

Consolidated Financial Results for the Year Ended March 31, 2022 <under Japanese GAAP>

Company name: Yamato Holdings Co., Ltd.
 Listing: Tokyo Stock Exchange
 Stock code: 9064
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Scheduled date of the ordinary general meeting of shareholders: June 23, 2022
 Scheduled date of the commencement of dividend payment: June 2, 2022
 Scheduled date of the submission of annual securities report: June 17, 2022
 Preparation of supplementary materials on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than 1 million yen are discarded.)

1. Consolidated financial results for fiscal year 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

(Percentages represent year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the year ended								
March 31, 2022	1,793,618	5.8	77,199	(16.2)	84,330	(10.3)	55,956	(1.3)
March 31, 2021	1,695,867	4.0	92,121	106.1	94,019	131.4	56,700	154.0

(Note) Comprehensive income: For the year ended March 31, 2022: 47,276 million yen ((35.5)%
 For the year ended March 31, 2021: 73,292 million yen (324.0%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to operating revenue
For the year ended	Yen	Yen	%	%	%
March 31, 2022	151.03	—	9.6	7.7	4.3
March 31, 2021	151.55	—	10.0	8.6	5.4

(Reference) Equity in earnings of affiliates: For the year ended March 31, 2022: (242) million yen
 For the year ended March 31, 2021: (766) million yen

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the consolidated fiscal year ended March 31, 2022, and figures in the consolidated operating results for the fiscal year ended March 31, 2022, are those after applying the accounting standard and relevant revised ASBJ regulations.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	1,086,854	598,233	54.3	1,611.34
March 31, 2021	1,089,991	584,287	52.9	1,553.45

(Reference) Equity: As of March 31, 2022: 590,542 million yen As of March 31, 2021: 576,367 million yen

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the consolidated fiscal year ended March 31, 2022, and figures in the consolidated financial position as of March 31, 2022, are those after applying the accounting standard and relevant revised ASBJ regulations.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
For the year ended	Millions of yen	Millions of yen	Millions of yen	Millions of Yen
March 31, 2022	52,016	(58,943)	(54,456)	180,603
March 31, 2021	123,921	44,078	(123,247)	241,284

2. Dividends

	Annual dividends					Total annual dividends	Payout ratio (consolidated)	Dividends on equity (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2021	—	16.00	—	30.00	46.00	17,089	30.4	3.1
Fiscal 2022	—	23.00	—	23.00	46.00	16,985	30.5	2.9
Fiscal 2023 (Forecast)	—	23.00	—	23.00	46.00		29.3	

3. Consolidated earnings forecasts for fiscal year 2023 (from April 1, 2022 to March 31, 2023)

(Percentages represent year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year	874,000	1.0	31,000	(2.2)	31,000	(16.0)	19,000	29.9	52.40
Full year	1,820,000	1.5	91,000	17.9	91,000	7.9	57,000	1.9	157.26

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

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

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

(Note) For details, please see "3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to consolidated financial statements (Changes in accounting policies)" on page 22 of the attached materials to the financial results report.

(3) Number of issued shares (common shares)

- Number of issued shares as of the end of the period (including treasury shares)
 - As of March 31, 2022: 388,575,592 shares
 - As of March 31, 2021: 388,575,592 shares
- Number of treasury shares as of the end of the period
 - As of March 31, 2022: 22,084,421 shares
 - As of March 31, 2021: 17,550,515 shares
- Average number of shares during the period
 - For the year ended March 31, 2022: 370,487,598 shares
 - For the year ended March 31, 2021: 374,149,762 shares

(Note) For details of the number of shares used to calculate consolidated basic earnings per share, please see "3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to consolidated financial statements (Per share information)" on page 28 of the attached materials to the financial results report.

*Financial results reports are exempt from audit 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. Overview of Operating Results and Others, (4) Future outlook" on page 8 of the attached materials to the financial results report.

- The Company plans to post supplementary materials on financial results on the Company's website promptly after the announcement of the financial results.

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1. Overview of Operating Results and Others

(1) Overview of operating results for the fiscal year ended March 31, 2022

During the consolidated fiscal year ended March 31, 2022, there were signs of improvement in the economic sentiment, due to the gradual resumption of economic activity following the full lifting of the novel coronavirus disease (COVID-19) state of emergency declarations. However, the outlook for full-scale economic recovery remains unclear, due to global supply chain disruptions, the weakening of the yen, high crude oil prices, as well as the instability in international affairs leading to the rise in natural resource prices.

Meanwhile, COVID-19 has accelerated growth in the e-commerce domain across all industries amid a scenario of changes in consumer behavior and lifestyles brought about by developments such as companies promoting telework arrangements and a shift to online services in the fields of medicine and education.

Under such circumstances, the Yamato Group embarked on a new Group management structure centered on the “New Yamato Transport,” which combines management resources of our respective Group companies, with the aim of sustainably increasing its corporate value through contribution to the creation of an enriched society as stated under its Management Philosophy. In addition, we took steps to furthermore provide comprehensive value by meeting the needs of our customers and society by transforming supply chains in response to changing lifestyles and changing distribution structure, based on the medium-term management plan, “One Yamato 2023,” with the fiscal year ending March 31, 2024 set as its final fiscal year.

Our consolidated financial results for the full year ended March 31, 2022 are as follows:

Item	(Millions of yen)			
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change	Growth (%)
Operating revenue	1,695,867	1,793,618	97,750	5.8
Operating profit	92,121	77,199	(14,921)	(16.2)
Ordinary profit	94,019	84,330	(9,689)	(10.3)
Profit attributable to owners of parent	56,700	55,956	(744)	(1.3)

For the consolidated fiscal year ended March 31, 2022, operating revenue amounted to 1,793,618 million yen, up 97,750, million yen year-on-year. This is largely attributable to our having achieved an increase in parcel delivery volume as a result of taking action in the burgeoning e-commerce domain, and also a result of our having focused on optimizing logistics for customers.

Operating expenses amounted to 1,716,418 million yen, up 112,672 million yen year-on-year. This was due to factors that include an increase in costs associated with the promotion of the medium-term management plan “One Yamato 2023,” such as the fact that we are in the process of optimizing operations in the e-commerce logistics network, which we are building to accommodate the growing demand for e-commerce, and our existing network, along with higher unit prices of fuel. As a result, for the consolidated fiscal year ended March 31, 2022, operating profit amounted to 77,199 million yen, down 14,921 million yen year-on-year.

Ordinary profit amounted to 84,330 million yen, down 9,689 million yen year-on-year, despite the booking of 4,510 million yen in gain on investments in investment partnerships.

Profit attributable to owners of parent amounted to 55,956 million yen, and the Company was able to limit the decline from the previous fiscal period to 744 million yen, mainly due to booking of 15,312 million yen of disposal gains of investment securities as extraordinary income, in part due to the disposal of strategic holdings of shares, the booking of 14,999 million yen in loss on revision of retirement benefit plan as extraordinary losses, as well as the decline in taxable profit for the period as a result of losses from the disposal of affiliate company shares.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review.

In addition, effective from the first quarter of the consolidated fiscal year ended March 31, 2022, the Company and its domestic consolidated subsidiaries have changed from the declining-balance method to the straight-line method as their depreciation method for property, plant and equipment in order to allocate costs in a manner that better reflects actual use of assets, and have accordingly modified useful lives of some vehicles.

Details are shown on “3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to consolidated financial statements (Changes in accounting policies).”

In January 2022, the Company transferred 51% of the Company's holdings of issued common shares of Yamato Home Convenience Co., Ltd. ("YHC") to ART MOVING COMPANY Co., Ltd. Effective from the end of the fiscal year ended March 31, 2022, YHC has become an equity method affiliate instead of a consolidated subsidiary, given that the Company holds 49% of the voting rights in YHC, down from 100% previously as a result of the transfer of shares.

Initiatives for the entire Yamato Group

The Yamato Group has been working to address the COVID-19 pandemic, and to ensure that customers can use TA-Q-BIN with peace of mind, we have continued to take steps that include making sure that employees practice full hygiene management, promoting workplace vaccinations among employees who wish to be vaccinated, and otherwise placing focus on implementing contact-free deliveries and other infection prevention measures when interacting with customers, using our website to share information, and continuing to provide logistics services, including TA-Q-BIN. Based on our medium-term management plan "One Yamato 2023", which seeks to provide comprehensive value that addresses the diversifying needs of customers and society, we are working on the following initiatives:

- ① Improving productivity across the entire Yamato Group
In order to address the changing and increasingly diverse needs of our customers, we have continued working to optimally allocate the Group's management resources while striving to improve the accuracy of our demand and operating amount forecasts on the basis of data analysis. In addition, we have been coordinating efforts to the Retail Business Unit, Corporate Business Unit, Transportation Function Division, and Digital Function Division with respect to optimizing and standardizing our delivery process by transforming work operations, and shifting to automation and digitization, thereby increasing the amount of time frontline personnel interact with our customers, expanding our collection and delivery capabilities, and enabling us to make improvements in safety and quality. In September 2021, Yamato Management Service Co., Ltd., which handles bookkeeping and accounting operations as well as personnel affairs for companies in the Yamato Group, was combined with Yamato Transport Co., Ltd. through an absorption-type merger, thereby enabling us to make progress in achieving optimal allocations of specialist human resources in our accounting and HR operations. Moreover, our Professional Service Function Division has been operating under the "One Yamato Structure" in spearheading efforts to reduce the administrative and indirect operations workload of our frontline personnel by engaging in business process re-engineering (BPR), which has involved standardizing and digitizing such tasks.
- ② Growing operating revenue through growth in the corporate client domain
For our corporate clients who have been coping with changes in consumer behavior and lifestyles caused by the spread of COVID-19, we have been working to build transportation and delivery networks with the addition of the network for corporate enterprises to the TA-Q-BIN and EAZY transportation modes, cater to the needs for international transportation, as well as improve the profitability of our international business. In addition, we have been continuing to tap the expanding e-commerce (EC) demand through the optimal allocation of EAZY CREW delivery partners and our sales drivers, as well as establishing an e-commerce logistics network with a more simple sorting, transportation and last-mile delivery operation, while also proposing solutions in upstream domains of logistics, particularly in areas that include e-commerce company procurement and inventory liquidation. We have also been placing focus on providing new value in part by launching the "digital return and sending service" for e-commerce companies, which entails shifting to digital procedures for returns of purchased merchandise, simplifying procedures in terms of hassles encountered when purchasers would previously make a return request by telephone or in preparing delivery slips, and making it possible to return items without the need for delivery slips from nearby business offices, PUUDO Station parcel delivery lockers, and certain convenience stores. Moreover, we served as the official logistics services partner of the Tokyo 2020 Olympic and Paralympic Games held from July to September 2021, which involved facilitating smooth and safe operations with respect to logistics design and implementation during the event by providing comprehensive logistics services in addition to TA-Q-BIN.
- ③ Promoting strategies for achieving sustainable enhancement of corporate value
With the aim of sustainably enhancing our corporate value, we have engaged in initiatives under our medium-term management plan "One Yamato 2023" plan that involve promoting data and innovation strategies, reforming management structure and reinforcing governance, engaging in HR strategy which

supports “Innovating Delivery Business,” improving capital efficiency, and strengthening sustainable management.

Our data strategy aims at preparing and making use of digital data and enhancing our digital platform to further sophisticate our use of data. In this consolidated fiscal year, we further enhanced the accuracy of demand forecasting, as well as the real-time communication platform that supports the EAZY operations. In terms of our innovation strategy, we moved forward with initiatives to promote open innovation, which entails discovering and collaborating with startups, as well as investing in such startups with the aim of creating new businesses. In this consolidated fiscal year, we invested in startups with state-of-the-art technologies, such as cross border fashion e-commerce site operator Sixty Percent Co., Ltd., and Pale Blue Inc. , which develops propulsion systems for ultra-small satellites that use water as fuel, through the “KURONEKO Innovation Fund”.

In terms of strengthening our governance, we are continuing our efforts such as separating management supervision and execution, maintaining and enhancing management transparency, as well as enhancing governance with an emphasis on decision-making speed.

When it comes to HR strategy which supports “Innovating Delivery Business,” we are using a specialist personnel system for employees engaged in instructing safety as well as planning, and conducting training programs through the Yamato Digital Academy with the aim of raising the digital literacy of all employees including senior management, as well as developing digital talent as quickly as possible. As for strengthening sustainable management, in order to strike the right balance between sustainable growth and the development of a sustainable society, we have been engaging in business in a manner that involves considering the environment and society, in part by streamlining transportation in a manner that involves attentively connecting people with resources and data. These efforts have been underpinned by our dual visions, one of which is “Connect. Deliver the Future via Green Logistics.” and the other of which is, “Through Co-Creation and Fair Business Activities, Help Create a Society That ‘Leaves No One Behind.’” In this consolidated fiscal year, we established an organizational structure to manage sustainability efforts of the whole Group, as well as setting the “Yamato Group Environmental Policy” (August 2021), “Yamato Group Human Rights Policy” (December 2021), followed by “Yamato Group Responsible Procurement Policy” and “Yamato Group Business Partner Guidelines” in January 2022.

Business strategies of each segment

The Company has changed its classification of reportable segments, effective from the first quarter of the fiscal year under review. As such, figures for the previous corresponding period have been restated to the new reportable segments to enable segment comparisons.

● Retail Business Unit

- ① The Retail Business Unit provides high-quality parcel delivery services such as TA-Q-BIN and has otherwise been working to provide value that addresses needs of our customers by drawing on the distinctive characteristics of TA-Q-BIN in terms of its points of contact with a broad range of customers. The business unit continued to focus on proposing solutions that draw on the Group’s management resources in collaboration with the Corporate Business Unit, in a manner whereby frontline personnel grasp customer changes associated with lifestyles and the business environment, thereby serving as a starting point for business of the entire Yamato Group. Moreover, it has also been working in collaboration with the Platform Function Division, in part through efforts to provide services that make delivery and pick-up more convenient, particularly the “Kuroneko Members” service, which has more than 50 million registered members, and the “Yamato Business Members” service, which is used by more than 1.3 million corporate clients, and also through efforts to upgrade various services other than those involving transportation that are beneficial in terms of people’s lives and business.
- ② During the consolidated fiscal year ended March 31, 2022, we took steps to improve customer convenience with respect to the “TA-Q-BIN Request by Smartphone” service, which enables customers to complete TA-Q-BIN sending procedures using their smartphones via a service-specific website that makes it possible for them to take care of everything from preparing shipping labels to paying TA-Q-BIN fees. Such improvements included expanding the list of delivery options available in terms of targeting leisure interests through delivery options such as Golf TA-Q-BIN, Ski TA-Q-BIN, Airport TA-Q-BIN, and Round-Trip TA-Q-BIN, and also adding the online receipt download function, as well as making it possible to send parcels from PUJO Stations without human interaction. In March 2022, we improved the convenience of

the various functions offered to Kuroneko Members, including better visibility and control functions of the app and website, as well as real-time linkage and integration of customer and parcel information using the new data platform.

- ③ Working in collaboration with the Transportation Function Division and Digital Function Division, the Retail Business Unit continued to strive to improve the accuracy of demand and operating amount forecasts in respective geographic regions, and has been endeavoring to increase productivity by appropriately allocating personnel and by heightening efficiency of collection and delivery and of our trunk-route transportation.
- ④ Operating revenue from customers amounted to 893,396 million yen, up 1.2% from the previous fiscal year, mainly as a result of the business unit having engaged in efforts to optimally deliver parcels in alignment with diversifying needs and it having focused on acquiring parcels from small businesses in collaboration with the Corporate Business Unit. Operating revenue of the Retail Business Unit overall amounted to 1,172,414 million yen, down 2.0% from the previous fiscal year, as a result of parcels from e-commerce companies, which had shown a dramatic increase in the previous fiscal year, having been shifted to the Corporate Business Unit.
Although operating expenses decreased by 1.5% from the previous fiscal year largely due to lower personnel expenses, and higher transportation costs associated with rising unit price of fuel and higher delivery volume, operating profit decreased by 12.5% from the previous fiscal year.

● Corporate Business Unit

- ① The Corporate Business Unit has been seeking to provide value across entire corporate logistics supply chains, including midstream and upstream domains of business. To such ends, the business unit has been taking on initiatives that include planning supply chain management (SCM) strategies that contribute to customers' business decisions, above and beyond improving and streamlining logistics operations, and furthermore engaging in account management, which involves developing effective projects and assuming responsibility through to management and operations.
- ② Moreover, for retailers who are developing physical stores and e-commerce omni-channel sales frameworks, the business unit has been promoting efforts to optimize inventory and distribution through centralized management, thereby liquidating sales inventories with customers' omni-channel operations by combining restructured business facilities and transportation networks under the "One Yamato Structure." We also focused our efforts on proposal-based sales that contribute to providing comprehensive value by engaging in integrated management encompassing all of the Yamato Group's logistics services for companies, extending from procurement of merchandise for stores and merchandise for official online shopping websites, to storage, packaging and delivery.
- ③ For the ever-growing e-commerce domain, Yamato has been promoting sales expansion of the "EAZY" delivery service, which enables greater purchase, delivery and pick-up convenience and safety. We are promoting the establishment of a new e-commerce logistics network with a more simplified operation process from sorting to the last-mile delivery. In addition, to optimize logistics for e-commerce vendors with stores in online shopping malls, we used our partnerships with major e-commerce companies to implement initiatives to further improve convenience and expand sales for services that completely or partially replace operational functions from order receiving to shipping and delivery. Furthermore, the business unit has also been engaging in efforts involving cross-border e-commerce amid growing demand, such that involve achieving shorter lead times up through delivery by seamlessly linking import customs clearance systems with the domestic delivery network.
- ④ During the consolidated fiscal year ended March 31, 2022, the business unit has been actively engaging in a focused marketing approach that has led to greater use of new TA-Q-BIN services, while tapping needs involving items we had not previously handled such as furniture and household appliances, as well as locally sourced rice and specialty products, as a result of our offering TA-Q-BIN delivery for larger items to address needs for increasingly diverse and larger parcel sizes among corporate clients serving a wider range of business domains. We also made available the "Okihai" function for registered customers, where the driver opens the ground floor entrance to condominiums using digital keys and placing the parcel near the customers' front doors.
- ⑤ Operating revenue from customers amounted to 812,185 million yen, up 10.8% from the previous fiscal year, mainly as a result of the business unit tapping growing e-commerce demand, promoting logistics optimization of corporate clients, and flexible response for recovery of import-export freight movement,

which had been stagnant due to the global spread of COVID-19. Meanwhile, operating profit decreased 57.4% from the previous fiscal year mainly due to factors on the expenditure front in terms of an increase in transportation costs associated with higher delivery volume, as well as an increase in costs associated with our promotion of the medium-term management plan, “One Yamato 2023.”

(Reference)

(Million parcels / units)				
Category	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change	Growth (%)
Parcel delivery TA-Q-BIN/TA-Q-BIN Compact/EAZY/Nekopos	2,096	2,275	179	8.5
Kuroneko DM-Bin	826	824	(2)	(0.2)

● **Other**

- ① During the consolidated fiscal year ended March 31, 2022, we promoted efforts to expand sales for transportation by transport box taking advantage of its network consisting of multiple companies and for vehicle maintenance services.
- ② Operating revenue from customers was 88,035 million yen, up 9.9% from the previous fiscal year. Operating profit was 16,559 million yen, up 9,570 million yen from the previous fiscal year.

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 consolidated fiscal year ended March 31, 2022, we cultivated safety awareness, which involved holding awards ceremonies to recognize drivers who have remained accident-free for many years in ten locations nationwide. Due to COVID-19, we refrained from holding our “Safety Classes for Children,” which we have been continually offering to children in day care facilities, kindergartens and elementary schools across Japan since 1998 with the aim of convey the importance of traffic safety.
- ② Striving to maximize corporate value is one of the top priorities of management, and we have implemented measures and bolstered management systems in our corporate governance initiative. In addition, we have been carrying out business activities in accordance with the law and social norms and actively promoting compliance management, based on our Group Corporate Philosophy. During the consolidated fiscal year ended March 31, 2022, we established an organizational structure to manage sustainability efforts of the whole Group, as well as setting the “Yamato Group Environmental Policy” (August 2021), “Yamato Group Human Rights Policy” (December 2021), followed by “Yamato Group Responsible Procurement Policy” and “Yamato Group Business Partner Guidelines” in January 2022.
- ③ The Yamato Group has been working toward strengthening sustainable management upon having formulated its Sustainable Medium-Term Environmental Plan 2023 and Medium-Term Social Plan 2023, underpinned by the two visions of “Connect. Deliver the Future via Green Logistics” and “Through Co-Creation and Fair Business Activities, Help Create a Society That Leaves No One Behind,” set forth in the transformation plan “YAMATO NEXT100,” which serves as a grand design for management over the medium to long term.
- ④ Under the “Environmental” component of the plan, we have set aggregate targets for reducing the environmental burden of our business activities and have otherwise set targets for areas in the logistics industry where the Yamato Group is able to bring about widespread use of innovative technology, such as with respect to materials and vehicles. We are furthermore working to create environmental value on the basis of having also set targets in terms of engaging in green logistics in collaboration with diverse partners and providing products and services that have less impact on the environment. During the consolidated fiscal year ended March 31, 2022, we embarked on field testing of collection and delivery operations enlisting compact battery electric vehicle (BEV) trucks featuring a walk-through, ultra-low-floor design with the aim of introducing drivers to very practical low-carbon vehicles placing due consideration on the environment. We have continued taking action to achieve the vision of virtually zero greenhouse gas emissions (in-house emissions) by 2050, established as a long-term goal. This entails efforts that

include adopting collection and delivery methods that do not generate greenhouse gas emissions through use of hand trucks, bicycles and other such modes of transportation, and using electricity derived from renewable energy. Due to COVID-19, we refrained from holding our “Kuroneko Yamato Environmental Class” sessions, which we have been continually offering nationwide since 2005, with the aim of providing support for environmental education of children who will bear responsibilities of the next generation.

- ⑤ In addition, under the “Social” component of the plan, we have been continuing to take on initiatives that involve developing a work environment in which we respect diverse personnel and in which employees are able to play active roles, while also working to realize an enriched society in part by addressing social challenges and promoting community development enlisting a co-creation approach. During the consolidated fiscal year ended March 31, 2022, we set our sights on developing a sustainable pharmaceutical network by embarking on field testing to assess the economic feasibility of using unmanned drones to transport items such as pharmaceutical products required by locally-based medical institutions and prescription medicine delivered to private residences. This involved working in collaboration with participants that include the town of Wake in Okayama Prefecture and pharmaceutical manufacturers and wholesalers. Going forward, maintaining our capacity for trunk-route transportation will become a challenge, with the shortage of truck drivers. In order to build a sustainable and robust logistics network, we announced in January 2022 that we will begin operations of cargo-only planes (freighters) from April 2024.
- ⑥ 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).” We continue to engage in various initiatives to such ends. For instance, we have been operating our community-based Neko Support Station locations enlisting close local ties and facilitating healthy and sustainable development of local communities, along with lifestyles of safety and comfort among local residents. We have also been setting up housekeeping support services, monitoring services that use “HelloLight” IoT light bulbs, consultation services for everyday life, and holding events that enable interaction among community members.
- ⑦ 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 experience the joy of working autonomously. Specifically, we engage in ongoing programs that support economic independence of people with disabilities, such that include actively employing people with disabilities 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) Overview of financial position for the fiscal year ended March 31, 2022

Total assets were 1,086,854 million yen as of March 31, 2022, down 3,136 million yen from the end of the previous fiscal year. The decrease was largely attributable to the decline in cash and deposits of 58,878 million yen, and the 44,398 million yen increase in non-current assets due to the acquisition of vehicles and software, mainly in the Retail Business Unit.

Liabilities decreased 17,082 million yen to 488,621 million yen from the end of the previous fiscal year. The decrease was largely attributable to a 19,000 million yen decrease in short-term borrowings and a 17,703 million yen decrease in income taxes payable, and a 22,307 million yen increase in liabilities related to retirement benefit liability resulting from a revision of the retirement bonus scheme.

Total net assets were 598,233 million yen, up 13,946 million yen from the end of the previous fiscal year. The major factors included an increase in Profit attributable to owners of parent of 55,956 million yen, as well as the 19,689 million yen distribution of capital surplus and the acquisition of 10,002 million yen of treasury shares.

As a result, the equity ratio increased to 54.3% from the 52.9% in the previous fiscal year.

(3) Overview of cash flows for the fiscal year ended March 31, 2022

Net cash provided by operating activities amounted to 52,016 million yen, which is a decrease of 71,904 million yen compared with the previous fiscal year. This is largely attributable to a 10,719 million yen decrease due to profit before income taxes of 81,040 million yen, and a 25,959 million yen increase in the payment of payables of consumption tax etc. and a 21,348 million yen increase in the payment of income tax etc.

Net cash used in investing activities amounted to 58,943 million yen, which is a decrease of 103,021 million yen compared with the previous fiscal year. This is largely attributable to a 91,262 million yen decrease in collection of loans receivable.

Net cash used in financing activities was 54,456 million yen. Compared with the previous fiscal year, the amount of net cash used decreased by 68,791 million yen. This is largely attributable to an increase in proceeds from borrowings of 36,500 million yen and a decrease in purchase of treasury shares of 25,650 million yen.

As a result of the above, cash and cash equivalents were 180,603 million yen as of March 31, 2022, down 60,681 million yen from the end of the previous fiscal year.

(4) Future outlook

The business environment surrounding Yamato Group is changing dramatically, with diversifying customer needs, the population decline in rural areas, the shrinking labor population, as well as climate change. Consumer behavior and lifestyles have changed, triggered by the spread of COVID-19, and this has accelerated growth in the e-commerce domain across all industries. The future outlook is unclear, with global supply chain disruptions and the rise in natural resource prices due to unstable international affairs.

Under such circumstances, the Yamato Group is accelerating initiatives to provide comprehensive value to the diversifying needs of customers and society, with the aim of reforming the supply chain in order to adapt to changes in the distribution structure, based on the Group's medium-term management plan, "One Yamato 2023," with the fiscal year ending March 31, 2024 set as its final fiscal year.

For the fiscal year ending March 31, 2023, we expect operating revenue will be 1,820.0 billion yen, with operating profit at 91.0 billion yen, ordinary profit at 91.0 billion yen and profit attributable to owners of parent at 57.0 billion yen.

(5) Operational and financial issues to be addressed

The Yamato Group is operating in a business environment that is undergoing substantial transformation, particularly in terms of diversifying customer needs, declining regional populations, a shrinking labor population and climate change. Meanwhile, COVID-19 has further accelerated growth in e-commerce across all industries, as companies address changes in consumer behavior and lifestyles caused by the pandemic. Moreover, the global disruption in supply chains as well as instability in international affairs causing the rise in natural

resource prices is making the future outlook unclear. Amid that business environment, the Yamato Group has been seeking to sustainably enhance its corporate value by helping to enrich our society as stated under its Management Philosophy. To that end, on April 1, 2021, we began the shift to a Group management structure centered on the “New Yamato Transport,” which combines management resources of our respective Group companies, and we are promoting measures based on our medium-term management plan “One Yamato 2023,” with the fiscal year ending March 31, 2024 as its final fiscal year. We will continue to accelerate implementation of the following initiatives based on “One Yamato 2023”, which aims to provide comprehensive value by meeting the diversifying needs of our customers and society to transform the supply chain in response to changing distribution structures:

① Improving productivity across the entire Yamato Group

Under our medium-term management plan “One Yamato 2023”, we are optimally allocating the Group’s management resources by improving the accuracy of our demand and operational workload forecasts in the various regions, in order to cater to the changing and diversifying needs of our individual and corporate customers.

We will improve productivity across our entire logistics network and achieve higher profitability by consolidating and repositioning our commercial warehouses, sorting terminals, TA-Q-BIN Sales offices and other business locations nationwide.

We are building an e-commerce logistics network that addresses the continuously growing e-commerce demand, especially in the urban areas, and will seek to optimize our human resource allocation as well as transportation and delivery costs between this new network and our existing network. Through the optimization and standardization of our delivery process by transforming work operations, together with automation and digitization, we will increase the amount of time frontline employees can spend interacting with customers, as well as expand their collection and delivery capabilities, and we will continue our initiatives for better safety and higher quality. Moreover, in order to reduce the administrative operations of our frontline employees, we will continue to promote business process re-engineering (BPR) by standardizing our operations as well as digitizing such tasks.

② Increasing operating revenue through growth in the corporate client domain

In our medium-term management plan “One Yamato 2023”, we regard the changes in consumer behavior and lifestyles triggered by COVID-19 as an opportunity to grow our business. We are positioning the solution business, in which we seek to solve challenges faced by our clients throughout the entire supply chain, beyond the business-to-consumer (B2C) domain, as a growth area to focus on.

For clients that conduct their businesses globally, the consolidated Group sales functions and our operations will come together to provide one-stop business solutions using the Group’s facilities including our international offices.

For the corporate clients in various regions, we will create optimal proposals based on sales information that is consolidated to our headquarters, facilitating frontline sales initiatives and design solutions as well as sophisticating our operational design, providing value across the entire supply chain by streamlining backyard operations related to stores and e-commerce operations, reducing opportunity loss in sales and optimizing inventories.

In order to create optimal e-commerce ecosystem solutions that enable e-commerce companies to expand together with sellers, e-commerce users and delivery service providers, we will enhance the functions of EAZY, which is based on real-time communications with customers. We will also enhance our solutions for procurement, inventory management and other upstream domains for both large and small e-commerce companies, as well as for manufacturers and retailers aiming to strengthen their e-commerce operations.

③ Promoting strategies for achieving sustainable enhancement of corporate value

Through our medium-term management plan “One Yamato 2023”, we will promote data and innovation strategies, reform our management structure and reinforce governance, implement an HR strategy that supports “Innovating Delivery Business”, improve capital efficiency, and strengthen sustainable management, thereby achieving sustainable corporate value enhancement.

In terms of our data strategy, we will upgrade the core IT system, as well as continue to make use of digital data and enhance digital platforms to use data in a more sophisticated manner. Meanwhile, in our innovation strategy we will continue initiatives such as finding and collaborating with startups as well as investing in such startups with the aim of creating new businesses, through the “KURONEKO Innovation Fund.”

We will also continue to strengthen governance by separating management supervision and execution, maintaining and enhancing management transparency, as well as enhancing corporate governance, and

promote management reforms through a governance structure with an emphasis on the speed of decision-making.

As for our HR strategy, which supports “Innovating Delivery Business,” we will continue to establish and operate a personnel system through which we assess every employee based on clear job descriptions. We will also rapidly promote the development of digitally literate employees by enhancing our digital education programs, and raising the digital literacy of all employees including senior management. Moreover, we will create a work environment that enables our approximately 220,000 employees, which is Yamato Group’s greatest asset, to work more comfortably. We aim to maintain a rewarding work environment that encourages employees to take a vibrant approach to work and where human rights and diversity are respected.

In terms of improving our capital efficiency, we will place more emphasis on capital efficiency when managing our operations with a two-pronged approach through a capital strategy and a financial strategy, in order to achieve both business growth and cost structure reform. Meanwhile, we will enhance shareholder value through a timely and appropriate capital policy underpinned by stable dividends mindful of the ratio of dividends on equity (DOE), with due consideration placed on growth (operating revenue), profitability (operating profit margin), financial soundness (cash generation, balance of cash and deposits, equity ratio levels), progress of investments, capital efficiency and other factors.

As for strengthening sustainable management, we will take further steps based on our targets for March 31, 2024, and specific actions to be taken in response to material issues, outlined in the “Sustainable Medium-term Plan 2023 <Environment & Society>”, and pursue the sustainable development of the environment and society as well as our own business. In order to achieve our long-term environmental target of zero emissions (In-house emissions) of greenhouse gases by 2050, we have set a mid-term target for 2030 to reduce greenhouse gas emissions by 48% compared to 2020. Going forward, we will introduce more EV’s in our fleet, as well as electricity generated from renewable sources, and promote initiatives to reduce greenhouse gas emissions for the entire logistics industry and society.

2. Fundamental Approach to Selection of Accounting Standards

The Yamato Group has adopted Japanese GAAP because the Group engages in business primarily in Japan. However, we intend to give ongoing consideration to IFRS and other accounting standards aligned with upcoming expansion into other locations overseas.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	241,523	182,644
Notes and accounts receivable - trade	212,766	—
Notes and accounts receivable – trade, and contract assets	—	218,922
Accounts receivable - installment	45,643	48,055
Merchandise and finished goods	392	186
Work in process	117	167
Raw materials and supplies	1,770	1,861
Other	27,508	30,462
Allowance for doubtful accounts	(1,341)	(1,456)
Total current assets	528,379	480,844
Non-current assets		
Property, plant and equipment		
Buildings and structures	367,718	376,844
Accumulated depreciation	(214,421)	(219,830)
Buildings and structures, net	153,296	157,013
Machinery and equipment	73,923	77,631
Accumulated depreciation	(54,255)	(56,029)
Machinery and equipment, net	19,668	21,601
Vehicles	199,976	197,104
Accumulated depreciation	(185,268)	(171,897)
Vehicles, net	14,708	25,207
Land	174,140	179,650
Leased assets	36,645	39,653
Accumulated depreciation	(10,467)	(11,286)
Leased assets, net	26,178	28,366
Construction in progress	6,345	3,165
Other	56,765	59,988
Accumulated depreciation	(44,791)	(45,114)
Other, net	11,974	14,873
Total property, plant and equipment	406,312	429,878
Intangible assets		
Software	22,082	38,588
Other	7,472	7,058
Total intangible assets	29,555	45,646

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Investments and other assets		
Investment securities	52,231	47,972
Long-term loans receivable	6,719	6,162
Leasehold deposits	20,121	20,519
Retirement benefit asset	156	15
Deferred tax assets	45,625	54,197
Other	2,269	3,229
Allowance for doubtful accounts	(1,379)	(1,611)
Total investments and other assets	125,744	130,484
Total non-current assets	561,612	606,010
Total assets	1,089,991	1,086,854
Liabilities		
Current liabilities		
Notes and accounts payable - trade	153,860	165,346
Short-term borrowings	34,000	15,000
Lease obligations	5,054	4,850
Income taxes payable	32,099	14,395
Deferred installment income	4,781	4,714
Provision for bonuses	40,173	38,942
Other	119,401	109,558
Total current liabilities	389,369	352,807
Non-current liabilities		
Lease obligations	26,098	26,038
Deferred tax liabilities	5,194	1,913
Retirement benefit liability	71,834	94,141
Other	13,207	13,719
Total non-current liabilities	116,334	135,814
Total liabilities	505,704	488,621

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Net assets		
Shareholders' equity		
Share capital	127,234	127,234
Capital surplus	36,813	36,813
Retained earnings	431,571	464,494
Treasury shares	(39,549)	(49,551)
Total shareholders' equity	556,070	578,991
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,883	11,498
Foreign currency translation adjustment	(1,316)	(513)
Remeasurements of defined benefit plans	5,730	565
Total accumulated other comprehensive income	20,297	11,551
Non-controlling interests	7,919	7,690
Total net assets	584,287	598,233
Total liabilities and net assets	1,089,991	1,086,854

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Operating revenue	1,695,867	1,793,618
Operating costs	1,538,524	1,654,085
Operating gross profit	157,342	139,532
Selling, general and administrative expenses		
Personnel expenses	29,123	27,498
Provision for bonuses	1,256	1,084
Retirement benefit expenses	1,197	711
Commission expenses	13,314	10,895
Computer expenses	5,496	8,398
Taxes and dues	10,317	10,133
Provision of allowance for doubtful accounts	715	815
Depreciation	3,015	2,529
Other	3,237	2,061
Total selling, general and administrative expenses	65,220	62,333
Operating profit	92,121	77,199
Non-operating income		
Interest income	222	192
Dividend income	932	1,369
Gain on sales of vehicles	238	355
Gain on investments in investment partnerships	231	4,510
Electric vehicle subsidies	656	—
Other	1,534	2,190
Total non-operating income	3,816	8,618
Non-operating expenses		
Interest expenses	741	785
Share of loss of entities accounted for using equity method	766	242
Other	409	459
Total non-operating expenses	1,917	1,487
Ordinary profit	94,019	84,330
Extraordinary income		
Gain on sales of non-current assets	712	3
Gain on sales of investment securities	38	15,312
Gain on liquidation of subsidiary	—	1,210
Gain on transition of retirement benefit plan	—	1,419
Penalty income	124	55
Other	100	37
Total extraordinary income	975	18,038

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Extraordinary losses		
Loss on retirement of non-current assets	409	360
Impairment loss	876	2,420
Loss on sale of investment securities	—	3,104
Loss on valuation of investment securities	372	48
Loss on revision of retirement benefit plan	—	14,999
Provision of allowance for doubtful accounts	363	190
Loss associated with measures to address COVID-19	1,163	—
Other	50	206
Total extraordinary losses	3,235	21,328
Profit before income taxes	91,759	81,040
Income taxes-current	38,251	29,293
Income taxes-deferred	(3,426)	(5,324)
Total income taxes	34,825	23,968
Profit	56,934	57,071
Profit attributable to non-controlling interests	233	1,115
Profit attributable to owners of parent	56,700	55,956

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	56,934	57,071
Other comprehensive income		
Valuation difference on available-for-sale securities	7,926	(5,415)
Foreign currency translation adjustment	(994)	793
Remeasurements of defined benefit plans, net of tax	9,421	(5,282)
Share of other comprehensive income of entities accounted for using equity method	3	108
Total other comprehensive income	16,357	(9,795)
Comprehensive income	73,292	47,276
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	72,849	47,210
Comprehensive income attributable to non-controlling interests	442	66

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	127,234	36,813	441,746	(54,770)	551,024
Changes during period					
Dividends of surplus			(15,959)		(15,959)
Profit attributable to owners of parent			56,700		56,700
Purchase of treasury shares				(35,694)	(35,694)
Cancellation of treasury shares			(50,915)	50,915	-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(10,175)	15,221	5,046
Balance at end of period	127,234	36,813	431,571	(39,549)	556,070

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	8,157	(317)	(3,692)	4,148	7,662	562,835
Changes during period						
Dividends of surplus						(15,959)
Profit attributable to owners of parent						56,700
Purchase of treasury shares						(35,694)
Cancellation of treasury shares						-
Net changes in items other than shareholders' equity	7,726	(999)	9,422	16,148	257	16,405
Total changes during period	7,726	(999)	9,422	16,148	257	21,452
Balance at end of period	15,883	(1,316)	5,730	20,297	7,919	584,287

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	127,234	36,813	431,571	(39,549)	556,070
Cumulative effects of changes in accounting policies			(3,343)		(3,343)
Restated balance	127,234	36,813	428,228	(39,549)	552,727
Changes during period					
Dividends of surplus			(19,689)		(19,689)
Profit attributable to owners of parent			55,956		55,956
Purchase of treasury shares				(10,002)	(10,002)
Disposal of treasury shares		0		0	0
Net changes in items other than shareholders' equity					
Total changes during period	-	0	36,266	(10,002)	26,263
Balance at end of period	127,234	36,813	464,494	(49,551)	578,991

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	15,883	(1,316)	5,730	20,297	7,919	584,287
Cumulative effects of changes in accounting policies					(229)	(3,572)
Restated balance	15,883	(1,316)	5,730	20,297	7,689	580,714
Changes during period						
Dividends of surplus						(19,689)
Profit attributable to owners of parent						55,956
Purchase of treasury shares						(10,002)
Disposal of treasury shares						0
Net changes in items other than shareholders' equity	(4,384)	803	(5,164)	(8,745)	1	(8,744)
Total changes during period	(4,384)	803	(5,164)	(8,745)	1	17,519
Balance at end of period	11,498	(513)	565	11,551	7,690	598,233

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	91,759	81,040
Depreciation	48,897	35,570
Impairment loss	876	2,420
Increase (decrease) in retirement benefit liability	1,941	21,822
Increase (decrease) in provision for bonuses	4,375	(757)
Interest and dividend income	(1,154)	(1,561)
Interest expenses	745	785
Share of loss (profit) of entities accounted for using equity method	766	242
Loss (gain) on sales of non-current assets	(663)	0
Loss on retirement of non-current assets	409	360
Loss (gain) on sales of investment securities	(38)	(12,208)
Loss (gain) on valuation of investment securities	372	48
Decrease (increase) in trade receivables	(24,966)	(13,433)
Decrease (increase) in inventories	1,516	144
Increase (decrease) in trade payables	10,026	11,536
Other, net	13,900	(28,261)
Subtotal	148,767	97,748
Interest and dividends received	1,285	1,784
Interest paid	(741)	(778)
Income taxes paid	(25,389)	(46,738)
Net cash provided by (used in) operating activities	123,921	52,016
Cash flows from investing activities		
Payments into time deposits	(397)	(2,040)
Proceeds from withdrawal of time deposits	730	270
Purchase of property, plant and equipment	(32,074)	(40,778)
Proceeds from sales of property, plant and equipment	2,083	348
Purchase of investment securities	(793)	(5,690)
Proceeds from sales of investment securities	99	18,872
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(484)	(7,313)
Loan advances	(4,783)	(5,574)
Collection of loans receivable	97,819	6,556
Other payments	(19,228)	(27,945)
Other proceeds	1,105	4,351
Net cash provided by (used in) investing activities	44,078	(58,943)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(50,000)	(5,000)
Repayments of lease obligations	(5,903)	(5,662)
Repayments of long-term borrowings	(5,500)	(14,000)
Redemption of bonds	(10,000)	-
Purchase of treasury shares	(35,707)	(10,057)
Dividends paid	(15,950)	(19,670)
Dividends paid to non-controlling interests	(188)	(70)
Other, net	2	5
Net cash provided by (used in) financing activities	(123,247)	(54,456)
Effect of exchange rate change on cash and cash equivalents	(129)	701
Net increase (decrease) in cash and cash equivalents	44,622	(60,681)
Cash and cash equivalents at beginning of period	196,662	241,284
Cash and cash equivalents at end of period	241,284	180,603

(5) Notes to consolidated financial statements

(Notes to premise of going concern)

Not applicable.

(Significant matters forming the basis of preparing the consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 30

Names of major consolidated subsidiaries:

Yamato Transport Co., Ltd.	Okinawa Yamato Transport Co., Ltd.
YAMATO TRANSPORT U. S. A., INC.	YAMATO ASIA PTE. LTD.
YAMATO INVESTMENT (HONG KONG) LIMITED	YAMATO BOX CHARTER CO., LTD
Yamato System Development Co., Ltd.	Yamato Autoworks Co., Ltd.

Effective from the consolidated fiscal year ended March 31, 2022, 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., Yamato Financial Co., Ltd., and Yamato Management Service Co., Ltd. have been excluded from the scope of consolidation given that they have ceased to exist as a result of an absorption-type merger in which Yamato Transport Co., Ltd. is the surviving company.

In addition, YAMATO (CHINA) CO., LTD. and Yamato Home Convenience Co., Ltd. has also been excluded from the scope of consolidation due to the conclusion of liquidation and partial transfer of shares, respectively.

(2) Non-consolidated subsidiaries, etc.

OTL ASIA SDN. BHD. and certain other subsidiaries are not included within the scope of consolidation. The total assets, operating revenue, profit, and retained earnings of these non-consolidated subsidiaries are immaterial and, even taken together as a group, they do not exert a significant influence on the consolidated financial statements.

2. Application of equity method

(1) Number of affiliates accounted for using equity method: 22

Names of major equity method affiliates:

Packcity Japan Co., Ltd.	GDEX BERHAD
Yamato Home Convenience Co., Ltd.	Yamato Lease Co., Ltd.

Effective from the fiscal year under review, Yamato Home Convenience Co., Ltd. has been included in the scope of the equity method, having been excluded from the scope of consolidation upon partial transfer of its shares. SCG YAMATO EXPRESS CO., LTD. and GUANGZHOU WISEPOWER TRANSPORTATION & DISTRIBUTION GROUP CO., LTD. were excluded from the scope of the equity method as their shares were disposed.

(2) Non-consolidated subsidiaries and affiliates not accounted for using equity method

Entities not subject to the equity method such as OTL ASIA SDN. BHD. and certain other non-consolidated subsidiaries and YAMATO UNYU (THAILAND) CO., LTD. and certain other affiliated companies are excluded from the scope of entities accounted for using the equity method because they do not exert a significant influence on the consolidated financial statements even when taken together as a group, given immateriality of their profit, retained earnings and other financial results corresponding to the ownership held by the Company.

(3) Special note on the application of equity method

The fiscal year-end dates of certain entities accounted for using the equity method differ from the consolidated fiscal year-end date, and accordingly the financial statements have been prepared on the basis of the financial statements and provisional financial results for the respective fiscal years of each of those entities.

(Changes in accounting policies)

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As such, whereas revenue derived from certain business transactions including transportation income involving the Yamato Group's mainstay service, TA-Q-BIN, was previously recognized when parcels, etc. were consigned to TA-Q-BIN, the Company will now recognize such revenue upon fulfillment of performance obligations.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year under review, and thus the new accounting policy was applied from such opening balance. However, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the first quarter of the fiscal year under review were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year under review.

"Notes and accounts receivable - trade" which used to be booked under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the consolidated balance sheet as of this fiscal year. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

For the consolidated fiscal year ended March 31, 2022, as a result of this change, operating revenue decreased by 2,081 million yen, and operating costs decreased by 1,997 million yen, while operating profit, ordinary profit and profit before income taxes each decreased by 84 million yen. In addition, retained earnings as of the beginning of the fiscal year under review decreased by 3,343 million yen.

The impact on per share information is stated in "3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to consolidated financial statements (Per share information)".

Application of Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year under review. In the future, the Company will furthermore apply new accounting policy stipulated by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations subject to the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). In addition, this application has no impact on the consolidated financial statements is immaterial.

Changes in accounting policies which are difficult to distinguish from changes in accounting estimates and changes in accounting estimates

Changes in depreciation method for property, plant and equipment and changes in useful life

Effective from the first quarter of the fiscal year under review, the Company and its domestic consolidated subsidiaries have changed to the straight-line method as their depreciation method for property, plant and equipment (excluding leased assets) from the declining-balance method previously (however, the straight-line method has been adopted for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and for facilities attached to buildings and structures acquired on or after April 1, 2016). Overseas consolidated subsidiaries have been using the straight-line method thus far.

Based on its medium-term management plan, "One Yamato 2023," the Yamato Group has transitioned to its "One Yamato" management structure, which has involved transforming to a fully optimized organization structured according to customer segments and further accelerating management. To such ends, Yamato Transport Co., Ltd. carried out absorption-type mergers and absorption-type company splits involving seven Group companies in April 2021. In so doing, we were able to review our use of property, plant and equipment in Japan.

We consequently changed to the straight-line method, upon having deemed that the straight-line method of allocating costs more rationally reflects actual use of assets given that we expect our asset use in Japan to remain consistent.

In addition, the Company and its domestic consolidated subsidiaries conducted surveys on actual use of property, plant and equipment, on the occasion of reviewing changes to the depreciation method of property, plant and equipment. Effective from the first quarter of the fiscal year under review, they consequently revised useful life figures of some vehicles based on more realistic, economically feasible forecast periods. This change will apply into the future.

As a result, operating profit, ordinary profit, and profit before income taxes for the fiscal year ended March 31, 2022 are each 13,075 million yen increased more than would have been the case using the previous method.

(Segment information, etc.)

1. Segment information

(1) Summary of reportable segment

The reportable segments of the Yamato Group are constituent units of the Yamato Group whose separate financial information can be obtained. The Board of Directors of the Company periodically examines these segments to decide on the allocation of management resources and evaluate business performance. The Yamato Group is operated through a Group management structure, under Yamato Holdings Co., Ltd. which is a pure holding company, and manages business operations by customer segment, with the Retail Business Unit which manages the Retail Business Divisions that provides delivery services to individuals and mid-to-small sized corporations, the Corporate Business Unit which manages the Corporate Business Divisions, Global SCM Business Divisions and EC Business Divisions that provide transportation services etc. to large corporations, and Others.

Accordingly, Yamato Group's two reportable segments are the Retail Business Unit and the Corporate Business Unit.

Type of services by reportable segment

Reportable segment	Type of services
Retail Business Unit	Small parcel delivery services for consumers and mid-to-small sized corporations
Corporate Business Unit	Transportation services for large corporations, planning and operation of logistics centers, customs services, air cargo agency services
Others	Development and operation of IT systems, car maintenance services, sales of fuel, non-life insurance agency services, cargo vehicle transportation services

(2) Method of calculating operating revenue, profit/loss, assets and other items by reportable segment

The accounting method used for reported business segments complies with accounting policy that has been adopted in preparing the consolidated financial statements.

(3) Information regarding the amounts of operating revenue, profit/loss, assets and other items by reportable segment

Fiscal year ended March 31, 2021

(Millions of yen)

	Retail Business Unit	Corporate Business Unit	Other (Note 1)	Total	Reconciliation (Note 2)	Amount recorded in consolidated financial statements (Note 3)
Operating revenue						
Operating revenue from customers	882,536	733,190	80,139	1,695,867	—	1,695,867
Inter-segment operating revenue or transfers	313,736	48,842	116,205	478,784	(478,784)	—
Total	1,196,272	782,033	196,345	2,174,651	(478,784)	1,695,867
Segment profit (loss)	50,806	40,317	6,988	98,112	(5,990)	92,121
Segment assets (Note 4)	762,634	176,603	165,253	1,104,491	(14,500)	1,089,991
Others						
Depreciation	29,291	13,639	4,500	47,430	1,430	48,861
Investment in entities accounted for using equity method	430	8,602	—	9,032	2,158	11,190
Increases of property, plant and equipment and intangible assets (Note 4)	34,412	5,874	7,668	47,955	7,476	55,431

Notes: 1. Other includes Yamato Home Convenience Co., Ltd. (lifestyle support services), Yamato System Development Co., Ltd. (information systems development), and Yamato Autoworks Co., Ltd. (collective vehicle management agent business for transportation companies).

2. Adjustments made are as follows.

- (1) The adjustment of negative 5,990 million yen of segment profit includes group-wide expenses which have not been allocated to each reportable segment (general administrative expenses of the Company, which is a pure holding company) of negative 19,578 million yen, as well as eliminations of transactions among segments of 13,587 million yen.
- (2) The adjustment of negative 14,500 million yen of segment assets includes eliminations of inter-segment receivables and payables, etc. of negative 191,757 million yen and group-wide assets of 177,256 million yen not allocated to each reportable segment.
- (3) The adjustment of 2,158 million yen of investment in entities accounted for using the equity method pertains to the amount of investment in those entities accounted for using equity method which are not allocated to respective reportable segments.
- (4) The adjustment of 7,476 million yen of increases of property, plant and equipment and intangible assets is the Company's capital investment amount.

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

4. The segment assets and the increase in property, plant and equipment and intangible assets of the Retail Business Unit includes the 543,671 million yen of segment assets of the Functional Divisions of Yamato Transport Co., Ltd., as well as the 18,587 million yen increase in its property, plant and equipment and intangible assets.

Fiscal year ended March 31, 2022

(Millions of yen)

	Retail Business Unit	Corporate Business Unit	Other (Note 1)	Total	Reconciliation (Note 2)	Amount recorded in consolidated financial statements (Note 3)
Operating revenue						
Operating revenue from customers	893,396	812,185	88,035	1,793,618	–	1,793,618
Inter-segment operating revenue or transfers	279,017	26,090	121,163	426,271	(426,271)	–
Total	1,172,414	838,276	209,198	2,219,889	(426,271)	1,793,618
Segment profit (loss)	44,463	17,178	16,559	78,200	(1,001)	77,199
Segment assets (Note 4)	749,717	194,571	156,572	1,100,861	(14,006)	1,086,854
Others						
Depreciation	17,538	13,264	3,811	34,615	909	35,524
Investment in entities accounted for using equity method	630	6,667	–	7,298	5,661	12,959
Increases of property, plant and equipment and intangible assets (Note 4)	56,586	12,066	7,245	75,898	2,673	78,572

Notes: 1. Other includes Yamato Home Convenience Co., Ltd. (lifestyle support services), Yamato System Development Co., Ltd. (information systems development), and Yamato Autoworks Co., Ltd. (collective vehicle management agent business for transportation companies).

2. Adjustments made are as follows.

(1) The adjustment of negative 1,001 million yen of segment profit includes group-wide expenses which have not been allocated to each reportable segment (general administrative expenses of the Company, which is a pure holding company) of negative 10,384 million yen, as well as eliminations of transactions among segments of 9,382 million yen.

(2) The adjustment of negative 14,006 million yen of segment assets includes eliminations of inter-segment receivables and payables, etc. of negative 108,626 million yen and group-wide assets of 94,619 million yen not allocated to each reportable segment.

(3) The adjustment of 5,661 million yen of investment in entities accounted for using the equity method pertains to the amount of investment in those entities accounted for using equity method which are not allocated to respective reportable segments.

(4) The adjustment of 2,673 million yen of increases of property, plant and equipment and intangible assets is the Company's capital investment amount.

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

4. The segment assets and the increase in property, plant and equipment and intangible assets of the Retail Business Unit includes the 524,780 million yen of segment assets of the Functional Divisions of Yamato Transport Co., Ltd., as well as the 36,936 million yen increase in its plant and equipment and intangible assets.

(4) Disclosure of changes, etc. in reportable segments

(Changes in reportable segments)

Effective from the first quarter of the fiscal year under review, the Company has changed its classification of reportable segments to reflect its transition to a management structure consisting of four Business Divisions (Retail, Corporate, Global SCM, and EC) and four Functional Divisions in April 2021.

The change mainly involves transition to a dual business unit structure consisting of the "Retail Business Unit" and the "Corporate Business Unit" based on customer segments, from the previous six operating segment structure based on categories of business at that time.

The segment information for the fiscal year ended March 31, 2021 has been prepared and presented according to the new classification of reportable segments.

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition, etc." from the beginning of the first quarter of the fiscal year under review as stated under "3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to consolidated financial statements (Changes in accounting policies)," and has likewise changed its method of calculating business segment profit or loss as a result of it having changed its accounting method for revenue recognition.

As a result, for the consolidated fiscal year under review, operating revenue and segment profit in the Retail Business Unit were both 51 million yen less than would have been the case using the previous method; operating revenue and segment profit in the Corporate Business Unit were 368 million yen higher and 150 million yen lower, respectively, and; operating revenue and segment profit in Other were 2,399 million yen lower and 117 million yen higher, respectively.

(Changes in depreciation method for property, plant and equipment and changes in useful life)

Effective from the first quarter of the fiscal year under review, the Company has changed to the straight-line method as its depreciation method for property, plant and equipment (excluding leased assets), as stated under "3. Consolidated Financial Statements and Significant Notes Thereto, (5) Notes to consolidated financial statements (Changes in accounting policies)." In addition, the Company has reviewed useful lives of some vehicles. This change will apply into the future.

As a result, for the consolidated fiscal year under review, segment profit in the Retail Business Unit, Corporate Business Unit and Other were 10,994 million yen, 1,735 million yen, and 345 million yen higher, respectively, than would have been the case using the previous method.

2. Information regarding impairment losses of non-current assets by reportable segment

Fiscal year ended March 31, 2021

(Millions of yen)

	Retail Business Unit	Corporate Business Unit	Other	Total	Corporate or eliminations	Consolidated
Impairment loss	331	498	46	876	-	876

Fiscal year ended March 31, 2022

(Millions of yen)

	Retail Business Unit	Corporate Business Unit	Other	Total	Corporate or eliminations	Consolidated
Impairment loss	-	700	1,719	2,420	-	2,420

(Per share information)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share (Yen)	1,553.45	1,611.34
Basic earnings per share (Yen)	151.55	151.03

- Notes: 1. The Company's shares held by the Board Benefit Trust (BBT), which is booked as the shares held in own name in the shareholders' equity section are included in the shares held in own name that are deducted from the number of shares outstanding as of the end of the fiscal period, when calculating net assets per share, and is included in the shares held in own name that are deducted from the average number of shares during the period, when calculating net profit per share. The number of shares held in own name as of the end of the fiscal periods that were deducted when calculating net assets per share was 483,000 shares as of the end of the previous fiscal year, and 483,000 shares as of the end of this fiscal year. The average number of shares held in own name during the fiscal periods that were deducted when calculating net profit per share was 322,000 shares as of the end of the previous fiscal year, and 483,000 shares as of the end of this fiscal year.
2. Diluted earnings per share is not presented since no potential shares exist.
3. As stated in "3. Consolidated Financial Statements and Significant Notes Thereof, (5) Notes to consolidated financial statements (Changes in accounting policies)", the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), and transitional measures outlined in the provisions in Article 84 of the "Accounting Standard for Revenue Recognition". As a result, net assets per share has decreased by 9.22 yen in this consolidated fiscal year. There is only a minor impact on net profit per share.
4. The basis for calculating "basic earnings per share" is as follows.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit attributable to owners of parent (Millions of yen)	56,700	55,956
Amount not belonging to ordinary shareholders (Millions of yen)	-	-
Profit attributable to owners of parent concerning common shares (Millions of yen)	56,700	55,956
Average number of common shares during the period (Thousands of shares)	374,149	370,487

(Important subsequent matters)

Not applicable.

4. Others

Operating revenue by segment

Business segment	Income	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022		Change (%)
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	
Retail Business Unit	Transportation income	1,158,221	68.3	1,144,359	63.8	(1.2)
	Logistical support income	10,801	0.6	3,587	0.2	(66.8)
	Others	34,949	2.1	28,183	1.6	(19.4)
	Eliminations	(321,435)	(19.0)	(282,733)	(15.8)	(12.0)
	Total	882,536	52.0	893,396	49.8	1.2
Corporate Business Unit	Transportation income	639,269	37.7	598,306	33.4	(6.4)
	Logistical support income	218,320	12.9	249,637	13.9	14.3
	Other	26,116	1.5	33,022	1.8	26.4
	Eliminations	(150,514)	(8.9)	(68,780)	(3.8)	(54.3)
	Total	733,190	43.2	812,185	45.3	10.8
Other	Transportation income	46,940	2.8	50,967	2.8	8.6
	Other	166,817	9.8	176,558	9.8	5.8
	Eliminations	(133,618)	(7.9)	(139,490)	(7.8)	4.4
	Total	80,139	4.7	88,035	4.9	9.9
Total		1,695,867	100.0	1,793,618	100.0	5.8