdings, which oversees the Group, in an effort to promote transportation safety on a Groupwide level.

### ■ Safety-Related Performance (Domestic Consolidated Subsidiaries and Swan Co., Ltd.)

Item	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
No. of serious traffic accidents*1	3	1	1
No. of serious work-related accidents*2	0	1	1

\*1 Deaths from traffic accidents (including accidents where driver was responsible)

\*2 Deaths from work-related accidents

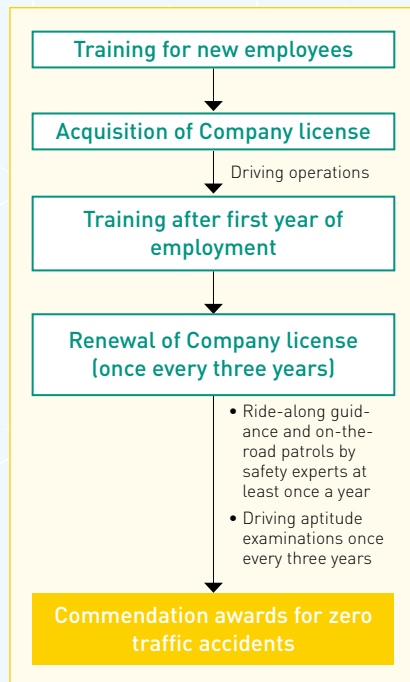
## Driver Aptitude Examination

Automotive transportation operators are required to have their drivers take an aptitude examination that is recognized by the Ministry of Land, Infrastructure, Transport and Tourism. The drivers of the Yamato Group undergo driver aptitude examinations on a regular basis. These examinations consist of two types: mandatory examinations, including examinations after being hired, age-specific examinations, and other specific examinations, and voluntary examinations, including general examinations. In addition to the mandatory examinations, Group drivers take voluntary examinations once every three years to ensure safe driving.



## Safety Measures to Support Business Continuity

### ■ Outline of Internal Education



Guidance from a safety expert



Commendation awards for zero traffic accidents

### Training of Sales Drivers (Yamato Transport)

To develop excellent sales drivers who strictly practice safe driving, the Group provides them with detailed guidance on a daily basis. Yamato Transport sales drivers hired after a rigorous aptitude examination and receive training upon joining the Company that includes safety training and other forms of training for approximately one month. After acquiring their Company license, they are able to engage in driving operations for the first time. They continue to hone their driving skills through training sessions for one year after joining, regular ride-along guidance, and on-the-road patrols by safety experts, as well as a driving aptitude examination held once every three years.

### Enhancing Training for Safe Driving through the Use of Data (Yamato Transport)

Yamato Transport is gradually equipping all pickup and delivery vehicles with in-vehicle terminals\* that gather a variety of operating data, such as speed, parking location information, road images, and driving routes created through information obtained from GPS antennas. By visualizing and analyzing operating data that is centrally managed through these in-vehicle terminals, safety experts and other personnel can gain a more detailed understanding of the driving characteristics of sales drivers and realize preventative-type training for safe driving that is tailored to each driver's driving characteristics. In this way, we are further strengthening initiatives toward safety and security.

\* All pickup and delivery vehicles are scheduled to be equipped with in-vehicle terminals during the fiscal year ending March 31, 2021

### Contest to Enhance Safety Awareness and Techniques

With the aim of improving the driving safety of its professional drivers, maintaining Companywide safety awareness, and improving driving techniques, Yamato Transport has been holding the Yamato Transport Nationwide Safety Meet annually since 2010. At the Eighth Annual Yamato Transport Nationwide Safety Meet held in 2018, 38 sales drivers and 13 operational managers took part after advancing through the preliminary rounds at regional and other branches to compete with each other on driving techniques and the knowledge necessary for safe driving.

Moreover, Yamato Autoworks, which operates our vehicle maintenance business, holds a contest for competing on maintenance techniques and customer service skills. The contest improves the safety awareness, techniques, and knowledge of the participants by competing in areas such as the safety and accuracy of maintenance techniques, maintenance speed, skillfulness of cooperation with colleagues, customer service skills, and knowledge of insurance.

### Commendation Awards for Zero Traffic Accidents That Recognize Professional Drivers Dedicated to Safe Driving

The Yamato Group's philosophy of placing safety first is underpinned by its drivers who demonstrate safe driving on a daily basis. Yamato Transport, Yamato Home Convenience, Yamato Global Express, Okinawa Yamato, Yamato Multi Charter, and Yamato Box Charter annually recognize and reward outstanding drivers who continue to drive safely without causing any accidents.

Further, Yamato Transport presented awards for excellence in safety to 3,135 centers that achieved zero accidents and zero disasters throughout the year.

▶ For more detailed information, please see the CSR section of our website.  
<https://www.yamato-hd.co.jp/english/csr/index.html>



## Society



### Promotion of CSV in Cooperation with Local Communities

#### Materiality

- Local communities

#### Major Initiatives

- Supporting lifestyles, tourism, etc., through our businesses

#### Value Created

- Revitalizing local economies
- Improving Japan's global competitiveness through regional revitalization
- Building a foundation for the co-creation of a sustainable society

#### Contributions to the SDGs



## Basic Approach

While Japan has been facing a variety of social issues in recent years, such as its declining birthrate and aging and declining population, the Yamato Group has been firmly engaged in regional revitalization through its business on a nationwide scale. Moreover, we recognize that our business activities have a significant impact on regional communities. For that reason, the Group will work to reduce its burden on these communities in a variety of ways and strive toward mutual growth.

In collaboration with regional governments and other entities, the Yamato Group is promoting Project G (Government), which aims to contribute to the resolution of social issues through its main business. By pursuing such efforts as combined passenger-cargo operations, promoting tourism, and helping to expand sales channels for local products as part of our main business, we are seeking to realize the concept of Creating Shared Value (CSV), which involves supplying both economic and social value.

### Accomplishments of Project G

Number of Project G solutions: **1,075** (As of December 31, 2019)

#### Breakdown of the 408 Project Agreements with Local Governments

Watch-over support	150	Hometown tax payments	10
Shopping support services	14	Environmental conservation	2
Product support services	14	Combined passenger-cargo operations using buses	10
Tourism promotion support	14	Comprehensive support	43
Event support	3	Other	12
Disaster relief support	136		

## Initiatives for Combined Passenger-Cargo Operations

Yamato Transport is collaborating with local governments and bus and railway companies to promote combined passenger-cargo operations, which involve moving passengers and parcels at the same time. By doing so, Yamato is helping to maintain bus and railway networks in hilly and mountainous areas where the population is substantially declining and aging, and improve lifestyle-related services for local community members through more-efficient logistics.

Number of combined passenger-cargo operation areas: **14** prefectures across Japan (As of December 31, 2019)

### Maintaining Transport Routes and Improving Productivity through Combined Passenger-Cargo Operations

In October 2018, we commenced combined passenger-cargo operations in partnership with a local bus route operated by Kan-etsu Transportation Co., Ltd. in Numata City, Gunma Prefecture. While Kan-etsu Transportation's bus route between Numata Station and Kamata is an important means of transportation for people living in the region, it was deemed unproductive due to declining revenues. For Yamato Transport, meanwhile, it was necessary to do a round trip of approximately one hour in the morning and afternoon when delivering parcels from its Numata branch to the Kamata region. As a result of the combined passenger-cargo operations initiative, Kan-etsu Transportation has secured a new source of revenue by loading *TA-Q-BIN* packages in the areas of its buses not occupied by passengers, while Yamato Transport has improved the working environment of its sales drivers and reduced CO<sub>2</sub> emissions by reducing travel time by approximately one hour. In addition, it has made it easier for our sales drivers to respond to the needs of customers through the additional time they can spend with them.

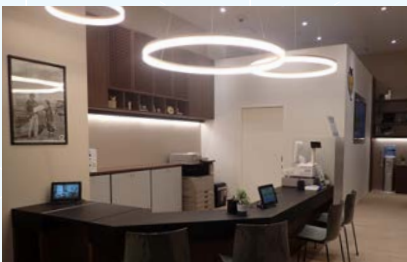
## Promotion of CSV in Cooperation with Local Communities



Zentan Bus



A tourist leaving her luggage at SOZORO



A Nekosapo Station service counter



A Nekosapo Station coworking space



Housework support service—cleaning of a ventilation fan

### Promoting “Hands-Free Travel” through Tourism-Oriented Combined Passenger-Cargo Operations

In December 2018, Yamato Transport and Zentan Bus launched a “hands-free travel” service for overseas tourists staying at Kinosaki Hot Springs in Hyogo Prefecture.

Tourists staying at Kinosaki Hot Springs can enjoy “hands-free travel” without the need to carry around heavy luggage by leaving it at SOZORO, Zentan Bus’s tourist information center. In tandem with this service, luggage is transported by combined passenger-cargo operations using a highway bus from Kinosaki Hot Springs to Yamato Transport’s base in the central area of Osaka and delivered to hotels in the central area of Osaka via *TA-Q-BIN*.

Since 2017, Yamato Transport and Zentan Bus have been conducting combined passenger-cargo operations with the goal of improving lifestyle-related services for local community residents through maintaining bus networks in hilly and mountainous areas and more-efficient logistics. Based on this collaboration, we realized our “hands-free travel” service as a new initiative.

### Providing Life Style Support Utilizing Locations in the Community

Amid the declining birthrate and aging population, the population of Japan is centralizing in certain urban areas while thinning out in regional communities. In such communities, it is anticipated that community members will face various lifestyle-related issues going forward due to the rapid progression of the aging population.

Leveraging its management resources, the Yamato Group has been operating the “Nekosapo lifestyle support service” since April 2016 to provide more comfortable lives of the people living in Tokyo’s Tama New Town area.

At Nekosapo Stations, which have been set up within housing complexes and neighborhood retail facilities, we offer local information and hold exchange events in an effort to revitalize the community. At the same time, we are collaborating with the local government and local company to provide lifestyle-related services, including providing support for housework and shopping needs on behalf of local community members.

As the Nekosapo Station in Tama New Town has been widely used by people living in the community, we have received many requests for the opening of Nekosapo Stations in communities other than Tama City. Against this backdrop, we opened “Nekosapo Station Terrace Mall Matsudo” at *Terrace Mall Matsudo*, a large-scale retail facility in Chiba Prefecture, in October 2019. Despite the aging of its population in the large-scale housing complex area established in the 1960s, Matsudo City has become popular among dual-income households and families raising children in recent years due to its easy access to central Tokyo. We are promoting urban development with the aim of enabling community members of all ages to live comfortably and with peace of mind.

By Providing services in partnership with tenants and regional local companies and organizations while leveraging the management resources of the Yamato Group, we aim to be a community base that connects a variety of generations living in Matsudo City and its neighboring areas, including the elderly and families raising children. In this way, we will contribute to the secure and comfortable lifestyles of community members.

▶ For more detailed information, please see the CSR section of our website.  
<https://www.yamato-hd.co.jp/english/csr/index.html>

# Corporate Governance

## Basic Position on Corporate Governance

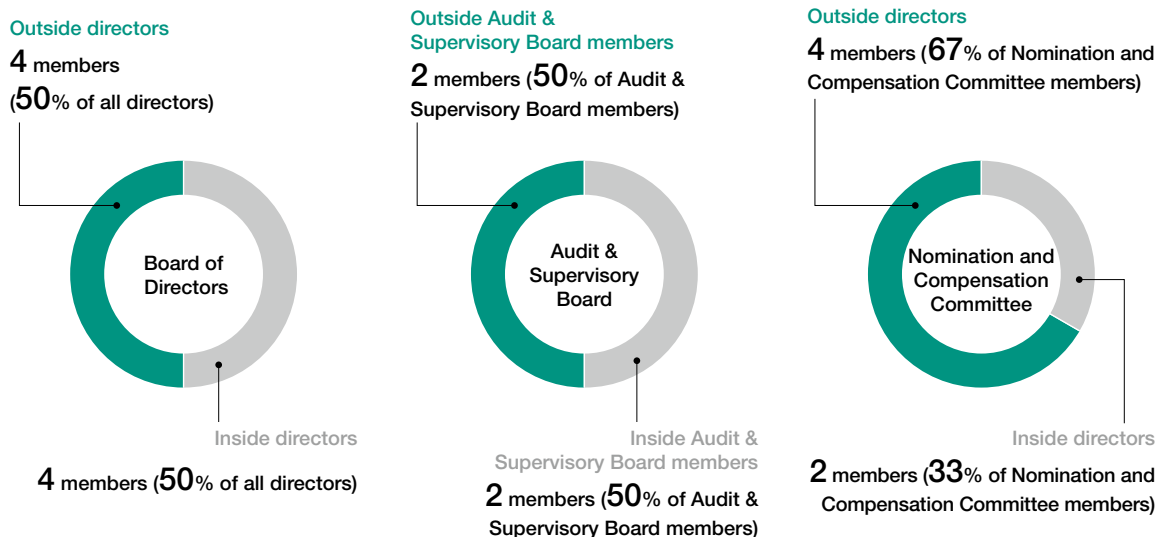
Based on its corporate philosophy, the Yamato Group carries out business activities in accordance with the law and social norms and actively promotes compliance management. Striving to maximize corporate value by effectively utilizing the

management resources of the Group is one of the top priorities of management, and we have implemented measures and bolstered management systems as part of our corporate governance initiative.

## Characteristics of Corporate Governance System (As of July 1, 2019)

System	Company with auditors
Number of directors	8
Outside directors	4
Number of Audit & Supervisory Board members	4
Outside auditors	2
Term of directors	1
Executive officer system in place	Yes
Independent auditor	Deloitte Touche Tohmatsu LLC

## Composition of the Board of Directors, Audit & Supervisory Board, and Nomination and Compensation Committee



## Change in the Composition of the Board of Directors

July 1, 2011 → As of July 1, 2019



Ratio of outside directors

33%

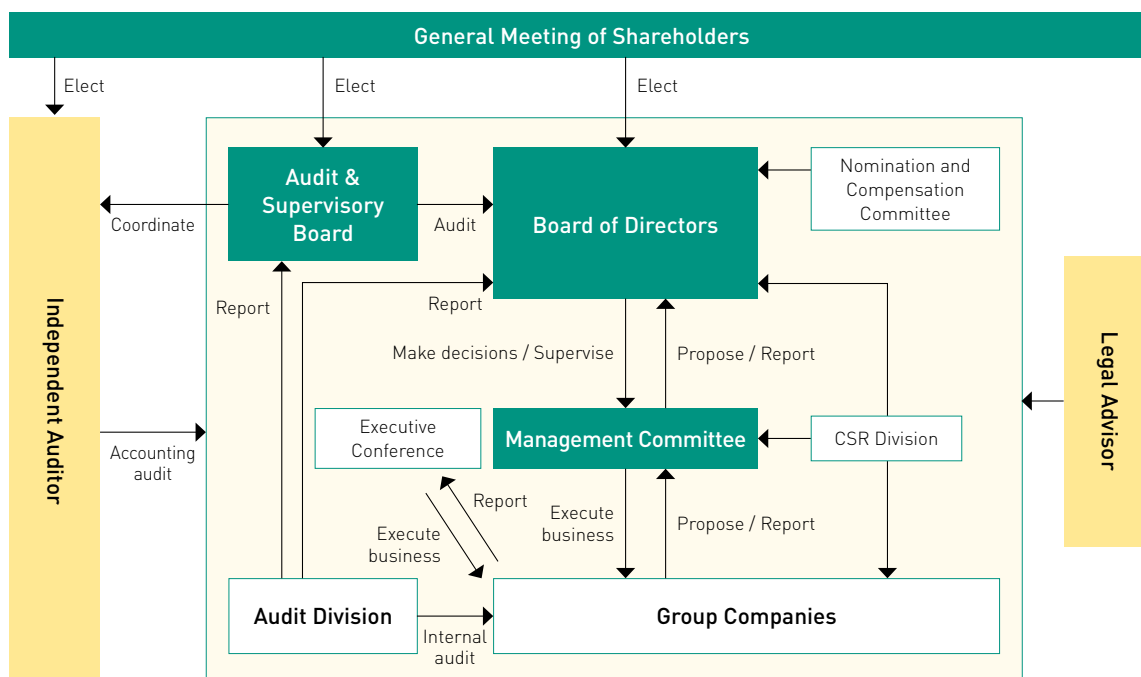


Ratio of outside directors

50%

## Corporate Governance

### Corporate Governance Framework



### Efforts to Improve Corporate Governance

#### Medium-Term Management Plan

	DAN-TOTSU Three-Year Plan HOP	DAN-TOTSU Three-Year Plan STEP	KAIKAKU 2019 for NEXT100
2002	2011	2014	2017–

#### Board of Directors and Audit & Supervisory Board

- Shortened the term of directors to one year (June 2003)
- Appointed outside directors (June 2005)
- Implemented evaluation of effectiveness of the Board of Directors (June 2016)
- Appointed a female outside director (June 2017)
- Transitioned to a structure in which outside directors made up one-third of all directors (June 2015)
- Transitioned to a structure in which outside directors comprised one-half of all directors (June 2019)

#### Committees, etc.

- Established the Nomination and Compensation Committee (June 2005)
- Established the Compliance and Risk Committee (August 2006)

#### Corporate Structure and Other Systems and Initiatives

- Introduced executive officer system (June 2004)
- Eliminated retirement benefit system for corporate officers (June 2004)
- Disclosed ROE target in medium-term management plan (January 2005)
- Introduced performance-based compensation system (April 2005)
- Transitioned to a pure holding company (November 2005)
- Introduced succession plans (July 2006)
- Established an advisory board (October 2014)
- Established Corporate Governance Guidelines (September 2015)
- Implemented corporate officer training (October 2015)
- Established interim holding companies to be responsible for regional management (Southeast Asia and East Asia) Southeast Asia (January 2014), East Asia (April 2017)
- Abolished adviser position (June 2018)



## Concurrent Posts and Main Activities of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Independent officer	Nomination and Compensation Committee	Concurrent posts (As of June 25, 2019)	Main activities	Attendance at meetings of the Board of Directors and/or Audit & Supervisory Board during the fiscal year ended March 31, 2019
Outside Directors	Masakatsu Mori	Yes	Yes (Committee Chair)	<ul style="list-style-type: none"> <li>Senior Advisor of International University of Japan</li> <li>Outside Director of Stanley Electric Co., Ltd.</li> <li>Outside Director of Kirin Holdings Company, Limited</li> </ul>	Masakatsu Mori has ample experience and extensive knowledge as a businessperson, and he comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 19 of 19 meetings
	Mariko Tokuno	Yes	Yes	<ul style="list-style-type: none"> <li>Outside Director of Happinet Corporation</li> <li>Outside Director of Mitsubishi Materials Corporation</li> </ul>	Mariko Tokuno has ample experience and extensive knowledge as a businessperson, and she comments and advises as needed on all aspects of business management. Furthermore, her collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 18 of 19 meetings
	Yoichi Kobayashi	Yes	Yes	<ul style="list-style-type: none"> <li>Vice Chairman of ITOCHU Corporation</li> </ul>	Yoichi Kobayashi has ample experience and extensive knowledge as a businessperson, and he comments and advises as needed on all aspects of business management. Furthermore, his collaboration with the independent auditor and the Audit Division enhances governance.	Board of Directors: 16 of 16 meetings
	Shiro Sugata	Yes	Yes	<ul style="list-style-type: none"> <li>Special Corporate Advisor of USHIO INC.</li> <li>Outside Director of JSR Corporation</li> <li>Outside Director of Yokogawa Electric Corporation</li> </ul>	—	Appointed in June 2019
Outside Audit & Supervisory Board members	Hiroyuki Kanae	Yes	—	<ul style="list-style-type: none"> <li>Partner, Anderson Mori and Tomotsune LPC</li> </ul>	Hiroyuki Kanae provides necessary advice based on his high level of expertise and abundance of experience as an international lawyer. Furthermore, he attends regular meetings to exchange opinions with the representative director and president, outside directors, and Audit & Supervisory Board members, monitoring directors' execution of duties primarily by asking questions related to overseas business risk.	Board of Directors: 19 of 19 meetings Audit & Supervisory Board: 19 of 19 meetings
	Takashi Yamashita	Yes	—	<ul style="list-style-type: none"> <li>Representative of Takashi Yamashita CPA Office</li> <li>Outside Director of Shin Nippon Biomedical Laboratories, Ltd.</li> </ul>	Takashi Yamashita possesses sufficient insight into finance and accounting through his work as a Certified Public Accountant. Furthermore, he attends regular meetings to exchange opinions with the representative director and president, outside directors, and Audit & Supervisory Board members, monitoring directors' execution of duties primarily by asking questions related to finance and accounting.	Board of Directors: 19 of 19 meetings Audit & Supervisory Board: 18 of 19 meetings

## Corporate Governance

The Company is a company with an Audit & Supervisory Board. In addition to important management decision-making and the supervision of business execution by the Board of Directors, Audit & Supervisory Board members and the Audit & Supervisory Board, which are independent from the Board of Directors, shall audit the status of execution of duties by directors.

Also, to increase management transparency, the Company established a Nomination and Compensation Committee comprising a majority of outside directors as an advisory committee to the Board of Directors. At the same time, the Company has adopted an executive officer system to ensure prompt decision-making related to business execution.

### Board of Directors

#### Roles and duties

- The Board of Directors shall make important decisions concerning the Company's business and supervises the execution of duties by executive directors and executive officers.
- The Board of Directors shall recognize the medium-term management plan as one of the commitments to shareholders and do its utmost to achieve the goals of the plan. Moreover, the Board of Directors shall sufficiently analyze the initiatives aimed at realizing the goals of the medium-term management plan as well as the extent to which the plan's objectives are being achieved. In addition to providing explanations to shareholders, such analyses shall be reflected in future management plans.
- The Board of Directors shall encourage executive officers to demonstrate a healthy entrepreneurial spirit and not excessively avoid or curb risk, while at the same time establishing a framework that enables it to ensure accountability.
- The scope of responsibility of each executive officer shall be decided by the Board of Directors and disclosed. Executive officers shall execute business in accordance with internal regulations.

#### Management

- To allow Board of Directors meeting attendees the opportunity to prepare for meetings in advance, the Board of Directors secretariat shall send agenda items and related materials to directors well in advance of the meeting date and provide explanations in advance as needed.
- The annual schedule of Board of Directors meetings as well as anticipated agenda items shall be decided in advance, and this information shall be provided to directors and Audit & Supervisory Board members.
- The number of issues to be deliberated as well as the frequency of meetings shall be appropriately set, and the time of meetings shall be decided so as to allow sufficient time for deliberations.

- As needed, meetings comprising Board of Directors meeting attendees shall be held for the purpose of exchanging ideas, thereby encouraging lively debate.
- The effectiveness of the Board of Directors shall be evaluated through questionnaires and interviews performed by the chair.

#### Evaluation of effectiveness

To verify the effectiveness of the Board of Directors, the Company listens to the individual opinions of all directors and Audit & Supervisory Board members regarding the composition and operational status of the Board of Directors. Based on these opinions, the Company carries out an evaluation on the Board's effectiveness in terms of such matters as the condition of the Board's operation and the state of deliberation held at Board meetings.

By sharing the issues brought to light through the evaluation at Board of Directors meetings, the Company makes efforts to examine and implement measures toward realizing improvements.

#### Results of Evaluation for the Fiscal Year Ended March 31, 2019

The results of evaluation for the fiscal year ended March 31, 2019 deemed that the composition, operating conditions, and state of deliberations of the Board of Directors are generally appropriate for an organization that fulfills a supervisory function. The evaluation also determined that the Board has fostered an environment that allows its members to actively participate in Board meetings and hold open-minded discussions.

In light of this, the Company confirmed that the Board of Directors is functioning in an effective manner that contributes to its Corporate Governance Guidelines of "securing sound management" and "achieving prompt and accurate decision-making and business execution."

With regard to the incident involving inappropriate billing by Yamato Home Convenience Co., Ltd.,

which came to light in July 2018, we gravely accept that the cause of this incident was the inadequate management and supervision of Group companies by the Company. As a measure to prevent such an incident from reoccurring within the Group, we have established a Group Governance Project with the goal of achieving a drastic and comprehensive transformation to our governance on a Groupwide basis. We are also moving forward with reforms to the management and supervisory systems of the Company and each Yamato Group

company and are regularly monitoring the progress of these reforms.

Going forward, we will continue to strengthen the management and supervisory systems of the Company and each Group company in order to increase the management soundness of the entire Group. At the same time, the Company will continue to maintain and improve the effectiveness of its Board of Directors with a view to executing its growth strategy aimed at the next 100 years upon celebrating its 100-year anniversary in November 2019.

## Audit & Supervisory Board

### ► Roles and duties

- The Audit & Supervisory Board and its members shall exercise their authority actively and proactively, and they shall appropriately state their opinions at Board of Directors meetings as well as to members of senior management.
- The full-time Audit & Supervisory Board members shall attend Board of Directors meetings and other important meetings related to the execution

of business, express reasonable opinions, hold effective Audit & Supervisory Board meetings, and ensure that information is shared and that members work together in a coordinated manner.

- The Audit & Supervisory Board shall regularly hold information exchange meetings for the purpose of sharing information with outside directors, thereby ensuring more robust gathering of information and encouraging teamwork.

## Nomination and Compensation Committee

- The Nomination and Compensation Committee shall comprise outside directors and the same number of or fewer internal directors with an outside director serving as the committee chair.
- The committee shall deliberate on matters related to the appointment or removal of senior management members based on business performance and multifaceted observations and evaluation, thereby verifying the validity of such decisions,

and decide policies on compensation and other matters related to senior management members.

- The committee shall propose candidates as successors to the representative director to the Board of Directors, following deliberation based on multifaceted observations and evaluations of candidates' track records, human nature, and other factors, thereby increasing management transparency.

## Support Framework for Directors and Audit & Supervisory Board Members

- The Company shall establish a support framework that enables it to provide necessary and adequate information at the necessary time to allow directors to effectively fulfill their roles and duties.
- By participating in key business strategy meetings for the overall Group, such as the "Business Summit," "Business Conference," and "Management Plan Unveiling," as well as by observing key Group business sites, including those overseas, participants are able to better understand the business strategies and provide opportunities to see how these strategies are being advanced.
- As a system to help Audit & Supervisory Board members smoothly perform their duties, employees

in the internal audit division shall be appointed to assist Audit & Supervisory Board members.

- Audit & Supervisory Board members shall exercise their authority to perform investigations in accordance with the Companies Act. In addition, if a director or employee discovers a fact that could potentially inflict marked damage on the Company, he/she shall immediately report this fact to an Audit & Supervisory Board member, even if there is no request to do so from an Audit & Supervisory Board member.
- If a director or Audit & Supervisory Board member believes it to be necessary, he/she shall obtain advice from an outside expert at the Company's expense.

## Corporate Governance

■ The internal audit division shall regularly hold meetings with the full-time Audit & Supervisory Board members, and provide audit reports in a planned manner to the Board of Directors and

the Audit & Supervisory Board, thereby enhancing the provision of information to as well as bolstering coordination with outside directors and outside Audit & Supervisory Board members.

### Compensation of Directors and Audit & Supervisory Board Members

(Year ended March 31, 2019)

Directors and Audit & Supervisory Board members	Total compensation and other remuneration (Millions of yen)	Total by compensation and remuneration category (Millions of yen)		Head count of eligible directors and Audit & Supervisory Board members
		Basic compensation	Performance-based compensation	
Directors (excluding outside directors)	365	284	80	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	48	48	—	3
Outside directors and Audit & Supervisory Board members	76	76	—	6

#### ► Policies related to methods for calculation and determination of director compensation

To ensure the objectivity and transparency of policies for determining director compensation, deliberations are conducted through the Nomination and Compensation Committee, more than half of whose members are outside directors, with the Board of Directors making resolutions.

Compensation regarding the Company's officers was determined at the General Meeting of Shareholders held on June 28, 2018, where the amount of compensation to be provided to Directors was determined to be a monthly amount of not more than ¥45 million (of which up to ¥6 million is allocated to Outside Directors).

Director compensation comprises fixed remuneration that reflects external and other standards and performance-based amounts. In addition, a certain percentage of their compensation is allocated to purchasing shares of the Company through the Officers and Executives' Shareholding Association.

The indicator for performance-based compensation is operating profit, which was selected to strengthen the connection between compensation and Company performance and improve transparency and objectivity. The total amount of performance-based compensation paid shall be determined by the level of achievement of the consolidated operating profit target and the individual compensation amounts paid shall be the sum of the amount determined by the Director's rank and title and the amount determined by a multifaceted evaluation of achievement of individual-specific performance targets. In the fiscal year ended March 31, 2019, we achieved consolidated operating profit of ¥58,345 million, which exceeded its target of ¥58,000 million.

The compensation of Audit & Supervisory Board members and outside directors is fixed in keeping with the nature of their work.

### Policy on Cross-Shareholdings

The Company shall maintain a policy of owning stocks that are deemed meaningful, based on a comprehensive consideration from a medium to long term perspective of the relationship with the Group's businesses, the profitability of the Company, and the potential for creating new business opportunities, among other factors.

A decision shall be made every year at the Board of Directors meeting concerning whether to continue holding the stocks based on careful consideration of various factors including previous business transactions with the Company and the market price of the shares, and after verifying the benefits

and risks associated with holding the stocks from a quantitative and qualitative perspective.

The Company works to reduce the number of stocks it owns that are deemed to be of little significance.

In exercising the voting rights of shares held, the decision to support or oppose agenda items at the shareholders' meeting shall be made on a case-by-case basis, with consideration given to the issuing company's enhancement of corporate value, the issuing company's compliance framework, and the possibility of a negative impact on the Group's business, among other factors.



## Compliance

### Strengthening internal control for the Group overall

The Yamato Group has established an internal control system in order to promote sound corporate culture in the Group as a whole and to enable employees to perform their duties effectively and efficiently without any misbehavior or mistakes. Having stipulated its basic policy on the internal control system in accordance with the Companies Act, each Group company is working on strengthening internal control.

In addition, in order to respond to the internal

control report system pursuant to the Financial Instruments and Exchange Act, we are promoting reviews of business rules and the standardization of operations, checking whether operations have been effectively performed in accordance with the rules, and establishing a system to immediately put improvements in place should there be any shortcomings.

Internal control over the financial reporting of the Yamato Group as of March 31, 2019 was considered valid, and a report was submitted to the Kanto Local Finance Bureau.

## Business Continuity Plan

As a corporate group that offers the *TA-Q-BIN* service as a part of social infrastructure, the Yamato Group has formulated a business continuity plan (BCP) to ensure that it can keep offering services in a steady manner even under unforeseeable circumstances. Based on the experience gained after the Great East Japan Earthquake and other disasters, we are anticipating various emergency scenarios in an effort to reinforce our crisis management system on a Groupwide basis.

We have also established the Yamato Group BCP Basic Policy, which is supported by the three pillars of giving the utmost priority to human life, aiming for the prompt recovery of operations at

each Group company, and meeting the expectations of local community members as a part of social infrastructure. Guided by this policy, we have determined various Groupwide standards and have created a wide range of manuals in accordance with the business continuity of each Group company.

Going forward, we will strengthen our response to dealing with damage from natural disasters such as earthquakes, for which damage is expected to be large in scale, and flooding caused by heavy rain and other factors. At the same time, we will promote extensive examinations of various risks that could impact our business continuity.

## Accountability

The Yamato Group considers the explanation of corporate and management data to shareholders, investors, and other stakeholders to be an important corporate governance issue and is committed to the speedy, accurate, and fair disclosure of information. Furthermore, the Group has

established the Disclosure Policy in order to disclose and manage information in a more appropriate manner and enhance the reliability of that information.

The main investor relations activities are listed below.

Item	Number of times	Content
Settlement of Accounts Meetings for analysts and institutional investors	4	The first-quarter meeting is held by telephone with the Chief Financial Officer. Meetings for the second, third, and fourth quarters are held with the president.
Visits by the president to investors in the United States, Europe, and Asia	1 or more per year to each region	The president or chairman makes regular overseas visits to investors in the United States, Europe, and Asia to explain management policies.
Small meetings with the president	2 per year	Creating regular opportunities for direct dialogue with management
Facility tours	2 or more per year	Creating regular opportunities to promote understanding of business operations
Website for investor relations materials	—	Financial results, news releases, securities reports, and quarterly reports; materials pertaining to settlement of accounts meetings, convocation notices for the ordinary general meeting of shareholders, notices of resolution, and disclosure of voting results. Publication of most important information in two languages—Japanese and English—so that information can be communicated to foreign investors.
Establishment of IR department	—	Responsible for developing IR strategies to initiate dialogue with shareholders and other investors and disclosing information

## Efforts to Strengthen Group Governance

Strengthening governance is one of the most important issues for the Yamato Group. In light of the inappropriate billing for moving-related services to employees of corporate clients at Yamato Home Convenience (hereinafter, “YHC Inappropriate Billing Incident”), which we discovered in 2018, we established the Group Governance Project in order to improve the soundness of the Group’s management. Centered on this project, we are working to dramatically and comprehensively rebuild the governance of the Group.

### Major Issues Prioritized by the Group

The Group takes the proposals of the “in-house investigative committee consisting of independent experts from outside the Company” very seriously. Based on these proposals, we have clarified the major issues to be prioritized and are working to strengthen our governance on a Groupwide basis.

#### ■ Products and Services

In regard to the newly developed products and services of each Group company, as well as the products and services currently being offered by these companies, the Group is working to establish a shared management process that involves implementing appropriate inspections, including compliance checks.

#### ■ Whistle-Blower System

To promptly discover and appropriately respond to law and/or internal regulation violations, the Group is revamping and working to entrench specific Groupwide response procedures, handling methods, and risk assessment criteria for responding to whistle-blower

#### ■ Ethics Education

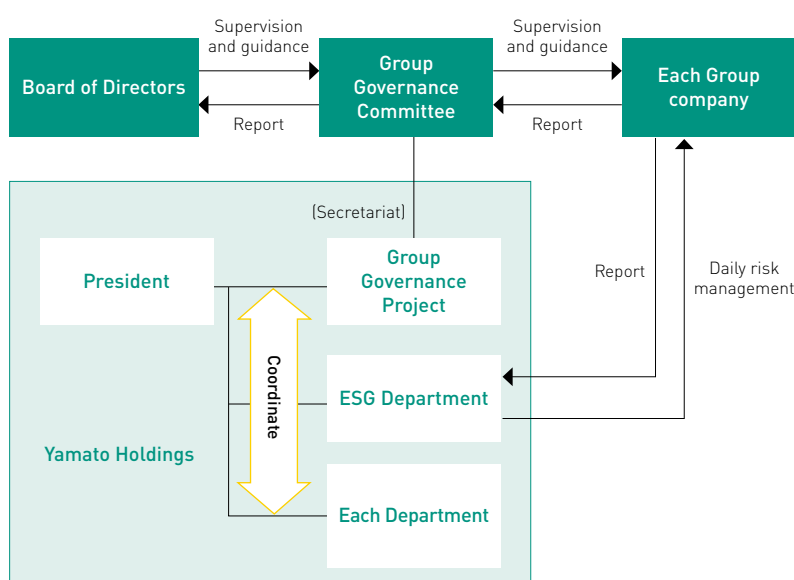
The Group is implementing ethics and compliance education across the Group with the aim of fostering a corporate culture with a high level of ethics.

## Promotion of Group Governance Reforms

The Yamato Group believes that strengthening governance forms the foundation to take decisive action toward the working style reforms and three major structural reforms adopted under the medium-term management plan “KAIKAKU 2019 for NEXT100.” To that end, the Group Governance Project is working to prevent the reoccurrence of scandals in light of the YHC Inappropriate Billing Incident. In addition, the project is promoting efforts to strengthen governance across the Group, including establishing frameworks and structures for executing the appropriate management of risks facing the Group.

■ **Our Vision** By establishing frameworks and structures for executing appropriate risk management at each Group company, we will become a corporate group that always meets the needs and expectations of its stakeholders.

### ■ Promotion Structure



### ► Role of the Group Governance Project

The mission of the Group Governance Project is to comprehensively inspect the functions and systems of each Group company and formulate and implement measures for reform. The project’s mission also involves rebuilding monitoring and analysis frameworks. Based on this mission, the project is responsible for conducting the following measures.

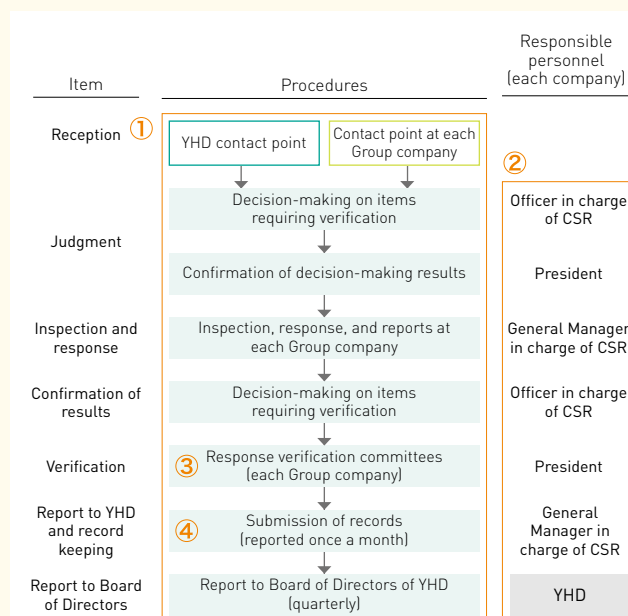
- Comprehensively inspect the functions and systems of each Group company
- Plan and promote strategies for Groupwide governance reform
- Rebuild monitoring and analysis frameworks for monitoring the implementation of the above strategies
- Carry out other tasks related to the promotion of Group governance

## Progress of Efforts toward Major Issues and Initiatives Going Forward

Products and Services	Whistle-Blower System	Ethics Education
Efforts in the Fiscal Year Ended March 31, 2019		
<ul style="list-style-type: none"> <li>Ensured compliance with laws and regulations, prepared the necessary paperwork, and implemented comprehensive inspections of risk related to incorrect billing, etc., in regard to the products and services offered by each Group company (tentative efforts)</li> <li>Implemented improvement activities based on the results of the above risk inspections and formulated risk-response plans for the fiscal year ending March 31, 2020</li> </ul>	<ul style="list-style-type: none"> <li>Revamped specific Groupwide response procedures, handling methods, and risk assessment criteria to promptly discover and appropriately respond to law and/or internal regulation violations</li> <li>Implemented training for handling reports received through the whistle-blower system targeting the approximately 80 employees responsible for the system at each domestic Group company</li> </ul>	<ul style="list-style-type: none"> <li>Revised our Declaration of Compliance, Corporate Stance, and Employee Code of Conduct</li> <li>Commenced ethics education for all Yamato Group employees and held lectures for approximately 600 managerial personnel</li> </ul>
Impacts and Issues		
<ul style="list-style-type: none"> <li>As a result of the comprehensive inspections of products and services, no major defaults were detected that could impact the continuation of sales.</li> <li>For the individual issues brought to light through the inspections, improvement activities have been implemented by each Group company with follow-up support by the Group Governance Project. In addition, the Compliance and Risk Committee has been monitoring the status of these improvement activities.</li> </ul>	<ul style="list-style-type: none"> <li>As a result of stepping up efforts to improve the management of whistle-blower systems and raise awareness of these systems, the number of reports received increased significantly from April 2019 (reports from April to September 2019 were up 82% compared with the same period in the previous fiscal year).</li> <li>We have been implementing internal audits and other monitoring activities to ensure improvements to the operation of whistle-blower systems at each Group company.</li> </ul>	<ul style="list-style-type: none"> <li>We expect improvements in awareness of ethics and compliance thanks to the implementation of ethics education (we plan to verify results via a survey of all employees during the fiscal year ending March 31, 2020).</li> </ul>
Efforts in the Fiscal Year Ending March 31, 2020		
<ul style="list-style-type: none"> <li>Systematic establishment of a PDCA cycle for the inspection of new and existing products and services, including the preparation of product management standards to be shared Groupwide</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced understanding of risk-related information through the implementation of compliance surveys of partner companies and all Group employees and the analysis of survey results</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of ethics training (ongoing) targeting all domestic Group employees (approx. 220,000)</li> </ul>
<b>Anticipated Impacts</b> <ul style="list-style-type: none"> <li>Prevention of unfavorable circumstances for customers due to the provision of services that contradict our Articles of Incorporation and contracts with customers</li> <li>Improvement in evaluation of our products and services by customers</li> </ul>	<b>Anticipated Impacts</b> <ul style="list-style-type: none"> <li>Prompt assessment of unexpected risk-related information, such as law/regulation violations</li> </ul>	<b>Anticipated Impacts</b> <ul style="list-style-type: none"> <li>Stronger sense of ethics among employees</li> </ul>

### Main Points Regarding Revisions to the Whistle-Blower System

- Before** Discrepancies in responses between contact points  
**After** Adoption of consistent management process for all reports, helping prevent the overlooking of major risks
- Before** Lack of clarity regarding the personnel responsible for decision-making and standards for dealing with major risks  
**After** Clarification of personnel responsible for decision-making and improvements in the level of risk awareness due to consistency in standards
- Before** Inconsistency in inspection rules within the Group  
**After** Establishment of rule requiring the holding of inspection committee meetings at each Group company and holding company in order to carry out appropriate inspections and verify response, thereby preventing the reoccurrence of incidents
- Before** Individual management of response information by each company  
**After** Improvement in information management in such ways as gaining understanding of Groupwide trends and sharing examples across the Group through comprehensive management of report-related information on a Groupwide level



\* YHD = Yamato Holdings Co., Ltd.

# Directors

As of March 1, 2020



Kenichi Shibasaki

Haruo Kanda

Yutaka Nagao

Masaki Yamauchi

## Masaki Yamauchi

Director and Chairperson of  
the Board of Directors

Apr. 1984 Joined the Company  
Apr. 2005 Executive Officer  
Apr. 2005 President, Tokyo Regional Office  
Nov. 2005 Executive Officer of Yamato Transport Co., Ltd.  
Nov. 2005 General Manager of Human Resources and Administration  
Mar. 2007 Executive Officer of the Company  
Mar. 2007 Responsible for Human Resources Strategy  
May 2007 Responsible for Management Strategy  
Apr. 2008 Representative Director, President and Executive Officer of Yamato Logistics Co., Ltd.  
Apr. 2011 Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.  
Jun. 2011 Director and Executive Officer of the Company  
Apr. 2015 Representative Director, President and Executive Officer  
Apr. 2019 Director and Chairperson of the Board of Directors (current)

## Yutaka Nagao

Representative Director,  
President and  
Executive Officer

Apr. 1988 Joined the Company  
Apr. 2004 Regional Branch Manager of Yamaguchi Regional Branch  
Apr. 2006 Regional Branch Manager of Saitama Regional Branch of Yamato Transport Co., Ltd.  
Apr. 2009 General Manager of TSS Sales Promotion Office  
Apr. 2010 Executive Officer and President of Kanto Regional Office  
Apr. 2013 Managing Executive Officer  
Apr. 2015 Executive Officer of the Company  
Apr. 2015 Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.  
Jun. 2017 Director and Executive Officer of the Company  
Apr. 2019 Representative Director, President and Executive Officer (current)

## Haruo Kanda

Representative Director,  
Executive Officer and  
Vice President  
Responsible for Overseeing  
Management,  
Assistant to President,  
Shared Value Creation  
and Internal Audits

Jan. 1985 Joined the Company  
Apr. 2004 General Manager of Human Resources  
Aug. 2005 Executive Officer  
Nov. 2005 Executive Officer of Yamato Transport Co., Ltd.  
Jul. 2006 Managing Executive Officer  
Apr. 2008 Managing Executive Officer of the Company  
Jun. 2008 Representative Director and Managing Executive Officer  
Apr. 2013 Representative Director and Senior Managing Executive Officer  
Apr. 2014 Responsible for Human Resources Strategy, Network Strategy, Legal Affairs, CSR Strategy and Audit  
Apr. 2015 Representative Director, Executive Officer and Vice President  
Mar. 2020 Responsible for Overseeing Management, Assistant to President, Shared Value Creation and Internal Audits (current)

## Kenichi Shibasaki

Representative Director,  
Executive Officer and  
Vice President  
Responsible for  
Overseeing Managing Section

Apr. 1980 Joined the Company  
Jun. 1997 Regional Branch Manager of Saitama Regional Branch  
Jun. 1999 General Manager of Education Division  
Apr. 2003 General Manager of Operation Division  
Feb. 2006 Representative Director, President and Executive Officer of Yamato Financial Co., Ltd.  
Apr. 2006 Executive Officer of the Company  
Apr. 2012 Managing Executive Officer  
Apr. 2016 Senior Managing Executive Officer  
Apr. 2017 Responsible for Financing Strategy and Coordinator-General of Investor Relations Strategy  
Jun. 2018 Director and Senior Managing Executive Officer  
Apr. 2019 Representative Director, Executive Officer and Vice President (current)  
Mar. 2020 Responsible for Overseeing Managing Section





Masakatsu Mori

Mariko Tokuno

Yoichi Kobayashi

Shiro Sugata

## Masakatsu Mori

Outside Director

Apr. 1969 Joined Arthur Andersen & Co.  
(currently: Accenture Japan Ltd)  
May 1972 Qualified as Certified Public Accountant  
Sep. 1981 Partner (business partner) of Arthur Andersen & Co.  
(currently: Accenture Japan Ltd)  
Feb. 1989 President of Andersen Consulting  
(currently: Accenture Japan Ltd)  
Board Member of Andersen Consulting (Global)  
(currently: Accenture)  
Apr. 2003 Representative Director and Chairman of  
Accenture Japan Ltd  
Sep. 2007 Corporate Advisor of Accenture Japan Ltd  
Oct. 2009 President of the International University of Japan (IUJ)  
Apr. 2013 Senior Advisor of IUJ  
Jun. 2013 Director of the Company (current)  
Nov. 2013 Vice Chairman of IUJ  
Apr. 2018 Senior Advisor of IUJ (current)

## Mariko Tokuno

Outside Director

Jan. 1994 Joined Louis Vuitton Japan KK  
Apr. 2002 Senior Director for Sales Administration  
Mar. 2004 Vice President of Tiffany & Co. Japan Inc.  
Aug. 2010 Representative Director and President of  
Christian Dior Japan KK  
Sep. 2013 Representative Director, President and CEO of  
Ferragamo Japan KK  
Jun. 2017 Director of the Company (current)

## Yoichi Kobayashi

Outside Director

Apr. 1973 Joined ITOCHU Corporation  
Jun. 2004 Executive Officer  
Apr. 2006 Managing Executive Officer  
Jun. 2006 Representative Executive Managing Director  
Apr. 2008 Representative Senior Managing Director  
Apr. 2011 Representative Director and Executive Vice President  
Apr. 2015 Senior Advisor  
Apr. 2016 Vice Chairman (current)  
Jun. 2018 Director of the Company (current)

## Shiro Sugata

Outside Director

Apr. 1972 Joined USHIO INC.  
Jan. 1993 President of BLV LICHT- UND VAKUUMTECHNIK  
GmbH  
Jun. 2000 Director and Corporate Senior Vice President of  
USHIO INC.  
Apr. 2004 Director and Corporate Executive Vice President  
Jun. 2004 Representative Director and Corporate Executive  
Vice President  
Mar. 2005 President and CEO  
Oct. 2014 Director and Corporate Advisor  
Jun. 2016 Corporate Advisor  
Jul. 2017 Special Corporate Advisor (current)

# Audit & Supervisory Board Members

As of March 1, 2020



Mamoru Matsuno

Yoshihiro Kawasaki

Hiroyuki Kanae

Takashi Yamashita

## Yoshihiro Kawasaki

Full-time Audit & Supervisory Board Member

Sep. 1992 Joined Kyushu Yamato Transport Co., Ltd.  
 Apr. 2003 Regional Branch Manager of Kagoshima Regional Branch of Yamato Transport Co., Ltd.  
 Feb. 2006 General Manager of Division of Service Quality Improvement  
 Apr. 2010 Executive Officer and President of Shikoku Regional Office  
 Jun. 2015 Audit & Supervisory Board Member  
 Jun. 2019 Full-time Audit & Supervisory Board Member of the Company (current)

## Mamoru Matsuno

Full-time Audit & Supervisory Board Member

Apr. 1981 Joined the Company  
 Jun. 2000 Manager of Audit Section No.1 of Audit Division  
 Jun. 2002 Manager of Audit Section of Audit Division  
 Jul. 2006 Audit Function Manager  
 Apr. 2012 Audit Function Senior Manager  
 Apr. 2018 Attached to the President  
 Jun. 2018 Full-time Audit & Supervisory Board Member (current)

## Hiroyuki Kanae

Outside Audit & Supervisory Board Member

Apr. 1979 Licensed and registered as an attorney at law (Bengoshi) at Daini Tokyo Bar Association  
 Sep. 1987 Coudert Brothers LLP (New York)  
 Jul. 1988 Licensed and registered as an attorney at law in the State of New York  
 Sep. 1988 Joined Nishi, Tanaka & Takahashi Law Office  
 Apr. 1992 Partner of Nishi, Tanaka & Takahashi Law Office  
 May 2001 Joined Shin-Tokyo Law Office as partner  
 Oct. 2007 Through the consolidation of law offices, name changed to Bingham McCutchen Murase, Sakai Mimura Aizawa, Foreign Law Joint Enterprise (Partner)  
 Jun. 2012 Outside Audit & Supervisory Board Member of the Company (current)  
 Apr. 2015 Through the consolidation of law offices, name changed to Anderson Mori & Tomotsune LPC (Partner) (current)

## Takashi Yamashita

Outside Audit & Supervisory Board Member

Oct. 1983 Joined Asahi Accounting Company  
 Mar. 1987 Registered as a certified public accountant  
 May 2003 Representative Partner of Asahi & Co. (currently: KPMG AZSA LLC)  
 Aug. 2014 Established Takashi Yamashita CPA Office, Representative (current)  
 Jan. 2015 Registered as a certified tax accountant  
 Jun. 2017 Outside Audit & Supervisory Board Member of the Company (current)

# Executive Officers

As of March 1, 2020



**Shinji Makiura**

Senior Managing Executive Officer  
Responsible for overseeing Management  
Strategy, Transformation of the Company



**Yasuharu Kosuge**

Managing Executive Officer  
Responsible for Global Corporate Business and  
President, Yamato Logistics Co., Ltd.



**Toshizo Kurisu**

Managing Executive Officer  
Responsible for Retail Business  
President, Yamato Transport Co., Ltd.



**Osamu Yamanaka**

Managing Executive Officer  
Responsible for Regional Corporate  
Business



**Tamaki Abe**

Managing Executive Officer  
Responsible for EC Business



**Hiroshi Matsuda**

Executive Officer  
Responsible for Trunk-route Transportation



**Seiichi Awa**

Executive Officer  
Responsible for IT Functions President,  
Yamato System Development Co., Ltd.



**Tatsuya Suzuki**

Executive Officer  
Responsible for Platform Functions President,  
Yamato Financial Co., Ltd.



**Hideo Tanzawa**

Executive Officer  
Responsible for Public Relations,  
Tokyo Olympic and Paralympic Promotion



**Tomoki Otani**

Executive Officer  
Responsible for Human Resources  
Department, ESG Department,  
and Legal Affairs



**Atsushi Kashimoto**

Executive Officer  
Responsible for Finance and  
Investor Relations Department



**Yorimasa Tanaka**

Executive Officer  
Responsible for IT Functions and IT Reform



**Katsuhiko Umetsu**

Executive Officer  
Responsible for International Strategy



**Takeo Kosugi**

Executive Officer  
Responsible for International Business President,  
Yamato Global Logistics Japan Co., Ltd.



**Norihiko Nakabayashi**

Executive Officer  
Responsible for IT Functions  
and Data Strategy



**Setsuko Nishida**

Executive Officer  
Responsible for Management Strategy

## Ten-Year Summary and Business Highlights

	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
<b>RESULTS OF OPERATIONS:</b>							
Operating revenues	¥1,200,834	¥1,236,520	¥1,260,833	¥1,282,374	¥1,374,610	¥1,396,708	¥1,416,413
Delivery	966,480	995,651	1,014,564	1,028,219	1,099,400	1,101,439	1,111,867
Non-delivery	234,354	240,869	246,269	254,155	275,210	295,269	304,546
Operating costs	1,110,971	1,143,006	1,163,777	1,181,834	1,274,471	1,290,715	1,306,200
Selling, general and administrative expenses	28,474	29,200	30,405	34,337	37,043	37,046	41,673
Operating profit	61,389	64,314	66,651	66,203	63,096	68,947	68,540
Profit before income taxes	60,434	61,836	45,817	64,284	65,882	69,158	68,079
Income taxes	28,096	28,491	26,059	29,563	31,003	31,555	28,415
Profit attributable to owners of parent	32,282	33,208	19,787	35,144	34,776	37,533	39,425

### PER SHARE OF COMMON STOCK:

Basic earnings	¥ 71.84	¥ 73.42	¥ 46.00	¥ 81.85	¥ 82.22	¥ 90.41	¥ 96.45
Diluted earnings	71.16	73.30	44.87	79.84	80.18	88.26	95.64
Cash dividends	22.00	22.00	22.00	23.00	24.00	25.00	28.00
Net assets per share	1,130.33	1,173.60	1,197.26	1,261.35	1,316.12	1,368.66	1,349.56
Stock price (closing), end of year	1,314	1,290	1,279	1,740	2,224	2,772	2,247

### FINANCIAL POSITION:

Working capital	¥ 165,890	¥ 185,922	¥ 182,111	¥ 186,868	¥ 179,999	¥ 209,172	¥ 235,884
Total shareholders' equity	512,910	515,602	514,996	534,451	551,379	565,521	537,821
Total assets	878,641	899,363	919,295	950,153	1,032,134	1,082,531	1,089,437
Capital expenditures	39,700	52,472	48,615	48,052	79,531	52,022	53,945
Depreciation and amortization	39,883	39,583	38,682	37,936	42,266	46,058	46,739
Net cash provided by operating activities	77,064	87,899	71,843	73,950	80,075	92,620	49,715

### KEY RATIOS:

Operating profit margin (%)	5.11	5.20	5.29	5.16	4.59	4.94	4.84
Net margin (%)	2.69	2.69	1.57	2.74	2.53	2.69	2.78
Return on assets (ROA) (%)	3.69	3.74	2.18	3.76	3.51	3.55	3.63
Return on equity (ROE) (%)	6.53	6.46	3.84	6.70	6.41	6.75	7.15
Current ratio (%)	159.82	170.34	164.50	162.39	151.82	158.59	167.76
Shareholders' equity ratio (%)	58.38	57.33	56.02	56.25	53.42	52.24	49.37
Assets turnover (Times)	1.37	1.39	1.39	1.37	1.39	1.32	1.30
Interest coverage ratio (Times)	88.35	73.71	90.52	108.36	153.41	173.45	125.33
Price earnings ratio (PER) (Times)	18.3	17.6	27.8	21.3	27.0	30.7	23.3
Price book-value ratio (PBR) (Times)	1.2	1.1	1.1	1.4	1.7	2.0	1.7

### NON-FINANCIAL DATA:

Number of employees	167,555	171,642	177,301	177,108	193,146	197,056	196,582
Full-time	82,395	83,427	84,293	84,422	87,279	88,247	89,112
Part-time	85,160	88,215	93,008	92,686	105,867	108,809	107,470
TA-Q-BIN delivery volume (Millions of parcels)	1,262	1,348	1,423	1,487	1,665	1,622	1,731
Unit price (Yen)	624	609	600	591	574	595	578
Kuroneko DM-Bin handling volume (Millions of units)	2,262	2,312	2,187	2,112	2,084	1,901	1,536
Unit price (Yen)	65	64	62	61	61	61	57

Foreign currency translation: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥110.99 to U.S.\$1.

Note: On March 31, 2015, we ceased accepting items for Kuroneko Mail and from April 1 launched Kuroneko DM-Bin.



2017/3	2018/3	Millions of Yen 2019/3	Thousands of U.S. Dollars 2019/3
¥1,466,852	¥1,538,813	<b>¥1,625,315</b>	<b>\$14,643,799</b>
1,151,028	1,201,770	<b>1,297,223</b>	<b>11,687,744</b>
315,824	337,043	<b>328,092</b>	<b>2,956,055</b>
1,385,492	1,452,485	<b>1,513,988</b>	<b>13,640,762</b>
46,475	50,642	<b>52,981</b>	<b>477,354</b>
34,885	35,686	<b>58,346</b>	<b>525,683</b>
33,038	33,123	<b>52,258</b>	<b>470,836</b>
14,673	14,435	<b>26,308</b>	<b>237,033</b>
18,054	18,232	<b>25,682</b>	<b>231,393</b>

Yen	U.S. Dollars
¥ 45.37	¥ 46.24
—	—
27.00	27.00
1,367.51	1,395.74
2,332.5	2,668.5
¥ 65.14	\$ 0.59
—	—
28.00	0.25
1,435.15	12.93
2,859.0	—

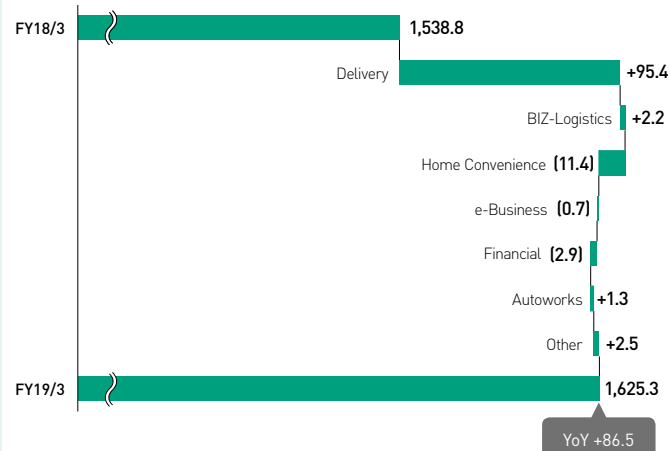
Millions of Yen	Thousands of U.S. Dollars
¥ 214,661	¥ 164,600
539,179	550,308
1,114,672	1,114,870
48,994	54,482
46,114	46,423
73,325	51,728
¥ 139,835	\$ 1,259,888
565,841	5,098,127
1,123,660	10,123,972
79,839	719,331
51,347	462,624
118,094	1,064,004

2.38	2.32	<b>3.59</b>
1.23	1.18	<b>1.58</b>
1.64	1.64	<b>2.29</b>
3.35	3.35	<b>4.60</b>
157.73	141.67	<b>134.07</b>
48.37	49.36	<b>50.36</b>
1.33	1.38	<b>1.45</b>
81.45	131.94	<b>212.29</b>
51.4	57.7	<b>43.9</b>
1.7	1.9	<b>2.0</b>

201,784	213,096	<b>225,125</b>
90,737	93,534	<b>97,587</b>
111,047	119,562	<b>127,538</b>
1,867	1,836	<b>1,803</b>
559	597	<b>664</b>
1,542	1,464	<b>1,211</b>
55	56	<b>60</b>

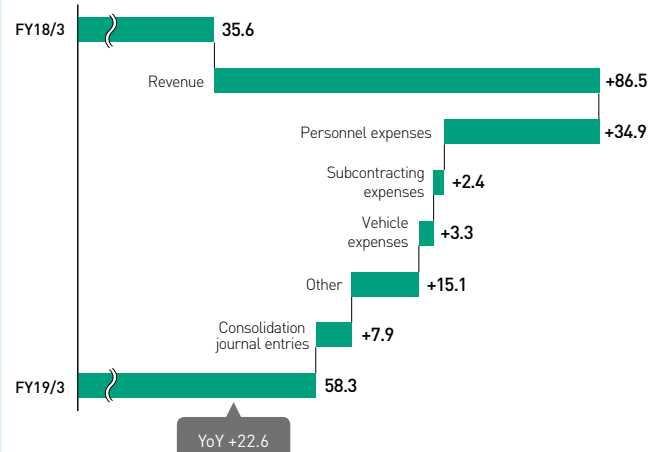
## Analysis of Operating Revenues

(¥ billion)

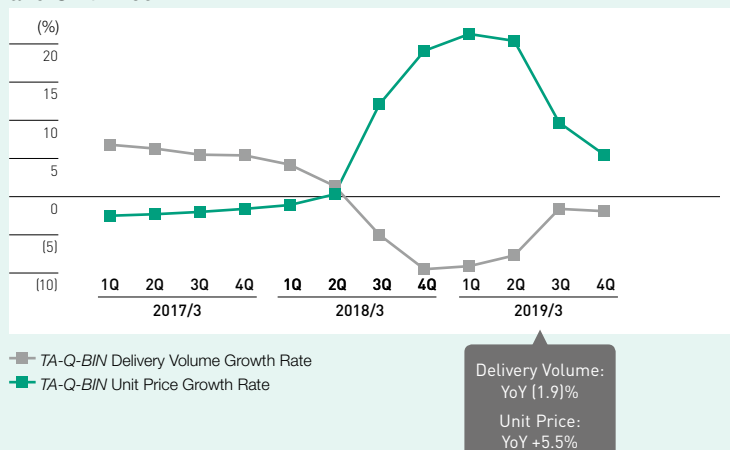


## Analysis of Operating Profit

(¥ billion)



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



# Consolidated Balance Sheet

March 31, 2019

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Notes 2.e and 14)	¥ 195,955	¥ 204,422	\$ 1,765,519
Notes and accounts receivable (Note 14):			
Trade	220,159	224,099	1,983,596
Installment (Note 4)	44,802	46,693	403,658
Lease (Note 13)	54,538	52,642	491,376
Allowance for doubtful accounts	(1,475)	(1,365)	(13,294)
Inventories (Note 5)	3,248	2,816	29,262
Prepaid expenses and other current assets	33,032	30,328	297,614
Total current assets	550,259	559,635	4,957,731
<b>PROPERTY, PLANT AND EQUIPMENT—At cost:</b>			
Land	175,996	174,960	1,585,692
Buildings and structures	352,142	336,986	3,172,735
Vehicles	208,031	197,587	1,874,324
Machinery and equipment	133,238	128,454	1,200,448
Leased assets (Note 13)	31,538	15,670	284,149
Construction in progress	8,391	16,201	75,603
Others	26,311	28,490	237,060
Total	935,647	898,348	8,430,011
Accumulated depreciation	(506,729)	(493,290)	(4,565,534)
Net property, plant and equipment	428,918	405,058	3,864,477
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 6 and 14)	36,229	36,232	326,416
Investments in and advances to unconsolidated subsidiaries and affiliates, net of valuation allowance of ¥127 million in 2018 (Note 14)	20,530	25,293	184,971
Long-term loans	1,294	1,167	11,662
Software	17,313	17,260	155,985
Lease deposits	18,343	17,391	165,266
Deferred tax assets (Note 12)	44,386	47,023	399,907
Other assets (Notes 2.k and 9)	6,388	5,811	57,557
Total investments and other assets	144,483	150,177	1,301,764
<b>TOTAL</b>	<b>¥1,123,660</b>	<b>¥1,114,870</b>	<b>\$10,123,972</b>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2019	2018	2019
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Notes 8 and 14)	¥ 20,000	¥ 33,352	\$ 180,196
Current portion of long-term debt (Notes 8 and 14)	43,592	45,840	392,751
Notes and accounts payable (Note 14):			
Trade	158,938	155,324	1,432,003
Other	25,598	19,992	230,635
Income taxes payable	23,747	11,020	213,959
Accrued expenses	81,530	75,100	734,569
Deferred profit on installment sales (Notes 4 and 14)	5,342	5,900	48,126
Other current liabilities (Note 10)	51,677	48,507	465,604
Total current liabilities	410,424	395,035	3,697,843
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 8 and 14)	49,642	73,849	447,266
Liability for employees' retirement benefits (Notes 2.k and 9)	74,508	75,495	671,305
Deferred tax liabilities (Note 12)	4,181	4,089	37,669
Other long-term liabilities (Note 10)	11,516	8,815	103,757
Total long-term liabilities	139,847	162,248	1,259,997
<b>COMMITMENTS LIABILITIES</b> (Note 13)			
<b>EQUITY</b> (Notes 11 and 18):			
Common stock—authorized, 1,787,541,000 shares in 2019 and 2018; issued, 411,339,992 shares in 2019 and 2018	127,235	127,235	1,146,363
Capital surplus	36,813	36,813	331,680
Retained earnings	431,498	416,855	3,887,715
Treasury stock—at cost, 17,065,526 shares in 2019 and 17,064,197 shares in 2018	(39,086)	(39,081)	(352,155)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	12,975	12,959	116,905
Foreign currency translation adjustments	(515)	1,146	(4,641)
Remeasurements of defined employees' retirement benefit plans (Notes 2.k and 9)	(3,079)	(5,619)	(27,740)
Total	565,841	550,308	5,098,127
Non-controlling interests	7,548	7,279	68,005
Total equity	573,389	557,587	5,166,132
<b>TOTAL</b>	¥1,123,660	¥1,114,870	\$10,123,972

# Consolidated Statement of Income

Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
<b>OPERATING REVENUES</b>	<b>¥1,625,315</b>	<b>¥1,538,813</b>	<b>\$14,643,799</b>
<b>OPERATING COSTS AND EXPENSES:</b>			
Operating costs	1,513,988	1,452,485	13,640,762
Selling, general and administrative expenses	52,981	50,642	477,354
Total operating costs and expenses	1,566,969	1,503,127	14,118,116
Operating profit	58,346	35,686	525,683
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	1,036	981	9,336
Interest expense	(276)	(272)	(2,483)
Loss on sales and disposal of property, plant and equipment—net	(300)	(1,042)	(2,704)
Loss on impairment of long-lived assets (Note 7)	(2,087)	(3,241)	(18,808)
Gain on sales of marketable and investment securities (Note 6)	37	1,639	334
Loss on valuation of investment securities (Note 6)	(39)	(1)	(352)
Loss on valuation of investment in unconsolidated subsidiaries and affiliates	(1,357)	(55)	(12,228)
Share of loss of entities accounted for using equity method	(4,873)	(1,355)	(43,902)
Provision of allowance for investment loss of unconsolidated subsidiaries		(127)	
Provision of allowance for doubtful accounts		(136)	
Compensation for delay damages	1,776		16,001
Other—net	(5)	1,046	(41)
Other expenses—net	(6,088)	(2,563)	(54,847)
<b>PROFIT BEFORE INCOME TAXES</b>	<b>52,258</b>	<b>33,123</b>	<b>470,836</b>
<b>INCOME TAXES</b> (Note 12):			
Current	24,651	14,622	222,106
Deferred	1,657	(187)	14,927
Total income taxes	26,308	14,435	237,033
<b>PROFIT</b>	<b>25,950</b>	<b>18,688</b>	<b>233,803</b>
<b>PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>268</b>	<b>456</b>	<b>2,410</b>
<b>PROFIT ATTRIBUTABLE TO OWNERS OF PARENT</b>	<b>¥ 25,682</b>	<b>¥ 18,232</b>	<b>\$ 231,393</b>

	Yen		U.S. Dollars (Note 1)
	2019	2018	2019
<b>PER SHARE OF COMMON STOCK</b> (Notes 2.q and 16):			
Basic earnings	¥65.14	¥46.24	\$0.59
Cash dividends applicable to the year	28.00	27.00	0.25

See notes to consolidated financial statements.



# Consolidated Statement of Comprehensive Income

Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
<b>PROFIT</b>	<b>¥25,950</b>	<b>¥18,688</b>	<b>\$233,803</b>
<b>OTHER COMPREHENSIVE INCOME</b> (Note 15):			
Unrealized (loss) gain on available-for-sale securities	(116)	2,514	(1,044)
Foreign currency translation adjustments	(1,661)	1,569	(14,968)
Remeasurements of defined employees' retirement benefit plans	2,541	1	22,900
Share of other comprehensive income of entities accounted for using equity method	274		2,466
Total other comprehensive income	1,038	4,084	9,354
<b>COMPREHENSIVE INCOME</b>	<b>¥26,988</b>	<b>¥22,772</b>	<b>\$243,157</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of parent	¥26,577	¥21,780	\$239,458
Non-controlling interests	411	992	3,699

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

Year Ended March 31, 2019

	Thousands		Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-controlling Interests	Total Equity
						Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans			
<b>BALANCE, APRIL 1, 2017</b>	394,278	¥127,235	¥36,813	¥409,271	¥(39,078)	¥10,975	¥ (423)	¥(5,614)	¥539,179	¥6,380	¥545,559
Profit attributable to owners of parent				18,232					18,232		18,232
Cash dividends, ¥27 per share				(10,646)					(10,646)		(10,646)
Adjustment of retained earnings for changes in the scope of equity method				(2)					(2)		(2)
Purchase of treasury stock	(2)				(4)				(4)		(4)
Disposal of treasury stock					1				1		1
Net change in the year						1,984	1,569	(5)	3,548	899	4,447
<b>BALANCE, MARCH 31, 2018</b>	394,276	127,235	36,813	416,855	(39,081)	12,959	1,146	(5,619)	550,308	7,279	557,587
Profit attributable to owners of parent				25,682					25,682		25,682
Cash dividends, ¥28 per share				(11,039)					(11,039)		(11,039)
Purchase of treasury stock	(2)				(5)				(5)		(5)
Disposal of treasury stock											
Net change in the year						16	(1,661)	2,540	895	269	1,164
<b>BALANCE, MARCH 31, 2019</b>	394,274	¥127,235	¥36,813	¥431,498	¥(39,086)	¥12,975	¥ (515)	¥(3,079)	¥565,841	¥7,548	¥573,389

	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, 2018	\$1,146,363	\$331,680	\$3,755,788	\$(352,118)	\$116,755	\$ 10,328	\$(50,624)	\$4,958,172	\$65,587	\$5,023,759
Profit attributable to owners of parent			231,393					231,393		231,393
Cash dividends, \$0.25 per share			(99,466)					(99,466)		(99,466)
Purchase of treasury stock				(38)				(38)		(38)
Disposal of treasury stock				1				1		1
Net change in the year					150	(14,969)	22,884	8,065	2,418	10,483
BALANCE, MARCH 31, 2019	\$1,146,363	\$331,680	\$3,887,715	\$(352,155)	\$116,905	\$ (4,641)	\$(27,740)	\$5,098,127	\$68,005	\$5,166,132

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
<b>OPERATING ACTIVITIES:</b>			
Profit before income taxes	¥ 52,258	¥ 33,123	\$ 470,836
Adjustments for:			
Income taxes—paid	(13,745)	(12,866)	(123,838)
Depreciation and amortization	51,359	46,435	462,735
Loss on sales and disposal of property, plant and equipment—net	300	1,042	2,704
Loss on impairment of long-lived assets	2,087	3,241	18,808
Gain on sales of marketable and investment securities	(37)	(1,639)	(334)
Loss on valuation of investment securities	39	1	352
Loss on valuation of investment in unconsolidated subsidiaries and affiliates	1,357	55	12,228
Share of loss of entities accounted for using equity method	4,873	1,355	43,902
Compensation for delay damages received	1,776		16,001
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	3,223	(18,774)	29,038
(Increase) decrease in inventories	(296)	227	(2,665)
Increase (decrease) in notes and accounts payable	3,773	(478)	33,993
Decrease in provision for special wage payments		(15,129)	
Increase in liability for employees' retirement benefits	1,936	2,232	17,440
Other—net	9,191	12,903	82,804
Total adjustments	65,836	18,605	593,168
Net cash provided by operating activities	118,094	51,728	1,064,004
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale of property, plant and equipment	4,233	6,632	38,140
Purchases of property, plant and equipment	(48,058)	(36,671)	(432,996)
Proceeds from sales of marketable and investment securities	72	2,672	650
Purchases of marketable and investment securities	(290)	(790)	(2,612)
Increase in investments in and advances to unconsolidated subsidiaries and affiliates	(1,770)	(4,137)	(15,949)
Collection of loans	1,178	997	10,613
Payment of loans	(1,322)	(1,197)	(11,908)
Other	(8,915)	(8,680)	(80,328)
Net cash used in investing activities	(54,872)	(41,174)	(494,390)
<b>FINANCING ACTIVITIES:</b>			
(Repayments of) proceeds from short-term debt—net	(16,165)	10,683	(145,647)
Proceeds from long-term debt		4,000	
Repayments of long-term debt	(43,600)	(40,876)	(392,828)
Dividends paid	(11,178)	(10,733)	(100,713)
Purchase of treasury stock—net	(4)	(4)	(37)
Net cash used in financing activities	(70,947)	(36,930)	(639,225)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	(487)	313	(4,385)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(8,212)	(26,063)	(73,996)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	202,863	228,926	1,827,763
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.e)</b>	¥194,651	¥202,863	\$1,753,767
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Newly recorded assets related to finance lease transactions	¥ 18,131	¥ —	\$ 163,356
Newly recorded liabilities related to finance lease transactions	19,768		178,109

\* The amounts of newly recorded assets and liabilities related to finance lease transactions for the fiscal year ended March 31, 2018, are omitted due to immateriality. See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Year Ended March 31, 2019

## 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 2018 consolidated financial statements to conform them to the classifications and presentations used in 2019.

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 ¥110.99 to \$1, the approximate rate of exchange at March 31, 2019. 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, 2019, include the accounts of the Company and its 39 significant (40 in 2018) subsidiaries (together, the "Group").

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.

Yamato Multi-Maintenance Solutions Co., Ltd. has been dissolved upon absorption-type merger with Yamato Logistics Co., Ltd. as surviving company, and is excluded from the scope of consolidation from the fiscal year ended March 31, 2019.

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 17 (16 in 2018) affiliates accounted for by the equity method.

Effective from the fiscal year ended March 31, 2019, GDEX PROPERTIES SDN. BHD. is included in the scope of the equity method due to GD EXPRESS CARRIER BHD., an affiliate accounted for using equity method, newly acquiring its 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 which 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; and (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting.



**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; and (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting.

**d. Recognition of Operating Revenues—**The Group recognizes freight charge income as operating revenue at the time when freight has been received from the shipping customer for transportation.

Fees from customers based on installment sales contracts are recognized by the equal installment method.

**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
	2019	2018	2019
Cash and cash equivalents presented in the consolidated balance sheet	¥195,955	¥204,422	\$1,765,519
Time deposits due beyond three months	(1,304)	(1,559)	(11,752)
Cash and cash equivalents presented in the consolidated statement of cash flows	¥194,651	¥202,863	\$1,753,767

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

**g. Marketable and Investment Securities—**Marketable and 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, 2019 and 2018.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

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 of the Company and its domestic consolidated subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016. Depreciation of leased assets is computed by the straight-line method over the lease period with no residual value carried.

The depreciation of property, plant and equipment of foreign consolidated subsidiaries is computed by the straight-line method over the estimated useful lives of the assets. 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.

## Notes to Consolidated Financial Statements

**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 Plan**—The Company and consolidated subsidiaries mainly have a contributory trusted pension plan and an unfunded retirement benefit plan. In addition, a defined contribution retirement plan was introduced along with these defined benefit pension 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 the 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.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018.

As a result, in the consolidated balance sheet for the fiscal year ended March 31, 2018, deferred tax assets under current assets decreased by ¥19,246 million and deferred tax assets under investments and other assets increased by

¥18,682 million. In addition, deferred tax liabilities included in other current liabilities and deferred tax liabilities under long-term liabilities decreased by ¥2 million and ¥562 million, respectively.

Note that total assets decreased by ¥564 million, as deferred tax assets and liabilities of the same taxable entity were offset.

***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, 2019 and 2018, 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 Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections,” accounting treatments are required as follows:

(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. New Accounting Pronouncements***

***Accounting Standards for Revenue Recognition***—In March 2018, the ASBJ issued ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition,” and ASBJ Guidance No. 30, “Implementation Guidance on Accounting Standard for Revenue Recognition.” An entity should recognize revenue by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance will be applied from the beginning of the fiscal year that begins on or after April 1, 2021.

The Company is now in the process of measuring the effect of applying the accounting standard and guidance.

## Notes to Consolidated Financial Statements

### 3. BUSINESS COMBINATION

#### *Transactions under Common Control*

The Company resolved implementation of organizational restructuring, absorption-type split and merger, among wholly owned subsidiaries of the Group at the Board of Directors meeting held on December 21, 2017, and implemented the organizational restructuring based on the resolution in the fiscal year ended March 31, 2019.

#### *Outline of Business Combination*

##### **(1) Absorption-type split with Yamato Logistics Co., Ltd. ("YLC") as the successor company**

###### *Name and content of business involved in the business combination*

Name: Technical Network business of Yamato Home Convenience Co., Ltd. ("YHC")

Content: Business support service regarding household and business equipment

Name: e-Logistics solution business, e-On Demand solutions business, and Setup and Logistics solutions business of Yamato System Development Co., Ltd. ("YSD")

Content: Storage and distribution processing of cargo, on-demand printing, and kitting support service with logistics information management system

Name: Documents Logistics business of Yamato Packing Service Co., Ltd. ("YPC")

Content: Enclosing periodicals and sealing service

###### *Date of business combination*

April 1, 2018 (effective date)

###### *Legal form of business combination*

Absorption-type split with YHC, YSD, and YPC as the absorbed companies and YLC as the successor company

###### *Name of company after business combination*

Yamato Logistics Co., Ltd.

##### **(2) Absorption-type merger with YLC as surviving company**

###### *Name and business of company involved in the business combination*

###### *Surviving company*

Name: Yamato Logistics Co., Ltd.

Business: Logistics business

###### *Dissolving company*

Name: Yamato Multi-Maintenance Solutions Co., Ltd. ("YMM")

Business: Maintenance and repair service for home appliances and total support service regarding recalls

###### *Date of business combination*

April 1, 2018 (effective date)

###### *Legal form of business combination*

Absorption-type merger with YMM as dissolving company and YLC as surviving company

###### *Name of company after business combination*

Yamato Logistics Co., Ltd.

##### **(3) Absorption-type split with Yamato Global Logistics Japan Co., Ltd. ("YGL") as the successor company**

###### *Name and content of business involved in the business combination*

Name: Fine Arts Transport business and Overseas Relocation Support business of YLC

Content: Transportation of art and overseas relocation support service including international moving

*Date of business combination*

April 1, 2018 (effective date)

*Legal form of business combination*

Absorption-type split with YLC as the absorbed company and YGL as the successor company

*Name of company after business combination*

Yamato Global Logistics Japan Co., Ltd.

**(4) Outline and purpose of business combination**

In promoting reform of organizational structures and innovation of the management system under the “KAIKAKU 2019 for NEXT100” medium-term management plan, the Company implemented the organizational restructuring in order to establish a management structure to meet the sophisticated logistics needs of corporate clients more quickly and accurately and to improve efficiency of operations by integrating similar distinct business of YLC and YGL.

*Outline of accounting treatment applied*

Based on ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” and ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” the Company accounted for the business combination as transaction under common control.

## 4. INSTALLMENT RECEIVABLES

Sales recorded on the installment basis were 0.3% of operating revenues in both 2019 and 2018.

Annual maturities of installment receivables at March 31, 2019, and related amortization of deferred profit on installment sales are as follows:

Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars	
	Receivables	Deferred Profit on Installment Sales	Receivables	Deferred Profit on Installment Sales
2020	¥22,667	¥2,142	\$204,222	\$19,295
2021	10,854	1,465	97,795	13,205
2022	6,080	884	54,779	7,962
2023	3,025	464	27,252	4,177
2024	1,362	227	12,274	2,049
2025 and thereafter	814	160	7,336	1,438
Total	¥44,802	¥5,342	\$403,658	\$48,126

## 5. INVENTORIES

Inventories at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Merchandise	¥ 643	¥ 750	\$ 5,792
Work in process	194	146	1,749
Raw materials and supplies	2,411	1,920	21,721
Total	¥3,248	¥2,816	\$29,262



## Notes to Consolidated Financial Statements

## 6. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Non-current:			
Marketable equity securities	¥33,742	¥34,218	\$304,008
Non-marketable equity securities	944	1,210	8,508
Other	1,543	804	13,900
Total	¥36,229	¥36,232	\$326,416

Information regarding each category of the securities classified as available-for-sale at March 31, 2019 and 2018, is as follows:

	Millions of Yen			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥15,002	¥18,765	¥25	¥33,742
	Millions of Yen			
	2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥14,798	¥19,426	¥6	¥34,218
	Thousands of U.S. Dollars			
	2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	\$135,164	\$169,068	\$224	\$304,008

Information for available-for-sale securities, which were sold during the years ended March 31, 2019 and 2018, is as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2019			
Available-for-sale: Equity securities	¥72	¥37	¥—
	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2018			
Available-for-sale:			
Equity securities	¥2,672	¥1,639	¥—
Other			
Total	¥2,672	¥1,639	¥—
	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
March 31, 2019			
Available-for-sale: Equity securities	\$650	\$334	\$—

Loss on valuation of available-for-sale equity securities for the year ended March 31, 2019 and 2018, were ¥39 million (\$352 thousand) and ¥1 million, respectively.

## 7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2019 and 2018. As a result, the Group recognized an impairment loss of ¥2,087 million (\$18,808 thousand) as other expense for the asset groups of the head office and the Kansai Regional Branch of Yamato Home Convenience Co., Ltd. and 21 other asset groups for the year ended March 31, 2019, and ¥3,241 million as other expense for the asset groups of the Miyagi Regional Branch of Yamato Transport Co., Ltd. and 14 other asset groups for the year ended March 31, 2018, due to continuous operating losses of those units or significant declines in market prices. 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, the relevant asset groups 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 its value in use, the discount rates used for computation of present value of future cash flows for years ended March 31, 2019 and 2018, were 4.55% and 5.26%, respectively.

## 8. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2019 and 2018, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2019 and 2018, were approximately 0.040% and 0.134%, respectively.

Long-term debt at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
0.030% to 0.299% loans from banks due 2019 to 2022	¥ 60,300		\$ 543,292
0.010% to 0.299% loans from banks due 2018 to 2022		¥ 93,900	
Lease obligations	22,934	5,789	206,627
Unsecured 0.050% bonds due in March 2019		10,000	
Unsecured 0.090% bonds due in March 2021	10,000	10,000	90,098
Total	93,234	119,689	840,017
Less current portion	(43,592)	(45,840)	(392,751)
Total	¥ 49,642	¥ 73,849	\$ 447,266

Annual maturities of long-term debt at March 31, 2019, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥43,592	\$392,751
2021	17,527	157,918
2022	15,454	139,237
2023	1,201	10,821
2024	1,052	9,481
2025 and thereafter	14,408	129,809
Total	¥93,234	\$840,017

## Notes to Consolidated Financial Statements

### 9. RETIREMENT AND PENSION PLANS

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

The defined benefit pension 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 Pension Plans

The changes in defined benefit obligation for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥169,653	¥158,382	\$1,528,544
Service cost	12,141	12,221	109,387
Interest cost	169	151	1,522
Actuarial (gain) loss arising during the year	(2,658)	5,884	(23,954)
Retirement benefits paid	(7,387)	(6,985)	(66,547)
Past service cost arising during the year	291		2,623
Balance at end of year	¥172,209	¥169,653	\$1,551,575

The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥94,287	¥87,547	\$849,508
Expected return on plan assets	943	875	8,495
Actuarial gain arising during the year	295	3,565	2,657
Contributions from the employer	4,386	4,343	39,518
Retirement benefits paid	(2,048)	(2,043)	(18,451)
Balance at end of year	¥97,863	¥94,287	\$881,727

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Defined benefit obligation of funded plan	¥ 65,259	¥ 64,355	\$ 587,976
Plan assets	(97,863)	(94,287)	(881,727)
	(32,604)	(29,932)	(293,751)
Defined benefit obligation of unfunded plan	106,950	105,298	963,599
Net liability arising from defined benefit obligation	¥ 74,346	¥ 75,366	\$ 669,848

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for employees' retirement benefits	¥74,508	¥75,495	\$671,305
Asset for employees' retirement benefits	(162)	(129)	(1,457)
Net liability arising from defined benefit obligation	¥74,346	¥75,366	\$669,848

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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥12,141	¥12,221	\$109,387
Interest cost	169	151	1,522
Expected return on plan assets	(943)	(875)	(8,495)
Recognized actuarial loss	712	2,321	6,417
Past service cost	291		2,623
Others	(47)	(29)	(428)
Net periodic benefit costs	¥12,323	¥13,789	\$111,026

Amounts recognized in other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Actuarial gain	¥3,665	¥2	\$33,028
Total	¥3,665	¥2	\$33,028

Amounts recognized in accumulated other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized actuarial loss	¥(4,363)	¥(8,028)	\$(39,306)
Total	¥(4,363)	¥(8,028)	\$(39,306)

Plan assets as of March 31, 2019 and 2018, consisted of the following:

	2019	2018
General accounts	32%	30%
Debt investments	25	25
Equity investments	22	23
Others	21	22
Total	100%	100%

Assumptions used for the years ended March 31, 2019 and 2018, were set forth as follows:

	2019	2018
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, 2019 and 2018, were ¥2,432 million (\$21,910 thousand) and ¥2,330 million, respectively.

## Notes to Consolidated Financial Statements

### 10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥5,800	¥5,535	\$52,254
Additional provisions associated with the acquisition of property, plant and equipment	2,263	257	20,393
Reconciliation associated with passage of time	106	104	953
Reconciliation associated with changes in accounting estimates	629	(1)	5,670
Reduction associated with settlement of asset retirement obligations	(92)	(85)	(826)
Others	(20)	(10)	(185)
Balance at end of year	¥8,686	¥5,800	\$78,259

Changes in accounting estimates were recorded as it became evident that the estimate of the discounted cash flows required for future asset retirement would change at the beginning of the year. A reconciliation has been prepared for the change, which resulted in an increase and decrease of the asset retirement obligation for the years ended March 31, 2019 and 2018, by ¥629 million (\$5,670 thousand) and ¥1 million, respectively.

### 11. 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.



## 12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of 30.6% and 30.9% for the years ended March 31, 2019 and 2018, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Accrued expenses	¥ 10,956	¥ 10,146	\$ 98,716
Legal welfare expense	1,808	1,659	16,292
Enterprise tax	2,309	1,502	20,803
Allowance for doubtful accounts	623	543	5,611
Tax loss carryforwards	7,433	10,466	66,968
Liability for employees' retirement benefits	22,909	23,184	206,406
Loss on valuation of land	20,759	20,759	187,038
Loss on impairment of long-lived assets	4,732	4,211	42,636
Loss on valuation of investment securities	1,771	1,731	15,955
Unrealized profit	2,763	2,457	24,892
Loss on valuation of telephone subscription rights	404	469	3,637
Other	7,719	6,009	69,548
Total of tax loss carryforwards and temporary differences	84,186	83,136	758,502
Less valuation allowance for tax loss carryforwards	(7,400)		(66,674)
Less valuation allowance for temporary differences	(27,306)		(246,024)
Total valuation allowance	(34,706)	(31,885)	(312,698)
Deferred tax assets	¥ 49,480	¥ 51,251	\$ 445,804
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (5,073)	¥ (5,125)	\$ (45,702)
Other	(4,202)	(3,192)	(37,864)
Deferred tax liabilities	¥ (9,275)	¥ (8,317)	\$ (83,566)
Deferred tax assets — net	¥ 40,205	¥ 42,934	\$ 362,238

## Notes to Consolidated Financial Statements

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2019, are as follows:

Year Ending March 31	Millions of Yen		
	Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowances for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2020	¥ 400	¥ (400)	¥—
2021	509	(482)	27
2022	432	(432)	
2023	451	(451)	
2024	446	(446)	
2025 and thereafter	5,195	(5,189)	6
Total	¥7,433	¥(7,400)	¥33

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
2020	\$ 3,608	\$ (3,608)	\$ —
2021	4,582	(4,336)	246
2022	3,893	(3,893)	
2023	4,063	(4,063)	
2024	4,022	(4,022)	
2025 and thereafter	46,800	(46,752)	48
Total	\$66,968	\$(66,674)	\$294

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, 2019, with the corresponding figures for 2018 was as follows:

	2019	2018
Normal effective statutory tax rate	30.6%	30.9%
Per capita levy of local taxes	6.1	9.2
Difference of tax rates for foreign subsidiaries	3.6	2.8
Valuation allowance	5.4	(0.0)
Other—net	4.6	0.7
Actual effective tax rate	50.3%	43.6%

## 13. LEASES

### (1) Lessee

The Group leases certain building, machinery, computer equipment and other assets.

Future rental payments under non-cancelable operating leases at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥ 5,176	¥ 3,066	\$ 46,635
Due after one year	29,339	32,812	264,337
Total	¥34,515	¥35,878	\$310,972

### (2) Lessor

The net investments in lease as of March 31, 2019 and 2018, were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gross lease receivables	¥51,428	¥49,797	\$463,356
Unguaranteed residual values	6,969	6,584	62,793
Unearned interest income	(4,246)	(3,739)	(38,254)
Investments in leases—current	¥54,151	¥52,642	\$487,895

Maturities of lease receivables for finance leases that deem to transfer ownership of the leased property to the lessee as of March 31, 2019, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 86	\$ 772
2021	85	761
2022	83	751
2023	88	791
2024	78	707
2025 and thereafter	5	49
Total	¥425	\$3,831

Maturities of investments in lease for finance leases that deem not to transfer ownership of the leased property to the lessee as of March 31, 2019, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥17,858	\$160,899
2021	14,128	127,292
2022	10,365	93,387
2023	6,236	56,180
2024	2,394	21,571
2025 and thereafter	447	4,027
Total	¥51,428	\$463,356

The minimum rental commitments under non-cancelable operating leases at March 31, 2019 and 2018, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥4,024	¥ 4,399	\$36,254
Due after one year	5,621	7,154	50,643
Total	¥9,645	¥11,553	\$86,897

## Notes to Consolidated Financial Statements

### 14. 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 used, not for speculative purposes, but to manage exposure to interest fluctuation risk. Certain consolidated subsidiaries conduct leasing or 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.

Marketable and 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. Most of the bank loans are fixed 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 Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. The value could vary depending on the technique used.

Fair values of financial instruments at March 31, 2019 and 2018, were as follows:

March 31, 2019	Millions of Yen		
	Carrying Amount	Fair Value	Difference
<b>Assets:</b>			
Cash and cash equivalents	¥195,955	¥195,955	
Trade notes and accounts receivable	220,159		
Allowance for doubtful accounts	(108)		
	220,051	219,922	¥ (129)
Installment sales receivable	44,802		
Allowance for doubtful accounts	(1,129)		
Deferred profit on installment sales	(5,342)		
	38,331	43,602	5,271
Available-for-sale securities	33,742	33,742	
Shares of affiliates	9,036	9,036	
<b>Liabilities:</b>			
Trade notes and accounts payable	158,938	158,938	
Short-term loans	60,800	60,789	(11)
Long-term loans	19,500	19,507	7

March 31, 2018	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Assets:			
Cash and cash equivalents	¥204,422	¥204,422	
Trade notes and accounts receivable	224,099		
Allowance for doubtful accounts	(113)		
	223,986	223,781	¥ (205)
Installment sales receivable	46,693		
Allowance for doubtful accounts	(755)		
Deferred profit on installment sales	(5,900)		
	40,038	45,782	5,744
Available-for-sale securities	34,218	34,218	
Shares of affiliates	13,592	21,259	7,667
Liabilities:			
Trade notes and accounts payable	155,324	155,324	
Short-term loans	66,952	66,966	14
Long-term loans	60,300	60,283	(17)

March 31, 2019	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Assets:			
Cash and cash equivalents	<b>\$1,765,519</b>	<b>\$1,765,519</b>	
Trade notes and accounts receivable	<b>1,983,596</b>		
Allowance for doubtful accounts	<b>(979)</b>		
	<b>1,982,617</b>	<b>1,981,457</b>	<b>\$ (1,160)</b>
Installment sales receivable	<b>403,658</b>		
Allowance for doubtful accounts	<b>(10,180)</b>		
Deferred profit on installment sales	<b>(48,126)</b>		
	<b>345,352</b>	<b>392,849</b>	<b>47,497</b>
Available-for-sale securities	<b>304,008</b>	<b>304,008</b>	
Shares of affiliates	<b>81,417</b>	<b>81,417</b>	
Liabilities:			
Trade notes and accounts payable	<b>1,432,003</b>	<b>1,432,003</b>	
Short-term loans	<b>547,797</b>	<b>547,694</b>	<b>(103)</b>
Long-term loans	<b>175,691</b>	<b>175,754</b>	<b>63</b>



## Notes to Consolidated Financial Statements

### **Cash and cash equivalents**

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

### **Trade notes and accounts receivable**

The fair values of receivables are measured at the amount to be received at maturity discounted at the Group's assumed corporate discount rate. A portion of these receivables is determined by discounting the future cash flows related to the receivables at the rate of government bonds.

### **Installment sales receivable**

Allowances for doubtful accounts and deferred profit on installment sales are deducted from the fair values of installment sales receivable, which are determined by discounting the future cash flows related to the installment sales receivable at the market interest rate.

### **Marketable and investment securities**

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 6.

### **Trade notes and accounts payable**

The fair values of payables, all of which are substantially paid within one year, are measured at the amount to be paid.

### **Short-term loans and long-term loans**

The fair values of short-term bank loans and long-term loans are determined by discounting the future cash flows related to the debt at the Group's assumed corporate borrowing rate.

The current portion of long-term bank loans is included in short-term loans in the above table in addition to short-term bank loans on the consolidated balance sheet. Lease payments are not included in long-term loans in the above table.

### **(4) Financial Instruments Whose Fair Value Cannot Be Reliably Determined**

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Shares of affiliates	¥5,650	¥6,412	\$50,907
Other	5,585	5,620	50,319

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

March 31, 2019	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥195,955		
Trade notes and accounts receivable	203,228	¥16,898	¥ 33
Installment sales receivable	22,667	21,321	814
Total	¥421,850	¥38,219	¥847

March 31, 2018	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥204,422		
Trade notes and accounts receivable	205,743	¥18,165	¥ 191
Installment sales receivable	23,306	22,571	816
Total	¥433,471	¥40,736	¥1,007

March 31, 2019	Thousands of U.S. Dollars		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	\$1,765,519		
Trade notes and accounts receivable	1,831,055	\$152,249	\$ 292
Installment sales receivable	204,222	192,100	7,336
Total	\$3,800,796	\$344,349	\$7,628

### (6) Maturity Analysis for Long-Term Loans

Year Ending March 31	Thousands of U.S. Dollars	
	Millions of Yen	Thousands of U.S. Dollars
2020	¥40,800	\$367,601
2021	5,500	49,554
2022	14,000	126,137
Total	¥60,300	\$543,292

Please see Note 8 for annual maturities of long-term loans.

## Notes to Consolidated Financial Statements

### 15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gain on available-for-sale securities:			
Adjustments arising during the year	¥ (132)	¥ 5,567	\$ (1,184)
Reclassification adjustments to profit or loss	(37)	(1,639)	(334)
Amount before income tax effect	(169)	3,928	(1,518)
Income tax effect	53	(1,414)	474
Total	¥ (116)	¥ 2,514	\$ (1,044)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥(1,661)	¥ 1,658	\$(14,968)
Reclassification adjustments to profit or loss		(89)	
Total	¥(1,661)	¥ 1,569	\$(14,968)
Remeasurements of defined employees' retirement benefit plans:			
Adjustments arising during the year	¥ 2,953	¥(2,319)	\$ 26,611
Reclassification adjustments to profit or loss	712	2,321	6,417
Amount before income tax effect	3,665	2	33,028
Income tax effect	(1,124)	(1)	(10,128)
Total	¥ 2,541	¥ 1	\$ 22,900
Share of other comprehensive income of entities accounted for using equity method:			
Adjustments arising during the year	¥ 274	¥ —	\$ 2,466
Total other comprehensive income	¥ 1,038	¥ 4,084	\$ 9,354

### 16. EARNINGS PER SHARE

Basic earnings per share ("EPS") for the years ended March 31, 2019 and 2018, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Profit Attributable to Owners of Parent	Weighted-average Shares	EPS	
Year Ended March 31, 2019				
Basic EPS—Profit attributable to common shareholders	¥25,682	394,275	¥65.14	\$0.59
Year Ended March 31, 2018				
Basic EPS—Profit attributable to common shareholders	¥18,232	394,277	¥46.24	

## 17. SEGMENT INFORMATION

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### *(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.

The Company, as a pure holding company, forms six reportable segments classified according to business content and manages them based on these reportable segments. Therefore, the Group has the following six reporting segments: “Delivery,” “BIZ-Logistics,” “Home Convenience,” “e-Business,” “Financial,” and “Autoworks” based on the above policy.

The Group defines the reporting segments as follows:

Delivery:	Small-parcel delivery services such as <i>TA-Q-BIN</i> (door-to-door parcel delivery) and Kuroneko DM-Bin (posting service)
BIZ-Logistics:	Intercompany logistics services, aimed at the B2B supply-chain management market
Home Convenience:	Lifestyle support services intimately connected with the needs of local markets, such as moving and household effects delivery services
e-Business:	Information services targeted at the business market, including ASP services and the development of information systems
Financial:	Financial services targeted at business customers and consumers, such as settlement and collection
Autoworks:	Vehicle maintenance services and fuel supply targeted at transport companies

### *(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.”

## Notes to Consolidated Financial Statements

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

	Millions of Yen									
	2019									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,297,223	¥147,437	¥33,405	¥26,593	¥ 79,967	¥25,985	¥14,705	¥1,625,315	¥ —	¥1,625,315
Intersegment revenues	64,137	12,282	12,623	41,153	2,856	31,416	46,298	210,765	(210,765)	
Total segment revenues	¥1,361,360	¥159,719	¥46,028	¥67,746	¥ 82,823	¥57,401	¥61,003	¥1,836,080	¥(210,765)	¥1,625,315
Segment profit (loss)	¥ 40,788	¥ 3,329	¥ (7,765)	¥ 8,740	¥ 6,245	¥ 4,434	¥19,373	¥ 75,144	¥ (16,798)	¥ 58,346
Segment assets	718,911	77,463	12,281	44,136	257,207	29,379	22,386	1,161,763	(38,103)	1,123,660
Other:										
Depreciation and amortization	37,221	2,575	515	3,531	6,000	645	622	51,109	238	51,347
Investment in entities accounted for using equity method	426	4,836						5,262	9,252	14,514
Increase of tangible and intangible fixed assets	56,896	5,212	764	1,571	7,104	513	7,647	79,707	132	79,839
Millions of Yen										
2018										
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,201,770	¥145,148	¥44,868	¥27,303	¥ 82,956	¥24,642	¥12,126	¥1,538,813	¥ —	¥1,538,813
Intersegment revenues	69,670	14,093	13,409	38,724	2,901	30,299	44,273	213,369	(213,369)	
Total segment revenues	¥1,271,440	¥159,241	¥58,277	¥66,027	¥ 85,857	¥54,941	¥56,399	¥1,752,182	¥(213,369)	¥1,538,813
Segment profit	¥ 6,757	¥ 7,054	¥ 199	¥ 7,945	¥ 7,914	¥ 4,141	¥17,217	¥ 51,227	¥ (15,541)	¥ 35,686
Segment assets	662,598	76,556	21,948	47,325	258,500	28,014	13,543	1,108,484	6,386	1,114,870
Other:										
Depreciation and amortization	32,916	2,413	579	3,867	5,233	696	374	46,078	345	46,423
Investment in entities accounted for using equity method	523	5,349						5,872	13,957	19,829
Increase of tangible and intangible fixed assets	34,380	4,088	875	1,546	11,645	830	804	54,168	314	54,482
Thousands of U.S. Dollars										
2019										
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	\$11,687,744	\$1,328,387	\$300,969	\$239,598	\$ 720,488	\$234,123	\$132,490	\$14,643,799	\$ —	\$14,643,799
Intersegment revenues	577,861	110,657	113,732	370,782	25,737	283,048	417,134	1,898,951	(1,898,951)	
Total segment revenues	\$12,265,605	\$1,439,044	\$414,701	\$610,380	\$ 746,225	\$517,171	\$549,624	\$16,542,750	\$(1,898,951)	\$14,643,799
Segment profit (loss)	\$ 367,489	\$ 29,995	\$ (69,957)	\$ 78,748	\$ 56,264	\$ 39,948	\$174,547	\$ 677,034	\$ (151,351)	\$ 525,683
Segment assets	6,477,260	697,925	110,650	397,658	2,317,390	264,696	201,693	10,467,272	(343,300)	10,123,972
Other:										
Depreciation and amortization	335,355	23,197	4,638	31,817	54,059	5,809	5,603	460,478	2,146	462,624
Investment in entities accounted for using equity method	3,841	43,574						47,415	83,356	130,771
Increase of tangible and intangible fixed assets	512,626	46,962	6,880	14,153	64,001	4,618	68,900	718,140	1,191	719,331

Notes: Effective from the fiscal year ended March 31, 2019, changes have been made to reportable segments for certain businesses as a result of organizational restructuring being carried out to reform organizational structures and innovate the management system under the "KAIKAKU 2019 for NEXT100" medium-term management plan. As the principal points of change, the Technical Network business, which was previously included in Home Convenience, the e-Logistics solution business, e-On Demand solutions business and Setup and Logistics solutions business, which previously were included in e-Business, are included in Biz-Logistics. The segment information for the fiscal year ended March 31, 2018 has been prepared and presented according to the new classification.

"Other" includes JITBOX charter services and shared services.

Segment revenues and segment profit of "Other" include dividends for the years ended March 31, 2019 and 2018, of ¥18,594 million (\$167,527 thousand) and ¥17,483 million, respectively, which the Company received from its subsidiaries as a pure holding company.

Reconciliations are as follows:

- (1) Reconciliations of segment profit for the years ended March 31, 2019 and 2018, of ¥16,798 million (\$151,351 thousand) and ¥15,541 million, respectively, are intersegment eliminations and others.
- (2) Reconciliations of segment assets at March 31, 2019 and 2018, of ¥38,103 million (\$343,300 thousand) and ¥6,386 million, respectively, include intersegment eliminations of assets and liabilities of ¥184,580 million (\$1,663,029 thousand) and ¥154,869 million, and corporate assets which are not allocated to each reporting segment of ¥146,477 million (\$1,319,729 thousand) and ¥161,255 million, respectively.
- (3) Reconciliations of investments in entities accounted for using equity method at March 31, 2019 and 2018, of ¥9,252 million (\$83,356 thousand) and ¥13,957 million, respectively, are investments which are not allocated to each reporting segment.
- (4) Reconciliations of increases of tangible and intangible fixed assets at March 31, 2019 and 2018, of ¥132 million (\$1,191 thousand) and ¥314 million, respectively, include the Company's capital investment.

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



## [Related Information about Reporting Segments]

### (1) Information about Products and Services

Operating revenues from customers for the years ended March 31, 2019 and 2018, were as follows:

2019				2018			
TA-Q-BIN	Kuroneko DM-Bin	Other	Total	TA-Q-BIN	Kuroneko DM-Bin	Other	Total
¥1,139,438	¥69,678	¥416,199	¥1,625,315	¥1,035,053	¥78,789	¥424,971	¥1,538,813

Millions of Yen

2019			
TA-Q-BIN	Kuroneko DM-Bin	Other	Total
\$10,266,131	\$627,792	\$3,749,876	\$14,643,799

Thousands of U.S. Dollars

### (2) Information about Geographical Areas

Operating revenues for the years ended March 31, 2019 and 2018, were as follows:

2019				2018			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥1,595,703	¥12,212	¥17,400	¥1,625,315	¥1,510,742	¥10,848	¥17,223	¥1,538,813

Millions of Yen

2019			
Japan	North America	Other	Total
\$14,376,999	\$110,025	\$156,775	\$14,643,799

Thousands of U.S. Dollars

Property, plant and equipment at March 31, 2019 and 2018, were as follows:

2019				2018			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥427,384	¥385	¥1,149	¥428,918	¥403,241	¥370	¥1,447	¥405,058

Millions of Yen

2019			
Japan	North America	Other	Total
\$3,850,656	\$3,471	\$10,350	\$3,864,477

Thousands of U.S. Dollars

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

Loss on impairment of long-lived assets by reporting segments for the years ended March 31, 2019 and 2018, were as follows:

	2019									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	¥546	¥265	¥1,276					¥2,087		¥2,087

Millions of Yen

	2018									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	¥2,426	¥685	¥38			¥92		¥3,241		¥3,241

Millions of Yen

	2019									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	\$4,923	\$2,391	\$11,494					\$18,808		\$18,808

Thousands of U.S. Dollars

## Notes to Consolidated Financial Statements

### 18. SUBSEQUENT EVENT

#### *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2019, was approved at the Company's Board of Directors meeting held on May 15, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥14.00 (\$0.13) per share	<b>¥5,520</b>	<b>\$49,733</b>

# Independent Auditor's Report

# Deloitte.

Deloitte Touche Tohmatsu LLC  
Shinagawa Intercity  
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*To the Board of Directors of  
Yamato Holdings Co., Ltd.:*

We have audited the accompanying consolidated balance sheet of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

## *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

## *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their 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.



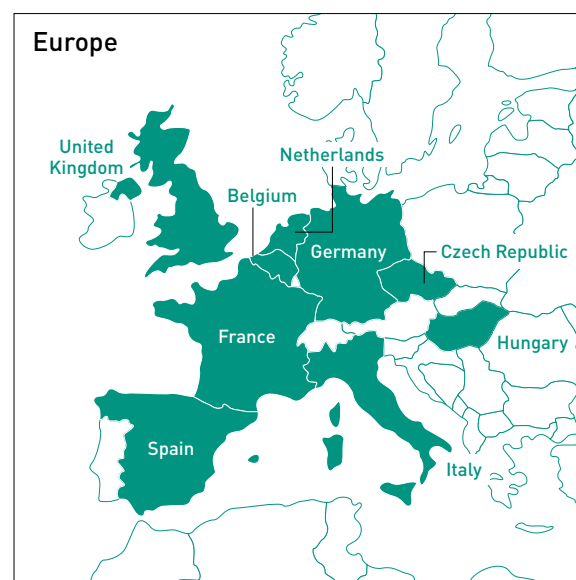
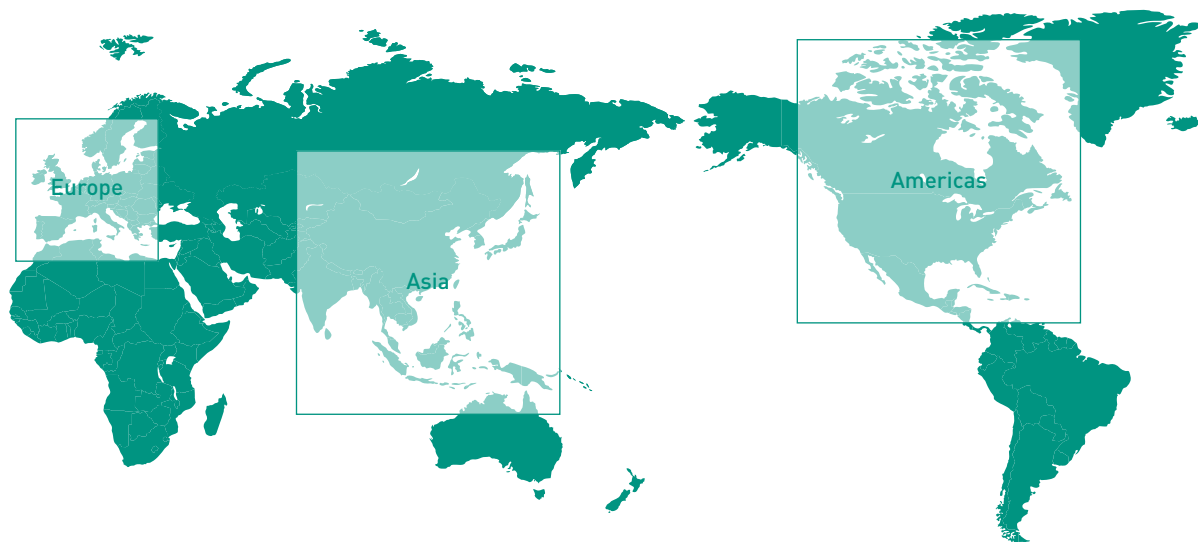
June 14, 2019

Member of  
Deloitte Touche Tohmatsu Limited

# Global Network

As of March 31, 2019

**27** overseas subsidiaries    **24** countries and regions of operation (including representative offices)



Countries and regions with local subsidiaries  
 Countries and regions with representative offices

# Corporate Data / Stock Information

As of March 31, 2019

## Company Name

Yamato Holdings Co., Ltd.

## Head Office

16-10, Ginza 2-chome, Chuo-ku, Tokyo  
104-8125 Japan  
Telephone: 81-3-3541-4141  
Facsimile: 81-3-3543-3361

## Established

November 29, 1919

## Registered

April 9, 1929

## Paid-in Capital

127,234,791,077 yen

## Website

<http://yamato-hd.co.jp/english/>



## Fiscal Year

From April 1 to March 31

## Common Stock

Authorized: 1,787,541,000 shares

Issued: 411,339,992 shares

## Stock Exchange Listing

Tokyo Stock Exchange

## Transfer Agent and Registrar

Mizuho Trust & Banking Co., Ltd.

## General Meeting of Shareholders

Held in June

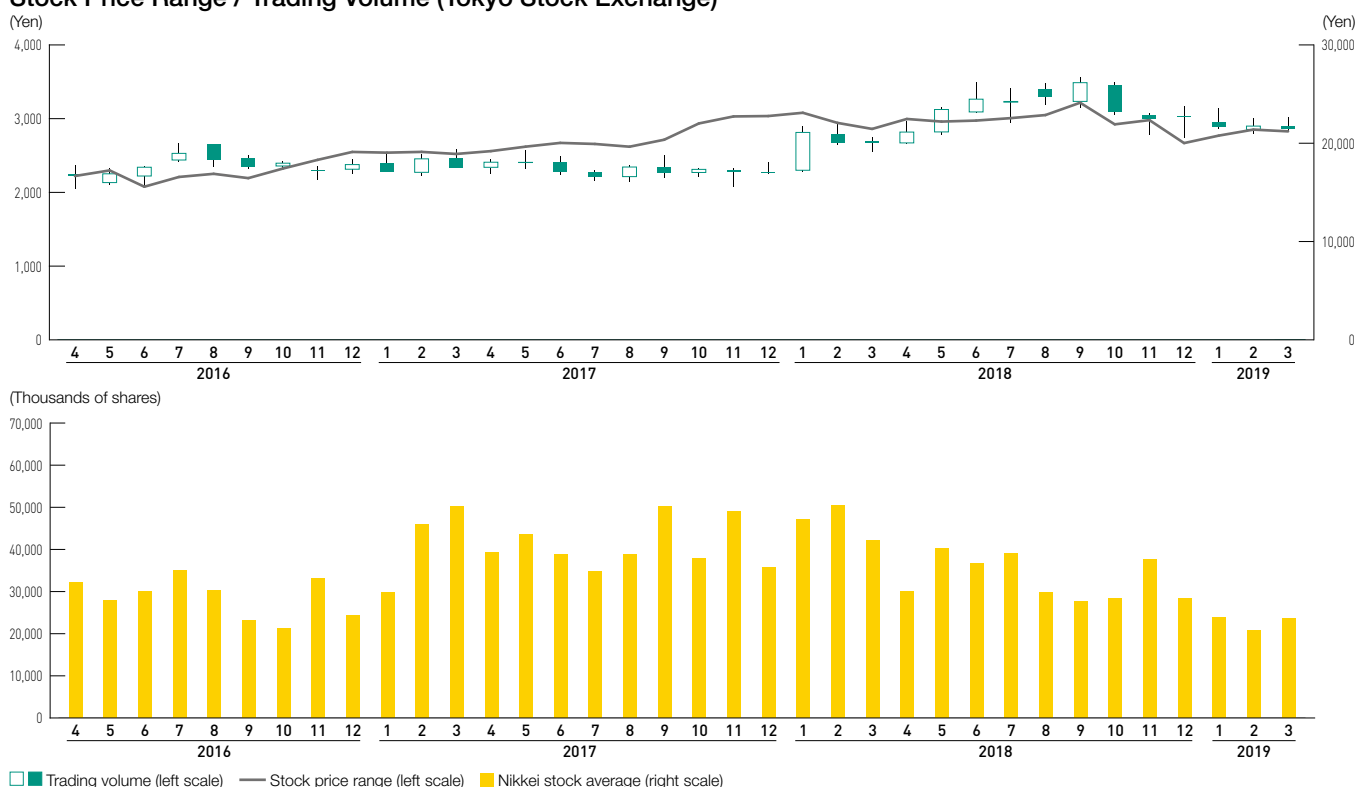
## Auditor

Deloitte Touche Tohmatsu LLC

## Principal Shareholders

	Percentage of total shares outstanding (excluding treasury shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11.16%
Japan Trustee Services Bank, Ltd. (Trust Account)	6.85%
JP Morgan Chase Bank, N.A. 380055	6.50%
Yamato Employees' Shareholding Association	4.97%
Nippon Life Insurance Company	3.75%
Meiji Yasuda Life Insurance Company	3.63%
Mizuho Bank, Ltd.	2.60%
SSBTC Client Omnibus Account	2.39%
Yamato Trading-Partner Shareholding Association	2.07%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.65%
Total	45.57%

## Stock Price Range / Trading Volume (Tokyo Stock Exchange)







16-10, Ginza 2-chome, Chuo-ku, Tokyo  
104-8125 Japan  
Telephone: 81-3-3541-4141  
Facsimile: 81-3-3543-3361