

Financial Section

- 60 Consolidated Balance Sheet
- 62 Consolidated Statement of Income
- 63 Consolidated Statement of
Comprehensive Income
- 64 Consolidated Statement of
Changes in Equity
- 65 Consolidated Statement of
Cash Flows
- 66 Notes to Consolidated Financial
Statements
- 86 Independent Auditor's Report

Consolidated Balance Sheet

March 31, 2016

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
CURRENT ASSETS:			
Cash and cash equivalents (Notes 2.d and 13)	¥ 249,594	¥ 247,398	\$ 2,215,067
Notes and accounts receivable (Note 13):			
Trade	197,382	187,834	1,751,705
Installment (Note 3)	43,648	42,008	387,362
Lease (Note 12)	48,894	44,948	433,923
Allowance for doubtful accounts	(1,079)	(1,338)	(9,577)
Inventories (Note 4)	2,858	3,336	25,363
Deferred tax assets (Note 11)	14,907	15,687	132,300
Prepaid expenses and other current assets	27,778	26,333	246,518
Total current assets	583,982	566,206	5,182,661
PROPERTY, PLANT AND EQUIPMENT—At cost:			
Land	176,139	187,964	1,563,181
Buildings and structures	326,889	334,120	2,901,035
Vehicles	196,054	194,198	1,739,922
Machinery and equipment	126,243	123,025	1,120,363
Leased assets (Note 12)	15,411	24,029	136,765
Construction in progress	23,538	16,025	208,895
Others	21,700	17,795	192,579
Total	885,974	897,156	7,862,740
Accumulated depreciation	(480,332)	(477,055)	(4,262,793)
Net property, plant and equipment	405,642	420,101	3,599,947
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 13)	30,329	33,843	269,162
Investments in and advances to unconsolidated subsidiaries and affiliates	1,169	724	10,376
Long-term loans	1,010	1,040	8,960
Software	14,526	12,646	128,910
Lease deposits	16,453	17,902	146,013
Deferred tax assets (Note 11)	27,008	21,978	239,687
Other assets (Note 8)	9,318	8,091	82,695
Total investments and other assets	99,813	96,224	885,803
TOTAL	¥1,089,437	¥1,082,531	\$ 9,668,411

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 13)	¥ 23,615	¥ 17,766	\$ 209,574
Current portion of long-term debt (Notes 7, 13 and 14)	34,829	29,071	309,093
Notes and accounts payable (Note 13):			
Trade	148,456	157,480	1,317,501
Other	14,461	10,470	128,338
Income taxes payable	19,783	20,024	175,565
Employees' savings deposits	5,111	4,944	45,356
Accrued expenses	62,508	61,295	554,744
Deferred profit on installment sales (Notes 3 and 13)	5,895	5,655	52,316
Other current liabilities (Note 9)	33,440	50,329	296,770
Total current liabilities	348,098	357,034	3,089,257
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 13 and 14)	115,903	88,532	1,028,604
Liability for employees' retirement benefits (Notes 2.j and 8)	71,551	53,024	634,996
Deferred tax liabilities (Note 11)	2,800	3,948	24,844
Other long-term liabilities (Note 9)	7,230	8,794	64,162
Total long-term liabilities	197,484	154,298	1,752,606
COMMITMENTS LIABILITIES (Note 12)			
EQUITY (Notes 10 and 18):			
Common stock—authorized, 1,787,541,000 shares in 2016 and 2015; issued, 411,339,992 shares in 2016 and 435,564,792 shares in 2015	127,235	127,235	1,129,169
Capital surplus	36,813	70,209	326,705
Retained earnings	402,376	395,353	3,570,958
Treasury stock—at cost, 12,823,544 shares in 2016 and 22,370,985 shares in 2015	(29,076)	(43,008)	(258,036)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	9,790	13,848	86,887
Foreign currency translation adjustments	751	1,169	6,662
Remeasurements of defined employees' retirement benefit plans (Notes 2.j and 8)	(10,068)	715	(89,350)
Total	537,821	565,521	4,772,995
Non-controlling interests	6,034	5,678	53,553
Total equity	543,855	571,199	4,826,548
TOTAL	¥1,089,437	¥1,082,531	\$9,668,411

Consolidated Statement of Income

Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING REVENUES	¥1,416,413	¥1,396,708	\$12,570,226
OPERATING COSTS AND EXPENSES:			
Operating costs	1,306,200	1,290,715	11,592,121
Selling, general and administrative expenses	41,673	37,046	369,832
Total operating costs and expenses	1,347,873	1,327,761	11,961,953
Operating income	68,540	68,947	608,273
OTHER INCOME (EXPENSES):			
Interest and dividend income	833	674	7,395
Interest expense	(548)	(398)	(4,863)
Loss on sales and disposal of property, plant and equipment—net	(91)	(2)	(808)
Loss on impairment of long-lived assets (Note 6)	(1,155)	(1,792)	(10,249)
Gain on sales of marketable and investment securities (Note 5)	54	7	475
Other—net	446	1,722	3,953
Other (expenses) income—net	(461)	211	(4,097)
INCOME BEFORE INCOME TAXES	68,079	69,158	604,176
INCOME TAXES (Note 11):			
Current	27,435	29,815	243,473
Deferred	980	1,740	8,701
Total income taxes	28,415	31,555	252,174
NET INCOME	39,664	37,603	352,002
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	239	70	2,120
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 39,425	¥ 37,533	\$ 349,882

	Yen		U.S. Dollars (Note 1)
	2016	2015	2016
PER SHARE OF COMMON STOCK (Notes 2.q and 16):			
Basic net income	¥96.45	¥90.41	\$0.86
Diluted net income	95.64	88.26	0.85
Cash dividends applicable to the year	28.00	25.00	0.25

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥ 39,664	¥ 37,603	\$ 352,002
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized (loss) gain on available-for-sale securities	(3,976)	5,371	(35,285)
Foreign currency translation adjustments	(419)	826	(3,713)
Remeasurements of defined employees' retirement benefit plans	(10,787)	2,443	(95,733)
Total other comprehensive (loss) income	(15,182)	8,640	(134,731)
COMPREHENSIVE INCOME	¥ 24,482	¥ 46,243	\$ 217,271
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 24,166	¥ 45,878	\$ 214,464
Non-controlling interests	316	365	2,807

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2016

	Thousands				Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-controlling Interests	Total Equity
						Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans			
BALANCE, APRIL 1, 2014	418,943	¥127,235	¥100,863	¥371,965	¥(56,079)	¥ 8,770	¥ 342	¥ (1,717)	¥551,379	¥ 8,793	¥560,172
Cumulative effects of changes in an accounting policy				(4,080)					(4,080)	(18)	(4,098)
RESTATED BALANCE		127,235	100,863	367,885	(56,079)	8,770	342	(1,717)	547,299	8,775	556,074
Net income attributable to owners of the parent				37,533					37,533		37,533
Cash dividends, ¥24 per share				(10,065)					(10,065)		(10,065)
Purchase of treasury stock	(12,235)				(30,588)				(30,588)		(30,588)
Disposal of treasury stock	5,590		(405)		10,746				10,341		10,341
Retirement of treasury stock			(31,507)		31,507						
Change in equity related to transaction with non-controlling shareholders	896		1,258		1,406				2,664		2,664
Net change in the year						5,078	827	2,432	8,337	(3,097)	5,240
BALANCE, MARCH 31, 2015	413,194	127,235	70,209	395,353	(43,008)	13,848	1,169	715	565,521	5,678	571,199
Net income attributable to owners of the parent				39,425					39,425		39,425
Cash dividends, ¥26 per share				(10,674)					(10,674)		(10,674)
Adjustment of retained earnings for changes in the scope of consolidation				88					88		88
Purchase of treasury stock	(19,851)				(50,006)				(50,006)		(50,006)
Disposal of treasury stock	5,173		(1,637)		11,207				9,570		9,570
Retirement of treasury stock			(30,915)	(21,816)	52,731						
Change in equity related to transaction with non-controlling shareholders			(844)						(844)		(844)
Net change in the year						(4,058)	(418)	(10,783)	(15,259)	356	(14,903)
BALANCE, MARCH 31, 2016	398,516	¥127,235	¥ 36,813	¥402,376	¥(29,076)	¥ 9,790	¥ 751	¥(10,068)	¥537,821	¥ 6,034	¥543,855

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-controlling Interests	Total Equity
					Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans			
BALANCE, MARCH 31, 2015	\$1,129,169	\$ 623,085	\$3,508,634	\$(381,681)	\$122,894	\$10,375	\$ 6,348	\$5,018,824	\$50,396	\$5,069,220
Net income attributable to owners of the parent			349,882					349,882		349,882
Cash dividends, \$0.23 per share			(94,730)					(94,730)		(94,730)
Adjustment of retained earnings for changes in the scope of consolidation			780					780		780
Purchase of treasury stock				(443,791)				(443,791)		(443,791)
Disposal of treasury stock		(14,527)		99,461				84,934		84,934
Retirement of treasury stock		(274,367)	(193,608)	467,975						
Change in equity related to transaction with non-controlling shareholders		(7,486)						(7,486)		(7,486)
Net change in the year					(36,007)	(3,713)	(95,698)	(135,418)	3,157	(132,261)
BALANCE, MARCH 31, 2016	\$1,129,169	\$ 326,705	\$3,570,958	\$(258,036)	\$ 86,887	\$ 6,662	\$(89,350)	\$4,772,995	\$53,553	\$4,826,548

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 68,079	¥ 69,158	\$ 604,176
Adjustments for:			
Income taxes—paid	(29,228)	(30,362)	(259,385)
Depreciation and amortization	46,758	46,078	414,964
Loss on sales and disposal of property, plant and equipment—net	91	2	808
Loss on impairment of long-lived assets	1,155	1,792	10,249
Gain on sales of marketable and investment securities	(54)	(7)	(475)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in notes and accounts receivable	(15,422)	(11,898)	(136,869)
Decrease (increase) in inventories	473	(47)	4,200
Decrease in notes and accounts payable	(9,137)	(14,666)	(81,090)
Increase in liability for employees' retirement benefits	2,376	2,796	21,089
Other—net	(15,376)	29,774	(136,458)
Total adjustments	(18,364)	23,462	(162,967)
Net cash provided by operating activities	49,715	92,620	441,209
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	17,273	2,539	153,293
Purchases of property, plant and equipment	(37,426)	(54,308)	(332,148)
Proceeds from sales of marketable and investment securities	110	14	972
Purchases of marketable and investment securities	(1,846)	(1,021)	(16,381)
Increase in investments in and advances to unconsolidated subsidiaries and affiliates	(591)	(127)	(5,243)
Collection of loans	1,054	1,210	9,354
Payment of loans	(1,020)	(1,292)	(9,048)
Other	(7,784)	(5,500)	(69,082)
Net cash used in investing activities	(30,230)	(58,485)	(268,283)
FINANCING ACTIVITIES:			
Proceeds from (repayments of) short-term debt—net	2,708	(6,757)	24,028
Proceeds from long-term debt	58,865	60,400	522,406
Repayments of long-term debt	(16,857)	(19,392)	(149,598)
Dividends paid	(10,721)	(10,146)	(95,146)
Purchase of treasury stock—net	(50,013)	(30,592)	(443,851)
Other	(815)	(682)	(7,230)
Net cash used in financing activities	(16,833)	(7,169)	(149,391)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(654)	690	(5,809)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,998	27,656	17,726
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	213		1,890
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	247,051	219,395	2,192,503
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.d)	¥249,262	¥247,051	\$2,212,119
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Decrease in capital surplus due to exercise of stock acquisition rights	¥ (1,637)	¥ (405)	\$ (14,527)
Decrease in treasury stock due to exercise of stock acquisition rights	11,207	10,745	99,458
Decrease in zero coupon convertible bonds due to exercise of stock acquisition rights	9,570	10,340	84,931

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2016

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 accordance 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 2015 consolidated financial statements to conform them to the classifications and presentations used in 2016.

According to ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements,” presentation of net income and others has been changed and presentation of minority interests has been changed to non-controlling interests. In order to reflect these changes, certain reclassifications have been made in the 2015 consolidated financial statements.

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 ¥112.68 to \$1, the approximate rate of exchange at March 31, 2016. 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, 2016, include the accounts of the Company and its 40 significant (39 in 2015) subsidiaries (together, the “Group”).

Under the control and influence concepts, 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 unconsolidated 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 2016 or 2015.

Investments in the unconsolidated 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.

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” which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that 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. However, 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, except for the following items which 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 recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting.

c. Recognition of Operating Revenues—The Group recognizes freight charge income as operating revenue 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 the 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, certificates of deposit, 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
	2016	2015	2016
Cash and cash equivalents presented in the consolidated balance sheet	¥249,594	¥247,398	\$2,215,067
Time deposits due beyond three months		(36)	
Bank overdraft	(332)	(311)	(2,948)
Cash and cash equivalents presented in the consolidated statement of cash flows	¥249,262	¥247,051	\$2,212,119

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, 2016 and 2015.

Nonmarketable 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 by 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 by 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 circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying 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 by the straight-line method.

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

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

In calculating the retirement benefit obligations, the straight-line basis is used in determining the amount of the expected retirement benefit obligations attributed to service performed up to the end of the current fiscal year. Past service costs are recognized in profit or loss in full in the fiscal year in which it arises. Actuarial gains and losses are amortized on a straight-line basis over five years within the average remaining service period of the eligible employees on and after the fiscal year following the fiscal year in which it arises.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the former standard and the other related practical guidance.

Under the revised accounting standard, actuarial gains and losses are recognized within equity on the consolidated balance sheet after adjusting for tax effects, and funded status is recognized as a liability or asset.

k. 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 the 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 reconciliation to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. 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 leases.

m. 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.

n. Foreign Currency Transactions—All short 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.

o. Derivative Financial Instruments—The Company and certain consolidated subsidiaries use derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Company and the consolidated subsidiaries to reduce interest rate risks. The Group has a policy not to 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.

p. 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.

q. 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.

r. 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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—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.

s. New Accounting Pronouncements

Tax Effect Accounting—In March 2016, the ASBJ issued ASBJ Guidance No. 26, “Guidance on Recoverability of Deferred Tax Assets,” which revised the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance does not change the framework of the previous guidance, it provides new guideline for the application of “Accounting Standards for Tax Effect Accounting” with regard to the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company’s classification in respect of its profitability, taxable income and temporary differences. The new guidance made certain necessary changes in the requirement for the classification and also in the treatment of the amount of deferred tax assets.

The guidance 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, 2016.

The Company is now in the process of measuring the effect of applying the guidance.

3. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.3% of operating revenues in both 2016 and 2015.

Annual maturities of notes and accounts receivable—installment at March 31, 2016, and related amortization of deferred profit on installment sales are as follows:

Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars	
	Receivables	Deferred Profit on Installment Sales	Receivables	Deferred Profit on Installment Sales
2017	¥21,438	¥2,286	\$190,256	\$20,287
2018	10,950	1,626	97,178	14,426
2019	6,172	1,007	54,776	8,940
2020	3,113	541	27,623	4,803
2021	1,396	271	12,393	2,404
2022 and thereafter	579	164	5,136	1,456
Total	¥43,648	¥5,895	\$387,362	\$52,316

4. INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Merchandise	¥ 738	¥ 722	\$ 6,550
Work in process	184	512	1,635
Raw materials and supplies	1,936	2,102	17,178
Total	¥2,858	¥3,336	\$25,363

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Noncurrent:			
Marketable equity securities	¥29,216	¥33,017	\$259,282
Nonmarketable equity securities	719	730	6,380
Other	394	96	3,500
Total	¥30,329	¥33,843	\$269,162

Information regarding each category of the securities classified as available-for-sale at March 31, 2016 and 2015, was as follows:

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥15,252	¥14,048	¥84	¥29,216

	Millions of Yen			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥13,794	¥19,261	¥38	¥33,017

	Thousands of U.S. Dollars			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	\$135,357	\$124,670	\$745	\$259,282

Information for available-for-sale securities, which were sold during the years ended March 31, 2016 and 2015, was as follows:

March 31, 2016	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥110	¥54	¥-
Other			
Total	¥110	¥54	¥-

March 31, 2015	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥14	¥7	¥-
Other			
Total	¥14	¥7	¥-

March 31, 2016	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	\$972	\$475	\$-
Other			
Total	\$972	\$475	\$-

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2016 and 2015. As a result, the Group recognized an impairment loss of ¥1,155 million (\$10,249 thousand) as other expense for the asset groups of the Tokushima Regional Branch of Yamato Transport Co., Ltd. and eight other asset groups for the year ended March 31, 2016, and ¥1,792 million as other expense for the asset groups of Yamato (China) Transport Co., Ltd. and ten other asset groups for the year ended March 31, 2015, due to continuous operating losses of those units or significant declines in market prices. The carrying amounts of the relevant asset groups were written down to the recoverable amounts. In the case where net selling prices were used as recoverable amounts, the relevant asset groups were evaluated mainly based on Real Estate Appraisal Standards, assessed value of fixed assets, and posted land prices.

7. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2016 and 2015, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2016 and 2015, were approximately 0.708% and 0.755%, respectively.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
0.010% to 5.500% loans from banks due 2016 to 2020	¥122,834		\$1,090,114
0.120% to 6.400% loans from banks due 2015 to 2019		¥100,554	
Lease obligations	7,898	7,389	70,089
Unsecured 0.050% bonds due in March 2019	10,000		88,747
Unsecured 0.090% bonds due in March 2021	10,000		88,747
Zero coupon convertible bonds due in March 2016		9,660	
Total	150,732	117,603	1,337,697
Less current portion	(34,829)	(29,071)	(309,093)
Total	¥115,903	¥ 88,532	\$1,028,604

Annual maturities of long-term debt at March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 34,829	\$ 309,093
2018	45,934	407,647
2019	45,213	401,253
2020	14,112	125,241
2021	10,331	91,681
2022 and thereafter	313	2,782
Total	¥150,732	\$1,337,697

8. RETIREMENT AND PENSION PLANS

The Group has defined benefit pension plans and defined contribution retirement plans for employees.

The defined benefit pension plans provide, under most circumstances, that 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.

(1) Defined Benefit Pension Plans

The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥133,126	¥119,136	\$1,181,453
Cumulative effects of changes in an accounting policy		6,312	
Restated balance	133,126	125,448	1,181,453
Service cost	10,074	9,704	89,400
Interest cost	1,147	1,098	10,183
Actuarial loss arising during the year	14,943	1,917	132,612
Retirement benefits paid	(5,777)	(5,041)	(51,268)
Balance at end of year	¥153,513	¥133,126	\$1,362,380

The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥80,358	¥72,079	\$713,157
Expected return on plan assets	804	721	7,132
Actuarial (loss) gain arising during the year	(1,445)	5,269	(12,824)
Contributions from the employer	4,261	4,137	37,817
Retirement benefits paid	(1,962)	(1,848)	(17,413)
Balance at end of year	¥82,016	¥80,358	\$727,869

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Defined benefit obligation of funded plan	¥ 60,980	¥ 53,415	\$ 541,182
Plan assets	(82,016)	(80,358)	(727,869)
	(21,036)	(26,943)	(186,687)
Defined benefit obligation of unfunded plan	92,533	79,711	821,198
Net liability arising from defined benefit obligation	¥ 71,497	¥ 52,768	\$ 634,511

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for employees' retirement benefits	¥71,551	¥53,024	\$634,996
Asset for employees' retirement benefits	(54)	(256)	(485)
Net liability arising from defined benefit obligation	¥71,497	¥52,768	\$634,511

The amount of liability and asset for employees' retirement benefits that are offset individually by the Company and subsidiaries are combined.

The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥10,074	¥ 9,704	\$89,400
Interest cost	1,147	1,098	10,183
Expected return on plan assets	(804)	(721)	(7,132)
Recognized actuarial loss	790	399	7,003
Others	5	(13)	46
Net periodic benefit costs	¥11,212	¥10,467	\$99,500

Amounts recognized in other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Actuarial (loss) and gain	¥(15,598)	¥3,751	\$(138,433)
Total	¥(15,598)	¥3,751	\$(138,433)

Amounts recognized in accumulated other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized actuarial (loss) and gain	¥(14,531)	¥1,067	\$(128,962)
Total	¥(14,531)	¥1,067	\$(128,962)

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
General accounts	34%	31%
Debt investments	27	24
Equity investments	21	24
Others	18	21
Total	100%	100%

Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	0.1%	0.9%
Expected rate of return on plan assets	1.0%	1.0%

The expected rate of return on plan assets is determined on the basis of the distribution of plan assets, past performance of respective assets that make up investments of plan assets, and market trends.

(2) Defined Contribution Retirement Plans

The amounts contributed to the defined contribution retirement plans of the Group for the years ended March 31, 2016 and 2015, were ¥2,193 million (\$19,462 thousand) and ¥2,136 million, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥4,980	¥4,789	\$44,193
Additional provisions associated with the acquisition of property, plant and equipment	150	170	1,329
Reconciliation associated with passage of time	95	93	843
Reconciliation associated with changes in accounting estimates	30	2	270
Reduction associated with settlement of asset retirement obligations	(61)	(80)	(543)
Others	(10)	6	(90)
Balance at end of year	¥5,184	¥4,980	\$46,002

Changes in accounting estimates were recorded as it became evident that the estimate of the discounted cash flows required for future asset retirement would change at the beginning of the year, which resulted from certain events such as obtaining new information. A reconciliation has been prepared for the change, which resulted in an increase of the asset retirement obligation for the years ended March 31, 2016 and 2015, by ¥30 million (\$270 thousand) and ¥2 million, respectively.

10. 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 a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year 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 (noncash 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 a 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.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of 33.1% and 35.6% for the years ended March 31, 2016 and 2015.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Current:			
Accrued expenses	¥ 9,441	¥ 9,711	\$ 83,788
Enterprise tax	1,774	1,769	15,739
Allowance for doubtful accounts	184	216	1,635
Legal welfare expense	1,524	1,818	13,529
Other	2,215	2,466	19,660
Deferred tax assets—current	¥ 15,138	¥ 15,980	\$ 134,351
Noncurrent:			
Liability for employees' retirement benefits	¥ 22,029	¥ 17,728	\$ 195,499
Loss on valuation of investment securities	1,881	1,992	16,692
Loss on valuation of land	20,759	21,898	184,233
Loss on impairment of long-lived assets	4,575	4,188	40,598
Loss on valuation of telephone subscription rights	468	495	4,157
Unrealized profit	2,138	1,914	18,976
Other	10,288	10,693	91,303
Less valuation allowance	(31,943)	(33,122)	(283,481)
Deferred tax assets—noncurrent	¥ 30,195	¥ 25,786	\$ 267,977
Deferred tax liabilities:			
Current—other	¥ (231)	¥ (293)	\$ (2,051)
Deferred tax liabilities—current	¥ (231)	¥ (293)	\$ (2,051)
Noncurrent:			
Unrealized gain on available-for-sale securities	¥ (3,405)	¥ (4,740)	\$ (30,217)
Other	(2,582)	(3,016)	(22,917)
Deferred tax liabilities—noncurrent	¥ (5,987)	¥ (7,756)	\$ (53,134)
Deferred tax assets—net	¥ 39,115	¥ 33,717	\$ 347,143

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, 2016, with the corresponding figures for 2015 is as follows:

	2016	2015
Normal effective statutory tax rate	33.1%	35.6%
Per capita levy of local taxes	4.3	4.2
Valuation allowance	0.8	(0.2)
Downward revision to deferred tax assets as of end of the period due to the change in the corporate tax rate	2.7	5.0
Other—net	0.8	1.0
Actual effective tax rate	41.7%	45.6%

On March 29, 2016, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from 32.3% to 30.9%, effective for the fiscal years beginning on April 1, 2016 and 2017, and to 30.6% for the fiscal years beginning on or after April 1, 2018.

The effects of the reform were to decrease deferred tax assets (after subtraction of deferred tax liabilities) in the consolidated balance sheet as of March 31, 2016, by ¥1,895 million (\$16,816 thousand), of which ¥1,893 million (\$16,802 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 ¥1,834 million (\$16,275 thousand), of which ¥1,832 million (\$16,261 thousand) is the effect of the change in tax rates.

12. LEASES

(1) Lessee

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

Future rental payments under noncancelable operating leases at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥153	¥ 85	\$1,359
Due after one year	408	65	3,616
Total	¥561	¥150	\$4,975

(2) Lessor

The net investments in lease as of March 31, 2016 and 2015, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gross lease receivables	¥47,496	¥44,580	\$421,511
Unguaranteed residual values	5,069	4,207	44,990
Unearned interest income	(3,671)	(3,839)	(32,578)
Investments in leases—current	¥48,894	¥44,948	\$433,923

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, 2016, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥15,792	\$140,147
2018	13,404	118,961
2019	10,078	89,439
2020	5,844	51,865
2021	1,986	17,624
2022 and thereafter	392	3,475
Total	¥47,496	\$421,511

The minimum rental commitments under noncancelable operating leases at March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥3,361	¥2,812	\$29,826
Due after one year	6,416	5,846	56,942
Total	¥9,777	¥8,658	\$86,768

13. 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 customers' credit risk by monitoring collections and accrued receivables at due dates.

Marketable and investment securities are mainly equity securities of the companies with which the Group has 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 and long-term bank loans are mainly related to a financial business. 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 such as interest rate swaps. In addition, such interest rate swaps are contracted in accordance with internal rules, 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 through 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. The value could vary depending on the technique used.

Fair values of financial instruments at March 31, 2016 and 2015, were as follows:

March 31, 2016	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥249,594	¥249,594	
Trade notes and accounts receivable	197,382		
Allowance for doubtful accounts	(125)		
	197,257	198,154	¥ 897
Installment sales receivable	43,648		
Allowance for doubtful accounts	(646)		
Deferred profit on installment sales	(5,895)		
	37,107	42,933	5,826
Investment securities	29,216	29,216	
Trade notes and accounts payable	148,456	148,456	
Short-term loans	55,934	56,018	84
Long-term loans	90,515	90,859	344
Derivatives			

March 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥247,398	¥247,398	
Trade notes and accounts receivable	187,834		
Allowance for doubtful accounts	(122)		
	187,712	188,298	¥ 586
Installment sales receivable	42,008		
Allowance for doubtful accounts	(802)		
Deferred profit on installment sales	(5,655)		
	35,551	40,979	5,428
Investment securities	33,017	33,017	
Trade notes and accounts payable	157,480	157,480	
Short-term loans	34,443	34,515	72
Long-term loans	83,877	83,834	(43)
Derivatives			

March 31, 2016	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	\$2,215,067	\$2,215,067	
Trade notes and accounts receivable	1,751,705		
Allowance for doubtful accounts	(1,107)		
	1,750,598	1,758,560	\$ 7,962
Installment sales receivable	387,362		
Allowance for doubtful accounts	(5,730)		
Deferred profit on installment sales	(52,316)		
	329,316	381,021	51,705
Investment securities	259,282	259,282	
Trade notes and accounts payable	1,317,501	1,317,501	
Short-term loans	496,393	497,142	749
Long-term loans	803,295	806,348	3,053
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

Allowances 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. Fair value information for marketable and investment securities by classification is included in Note 5.

Trade 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.

The current portion of long-term bank loans is 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

Fair value information for derivatives is included in Note 14.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investments in equity instruments that do not have a quoted market price in an active market	¥2,282	¥1,551	\$20,256

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

March 31, 2016	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥249,594		
Trade notes and accounts receivable	181,984	¥15,197	¥201
Installment sales receivable	21,438	21,631	579
Total	¥453,016	¥36,828	¥780

March 31, 2015	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥247,398		
Trade notes and accounts receivable	174,738	¥12,915	¥181
Installment sales receivable	20,655	20,730	623
Total	¥442,791	¥33,645	¥804

March 31, 2016	Thousands of U.S. Dollars		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	\$2,215,067		
Trade notes and accounts receivable	1,615,051	\$134,869	\$1,785
Installment sales receivable	190,256	191,970	5,136
Total	\$4,020,374	\$326,839	\$6,921

(6) Maturity Analysis for Long-term loans

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 32,319	\$ 286,819
2018	43,915	389,735
2019	33,600	298,189
2020	13,000	115,371
Total	¥122,834	\$1,090,114

Please see Note 7 for annual maturities of long-term loans.

14. DERIVATIVES

The Company and certain consolidated subsidiaries use derivative financial instruments to manage their exposure to fluctuations in interest rates. Interest rate swaps are utilized by the Company and the consolidated subsidiaries to reduce interest rate risk. The Group has a policy not to 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 is recognized and included in interest expense or income.

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2016	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥26,376	¥8,220	*
March 31, 2015				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥38,582	¥26,376	*
March 31, 2016				
March 31, 2016	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	\$234,079	\$72,950	*

* The fair value of interest rate swaps is included in that of hedged items (see Note 13).

15. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
Adjustments arising during the year	¥ (5,252)	¥ 7,258	\$ (46,607)
Reclassification adjustments to profit or loss	(53)	(7)	(475)
Amount before income tax effect	(5,305)	7,251	(47,082)
Income tax effect	1,329	(1,880)	11,797
Total	¥ (3,976)	¥ 5,371	\$ (35,285)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (419)	¥ 826	\$ (3,713)
Remeasurements of defined employees' retirement benefit plans:			
Adjustments arising during the year	¥(16,388)	¥ 3,352	\$(145,436)
Reclassification adjustments to profit or loss	790	399	7,003
Amount before income tax effect	(15,598)	3,751	(138,433)
Income tax effect	4,811	(1,308)	42,700
Total	¥(10,787)	¥ 2,443	\$ (95,733)
Total other comprehensive (loss) income	¥(15,182)	¥ 8,640	\$(134,731)

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-average Shares	EPS	
Year Ended March 31, 2016				
Basic EPS—Net income available to common shareholders	¥39,425	408,743	¥96.45	\$0.86
Adjustment in net income—Administrative fee (net of tax)	15			
Effect of dilutive securities—Convertible bonds		3,644		
Diluted EPS—Net income for computation	¥39,440	412,387	¥95.64	\$0.85
Year Ended March 31, 2015				
Basic EPS—Net income available to common shareholders	¥37,533	415,131	¥90.41	
Adjustment in net income—Administrative fee (net of tax)	5			
Effect of dilutive securities—Convertible bonds		10,187		
Diluted EPS—Net income for computation	¥37,538	425,318	¥88.26	

17. SEGMENT INFORMATION

(1) Description of Reportable Segments

The Group identifies operating segments as components of entity 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 segments and assess their performance.

The Company, as a pure holding company, forms six reportable segments classified according to business content and manages them based on these reportable segments. Therefore, the Group has the following six reporting segments: "Delivery," "BIZ-Logistics," "Home Convenience," "e-Business," "Financial," and "Autoworks" based on the above policy. The Group defines the reporting segments as follows:

Delivery:	Small-parcel delivery services such as TA-Q-BIN (door-to-door parcel delivery) and Kuroneko DM-Bin (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
Autoworks:	Vehicle maintenance services and fuel supply targeted at transport companies

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

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

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

Millions of Yen										
2016										
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,111,867	¥106,823	¥48,981	¥43,358	¥72,455	¥24,459	¥ 8,470	¥1,416,413	¥ -	¥1,416,413
Intersegment revenues	66,083	12,553	15,247	30,367	3,352	27,539	49,860	205,001	(205,001)	
Total segment revenues	¥1,177,950	¥119,376	¥64,228	¥73,725	¥75,807	¥51,998	¥58,330	¥1,621,414	¥(205,001)	¥1,416,413
Segment income	¥ 38,191	¥ 4,906	¥ 1,147	¥ 9,009	¥ 8,685	¥ 3,373	¥26,515	¥ 91,826	¥ (23,286)	¥ 68,540
Segment assets	649,826	60,471	21,437	43,620	243,037	24,264	11,268	1,053,923	35,514	1,089,437
Other:										
Depreciation and amortization	33,958	2,161	532	4,241	4,069	783	296	46,040	699	46,739
Increase of tangible and intangible fixed assets	34,977	2,840	716	6,414	7,466	696	692	53,801	144	53,945

Millions of Yen										
2015										
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,103,189	¥103,821	¥48,475	¥40,487	¥ 66,650	¥27,153	¥ 6,933	¥1,396,708	¥ -	¥1,396,708
Intersegment revenues	64,245	12,151	14,546	28,253	3,402	28,558	45,995	197,150	(197,150)	
Total segment revenues	¥1,167,434	¥115,972	¥63,021	¥68,740	¥ 70,052	¥55,711	¥52,928	¥1,593,858	¥(197,150)	¥1,396,708
Segment income	¥ 39,604	¥ 4,683	¥ 613	¥ 7,757	¥ 8,942	¥ 3,733	¥23,940	¥ 89,272	¥ (20,325)	¥ 68,947
Segment assets	661,980	61,508	20,242	40,377	239,027	24,794	10,033	1,057,961	24,570	1,082,531
Other:										
Depreciation and amortization	34,805	1,818	557	3,761	3,438	768	247	45,394	664	46,058
Increase of tangible and intangible fixed assets	33,841	3,201	711	4,965	8,397	455	211	51,781	241	52,022

Thousands of U.S. Dollars										
2016										
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	\$ 9,867,479	\$ 948,016	\$434,696	\$384,785	\$ 643,016	\$217,064	\$ 75,170	\$12,570,226	\$ -	\$12,570,226
Intersegment revenues	586,463	111,406	135,310	269,497	29,749	244,403	442,493	1,819,321	(1,819,321)	
Total segment revenues	\$10,453,942	\$1,059,422	\$570,006	\$654,282	\$ 672,765	\$461,467	\$517,663	\$14,389,547	\$(1,819,321)	\$12,570,226
Segment income	\$ 338,932	\$ 43,537	\$ 10,175	\$ 79,954	\$ 77,080	\$ 29,933	\$235,314	\$ 814,925	\$ (206,652)	\$ 608,273
Segment assets	5,767,002	536,663	190,246	387,112	2,156,878	215,341	99,999	9,353,241	315,170	9,668,411
Other:										
Depreciation and amortization	301,367	19,178	4,724	37,633	36,108	6,948	2,631	408,589	6,205	414,794
Increase of tangible and intangible fixed assets	310,408	25,204	6,356	56,919	66,261	6,178	6,146	477,472	1,275	478,747

Notes: Effective from the fiscal year ended March 31, 2016, the Delivery Business segment includes the staffing service business, previously included in Other, due to changes involving business segment categories made in accordance with actual circumstances related to management and administration. The segment information for the fiscal year ended March 31, 2015 has been prepared and presented according to the new classification.

"Other" includes JITBOX charter services and shared services.

Segment revenues and segment income of "Other" include dividends for the years ended March 31, 2016 and 2015, of ¥24,890 million (\$220,887 thousand) and ¥22,101 million, respectively, which the Company received from its subsidiaries as a pure holding company.

Reconciliations are as follows:

- (1) Reconciliations of segment income for the years ended March 31, 2016 and 2015, of ¥23,286 million (\$206,652 thousand) and ¥20,325 million, respectively, are intersegment eliminations and others.
- (2) Reconciliations of segment assets at March 31, 2016 and 2015, of ¥35,514 million (\$315,170 thousand) and ¥24,570 million, respectively, include intersegment eliminations of assets and liabilities of ¥164,798 million (\$1,462,531 thousand) and ¥164,857 million, and corporate assets which are not allocated to each reporting segments of ¥200,312 million (\$1,777,701 thousand) and ¥189,427 million, respectively.
- (3) Reconciliations of increases of tangible and intangible fixed assets at March 31, 2016 and 2015, of ¥144 million (\$1,275 thousand) and ¥241 million, respectively, include the Company's capital investment.

Segment income is reconciled with the consolidated statement of income.

[Related Information about Reporting Segments]

(1) Information about products and services

Operating revenues from customers for the years ended March 31, 2016 and 2015, are as follows:

2016				2015			
TA-Q-BIN	Kuroneko DM-Bin	Other	Total	TA-Q-BIN	Kuroneko Mail	Other	Total
¥939,470	¥82,701	¥394,242	¥1,416,413	¥912,563	¥111,885	¥372,260	¥1,396,708

Thousands of U.S. Dollars

2016			
TA-Q-BIN	Kuroneko DM-Bin	Other	Total
\$8,337,505	\$733,950	\$3,498,771	\$12,570,226

(2) Information about geographical areas

Operating revenues for the years ended March 31, 2016 and 2015, are as follows:

2016				2015			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥1,390,082	¥11,481	¥14,850	¥1,416,413	¥1,368,793	¥10,261	¥17,654	¥1,396,708

Thousands of U.S. Dollars

2016			
Japan	North America	Other	Total
\$12,336,547	\$101,890	\$131,789	\$12,570,226

Property, plant and equipment at March 31, 2016 and 2015, are as follows:

2016				2015			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥404,092	¥432	¥1,118	¥405,642	¥418,202	¥442	¥1,457	¥420,101

Thousands of U.S. Dollars

2016			
Japan	North America	Other	Total
\$3,586,189	\$3,831	\$9,927	\$3,599,947

(3) Information about loss on impairment of long-lived assets by reporting segments

Loss on impairment of long-lived assets by reporting segments for the years ended March 31, 2016 and 2015, are as follows:

Millions of Yen										
2016										
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	¥817	¥192			¥10	¥136		¥1,155		¥1,155

Millions of Yen										
2015										
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	¥1,404	¥91	¥297					¥1,792		¥1,792

Thousands of U.S. Dollars										
2016										
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	\$7,245	\$1,707			\$87	\$1,210		\$10,249		\$10,249

18. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2016, was approved at the Company's Board of Directors meeting held on May 19, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15.00 (\$0.13) per share*	¥5,978	\$53,051

* The dividend per share of ¥15.00 (\$0.13) includes commemorative dividends of ¥2.00 (\$0.02) for the 40th anniversary of launching TA-Q-BIN.

Independent Auditor's Report

Deloitte.

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

We have audited the accompanying consolidated balance sheet of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, 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 accordance 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 accordance 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 its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 3, 2016

Member of
Deloitte Touche Tohmatsu Limited