

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 <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: November 13, 2020
 Scheduled date of the commencement of dividend payment: December 10, 2020
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than 1 million yen are discarded.)

1. Consolidated financial results for the second quarter of fiscal year 2021 (cumulative: from April 1, 2020 to September 30, 2020)

(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 six months ended September 30, 2020	806,067	0.7	26,915	333.2	27,933	923.0	14,186	—
September 30, 2019	800,126	1.4	6,213	(73.5)	2,730	(88.0)	(3,459)	—

(Note) Comprehensive income: For the six months ended September 30, 2020: 16,955 million yen (— %)
 For the six months ended September 30, 2019: (4,202) million yen (— %)

	Basic earnings per share	Diluted earnings per share
For the six months ended September 30, 2020	Yen 37.60	Yen —
September 30, 2019	(8.77)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of September 30, 2020	Millions of yen 1,042,443	Millions of yen 533,895	% 50.5
March 31, 2020	1,100,739	562,835	50.4

(Reference) Equity: As of September 30, 2020: 526,179 million yen As of March 31, 2020: 555,173 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
Fiscal 2020	Yen —	Yen 15.00	Yen —	Yen 26.00	Yen 41.00
Fiscal 2021	—	16.00	—	—	—
Fiscal 2021 (Forecast)	—	—	—	16.00	32.00

(Note) Revisions to the forecasts most recently announced: None

Breakdown of year-end dividends in fiscal year ended March 31, 2020:

Ordinary dividends: 16.00 yen
 Commemorative dividends: 10.00 yen

3. Consolidated earnings forecasts for fiscal year 2021 (from April 1, 2020 to March 31, 2021)

(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
Full year	1,646,000	1.0	68,000	52.1	68,000	67.4	35,000	56.8	93.55

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

* Notes

(1) Changes in significant subsidiaries during the six 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, (4) 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 14.

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

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

(4) Number of issued shares (common shares)

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

As of September 30, 2020:	411,339,992 shares
As of March 31, 2020:	411,339,992 shares
- b. Number of treasury shares as of the end of the period

As of September 30, 2020:	40,314,605 Shares
As of March 31, 2020:	26,124,409 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the six months ended September 30, 2020:	377,257,203 Shares
For the six months ended September 30, 2019:	394,274,361 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 Three 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 post supplementary materials on quarterly financial results on the Company's website promptly after the announcement of the quarterly financial results.

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

(1) Explanation of operating results

During the six months ended September 30, 2020, economic activities which had been stagnant due to the global spread of the novel coronavirus disease (COVID-19) began to reopen. The outlook for economic recovery both in Japan and overseas remains unknown given uncertainties as to the status of COVID-19 transmission ahead and timing as to when the pandemic might subside. Moreover, in the logistics industry, COVID-19 has accelerated growth in the e-commerce domain due to an expansion in e-commerce users amid a scenario of changes in lifestyles and the business environment brought about by developments such as companies promoting telework arrangements and a shift to online services in the fields of medicine and education. On the other hand, with the reopening of global economic activities, in addition to a move toward recovery in lifestyle activities and trade, we are seeing signs of a bottoming out in business sentiment in the service industry mainly due to a public-private campaign to spur demand, but the effects on the future business environment remain unclear.

Under such circumstances, the Yamato Group aims to continuously contribute to the realization of a prosperous society by creating a “new logistics ecosystem” that meets the needs of customers and society. To such ends, we are promoting initiatives based on our transformation plan “YAMATO NEXT100,” which serves as a grand design for management over the medium to long term. These initiatives involve engaging in business transformations encompassing the threefold aims of giving rise to the digital transformation (DX) of TA-Q-BIN, establishing an e-commerce ecosystem, and strengthening the corporate logistics business. These initiatives also involve engaging in infrastructure transformations encompassing the threefold aims of renewing Group management systems, shifting to data-driven management style, and implementing sustainability initiatives. During the six months ended September 30, 2020, as the future spread of COVID-19 and when the pandemic might subside being unclear, with the safety of our customers and employees as the top priority, we strove to continually provide logistics services, including TA-Q-BIN. Furthermore, we have worked to identify issues encountered by our customers due to changes in lifestyles and the business environment. In the burgeoning e-commerce field, we strove to expand sales for new delivery services and to further improve convenience, responding to diversifying needs. We have also been working to address customers’ business challenges. This has entailed strengthening account management on a Group-wide basis and providing solutions tailored to pharmacies engaged in the remote prescription domain of the telehealth field.

Our consolidated financial results for the six months ended September 30, 2020 are as follows.

Item	(Millions of yen)			
	For the six months ended September 30, 2019	For the six months ended September 30, 2020	Change	Growth (%)
Operating revenue	800,126	806,067	5,941	0.7
Operating profit	6,213	26,915	20,701	333.2
Ordinary profit	2,730	27,933	25,203	923.0
Profit attributable to owners of parent	(3,459)	14,186	17,645	—

For the six months ended September 30, 2020, operating revenue amounted to 806,067 million yen, up 5,941 million yen from the previous year. This is largely attributable to having achieved an increase in the parcel delivery volume as a result of having taken action in the burgeoning e-commerce domain.

For the six months ended September 30, 2020, operating expenses amounted to 779,152 million yen, down 14,760 million yen from the previous year. This was mainly due to controlling costs by increasing the efficiency of collection and delivery through the optimal allocation of management resources based on data analysis and promoting increased efficiency of our trunk-route transportation amid increasing parcel delivery volume.

As a result, for the six months ended September 30, 2020, operating profit amounted to 26,915 million yen, up 20,701 million yen from the previous fiscal year.

Initiatives for the entire Yamato Group

- ① In response to the spread of COVID-19 and to ensure that customers can use TA-Q-BIN with peace of mind, we have been making sure that employees practice full hygiene management, implementing contact-free deliveries and other infection prevention measures when interacting with customers, using our website and other channels to share information, and continuing to provide logistics services, including TA-Q-BIN.

- ② We have been engaging in reform of the Group management structure geared to achieving sustainable growth, and accordingly promoting initiatives to achieve our three business transformations and three infrastructure transformations, based on our transformation plan “YAMATO NEXT100” which has been formulated to serve as a grand design for management of the Yamato Group over the medium to long term going forward.
- ③ In order to promote “Inclusive Management” that enables personnel to focus more on our customers, we have been shifting to data-driven management style which has involved streamlining and standardizing our logistics operations through digital transformation (DX), and have been giving rise to objective and scientific decision-making largely by implementing demand and operating amount forecasts and making optimal allocations of management resources, on the basis of data analysis.
- ④ In response to social needs, we have been working toward creating a logistics service that caters specifically to the shift to e-commerce by industries and establishing an e-commerce ecosystem in order to capitalize on the high growth potential of e-commerce. In the six months ended September 30, 2020, we promoted efforts to expand sales for our new “EAZY” delivery service that improves convenience, safety, and efficiency with respect to purchase, delivery, and pick-up by connecting e-commerce users and e-commerce companies, and delivery service providers across the board in real-time using digital information, through our partnerships with major e-commerce companies. Additionally, to optimize logistics for e-commerce vendors with stores in online shopping malls, we promoted efforts to expand sales for services that completely or partially replace operational functions from order receiving to shipping and delivery. Moreover, based on alliances with partners with digital technology, we began accepting applications for storefronts to serve as pick-up locations to provide new services that increase the convenience of receiving and returning products purchased through e-commerce.
- ⑤ In order to strengthen corporate logistics business, we have been combining the Group’s management resources for corporate business such as specialist human resources at each Group company, logistics and distribution functions, and the trunk-route transportation network connecting our distribution centers. We have also been promoting initiatives for addressing customers’ business challenges and building a database to provide solutions based on highly accurate, real-time information. Furthermore, we will continue to strengthen the management of our international businesses.
- ⑥ In order to strike a balance between sustainable growth and the development of a sustainable society, we have been promoting sustainability initiatives, and have furthermore been taking steps to address material issues that have been identified with the aim of increasing the efficiency of transportation and providing delivery that is better for the planet, our lifestyles, and the economy, by attentively connecting people with resources and data. This effort has been underpinned by our dual visions in terms of paving the way to a sustainable future, 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.’”
- ⑦ With the aim of revamping the Group’s management structure in order to further enhance a management structure that enables us to confront customer and social needs, we have been promoting development of a framework in order to shift to a management structure comprising four Business Divisions (Retail, Regional Corporate, Global Corporate, and EC), a fully optimized organization structured according to customer segments effective from April 2021, and four Functional Divisions (Transportation, Platform, IT, Professional Service).

Summary of each operating segment

● Delivery

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

Category	(Million parcels / units)			
	For the six months ended September 30, 2019	For the six months ended September 30, 2020	Change	Growth (%)
TA-Q-BIN	879	994	115	13.1
Kuroneko DM-Bin	519	398	(121)	(23.4)

- 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 In the six months ended September 30, 2020, as the future spread of COVID-19 and when the pandemic might subside being unclear, with the safety of our customers and employees as the top priority, we pursued stable operations of our TA-Q-BIN network. 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 advancing structural reform of trunk-route transportation for the purpose of optimizing the entire network for streamlining transportation.
- ③ With respect to the burgeoning e-commerce domain, we promoted efforts to expand sales for our new “EAZY” delivery service that improves convenience, safety, and efficiency with respect to purchase, delivery, and pick-up by connecting e-commerce users and e-commerce companies, and delivery service providers across the board in real-time using digital information, through our partnerships with major e-commerce companies. Moreover, based on alliances with partners with digital technology, we began accepting applications for storefronts to serve as pick-up locations to provide new services that increase the convenience of receiving and returning products purchased through e-commerce.
- ④ As for individual customers, we have been taking steps to offer greater convenience by providing services that enable such 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. Meanwhile with respect to corporate clients, we have been promoting initiatives for addressing their business challenges. Such efforts have involved striving to identify issues encountered by our customers due to changes in the business environment and strengthening account management in coordinated efforts of the Group. A specific example of such initiatives is our provision of solutions tailored to pharmacies engaged in the remote prescription domain.
- 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 674,279 million yen, up 5.3% from the previous fiscal year owing to a higher parcel delivery volume as a result of having taken action in the burgeoning e-commerce domain. Operating profit amounted to 19,658 million yen, an improvement of 23,221 million yen from the previous fiscal year from increasing the efficiency of collection and delivery through the optimal allocation of management resources based on data analysis and promoting increased efficiency of our trunk-route transportation amid increasing parcel delivery volume.

● **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. In the six months ended September 30, 2020, through our partnerships with major e-commerce companies, to optimize logistics for e-commerce vendors with stores in online shopping malls, we promoted efforts to expand sales for services that completely or partially replace operational functions from order receiving to shipping and delivery, thereby addressing challenges encountered by our customers due to changes in the business environment. Moreover, to increase the efficiency of delivery operations for prescription drugs, over-the-counter drugs, and medical devices we took steps to strengthen ties with pharmaceutical distributors.
- ③ Operating revenue amounted to 68,767 million yen, down 3.1% from the previous fiscal year mainly resulting from decreases in our handling of overseas lifestyle support services and fine art transport due to restrictions placed on movement and cancellations of art exhibitions associated with the spread of COVID-19. Operating profit amounted to 1,248 million yen, down 48.8% from the previous year.

● Home Convenience

- ① In the Home Convenience Business, we are working toward enabling customers to achieve greater convenience and comfort in their lives through daily lifestyle support businesses that draw on the Yamato Group's nationwide network. In the six months ended September 30, 2020, we worked to improve the quality of our "My Moving" moving-related services for one-person households who are individual customers and expand the service territory, while starting to provide the same services for employees of our corporate clients.
- ② Operating revenue amounted to 12,451 million yen, down 13.1% from the previous fiscal year mainly due to a decrease in moving demand as a result of the spread of COVID-19, as well as a decrease in our handling of some customer business as a result of carrying out adequate pricing initiatives with respect to the "Raku Raku Household TA-Q-BIN" service. As for profits, the segment posted an operating loss of 3,857 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. 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 to accelerate growth of the Yamato Group businesses.
- ② As a service for helping our customer streamline their operations and ensuring greater convenience of end-users, we offer the "Multi-value Charge Service" which facilitates cashless payments involving e-money and other payment options of a user's choice, such that are made to individuals from business enterprises involved in second-hand item purchasing and e-commerce returned merchandise. During the six months ended September 30, 2020, we promoted to expand sales of our "Telework Support Solutions" that enable users to build teleworking environments and make it possible for them to handle functions such as the placement and acceptance of orders and billing using the Internet, thereby addressing challenges encountered by our customers due to changes in the business environment.
- ③ Operating revenue amounted to 13,395 million yen, down 10.3% from the previous fiscal year mainly as a result of system support for addressing the lower rate of taxation recoiling from the previous fiscal year, and despite increased use of the "Web-based Shipment Control Service" for assisting with order-acceptance and dispatching operations as a result of having taken action in the burgeoning e-commerce domain. Operating profit amounted to 4,789 million yen, down 9.2% 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 and business-to-business transaction settlement.
- 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. In the six months ended September 30, 2020, we worked to expand sales of our "Raku-uru Cart" service, which helps business operators newly enter the e-commerce market by providing one-stop support in terms of shopping cart function, payment settlement, and delivery services, thereby addressing challenges encountered by our customers due to changes in the business environment.
- ③ Operating revenue amounted to 19,802 million yen, down 49.0% from the previous fiscal year mainly due to scope of consolidation changes associated with a partial transfer of Yamato Lease Co., Ltd., which engages in the lease service business, and despite an increase in use of our "TA-Q-BIN Collect," "Kuroneko Web Collect," and "Kuroneko Pay After Delivery Services," as a result of having taken action in the burgeoning e-commerce domain. Operating profit amounted to 3,024 million yen, down 9.3% from the previous year.

● Autoworks

- ① In the Autoworks Business, we offer vehicle maintenance services that enable servicing without the need to stop business operations, thereby facilitating operational safety and extended vehicle uptime of medium-sized transportation companies that have multiple locations. Furthermore, we provide 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 and employees.
- ② During the six months ended September 30, 2020, we launched business operations of our Tosu plant, which constitutes our 27th location hosting a “Superworks” maintenance plant for achieving operational efficiency. We also further strengthened our network and carried out initiatives to increase sales of our maintenance services through close communication with customers.
- ③ Operating revenue amounted to 11,097 million yen, down 13.2% from the previous year mainly as a result of a decrease in fuel sales volume. Operating profit amounted to 2,143 million yen, down 18.5% 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-volume delivery. In the six months ended September 30, 2020, we continued to work to expand sales of our services with the future spread of COVID-19 and when the pandemic might subside being unclear.
- ② Operating profit excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies decreased 62.9% from the previous fiscal year to 381 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 six months ended September 30, 2020, the Yamato Group carried out the “Zero Traffic Accidents Campaign” in order to improve safety awareness on a Group-wide basis. 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.
- ② Based on its corporate philosophy, the Yamato Group carries out business activities in accordance with the law and social norms and actively promotes compliance management. Striving to maximize corporate value by effectively utilizing the management resources of the Group is one of the top priorities of management, and we have implemented measures and bolstered management systems as part of our corporate governance initiative. Moreover, we engaged in efforts to furthermore strengthen our Group governance with the aim of enhancing sound Group management. During the six months ended September 30, 2020, we engaged in efforts that included strengthening the merchandise inspection systems of the overall Yamato Group and upgrading the whistle-blower system.
- ③ The Yamato Group recognizes that its approximately 220,000 employees are the Group’s greatest asset, and accordingly acts to create an employee-friendly and rewarding working environment where employees can take a vibrant approach to work, in order to heighten employee satisfaction and to serve as a company where a diverse range of talent chooses to work. In the six months ended September 30, 2020, we continued to engage in efforts that include building appealing personnel systems, adopting a performance evaluation scheme that encourages independent and autonomous behavior, and re-establishing an educational system. We also introduced newly designed uniforms focused on “employee-friendly” and “environmentally friendly” while using plant-based materials that contribute to reducing carbon dioxide, realizing further increases in functionality, safety, and comfort.

- ④ The Yamato Group recognizes that climate change is a crucial issue with respect to making the notion of a sustainable society a reality, and accordingly identifies and evaluates risks and opportunities associated with climate change. Moreover, we have been taking action to achieve the vision of virtually zero carbon dioxide emissions (in-house emissions), established as a long-term goal, through efforts that involve shifting to use of vehicles that produce lower carbon dioxide emissions, developing and introducing next-generation mobility including electric vehicles, and handling collection and delivery in a manner that does not involve use of automobiles. Moreover, we have been engaging in other initiatives that involve reducing carbon dioxide emissions by heightening the efficiency of our trunk-route transportation to major cities and extending operations served by our “Super-Full Trailer SF25,” which helps reduce long-haul driver workloads. We also hold “Kuroneko 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.
- 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 six months ended September 30, 2020, 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. In addition, 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.
- 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 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.
- ⑦ The Yamato Group has been promoting sustainability initiatives with the aim of striking a balance between sustainable growth and the development of a sustainable society, based on its transformation plan “YAMATO NEXT100,” which serves as a grand design for management over the medium to long term. Under our “Connect. Deliver the Future via Green Logistics” and “Through Co-Creation and Fair Business Activities, Help Create a Society That ‘Leaves No One Behind’” visions for a sustainable future, we will achieve logistics that are friendly to the environment, lifestyle, and economy by connecting people, resources, and data in a highly sophisticated manner, and making transportation more efficient. Moreover, we will accordingly promote initiatives with respect to material issues identified in relation to the environment and material issues related to society, the former of which include Energy & Climate, Atmosphere, Resource Circulation & Waste, and Resilience of Companies & Society, and the latter of which include Labor, Human Rights & Diversity, Safety & Security, Data Utilization & Security, Supply Chain Management, and Local Community.

(2) Explanation of financial position

(Assets, liabilities and net assets)

Total assets were 1,042,443 million yen as of September 30, 2020, down 58,296 million yen from the end of the previous fiscal year. The decrease was largely attributable decreases in investments in leases and assets for rent of 53,886 million yen and 11,061 million yen, respectively, associated with having excluded Yamato Lease Co., Ltd. from the scope of consolidation, despite a 26,673 million yen increase in cash and deposits.

Liabilities decreased 29,356 million yen to 508,548 million yen from the end of the previous fiscal year. The decrease was largely attributable to a 25,500 million yen decrease in borrowings.

Total net assets were 533,895 million yen, down 28,939 million yen from the end of the previous fiscal year. The major factors included the recording of profit attributable to owners of parent of 14,186 million yen, payment of dividends of surplus of 10,015 million yen and purchase of treasury shares amounting to 35,693 million yen.

Accordingly, the equity ratio changed to 50.5% from 50.4% of the previous fiscal year.

(Cash flows)

Net cash provided by operating activities for the six months ended September 30, 2020 amounted to 29,992 million yen. Compared with the year-ago period, the amount of net cash provided increased by 28,254 million yen. This is largely attributable to a 24,465 million yen increase due to the recording of profit before income taxes of 26,975 million yen, and an 8,510 million yen decrease in income taxes paid.

Net cash provided by investing activities was 71,552 million yen, a difference of 105,407 million yen compared with net cash used in investing activities in the year-ago period. This is largely attributable to a 93,866 million yen increase in collection of loans receivable.

Net cash used in financing activities was 74,318 million yen. Compared with the year-ago period, the amount of net cash used increased by 60,718 million yen. This is largely attributable to a decrease in proceeds from borrowings of 19,700 million yen and an increase in purchase of treasury shares of 35,706 million yen.

As a result of the above, cash and cash equivalents were 223,595 million yen as of September 30, 2020, up 26,932 million yen from the end of the previous fiscal year.

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

Economic activities which had been stagnant due to the global spread of COVID-19 began to reopen. The outlook for economic recovery both in Japan and overseas remains unknown given uncertainties as to the status of COVID-19 transmission ahead and timing as to when the pandemic might subside. Moreover, in the logistics industry, COVID-19 has accelerated growth in the e-commerce domain due to an expansion in e-commerce users amid a scenario of changes in lifestyles and the business environment brought about by developments such as companies promoting telework arrangements and a shift to online services in the fields of medicine and education. On the other hand, with the reopening of global economic activities, in addition to a move toward recovery in lifestyle activities and trade, we are seeing signs of a bottoming out in business sentiment in the service industry mainly due to a public-private campaign to spur demand, but the effects on the future business environment remain unclear.

Amid these conditions, for the full fiscal year ending March 31, 2021, we deem that operating revenue is likely to exceed that of the previous fiscal year largely as a result of our taking action in the burgeoning e-commerce domain. Meanwhile, in terms of operating expenses, we deem that expenses associated with developing delivery networks and promoting structural reforms are likely to rise. However, we are continuing to work to optimize costs through optimal allocations of management resources based on data analysis and heightened efficiency of our trunk-route transportation.

The Yamato Group has made changes to the consolidated earnings forecasts for the full year of the fiscal year ending March 31, 2021 since the announcement made on July 31, 2020.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	197,226	223,899
Notes and accounts receivable - trade	213,980	192,520
Accounts receivable - installment	46,088	44,734
Lease receivables and investments in leases	53,886	—
Merchandise and finished goods	552	426
Work in process	165	324
Raw materials and supplies	3,497	1,883
Other	28,925	28,193
Allowance for doubtful accounts	(1,439)	(1,420)
Total current assets	542,884	490,561
Non-current assets		
Property, plant and equipment		
Buildings and structures	362,314	366,701
Accumulated depreciation	(208,753)	(210,328)
Buildings and structures, net	153,561	156,373
Vehicles	214,177	212,343
Accumulated depreciation	(193,345)	(194,369)
Vehicles, net	20,831	17,974
Land	175,158	174,281
Leased assets	31,260	38,213
Accumulated depreciation	(8,501)	(12,311)
Leased assets, net	22,759	25,901
Other	161,292	132,610
Accumulated depreciation	(109,768)	(97,571)
Other, net	51,524	35,038
Total property, plant and equipment	423,835	409,569
Intangible assets	20,965	24,562
Investments and other assets		
Investment securities	40,310	44,908
Other	74,306	73,949
Allowance for doubtful accounts	(1,562)	(1,109)
Total investments and other assets	113,054	117,748
Total non-current assets	557,855	551,881
Total assets	1,100,739	1,042,443

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	147,081	129,329
Short-term borrowings	75,500	54,000
Current portion of bonds payable	10,000	10,000
Lease obligations	3,578	4,783
Income taxes payable	20,377	17,897
Deferred installment income	5,028	4,808
Provision for bonuses	35,866	47,851
Other	111,379	109,298
Total current liabilities	408,811	377,967
Non-current liabilities		
Long-term borrowings	14,000	10,000
Lease obligations	21,760	24,523
Retirement benefit liability	79,230	80,436
Other	14,102	15,620
Total non-current liabilities	129,093	130,580
Total liabilities	537,904	508,548
Net assets		
Shareholders' equity		
Share capital	127,234	127,234
Capital surplus	36,813	36,813
Retained earnings	441,746	445,917
Treasury shares	(54,770)	(90,464)
Total shareholders' equity	551,024	519,501
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,157	10,192
Foreign currency translation adjustment	(317)	(1,195)
Remeasurements of defined benefit plans	(3,692)	(2,317)
Total accumulated other comprehensive income	4,148	6,678
Non-controlling interests	7,662	7,715
Total net assets	562,835	533,895
Total liabilities and net assets	1,100,739	1,042,443

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

(Millions of yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Operating revenue	800,126	806,067
Operating costs	765,664	748,694
Operating gross profit	34,462	57,373
Selling, general and administrative expenses	28,248	30,457
Operating profit	6,213	26,915
Non-operating income		
Interest income	78	107
Dividend income	646	680
Other	510	1,227
Total non-operating income	1,235	2,014
Non-operating expenses		
Interest expenses	208	351
Share of loss of entities accounted for using equity method	3,684	311
Other	826	333
Total non-operating expenses	4,719	996
Ordinary profit	2,730	27,933
Extraordinary income		
Gain on sales of non-current assets	3	704
Other	—	207
Total extraordinary income	3	911
Extraordinary losses		
Loss on retirement of non-current assets	177	131
Impairment loss	45	222
Loss on valuation of investment securities	0	349
Loss associated with measures to address COVID-19	—	1,163
Other	0	2
Total extraordinary losses	224	1,869
Profit before income taxes	2,509	26,975
Income taxes	5,802	12,704
Profit (loss)	(3,292)	14,271
Profit attributable to non-controlling interests	167	84
Profit (loss) attributable to owners of parent	(3,459)	14,186

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Profit (loss)	(3,292)	14,271
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,167)	2,189
Foreign currency translation adjustment	(180)	(883)
Remeasurements of defined benefit plans, net of tax	711	1,373
Share of other comprehensive income of entities accounted for using equity method	(273)	4
Total other comprehensive income	(910)	2,684
Comprehensive income	(4,202)	16,955
(Breakdown)		
Comprehensive income attributable to owners of parent	(4,313)	16,716
Comprehensive income attributable to non-controlling interests	110	239

(3) Consolidated statement of cash flows

(Millions of yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	2,509	26,975
Depreciation	25,533	22,442
Impairment loss	45	222
Increase (decrease) in retirement benefit liability	1,061	1,205
Increase (decrease) in provision for bonuses	9,622	12,056
Share of loss (profit) of entities accounted for using equity method	3,684	311
Decrease (increase) in trade receivables	1,122	(3,859)
Increase (decrease) in trade payables	(15,436)	(14,484)
Other, net	(4,579)	(1,704)
Subtotal	23,563	43,165
Interest and dividends received	712	891
Interest paid	(253)	(291)
Income taxes paid	(22,284)	(13,773)
Net cash provided by (used in) operating activities	1,737	29,992
Cash flows from investing activities		
Purchase of property, plant and equipment	(30,936)	(15,176)
Proceeds from sales of property, plant and equipment	2,521	1,736
Purchase of investment securities	(356)	(613)
Proceeds from sales of investment securities	—	99
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(484)
Loan advances	(2,222)	(1,780)
Collection of loans receivable	1,297	95,164
Other payments	(5,988)	(8,466)
Other proceeds	1,829	1,074
Net cash provided by (used in) investing activities	(33,854)	71,552
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	10,000	(20,000)
Repayments of lease obligations	(2,199)	(2,923)
Repayments of long-term borrowings	(15,800)	(5,500)
Purchase of treasury shares	(0)	(35,707)
Dividends paid	(5,520)	(10,001)
Other, net	(79)	(185)
Net cash provided by (used in) financing activities	(13,600)	(74,318)
Effect of exchange rate change on cash and cash equivalents	(195)	(293)
Net increase (decrease) in cash and cash equivalents	(45,913)	26,932
Cash and cash equivalents at beginning of period	194,650	196,662
Cash and cash equivalents at end of period	148,737	223,595

**(4) 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.

(Changes in scope of consolidation and equity method application)

Material changes in scope of consolidation

Effective from the first quarter of the fiscal year ending March 31, 2021, Yamato Lease Co., Ltd. is excluded from the scope of consolidation upon partial transfer of its shares.

Moreover, effective from the first quarter of the fiscal year ending March 31, 2021, YMT-GB, an investment limited partnership, has been established and is included in the scope of consolidation.

Material changes in scope of equity method application

Effective from the first quarter of the fiscal year ending March 31, 2021, Yamato Lease Co., Ltd. is included in the scope of the equity method, having been excluded from the scope of consolidation upon partial transfer of its shares.

(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 second quarter under review.

(Segment information, etc.)

[Segment information]

I For the six months ended September 30, 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					
Operating revenue from customers	640,422	71,001	14,333	14,937	38,849
Inter-segment operating revenue or transfers	28,087	5,745	5,745	20,972	1,414
Total	668,510	76,747	20,079	35,909	40,263
Segment profit (loss)	(3,562)	2,437	(5,267)	5,275	3,334

	Autoworks	Other (Notes 1, 2)	Total	Reconciliation (Note 3)	Amount recorded in consolidated statement of income (Note 4)
Operating revenue					
Operating revenue from customers	12,780	7,800	800,126	—	800,126
Inter-segment operating revenue or transfers	15,793	51,168	128,928	(128,928)	—
Total	28,574	58,969	929,054	(128,928)	800,126
Segment profit (loss)	2,630	36,809	41,656	(35,442)	6,213

- 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.

II For the six months ended September 30, 2020

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					
Operating revenue from customers	674,279	68,767	12,451	13,395	19,802
Inter-segment operating revenue or transfers	29,341	6,372	5,369	23,296	23
Total	703,621	75,140	17,820	36,692	19,826
Segment profit (loss)	19,658	1,248	(3,857)	4,789	3,024

	Autoworks	Other (Notes 1, 2)	Total	Reconciliation (Note 3)	Amount recorded in consolidated statement of income (Note 4)
Operating revenue					
Operating revenue from customers	11,097	6,275	806,067	—	806,067
Inter-segment operating revenue or transfers	15,987	45,391	125,783	(125,783)	—
Total	27,085	51,666	931,851	(125,783)	806,067
Segment profit (loss)	2,143	27,060	54,068	(27,152)	26,915

- 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 29,568 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)

(Cancellation of treasury shares)

At the meeting held on September 24, 2020, the Board of Directors resolved to cancel treasury shares of the Company in accordance with the provisions of Article 178 of the Companies Act.

- | | |
|---|---|
| 1. Type of shares canceled: | Common shares of the Company |
| 2. Total number of shares canceled: | 22,764,400 shares (ratio to the total number of issued shares prior to cancellation: 5.53%) |
| 3. Date of cancellation | October 13, 2020 |
| 4. Total number of issued shares after cancellation | 388,575,592 shares |

3. Supplementary Information

Operating revenue by business

Business segment		For the six months ended September 30, 2019		For the six months ended September 30, 2020		Change (%)	Fiscal year ended March 31, 2020	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		Amount (Millions of yen)	Ratio (%)
Delivery	TA-Q-BIN	592,594	74.1	635,568	78.8	7.3	1,217,572	74.7
	Kuroneko DM-Bin	33,223	4.2	26,649	3.3	(19.8)	64,104	3.9
	Express	20,671	2.6	19,486	2.4	(5.7)	41,608	2.6
	Others	48,182	6.0	50,377	6.2	4.6	97,496	6.0
	Eliminations	(54,249)	(6.8)	(57,802)	(7.2)	6.5	(110,713)	(6.8)
	Total	640,422	80.0	674,279	83.7	5.3	1,310,067	80.4
BIZ-Logistics	Logistics	48,361	6.0	48,835	6.1	1.0	99,414	6.1
	Trading logistics service	19,773	2.5	20,979	2.6	6.1	41,796	2.6
	Others	16,196	2.0	13,950	1.7	(13.9)	31,669	1.9
	Eliminations	(13,329)	(1.7)	(14,997)	(1.9)	12.5	(28,946)	(1.8)
	Total	71,001	8.9	68,767	8.5	(3.1)	143,934	8.8
Home Convenience	Home convenience	20,082	2.5	17,821	2.2	(11.3)	39,210	2.4
	Eliminations	(5,749)	(0.7)	(5,370)	(0.7)	(6.6)	(11,404)	(0.7)
	Total	14,333	1.8	12,451	1.5	(13.1)	27,805	1.7
e-Business	Credit card solution	5,422	0.7	5,155	0.6	(4.9)	11,529	0.7
	IT operating	4,117	0.5	4,020	0.5	(2.4)	8,138	0.5
	Web-based mail order solution	3,408	0.4	2,239	0.3	(34.3)	6,190	0.4
	Others	25,887	3.2	28,015	3.5	8.2	53,309	3.3
	Eliminations	(23,898)	(3.0)	(26,035)	(3.2)	8.9	(48,589)	(3.0)
	Total	14,937	1.9	13,395	1.7	(10.3)	30,579	1.9
Financial	Payment	14,637	1.8	16,573	2.1	13.2	29,448	1.8
	Lease service	20,294	2.5	—	—	—	40,306	2.5
	Credit & Finance	1,712	0.2	1,534	0.2	(10.4)	3,344	0.2
	Others	3,650	0.5	1,748	0.2	(52.1)	6,848	0.4
	Eliminations	(1,445)	(0.2)	(54)	(0.0)	(96.3)	(2,875)	(0.2)
	Total	38,849	4.9	19,802	2.5	(49.0)	77,072	4.7
Autoworks	Truck solution	25,435	3.2	23,902	3.0	(6.0)	49,806	3.1
	Others	4,421	0.6	4,429	0.5	0.2	8,734	0.5
	Eliminations	(17,075)	(2.1)	(17,234)	(2.1)	0.9	(33,618)	(2.1)
	Total	12,780	1.6	11,097	1.4	(13.2)	24,922	1.5
Other	JITBOX Charter service	6,783	0.8	5,601	0.7	(17.4)	13,373	0.8
	Others	54,341	6.8	48,168	6.0	(11.4)	71,724	4.4
	Eliminations	(53,324)	(6.7)	(47,495)	(5.9)	(10.9)	(69,334)	(4.3)
	Total	7,800	1.0	6,275	0.8	(19.6)	15,763	1.0
Total		800,126	100.0	806,067	100.0	0.7	1,630,146	100.0