

Ten-Year Summary and Business Highlights

	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
RESULTS OF OPERATIONS:							
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.

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

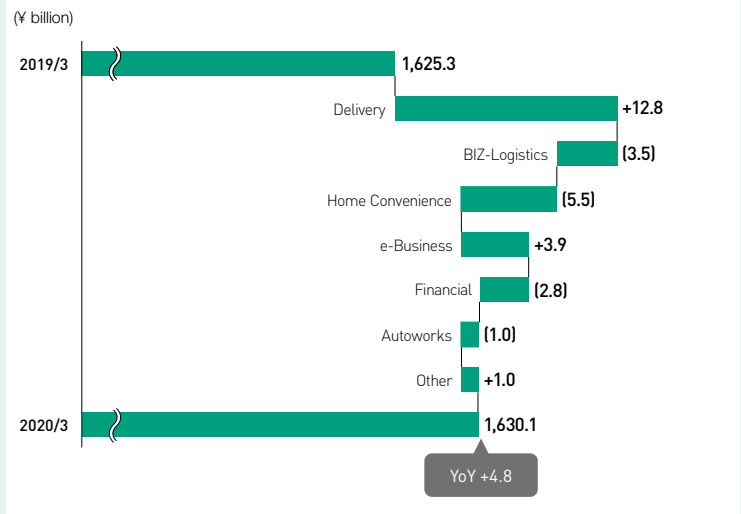
		Yen	U.S. Dollars				
¥	46.24	¥	65.14	¥	56.78	\$	0.52
	—		—		—		—
	27.00		28.00		41.00		0.38
	1,395.74		1,435.15		1,441.20		13.24
	2,668.5		2,859.0		1,697.0		—

		Millions of Yen	Thousands of U.S. Dollars				
¥	164,600	¥	139,835	¥	134,072	\$	1,231,948
	550,308		565,841		555,173		5,101,287
	1,114,870		1,123,660		1,100,740		10,114,303
	54,482		79,839		55,034		505,686
	46,423		51,347		55,083		506,138
	51,728		118,094		74,434		683,944

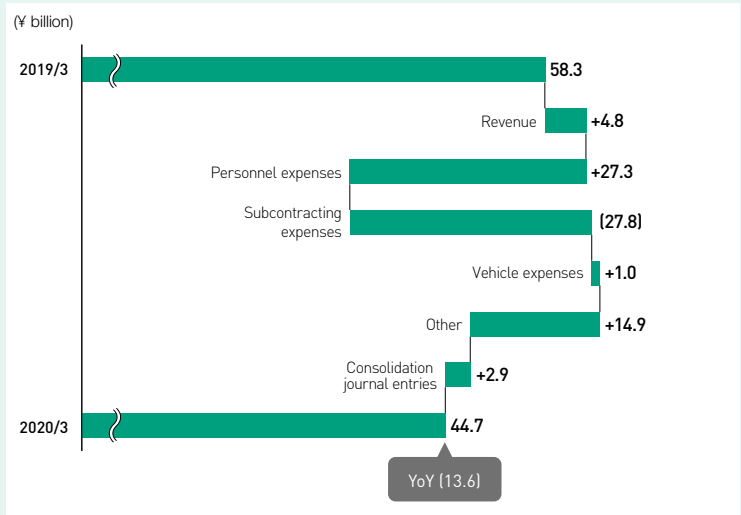
	2.32	3.59	2.74
	1.18	1.58	1.37
	1.64	2.29	2.01
	3.35	4.60	3.98
	141.67	134.07	132.80
	49.36	50.36	50.44
	1.38	1.45	1.47
	131.94	212.29	106.25
	57.7	43.9	29.9
	1.9	2.0	1.2

	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

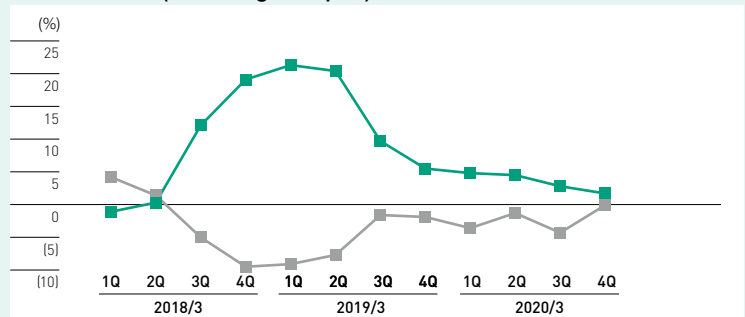
Analysis of Operating Revenues



Analysis of Operating Profit



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



■ TA-Q-BIN Delivery Amount Growth Rate
 ■ TA-Q-BIN Unit Price Growth Rate

Delivery Amount:
 YoY [2.5%]
 Unit Price:
 YoY +3.4%

Consolidated Balance Sheet

March 31, 2020

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
CURRENT ASSETS:			
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
PROPERTY, PLANT AND EQUIPMENT—At cost:			
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
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 14)	29,205	36,229	268,356
Investments in and advances to unconsolidated subsidiaries and affiliates, 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
TOTAL	¥1,100,740	¥1,123,660	\$10,114,303

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
CURRENT LIABILITIES:			
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
LONG-TERM LIABILITIES:			
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
COMMITMENTS LIABILITIES (Note 13)			
EQUITY (Notes 11 and 18):			
Common stock—authorized, 1,787,541,000 shares in 2020 and 2019 ; 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 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
TOTAL	¥1,100,740	¥1,123,660	\$10,114,303

Consolidated Statement of Income

Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
OPERATING REVENUES	¥1,630,147	¥1,625,315	\$14,978,836
OPERATING COSTS AND EXPENSES:			
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
OTHER INCOME (EXPENSES):			
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)
PROFIT BEFORE INCOME TAXES	44,581	52,258	409,641
INCOME TAXES (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
PROFIT	22,902	25,950	210,442
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	578	268	5,315
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	¥ 22,324	¥ 25,682	\$ 205,127

	Yen		U.S. Dollars (Note 1)
	2020	2019	2020
PER SHARE OF COMMON STOCK (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 U.S. Dollars (Note 1)
	2020	2019	2020
PROFIT	¥22,902	¥25,950	\$210,442
OTHER COMPREHENSIVE INCOME (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)
COMPREHENSIVE INCOME	¥17,286	¥26,988	\$158,831
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
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 Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-controlling Interests	Total Equity
						Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans			
BALANCE, APRIL 1, 2018	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
BALANCE, MARCH 31, 2019	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)
RESTATED BALANCE		127,235	36,813	430,857	(39,086)	12,975	(515)	(3,079)	565,200	7,548	572,748
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)
BALANCE, MARCH 31, 2020	385,216	¥127,235	¥36,813	¥441,747	¥(54,771)	¥ 8,158	¥ (317)	¥(3,692)	¥555,173	¥7,662	¥562,835

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-controlling Interests	Total Equity	
					Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans				
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 U.S. Dollars (Note 1)
	2020	2019	2020
OPERATING ACTIVITIES:			
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
INVESTING ACTIVITIES:			
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)
FINANCING ACTIVITIES:			
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)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(109)	(487)	(1,002)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,012	(8,212)	18,487
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	194,651	202,863	1,788,575
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.e)	¥196,663	¥194,651	\$1,807,062
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
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:

March 31, 2020	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale: Equity securities	¥1,978	¥1,300	¥—

March 31, 2019	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale: Equity securities	¥72	¥37	¥—

March 31, 2020	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
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 U.S. Dollars
	2020	2019	2020
0.120% to 0.299% loans from banks due 2020 to 2022	¥ 19,500		\$ 179,179
0.030% to 0.299% loans from banks due 2019 to 2022		¥ 60,300	
Lease obligations	25,339	22,934	232,828
Unsecured 0.090% bonds due in March 2021	10,000	10,000	91,886
Total	54,839	93,234	503,893
Less current portion	(19,079)	(43,592)	(175,305)
Total	¥ 35,760	¥ 49,642	\$ 328,588

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

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

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

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 U.S. Dollars
	2020	2019	2020
Actuarial (loss) gain	¥(869)	¥3,665	\$(7,989)
Total	¥(869)	¥3,665	\$(7,989)

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 U.S. Dollars
	2020	2019	2020
Unrecognized actuarial loss	¥(5,232)	¥(4,363)	\$(48,075)
Total	¥(5,232)	¥(4,363)	\$(48,075)

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

	2020	2019
General accounts	33%	32%
Debt investments	24	25
Equity investments	18	22
Others	25	21
Total	100%	100%

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

	2020	2019
Discount rate	0.1%	0.1%
Expected rate of return on plan assets	1.0%	1.0%

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

(2) Defined Contribution Retirement Plans

The amounts contributed to the defined contribution retirement plans of the Group for the years ended March 31, 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:

March 31, 2020	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Assets:			
Cash and cash equivalents	¥197,227	¥197,227	
Trade notes and accounts receivable	213,981		
Allowance for doubtful accounts	(53)		
	213,928	213,503	¥ (425)
Installment sales receivable	46,088		
Allowance for doubtful accounts	(1,218)		
Deferred profit on installment sales	(5,028)		
	39,842	44,808	4,966
Available-for-sale securities	26,466	26,466	
Shares of affiliates	8,045	9,229	1,184
Liabilities:			
Trade notes and accounts payable	147,082	147,082	
Short-term loans	75,500	75,497	(3)
Long-term loans	14,000	14,002	2
March 31, 2019	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Assets:			
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	
Liabilities:			
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
Assets:			
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
Liabilities:			
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	2022	2020
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
	Profit Attributable to Owners of Parent	Weighted-average Shares	EPS	
Year Ended March 31, 2020				
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 U.S. Dollars
Year-end cash dividends, ¥ 26.00 (\$0.24) per share*	¥10,016	\$92,030

* 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