

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 <under Japanese GAAP>

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 Listing: Tokyo Stock Exchange
 Stock code: 9064
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Scheduled date of the submission of quarterly securities report: February 12, 2020
 Scheduled date of the commencement of dividend payment: —
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than 1 million yen are rounded down.)

1. Consolidated financial results for the third quarter of fiscal year 2020 (cumulative: from April 1, 2019 to December 31, 2019)

(1) Consolidated operating results

(Percentages represent year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the nine months ended								
December 31, 2019	1,257,724	0.0	50,077	(32.6)	46,830	(36.4)	31,406	(27.3)
December 31, 2018	1,257,610	7.3	74,343	131.4	73,644	127.5	43,194	147.8

(Note) Comprehensive income: For the nine months ended December 31, 2019: 32,405 million yen ((21.5) %)
 For the nine months ended December 31, 2018: 41,264 million yen (68.1 %)

	Basic earnings per share	Diluted earnings per share
For the nine months ended	Yen	Yen
December 31, 2019	79.66	—
December 31, 2018	109.55	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2019	1,161,765	593,459	50.4
March 31, 2019	1,123,659	573,388	50.4

(Reference) Equity: As of December 31, 2019: 585,585 million yen As of March 31, 2019: 565,841 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	14.00	—	14.00	28.00
Fiscal 2020	—	15.00	—		
Fiscal 2020 (Forecast)				26.00	41.00

(Note) Revisions to the forecasts most recently announced: Yes

Breakdown of year-end dividends in fiscal year ending March 31, 2020 (forecast): Ordinary dividends: 16.00 yen
 Commemorative dividends: 10.00 yen

3. Consolidated earnings forecasts for fiscal year 2020 (from April 1, 2019 to March 31, 2020)

(Percentages represent year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of the Parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,630,000	0.3	40,000	(31.4)	37,000	(31.8)	20,000	(22.1)	50.86

(Note) Revisions to the forecasts most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the nine months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: Yes

(Note) For details, please see "2. Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to consolidated financial statements (Application of specific accounting for preparing the quarterly consolidated financial statements)" of the attached materials to the quarterly financial results report on page 13.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- a. Changes due to revision to accounting standards, etc.: Yes
- b. Changes other than a: None
- c. Changes in accounting estimates: None
- d. Restatement: None

(Note) For details, please see "2. Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to consolidated financial statements (Changes in accounting policies)" of the attached materials to the quarterly financial results report on page 13.

(4) Number of issued shares (common shares)

- a. Number of issued shares as at the end of the period (including treasury shares)

As of December 31, 2019:	411,339,992 shares
As of March 31, 2019:	411,339,992 shares
- b. Number of treasury shares as at the end of the period

As of December 31, 2019:	17,065,974 shares
As of March 31, 2019:	17,065,526 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the nine months ended December 31, 2019:	394,274,306 shares
For the nine months ended December 31, 2018:	394,275,213 shares

*Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*Proper use of earnings forecasts and other noteworthy events

- Descriptions of the above financial projections and other data are based on information currently available to the Company and certain assumptions that the Company considers to be reasonable. Actual financial results may differ significantly from the projections for various reasons. For points to note when using such assumptions and financial projections, please see "1. Qualitative Information on Settlement of Accounts for the Nine Months, (3) Explanation of consolidated earnings forecasts and other forward-looking statements" of the attached materials to the quarterly financial results report on page 8.
- The Company plans to hold a financial results meeting for analysts on January 31, 2020. The materials distributed at this financial results meeting shall be posted on the Company's website after the meeting has been held.

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1. Qualitative Information on Settlement of Accounts for the Nine Months

(1) Explanation of operating results

During the nine months ended December 31, 2019, the economic environment was plagued by ongoing uncertainties ahead due to factors that have included effects of political trends overseas, yet economy has been gradually recovering amid underlying strengths in corporate earnings. Moreover, the logistics industry continues to face a severe business environment due to an upward trend with respect to small parcel amount by expansion of the e-commerce market brought about by rapidly changing styles of consumption and tightening of the domestic labor market.

Under such circumstances, the Yamato Group has been striving to enhance its management foundations in order to continue achieving sustainable growth and thereby enable the Group to keep providing high-quality services based on “KAIKAKU 2019 for NEXT100” medium-term management plan, which while “Work Style Reform” is centered on management, focuses on reforms in the three areas of “structural reform in the Delivery Business,” “reform of revenue and business structure geared to achieving discrete growth,” and “reform of Group management structure geared to achieving sustainable growth.”

In the Delivery Business, we worked to strengthen cost controls while engaging in adequate pricing initiatives and promoting sales to new customers in order to regain profitability.

In the non-delivery businesses, we took steps to expand our existing service offerings by making the best use of the strengths of the Group companies, while also strengthening account management on a Group-wide basis as we aggressively promoted solution sales for addressing customers’ business challenges.

Our consolidated financial results for the nine months ended December 31, 2019 are as follows.

Item	(Millions of yen)			
	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019	Change	Growth (%)
Operating revenue	1,257,610	1,257,724	113	0.0
Operating profit	74,343	50,077	(24,266)	(32.6)
Ordinary profit	73,644	46,830	(26,814)	(36.4)
Profit attributable to owners of the Parent	43,194	31,406	(11,787)	(27.3)

As mentioned above, operating revenue amounted to 1,257,724 million yen, up 113 million yen from the previous year. This is largely attributable to an increase in the TA-Q-BIN unit price, amid promotion of structural reforms in the Delivery Business. Operating expenses amounted to 1,207,647 million yen, up 24,379 million yen from the previous year. This is largely attributable to an increase in personnel expenses and despite a decrease in commission expenses, mainly as a result of having increased the workforce looking toward building collection and delivery structure.

As a result, operating profit amounted to 50,077 million yen, down 24,266 million yen from the previous year.

Ordinary profit amounted to 46,830 million yen, down 26,814 million yen from the previous year, mainly as a result of an increase of 2,367 million yen in share of loss of entities accounted for using equity method due to impairment of goodwill relating to the affiliates overseas.

As a result, profit attributable to owners of the Parent amounted to 31,406 million yen, down 11,787 million yen from the previous year.

Initiatives for the entire Yamato Group

- ① The Yamato Group has been taking steps on a Group-wide basis to develop a vibrant working environment, which is more “employee-friendly” and “rewarding,” centered on the “Office for Work Style Reform” established in Yamato Transport Co., Ltd., and its “Working Styles Innovation Committees” in its respective Group companies, as a means of placing utmost priority on “Work Style Reform” in order to practice “Inclusive Management,” a Yamato Group founding principle. Moreover, we have been pursuing

our “Value Networking” design, on the basis of creating business models for generating a high level of added value through the combined efforts of our respective businesses, while at the same time contributing to growth strategies and international competitiveness of the Japanese economy. Meanwhile, we are also taking steps to forge a robust corporate culture that acts as a foundation for business creation and development.

- ② We continued to drive initiatives for a robust corporate culture. We worked on enhancing efficiency and credibility in operations, by improving our transport structure and digital technologies to enable visual monitoring of operating amount. We actively engaged in ESG-related initiatives for achieving sustainable growth, which has involved implementing safety and environmental measures, undertaking efforts to prosper communities, and taking drastic and comprehensive measures to rebuild Group governance.
- ③ To further evolve our “Value Networking” design, we have been crafting business models that deliver a high level of added value by leveraging the Yamato Group’s business network. Also, to address varied customer needs in Japan and overseas, we have been making effective use of our innovative network platform consisting of the “Haneda Chronogate,” “Okinawa International Logistics Hub,” and respective gateways linking major cities in the Kanto, Chubu, and Kansai regions, in addition to our existing “last one mile” network, and have been striving to strengthen account management on a Group-wide basis.
- ④ In our business looking toward global markets, we have been working to collaborate among five regions, Japan, East Asia, South East Asia, Europe and the Americas. Meanwhile, we have also been strengthening our capabilities in each geographic region to respond to the growth of cross-border logistics, and have also been taking steps to strengthen management of our businesses that involve global operations. In addition, we have been actively promoting efforts to build cross-border networks that provide substantial added value by leveraging our certification under international standards pertaining to small parcel chilled and frozen goods delivery services, such that has already been acquired by eight Yamato Group companies.
- ⑤ With the aim of improving customer convenience particularly in the e-commerce market, we have been continuously working to establish an environment that ensures customers ease in picking up and sending their parcels. We have been actively promoting efforts to build an open-type network of parcel lockers, and have worked on other efforts for the development of next-generation logistics services including utilization of automated driving technologies. Moreover, in order for addressing social issues such as the intensifying labor shortage, and better responding to the rapidly expanding e-commerce demand, we have been engaging in streamlining collection and delivery, labor operations and administrative tasks by promoting digitization of our overall logistics operations, and in carrying out structural reform of trunk-route transportation for the purpose of optimizing the entire network for streamlining transportation.

Summary of each operating segment

● Delivery

The delivery amount of TA-Q-BIN and Kuroneko DM-Bin services are as follows.

Category	(Million parcels / units)			
	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019	Change	Growth (%)
TA-Q-BIN	1,400	1,390	(10)	(0.7)
Kuroneko DM-Bin	926	761	(164)	(17.7)

- ① In the Delivery Business, the Yamato Group concentrated on TA-Q-BIN-centered business development, aiming to provide infrastructure that best suits our customers and contribute to enriching people’s lives.
- ② We continued to encounter a severe business environment due to an upward trend with respect to small parcel amount by expansion of the e-commerce market brought about by rapidly changing styles of consumption and tightening of the domestic labor market. Under those circumstances, during the nine months ended December 31, 2019, we worked to strengthen cost controls while engaging in adequate pricing initiatives and promoting sales to new customers in order to regain profitability, amid somewhat sluggish freight movement brought about by factors such as a slowdown in personal consumption due to effects of Japan’s consumption tax hike. In addition, we have been engaging in streamlining collection and delivery, labor operations and administrative tasks by promoting digitization of our overall logistics

operations, and in carrying out structural reform of trunk-route transportation for the purpose of optimizing the entire network for streamlining transportation.

- ③ In the growing e-commerce market, we have been expanding sales of the “TA-Q-BIN Compact” and “Nekopos” services which enable customers to send small parcels simply in response to diversifying needs brought about by changing customer lifestyles, and have proceeded with offering a greater number of drop-off points for sending parcels by collaborating with multiple flea market websites. During the nine months ended December 31, 2019, we have been continuing to work in conjunction with flea market websites and e-commerce companies to provide greater convenience by developing a service environment where individual customers ship merchandise easily from convenience stores and PUDO station open-type parcel lockers, and offering a service environment enabling customers who have purchased a product to specify either a TA-Q-BIN Center, convenience store or PUDO station as a location for pick-up. As for individual customers, we promoted efforts to increase sales of services enabling customers to complete TA-Q-BIN sending procedures using their smartphones, and providing them with access to features such as online payment settlement and anonymous delivery.
- ④ With respect to corporate clients, we have been accurately pinpointing managerial challenges and actively proposing solutions to address those challenges. During the nine months ended December 31, 2019, we have been continuing to strengthen account management in coordinated efforts of the Group, and boosting profitability by making proposals that provide high added value using the Group’s business resources.
- ⑤ We have been taking steps to improve services for residents geared toward resolving issues facing communities. In part, this has involved collaborating with numerous municipalities and companies in efforts that entail helping those who have difficulties doing their shopping and helping to watch over elderly residents. Moreover, we have also been helping to revitalize local industry particularly through initiatives that involve supporting tourism and helping to expand sales channels for locally produced products.
- ⑥ Operating revenue amounted to 1,016,547 million yen, up 1.0% from the previous year owing to a higher TA-Q-BIN unit price amid promotion of structural reforms in the Delivery Business. Operating profit amounted to 34,806 million yen, down 41.4% from the previous year mainly due to an increase in personnel expenses and despite a decrease in commission expenses.

● BIZ-Logistics

- ① In the BIZ-Logistics Business, the Yamato Group is providing customers with innovative logistics systems by combining management resources such as the TA-Q-BIN network with logistics functions, maintenance and recall handling functions, cleansing functions for medical devices and international transportation functions.
- ② For e-commerce, we are offering various one-stop services including placing and accepting orders, visual monitoring of inventories for customers and enabling speedier shipments. Moreover, we have been providing services to medical device-related business operators that help such customers revolutionize logistics through our comprehensive support extending beyond delivery to encompass cleaning, maintaining and relending surgical equipment returned by hospitals. During the nine months ended December 31, 2019, we promoted efforts to increase sales of this service, particularly among our existing customers.
- ③ Operating revenue amounted to 108,303 million yen, down 5.0% from the previous year mainly as a result of maintenance and recall services falling back from the previous fiscal year. Operating profit was 4,123 million yen, up 32.2% from the previous year mainly as a result of overhauling distribution centers.

● Home Convenience

- ① Given the situation where there were inappropriately billings to corporate clients for moving-related services provided to their employees, Home Convenience Business continued to take steps to prevent a recurrence of such incidents through efforts that have included fundamentally overhauling the moving business and revamping product design. During the nine months ended December 31, 2019, we have been working to heighten quality of our new moving-related services for single people, which we started providing to individual customers in September.

- ② Operating revenue amounted to 20,876 million yen, down 18.6% from the previous year. The decrease was due to having stopped moving-related services. As for profits, the segment posted an operating loss of 7,656 million yen.

● e-Business

- ① In the e-Business, the Yamato Group helps customers streamline their business processes and solve potential issues by proactively developing solution platform business that combines logistics technology and financial technology with information technology to accelerate growth of the Yamato Group businesses. In addition to the conventional information technologies, we are promoting use of emerging technologies that harness artificial intelligence (AI), the Internet of things (IoT) and other such innovations.
- ② We have been offering the “Certified Web Retrieval Service” for the financial industry which enables subscribers to safely and simply submit documentation. The service helps our customers streamline their administrative operations by enabling service subscribers to use their smartphones, personal computers and other such devices to upload identification papers and other documents necessary when completing application processes. During the nine months ended December 31, 2019, we began offering the “Multi-value Charge Service” which facilitates payments to individuals from business enterprises involved in second-hand item purchasing and e-commerce returned merchandise, and accordingly enables such individuals to receive cashless payments in the form of e-money and other options of their choice.
- ③ Operating revenue amounted to 22,805 million yen, up 13.8% from the previous year mainly generated from our outsourcing services that have in part involved establishing systems for cashless reward point operations accompanying Japan’s consumption tax hike, and also due to progress achieved with respect to expanding sales of our “IT Asset Management Optimization Service” involving total support encompassing everything from equipment procurement to asset management of personal computers and other information technology assets. Operating profit was 8,591 million yen, up 22.3% from the previous year.

● Financial

- ① In the Financial Business, the Yamato Group has been developing settlement and financial services tailored to a range of customer needs for payment collection of mail-order products, business-to-business transaction settlement, and vehicle leasing.
- ② With respect to our payment settlement services, in addition to providing our mainstay service “TA-Q-BIN Collect,” we have also been promoting increased customer use of both our “Kuroneko Web Collect” comprehensive internet-based transaction settlement service, “Kuroneko Pay After Delivery Services” and our e-money settlement services. During the nine months ended December 31, 2019, we have been taking steps to expand sales of our “Raku-uru Cart” service. This service helps business operators newly enter the e-commerce market, which is necessary for expansion going forward, by providing one-stop support in terms of shopping cart function, payment settlement and delivery services. Moreover, with respect to our “Kuroneko Pay After Delivery Services,” we have been taking steps to expand sales of the “smartphone-based payment” feature that enables users to select from various payment options displayed on their smartphone device after having received products, which is in addition to the already available “payment slip-based payment” feature whereby a payment slip is sent by postal mail to the customer who has made a purchase.
- ③ Operating revenue amounted to 58,275 million yen, down 3.9% from the previous year mainly due to a decrease in “TA-Q-BIN Collect” delivery amount due to a shrinking market for cash-on-delivery brought about by changing payment settlement needs, and despite increases in the use of our “Kuroneko Web Collect” and “Kuroneko Pay After Delivery Services.” Operating profit amounted to 4,973 million yen, down 11.7% from the previous year.

● Autoworks

- ① In the Autoworks Business, we provide value to logistics operations and logistics service providers in the form of “improvement of vehicle maintenance convenience” and “reduced maintenance expenses,” as well as services that help our customers improve their asset utilization ratios, by adding options of “maintaining

and safeguarding logistics facilities and equipment, and improving such workplace environments,” along with “offering insurance plans tailored to customer risk management needs” which provide coverage for such assets.

- ② During the nine months ended December 31, 2019, we achieved greater use of maintenance services as a result of having carried out initiatives to increase sales of such services through close communication with customers.
- ③ Operating revenue amounted to 18,838 million yen, down 3.2% from the previous year mainly as a result of a decrease in fuel sales volume. Operating profit amounted to 3,563 million yen, down 1.5% from the previous year.

● **Other**

- ① The “JITBOX Charter service” provides transportation by transport box. The service takes advantage of its network consisting of multiple companies and provides added value to customers through timely delivery and frequent, right-amount delivery. In the nine months ended December 31, 2019, service use grew steadily due to favorable results with respect to existing services.
- ② Operating profit excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies decreased 4.5% from the previous year to 1,679 million yen.

ESG Initiatives

- ① The Yamato Group places utmost priority on protecting human life and conducts a range of safety measures. Accordingly, its transport safety management practices in that regard involve drawing up its Safety Management Regulations, building up its transport safety management systems, and formulating fiscal year plans, all centered on respective Group companies whose main operations involve transport. During the nine months ended December 31, 2019, Yamato Transport Co., Ltd. held the “9th Nationwide Safety Competition” and engaged in efforts to heighten safety awareness and improve driving skills. In addition, since 1998 we have been holding our “Safety Classes for Children,” through which we convey the importance of traffic safety, in day care facilities, kindergartens and elementary schools across Japan. A total of about 3.39 million people have now participated.
- ② In order to earn the confidence of Yamato Group’s customers and society through acting as a company that forms an important part of social infrastructure, we have been promoting management in conformity with compliance and working on the Group-wide initiatives with respect to “Work Style Reform” through developing a vibrant working environment which is more “employee-friendly” and “rewarding” for employees, such as promoting reviewing our management rules on working hours and creating new working styles for our employees.
- ③ The Yamato Group will continue to carry out drastic and comprehensive measures to rebuild Group governance, with the aim of enhancing sound Group management, with efforts being spearheaded by our “Group Governance Project.” During the nine months ended December 31, 2019, we continued to implement ethics education for all of our employees in order to foster a sense of ethics throughout the Group, further instill our corporate philosophy, and promote such practices in our operations. We also took steps to develop personnel who are responsible for enhancing compliance at our respective Group companies.
- ④ The Yamato Group recognizes climate change, air pollution, decrease of resources, and loss of biodiversity as important issues to address in order to realize a sustainable society. We have been implementing measures to address climate change by shifting to use of vehicles that produce lower carbon dioxide emissions, introducing small commercial-use EV trucks to our fleets, and handling collection and delivery in a manner that does not involve use of automobiles. We also hold “Kuruneko Yamato Environmental Class” sessions designed to provide support for environmental education of children who will bear responsibilities of the next generation. We have held such classes on an ongoing basis nationwide since 2005, attracting about 250 thousand participants so far.
- ⑤ Aiming to create more sustainable social value, the Yamato Group promotes initiatives for sharing value with society based on the concept of “Creating Shared Value (CSV).” During the nine months ended December 31, 2019, we promoted our “combined passenger-cargo” operations using scheduled-route

passenger buses and railways, thereby helping to improve lifestyle services for local residents by keeping scheduled bus and railway networks running in hilly and mountainous areas where populations are substantially declining and getting older, and also by streamlining distribution in those locations. With the aim of stimulating the economies of local regions while improving convenience for tourists, particularly for the increasing numbers of overseas visitors, etc., we promoted initiatives involving our hands-free travel service which has entailed expanding our offerings to include baggage check services and same-day delivery of tourists' luggage to their lodging facilities. For residents in suburban areas which are undergoing changes with respect to people's life stages, we have been providing support for community development geared to ensuring that local residents are able to lead comfortable lives. Our efforts have involved helping to revitalize local communities where we have our business locations, and providing such residents with lifestyle support services that include handling shopping and housekeeping on their behalf. We have been working with government bodies in efforts geared to revitalizing communities and resolving issues by leveraging the Yamato Group's management resources with respect to initiatives that include helping to watch over elderly residents, supporting tourism, and expanding sales channels for locally produced products in respective regions throughout Japan. The number of the Yamato Group's initiatives, including the ones under discussion, totaled 1,075.

- ⑥ Aspiring to be a company that continually evolves in step with society, led by Yamato Welfare Foundation, the Yamato Group conducts various activities to help realize a society in which disabled people can freely enjoy a lifestyle as a member of each community. Specifically, we engage in ongoing programs that support economic independence of people with disabilities, such as actively employing them at the Swan Bakery which makes and sells bread, providing them with workplaces through the consigned delivery of Kuroneko DM-Bin, and operating job-finding support facilities where they take part in training to acquire skills and knowledge necessary for employment.

(2) Explanation of financial position

Total assets were 1,161,765 million yen as of December 31, 2019, up 38,106 million yen from the end of the previous fiscal year. The increase was largely attributable to a 63,364 million yen increase in notes and accounts receivable - trade, despite a 23,188 million yen decrease in cash and deposits.

Liabilities increased 18,035 million yen to 568,306 million yen from the end of the previous fiscal year. The major factors in this were increases in notes and accounts payable - trade of 17,581 million yen, accrued expenses of 10,174 million yen and borrowings of 9,200 million yen, despite a decrease in provision for bonuses of 22,547 million yen.

Total net assets were 593,459 million yen, up 20,070 million yen from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings of 19,152 million yen due to the recording of profit attributable to owners of the Parent of 31,406 million yen and payment of dividends of surplus of 11,433 million yen.

Accordingly, the equity ratio was at the same level as in the previous fiscal year at 50.4%.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

Going forward, the economic environment is likely to be plagued by ongoing uncertainties ahead due to factors such as effects of political trends overseas, yet economy has been gradually recovering amid underlying strengths in corporate earnings. Moreover, the logistics industry is expected to continuously face a severe business environment due to an upward trend with respect to small parcel amount by expansion of the e-commerce market brought about by rapidly changing styles of consumption and tightening of the domestic labor market.

In that environment, the Yamato Group placed a management focus on "Work Style Reform" and endeavored to improve and develop the working environment, while in the Delivery Business promoting its "structural reforms in the Delivery Business." Also, we have been working on efforts that involve engaging in adequate pricing initiatives and increasing delivery amount, although increasing delivery amount is likely to take more time than had been anticipated given somewhat sluggish freight movement. Meanwhile, we have been striving to expand our revenue base by strengthening account management on a Group-wide basis and promoting solution sales geared toward addressing customers' business challenges. As for expenditures, we have been working toward enhancing cost controls in line with operating amount despite the likelihood of increases in outlays associated with our reform initiatives. The consolidated earnings forecasts reflect the effects of the current suspension of moving-related services by our consolidated subsidiary Yamato Home Convenience Co., Ltd.

The Yamato Group has made changes to the consolidated earnings forecasts for the full year of the fiscal year ending March 31, 2020 since the announcement made on October 31, 2019.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	195,954	172,766
Notes and accounts receivable - trade	220,159	283,524
Accounts receivable - installment	44,802	46,895
Lease receivables and investments in leases	54,537	54,165
Merchandise and finished goods	642	519
Work in process	194	244
Raw materials and supplies	2,410	2,038
Other	33,032	35,264
Allowance for doubtful accounts	(1,475)	(1,552)
Total current assets	550,258	593,866
Non-current assets		
Property, plant and equipment		
Buildings and structures	352,141	361,014
Accumulated depreciation	(204,191)	(206,705)
Buildings and structures, net	147,950	154,309
Vehicles	208,031	215,933
Accumulated depreciation	(183,835)	(192,330)
Vehicles, net	24,195	23,603
Land	175,995	175,305
Leased assets	31,537	32,177
Accumulated depreciation	(9,531)	(9,810)
Leased assets, net	22,006	22,367
Other	167,940	158,327
Accumulated depreciation	(109,170)	(108,889)
Other, net	58,769	49,437
Total property, plant and equipment	428,918	425,022
Intangible assets	20,624	20,973
Investments and other assets		
Investment securities	54,013	50,982
Other	70,847	72,043
Allowance for doubtful accounts	(1,002)	(1,122)
Total investments and other assets	123,858	121,903
Total non-current assets	573,401	567,899
Total assets	1,123,659	1,161,765

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	158,938	176,519
Short-term borrowings	60,800	75,500
Lease obligations	2,791	3,218
Income taxes payable	23,747	18,099
Deferred installment income	5,341	5,031
Provision for bonuses	35,844	13,296
Other	122,961	138,572
Total current liabilities	410,423	430,237
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	19,500	14,000
Lease obligations	20,142	21,383
Retirement benefit liability	74,508	76,120
Other	15,696	16,565
Total non-current liabilities	139,847	138,069
Total liabilities	550,270	568,306
Net assets		
Shareholders' equity		
Share capital	127,234	127,234
Capital surplus	36,813	36,813
Retained earnings	431,497	450,650
Treasury shares	(39,085)	(39,086)
Total shareholders' equity	556,459	575,611
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,975	13,630
Foreign currency translation adjustment	(515)	(1,646)
Remeasurements of defined benefit plans	(3,078)	(2,010)
Total accumulated other comprehensive income	9,381	9,973
Non-controlling interests	7,547	7,873
Total net assets	573,388	593,459
Total liabilities and net assets	1,123,659	1,161,765

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income (cumulative)

(Millions of yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Operating revenue	1,257,610	1,257,724
Operating cost	1,143,652	1,163,282
Operating gross profit	113,958	94,441
Selling, general and administrative expenses	39,615	44,364
Operating profit	74,343	50,077
Non-operating income		
Interest income	109	124
Dividend income	854	893
Other	897	794
Total non-operating income	1,861	1,812
Non-operating expenses		
Interest expenses	191	331
Share of loss of entities accounted for using equity method	1,445	3,812
Other	922	916
Total non-operating expenses	2,559	5,059
Ordinary profit	73,644	46,830
Extraordinary income		
Gain on sales of non-current assets	5	7,920
Gain on sales of investment securities	37	—
Total extraordinary income	42	7,920
Extraordinary losses		
Loss on retirement of non-current assets	197	253
Impairment loss	1,025	696
Loss on valuation of investment securities	23	0
Other	2	73
Total extraordinary losses	1,248	1,023
Profit before income taxes	72,438	53,727
Income taxes	29,027	22,095
Profit	43,410	31,631
Profit attributable to non-controlling interests	215	224
Profit attributable to owners of the Parent	43,194	31,406

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Profit	43,410	31,631
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,793)	1,112
Foreign currency translation adjustment	(593)	(1,131)
Remeasurements of defined benefit plans, net of tax	240	1,066
Share of other comprehensive income of entities accounted for using equity method	(0)	(274)
Total other comprehensive income	(2,145)	774
Comprehensive income	41,264	32,405
(Breakdown)		
Comprehensive income attributable to owners of the Parent	41,087	31,999
Comprehensive income attributable to non-controlling interests	177	405

**(3) Notes to consolidated financial statements
(Notes to premise of going concern)**

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Application of specific accounting for preparing the quarterly consolidated financial statements)

Calculation of tax expenses

Tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the third quarter under review.

(Changes in accounting policies)

The Group has applied IFRS 16 Leases to some of its overseas consolidated subsidiaries effective from the beginning of the first quarter of the fiscal year ending March 31, 2020, and as such generally recognizes all leases of a lessee as assets and liabilities. In its application of the accounting standard, the Group has adopted an approach that involves recognizing the cumulative effect of applying the accounting standard at the date of its initial application, as a transitional measure.

In addition, the effect of this application on quarterly consolidated financial statements is immaterial.

(Segment information, etc.)

[Segment information]

I For the nine months ended December 31, 2018

1. Information regarding the amounts of operating revenue and profit or loss by reportable segment

(Millions of yen)

	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial
Operating revenue					
(1) Operating revenue from customers	1,006,762	114,037	25,638	20,037	60,609
(2) Inter-segment operating revenue or transfers	50,117	9,543	10,421	30,882	2,179
Total	1,056,879	123,580	36,059	50,919	62,788
Segment profit (loss)	59,427	3,119	(6,609)	7,026	5,634

	Autoworks	Other (Notes 1, 2)	Total	Reconciliation (Note 3)	Amount recorded in consolidated statement of income (Note 4)
Operating revenue					
(1) Operating revenue from customers	19,451	11,074	1,257,610	—	1,257,610
(2) Inter-segment operating revenue or transfers	24,927	39,508	167,580	(167,580)	—
Total	44,379	50,583	1,425,191	(167,580)	1,257,610
Segment profit (loss)	3,618	19,319	91,536	(17,193)	74,343

Notes: 1. Other includes business-to-business distribution via JITBOX Charter and shared services, etc.

2. Operating revenue in Other includes dividends which the Company received from the Group companies as a pure holding company and the effect of this on operating revenue and segment profit is 18,593 million yen.

3. The adjustment of segment profit resulted from eliminating transactions among segments, etc.

4. An adjustment was made between segment profit and operating profit in the consolidated statement of income.

2. Information regarding impairment losses of non-current assets or goodwill, etc. by reportable segment
(Significant impairment loss on non-current assets)

In the Home Convenience segment, the Company has decreased the book value of an asset group with diminished profitability to the recoverable value, and has accordingly recorded an impairment loss of 897 million yen for the nine months ended December 31, 2018.

II For the nine months ended December 31, 2019

1. Information regarding the amounts of operating revenue and profit or loss by reportable segment

(Millions of yen)

	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial
Operating revenue					
(1) Operating revenue from customers	1,016,547	108,303	20,876	22,805	58,275
(2) Inter-segment operating revenue or transfers	43,427	9,116	9,234	33,418	2,115
Total	1,059,975	117,420	30,110	56,224	60,390
Segment profit (loss)	34,806	4,123	(7,656)	8,591	4,973

	Autoworks	Other (Notes 1, 2)	Total	Reconciliation (Note 3)	Amount recorded in consolidated statement of income (Note 4)
Operating revenue					
(1) Operating revenue from customers	18,838	12,076	1,257,724	—	1,257,724
(2) Inter-segment operating revenue or transfers	24,630	58,446	180,389	(180,389)	—
Total	43,469	70,523	1,438,114	(180,389)	1,257,724
Segment profit (loss)	3,563	36,542	84,943	(34,866)	50,077

- Notes: 1. Other includes business-to-business distribution via JITBOX Charter and shared services, etc.
2. Operating revenue in Other includes dividends which the Company received from the Group companies as a pure holding company and the effect of this on operating revenue and segment profit is 36,523 million yen.
3. The adjustment of segment profit resulted from eliminating transactions among segments, etc.
4. An adjustment was made between segment profit and operating profit in the consolidated statement of income.

2. Information regarding impairment losses of non-current assets or goodwill, etc. by reportable segment (Significant impairment loss on non-current assets)
Descriptions are omitted, as the value is immaterial.

(Important subsequent matters)

(Transactions, etc. under common control)

At its 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 company split involving eight consolidated subsidiaries, including Yamato Transport Co., Ltd., on April 1, 2021.

1. Overview of transactions

(1) Absorption-type merger in which the Company is the surviving company

- a. Names, and contents of businesses, of the companies involved in the business combination
 - i. Surviving company
 - Name: Yamato Holdings Co., Ltd. (the Company)
 - Content of business: Holding of shares in operating companies, business management, and operations incidental thereto
 - ii. Disappearing company
 - Name: Yamato Transport Co., Ltd.
 - Content of business: Small parcel delivery services for the general public and corporations (TA-Q-BIN, Kuroneko DM-Bin, etc.)
 - Name: Yamato Global Express Co., Ltd.
 - Content of business: Small parcel delivery services for corporations (domestic air cargo transport business, etc.)
 - Name: Yamato Logistics Co., Ltd.
 - Content of 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.
 - Content of 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.
 - Content of business: Packing / cargo transportation services
 - Name: Yamato Packing Technology Institute Co., Ltd.
 - Content of business: R&D and sale of packaging containers and materials
 - Name: Yamato Financial Co., Ltd.
 - Content of business: Settlement services targeting business customers and general consumers (TA-Q-BIN Collect service, Internet total settlement service, etc.)
- b. Date of the business combination
April 1, 2021 (planned)
- c. Legal form of the business combination
Absorption-type merger with seven subsidiaries, namely Yamato Transport Co., Ltd., Yamato Global Express Co., Ltd., Yamato Logistics Co., Ltd., Yamato Global Logistics Japan Co., Ltd., Yamato Packing Service Co., Ltd., Yamato Packing Technology Institute Co., Ltd. and Yamato Financial Co., Ltd. as the disappearing companies and the Company as the surviving company.
- d. Name of the company after the business combination
Not determined at this stage.

- (2) Absorption-type company split in which the Company is the successor company
- a. Names of businesses and the contents thereof

Name of business:	Web-based Mail Order Solution Business of Yamato System Development Co., Ltd.
Content of business:	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 of business:	Regional Operation Management Department of Yamato System Development Co., Ltd.
Content of business:	Sales department
 - b. Date of the business combination
April 1, 2021 (planned)
 - c. Legal form of the business combination
Absorption-type company split with Yamato System Development Co., Ltd. as the splitting company and the Company as the successor company.
 - d. Name of the company after the business combination
Not determined at this stage.

- (3) Overview of the transaction including its purpose
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 reorganize its management structure to shift the current pure holding company structure into a business company structure, which consists of four Business Divisions (Retail, Regional Corporate, Global Corporate, and EC) and four Functional 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.

2. Overview of accounting procedures to be applied
The transaction will be accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(Purchase and cancellation of treasury shares)

At the meeting held on January 30, 2020, the Board of Directors resolved matters related to the purchase of treasury shares of the Company, in accordance with the provisions of the Articles of Incorporation, pursuant to Article 459, paragraph (1), item (i) of the Companies Act, and also resolved to cancel treasury shares of the Company in accordance with the provisions of Article 178 of the Companies Act.

1. Reason of purchase and cancellation of treasury shares
The Company purchases and cancels its treasury shares to implement flexible capital policies in accordance with changes in the business environment with the aim of enhancing shareholder value.
2. Content of matters related to the purchase of treasury shares

Type of shares to be purchased:	Common shares of the Company
Total number of shares to be purchased:	Up to 35,000,000 shares (ratio to the total number of issued shares (excluding treasury shares): 8.88%)
Total acquisition price of shares to be purchased:	Up to 50 billion yen
Acquisition period:	From February 6, 2020 to September 30, 2020
Acquisition method:	Through market purchase

3. Content of cancellation of treasury shares

Type of shares to be canceled:

Common shares of the Company

Total number of shares to be canceled:

All of the treasury shares to be purchased through 2.
above

Scheduled date of cancellation:

October 13, 2020

3. Supplementary Information

Operating revenue by business

Business segment		For the nine months ended December 31, 2018		For the nine months ended December 31, 2019		Change (%)	Fiscal year ended March 31, 2019	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		Amount (Millions of yen)	Ratio (%)
Delivery	TA-Q-BIN	932,784	74.2	945,588	75.2	1.4	1,199,084	73.8
	Kuroneko DM-Bin	55,543	4.4	49,275	3.9	(11.3)	73,062	4.5
	Express	31,714	2.5	31,814	2.5	0.3	41,615	2.6
	Others	77,402	6.2	74,338	5.9	(4.0)	100,698	6.2
	Eliminations	(90,683)	(7.2)	(84,468)	(6.7)	(6.9)	(117,237)	(7.2)
	Total	1,006,762	80.1	1,016,547	80.8	1.0	1,297,222	79.8
BIZ-Logistics	Logistics ^{*1}	77,711	6.2	73,812	5.9	(5.0)	101,012	6.2
	Trading logistics service	32,124	2.6	30,428	2.4	(5.3)	41,829	2.6
	Others ^{*1}	24,547	2.0	24,405	1.9	(0.6)	31,568	1.9
	Eliminations	(20,346)	(1.6)	(20,341)	(1.6)	0.0	(26,973)	(1.7)
	Total	114,037	9.1	108,303	8.6	(5.0)	147,437	9.1
Home Convenience	Home convenience ^{*2}	36,070	2.9	30,115	2.4	(16.5)	46,040	2.8
	Eliminations	(10,432)	(0.8)	(9,239)	(0.7)	(11.4)	(12,636)	(0.8)
	Total	25,638	2.0	20,876	1.7	(18.6)	33,404	2.1
e-Business	Credit card solution	6,893	0.5	8,592	0.7	24.6	9,373	0.6
	IT operating	5,454	0.4	6,201	0.5	13.7	7,470	0.5
	Web-based mail order solution	4,691	0.4	5,208	0.4	11.0	5,844	0.4
	Others	37,807	3.0	40,663	3.2	7.6	50,827	3.1
	Eliminations	(34,809)	(2.8)	(37,861)	(3.0)	8.8	(46,922)	(2.9)
	Total	20,037	1.6	22,805	1.8	13.8	26,592	1.6
Financial	Payment	24,570	2.0	22,477	1.8	(8.5)	32,162	2.0
	Lease	30,419	2.4	30,151	2.4	(0.9)	40,181	2.5
	Credit & Finance	2,644	0.2	2,538	0.2	(4.0)	3,479	0.2
	Others	5,197	0.4	5,275	0.4	1.5	7,056	0.4
	Eliminations	(2,222)	(0.2)	(2,168)	(0.2)	(2.5)	(2,913)	(0.2)
	Total	60,609	4.8	58,275	4.6	(3.9)	79,966	4.9
Autoworks	Truck solution	39,315	3.1	38,946	3.1	(0.9)	50,486	3.1
	Others	7,144	0.6	6,575	0.5	(8.0)	9,620	0.6
	Eliminations	(27,008)	(2.1)	(26,683)	(2.1)	(1.2)	(34,121)	(2.1)
	Total	19,451	1.5	18,838	1.5	(3.2)	25,985	1.6
Other	JITBOX Charter service	9,660	0.8	10,432	0.8	8.0	12,609	0.8
	Others	43,620	3.5	62,813	5.0	44.0	51,651	3.2
	Eliminations	(42,206)	(3.4)	(61,169)	(4.9)	44.9	(49,556)	(3.0)
	Total	11,074	0.9	12,076	1.0	9.1	14,705	0.9
	Total	1,257,610	100.0	1,257,724	100.0	0.0	1,625,315	100.0

Changes have been made to the business segments, mainly for the purposes of enhancing functions of the respective operations and streamlining management. The principal changes are shown below. Accordingly, the segment information for the nine months ended December 31, 2018 and the fiscal year ended March 31, 2019 have been restated to reflect the new classification.

*1. In the BIZ-Logistics segment, the segment information has been changed as follows.

- Effective from the first quarter of the fiscal year ending March 31, 2020, Products Logistics is included in Others.
- Effective from the third quarter of the fiscal year ending March 31, 2020, four business divisions, namely Sales and Logistics, Multi maintenance, Technical Network and e-Logistics solution, as well as four business divisions, namely Medical Logistics, Documents Logistics, e-On Demand solution and Setup and Logistics solution that belonged to Others, are presented as Logistics.

*2. Effective from the first quarter of the fiscal year ending March 31, 2020, in the Home Convenience segment, Business convenience is included in Home convenience.