



**YAMATO HOLDINGS CO., LTD.**

# **Unparalleled Innovation and Customer Satisfaction**

**For Local Communities in Japan and Increasingly Overseas**

**Annual Report 2012**

For the year ended March 31, 2012

## Profile

The Yamato Group consists of Yamato Holdings Co., Ltd. (“the Company”), 45 subsidiaries and 7 affiliated companies. It is primarily involved in six business segments: Delivery, BIZ-Logistics, Home Convenience, e-Business, Financial and Truck Maintenance, as well as services incidental to these activities.

The goal of the Yamato Group is to help bring about a better society by further refining the *TA-Q-BIN*\* network, which is a part of the social infrastructure, creating services that facilitate more convenient, comfortable lifestyles, and developing innovative logistics systems. The Group has managed its businesses in pursuit of this goal, toward which it will continue to strive. To this end, the Group is working to maximize corporate value through improving quality by constantly putting ourselves in our customers’ position, while also using the capabilities of the whole Group to develop unique services that further improve convenience for our customers.

\**TA-Q-BIN* is the name in English for “*Takkyubin*,” the Yamato Group’s core small parcel delivery service.



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### Forward-Looking Statements

This annual report contains forward-looking statements concerning Yamato Holdings' future plans, strategies and performance. These statements represent assumptions and beliefs based on information currently available and are not historical facts. Furthermore, forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, customer demand, foreign currency exchange rates, tax laws and other regulations.

Yamato Holdings therefore cautions readers that actual results may differ materially from these predictions.





**The Yamato Group’s management philosophy is to help enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles and developing an innovative logistics system. This philosophy also aims to generate sustained growth and maximize corporate value while balancing growth potential, financial soundness and operating efficiency.**

### **Review of Fiscal 2012**

In fiscal 2012, the Japanese economy as a whole showed signs of stagnation brought on by sustained yen appreciation, slowing in overseas economies due to the European debt crisis, and other factors. However, economic conditions began to gradually recover on mounting demand associated with reconstruction work following the Great East Japan Earthquake of March 2011.

In this operating climate and in the initial year of our medium-term management plan, “DAN-TOTSU Three-Year Plan HOP,” the Yamato Group in fiscal 2012 was unable to achieve operating income in excess of the Company’s plans due in part to a decline in *Kuroneko Mail* handling volume associated with stricter policies on parcel acceptance that emphasize compliance. However, the Yamato Group made progress developing new businesses for properly responding to customers’ increasingly sophisticated needs. This, and strong *TA-Q-BIN* handling volume in an expanding mail-order market, supported our performance.

Overseas, we launched the *TA-Q-BIN* business in Malaysia in September 2011. This business is already in operation in Shanghai, Singapore and Hong Kong.

We continued to donate to our “ten yen for every parcel we deliver in Japan” initiative to fulfill our social mission and help in the revitalization of local people’s living conditions and industrial infrastructure in the region devastated by the Great East Japan Earthquake, and otherwise actively helped in the region’s recovery.

Operating revenues increased 2.0% year on year to ¥1,260,833 million and operating income increased 3.6% to ¥66,651 million. These figures were close to record-high revenues and earnings.

	Millions of Yen				Change	
	FY09/3	FY10/3	FY11/3	FY12/3	Increase/ Decrease	YoY(%)
Operating revenues						
Delivery	¥ 997,898	¥ 966,480	¥ 995,651	<b>¥1,014,564</b>	<b>¥ 18,913</b>	<b>1.9</b>
Non-Delivery	254,024	234,354	240,869	<b>246,269</b>	<b>5,400</b>	<b>2.2</b>
Total	1,251,922	1,200,834	1,236,520	<b>1,260,833</b>	<b>24,313</b>	<b>2.0</b>
Operating income	55,721	61,389	64,314	<b>66,651</b>	<b>2,337</b>	<b>3.6</b>
(Operating Margin)	4.5%	5.1%	5.2%	<b>5.3%</b>	–	–
Net income	25,523	32,282	33,208	<b>19,787</b>	<b>(13,421)</b>	<b>(40.4)</b>
(Net Margin)	2.0%	2.7%	2.7%	<b>1.6%</b>	–	–

### Fiscal 2013

In fiscal 2013, which will mark the second year of our medium-term management plan, DAN-TOTSU Three-Year Plan HOP, our goal is record-high operating income of ¥70.0 billion.

The business environment is constantly changing, but our management strategy is unwavering.

The strategy we have followed since adopting a pure holding company system in 2005 is to fully utilize the Group’s business assets to bring about innovation in commercial distribution and help enrich society.

While generating growth in the e-Business, Financial Business and other non-delivery businesses, which boast high profit margins in their respective domains, we will also add new value to the Delivery Business to stimulate even greater growth in physical distribution.

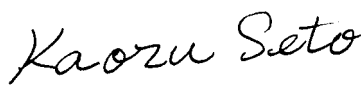
High crude oil prices and increased personnel costs associated with social insurance rate reforms will push down earnings levels temporarily, but the Yamato Group has a nationwide network extending the “last mile” to the end user.

As a logistics company, we will promote the development of new services and new businesses to accommodate ever-advancing customer needs, as we continue providing society with new value and creating trends that will define the future.

We intend to continue managing the company with an eye on growth in order to continue to be the logistics partner chosen and trusted by customers.

We ask our shareholders for your ongoing encouragement and support.

September 2012



Kaoru Seto  
Representative Director and Chairman



Makoto Kigawa  
Representative Director,  
President and Executive Officer

## Performance Highlights

	Millions of Yen						Thousands of U.S. Dollars <sup>(Note)</sup>
	2012	2011	2010	2009	2008	2007	2012
Operating revenues	<b>¥1,260,833</b>	¥1,236,520	¥1,200,834	¥1,251,922	¥1,225,974	¥1,161,568	<b>\$15,340,466</b>
Delivery	<b>1,014,564</b>	995,651	966,480	997,898	981,142	934,607	<b>12,344,133</b>
Non-Delivery	<b>246,269</b>	240,869	234,354	254,024	244,832	226,961	<b>2,996,333</b>
Operating costs	<b>1,163,777</b>	1,143,006	1,110,971	1,167,764	1,129,008	1,064,044	<b>14,159,596</b>
Selling, general and administrative expenses	<b>30,405</b>	29,200	28,474	28,437	28,786	30,363	<b>369,933</b>
Operating income	<b>66,651</b>	64,314	61,389	55,721	68,180	67,161	<b>810,937</b>
Delivery	<b>41,199</b>	40,844	38,345	31,344	40,350	43,698	<b>501,267</b>
Non-Delivery	<b>25,452</b>	23,470	23,044	24,376	27,830	23,463	<b>309,670</b>
Income before income taxes and minority interests	<b>45,817</b>	61,836	60,434	48,996	67,596	66,825	<b>557,457</b>
Income taxes	<b>26,059</b>	28,491	28,096	23,349	31,447	32,470	<b>317,062</b>
Net income	<b>19,787</b>	33,208	32,282	25,523	35,353	33,813	<b>240,745</b>

Per share of common stock:	Yen						U.S. Dollars <sup>(Note)</sup>
	2012	2011	2010	2009	2008	2007	2012
Basic net income	<b>¥ 46.00</b>	¥ 73.42	¥ 71.84	¥ 57.60	¥ 79.80	¥ 75.59	<b>\$ 0.56</b>
Diluted net income	<b>44.87</b>	73.30	71.16	56.45	78.12	74.00	<b>0.55</b>
Cash dividends	<b>22.00</b>	22.00	22.00	22.00	22.00	20.00	<b>0.27</b>
Net assets per share	<b>1,197.26</b>	1,173.60	1,130.33	1,073.86	1,050.99	1,005.63	<b>14.57</b>

	Millions of Yen						Thousands of U.S. Dollars <sup>(Note)</sup>
	2012	2011	2010	2009	2008	2007	2012
Working capital	<b>¥ 182,111</b>	¥ 185,922	¥ 165,890	¥ 159,937	¥ 125,355	¥ 140,377	<b>\$ 2,215,741</b>
Total shareholders' equity	<b>514,996</b>	515,602	512,910	475,815	465,801	445,263	<b>6,265,923</b>
Total assets	<b>919,295</b>	899,363	878,641	869,606	874,219	829,721	<b>11,184,995</b>
Capital expenditures	<b>48,615</b>	52,472	39,700	45,856	124,832	48,881	<b>591,491</b>
Depreciation and amortization	<b>38,682</b>	39,583	39,883	42,697	44,772	40,150	<b>470,646</b>
Net cash provided by operating activities	<b>71,843</b>	87,899	77,064	84,463	116,896	80,763	<b>874,117</b>
Operating income margin (%)	<b>5.29</b>	5.20	5.11	4.45	5.56	5.78	–
Return on revenues (%)	<b>1.57</b>	2.69	2.69	2.04	2.88	2.91	–
Return on assets (%)	<b>2.18</b>	3.74	3.69	2.93	4.15	4.17	–
Return on equity (%)	<b>3.84</b>	6.46	6.53	5.42	7.76	7.78	–
Current ratio (%)	<b>164.50</b>	170.34	159.82	158.00	144.89	149.30	–
Shareholders' equity ratio (%)	<b>56.02</b>	57.33	58.38	54.72	53.28	53.66	–
Assets turnover (Times)	<b>1.39</b>	1.39	1.37	1.44	1.44	1.43	–
Interest coverage ratio (Times)	<b>90.52</b>	73.71	88.35	58.57	223.00	260.66	–
Number of employees	<b>177,301</b>	171,642	167,555	170,662	169,836	157,653	–
Full-time	<b>84,293</b>	83,427	82,395	82,601	80,843	77,170	–
Part-time	<b>93,008</b>	88,215	85,160	88,061	88,993	80,483	–
TA-Q-BIN delivery volume (Millions of parcels)	<b>1,423</b>	1,348	1,262	1,232	1,236	1,174	–
Unit price (Yen)	<b>600</b>	609	624	646	644	647	–
Kuroneko Mail handling volume (Millions of units)	<b>2,187</b>	2,312	2,262	2,231	2,206	1,970	–
Unit price (Yen)	<b>62</b>	64	65	65	64	66	–

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥82.19 to U.S.\$1.



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## A Message from the President



**Makoto Kigawa**  
Representative Director,  
President and Executive Officer

### **The Yamato Group Believes That Helping Enrich Society Through Business Activities Will Maximize Corporate Value**

For me, the Great East Japan Earthquake of March 2011 reaffirmed the importance of the Yamato Group's management philosophy, which is to help enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles and developing an innovative logistics system.

Responding to the unprecedented damage caused by the earthquake, the Yamato Group helped deliver supplies to the region to assist in its recovery and fulfill the Company's social mission, while Group employees donated their time as volunteers. The Group also made the decision to

donate ¥10 per *TA-Q-BIN* parcel to help in the revitalization of local people's living conditions and industrial infrastructure, and continued the initiative for a full year.

Based on *TA-Q-BIN* handling volume in the fiscal year ended March 2012, donations totaling ¥14.2 billion were made tax-free to the Yamato Welfare Foundation, having been approved by the Minister of Finance as "designated donations." The foundation pooled this money with donations collected from other companies, organizations and individuals and provided grants exclusively for the restoration and revitalization of the local infrastructure and for rebuilding of the fishing and agriculture industries in the region. An independent committee of experts selected projects for grants under a basic policy of

## Numerical Targets for DAN-TOTSU Management Plan 2019 and DAN-TOTSU Three-Year Plan HOP

	Fiscal 2014	Fiscal 2020
<b>Consolidated operating revenues</b>	¥1,440.0 billion	<ul style="list-style-type: none"> <li>• 100 businesses</li> <li>• Domestic parcel delivery market share: Over 50%</li> <li>• Non-delivery share of operating income: Over 50%</li> <li>• Overseas sales ratio: Over 20%</li> <li>• ROE: Over 11%</li> </ul>
<b>Consolidated operating income</b>	¥88.0 billion	
<b>Operating margin</b>	6.1%	
<b>ROE</b>	8.5%	
<b>TA-Q-BIN handling volume</b>	1,680 million parcels Domestic: 1,560 million Overseas: 120 million	

visible, quick and effective assistance. Priority was placed on types of projects that do not normally receive government support.

As of April 26, 2012, 31 projects have received funding, including construction of a temporary fish market in Minamisanriku, Miyagi Prefecture, and a daycare center in Noda, Iwate Prefecture. The grants have totaled ¥14,266 million.

I would like to sincerely thank everyone who used *TA-Q-BIN* as well as shareholders, investors and government officials for their understanding and support for the Yamato Group's activities.

This fundraising initiative came to an end on March 31, 2012, but we intend to continue helping in reconstruction efforts and assisting in the recovery of the entire region as quickly as possible through our business activities.

### Rising to the Challenge of Becoming Asia's No. 1 Solution Provider in Distribution and Lifestyle Support

My medium-to-long-term vision, with its target of fiscal 2020, when we will celebrate our 100th anniversary, is for the Yamato Group to become the leading provider of distribution and lifestyle support solution services in Asia. We want to establish DAN-TOTSU (unassailable) positions in solution capability, delivery quality, and customer satisfaction in this capacity in Asia.

It will be a major challenge, but we believe that achieving it will enable us to substantially increase corporate value.

In order to realize this vision, our long-term DAN-TOTSU Management Plan 2019 lays out a basic policy of executing innovations that will revive the growth of *TA-Q-BIN*. The plan's two major pillars





are creating and expanding markets through development of the overseas *TA-Q-BIN* business and reviving *TA-Q-BIN*'s growth in Japan.

The *TA-Q-BIN* business, which started as a consumer-to-consumer (C2C) delivery service, has been operating for 36 years since its launch in 1976. This length of time, together with structural factors such as the prolonged domestic economic slump and population decline, has seen *TA-Q-BIN* viewed as a maturing business in recent years, and consequently, the Yamato Group's growth has also been viewed as possibly slowing as growth potential declines for this major pillar of our earnings. I strongly believe, however, that the market can still grow.

### **Driving Sustained Growth Pivoting on Revival of *TA-Q-BIN*'s Growth by Managing a Portfolio of Six Main Businesses**

The Yamato Group converted to a pure holding company system in 2005.

The main reason I think it will be possible to revive the growth of the *TA-Q-BIN* business is basically because I believe we can spur additional growth in physical distribution by fully utilizing management

resources in our six main businesses—Delivery, BIZ-Logistics, Home Convenience, e-Business, Financial, and Truck Maintenance—to generate innovations in commercial distribution.

I believe that this is possible precisely because the Yamato Group has a nationwide network that extends the “last mile” to end users.

For example, we have traditionally provided transport and delivery services for the general public, but going forward we plan to add an additional level of convenience to these services and meet the ever-advancing needs of customers by promoting new services and businesses.

When it was first made available, *TA-Q-BIN* was often used for special occasions like sending New Year's and midyear gifts or to send equipment ahead or home when going golfing or skiing, but in recent years the Internet's widespread use at home has fueled growth in mail-order shopping, increasing the opportunities to use *TA-Q-BIN* for everyday events like shopping. The service is now essential “infrastructure” for day-to-day life.

Going forward, we will redefine the general public as “residents” and form partnerships between the Yamato Group and the government, local public bodies and other companies to enter new business domains through establishment of *lifetime lifestyle support platforms* closely tied to local communities and lifestyles, while also utilizing the *Kuroneko Members* service and other resources.

At the same time, for corporate customers we have provided value in the form of accuracy and reliability in delivery services; specifically, sales support for the retail industry and timely logistics for the manufacturing industry. Moving forward, we will provide solutions that help customers make supply

chain innovations, including warehouse operations, inventory management, sales promotions and after-sales follow-up, as we steadily shift to value provided by the Yamato Group.

We will offer comprehensive support for both efficiency and dispersal of inventory management, and timely, frequent deliveries in corporate activities, which is normally a difficult combination to achieve.

### Changes in the Social Structure Play to the Yamato Group's Strengths

Our strength as a logistics company is a nationwide network that extends the “last mile” to end users. It is my belief that our ability to leverage this strength to become a partner for corporate logistics suppliers and provide a range of solutions expressly for end users, the general public, is a characteristic possessed only by the Yamato Group.

The Great East Japan Earthquake of March 11, 2011 indirectly brought into relief not only socio-economic changes that have long been recognized, like the declining birthrate and aging population, regional depopulation, widespread Internet use by regular households, and the increase in women pursuing careers outside the home, but also many major changes taking place in the values and lifestyles of the general public. It also reinforced the urgency with which companies must address these broad societal changes.

At the same time, it is also a fact that the Yamato Group's network, which extends the “last mile” to end users, has been reaffirmed as constituting essential lifestyle infrastructure on par with electricity and water utilities. The changes taking place I think dovetail perfectly with our long-term plan of providing *lifetime lifestyle support platforms*



*Haneda Chronogate*

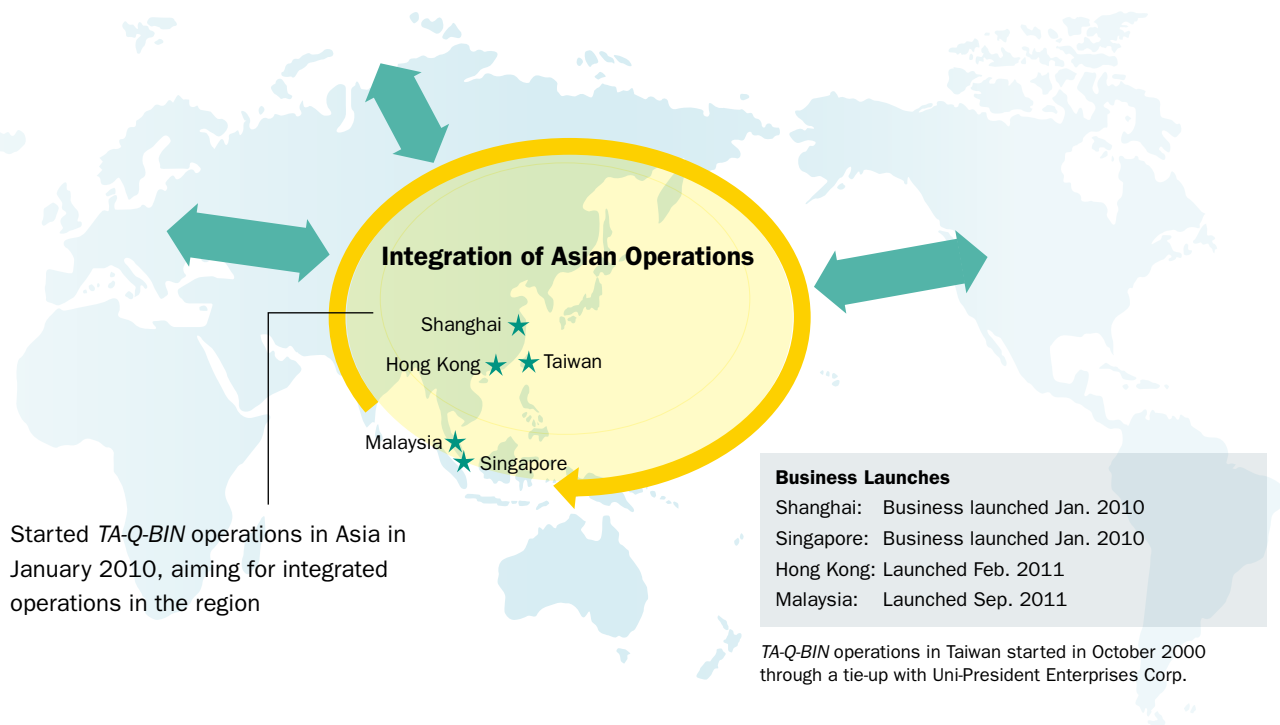
closely tied to local communities and lifestyles, while also utilizing the *Kuroneko Members* service and other resources, by forming partnerships between the Yamato Group and the government, local public bodies and other companies.

The Yamato Group intends to help enrich society by providing corporate and residential customers solutions to restrictions and inconveniences involving location, time and cost.

One example is *Haneda Chronogate*, which is currently under construction and will serve as a strategic base for designing entirely new logistics practices and partially solving various restrictions and inconveniences across time and space.

The Yamato Group has traditionally viewed Asia and Japan as a single economic zone and has seen the need for nodes within the zone through which goods, money and information travel seamlessly. *Haneda Chronogate* is located next to Haneda Airport, where international flights have resumed. It also has distribution facilities such as the Tokyo and Yokohama ports and container terminals nearby and enjoys good access to the Metropolitan Expressway. It will truly be a node in the Asian economic zone.

## Development Status of Overseas *TA-Q-BIN* Business



*Haneda Chronogate* will have all Yamato Group companies located there, with four main functions: the Direct Transport function, which will handle products received from overseas and deliver them to their destinations without delay like *TA-Q-BIN*, resulting in overwhelming reductions in lead times; the Global Cross-Docking function, which will sort products received from overseas, improving inventory turnover rates and minimizing inventory volume; the Product/Distribution Processing function, which will support customer operations such as product processing, kitting and maintenance, etc.; and the Multi-Transport function, which will provide the optimal mode of transport from among diverse methods of transportation.

We anticipate that *Haneda Chronogate* will stimulate further growth in physical distribution. That is,

we expect it to serve as a major trigger for our strategy to revive the growth of *TA-Q-BIN* by adding new value to the Delivery Business while generating growth in our highly profitable e-Business, Financial Business and other non-delivery businesses, in their respective domains.

I also think it has an important role to play in the context of us establishing DAN-TOTSU (unassailable) positions in solution capability, delivery quality, and customer satisfaction in this capacity in Asia, as the leading provider of distribution and lifestyle support solution services in Asia.

### Allocation of Cash Generated in the Domestic Delivery Business to Strategic Investment for Further Future Growth

In terms of the overseas *TA-Q-BIN* business, we have



expanded business by providing know-how to Taiwan's Uni-President Enterprises Corp. for 12 years since 2000. We will also accelerate our own Yamato Group *TA-Q-BIN* business in Asia, where even more economic growth is expected in the future.

We started *TA-Q-BIN* operations in Shanghai and Singapore in January 2010, and Hong Kong in February 2011. In September 2011, we extended our reach by starting a business in Malaysia.

We plan to continue steadily expanding the *TA-Q-BIN* business to other regions and, in the future, we will build a global supply chain in the Asian zone. We hope to enrich societies across Asia by transplanting the business model we have refined in Japan.

At the same time, to stimulate further growth in physical distribution in Japan, we will make investments to further upgrade *TA-Q-BIN* and other services and expand our business domain.

Doing so will make it possible to expand our same-day delivery area and provide innovative solutions to corporate customers, which should spur further earnings growth.

Capital investment in fiscal 2013 is projected to be ¥92.0 billion, higher than a normal year, but the Yamato Group continues to conduct management with

sufficient awareness of capital cost levels that reflect the expectations shareholders and investors hold for the earnings of the Yamato Group.

Led by Yamato Holdings, the Group's pure holding company, we will rigorously apply an investment recovery approach at the business segment level and achieve further growth.

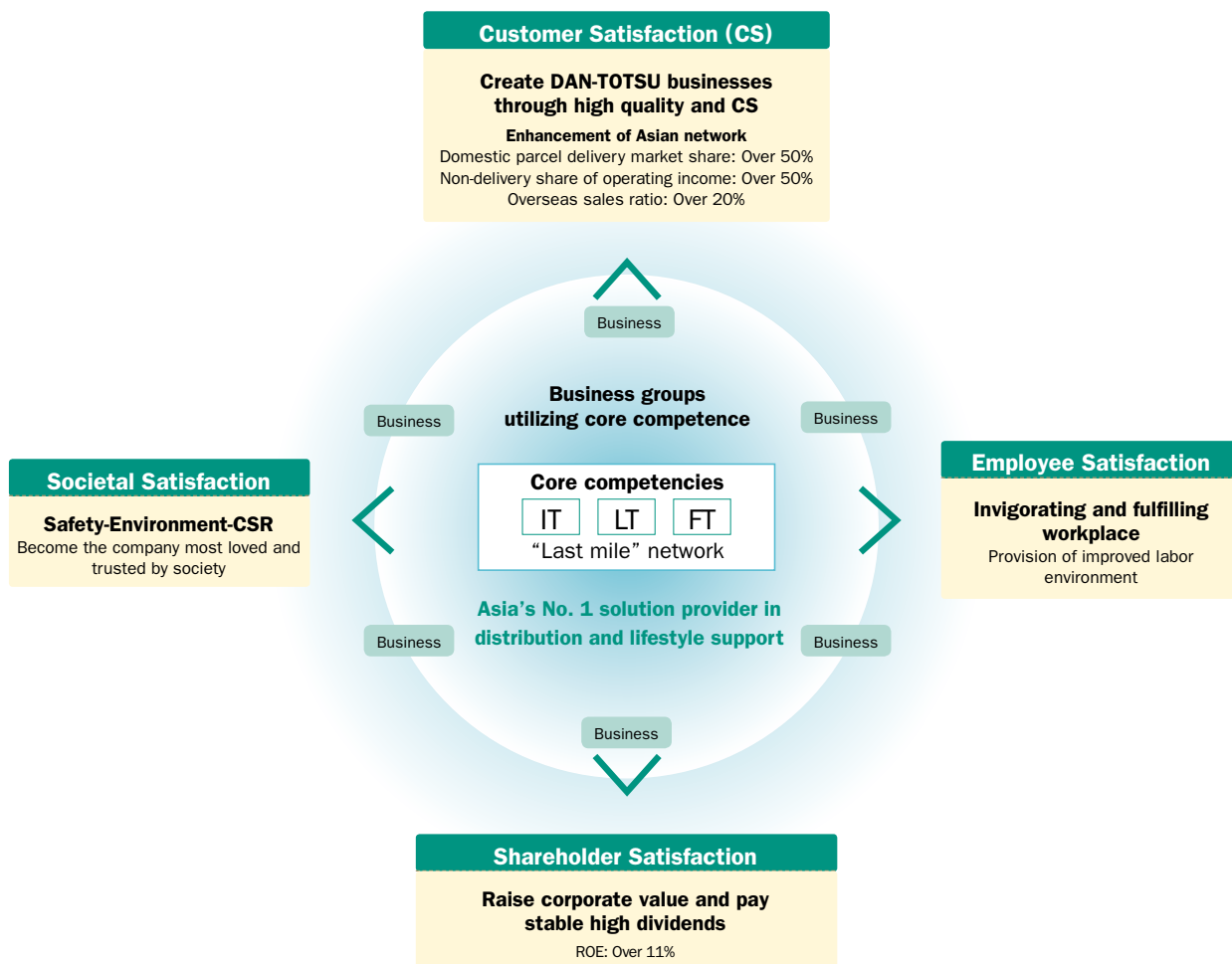
### **Raising Satisfaction of Shareholders, Customers, Communities, Employees and All Other Stakeholders**

The medium-to-long-term vision of our long-term management plan, DAN-TOTSU Management Plan 2019, which covers through fiscal 2020, the Company's 100th anniversary, and our medium-term management plan, DAN-TOTSU Three-Year Plan HOP, which ends fiscal 2014, puts forth the aforementioned goal of establishing DAN-TOTSU (unassailable) positions in solution capability, delivery quality and customer satisfaction as a leading provider of distribution and lifestyle support solution services in Asia. A major theme of the medium- and long-term plans is further raising satisfaction levels for shareholders, customers, communities, employees and all other stakeholders.

To raise shareholder value, we have declared ROE to be an important benchmark to keep in mind in order to achieve both strengthened capital accumulation and utilization of business assets. We plan to raise ROE to 8.5% in the year ending March 2014, the final year of the medium-term management plan, and to over 11.0% in the year ending March 2020, the final year of the long-term management plan.

The Yamato Group consistently and continually generates between ¥70.0 billion and ¥80.0 billion in cash annually to maintain the agility and flexibility of

## Yamato Group Concept Map Ahead of 100th Anniversary



financial activities while sufficiently covering ordinary expenditures.

We will continue working to increase our profitability by steadily executing our medium-term management plan, DAN-TOTSU Three-Year Plan HOP, and also raising capital efficiency by implementing flexible capital policies, as and when needed, by taking advantage of our solid financial base. Our overall goal is to further increase our corporate value.

For the fiscal year ended March 31, 2012 we paid dividends of ¥22 per share, including an interim dividend of ¥11.

We ask our shareholders for your ongoing encouragement and support.

September 2012

*M. Kigawa*

**Makoto Kigawa**  
 Representative Director,  
 President and Executive Officer

# Market Data

## Growth in the Express Home Delivery Market

### Trends in Parcel Delivery Volume

This survey uses company-reported parcel delivery volume data compiled by Japan's Ministry of Land, Infrastructure, Transport and Tourism.

In the data, "parcels" denotes individual packages weighing less than 30 kg, irrespective of the type of delivery (C2C, B2C or B2B).

However, lots in which multiple packages are sent together and parcels that do not require a signature on delivery are not counted as "parcels" for the purposes of the survey.

## Growth of TA-Q-BIN

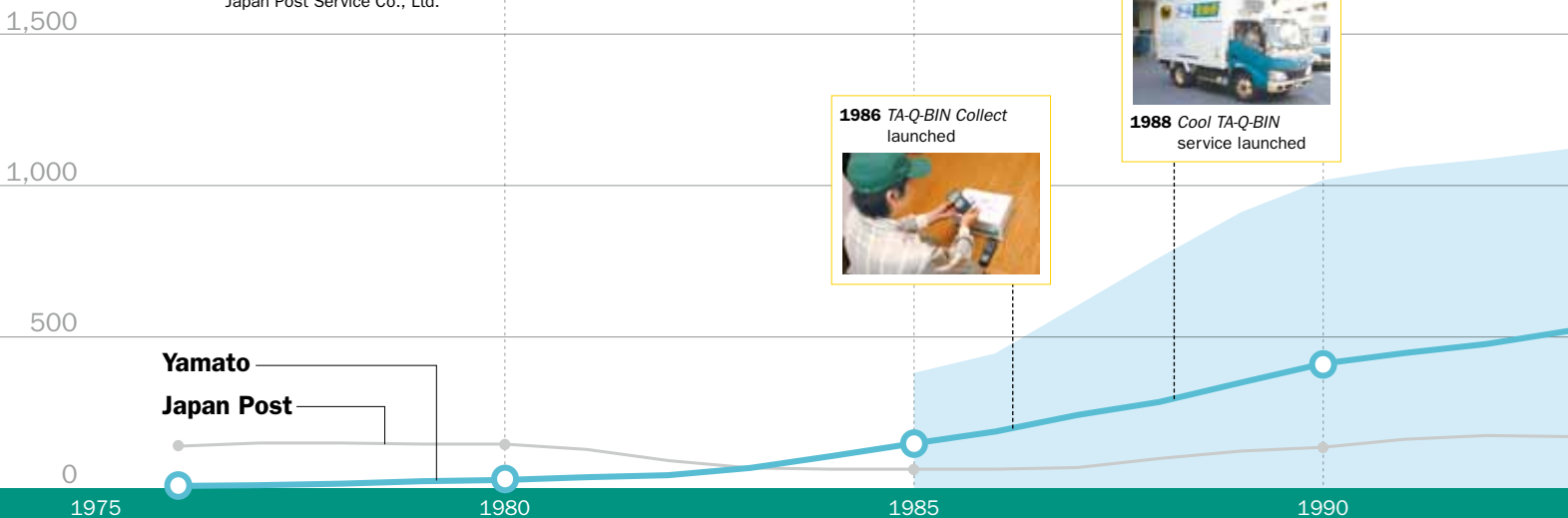
TA-Q-BIN is the Yamato Group's flagship service offering. Since its launch in 1976, we have pursued a strategy of differentiation based on development of additional strategic offerings such as *Cool TA-Q-BIN* and *TA-Q-BIN Collect*, and improvement of delivery quality, including enhanced features such as *Time Period Delivery* and *Driver Direct* services. As a result of these efforts, the Yamato Group has outperformed the growth in the express home delivery market as a whole, and steadily expanded our market share.

(Millions of Parcels)



## Timeline of New Product Development

Source: Japan Post Holdings Co., Ltd.  
Japan Post Service Co., Ltd.



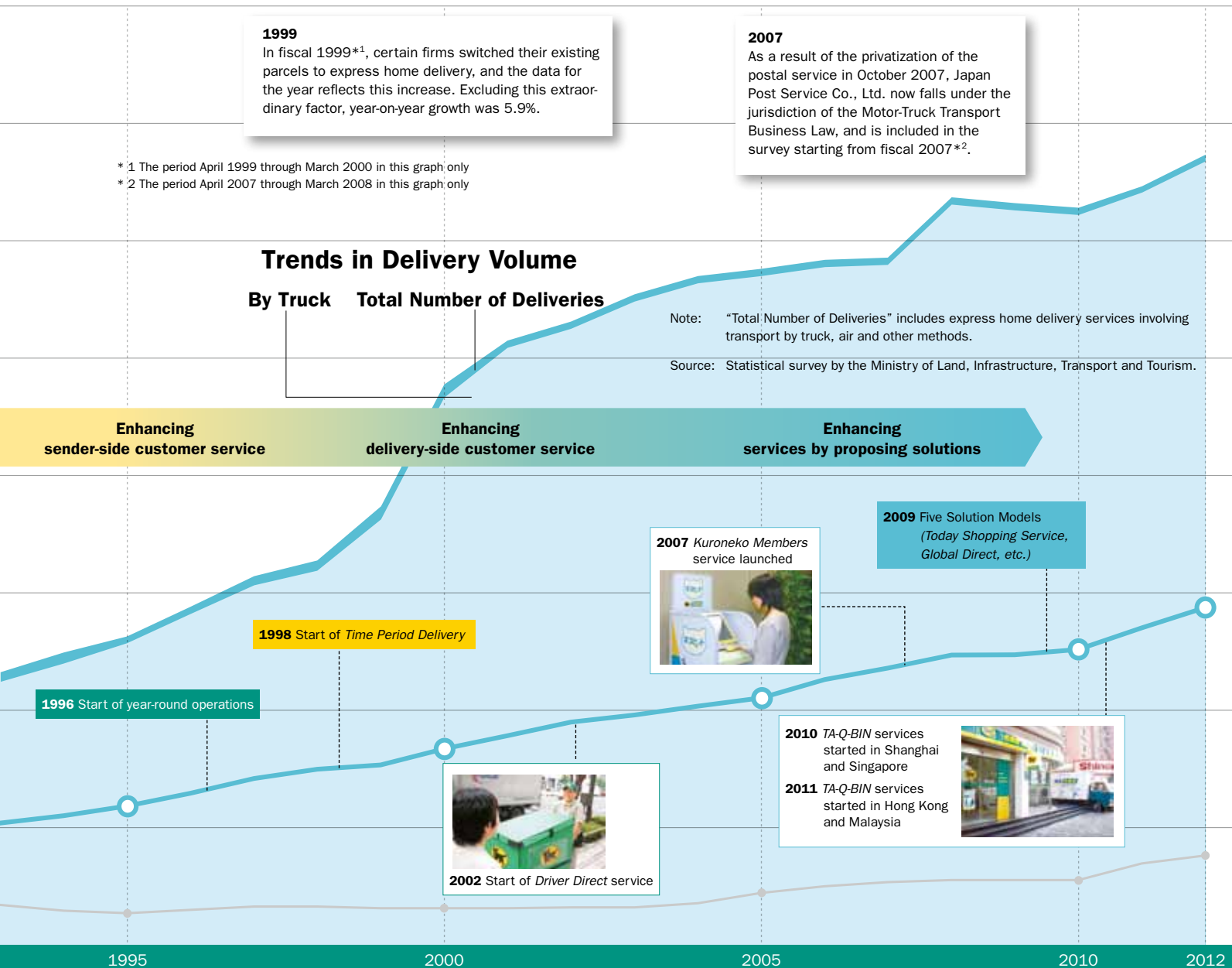


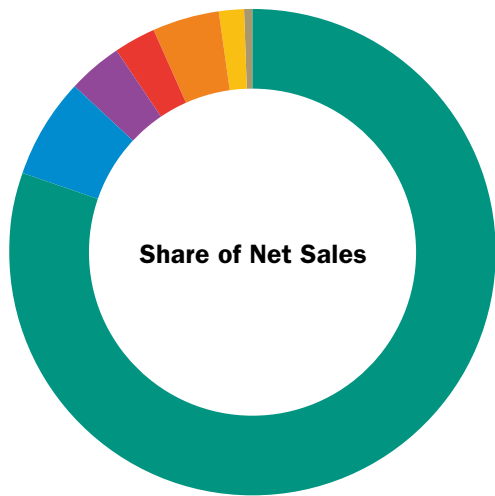
Currently, the Group is working not only to develop new strategic offerings and improve service quality, but to adapt to the needs of customers that have grown in sophistication on an ongoing basis. To this end, the Yamato Group will strive to attain further growth in *TA-Q-BIN* through the generation of new business and solution models in areas of the business in which growth can be expected.

Moreover, the Yamato Group is developing its overseas *TA-Q-BIN* business across Asia.

In addition to operations that have already begun in Shanghai, Singapore and Hong Kong, in September 2011, the Group launched a *TA-Q-BIN* operation in Malaysia.

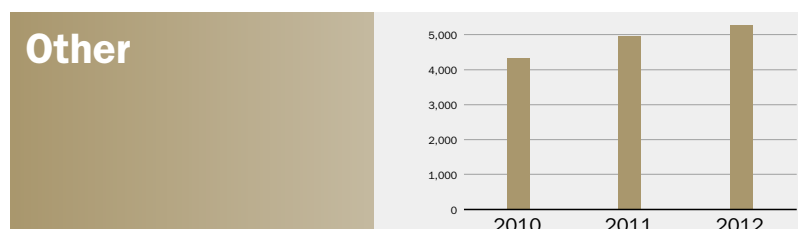
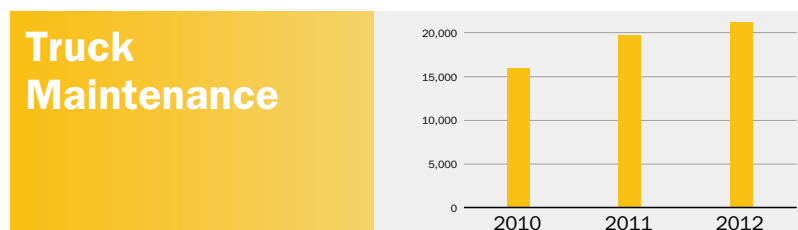
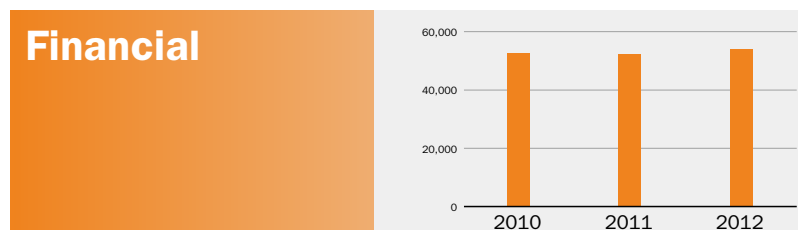
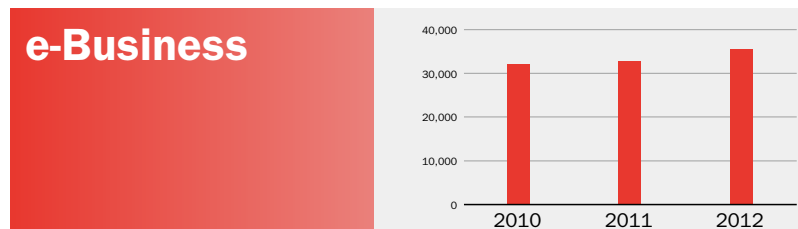
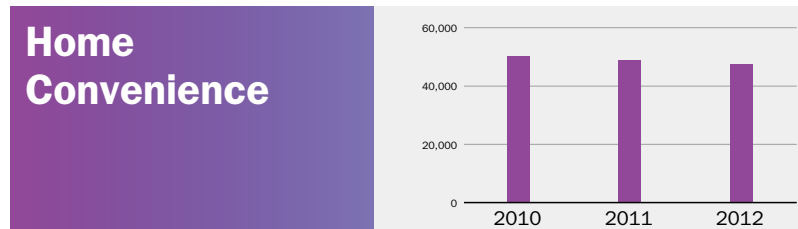
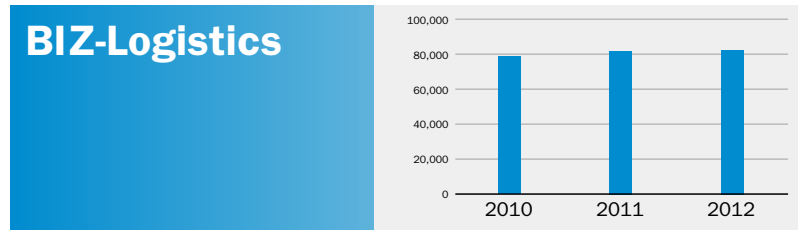
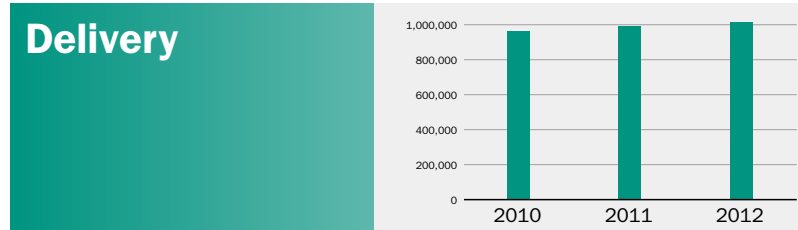
Moving forward, the Yamato Group will expand the *TA-Q-BIN* business in markets across Asia where rapid economic growth is expected to continue. By penetrating these markets with high-quality door-to-door delivery services and a business model honed in Japan, the Yamato Group aims to contribute to the prosperity of societies across Asia, and to evolve as the leading provider of distribution and lifestyle support services in the region.



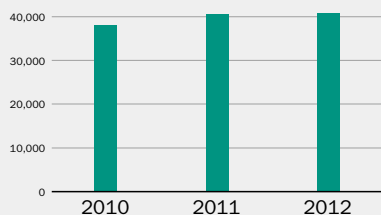


- Delivery . . . . . 80.5%
- BIZ-Logistics . . . . . 6.5%
- Home Convenience . . . . . 3.8%
- e-Business . . . . . 2.8%
- Financial . . . . . 4.3%
- Truck Maintenance . . . . . 1.7%
- Other . . . . . 0.4%

**Operating Revenues** (Millions of Yen)



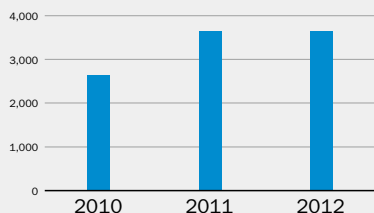
## Operating Income (Loss) (Millions of Yen)



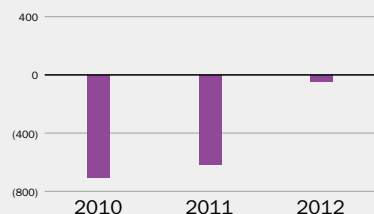
## Business Description

The Delivery Business provides small parcel delivery services for the general public and corporations.

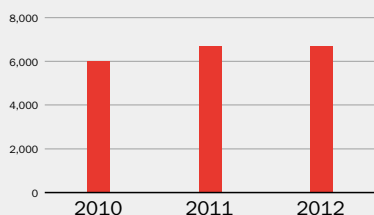
Guided by its basic corporate philosophy of "Total Reliability," the business provides mainly *TA-Q-BIN* and *Kuroneko Mail* services to improve convenience in customers' lives.



The BIZ-Logistics Business is a corporate distribution operation involved in services such as logistics and medical products distribution. The business provides customers with an innovative logistics system by combining management resources such as the *TA-Q-BIN* network with international transport and warehouse management functions.

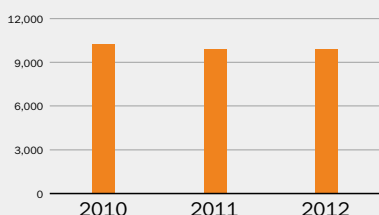


The Home Convenience Business is a community-based lifestyle support operation that provides services such as the pickup, delivery and assembly and installation of home furnishings and appliances. The business provides lifestyle-related services utilizing the Yamato Group's nationwide network, with the aim of supporting the convenient and comfortable lifestyles of customers.



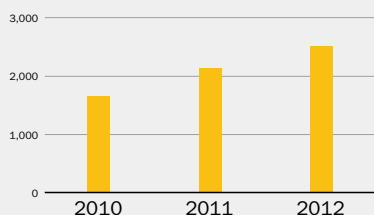
The e-Business comprises operations in contract data processing and information systems development.

The e-Business is actively engaged in proposing solutions that integrate data, distribution and settlement functions, to raise business process efficiency and solve potential business problems customers face.



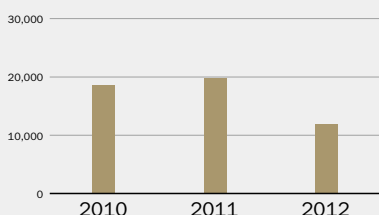
The Financial Business provides settlement services and financial products for corporations and the general public.

From payment collection on mail-order product deliveries to B2B logistics settlement, the Financial Business is striving to respond to every means of settlement to meet the needs of customers.



The Truck Maintenance Business performs the maintenance and upkeep of trucks and other vehicles for transportation companies under contract.

Utilizing the Yamato Group's technologies for reliably maintaining and repairing trucks, the Truck Maintenance Business provides customers in the trucking and bus transportation sector with three forms of value: 1) convenient vehicle maintenance, 2) compliance with statutory vehicle inspections, and 3) reduced maintenance and repair costs.



The Yamato Group's Other businesses comprise the B2B logistics business involving the *JITBOX Charter* service, personnel placement services, and shared services.

\* Operating income in Other includes dividends from Group companies.

### Delivery



**Masaki Yamauchi**

Representative Director,  
President and Executive Officer of Yamato Transport Co., Ltd.

Guided by its basic corporate philosophy of “Total Reliability,” the Delivery Business utilizes the business resources of the Group in the Japanese and overseas markets to pursue business development that improves convenience in customers’ lives. In the Japanese market, the Delivery Business aims to establish an overwhelming competitive advantage over rivals through various measures. These include evolving our products and services, reinforcing our ability to propose commercial distribution solutions, and addressing local revitalization needs. In overseas markets, the Delivery Business aims to expand its *TA-Q-BIN* business in Asia and develop and cultivate services that streamline domestic and international transportation services.

#### Review of Fiscal 2012

The aftermath of the Great East Japan Earthquake was a concern for the Delivery Business at the start of the term. The economy began to gradually regain momentum, however, on the strength of full-scale recovery and restoration activities. Fiscal 2012 saw the launch of DAN-TOTSU Three-Year Plan HOP, a medium-term management plan. Under this initiative, we reinforced marketing to the small lot commercial distribution sector, which is our core revenue base, and solution sales that leverage Group strengths.

*TA-Q-BIN* transaction volumes thus reached a record high, reflecting the strengths of same-day delivery and other strategically differentiated products using our network. These capabilities helped us to win new customers, mainly in the mail-order market, and increase deliveries from existing customers.

Handling volume for *Kuroneko Mail* declined owing to

stricter policies on parcel acceptance in keeping with our compliance commitment.

Given the difficulty of projecting work volume, we drew on part-timers in what we call our “field cast” to cover work volume and drew on team-based approaches to concurrently deliver parcels during times when customers were most likely to be home. Such delivery quality and productivity improvements enabled the Delivery Business to increase both revenue and profit. Operating revenues rose 1.9%, to ¥1,014,564 million, and operating income was up 1.0%, to ¥40,965 million.

In Japan, we continued to boost sales through solutions, with a view to addressing the diversifying needs of customers with high-quality services, mainly for corporate customers. These include *Today Shopping Service*, *Net Super Support* services, and other solutions that fully leverage the coordination within the Yamato Group and its functions. For individual customers, we extended the lineup in the *Kuroneko Members* service, whose offerings to date have included enabling recipients to designate parcel reception or receive parcels at stores offering *TA-Q-BIN* services. New capabilities during the year included providing an electronic money function for *Kuroneko Members* cards. People can use their cards to shop at convenience stores and other outlets and pay delivery fees.

In overseas markets, the Asian economic zone is becoming borderless in terms of goods, money, and information. We help customers to procure raw materials locally, produce products, and import those goods to Japan through our *Global Direct* service. In September 2011, we started *TA-Q-BIN* services in Malaysia, extending an Asian reach that already covers Shanghai, Singapore, and Hong Kong. Our more sophisticated lines, such as *Cool TA-Q-BIN*, *TA-Q-BIN Collect* and *Time Period Delivery*, have gradually gained acceptance among developed countries and regions in overseas markets, a trend reflected by a steady increase in delivery volumes.

#### Strategies for Fiscal 2013

The fiscal year ending March 31, 2013 marks the second year of our three-year medium-term management plan DAN-TOTSU Three-Year Plan HOP. This fiscal year will see the Delivery Business strive to remain one step ahead of our rivals in meeting customer needs. This in turn will, we believe, lead to increased market share, improved quality and stronger cost-competitiveness. Our aim is to establish a position, by the 100th anniversary of our founding in fiscal 2020, as the most appreciated and best-known company in all communities. We will realize further growth by pursuing two major pivotal business policies. In Japan, we will further increase the quality of our operations to establish an overwhelming competitive advantage. Overseas, we will accelerate the expansion of our *TA-Q-BIN* business in the Asia region.

**Japanese Market: Achieving an enormous leap in quality through the adoption of a “regional- and lifestyle-oriented approach” and the provision of logistics solutions**

One initiative for revitalizing the growth potential of our TA-Q-BIN services is the construction of *lifetime lifestyle support platforms* based on members of *Kuroneko Members*. We are also creating a new business model more closely tied to local communities by partnering with national and local governments and other companies. We have already collaborated with social welfare councils and shops in launching a shopping delivery service for local communities. Numerous projects, including some at proposal stages, are moving forward nationwide. One is for a service to confirm the health and well-being of recipients. Others include services that collaborate with government offices to promote local industry, employment, and community revitalization. We aim to become pivotal to community infrastructures by expanding these projects.

At the same time, we will provide solutions that help corporate customers overhaul their supply chains. We will help these customers address increasingly complex requirements in terms of reforming warehouse management, inventory management, sales promotion and aftersales follow-up. We will draw on Group strengths to develop cutting-edge, cloud-based services that combine the TA-Q-BIN network with logistics technology (LT), information technology (IT) and financial settlement technology (FT) to provide flexible distribution solutions that best meet customers’ needs. Specifically, we will cultivate new businesses supporting customer business operations. For example, we will propose diverse problem-solving services with Group products through the *Yamato Business Members* network. We will offer recovery logistics, in which we comprehensively manage such complex tasks as collecting goods for repair or returned mail-order goods.

We also look to provide new services that harness the *Free Rack Auto Pick System (FRAPS)*, which supports busy customers in making shipments.

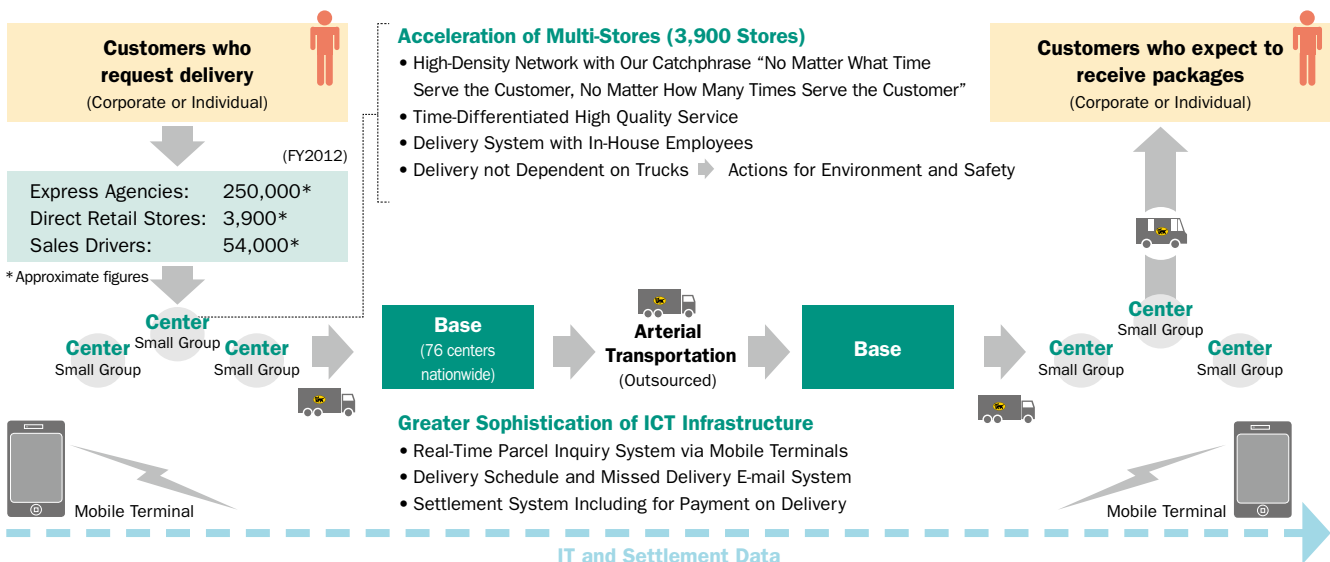
**Overseas Market: Accelerating and strengthening development of our TA-Q-BIN services in Asia**

We will continue surveying the overseas potential of our TA-Q-BIN business and develop that business in Asia to steadily expand the region in which we operate our TA-Q-BIN business. At the same time as expanding our distribution infrastructure across our Asia network, we will introduce the same range of high-quality, value-added products and services currently available in Japan in order to better support those companies setting up overseas operations in the region.

In fiscal 2013, we will build various businesses by integrating our Asian TA-Q-BIN network and our international network, the latter drawing extensively on our logistics hub capabilities in Okinawa, including for late-night flights. For example, we will create international TA-Q-BIN services that enable people to send parcels from Japan to other Asian countries. We also aim to provide a next-day international small parcel delivery service for companies and build an Asian door-to-door integrated delivery platform. We also seek to provide value-added services that would be impossible with existing logistics centers, taking advantage of *Haneda Chronogate*, which is scheduled for completion in fall 2012, as a new strategic base.

As we proceed with these business activities, our strategies to improve convenience for our customers will be to optimize pickup and delivery team structures based on delivery schedules to provide better service at a time more convenient to the customer. In addition, we will look to embed the TA-Q-BIN network further in local communities while improving productivity and increasing market share.

**TA-Q-BIN Services**



## BIZ-Logistics



**Hitoshi Kanamori**

Representative Director,  
President and Executive Officer of Yamato Logistics Co., Ltd.

The BIZ-Logistics Business aims to amaze and satisfy its customers and the consumers of their products and services by exceeding all customers' expectations. The business realizes this goal by developing innovative logistics solution models from the perspectives of users, combining logistics and international transportation capabilities with the management resources of the Yamato Group.

### Review of Fiscal 2012

In fiscal 2012, operating revenues increased 0.6% from a year earlier to ¥82,479 million. This rise reflected expanded usage of services for the mail-order industry and trade-related services, as well as the strong performance of a new medical equipment-related service. Owing to higher costs associated with the development of a new business for medical equipment-related services and expansion of the *Global Procurement Support Service*, operating income declined ¥1 million, to ¥3,663 million.

One domestic initiative during the year under review was to jointly open the Sanin Ryutsu Trinity Center with the city of Sakaiminato in Tottori Prefecture. The center is a platform base adding the Yamato Group's information, logistics, and financial technologies to the port functions of the city. The center supports the global development of small and medium-sized suppliers based in Japan. The services the center provides have not only helped reduce the costs to those suppliers, but also made their procurement and sales activities smoother, and contributed to job creation and the development of industry in the region. Overseas, we started a same-day office supplies delivery service in Shanghai, China, for ASKUL Corporation. This service is a local adaptation of the logistics functions and expertise of the Yamato Group's *Today Shopping Service* in Japan. In upgrading the service to match the needs of Shanghai, we cut the lead time from order to delivery from more than a day to just half a day. This has helped the client, ASKUL Corporation, to expand sales, as well as contributed to the greater convenience of local consumers.

Underpinning the launches of such services was an evolution in our services as our perspectives shifted from existing efforts to enhance offerings to merchants (sellers) to doing better for consumers (buyers). Another factor has been our spirit of coexistence and co-prosperity with customers and local societies.

The BIZ-Logistics Business will constantly drive logistics solutions advances by customer and region to steadily expand its domain.

### Strategies in Fiscal 2013

To reach its targets under the DAN-TOTSU Management Plan 2019, the BIZ-Logistics Business aims to make logistics borderless and achieve logistics innovations.



In developing our business overseas, we will launch B2B delivery routes and transportation operations within Asia to offer one-stop logistics services matching specific regional needs. We have added multiple new functions exploiting our information, logistics and financial technologies in the *Global Direct* service, including our e-mail notification service, international refrigerated transportation, and international settlements, to further amaze and satisfy customers and their consumers.

In domestic business development, we will materialize a new concept of zero inventory using the *FRAPS (Free Rack Auto Pick System)*. This approach differs completely from the conventional concept of holding and shipping customer parcels. We created a new service that makes it possible to deliver parcels through the fastest routes in the *TA-Q-BIN* network regardless of how many parcels there are and where they are. At *Haneda Chronogate*, which is scheduled for completion in fall next year, we will further shorten times

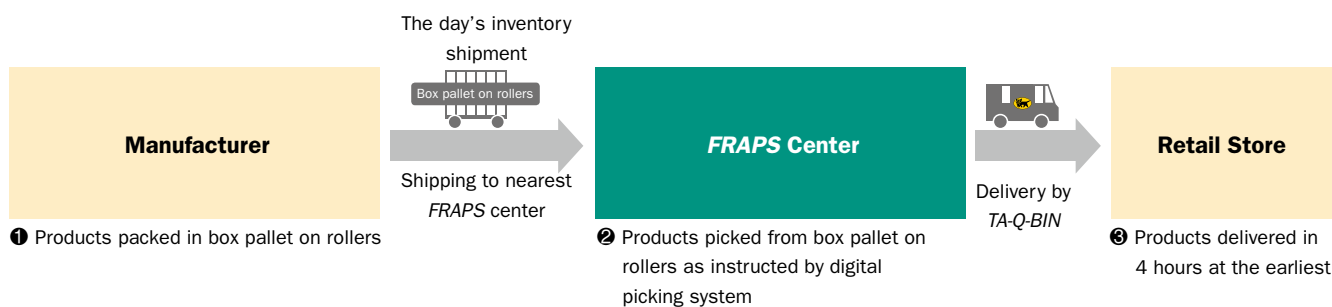
between anywhere in Japan and any country and city around the world by leveraging that facility's advantages as a land, sea, and air hub for Japan and overseas, linking all of the functions of the Yamato Group.

The BIZ-Logistics Business will help further enrich society through borderless logistics and innovations by organically connecting the management resources of the Yamato Group.



FRAPS

## FRAPS



## Home Convenience



**Atsushi Ichino**

Representative Director,  
President and Executive Officer of Yamato Home Convenience Co., Ltd.

The Home Convenience Business is responsible for offering life environment services that take a step inside the lifestyles of customers. The business is developing and providing comprehensive lifestyle support services that enrich and make customers' lives more convenient not only in the home, but also in the office.

### Review of Fiscal 2012

The period under review marked the first year of both our long-term management plan DAN-TOTSU Management Plan 2019, and our medium-term management plan DAN-TOTSU Three-Year Plan HOP. Our strategy focused on developing services that add a new dimension to customers' home convenience experience. Another important aspect was providing support to those in need in areas affected by the Great East Japan Earthquake.

In our delivery-with-installation business, a service that not only delivers but also installs and assembles large-sized furniture and appliances, we sought to meet the demands of customers wishing to use delivered furniture and equipment immediately upon delivery, based on the strengths of our nationwide network and the service itself. We also

started offering new services, primarily by building a platform that adds repair, maintenance and after-care services to the foregoing installation and assembly services.

During the year under review, we devoted our resources to restoration activities by delivering and installing electrical appliances at temporary housing in areas affected by the Great East Japan Earthquake. At the same time, new services helped boost revenues. Such services included a comprehensive electrical appliance returns service for small and medium-sized manufacturers using the above platform, and a service for housing equipment manufacturers that transports unpacked individual moving crates.

In the moving business, we offered a range of lifestyle-related services aimed at removing the hassle associated with moving house, such as sales of recycled items and rental services, as well as leveraging the special strengths of our network to enable the transport of individual moving crates.

During the year under review, the moving business did much in earthquake-afflicted areas by selling furniture and electrical appliances through mobile recycled-goods shops. The business capitalized on needs identified in afflicted areas to launch a new service targeting depopulated areas in Japan. We catered for post-quake moving demand and provided new services to support people in relocated households, such as room redecoration and home cleaning. The moving business contributed to revenue growth by improving convenience for customers with services for all life stages.

As a result of these factors, operating revenues for the moving business were solid, exceeding the level for the previous term. At the same time, the number of electrical appliance deliveries and installations dropped more than expected, reflecting the completion of a government eco-point program for energy-saving appliances and the completion of a switch to digital terrestrial television broadcasting. Operating revenues for the Home Convenience Business thus declined 2.6%, to ¥47,715 million.

Similarly, we posted an operating loss of ¥44 million. However, thanks to productivity increases, cost cuts through the integration of operations, and fixed cost reductions, this was an improvement of ¥574 million on the operating loss suffered last year.

### Strategies in Fiscal 2013

In fiscal 2013, the second year of the medium-term management plan DAN-TOTSU Three-Year Plan HOP, we will cultivate new markets by deploying new products and services for the lifetime lifestyle support and corporate activity support areas. At the same time, we will set course for a growth path by refining existing products and services. We will work to increase revenues and earnings by providing logistics support for business operations and reforming our cost structure.

On October 1, 2011, during the first year of our three-year plan, Yamato Home Convenience Co., Ltd. implemented organizational changes. It restructured its entire business into the Home Convenience Business to offer lifelong support for customers by making home lifestyles more convenient, and the Business Convenience Business, which aims to enhance support for corporate activities.

The Home Convenience Business materializes lifelong lifestyle support for customers by developing convenient products that enrich lifestyles in segmented markets. This business will rekindle the growth of existing products and services

by capturing synergies with lifestyle support services.

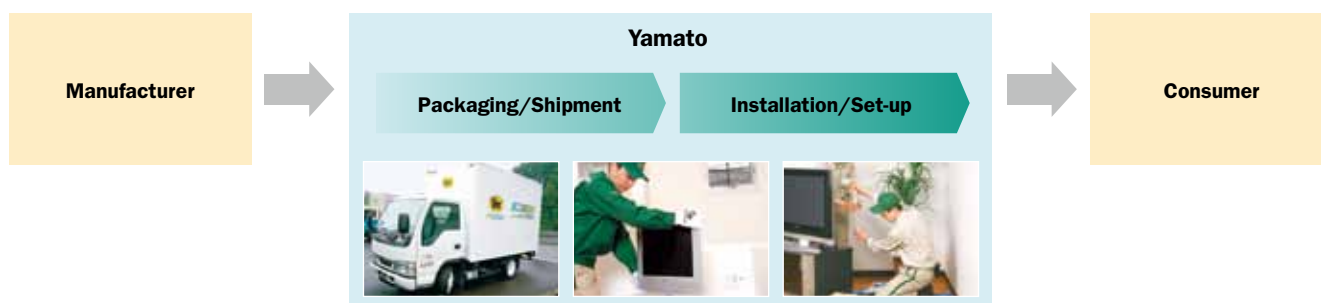
The Business Convenience Business cultivates new markets for everyday services with product lines that leverage existing networks. We will expand earnings and drive new growth in existing businesses by making existing services more responsive to user needs while introducing new services.

The products and services we offer will maximize the Group's nationwide network, a major management resource in and of itself, and will reflect the characteristics of the local community.

We have established our own technological capability qualification standards to be used in the development of our technicians and drivers, who are usually the last to interact with customers at the end of the service provision process. Based on those standards, we will continue our development and training programs with the goal of upgrading and expanding technician and driver skills. At the same time, we will promote further quality enhancements by providing all employees with additional training on customer satisfaction.

We are committed to deploying unique new services by identifying social changes and continuously enhancing convenience for our customers. We will thereby improve the Yamato Group's corporate value while managing our business to pursue growth.

### Household TA-Q-BIN Service



## e-Business



**Kenji Minaki**  
 Representative Director,  
 President and Executive Officer of Yamato System Development Co., Ltd.

The e-Business is involved in a range of information services for corporations, including Application Service Provider (ASP) services and information system development.

Using Information and Communication Technology (ICT), the e-Business works in partnership with customers in promoting efficient business processes. Based on these

services, the e-Business provides solutions for potential business problems and proactively proposes solutions that result in sales growth and cost reductions for customers.

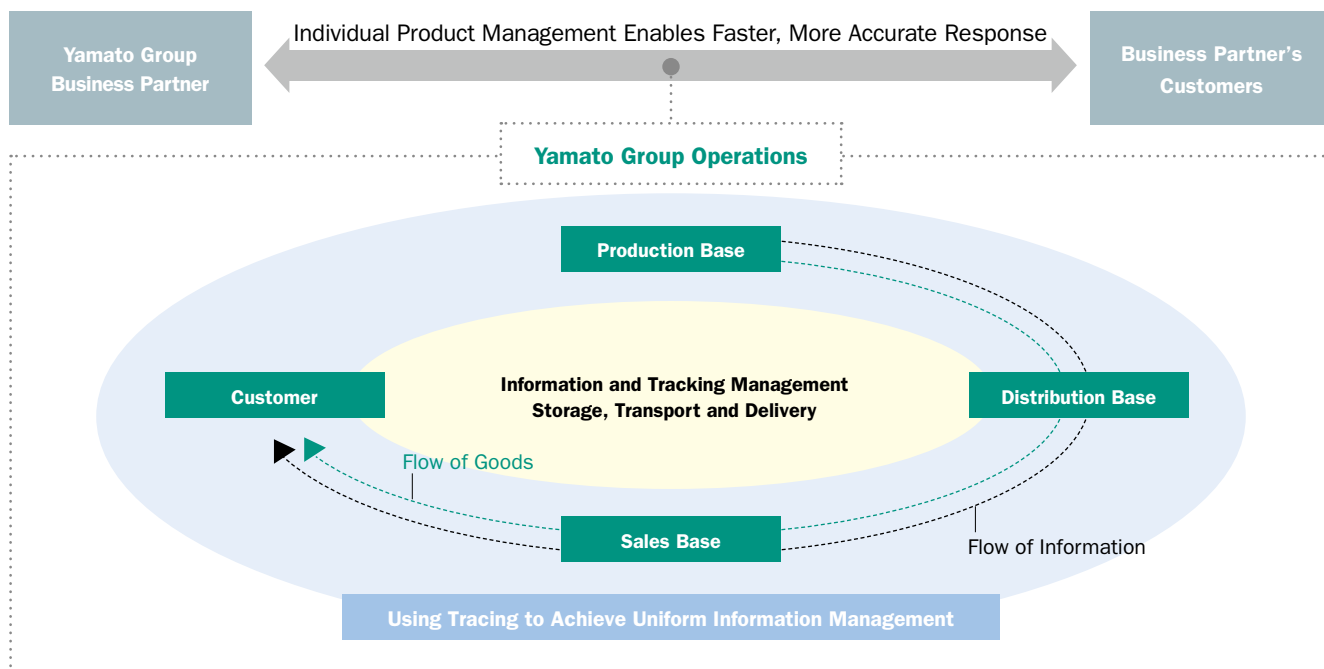
### Review of Fiscal 2012

The e-Business actively proposed solutions that integrate data, distribution and settlement functions, to raise business process efficiency and solve potential business problems of customers. Furthermore, we developed and operated systems in step with business development across the Yamato Group.

In collaboration with the Financial Business in e-money services, we have been promoting installation and operation of a multi e-money settlement terminal that allows settlement by multiple brands of e-money. During the year under review, revenues expanded on the strength of increased installations of terminals by restaurants and other customers.

In our *e-Logistics Solution Business*, we offer a service that visualizes delivery flows and the whereabouts of packages by applying the tracking know-how of our *TA-Q-BIN*

### e-Logistics Solution



business for customers requiring individual goods management, such as telecommunications equipment and cable television businesses. In the year under review, our business grew on the back of expanded new customer usage and increased product management volume among existing customers.

In *e-On Demand Solutions*, business expanded in the fiscal year under review thanks to the development of services, particularly for the pharmaceutical industry, that support improved sales efficiency and inventory reductions through the management, on-demand printing, and just-in-time delivery of customers' sales promotion materials.

Our *Web-Based Mail Order Solution* business took steps to develop the "net supermarket" business, in which we expect demand to expand. The business targeted retail business customers, such as supermarkets and department stores, in expanding its *Net Super Support* service, a comprehensive service offering Web system creation, delivery of items, and collection of payments. Taking advantage of the multifunctionality of the Yamato Group, this service has gained a strong reputation for its overall power as a service that deals with the underlying social trends of an aging society and the depopulation of rural areas. Consequently, business is expanding firmly.

Overseas, the e-Business progressed in line with the Yamato Group's Asian developments using ICT. Our e-Business additionally cultivated its own operations in Taiwan.

As a result of expansion in services to visualize delivery flows, services to manage sales promotion goods for customers, and contributions from the *Net Super Support* business, operating revenues increased 8.2% year on year, to ¥35,504 million. As a result of upfront forward investments in e-money services, operating income dropped 0.1%, to ¥6,703 million.

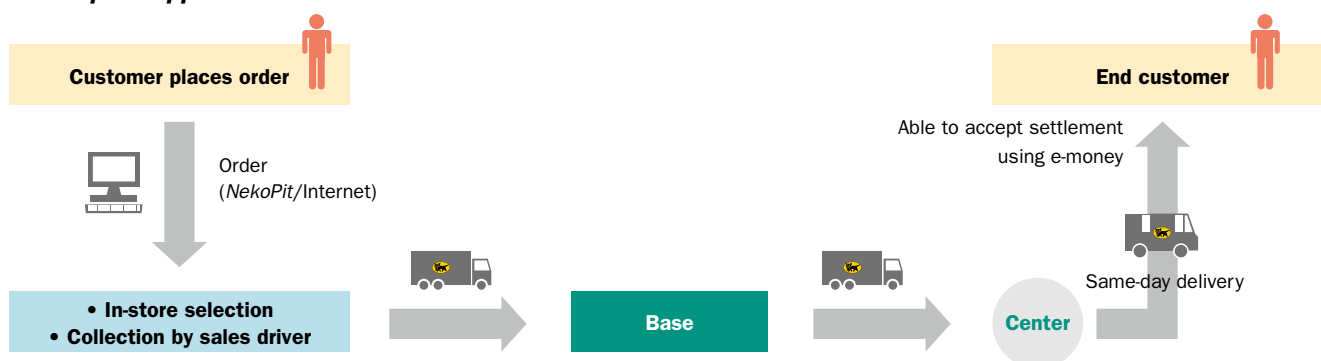
### Strategies in Fiscal 2013

Our first strategy is to strengthen the competitiveness of our products. Besides refining existing services as a matter of course, we will create more services and businesses by combining the management resources of the e-Business and the rest of the Yamato Group. We will also collaborate with the services of other companies to generate unique solutions.

Our second strategy is to reinforce our sales capabilities. We will employ the networks of the e-Business and the rest of the Yamato Group as part of efforts to enhance our solutions capabilities by collaborating with influential external partners in the marketplace. We will draw on our solid, wide-ranging sales structure to cultivate customer needs and deliver solutions.

We will strive for superior ability to use the combined power of the Group in our business, continuing to offer new solutions that contribute to improved efficiency in the business processes of our customers. Our goal is to help to build an enriched society as a solutions provider.

### Net Super Support Service



## Financial



**Toshizo Kurisu**

Representative Director,  
President and Executive Officer of Yamato Financial Co., Ltd.

### Review of Fiscal 2012

The Financial Business aims to become a partner that provides convenience for consumers and helps enterprises overhaul their logistics systems by providing settlement and other financial solutions in Japan and abroad. We are determined to offer diverse settlement methods to fulfill customer requirements, such as collecting payments upon delivery on behalf of mail-order companies and handling settlements between companies.

We continue to pursue greater convenience in methods of payment, actively promoting electronic money (e-money) payments in addition to payments on delivery by cash, credit or debit card. In regard to the volume of transactions settled using e-money in the market, e-money transaction volume has grown in importance in recent years to the point that it is now an integral part of daily life in Japan. Transactions settled using e-money surpassed roughly ¥1.75 trillion in 2010.

In response to this trend, in June 2010 we introduced a single terminal able to process settlements using a variety of e-money brands, for the first time in Japan. We also

launched a *TA-Q-BIN Collect* service allowing recipients to pay by e-money at the time of delivery. Initially, the service was limited to settlements using retail or independent brands such as nanaco, Edy and WAON. However, from May 2011, the terminals used by our sales drivers were adapted to accept payments from transit-based electronic prepaid cards such as SUICA, ICOCA and PASMO. As a result, our customers are now able to use 99% of all e-money types currently available in Japan. In the home delivery industry, this is the only service of its kind offered exclusively by the Yamato Group.

On top of that, we responded to an increasingly diverse range of popular settlement methods, for example, the launch of smartphone- and tablet-based settlements in January 2012.

Overseas, we made *TA-Q-BIN Collect* available as a settlement solution in Shanghai and Singapore from January 2010, in Hong Kong from February 2011, and in Malaysia from September 2011.

As a result of growth in the number of *TA-Q-BIN Collect* transactions through expansion in e-money settlements, segment operating revenues increased 3.3% to ¥54,115 million. Operating income was unchanged, at ¥9,938 million, reflecting higher operating costs for e-money-related services.

### Strategies in Fiscal 2013

The Financial Business will continue to work on creating convenient, user-friendly services to suit a range of settlement scenarios for all corporate customers and end users in regional areas.

For our corporate customers in the business-to-consumer (B2C) mail-order market, we will further expand and promote usage of *TA-Q-BIN Collect*, a single terminal e-money settlement setup that is the only service of its kind in the home delivery industry. In addition, we will propose solutions that leverage Group resources through our *Today Shopping Service* to attain the number one market share in



home delivery settlements for the mail-order market.

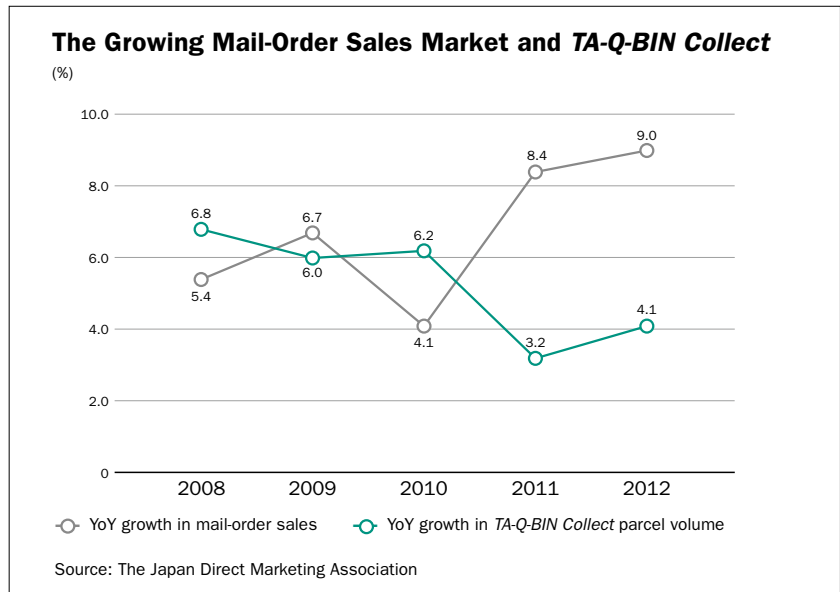
At the same time, we will create more lifestyle support platforms that provide greater convenience by combining them with delivery networks to eliminate inconvenience and dissatisfaction with regular payments.

In the business-to-business (B2B) market, we will combine the *Kuroneko Anshin Kessai Service* and the Yamato Group's logistics technology to offer a logistics reform solution that handles one-stop delivery and procurement services for client companies. We will help client companies expand their businesses by providing optimized services that address financial issues associated with logistics, contributing to better business management for companies buying from and selling to each other.

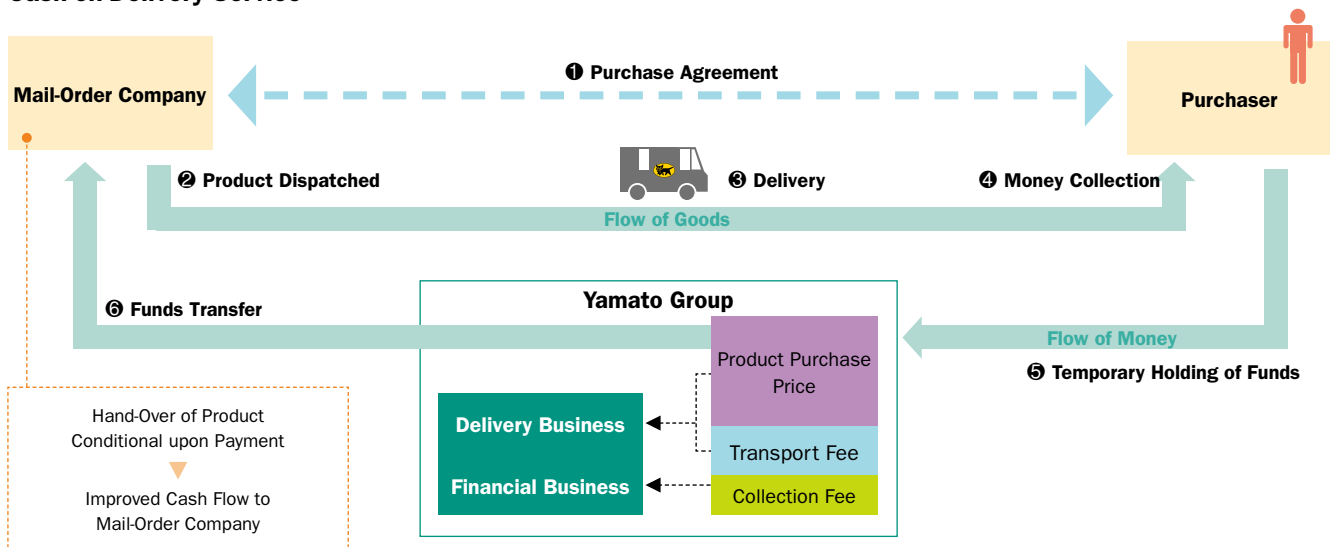
To improve convenience for overseas mail-order users, we started providing cash-on-delivery services for mail-order businesses in the United States and Europe. Moreover, we have embarked on an initiative that is centered on a

cash-on-delivery settlement service for handling the import and export of goods between companies in conjunction with the *Global Procurement Support Service*, a service set up to address the international procurement needs of mid-sized component manufacturers.

We aspire to become a partner that materializes convenience for consumers and logistics reforms for client companies by providing settlement and other financial solutions in Japan and overseas.



### Cash-on-Delivery Service



## Truck Maintenance



### Keishiro Sasaki

Representative Director,  
President and Executive Officer of Yamato Autoworks Co., Ltd.

The Truck Maintenance Business operates vehicle servicing plants for logistics and distribution companies. Over the years, the business has expanded the industry's first maintenance service into a 24-hours-a-day, 365-days-a-year service that enables customers to service their vehicles without stopping operations, schedule automobile safety inspections and have routine check-ups.

Our vision is to transform this business from being the only one customers choose to the number one for truck maintenance in Japan. "Transform inconvenience into convenience from the customer's standpoint" is the corporate DNA of the Yamato Group. Based on this perspective, the business offers services, chiefly for logistics and distribution companies, that go beyond vehicle maintenance to provide a one-stop solution covering body and tire maintenance, as well as fuel supplies.

In addition, in providing insurance consultations as a partner that helps customers manage risk associated with their operations, and management solutions that allow

customers to get the most out of their facilities, plants and logistics equipment, we are aiming for total vehicle management services that contribute to the revitalization of the businesses of customers.

### Review of Fiscal 2012

We posted increases in both revenues and profit in the year under review. Our operating revenues were ¥21,188 million, up 7.6% year on year. Operating income increased 17.8%, to ¥2,514 million. During the term, we opened two more *Superworks* vehicle maintenance plants in the Kanto region, specifically in Gunma and Saitama prefectures. Such facilities represent a new paradigm in environmentally friendly maintenance. New eco-friendly features included a solar power system and energy-efficient LED lighting, complementing high operating efficiency. As a result, 20 of our 72 vehicle maintenance plants are *Superworks*, reinforcing our network. We drew on the strength of our network to actively promote *Off-Time Vehicle Inspection*, which allows customers to schedule automobile safety inspections during a time more convenient for them, and the *12-Month Fixed-Price Maintenance Package*, which evens out monthly vehicle maintenance expenses. The number of automobile safety inspections for companies outside the Yamato Group was thus 38,000 vehicles, up 8.4% from a year earlier. The Great East Japan Earthquake of March 11, 2011 damaged three of our facilities in the disaster-stricken regions. We made intensive efforts to maintain the logistics infrastructure by swiftly restoring facilities.

### Strategies in Fiscal 2013

In fiscal 2013, we aim to accelerate initiatives to expand our network of *Superworks* vehicle maintenance plants as a new paradigm of environmentally friendly facilities and to cultivate a comprehensive consulting business focusing on vehicle management.

### New *Superworks* vehicle maintenance plants in search of greater gains in operating efficiency and environmental performance



*Superworks* Gunma vehicle maintenance plant: completed in October 2011



*Superworks* Saitama vehicle maintenance plant: to be completed in January 2012



Solar power generation panels



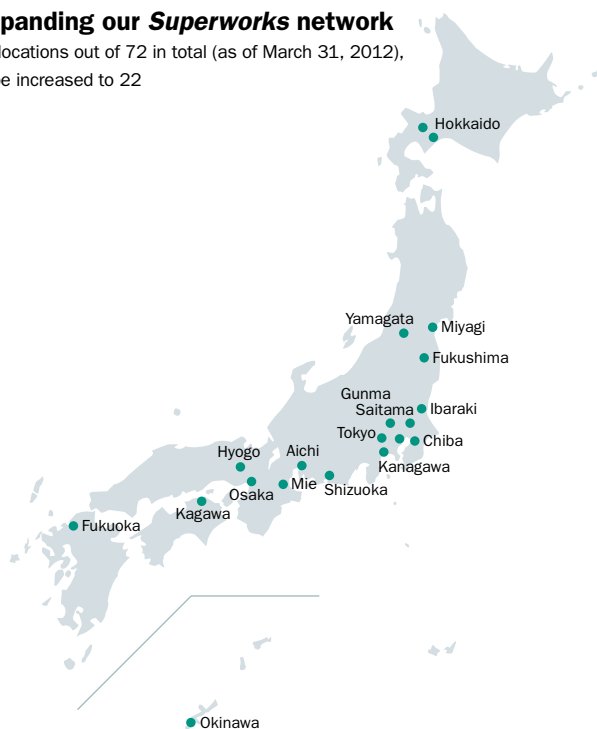
Operations inside a plant

By further reinforcing our network, we will create a business that more closely relates to the customers of each locality.

Moreover, we plan to broaden the focus of our activities beyond just maintenance to include a more management-oriented approach in the services we provide. We will further promote the existing *12-Month Fixed-Price Maintenance Package*, and the *Tire Management Service*, while working to introduce new services, namely the *Body Maintenance Service*, and a safety education program for transportation companies. Through these efforts, we intend to provide new mechanisms that will allow our customers to more accurately budget for and control vehicle maintenance costs. In addition, we will provide customers with expertise on safe and reliable operations.

### Expanding our Superworks network

20 locations out of 72 in total (as of March 31, 2012), to be increased to 22



We will step up efforts to promote our risk consulting business in our capacity as an insurance agent and push ahead with our facilities and equipment maintenance management business to materialize one-stop services.

### Basic Concept—The “Three Cs” and “One C”

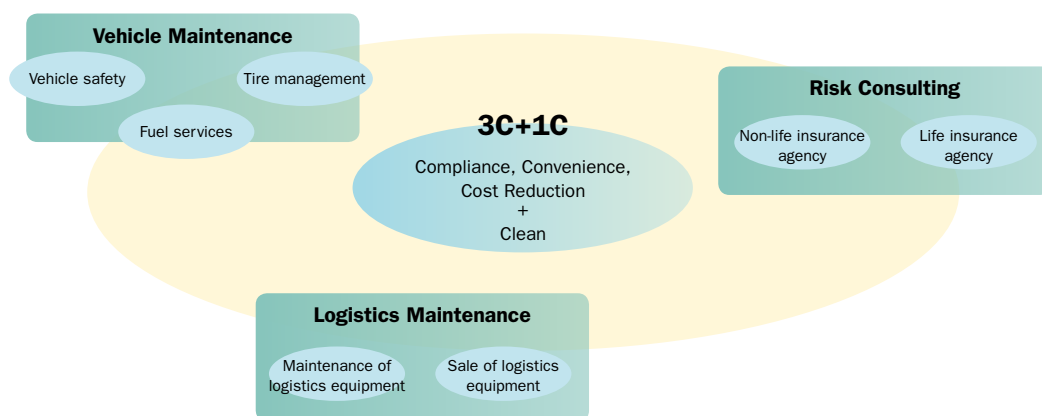
The Truck Maintenance Business provides one-stop services based on observing the three “Cs” underpinning management support for logistics and distribution companies.

The first “C” is Compliance, which is the foundation of management. Our *Repairworks* mobile plants have contributed to improving the completion rate for statutory vehicle inspections of our customers.

Next, we have Convenience, where we pursue ever higher levels of convenience for our customers. Based on this concept, we aim to establish a framework that enables operations 24 hours a day, 365 days a year, in order to carry out vehicle inspections when the vehicles are not in operation.

Our third “C” stands for Cost Reduction based on helping to improve utilization rates for commercial vehicles while leveraging procurement capabilities. By promoting measures to constrain the need for spare vehicles and increasing the completion rate for statutory vehicle inspections, we have made it possible to implement preventive maintenance, which helps limit occurrences of unexpected costs. We will harness our nationwide network to procure optimal parts and fuels so as to provide customers with high-quality products and services at low cost.

The last “C” stands for Clean. In keeping with the times, we have addressed environmental issues by deploying solar power systems, energy-efficient LED lighting, and other facilities at *Superworks*. Also, we are recommending rebuilt and reused parts to support the environmental efforts of logistics and distribution companies.



## Other



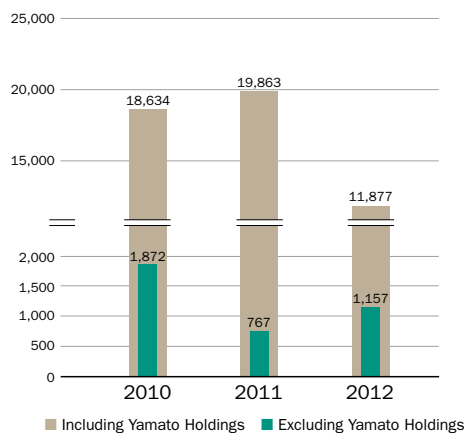
JITBOX Charter

The *JITBOX Charter* service is a service that provides transportation by transport box. The service takes advantage of its Group network consisting of multiple companies and provides value to customers through delivery timed to suit the customer's needs and frequent, right-volume delivery. In the fiscal year ended March 31, 2012, there were increases in event-related transportation orders and collection requests related to the replacement of arcade game machines, and the handling volume of the Yamato Group exceeded that of the previous fiscal year.

Operating income excluding dividends Yamato Holdings Co., Ltd. received from Group companies increased 50.9% from the previous fiscal year to ¥1,157 million.

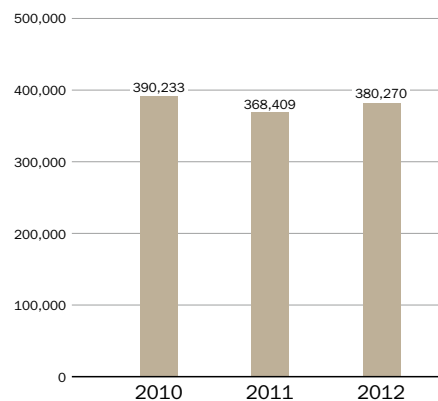
### Operating Income

(Millions of Yen)



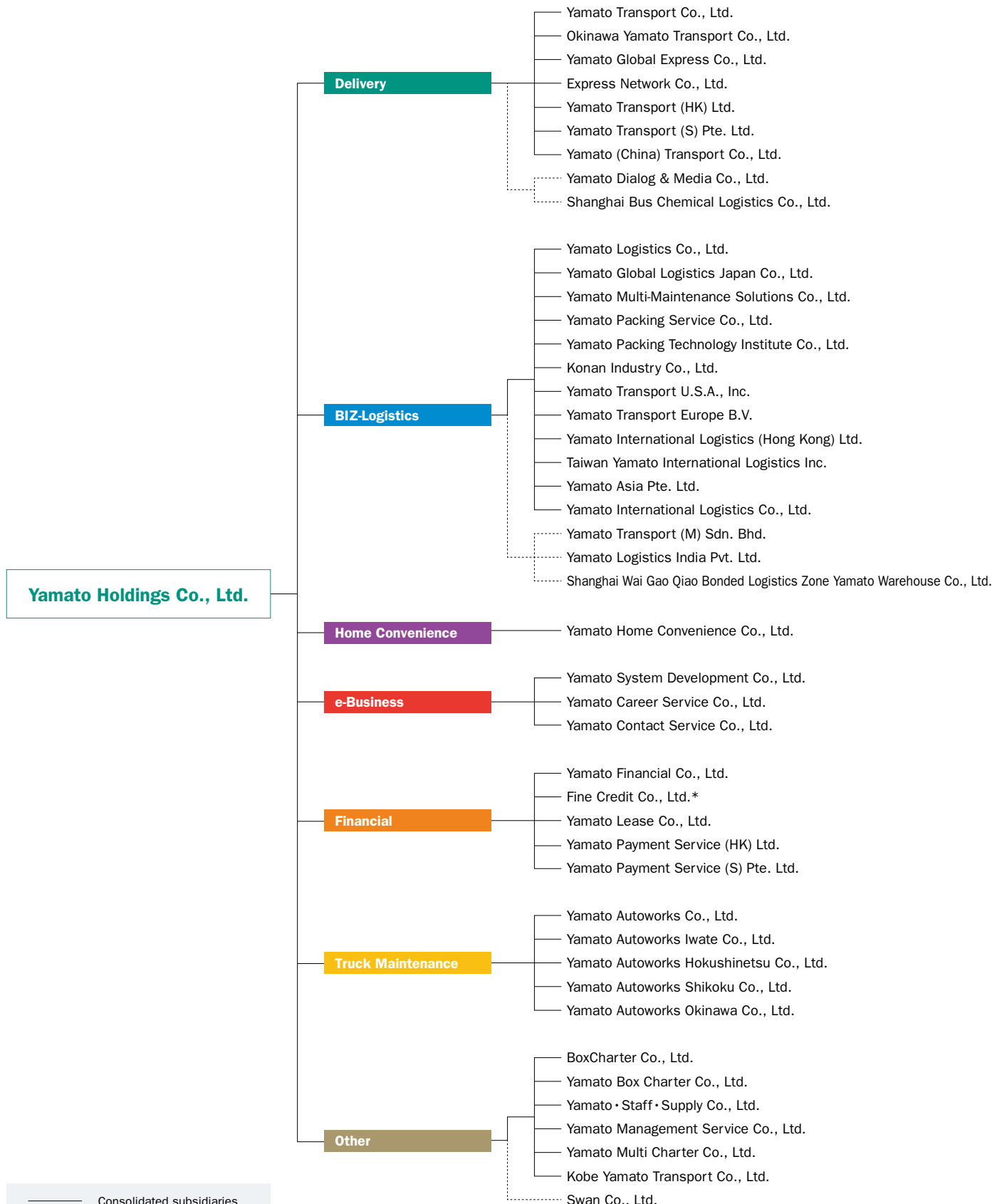
### Track Record of *JITBOX Charter*

(Units)



# Organization

As of March 31, 2012



———— Consolidated subsidiaries  
 ..... Non-consolidated subsidiaries

\* Fine Credit Co, Ltd., which is part of the Group's Financial Business, was renamed Yamato Credit & Finance Co., Ltd. on August 1, 2012.

# Corporate Social Responsibility

The Yamato Group believes that its sustained growth is largely contingent upon not only business profitability, but also fair and proper management as a business group with operations that require a high degree of social interaction.

With the interests of all stakeholders in mind, the Group actively conducts Corporate Social Responsibility (CSR) activities from the perspectives of safety, the environment and society, in line with the Yamato Group Corporate Philosophy at the heart of the Group's business, with the aim of further becoming a company trusted by society.

## Safety

### Safety Classes for Children

The Group places top priority on respect for human life in



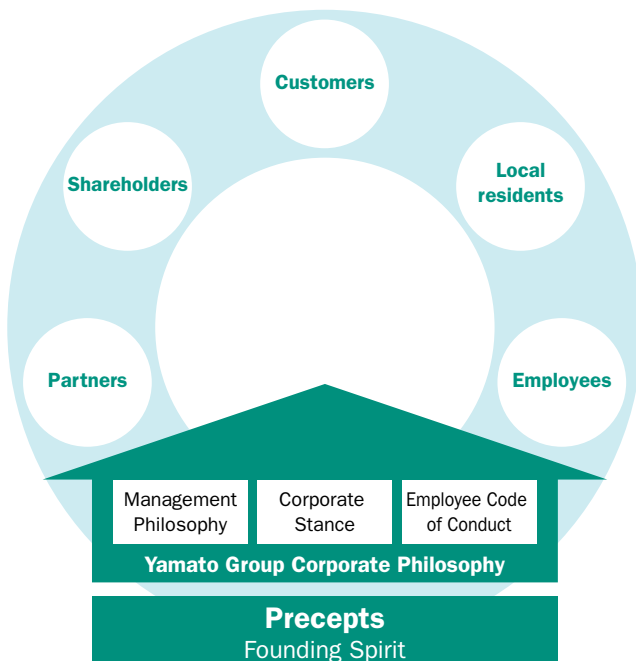
carrying out its operations. This is reflected in a number of initiatives the Group implements. One such initiative is the Company's program of safety classes for children, which we have been holding nationwide since 1998 to teach them ways to protect themselves from traffic accidents. In the fiscal year ended March 31, 2012, roughly 136,000 children participated in 1,285 of these classes held throughout Japan.

Taught entirely by Yamato Transport employees, the fun and entertaining classes employ various means to teach children about traffic safety. Furthermore, this initiative has also begun to spread throughout other companies within the Group.

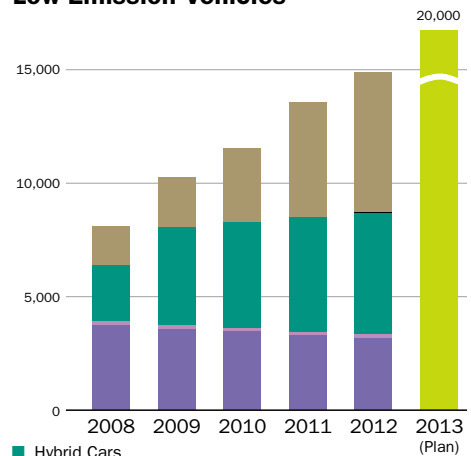
### Promoting the Deployment of See-T Navi

See-T Navi is a proprietary telematics system encouraging safe and environmentally friendly driving that Yamato Transport developed and began deploying in March 2010. This system, which records an extensive array of driving performance data, enables Yamato Transport sales drivers to self-inspect their driving performance and make improvements. The data from this system can also be used to

Diagram of Yamato Group Corporate Philosophy



Changes in the Number of Low-Emission Vehicles



\* The Company is planning to introduce 70 electric delivery vehicles in 2013.



individually instruct sales drivers, and has functioned as a strong support for safe driving habits within the Group.

In May 2011, the Japan Federation of Freight Industries awarded the *See-T Navi* system a Prize for Technology Developed to Reduce the Environmental Impact of Freight Transport at its 12th Freight Industry Environmental Awards. As of March 31, 2012, there were 25,814 delivery vehicles at Yamato Transport's 69 main centers throughout Japan equipped with the *See-T Navi* system.

## Environment

### Active Deployment of Low-Emission Delivery Vehicles

The Yamato Group is actively engaged in activities for protecting the environment.

In the fiscal year ended March 2012, the Group engaged in a wide range of initiatives for reducing carbon emissions during pickup and delivery that included the deployment of electric vehicles and the use of streetcars.

In a similar vein, we have continued to actively introduce low-emission vehicles. In the fiscal year ended March 31, 2012 we added 327 hybrid vehicles and 1,341 low-emission vehicles to our fleet.

As a result, the accumulative total of low-emission vehicles at Yamato Transport had reached 14,908 vehicles, or 34.2% of the entire fleet.



### Satellite Centers Eliminate Use of Vehicles for Parcel Delivery

The opening of more satellite centers reduces the delivery area assigned to each sales driver. This change not only enables drivers to provide more detailed services to each customer, but also helps to curb increases in the number of vehicles required to keep pace with increased parcel volume.



Yamato Transport is promoting the development of these satellite centers, which enable the pickup and delivery of parcels without the use of motor vehicles, apart from the occasional mini-vehicle, in mainly urban districts and densely populated residential areas.

## Society

### Actively Employing People with Disabilities

The Yamato Group, primarily through the Yamato Welfare Foundation, promotes various activities for the realization of a society in which people with disabilities can enjoy the world of work and the act of independently earning a living.

Such support for helping people with disabilities gain their independence includes active employment at the Swan Bakery, which produces and sells bread, and as couriers for our *Kuroneko Mail* service. In addition, the Yamato Welfare Foundation operates a support facility where people with disabilities can receive training in vocational skills and knowledge.



## Report on the Donation Drive of Ten Yen for Every Parcel We Deliver in Japan

In response to the Great East Japan Earthquake that struck on March 11, 2011, the Yamato Group made the decision to donate ten yen for every parcel we deliver in Japan for a period of one year, to provide financial assistance in the recovery of the industrial base, and to support the recovery of the farming and fishing industries, in the affected areas.

As of March 31, 2012, these donations from the handling of *TA-Q-BIN* parcels reached a grand total of ¥14,236 million.

These much appreciated funds were donated by Yamato Holdings to the Yamato Welfare Foundation and recognized as fully tax-exempt “designated donations” by Japan’s Minister of Finance. Combined with donations collected by the Foundation from other companies, organizations and individuals, the funds have been allocated exclusively for restoration and revitalization of the local infrastructure and for rebuilding of the fishing and agriculture industries in the region. An independent committee of experts selected projects for grants under a basic policy of visible, quick and effective assistance. Priority was placed on types of projects that do not normally receive government support.

As of April 26, 2012, 31 projects have received funding, including construction of a temporary fish market in Minamisanriku, Miyagi Prefecture, and a daycare center in Noda, Iwate Prefecture. We would like to take this opportunity to report that the grants have totaled ¥14,266 million.

Assistance Projects by Industrial Base (as of April 26, 2012)			
Fishing	16 projects	¥7,589 million	
Agriculture	5 projects	¥2,449 million	
Lifestyle	7 projects	¥3,865 million	
Commerce and manufacturing	3 projects	¥363 million	

We would like to sincerely thank everyone who used *TA-Q-BIN* as well as shareholders, investors and government officials for their understanding and support for the Yamato Group’s activities.

This fundraising initiative was concluded on March 31, 2012, but we intend to continue helping in reconstruction efforts and assisting in the recovery of the entire region as quickly as possible through our business activities.

### Examples of Reconstruction with the Financial Assistance

#### • Construction of temporary fishing market

Town of Minamisanriku, Miyagi Prefecture

Financial assistance allocated: ¥347 million



A view of the temporary fish market that went into operation in October 2011



First auction at the market with the largest landing of salmon in Miyagi Prefecture

#### • Provision of agricultural machinery and other equipment (89 entities)

Miyagi Prefecture

Financial assistance allocated: ¥1,324 million



Many agricultural facilities and machinery were severely damaged in the tsunami.

Yamato provided financial assistance to farmers who resumed farming as early as possible.

#### • Reconstruction of daycare center for children

Noda Village, Iwate Prefecture

Financial assistance allocated: ¥280 million



Site of the old daycare center that was damaged in the tsunami



Elevated grounds where the daycare center is planned for reconstruction

# Corporate Governance

As of March 31, 2012

## Basic Position on Corporate Governance

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 work to bolster management systems and implement corporate governance policies to this end.

The current status of provision for oversight of business execution and management, internal control and related functions at the Yamato Group is illustrated as follows.

## Status of Corporate Governance

The Board of Directors, Management Advisory Committee and Executive Committee serve as administrative organs involved in decision-making, execution and supervision of the Yamato Group. This management structure enables decisions to be made rapidly and precisely on important

business matters.

The number of Board members cannot exceed 12 as stipulated in the Company's articles of incorporation. The term of office for directors has been set at one year in order to clarify management responsibilities for each fiscal year.

## Outside Directors and Outside Auditors

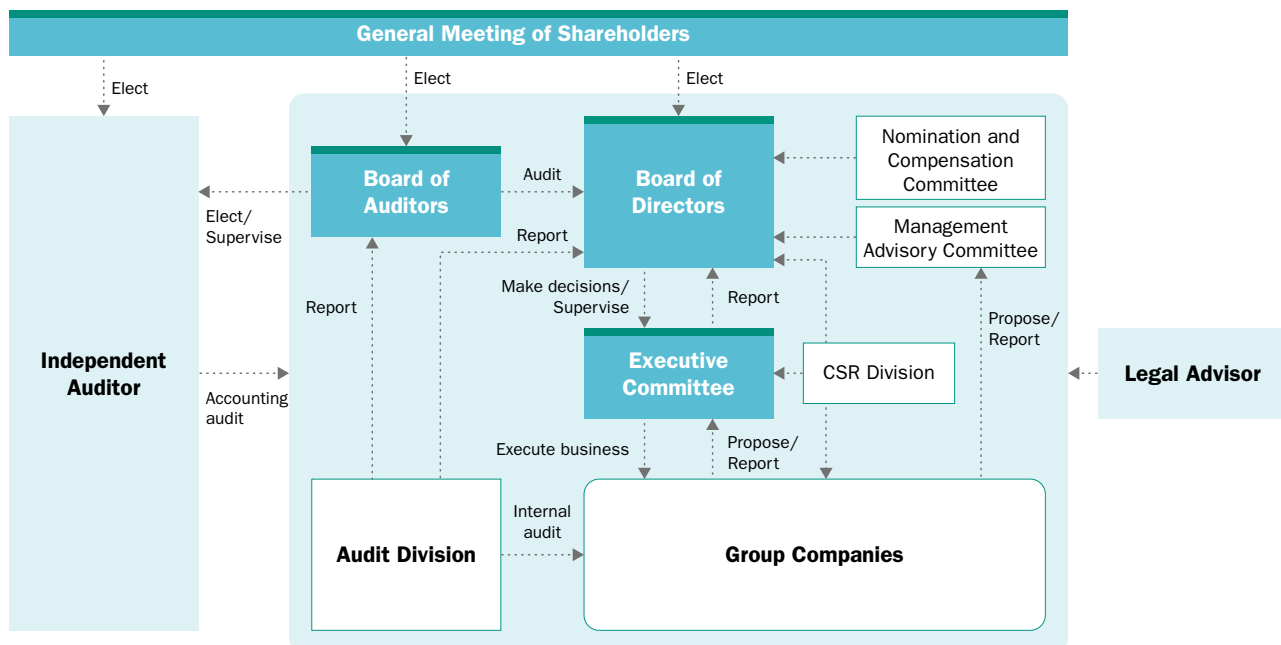
To ensure objective checks of management, two of the six directors are outside directors.

Similarly, three of the four auditors are outside auditors to reinforce supervision of business execution.

Both outside directors have ample experience and extensive knowledge, Masayoshi Sato being a lawyer and Toshitaka Hagiwara being a businessman. They comment and advise as needed on all aspects of business management. Collaboration with the Independent Auditor and the Audit Division enhances governance.

Similarly, all outside auditors have ample expertise in finance and accounting. They are Keiko Kitamura, an accounting professor at a university, Koji Okawa, whose

## Corporate Governance Framework



experience has included working for a financial institution and a tax and accounting firm, and Motoharu Yokose, a certified public accountant.

Outside auditors attend Board of Auditors meetings as well as periodic meetings to exchange opinions with the president and auditors and to present opinions from their own standpoint as auditors. These meetings also serve to confirm the status of directors' execution of duties, by means of including questions regarding management policy.

The abovementioned two outside directors and three outside auditors have no conflicts of interest with the Group.

The Group maintains a policy of satisfying the independence criteria of the Tokyo Stock Exchange, Inc., when choosing outside directors and auditors.

The Group has notified the Tokyo Stock Exchange that all the above outside directors and auditors are independent, as required.

Outside Auditor Keiko Kitamura resigned at the closing of the Ordinary Meeting of Shareholders on June 26, 2012. In her place, Hiroyuki Kanae was nominated and appointed as a new outside auditor.

### Status of Internal Audits, Audits by Auditors and Accounting Audits

The Board of Auditors is made up of one full-time auditor and three outside auditors. Auditors attend meetings of the Board of Directors and other important meetings to audit the execution of duties by the directors, and otherwise endeavor to improve the soundness of management and the trust of the public.

A full-time staff member has been appointed to assist

the auditors to put in place a framework that enables the auditors to smoothly carry out their functions.

In addition, Group Auditors' Liaison Meetings are held periodically for the full-time auditors of the major operating companies to confer on auditing policies and procedures, exchange information and otherwise enhance collaboration. Meetings with internal auditors are also held periodically to exchange information.

Internal audits are performed by a 10-member team that operates independently from any other Group organ. Together with the 115 employees who conduct internal audits for Group companies, the Yamato Group has a total of 125 internal auditors, who check whether the business and affairs of the Group as a whole are being carried out appropriately and efficiently based on the annual auditing plan. A structure is in place under which results are reported to the Board of Directors and the Board of Auditors.

Also, the Group Internal Auditing Committee meets regularly for the internal auditors of the operating companies to confer on problems and proposed improvements based on auditing policies and audit results. At the same time, management collaborates with Group companies' internal control divisions to improve and build systems to validate internal controls.

As the Group's appointed Independent Auditor, Deloitte Touche Tohmatsu LLC holds regular meetings with auditors and conducts effective accounting audits. Accounting audits are performed by two certified public accountants, Yoshiaki Kitamura and Kazuhide Kobori, assisted by another six certified public accountants and 12 other staff members.

### Compensation of Directors and Auditors

#### Details of Compensation for Directors and Auditors

Director and auditor category	Total compensation and other remuneration (Millions of Yen)	Total by compensation and remuneration category (Millions of Yen)		Headcount of eligible directors and auditors
		Basic compensation		
Directors (excluding outside directors)	222	222		5
Auditors (excluding outside auditors)	20	20		1
Outside directors and auditors	34	34		5

To ensure the objectivity and transparency of policies for determining director compensation, deliberations are through the Nomination and Compensation Committee, more than half of whose members are outside directors, with the Board of Directors making resolutions.

Director compensation comprises fixed remuneration that reflects external standards and performance-based amounts. The compensation of auditors and external directors is fixed in keeping with the nature of their work.

## Compensation of Accounting Auditor

### Details of Compensation for Certified Public Accountants and Staff of the Accounting Auditor

Category	Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2012	
	Compensation paid for audit certification activities (Millions of Yen)	Compensation paid for non-audit activities (Millions of Yen)	Compensation paid for audit certification activities (Millions of Yen)	Compensation paid for non-audit activities (Millions of Yen)
Yamato Holdings Co., Ltd.	40	62	41	8
Consolidated subsidiaries	133	—	133	—
Total	173	62	174	8

### Other Important Compensation Details

Fiscal year ended March 31, 2011

The compensation that eight overseas subsidiaries, including consolidated subsidiary Yamato Transport U.S.A., Inc., paid to Deloitte Touche Tohmatsu Limited, which is part of the same network of the accounting firm that audits Yamato Holdings, was as follows.

Compensation paid for audit certification and related activities: ¥89 million

Fiscal year ended March 31, 2012

The compensation that 10 overseas subsidiaries, including consolidated subsidiary Yamato Transport U.S.A., Inc., paid to Deloitte Touche Tohmatsu Limited, which is part of the same network of the accounting firm that audits Yamato Holdings, was as follows.

Compensation paid for audit certification and related activities: ¥82 million

### Details of Non-Audit Activities of Certified Public Accountants and Staff of the Accounting Auditor

Fiscal year ended March 31, 2011

The non-audit activities for which the Company paid the certified public accountants and staff of the accounting auditors mainly entailed producing comfort letters in connection with the issue of euro-yen denominated convertible corporate bonds with subscription rights to shares that mature in 2016, as well as providing advice and guidance relating to the introduction of International Financial Reporting Standards.

Fiscal year ended March 31, 2012

Non-audit activities for which the Company paid the certified public accountants and staff of the accounting auditors entailed advice and guidance on the introduction of International Financial Reporting Standards.

### Policy for Determining Accounting Auditor Compensation

We determine audit compensation for the certified public accountants and staff of the accounting auditor based on the number of days required for audits, the Company's size, and the nature of its operations.



# Directors and Auditors

As of June 26, 2012



## Directors

1. **Kaoru Seto**  
Representative Director and  
Chairman
2. **Makoto Kigawa**  
Representative Director,  
President and Executive Officer

3. **Haruo Kanda**  
Representative Director and  
Managing Executive Officer
4. **Masaki Yamauchi**  
Director and Executive Officer  
(Representative Director, President and  
Executive Officer of Yamato Transport Co., Ltd.)

## Outside Directors

5. **Masayoshi Sato**
6. **Toshitaka Hagiwara**

## Managing Executive Officer

7. **Kenichi Shibasaki**





### Executive Officers

- 8. **Kenji Minaki**  
(Representative Director, President and Executive Officer of Yamato System Development Co., Ltd.)
- 9. **Toshizo Kurisu**  
(Representative Director, President and Executive Officer of Yamato Financial Co., Ltd.)
- 10. **Hitoshi Kanamori**  
(Representative Director, President and Executive Officer of Yamato Logistics Co., Ltd.)

- 11. **Atsushi Ichino**  
(Representative Director, President and Executive Officer of Yamato Home Convenience Co., Ltd.)
- 12. **Tadao Mikami**  
(Global Marketing and Development)
- 13. **Hidenori Osano**  
(Corporate Strategy, IT Planning, Solution Laboratory)

### Auditors

- 14. **Hiroshi Kawada**
- 15. **Koji Okawa**
- 16. **Motoharu Yokose**
- 17. **Hiroyuki Kanae**

### Advisor

- 18. **Keiji Aritomi**

# Analysis of Financial Position and Management Results



**Kenichi Shibasaki**  
 Managing Executive Officer  
 responsible for Financing and  
 Accounting

## A Message from the Managing Executive Officer

I was appointed as the managing executive officer responsible for Financing and Accounting of Yamato Holdings Co., Ltd. on April 1, 2012.

In this year's annual report, I would like to look back on the year ended March 31, 2012 and discuss the Yamato Group's capital policies.

## The Current State and Future Direction of the Yamato Group's Finance Strategy

The management philosophy of the Yamato Group is to help "enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient

services for comfortable lifestyles and developing an innovative logistics system." Guided by this philosophy, we aim to generate sustained growth and maximize corporate value by balancing growth potential, financial soundness and operating efficiency.

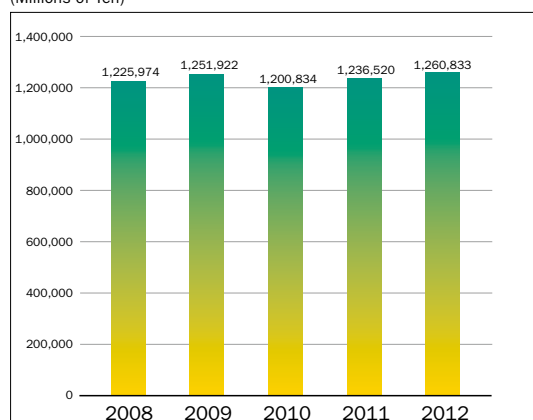
In January 2011, we formulated and announced a long-term management plan, DAN-TOTSU Management Plan 2019, whose final year is fiscal 2020, the 100th anniversary of our founding, and a medium-term management plan, whose final year is fiscal 2014, DAN-TOTSU Three-Year Plan HOP.

The goal is to establish DAN-TOTSU (unassailable) positions in solution capability, delivery quality and customer satisfaction as a leading provider of distribution and lifestyle support solution services in Asia by the year ending March 2020, when we will celebrate our 100th anniversary. The major theme is to increase satisfaction of shareholders, customers, the public, employees and all other stakeholders.

To raise shareholder value, we have declared ROE to

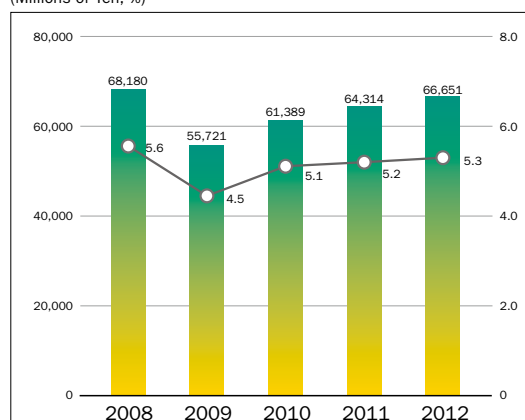
## Operating Revenues

(Millions of Yen)



## Operating Income/Operating Margin

(Millions of Yen, %)



■ Operating Income (left scale)  
 ○ Operating Margin (right scale)

be an important benchmark to keep in mind in order to achieve both strengthened capital accumulation and utilization of business assets. We plan to raise ROE to 8.5% in the year ending March 2014, the final year of the medium-term management plan, and to over 11.0% in the year ending March 2020, the final year of the long-term management plan.

From my perspective as Managing Executive Officer, I recognize that the keys for success are to increase our profitability by steadily executing our business plan, and also raising capital efficiency by implementing flexible capital policies, as and when needed, by taking advantage of our solid financial base. And we must tie these improvements to a further increase in corporate value.

My role as the Managing Executive Officer responsible for Financing and Accounting is to pursue the optimal capital structure that will support the maximization of our corporate value.

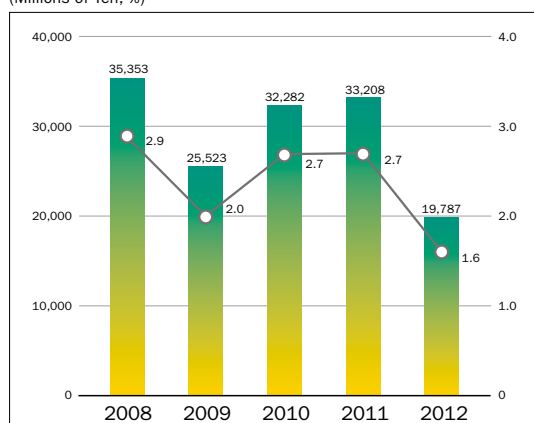
## Attainment of Numerical Targets in Fiscal 2012 and Evaluation

In fiscal 2012, the business environment gradually trended towards recovery, backed by growing restoration demand associated with the Great East Japan Earthquake that occurred in March 2011, although the overall Japanese economy showed signs of stagnation, mainly due to slowdowns in overseas economies because of the European debt crisis, and the yen's further appreciation.

Against this backdrop, in fiscal 2012, the first year of our medium-term management plan, DAN-TOTSU Three-Year Plan HOP, the Yamato Group was unable to achieve operating income above the Company's plan because of lower handling volume of *Kuroneko Mail* due to stricter policies on parcel acceptance that emphasize compliance. However, the Yamato Group made progress developing new businesses for properly responding to customers' increasingly sophisticated needs. This, and strong *TA-Q-BIN* handling volume in an expanding mail-order market, supported our performance.

### Net Income/Net Margin

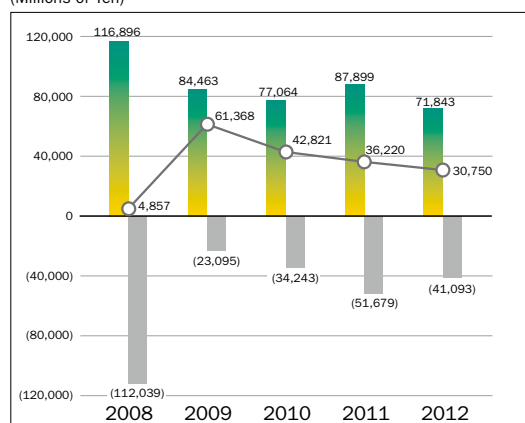
(Millions of Yen, %)



■ Net Income (left scale)  
○ Net Margin (right scale)

### Operating and Investing Cash Flows/Free Cash Flows

(Millions of Yen)



■ Cash Flows from Operating Activities  
■ Cash Flows from Investing Activities  
○ Free Cash Flows  
\* Free Cash Flows = Cash Flows from Operating Activities + Cash Flows from Investing Activities

Operating revenues increased 2.0% year on year to ¥1,260,833 million and operating income increased 3.6% to ¥66,651 million. These figures were close to record-high revenues and earnings.

Net income, however, decreased 40.4% to ¥19,787 million. This decrease was mainly due to recording ¥14,236 million in donations concerning restoration support under other expenses by implementing the “ten yen for every parcel we deliver in Japan” initiative.

Regarding this initiative, as we explained in “A Message from the President” on page 5 and “Report on the Donation Drive of Ten Yen for Every Parcel We Deliver in Japan” on page 32, we continued to support the revitalization of local people’s living conditions and industrial infrastructure in areas affected by the Great East Japan Earthquake to fulfill our social responsibility as a logistics provider.

The entire amount was donated by Yamato Holdings to the Yamato Welfare Foundation and recognized as fully tax-exempt “designated donations” by Japan’s Minister of

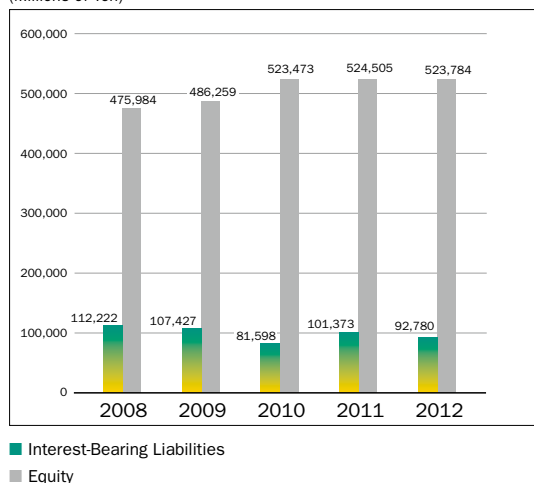
Finance. Combined with donations collected by the Foundation from other companies, organizations and individuals, the funds have been allocated exclusively for restoration and revitalization of the local infrastructure and for rebuilding of the fishing and agriculture industries in the region. An independent committee of experts selected projects for grants under a basic policy of visible, quick and effective assistance. Priority was placed on types of projects that do not normally receive government support.

Since the fundraising initiative came to an end on March 31, 2012, the Company will not incur more special charges for donations going forward.

In fiscal 2012, in addition to recording special charges for donations, as explained above, we prepared for making investments needed for future growth, including the *Haneda Chronogate* logistics terminal. Consequently, we took steps to secure cash in order to increase liquidity at hand. As a result, the shareholders’ equity ratio was 56.0% and ROE dropped temporarily to a low level of 3.8%.

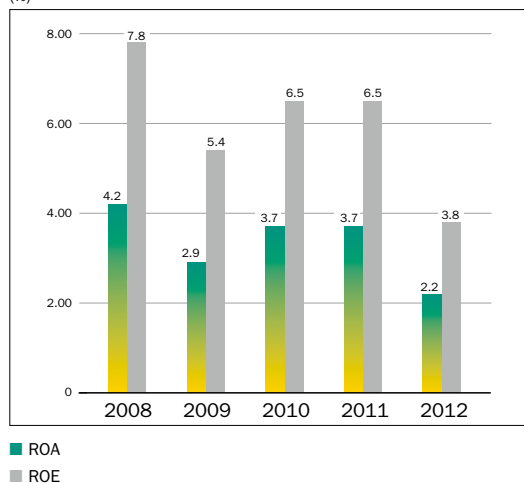
### Interest-Bearing Liabilities/Equity

(Millions of Yen)



### ROA/ROE

(%)



However, cash flows from operating activities for the year ended March 31, 2012 were over ¥70 billion. We therefore continue to generate stable cash flows of between ¥70 billion and ¥80 billion per year.

Free cash flows, which are the total of cash flows from operating activities and cash flows from investing activities, were ¥30,750 million. This cash has allowed us to maintain the agility and flexibility of financial activities while sufficiently covering ordinary expenditures.

Leveraging our solid financial base, we will pursue the optimal capital structure while balancing operating efficiency and financial soundness.

### **Implementation of Capital Policies to Enhance Financial Quality**

In February 2011, we passed a resolution for issuance of corporate bonds with new share warrants attached for the purpose of share buybacks as part of our flexible finance strategy.

Proceeds of approximately ¥20.0 billion from the issuance of corporate bonds with new share warrants were allocated in their entirety to share buybacks by the end of February 2012 for the purpose of enhancing capital efficiency. With regard to share buybacks, we passed a resolution at the same time as the resolution for issuing corporate bonds with new share warrants that set an upper limit on total purchases of ¥30.0 billion and a buyback period of one year.

Share buybacks based on the aforementioned resolution were completed on April 27, 2011. These buybacks resulted in the repurchase of approximately 23.6 million shares at a total cost of approximately ¥30.0 billion, representing our largest buybacks ever.

The Yamato Group bought back about ¥10.0 billion in shares continuously every year for five years from the

fiscal year ended March 31, 2003 to the fiscal year ended March 31, 2007, for a total of about ¥50.0 billion over five years (about 28 million shares). Of these shares, approximately 12 million shares were retired in the fiscal year ended March 31, 2006, and approximately 3 million shares were used for M&As in the fiscal years ended March 31, 2007 and March 31, 2008.

### **Aim of Issuance of Corporate Bonds with New Share Warrants and Share Buybacks**

The Yamato Group implemented share buybacks based on the conclusion that utilizing liability-like funds in addition to some of its own funds, while remaining aware of the need to contain capital cost increases, was the most effective scheme for a finance strategy aimed at expanding corporate value, and the optimal method of fund procurement.

We selected this scheme for share buybacks because we believed that buying back shares using low-cost corporate bonds with new share warrants attached and enhanced debt characteristics would enable capital efficiency, such as ROE and EPS, to be improved.

### **Credit Ratings**

As of March 2012, Yamato Holdings has received the following credit rating from Rating & Investment Information, Inc. (R&I):

R&I AA-

The Yamato Group will strive to minimize risk of loss of performance to secure target profits, maintaining awareness of capital costs, while at the same time maintaining the existing credit rating in order to facilitate smooth capital procurement.

## Risk Management

The Yamato Group is fully aware of the potential impact of the following risks on its business performance and financial position, and is accordingly managing these risks.

The following risks are solely within the scope of projections possible from information available at the end of March 2012, and may not encompass all of the risks related to the business of the Yamato Group.

The Yamato Group has six main business segments. These include the Delivery Business, which centers on *TA-Q-BIN* services, and other operations combining logistics technology (LT), information technology (IT), and financial technology (FT).

In fiscal 2012, the *TA-Q-BIN* business accounted for more than 60% of the consolidated operating revenues of the Yamato Group. It therefore has a significant impact on Group results.

Accordingly, any threats to the continuity of the *TA-Q-BIN* business could profoundly affect Group results.

### 1. Loss of Social Trust

#### (1) Major Traffic Accident

The Yamato Group's operations center on the Delivery Business, whose vehicles operate on public roads. Notwithstanding the Group's commitment to safety precautions out of an utmost respect for human life, a major traffic accident could cause social trust to decline, affecting Group results.

#### (2) Leak of Customer Information

The Yamato Group handles information for many customers, including the personal information of customers for the *TA-Q-BIN* and moving services. Although the Group strictly manages information, as part of which it conducts internal audits to monitor such management, leaks of information outside the Group could reduce social trust and affect Group results.

#### (3) Package Damage or Loss

The Yamato Group has earned strong trust among customers, securing a competitive edge by providing high-quality services.

The Group uses a multi-layered approach to review and manage data on quality levels from each of its *TA-Q-BIN* centers nationwide as it strives daily to improve the quality of its services. Nonetheless, an incident, such as damage to or loss of packages that customers entrust to the Group, could lead to a loss of social trust and affect Group results.

### 2. Legal and Official Regulations

#### (1) Legal Regulations

The Yamato Group is regulated by various laws and ordinances.

Compliance management is a top priority for the Group, which acts accordingly. However, the Group's business activities could be restricted by revisions in laws or ordinances, causing a decline in operating revenues or an increase in costs to achieve compliance, thereby affecting Group results.

#### (2) Official Regulation Due to Environmental Issues

The Yamato Group uses many vehicles in the course of business.



Amid growing interest in environmental issues, the Group has already actively undertaken environmental measures, such as deploying low-emission vehicles and promoting eco driving. However, unexpectedly strict environmental regulations could be enacted, causing an increase in costs to achieve compliance and otherwise affecting Group results.

### **3. Unforeseen International Developments or Natural Disasters**

#### **(1) International Developments or Terrorism**

Terrorism, wars or other international conflicts, or outbreaks of new strains of influenza or other infectious diseases could threaten the continuity of the Yamato Group's *TA-Q-BIN* business and affect Group results.

#### **(2) Natural Disasters or Power Outages**

The Yamato Group does business activities with equipment requiring electricity, including automatic package sorters and computers that manage information.

Although the Group inspects and checks all equipment regularly to prevent accidents, an unforeseen natural disaster or power outage that hampers freight could affect Group results.

#### **(3) Computer Viruses and Criminal Hacking Activity**

The Yamato Group manages information at locations in Tokyo and Osaka and employs state-of-the-art network technologies and a manned monitoring system that operates around the clock.

However, an unanticipated computer virus infection or hacker attack could force the Group to partially halt computer systems or sales activities, affecting Group results.

### **Basic Policy on Distribution of Profits**

The Yamato Group conducts business fully recognizing that levels of capital cost should reflect the expectations shareholders and investors hold for the earnings of the Yamato Group.

Over the medium and long terms, we have a basic policy of paying dividends with a target consolidated dividend payout ratio of 30% of consolidated net income, while considering the need to invest for driving future growth and maintaining a stable management base.

For the fiscal year ended March 31, 2012 we paid dividends of ¥22 per share, including an interim dividend of ¥11.

For the fiscal year ending March 31, 2013, we will decide on the dividend per share after comprehensively considering a range of factors such as the business environment and our performance, as well as the above-mentioned policy.

We ask our shareholders for your ongoing encouragement and support.

# Consolidated Balance Sheet

March 31, 2012

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Notes 2.d and 12)	¥ 209,179	¥ 209,178	\$ 2,545,067
Notes and accounts receivable (Note 12):			
Trade	158,175	142,096	1,924,502
Installment (Note 3)	35,539	41,151	432,401
Lease (Note 11)	18,925	17,506	230,255
Allowance for doubtful accounts	(2,261)	(3,487)	(27,502)
Inventories (Note 4)	3,345	2,713	40,699
Deferred tax assets (Note 10)	17,078	18,185	207,790
Prepaid expenses and other current assets	24,475	22,913	297,785
<b>Total current assets</b>	<b>464,455</b>	<b>450,255</b>	<b>5,650,997</b>
<b>PROPERTY, PLANT AND EQUIPMENT—At cost:</b>			
Land	182,304	182,421	2,218,075
Buildings and structures	273,712	271,232	3,330,240
Vehicles	182,004	179,979	2,214,436
Leased assets (Note 11)	25,937	24,826	315,575
Machinery and equipment	105,325	107,233	1,281,487
Construction in progress	30,052	13,796	365,636
Others	6,243	3,989	75,953
<b>Total</b>	<b>805,577</b>	<b>783,476</b>	<b>9,801,402</b>
Accumulated depreciation	(430,397)	(415,321)	(5,236,618)
<b>Net property, plant and equipment</b>	<b>375,180</b>	<b>368,155</b>	<b>4,564,784</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 5 and 12)	18,749	18,910	228,120
Investments in and advances to nonconsolidated subsidiaries and affiliates, net of valuation allowance of ¥222 million (\$2,701 thousand) in 2012 and ¥315 million in 2011	3,339	4,102	40,629
Long-term loans	952	1,089	11,582
Goodwill	585	779	7,114
Software	12,018	10,447	146,228
Lease deposits	20,202	21,705	245,797
Deferred tax assets (Note 10)	17,197	17,276	209,228
Other assets	6,618	6,645	80,516
<b>Total investments and other assets</b>	<b>79,660</b>	<b>80,953</b>	<b>969,214</b>
<b>TOTAL</b>	<b>¥ 919,295</b>	<b>¥ 899,363</b>	<b>\$11,184,995</b>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Notes 6 and 12)	¥ 5,260	¥ 8,631	\$ 63,991
Current portion of long-term debt (Notes 6, 12 and 13)	17,082	18,305	207,829
Notes and accounts payable (Note 12):			
Trade	129,454	113,699	1,575,060
Construction	21,736	17,694	264,461
Income taxes payable	17,631	20,447	214,517
Employees' savings deposits	4,200	3,934	51,106
Accrued expenses	57,801	56,753	703,262
Deferred profit on installment sales (Notes 3 and 12)	4,960	6,363	60,346
Other current liabilities (Note 8)	24,220	18,507	294,684
Total current liabilities	282,344	264,333	3,435,256
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 6, 12 and 13)	70,439	74,438	857,023
Long-term accounts payable	3,798	90	46,205
Liability for employees' retirement benefits (Note 7)	31,733	28,471	386,100
Retirement allowances for directors and corporate auditors	8	8	97
Deferred tax liabilities (Note 10)	269	785	3,279
Other long-term liabilities (Note 8)	6,920	6,733	84,195
Total long-term liabilities	113,167	110,525	1,376,899
<b>COMMITMENTS LIABILITIES</b> (Note 11)			
<b>EQUITY</b> (Notes 9 and 17):			
Common stock—authorized, 1,787,541,000 shares in 2012 and 2011; issued, 468,052,892 shares in 2012 and 2011	127,235	127,235	1,548,057
Capital surplus	121,314	121,315	1,476,024
Retained earnings	321,862	311,569	3,916,078
Treasury stock—at cost, 37,905,955 shares in 2012 and 28,716,928 shares in 2011	(56,514)	(44,631)	(687,608)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	2,976	1,501	36,209
Foreign currency translation adjustments	(1,877)	(1,387)	(22,837)
Total	514,996	515,602	6,265,923
Minority interests	8,788	8,903	106,917
Total equity	523,784	524,505	6,372,840
<b>TOTAL</b>	¥919,295	¥899,363	\$11,184,995



# Consolidated Statement of Comprehensive Income

Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	<b>¥19,758</b>	¥33,345	<b>\$240,395</b>
<b>OTHER COMPREHENSIVE INCOME</b> (Note 14):			
Unrealized gain (loss) on available-for-sale securities	<b>1,514</b>	(1,757)	<b>18,424</b>
Foreign currency translation adjustments	<b>(433)</b>	(768)	<b>(5,275)</b>
Total other comprehensive income (loss)	<b>1,081</b>	(2,525)	<b>13,149</b>
<b>COMPREHENSIVE INCOME</b>	<b>¥20,839</b>	¥30,820	<b>\$253,544</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent	<b>¥20,827</b>	¥30,868	<b>\$253,401</b>
Minority interests	<b>12</b>	(48)	<b>143</b>

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

Year Ended March 31, 2012

	Thousands		Millions of Yen							Minority Interests	Total Equity
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income		Total			
						Unrealized (Loss) Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments				
<b>BALANCE, APRIL 1, 2010</b>	453,770	¥127,235	¥121,315	¥288,408	¥(26,506)	¥ 3,197	¥ (739)	¥512,910	¥10,563	¥523,473	
Net income				33,208				33,208		33,208	
Cash dividends, ¥22 per share				(9,983)				(9,983)		(9,983)	
Adjustment of retained earnings for changes in the scope of consolidation				(64)				(64)		(64)	
Purchase of treasury stock	(14,435)				(18,127)			(18,127)		(18,127)	
Disposal of treasury stock	1				2			2		2	
Net change in the year						(1,696)	(648)	(2,344)	(1,660)	(4,004)	
<b>BALANCE, MARCH 31, 2011</b>	439,336	127,235	121,315	311,569	(44,631)	1,501	(1,387)	515,602	8,903	524,505	
Net income				19,787				19,787		19,787	
Cash dividends, ¥22 per share				(9,564)				(9,564)		(9,564)	
Adjustment of retained earnings for changes in the scope of consolidation				70				70		70	
Purchase of treasury stock	(9,190)				(11,884)			(11,884)		(11,884)	
Disposal of treasury stock	1		(1)		1						
Net change in the year						1,475	(490)	985	(115)	870	
<b>BALANCE, MARCH 31, 2012</b>	<b>430,147</b>	<b>¥127,235</b>	<b>¥121,314</b>	<b>¥321,862</b>	<b>¥(56,514)</b>	<b>¥ 2,976</b>	<b>¥(1,877)</b>	<b>¥514,996</b>	<b>¥ 8,788</b>	<b>¥523,784</b>	

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income		Total	Minority Interests	Total Equity
					Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments			
<b>BALANCE, MARCH 31, 2011</b>	\$1,548,057	\$1,476,026	\$3,790,842	\$(543,015)	\$18,268	\$(16,875)	\$6,273,303	\$108,320	\$6,381,623
Net income			240,745				240,745		240,745
Cash dividends, \$0.27 per share			(116,369)				(116,369)		(116,369)
Adjustment of retained earnings for changes in the scope of consolidation			860				860		860
Purchase of treasury stock				(144,603)			(144,603)		(144,603)
Disposal of treasury stock			(2)	10			8		8
Net change in the year					17,941	(5,962)	11,979	(1,403)	10,576
<b>BALANCE, MARCH 31, 2012</b>	<b>\$1,548,057</b>	<b>\$1,476,024</b>	<b>\$3,916,078</b>	<b>\$(687,608)</b>	<b>\$36,209</b>	<b>\$(22,837)</b>	<b>\$6,265,923</b>	<b>\$106,917</b>	<b>\$6,372,840</b>

See notes to consolidated financial statements.



# Consolidated Statement of Cash Flows

Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 45,817	¥ 61,836	\$ 557,457
Adjustments for:			
Income taxes—paid	(26,743)	(27,631)	(325,375)
Depreciation and amortization	38,685	39,586	470,674
Loss on disposal of property, plant and equipment—net	286	190	3,474
Loss on adjustment for adoption of accounting for asset retirement obligations		1,642	
Gain on sales of marketable and investment securities		(45)	
Loss on valuation of investment securities	1,982	85	24,112
Donations concerning restoration support paid	(13,088)		(159,237)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
(Increase) decrease in notes and accounts receivable	(11,962)	12,974	(145,540)
Increase in inventories	(520)	(828)	(6,327)
Increase in notes and accounts payable	15,771	737	191,887
Increase in liability for employees' retirement benefits	3,264	609	39,718
Other—net	18,351	(1,256)	223,274
Total adjustments	26,026	26,063	316,660
Net cash provided by operating activities	71,843	87,899	874,117
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale of property, plant and equipment	788	493	9,587
Purchases of property, plant and equipment	(35,913)	(42,914)	(436,952)
Proceeds from sales of marketable and investment securities	9	1	106
Purchases of marketable and investment securities	(11)	(10)	(132)
Increase in investments in and advances to nonconsolidated subsidiaries and affiliates	(1,202)	(1,982)	(14,627)
Collection of loans	969	1,109	11,798
Payments of loans	(788)	(682)	(9,589)
Other	(4,945)	(7,694)	(60,163)
Net cash used in investing activities	(41,093)	(51,679)	(499,972)
<b>FINANCING ACTIVITIES:</b>			
Proceeds from short-term bank loans	23,214	65,033	282,441
Repayments of short-term debt	(32,410)	(81,849)	(394,329)
Proceeds from long-term debt	9,850	36,884	119,844
Repayments of long-term debt	(13,008)	(13,008)	(158,267)
Dividends paid	(9,707)	(10,112)	(118,103)
Purchase of treasury stock—net	(11,889)	(18,131)	(144,649)
Other	1,033	1,030	12,564
Net cash used in financing activities	(32,917)	(20,153)	(400,499)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>			
	(182)	(467)	(2,218)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,349)</b>	<b>15,600</b>	<b>(28,572)</b>
<b>CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR</b>	<b>1,950</b>	<b>3,854</b>	<b>23,723</b>
<b>CASH AND CASH EQUIVALENTS DECREASED BY EXCLUSION OF CONSOLIDATED SUBSIDIARY</b>		(13)	
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>208,792</b>	<b>189,351</b>	<b>2,540,357</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.d)</b>	<b>¥208,393</b>	<b>¥208,792</b>	<b>\$2,535,508</b>

See notes to consolidated financial statements.

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# Notes to Consolidated Financial Statements

Year Ended March 31, 2012

## 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2011 consolidated financial statements to conform to the classifications and presentations used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamato Holdings Co., Ltd. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.19 to \$1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation**—The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 39 significant (36 in 2011) subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The nonconsolidated subsidiaries, whose combined assets, net sales, net income and retained earnings in the aggregate are not significant to the consolidated financial statements, have not been consolidated with the Company.

There were no affiliates accounted for by the equity method in 2012 or 2011.

Investments in the nonconsolidated subsidiaries and affiliates are stated at cost less a valuation allowance representing possible losses on the investments that are deemed to be other than temporary. If the equity method of accounting had been applied to the investments in such companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the costs over the underlying net equity of investments in consolidated subsidiaries is recognized as goodwill and amortized on a straight-line basis over a five-year period, with the exception of minor amounts which are charged or credited to income in the period of acquisition.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

**b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—In May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and

(e) exclusion of minority interests from net income, if contained in net income.

**c. Recognition of Operating Revenues**—The Group recognizes freight charge income as operating revenues at the time when freight has been received from the shipping customer for transportation.

Fees from customers based on installment sales contracts are recognized by equal installment method.

**d. Cash Equivalents**—Cash equivalents in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents in the consolidated statement of cash flows include time deposits, certificate of deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

The difference between cash and cash equivalents in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Cash and cash equivalents presented in the consolidated balance sheet	¥209,179	¥209,178	\$2,545,067
Time deposits due beyond three months	(490)	(105)	(5,962)
Bank overdraft	(296)	(281)	(3,597)
Cash and cash equivalents presented in the consolidated statement of cash flows	¥208,393	¥208,792	\$2,535,508

**e. Inventories**—Inventories are stated at the lower of cost determined by the first-in, first-out method or net selling value.

**f. Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group had no trading securities at March 31, 2012 and 2011.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

**g. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment excluding leased assets of the Company and its domestic consolidated subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. Depreciation of leased assets is computed on the straight-line method over the lease period with no residual value carried.

The depreciation of property, plant and equipment of foreign consolidated subsidiaries is computed on the straight-line method over the estimated useful lives of the assets. The range of useful lives is principally as follows:

Buildings and structures	7–60 years
Vehicles	2– 7 years
Machinery and equipment	2–20 years

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

**h. Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying

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amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**i. Other Assets**—Amortization of intangible assets is computed on the straight-line method.

Depreciation of leased assets is computed on the straight-line method over the lease period with no residual value carried.

**j. Retirement and Pension Plan**—The Company and substantially all domestic consolidated subsidiaries have a contributory trusteed pension plan and an unfunded retirement benefit plan. In addition, a defined contribution retirement plan was introduced along with these defined benefit pension plans.

A domestic consolidated subsidiary participates in a cooperative welfare pension fund as a substitute for the aforementioned contributory trusteed pension plan, while the foreign subsidiaries have defined contribution retirement plans.

Directors and corporate auditors are not covered by the retirement and pension plans described above.

**k. Retirement Allowances for Directors and Corporate Auditors**—Retirement allowances for directors and corporate auditors for certain subsidiaries are recorded to reflect the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

**l. Asset Retirement Obligations**—In March 2008, the ASBJ issued ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21, “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

**m. Leases**—For a lessee, all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

For a lessor, all finance leases that deem to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee are recognized as investments in lease.

**n. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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**o. Appropriations of Retained Earnings**—Appropriations of retained earnings at each year-end are reflected in the consolidated financial statements for the following year upon shareholders' approval.

**p. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

**q. Derivative Financial Instruments**—Certain consolidated subsidiaries use derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized by the consolidated subsidiaries to reduce interest rate risks. The consolidated subsidiaries do not enter into derivatives for trading or speculative purposes.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

**r. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date.

**s. Per Share Information**—Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

**t. Accounting Changes and Error Corrections**—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

**u. New Accounting Pronouncements**

**Auditing Treatment concerning Depreciation**—In February 2012, Japanese Institute of Certified Public Accountants issued Revision of Auditing and Assurance Practice Committee Statement No. 81, "Auditing Treatment concerning Depreciation" in accordance with

the new tax laws enacted in Japan in December 2011 which changed the depreciation rate used for declining-balance method.

Under this revision, changes in the depreciation rate in line with the new tax laws are accounted for as a change in an accounting policy based on a justified reason, which is equivalent to the changes in accordance with revisions of laws and other regulations.

This revision will be applied to the Company and its domestic consolidated subsidiaries from the beginning of the fiscal year that begins on or after April 1, 2012.

By applying the revision, the depreciation rate for the assets acquired on or after April 1, 2012 will be changed from 250% to 200%, which will possibly have an effect on the consolidated financial statements.

### 3. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.3% and 0.4% of operating revenues in 2012 and 2011, respectively.

Annual maturities of notes and accounts receivable—installment at March 31, 2012 and related amortization of deferred profit on installment sales are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Receivables	Deferred Profit on Installment Sales	Receivables	Deferred Profit on Installment Sales
2013	<b>¥19,886</b>	<b>¥2,345</b>	<b>\$241,951</b>	<b>\$28,528</b>
2014	<b>8,548</b>	<b>1,331</b>	<b>104,003</b>	<b>16,191</b>
2015	<b>4,181</b>	<b>705</b>	<b>50,865</b>	<b>8,578</b>
2016	<b>1,807</b>	<b>330</b>	<b>21,983</b>	<b>4,021</b>
2017	<b>774</b>	<b>155</b>	<b>9,421</b>	<b>1,881</b>
2018 and thereafter	<b>343</b>	<b>94</b>	<b>4,178</b>	<b>1,147</b>
Total	<b>¥35,539</b>	<b>¥4,960</b>	<b>\$432,401</b>	<b>\$60,346</b>

### 4. INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Merchandise	<b>¥ 770</b>	¥ 804	<b>\$ 9,374</b>
Work in process	<b>87</b>	173	<b>1,059</b>
Raw materials and supplies	<b>2,488</b>	1,736	<b>30,266</b>
Total	<b>¥3,345</b>	¥2,713	<b>\$40,699</b>

### 5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Non-current:			
Marketable equity securities	<b>¥17,504</b>	¥17,060	<b>\$212,973</b>
Non-marketable equity securities	<b>1,140</b>	1,736	<b>13,870</b>
Other	<b>105</b>	114	<b>1,277</b>
Total	<b>¥18,749</b>	¥18,910	<b>\$228,120</b>

Information regarding each category of the securities classified as available-for-sale at March 31, 2012 and 2011 was as follows:

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥13,421	¥4,282	¥199	¥17,504

	Millions of Yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥14,800	¥2,882	¥622	¥17,060

	Thousands of U.S. Dollars			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	\$163,293	\$52,106	\$2,426	\$212,973

The information for available-for-sale securities which were sold during the years ended March 31, 2012 and 2011 was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2012			
Available-for-sale:			
Equity securities	¥-	¥-	¥-
Other	9		
Total	¥9	¥-	¥-

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2011			
Available-for-sale:			
Equity securities	¥1	¥-	¥-
Other			
Total	¥1	¥-	¥-

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
March 31, 2012			
Available-for-sale:			
Equity securities	\$ -	\$-	\$-
Other	106		
Total	\$106	\$-	\$-

The impairment losses on available-for-sale equity securities for the years ended March 31, 2012 and 2011 were ¥1,982 million (\$24,112 thousand) and ¥85 million, respectively.



## 6. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2012 and 2011 consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2012 and 2011 were approximately 1.365% and 0.792%, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
0.200% to 2.000% loans from a Japanese banks due 2012 to 2016	<b>¥ 52,981</b>		<b>\$ 644,616</b>
0.200% to 2.000% loans from a Japanese banks due 2011 to 2015		¥ 56,139	
Lease obligations	<b>14,540</b>	16,604	<b>176,897</b>
Zero coupon convertible bonds due in March 2016	<b>20,000</b>	20,000	<b>243,339</b>
Total	<b>87,521</b>	92,743	<b>1,064,852</b>
Less current portion	<b>(17,082)</b>	(18,305)	<b>(207,829)</b>
Total	<b>¥ 70,439</b>	¥ 74,438	<b>\$ 857,023</b>

Annual maturities of long-term debt at March 31, 2012 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	<b>¥17,082</b>	<b>\$ 207,829</b>
2014	<b>18,440</b>	<b>224,354</b>
2015	<b>20,785</b>	<b>252,886</b>
2016	<b>30,923</b>	<b>376,240</b>
2017	<b>282</b>	<b>3,434</b>
2018 and thereafter	<b>9</b>	<b>109</b>
Total	<b>¥87,521</b>	<b>\$1,064,852</b>

The conversion price of the convertible bonds due in March 2016 was ¥1,850 per share at March 31, 2012. If all the outstanding convertible bonds had been exercised at March 31, 2012, 10,811 thousand shares of common stock would have been issued.

The conversion price of the convertible bonds is subject to adjustments to reflect stock splits and certain other events. Each stock acquisition right may be exercised at any time during the period from March 22, 2011 to February 22, 2016.

## 7. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from the consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age. The retirement benefits for directors and corporate auditors which are paid subject to the approval of the shareholders are not included in aforementioned plans.

The liability for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥ 97,901	¥ 90,394	\$1,191,151
Fair value of plan assets	(58,359)	(57,873)	(710,048)
Unrecognized actuarial loss	(8,027)	(4,379)	(97,656)
Prepaid pension cost	218	329	2,653
Net liability	¥ 31,733	¥ 28,471	\$ 386,100

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥5,453	¥ 5,257	\$ 66,346
Interest cost	1,786	1,728	21,728
Recognized actuarial loss (gain)	2,006	(1,268)	24,413
Amortization of prior service cost		556	
Net periodic benefit costs	¥9,245	¥ 6,273	\$112,487

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%	0.0%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss	5 years	5 years

## 8. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Balance at beginning of year	¥3,831	¥3,649	\$46,609
Additional provisions associated with the acquisition of property, plant and equipment	185	98	2,248
Reconciliation associated with passage of time	80	77	973
Reduction associated with settlement of asset retirement obligations	(36)	(1)	(441)
Others	(1)	8	(4)
Balance at end of year	¥4,059	¥3,831	\$49,385

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## 9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### **a. Dividends**

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### **b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### **c. Treasury Stock**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity.

## 10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Current:			
Accrued expenses	¥ 11,156	¥ 11,875	\$ 135,737
Enterprise tax	1,628	1,903	19,808
Allowance for doubtful accounts	394	766	4,795
Legal welfare expense	1,696	1,773	20,634
Other	3,037	2,285	36,953
Less valuation allowance	(466)		(5,673)
Deferred tax assets—current	¥ 17,445	¥ 18,602	\$ 212,254
Non-current:			
Liability for employees' retirement benefits	¥ 11,301	¥ 11,285	\$ 137,501
Investment securities	1,702	1,585	20,709
Investment in and advances to nonconsolidated subsidiaries and affiliates	39	44	473
Loss on devaluation of land	24,219	27,181	294,662
Loss on impairment of long-lived assets	3,715	4,102	45,202
Loss on devaluation of telephone subscription rights	546	615	6,646
Unrealized profit	1,522	1,415	18,516
Other	9,522	8,500	115,856
Less valuation allowance	(32,853)	(35,390)	(399,723)
Deferred tax assets—non-current	¥ 19,713	¥ 19,337	\$ 239,842
Deferred tax liabilities:			
Current—other	¥ 367	¥ 417	\$ 4,464
Deferred tax liabilities—current	¥ 367	¥ 417	\$ 4,464
Non-current:			
Unrealized gain on available-for-sale securities	¥ 1,027	¥ 741	\$ 12,497
Other	1,758	2,105	21,396
Deferred tax liabilities—non-current	¥ 2,785	¥ 2,846	\$ 33,893
Deferred tax assets—net	¥ 34,006	¥ 34,676	\$ 413,739

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2012 with the corresponding figures for 2011 is as follows:

	2012	2011
Normal effective statutory tax rate	40.0%	40.0%
Per capita levy of local taxes	5.9	4.4
Valuation allowance	3.5	0.7
Downward revision to deferred tax assets as of end of the period due to the change in corporate tax rate	6.3	
Other—net	1.2	1.0
Actual effective tax rate	56.9%	46.1%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from 40.0% to 38.0%, effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards.

The effects of the reforms were to decrease deferred taxes in the consolidated balance sheet as of March 31, 2012 by ¥3,013 million (\$36,659 thousand), of which ¥2,709 million (\$32,960 thousand) is the effect of the change in tax rates, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥3,205 million (\$38,995 thousand), of which ¥2,901 million (\$35,296 thousand) is the effect of the change in tax rates.

## 11. LEASES

### (1) Lessee

The Group leases certain machinery, computer equipment and other assets.

Future rental income payable under noncancelable operating leases at March 31, 2012 and 2011 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 503	¥ 469	\$ 6,119
Due after one year	497	908	6,051
Total	¥1,000	¥1,377	\$12,170

### (2) Lessor

The net investments in lease as of March 31, 2012 and 2011 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Gross lease receivables	¥19,860	¥18,925	\$241,635
Unguaranteed residual values	1,488	1,329	18,101
Unearned interest income	(2,423)	(2,748)	(29,481)
Investments in lease, current	¥18,925	¥17,506	\$230,255

Maturities of lease receivables for finance leases that are deemed not to transfer ownership of the leased property to the lessee as of March 31, 2012 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 7,057	\$ 85,861
2014	5,238	63,728
2015	3,975	48,360
2016	2,550	31,029
2017	963	11,721
2018 and thereafter	77	936
<b>Total</b>	<b>¥19,860</b>	<b>\$241,635</b>

The minimum rental commitments under noncancelable operating leases at March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 966	¥ 469	\$11,751
Due after one year	2,245	1,261	27,319
<b>Total</b>	<b>¥3,211</b>	<b>¥1,730</b>	<b>\$39,070</b>

## 12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt including bank loans and bonds, in order to expand its business based on its investment plan to expand its network. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to interest fluctuation risk. Certain consolidated subsidiaries conduct leasing or installment sales operations.

### (2) Nature and Extent of Risks Arising from Financial Instruments and the Risk Management for Financial Instruments

Receivables such as notes and accounts receivable and installment sales receivable are exposed to customer credit risk.

Therefore, the Group maintains customer's credit risk by monitoring collections and accrued receivable at due dates.

Marketable and investment securities are mainly equity securities of the companies that have business relationships or capital alliances. Such securities are exposed to the risk of market price fluctuations.

Most payment terms of payables such as notes and accounts payable are less than one year.

Short-term bank loans are related to a financial business, and long-term bank loans are used for expanding its business and network. Although a portion of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps. In addition, such interest rate swaps are contracted in accordance with the internal rule which prescribe the authority over derivative transactions.

Accounts payable and bank loans exposed to liquidity risks are managed by each company of the Group, such as fund settlement, bookkeeping, monitoring of the balances outstanding, and managing cash flows.

### (3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. According to the techniques used, the value could be different.

Fair values of financial instruments at March 31, 2012 and 2011 were as follows:

March 31, 2012	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	<b>¥209,179</b>	<b>¥209,179</b>	
Trade notes and accounts receivable	<b>158,175</b>		
Allowance for doubtful accounts	<b>(79)</b>		
	<b>158,096</b>	<b>158,675</b>	<b>¥ 579</b>
Installment sales receivable	<b>35,539</b>		
Allowance for doubtful accounts	<b>(1,561)</b>		
Deferred profit on installment sales	<b>(4,960)</b>		
	<b>29,018</b>	<b>33,688</b>	<b>4,670</b>
Investment securities	<b>17,504</b>	<b>17,504</b>	
Notes and accounts payable	<b>129,454</b>	<b>129,454</b>	
Short-term loans	<b>17,390</b>	<b>17,396</b>	<b>6</b>
Long-term loans	<b>40,850</b>	<b>40,882</b>	<b>32</b>
Derivatives			

March 31, 2011			
Cash and cash equivalents	¥209,178	¥209,178	
Trade notes and accounts receivable	142,096		
Allowance for doubtful accounts	(142)		
	141,954	142,577	¥ 623
Installment sales receivable	41,151		
Allowance for doubtful accounts	(2,725)		
Deferred profit on installment sales	(6,363)		
	32,063	37,958	5,895
Investment securities	17,060	17,060	
Notes and accounts payable	113,699	113,699	
Short-term loans	21,639	21,719	80
Long-term loans	43,131	43,454	323
Derivatives			

March 31, 2012	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	<b>\$2,545,067</b>	<b>\$2,545,067</b>	
Trade notes and accounts receivable	<b>1,924,502</b>		
Allowance for doubtful accounts	<b>(961)</b>		
	<b>1,923,541</b>	<b>1,930,583</b>	<b>\$ 7,042</b>
Installment sales receivable	<b>432,401</b>		
Allowance for doubtful accounts	<b>(18,991)</b>		
Deferred profit on installment sales	<b>(60,346)</b>		
	<b>353,064</b>	<b>409,881</b>	<b>56,817</b>
Investment securities	<b>212,973</b>	<b>212,973</b>	
Notes and accounts payable	<b>1,575,060</b>	<b>1,575,060</b>	
Short-term loans	<b>211,588</b>	<b>211,660</b>	<b>72</b>
Long-term loans	<b>497,019</b>	<b>497,414</b>	<b>395</b>
Derivatives			



**Cash and cash equivalents**

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

**Trade notes and accounts receivable**

The fair values of receivables are measured at the amount to be received at maturity discounted at the Group's assumed corporate discount rate. A portion of these receivables is determined by discounting the cash flows related to the receivables at the rate of government bonds.

**Installment sales receivable**

Allowance for doubtful accounts and deferred profit on installment sales are deducted from the fair values of installment sales receivable which are determined by discounting the cash flows related to the installment sales receivable at the market interest rate.

**Marketable and investment securities**

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 5.

**Notes and accounts payable**

The fair values of payables, all of which are substantially paid within one year, are measured at the amount to be paid.

**Short-term loans and long-term loans**

The fair values of short-term bank loans and long-term loans are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Current portion of long-term bank loans are included in short-term loans in the above table in addition to short-term bank loans on the consolidated balance sheet. Lease payments are not included in long-term loans in the above table.

**Derivatives**

The information of the fair value for derivatives is included in Note 13.

**(4) Financial Instruments Whose Fair Value Cannot Be Reliably Determined**

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investments in equity instruments that do not have a quoted market price in an active market	¥4,465	¥5,849	\$54,320

**(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities**

	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
March 31, 2012			
Cash and cash equivalents	<b>¥209,179</b>		
Trade notes and accounts receivable	<b>151,663</b>	<b>¥ 6,463</b>	<b>¥ 49</b>
Installment sales receivable	<b>19,886</b>	<b>15,310</b>	<b>343</b>
Total	<b>¥380,728</b>	<b>¥21,773</b>	<b>¥392</b>

March 31, 2011			
Cash and cash equivalents	¥209,178		
Trade notes and accounts receivable	136,018	¥ 6,004	¥ 74
Installment sales receivable	23,429	17,480	242
Total	¥368,625	¥23,484	¥316

	Thousands of U.S. Dollars		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
March 31, 2012			
Cash and cash equivalents	<b>\$2,545,067</b>		
Trade notes and accounts receivable	<b>1,845,278</b>	<b>\$ 78,634</b>	<b>\$ 590</b>
Installment sales receivable	<b>241,952</b>	<b>186,271</b>	<b>4,178</b>
Total	<b>\$4,632,297</b>	<b>\$264,905</b>	<b>\$4,768</b>

Please see Note 6 for annual maturities of long-term debt.

**13. DERIVATIVES**

Certain consolidated subsidiaries use derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized by the consolidated subsidiaries to reduce interest rate risks. The consolidated subsidiaries do not enter into derivatives for trading or speculative purposes.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

**Derivative Transactions to Which Hedge Accounting Is Applied**

	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2012				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	<b>¥49,074</b>	<b>¥37,550</b>	*
March 31, 2011				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥47,848	¥40,524	*

March 31, 2012	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	<b>\$597,080</b>	<b>\$456,868</b>	*

\*The information of the fair value of interest rate swaps is included in that of hedged items (see Note 12).

## 14. COMPREHENSIVE INCOME

Each component of other comprehensive income for the years ended March 31, 2012 and 2011 was the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	<b>¥ 428</b>	¥(2,498)	<b>\$ 5,214</b>
Reclassification adjustments to profit or loss	<b>1,390</b>	86	<b>16,911</b>
Amount before income tax effect	<b>1,818</b>	(2,412)	<b>22,125</b>
Income tax effect	<b>(304)</b>	655	<b>(3,701)</b>
Total	<b>¥1,514</b>	¥(1,757)	<b>\$18,424</b>
Foreign currency translation adjustments:			
Adjustments arising during the year	<b>¥ (433)</b>	¥ (768)	<b>\$ (5,275)</b>
Total other comprehensive income	<b>¥1,081</b>	¥(2,525)	<b>\$13,149</b>

## 15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2012				
Basic EPS—Net income available to common shareholders	<b>¥19,787</b>	<b>430,181</b>	<b>¥46.00</b>	<b>\$0.56</b>
Effect of dilutive securities—Convertible bonds		<b>10,811</b>		
Diluted EPS—Net income for computation	<b>¥19,787</b>	<b>440,992</b>	<b>¥44.87</b>	<b>\$0.55</b>
Year Ended March 31, 2011				
Basic EPS—Net income available to common shareholders	¥33,208	452,306	¥73.42	
Effect of dilutive securities—Convertible bonds		711		
Diluted EPS—Net income for computation	¥33,208	453,017	¥73.30	

## 16. SEGMENT INFORMATION

### (1) Description of Reportable Segments

The Group identifies operating segments as units of segment reporting for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors, in order to make decisions about resources to be allocated to the segment and assess its performance.

The Company, as a pure holding company, forms six business formations classified according to each business contents and manages based on these business formations. The Group categorizes as the six reporting segments, "Delivery," "BIZ-Logistics," "Home Convenience," "e-Business," "Financial" and "Truck Maintenance" based on the above policy.

The Group defines the reporting segments as follows:

Delivery:	Small-parcel delivery services such as <i>TA-Q-BIN</i> (door-to-door parcel delivery) and <i>Kuroneko Mail</i> (posting service)
BIZ-Logistics:	Intercompany logistics services, aimed at the B2B supply-chain management market
Home Convenience:	Lifestyle support services intimately connected with the needs of local markets, such as moving and household effects delivery services
e-Business:	Information services targeted at the business market, including ASP services and the development of information systems
Financial:	Financial services targeted at business customers and consumers, such as settlement and collection
Truck Maintenance:	Vehicle maintenance services and fuel supply targeted at transport companies

**(2) Methods of Measurement for the Amounts of Segment Revenues, Segment Income (Loss), Segment Assets and Other Items for Each Reportable Segment**

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

**(3) Information about Segment Revenues, Segment Income (Loss), Segment Assets and Other Items**

	Millions of Yen									
	2012									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,014,564	¥82,479	¥47,715	¥35,504	¥ 54,115	¥21,188	¥ 5,268	¥1,260,833	¥ -	¥1,260,833
Intersegment revenues	54,096	11,827	14,157	26,494	4,171	26,896	44,604	182,245	(182,245)	
<b>Total segment revenues</b>	<b>¥1,068,660</b>	<b>¥94,306</b>	<b>¥61,872</b>	<b>¥61,998</b>	<b>¥ 58,286</b>	<b>¥48,084</b>	<b>¥49,872</b>	<b>¥1,443,078</b>	<b>¥(182,245)</b>	<b>¥1,260,833</b>
Segment income (loss)	¥ 40,965	¥ 3,663	¥ (44)	¥ 6,703	¥ 9,938	¥ 2,514	¥11,877	¥ 75,616	¥ (8,965)	¥ 66,651
Segment assets	558,494	50,520	19,796	36,550	174,683	21,635	10,948	872,626	46,669	919,295
Other:										
Depreciation and amortization	29,406	1,534	756	3,691	1,932	931	366	38,616	66	38,682
Increase of tangible and intangible fixed assets	35,654	1,386	595	3,353	3,609	1,208	147	45,952	2,663	48,615

	Millions of Yen									
	2011									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥ 995,651	¥82,008	¥48,997	¥32,799	¥52,393	¥19,696	¥ 4,976	¥1,236,520	¥ -	¥1,236,520
Intersegment revenues	51,350	11,619	14,250	23,968	4,411	25,367	51,310	182,275	(182,275)	
<b>Total segment revenues</b>	<b>¥1,047,001</b>	<b>¥93,627</b>	<b>¥63,247</b>	<b>¥56,767</b>	<b>¥56,804</b>	<b>¥45,063</b>	<b>¥56,286</b>	<b>¥1,418,795</b>	<b>¥(182,275)</b>	<b>¥1,236,520</b>
Segment income (loss)	¥ 40,578	¥ 3,664	¥ (618)	¥ 6,710	¥ 9,938	¥ 2,134	¥19,863	¥ 82,269	¥ (17,955)	¥ 64,314
Segment assets	547,646	48,613	19,887	34,974	167,746	19,955	10,155	848,976	50,387	899,363
Other:										
Depreciation and amortization	30,453	1,564	829	3,489	1,514	958	746	39,553	30	39,583
Increase of tangible and intangible fixed assets	39,571	1,395	663	7,083	2,760	371	399	52,242	230	52,472

Thousands of U.S. Dollars

	2012									Reconciliation	Consolidated
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total			
Segment revenues:											
Segment revenues from customers	\$12,344,133	\$1,003,510	\$580,546	\$431,977	\$ 658,410	\$257,798	\$ 64,092	\$15,340,466	\$ -	\$15,340,466	
Intersegment revenues	658,180	143,902	172,243	322,353	50,747	327,243	542,698	2,217,366	(2,217,366)		
Total segment revenues	\$13,002,313	\$1,147,412	\$752,789	\$754,330	\$ 709,157	\$585,041	\$606,790	\$17,557,832	\$(2,217,366)	\$15,340,466	
Segment income (loss)	\$ 498,414	\$ 44,567	\$ (535)	\$ 81,558	\$ 120,922	\$ 30,585	\$144,504	\$ 920,015	\$ (109,078)	\$ 810,937	
Segment assets	6,795,162	614,670	240,862	444,695	2,125,354	263,238	133,198	10,617,179	567,816	11,184,995	
Other:											
Depreciation and amortization	357,782	18,667	9,201	44,901	23,509	11,331	4,452	469,843	803	470,646	
Increase of tangible and intangible fixed assets	433,798	16,859	7,235	40,802	43,914	14,700	1,789	559,097	32,394	591,491	

Notes: "Other" includes *JITBOX charter* services, staffing services and shared services.

Segment revenues and segment income of "Other" include dividends for the years ended March 31, 2012 and 2011 by ¥10,219 million (\$124,331 thousand) and ¥18,713 million, respectively, which the Company received from its subsidiaries and affiliates as a pure holding company.

Reconciliations are as follows:

- Reconciliations of segment income at March 31, 2012 and 2011, by ¥8,965 million (\$109,078 thousand) and ¥17,955 million, respectively, are intersegment eliminations.
- Reconciliations of segment assets at March 31, 2012 and 2011, by ¥46,669 million (\$567,816 thousand) and ¥50,387 million, respectively, includes intersegment eliminations by ¥119,764 million (\$1,457,156 thousand) and ¥114,765 million, and corporate assets which are not allocated to each reporting segments by ¥166,433 million (\$2,024,972 thousand) and ¥165,152 million, respectively.
- Reconciliations of increase of tangible and intangible fixed assets at March 31, 2012 and 2011 by ¥2,663 million (\$32,394 thousand) and ¥230 million, respectively, are the Company's capital investment.

Segment income is reconciled with the consolidated statements of income.

## [Related Information about Reporting Segments]

### (1) Information about products and services

Operating revenues from customers for the years ended March 31, 2012 and 2011 are as follows:

Millions of Yen							
2012				2011			
TA-Q-BIN	Kuroneko Mail	Other	Total	TA-Q-BIN	Kuroneko Mail	Other	Total
¥811,906	¥129,870	¥319,057	¥1,260,833	¥782,121	¥141,145	¥313,254	¥1,236,520

Thousands of U.S. Dollars			
2012			
TA-Q-BIN	Kuroneko Mail	Other	Total
\$9,878,406	\$1,580,123	\$3,881,937	\$15,340,466

## (2) Information about geographical areas

Operating revenues for the years ended March 31, 2012 and 2011 are as follows:

Millions of Yen							
2012				2011			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥1,242,311	¥8,264	¥10,258	¥1,260,833	¥1,218,149	¥8,139	¥10,232	¥1,236,520

Thousands of U.S. Dollars			
2012			
Japan	North America	Other	Total
\$15,115,110	\$100,553	\$124,803	\$15,340,466

Property, plant and equipment at the years ended March 31, 2012 and 2011 are as follows:

Millions of Yen							
2012				2011			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥373,322	¥204	¥1,654	¥375,180	¥366,661	¥210	¥1,284	¥368,155

Thousands of U.S. Dollars			
2012			
Japan	North America	Other	Total
\$4,542,184	\$2,481	\$20,119	\$4,564,784

## (3) Information about amortization and amounts of goodwill by reporting segments

Amortization and balance of goodwill by reporting segments at the years ended March 31, 2012 and 2011 are as follows:

Millions of Yen										
2012										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	¥ 91		¥104					¥195		¥195
Amounts of goodwill	273		312					585		585

Millions of yen										
2011										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	¥ 91		¥104					¥195		¥195
Amounts of goodwill	363		416					779		779

Thousands of U.S. Dollars										
2012										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	\$1,105		\$1,266					\$2,371		\$2,371
Amounts of goodwill	3,317		3,797					7,114		7,114

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## 17. SUBSEQUENT EVENT

### ***Appropriations of Retained Earnings***

The following appropriation of retained earnings at March 31, 2012 was approved at the Company's Board of Directors meeting held on May 15, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11.00 (\$0.13) per share	<b>¥4,732</b>	<b>\$57,569</b>



**Deloitte.**

Deloitte Touche Tohmatsu LLC  
MS Shibaura Building  
4-13-23, Shibaura  
Minato-ku, Tokyo 108-8530  
Japan  
Tel: +81 (3) 3457 7321  
Fax: +81 (3) 3457 1694  
www.deloitte.com/jp

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

We have audited the accompanying consolidated balance sheet of Yamato Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamato Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

**Convenience Translation**

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

*Deloitte Touche Tohmatsu LLC*

June 6, 2012

# Corporate Data

As of March 31, 2012

## Head Office

Yamato Holdings Co., Ltd.  
 16-10, Ginza 2-chome, Chuo-ku, Tokyo  
 104-8125 Japan  
 Telephone: (03) 3541-4141  
 Facsimile: (03) 5565-3427

## Common Stock

Authorized: 1,787,541,000 shares  
 Issued: 468,052,892 shares

## Stock Exchange Listing

Tokyo Stock Exchange

## Transfer Agent and Registrar

Mizuho Trust & Banking Co., Ltd.

## Annual Meeting

The annual meeting of shareholders is normally held in June in Tokyo, Japan.

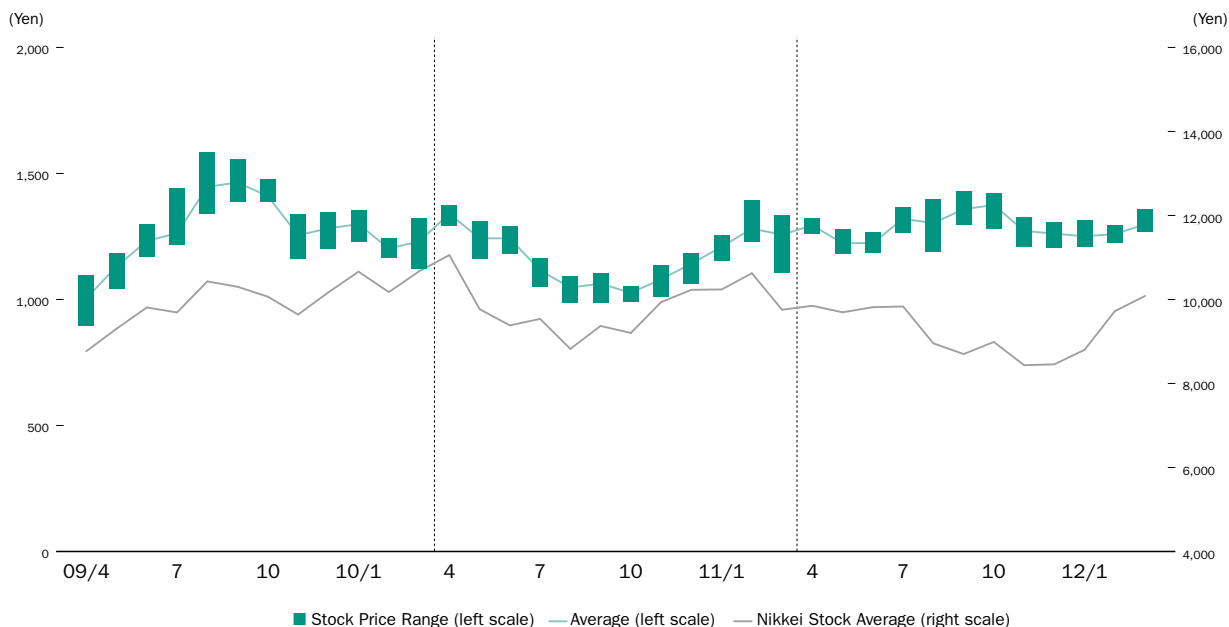
## Auditor

Deloitte Touche Tohmatsu LLC

## Principal Shareholders

	Percentage of total shares outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.31%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.80%
Yamato Employees' Shareholding Association	4.15%
Mizuho Bank, Ltd.	3.68%
Nippon Life Insurance Company	3.05%
Meiji Yasuda Life Insurance Company	2.62%
Yamato Trading-Partner Shareholding Association	2.46%
State Street Bank and Trust Company 505223	2.30%
SSBT OD05 Omnibus Account Treaty Clients	2.00%
Sompo Japan Insurance Inc.	1.39%
<b>Total</b>	<b>32.75%</b>

## Stock Price Range (Tokyo Stock Exchange)





**YAMATO HOLDINGS CO., LTD.**



Printed in Japan