

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

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 Listing: Tokyo Stock Exchange
 Stock code: 9064
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Scheduled date of the submission of quarterly securities report: November 12, 2019
 Scheduled date of the commencement of dividend payment: December 10, 2019
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

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

1. Consolidated financial results for the second quarter of fiscal year 2020 (cumulative: from April 1, 2019 to September 30, 2019)

(1) Consolidated operating results

(Percentages represent year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the six months ended September 30, 2019	800,126	1.4	6,213	(73.5)	2,730	(88.0)	(3,459)	—
September 30, 2018	789,131	8.1	23,435	—	22,756	—	9,981	—

(Note) Comprehensive income: For the six months ended September 30, 2019: (4,202) million yen (—%)
 For the six months ended September 30, 2018: 11,597 million yen (—%)

	Basic earnings per share	Diluted earnings per share
For the six months ended September 30, 2019	Yen (8.77)	Yen —
September 30, 2018	25.32	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2019	1,071,966	562,760	51.8
March 31, 2019	1,123,659	573,388	50.4

(Reference) Equity: As of September 30, 2019: 555,182 million yen As of March 31, 2019: 565,841 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	14.00	—	14.00	28.00
Fiscal 2020	—	15.00	—	—	—
Fiscal 2020 (Forecast)	—	—	—	16.00	31.00

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

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

(Percentages represent year-on-year changes.)

Full year	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of the Parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	1,670,000	2.7	62,000	6.3	59,000	8.7	32,000	24.6	81.16

(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.: Yes
- b. Changes other than a: None
- c. Changes in accounting estimates: None
- d. Restatement: None

(Note) For details, please see "2. Consolidated Financial Statements and Significant Notes Thereto, (4) Notes to consolidated financial statements (Changes in accounting policies)" of the attached materials to the quarterly financial results report on page 14.

(4) Number of issued shares (common shares)

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

As of September 30, 2019:	411,339,992 shares
As of March 31, 2019:	411,339,992 shares
- b. Number of treasury shares as at the end of the period

As of September 30, 2019:	17,065,648 shares
As of March 31, 2019:	17,065,526 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the six months ended September 30, 2019:	394,274,361 shares
For the six months ended September 30, 2018:	394,275,419 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 Six Months, (3) Explanation of consolidated earnings forecasts and other forward-looking statements" of the attached materials to the quarterly financial results report on page 8.
- The Company plans to hold a financial results meeting for analysts on November 1, 2019. The materials distributed at this financial results meeting shall be posted on the Company's website after the meeting has been held.

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

(1) Explanation of operating results

During the six months ended September 30, 2019, the economic environment was plagued by ongoing uncertainties ahead due to factors that have included effects of political trends overseas, yet economy has been gradually recovering amid underlying strengths in corporate earnings. Moreover, the logistics industry continues to face a severe business environment due to an upward trend with respect to small parcel amount by expansion of the e-commerce market brought about by rapidly changing styles of consumption and tightening of the domestic labor market.

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

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

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

Our consolidated financial results for the six months ended September 30, 2019 are as follows.

(Millions of yen)

Item	For the six months ended September 30, 2018	For the six months ended September 30, 2019	Change	Growth (%)
Operating revenue	789,131	800,126	10,994	1.4
Operating profit	23,435	6,213	(17,221)	(73.5)
Ordinary profit	22,756	2,730	(20,026)	(88.0)
Profit attributable to owners of the Parent	9,981	(3,459)	(13,441)	-

As mentioned above, operating revenue amounted to 800,126 million yen, up 10,994 million yen from the previous year. This is largely attributable to an increase in the TA-Q-BIN unit price, amid promotion of structural reforms in the Delivery Business. Operating expenses amounted to 793,912 million yen, up 28,216 million yen from the previous year. This is largely attributable to an increase in personnel expenses and despite a decrease in commission expenses, mainly as a result of having increased the workforce looking toward building collection and delivery structure.

As a result, operating profit amounted to 6,213 million yen, down 17,221 million yen from the previous year.

Ordinary profit amounted to 2,730 million yen, down 20,026 million yen from the previous year, mainly as a result of an increase of 2,611 million yen in share of loss of entities accounted for using equity method due to impairment of goodwill relating to the affiliates overseas.

As a result, loss attributable to owners of the Parent amounted to 3,459 million yen, a deterioration of 13,441 million yen from the previous year.

Initiatives for the entire Yamato Group

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

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

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

Summary of each operating segment

● Delivery

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

Category	(Million parcels / units)			
	For the six months ended September 30, 2018	For the six months ended September 30, 2019	Change	Growth (%)
TA-Q-BIN	874	879	4	0.6
Kuroneko DM-Bin	626	519	(106)	(17.1)

- 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 Amid a severe business environment due to an upward trend with respect to small parcel amount by expansion of the e-commerce market brought about by rapidly changing styles of consumption and tightening of the domestic labor market, during the six months ended September 30, 2019, we worked to strengthen cost controls while engaging in adequate pricing initiatives and promoting sales to new customers in order to regain profitability. In addition, we have been engaging in streamlining collection and delivery, labor operations and administrative tasks by promoting digitization of our overall logistics operations, and in carrying out structural reform of trunk-route transportation for the purpose of optimizing the entire network for streamlining transportation.

- ③ In the growing e-commerce market, we have been expanding sales of the “TA-Q-BIN Compact” and “Nekopos” services which enable customers to send small parcels simply in respond to diversifying needs brought about by changing customer lifestyles, and have proceeded with offering a greater number of drop-off points for sending parcels by collaborating with multiple flea market websites. During the six months ended September 30, 2019, we have been continuing to work in conjunction with flea market websites and e-commerce companies to provide greater convenience by developing a service environment where individual customers ship merchandise easily from convenience stores and PUDO station open-type parcel lockers, and offering a service environment enabling customers who have purchased a product to specify either a TA-Q-BIN Center, convenience store or PUDO station as a location for pick-up. As for individual customers, we have launched new services enabling customers to complete TA-Q-BIN sending procedures using their smartphones, and providing them with access to features such as online payment settlement and anonymous delivery.
- ④ With respect to corporate clients, we have been accurately pinpointing managerial challenges and actively proposing solutions to address those challenges. During the six months ended September 30, 2019, we have been continuing to strengthen account management in coordinated efforts of the Group, and boosting profitability by making proposals that provide high added value using the Group’s business resources.
- ⑤ We have been taking steps to improve services for residents geared toward resolving issues facing communities. In part, this has involved collaborating with numerous municipalities and companies in efforts that entail helping those who have difficulties doing their shopping and helping to watch over elderly residents. Moreover, we have also been helping to revitalize local industry particularly through initiatives that involve supporting tourism and helping to expand sales channels for locally produced products.
- ⑥ Operating revenue amounted to 640,422 million yen, up 2.8% from the previous year owing to a higher TA-Q-BIN unit price amid promotion of structural reforms in the Delivery Business. As for profits, operating loss amounted to 3,562 million yen, a deterioration of 18,543 million yen from the previous year mainly due to an increase in personnel expenses and despite a decrease in commission expenses.

● **BIZ-Logistics**

- ① In the BIZ-Logistics Business, the Yamato Group is providing customers with innovative logistics systems by combining management resources such as the TA-Q-BIN network with logistics functions, maintenance and recall handling functions, cleansing functions for medical devices and international transportation functions.
- ② For e-commerce, we are offering various one-stop services including placing and accepting orders, visual monitoring of inventories for customers and enabling speedier shipments. Moreover, we have been providing services to medical device-related business operators that help such customers revolutionize logistics through our comprehensive support extending beyond delivery to encompass cleaning, maintaining and relending surgical equipment returned by hospitals. During the six months ended September 30, 2019, we promoted efforts to increase sales of this service, particularly among our existing customers.
- ③ Operating revenue amounted to 71,001 million yen, down 4.8% from the previous year mainly as a result of maintenance and recall services falling back from the previous fiscal year. Operating profit was to 2,437 million yen, up 33.2% from the previous year mainly as a result of overhauling distribution centers.

● **Home Convenience**

- ① Given the situation where there were inappropriately billings to corporate clients for moving-related services provided to their employees, Home Convenience Business continued to take steps to prevent a recurrence of such incidents through efforts that have included fundamentally overhauling the moving business and revamping product design. In September, we started providing individual customers with new moving-related services for single people.
- ② Operating revenue amounted to 14,333 million yen, down 24.0% from the previous year. The decrease was due to having stopped moving-related services. As for profits, the segment posted an operating loss of 5,267 million yen.

● e-Business

- ① In the e-Business, the Yamato Group helps customers streamline their business processes and solve potential issues by proactively developing solution platform business that combines logistics technology and financial technology with information technology to accelerate growth of the Yamato Group businesses. In addition to the conventional information technologies, we are promoting use of emerging technologies that harness artificial intelligence (AI), the Internet of things (IoT) and other such innovations.
- ② We have been offering the “Certified Web Retrieval Service” for the financial industry which enables subscribers to safely and simply submit documentation. The service helps our customers streamline their administrative operations by enabling service subscribers to use their smartphones, personal computers and other such devices to upload identification papers and other documents necessary when completing application processes. During the six months ended September 30, 2019, we actively expanded sales of the service to the banking and insurance industry, and use of this service increased.
- ③ Operating revenue amounted to 14,937 million yen, up 17.7% from the previous year mainly generated from our outsourcing services that have in part involved establishing systems for cashless reward point operations accompanying Japan’s consumption tax hike, and also due to growth achieved with respect to providing support for systems that handle the lower rate of taxation imposed on consumer-direct sales business operators. Operating profit was 5,275 million yen, up 33.2% 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, business-to-business transaction settlement, and vehicle leasing.
- ② With respect to our payment settlement services, in addition to providing our mainstay service “TA-Q-BIN Collect,” we have also been promoting increased customer use of both our “Kuroneko Web Collect” comprehensive internet-based transaction settlement service, “Kuroneko Pay After Delivery Services” and our e-money settlement services. During the six months ended September 30, 2019 we have been taking steps to expand sales of our “Raku-uru Cart” service. This service helps business operators newly enter the e-commerce market, which is necessary for expansion going forward, by providing one-stop support in terms of shopping cart function, payment settlement and delivery services. Moreover, with respect to our “Kuroneko Pay After Delivery Services,” we have been taking steps to expand sales of the “smartphone-based payment” feature that enables users to select from various payment options displayed on their smartphone device after having received products, which is in addition to the already available “payment slip-based payment” feature whereby a payment slip is sent by postal mail to the customer who has made a purchase.
- ③ Operating revenue amounted to 38,849 million yen, down 2.8% from the previous year mainly due to a decrease in “TA-Q-BIN Collect” delivery amount due to a shrinking market for cash-on-delivery brought about by changing payment settlement needs, and despite increases in the use of our “Kuroneko Web Collect” and “Kuroneko Pay After Delivery Services.” Operating profit amounted to 3,334 million yen, down 2.4% from the previous year.

● Autoworks

- ① In the Autoworks Business, we provide value to logistics operations and logistics service providers in the form of “improvement of vehicle maintenance convenience” and “reduced maintenance expenses,” as well as services that help our customers improve their asset utilization ratios, by adding options of “maintaining and safeguarding logistics facilities and equipment, and improving such workplace environments,” along with “offering insurance plans tailored to customer risk management needs” which provide coverage for such assets.
- ② During the six months ended September 30, 2019, we achieved greater use of maintenance services as a result of having carried out initiatives to increase sales of such services through close communication with customers.
- ③ Operating revenue amounted to 12,780 million yen, down 0.7% from the previous year mainly as a result of a decrease in fuel sales volume. Operating profit was 2,630 million yen, up 5.4% from the previous year

mainly due to progress made in streamlining business processes, particularly in terms of standardizing and enabling visual monitoring of business operations by introducing production methods of manufacturers.

● **Other**

- ① The “JITBOX Charter service” provides transportation by transport box. The service takes advantage of its network consisting of multiple companies and provides added value to customers through timely delivery and frequent, right-amount delivery. In the six months ended September 30, 2019, service use grew steadily due to favorable results with respect to existing services.
- ② Operating profit excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies increased 15.2% from the previous year to 1,028 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, 2019, the entire Yamato Group including its overseas operations 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. A total of about 3.35 million people have now participated.
- ② In order to earn the confidence of Yamato Group’s customers and society through acting as a company that forms an important part of social infrastructure, we have been promoting management in conformity with compliance and working on the Group-wide initiatives with respect to “Work Style Reform” through developing a vibrant working environment which is more “employee-friendly” and “rewarding” for employees, such as promoting reviewing our management rules on working hours and creating new working styles for our employees.
- ③ The Yamato Group will continue to carry out drastic and comprehensive measures to rebuild Group governance, with the aim of enhancing sound Group management, with efforts being spearheaded by our “Group Governance Project.” During the six months ended September 30, 2019, we continued to implement ethics education for all of our employees in order to foster a sense of ethics throughout the Group, further instill our corporate philosophy, and promote such practices in our operations. We also established and initiated implementation of procedures for inspecting new products and services in order to strengthen the merchandise inspection systems of the overall Yamato Group.
- ④ The Yamato Group recognizes climate change, air pollution, depletion of resources, and loss of biodiversity as important issues to address in order to realize a sustainable society. We have been implementing measures to address climate change by shifting to use of vehicles that produce lower carbon dioxide emissions, introducing small commercial-use EV trucks to our fleets, and handling collection and delivery in a manner that does not involve use of automobiles. We also hold “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, attracting about 250 thousand participants so far.
- ⑤ Aiming to create more sustainable social value, the Yamato Group promotes initiatives for sharing value with society based on the concept of “Creating Shared Value (CSV).” During the six months ended September 30, 2019, we promoted our “combined passenger-cargo” operations using scheduled-route passenger buses and railways, thereby helping to improve lifestyle services for local residents by keeping scheduled bus and railway networks running in hilly and mountainous areas where populations are substantially declining and getting older, and also by streamlining distribution in those locations. With the aim of stimulating the economies of local regions while improving convenience for tourists, particularly for the increasing numbers of overseas visitors, etc., we promoted initiatives involving our hands-free travel service which has entailed expanding our offerings to include baggage check services and same-day delivery of tourists’ luggage to their lodging facilities. For residents of suburban housing complexes which

are undergoing changes with respect to people's life stages, we have been providing support for community development geared to ensuring that local residents are able to lead comfortable lives. Our efforts have involved helping to revitalize local communities where we have our business locations, and providing such residents with lifestyle support services that include handling shopping and housekeeping on their behalf. We have been working with government bodies in efforts geared to revitalizing communities and resolving issues by leveraging the Yamato Group's management resources with respect to initiatives that include helping to watch over elderly residents, supporting tourism, and expanding sales channels for locally produced products in respective regions throughout Japan. We are currently involved in 1,053 initiatives now being implemented or otherwise under discussion.

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

(2) Explanation of financial position

(Assets, liabilities and net assets)

Total assets were 1,071,966 million yen as of September 30, 2019, down 51,693 million yen from the end of the previous fiscal year. The decrease was largely attributable to a 46,512 million yen decrease in cash and deposits and a 5,875 million yen decrease in investment securities.

Liabilities decreased 41,065 million yen to 509,205 million yen from the end of the previous fiscal year. The decrease was largely attributable to a 15,538 million yen decrease in notes and accounts payable - trade and an 11,793 million yen decrease in income taxes payable.

Total net assets were 562,760 million yen, down 10,628 million yen from the end of the previous fiscal year. This was mainly attributable to a decrease in retained earnings of 9,804 million yen due to the recording of loss attributable to owners of the Parent of 3,459 million yen and payment of dividends of surplus of 5,519 million yen.

Accordingly, the equity ratio changed to 51.8% from 50.4% of the previous fiscal year.

(Cash flows)

Net cash provided by operating activities for the six months ended September 30, 2019 amounted to 1,737 million yen. Compared with the year-ago period, the amount of net cash provided decreased by 43,568 million yen. This is largely attributable to a decrease of 19,217 million yen due to the recording of profit before income taxes of 2,509 million yen and an increase of 14,424 million yen in income taxes paid.

Net cash used in investing activities was 33,854 million yen. Compared with the year-ago period, the amount of net cash used increased by 3,648 million yen. This is largely attributable to a 3,597 million yen increase in purchase of property, plant and equipment.

Net cash used in financing activities was 13,600 million yen. Compared with the year-ago period, the amount of net cash used decreased by 18,985 million yen. This is largely attributable to a 19,906 million yen decrease in repayment of loans payable.

As a result of the above, cash and cash equivalents were 148,737 million yen as of September 30, 2019, down 45,913 million yen from the end of the previous fiscal year.

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

Going forward, the economic environment is likely to be plagued by ongoing uncertainties ahead due to factors such as effects of political trends overseas, yet economy has been gradually recovering amid underlying strengths in corporate earnings. Meanwhile, the severe business environment affecting the logistics industry is likely to persist amid factors that include further tightening of the domestic labor market, amid a continued upward trend with respect to small parcel amount brought about by rapidly changing styles of consumption and other such trends.

In that environment, the Yamato Group will place a management focus on "Work Style Reform" and endeavor to improve and develop the working environment, while in the Delivery Business promoting its "structural reforms in the Delivery Business." Meanwhile, we will persist with efforts that involve engaging in adequate pricing initiatives and increasing delivery amount. In addition, we will expand our revenue base by strengthening account management on a Group-wide basis and promoting solution sales geared toward addressing customers' business challenges. As for expenditures, we will focus on controlling costs in line with operating amount despite the likelihood of increases in outlays associated with our reform initiatives. The consolidated earnings forecasts reflect the effects of the current suspension of moving-related services by our consolidated subsidiary Yamato Home Convenience Co., Ltd.

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

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	195,954	149,442
Notes and accounts receivable - trade	220,159	216,783
Accounts receivable - installment	44,802	45,468
Lease receivables and investments in leases	54,537	55,382
Merchandise and finished goods	642	531
Work in process	194	279
Raw materials and supplies	2,410	2,203
Other	33,032	31,068
Allowance for doubtful accounts	(1,475)	(1,452)
Total current assets	550,258	499,707
Non-current assets		
Property, plant and equipment		
Buildings and structures	352,141	353,959
Accumulated depreciation	(204,191)	(207,649)
Buildings and structures, net	147,950	146,310
Vehicles	208,031	213,430
Accumulated depreciation	(183,835)	(188,493)
Vehicles, net	24,195	24,937
Land	175,995	175,994
Leased assets	31,537	32,148
Accumulated depreciation	(9,531)	(9,775)
Leased assets, net	22,006	22,373
Other	167,940	170,407
Accumulated depreciation	(109,170)	(109,697)
Other, net	58,769	60,710
Total property, plant and equipment	428,918	430,324
Intangible assets	20,624	21,324
Investments and other assets		
Investment securities	54,013	48,137
Other	70,847	73,599
Allowance for doubtful accounts	(1,002)	(1,127)
Total investments and other assets	123,858	120,609
Total non-current assets	573,401	572,259
Total assets	1,123,659	1,071,966

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	158,938	143,399
Short-term borrowings	60,800	60,500
Lease obligations	2,791	3,457
Income taxes payable	23,747	11,954
Deferred installment income	5,341	5,071
Provision for bonuses	35,844	45,459
Other	122,961	102,920
Total current liabilities	410,423	372,762
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	19,500	14,000
Lease obligations	20,142	21,266
Retirement benefit liability	74,508	75,569
Other	15,696	15,607
Total non-current liabilities	139,847	136,442
Total liabilities	550,270	509,205
Net assets		
Shareholders' equity		
Share capital	127,234	127,234
Capital surplus	36,813	36,813
Retained earnings	431,497	421,693
Treasury shares	(39,085)	(39,085)
Total shareholders' equity	556,459	546,654
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,975	11,589
Foreign currency translation adjustment	(515)	(695)
Remeasurements of defined benefit plans	(3,078)	(2,366)
Total accumulated other comprehensive income	9,381	8,527
Non-controlling interests	7,547	7,578
Total net assets	573,388	562,760
Total liabilities and net assets	1,123,659	1,071,966

(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, 2018	For the six months ended September 30, 2019
Operating revenue	789,131	800,126
Operating cost	740,377	765,664
Operating gross profit	48,754	34,462
Selling, general and administrative expenses	25,319	28,248
Operating profit	23,435	6,213
Non-operating income		
Interest income	70	78
Dividend income	616	646
Other	535	510
Total non-operating income	1,222	1,235
Non-operating expenses		
Interest expenses	118	208
Share of loss of entities accounted for using equity method	1,073	3,684
Other	708	826
Total non-operating expenses	1,900	4,719
Ordinary profit	22,756	2,730
Extraordinary income		
Gain on sales of non-current assets	3	3
Gain on sales of investment securities	37	—
Total extraordinary income	40	3
Extraordinary losses		
Loss on retirement of non-current assets	94	177
Impairment loss	973	45
Loss on valuation of investment securities	0	0
Other	0	0
Total extraordinary losses	1,069	224
Profit before income taxes	21,727	2,509
Income taxes	11,597	5,802
Profit (loss)	10,130	(3,292)
Profit attributable to non-controlling interests	148	167
Profit (loss) attributable to owners of the Parent	9,981	(3,459)

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Profit (loss)	10,130	(3,292)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,584	(1,167)
Foreign currency translation adjustment	(1,062)	(180)
Remeasurements of defined benefit plans, net of tax	(54)	711
Share of other comprehensive income of entities accounted for using equity method	(0)	(273)
Total other comprehensive income	1,467	(910)
Comprehensive income	11,597	(4,202)
(Breakdown)		
Comprehensive income attributable to owners of the Parent	11,094	(4,313)
Comprehensive income attributable to non-controlling interests	503	110

(3) Consolidated statement of cash flows

(Millions of yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	21,727	2,509
Depreciation	22,516	25,533
Impairment loss	973	45
Increase (decrease) in retirement benefit liability	888	1,061
Increase (decrease) in provision for bonuses	10,396	9,622
Share of loss (profit) of entities accounted for using equity method	1,073	3,684
Decrease (increase) in notes and accounts receivable - trade	2,301	1,122
Increase (decrease) in notes and accounts payable - trade	(9,743)	(15,436)
Other, net	2,561	(4,579)
Subtotal	52,695	23,563
Interest and dividend income received	676	712
Interest expenses paid	(206)	(253)
Income taxes paid	(7,859)	(22,284)
Net cash provided by (used in) operating activities	45,305	1,737
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,338)	(30,936)
Proceeds from sales of property, plant and equipment	1,921	2,521
Purchase of investment securities	(97)	(356)
Proceeds from sales of investment securities	80	—
Payments of loans receivable	(1,786)	(2,222)
Collection of loans receivable	630	1,297
Other payments	(5,678)	(5,988)
Other proceeds	2,063	1,829
Net cash provided by (used in) investing activities	(30,205)	(33,854)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(14,006)	10,000
Repayments of finance lease obligations	(1,218)	(2,199)
Repayments of long-term loans payable	(11,700)	(15,800)
Cash dividends paid	(5,517)	(5,520)
Other, net	(144)	(80)
Net cash provided by (used in) financing activities	(32,586)	(13,600)
Effect of exchange rate change on cash and cash equivalents	(306)	(195)
Net increase (decrease) in cash and cash equivalents	(17,792)	(45,913)
Cash and cash equivalents at beginning of period	202,863	194,650
Cash and cash equivalents at end of period	185,070	148,737

**(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.

(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.

(Changes in accounting policies)

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

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

(Segment information, etc.)

[Segment information]

I For the six months ended September 30, 2018

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

(Millions of yen)

	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial
Operating revenue					
(1) Operating revenue from customers	623,137	74,619	18,862	12,693	39,956
(2) Inter-segment operating revenue or transfers	32,973	5,518	6,217	19,452	1,460
Total	656,110	80,137	25,080	32,145	41,417
Segment profit (loss)	14,980	1,830	(4,422)	3,961	3,416

	Autoworks	Other (Notes 1, 2)	Total	Reconciliation (Note 3)	Amount recorded in consolidated statement of income (Note 4)
Operating revenue					
(1) Operating revenue from customers	12,876	6,985	789,131	—	789,131
(2) Inter-segment operating revenue or transfers	15,860	32,386	113,869	(113,869)	—
Total	28,737	39,372	903,001	(113,869)	789,131
Segment profit (loss)	2,496	18,879	41,142	(17,707)	23,435

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

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

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

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

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

In the Home Convenience segment, the Company has decreased the book value of an asset group with diminished profitability to the recoverable value, and has accordingly recorded an impairment loss of 897 million yen for the six months ended September 30, 2018.

II 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					
(1) Operating revenue from customers	640,422	71,001	14,333	14,937	38,849
(2) 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					
(1) Operating revenue from customers	12,780	7,800	800,126	—	800,126
(2) 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.

3. Supplementary Information

Operating revenue by business

Business segment		For the six months ended September 30, 2018		For the six months ended September 30, 2019		Change (%)	Fiscal year ended March 31, 2019	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)		Amount (Millions of yen)	Ratio (%)
Delivery	TA-Q-BIN	575,593	72.9	592,594	74.1	3.0	1,199,084	73.8
	Kuroneko DM-Bin	37,045	4.7	33,223	4.2	(10.3)	73,062	4.5
	Express	20,357	2.6	20,671	2.6	1.5	41,615	2.6
	Others	49,565	6.3	48,182	6.0	(2.8)	100,698	6.2
	Eliminations	(59,425)	(7.5)	(54,249)	(6.8)	(8.7)	(117,237)	(7.2)
	Total	623,137	79.0	640,422	80.0	2.8	1,297,222	79.8
BIZ-Logistics	Sales and Logistics ^{*1}	26,942	3.4	25,248	3.2	(6.3)	53,137	3.3
	Reverse Logistics ^{*1}	10,590	1.3	9,364	1.2	(11.6)	19,982	1.2
	Healthcare Logistics ^{*1}	9,100	1.2	9,155	1.1	0.6	18,164	1.1
	Trading logistics service	21,042	2.7	19,773	2.5	(6.0)	41,829	2.6
	Others ^{*1}	20,640	2.6	20,789	2.6	0.7	41,297	2.5
	Eliminations	(13,696)	(1.7)	(13,329)	(1.7)	(2.7)	(26,973)	(1.7)
	Total	74,619	9.5	71,001	8.9	(4.8)	147,437	9.1
Home Convenience	Home convenience ^{*2}	25,088	3.2	20,082	2.5	(20.0)	46,040	2.8
	Eliminations	(6,226)	(0.8)	(5,749)	(0.7)	(7.7)	(12,636)	(0.8)
	Total	18,862	2.4	14,333	1.8	(24.0)	33,404	2.1
e-Business	Credit card solution	4,496	0.6	5,422	0.7	20.6	9,373	0.6
	IT operating	3,514	0.4	4,117	0.5	17.1	7,470	0.5
	Web-based mail order solution	2,727	0.3	3,408	0.4	25.0	5,844	0.4
	Others	24,236	3.1	25,887	3.2	6.8	50,827	3.1
	Eliminations	(22,282)	(2.8)	(23,898)	(3.0)	7.3	(46,922)	(2.9)
	Total	12,693	1.6	14,937	1.9	17.7	26,592	1.6
Financial	Payment	15,559	2.0	14,637	1.8	(5.9)	32,162	2.0
	Lease	20,629	2.6	20,294	2.5	(1.6)	40,181	2.5
	Credit & Finance	1,788	0.2	1,712	0.2	(4.2)	3,479	0.2
	Others	3,468	0.4	3,650	0.5	5.3	7,056	0.4
	Eliminations	(1,489)	(0.2)	(1,445)	(0.2)	(2.9)	(2,913)	(0.2)
	Total	39,956	5.1	38,849	4.9	(2.8)	79,966	4.9
Autoworks	Truck solution	25,517	3.2	25,435	3.2	(0.3)	50,486	3.1
	Others	4,516	0.6	4,421	0.6	(2.1)	9,620	0.6
	Eliminations	(17,157)	(2.2)	(17,075)	(2.1)	(0.5)	(34,121)	(2.1)
	Total	12,876	1.6	12,780	1.6	(0.7)	25,985	1.6
Other	JITBOX Charter service	6,094	0.8	6,783	0.8	11.3	12,609	0.8
	Others	35,434	4.5	54,341	6.8	53.4	51,651	3.2
	Eliminations	(34,542)	(4.4)	(53,324)	(6.7)	54.4	(49,556)	(3.0)
	Total	6,985	0.9	7,800	1.0	11.7	14,705	0.9
	Total	789,131	100.0	800,126	100.0	1.4	1,625,315	100.0

Effective from the first quarter of the fiscal year ending March 31, 2020, changes have been made to the business segments, mainly for the purposes of enhancing functions of the respective operations and streamlining management. The principal changes are shown below. Accordingly, the segment information for the six months ended September 30, 2018 and the fiscal year ended March 31, 2019 have been restated to reflect the new classification.

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

- Sales and Logistics as well as e-Logistics solution are presented as Sales and Logistics.
- Multi maintenance, Technical Network, and Setup and Logistics solution that belonged to Others is presented as Reverse Logistics.
- Medical Logistics and e-On Demand solution that belonged to Others are presented as Healthcare Logistics.
- Products Logistics is included in Others.

*2. In the Home Convenience segment, Business convenience is included in Home convenience.