

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Yamato Holdings Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Basis for Opinion

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

Key Audit Matter

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

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Valuation of Yamato Transport Co., Ltd.'s long-lived assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group provides delivery and other logistics services. As recorded on its consolidated financial statements, the main assets subject to accounting standards related to impairment of long-lived assets are, as of March 31, 2021, tangible long-lived assets of ¥406,312 million and intangible long-lived assets of ¥29,555 million. Among these balances, tangible long-lived assets of ¥331,872 million, and intangible long-lived assets of ¥12,982 million attribute to Yamato Transport Co., Ltd. ("Yamato Transport"), a consolidated subsidiary. As of March 31, 2021, there were indications that certain assets or asset groups of Yamato Transport may be impaired and may require an impairment loss to be recognized for such assets or asset groups, which could significantly impact the Group's financial performance.</p> <p>In evaluating the necessity of recognizing impairment losses, Yamato Transport divided the 89 regional branches in Japan, which deal with the pickup-and-delivery of packages and other transport services, into separate groups. The bases, which deal with sorting and transporting through trunk-route transportation networks, are grouped as a single asset group. The asset group is made up of all bases related to large investments with long economic lives, including main core terminals which connect major cities in the Kanto, Chubu, and Kansai regions.</p> <p>Yamato Transport estimated the total undiscounted future cash flows for certain assets or asset groups with indications of impairment such as continuous operating losses, and compared the total undiscounted future cash flows per asset or asset group to their carrying amounts in order to determine whether any impairment loss should be recognized.</p>	<p>Our audit procedures related to Yamato Transport's impairment assessment on its long-lived assets included the following, among others.</p> <p>We obtained an understanding of Yamato Transport's overall business environment through the inspection of the minutes of board of directors' meetings, management meetings, business execution meetings and other important approval documents, and through inquiry of the departments-in-charge. Our understanding included information on delivery unit prices, delivery volume, external delivery resources, unit commission expenses, number of employees, and the circumstances of labor management.</p> <p>We evaluated Yamato Transport's internal controls related to estimating total undiscounted future cash flows for assets or asset groups when there are impairment indications. Those controls include the method used by management to check the reliability and appropriateness of the data relating to profit and loss information of assets or asset groups and significant assumptions such as the delivery unit prices and delivery volume, the review methods of management, and the approval process of accounting estimates by management at the appropriate levels.</p> <p>We tested the estimated undiscounted future cash flows for consistency by comparing the undiscounted future cash flows with the next fiscal year's budget and future management plan approved by the Board of Directors. In addition, we evaluated the accuracy of the estimates of management by comparing the budgets and management plan of previous years with the corresponding actual results.</p>

<p>The undiscounted future cash flows were estimated based on the future management plan approved by the Board of Directors. The future management plan includes significant assumptions such as estimated future delivery unit prices and estimated future delivery volume. These delivery unit prices and delivery volume involve uncertainty because they can be affected by future changes in the market.</p> <p>While the delivery unit prices are a significant assumption, they are based on past agreements with customers, and are relatively stable. However, the delivery volume involves high uncertainty because it is affected by the growth rate of the e-commerce ("EC") market and the changes in the unique pickup-and-delivery networks established by the customers in the EC business. Therefore, we have identified the estimated delivery volume, which is a significant assumption in estimating the undiscounted future cash flows and involves the subjective judgment of management, as a key audit matter.</p>	<p>Regarding the delivery volume, which is the main variable factor included in the estimates based on the future management plan, we inquired management of the correlation between the expected level for delivery volume and the pickup-and-delivery capacity as well as the status of negotiations with main customers regarding delivery volume. In addition, we compared the estimates of delivery volume with available external data related to total volume of domestic parcel delivery market, including market share, and recent delivery volume published by peer companies. We also conducted a trend analysis on the degree of growth for the overall delivery market from historical results.</p> <p>Furthermore, regarding the growth rate of the EC market and the scale of unique pickup-and-delivery networks established by Yamato Transport's customers in the EC business, which could affect the delivery volume, we obtained audit evidence on consumption trends in the EC market and the degree of expansion of the scale of businesses that support the customer's pickup-and-delivery networks in the EC business. We then examined whether the audit evidence obtained indicated an accounting estimate that differed from that made by management.</p>
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Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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, 2021