

# Notes to Consolidated Financial Statements

Years Ended March 31, 2004 and 2003

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to 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.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamato Transport 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 ¥105.69 to \$1, the approximate rate of exchange at March 31, 2004. 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.

Certain reclassifications and rearrangements have been made in the 2003 financial statements to conform to the classifications and presentations used in 2004.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation**—The consolidated financial statements as of March 31, 2004 include the accounts of the Company and its 40 significant (27 in 2003) 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 remaining non-consolidated 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.

Investments in 2 (3 in 2003) affiliates are accounted for by the equity method.

Investments in the remaining non-consolidated subsidiaries and affiliates are stated at cost less a valuation allowance representing possible losses on the investments that is 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 allocated to identifiable assets, and the remaining amount 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 eliminated.

**b. 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.

**c. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents 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 time deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash	¥116,913	¥132,320	\$1,106,190
Time deposits	119	241	1,122
Total	117,032	132,561	1,107,312
Bank overdraft included in cash	(1)	(168)	(7)
Cash and cash equivalents	¥117,031	¥132,393	\$1,107,305

**d. Inventories**—Inventories which mainly consist of supplies are stated at cost as determined by the first-in, first-out method.

**e. 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 the earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with 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 shareholders' equity. The Group has no such trading securities.

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.

**f. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings acquired after April 1, 1998, and to the equipment used for refrigerated delivery service. 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.

**g. Other Assets**—Amortization of intangible assets is computed on the straight-line method over the period specified by the Japanese Commercial Code (the "Code").

Bond issuance costs are deferred as other assets and amortized on the straight-line method over a three-year period.

**h. Retirement and Pension Plan**—The Company and certain consolidated subsidiaries have a contributory trustee pension plan and an unfunded retirement benefits plan. The foreign subsidiaries have a defined contribution retirement plan. Other consolidated subsidiaries have an unfunded retirement benefits plan.

According to first paragraph of Article 112 of the Defined Benefit Pension Plan Law, the Company obtained an approval by the Ministry of Health, Labour and Welfare on March 31, 2004, transferred the premium of the basic portion of the governmental pension program and additional portion from the contributory funded defined benefit pension plan to the cash balance plan.

As a result of this transfer, the Company and certain subsidiaries recognized a gain on decrease from pension obligation with transfer to cash balance plan in the amount of ¥40,470 million (\$382,911 thousand) for the year ended March 31, 2004.

Directors and corporate auditors are not covered by the retirement and pension plans described above. Benefits paid to such persons are charged to income as paid. Any amounts payable to directors and corporate auditors upon retirement are subject to approval of the shareholders.

**i. Leases**—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

**j. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements 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.

**k. 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.

**l. 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.

**m. 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 shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' 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.

**n. 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 statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

**o. New Accounting Pronouncements**—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be 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.

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

### 3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>Current:</b>			
Government and corporate bonds	¥ 4,511	¥ 6,011	\$ 42,681
Other	3,567	501	33,750
<b>Total</b>	<b>¥ 8,078</b>	<b>¥ 6,512</b>	<b>\$ 76,431</b>
<b>Non-current:</b>			
Marketable equity securities	¥13,986	¥ 7,409	\$132,332
Non-marketable equity securities	1,509	1,560	14,273
Government and corporate bonds		4,704	
Other	2,173	5,730	20,565
<b>Total</b>	<b>¥17,668</b>	<b>¥19,403</b>	<b>\$167,170</b>

Information regarding each category of the securities classified as available-for-sale and held-to-maturity at March 31, 2004 and 2003 was as follows:

	Millions of Yen			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	¥ 7,013	¥ 6,987	¥ 14	¥ 13,986
Held-to-maturity	9,076	7		9,083

	Millions of Yen			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	¥ 6,988	¥ 824	¥403	¥ 7,409
Held-to-maturity	15,819	3	5	15,817

	Thousands of U.S. Dollars			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale—equity securities	\$66,358	\$66,105	\$130	\$132,333
Held-to-maturity	85,874	69		85,943

The majority of available-for-sale securities whose fair value is not readily determinable as of March 31, 2004 and 2003 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen	2003	2004
Available-for-sale:			
Equity securities	¥1,508	¥1,560	\$14,273
Preferred shares	1,000	1,000	9,462

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥3 million (\$31 thousand) and ¥9 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥0 million (\$0 thousand) and ¥0 million (\$2 thousand), respectively, for the year ended March 31, 2004 and ¥1 million and ¥0 million, respectively, for the year ended March 31, 2003.

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at March 31, 2004 are as follows:

	Millions of Yen Held to Maturity	Thousands of U.S. Dollars Held to Maturity
Due in one year or less	¥8,078	\$76,431
Due after one year through five years	998	9,443
Total	¥9,076	\$85,874

#### 4. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2004 and 2003 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the bank loans ranged from 1% to 6% and 0.05% to 6% at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Unsecured 2.6% bonds due in July 2004	¥ 15,000	¥15,000	\$ 141,925
Unsecured 0.8% bonds due in December 2004	2,000	2,000	18,923
Unsecured 1.2% convertible debentures, convertible into common stock at ¥1,211.80 per share, due in September 2009	13,425	13,425	127,023
Total	30,425	30,425	287,871
Less current portion	(17,000)		(160,848)
Total	¥ 13,425	¥30,425	\$ 127,023

Based on debt assumption agreements with financial institutions, the Company has transferred the debt repayment obligation for certain bonds to such financial institutions and provided such financial institutions with cash for the payment of principal and interest on these bonds. As a result of such transactions, the balance of such bonds has derecognized amounted to ¥25,000 million (\$236,541 thousand) as of March 31, 2004 and 2003 (see Note 9).

Annual maturities of long-term debt at March 31, 2004 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥17,000	\$160,848
2010	13,425	127,023
Total	¥30,425	\$287,871

At March 31, 2004, land with carrying amount of ¥209 million (\$1,980 thousand) was pledged as collateral for short-term bank loans of ¥48 million (\$454 thousand). Marketable securities and investment securities with a carrying amount of ¥10 million (\$95 thousand) and ¥18 million (\$167 thousand) were deposited as security for dealings at March 31, 2004.

All outstanding convertible debentures of the Company at March 31, 2004, were convertible into 11,078 thousand shares of common stock of the Company. The conversion prices are subject to adjustments to reflect stock splits and certain other events.

The Company has entered into loan commitment agreements amounting to ¥30,000 million (\$283,849 thousand) with financial facilities. The loans receivable outstanding and the unused balances under these credit facilities as of March 31, 2004 amounted to ¥0 million (\$0 thousand) and ¥30,000 million (\$283,849 thousand), respectively.

#### 5. RETIREMENT AND PENSION PLANS

The Company and its consolidated subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of government bond, 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 are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥ 87,154	¥126,763	\$ 824,618
Fair value of plan assets	(40,293)	(28,457)	(381,238)
Unrecognized actuarial loss	(28,616)	(50,582)	(270,751)
Net liability	¥ 18,245	¥ 47,724	\$ 172,629

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost	¥ 8,665	¥ 11,336	\$ 81,989
Interest cost	2,541	6,316	24,044
Expected return on plan assets	(490)		(4,636)
Recognized actuarial loss	7,763	15,337	73,455
Amortization of prior service cost	(39,674)		(375,381)
Net periodic benefit costs	(21,195)	32,989	(200,529)
Gain on exemption from future pension obligation of the governmental program		(45,703)	
Total benefit costs—net	¥(21,195)	¥(12,714)	\$(200,529)

Assumptions used for the years ended March 31, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	0.0%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss:		
Company	7 years	7 years
Consolidated subsidiaries	5 years	5 years

## 6. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥126,460 million (\$1,196,514 thousand) as of March 31, 2004, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

## 7. 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 41% for the years ended March 31, 2004 and 2003.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 41% to 40%, effective for years beginning on or after April 1, 2004. The deferred tax assets and liabilities which will be realized on or after April 1, 2004 are measured at the effective tax rate of 40% as at March 31, 2004 and 2003.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>Deferred tax assets:</b>			
Current:			
Accrued expenses	¥10,109	¥ 7,875	\$ 95,648
Enterprise tax	1,501	2,086	14,197
Legal welfare expense	1,187		11,235
Other	969	810	9,172
Deferred tax assets—current	¥13,766	¥10,771	\$130,252
Non-current:			
Liability for employees' retirement benefits	¥ 6,687	¥18,105	\$ 63,271
Investment securities	2,542	2,536	24,049
Investment in and advances to non-consolidated subsidiaries and affiliates	2,636		24,943
Loss on devaluation of telephone subscription rights	475		4,495
Loss on devaluation of land		2,722	
Unrealized profit	572	460	5,412
Unrealized gain on available-for-sale securities	(2,789)		(26,393)
Other	(12)	(324)	(109)
Less valuation allowance	(2,636)	(2,722)	(24,943)
Deferred tax assets—non-current	¥ 7,475	¥20,777	\$ 70,725
<b>Deferred tax liabilities:</b>			
Revaluation of fixed assets in accordance with special tax measures		¥ 414	
Other		(349)	
Deferred tax liabilities		¥ 65	

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2003 and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2003
Normal effective statutory tax rate	41.0%
Per capita levy of local taxes	1.8
Differences from tax rates of foreign consolidated subsidiaries	0.1
Valuation allowance	3.0
Other—net	0.8
Actual effective tax rate	46.7%

The difference between the normal effective statutory tax rate for the year ended March 31, 2004 and the actual effective tax rate is not exceeding 5% of the normal effective statutory tax rate.

## 8. LEASES

Total lease payments under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥3,252 million (\$30,768 thousand) and ¥3,035 million for the years ended March 31, 2004 and 2003, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation and obligations under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2004 and 2003 was as follows:

	Millions of Yen				
	2004				
	Buildings and Structures	Vehicles	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥ 99	¥ 288	¥ 16,114	¥ 106	¥ 16,607
Accumulated depreciation	11	190	9,290	58	9,549
Net leased property	¥ 88	¥ 98	¥ 6,824	¥ 48	¥ 7,058

	Thousands of U.S. Dollars				
	2004				
	Buildings and Structures	Vehicles	Machinery and Equipment	Other Assets	Total
Acquisition cost	\$934	\$2,726	\$152,463	\$1,008	\$157,131
Accumulated depreciation	103	1,796	87,894	554	90,347
Net leased property	\$831	\$ 930	\$ 64,569	\$ 454	\$ 66,784

	Millions of Yen				
	2003				
	Buildings and Structures	Vehicles	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥ 5	¥ 72	¥ 14,772	¥ 97	¥ 14,946
Accumulated depreciation	2	34	7,661	64	7,761
Net leased property	¥ 3	¥ 38	¥ 7,111	¥ 33	¥ 7,185

Obligations under finance leases which included the imputed interest expense portion, and noncancelable operating leases as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2004		2004	
	Finance Lease	Operating Lease	Finance Lease	Operating Lease
Due within one year	¥3,063	¥456	\$28,984	\$4,312
Due after one year	3,995	92	37,800	869
Total	¥7,058	¥548	\$66,784	\$5,181

	Millions of Yen	
	2003	
	Finance Lease	Operating Lease
Due within one year	¥2,861	¥328
Due after one year	4,324	475
Total	¥7,185	¥803

## 9. CONTINGENT LIABILITIES

Contingent liabilities for guarantees and items of a similar nature at March 31, 2004 amounted to ¥274 million (\$2,596 thousand) representing guarantees of loans of an unaffiliated company jointly and severally by the Company and 18 other unaffiliated companies and ¥68 million (\$648 thousand) as guarantees of loans of non-consolidated subsidiaries.

Based on debt assumption agreements with financial institutions, the Company has transferred the debt repayment obligation for certain bonds to such financial institutions. At March 31, 2004, the Company had contingent obligations of ¥25,000 million (\$236,541 thousand) in respect of these bonds.

## 10. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2004 and 2003 is as follows:

Year Ended March 31, 2004	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥49,625	461,598	¥107.51	\$1.02
Effect of dilutive securities— Convertible bonds	101	11,078		
Diluted EPS—Net income for computation	¥49,726	472,676	¥105.20	\$1.00

Year Ended March 31, 2003	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥48,346	462,607	¥104.51	
Effect of dilutive securities— Convertible bonds	106	14,145		
Diluted EPS—Net income for computation	¥48,452	476,752	¥101.63	

## 11. SEGMENT INFORMATION

Information about industry segments, geographic segments and operating revenues to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2004 and 2003 is as follows:

### (1) Industry Segments

	Millions of Yen						
	2004						
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:							
Operating revenues to customers	¥ 834,495	¥ 90,236	¥ 42,611	¥ 21,082	¥ 22,920		¥ 1,011,344
Intersegment operating revenues	22,600	6,400	12,944	13,437	7,680	¥ (63,061)	
Total operating revenues	857,095	96,636	55,555	34,519	30,600	(63,061)	1,011,344
Operating costs and expenses	821,547	93,548	55,545	32,072	24,254	(62,281)	964,685
Operating income	¥ 35,548	¥ 3,088	¥ 10	¥ 2,447	¥ 6,346	¥ (780)	¥ 46,659
b. Assets, depreciation and capital expenditures:							
Assets	¥ 405,577	¥ 39,056	¥ 18,167	¥ 19,308	¥ 52,709	¥ 117,975	¥ 652,792
Depreciation	27,806	1,007	687	850	5,123	190	35,663
Capital expenditures	35,753	678	1,183	857	8,972	144	47,587

	Thousands of U.S. Dollars						
	2004						
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:							
Operating revenues to customers	\$7,895,685	\$853,774	\$403,172	\$199,468	\$216,866		\$9,568,965
Intersegment operating revenues	213,837	60,558	122,472	127,134	72,659	\$ (596,660)	
Total operating revenues	8,109,522	914,332	525,644	326,602	289,525	(596,660)	9,568,965
Operating costs and expenses	7,773,184	885,116	525,552	303,446	229,478	(589,277)	9,127,499
Operating income	\$ 336,338	\$ 29,216	\$ 92	\$ 23,156	\$ 60,047	\$ (7,383)	\$ 441,466
b. Assets, depreciation and capital expenditures:							
Assets	\$3,837,420	\$369,532	\$171,895	\$182,684	\$498,713	\$1,116,238	\$6,176,482
Depreciation	263,086	9,528	6,502	8,038	48,477	1,796	337,427
Capital expenditures	338,281	6,417	11,194	8,107	84,892	1,361	450,252

Effective April 1, 2004, the Group changed its industry segmentation from "Domestic Transportation," "International Transportation," "Information Communications" and "Others" to "Delivery," "BIZ-Logistics," "Home Convenience," "e-Business" and "Financial" according to the classification of business formation based on the Company's middle-term management plan.

If the segment information for the year ended March 31, 2003 were prepared using the new segmentation, such information would be as follows:

	Millions of Yen						
	2003						
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:							
Operating revenues to customers	¥ 800,463	¥ 87,102	¥ 43,642	¥ 19,728	¥ 21,200		¥ 972,135
Intersegment operating revenues	15,398	4,950	11,234	11,075	8,294	¥ (50,951)	
Total operating revenues	815,861	92,052	54,876	30,803	29,494	(50,951)	972,135
Operating costs and expenses	769,819	89,354	53,368	29,059	23,696	(49,979)	915,317
Operating income	¥ 46,042	¥ 2,698	¥ 1,508	¥ 1,744	¥ 5,798	¥ (972)	¥ 56,818
b. Assets, depreciation and capital expenditures:							
Assets	¥ 394,258	¥ 38,920	¥ 13,791	¥ 21,232	¥ 51,217	¥ 136,459	¥ 655,877
Depreciation	24,733	984	500	581	4,747	186	31,731
Capital expenditures	32,290	912	873	4,522	3,937	57	42,591

Notes: Delivery: Small-parcel delivery services such as Takkyubin (door-to-door parcel delivery) and Kuroneko Mail

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 home cleaning 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

## (2) Geographic Segments

The geographic segments of the Company and consolidated subsidiaries for the years ended March 31, 2004 and 2003 are summarized as follows:

Millions of Yen						
2004						
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues:						
Outside customers	¥ 991,961	¥ 11,576	¥ 3,610	¥ 4,197		¥1,011,344
Interarea	3,998	2,459	1,143	1,975	¥ (9,575)	
Total operating revenues	995,959	14,035	4,753	6,172	(9,575)	1,011,344
Operating costs and expenses	949,648	13,879	4,768	5,932	(9,542)	964,685
Operating income (loss)	¥ 46,311	¥ 156	¥ (15)	¥ 240	¥ (33)	¥ 46,659
Assets	¥ 515,953	¥ 2,738	¥ 1,734	¥ 2,068	¥ 130,299	¥ 652,792

Thousands of U.S. Dollars						
2004						
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues:						
Outside customers	\$9,385,575	\$109,527	\$34,153	\$39,710		\$9,568,965
Interarea	37,827	23,263	10,822	18,688	\$ (90,600)	
Total operating revenues	9,423,402	132,790	44,975	58,398	(90,600)	9,568,965
Operating costs and expenses	8,985,224	131,314	45,112	56,131	(90,282)	9,127,499
Operating income (loss)	\$ 438,178	\$ 1,476	\$ (137)	\$ 2,267	\$ (318)	\$ 441,466
Assets	\$4,881,760	\$ 25,909	\$16,402	\$19,571	\$1,232,840	\$6,176,482

Millions of Yen						
2003						
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues:						
Outside customers	¥ 950,980	¥ 12,661	¥ 3,573	¥ 4,921		¥ 972,135
Interarea	4,443	2,726	1,197	2,475	¥ (10,841)	
Total operating revenues	955,423	15,387	4,770	7,396	(10,841)	972,135
Operating costs and expenses	899,115	15,141	4,822	7,086	(10,847)	915,317
Operating income (loss)	¥ 56,308	¥ 246	¥ (52)	¥ 310	¥ 6	¥ 56,818
Assets	¥ 495,914	¥ 3,132	¥ 2,003	¥ 2,688	¥ 152,140	¥ 655,877

Operating revenues and assets are summarized by geographic area based on the countries where subsidiaries are located.

## (3) Operating Revenues to Foreign Customers

Operating revenues to foreign customers for the years ended March 31, 2004 and 2003 amounted to ¥22,831 million (\$216,017 thousand) and ¥24,402 million, respectively.

## 12. SUBSEQUENT EVENTS

At the general shareholders meeting held on June 29, 2004, the Company's shareholders approved the following appropriations of retained earnings and partial amendment to the articles of incorporation.

### a. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2004 were approved at the Company's shareholders meeting held on June 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10.00 (\$0.09) per share	¥4,564	\$43,184
Bonuses to directors and corporate auditors	65	615

### b. Purchase of Treasury Stock

Pursuant to the revision of the Code, the Company revised its articles of incorporation as the Company could repurchase its common stock as treasury stock by resolution of the Board of Directors.