

# “One YAMATO 2023”

New Medium-Term Management Plan  
Based on “YAMATO NEXT100”



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

Since its foundation 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 have just moved beyond the significant milestone of 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, the active participation of corporations in the resolution of social and environmental issues is becoming even more important. Furthermore, the global spread of COVID-19 has accelerated changes to people's lifestyles and the structure of the logistics industry.

Under such an environment, the Yamato Group will transition to a "One Yamato" management structure, which will gather together the diverse management resources of each Group company, in April 2021. The Group will also work to provide value throughout the entire supply chain. By doing so, we will enhance convenience for our individual customers while supporting the overall management of our corporate clients to help them better respond to change. In addition, we will further strengthen our initiatives toward sustainability and promote the creation of "new logistics ecosystems" with the aim of resolving social issues as a crucial part of social infrastructure. Through these efforts, we will contribute to the creation of an enriched society, a goal laid out in our management philosophy, and realize sustainable growth and the improvement of corporate value.

Logistics Bases\*<sup>1</sup>

Approx. **200**

Domestic Parcel Delivery  
Market Share\*<sup>2</sup>

(Year Ended March 31, 2020)

No. **1** (42.0%)

Proportion of Japan Covered by  
*TA-Q-BIN* Network

(As of March 2020)

**100%**

EAZY CREW\*<sup>3</sup>

(As of January 2021)

Over **10,000**

*TA-Q-BIN* Centers\*<sup>4</sup>

(As of March 2020)

Approx. **3,700**

Employees

(As of March 2020)

Approx. **224,000**

*TA-Q-BIN* Annual Delivery Amount

(Year Ended March 31, 2020)

Approx. **1.79** billion parcels

Sales Drivers

(As of March 2020)

Approx. **60,000**

\*1 Bases and warehouses

\*2 Calculated based on "Survey and Calculation Method for Parcel Delivery Amount" (provisional translation) compiled by Japan's Ministry of Land, Infrastructure, Transport and Tourism.

\*3 Delivery partners for EC products

\*4 Number of sales offices



## Contents

## 01 INTRODUCTION

- 01 Profile / Editorial Policy
- 02 Group Corporate Philosophy
- 04 Value Creation Process

## 06 MESSAGE FROM MANAGEMENT

- 06 Message from the President
- 10 Message from the Chief Financial Officer

## 12 MANAGEMENT STRATEGY

- 12 Medium-Term Management Plan “One Yamato 2023”

## 20 MAIN INITIATIVES

- 20 Strengthen Corporate Business
- 22 Creating the Best Solution for the “EC ecosystem”
- 24 Promoting Data and Innovation Strategies
- 28 Strengthening Sustainable Management
- 30 Sustainable Medium-Term Plans 2023
- 34 Sustainability Initiatives
  - 34 Environmental Strategies for Realizing a Sustainable Society
  - 37 Creation of a Working Environment Where Employees Can Play an Active Role
  - 39 Measures for Safety and Peace of Mind That Support Business Continuity

## 42 CORPORATE GOVERNANCE

- 42 Roundtable Discussion between the Board of Directors and Outside Directors
- 48 Corporate Governance
- 56 Directors / Audit & Supervisory Board Members / Management System

## 60 BUSINESS OUTLOOK FOR THE FISCAL YEAR ENDED MARCH 31, 2020

- 60 Business Structure
- 61 Organization
- 62 Performance Highlights

## 64 FINANCIAL SECTION

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

## 96 COMPANY INFORMATION

- 96 Global Network
- 97 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.

# Group Corporate Philosophy

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 their establishment in 1931. Supported by our Group Corporate Philosophy, which was created based on our unchanging Core Values, we aim to become a corporate group that can make sustainable contributions to the creation of an enriched society.

## 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.



Company founder  
Yasuomi Ogura

## Incorporating the Founding Spirit within Our Core Values

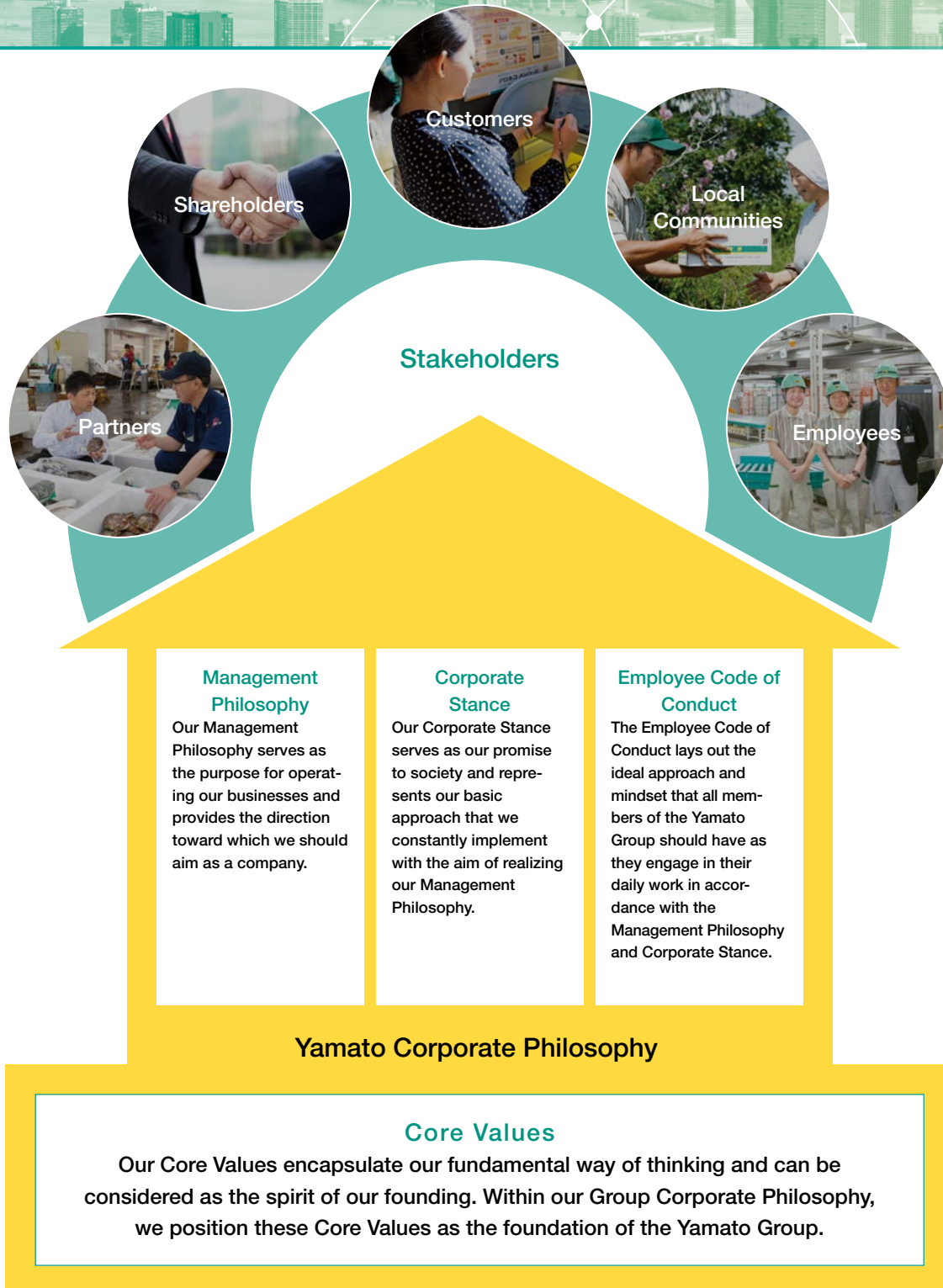
Our Core Values, which were established by our founder Yasuomi Ogura in 1931 shortly after our founding, have always been considered something that should remain unchanged throughout our 100-year history. When it came to corporate management, Yasuomi Ogura believed that no matter how logically a business 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 upper management is communicated to them. Yasuomi Ogura believed that the independence of each employee who places importance on the Core Values could compensate for this time lag. He therefore took steps to spread awareness of the Core Values across the Company.

## 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



# Value Creation Process

## Business Environment / Social Issues

- Diversification of customer expectations and needs
- Rapid progress of EC adoption in various industries
- Declining population and decaying regional infrastructure
- Declining working population
- Climate change and resource scarcity

**Further acceleration of the shift toward EC in all industries due to the COVID-19 pandemic**

- **Lifestyles:** Further growth of EC and shift to omni-channel approaches, including non-face-to-face interactions
- **Logistics structure:** Total optimization of inventory and supply routes

## Issues Facing the Yamato Group

Management structure centered on TA-Q-BIN

### Strategies:

TA-Q-BIN alone unable to accommodate 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

## Management Resources / Strengths

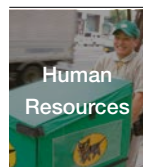


### Corporate clients

- ▶ Number of client companies: Over 2 million
- ▶ Yamato Business Members: Approx. 1.3 million

### Consumers

- ▶ Kuroneko Members: Approx. 45 million



### Sales representatives

- ▶ Account sales representatives and sales drivers: Over 60,000

### Customer representatives

- ▶ Guest operators and call center operators: Approx. 25,000



### Base network

- ▶ Bases and warehouses: Approx. 200
- ▶ TA-Q-BIN centers: Approx. 3,700

### Transportation and delivery network

- ▶ Trunk-route, BtoB middle mile, TA-Q-BIN/EAZY last mile



### Physical and digital customer contact points

- ▶ Account sales representatives, sales drivers, guest operators, call center operators, Kuroneko Members, Yamato Business Members

### Data

- ▶ Cargo-related data: Over 2 billion parcels a year



### Soundness

- ▶ Credit rating: AA-

## Value

### For consumers:

Further enhancing the convenience

### For corporate clients:

Supporting corporate value by also providing support for managing sales, and increasing the

### For society:

Reducing environmental burden and improving quality of life

## The Yamato Group as a Part of Society

## Medium-Term Management Strategy

Combine the management resources gathered together to create value from end to end with a view to

Strengthen corporate business

Reinforcement of Group infrastructure

Optimizing management based on

Reforming management structure and reinforcing governance

HR strategy which supports "Innovating Delivery Business"

## Transformation Process

Corporate

Group Corporate

Guided by its Core Values, which represent the Group's founding spirit, the Yamato Group aims to achieve the goal adopted under its Management Philosophy of contributing to an enriched society. Under the "One Yamato" management structure, we will gather together the management resources that we have long cultivated through our business activities, including our human resources, logistics networks, and customer foundation. Combining these resources in an optimal manner, we will provide value to our individual customers, corporate clients, and society as whole with a view toward transforming our supply chain to respond to the accelerating shift toward EC in all industries. Through these efforts, we will realize sustainable corporate value improvement.

### Our Vision

- Management Philosophy: Contribute to the creation of an enriched society
- Environmental Vision: Connect. Deliver the future via green logistics
- Social Vision: Through co-creation and fair business activities, help create a society that "leaves no one behind"



Sustainable corporate value improvement

### We Provide

...nience of lifestyles  
...improvement (not only enhancing logistics efficiency but  
...management issues such as adjusting inventories, optimiz-  
...efficiency of back-office work)  
...den, enhancing environmental resilience, and improving

### Group's Important Role Social Infrastructure

#### Management Plan "One Yamato 2023"

...ether under "One Yamato" in an optimal manner to provide  
...w toward transforming the supply chain

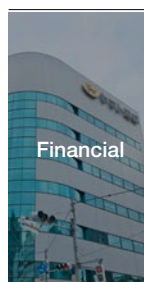


#### Plan "YAMATO NEXT100"

#### Corporate Governance

#### Corporate Philosophy

### Targets (Fiscal year ending March 31, 2024)



#### Financial

Consolidated operating revenues: **¥2,000 billion**

Consolidated operating profit: **¥120 billion**

Consolidated operating profit margin: **6.0%**

Profit attributable to owners of parent: **¥72 billion**

ROE: **10% or higher**

Reduce GHG\*1 emissions: **-10%\*2** compared with the fiscal year ending March 31, 2021

Reduce GHG emission intensity: **-10%\*2** compared with the fiscal year ending March 31, 2021

Use of electricity generated via renewable energy sources: **30%**

\*1 Greenhouse gas

\*2 In house emissions of consolidated companies in Japan and Swan Co., Ltd.

Improvement in operating revenue per employee\*3: **+16%** compared with the fiscal year ending March 31, 2021

Overtime hours per employee: **-20%** compared with the fiscal year ending March 31, 2021

Annual paid leave utilization: **90%**

\*3 Converted number of employees based on different working hours

Serious traffic accidents\*4: **zero**

Number of traffic accidents: **-50%** compared with the fiscal year ended March 31, 2020

Serious occupational diseases\*5: **zero**

Reduce frequency of lost workday injuries: **-20%** compared with the fiscal year ended March 31, 2020

\*4 Fatal accidents for which the Company is responsible

\*5 Work-related deaths

#### Environment / Social\*

\* Excerpts from Sustainable Medium-Term Plans 2023

Please see pages 30–33 for details on environmental and social targets.

## Message from the President



Under the new Yamato Group that focuses on Yamato Transport, which centralizes diverse management resources, we will aim to support the entire supply chain not only for consumers but also suppliers and manufacturers, while strengthening our sustainability management to achieve business growth and increase corporate value.

### Yutaka Nagao

Representative Director,  
President and Executive Officer

## Launch of the New Group Management System that Focuses on Yamato Transport

On April 1, 2021, Yamato Transport will be reborn as the new “Yamato Transport” by centralizing the management resources of seven Group companies. We will launch the new Group management structure, with “Yamato Transport” at its core, comprising four business divisions (Retail, Corporate, Global SCM, and EC (E-Commerce)), four functional divisions (Transport, Digital, Platform, and Professional Service), and corporate, which will comprise the retail and business unit.

I will become the president of both Yamato Holdings and Yamato Transport; however, I do not see this as a return to the role of president. Instead, I am prepared to assume the role of president of the new “Yamato Transport” while acting as the president of Yamato Holdings, which will be maintained as a holding company.

Yamato Holdings has remained as a holding company, in light of the impact of COVID-19 on various procedures involved in this process, including receiving government permission. However, the Company’s function has been tailored to management supervision, and under the new Group management system that focuses on Yamato Transport, we will achieve business growth and increase corporate value. We will accomplish this by making maximum use of centralized management resources, meeting the needs of our customers and society, and increasing the speed of decision-making.

In the more than 100 years since the Yamato Group’s founding, we have carried out innovations that anticipated the demands of the era and have contributed to the creation of an enriched society as a social infrastructure provider. However, I am very conscious of the fact that we are unable to adequately respond to the needs of customers

and society that have changed rapidly, such as the diversity of customer needs, the adoption of e-commerce (EC) in various industries, the declining working population, rural depopulation, and climate change.

Therefore, in order to continue to respond to the speed of changes in the future, the personnel in the managerial ranks share the sense of risk that there are limits to the existing management structure, which was centered on *TA-Q-BIN*. So, in January 2020, we formulated the Transformation Plan “YAMATO NEXT100” as a grand design for our management over the medium to long term.

Following this, as set forth in “YAMATO NEXT100,” we have been able to swiftly and firmly respond to the unexpected lifestyle changes and rapid increase in parcels brought on by the COVID-19 pandemic. This was as a result of carrying out Groupwide initiatives, such as refining the forecast workload based on data analysis and optimally allocating personnel and vehicles based on these predictions, and flexibly utilizing the management resources of each Group company to meet the new needs of businesses. Additionally, the launch of *EAZY*, a new delivery service for EC that responds to customer needs in real time by utilizing digital data and an open delivery network, in June 2020, a few months earlier than scheduled, also aided in meeting these needs.

Furthermore, we are fulfilling our serious role as a social infrastructure provider by delivering the COVID-19 vaccine nationwide through the seamless nexus of our Group network. This is certainly the result of our prompt virtual activation of the new management system and I have confidence in the capabilities of our management structure from April onward.

## Aim for Growth by Creating an EC Ecosystem and Offering Value across the Whole Supply Chain with the Medium-Term Management Plan “One Yamato 2023”

Following the formulation of “YAMATO NEXT100,” COVID-19 spread across the world. Under these circumstances, where the future status of infections and a return to normalcy remains unclear, it has become difficult to predict the recovery of internal and external environments. However, what is certain is that the issues affecting the

supply chain in the future are becoming increasingly more diverse due to changes in lifestyle brought on by the COVID-19 pandemic.

Under “One Yamato 2023,” the new medium-term management plan due to conclude at the end of the fiscal year ending March 31, 2024, which was formulated to

## Message from the President

realize “YAMATO NEXT100,” the Yamato Group is taking the accelerated progress of EC adoption in all industries as an opportunity for business growth. Under this plan, we set forth the goal of making our last-mile network an even more sustainable strength, while aiming to offer value across the whole supply chain, not just in the BtoC domain. We aim to become a Lead Logistics Partner (LLP) that solves customers’ management issues extending across the entire supply chain. I believe this is an important mission that should be addressed as a new business domain, rather than an extension of an existing one. In order to realize this goal, we will consolidate Group sales organizations and management resources, which have been decentralized up to now, into “One Yamato” and, under segment-based business divisions, we will focus on customers and enact proposals that contribute to solving their issues. In addition, we will establish a new corporate solutions control center to consolidate business information and support operating activities on the front line so

that we can always provide optimal proposals to all our corporate clients, no matter their size. Also, in addition to *TA-Q-BIN* and *EAZY*, we will organically combine the current local BtoB networks owned by Yamato Global Express into all of our bases to provide seamless digitalization and visualization. We can thereby offer value across the whole supply chain by means such as optimizing inventory, reducing logistics costs through small-lot, high-frequency delivery of goods, and reducing the loss of sales opportunities by optimizing lead times.

In order to create an optimal solution for an EC ecosystem where buyers, sellers, and deliverers can develop together, we will expand *EAZY CREW* as a partner. We will also improve the functions of *EAZY*, which is based on real-time communication with customers, and provide solutions for upstream domains, such as procurement and inventory movement, for major and minor EC operators, as well as manufacturers and retailers, that want to strengthen the EC domain in the future.

## High Productivity through One Yamato

As the most important policy under “One Yamato 2023,” we will continue to carry out management based on data analysis. Beginning with the reallocation of bases by improving the accuracy of demand and workload forecasts for each region, we will improve productivity across the entire network by consolidating trunk-route transportation and reducing transportation between bases, as well as appropriately allocating personnel and vehicles at each base. At the same time, we will enhance the time employees spend with customers and pickup and delivery capabilities by optimizing and standardizing the delivery process through operational work reform, automation, and digitalization. This will substantially reduce the burden on the front line.

Each Yamato Group company has bases across Japan, including approximately 110 business warehouses,

77 sorting terminals, and approximately 3,700 *TA-Q-BIN* centers, which we will appropriately reallocate within the network. By adding essential functions and promoting automation at all bases, we will increase sorting functions across the entire network by up to 1.5 times in comparison to the current fiscal year.

I also expect to see a significant improvement in productivity and a reduction in operating costs by consolidating sorting costs at each site at a single location and through increased automation.

In addition, regarding the issue of administrative operations, by promoting Business Process Re-engineering (BPR) that aims to standardize and digitalize administrative operations, we expect to reduce administrative work on the front line by approximately 40%.

## Strengthen Sustainable Management for the Sustainable Development of Society and Business

Under “YAMATO NEXT100,” we have clearly positioned sustainability initiatives as part of our infrastructure reforms and incorporated them into our grand design for sustainable management. The background for doing this was our awareness of two issues.

The first issue is that, while we have been focusing on important sustainability issues, such as climate change, safety, and labor, we were unable to measure the results of these initiatives sufficiently. As a result, we could not show any quantitative results of our efforts. The other issue is the ability to clearly convey our vision and commitment to ESG (environmental, social, and governance) matters.

Therefore, we once again formulated a vision for the environment and society, and specified the materiality (important material issues) to be addressed, taking into account the opinions of diverse stakeholders, with the aim of achieving both sustainable business growth and the

development of a sustainable society. Using this as a foundation, we also formulated a medium-term target for each material issue under “One Yamato 2023.” To achieve these targets, we will aim to incorporate each sustainability initiative into our business activities.

Furthermore, based on the new Group management system, in addition to reinforcing and maintaining both the separation of management supervision and execution and management transparency, we will bring management and the front line closer together and accelerate decision-making capabilities.

For a corporate group like ourselves, with a network that spans across Japan and overseas and 220,000 Group employees, we believe that sustainability management is a major responsibility and an essential mission for our sustainable growth.

## Increase Sustainable Corporate Value by Offering New Prosperity

The mission of the Yamato Group is, as laid out in our Management Philosophy, “to help enrich our society.”

Under One Yamato, we must further increase our management speed, and through our commitment to the whole supply chain, we must continue to create new value for individual and corporate customers, as well as society as a whole. We must continue to help enrich society over the next 100 years, too.

In addition, the targets for the fiscal year ending March

31, 2024, as set out in “One Yamato 2023,” are consolidated operating revenues of ¥2,000 billion, consolidated operating profit of ¥120 billion, a consolidated operating profit margin of 6%, and ROE levels of 10%. With these targets as a waypoint, we will continue to look ahead to the changes three or five years in the future, constantly refining growth strategies and action plans to achieve sustainable growth and increase corporate value over the medium to long term.

February 2021



## Message from the Chief Financial Officer



Based on the newly formulated medium-term management plan “One Yamato 2023,” we will further accelerate the advancement of structure reform. By optimally allocating management resources and promoting Companywide initiatives in growth domains, we will aim to improve corporate value over the medium to long term.

### Atsushi Kashimoto

Executive Officer  
Responsible for Finance and  
Investor Relations Department

## Progress and Outcomes of Management Structure Reform

In January 2020, we formulated the Transformation Plan “YAMATO NEXT100” as a grand design for our management over the medium to long term. The purpose of this plan is for the Yamato Group to continuously contribute to the realization of a prosperous society by creating a “new logistics ecosystem,” meeting the needs of customers and society.

Based on this plan, in the first three quarters of the fiscal year ending March 31, 2021, the Yamato Group has been centralizing management resources in advance of the new management structure commencing in April 2021. We have also been promoting the three business reforms, the digital transformation of *TA-Q-BIN*, the establishment of an EC (e-commerce) ecosystem, and the strengthening of our corporate logistics business, as well as its three infrastructure reforms, the renewal of the Group management system, the shift to data-driven management, and sustainability initiatives. There have been changes in lifestyle and the distribution structures, such as promoting teleworking; making services, such as medical care, education, and other services, available online; and expanding the user base for EC, as well as an acceleration in EC adoption in all industries due to the spread

of COVID-19. Amid these changes, we have increased revenues as a result of our ability to meet the rapidly increasing demand by promoting various initiatives in advance of the next medium-term management plan. Furthermore, we achieved a substantial increase in profit by optimally allocating management resources based on data analysis and demand forecasting to improve the efficiency of pickup and delivery and trunk-route transportation, and by creating a new delivery network in cooperation with our delivery partners to expand pickup and delivery capacity and optimize costs. In addition, with a focus on the future growth of the lease service business, we strove to increase the efficiency and profitability of the entire Group, including commencing joint ventures with partner companies.

We feel we have a solid response regarding the direction of management structure reform based on “YAMATO NEXT100.” Under the medium-term management plan “One Yamato 2023,” beginning from the fiscal year ending March 31, 2022, we will aim for sustainable growth and improved corporate value over the medium to long term while further accelerating the promotion of structure reform. The targets for the fiscal year ending March 31, 2024 (the final year of the plan) are consolidated operating revenues of ¥2,000 billion, consolidated operating profit of ¥120 billion, a consolidated operating profit margin of 6%, and ROE levels of 10%.

## 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. We are already implementing growth investments in the transition toward data-driven management, such as the digital transformation of *TA-Q-BIN* and the creation of the Yamato Digital Platform, based on “YAMATO NEXT100.” So, in order to rapidly promote the main initiatives set forth in “One Yamato 2023,” we expect to invest a total of ¥400 billion in the three-year period between the fiscal years ending March 31, 2022 and 2024.

Of this amount, we plan to invest a total of ¥200 billion in growth. This includes ¥100 billion for digital investments to revamp core systems and expand the functions of the new delivery service *EAZY*, which is geared toward e-commerce companies; ¥50 billion to invest in buildings, such as automating logistics operations and establishing work consolidation centers; and ¥50 billion in developing automated warehouses and equipment for supply chain solutions, such as the distribution of pharmaceuticals.

In addition, as current investments to maintain the business, we expect to invest ¥60 billion in the extension and structural alteration of logistics facilities, ¥60 billion in the replacement of vehicles and introduction of environmentally friendly vehicles,

¥50 billion in the expansion and replacement of management systems related to existing services and internal personnel safety, and ¥30 billion in the replacement of sorting equipment for parcels and equipment related to service provision.

Through these investments, we aim to increase growth potential and profitability by achieving growth in the EC and corporate logistics business divisions and improving productivity in the areas of transport and delivery services, sorting, and administrative work through the optimal allocation of management resources based on data analysis and the strengthening of Group infrastructure.

In regard to financial strategy, as a company responsible for social infrastructure, our basic policy is to maintain and improve financial soundness for business continuity in light of the worsening impact of COVID-19 and increasingly severe disasters, while promoting the optimal reallocation of management resources to businesses with high profitability for improved capital efficiency. In terms of fundraising, we will do so with an awareness of financial soundness 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.

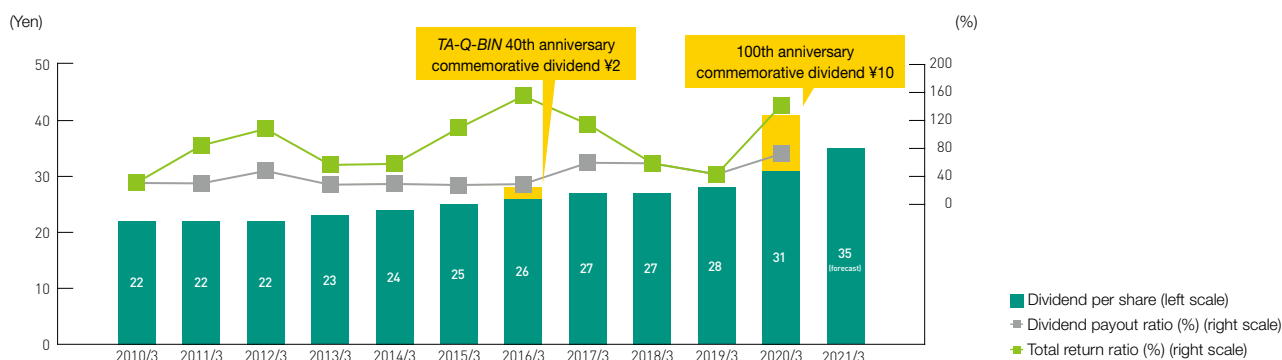
## Basic Stance on Capital Policies and Shareholder Returns

In regard to capital policy and shareholder returns, we will consider timely and appropriate measures based on the future growth potential (operating profit) and profitability (operating profit margin) of our businesses, financial soundness (status of cash creation, cash and cash equivalents, and capital adequacy ratio levels), investment progress, capital efficiency, and other factors, with a basic policy of stable dividends (with an awareness of the ratio of dividends to shareholders' equity). 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).

During the fiscal year ended March 31, 2020, in November 2019, the Company celebrated its 100-year anniversary. We paid a dividend of ¥41 per share, including a commemorative ¥10 dividend to show our appreciation to our shareholders, resulting in a payout ratio of 72.2%. In the fiscal year ending March 31, 2021, we plan to pay out an interim dividend of ¥16 per share (already paid), a final year dividend of ¥19 per share (planned), and a full-year dividend of ¥35 per share. As a result, the full-year dividend is expected to have increased ¥4 per share compared with the ordinary dividend of ¥31 per share of the previous fiscal year (¥41 per share including the commemorative dividend).

Furthermore, in the period between February and September 2020, the Company repurchased 22.76 million shares of its own stock (¥50 billion) and canceled all such shares.

**Shareholder Return Results and Forecasts** (Fiscal Year Ended March 31, 2010 to Fiscal Year Ending March 31, 2021)



## 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 sustainable targets for society and the environment established in "One Yamato 2023," based on our sustainability vision and materiality (important material issues) as laid out in "YAMATO NEXT100." 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.

## Medium-Term Management Plan “One Yamato 2023”

(From the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024)

Under “One Yamato 2023,” the new medium-term management plan due to conclude at the end of the fiscal year ending March 31, 2024, we will offer value to individual and corporate customers, as well as society as a whole. We will accomplish this by combining the management resources centralized under One Yamato into an optimal form and supporting the entire supply chain, from suppliers and manufacturers to consumers, based on the accelerated adoption of EC in all industries brought on by rapid changes to lifestyle and the distribution structure.

### The Approach to Formulating “One Yamato 2023”

Viewing the accelerated progress of EC adoption in all industries as an opportunity, the Yamato Group will work to provide value from end to end, spanning from the BtoC domain, an area where the Group boasts strengths, to upstream domains.

- ▶ Based on “YAMATO NEXT100,” respond to further growth in EC-related demand in light of the accelerated progress of EC in all industries, brought on by rapid changes to lifestyle and the distribution structure over the past year
- ▶ Expand and sophisticate Yamato’s value provision to the entire supply chain by utilizing the strength of having the last-mile network, as well as the logistics network, including warehouses that can respond to changes in the supply chain

**Proactively face the needs of customers and society as “One Yamato,” in both name and practice, and make the lives of individual customers more convenient while supporting the overall management of corporate clients, thereby becoming the “best partner of both individual and corporate customers”**

### One Yamato 2023

#### Improve Corporate Value

Optimal allocation of management resources, based on data analysis

Reinforcement of Group infrastructure

Strengthen corporate business

Creating the best solution for the “EC ecosystem”

Promoting data and innovation strategies

Reforming management structure and reinforcing governance

HR strategy which supports “Innovating Delivery Business”

Improving capital efficiency

Strengthening sustainable management

“YAMATO NEXT100”

# Overview and Summary of the Transformation Plan “YAMATO NEXT100” as a Grand Design for Management Reform over the Medium to Long Term

## Business Environment

### Social Issues



Diversification of customer needs



Rapid growth of EC market



Declining population and decaying regional infrastructure



Declining working population



Climate change and resource scarcity

### Challenges for the Yamato Group

Deepen understanding of customers to create new services in addition to diversifying package delivery methods

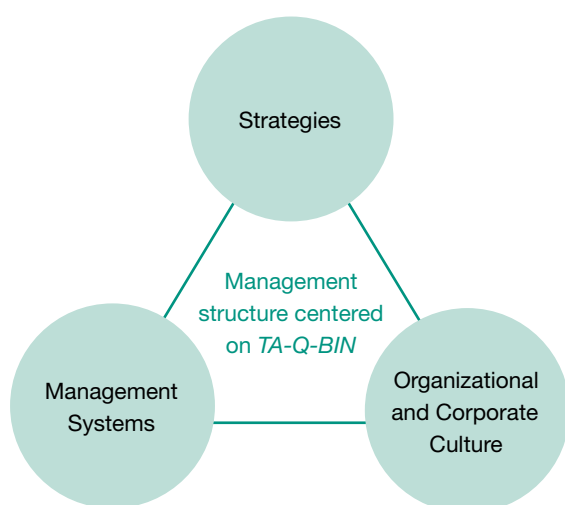
Actively position Yamato at the forefront of the rapidly growing EC market, in view of opportunity for high growth. To that end, restructure management structure and shift to data-driven management

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

## Awareness of Issues under the Premise of Reform



### ► Strategies

TA-Q-BIN alone unable to accommodate 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.**

# Overview and Summary of the Transformation Plan “YAMATO NEXT100” as a Grand Design for Management Reform over the Medium to Long Term

## 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.**

## Basic Strategy and Structure Reform of “YAMATO NEXT100”

### ► The Basic Strategy of YAMATO NEXT100

#### 1 Transform into a management that can 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 Shift to a data-based digital 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 group with a management that creates a logistics ecosystem openly 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”

### ► Structural Transformation

#### Three Business Reforms

- 1. Digital transformation of TA-Q-BIN
- 2. Establishment of an EC ecosystem
- 3. Strengthening of corporate logistics business

#### Three Infrastructure Reforms

- 1. Renewal of the Group’s management systems
- 2. Shift to data-driven management
- 3. Sustainability initiatives under the theme “Management embodying the environment and society”

## Progress and Outcomes of “YAMATO NEXT100”

While centralizing the Yamato Group's management resources in advance of the transition to the new management system in April 2021, as a result of management structure reform under “YAMATO NEXT100,” we have been able to meet the sudden rise in demand caused by the unexpected changes to lifestyle and the distribution structure brought on by the COVID-19 pandemic and accelerated progress of EC adoption in all industries

- 1 Transform into a management that can boldly address customer and social needs**
  - ▶ Develop a system that is capable of solving customer and social issues by consolidating the Group's management resources, which have been decentralized up to now, led by personnel responsible for each business and function division
- 2 Shift to a data-based digital management**
  - ▶ Promote optimal allocation of management resources based on workload forecasts through data analysis
  - ▶ Optimize pickup and delivery and trunk-route transportation
  - Progress in improving productivity and optimizing costs
- 3 Evolve into a management that creates a logistics ecosystem openly through co-development**
  - ▶ Respond to EC adoption in all industries
    - Release and expand functionality of *EAZY*, a new delivery service for the EC market, and collaborate with partners to create and expand a delivery network
    - Co-develop with EC businesses and others to establish an EC ecosystem
  - ▶ Strengthen corporate logistics business
    - Promote account management and leverage the strength of last-mile delivery to expand and strengthen areas that offer added value other than delivery

### The Spread of COVID-19



## Respond to EC Adoption in All Industries as One Yamato

|   |                                       |  |                                   |  |
|---|---------------------------------------|--|-----------------------------------|--|
| EAZY CREW<br>Over 10,000                            | Sales drivers,<br>etc.<br>Over 80,000 | Employees<br>220,000                                   | Kuroneko<br>Members<br>45 million | Yamato<br>Business<br>Members<br>1.3 million<br>companies                      |
| Participating<br>stores<br>Approximately<br>177,000 | TA-Q-BIN<br>centers<br>3,700          | One Yamato   |                                   | No. of parcels<br>handled<br>2 billion per<br>year                             |
| Warehouses<br>110                                   | Bases<br>77                           | Network cover-<br>age of TA-Q-<br>BIN in Japan<br>100% | Vehicles<br>57,000                | IT platform and<br>data<br>Flow data for<br>over 2 billion<br>parcels per year |

Note: As of January 2021 (Annual TA-Q-BIN delivery amount forecast for the fiscal year ending March 31, 2021)

## Medium-Term Management Plan “One Yamato 2023” (From the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024)

### “One Yamato 2023” Main Initiatives

In order to further accelerate the progress of management structure reform as set out in “YAMATO NEXT100,” we will carry out the nine main initiatives stated in “One Yamato 2023.”

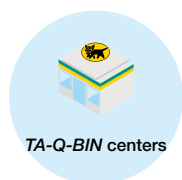
- |  |   |   |
|--|---|---|
| <b>1. Optimal allocation of management resources, based on data analysis</b> | <b>4. Creation of the best solutions for the “EC ecosystem”</b>     | <b>7. HR strategy which supports “Innovating Delivery Business”</b> |
| <b>2. Reinforcement of Group infrastructure</b>                              | <b>5. Promoting data and innovation strategies</b>                  | <b>8. Improving capital efficiency</b>                              |
| <b>3. Strengthen corporate business</b>                                      | <b>6. Reforming management structure and reinforcing governance</b> | <b>9. Strengthening sustainable management</b>                      |

#### Main Initiative **1. Optimal Allocation of Management Resources Based on Data Analysis**

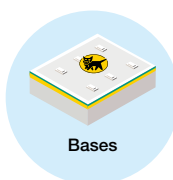
Through development of the database and advancement of algorithm development, we will improve the accuracy of the demand and workload forecast for each region and promote the optimal allocation of Group management resources to respond to the changing and diversifying needs of customers, both individual and corporate. Furthermore, in addition to optimizing and standardizing the transportation process, including trunk-route transportation, we will improve the productivity of the entire network by increasing the time employees spend with customers on the front line and expanding pickup and delivery capabilities. We will accomplish this by appropriately allocating personnel and vehicles at each base, as well as through operation work reform, automation, and digitalization.

#### □ Improve accuracy of workload forecasting based on data analysis to improve productivity

▶ Achieve business growth by increasing time spent and points of contact with customers



- Improve delivery productivity and create time for sales activities
- Reduce the number of processes, such as loading onto trucks



- Optimize allocation of personnel and vehicles and improve operation work efficiency
- Optimize trunk-route transportation

#### Main Initiative **2. Reinforcement of Group Infrastructure**

We aim to reinforce the value we offer to customers and improve productivity through the following methods: “reinforce value offered through reallocation of bases and expansion of functionality and improve productivity,” “optimize transportation functions, add functions, and expand to an open delivery network,” and “promote Business Process Re-engineering (BPR).”

#### **1** Reinforce value offered through reallocation of bases and expansion of functionality and improve productivity

##### Pickup and delivery bases

- Reallocate bases owned by various Group companies in the *TA-Q-BIN* network
- Optimal location for service level improvement
- Consolidation of transportation between facilities and other operations

##### Sorting facilities

- Reinforce functions and improve productivity through automation by digitalization, as well as consolidation of operations in certain facilities
- Expand sorting capacity by as much as **50%**

## 2 Optimize transportation functions, add functions, and expand to an open delivery network

- ▶ Reallocate trunk-route, middle-mile, and last-mile transportation functions of various Group companies on the network and further promote the total optimization of transportation and delivery processes
- ▶ Utilize local networks that can cope with high-frequency, small- to middle-lot deliveries and develop Yamato's original TMS (Transport Management System), thereby expanding transportation functions that cater to the diverse needs of each region
- ▶ Make sophisticated pickup and delivery tools to further strengthen collaboration with partners, such as EAZY CREW, which caters to diverse customer needs related to EC. Expand support to partner companies, such as building portal sites for drivers, providing leased vehicles, and enriching safety training and welfare

## 3 Promote Business Process Re-engineering (BPR)

- ▶ Promote operational efficiency across the Company, through standardization and digitalization of administrative operations, with the Professional Service Function Division taking the lead
- Cut down on administrative work by **approximately 40%\*** (create time and contact points with customers for employees on the front line)
- ▶ Optimize Group sourcing and procurement
- Consolidate sourcing and procurement at the Group level, with a focus on fair and sustainable trading practices, thereby optimizing costs

\* Rough estimate of effects of initiative at the end of March 2024 (compared with the fiscal year ending March 31, 2021)

### Main Initiative 3. Strengthen Corporate Business

We aim to become a business partner that supports the entire supply chain, from suppliers and manufacturers to stores and consumers by seamlessly integrating warehouses, bases, trunk-routes, middle-mile networks, last-mile networks, and new local transport functions across Japan through visualization of digital information.

⇒ For more details, please refer to page 20

### Main Initiative 4. Creating the Best Solution for the “EC Ecosystem”

We will continue to reinforce initiatives aimed at establishing an EC ecosystem in which EC operators, customers, and delivery persons can enjoy the benefits of the accelerated progress of EC adoption in all industries.

⇒ For more details, please refer to page 22

### Main Initiative 5. Promoting Data and Innovation Strategies

In addition to the renewal of our core systems, we will continue to develop our digital data and reinforce our digital platform in order to further advance the use of data. Furthermore, starting with the KURONEKO Innovation Fund, which was established in April 2020, we will promote the reinforcement of open innovation, such as discovering and collaborating with start-up companies and investing in start-ups to create new business.

## 1 Developing digital data and establishing a digital platform

- Promote the development of digital data and expansion of our digital platform in order to further advance the use of data
- Expand the Yamato Digital Platform, which focuses on data acquisition mechanisms that utilize cutting-edge technology and cloud technology, to support the digital aspects of the nine main initiatives

## 2 Promotion of innovation-based strategies

- Create new businesses through open innovation
- Reform the entire company through corporate innovation

⇒ For more details, please refer to page 24

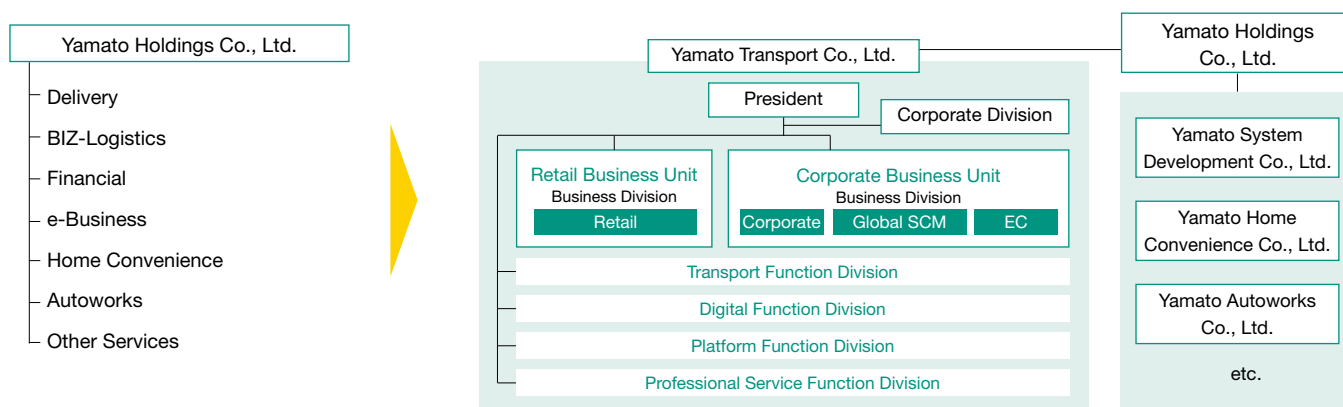
## Medium-Term Management Plan “One Yamato 2023” (From the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024)

### Main Initiative 6. Reforming Management Structure and Reinforcing Governance

On April 1, 2021, Yamato Transport Co., Ltd. will integrate seven Group companies into the new management structure One Yamato, which comprises four business divisions, four function divisions, and corporate division, which will comprise the retail and corporate sales divisions.

#### □ New management structure overview

- Yamato Holdings Co., Ltd. will continue to exist in order to separate management supervision and execution and to maintain and further improve management transparency.
- We will establish a governance structure that accelerates decision-making by integrating seven Group companies, with the new “Yamato Transport” as the core entity.



### Main Initiative 7. HR Strategy Which Supports “Innovating Delivery Business”

Under the new management structure, we will renew the HR system in order to clarify the roles and responsibilities of each employee on the front line, thereby improving the evaluation process, and to train specialized personnel in the business and functional divisions, who will grow to become top performers and leaders of the Yamato Group.

#### □ Key policies

- Strengthen the organization and train specialized personnel through Kuroneko Academy, our training organization that helps employees learn and grow
- Promote additional focus on mid-career hires
- Reinforce sustainability measures, which focus on human rights issues
  - Educate employees on human rights
  - Promote “decent work”\*

\* Work that ensures dignity, equality, fair income, and safe working conditions

### Main Initiative 8. Improving Capital Efficiency

We will improve shareholder value through timely and appropriate measures based on stable dividends (with an awareness of DOE), taking into account the future growth potential (operating profit) and profitability (operating profit margin) of our businesses, financial soundness (status of cash creation, cash and cash equivalents, and capital adequacy ratio levels), investment progress, capital efficiency, and other factors.

#### □ Targets (Fiscal year ending March 31, 2024)

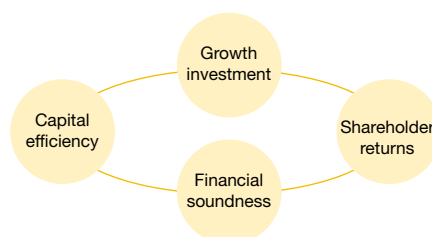
ROE of  
over 10%\*1

Dividend payout ratio of  
over 30%

Total return ratio of  
over 50%\*2

\*1 Fiscal year ending March 31, 2024

\*2 Cumulative ratio of the fiscal year ending March 31, 2021 to the fiscal year ending March 31, 2024



## Main Initiative 9. Strengthening Sustainable Management

We aim to establish a medium-term plan and targets through the fiscal year ending March 31, 2024, with the aim of realizing our two visions set forth for the creation of a sustainable future. ⇒ For more details, please refer to page 28

### Planned Figures for “One Yamato 2030”

#### Performance Targets

|   | 2021/3         | 2024/3         |               |             |
|---|----------------|----------------|---------------|-------------|
|   | Forecast*      | Plan           | Growth        | Growth rate |
| Consolidated operating revenues         | ¥1,680 billion | ¥2,000 billion | +¥320 billion | +19.0%      |
| Consolidated operating profit           | ¥82 billion    | ¥120 billion   | +¥38 billion  | +46.3%      |
| Consolidated operating profit margin    | 4.9%           | 6.0%           | +1.1pts       | –           |
| Consolidated ordinary profit            | ¥82 billion    | ¥120 billion   | +¥38 billion  | +46.3%      |
| Profit attributable to owners of parent | ¥43 billion    | ¥72 billion    | +¥29 billion  | +67.4%      |
| ROE                                     | 7.8%           | Over 10%       | +2.2pts       | –           |

\* As of January 29, 2021

#### Investment Plan

##### ► Growth Investments: ¥200 billion

- Digital investments, including revamping the core systems and expanding the functions of EAZY: ¥100 billion
- Investment in buildings, such as automated logistics operations and establishing work consolidation centers: ¥50 billion
- Deployment of automated warehouses and equipment related to supply chain solutions, such as the distribution of pharmaceuticals: ¥50 billion

##### ► Current Investments: ¥200 billion

- Extension and structural alteration of logistics facilities: ¥60 billion
- Replacement of vehicles and introduction of environmentally friendly vehicles: ¥60 billion
- Expansion and replacement of management systems related to existing services and internal personnel safety: ¥50 billion
- Replacement of sorting equipment for parcels and equipment related to service provision: ¥30 billion

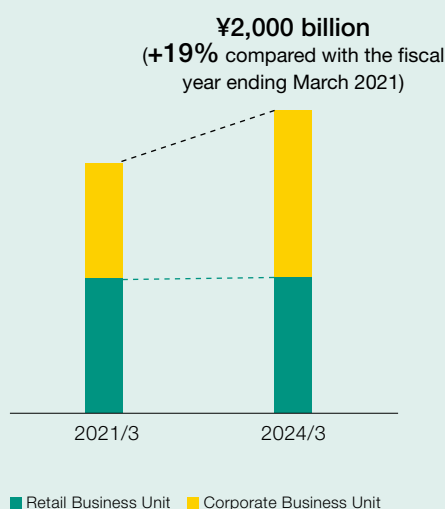
Total: ¥400 billion

#### Image of Future Growth

##### ► Operating Profit Target

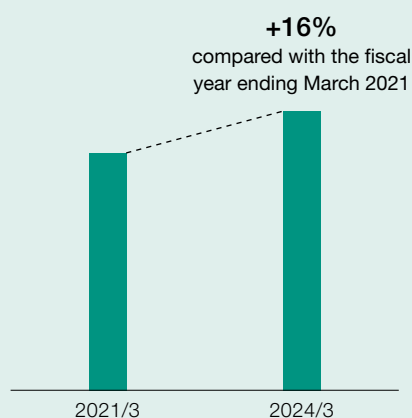
**¥120 billion** in the fiscal year ending March 31, 2024  
(+46% compared with the fiscal year ending March 31, 2021)

##### ► Operating Revenues



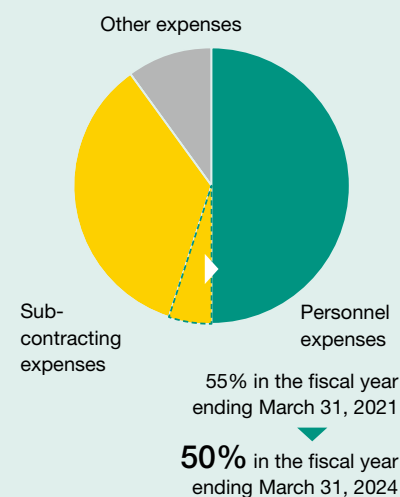
##### ► Operating Revenue per Employee\*

\* Converted number of employees based on different working hours



Number of employees has remained almost unchanged

##### ► Composition of Operating Expenses

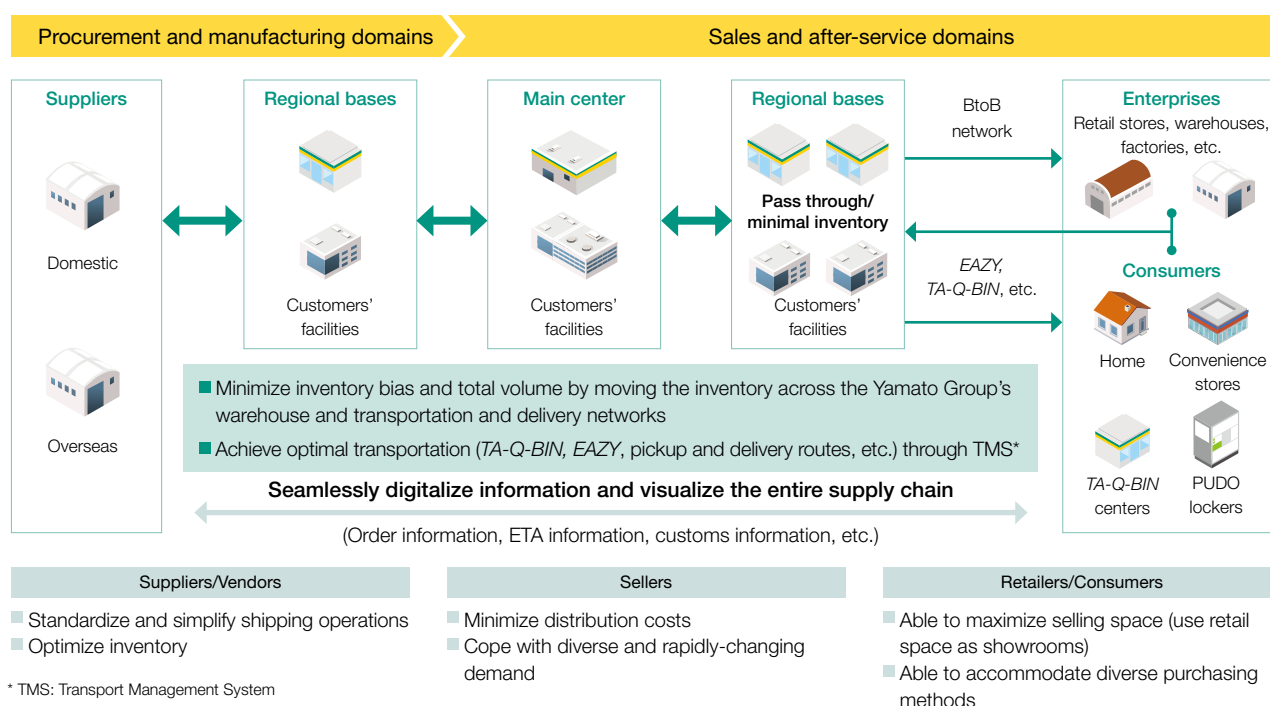


# Strengthening Corporate Business

We aim to become a business partner that supports the entire supply chain, from suppliers and manufacturers to stores and consumers. We will maximize sales, streamline the supply chain, and improve cash flow for our corporate clients by seamlessly integrating warehouses, bases, trunk routes, middle-mile networks, last-mile networks, and new local transport functions across Japan and providing advanced solutions through the visualization of digital information.

## Becoming a Partner That Supports the Reform of the Entire Supply Chain

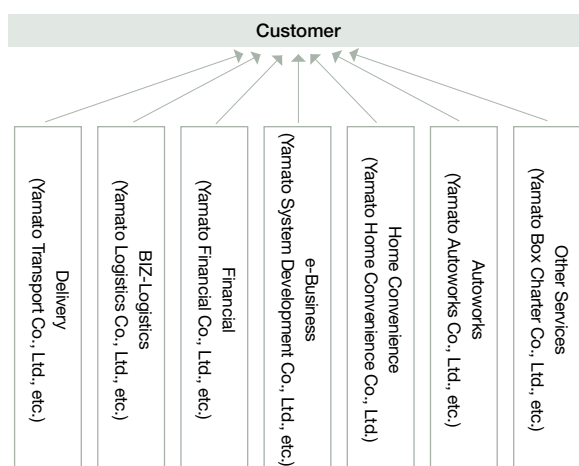
Provide optimal solutions and utilize management resources through **One Yamato**



### Promotion of Corporate Sales System

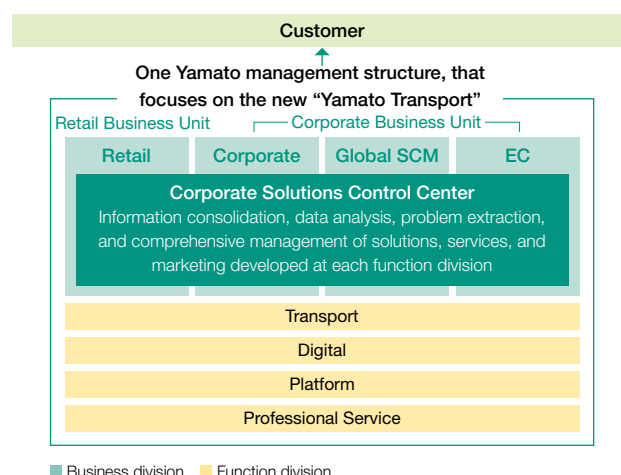
#### Before

- Promote corporate sales at each operating company
- Note: From October 2019, the Yamato Group's corporate sales functions were integrated virtually



#### After (from April 2021)

- Under the One Yamato management structure (in both name and practice), the corporate unit will promote sales based on customer segments in three business divisions



## Solutions for the Healthcare Field

## Initiative

### Commence GDP-Compliant Transport of Reagents for Gene Testing at the Ultra-Low Temperature Range of Minus 70°C or Below –Also Commencing Experiments for Ultra-Low Temperature Transport without Using Dry Ice–

In anticipation of further progress in personalized healthcare,<sup>\*1</sup> Yamato Logistics Co., Ltd. and Sysmex Corporation created a logistics service optimal for the transport of reagents for gene testing<sup>\*2</sup> and commenced operation in February 2021. This is the first commercial service in Japan for transporting such reagents in consolidated cargo at the ultra-low temperature range of minus 70°C or below.

Sysmex, a leading company of instruments and reagents for clinical testing, has, until now, required a dedicated truck to satisfy their advanced quality requirements during transport, regardless of quantity, and the associated high transport cost has posed an issue. Furthermore, this mode of transport requires dry ice for cold storage through the transport process, which uses CO<sub>2</sub>. To reduce the environmental burden and deal with tight demand in the summertime, Sysmex has long been seeking ways to improve this.

To that end, Yamato Logistics and Sysmex conducted demonstrations of logistics quality control and cost to realize

GDP-compliant<sup>\*3</sup> transport of reagents for genetic testing. This transport required management in temperature ranges from “refrigerated” to “ultra-low,” assuming transportation was carried out in a specially designed carrier box by a truck with consolidated cargo. As a result of these demonstrations, we succeeded in eliminating dry ice used in the “frozen” temperature range and reducing use in the “ultra-low” temperature range by approximately 50%. Since we were able to demonstrate a high-quality, low-cost logistics system at multiple temperature ranges, we have commenced full-scale operation.

Going forward, the two companies will strive to advance a cold chain that meets social needs by, for example, utilizing “ultra-low temperature ice”<sup>\*4</sup> of minus 120°C and conducting experiments to realize extended transport without using dry ice in the “ultra-low” temperature range.

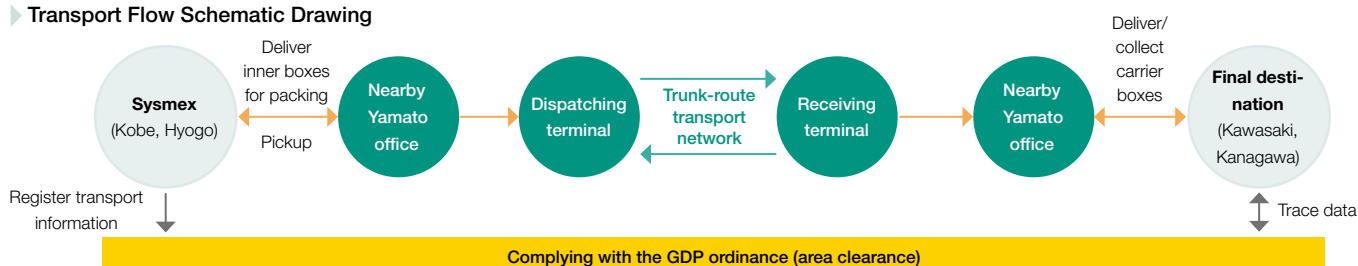
<sup>\*1</sup> Treatment and prevention methods that are tailored to individual patients and their clinical conditions to enhance effectiveness and minimize side effects

<sup>\*2</sup> Indicating *in vitro* diagnostics products used for gene testing

<sup>\*3</sup> Good Distribution Practices: A basic scheme for assuring the quality of pharmaceuticals in the distributive process, from shipment from a manufacturing plant to delivery to medical institutions

<sup>\*4</sup> With the Ultra Deep Freezer (developed by ADD Co., Ltd., Numazu, Shizuoka, Japan), fresh water is quickly frozen to minus 120°C. This is used as an eco-friendly substitute for dry ice.

#### ► Transport Flow Schematic Drawing



## Solutions for Agricultural Product Logistics

## Initiative

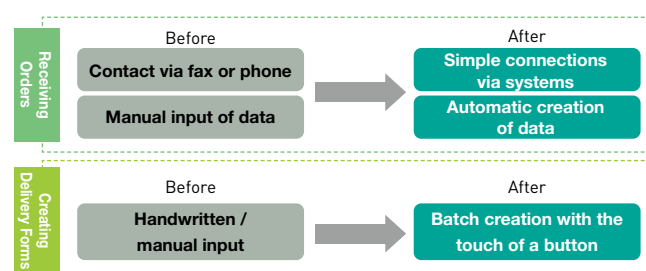
### The Vegeneko Project for Resolving Issues Facing Agricultural Product Logistics

Agricultural product logistics in Japan currently involves a complex process for receiving and placing orders, which includes gathering information via the phone or fax, typing in data manually, and once again interacting via phone or fax. Such a system places a large work burden on producers and shipping agencies. Also, as there is no framework for smoothly sharing information with distributors, it is difficult for producers and shipping agencies to transport products at desired times and with the desired level of service. For distributors, various issues arise in terms of work style and profitability, including inefficient loading operations, the lack of return shipments, and long-distance travel.

To address these issues, Yamato Transport collaborated with Oisix ra daichi Inc., a company that offers food delivery services for organic and specially cultivated agricultural products as well as meal kits, to establish the Vegeneko Project. This project aims to leverage the resources of both companies, including their respective transport networks, to resolve the issues facing agricultural logistics. Under this project, Yamato Transport and Oisix ra daichi are working to establish

an open platform that helps make the logistics process more efficient through one-stop services that cover everything from receiving and placing orders to delivery. As part of these efforts, the two companies are providing systems to enhance the efficiency of receiving orders and creating delivery forms, which are part of the many complex characteristics of agricultural products logistics.

Going forward, Yamato Transport and Oisix ra daichi will establish systems that can help increase the efficiency of adjusting shipping volumes with retailers and create platforms that can help expand sales routes and improve transport efficiency by connecting distributors with digital data.



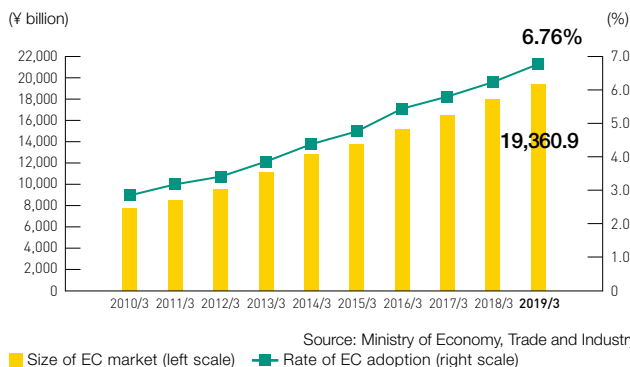
# Creating the Best Solution for the “EC ecosystem”

EC adoption is accelerating in all industries, to the point where everything is available through EC, regardless of the product or service. The Yamato Group has launched a new delivery service, *EAZY*, which connects EC users, EC operators, and delivery service providers in real time using digital information. In addition, we will strive to provide optimal solutions through collaboration with partners, such as supporting the creation of a supply chain for EC operators, from receiving orders to shipping and delivery, and expanding locations for EC users to receive products.

## Background to the Promotion of Initiatives

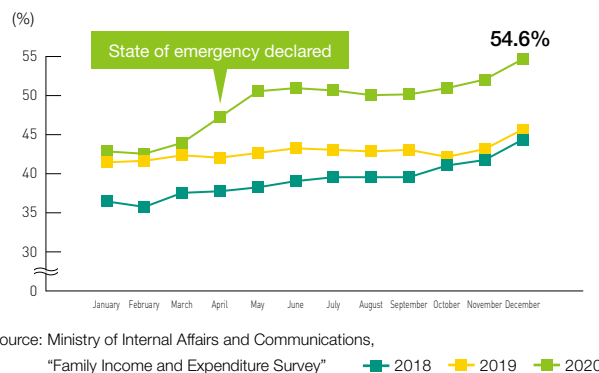
### ► Rapid Growth in the Domestic EC Market

While the size of the EC market in Japan appears to be increasing, the rate of EC adoption is low in comparison with other countries so there is room for growth.



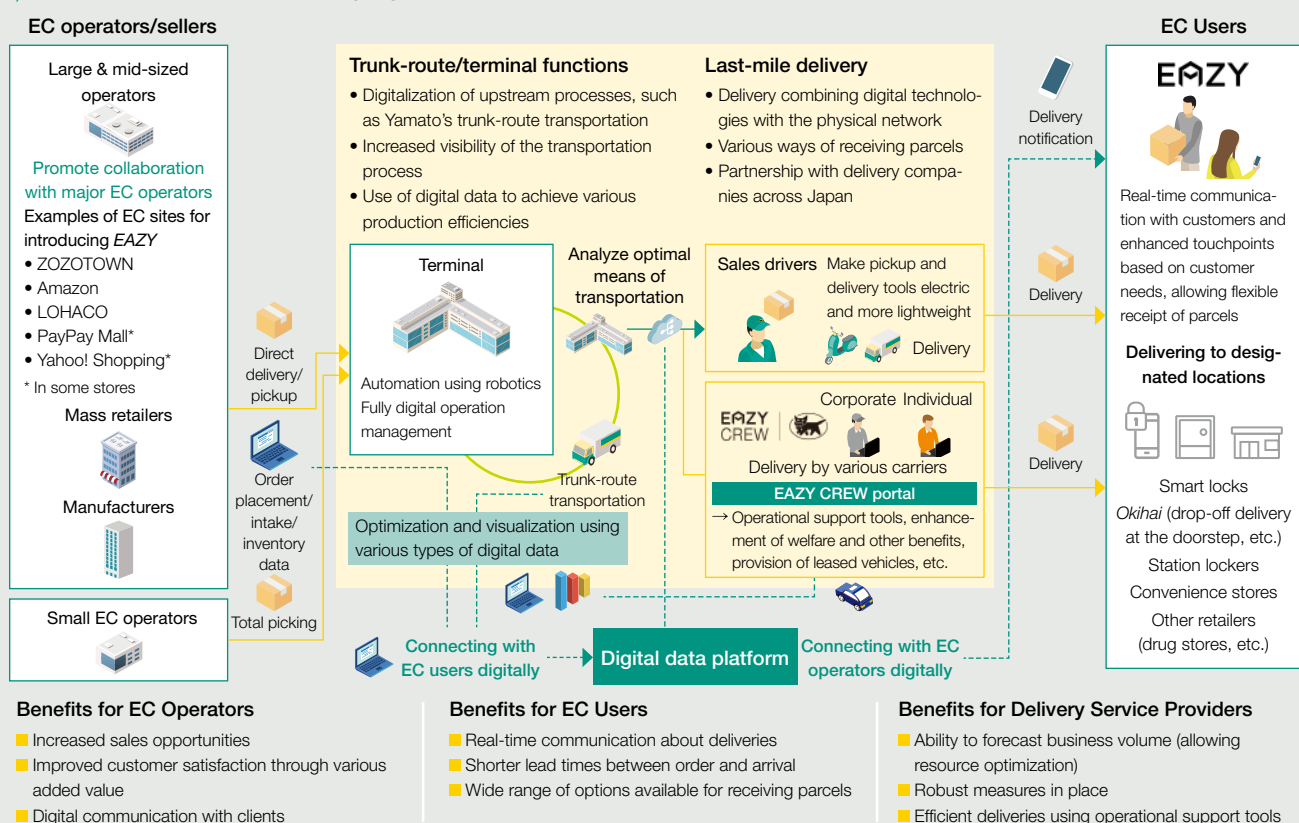
### ► Percentage of Households Using EC

Consumption from people staying at home under the first state of emergency declared by the government triggered an increase in EC users, including the elderly who previously had low usage rates.



Utilize the High Growth Potential of EC to Achieve Sustainable Growth for the Yamato Group

## ► Creation of a New “Delivery System” That Connects EC Operators and Consumers



## Initiative

## Launch of *EAZY*—A New Delivery Service for the EC Market

# EAZY

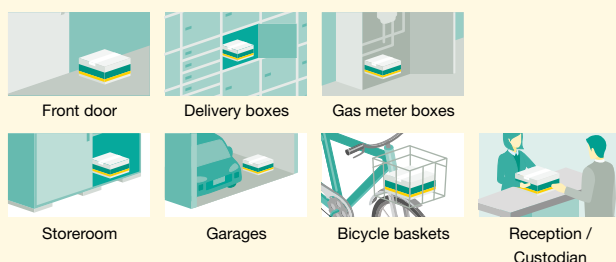
At Yamato Transport, we launched a new delivery service for EC operators, *EAZY*, in June 2020. By connecting EC users, EC operators, and delivery service providers in real time using digital information, *EAZY* thoroughly enhances the convenience, safety, and efficiency, of purchasing, sending, and receiving parcels. *EAZY*

therefore acts as a new service that will help realize sustainable growth in the EC domain. Through this service, in addition to regular face-to-face receipt, EC users are able to receive parcels at a wide range of designated locations.

We have started to offer *EAZY* via ZOZOTOWN and ZOZOTOWN in PayPay Mall, which are online fashion shopping websites operated by ZOZO, Inc. From fall 2020, we will gradually roll out this service to new EC operators.

## Features of *EAZY*

### 1. Responding to diversifying needs for non-face-to-face delivery



### 2. Receiving location can be changed right up until you receive parcels

### 3. Providing real-time delivery completion notice to customers

### 4. Collaborating with external partners for more efficient deliveries



## Initiative

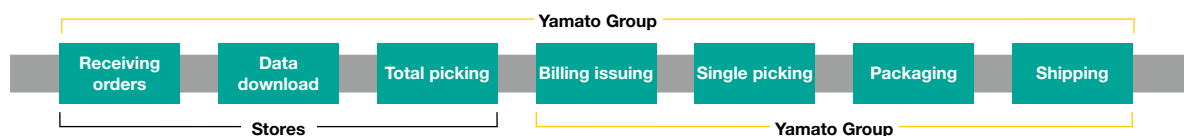
## New Logistics Services in Collaboration with Z Holdings Corporation

In June 2020, we began offering new logistics services geared toward the stores of the online shopping malls Yahoo! Shopping and PayPay Mall in collaboration with Z Holdings Corporation. These new services consist of a "Fulfillment Service," where we conduct all operations on behalf of stores, from receiving orders to shipping and delivery, and a "Pick & Delivery Service," where we perform certain functions for stores. Through the provision of these services, we aim to shorten lead times from ordering a product to receiving it, reduce the burden

of logistics-related work at stores, and optimize logistics costs. We also aim to further enhance the level of convenience for purchasers. Furthermore, by linking data and designing logistics in line with the operation of Yahoo! JAPAN, the time and effort involved in interactions between each individual company and logistics operators will be significantly reduced. This will allow these services to be introduced and operated smoothly.

In the future, we will conduct demand forecasts by utilizing and analyzing the data we cultivate through these services. These forecasts will help us further shorten lead times and reduce costs by moving inventories to the optimal area of consumption in advance.

**Fulfillment Service** The Yamato Group conducts all operations from receiving orders to product storage, picking, packaging, shipping, and delivery.



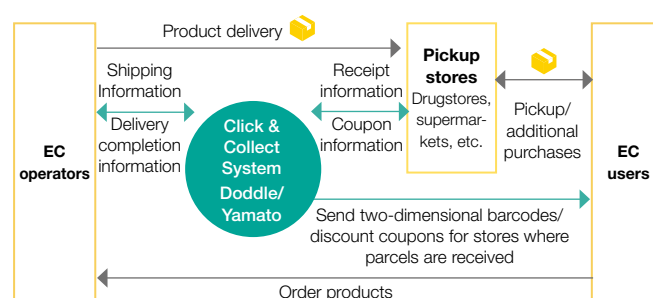
**Pick & Delivery Service** The Yamato Group provides services for picking, packaging, shipping, and delivering goods shipped on the day after the total picking is made by a store.

## Initiative

## Launch of New Receipt Service for EC Products

Together with Duddle Parcel Services Ltd., we launched a new receipt service for EC products in November 2020. This service introduces Duddle's "Click & Collect System" at participating stores as locations for receiving the products sent by EC operators who have already been using *EAZY*. Participating stores can launch this service by simply installing a specialized terminal. This will also expand locations for EC users to effortlessly receive parcels according to their lifestyles.

### New Service Flow

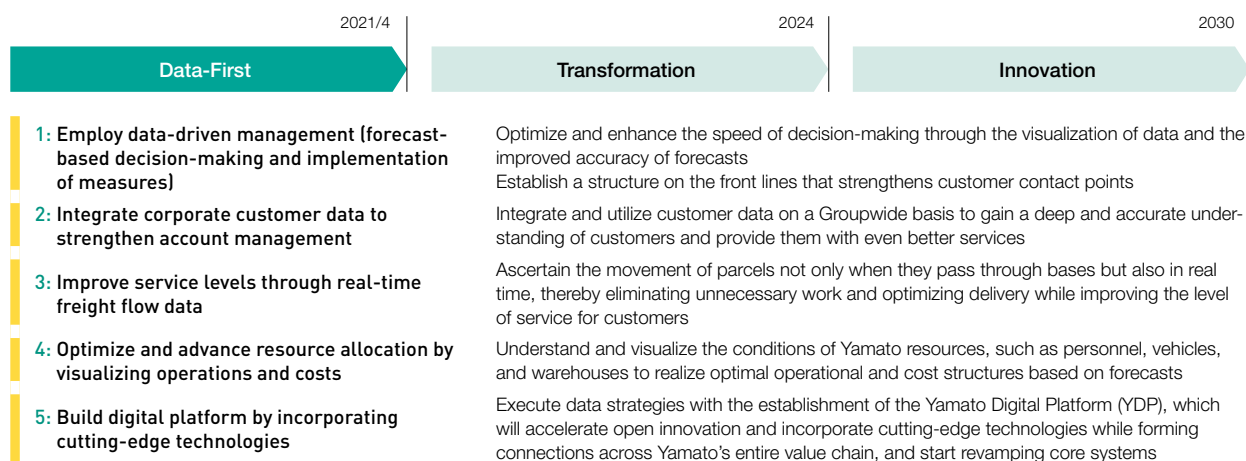


# Promoting Data and Innovation Strategies

With the shift to data-driven management as a fundamental strategy, in addition to updating the existing core systems, we will promote the maintenance of digital data and the strengthening of our digital foundation to further advance the utilization of data. We are able to support the digital aspects of our growth strategy through expansion of the Yamato Digital Platform, which focuses on data acquisition mechanisms that utilize cutting-edge technology and cloud technology. In addition, we will promote the further reinforcement of open innovation, such as the discovery of and collaboration with start-up companies, as well as investing in start-ups to create new business.

## Shift to Data-Driven Management

- Invest roughly ¥100.0 billion in digital fields over the four-year period starting from the fiscal year ending March 31, 2021
- Launch a new digital organization with 300 personnel in 2021
- Execute five actions to launch a new organization with the aim of achieving results in the near term
- Launch CVC fund to accelerate open innovation



## Initiatives for Innovation Strategy

### Initiative

### Establishment of CVC Fund KURONEKO Innovation Fund

In April 2020, we launched the corporate venture capital (CVC) fund KURONEKO Innovation Fund together with the major independent venture capital fund corporation Global Brain Corporation.

The basic stance of the KURONEKO Innovation Fund is to "Always think from a long-term perspective, provide start-up companies with all the assets that the Yamato Group has to offer, and grow together with them." Rooted in this basic stance, this CVC fund strives to achieve the following three goals: (1) Create new growth models, (2) Realize outstanding operational efficiency, and (3) Promote open innovation through consistent management of funds. To that end, the fund will invest in start-up companies both in Japan and overseas that possess innovative technologies and business models that can transform logistics operations and supply chains. At the same time, the fund aims to create growth models in the logistics market and other related markets by opening up the Yamato Group's management resources.

### Fund Overview

|                                    |   |
|------------------------------------|---|
| <b>Name (registered name)</b>      | KURONEKO Innovation Fund L.P. (YMT-GB Investment Limited Partnership)   |
| <b>Fund size</b>                   | ¥5.0 billion  |
| <b>Operation period</b>            | 10 years  |
| <b>Investment target</b>           | <ul style="list-style-type: none"> <li>Start-up companies with innovative technologies and business models that can transform logistics operations and supply chains</li> <li>Start-up companies that have potential as Yamato Group partner companies</li> </ul> |
| <b>Target stage</b>                | Seed, early, and middle, in principle   |
| <b>Target area</b>                 | Mainly focus on Japan, but also invest in North America, Europe, and Asia   |
| <b>Unlimited liability partner</b> | Global Brain Corporation  |
| <b>Limited liability partner</b>   | Yamato Holdings Co., Ltd.   |

■ First investment project: Development of Chinese automated delivery robot "Yours"  
<https://www.yamato-hd.co.jp/news/2020/20201207.html>

## Initiatives for the Digital Transformation



## Optimization of Operations through Data Analytics

Through detailed data analysis and the utilization of AI, we will enhance the accuracy of our demand and workload forecasts. Based on these forecasts, we will better allocate personnel and vehicles and improve delivery routes. Through such efforts, we will aim to boost pickup and delivery productivity by optimizing and standardizing transportation and delivery processes as well as our overall operations.

## Initiative

## Collaboration with Palantir Technologies to Accelerate DX

In July 2020, we initiated efforts aimed at accelerating the operational reform of the Yamato Group and the DX of the logistics industry in collaboration with the U.S.-based Palantir Technologies Inc., a leading company in the global market for big data analytics.

Leveraging the technologies of Palantir, we will build a digital platform that creates new added value for our customers. At the same time, we will aim to optimize resource allocation, streamline the supply chain, and enhance the level of service we offer customers.

Furthermore, through operational innovation, not only will we transform the Yamato Group itself, we will also lead the way with innovations in the overall logistics industry in Japan.

Yamato Holdings

Palantir Technologies

×

■ Database  
■ Logistics know-how

■ Big data analytics technologies

**Provide optimal supply chain solutions for customers through innovations to logistics operations using sophisticated data analysis**

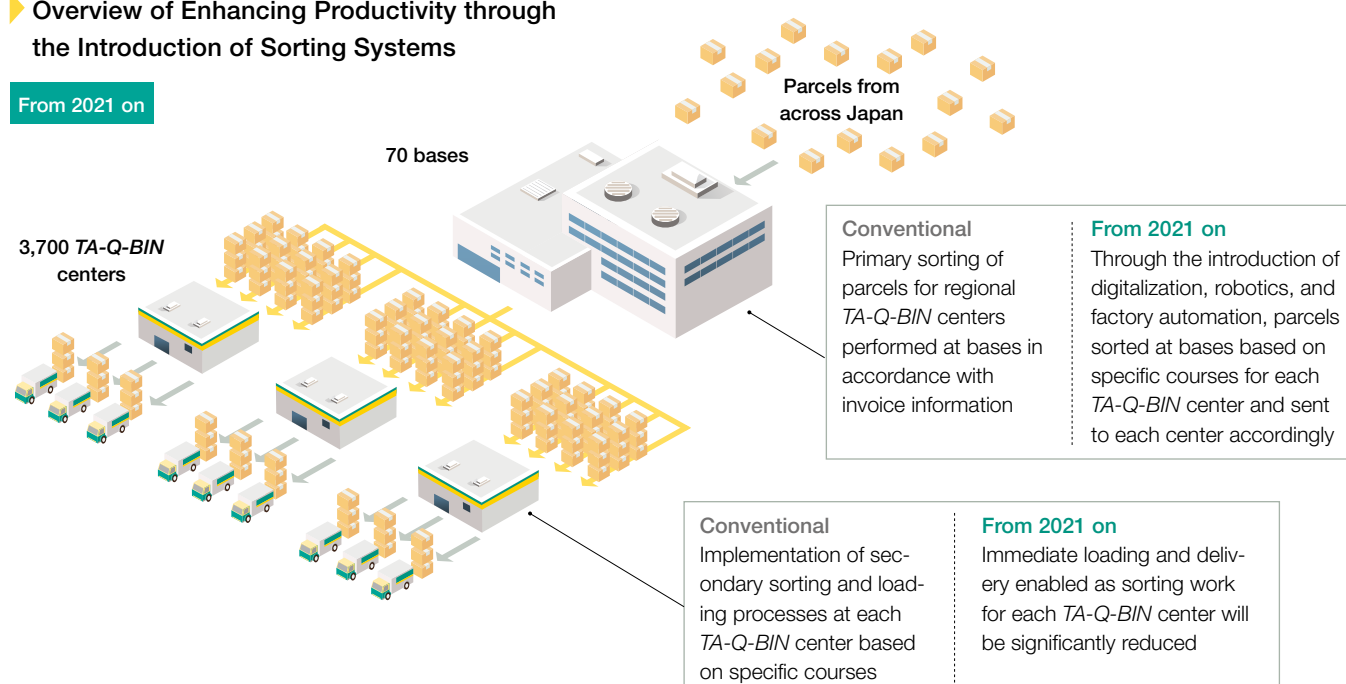


## Enhanced Productivity in Logistics Operations through the Introduction of Sorting Systems

We will improve the productivity of sorting operations across our entire network by 40% through the introduction of unique sorting systems that innovate conventional sorting processes. Through such efforts, we will significantly enhance the productivity of our logistics operations.

## Overview of Enhancing Productivity through the Introduction of Sorting Systems

From 2021 on



## Promoting Data and Innovation Strategies

### Message from the Executive Officer Responsible for Data Strategy

#### Norihiko Nakabayashi

Executive Officer

Responsible for Digital Function  
and Digital Data Strategy

We aim to create new delivery methods and new customer experiences by integrating the abundant physical resources we have cultivated with physical technology.

#### Profile

Mr. Nakabayashi began working for IBM Japan Ltd. in 2002. As a data scientist, he supported the utilization of data from numerous companies. Following this, he was the deputy director of the data science lab at OPT Inc. (currently Digital Holdings, Inc.) and the chief data scientist for Sompo Holdings, Inc. until August 2019, when he began working for Yamato Holdings. Currently, as an executive officer of Yamato Holdings, he is in charge of the data strategy for fields such as architecture and data science. In addition, Mr. Nakabayashi teaches big data analytics as a guest associate professor at the University of Tsukuba.

#### Data-Driven Management to Generate Innovation

The Yamato Group delivers approximately 1.8 billion parcels every year by utilizing our abundant physical resources, from our over 220,000 employees to over 50,000 vehicles, 77 terminal locations, and approximately 3,700 *TA-Q-BIN* centers. However, most of the information up to this point has not been digitalized and even now, more than 40 years since we launched our *TA-Q-BIN* service, the reality is that we have been operating locations that handle *TA-Q-BIN* by relying on our experience and intuition.

What we call “data-driven management” is digitalizing all our information, including those physical resources, and visualizing it. This enables us to make predictions based on data analysis and then utilize that information in the management decision-making process. Under “YAMATO NEXT100,” we are moving forward with Groupwide digital transformation (DX) with the aim of combining the physical and digital domains to create new services and customer experiences, as well as generating future innovations.

#### Digital Twin: The Key to Predicting the Future

We are focusing on building a digital twin to optimally allocate management resources and create new services by predicting the future. “Digital twin” refers to re-creating the real-world management environment in a virtual space through digital technology and, through this, we will enable the simulation of all future events. We will progress with the construction of a digital twin in three stages.

#### ■ Level 1: Data-First (by April 2021)

In the current stage, “Data-First,” we will achieve the digitalization of the Group’s physical resources, which is the

first step toward data-driven management. Accumulating and analyzing information on management resources, for which data collection has been insufficient, and building the foundation for a digital twin enables us to increase the number of points of contact related to transportation and delivery, such as *TA-Q-BIN* centers, terminals, and vehicle movements, and understand the movement of freight in real time. Additionally, we are promoting the development of a Groupwide shared digital platform, the Yamato Digital Platform (YDP).

#### ■ Level 2: Transformation (by 2024)

In the next stage, “Transformation,” we will be able to confirm more detailed, real-time information on the status of transportation and delivery. It will also be possible to make future predictions and understand where and when a parcel is and what time it will be delivered. Through this, I believe it will enable us to offer customers a service where the designated delivery, date, and time can be changed flexibly at the customer’s convenience, even just before delivery. We will also be able to optimally allocate management resources, such as employees and vehicles, by making future predictions. It is important to utilize not only Group resources but also external information, such as traffic conditions, weather, climate, and locations, for highly accurate predictions. In addition, we will consider creating and maintaining 3D maps for introducing transportation that uses drones and robotics.

We aim to create new delivery methods and new customer experiences by combining the abundant physical resources we have cultivated with digital technology.

### ■ Level 3: Innovation (by 2030)

In the third stage, “Innovation,” we aim to dynamically allocate management resources based on all of our simulations and create completely new customer experiences. For example, I believe that it would be ideal to provide a customer experience where a parcel “appears” in front of customers rather than being “delivered,” where the customer is notified the instant a parcel is shipped by an EC operator, and can change the collection point or delivery time of the parcel at any time according to the customer's current location and needs.

### Achievement of Optimal Cost Structure by Making Future Predictions

While the Yamato Group's DX has only just begun to move forward, it has already conducted a four-month freight forecast at *TA-Q-BIN* centers and the results are reflected in its business performance for the fiscal year ending March 31, 2021. Our ultimate goal is to be able to calculate the cost of transportation and delivery on a per-parcel basis. Since factors such as truck loading efficiency and the trunk routes and terminals that we use for transportation will change depending on the situation, transportation costs will vary drastically, even though the arrival and departure location and the cost for the customer remain the same. By expanding digital points of contact and advancing future predictions, I believe that it will be possible to select the best routes and make transportation more efficient, thus contributing to achieving an optimal cost structure.

### Key Foundations for Data-Driven Management—Countermeasures for Human Resource Development and Information Security

It goes without saying that, during the shift to data-driven management, it is essential to secure and cultivate talented employees who can implement and execute digital strategies. In order to bring digital strategies to the front line, we have already started providing data science training and data analysis tools for employees in our business divisions. In the future, we plan to develop various human resource development systems, such as a system for in-house promotions from business divisions to IT divisions through training and aptitude assessments and for

the creation of opportunities for IT personnel with no business division experience to experience front-line operations.

Furthermore, information security countermeasures are also a key foundation of data-driven management and security countermeasures for personal information and important confidential information of corporate clients are particularly necessary when offering a service. Under the current management system, the Group can only share the minimum amount of customer information necessary for delivering parcels. However, with the aim of increasing value offered to customers, we are using the reform of the Group management system as an opportunity to advance the development of the legal aspects of sharing necessary customer information internally. Also, in terms of technology, we are creating a robust security infrastructure by introducing the latest security technology through our cloud services and striving to establish a system that allows data to be utilized with full security in place.

### Creation of New Delivery Methods and Contribution to the Creation of an Enriched Society

The purpose of the Yamato Group's DX is not simply to improve efficiency through data analysis but to fundamentally reform the entire Group management structure and create future innovations. I understand the flow of goods more than anyone and believe that we can contribute to the creation of an enriched environment by creating new delivery methods and new customer experiences. We will achieve this by offering services that deliver necessary items to customers when they need them and proposing the optimal movement of goods, such as when, where, and what producers and suppliers should create to please society, while making full use of the management resources, knowledge, and data we have cultivated.

Our abundant physical resources are a major strength for Yamato in implementing data-driven management. I am confident that, if we bring digital strategies into management from the front line and the physical and digital domains begin to work in unison, we will definitely produce great results and take the lead in the Japanese logistics industry.

#### Kyobashi Office

The photo shows the IT Function Division in Kyobashi (Chuo-ku, Tokyo). This is the base of Yamato Holding's digital strategy promotion. There are approximately 140 employees who carry out data analysis and system development on a daily basis with the aim of promoting data-driven management. Due to the COVID-19 pandemic, we have introduced working from home and our attendance rate is approximately 10%. (As of February 2021)



## Strengthening Sustainable Management

Now, when society as a whole is facing many urgent issues, such as climate change, labor, human rights, inequality, and COVID-19, it is becoming increasingly important that corporations also diligently face these issues and participate in resolving them. In January 2020, the Yamato Group announced “YAMATO NEXT100,” its long-term grand design for its management. In it, we set out two visions: “Connect. Deliver the future via green logistics,” which consists of four targets, including realizing virtually zero CO<sub>2</sub> emissions by fiscal 2050, and “Through co-creation and fair business activities, help create a society that leaves no one behind,”<sup>\*1</sup> which consists of six targets that will help improve the quality of people’s lives. The recently formulated sustainable Medium-Term Environmental Plan 2023 and Medium-Term Social Plan 2023 are comprehensive sustainable medium-term plans that set out specific actions to be taken on each important material issue (materiality) and targets to be achieved by 2023 in order to realize these visions. Going forward, we aim for the sustainable development of society and business by implementing these measures in our business activities.

<sup>\*1</sup> To leave no one behind: Basic philosophy of the SDGs

### Vision and Materiality for Sustainable Management

In addition to setting forth our environmental and social visions for a sustainable future that aim to improve the corporate value of the Yamato Group over the medium to long term and realize a sustainable society, we identified important, priority material issues to be addressed.

#### ► Materiality Identification Process

##### STEP 1 ► Refine Choices for Materiality

Based on international frameworks, such as the GRI Standards, the Sustainability Accounting Standards Board (SASB), ISO 26000, and the Sustainability Development Goals (SDGs), as well as ESG research items that investors consider to be of high importance to the Group’s business, we considered the risks and opportunities of the Group’s business based on performance data and refined our choices for materiality that will contribute to increasing the corporate value of the Yamato Group, as well as create a sustainable society.

##### STEP 2 ► Hold Stakeholder Dialogues (Implemented in November 2011)

In order to identify material issues by understanding the needs and expectations of various stakeholders, we held stakeholder dialogues between experts and our president and executives. We invited four experts from universities, international institutions, and securities companies and received their opinions on materiality and the expected role of the Yamato Group in solving environmental and social issues.

##### STEP 3 ► Formulate the Transformation Plan “YAMATO NEXT100”

Based on discussions from STEP 2, we announced our Transformation Plan “YAMATO NEXT100” as a grand design for our management over the medium to long term on January 23, 2020. Under this plan, which focuses on one of the infrastructure reforms “sustainability initiatives under the theme ‘management embodying the environment and society,’” we set forth our environmental and social visions for a sustainable future and identified material issues.

#### ► Vision for the Environment and Society





##### Environmental Vision “Connect. Deliver the future via green logistics”

The Yamato Group will further promote its vision of “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 also support a strong, smart society by striving toward virtually zero CO<sub>2</sub> emissions and by creating business models based on sustainable resource use and consumption.

##### Social Vision Through co-creation and fair business activities, help create a society that ‘leaves no one behind’







As a social infrastructure company, the Yamato Group will contribute to improving the quality of life 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.

## Environment

| Materiality   | Priorities   | Goal   | Value Created   |
|---|--|--|---|
| <br><b>Energy &amp; Climate</b>                  | Carbon neutrality  | <ul style="list-style-type: none"> <li>Carbon neutrality by 2050<sup>*2</sup></li> </ul>   | <ul style="list-style-type: none"> <li>Driving renewable energy growth by stimulating demand</li> <li>Mitigating climate risks 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> |
| <br><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>  |
| <br><b>Resource Conservation &amp; Waste</b>     | Resource efficient logistics and business  | <ul style="list-style-type: none"> <li>Use of 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>  |
| <br><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>Fostering 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>\*2</sup> Emissions from the Yamato Group: Scope 1 (direct emissions) and Scope 2 (indirect emissions from purchased or acquired electricity and other sources owned or controlled by us)

























## Social

| Materiality   | Priorities   | Goal  | Value Created   |
|---|--|---|---|
| <br><b>Labor</b>                           | Creating work environments that are fair, worker-friendly, and engaging  | <ul style="list-style-type: none"> <li>Achievement of "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>   |
| <br><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 social inequality and obstacles</li> </ul> |
| <br><b>Safety &amp; Security</b>           | Ensuring road and occupational safety, improving quality of services and business processes                        | <ul style="list-style-type: none"> <li>Establishment of 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>   |
| <br><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>   |
| <br><b>Supply Chain Management</b>         | A resilient and sustainable supply chain that considers the environment and society                                | <ul style="list-style-type: none"> <li>Creation of 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 practice model</li> </ul>   |
| <br><b>Community</b>                       | Building strong communities through co-creation  | <ul style="list-style-type: none"> <li>Creation of 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

## Sustainable Medium-Term Plans 2023

The Yamato Group formulated details of specific actions to take in response to material issues and targets to be achieved by 2023 that aim to accomplish its two visions for a sustainable future. We aim for the sustainable development of society and business by implementing these measures in our business activities.

| Materiality  | Related SDGs  | Overview   | Main Fiscal Targets<br>(Fiscal year ending March 31, 2024)   |
|--|---|--|--|
|  <b>Energy &amp; Climate</b><br>Mitigate Climate Change   |      | <b>Reduce greenhouse gas emissions by using electricity generated via renewable energy sources, enhancing transportation efficiency by utilizing digital technology, and reducing use of dry ice, etc.</b> | <ul style="list-style-type: none"> <li>■ Reduce greenhouse gas emissions by 10% compared with the fiscal year ending March 31, 2021<sup>*1</sup></li> <li>■ Reduce greenhouse gas emission intensity by 10% compared with the fiscal year ending March 31, 2021<sup>*1,2</sup></li> <li>■ Use 30% of electricity generated via renewable energy sources</li> </ul> |
|  <b>Atmosphere</b><br>Clean Up the Skies<br>(Prevent Air Pollution)                                    |       | <b>Pursue transportation that reduces the effects of air pollutants emitted by vehicles and cleans up skies in local communities</b>   | <ul style="list-style-type: none"> <li>■ Reduce NOx and PM emissions from vehicles by 25% compared with the fiscal year ending March 31, 2021<sup>*5</sup></li> <li>■ Introduce vehicles that emit fewer air pollutants</li> </ul>   |
|  <b>Resource Conservation &amp; Waste</b><br>Promote Resource Conservation and Reduce Waste           |        | <b>Drastically reduce the environmental burden and promote use of technology and create opportunities for minimizing environmental impact</b>  | <ul style="list-style-type: none"> <li>■ Use 55% renewable resources and recycled materials for paper materials<sup>*6</sup></li> <li>■ Reduce landfill disposal rate (final disposal rate) to 5% or less<sup>*7</sup></li> <li>■ Provide products utilizing recycled materials and resource saving materials</li> </ul>   |
|  <b>Resilience of Companies &amp; Society</b><br>Support a Society That Combats Environmental Changes |         | <b>Collaborate with diverse partners to increase resilience of stakeholders and local communities and create environmental value</b>   | <ul style="list-style-type: none"> <li>■ Advance green logistics in collaboration with our business partners</li> <li>■ Collaborate with society to improve environmental resilience</li> <li>■ Provide environmentally friendly products and services<sup>*12</sup></li> </ul>  |

### Reinforce Environmental Management

- Maintain and improve effectiveness of environmental management system (improve management levels)

<sup>\*1</sup> In-house emissions of consolidated companies in Japan and Swan Co., Ltd. (Scope 1 & Scope 2)

<sup>\*2</sup> tCO<sub>2</sub>e/operating revenues of ¥100 million

<sup>\*3</sup> Overseas. Scope 1 & Scope 2

<sup>\*4</sup> Automated mobility such as autonomous driving and truck platooning

<sup>\*5</sup> The range refers to Yamato Transport Co., Ltd.

<sup>\*6</sup> Paper materials refer to cardboard for shipping, pickup and delivery materials, etc.

<sup>\*7</sup> Equivalent to reduction by half compared with the past

<sup>\*8</sup> Overseas. All other items in Japan

► **Medium-Term Environmental Plan 2023**  
**Moving Forward, “Connect. Deliver the Future via Green Logistics”**  
**the Yamato Group’s Individual-Driven Environmental Reforms**



| Details   |   |
|---|---|
| <p><b>Low-carbon transportation/offices: Introduce low-carbon technology</b></p> <ul style="list-style-type: none"> <li>Reduce greenhouse gas emissions by 3% compared with the fiscal year ending March 31, 2023<sup>*3</sup></li> <li>Continue field tests of new electric vehicles (EVs) and fuel cell vehicles (FCVs) (including medium-sized trucks for long-distance travel) with other industries</li> <li>Carry out investigations and collaborative research into automated mobility<sup>*4</sup> with the aim of realizing low-carbon transportation and preventing air pollution</li> <li>Reduce the use of dry ice to refrigerate packages: Substitute with 13,000 mechanical cold boxes and 1,200 refrigerator trucks</li> </ul> <p><b>Low-carbon transportation/offices: Enhance operational efficiency</b></p> <ul style="list-style-type: none"> <li>Visualize operational status and enhance transport efficiency based on data by fully leveraging digital technologies. Promote eco-driving</li> </ul> | <ul style="list-style-type: none"> <li>Promote modal shifts: 180 units for rail and sea transports</li> <li>Conduct demonstration tests of a model delivery center that uses 100% renewable energy</li> <li>Consolidate touch points (locations) and install LED lights</li> </ul> <p><b>Measure energy and optimize energy management</b></p> <ul style="list-style-type: none"> <li>Reinforce energy management</li> </ul> <p><b>Conduct financial analysis and promote low-carbon investment</b></p> <ul style="list-style-type: none"> <li>Analyze scenario and reflect in financial planning (reflect in next medium-term plan)</li> <li>Put internal carbon pricing (ICP) into operation, confirm effects, and consider use as an investment indicator</li> </ul> |
| <p><b>Reduce air pollutant emissions from transportation</b></p> <ul style="list-style-type: none"> <li>Carry out investigations and collaborative research into automated mobility<sup>*4</sup> with the aim of realizing low-carbon transportation and preventing air pollution</li> </ul>  |   |
| <p><b>Reduce use of resources, reduce waste, and recycle</b></p> <ul style="list-style-type: none"> <li>Reduce amount of paper material used by 3% compared with the fiscal year ending March 31, 2021</li> <li>Reduce landfill waste volume (final disposal volume) by 3% compared with the fiscal year ending March 31, 2021</li> <li>Reduce waste volume intensity by 3% compared with the fiscal year ending March 31, 2021</li> <li>Raise recycling rate to over 80%</li> <li>Reduce amount of resources used, reduce waste volume, and promote recycling<sup>*8</sup></li> </ul> <p><b>Use renewable resources, recycled materials, and less plastic</b></p> <ul style="list-style-type: none"> <li>Use 7% renewable resources/recycled materials for containers/packaging materials<sup>*9</sup></li> <li>Promote the use of recycled materials for packaging<sup>*8,10</sup></li> </ul>   | <p><b>Develop reusable materials and provide framework for material sharing usage<sup>*11</sup></b></p> <ul style="list-style-type: none"> <li>Promote the practical application of materials for reuse and provide transportation with shared reusable materials</li> <li>Launch a model for sharing reusable materials and expand user base</li> </ul> <p><b>Reduce water usage and improve water quality</b></p> <ul style="list-style-type: none"> <li>Reduce water consumption intensity by 3% compared with the fiscal year ending March 31, 2021</li> <li>Advance water reuse and water quality conservation</li> <li>Advance activities to reduce volume of water used<sup>*8</sup></li> </ul>  |
| <p><b>Collaborate with society to improve environmental resilience</b></p> <ul style="list-style-type: none"> <li>Reinforce resilient logistics to support mitigation and adaptation measures</li> </ul> <p><b>Engage in environmental communication</b></p> <ul style="list-style-type: none"> <li>Reinforce information distribution through enhanced disclosure and holding information sessions. Hold dialogues with investors and relay the content within the Company</li> <li>Enhance information disclosure according to recommendations of the Task Force on Climate-related Financial Disclosure (TCFD)</li> <li>Enhance risk communication</li> <li>Establish ourselves as an environmentally friendly company. Create an atmosphere where environmental initiatives can be used to encourage sales/communication</li> </ul>   | <p><b>Advance green logistics in collaboration with our business partners</b></p> <ul style="list-style-type: none"> <li>Work with our transportation partners to understand their greenhouse gas emissions, accumulate data, and implement a system to support improvement</li> <li>Compliance with environment-related laws and management: Provide environmental certification for partner companies and suppliers, and support improvement</li> </ul>   |

■ Implement environmental accounting (Group companies in Japan)

■ Enhance development of human resources with deep knowledge of the environment (environmental education) and grant incentives

<sup>\*9</sup> Containers/packaging materials include packaging used for shipping and cushioning materials

<sup>\*10</sup> Overseas logistics/moving-related services

<sup>\*11</sup> External

<sup>\*12</sup> Products and services with environmental value and a low burden on the environment

## Sustainable Medium-Term Plans 2023

| Materiality   | Related SDGs  | Overview   | Main Fiscal Targets<br>(Fiscal year ending March 31, 2024)  |
|---|---|--|---|
|  <p><b>Labor</b><br/>Create a work environment where employees can thrive</p>  |      | Implement a high-value-added model for labor and promote “decent work”   | <ul style="list-style-type: none"> <li>■ Improve operating revenue per employee (through high-value-added work)</li> <li>■ Reduce overtime for employees by 20% compared with the fiscal year ending March 31, 2021</li> <li>■ Ensure annual paid leave utilization rate is 90% (achieve work-life balance)</li> </ul>  |
|  <p><b>Human Rights &amp; Diversity</b><br/>Create a corporate culture that respects human rights and diversity</p>                                      |       | Respect human rights, recognize diversity, and create a framework for human rights due diligence   | <ul style="list-style-type: none"> <li>■ Ensure 100% attendance rate at human rights training for all employees</li> <li>■ Ensure percentage rate of employees with disabilities is 2.5%</li> <li>■ Double number of female managers (executives) compared with the fiscal year ending March 31, 2021 and ensure 10% of all managers are female</li> </ul>  |
|  <p><b>Safety &amp; Security</b><br/>Create initiatives to carry out business in a safe and secure manner</p>  |         | Maintain traffic/labor safety and provide reliable service   | <ul style="list-style-type: none"> <li>■ Achieve zero serious traffic accidents (fatal traffic accidents for which the Company is responsible)</li> <li>■ Reduce number of traffic accidents (where bodily injury occurs) by 50% compared with the fiscal year ended March 31, 2020</li> <li>■ Achieve zero serious occupational diseases (work related deaths)</li> <li>■ Reduce frequency of lost workday injuries by 20% compared with fiscal year ended March 31, 2020</li> </ul> |
|  <p><b>Data Utilization &amp; Security</b><br/>Create an information security infrastructure</p>   |       | Create an information security infrastructure and create businesses that utilize data to resolve social issues                           | <ul style="list-style-type: none"> <li>■ Develop an infrastructure for creating businesses that utilize data to resolve social issues</li> <li>■ Achieve zero serious information security incidents</li> <li>■ Ensure 100% deployment of information security managers at major organizations and 100% implementation of training for information managers</li> </ul>  |
|  <p><b>Supply Chain Management</b><br/>Develop a common understanding with stakeholders</p>  |      | Build a stable business infrastructure through sound, resilient supply chains  | <ul style="list-style-type: none"> <li>■ Complete creation and demonstration of monitoring framework</li> </ul>   |
|  <p><b>Community</b><br/>Create corporate citizenship activities that are rooted in local communities and create a framework for business creation</p> |         | Establish corporate citizenship activities that are unique to the Yamato Group. Create a business model that revitalizes local economies | <ul style="list-style-type: none"> <li>■ Complete creation of a framework to measure effectiveness of corporate citizenship activities and business in resolving social issues</li> </ul>   |

\*1 For consolidated companies in Japan

\*2 For offices covered by the Yamato Group Health Insurance Association

\*3 For consolidated companies in Japan and Swan Co., Ltd.

► **Medium-Term Social Plan 2023**  
**Through co-creation and fair business activities,**  
**help create a society that “leaves no one behind”**



| Details   |  |
|---|--|
| <p><b>Consider a high-value-added model for labor by promoting optimization and labor saving and improving the work environment through the utilization of technology and digital transformation</b></p> <ul style="list-style-type: none"> <li>Reinforce personnel and labor measures aimed at achieving “decent work” through implementing employee awareness surveys and improve survey scores*<sup>1</sup></li> <li>Establish fair working conditions regardless of employment status (equal pay for equal work)*<sup>1</sup></li> <li>Establish a diverse, flexible employment system depending on job type, role, etc.*<sup>1</sup></li> <li>Establish an environment where employees can work comfortably*<sup>1</sup></li> <li>Create employee welfare measures in order to maximize the effectiveness of human resources*<sup>1</sup></li> </ul> | <p><b>Create a work environment where employees can thrive and play an active role by improving personnel systems, developing individual skills, and placing the right person in the right position (promote “decent work”)</b></p> <ul style="list-style-type: none"> <li>Launch educational organization and create new training structure*<sup>1</sup></li> <li>Increase time spent in training by expanding opportunities for uniform training based on position and developing training for all employees*<sup>1</sup></li> <li>Ensure 100% attendance rate for specific health checkups*<sup>2</sup></li> </ul>  |
| <p><b>Create initiatives for business activities that do not violate human rights and foster a corporate culture that respects human rights</b></p> <ul style="list-style-type: none"> <li>Create a framework for human rights due diligence and complete demonstrations (level where we can set monitoring indicators after fiscal 2025)</li> <li>Carry out labor-related human rights risk assessments, as well as revision/improvement activities (focused particularly on foreign employees)</li> <li>Reinforce harassment prevention measures</li> </ul>   | <p><b>Create an environment where diversity is respected and diverse employees can play an active role</b></p> <ul style="list-style-type: none"> <li>Understand the issues faced by employees who are experiencing LGBT-related difficulties and create a work environment in which employees can reach out to others</li> <li>Understand the issues faced by foreign employees and create a work environment where no one is left behind in the workplace</li> <li>Implement active support for female employees</li> <li>Share internal best practices regarding employment and advancement of people with disabilities and roll out these best practices on a Groupwide basis</li> <li>Develop LGBT-related points of contact and create consultation service for employees</li> </ul>   |
| <p><b>Create initiatives in order to carry out business in a safe and secure manner and establish a safe work culture</b></p> <ul style="list-style-type: none"> <li>Carry out annual Groupwide management review (traffic safety*<sup>1</sup> and occupational safety and health*<sup>3</sup>)</li> <li>Attain 100% attendance rate at traffic safety training for drivers and managers*<sup>1</sup></li> <li>Nurture mentors and implement in-house training based on mentors*<sup>1</sup></li> <li>Implement safety measures utilizing technology-based hardware*<sup>1</sup></li> <li>Attain 100% attendance rate at occupational health and safety training by all employees (full-time and part-time workers*<sup>3</sup>)</li> <li>Decide on occupational health and safety policies*<sup>3</sup></li> </ul>                                       | <p><b>Create a management system (create system, develop procedure manual, gather information on figures, create framework for monitoring, conduct thorough audits, etc.)*<sup>3</sup></b></p> <p><b>Create an internal infrastructure to realize a society with zero stakeholder dissatisfaction (stress)</b></p> <ul style="list-style-type: none"> <li>Perfect the definition of reliable service and create implementation policies/evaluation standards to provide such service*<sup>4</sup></li> <li>Create a system/framework to assess the status of providing reliable service and complete demonstrations (internal assessment*<sup>4</sup>)</li> <li>Begin to disclose information regarding the status of providing reliable service*<sup>4</sup></li> </ul> <p>Note: For consolidated companies in Japan and Swan Co., Ltd.</p>         |
| <p><b>Develop an infrastructure for creating businesses that utilize data to resolve social issues</b></p> <ul style="list-style-type: none"> <li>Improve data governance</li> <li>Put data management into practice</li> <li>Improve data quality</li> <li>Identify issues through data analysis and visualization and examine the social outcomes of resolving these issues</li> </ul>  | <p><b>Create an information security infrastructure to support the shift to data-driven management</b></p> <ul style="list-style-type: none"> <li>Attain 100% attendance rate at information security training for all employees (full-time and part-time workers)</li> <li>Begin deployment of incident sharing tools for business partners (part-time workers, <i>Kuroneko Mate</i>, pickup and delivery consignment, temporary workers, and subcontractors) at our offices</li> <li>Create a PDCA cycle for consistent personnel and technical measures (create Groupwide rules/frameworks with the aim of preventing recurrence of information security incidents)</li> <li>Expand training content and tools</li> </ul> <p>Note: All items are for consolidated companies in Japan and Swan Co., Ltd. except for Yamato Transport Co., Ltd.</p> |
| <p><b>Formulate a common understanding with internal and external stakeholders</b></p> <ul style="list-style-type: none"> <li>Select key suppliers for periodic monitoring and communicate with suppliers at least once every three years</li> <li>Select key employees (departments) responsible for in-house implementation and implement training at least once every three years</li> </ul>   | <ul style="list-style-type: none"> <li>Create a system to monitor the status of our business partners</li> <li>Share information with clients and hold periodic explanations and reviews (reinforce communication)</li> </ul> <p>Note: All items are for consolidated companies in Japan and Swan Co., Ltd.</p>  |
| <p><b>Establish corporate citizenship activities that are rooted in local communities and are unique to the Yamato Group</b></p> <ul style="list-style-type: none"> <li>Undertake corporate citizenship activities that enrich local communities (equivalent to 1% of annual revenues)</li> <li>Establish in-house rules (evaluation standards, reporting lines, etc.)</li> <li>Create environment that promotes volunteer work (volunteer leave, information sharing environment, rules for participation, etc.)</li> </ul>  | <p><b>Create an in-house environment for business creation</b></p> <ul style="list-style-type: none"> <li>Complete creation of new business development system aimed at resolving social issues</li> <li>Consider what kind of business we should be as an integral member of an ideal society</li> <li>Manage internal data comprehensively (external information, internal know-how, etc.) and consider methods and projects</li> <li>Hold training on social issues and social trends (SDGs, etc.)</li> </ul> <p>Note: All items are for consolidated companies in Japan and Swan Co., Ltd.</p>   |

\*4 For Yamato Transport Co., Ltd.

# Sustainability Initiatives: Environmental Strategies for Realizing a Sustainable Society

## Basic Approach

In order to achieve corporate management that works in harmony with the environment, the Yamato Group will strive to understand and reduce the environmental impact of our business and create environmental value that contributes to the development of society.

To realize our environmental vision “Connect. Deliver the future via green logistics,” we will challenge ourselves to resolve identified material issues. We set zero CO<sub>2</sub> emissions (in-house emissions) as a long-term target, with the specific awareness of the importance of the risks and opportunities presented by climate change. 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 adapt to climate change.

## Promotion System

Matters regarding important environmental management and strategies, such as important material issues, vision, long-term targets, and the medium-term plan are deliberated by the Board of Directors, which involves the participation of the Company president and directors. Executive officers are responsible for overseeing environmental issues. These officers confirm the details of such matters as climate-related risks 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 environmental management. The chair of this committee is selected by the executive officers responsible for overseeing environmental issues, and the committee itself comprises CSR managers from major Group companies. Furthermore, the ESG Strategy Department serves as the secretariat of the Yamato Group Environmental Committee. We are appropriately managing risks related to climate change through a Companywide management process and are aiming to improve our environmental performance.

## Environmental Management System

### The Board of Directors

Representative Director and President  
Executive officers in charge of overseeing environmental issues

The Yamato Group Environmental Committee  
Secretariat: ESG Strategy Department  
Committee members: Heads of CSR departments at major Group companies

## Initiatives Based on Recommendations of the TCFD

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)\*. Going forward, we will conduct scenario analysis to be reflected in business plans under Medium-Term Environmental Plan 2023, as well as confirm the operation and effectiveness of internal carbon pricing and consider its use as an investment indicator to promote low-carbon investment. 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.

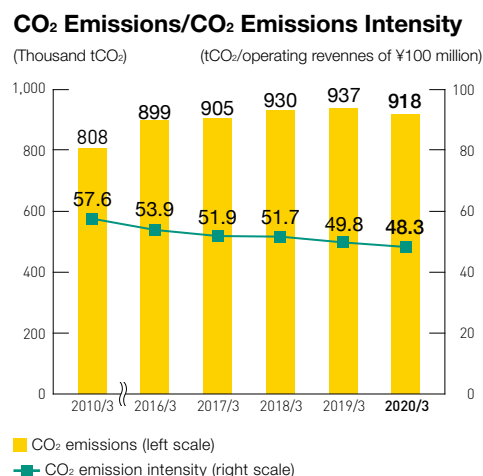
## Targets and Results

To mitigate the risks of climate change and expand opportunities, the Yamato Group has set targets to reduce CO<sub>2</sub> emissions. In addition to virtually zero CO<sub>2</sub> emissions by 2050 and a 10% reduction (compared with the fiscal year ended March 31, 2010) in CO<sub>2</sub> emission intensity by the end of the fiscal year ended March 31, 2020, we have established CO<sub>2</sub> reduction targets to achieve by the end of the fiscal year ending March 31, 2024. In the fiscal year ended March 31, 2020, Yamato System Development promoted reforms such as introducing an energy-saving air conditioning control system into their server room, which has reduced CO<sub>2</sub> emissions by approximately 30t. As a result, we have surpassed our Groupwide target of reducing CO<sub>2</sub> emission intensity by 16%. Under Medium-Term Environmental Plan 2023, with the target of 10% reduction (compared with the fiscal year ending March 31, 2021) in greenhouse gas emissions, we aim to reduce greenhouse gas emissions through various initiatives. These include utilizing electricity generated via renewable energy sources, optimizing transportation by making full use of digital technology and reducing the use of dry ice to refrigerate packages.

■ **Long-term target:** Virtually zero CO<sub>2</sub> emissions\*<sup>1</sup> by 2050 ■ **Medium-term target:** Please refer to page 30 ■ **Short-term target:** 10% reduction (compared with the fiscal year ended March 31, 2010) in CO<sub>2</sub> emission intensity\*<sup>2</sup> by the fiscal year ended March 31, 2020

▶ **Results for the fiscal year ended March 31, 2020:** 16% reduction (compared with the fiscal year ended March 31, 2010) in greenhouse gas emission intensity\*<sup>2</sup>

\*<sup>1</sup> In-house emissions (Scope 1 and Scope 2) \*<sup>2</sup> Greenhouse gas emission intensity: tCO<sub>2</sub>/operating revenues of ¥100 million



## Climate-Related Risks and Opportunities, Financial Impact, and Management Strategies

### 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 or be accelerated 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 advancing GHG emission reductions through a shift toward vehicles with lower GHG emissions, such as hybrid vehicles and electric vehicles (EVs), and the heavy use of electrically power assisted vehicles and hand-pushed trolleys for pickup and delivery services in urban areas (as of March 2020, the Yamato Group owns approximately 5,400 electric bicycles, approximately 4,700 hybrid vehicles, and 80 electric vehicles. Please see the graph on the right “Changes in the Number of Environmentally Friendly Vehicles Owned”). We will accelerate the efficiency of home deliveries and CO<sub>2</sub> emission reductions by gradually introducing 500 small-sized, commercial-use EVs, which can be driven without a medium-sized vehicle driver's license. In addition, we will aim to introduce low-carbon vehicles, including 5,000 EVs, half of our small-sized pickup and delivery vehicles, by 2030. Based on Medium-Term Environmental Plan 2023, we will strive to reinforce energy management and carry out field tests of new EVs and fuel cell vehicles with other industries, including trucks for long-distance travel.

### ② Physical Risks

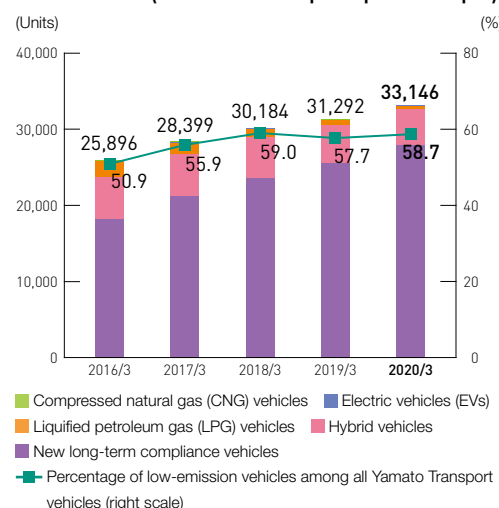
In the event of our employees being impacted by disasters or delays in business recovery as a result of the increasing severity of heavy rains, typhoons, and other weather conditions, our services could be suspended and this could have an impact on our revenue. Additionally, the increased risk of our employees suffering from heatstroke due to rising 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.

### ■ 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 other 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 will also promote reinforcing resilient logistics to support mitigation and adaptation measures under Medium-Term Environmental Plan 2023. In the fiscal year ending March 31, 2024, we aim to demonstrate a model for renewable energy and EV usage that increases resilience and begin distributing information on adapting to climate change.

We manage chronic risks from the increase in average temperatures and sea levels in the following ways. First, 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.

Changes in the Number of Environmentally Friendly Vehicles Owned (Consolidated Group Companies in Japan)



### Implementation of Field Tests for Next Generation of Modes of Pickup and Delivery



With the aim of creating diverse employment opportunities and further improving the efficiency of pickup and delivery, we implemented field tests for the next generation of modes of pickup and delivery that do not emit CO<sub>2</sub> while running. Based on these tests, we will carry out improvements in order to comply with various regulations and aim to introduce these vehicles nationwide in the future.

### ► Specifications and Features of Newly Introduced Bicycle

#### Specifications

- Three-wheeled electric bicycles
- Overall length: 270cm Overall width: 120cm
- Maximum load capacity: 120kg

#### Features

- Driver's license not required
- No CO<sub>2</sub> emissions while running
- Removable rear cargo storage box



Transporting relief supplies in cooperation with the Self-Defense Forces after the 2011 Great East Japan Earthquake (Kesennuma, Miyagi)

## Sustainability Initiatives: Environmental Strategies for Realizing a Sustainable Society

### ③ Opportunities to Improve Resource Efficiency

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

#### ■ 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, hereinafter referred to as SF25). As this initiative was accredited by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in 2019 under a law relating to logistics efficiency, it qualifies for subsidization aimed at improving efficiency. Furthermore, we are reinforcing eco-driving at Yamato Transport through eco-driving training and regular ride-along guidance by safety experts. In addition, we are promoting proactive strategies under Medium-Term Environmental Plan 2023, such as utilizing electricity generated via renewable energy sources, conducting field tests of a model delivery center that uses 100% renewable energy, and making full use of digital technology to improve transport efficiency.

#### ■ Collaboration with External Organizations

We achieved joint-transportation via the SF25 through collaboration with the Japan Logistics Network Association and other member companies. This association aims to achieve logistics in harmony with the diverse interests of society, such as the global environment, and improve people's lifestyles. They are also striving to reduce CO<sub>2</sub> emissions from transportation. Yamato Transport approves of these targets and as members we are participating in initiatives, such as green logistics. In the case of the SF25, we supported the relaxation of special vehicle permit standards (easing vehicle length limits from 21m to 25m) together with other members and participated in field tests. Following this, in the fiscal year ended March 31, 2019, the Ministry of Land, Infrastructure, Transport and Tourism revised special vehicle permits and we were able to launch our joint-transportation system using the SF25. The SF25 is expected to make transportation more efficient and reduce CO<sub>2</sub> emissions because one vehicle can carry the load capacity of two heavy-duty trucks.

### 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. In addition, by developing leading new technology maintenance services, we may be able to gain the competitive advantage in the vehicle maintenance market and secure more revenue.

#### ■ Strategy

We offer the *Kuroneko Members* service, a members-only service for individual customers in which registered members can designate their desired day, time, and location for receiving packages. We are also expanding the installment of PUDO stations, which offer open-type parcel lockers that facilitate the receipt and shipment of packages without face-to-face interaction. In addition, in 2020 we launched the new delivery service *EAZY*, which connects EC users, EC operators, and delivery service providers in real time using digital information and enhances the convenience, safety, and efficiency of purchasing, sending, and receiving parcels. *EAZY* is part of our pursuit of further improvement of convenience, containing redeliveries, and reducing GHG emissions.

(For more details on *EAZY* initiatives, please refer to page 23)



Super-Full Trailer 25



Departing ceremony for joint transports



PUDO Station



We can also respond to requests for drop-off delivery with *EAZY*.

# Sustainability Initiatives: Creation of a Working Environment Where Employees Can Play an Active Role

## Basic Approach

The Yamato Group's greatest asset is its 220,000 employees. Our strength as a group can only increase if we create a working environment where each employee can hone and fully display their "individual capabilities." The Yamato Group will put effort into developing a system and structure related to the working environment, while cultivating a corporate culture that promotes appropriate labor practices. With a work environment where employees can play an active role as a foundation, each employee will contribute to improving people's quality of life by practicing "inclusive management," which is a Yamato Group founding principle, and by seeking to offer even better services.

As a supporting Company of the UN Global Compact, the Yamato Group supports and is striving to implement the labor principles: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining," "the elimination of all forms of forced and compulsory labour," "the effective abolition of child labour," and "the elimination of discrimination in respect of employment and occupation."

We recognize the rights of employees to freedom of association, the right to organize, and the right to collective bargaining and have entered into labor agreements with the labor

union. We hold committees and labor-management meetings between employee representatives and management personnel and promote labor-management engagement, in addition to holding regular exchanges of opinions related to the business environment and improvement of various systems, such as discussion of wages, bonuses, and workplace health and safety.

Furthermore, under labor standards, such as salary and working hours, in order to develop an even better working environment while thoroughly complying with the laws and regulations of each country, we are practicing payment of living wages and bonuses that can support a certain standard of living.

The Yamato Group believes that it is important to contribute to the development of regions and countries in which it conducts business and create a good relationship with them, while promoting sustainable business activities. At our bases in various countries and regions, we are focusing on hiring local talent and promoting management based on the culture and present circumstances of these areas.

Going forward, the Yamato Group will continue to pursue better labor practices and will contribute to achieving "decent work."

## Labor-Related Targets and Results

### Results

- The previous medium-term management plan "KAIKAKU 2019 for NEXT100" (from the fiscal year ended March 31, 2019)

| Main items                                    | Main targets (excerpt)                              | Results (fiscal year ended March 31, 2019)   |
|---|---|--|
| Drastic improvements to overall working hours | Reduce overtime work for full-time employees by 50% | Reduced overtime hours per full-time employee by 52.0% compared with the fiscal year ended March 31, 2017                          |
| Promotion of work-life balance                | Promote the taking of annual paid vacation days     | Achieved 89.1% of annual paid vacation days taken by employees (36.6% increase compared with the fiscal year ended March 31, 2017) |

### Targets

- The next medium-term management plan "One Yamato 2023" (fiscal year ending March 31, 2024)
- Increase operating revenue per employee (high-value-added work)
- Reduce overtime hours per employee by 20% compared with the fiscal year ending March 31, 2021
- Achieve 90% of annual paid vacation days taken by employees (achieve work-life balance)

## Labor-Related Risks and Management

### ■ Risks Due to Declining Work Population

Since many of the businesses developed by the Yamato Group are labor-intensive, it is essential to secure a workforce with high-quality personnel and deploy employees appropriately. Situations such as the further tightening of labor market conditions and the inability to sufficiently secure personnel due to the declining workforce in Japan, or the substantial increase in costs due to the intensifying competition for securing personnel may affect areas including the results of operations for the Yamato Group.

### ■ Management

The Yamato Group is creating a working environment that is employee-friendly, rewarding, and is one in which employees can play an active role while increasing employee satisfaction. At the same time, we are promoting initiatives to become a company that attracts a diverse range of employees. These initiatives include creating an appealing personnel system; introducing an evaluation system where employees can work enthusiastically and the independence and autonomy of employees are valued; and rebuilding the education system. Furthermore, we are promoting the digital transformation (DX) of TA-Q-BIN; the optimization and standardization of the transportation and delivery processes as well as our overall operations; the enhancement of the accuracy of our demand and workload forecasts through data analysis; and the utilization of AI to boost the productivity of pickup and delivery and trunk-route transportation. In addition, we are promoting the reform of the sorting process by introducing digitalization and robotics with the aim of boosting the productivity of the sorting process across the entire logistics network.

## Sustainability Initiatives: Creation of a Working Environment Where Employees Can Play an Active Role

### Initiatives Aimed at Improving the Working Environment

#### ■ Development of a Working Environment That is Employee Friendly and Rewarding for Employees

Under the previous medium-term management plan, which concluded in the fiscal year ended March 31, 2020, we placed “work style reform” at the center of management and strove for management structural reform with the aim of reinforcing our management foundation in order to realize sustainable growth. Under the supervision of the Yamato Group Work Style Committee, led by the Yamato Holdings president, employees and management worked together to promote initiatives based on three policies: achieve new work styles, maximize “individual capabilities”, and thoroughly improve operational efficiency. This was carried out in order to continue offering high-quality service by improving the employee-friendly and rewarding working environment and implementing “inclusive management”—a Yamato Group founding principle.

Furthermore, we concentrated on the further improvement of the working environment while at the same time promoting efforts to maximize individual capabilities and invigorate communication between employees. Yamato Transport, which has approximately 180,000 employees, held discussions on work style reform that included part-time employees, many of

whom felt no real sense of work style reform to further improve the employee friendliness of the working environment and enhance value offered to customers (number of participating employees:

4,750 in the fiscal year ended March 31, 2020, including 1,944 part-time employees (held 133 times); cumulative total of 14,904 employees from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2020).

Additionally, in order to create the opportunity for all employees to learn and grow, we implemented training related to harassment prevention and understanding of our corporate philosophy for all employees, from part-time employees to management (attendance rate: 95.7% in the fiscal year ended March 31, 2020).



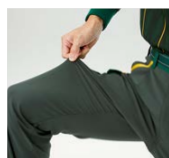
Discussion on work style reform

Information regarding labor practices, including work style reform, can be found on the Group homepage.

[https://www.yamato-hd.co.jp/csr/society/labor\\_practice.html](https://www.yamato-hd.co.jp/csr/society/labor_practice.html)

#### ■ Introduction of New Uniforms That Are Environmentally Friendly and Further Improvement of Working Environment

In September 2020, the Yamato Group introduced new uniforms. In order to achieve a more employee-friendly working environment, we listened to the voices of our employees and



further improved functionality, safety, and comfort by incorporating various technologies and innovations, such as improving the elasticity, durability, and safety of the fabric, as well as protection against the cold.

Additionally, in consideration of the environment, the fabric utilizes plant-based polyethylene terephthalate (PET).

Compared with traditional petroleum-based PET, we estimate that 2.2 million uniforms (initial production quantity calculation) can reduce CO<sub>2</sub> emissions by approximately 500t. The uniforms, which will lead to new work styles and the creation of a sustainable society, will help to foster employee engagement and increase motivation at work.

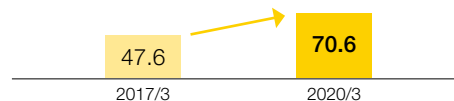
### Working Styles Awareness Surveys

Under the medium-term management plan “KAIKAKU 2019 for NEXT100,” which concluded in the fiscal year ended March 31, 2020, we placed “work style reform” at the center of management and promoted initiatives to create a more employee-friendly and rewarding working environment throughout the Group and further practice “inclusive management,” which is one of the Yamato Group’s founding principles. Additionally, to improve the effectiveness of these initiatives, we carried out Groupwide employee awareness surveys and promoted initiatives aimed at the understanding and improvement of circumstances.

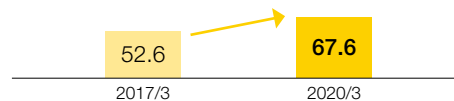
In the Working Styles Awareness Surveys carried out in the fiscal year ended March 31, 2020, the figures improved in all categories, resulting in the highest points received since the survey launched. In particular, positive opinions related to the term “employee-friendly” rose from 47.6%, before the implementation of work style reform, to 70.6%. We are seeing results by promoting work-life balance measures, such as the extension of the applicable period for reducing working hours for the purpose of nursing care and the introduction of intervals between working hours. Going forward, we will continue to strive to create a working environment in which we can become an employee-friendly and rewarding company for employees.

#### Results of Working Styles Awareness Surveys

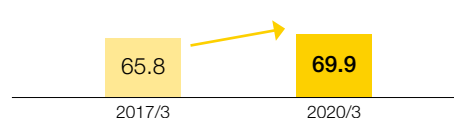
##### ▶ Percentage of employees who find their working environment “employee-friendly” (%)



##### ▶ Percentage of employees who find their working environment “rewarding” (%)



##### ▶ Percentage of employees who desire to continue employment (%)



# Sustainability Initiatives: Measures for Safety and Peace of Mind That Support Business Continuity

## Basic Approach

The Yamato Group owns a large number of vehicles and uses public roads as its principle 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 a 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 and Peace of Mind-Related Targets and Performance (Domestic Consolidated Subsidiaries and Swan Co., Ltd.)

### Performance

| Item  | 2016/3 | 2017/3 | 2018/3 | 2019/3 | 2020/3 |
|---|--------|--------|--------|--------|--------|
| No. of serious traffic accidents* <sup>1</sup>      | 7      | 3      | 1      | 1      | 2      |
| No. of serious work-related accidents* <sup>2</sup> | 0      | 0      | 1      | 1      | 0      |

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

\*2 Deaths from work-related accidents

### Targets (fiscal year ending March 31, 2024)

- Achieve zero serious traffic accidents (fatal traffic accidents for which the Company is responsible)
- Reduce number of traffic accidents (where bodily injury occurs) by 50% compared with the fiscal year ended March 31, 2020
- Achieve zero serious occupational diseases (work-related deaths)
- Reduce frequency of lost workday injuries\* by 20% compared with the fiscal year ended March 31, 2020

\* Number of work-related fatalities and injuries resulting in at least one lost day of work or the loss of body parts or functions per million working hours

## Risks and Management of Safety and Peace of Mind

### ■ Risks Related to Serious Traffic Accidents and Serious Work-Related Accidents

The Yamato Group carries out operating activities using vehicles on public roads, mainly in the delivery business. If a serious traffic accident were to occur, public confidence in the company would decrease, while at the same time vehicle use may be suspended due to administrative penalties, business at our offices may be suspended due to the “demerit point system,” or our business license may be withdrawn. This could result in the suspension or closure of the business. In addition, in the event of serious occupational diseases that compromise the workplace safety of employees, the Yamato Group's results of operations and other results may be impacted.

### ■ Management

In light of these risks, the Yamato Group respects human life as a priority, and is striving to promote transport safety management, establish and comply with rules to ensure safety, improve facilities and systems, instill safety awareness in employees, and ensure workplace safety.

## Sustainability Initiatives: Measures for Safety and Peace of Mind That Support Business Continuity

### Safety Initiatives

#### ■ 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.

#### ■ 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 are hired after a rigorous aptitude examination and, upon joining the Company, receive training 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.

#### ■ Enhancement of 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 Ninth Annual Yamato Transport Nationwide Safety Meet held in 2018, 38 sales drivers and 11 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.

Furthermore, we are implementing simulation training in order to prevent accidents when reversing, turning left, or making tight turns. We are also implementing training that simulates safely opening doors and intersections with no traffic signals, and are making efforts to prevent traffic accidents. In the fiscal year ended March 31, 2020, 2,901 drivers took part in this simulation training.



The Ninth Annual Yamato Transport Nationwide Safety Meet

#### ■ 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 Transport, 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 3,137 centers that achieved zero accidents and zero disasters throughout the fiscal year ended March 31, 2020.



Commendation awards for zero traffic accidents

## Peace-of-Mind Initiatives

### ■ Response to COVID-19 Infections

The Yamato Group prioritizes maintaining the health and safety of its customers and employees and is carrying out measures to prevent the spread of COVID-19 while continuing to provide *TA-Q-BIN* and other logistics services.

### Initiatives Regarding Customers

- End the use of *hanko* and signatures for receipt of parcels and deliver to houses without face-to-face contact
- Promote the use of PUDO stations and sending parcels via smart phone
- Maintain social distance and install hand sanitizer dispensers at *TA-Q-BIN* centers
- Set up clear plastic sheets at counters in *TA-Q-BIN* centers to prevent droplet infection
- Carry out regular, thorough disinfection of offices, vehicles, and equipment
- Utilize our homepage to distribute information

### Initiatives Regarding Employees

- Ensure employees monitor their own health (check temperature before reporting to work and thoroughly gargle and wash hands)
- Procure necessary masks and disinfectant
- Endorse and implement remote working
- Ask employees at high risk of severe complications from contracting the virus to refrain from coming to work and offer special paid leave (elderly people with a high risk of infection, pregnant women, and people with pre-existing health conditions)
- Reduce various reception hours (*TA-Q-BIN* center counters and customer service center information desks)
- Establish a COVID-19-related consultation contact point for employees
- Share and coordinate multilingual consultation contact points for foreign employees
- Provide compensation to reward workers who continued to work under the state of emergency declared by the government and provided the logistics services essential for people's lives and business activities
- Distribute the "COVID-19 Response Manual" and promote rapid response during an outbreak

## SRI Indexes (As of June 2020)

### ▶ SNAM Sustainability Index

An index that was established by Sompo Asset Management Co., Ltd., adopting a unique evaluation system that utilizes the experience and insight of sompo Risk Management Inc. (environmental study) and IntegreX Inc. (social and governance study).



### ▶ S&P/JPX Carbon Efficient Index

One of the ESG indices developed by Japan Exchange Group, Inc. and S&P Dow Jones Indices. A stock price index that determines the adoption ratio of stocks with an emphasis on the disclosure status of environmental information and the level of carbon efficiency, targeting stocks composing TOPIX.



Note: ESG investment index adopted by the GPIF (Government Pension Investment Fund)

### ▶ FTSE4Good Index Series

A representative index of socially responsible indices, which adopts companies meeting FTSE Russell's criteria based on its ESG survey and evaluation of sustainability, targeting worldwide major companies.



### ▶ FTSE Blossom Japan Index (First Adopted in June 2020)

An index designed to measure the performance of Japanese companies that demonstrate strong environmental, social, and governance (ESG) practices.

Note: ESG investment index adopted by the GPIF (Government Pension Investment Fund)



## Roundtable Discussion between the Board of Directors and Outside Directors

### The Function of Management Structure Reform and the Board of Directors in Achieving Sustainable Enhancement of Corporate Value

The Yamato Group is promoting its grand design for its management over the medium to long term, the Transformation Plan “YAMATO NEXT100.” Amid the rapidly changing business environment, six directors exchanged opinions, from a variety of perspectives, on which path the Group should take and the role of the Board of Directors in spurring new innovations and achieving sustainable enhancement of corporate value.

#### Management Structure Reform Aimed at Achieving Sustainable Enhancement of Corporate Value

##### Background to the Formulation of “YAMATO NEXT100” and Discussions at the Board of Directors Meeting

**Yamauchi** In recent years, the business environment surrounding the Group has experienced significant changes, including EC adoption within various industries, the declining population and rural depopulation within Japan, and a number of global issues, such as climate change. Within such an environment, following the previous medium-term management plan “KAIKAKU 2019 for NEXT100” (hereinafter “KAIKAKU 2019”), which focused on work style reform, we announced the launch of the Transformation Plan “YAMATO NEXT100” in January 2020. The plan

began in earnest before the start of the fiscal year ending March 31, 2021. Under the slogan “From ‘Maintaining Delivery’ to ‘Innovation Delivery,’” we are implementing various initiatives to achieve our aim of sustainably contributing to the creation of an enriched society through innovation.

First, I would like to hear the opinions of the outside directors regarding how the Board of Directors functioned in the formulation and decision-making process of “YAMATO NEXT100.”

**Mori** During the formulation of “YAMATO NEXT100,” the Board of Directors repeatedly discussed a great number of topics; however,



**Shiro Sugata**  
Outside Director

**Mariko Tokuno**  
Outside Director

**Masaki Yamauchi**  
Chairperson of the Board of Directors (Chairman of the Board)

three issues in particular became the focus of these discussions. The first issue was, as a continuation of “KAIKAKU 2019,” how to create an environment where our more than 220,000 employees can perform their duties while maintaining high motivation. The second issue was our response to the continued growth of the EC domain. Compared with Europe and the U.S., EC use in Japan is still particularly low. As EC is expected to grow significantly in the future, how the Yamato Group should respond to EC is important. The third issue is our response to digitalization. The Yamato Group has built a robust transportation and delivery network, and the promotion of digitalization is essential to effectively operating this network. With these issues in mind, and after many discussions, we arrived at the formulation of the Transformation Plan “YAMATO NEXT100.”

**Tokuno** By promoting work style reform and adequate pricing to improve employee-friendly working environments and levels of job satisfaction, in “KAIKAKU 2019” we recognize that we are on the cusp of further reforms based on “YAMATO NEXT100.” Assuming changes to the business environment, such as further growth of the EC domain and the progression of digitalization, growth under the current labor-intensive business model is limited. Therefore, the basis for formulating “YAMATO NEXT100” was to increase productivity in the workplace and develop new pillars of business for future growth. The role of

the Board of Directors in formulating this plan was to bring to light what we are lacking as a Group and solidify the plan drafted by the executive members by exchanging opinions. Since the background of each director is varied, we were able to hold meaningful discussions while utilizing their diverse expertise.

**Kobayashi** I was appointed as a director in June 2018, and by that time structural reform had already been discussed many times. As Ms. Tokuno said, the Yamato Group has a particularly labor-intensive operating structure, while also taking on the role of a social infrastructure provider. In this context, the Board of Directors identified that while we are fulfilling our social mission, our awareness of profitability is somewhat lacking. We have over 220,000 employees working for the Yamato Group, and even a slight increase in personnel will lead directly to a substantial increase in costs. It is important to always manage with a strong awareness of costs, and we spent a long time discussing the topic of cost structure reform, including the shift to labor-saving methods of production, a minimal workforce, and data-driven management. We are deeply mindful that in order to improve our awareness, it is also necessary to change our corporate culture and climate and clarify the chain of command and where responsibilities lie. The Board of Directors held frequent discussions and was able to bring management issues to light and decide on a new direction by exchanging opinions.



**Masakatsu Mori**  
Outside Director

**Yoichi Kobayashi**  
Outside Director

**Noriyuki Kuga**  
Outside Director

## Roundtable Discussion between the Board of Directors and Outside Directors

### Data-Driven Management to Achieve Future Growth

**Yamauchi** | As a major part of our strategy to respond to changes, we are working to establish our EC ecosystem to continue future growth in the EC domain. In addition, with the aim of shifting to data-driven management, we have begun making the status of management and business more visible by setting clear and quantitative indicators. Following the formulation of “YAMATO NEXT100” in January 2020, concrete initiatives are already underway; based on those, I would like to ask for your current assessment of this.

**Kobayashi** | Around the time of the formulation of “YAMATO NEXT100,” we set a direction for a minimal workforce and digitalization, and I highly appreciate the fact that we can already see the effects and outcomes of these efforts. In addition, in response to the labor shortage issue, which is a problem when responding to digitalization, we are not only utilizing the knowledge of our external partners but also gathering our in-house digital talent, as well as hiring and training personnel who can implement supply chain reforms from downstream to upstream in order to realize the next generation of logistics as a Lead Logistics Partner (LLP). I also greatly appreciate this effort.



changes in “YAMATO NEXT100” are closer to a full model redesign. In recent years, both the quality and quantity of luggage have changed significantly, and these changes have accelerated rapidly due to the impact of the COVID-19 pandemic. By promoting initiatives based on “YAMATO NEXT100,” I feel that we were able to respond appropriately to the changing needs of our customers.

Furthermore, in the shift to data-driven management, we made effective use of the large amount of data we possess and launched initiatives to improve management efficiency. We hope to create new products and services by advancing data use and want to support these new challenges.

**Mori** | I have always said that the Yamato Group is operating in one of the few growth industries. Since the EC domain is expected to grow further in the future, we have been advising the Board of Directors that we should promptly create a structure that can respond to this growth. Owing to the progress of initiatives based on “YAMATO NEXT100,” we are preparing a foundation for EC, including new forms of employment and delivery methods. Furthermore, regarding digitalization, by combining our physical and digital networks, as well as optimally allocating management resources based on forecast demand from data analysis, we have been able to increase the volume of luggage we can handle without increasing the number of employees. As a result of this fusion of physical and digital, I am confident that we will be able to create an even more superior transportation infrastructure in the future. Additionally, by promoting data-driven management, we expect to



**Sugata** | The changes to work style reform and adequate pricing initiatives that we promoted under “KAIKAKU 2019” were attempts to improve management without making any significant changes to the framework for our service and business. In other words, they were minor changes. On the other hand, the structural

realize multifaceted, efficient services that go beyond conventional delivery services if we utilize the various data we have collected from customers.

### Approaches to Sustainability as a Management Strategy

**Yamauchi** Companies need to carry out measures to solve social issues in order to realize a sustainable society. Under “YAMATO NEXT100,” we are carrying out sustainability initiatives as a management strategy. Do you think how the Yamato Group addresses sustainability from the perspective of opportunity and risk is important? What should the Board of Directors discuss and what kind of role should it play? I would like to hear your opinions.

**Kuga** It goes without saying that sustainability is an extremely important factor in management. Achieving sustainable corporate growth is all about how we develop the business that is our livelihood. The Yamato Group’s livelihood is the logistics industry, so we believe sustainability for us means integrating social issues faced by the logistics industry, such as the energy issue and labor shortages brought on by the falling birth rate and aging population, into our business model and responding to them, specifically through realistic countermeasures such as decarbonization in response to the energy issue and work–life balance and diverse work styles in response to labor shortages. However, while there are some issues that are visible and can be measured quantitatively, many issues can only be understood qualitatively. I believe that as the Board of Directors, it is important to visualize these qualitative issues whenever possible.

We should also consider the time frame. Not all issues can be solved in a short time and there are many issues that should instead be considered over the long term. The solving of these issues is integrated into the Group’s management policies and medium-term management plan, and the periodical monitoring of progress is an important duty of the Board of Directors.

**Sugata** Further, there was a trend for these environmental and human rights issues to be

perceived primarily as political issues. Now, however, companies are expected to play a role in solving these issues as well. These are issues that cannot be avoided, especially for a company the size of the Yamato Group, which takes on the role of a social infrastructure provider. As a company developing the logistics business, we should perceive reducing dependence on oil and carbon as the main energy issue. In the future, we believe that means of transportation themselves will undergo significant changes, so responding to this shift is an important issue.

In addition, another major issue is improving efficiency through energy conservation and a minimal workforce in anticipation of the declining birth rate and aging population. Furthermore, the impact of the current COVID-19 pandemic is a major risk for us as a company since, historically, pandemics have a high chance of reemerging. Moreover, in the case of Japan, it is also necessary to sufficiently consider how to cope with damage from disasters, including wind, water, and earthquakes.

**Tokuno** Regarding sustainability management, from the perspective of our Group’s philosophy, we exist on the premise of realizing a sustainable society. Because we are a company that provides society with essential infrastructure, we should consider that, by becoming sustainable ourselves, it will lead to the sustainability of society. Our business is closely related to people’s lives and we receive attention from many people, so you could say that we have a major impact on society. However, as a company, we cannot achieve sustainability if we do not generate profits, so keeping both of them in balance is important, and it is necessary for the Board of Directors to pay attention to both sides.



## Roundtable Discussion between the Board of Directors and Outside Directors

### Evaluation of and Issues Regarding the Practicality of the Board of Directors

**Yamauchi** Currently, the majority of the Board of Directors comprises outside directors, and we have been reinforcing the governance structure and frameworks year by year. In regard to the efficiency of the Board of Directors, every year we receive opinions and evaluations from each outside director as we implement measures to increase practicality, and we will continue to further improve without ceasing. Amid the rapid changes to the management environment, what kind of matters should be discussed by the Board of Directors or should be mutually understood in the future?

**Mori** The Board of Directors is extremely active in exchanging opinions. At companies in Europe and the U.S., oversight and monitoring functions are at the center of the role of boards of directors, whereas at Japanese companies, boards of directors are responsible for decision-making on important management issues. However, due to today's corporate governance requirements, boards of directors of Japanese companies are also becoming less involved in executive decision-making and are shifting toward oversight and monitoring functions. We are acutely aware of this shift, and we have been establishing changes so that the president will be the central figure in the functioning of the Company, rather than the supervisors becoming involved in detailed executive issues. In this context, the Nomination and Compensation

Committee plays a role in overseeing the management system by maintaining their independence through means such as the majority of members being outside directors. The Nomination and Compensation Committee discusses the reappointment of the president. They also consider the inside and outside directors while mutually evaluating the roles they are fulfilling, rather than automatically reappointing them. In addition, the Nomination and Compensation Committee scrutinizes the qualities of new candidates for directors. I believe that promoting efforts to strengthen this style of corporate governance has enabled us to create a board of directors that is guaranteed to function as oversight over the executive side.

**Sugata** It is often said that the role of the Board of Directors is the "separation between management oversight and business execution." However, considering that both shareholders and management are in a position to enhance corporate value, I believe that "restraint" and "catalyst" are more appropriate words to describe the role of outside directors, rather than "oversight." My reason for selecting "catalyst" is because, as outside directors, our mission is to be the catalyst for change in existing businesses and encourage those changes. Furthermore, in terms of new businesses and M&As, since it is extremely important that we obtain external perspectives as well as those in charge of executing existing businesses, it is necessary for both inside and outside directors to tackle this together.

The Board of Directors should be a place where changes to society as a whole are perceived more quickly and with a higher level of sensitivity, and where discussions and decisions are made on what kind of changes to make to corporate management. We can only respond to major changes or sudden changes from the top down. I believe that the role of the Board of Directors is to support top management so that they can make good decisions.





**Kuga** In the six months since I accepted this position, I have been surprised at how active everyone is in asking questions and giving opinions. The opinions of all the outside directors are extremely diverse, and my assessment is that the Board of Directors is functioning soundly.

Beyond this point, there is no mistake that management speed will accelerate further due to the progression of digitalization and digital transformation (DX). In response to these changes, we need to keep an eye out for information from both inside and outside of the Company and improve our sensitivity to the social landscape and changes in technology. When changes occur rapidly, it is difficult to foresee three or five years into the future. The key is to quickly correct course if you make an incorrect prediction and, in some cases, take a fresh look at the business itself. It is necessary for the outside directors to act as the brake and calmly express their opinions when people within the Company, including those in charge of execution, get ahead of themselves when pushing the business forward. I believe that it is important for the Board of Directors to respond flexibly when plans do not go as expected.

**Tokuno** I would like to say a few words regarding the recent trends of “separation between management oversight and business execution.” I feel that, for large-scale projects, it is preferable that executive officers with executive responsibility also participate in Board meetings and directly explain business strategies and agenda items. Board meetings are where important corporate decisions are made. Executive officers have the opportunity to explain their agendas in advance

of Board meetings; however, if executive officers attend these meetings, explaining in their own words and accepting questions and suggestions from various angles from directors, it will lead to the growth of executive officers themselves. I would like to see executive officers attend Board meetings, since their growth will strengthen the future Board of Directors and the Company itself.

**Yamauchi** Thank you very much. Much like Board meetings, I received various opinions and suggestions from everyone today. The spread of COVID-19 accelerated the adoption of EC across all industries and caused significant changes to lifestyles, consumer behavior, and the distribution structure. Under the new medium-term management plan “One Yamato 2023,” which has been formulated based on the progress and results of initiatives under the Transformation Plan “YAMATO NEXT100” and in light of the accelerated adoption of EC across all industries, the Yamato Group will centralize the Group’s management resources to meet the needs of customers and society and aim to offer total value to consumers, corporations, and society. I believe that it is important for the Board of Directors to monitor the progress of this new plan and spur new innovations, as well as deepen discussions on important issues for sustainable management, such as the strengthening of corporate governance, climate change, and labor, which you shared opinions on today. Please continue to share your diverse and unreserved opinions so that we can hold active discussions and make the right decisions that will lead to sustainable enhancement of corporate value.



# 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.

## Corporate Governance System (As of July 1, 2020)

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.

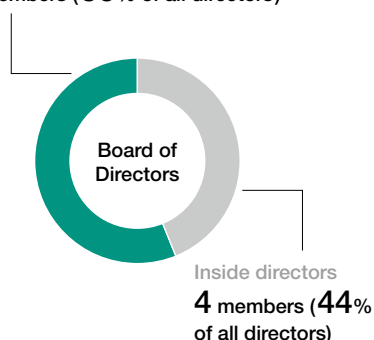
Also, to increase management transparency, the Company established a Nomination and Compensation Committee comprising a majority of outside directors as an advisory committee to the Board of Directors. At the same time, the Company has adopted an executive officer system to ensure prompt decision-making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

|   |   |
|---|---|
| System                                      | Company with auditors                       |
| Number of directors                         | 9   |
| Outside directors                           | 5   |
| Number of Audit & Supervisory Board members | 5   |
| Outside auditors                            | 3   |
| Term of directors                           | 1 year                                      |
| Voluntary advisory committees               | Yes (Nomination and Compensation Committee) |
| 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

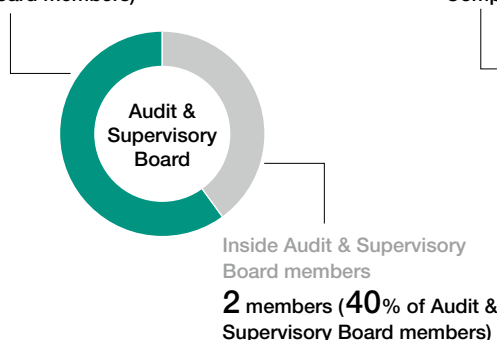
### Outside directors

5 members (56% of all directors)



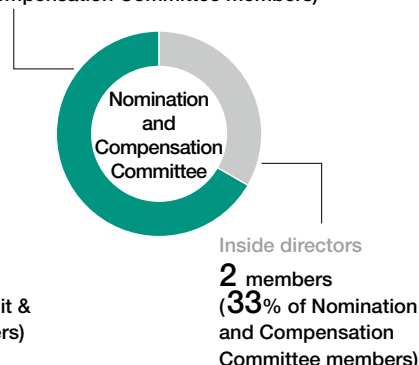
### Outside Audit & Supervisory Board members

3 members (60% of Audit & Supervisory Board members)



### Outside directors

4 members (67% of Nomination and Compensation Committee members)



## ► Change in the Composition of the Board of Directors

July 1, 2011



4 inside directors  
2 outside directors

Ratio of outside directors  
**33%**

As of July 1, 2020



4 inside directors  
5 outside directors (including 1 female outside director)

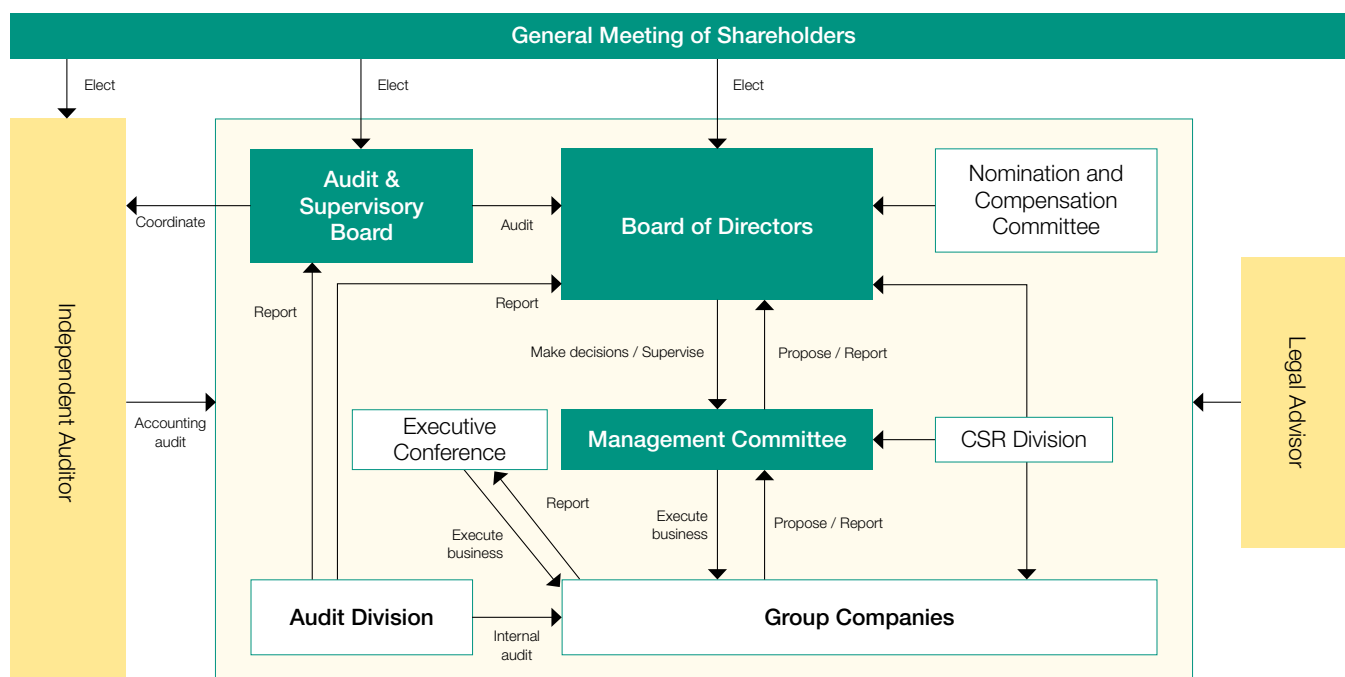
Ratio of outside directors  
**56%**

### ► Composition of the Board of Directors and Audit & Supervisory Board

#### Expertise and experience

| Name                | Position  | Outside | Nomination and Compensation Committee member | Corporate management | Marketing and sales | Human resources and labor management | Finance and accounting | Legal affairs and risk management | IT and digital technologies | Global |
|---------------------|---|---------|--|----------------------|---------------------|--------------------------------------|------------------------|-----------------------------------|-----------------------------|--------|
| Masaki Yamauchi     | Chairperson of the Board of Directors                         |         | ○  | ●                    | ●                   | ●                                    |                        |                                   |                             |        |
| Yutaka Nagao        | Representative Director, Executive Officer and President      |         | ○  | ●                    | ●                   |                                      |                        |                                   | ●                           |        |
| Haruo Kanda         | Representative Director, Executive Officer and Vice President |         |  | ●                    |                     | ●                                    | ●                      | ●                                 |                             |        |
| Kenichi Shibasaki   | Representative Director, Executive Officer and Vice President |         |  | ●                    |                     |                                      | ●                      | ●                                 | ●                           |        |
| Masakatsu Mori      | Director  | ○       | ○  | ●                    |                     |                                      | ●                      |                                   | ●                           | ●      |
| Mariko Tokuno       | Director  | ○       | ○  | ●                    | ●                   |                                      |                        |                                   |                             | ●      |
| Yoichi Kobayashi    | Director  | ○       | ○  | ●                    | ●                   |                                      |                        |                                   |                             | ●      |
| Shiro Sugata        | Director  | ○       | ○  | ●                    | ●                   |                                      |                        |                                   | ●                           | ●      |
| Noriyuki Kuga       | Director  | ○       |  | ●                    |                     | ●                                    | ●                      |                                   |                             | ●      |
| Yoshihiro Kawasaki  | Full-time Audit & Supervisory Board Member                    |         |  |                      | ●                   | ●                                    |                        | ●                                 |                             |        |
| Mamoru Matsuno      | Full-time Audit & Supervisory Board Member                    |         |  |                      |                     |                                      | ●                      | ●                                 |                             |        |
| Takashi Yamashita   | Audit & Supervisory Board Member                              | ○       |  |                      |                     |                                      | ●                      | ●                                 |                             |        |
| Ryuji Matsuda       | Audit & Supervisory Board Member                              | ○       |  |                      |                     |                                      | ●                      | ●                                 |                             |        |
| Yoshihide Shimoyama | Audit & Supervisory Board Member                              | ○       |  | ●                    |                     |                                      |                        | ●                                 |                             |        |

### Corporate Governance Framework



## Corporate Governance

### Efforts to Improve Corporate Governance

#### Management Strategy

|       | DAN-TOTSU Three-Year Plan HOP | DAN-TOTSU Three-Year Plan STEP | KAIKAKU 2019 for NEXT100 | YAMATO NEXT100 |
|-------|-------------------------------|--------------------------------|--------------------------|----------------|
| 2002– | 2011–                         | 2014–                          | 2017–                    | 2020–          |

#### 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)
- Appointed outside members as the majority of members on the Board of Directors (June 2020)
- Appointed outside members as the majority of members on the Audit & Supervisory Board (June 2020)

#### 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 advisor position (June 2018)
- Decided to revise officer remuneration system and introduce a performance-linked, share-based remuneration system (June 2020)

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

|                   | Name             | Independent officer | Nomination and Compensation Committee | Concurrent posts<br>(As of June 23, 2020)  | Main activities   | Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2020 |
|-------------------|------------------|---------------------|---------------------------------------|--|---|--|
| Outside Directors | Masakatsu Mori   | ○                   | ○<br>(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.   | 16 of 16 meetings  |
|                   | Mariko Tokuno    | ○                   | ○                                     | <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.   | 16 of 16 meetings  |
|                   | Yoichi Kobayashi | ○                   | ○                                     | –  | 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. | 16 of 16 meetings  |
|                   | Shiro Sugata     | ○                   | ○                                     | <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>                          | Shiro Sugata 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.     | 12 of 12 meetings  |
|                   | Noriyuki Kuga    | ○                   | –                                     | –  | –   | Appointed in June 2020   |

|   | Name                | Independent officer | Nomination and Compensation Committee | Concurrent posts<br>(As of June 23, 2020)   | Main activities  | Attendance at meetings of the Board of Directors and/or Audit & Supervisory Board during the fiscal year ended March 31, 2020 |
|---|---------------------|---------------------|---------------------------------------|---|--|---|
| Outside Audit & Supervisory Board members | Takashi Yamashita   | ○                   | —                                     | <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: 14 of 16 meetings<br>Audit & Supervisory Board: 19 of 19 meetings   |
|   | Ryuji Matsuda       | ○                   | —                                     | <ul style="list-style-type: none"> <li>Attorney-at-law of Matsuda Law Office</li> </ul>   | —  | Appointed in June 2020  |
|   | Yoshihide Shimoyama | ○                   | —                                     | <ul style="list-style-type: none"> <li>Outside Audit &amp; Supervisory Board Member of NIPPON HUME CORPORATION</li> </ul>   | —  | Appointed in June 2020  |

## 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 surveys all directors and Audit & Supervisory Board members on an annual basis regarding the composition and operational status of the Board of Directors. Based on the survey results, 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. In the fiscal year ended March 31, 2020, in addition to the survey, the chair (chairperson of the Board of Directors) performed interviews to further enhance the usefulness of the evaluation.

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, 2020

In the effectiveness evaluation for the fiscal year ended March 31, 2020, the Company received an evaluation that the composition, management conditions, and deliberation conditions of the Board of Directors were largely appropriate as a system where the Board of Directors serves as the oversight function, and that a culture where attendees actively speak up and engage in unrestricted discussions at the Board of Directors meeting had taken hold.

Based on these results, the Company has confirmed that the Board of Directors has been able to display an effectiveness that contributes to securing sound management and achieving prompt and accurate decision-making and business execution, which are the Company's basic policies for corporate governance.

With regard to the Transformation Plan "YAMATO NEXT100," which was announced in January 2020, the Board of Directors conducted proactive exchanges of views and had

## Corporate Governance

exhaustive discussions on the effectiveness of this plan at the formulation stage. The Company will regularly monitor the progress of the plan, including the implementation of organizational restructuring, which is planned in April 2021.

Going forward, the Company will further strengthen

corporate governance to improve the soundness of the entire Yamato Group's management while continuously working to maintain and improve the effectiveness of the Board of Directors for the execution of the growth strategies called for in the Transformation Plan "YAMATO NEXT100."

### 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 evaluations, thereby verifying the validity of such decisions. In addition, the committee ensures management transparency by deliberating policies regarding decisions on

compensation and other matters pertaining to senior management.

- The committee shall propose several candidates to the Board of Directors, including candidates recommended by the serving representative to the Board of Directors, 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.

### 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 and 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, they 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, they shall obtain advice from an outside expert at the Company's expense.
- 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, 2020)

| 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                                       | 360   | 262   | 98                             | 5  |
| Outside directors                               | 58  | 58  | —                              | 5  |
| Audit & Supervisory Board members               | 48  | 48  | —                              | 3  |
| Outside Audit & Supervisory Board members       | 22  | 22  | —                              | 2  |

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

Based on the Corporate Governance Guidelines, the Company has established an officer remuneration system that will lead to an increase in the Company's corporate value.

In order to ensure objectivity and transparency, the Company's policy for determining compensation for officers and other matters shall be deliberated on by the Nomination and Compensation Committee, more than half of whose members are outside directors and whose chairperson is an outside director, and determined by the Board of Directors in light of recommendations by the committee.

The compensation of directors comprises a base remuneration taking outside levels of compensation, etc., into consideration, as well as compensation linked to operating performance. A certain part of the compensation is used to

acquire shares of the Company through the Officers and Executives' Shareholding Association.

In addition, the compensation of Audit & Supervisory Board members and outside officers is a fixed compensation only due to the nature of their function.

Details of the officer remuneration system have been provided in the "Securities Report for 155th Fiscal Year (fiscal year ended March 31, 2020)." (Only the Japanese version is available)  
<https://www.yamato-hd.co.jp/investors/library/securities/index.html>

In order to further strengthen the motivation of the Company's officers to contribute to the achievement of performance goals and the creation of medium- to long-term corporate value and sustainable growth, and to realize a competitive remuneration level for recruiting and retaining talented human resources, the Company has decided to revise its officer remuneration system and introduce a performance-linked and share-based remuneration system for directors, etc. (excluding outside directors).

## Introduction of a Performance-Linked and Share-Based Remuneration System

The Company revised its compensation system for directors following a resolution at the 155th General Meeting of Shareholders held on June 23, 2020, and introduced a new performance-linked and share-based remuneration system.

### ► Background and Objective

The Company introduced the performance-linked and share-based remuneration system with the objective of providing further motivation for its directors to achieve performance goals, create corporate value, and achieve sustainable growth over the medium to long term as it promotes the Transformation Plan "YAMATO NEXT100." A further objective of the performance-linked and share-based remuneration system is to ensure a competitive level of remuneration that enables the Company to recruit and retain talented human resources. This revision of the compensation system raises the ratio of variable remuneration (short-term performance-linked remuneration + medium- to long-term performance-linked remuneration), thereby improving the link between variable remuneration and medium- to long-term growth and corporate value. Meanwhile, the level of base remuneration will remain unchanged, as the new system is designed so that performance-linked remuneration increases according to the level of achievement of performance goals over both the short and medium to long term.

### ► Approach to the New Compensation System

#### ■ A competitive level of remuneration

- Provide rewards according to roles and responsibilities as well as performance and set remuneration at an adequate level to secure talented human resources

#### ■ A compensation system emphasizing improvement of corporate and shareholder value

- Link remuneration to business performance so as to motivate directors to achieve performance goals
- Establish a compensation composition that promotes the sharing of common interests with shareholders by linking it to corporate value over the medium to long term

#### ■ A fair and equitable compensation system

- Ensure that the process for determining compensation is objective and highly transparent

| Type of Compensation |   | Objective and Overview  | Performance Indicators  |
|----------------------|---|---|---|
| Basic                | Base remuneration   | Foster prudent execution of duties according to the scope of those duties<br>■ Determine remuneration levels with reference to trends at remuneration benchmark companies   | —   |
| Variable             | Short-term performance-linked remuneration (Incentives)                         | Set incentives for achieving diverse quantitative and qualitative performance goals<br>■ The basic amount, which is paid upon the achievement of targets, is set as a proportion of base remuneration according to the scope of a director's duties (with consideration given to remuneration benchmarks)<br>■ A system whereby certain targets are set and remuneration is paid according to the level of their achievement<br>■ The specific amount to be paid is determined within a range of 0% to 150% of the basic amount, according to the level of achievement of performance targets for the relevant fiscal year<br>■ The amount determined in each fiscal year is paid in monthly installments   | Operating revenues, operating profit, profit attributable to owners of parent, etc. |
|                      | Medium- to long-term performance-linked remuneration (share-based remuneration) | Align motivations for improving corporate performance over the medium to long term with the interests of shareholders<br>■ The basic amount to be paid upon 100% achievement of targets is set as a proportion of base remuneration according to the scope of a director's duties (with consideration given to remuneration benchmarks)<br>■ The number of points (basic points) granted to directors upon 100% achievement of targets is calculated by dividing the basic amount by the average of the closing prices of the Company's shares at the Tokyo Stock Exchange in the month preceding the fiscal year in which the medium-term management plan starts<br>■ The specific number of points to be granted is determined within a range of 0% to 150% of the basic points, according to the level of achievement of indicators in the Company's medium-term management plan<br>■ In principle, medium- to long-term performance-linked remuneration is provided in a lump sum in the form of shares upon retirement | ROE, TSR, ESG indicators, etc.  |

## Corporate Governance

### 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, 2020 was considered valid, and a report was submitted to the Kanto Local Finance Bureau.

#### ► Enhancing the Whistle-Blower System

The Yamato Group has established a whistle-blower system to promptly discover and appropriately respond to law and/or internal regulation violations. In addition to compliance-related issues, such as corruption and human rights violations, the whistle-blower system accepts reports on any action that violates internal regulations and the Group's Management Philosophy. In addition to conventional contact points, such as the president, Compliance and Risk Committee members, and external lawyers, in February 2019 the Group established an independent contact point for Group companies, thereby securing an appropriate structure for whistle-blowing. The Group's whistle-blowing regulations protect the privacy of whistle-blowers and ensure that they do not suffer any unfair treatment due to the fact that they made a report. To create an

environment that encourages whistle-blowing, the Group carries out investigations of all reports whether whistle-blowers are anonymous or provide their real name. When a report is made on an issue, the whistle-blower system works to promptly confirm the facts, enact the necessary response and corrections, and promote measures to prevent a reoccurrence.

From an operational standpoint, we promote specific response procedures, processing methods, and risk-assessment criteria that are shared on a Groupwide basis. This enables us to prevent the overlooking of major risks by adopting a consistent management flow and response to all reports received. Furthermore, by clarifying the persons responsible for decision-making at the time reports are received and unifying relevant standards, we are improving our level of risk awareness. We prevent the reoccurrence of issues by formulating rules for holding verification meetings internally to ensure that we carry out an appropriate investigation and response. Additionally, we implement the standardized management of whistle-blowing information and the details of responses on a Groupwide basis, thereby allowing us to ascertain Groupwide trends and share examples of actual cases in a cross-organizational manner. Such information and details are reported regularly to the Board of Directors, helping to facilitate improvements across the Group.

To further reinforce our compliance management, the whistle-blower system was registered under the whistleblowing compliance management system (WCMS) (declaration of conformity registration system) of Japan's Consumer Affairs Agency in July 2020.



WCMS symbol

Whistleblowing  
Compliance  
Management  
System

## 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.

→Please see page 41 for details of the Company's response to the COVID-19 pandemic.

## 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.<br>Note: Conducted via teleconference from February 2020 on, in light of the impact of the COVID-19 pandemic   |
| Small meetings with the president   | 2 per year                        | Creating regular opportunities for direct dialogue with management   |
| Management plan briefings and facility tours                                | 2 or more per year                | Creating regular opportunities to promote understanding of business operations<br>Note: Since February 2020, certain briefings and tours have not been carried out in light of the COVID-19 pandemic.  |
| Website for investor relations materials                                    | —                                 | Integrated reports, 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   |

# Directors

As of June 23, 2020



**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)  
Apr. 2021 Representative Director, President  
and Executive Officer (upcoming)  
Representative Director, President  
and Executive Officer of Yamato  
Transport Co., Ltd. (upcoming)



**Haruo Kanda**

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

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 (current)  
Apr. 2019 Responsible for overseeing  
Management, Assistant to President,  
Shared Value Creation  
Mar. 2020 Responsible for overseeing  
Management, Assistant to President,  
Shared Value Creation and Internal  
Audit (current)  
Apr. 2021 Director (upcoming)  
Representative Director, Executive  
Officer and Vice President of Yamato  
Transport Co., Ltd. (upcoming)



**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)  
Apr. 2019 Supervisor of ESG Strategy,  
Marketing Strategy, Public Relations  
Strategy, Financing Strategy,  
Investor Relations Strategy, and  
Legal Strategy, and responsible for  
Internal Audit  
Mar. 2020 Responsible for overseeing  
Managing Section (current)  
Apr. 2021 Representative Director, Executive  
Officer and Vice President  
(upcoming)  
Director of Yamato Transport Co.,  
Ltd. (upcoming)

**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 Japan Ltd)  
 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  
 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)  
 Jun. 2019 Director of the Company (current)

**Noriyuki Kuga**

Outside Director

Apr. 1979 Joined Tokyo Electron Ltd.  
 Apr. 2002 Vice President and General Manager  
 Oct. 2004 President and Representative Director, Tokyo Electron BP Ltd.  
 Oct. 2006 Executive Vice President of TOKYO ELECTRON DEVICE LIMITED  
 Jun. 2007 Corporate Director and Executive Vice President  
 Jun. 2011 Senior Executive Vice President and Representative Director  
 Jun. 2016 Chairman of the Board  
 Jun. 2020 Director of the Company (current)

# Audit & Supervisory Board Members

As of Jun 23, 2020



**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)



**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)



**Ryuji Matsuda**

Outside Audit &  
Supervisory Board Member

Apr. 1986 Registered as Attorney at Law and Certified Public Accountant  
Joined Kawai, Takeuchi, Nishimura and Inoue Law Office  
Jan. 1988 Joined Miyake, Hatazawa and Yamazaki Law Office  
Jul. 1992 Established Matsuda Law Office (current)  
Jun. 2020 Outside Audit & Supervisory Board Member of the Company (current)



**Yoshihide Shimoyama**

Outside Audit &  
Supervisory Board Member

Apr. 1976 Joined Nihon Cement Co., Ltd. (currently: Taiheiyo Cement Corporation)  
Apr. 2006 General Manager of Technology Planning Department, Central Research Laboratory  
Mar. 2008 President and Representative Director of Taiheiyo Consultant Co., Ltd.  
Apr. 2015 Advisor  
Jun. 2020 Outside Audit & Supervisory Board Member of the Company (current)

# Management System

As of April 1, 2021

**Yamato Holdings Co., Ltd. / Yamato Transport Co., Ltd.**

— Serves at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd.  
 — Yamato Holdings Co., Ltd.  
 — Yamato Transport Co., Ltd.

## Executive Officer and President

Yutaka Nagao

## Executive Officer and Vice President

Kenichi Shibasaki

Haruo Kanda

## Senior Managing Executive Officer

Tsutomu Sasaki (Responsible for overseeing Corporate Division)  
Shinji Makiura (Responsible for overseeing Management Structural Reform and Innovation Promotion)  
Yasuharu Kosuge (Responsible for overseeing Corporate Business Unit)  
Toshizo Kurisu (Responsible for overseeing Transport Function Division and Professional Service Function Division)

## Managing Executive Officer

Tomoki Otani (Overseeing Human Resources, Safety and Compliance, Legal Affairs and Internal Audit)  
Atsushi Kashimoto (Responsible for Finance and Investor Relations)  
Seiichi Awa (Responsible for Retail Business Division)  
Tamaki Abe (Responsible for EC Business Division)  
Hiroshi Etani (Responsible for Global SCM Business Division)  
Setsuko Nishida (Responsible for Digital Function Division)

## Executive Officer

Koji Inamori (Responsible for Corporate Business Division)  
Hiroshi Matsuda (Responsible for Transport Function Division)  
Tatsuya Suzuki (Responsible for Platform Functions Division)  
Takanao Sugiura (Responsible for overseeing Strategy of Corporate Business Unit)  
Ryo Kubota (Responsible for Retail Business and Management Strategy)  
Ryutaro Narui (Responsible for Global SCM Business and Global Strategy)  
Noriyasu Naito (Responsible for Global SCM Business and Sales Administration)  
Yorimasa Tanaka (Responsible for Digital Function and Digital Reform)  
Norihiko Nakabayashi (Responsible for Digital Function and Digital Data Strategy)  
Yumiko Katakura (Responsible for Professional Service Function Division and BPR)  
Hideo Tanzawa (Responsible for Corporate Communications and, Tokyo Olympic and Paralympic Promotion)  
Katsuhiko Umetsu (Responsible for Strategic Alliance)  
Yasuhiko Tamura (Responsible for Finance)  
Kazuki Watanabe (Responsible for Human Resources and Human Resources Development)  
Takeshi Arakawa (Responsible for Management Strategy)  
Tetsuya Egashira (Responsible for Thailand region)  
Masahiro Matsui (Responsible for Hokkaido region)  
Toshiya Kuroiwa (Responsible for Tohoku region)  
Takashi Okushi (Responsible for Tokyo region)  
Takeharu Ootomo (Responsible for South Kanto region)  
Toshiharu Kubo (Responsible for Northern Kanto region)  
Takashi Ikeda (Responsible for Hokushinetsu region)  
Hiroshi Tarumi (Responsible for Chubu region)  
Toshiyuki Nishide (Responsible for Kansai region)  
Hidetomo Kobayashi (Responsible for Chugoku and Shikoku region)  
Osamu Yamanaka (Responsible for Kyushu region)  
Masamichi Matsumoto (Responsible for General Affairs)  
Shinsuke Mori (Responsible for Asset Management)  
Yoshiko Akiyama (Responsible for Sustainability Promotion)  
Kazuhiro Shiozawa (Responsible for EX Promotion)  
Atsushi Terasawa (Responsible for President Office)  
Masato Kosaka (Responsible for Safety)

# 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.

Composition Ratio of  
Operating Revenues

80.4%

Operating Revenues

¥1,630.1 billion

## Non-Delivery Businesses



### BIZ-Logistics ▶

8.8%

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 ▶

1.7%

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 the *My Moving* service, a moving service for individual customers, and the *Raku Raku Household TA-Q-BIN* service, which helps transport and set up large furniture and household appliances.



### e-Business ▶

1.9%

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 ▶

4.7%

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 and business-to-business transaction settlement.



### Autoworks ▶

1.5%

In the Autoworks Business, the Yamato Group develops services that improve the operating efficiency of customer assets, including vehicle maintenance services for customers in the transport company that ensure safe vehicle operation and increase the length of time that vehicles can operate, thereby ensuring operation without interruption.



### Other Services ▶

1.0%

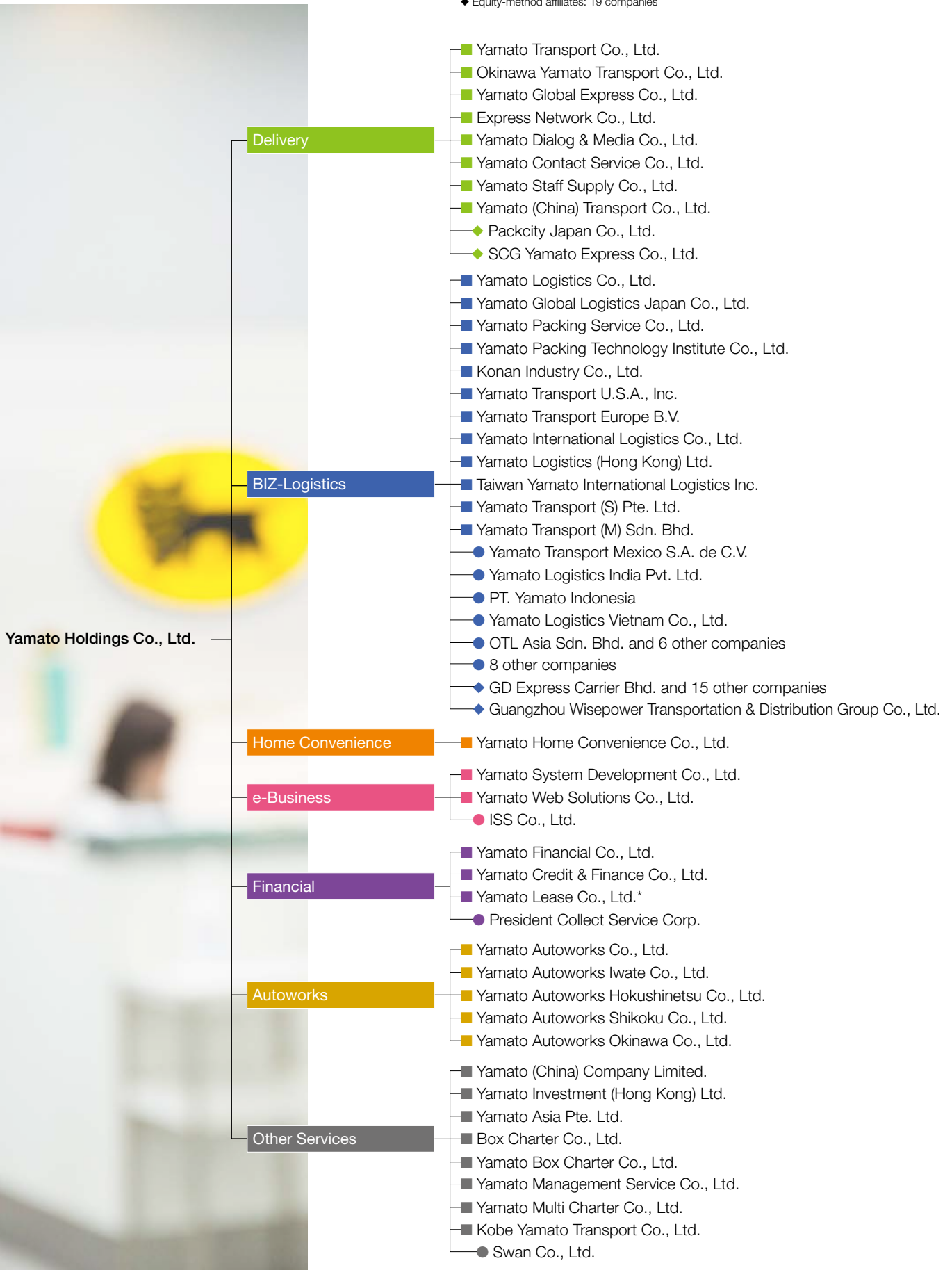
The Yamato Group's Other Services segment provides box charter services, such as the *JITBOX Charter* service, and extensive shared services centered on the trunk-route transport business.

(Year Ended March 31, 2020)

# Organization

As of March 31, 2020

■ Consolidated subsidiaries: 39 companies ● Non-consolidated subsidiaries: 22 companies  
◆ Equity-method affiliates: 19 companies



\* On April 1, 2020, the Company carried out the partial transfer of shares held in Yamato Lease Co., Ltd.  
As a result, Yamato Lease has changed from a consolidated subsidiary to an equity-method affiliate.

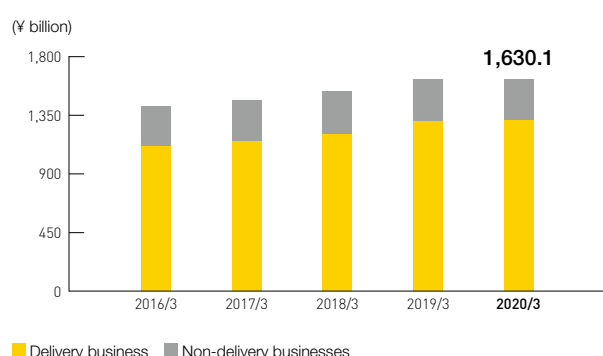
# Performance Highlights

Year Ended March 31, 2020

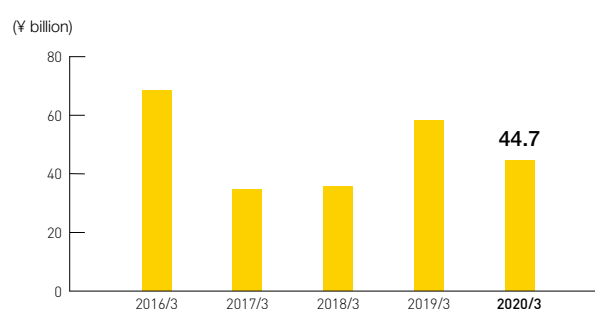
## Financial Information

Operating revenues amounted to ¥1,630,146 million, up 0.3% year on year, due mainly to an increase in the *TA-Q-BIN* unit price amid the promotion of structural reforms in the Delivery Business. Operating profit came to ¥44,701 million, down 23.4%, owing in part to an increase in personnel expenses, which offset a decline in commission expenses resulting from efforts to strengthen our pickup and delivery systems. As a result, profit attributable to owners of parent stood at ¥22,324 million, a decline of 13.1%, and ROE was 4.0%, decreasing 0.6 of a percentage point.

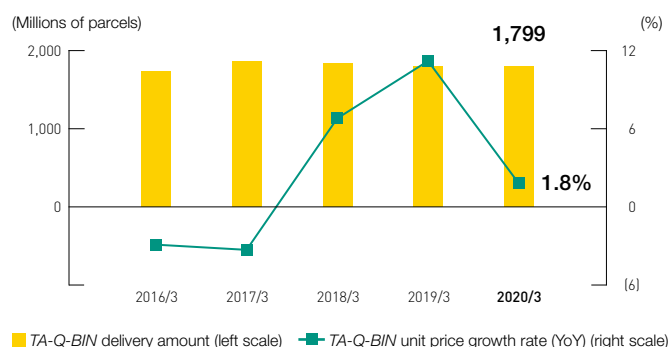
## Operating Revenues



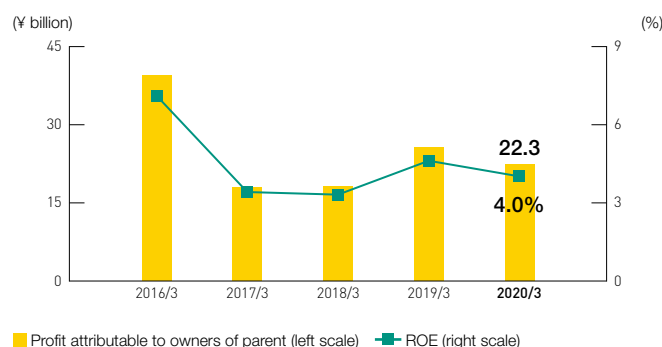
## Operating Profit



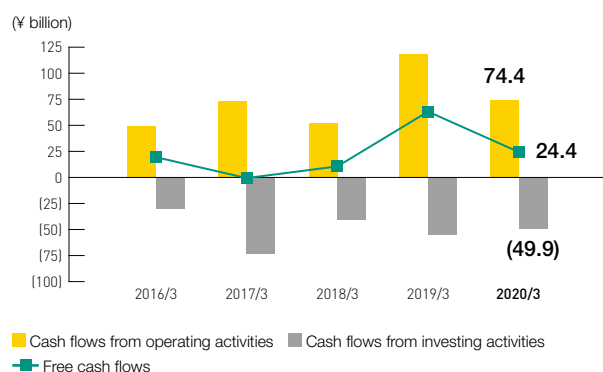
## TA-Q-BIN Delivery Amount / TA-Q-BIN Unit Price Growth Rate (YoY)



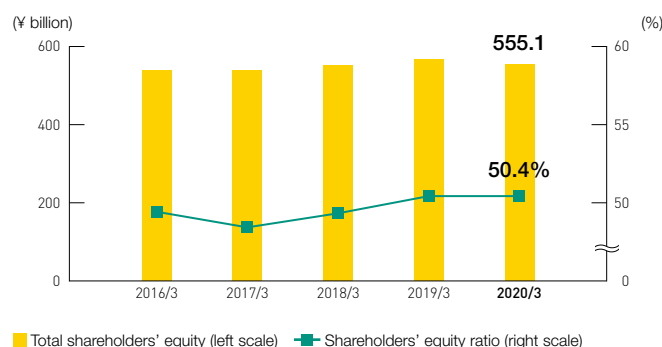
## Profit Attributable to Owners of Parent / ROE



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



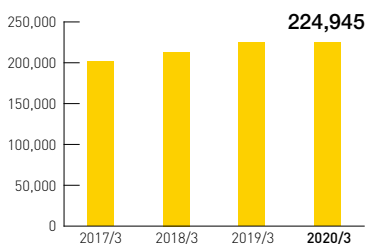
## Total Shareholders' Equity / Shareholders' Equity Ratio



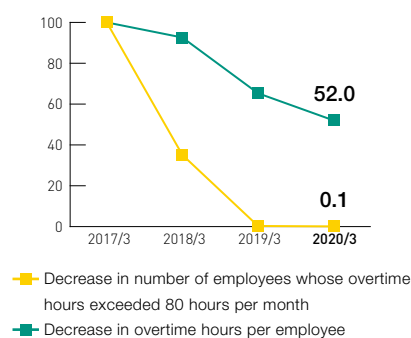
### Non-Financial Information

The medium-term management plan “KAIKAKU 2019 for NEXT100” concluded in 2019, the year that marked our 100th anniversary. Guided by this plan, we promoted structural reforms with the aim of reinforcing our management foundation to realize sustainable growth, while also placing “work style reform” at the center of our management. To that end, we worked to establish rewarding, employee-friendly working environments by controlling working hours and stringently enforcing other work rules, reducing total working hours, and encouraging a better work-life balance, which led to positive results in our employee awareness survey. In these ways, we made steady progress with “work style reform,” our top priority issue.

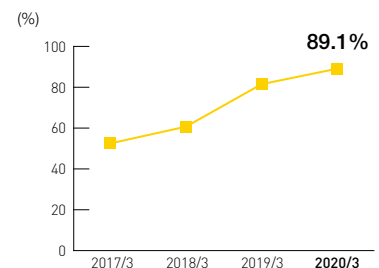
#### Number of Employees



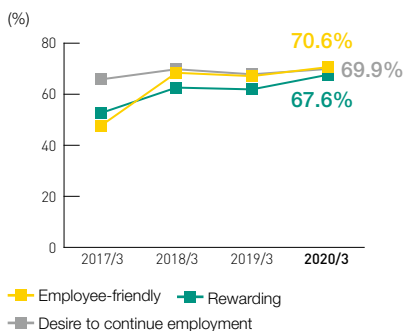
#### Implementation Status of Total Working Hours of Employees\*2



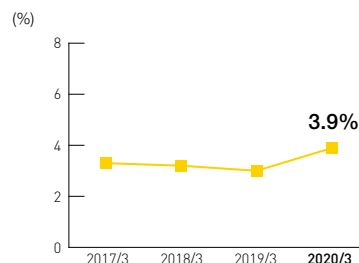
#### Percentage of Annual Paid Vacation Days Taken per Employee\*3



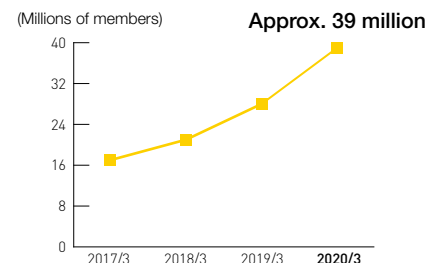
#### Working Styles Awareness Surveys\*4



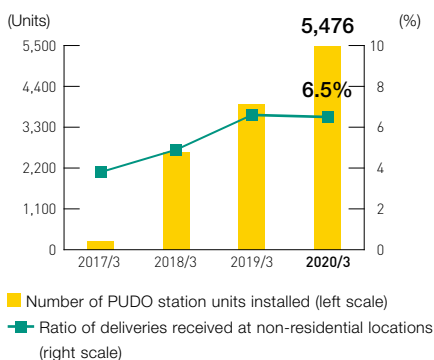
#### Rate of Resignation\*5



#### Number of Members of Kuroneko Members Service



#### Number of PUDO Station Units Installed / Ratio of Deliveries Received at Non-Residential Locations\*6



\*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  $\text{Number of annual paid vacation days taken per employee in respective fiscal year} \times 100$   
 $\text{Number of annual paid vacation days granted per employee in respective fiscal year}$   
 (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  $\text{Number of employee resignations in respective fiscal year (of their own accord)} \times 100$   
 $\text{Number of registered employees as of respective fiscal year-end} + \text{Number of employee resignations in the respective fiscal year (including those due to retirement, etc.)}$   
 (Scope: Full-time employees of Yamato Group companies in Japan)

\*6 Figures are as of March of each fiscal year.

# Ten-Year Summary and Business Highlights

|  | 2011/3     | 2012/3     | 2013/3     | 2014/3     | 2015/3     | 2016/3     | 2017/3     |
|--|------------|------------|------------|------------|------------|------------|------------|
| <b>RESULTS OF OPERATIONS:</b>                |            |            |            |            |            |            |            |
| Operating revenues                           | ¥1,236,520 | ¥1,260,833 | ¥1,282,374 | ¥1,374,610 | ¥1,396,708 | ¥1,416,413 | ¥1,466,852 |
| Delivery                                     | 995,651    | 1,014,564  | 1,028,219  | 1,099,400  | 1,101,439  | 1,111,867  | 1,151,028  |
| Non-delivery                                 | 240,869    | 246,269    | 254,155    | 275,210    | 295,269    | 304,546    | 315,824    |
| Operating costs                              | 1,143,006  | 1,163,777  | 1,181,834  | 1,274,471  | 1,290,715  | 1,306,200  | 1,385,492  |
| Selling, general and administrative expenses | 29,200     | 30,405     | 34,337     | 37,043     | 37,046     | 41,673     | 46,475     |
| Operating profit                             | 64,314     | 66,651     | 66,203     | 63,096     | 68,947     | 68,540     | 34,885     |
| Profit before income taxes                   | 61,836     | 45,817     | 64,284     | 65,882     | 69,158     | 68,079     | 33,038     |
| Income taxes                                 | 28,491     | 26,059     | 29,563     | 31,003     | 31,555     | 28,415     | 14,673     |
| Profit attributable to owners of parent      | 33,208     | 19,787     | 35,144     | 34,776     | 37,533     | 39,425     | 18,054     |

## PER SHARE OF COMMON STOCK:

|                                    |          |          |          |          |          |          |          |
|------------------------------------|----------|----------|----------|----------|----------|----------|----------|
| Basic earnings                     | ¥ 73.42  | ¥ 46.00  | ¥ 81.85  | ¥ 82.22  | ¥ 90.41  | ¥ 96.45  | ¥ 45.37  |
| Diluted earnings                   | 73.30    | 44.87    | 79.84    | 80.18    | 88.26    | 95.64    | —        |
| Cash dividends                     | 22.00    | 22.00    | 23.00    | 24.00    | 25.00    | 28.00    | 27.00    |
| Net assets per share               | 1,173.60 | 1,197.26 | 1,261.35 | 1,316.12 | 1,368.66 | 1,349.56 | 1,367.51 |
| Stock price (closing), end of year | 1,290    | 1,279    | 1,740    | 2,224    | 2,772    | 2,247    | 2,332.5  |

## FINANCIAL POSITION:

|   |           |           |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Working capital                           | ¥ 185,922 | ¥ 182,111 | ¥ 186,868 | ¥ 179,999 | ¥ 209,172 | ¥ 235,884 | ¥ 214,661 |
| Total shareholders' equity                | 515,602   | 514,996   | 534,451   | 551,379   | 565,521   | 537,821   | 539,179   |
| Total assets                              | 899,363   | 919,295   | 950,153   | 1,032,134 | 1,082,531 | 1,089,437 | 1,114,672 |
| Capital expenditures                      | 52,472    | 48,615    | 48,052    | 79,531    | 52,022    | 53,945    | 48,994    |
| Depreciation and amortization             | 39,583    | 38,682    | 37,936    | 42,266    | 46,058    | 46,739    | 46,114    |
| Net cash provided by operating activities | 87,899    | 71,843    | 73,950    | 80,075    | 92,620    | 49,715    | 73,325    |

## KEY RATIOS:

|                                      |        |        |        |        |        |        |        |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Operating profit margin (%)          | 5.20   | 5.29   | 5.16   | 4.59   | 4.94   | 4.84   | 2.38   |
| Net margin (%)                       | 2.69   | 1.57   | 2.74   | 2.53   | 2.69   | 2.78   | 1.23   |
| Return on assets (ROA) (%)           | 3.74   | 2.18   | 3.76   | 3.51   | 3.55   | 3.63   | 1.64   |
| Return on equity (ROE) (%)           | 6.46   | 3.84   | 6.70   | 6.41   | 6.75   | 7.15   | 3.35   |
| Current ratio (%)                    | 170.34 | 164.50 | 162.39 | 151.82 | 158.59 | 167.76 | 157.73 |
| Shareholders' equity ratio (%)       | 57.33  | 56.02  | 56.25  | 53.42  | 52.24  | 49.37  | 48.37  |
| Assets turnover (Times)              | 1.39   | 1.39   | 1.37   | 1.39   | 1.32   | 1.30   | 1.33   |
| Interest coverage ratio (Times)      | 73.71  | 90.52  | 108.36 | 153.41 | 173.45 | 125.33 | 81.45  |
| Price earnings ratio (PER) (Times)   | 17.6   | 27.8   | 21.3   | 27.0   | 30.7   | 23.3   | 51.4   |
| Price book-value ratio (PBR) (Times) | 1.1    | 1.1    | 1.4    | 1.7    | 2.0    | 1.7    | 1.7    |

## NON-FINANCIAL DATA:

|   |         |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|
| Number of employees                                 | 171,642 | 177,301 | 177,108 | 193,146 | 197,056 | 196,582 | 201,784 |
| Full-time   | 83,427  | 84,293  | 84,422  | 87,279  | 88,247  | 89,112  | 90,737  |
| Part-time   | 88,215  | 93,008  | 92,686  | 105,867 | 108,809 | 107,470 | 111,047 |
| TA-Q-BIN delivery amount (Millions of parcels)      | 1,348   | 1,423   | 1,487   | 1,665   | 1,622   | 1,731   | 1,867   |
| Unit price (Yen)                                    | 609     | 600     | 591     | 574     | 595     | 578     | 559     |
| Kuroneko DM-Bin handling volume (Millions of units) | 2,312   | 2,187   | 2,112   | 2,084   | 1,901   | 1,536   | 1,542   |
| Unit price (Yen)                                    | 64      | 62      | 61      | 61      | 61      | 57      | 55      |

Foreign currency translation: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥108.83 to U.S.\$1.

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

|  | 2018/3     | 2019/3     | Millions of Yen<br>2020/3 | Thousands of U.S. Dollars<br>2020/3 |
|--|------------|------------|---------------------------|-------------------------------------|
|  | ¥1,538,813 | ¥1,625,315 | <b>¥1,630,147</b>         | <b>\$14,978,836</b>                 |
|  | 1,201,770  | 1,297,223  | <b>1,310,068</b>          | <b>12,037,746</b>                   |
|  | 337,043    | 328,092    | <b>320,079</b>            | <b>2,941,090</b>                    |
|  | 1,452,485  | 1,513,988  | <b>1,526,103</b>          | <b>14,022,813</b>                   |
|  | 50,642     | 52,981     | <b>59,343</b>             | <b>545,281</b>                      |
|  | 35,686     | 58,346     | <b>44,701</b>             | <b>410,742</b>                      |
|  | 33,123     | 52,258     | <b>44,581</b>             | <b>409,641</b>                      |
|  | 14,435     | 26,308     | <b>21,679</b>             | <b>199,199</b>                      |
|  | 18,232     | 25,682     | <b>22,324</b>             | <b>205,127</b>                      |

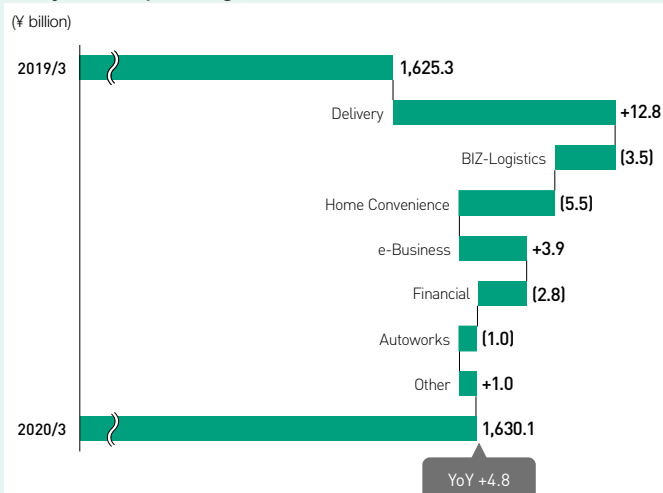
|          | Yen      | U.S. Dollars |
|----------|----------|--------------|
| ¥ 46.24  | ¥ 65.14  | ¥ 56.78      |
| —        | —        | —            |
| 27.00    | 28.00    | 41.00        |
| 1,395.74 | 1,435.15 | 1,441.20     |
| 2,668.5  | 2,859.0  | 1,697.0      |

|           | Millions of Yen | Thousands of U.S. Dollars |
|-----------|-----------------|---------------------------|
| ¥ 164,600 | ¥ 139,835       | ¥ 134,072                 |
| 550,308   | 565,841         | 555,173                   |
| 1,114,870 | 1,123,660       | 1,100,740                 |
| 54,482    | 79,839          | 55,034                    |
| 46,423    | 51,347          | 55,083                    |
| 51,728    | 118,094         | 74,434                    |

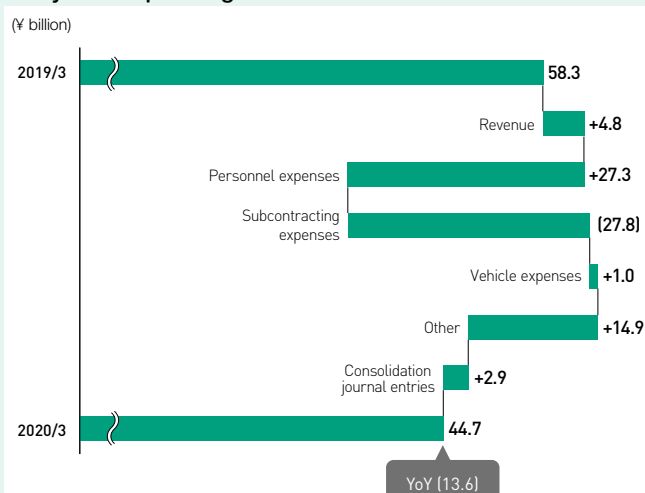
|        |        |        |
|--------|--------|--------|
| 2.32   | 3.59   | 2.74   |
| 1.18   | 1.58   | 1.37   |
| 1.64   | 2.29   | 2.01   |
| 3.35   | 4.60   | 3.98   |
| 141.67 | 134.07 | 132.80 |
| 49.36  | 50.36  | 50.44  |
| 1.38   | 1.45   | 1.47   |
| 131.94 | 212.29 | 106.25 |
| 57.7   | 43.9   | 29.9   |
| 1.9    | 2.0    | 1.2    |

|         |         |         |
|---------|---------|---------|
| 213,096 | 225,125 | 224,945 |
| 93,534  | 97,587  | 98,744  |
| 119,562 | 127,538 | 126,201 |
| 1,836   | 1,803   | 1,799   |
| 597     | 664     | 676     |
| 1,464   | 1,211   | 987     |
| 56      | 60      | 65      |

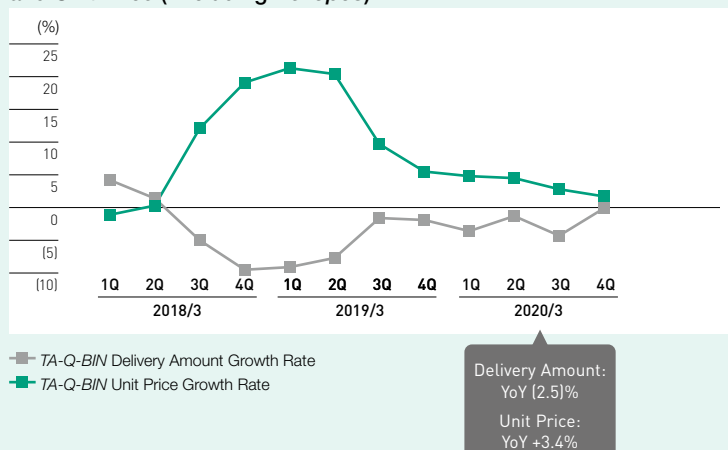
## Analysis of Operating Revenues



## Analysis of Operating Profit



## Quarterly YoY Growth Rates of TA-Q-BIN Delivery Amount and Unit Price (Excluding Nekopos)



# Consolidated Balance Sheet

March 31, 2020

| ASSETS  | Millions of Yen   |                   | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-------------------|-------------------|--|
|   | 2020              | 2019              | 2020                                     |
| <b>CURRENT ASSETS:</b>  |                   |                   |  |
| Cash and cash equivalents (Notes 2.e and 14)  | ¥ 197,227         | ¥ 195,955         | \$ 1,812,246                             |
| Notes and accounts receivable (Note 14):  |                   |                   |  |
| Trade   | 213,981           | 220,159           | 1,966,194                                |
| Installment (Note 4)  | 46,088            | 44,802            | 423,492                                  |
| Lease (Note 13)   | 53,887            | 54,538            | 495,146                                  |
| Allowance for doubtful accounts   | (1,440)           | (1,475)           | (13,231)                                 |
| Inventories (Note 5)  | 4,216             | 3,248             | 38,736                                   |
| Prepaid expenses and other current assets   | 28,925            | 33,032            | 265,786                                  |
| Total current assets  | 542,884           | 550,259           | 4,988,369                                |
| <b>PROPERTY, PLANT AND EQUIPMENT—At cost:</b>   |                   |                   |  |
| Land  | 175,159           | 175,996           | 1,609,472                                |
| Buildings and structures  | 362,315           | 352,142           | 3,329,183                                |
| Vehicles  | 214,177           | 208,031           | 1,967,998                                |
| Machinery and equipment   | 132,896           | 133,238           | 1,221,132                                |
| Leased assets (Note 13)   | 31,261            | 31,538            | 287,243                                  |
| Construction in progress  | 6,418             | 8,391             | 58,971                                   |
| Others  | 21,979            | 26,311            | 201,960                                  |
| Total   | 944,205           | 935,647           | 8,675,959                                |
| Accumulated depreciation  | (520,369)         | (506,729)         | (4,781,485)                              |
| Net property, plant and equipment   | 423,836           | 428,918           | 3,894,474                                |
| <b>INVESTMENTS AND OTHER ASSETS:</b>  |                   |                   |  |
| Investment securities (Notes 6 and 14)  | 29,205            | 36,229            | 268,356                                  |
| Investments in and advances to unconsolidated subsidiaries and affiliates,<br>net of valuation allowance of ¥373 million (\$3,427 thousand) in 2020 (Note 14) | 15,217            | 20,530            | 139,817                                  |
| Long-term loans   | 1,240             | 1,294             | 11,393                                   |
| Software  | 18,182            | 17,313            | 167,070                                  |
| Lease deposits  | 18,671            | 18,343            | 171,561                                  |
| Deferred tax assets (Note 12)   | 45,611            | 44,386            | 419,104                                  |
| Other assets (Notes 2.k and 9)  | 5,894             | 6,388             | 54,159                                   |
| Total investments and other assets  | 134,020           | 144,483           | 1,231,460                                |
| <b>TOTAL</b>  | <b>¥1,100,740</b> | <b>¥1,123,660</b> | <b>\$10,114,303</b>                      |

See notes to consolidated financial statements.

|   | Millions of Yen   |                   | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-------------------|-------------------|--|
| LIABILITIES AND EQUITY  | 2020              | 2019              | 2020                                     |
| <b>CURRENT LIABILITIES:</b>   |                   |                   |  |
| Short-term bank loans (Notes 8 and 14)  | ¥ 70,000          | ¥ 20,000          | \$ 643,205                               |
| Current portion of long-term debt (Notes 8 and 14)  | 19,079            | 43,592            | 175,305                                  |
| Notes and accounts payable (Note 14):   |                   |                   |  |
| Trade   | 147,082           | 158,938           | 1,351,483                                |
| Other   | 12,641            | 25,598            | 116,149                                  |
| Income taxes payable  | 20,377            | 23,747            | 187,238                                  |
| Accrued expenses  | 77,970            | 81,530            | 716,438                                  |
| Deferred profit on installment sales (Notes 4 and 14)   | 5,028             | 5,342             | 46,204                                   |
| Other current liabilities (Note 10)   | 56,635            | 51,677            | 520,399                                  |
| Total current liabilities   | 408,812           | 410,424           | 3,756,421                                |
| <b>LONG-TERM LIABILITIES:</b>   |                   |                   |  |
| Long-term debt (Notes 8 and 14)   | 35,760            | 49,642            | 328,588                                  |
| Liability for employees' retirement benefits (Notes 2.k and 9)  | 79,231            | 74,508            | 728,024                                  |
| Deferred tax liabilities (Note 12)  | 2,064             | 4,181             | 18,970                                   |
| Other long-term liabilities (Note 10)   | 12,038            | 11,516            | 110,609                                  |
| Total long-term liabilities   | 129,093           | 139,847           | 1,186,191                                |
| <b>COMMITMENTS LIABILITIES</b> (Note 13)  |                   |                   |  |
| <b>EQUITY</b> (Notes 11 and 18):  |                   |                   |  |
| Common stock—authorized, 1,787,541,000 shares in 2020 and 2019 ;<br>issued, 411,339,992 shares in 2020 and 2019 | 127,235           | 127,235           | 1,169,115                                |
| Capital surplus   | 36,813            | 36,813            | 338,263                                  |
| Retained earnings   | 441,747           | 431,498           | 4,059,054                                |
| Treasury stock—at cost, 26,124,409 shares in 2020 and<br>17,065,526 shares in 2019                              | (54,771)          | (39,086)          | (503,266)                                |
| Accumulated other comprehensive income:   |                   |                   |  |
| Unrealized gain on available-for-sale securities  | 8,158             | 12,975            | 74,959                                   |
| Foreign currency translation adjustments  | (317)             | (515)             | (2,914)                                  |
| Remeasurements of defined employees' retirement benefit plans (Notes 2.k and 9)                                 | (3,692)           | (3,079)           | (33,924)                                 |
| Total   | 555,173           | 565,841           | 5,101,287                                |
| Non-controlling interests   | 7,662             | 7,548             | 70,404                                   |
| Total equity  | 562,835           | 573,389           | 5,171,691                                |
| <b>TOTAL</b>  | <b>¥1,100,740</b> | <b>¥1,123,660</b> | <b>\$10,114,303</b>                      |

# Consolidated Statement of Income

Year Ended March 31, 2020

|   | Millions of Yen   |                   | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-------------------|-------------------|--|
|   | 2020              | 2019              | 2020                                     |
| <b>OPERATING REVENUES</b>   | <b>¥1,630,147</b> | <b>¥1,625,315</b> | <b>\$14,978,836</b>                      |
| <b>OPERATING COSTS AND EXPENSES:</b>  |                   |                   |  |
| Operating costs   | 1,526,103         | 1,513,988         | 14,022,813                               |
| Selling, general and administrative expenses                                  | 59,343            | 52,981            | 545,281                                  |
| Total operating costs and expenses  | 1,585,446         | 1,566,969         | 14,568,094                               |
| Operating profit  | 44,701            | 58,346            | 410,742                                  |
| <b>OTHER INCOME (EXPENSES):</b>   |                   |                   |  |
| Interest and dividend income  | 1,096             | 1,036             | 10,068                                   |
| Interest expense  | (422)             | (276)             | (3,881)                                  |
| Gain (loss) on sales and disposal of property, plant and equipment—net        | 7,528             | (300)             | 69,174                                   |
| Loss on impairment of long-lived assets (Note 7)                              | (991)             | (2,087)           | (9,100)                                  |
| Gain on sales of marketable and investment securities (Note 6)                | 1,300             | 37                | 11,942                                   |
| Loss on valuation of investment securities (Note 6)                           | (140)             | (39)              | (1,285)                                  |
| Loss on valuation of investment in unconsolidated subsidiaries and affiliates | (2,207)           | (1,357)           | (20,282)                                 |
| Share of loss of entities accounted for using equity method                   | (4,169)           | (4,873)           | (38,304)                                 |
| Compensation for delay damages  |                   | 1,776             |  |
| Loss on liquidation of business   | (1,207)           |                   | (11,087)                                 |
| Other—net   | (908)             | (5)               | (8,346)                                  |
| Other expenses—net  | (120)             | (6,088)           | (1,101)                                  |
| <b>PROFIT BEFORE INCOME TAXES</b>   | <b>44,581</b>     | <b>52,258</b>     | <b>409,641</b>                           |
| <b>INCOME TAXES</b> (Note 12):  |                   |                   |  |
| Current   | 23,026            | 24,651            | 211,573                                  |
| Deferred  | (1,347)           | 1,657             | (12,374)                                 |
| Total income taxes  | 21,679            | 26,308            | 199,199                                  |
| <b>PROFIT</b>   | <b>22,902</b>     | <b>25,950</b>     | <b>210,442</b>                           |
| <b>PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>                       | <b>578</b>        | <b>268</b>        | <b>5,315</b>                             |
| <b>PROFIT ATTRIBUTABLE TO OWNERS OF PARENT</b>                                | <b>¥ 22,324</b>   | <b>¥ 25,682</b>   | <b>\$ 205,127</b>                        |

|  | Yen    |        | U.S. Dollars<br>(Note 1) |
|--|--------|--------|--------------------------|
|  | 2020   | 2019   | 2020                     |
| <b>PER SHARE OF COMMON STOCK</b> (Notes 2.q and 16): |        |        |                          |
| Basic earnings                                       | ¥56.78 | ¥65.14 | \$0.52                   |
| Cash dividends applicable to the year                | 41.00  | 28.00  | 0.38                     |

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Year Ended March 31, 2020

|   | Millions of Yen |                | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-----------------|----------------|--|
|   | 2020            | 2019           | 2020                                     |
| <b>PROFIT</b>   | <b>¥22,902</b>  | <b>¥25,950</b> | <b>\$210,442</b>                         |
| <b>OTHER COMPREHENSIVE INCOME</b> (Note 15):                                      |                 |                |  |
| Unrealized loss on available-for-sale securities                                  | (4,928)         | (116)          | (45,281)                                 |
| Foreign currency translation adjustments  | 199             | (1,661)        | 1,821                                    |
| Remeasurements of defined employees' retirement benefit plans                     | (613)           | 2,541          | (5,634)                                  |
| Share of other comprehensive income of entities accounted for using equity method | (274)           | 274            | (2,517)                                  |
| Total other comprehensive (loss) income   | (5,616)         | 1,038          | (51,611)                                 |
| <b>COMPREHENSIVE INCOME</b>   | <b>¥17,286</b>  | <b>¥26,988</b> | <b>\$158,831</b>                         |
| <b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>                                |                 |                |  |
| Owners of parent  | ¥17,092         | ¥26,577        | \$157,047                                |
| Non-controlling interests   | 194             | 411            | 1,784                                    |

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

Year Ended March 31, 2020

|   | Thousands   |                 | Millions of Yen |                   |                  |   |  |   |                 |                              |                 |
|---|---|-----------------|-----------------|-------------------|------------------|---|--|---|-----------------|------------------------------|-----------------|
|   | Outstanding<br>Number of<br>Shares of<br>Common Stock | Common Stock    | Capital Surplus | Retained Earnings | Treasury Stock   | Accumulated Other Comprehensive Income                    |  |   | Total           | Non-controlling<br>Interests | Total Equity    |
|   |   |                 |                 |                   |                  | Unrealized<br>Gain on<br>Available-for-Sale<br>Securities | Foreign Currency<br>Translation<br>Adjustments | Remeasurements<br>of Defined<br>Employees'<br>Retirement Benefit<br>Plans |                 |                              |                 |
| <b>BALANCE,<br/>APRIL 1, 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,<br/>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         |
| Cumulative effects of changes in accounting policies (Note 3) |   |                 |                 | (641)             |                  |   |  |   | (641)           |                              | (641)           |
| <b>RESTATED BALANCE</b>                                       |   | <b>127,235</b>  | <b>36,813</b>   | <b>430,857</b>    | <b>(39,086)</b>  | <b>12,975</b>   | <b>(515)</b>                                   | <b>(3,079)</b>  | <b>565,200</b>  | <b>7,548</b>                 | <b>572,748</b>  |
| Profit attributable to owners of parent                       |   |                 |                 | 22,324            |                  |   |  |   | 22,324          |                              | 22,324          |
| Cash dividends, ¥29 per share                                 |   |                 |                 | (11,434)          |                  |   |  |   | (11,434)        |                              | (11,434)        |
| Purchase of treasury stock                                    | (9,059)   |                 |                 |                   | (15,685)         |   |  |   | (15,685)        |                              | (15,685)        |
| Disposal of treasury stock                                    | 1   |                 |                 |                   |                  |   |  |   |                 |                              |                 |
| Net change in the year  |   |                 |                 |                   |                  | (4,817)   | 198  | (613)   | (5,232)         | 114                          | (5,118)         |
| <b>BALANCE,<br/>MARCH 31, 2020</b>                            | <b>385,216</b>  | <b>¥127,235</b> | <b>¥36,813</b>  | <b>¥441,747</b>   | <b>¥(54,771)</b> | <b>¥ 8,158</b>  | <b>¥ (317)</b>                                 | <b>¥(3,692)</b>   | <b>¥555,173</b> | <b>¥7,662</b>                | <b>¥562,835</b> |

|   | 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, 2019                                       | \$1,169,115                            | \$338,263       | \$3,964,878       | \$(359,144)    | \$119,225  | \$(4,733)                                | \$(28,291)  | \$5,199,313 | \$69,354                  | \$5,268,667  |
| Cumulative effects of changes in accounting policies (Note 3) |  |                 | (5,888)           |                |  |  |   | (5,888)     |                           | (5,888)      |
| RESTATED BALANCE  | 1,169,115                              | 338,263         | 3,958,990         | (359,144)      | 119,225  | (4,733)                                  | (28,291)  | 5,193,425   | 69,354                    | 5,262,779    |
| Profit attributable to owners of parent                       |  |                 | 205,127           |                |  |  |   | 205,127     |                           | 205,127      |
| Cash dividends, \$0.27 per share                              |  |                 | (105,063)         |                |  |  |   | (105,063)   |                           | (105,063)    |
| Purchase of treasury stock                                    |  |                 |                   | (144,126)      |  |  |   | (144,126)   |                           | (144,126)    |
| Disposal of treasury stock                                    |  |                 |                   | 4              |  |  |   | 4           |                           | 4            |
| Net change in the year  |  |                 |                   |                | (44,266)   | 1,819                                    | (5,633)   | (48,080)    | 1,050                     | (47,030)     |
| BALANCE, MARCH 31, 2020                                       | \$1,169,115                            | \$338,263       | \$4,059,054       | \$(503,266)    | \$ 74,959  | \$(2,914)                                | \$(33,924)  | \$5,101,287 | \$70,404                  | \$5,171,691  |

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Year Ended March 31, 2020

|   | Millions of Yen |          | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-----------------|----------|--|
|   | 2020            | 2019     | 2020                                     |
| <b>OPERATING ACTIVITIES:</b>  |                 |          |  |
| Profit before income taxes  | ¥ 44,581        | ¥ 52,258 | \$ 409,641                               |
| Adjustments for:  |                 |          |  |
| Income taxes—paid   | (30,034)        | (13,745) | (275,972)                                |
| Depreciation and amortization   | 55,105          | 51,359   | 506,338                                  |
| (Gain) loss on sales and disposal of property, plant and equipment—net                | (7,528)         | 300      | (69,174)                                 |
| Loss on impairment of long-lived assets   | 991             | 2,087    | 9,100                                    |
| Gain on sales of marketable and investment securities                                 | (1,300)         | (37)     | (11,942)                                 |
| Loss on valuation of investment securities  | 140             | 39       | 1,285                                    |
| Loss on valuation of investment in unconsolidated subsidiaries and affiliates         | 2,207           | 1,357    | 20,282                                   |
| Share of loss of entities accounted for using equity method                           | 4,169           | 4,873    | 38,304                                   |
| Compensation for delay damages received   |                 | 1,776    |  |
| Changes in assets and liabilities:  |                 |          |  |
| Decrease in notes and accounts receivable   | 4,478           | 3,223    | 41,151                                   |
| Increase in inventories   | (702)           | (296)    | (6,452)                                  |
| (Decrease) increase in notes and accounts payable                                     | (11,768)        | 3,773    | (108,127)                                |
| Increase in liability for employees' retirement benefits                              | 1,864           | 1,936    | 17,128                                   |
| Other—net   | 12,231          | 9,191    | 112,382                                  |
| Total adjustments   | 29,853          | 65,836   | 274,303                                  |
| Net cash provided by operating activities   | 74,434          | 118,094  | 683,944                                  |
| <b>INVESTING ACTIVITIES:</b>  |                 |          |  |
| Proceeds from sale of property, plant and equipment                                   | 13,161          | 4,233    | 120,928                                  |
| Purchases of property, plant and equipment  | (54,853)        | (48,058) | (504,022)                                |
| Proceeds from sales of marketable and investment securities                           | 1,978           | 72       | 18,175                                   |
| Purchases of marketable and investment securities                                     | (585)           | (290)    | (5,371)                                  |
| Increase in investments in and advances to unconsolidated subsidiaries and affiliates | (1,663)         | (1,770)  | (15,281)                                 |
| Collection of loans   | 722             | 1,178    | 6,639                                    |
| Payment of loans  | (661)           | (1,322)  | (6,076)                                  |
| Other   | (8,043)         | (8,915)  | (73,908)                                 |
| Net cash used in investing activities   | (49,944)        | (54,872) | (458,916)                                |
| <b>FINANCING ACTIVITIES:</b>  |                 |          |  |
| Proceeds from (repayments of) short-term debt—net                                     | 45,634          | (16,165) | 419,311                                  |
| Repayments of long-term debt  | (40,800)        | (43,600) | (374,897)                                |
| Dividends paid  | (11,512)        | (11,178) | (105,775)                                |
| Purchase of treasury stock—net  | (15,691)        | (4)      | (144,178)                                |
| Net cash used in financing activities   | (22,369)        | (70,947) | (205,539)                                |
| <b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>          | (109)           | (487)    | (1,002)                                  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                           | 2,012           | (8,212)  | 18,487                                   |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                   | 194,651         | 202,863  | 1,788,575                                |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.e)</b>                              | ¥196,663        | ¥194,651 | \$1,807,062                              |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>                                   |                 |          |  |
| Newly recorded assets related to finance lease transactions                           | ¥ —             | ¥ 18,131 | \$ —                                     |
| Newly recorded liabilities related to finance lease transactions                      |                 | 19,768   |  |

\* The amounts of newly recorded assets and liabilities related to finance lease transactions for the fiscal year ended March 31, 2020, are omitted due to immateriality.  
See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Year Ended March 31, 2020

## 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 2019 consolidated financial statements to conform them to the classifications and presentations used in 2020.

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 ¥108.83 to \$1, the approximate rate of exchange at March 31, 2020. 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, 2020 and 2019, include the accounts of the Company and its 39 significant 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.

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 19 (17 in 2019) affiliates accounted for by the equity method.

Effective from the fiscal year ended March 31, 2020, GEDE ADVISORY INDONESIA and one other company are included in the scope of the equity method due to GD EXPRESS CARRIER BHD., an affiliate accounted for using equity method, newly acquiring their shares.

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

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

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

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items 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; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

**c. Unification of Accounting Policies Applied to Foreign Affiliated Companies for the Equity Method—ASBJ**

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

**d. 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 |
|---|-----------------|----------|---------------------------|
|   | 2020            | 2019     | 2020                      |
| Cash and cash equivalents presented in the consolidated balance sheet           | ¥197,227        | ¥195,955 | \$1,812,246               |
| Time deposits due beyond three months   | (564)           | (1,304)  | (5,184)                   |
| Cash and cash equivalents presented in the consolidated statement of cash flows | ¥196,663        | ¥194,651 | \$1,807,062               |

**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, 2020 and 2019.

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.

## Notes to Consolidated Financial Statements

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.

**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.

**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, 2020 and 2019, 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. Assumption for Effects of the Novel Coronavirus Disease (“COVID-19”) in Accounting Estimate**—In the Group, delivery amount, particularly in individual customers and e-commerce markets, has increased due to voluntarily refraining from going out and expansion of stay-at-home consumption since the spread of COVID-19. On the other hand, delivery amount in small-lot corporate clients gradually decreased due to worldwide stagnation of the production activities in manufacturing industry and international trade and voluntarily refraining from business activities.

The spread of COVID-19 affects economy and business activities widely, and predicting when the pandemic might subside is difficult. Under these circumstances, in assessing impairment loss on fixed assets and recoverability of deferred tax assets, the Group assumed that COVID-19 affects financial performance of the business involved in corporate logistics for a certain period of time during the fiscal year ending March 31, 2021, considering the effect on receiving orders. The Group determined that the impact of COVID-19 on accounting estimates is immaterial for other business considering continuous operation of the business during COVID-19 outbreak. Based on these assumptions, the Company did not recognize impairment loss on fixed assets and reversal of deferred tax assets as a result of the effect of COVID-19.

In addition, the effect of COVID-19 on business environment is uncertain, and may impact the consolidated financial statements for the year ending March 31, 2021, if the situation changes.

## Notes to Consolidated Financial Statements

### t. 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.

## 3. ACCOUNTING CHANGES

Certain subsidiaries, which apply International Financial Reporting Standards, adopted IFRS 16 Leases (“IFRS 16”) from the fiscal year ended March 31, 2020. In line with this adoption, lessees, in principle, recognize all leases as assets and liabilities on the balance sheet. In applying IFRS 16, retained earnings have been adjusted for the cumulative effect of changes in accounting policies at the beginning of the fiscal year ended March 31, 2020, resulting from the transitional treatment.

The effect of this application on the consolidated financial statements and per share information is immaterial.

## 4. INSTALLMENT RECEIVABLES

Sales recorded on the installment basis were 0.3% of operating revenues in both 2020 and 2019.

Annual maturities of installment receivables at March 31, 2020, 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 |
| 2021                 | ¥22,467         | ¥1,972                               | \$206,441                 | \$18,121                             |
| 2022                 | 10,971          | 1,359                                | 100,805                   | 12,484                               |
| 2023                 | 6,363           | 828                                  | 58,472                    | 7,612                                |
| 2024                 | 3,283           | 431                                  | 30,170                    | 3,958                                |
| 2025                 | 1,625           | 217                                  | 14,935                    | 1,998                                |
| 2026 and thereafter  | 1,379           | 221                                  | 12,669                    | 2,031                                |
| Total                | ¥46,088         | ¥5,028                               | \$423,492                 | \$46,204                             |

## 5. INVENTORIES

Inventories at March 31, 2020 and 2019, consisted of the following:

|                            | Millions of Yen |        | Thousands of U.S. Dollars |
|----------------------------|-----------------|--------|---------------------------|
|                            | 2020            | 2019   | 2020                      |
| Merchandise                | ¥ 552           | ¥ 643  | \$ 5,074                  |
| Work in process            | 166             | 194    | 1,523                     |
| Raw materials and supplies | 3,498           | 2,411  | 32,139                    |
| Total                      | ¥4,216          | ¥3,248 | \$38,736                  |

## 6. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2020 and 2019, consisted of the following:

|                                  | Millions of Yen |         | Thousands of U.S. Dollars |
|----------------------------------|-----------------|---------|---------------------------|
|                                  | 2020            | 2019    | 2020                      |
| Non-current:                     |                 |         |                           |
| Marketable equity securities     | ¥26,466         | ¥33,742 | \$243,192                 |
| Non-marketable equity securities | 935             | 944     | 8,589                     |
| Other                            | 1,804           | 1,543   | 16,575                    |
| Total                            | ¥29,205         | ¥36,229 | \$268,356                 |

Information regarding each category of the securities classified as available-for-sale at March 31, 2020 and 2019, is as follows:

|                                       | Millions of Yen           |                  |                   |            |
|---------------------------------------|---------------------------|------------------|-------------------|------------|
|                                       | 2020                      |                  |                   |            |
|                                       | Cost                      | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as:             |                           |                  |                   |            |
| Available-for-sale: Equity securities | ¥14,507                   | ¥12,797          | ¥838              | ¥26,466    |
|                                       | 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    |
|                                       | Thousands of U.S. Dollars |                  |                   |            |
|                                       | 2020                      |                  |                   |            |
|                                       | Cost                      | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as:             |                           |                  |                   |            |
| Available-for-sale: Equity securities | \$133,302                 | \$117,592        | \$7,702           | \$243,192  |

Information for available-for-sale securities, which were sold during the years ended March 31, 2020 and 2019, is as follows:

|                                       | Millions of Yen           |                |                 |
|---------------------------------------|---------------------------|----------------|-----------------|
|                                       | Proceeds                  | Realized Gains | Realized Losses |
| March 31, 2020                        |                           |                |                 |
| Available-for-sale: Equity securities | ¥1,978                    | ¥1,300         | ¥—              |
|                                       | Millions of Yen           |                |                 |
|                                       | Proceeds                  | Realized Gains | Realized Losses |
| March 31, 2019                        |                           |                |                 |
| Available-for-sale: Equity securities | ¥72                       | ¥37            | ¥—              |
|                                       | Thousands of U.S. Dollars |                |                 |
|                                       | Proceeds                  | Realized Gains | Realized Losses |
| March 31, 2020                        |                           |                |                 |
| Available-for-sale: Equity securities | \$18,175                  | \$11,942       | \$—             |

Loss on valuation of available-for-sale equity securities for the year ended March 31, 2020 and 2019, were ¥140 million (\$1,285 thousand) and ¥39 million, respectively.

## Notes to Consolidated Financial Statements

## 7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2020 and 2019. As a result, the Group recognized an impairment loss of ¥991 million (\$9,100 thousand) as other expense for the asset groups of the Trade Logistics Service of Yamato Global Logistics Japan Co., Ltd. and 16 other asset groups for the year ended March 31, 2020, and ¥2,087 million 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, 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, 2020 and 2019, were 4.32% and 4.55%, respectively.

## 8. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2020 and 2019, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2020 and 2019, were approximately 0.092% and 0.040%, respectively.

Long-term debt at March 31, 2020 and 2019, consisted of the following:

|  | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|--|-----------------|----------|------------------------------|
|  | 2020            | 2019     | 2020                         |
| 0.120% to 0.299% loans from banks due 2020 to 2022 | <b>¥ 19,500</b> |          | <b>\$ 179,179</b>            |
| 0.030% to 0.299% loans from banks due 2019 to 2022 |                 | ¥ 60,300 |                              |
| Lease obligations                                  | <b>25,339</b>   | 22,934   | <b>232,828</b>               |
| Unsecured 0.090% bonds due in March 2021           | <b>10,000</b>   | 10,000   | <b>91,886</b>                |
| Total  | <b>54,839</b>   | 93,234   | <b>503,893</b>               |
| Less current portion                               | <b>(19,079)</b> | (43,592) | <b>(175,305)</b>             |
| Total  | <b>¥ 35,760</b> | ¥ 49,642 | <b>\$ 328,588</b>            |

Annual maturities of long-term debt at March 31, 2020, are as follows:

| Year Ending March 31 | Millions of Yen | Thousands of<br>U.S. Dollars |
|----------------------|-----------------|------------------------------|
| 2021                 | <b>¥19,079</b>  | <b>\$175,305</b>             |
| 2022                 | <b>16,645</b>   | <b>152,946</b>               |
| 2023                 | <b>2,103</b>    | <b>19,322</b>                |
| 2024                 | <b>1,931</b>    | <b>17,745</b>                |
| 2025                 | <b>1,353</b>    | <b>12,435</b>                |
| 2026 and thereafter  | <b>13,728</b>   | <b>126,140</b>               |
| Total                | <b>¥54,839</b>  | <b>\$503,893</b>             |

## 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, 2020 and 2019, were as follows:

|   | Millions of Yen |          | Thousands of U.S. Dollars |
|---|-----------------|----------|---------------------------|
|   | 2020            | 2019     | 2020                      |
| Balance at beginning of year                  | ¥172,209        | ¥169,653 | \$1,582,369               |
| Service cost                                  | 13,146          | 12,141   | 120,788                   |
| Interest cost                                 | 171             | 169      | 1,574                     |
| Actuarial loss (gain) arising during the year | 519             | (2,658)  | 4,773                     |
| Retirement benefits paid                      | (8,210)         | (7,387)  | (75,437)                  |
| Past service cost arising during the year     |                 | 291      |                           |
| Balance at end of year                        | ¥177,835        | ¥172,209 | \$1,634,067               |

The changes in plan assets for the years ended March 31, 2020 and 2019, were as follows:

|   | Millions of Yen |         | Thousands of U.S. Dollars |
|---|-----------------|---------|---------------------------|
|   | 2020            | 2019    | 2020                      |
| Balance at beginning of year                  | ¥97,863         | ¥94,287 | \$899,227                 |
| Expected return on plan assets                | 979             | 943     | 8,992                     |
| Actuarial (loss) gain arising during the year | (2,379)         | 295     | (21,855)                  |
| Contributions from the employer               | 4,448           | 4,386   | 40,872                    |
| Retirement benefits paid                      | (2,183)         | (2,048) | (20,057)                  |
| Balance at end of year                        | ¥98,728         | ¥97,863 | \$907,179                 |

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2020 and 2019, were as follows:

|   | Millions of Yen |          | Thousands of U.S. Dollars |
|---|-----------------|----------|---------------------------|
|   | 2020            | 2019     | 2020                      |
| Defined benefit obligation of funded plan             | ¥ 65,656        | ¥ 65,259 | \$ 603,292                |
| Plan assets   | (98,728)        | (97,863) | (907,179)                 |
|   | (33,072)        | (32,604) | (303,887)                 |
| Defined benefit obligation of unfunded plan           | 112,179         | 106,950  | 1,030,775                 |
| Net liability arising from defined benefit obligation | ¥ 79,107        | ¥ 74,346 | \$ 726,888                |

|   | Millions of Yen |         | Thousands of U.S. Dollars |
|---|-----------------|---------|---------------------------|
|   | 2020            | 2019    | 2020                      |
| Liability for employees' retirement benefits          | ¥79,231         | ¥74,508 | \$728,024                 |
| Asset for employees' retirement benefits              | (124)           | (162)   | (1,136)                   |
| Net liability arising from defined benefit obligation | ¥79,107         | ¥74,346 | \$726,888                 |

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

## Notes to Consolidated Financial Statements

The components of net periodic benefit costs for the years ended March 31, 2020 and 2019, were as follows:

|                                | Millions of Yen |         | Thousands of<br>U.S. Dollars |
|--------------------------------|-----------------|---------|------------------------------|
|                                | 2020            | 2019    | 2020                         |
| Service cost                   | <b>¥13,146</b>  | ¥12,141 | <b>\$120,788</b>             |
| Interest cost                  | <b>171</b>      | 169     | <b>1,574</b>                 |
| Expected return on plan assets | <b>(979)</b>    | (943)   | <b>(8,992)</b>               |
| Recognized actuarial loss      | <b>2,029</b>    | 712     | <b>18,639</b>                |
| Past service cost              |                 | 291     |                              |
| Others                         | <b>(6)</b>      | (47)    | <b>(51)</b>                  |
| Net periodic benefit costs     | <b>¥14,361</b>  | ¥12,323 | <b>\$131,958</b>             |

Amounts recognized in other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

|                       | Millions of Yen |        | Thousands of<br>U.S. Dollars |
|-----------------------|-----------------|--------|------------------------------|
|                       | 2020            | 2019   | 2020                         |
| Actuarial (loss) gain | <b>¥(869)</b>   | ¥3,665 | <b>\$(7,989)</b>             |
| Total                 | <b>¥(869)</b>   | ¥3,665 | <b>\$(7,989)</b>             |

Amounts recognized in accumulated other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans as of March 31, 2020 and 2019, were as follows:

|                             | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|-----------------------------|-----------------|----------|------------------------------|
|                             | 2020            | 2019     | 2020                         |
| Unrecognized actuarial loss | <b>¥(5,232)</b> | ¥(4,363) | <b>\$(48,075)</b>            |
| Total                       | <b>¥(5,232)</b> | ¥(4,363) | <b>\$(48,075)</b>            |

Plan assets as of March 31, 2020 and 2019, consisted of the following:

|                    | 2020        | 2019 |
|--------------------|-------------|------|
| General accounts   | <b>33%</b>  | 32%  |
| Debt investments   | <b>24</b>   | 25   |
| Equity investments | <b>18</b>   | 22   |
| Others             | <b>25</b>   | 21   |
| Total              | <b>100%</b> | 100% |

Assumptions used for the years ended March 31, 2020 and 2019, were set forth as follows:

|  | 2020        | 2019 |
|--|-------------|------|
| Discount rate                          | <b>0.1%</b> | 0.1% |
| Expected rate of return on plan assets | <b>1.0%</b> | 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, 2020 and 2019, were ¥2,764 million (\$25,394 thousand) and ¥2,432 million, respectively.

## 10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2020 and 2019, were as follows:

|  | Millions of Yen |        | Thousands of U.S. Dollars |
|--|-----------------|--------|---------------------------|
|  | 2020            | 2019   | 2020                      |
| Balance at beginning of year   | ¥8,686          | ¥5,800 | \$79,812                  |
| Additional provisions associated with the acquisition of property, plant and equipment | 777             | 2,263  | 7,134                     |
| Reconciliation associated with passage of time   | 112             | 106    | 1,031                     |
| Reconciliation associated with changes in accounting estimates                         | (89)            | 629    | (817)                     |
| Reduction associated with settlement of asset retirement obligations                   | (559)           | (92)   | (5,133)                   |
| Others   |                 | (20)   | (3)                       |
| Balance at end of year   | ¥8,927          | ¥8,686 | \$82,024                  |

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 a decrease and increase of the asset retirement obligation for the years ended March 31, 2020 and 2019, by ¥89 million (\$817 thousand) and ¥629 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.

## Notes to Consolidated Financial Statements

## 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% for the years ended March 31, 2020 and 2019.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2020 and 2019, were as follows:

|   | Millions of Yen |           | Thousands of U.S. Dollars |
|---|-----------------|-----------|---------------------------|
|   | 2020            | 2019      | 2020                      |
| Deferred tax assets:                                      |                 |           |                           |
| Accrued expenses  | ¥ 10,961        | ¥ 10,956  | \$ 100,720                |
| Legal welfare expense                                     | 1,811           | 1,808     | 16,639                    |
| Enterprise tax  | 2,100           | 2,309     | 19,296                    |
| Allowance for doubtful accounts                           | 679             | 623       | 6,241                     |
| Tax loss carryforwards                                    | 10,056          | 7,433     | 92,401                    |
| Liability for employees' retirement benefits              | 24,425          | 22,909    | 224,435                   |
| Loss on valuation of land                                 | 20,759          | 20,759    | 190,750                   |
| Loss on impairment of long-lived assets                   | 4,656           | 4,732     | 42,777                    |
| Loss on valuation of investment securities                | 1,145           | 1,771     | 10,519                    |
| Unrealized profit   | 3,048           | 2,763     | 28,003                    |
| Loss on valuation of telephone subscription rights        | 403             | 404       | 3,705                     |
| Other   | 7,863           | 7,719     | 72,248                    |
| Total of tax loss carryforwards and temporary differences | 87,906          | 84,186    | 807,734                   |
| Less valuation allowance for tax loss carryforwards       | (9,541)         | (7,400)   | (87,664)                  |
| Less valuation allowance for temporary differences        | (26,947)        | (27,306)  | (247,611)                 |
| Total valuation allowance                                 | (36,488)        | (34,706)  | (335,275)                 |
| Deferred tax assets                                       | ¥ 51,418        | ¥ 49,480  | \$ 472,459                |
| Deferred tax liabilities:                                 |                 |           |                           |
| Unrealized gain on available-for-sale securities          | ¥ (3,318)       | ¥ (5,073) | \$ (30,489)               |
| Other   | (4,553)         | (4,202)   | (41,836)                  |
| Deferred tax liabilities                                  | ¥ (7,871)       | ¥ (9,275) | \$ (72,325)               |
| Deferred tax assets—net                                   | ¥ 43,547        | ¥ 40,205  | \$ 400,134                |

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2020, 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 |
| 2021                 | ¥ 425  | ¥ (398)  | ¥ 27   |
| 2022                 | 398  | (398)  |  |
| 2023                 | 341  | (341)  |  |
| 2024                 | 685  | (685)  |  |
| 2025                 | 223  | (223)  |  |
| 2026 and thereafter  | 7,984  | (7,496)  | 488  |
| Total                | ¥10,056  | ¥(9,541)   | ¥515   |

| 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 |
| 2021                 | \$ 3,905   | \$ (3,654)   | \$ 251   |
| 2022                 | 3,658  | (3,658)  |  |
| 2023                 | 3,128  | (3,128)  |  |
| 2024                 | 6,297  | (6,297)  |  |
| 2025                 | 2,048  | (2,048)  |  |
| 2026 and thereafter  | 73,365   | (68,879)   | 4,486  |
| Total                | \$92,401   | \$(87,664)   | \$4,737  |

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, 2020, with the corresponding figures for 2019 was as follows:

|   | 2020  | 2019  |
|---|-------|-------|
| Normal effective statutory tax rate                                   | 30.6% | 30.6% |
| Per capita levy of local taxes  | 7.2   | 6.1   |
| Difference of tax rates for foreign subsidiaries                      | 1.3   | 3.6   |
| Valuation allowance   | 5.7   | 5.4   |
| Share of profit or loss of entities accounted for using equity method | 2.9   | 2.9   |
| Other—net   | 0.9   | 1.7   |
| Actual effective tax rate   | 48.6% | 50.3% |

### 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, 2020 and 2019, were as follows:

|                     | Millions of Yen |         | Thousands of U.S. Dollars |
|---------------------|-----------------|---------|---------------------------|
|                     | 2020            | 2019    | 2020                      |
| Due within one year | ¥ 4,996         | ¥ 5,176 | \$ 45,909                 |
| Due after one year  | 25,672          | 29,339  | 235,886                   |
| Total               | ¥30,668         | ¥34,515 | \$281,795                 |

#### (2) Lessor

The net investments in lease as of March 31, 2020 and 2019, were summarized as follows:

|                               | Millions of Yen |         | Thousands of U.S. Dollars |
|-------------------------------|-----------------|---------|---------------------------|
|                               | 2020            | 2019    | 2020                      |
| Gross lease receivables       | ¥50,250         | ¥51,428 | \$461,724                 |
| Unguaranteed residual values  | 6,544           | 6,969   | 60,133                    |
| Unearned interest income      | (3,853)         | (4,246) | (35,402)                  |
| Investments in leases—current | ¥52,941         | ¥54,151 | \$486,455                 |

## Notes to Consolidated Financial Statements

Maturities of lease receivables for finance leases that deem to transfer ownership of the leased property to the lessee as of March 31, 2020, are as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|---------------------------|
| 2021                 | ¥ 211           | \$1,941                   |
| 2022                 | 210             | 1,929                     |
| 2023                 | 220             | 2,020                     |
| 2024                 | 228             | 2,093                     |
| 2025                 | 146             | 1,344                     |
| 2026 and thereafter  | 5               | 45                        |
| Total                | ¥1,020          | \$9,372                   |

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, 2020, are as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|---------------------------|
| 2021                 | ¥17,688         | \$162,530                 |
| 2022                 | 14,057          | 129,161                   |
| 2023                 | 9,980           | 91,705                    |
| 2024                 | 5,995           | 55,083                    |
| 2025                 | 2,237           | 20,555                    |
| 2026 and thereafter  | 293             | 2,690                     |
| Total                | ¥50,250         | \$461,724                 |

The minimum rental commitments under non-cancelable operating leases at March 31, 2020 and 2019, are as follows:

|                     | Millions of Yen |        | Thousands of U.S. Dollars |
|---------------------|-----------------|--------|---------------------------|
|                     | 2020            | 2019   | 2020                      |
| Due within one year | ¥3,109          | ¥4,024 | \$28,568                  |
| Due after one year  | 3,271           | 5,621  | 30,060                    |
| Total               | ¥6,380          | ¥9,645 | \$58,628                  |

## 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. Bank loans are mainly variable interest rate loans.

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

**(3) Fair 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, 2020 and 2019, were as follows:

|                                      |  | Millions of Yen |                 |                |
|--------------------------------------|--|-----------------|-----------------|----------------|
| March 31, 2020                       |  | Carrying Amount | Fair Value      | Difference     |
| <b>Assets:</b>                       |  |                 |                 |                |
| Cash and cash equivalents            |  | <b>¥197,227</b> | <b>¥197,227</b> |                |
| Trade notes and accounts receivable  |  | <b>213,981</b>  |                 |                |
| Allowance for doubtful accounts      |  | <b>(53)</b>     |                 |                |
|                                      |  | <b>213,928</b>  | <b>213,503</b>  | <b>¥ (425)</b> |
| Installment sales receivable         |  | <b>46,088</b>   |                 |                |
| Allowance for doubtful accounts      |  | <b>(1,218)</b>  |                 |                |
| Deferred profit on installment sales |  | <b>(5,028)</b>  |                 |                |
|                                      |  | <b>39,842</b>   | <b>44,808</b>   | <b>4,966</b>   |
| Available-for-sale securities        |  | <b>26,466</b>   | <b>26,466</b>   |                |
| Shares of affiliates                 |  | <b>8,045</b>    | <b>9,229</b>    | <b>1,184</b>   |
| <b>Liabilities:</b>                  |  |                 |                 |                |
| Trade notes and accounts payable     |  | <b>147,082</b>  | <b>147,082</b>  |                |
| Short-term loans                     |  | <b>75,500</b>   | <b>75,497</b>   | <b>(3)</b>     |
| Long-term loans                      |  | <b>14,000</b>   | <b>14,002</b>   | <b>2</b>       |
|                                      |  |                 |                 |                |
| March 31, 2019                       |  | 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              |

## Notes to Consolidated Financial Statements

| March 31, 2020                       | Thousands of U.S. Dollars |             |            |
|--------------------------------------|---------------------------|-------------|------------|
|                                      | Carrying Amount           | Fair Value  | Difference |
| <b>Assets:</b>                       |                           |             |            |
| Cash and cash equivalents            | \$1,812,246               | \$1,812,246 |            |
| Trade notes and accounts receivable  | 1,966,194                 |             |            |
| Allowance for doubtful accounts      | (486)                     |             |            |
|                                      | 1,965,708                 | 1,961,806   | \$ (3,902) |
| Installment sales receivable         | 423,492                   |             |            |
| Allowance for doubtful accounts      | (11,196)                  |             |            |
| Deferred profit on installment sales | (46,204)                  |             |            |
|                                      | 366,092                   | 411,729     | 45,637     |
| Available-for-sale securities        | 243,192                   | 243,192     |            |
| Shares of affiliates                 | 73,925                    | 84,803      | 10,878     |
| <b>Liabilities:</b>                  |                           |             |            |
| Trade notes and accounts payable     | 1,351,483                 | 1,351,483   |            |
| Short-term loans                     | 693,743                   | 693,717     | (26)       |
| Long-term loans                      | 128,641                   | 128,657     | 16         |

**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 |
|----------------------|-----------------|--------|---------------------------|
|                      | 2020            | 2019   | 2020                      |
| Shares of affiliates | ¥2,162          | ¥5,650 | \$19,867                  |
| Other                | 3,637           | 5,585  | 33,416                    |

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

| March 31, 2020                      | Millions of Yen         |                                       |                      |
|-------------------------------------|-------------------------|---------------------------------------|----------------------|
|                                     | Due in One Year or Less | Due after One Year through Five Years | Due after Five Years |
| Cash and cash equivalents           | ¥197,227                |                                       |                      |
| Trade notes and accounts receivable | 199,214                 | ¥14,657                               | ¥ 110                |
| Installment sales receivable        | 22,467                  | 22,242                                | 1,379                |
| Total                               | ¥418,908                | ¥36,899                               | ¥1,489               |

| 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, 2020                      | 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           | \$1,812,246               |                                       |                      |
| Trade notes and accounts receivable | 1,830,514                 | \$134,669                             | \$ 1,011             |
| Installment sales receivable        | 206,441                   | 204,382                               | 12,669               |
| Total                               | \$3,849,201               | \$339,051                             | \$13,680             |

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

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|---------------------------|
| 2021                 | ¥ 5,500         | \$ 50,538                 |
| 2022                 | 14,000          | 128,641                   |
| Total                | ¥19,500         | \$179,179                 |

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

## 15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2020 and 2019, were as follows:

|  | Millions of Yen |          | Thousands of U.S. Dollars |
|--|-----------------|----------|---------------------------|
|  | 2020            | 2019     | 2020                      |
| Unrealized gain on available-for-sale securities:                                  |                 |          |                           |
| Adjustments arising during the year  | ¥(5,579)        | ¥ (132)  | \$(51,265)                |
| Reclassification adjustments to profit or loss                                     | (1,086)         | (37)     | (9,977)                   |
| Amount before income tax effect  | (6,665)         | (169)    | (61,242)                  |
| Income tax effect  | 1,737           | 53       | 15,961                    |
| Total  | ¥(4,928)        | ¥ (116)  | \$(45,281)                |
| Foreign currency translation adjustments:  |                 |          |                           |
| Adjustments arising during the year  | ¥ 199           | ¥(1,661) | \$ 1,821                  |
| Remeasurements of defined employees' retirement benefit plans:                     |                 |          |                           |
| Adjustments arising during the year  | ¥(2,898)        | ¥ 2,953  | \$(26,628)                |
| Reclassification adjustments to profit or loss                                     | 2,029           | 712      | 18,639                    |
| Amount before income tax effect  | (869)           | 3,665    | (7,989)                   |
| Income tax effect  | 256             | (1,124)  | 2,355                     |
| Total  | ¥ (613)         | ¥ 2,541  | \$ (5,634)                |
| Share of other comprehensive income of entities accounted for using equity method: |                 |          |                           |
| Adjustments arising during the year  | ¥ (274)         | ¥ 274    | \$ (2,517)                |
| Total other comprehensive (loss) income  | ¥(5,616)        | ¥ 1,038  | \$(51,611)                |

## Notes to Consolidated Financial Statements

## 16. EARNINGS PER SHARE

Basic earnings per share ("EPS") for the years ended March 31, 2020 and 2019, was as follows:

|  | Millions of Yen                         | Thousands of Shares     | Yen    | U.S. Dollars |
|--|---|-------------------------|--------|--------------|
| Year Ended March 31, 2020                            | Profit Attributable to Owners of Parent | Weighted-average Shares | EPS    |              |
| Basic EPS—Profit attributable to common shareholders | ¥22,324                                 | 393,171                 | ¥56.78 | \$0.52       |
| Year Ended March 31, 2019                            |   |                         |        |              |
| Basic EPS—Profit attributable to common shareholders | ¥25,682                                 | 394,275                 | ¥65.14 |              |

## 17. SEGMENT INFORMATION

*(1) Description of Reportable Segments*

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

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."

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

| Millions of Yen  |              |               |                  |            |            |           |           |              |                |              |
|--|--------------|---------------|------------------|------------|------------|-----------|-----------|--------------|----------------|--------------|
| 2020   |              |               |                  |            |            |           |           |              |                |              |
|  | Delivery     | BIZ-Logistics | Home Convenience | e-Business | Financial  | Autoworks | Other     | Total        | Reconciliation | Consolidated |
| Segment revenues:  |              |               |                  |            |            |           |           |              |                |              |
| Segment revenues from customers                          | ¥1,310,068   | ¥143,934      | ¥ 27,806         | ¥30,579    | ¥ 77,073   | ¥24,923   | ¥15,764   | ¥1,630,147   | ¥ —            | ¥1,630,147   |
| Intersegment revenues                                    | 56,763       | 13,837        | 11,399           | 43,188     | 2,815      | 30,976    | 66,018    | 224,996      | (224,996)      |              |
| Total segment revenues                                   | ¥1,366,831   | ¥157,771      | ¥ 39,205         | ¥73,767    | ¥ 79,888   | ¥55,899   | ¥81,782   | ¥1,855,143   | ¥(224,996)     | ¥1,630,147   |
| Segment profit (loss)                                    | ¥ 27,250     | ¥ 4,976       | ¥(10,062)        | ¥10,669    | ¥ 6,323    | ¥ 4,295   | ¥36,045   | ¥ 79,496     | ¥ (34,795)     | ¥ 44,701     |
| Segment assets   | 687,610      | 74,998        | 12,649           | 47,452     | 245,235    | 29,567    | 22,458    | 1,119,969    | (19,229)       | 1,100,740    |
| Other:   |              |               |                  |            |            |           |           |              |                |              |
| Depreciation and amortization                            | 41,586       | 3,301         | 433              | 3,231      | 4,725      | 678       | 842       | 54,796       | 287            | 55,083       |
| Investment in entities accounted for using equity method | 440          | 1,550         |                  |            |            |           |           | 1,990        | 8,045          | 10,035       |
| Increase of tangible and intangible fixed assets         | 41,852       | 3,184         | 325              | 1,884      | 4,334      | 1,639     | 637       | 53,855       | 1,179          | 55,034       |
| 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       |
| Thousands of U.S. Dollars                                |              |               |                  |            |            |           |           |              |                |              |
| 2020   |              |               |                  |            |            |           |           |              |                |              |
|  | Delivery     | BIZ-Logistics | Home Convenience | e-Business | Financial  | Autoworks | Other     | Total        | Reconciliation | Consolidated |
| Segment revenues:  |              |               |                  |            |            |           |           |              |                |              |
| Segment revenues from customers                          | \$12,037,746 | \$1,322,562   | \$255,497        | \$280,980  | \$ 708,195 | \$229,006 | \$144,850 | \$14,978,836 | \$ —           | \$14,978,836 |
| Intersegment revenues                                    | 521,574      | 127,136       | 104,740          | 396,841    | 25,866     | 284,631   | 606,620   | 2,067,408    | (2,067,408)    |              |
| Total segment revenues                                   | \$12,559,320 | \$1,449,698   | \$360,237        | \$677,821  | \$ 734,061 | \$513,637 | \$751,470 | \$17,046,244 | \$(2,067,408)  | \$14,978,836 |
| Segment profit (loss)                                    | \$ 250,390   | \$ 45,720     | \$(92,456)       | \$ 98,030  | \$ 58,099  | \$ 39,465 | \$331,210 | \$ 730,458   | \$(319,716)    | \$ 410,742   |
| Segment assets   | 6,318,205    | 689,134       | 116,225          | 436,016    | 2,253,372  | 271,683   | 206,354   | 10,290,989   | (176,686)      | 10,114,303   |
| Other:   |              |               |                  |            |            |           |           |              |                |              |
| Depreciation and amortization                            | 382,115      | 30,333        | 3,979            | 29,686     | 43,420     | 6,228     | 7,737     | 503,498      | 2,640          | 506,138      |
| Investment in entities accounted for using equity method | 4,043        | 14,240        |                  |            |            |           |           | 18,283       | 73,925         | 92,208       |
| Increase of tangible and intangible fixed assets         | 384,567      | 29,258        | 2,986            | 17,311     | 39,821     | 15,059    | 5,851     | 494,853      | 10,833         | 505,686      |

Notes: "Other" includes JITBOX charter services and shared services.

Segment revenues and segment profit of "Other" include dividends for the years ended March 31, 2020 and 2019, of ¥37,024 million (\$340,200 thousand) and ¥18,594 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, 2020 and 2019, of ¥34,795 million (\$319,716 thousand) and ¥16,798 million, respectively, are intersegment eliminations and others.
- (2) Reconciliations of segment assets at March 31, 2020 and 2019, of ¥19,229 million (\$176,686 thousand) and ¥38,103 million, respectively, include intersegment eliminations of assets and liabilities of ¥151,149 million (\$1,388,855 thousand) and ¥184,580 million, and corporate assets which are not allocated to each reporting segment of ¥131,920 million (\$1,212,169 thousand) and ¥146,477 million, respectively.
- (3) Reconciliations of investments in entities accounted for using equity method at March 31, 2020 and 2019, of ¥8,045 million (\$73,925 thousand) and ¥9,252 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, 2020 and 2019, of ¥1,179 million (\$10,833 thousand) and ¥132 million, respectively, include the Company's capital investment.

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

As described in Note 3, "Accounting Changes," certain subsidiaries, which apply International Financial Reporting Standards, adopted IFRS 16 Leases (IFRS 16) from the fiscal year ended March 31, 2020. In line with this adoption, lessees, in principle, recognize all leases as assets and liabilities on the balance sheet. In addition, the effect of this application on segment information is immaterial.

## Notes to Consolidated Financial Statements

*[Related Information about Reporting Segments]**(1) Information about Products and Services*

Operating revenues from customers for the years ended March 31, 2020 and 2019, were as follows:

| 2020       |                 |          |            | 2019       |                 |          |            |
|------------|-----------------|----------|------------|------------|-----------------|----------|------------|
| TA-Q-BIN   | Kuroneko DM-Bin | Other    | Total      | TA-Q-BIN   | Kuroneko DM-Bin | Other    | Total      |
| ¥1,164,287 | ¥61,416         | ¥404,444 | ¥1,630,147 | ¥1,139,438 | ¥69,678         | ¥416,199 | ¥1,625,315 |

Thousands of U.S. Dollars

| 2020         |                 |             |              |
|--------------|-----------------|-------------|--------------|
| TA-Q-BIN     | Kuroneko DM-Bin | Other       | Total        |
| \$10,698,219 | \$564,329       | \$3,716,288 | \$14,978,836 |

*(2) Information about Geographical Areas*

Operating revenues for the years ended March 31, 2020 and 2019, were as follows:

| 2020       |               |         |            | 2019       |               |         |            |
|------------|---------------|---------|------------|------------|---------------|---------|------------|
| Japan      | North America | Other   | Total      | Japan      | North America | Other   | Total      |
| ¥1,599,373 | ¥11,517       | ¥19,257 | ¥1,630,147 | ¥1,595,703 | ¥12,212       | ¥17,400 | ¥1,625,315 |

Thousands of U.S. Dollars

| 2020         |               |           |              |
|--------------|---------------|-----------|--------------|
| Japan        | North America | Other     | Total        |
| \$14,696,063 | \$105,829     | \$176,944 | \$14,978,836 |

Property, plant and equipment at March 31, 2020 and 2019, were as follows:

| 2020     |               |        |          | 2019     |               |        |          |
|----------|---------------|--------|----------|----------|---------------|--------|----------|
| Japan    | North America | Other  | Total    | Japan    | North America | Other  | Total    |
| ¥421,921 | ¥403          | ¥1,512 | ¥423,836 | ¥427,384 | ¥385          | ¥1,149 | ¥428,918 |

Thousands of U.S. Dollars

| 2020        |               |          |             |
|-------------|---------------|----------|-------------|
| Japan       | North America | Other    | Total       |
| \$3,876,881 | \$3,704       | \$13,889 | \$3,894,474 |

*(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, 2020 and 2019, were as follows:

|   | Millions of Yen |               |                  |            |           |           |       |       |                           |              |
|---|-----------------|---------------|------------------|------------|-----------|-----------|-------|-------|---------------------------|--------------|
|   | 2020            |               |                  |            |           |           |       |       |                           |              |
|   | Delivery        | BIZ-Logistics | Home Convenience | e-Business | Financial | Autoworks | Other | Total | Eliminations or Corporate | Consolidated |
| Loss on impairment of long-lived assets | ¥267            | ¥678          | ¥46              |            |           |           |       | ¥991  |                           | ¥991         |

|   | 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 | ¥546            | ¥265          | ¥1,276           |            |           |           |       | ¥2,087 |                           | ¥2,087       |

|   | Thousands of U.S. Dollars |               |                  |            |           |           |       |         |                           |              |
|---|---------------------------|---------------|------------------|------------|-----------|-----------|-------|---------|---------------------------|--------------|
|   | 2020                      |               |                  |            |           |           |       |         |                           |              |
|   | Delivery                  | BIZ-Logistics | Home Convenience | e-Business | Financial | Autoworks | Other | Total   | Eliminations or Corporate | Consolidated |
| Loss on impairment of long-lived assets | \$2,450                   | \$6,225       | \$425            |            |           |           |       | \$9,100 |                           | \$9,100      |

## 18. SUBSEQUENT EVENTS

### *a. Transactions under Common Control*

At the meeting held on January 23, 2020, the Board of Directors resolved to reorganize the Company's management structure from that of a pure holding company to that of an operating company, upon conducting an absorption-type merger and absorption-type split involving eight consolidated subsidiaries, including Yamato Transport Co., Ltd., on April 1, 2021.

On the other hand, to avoid problems such as delays in various procedures due to the effect of the spread of COVID-19, resolutions were made at a meeting of the Board of Directors held on May 15, 2020, to change the details of absorption-type merger and absorption-type split, to remove the Company from the parties of the said reorganization, and to perform reorganization involving the absorption-type merger and absorption-type split between Yamato Transport Co., Ltd., which is a consolidated subsidiary of the Company, and seven consolidated subsidiaries, including Yamato Logistics Co., Ltd. and Yamato Global Logistics Japan Co., Ltd.

### *Outline of Business Combination*

#### *(1) Absorption-type merger in which Yamato Transport Co., Ltd. is the surviving company*

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

##### *Surviving company*

Name: Yamato Transport Co., Ltd. ("YTC")

Business: Small parcel delivery services for the general public and corporations (TA-Q-BIN, Kuroneko DM-Bin, etc.)

##### *Dissolving company*

Name: Yamato Global Express Co., Ltd. ("YGX")

Business: Small parcel delivery services for corporations (domestic air cargo transport business, etc.)

Name: Yamato Logistics Co., Ltd. ("YLC")

Business: Logistics services for corporations (total support services including logistics, medical products distribution services, maintenance support service, and recall support service)

Name: Yamato Global Logistics Japan Co., Ltd. ("YGL")

Business: International air cargo service, handling of marine cargo, import/export customs clearance services, overseas lifestyle support services including international moving, fine art transport business

Name: Yamato Packing Service Co., Ltd. ("YPC")

Business: Packing / cargo transportation services

Name: Yamato Packing Technology Institute Co., Ltd. ("YPTI")

Business: R&D and sale of packaging containers and materials

Name: Yamato Financial Co., Ltd. ("YFC")

Business: Settlement services targeting business customers and general consumers (TA-Q-BIN Collect service, Internet total settlement service, etc.)

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

April 1, 2021 (planned)

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

Absorption-type merger with YGX, YLC, YGL, YPC, YPTI and YFC as dissolving companies and YTC as the surviving company

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

The name will not change.

## Notes to Consolidated Financial Statements

### *(2) Absorption-type split in which Yamato Transport Co., Ltd. is the successor company*

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

Name: Web-based Mail Order Solution Business of Yamato System Development Co., Ltd. ("YSD")  
 Content: Offering a package consisting not only of services related to launch of a mail order business, but also, to fully support the customer's business, creating a tailor-made IT system and managing it

Name: Regional Operation Management Department of YSD  
 Content: Sales department

#### *Date of the business combination*

April 1, 2021 (planned)

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

Absorption-type split with YSD as the absorbed company and YTC as the successor company

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

The name will not change.

### *(3) Outline and purpose of business combination*

The Company has formulated the Transformation Plan "YAMATO NEXT100." This plan has been formulated as a grand design, which is the framework of the next medium-term management plan, based on the results and challenges of the current medium-term management plan "KAIKAKU 2019 for NEXT100" and changes in the external environment.

Based on this plan, in April 2021, the Company will shift its current management structure into a management structure comprising four business divisions (Retail, Corporate, Global SCM, and EC) and four function divisions, with the objective of reforming the current system of partial optimization of functional units to a fully optimized organization structured according to customer segments to further improve the speed of management.

#### *Outline of accounting treatment applied*

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

### *b. Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2020, was approved at the Company's Board of Directors meeting held on May 20, 2020:

|  | Millions of Yen | Thousands of<br>U.S. Dollars |
|--|-----------------|------------------------------|
| Year-end cash dividends, ¥ 26.00 (\$0.24) per share* | <b>¥10,016</b>  | <b>\$92,030</b>              |

\* The dividend per share of ¥26.00 (\$0.24) includes commemorative dividends of ¥10.00 (\$0.09) for the 100th anniversary since the Company's founding.

# Independent Auditor's Report



Deloitte Touche Tohmatsu LLC  
Marunouchi Nijubashi Building  
3-2-3 Marunouchi, Chiyoda-ku  
Tokyo 100-8360  
Japan

Tel: +81 (3) 6213 1000  
Fax: +81 (3) 6213 1005  
www.deloitte.com/jp/en

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Yamato Holdings Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

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

### Basis for Opinion

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

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

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

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

Member of  
Deloitte Touche Tohmatsu Limited

## Independent Auditor's Report

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

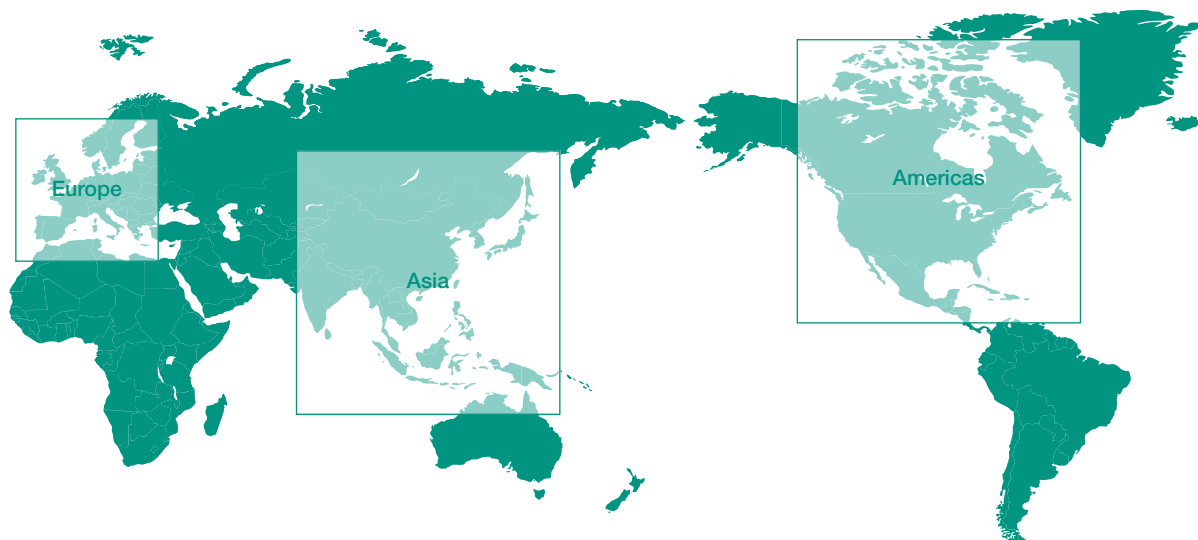
*Deloitte Touche Tohmatsu LLC*

June 16, 2020

## Global Network

As of March 31, 2020

**27** overseas subsidiaries **25** countries and regions of operation (including representative offices and branch offices)



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

# Corporate Data / Stock Information

As of March 31, 2020

## 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

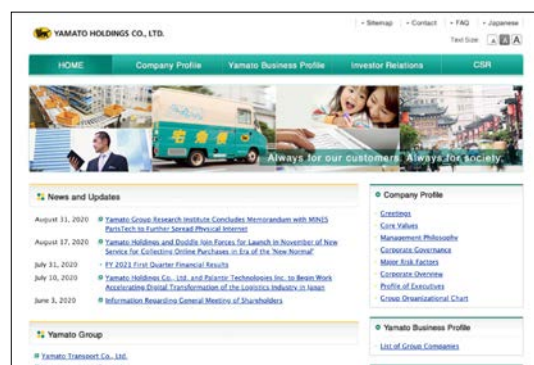
April 9, 1929

## Paid-in Capital

127,234,791,077 yen

## Website

<https://www.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

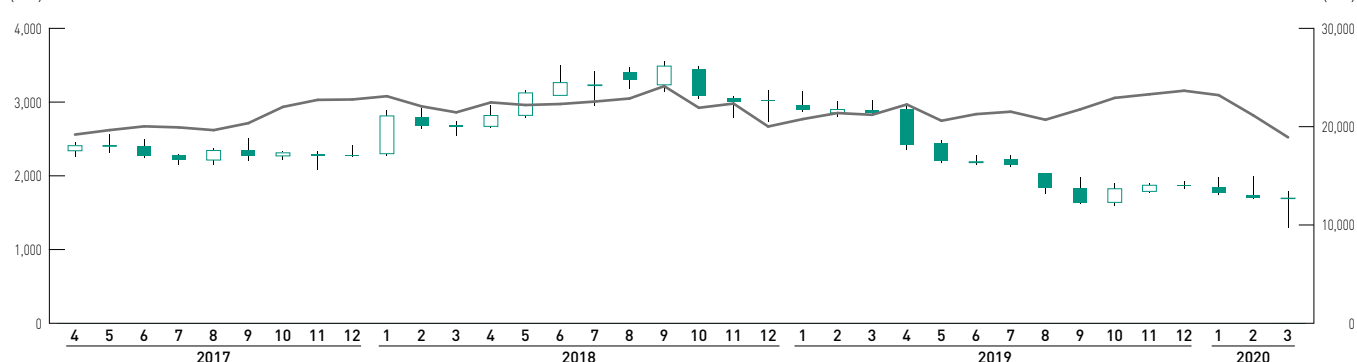
## Principal Shareholders

Percentage of total shares outstanding  
(excluding treasury shares)

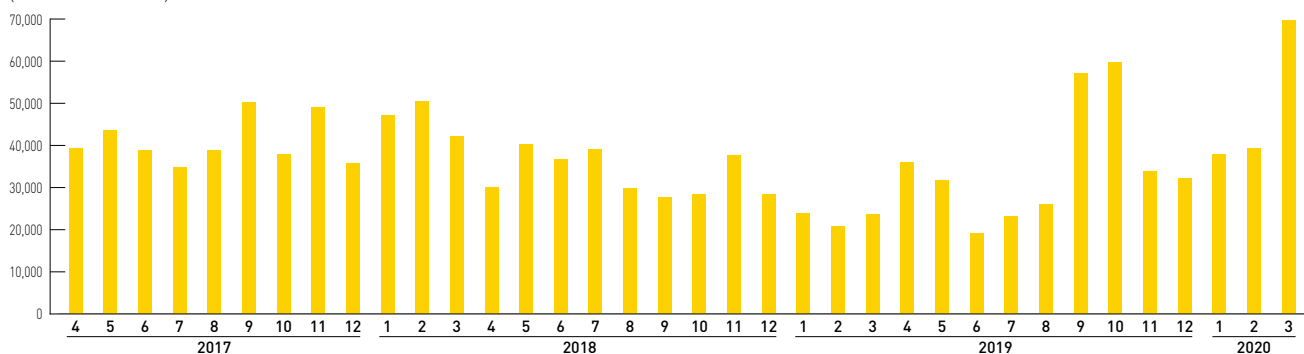
|  |        |
|--|--------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 12.15% |
| Japan Trustee Services Bank, Ltd. (Trust Account)    | 7.99%  |
| Yamato Employees' Shareholding Association           | 5.78%  |
| Nippon Life Insurance Company                        | 3.83%  |
| Meiji Yasuda Life Insurance Company                  | 3.72%  |
| UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT      | 2.92%  |
| Mizuho Bank, Ltd.                                    | 2.66%  |
| Yamato Trading-Partner Shareholding Association      | 2.19%  |
| Japan Trustee Services Bank, Ltd. (Trust Account 5)  | 1.76%  |
| JP MORGAN CHASE BANK 385151                          | 1.62%  |
| Total  | 44.61% |

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

(Yen)



(Thousands of shares)



Stock price range (left scale) — Nikkei stock average (right scale) Trading volume (left scale)



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