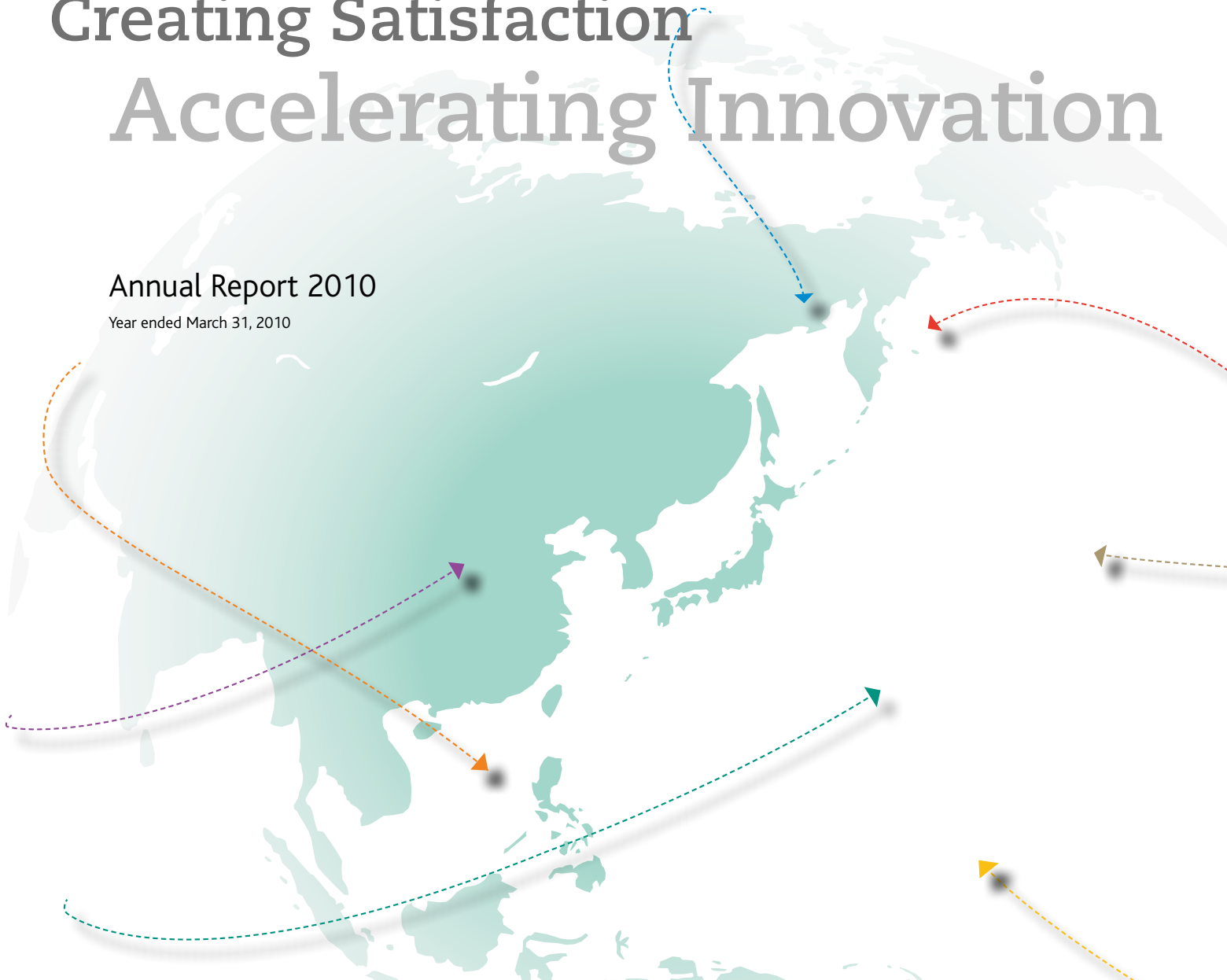


Creating Satisfaction Accelerating Innovation

Annual Report 2010

Year ended March 31, 2010



Increasing Value in a Changing World

Profile

The Yamato Group consists of Yamato Holdings Co., Ltd. ("the Company"), 45 subsidiaries and 9 affiliated companies. It is primarily involved in seven business segments: Delivery, BIZ-Logistics, Home Convenience, e-Business, Financial, Truck Maintenance and Other, as well as services incidental to these activities.

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



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Forward-Looking Statements

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

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

Growth in the Express Home Delivery Market

Trends in Parcel Delivery Volume

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

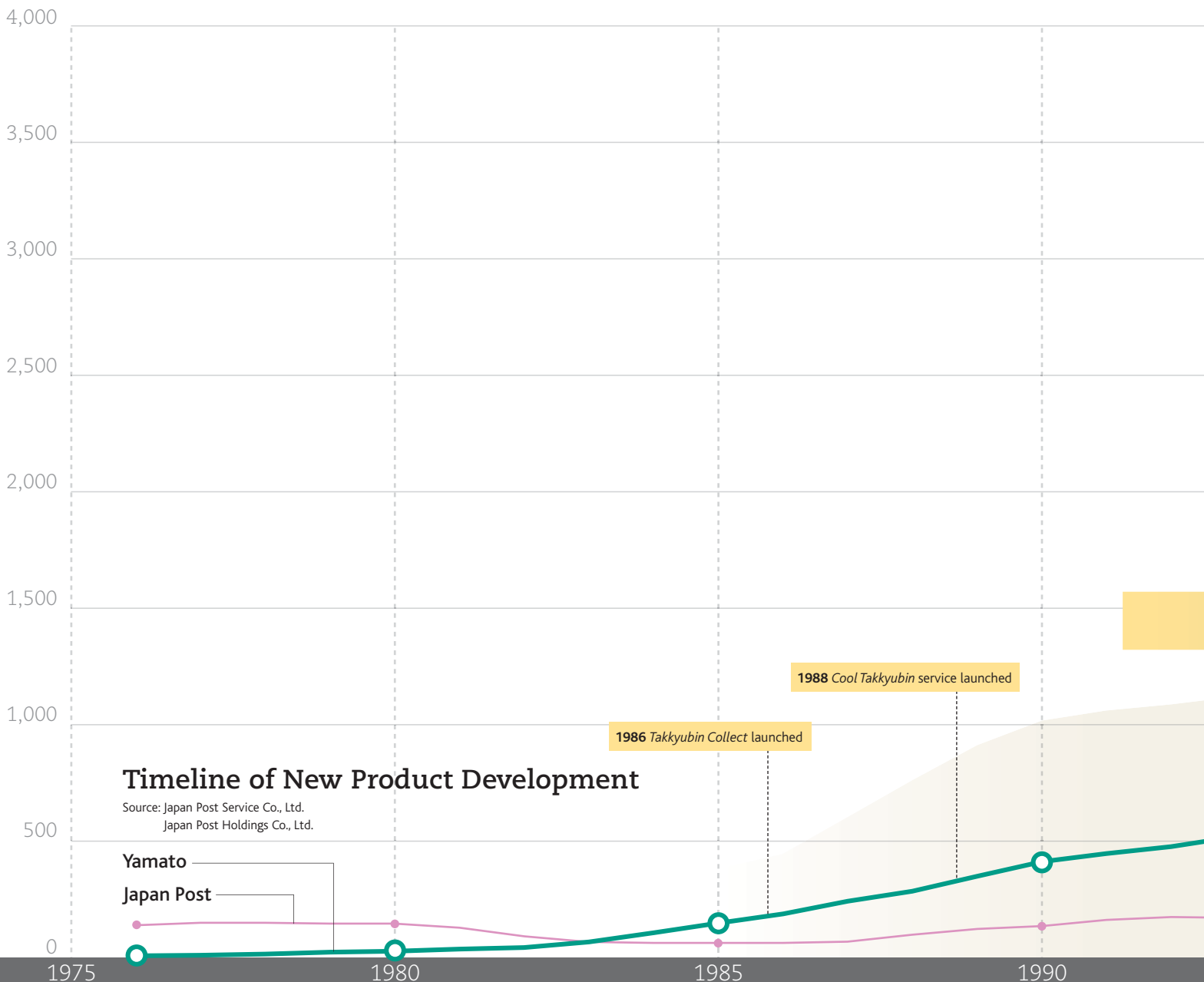
In the data, "parcels" denotes individual packages weighing less than 30 kg, irrespective of the type of delivery (C2C, B2C, or B2B).

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

Growth of Takkyubin

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

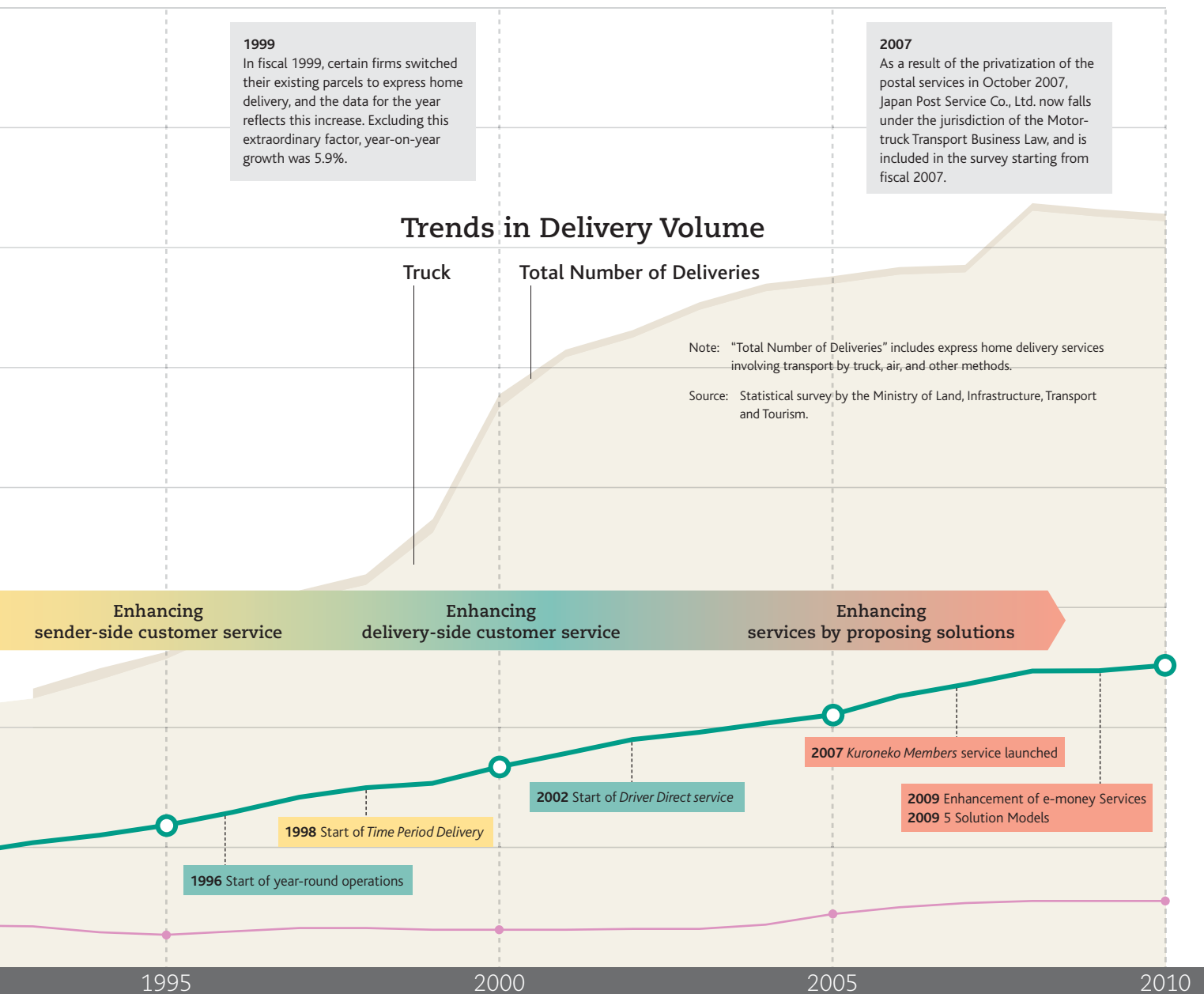
(Millions of Parcels)



Currently, we are moving beyond developing strategic offerings and simply improving service quality. Targeting business areas where future growth is anticipated, we are creating new businesses and solution models driven by the three functions of information technology (IT), logistics technology (LT), and financial technology (FT), to achieve further growth in the *Takkyubin* service.

In fiscal 2010, as part of our global strategy, in the Asia region we expanded *Takkyubin* operations to overseas locations such as Shanghai and Singapore. Moving forward, the Yamato Group will

expand *Takkyubin* operations farther beyond Japan's shores to more parts of Asia, where vigorous growth is expected going forward. By providing the high-quality *Takkyubin* service and offering global consumers new value previously unavailable outside of Japan, we will strive to become a global supply-chain logistics company centering on Asia.



Six-Year Consolidated Financial Summary

| | Millions of Yen | | | | | | Thousands of U.S. Dollars ^(Note 1) |
|--|-----------------|------------|------------|------------|------------|------------|--|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2010 |
| Operating revenues | ¥1,200,834 | ¥1,251,922 | ¥1,225,974 | ¥1,161,568 | ¥1,144,961 | ¥1,071,903 | \$12,906,645 |
| Delivery | 966,480 | 997,898 | 981,142 | 934,607 | 908,228 | — | 10,387,792 |
| Non-Delivery | 234,354 | 254,024 | 244,832 | 226,961 | 236,733 | — | 2,518,852 |
| Operating costs | 1,110,971 | 1,167,764 | 1,129,008 | 1,064,044 | 1,043,372 | 998,786 | 11,940,789 |
| Selling, general and administrative expenses | 28,474 | 28,437 | 28,786 | 30,363 | 32,868 | 21,914 | 306,048 |
| Operating income | 61,389 | 55,721 | 68,180 | 67,161 | 68,721 | 51,203 | 659,808 |
| Delivery ^(Note 2) | 38,345 | 31,344 | 40,350 | 43,698 | 47,053 | — | 412,137 |
| Non-Delivery ^(Note 2) | 23,044 | 24,376 | 27,830 | 23,463 | 21,668 | — | 247,671 |
| Income before income taxes and minority interests | 60,434 | 48,996 | 67,596 | 66,825 | 7,712 | 61,741 | 649,551 |
| Income taxes | 28,096 | 23,349 | 31,447 | 32,470 | 31,276 | 27,959 | 301,974 |
| Net income (loss) | 32,282 | 25,523 | 35,353 | 33,813 | (23,968) | 33,848 | 346,973 |
| | Yen | | | | | | U.S. Dollars ^(Note 1) |
| Per share of common stock: | | | | | | | |
| Basic net income (loss) | ¥ 71.84 | ¥ 57.60 | ¥ 79.80 | ¥ 75.59 | ¥ (53.47) | ¥ 74.02 | \$ 0.77 |
| Diluted net income | 71.16 | 56.45 | 78.12 | 74.00 | | 72.48 | 0.76 |
| Cash dividends | 22.00 | 22.00 | 22.00 | 20.00 | 20.00 | 18.00 | 0.24 |
| Net assets per share | 1,130.33 | 1,073.86 | 1,050.99 | 1,005.63 | 951.08 | 1,019.02 | 12.15 |
| | Millions of Yen | | | | | | Thousands of U.S. Dollars ^(Note 1) |
| Working capital | ¥ 165,890 | ¥ 159,937 | ¥ 125,355 | ¥ 140,377 | ¥ 123,483 | ¥ 80,843 | \$ 1,782,997 |
| Total shareholders' equity | 512,910 | 475,815 | 465,801 | 445,263 | 423,690 | 458,792 | 5,512,795 |
| Total assets | 878,641 | 869,606 | 874,219 | 829,721 | 793,222 | 676,156 | 9,443,695 |
| Capital expenditures | 39,700 | 45,856 | 124,832 | 48,881 | 48,865 | 40,966 | 426,699 |
| Depreciation | 39,883 | 42,697 | 44,772 | 40,150 | 35,003 | 37,146 | 428,659 |
| Net cash provided by operating activities | 77,064 | 84,463 | 116,896 | 80,763 | 84,675 | 76,642 | 828,290 |
| Operating income margin (%) | 5.11 | 4.45 | 5.56 | 5.78 | 6.00 | 4.78 | — |
| Return on revenues (%) | 2.69 | 2.04 | 2.88 | 2.91 | (2.09) | 3.16 | — |
| Return on assets (%) | 3.69 | 2.93 | 4.15 | 4.17 | (3.26) | 5.09 | — |
| Return on equity (%) | 6.53 | 5.42 | 7.76 | 7.78 | (5.43) | 7.50 | — |
| Current ratio (%) | 159.82 | 158.00 | 144.89 | 149.30 | 143.77 | 142.85 | — |
| Shareholders' equity ratio (%) | 58.38 | 54.72 | 53.28 | 53.66 | 53.41 | 67.85 | — |
| Assets turnover (Times) | 1.37 | 1.44 | 1.44 | 1.43 | 1.56 | 1.61 | — |
| Interest coverage ratio (Times) | 88.35 | 58.57 | 223.00 | 260.66 | 137.92 | 104.19 | — |
| Number of employees | 167,555 | 170,662 | 169,836 | 157,653 | 152,787 | 141,602 | — |
| Full-time | 82,395 | 82,601 | 80,843 | 77,170 | 75,552 | 74,571 | — |
| Part-time | 85,160 | 88,061 | 88,993 | 80,483 | 77,235 | 67,031 | — |
| Takkyubin delivery volume (Millions of parcels) | 1,262 | 1,232 | 1,236 | 1,174 | 1,128 | 1,063 | — |
| Unit price ^(Note 3) (Yen) | 624 | 646 | 644 | 647 | 653 | 666 | — |
| Kuroneko Mail handling volume (Millions of units) | 2,262 | 2,231 | 2,206 | 1,970 | 1,734 | 1,432 | — |
| Unit price (Yen) | 65 | 65 | 64 | 66 | 69 | 73 | — |

Notes: 1. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥93.04 to U.S.\$1.

2. In November 2005, the Yamato Group shifted to a pure holding company structure, with Yamato Holdings Co., Ltd. as the parent company. This decision was made in order to clarify the distinction between decision-making and business execution functions, with a view to optimizing the distribution of management resources and increasing the speed of operations. Since the year ended March 31, 2006, the Group has reported operating income for the delivery business and non-delivery businesses with eliminations or corporate allocated by segment. Eliminations or corporate for the current fiscal years are shown with segment information on p. 56.

3. Operating revenues for Takkyubin operations for fiscal 2009 include the revenues of consigned business from the domestic air-freight business as a result of the business' in-house spin-off. Unit price calculated by the same method as the previous year was ¥643.

Creating Satisfaction Accelerating Innovation



left
Keiji Aritomi
Director and Advisor

right
Kaoru Seto
Representative Director,
President and Executive Officer

The Yamato Group has a basic policy of generating sustained growth and maximizing corporate value while balancing growth potential, financial soundness and operating efficiency.

Fiscal 2010, ended March 31, 2010, was the second year of our "Create Satisfaction Three-Year Plan" medium-term management plan, and marked the ninetieth anniversary of our establishment. We carried out business on the basis of two major policies outlined in the plan: establishing the overwhelming leadership position in the parcel delivery service market and creating strategic global footholds in the Asia region.

Looking back at fiscal 2010, we took steady steps forward in the broad sense and thereby successfully made inroads toward future growth.

Specifically, in January 2010, we launched *Takkyubin* parcel delivery operations in Shanghai and Singapore, a very significant development, and in fiscal 2011 we will pave the way for our global strategy in the Asia region.

Recent business conditions continue to be unpredictable and exceedingly challenging, but our commitment to the medium- and long-term growth of comprehensive logistics, including *Takkyubin*, remains unchanged. We intend to continue managing the company along the same lines with a view to the future.

It is likely that conditions faced by the Yamato Group will completely change over the next few years. As the only logistics

company with a network extending all the way to the end user, the Yamato Group will welcome such change as opportunity. We will further reinforce our firm standing in the industry and establish an unwavering position.

"Accelerating Innovation"

The Yamato Group will continue to be the logistics partner chosen and trusted by customers by providing society with new value and creating the defining trends of the times.

The Yamato Group will harness the energies of its 167,000 employees and tirelessly work to become a global supply-chain logistics company centered on Asia.

We thank you for your continuing encouragement and support.

September 10, 2010

A handwritten signature in black ink that reads "Keiji Aritomi".

Keiji Aritomi
Director and Advisor

A handwritten signature in black ink that reads "Kaoru Seto".

Kaoru Seto
Representative Director, President and Executive Officer



Kaoru Seto
Representative Director, President
and Executive Officer

There Is Always Progress to Be Made

The Yamato Group is committed to becoming a global supply-chain logistics company based in Asia by organically combining information technology, logistics technology and financial technology—our management resources—to create new value, while also expanding the delivery business centered on *Takkyubin* operations.

Fiscal 2010 marked the second year of our “Create Satisfaction Three-Year Plan” medium-term management plan, and also coincided with the ninetieth anniversary of our establishment.

In this message I will first recap initiatives I promoted in fiscal 2010, while adding some of my own analysis, and then discuss the direction forward for the Yamato Group.

Review of Fiscal 2010

Consolidated operating revenues in fiscal 2010 declined 4.1% from the previous year to ¥1,200,834 million, while operating income increased 10.2% to ¥61,389 million. Although not entirely pleased with these results, we were able to achieve higher profits, albeit on lower

revenues, in the midst of harsh business conditions caused by Japan’s prolonged economic slump.

However, starting in the year under review, accounting for air freight was changed from a gross basis to a net basis, which impacted both operating revenues and operating costs by approximately ¥32.2 billion. Effectively therefore, consolidated operating revenues

Financial Results

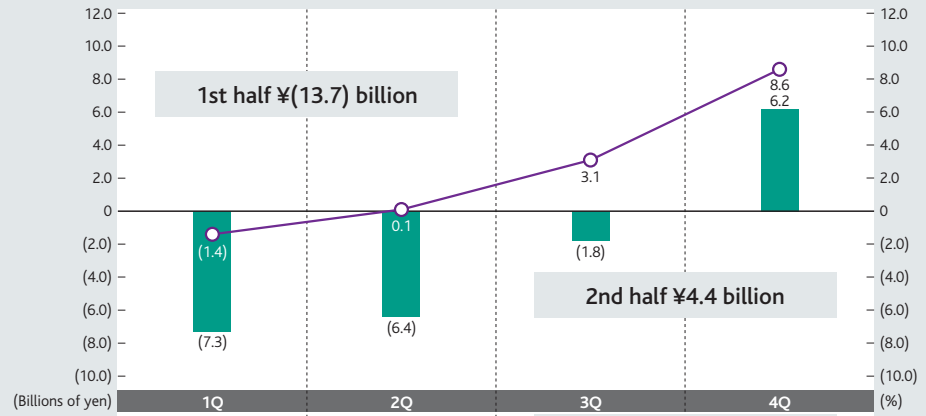
| | Millions of Yen | | | Change | |
|---------------------------|-----------------|-----------|-----------|-----------------------|---------|
| | FY08/3 | FY09/3 | FY10/3 | | |
| | | | | Increase/ Decrease | YoY (%) |
| Operating Revenues | | | | | |
| Delivery | ¥ 981,142 | ¥ 997,898 | ¥ 966,480 | ¥(31,418) | (3.1) |
| Non-Delivery | 244,832 | 254,024 | 234,354 | (19,670) | (7.7) |
| Total | 1,225,974 | 1,251,922 | 1,200,834 | (51,088) | (4.1) |
| Operating Income | 68,180 | 55,721 | 61,389 | 5,668 | 10.2 |
| (Margin) | 5.6% | 4.5% | 5.1% | – | – |
| Net Income | 35,353 | 25,523 | 32,282 | 6,759 | 26.5 |
| (Margin) | 2.9% | 2.0% | 2.7% | – | – |

Results of Labor Productivity Improvement Measures

FY2010 Delivery Business Revenues (Actual)

Excluding impact of Yamato Global Express split

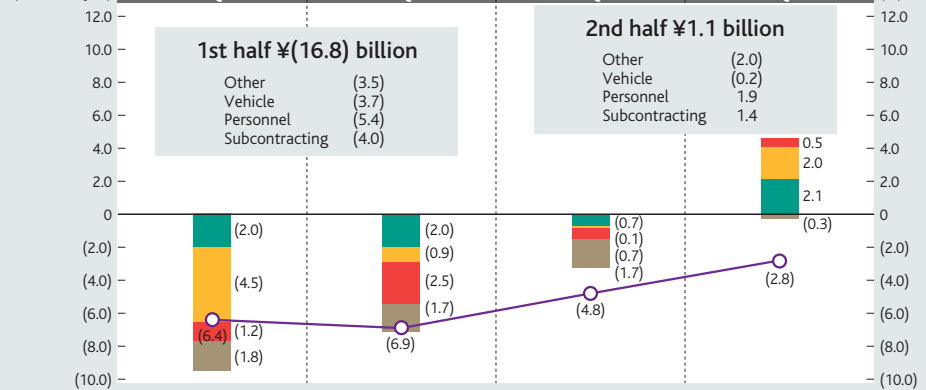
- YoY change in revenues from external customers
- YoY growth rate of *Takkyubin* transactions (right scale)



FY2010 Delivery Business Expenses (Actual)

Excluding impact of Yamato Global Express split

- Subcontracting
- Personnel
- Vehicle expenses
- Other expenses
- YoY growth rate of Yamato Transport Co., Ltd. employees (right scale)



declined by 1.5%. Operating income was not affected.

At the start of fiscal 2010 I laid out two major policies aimed at sustained growth for the Yamato Group into the future: 1) Establish an overwhelming leading position in the parcel delivery service market, and 2) Create strategic global footholds in the Asia region.

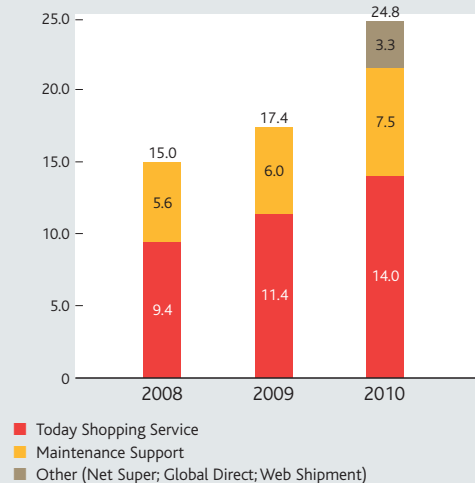
With regard to the first policy, in the first half of fiscal 2010 shipment movements overall were not particularly good, as is shown in the chart above, but transaction volume was up year on year starting in the second half.

Our solution models for corporate clients in manufacturing, mail order and distribution, which leverage information technology, logistics technology and financial technology, were launched in fiscal 2009, and while their contribution to our bottom line is still modest, in my analysis their steady growth has produced some positive results.

For individual customers, we added to our lineup of enhanced services for members of the *Kuroneko Members*

Revenues from 5 solution models

(Billions of yen)





Takkyubin Center in Shanghai



Sales driver and Takkyubin Center in Singapore

club by employing rigorous customer relationship management, and successfully paved the way for further solidifying the Yamato Group's customer base.

At the same time, on the cost side, fundamental operational reforms in the *Takkyubin* business bore fruit. One benefit was being able to continue lowering personnel costs and other expenses through increased labor productivity.

As for the second policy, in January 2010 we successfully launched *Takkyubin* operations in Shanghai and Singapore.

Transaction volume in both countries is still modest, but an analysis of customer trends and market penetration suggests a positive response, indicating the potential

for major revenues in the future. I think it is extremely significant that we were able to make inroads toward future growth.

In fiscal 2011 we intend to make headway on a strategy to differentiate ourselves in the parcel delivery market and on our global strategy in the Asia region.

Industry Analysis

I will next summarize trends in the parcel delivery market using the chart to the bottom left of the page in order to provide you with a better understanding of the trajectory of the Yamato Group's strategy.

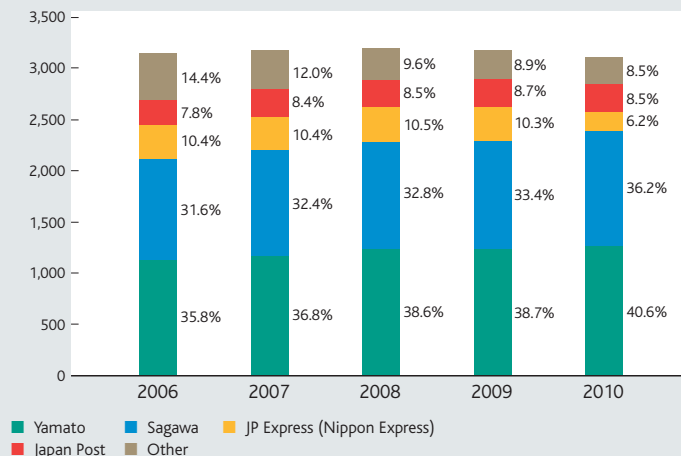
The chart shows market shares for delivery companies based on annual data from Japan's Ministry of Land, Infrastructure, Transport and Tourism on parcels handled by each company.

As you can see, Japan's parcel delivery market has been dominated by the top two companies, one of which is Yamato Transport. I believe that this trend will continue and will likely accelerate going forward.

A careful analysis of the criteria and values employed by customers when choosing a logistics company "with legs" like us provides one reason why the market is trending this way: customers want comprehensive logistics services that cover the entirety of supply-chain management. This includes not only highly refined services like end-user pickup, delivery at specific times, refrigerated delivery and settlement services, but

Market Share

(Millions of parcels)



Sources: Ministry of Land, Infrastructure, Transport and Tourism and Japan Post Holdings Co., Ltd.

Comparison of Domestic Parcel Delivery Market Growth and Yamato Takkyubin Service Growth



Sources: Ministry of Land, Infrastructure, Transport and Tourism and Japan Post Holdings Co., Ltd.

also maintenance, operation and management of inventory itself at the customer's warehousing facilities.

The Yamato Group provides comprehensive logistics services, including *Takkyubin* parcel delivery, to manufacturers and mail order companies. A certain foreign-affiliated manufacturer with global operations rates the Yamato Group's logistics services as "Excellent," the highest ranking in the company's internal assessment scheme. The services we provide have helped this customer reduce their own logistics costs. We also have customers that use our services as an internal benchmark.

The domestic parcel delivery market has grown at a rapid pace alongside our *Takkyubin* service, which has been making door-to-door deliveries since 1976. Some observers contend that market growth has come to an end, a view derived perhaps from the downturn in handling volumes of the last two or three years or structural factors like the shift toward international specialization and the declining population.

However, in my view what is occurring now through this series of events does not represent market contraction but rather signals changes in shipment movements.

That is to say, the era in which parcels were acquired and business scale expanded based on the conventional

approach to financial progress, which was based on how much transportation costs could be reduced per customer parcel, is coming to an end. The future will be about providing solutions to customers based on the approach of raising corporate value by improving cash flow efficiency for customers.

Next, I will explain some of the specific signs of change taking place in customer value while using actual examples from the Yamato Group to illustrate.

Transition in Customer Value

In Japan at present the business-to-consumer market continues to grow, centering on mail order sales and the like. We recognize this as evidence that a new lifestyle pattern has become widespread in the country: shopping





from the comfort of home and purchasing high quality products at reasonable prices compared to standard market prices. I believe that this trend will continue.

The B2B (business-to-business) market is also growing. As background, various industries are working to reduce inventory by stocking only the amount of product that will sell or by only making the amount of product that will sell (built-to-order), in an effort to better manage cash flow. As a part of this process companies are effectively utilizing *Takkyubin* services.

While it is true that parcel delivery costs may rise as a portion of logistics expenses, operation and maintenance costs for round-the-clock warehousing at distribution facilities will decline considerably. It is unexpectedly easy to reduce total logistics costs in this way. Upper management and divisional heads who recognize this fact, I believe, are effectively utilizing a logistics company “with legs” like us.

Moreover, C2B (consumer-to-business) logistics has also grown substantially in recent years. This is because major manufacturers in various industries have jointly created platforms that make it easy for consumers to send back a product to the manufacturer, due to a recall, for repairs or to recycle, for example.

With regard to recalls, first of all, procedures for collecting defective product when a defect is discovered have generally been inadequate. Fully leveraging the Group’s resources, however, we offer a total solution in which we collect the defective product for the customer. We do the legwork involved in picking up and delivering the product, but we can also comprehensively provide

support for cumbersome back-office tasks, including taking orders by phone and reconciliation work for product collection.

We also have an innovative scheme for repairs. When repairs or upgrades are needed for an electronics product or other product, the consumer sends the product to the manufacturer and requests the repair or upgrade. Two or three days later the repaired product is sent to the consumer via *Takkyubin* and, if necessary, the cost of the repair is collected on delivery.

Our recycling scheme is very similar to this. It can be used for products like copier toner, which is refilled and then returned to the customer.

Such schemes are made possible by our resources, which enable us to provide comprehensive support. These resources include channel diversity, in the form of some 32,000 sales drivers active on weekdays, 3,900 direct retail stores and 260,000 express agencies, as well as guaranteed high-quality delivery, tracking information management, and payment agency services, for which we have received high praise from customers.

Initiatives for Further Growth

The environment surrounding the Yamato Group is undergoing great change. As can be seen from the business targeting consumer-to-consumer delivery of *Takkyubin* parcels at 740 yen per parcel, considered an extremely niche segment of the logistics industry, the market is still growing.

I predict that this trend will not remain limited to distribution in Japan but that it will emerge in

international logistics. This is because international specialization is becoming more and more ingrained in the global economy.

With sites of production becoming separated from sites of consumption, international logistics is expected to accelerate and, in addition to conventional distribution, I believe we will see dramatic growth in demand for seamless global logistics, such as logistics from overseas to end-users in Japan or logistics from Japan to end-users overseas.

There are currently no logistics companies, even when looking at imports from overseas, that provide total support services for everything from import procedures to domestic delivery, payment services and tracking information management. The growth driver for the Yamato Group over the medium term, therefore, will primarily be differentiation through seamless global supply-chain logistics, which we will accomplish by expanding our sphere of business to include the Asia region.

What will make this differentiation strategy possible is the Yamato Group's robust delivery network in Japan and the know-how we have built up over many years. It will be very difficult for competitors to keep up, either qualitatively or quantitatively.

The lynchpin of the strategy is the Haneda Logistics Center, which is scheduled to commence operations in the fall of 2012. Our business model is to rigorously carry out the differentiation strategy by providing customers with seamless global supply-chain management, from procurement to distribution, and to comprehensively support supply-chain management for customers through global cross-docking and innovative logistics services that cover Asia.

The Yamato Group will unflaggingly continue efforts to become a global supply-chain logistics company based in Asia.

Raising Shareholder Value

The Yamato Group regards returning profits to shareholders as one of the highest priorities of management. We

conduct management with sufficient recognition of capital costs, which reflect the profit expectations investors have of us. Return on equity (ROE) is therefore used as a management indicator for capital efficiency.

In fiscal 2010, we took measures to ensure adequate cash in order to reinforce liquidity, due to as yet unpredictable financial markets and expected investment necessary for future growth, including the Haneda Logistics Center. As a result the equity ratio was 58.4% and return on equity was 6.5%.

We plan to pay out dividends, buy back stock and cancel treasury stock while balancing growth potential, financial soundness and operating efficiency, with a view to sustained corporate growth and maximum corporate value for the medium to long term. We will pursue capital efficiency to achieve a shareholders' equity ratio of around 50% on a steady basis and a return on equity of 10% over the medium term.

Depending on profit growth and progress of investment plans, we will continue to approach stock buy-backs with flexibility. On dividend policy, we are committed to increasing the per-share dividend alongside profit growth, but for the immediate future we will maintain a consolidated payout ratio of 30%.

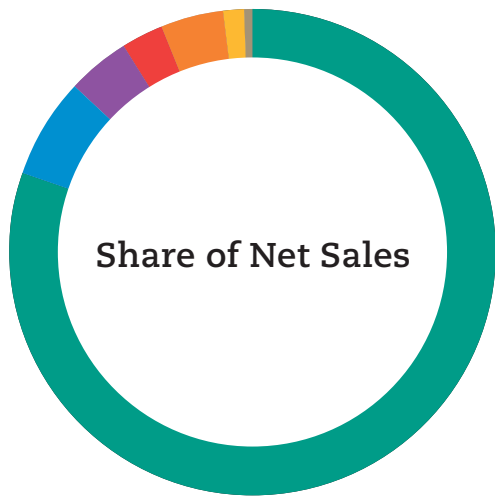
Based on this policy, for fiscal 2010 we will pay a full-term dividend of ¥22 per share, which includes the ¥11 per share dividend paid for the first half.

The Yamato Group will continue working to raise corporate value through dialogue with stakeholders. We thank you for your ongoing encouragement and support.

September 10, 2010

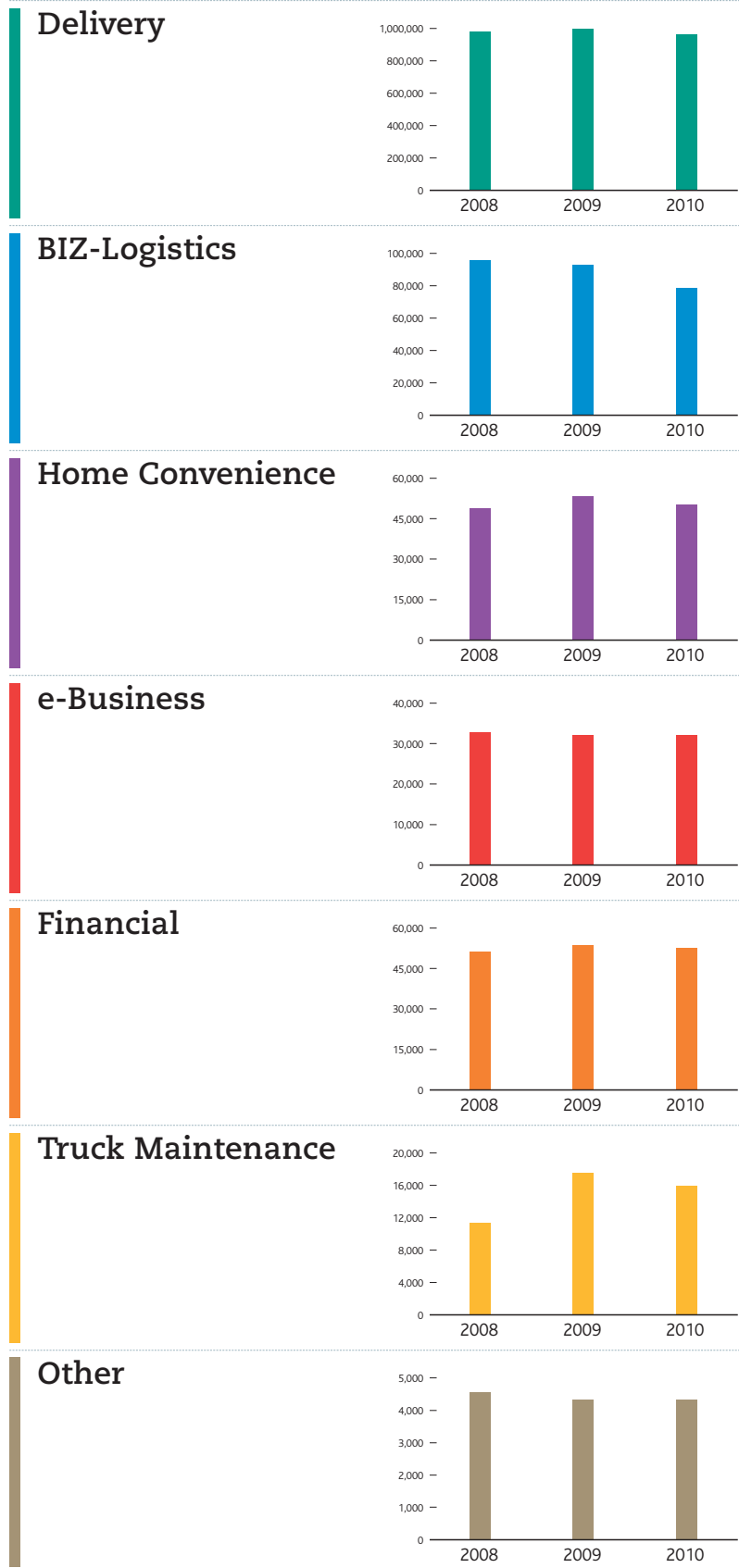
Kaoru Seto

Representative Director, President and Executive Officer

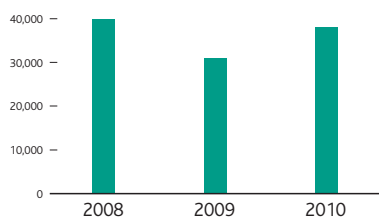


- Delivery80.5%
- BIZ-Logistics6.6%
- Home Convenience4.2%
- e-Business2.7%
- Financial4.4%
- Truck Maintenance1.3%
- Other0.3%

Operating Revenues (Millions of Yen)



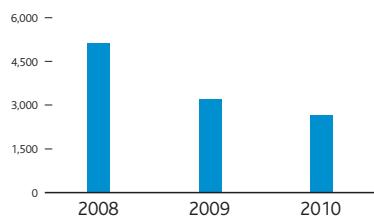
Operating Income (Loss) (Millions of Yen)



Business Description

The Delivery business is involved in small parcel delivery services for the general public and corporations centering on *Takkyubin* and *Kuroneko Mail*.

The business has also quickly introduced to the market high-value-added services developed from the customer's point of view, such as *Cool Takkyubin* and *Takkyubin Collect*.

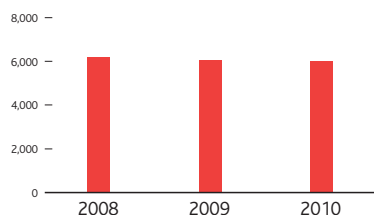


BIZ-Logistics handles logistics and other B2B distribution operations.

BIZ-Logistics helps its corporate clients manage their supply chains by providing innovative logistics services and reducing total costs, and presents proposals for optimized logistics systems.

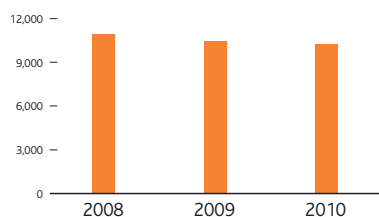


Home Convenience is rooted in moving services, lifestyle support services and distribution services. It provides lifestyle support services tailored closely to the needs of particular regions. In particular, the installation delivery business which installs electrical appliances for customers is steadily increasing market penetration, with the high-value-added technical delivery services now available nationwide.



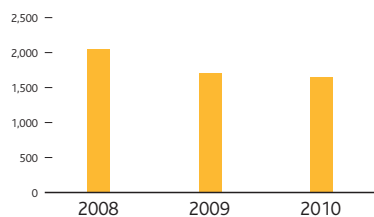
e-Business is involved in a range of information services for corporations, including ASP services and information system development.

By acting as an information and communications technology partner for our customers in promoting enhanced business process efficiency, the e-Business helps resolve customers' latent issues and proposes solutions that lead to greater sales and lower costs for customers.

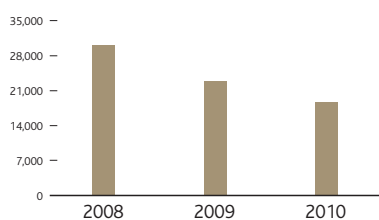


The Financial business includes settlement and other financial services targeted at consumers and business customers, beginning with mail order firms.

The business offers several types of settlement methods, including payment on delivery and payment by credit card. Along with the increasing popularity of Internet shopping in recent years, we have constructed an environment that enables customers to conduct transactions with complete peace of mind.



The truck maintenance business mainly comprises maintenance of trucks and other vehicles for transportation companies. Leveraging the Group's technologies for maintaining its vehicles, the business provides customers with solutions to their vehicle-related problems.



These businesses comprise a broad range of shared services, including highway transportation and personnel placement services.

* Other business operating income includes dividends received from each Group company.

Delivery



Makoto Kigawa

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

Guided by its basic corporate philosophy of “Total Reliability,” the Delivery Business utilizes the business resources of the Group in the Japanese and overseas markets to pursue business development that improves the convenience of customers’ lives. In the Japanese market, the Delivery Business aims to achieve further development of its *Takkyubin* service based on a core strategy of introducing business innovations to increase market share, boost services and operations quality, and improve its cost structure. In overseas markets, the Delivery Business is targeting expansion of its *Takkyubin* business in the Asia region.

Review of Fiscal 2010

In the fiscal year ended March 31, 2010, we realized that there had been a notable contraction in the delivery service market because of the economic recession. Our strategic response was to introduce strategies to maintain our workforce and our network and to make business plans that take into consideration the downsizing in revenues caused by market contraction. Based on a core strategy of introducing business innovations to increase market share, boost services and operations quality, and improve our cost structure, we worked together as a group to establish an overwhelming competitive advantage over our rivals in preparation for when the economy does recover. We also strengthened our cost control capabilities by reforming our in-house structure, such as making our labor costs flexible in conjunction with our pickup and delivery system reforms and further constricting working hours. As a result, although operating revenues declined 3.1% year on year, to ¥966,480 million, we were able to increase operating income 22.3%, to ¥38,071 million.

However, this result reflected a change in our accounting method for airfreight expenses from a gross to a net method that added approximately ¥22.0 billion to both operating revenues and expenses. On a real basis, therefore, operating revenues actually decreased by approximately 1.0%. The change in accounting method had no effect on operating income.

In Japan, our efforts focused on being more oriented to people’s lifestyles and regional characteristics. We took steps to support the sales of supermarket clients by offering our *Net Super Support* services and by eliminating shopping inconveniences for customers related to low-density population areas and old age. Specifically, in collaboration with local supermarkets, we made it possible for customers to use our IT infrastructure to place orders to supermarkets through our *NekoPit* terminals, establishing a business model that utilizes our *Takkyubin* service to deliver their purchases. In February 2010, to further reduce the stress of shopping for customers, we introduced a *Takkyubin* Delivery Option service for *Kuroneko Members*. The service sends customers an e-mail message prior to delivery that allows them to select the day, timeslot, and method of delivery of their parcels.

Overseas, our main business activities focused on achieving borderless operations from the perspective of becoming a more global operation. We worked to locally procure raw materials and produce supplies used in our businesses and import those goods to Japan. In addition, we made a full-fledged start to developing our business in the Asia region by commencing *Takkyubin* services in Singapore and Shanghai in January 2010. Preliminary results indicate that the business model used in Japan will be a success overseas as well.

Strategies in Fiscal 2011

The fiscal year ending March 31, 2011 marks the final year of our three-year medium-term management plan “Create Satisfaction Three-Year Plan.” As such, it is a year in which we will complete the old plan as well as one in which we will set the path for our transition to the next three-year plan. During the fiscal year we intend to make great progress by taking full advantage of the opportunities offered to us in the current competitive environment, and to thoroughly solidify our base for business expansion in preparation for a great leap forward under the next three-year plan. We will do so by pursuing two major business strategies. In Japan, we will further increase the quality of our operations to establish an overwhelming

competitive advantage over our rivals. Overseas, we will expand our *Takkyubin* business in the Asia region.

Japan Market: Achieving an enormous leap in quality through a regional-oriented approach

Guided by the concept of "from home delivery to personal delivery," we will develop convenient services that will make *Kuroneko Members* glad to be members, introduce new services that will please customers in the same way as our *Takkyubin* Delivery Option service, and support the sale of products in regional markets and to elderly people with the combined use of next-generation systems, fully digitized systems, and electric settlement systems. Through these activities we will seek to make our services even more regionally and personally oriented.

We will proceed with network expansion of our *Today Shopping Service*, a direct sales business solution for corporate clients. In fall 2010, we will establish a new base in the Chubu region to complement our operations in the Kanto, Kansai, and Kyushu regions. In some of these regions, we will be developing business solution services combining dispersed inventories, auto-pick factories (automated warehousing), and merge functions that will be able to provide delivery services in as little as four hours. To improve the joint transport services offered by Express Network Co., Ltd., we are going to implement advances to make the network easier to use. Besides expanding the number of routes and areas for which the service is available as well as the number of participating companies, we will pursue further integration of the shared IT system. In other areas, we will make

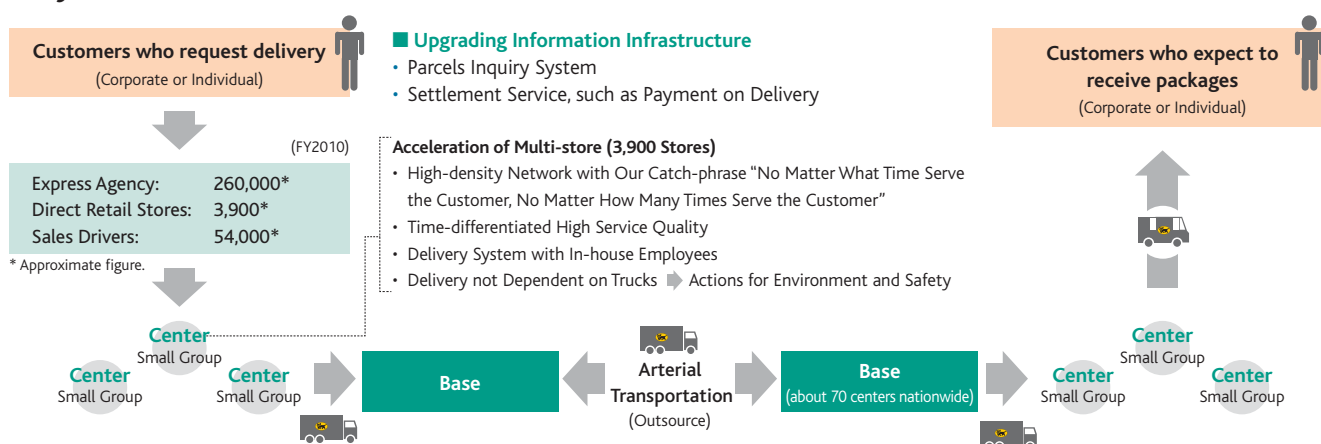
efforts to expand the sales of *S-PAT*, our shared delivery service, by including such value-added content as our *Cool Takkyubin* service and proxy fee collection functions. Another of our goals is to develop businesses that link production and consumption areas throughout Japan. Based on these business activities, we will orient our operations more toward people's lifestyles and regional characteristics.

Overseas market: promoting and strengthening development of our *Takkyubin* service in Asia

Along with the further expansion and improvement of our overseas network, we will seek to offer the same high-quality and value-added services that we do in Japan and make them available in each country and region. Moreover, we intend to start offering an international *Takkyubin* service between these expanded regions and our existing *Takkyubin* network. We have already renewed our international *Takkyubin* service connecting Singapore, where we have started a *Takkyubin* service, with Taiwan and Japan. In fall 2010, we plan to add Shanghai to our international *Takkyubin* service, with the goal of expanding the *Takkyubin* business in Asia.

As we proceed with these business activities, our strategies to gain a foothold in the international market will be to increase market share and service quality while providing a differentiated service at a reasonable cost. In addition, we will allocate an appropriate amount of staff to deal with customer needs, an area included in the second stage of our cost structure reforms, continuing our efforts to establish an optimum pickup and delivery system.

Takkyubin Service



BIZ-Logistics



Masaki Yamauchi

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

The BIZ-Logistics Business aims to amaze and satisfy its customers and the consumers of its products and services by exceeding their expectations. The business realizes this goal by achieving daily advances in logistics systems as only the Yamato Group can offer them, such as the *Today Shopping Service*, the *Maintenance Support* service, and the *Global Direct* service, all of which are business solutions that fully utilize the Group infrastructure.

Review of Fiscal 2010

In the fiscal year ended March 2010, operating revenues fell 15.1% from a year earlier, to ¥78,927 million, struggling under the impact of the economic slump. Operating income shed 16.8%, to ¥2,657 million. Taking into consideration the change in our accounting method for airfreight expenses introduced from fiscal 2010, the real decline in operating revenues was 4.2%. There was no effect on operating income.

Although performance was disappointing, the BIZ-Logistics Business achieved major advances in its logistics systems during the period under review. The following are two examples.

In case 1, we expanded and improved the network of the *Today Shopping Service* and strengthened its services. More concretely, we built two new specialized distribution centers called Auto-pick factories (automated warehousing) in Tokyo and Fukuoka. Of the two centers, the Tokyo center used its special feature as a “directly linked *Takkyubin* facility” to launch a “4-hour delivery service” for certain areas, a service that our competitors cannot match.

Using this service, an item on inventory at the center can be delivered to a consumer in as few as four hours from a direct sales order being received. This means that a customer could, for example, order wine or cheese in the morning and have it for dinner at night.

This “4-hour delivery service” is a breakthrough that represents a giant leap forward in consumer convenience for direct sales. Going forward, the BIZ-Logistics Business plans to develop it into one of its core services. Besides building more centers to make the service available to consumers throughout Japan, we plan to introduce the service overseas as part of the development of our *Takkyubin* business.



An Auto-pick factory allows items to be picked out automatically without relying on a human operator

Case 2 concerns our *Global Direct* service. Originally, we began this service as a consumer purchases support service. By having *Takkyubin* service parcel delivery slips attached to items purchased

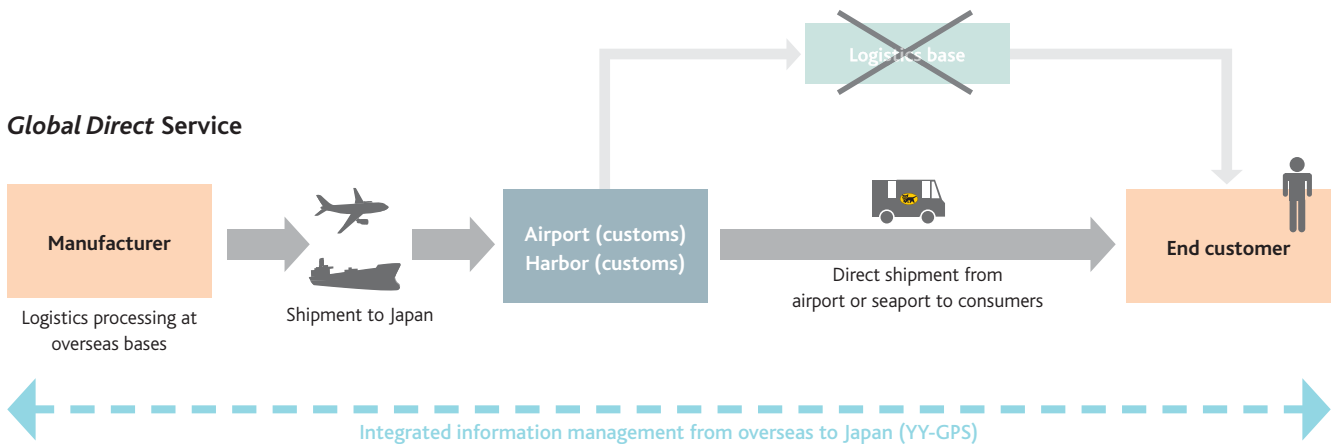
overseas, we achieved the fastest possible delivery times for consumers by delivering the items directly to them following arrival of the items at airports or harbors in Japan. During the fiscal year under review, however, we upgraded this service into an item supply support service for retail outlets. We took this action because of the advantages this service offers retailers in terms of cost reductions through eliminating intermediate logistic route processing and temporary warehousing, shortened lead times, and reduced inventories. Following its introduction, the service has been highly praised by such customers as manufacturers that

deliver products made overseas directly to retail outlets in Japan, and retailers that send dry goods procured overseas to their own retail outlets around the country. In future, we will endeavor to develop the service into one that can handle all varieties of goods, such as fresh foods and pharmaceuticals.

As can be seen, although external factors resulted in performance falling below that of the previous fiscal year, we made significant progress in developing and expanding our businesses.

Strategies in Fiscal 2011

In the fiscal year ending March 31, 2011, the BIZ-Logistics Business will aim to attain further business development and to amaze and satisfy its customers and the consumers of its products and services. We will do so by achieving daily advances in logistics systems as only the Yamato Group can offer them, such as the *Today Shopping Service*, the *Maintenance Support* service, and the *Global Direct* service, all of which are business solutions that fully utilize the Group infrastructure.



Home Convenience



Makoto Hasegawa

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

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

Review of Fiscal 2010

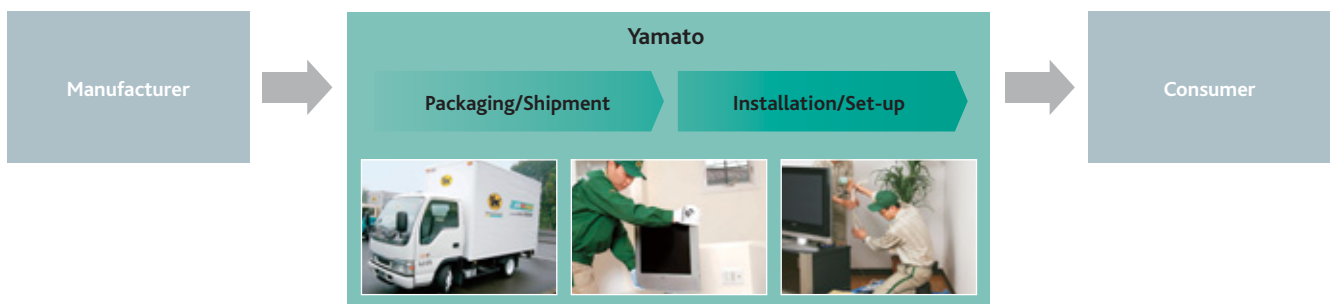
In our delivery with installation business, a service that not only delivers but also sets up large-sized furniture and consumer electronics goods, we actively endeavored to acquire new customers based on the appeal of our nationwide network and immediate set-up after delivery service.

Moreover, using our technicians and drivers we proactively sought to create a new high value-added market for delivery and installation plus repair, maintenance, and construction services. Examples of our services include installation management system services for environmental protection related housing installation work, and repair and maintenance services for household electronics goods. Through these services, we sought to differentiate ourselves from our rivals by increasing the degree of convenience provided to customers.

Reflecting these efforts, operating revenues grew despite the difficult business environment.

In the moving business, we endeavored to expand our share of the corporate personnel moving market by eliminating the moving inconveniences faced by businessmen and women who have been transferred to a new city or town. We did so by offering our *Tanshin-Hikkoshi* Just Service, which takes advantage of the special strengths of our network to enable the transport of individual moving crates. In addition, as a comprehensive lifestyle support service for people moving households, we began offering the *Kuroneko Leave-It-to-Us Rental service*. This service collects

Household Takkyubin Service



unwanted furniture and household electronic goods and sells them in recycling shops as well as leasing household electronic goods at a reasonable price to businesspeople living on their own away from their families.

Although operating revenues from the corporate personnel moving market increased substantially, the overall moving business remained at a low ebb because of the contraction in the household moving market as evidenced by the decline in housing starts during the fiscal year.

As a result, operating revenues decreased 5.6% year on year, to ¥50,351 million. We took various steps to reduce operating expenses, including reforming our business structure to improve efficiency by restructuring the organizations of our set up and moving businesses and merging them into a single operation and improving services. We also cut subcontracting expenses by promoting more in-house handling of areas where delivery services are usually subcontracted. Although operating expenses did contract 4.4% year on year, it was insufficient to offset revenue decline, and the Home Convenience Business suffered an operating loss of ¥701 million.

Strategies in Fiscal 2011

In the fiscal year ending March 31, 2011, we will continue to expand our share of markets in which we can take advantage of our network's strengths, which have advanced from last year. We will also develop new services into businesses.

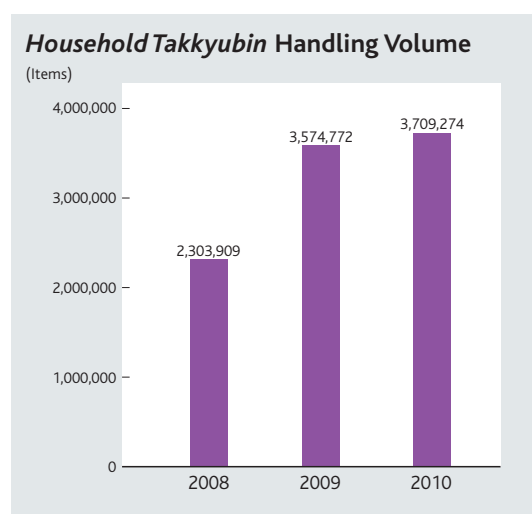
We believe that the key words for the success of our strategies are network, technological capabilities, and eco-friendly. In our delivery with installation business, we will offer solution models that directly link manufacturers and consumers. Examples of such solutions are our repair logistics service, which eliminates the tradeoff between improving the after-sales services of the manufacturer and reducing distribution costs, and solutions that separate commercial distribution from physical distribution in the furniture and electronic appliances distribution markets. In our moving business, we will continue to expand our market share by achieving greater convenience for customer and we will lower costs in the business personnel moving market.

Because of the growing awareness of global environmental issues, there has been a surge in the development and

popularization of energy-saving houses and household electronics. With the Government of Japan subsidizing purchases to promote their use, there is a growing market for these products. We believe that our business can use its strengths to gain an advantage in the eco-friendly housing market by offering a total service that includes procurement in addition to our delivery with installation plus construction services. As a moving and lifestyle support service, our recycling and rental business also has strong market potential.

In terms of developing technological capabilities into one of our strengths, we have established our own technological capability qualification standards to be used in the development of our technicians and drivers who make up the core of our technological strength. Based on those standards, we will continue our development and training programs with the goal of upgrading and expanding technician and driver skills.

Although we expect that the currently difficult market conditions will continue, we will aim to implement innovative logistics system reforms to make the lives of our customers more comfortable. Our goal will be to achieve sustainable growth by offering a wide range of services that provide greater convenience for customers and by increasing our corporate value.



e-Business



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

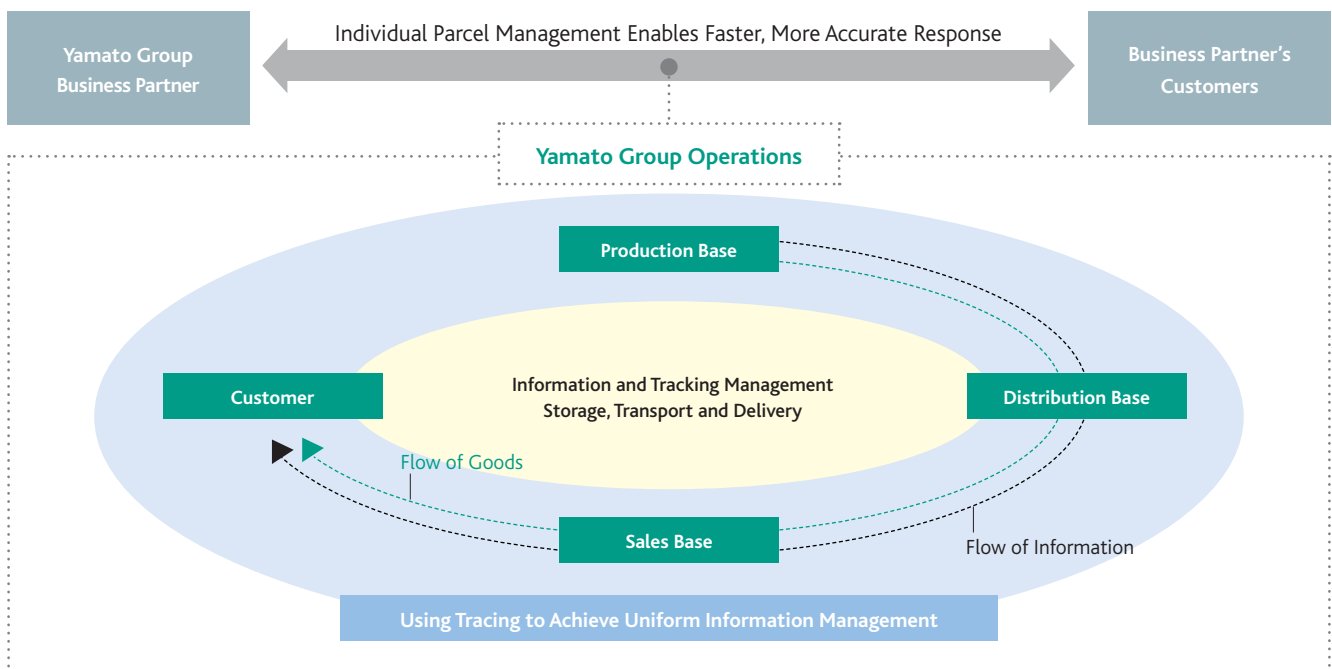
Our e-Business is involved in a range of information services for corporations, including application service provider (ASP) services and information system development. Using information and communication technology (ICT), the e-Business works in partnership with customers in promoting efficient business processes. Based on these services, the e-Business provides solutions for potential business problems and proactively proposes solutions that result in sales growth and cost reductions for customers.

Review of Fiscal 2010

During the year under review, the e-Business contributed to improving the efficiency of its customers' business processes by providing ASP services, developing information systems, and other actions. At the same time, we actively suggested solutions for potential business problems to our customers. Furthermore, keeping up with the aggressive business development of the Yamato Group, we developed and operated Group systems.

Along with the Group's development of the *Takkyubin* business in Asia, we created an ASP-type *Takkyubin* system and provided services in Singapore and Shanghai, China. In setting up the Group's new in-house IT system, the 7th generation *NEKO* system, we converted the communications format of our portable POS terminals to a wireless data transmission system for mobile phones to supply service functions to the many electronic money settlement systems under our roof and to improve the productivity of vehicle drivers. In addition, we established a relay system to provide settlement information to our customers in the electronic money business.

e-Logistics Tracing Solution



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

In our e-logistics tracing solution business, we worked to provide services that contribute to the reduction of customers’ inventories and costs through the integration of distribution and information functions. Business expanded in the fiscal year under review along with robust sales of our *Sales Promotion Materials On-Demand* and *SCM Tracing* services. The former supports improved sales efficiency and inventory reductions by providing management, on-demand printing, and just-in-time delivery of customers’ sales promotion materials. The latter is a supply-chain management tracing service that contributes to lower inventories through individual parcel management of customers’ manufactured products.

Revenues of the IT operating solutions business increased on the strength of expanded demand for its *PC Life Cycle Service*, which increases the efficiency of customers’ PC management operations. The business provides a full service for customers’ personal

computers throughout this life cycle, from purchasing to disposal, and including installation and setting up of software, delivery, on-site installation, operating support and maintenance services.

Although the measures mentioned above supported expansion in Internet direct sales and tracing services and in services for the credit card industry, the current curtailing of IT capital investments by corporate clients reduced overall demand. As a result, operating revenues edged down 0.6% year on year, to ¥32,094 million, while operating income slid 0.7%, to ¥6,016 million.

Strategies in Fiscal 2011

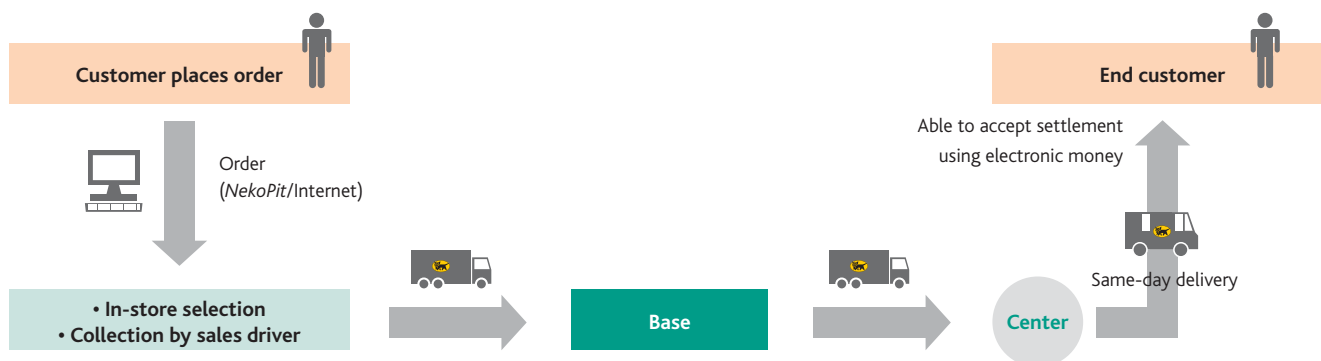
Our first strategy is to transfer and develop the high-quality *Takkyubin* system developed in Japan to countries in Asia in support of the Group’s development of its *Takkyubin* business in Asia.

Next, to further increase the number of businesses involved with e-Business formation, we plan to create multiple solution units (SUs), our seeds for new business, and commercialize them.

Our third strategy is to use ICT to nurture a workforce that can drive the development of the Yamato Group. Utilizing ICT, we will develop human resources with the capability of creating total solutions that combine logistics technology (LT) and financial technology (FT), dispersing them throughout the Group.

Going forward, we will strive for superior ability to use the combined power of the Group in our business, continuing to offer new solutions that contribute to improved efficiency in the business processes of our customers.

Net Super Support Service



Financial



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

The Financial Business is currently expanding from delivery settlement services to business-to-business logistics settlement. During the year under review, the business took steps to respond with a wide array of settlement methods tailored to customer requirements.

Review of Fiscal 2010

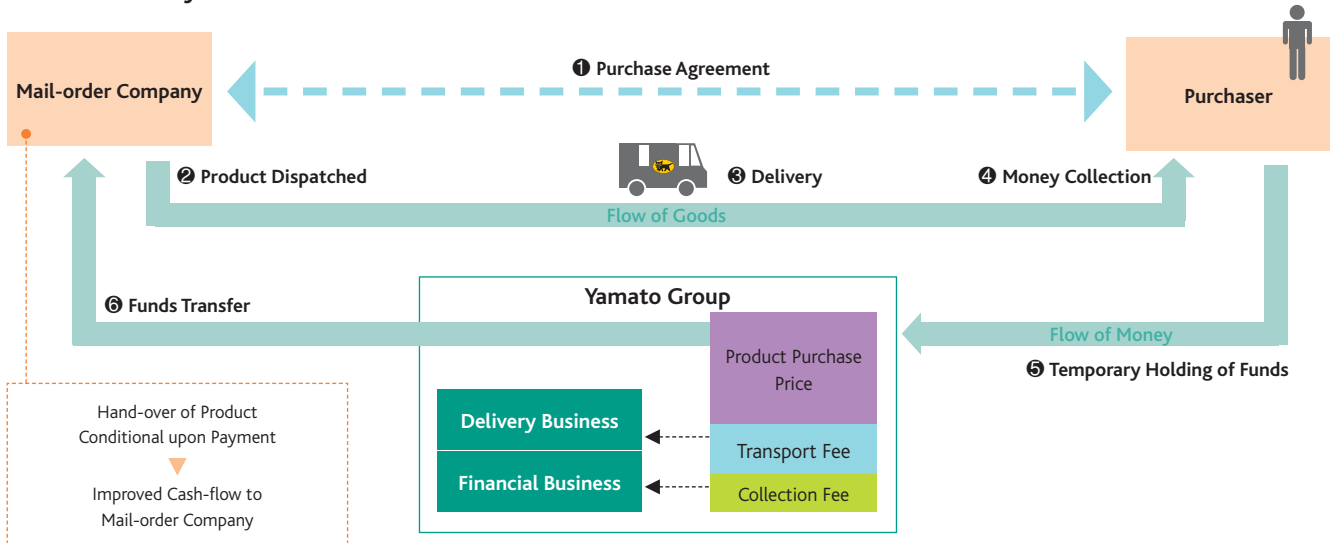
The Financial Business proposes total comprehensive solutions for mail-order companies that offer greater convenience for purchasers (end-users) and an improved business environment for the mail-order companies. To provide greater convenience to purchasers, our high-quality *Takkyubin Collect* service offers customers who use mail-order shopping the same secure, comfortable shopping environment they have when shopping in a store.

Purchasers who are satisfied with the service become repeat customers, and mail-order companies who develop a good reputation gain new customers, which leads to higher revenues.

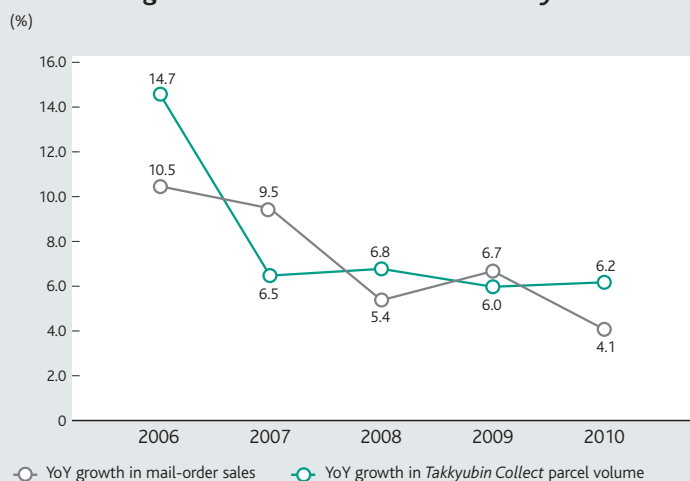
To improve the business environment for mail-order companies, we offer support in building mail order systems, while also offering systems for reducing costs relating to settlement processing. The proposals we make to increase revenues and cut costs improve the business performance of corporate customers. Moreover, we continue to pursue greater convenience in methods of payment, actively promoting electronic money payments in addition to payments by cash, credit or debit card.

Surveys indicate that one in five users of electronic money chooses to shop at stores that accept electronic money, and that one in four users would like to be able to use electronic money to make payments for Internet shopping.

Cash on Delivery Service



The Growing Mail-order Sales Market and *Takkyubin Collect*



Source: The Japan Direct Marketing Association

Yamato Financial introduced systems for making payment by electronic money for the *Takkyubin Collect* service using a PC or mobile phone in November 2007. Since then the scope of users has expanded, and in June 2010 we introduced a single terminal able to process multiple electronic money settlements, and launched a service allowing recipients to pay by electronic money at the time of delivery.

Operating revenues for this segment for fiscal 2010 were ¥52,659 million, down 1.8% year on year, partly because of the tightening of relevant laws in the shopping credit business despite healthy numbers of settlements in the *Takkyubin Collect* service. Operating income for the Financial segment declined 2.3% to ¥10,260 million.

Strategies for Fiscal 2011

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

First, for our corporate clients we will propose optimal solutions for innovating logistics operations, thereby contributing to a flourishing mail-order shopping market and comfortable lifestyles supported by mail-order shopping.

Second, the electronic money settlement market is estimated to be worth around ¥7 trillion, and we expect that going forward the major part of this market will be settlements for small amounts here in Japan. We will therefore work to expand the markets for electronic money and transactions even further.



Drivers can take payments by credit card on delivery, right on the customer's doorstep

Truck Maintenance



Keishiro Sasaki

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

Since October 2003, the Truck Maintenance Business has operated in-industry vehicle maintenance plants for logistics companies. Over the years, the business has expanded the industry's first maintenance service into a 24 hours a day, 365 days a year, membership service that enables customers to service their vehicles without stopping operations, schedule automobile safety inspections, and have routine check-ups. Based on the perspective of "Transform inconvenience into convenience from the customer's standpoint"—the corporate DNA of the Yamato Group—the business offers one-stop services that go beyond vehicle maintenance to include body and tire maintenance, inspection consultations and fuel supplies. These total vehicle management services are designed to vitalize the logistics businesses of customers.

Review of Fiscal 2010

In the fiscal year ended March 2010, our operating revenues amounted to ¥16,002 million, while operating income was ¥1,649 million. These figures represent declines in revenues and profit because we were unable to compensate for the downturn in the economy, particularly the slumps in domestic haulage and in fuel demand, and for the dramatic fluctuations in the diesel oil market.

The number of automobile safety inspections done for companies outside the Yamato Group totaled 30,565 vehicles, up 25.0% from the previous fiscal year and supporting growth in overall operations.

During the fiscal year under review, we opened two high operating efficiency *Superworks* vehicle maintenance plants in the Tokyo metropolitan area and one in the Osaka area. With these additions, 18 of our 70 vehicle maintenance plants are *Superworks* plants. We expect that the strengthening of our vehicle maintenance plant network will result in growth in our customer base.

Strategies in Fiscal 2011

In the fiscal year ending March 2011, we will endeavor to upgrade our business into a comprehensive consulting service guided by the key words of "vehicle management." We intend to expand and improve our services by shifting our viewpoint from vehicle maintenance to business management support.

As a start, we will launch a 12-month fixed payment tire management service. The service charges will be based not on the frequency of occurrence of tire problems, but will offer a scheme that allows the customer to set a budget for tire maintenance. Consequently, the new service will contribute to improvement in customers' cash flow.

Based on the introduction of this new scheme, we expect to acquire new maintenance contracts for 25,000 vehicles. For the fiscal year ahead, our performance targets in the one million vehicle strong commercial truck market will be 150,000 vehicles under management, 75,500 automobile safety inspections, and a 21.0% increase in the number of vehicles serviced for non-Group companies.

Superworks Locations

18 locations in total (as of March 31, 2010)



A mechanic services a customer's vehicle at a highly efficient Superworks vehicle maintenance plant

Basic Concepts—The Four “Cs”

Yamato Autoworks pursues one-stop services for vehicles based on observing the four “Cs.”

The first “C” is Compliance. Using our *Repairworks* mobile plants that enable vehicle inspections in customers' garages, we have contributed to improving the completion rate for statutory vehicle inspections of our customers. We also offer a Manager Development Support Program for G Mark and Green Management certified operations.

Next, we have Convenience. Based on this concept, we support improvement in operating rates for commercial vehicles by promoting a shift to night-time working hours and operating 24 hours a day, 365 days a year in order to

carry out vehicle inspections when the vehicles are not in operation. In addition, we have introduced a Large Vehicle 3 Hour Service and expanded the items on our “on-the-go” maintenance services menu.

Our third “C” stands for Cost reduction. By increasing the completion rate for statutory vehicle inspections, we have made it possible to implement preventative maintenance, which helps limit occurrences of unexpected costs.

Finally, we have Clean. Guided by this concept, we support our customers' efforts to deal with environmental issues through such measures as installing LED or other low-energy consumption lights and recommending the use of rebuilt parts.

Industry Analysis

Since the freight market in Japan is continuing to shrink, the total haulage and number of trucks will also likely decline. However, since we have entered a period where logistics companies must carefully use each vehicle and pursue higher operating rates, the number of years that companies operate

their trucks and buses as well as their useful lives will certainly increase. As a business that emerged from the maintenance department of a logistics company, we will contribute to the truck and bus maintenance market by creating schemes that increase the useful life of trucks and support their efficient and effective use.

Other

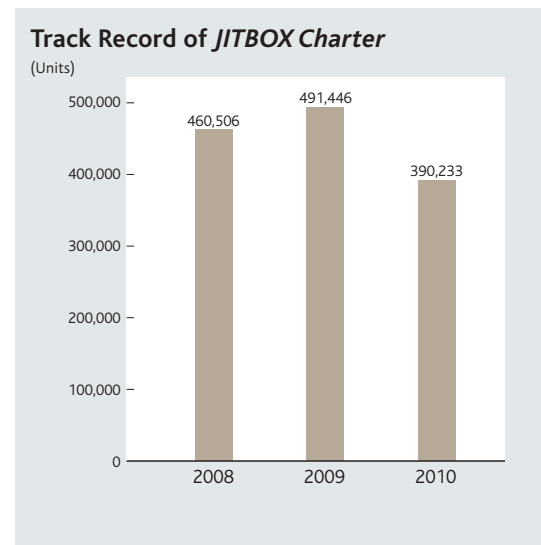
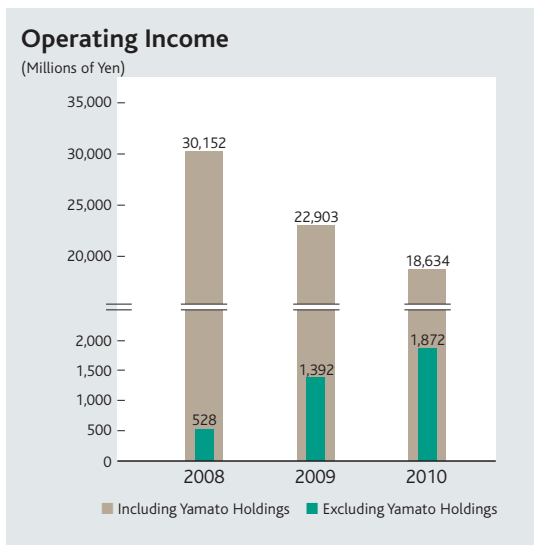
With respect to the "JITBOX Charter" service, the Yamato Group took aggressive marketing approaches, supported by a sales structure composed of 15 Group companies, to promote market penetration of its product characteristics including just-in-time and frequent, right-volume delivery by transport box.

Although handling volume for fiscal 2010 decreased due partly to sluggish shipment movements as a result of production adjustments by companies, fourth quarter volumes were up year on year, and we saw signs of a recovery.

Operating income in other businesses, excluding dividends and other payments which Yamato Holdings received from Group companies, increased 34.4% to ¥1,872 million.

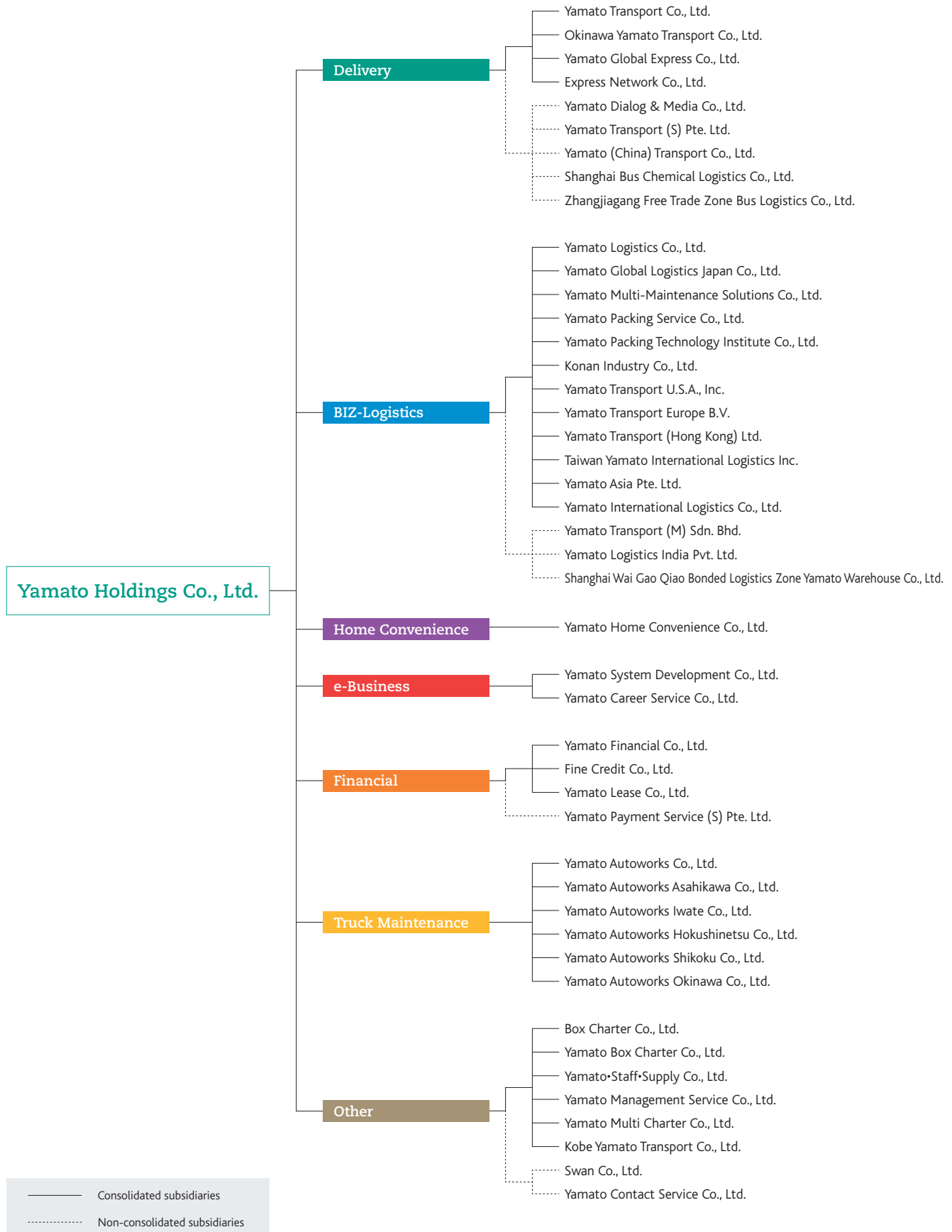


JITBOX Charter



Organization

(As of March 31, 2010)



Compliance is one of the top priorities of management at the Group. As such, the Group believes that the Company's sustained growth is largely contingent upon not only business profitability, but also proper conduct as a business group with operations that require a high degree of social interaction.

With the interests of all stakeholders in mind, the Group actively conducts social contribution activities to fulfill its Corporate Social Responsibility (CSR) from the perspectives of safety, the environment and society in line with the Yamato Group Corporate Philosophy.

The extensive promotion of CSR management in tandem with business expansion is also an integral part of the "Create Satisfaction Three-Year Plan," the Yamato Group's medium-term management plan for guiding management policy that we launched in April 2008.

The Group is placing particular emphasis on two elements of the plan—compliance and environmental concerns.

Environment

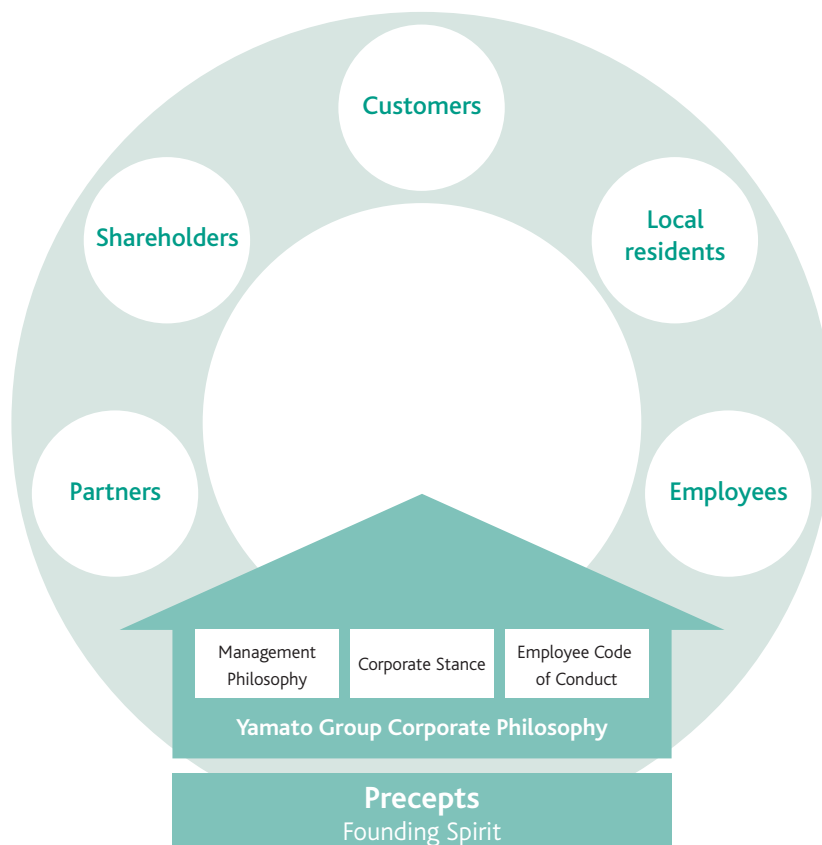
Active Deployment of Low-Emission Delivery Vehicles

Under its medium-term plan, the "Create Satisfaction Three-Year Plan," the Yamato Group is aiming to reduce its overall CO₂ emissions volume to 99% of the levels in fiscal 2007. As a Group with business operations centering on the field of logistics, Yamato is striving to reach this goal through a more robust environmental stance, including reductions in fuel usage through the introduction of low-emission vehicles.

As a specific measure for achieving this objective, by fiscal 2013 Yamato Transport is aiming to have 20,000 low-emission delivery vehicles in operation in its fleet of vehicles. In fiscal 2010, we added 1,298 low-emission vehicles, including 379 hybrids, to bring the total to 11,538.

As Yamato Transport's vehicles account for 87% of the Group's total vehicle fleet, this brings the total proportion of low-emission vehicles in the Yamato Group's fleet to 25.7%.

Diagram of Yamato Group Corporate Philosophy



As of March 2010, Yamato Transport had a nationwide network of 971 satellite centers for parcel delivery located primarily in urban centers. Parcel delivery from these satellite centers is conducted primarily through the use of handcarts and bicycles with attached trailers, rather than motor vehicles.

Satellite Centers Eliminate Use of Vehicles for Parcel Delivery

The opening of more satellite centers reduces the parcel delivery volume per sales driver for a given delivery area. This lighter load not only enables drivers to provide more detailed services to each customer, but also helps to curb increases in the number of vehicles required to keep pace with increased parcel volume. The Group is targeting a network of 1,000 satellite centers across Japan by fiscal 2013.

External Evaluation

The FTSE Group confirms that Yamato Holdings has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.

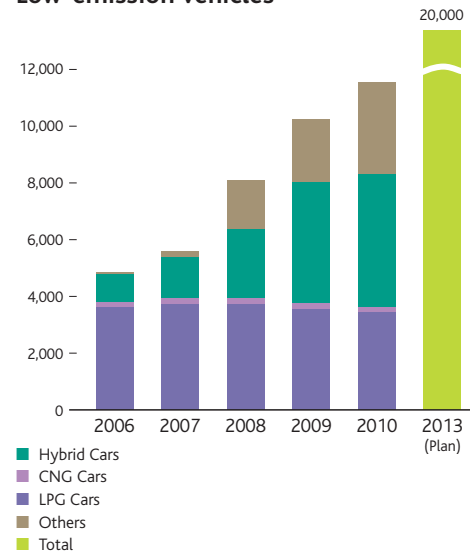


FTSE4Good

Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards. Companies in

the FTSE4Good Index Series have met stringent social and environmental criteria, and are positioned to capitalize on the benefits of responsible business practices.

Changes in the Number of Low-emission Vehicles



Society

Safety Classes for Children

The Yamato Group always puts safety first in its business activities. Preventing traffic accidents involving children is an especially important safety issue.

We have held safety classes for children since 1998. Held all over Japan, these classes seek to teach children ways to protect themselves from traffic accidents.

Taught entirely by Yamato Transport employees, the fun and entertaining classes employ various means to teach children about traffic safety. In fiscal 2010, classes were held



at 1,500 locations and around 150,000 children participated.

Basic Position on Corporate Governance

Based on its corporate philosophy, the Yamato Group carries out business activities in accordance with the law and social norms and actively promotes compliance management. Striving to maximize corporate value by effectively utilizing the management resources of the Group is one of the top priorities of management, and we work to bolster management systems and implement policies to this end.

Status of Corporate Governance

The Board of Directors, Management Advisory Committee and Executive Committee serve as administrative organs involved in decision-making, supervision and execution for the Yamato Group. This management structure enables decisions to be made rapidly and precisely on important matters. The number of Board members cannot exceed 12 as stipulated in the Company's articles of incorporation. As of June 25, 2010, the Board comprised six directors, two of whom are outside directors. The term of office of directors has been set at one year in order to clarify management responsibilities for each fiscal year.

The Board of Auditors is made up of one full-time auditor and three outside auditors. Auditors attend meetings of the Board of Directors and other important meetings to assist them in conducting audits on the legality of business execution, and otherwise endeavor to improve the soundness of management and the trust of the public. A full-time staff member has been appointed to assist the auditors to put in place a framework that enables the auditors to smoothly carry out their functions. In addition, Group Auditors' Liaison Meetings are held periodically for the full-time

auditors of the major operating companies to confer on auditing policies and procedures, exchange information and otherwise enhance collaboration. Meetings with internal auditors are also held periodically to exchange information.

Internal audits are performed by a seven-member team that operates independently from any other Group organ. Together with the 106 employees who conduct internal audits for Group companies, the Yamato Group has a total of 113 internal auditors, who check whether the business and affairs of the Group as a whole are being carried out appropriately and efficiently based on the annual auditing plan. A structure is in place under which results are reported to the Board of Directors and the Board of Auditors. Also, the Group Internal Auditing Committee meets regularly for the internal auditors of the operating companies to confer on auditing policies and audit results, exchange information, and to otherwise enhance collaboration.

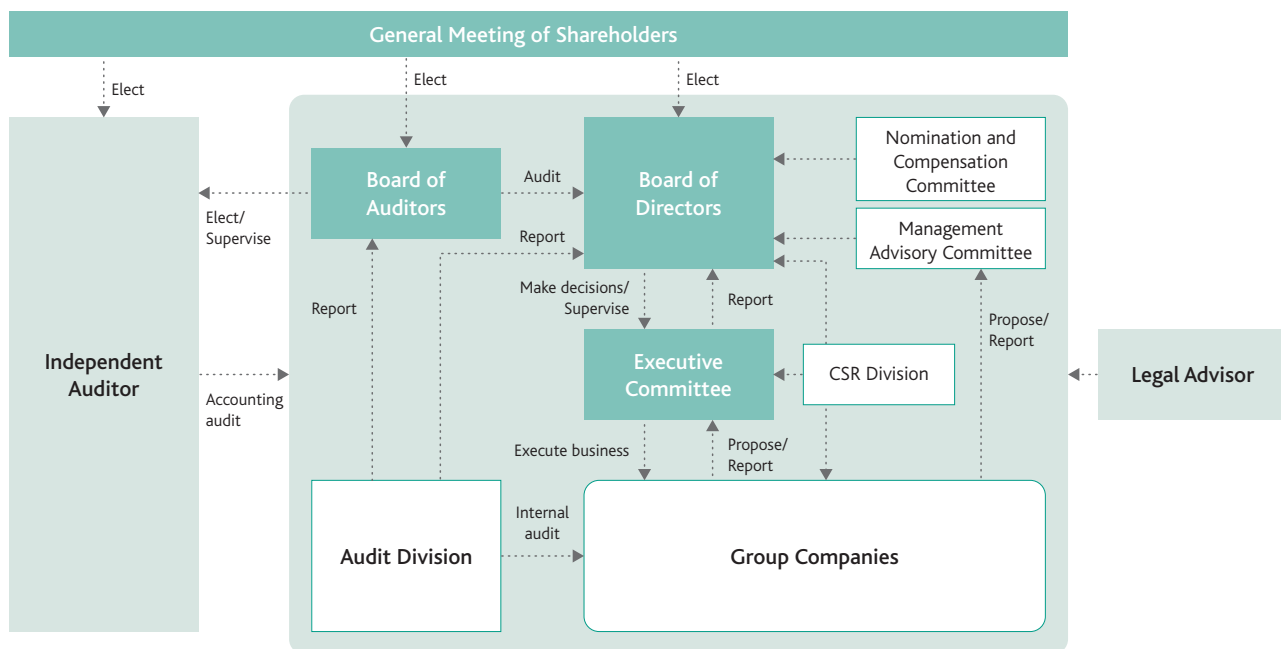
As the Group's appointed accounting auditor, Deloitte Touche Tohmatsu LLC holds regular meetings with auditors and conducts effective accounting audits. Accounting audits are performed by two certified public accountants, Yoshiaki Kitamura and Takeshi Kosaka, assisted by another five certified public accountants and eleven other staff members.

Outside directors draw on their extensive experience as managers to provide necessary advice and recommendations on management as a whole. They also provide advice regarding any internal control irregularities discovered by the accounting auditors or the Audit Division and internal issues, with the aim of improving collaboration between internal control divisions.

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

The current status of provision for oversight of business execution and management, internal control and related functions at Yamato Holdings is illustrated in the diagram below.

Corporate Governance Framework



Directors and Auditors

(As of June 25, 2010)

I Directors



Keiji Aritomi
Director and Advisor



Kaoru Seto
Representative Director,
President and Executive Officer



Haruo Kanda
Representative Director and
Managing Executive Officer
(Human Resources Strategy, Facilities
Strategy, Public Relations Strategy,
CSR and Audit)



Makoto Kigawa
Director and Executive Officer
(Representative Director, President and
Executive Officer of Yamato Transport Co., Ltd.)

I Members of the Board



Masayoshi Sato



Toshitaka Hagiwara

I Auditors



Hiroshi Kawada



Keiko Kitamura



Koji Okawa



Motoharu Yokose

I Executive Officers



Kenji Minaki

(Representative Director, President and Executive Officer of Yamato System Development Co., Ltd.)



Kenichi Shibasaki

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



Toshizo Kurisu

(Financing and Accounting, Investor Relations; Representative Director, President and Executive Officer of Yamato Management Service Co., Ltd.)



Masaki Yamauchi

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



Makoto Hasegawa

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



Atsushi Ichino

(Planning and Administration)



Hidenori Osano

(Marketing and Administration, IT Planning)



Toshizo Kurisu
 (Executive Officer, responsible for Financing and Accounting, Investor Relations)

The Finance Strategy of the Yamato Group

Details of the Yamato Group's performance are presented in To Our Shareholders (page 5) and Overview of Operations (page 14). This section focuses on the Group's finance strategy.

The Yamato Group is currently promoting various growth strategies, with the aim of expanding corporate value through growth in profits.

In order to pursue strategic and flexible business and achieve this growth in profits, we have formulated medium- and long-term strategies that look five and ten years down the road, respectively. Based on these strategies we will conduct the necessary investments, including well-timed M&As, being sure not to overlook the crucial openings for future growth.

The logistics industry in which the Group operates is currently in a period of great transformation. From the perspective of CFO, I believe that the ability of a company in the logistics industry to raise its corporate value indefinitely depends on whether it is able to implement the management measures based on its medium- to long-term plan.

In other words, strategic and well-timed growth investments are absolutely critical to raising corporate value in the future. Another key factor in determining whether a company will be able to grow is whether or not that company has a financial base that enables the company to make continuous investments.

Despite the poor economic conditions, Yamato Holdings has secured around ¥100.0 billion on an EBITDA basis. The shareholders' equity ratio is around 50%, and both cash flow generation capabilities and financial soundness are at high levels compared to competitors.

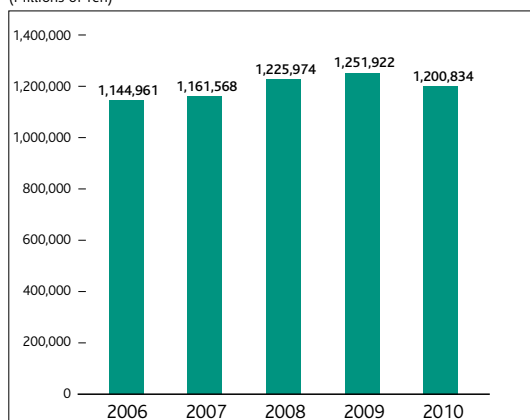
Going forward, we will pay careful attention to the balance between shareholders' equity and interest-bearing debt, and maintain the strong financial base we need to promote strategic and flexible business. Moreover, we will conduct the well-timed investments needed to secure future growth in order to expand corporate value.

Procurement and Use of Capital

In the fiscal year ended March 2010, we conducted annual capital expenditures of ¥35.3 billion, including for vehicle investment and renovation of *Takkyubin* base terminals.

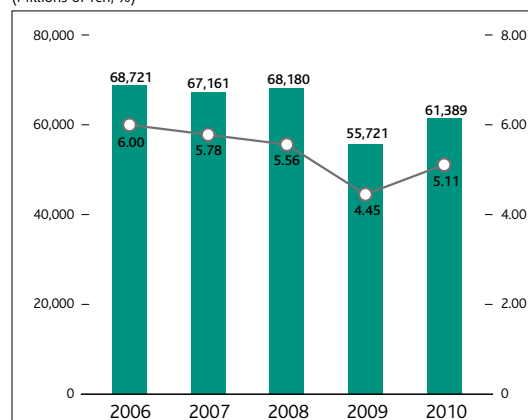
Operating Revenues

(Millions of Yen)



Operating Income/Operating Margin

(Millions of Yen, %)



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

As stated earlier, the logistics industry is confronting a period of great change. The age of the conventional approach to management—which focused on improving the bottom line by lowering customer delivery costs as much as possible—is coming to an end.

In the future, the paradigm will go beyond simple delivery costs, and it will be increasingly important to approach management from the perspective of improving corporate value by raising customers' corporate value as much as possible.

As we have communicated to investors with information and case studies, the Yamato Group has focused on creating and proposing solutions that leverage information technology (IT), logistics technology (LT), and financial technology (FT) to help boost customers' cash flow efficiency. We believe that this type of approach, which focuses on raising corporate value for the customer, is a crucial element that will make a logistics company indispensable to society.

To give just one example, we feel that the conventional single-function base terminals where packages are sorted will not be sufficient going forward.

In future, we will need to offer customers more than simply efficient modes of delivery; we must offer them comprehensive value that will further raise our competitiveness. For example, we need to provide value along the entire supply chain, from procurement to distribution.

After thorough analysis of the market conditions for transport volumes and the flow of goods, the Yamato Group expects to continue successive renovations to create the new types of base terminals needed in order to provide the value it is targeting.

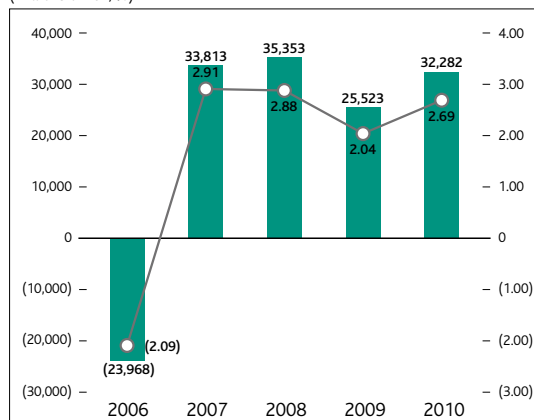
Moreover, including investments related to maintenance, and for the Haneda Logistics Center acquired in December 2008 (scheduled to begin operations in the autumn of 2012), we plan to make annual capital expenditures of approximately ¥100.0 billion in the two year period starting in fiscal 2011.

In future, should operating cash flows prove insufficient to cover capital demand, we will turn to the financial markets to procure the shortfall. We would seek to meet such needs by using debt financing, primarily in the form of loans.

The Yamato Group views return of profit to shareholders as one of our most important management policies. Under these conditions, we conduct business fully recognizing that levels of capital cost should reflect the expectations investors hold for the revenue of the Yamato Group.

Net Income (Loss)/Return on Revenues

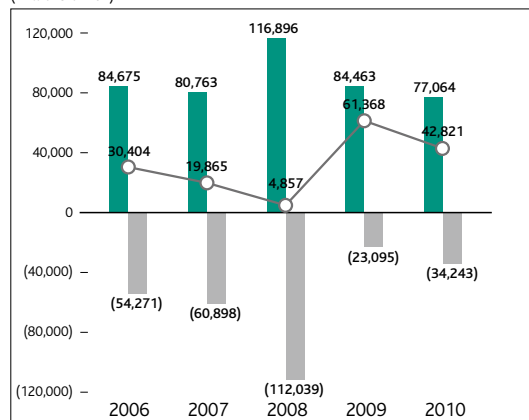
(Millions of Yen, %)



■ Net Income (Loss) (left scale)
○ Return on Revenues (right scale)

Operating and Investing Cash Flows/Free Cash Flows

(Millions of Yen)



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

In connection with this, we also consider ROE, which shows capital efficiency, an important management indicator.

In fiscal 2010, the financial markets remained uncertain and we held back on investments needed for future growth, including the Haneda Logistics Center. In order to increase liquidity at hand, we took steps to secure cash. As a result, the shareholders' equity ratio was 58.4% and ROE was 6.5%.

In order to achieve sustained growth and maximize corporate value in the medium to long term, we will seek a balance among the three elements of growth potential, soundness, and efficiency, distributing profits and conducting share buybacks and cancellations in pursuit of capital efficiency with the shareholders' equity ratio at a steady level of around 50% and medium-term ROE of 10%.

With regard to share buybacks, the Yamato Group repurchased a total of approximately ¥50.0 billion in treasury stock over the five years from fiscal 2003 to fiscal 2007. The Group cancelled approximately 12 million of these shares in fiscal 2006.

In addition, in fiscal 2006 and 2007, the Company utilized approximately 3 million shares for the purpose of M&As.

Going forward, we will consider further share buybacks depending on growth in profits and progress on investment plans.

The basic dividend policy of the Yamato Group is to increase the amount of dividend per share as profits grow. For the foreseeable future, we intend to maintain a consolidated dividend payout ratio of 30%.

Based on this policy, for the fiscal year ended March 2010 we paid dividends of ¥22 per share, including an interim dividend of ¥11.

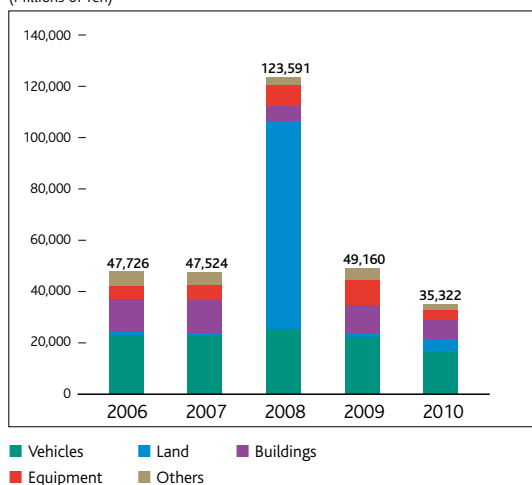
Management of Funds

In order to make effective use of surplus funds, the Yamato Group utilizes cash management systems (CMS) for each Group company.

We divide up funds into funds from logistics businesses such as the Delivery and BIZ-logistics businesses and funds from the Financial Business, which covers the settlement business. We then direct fund investments for future growth.

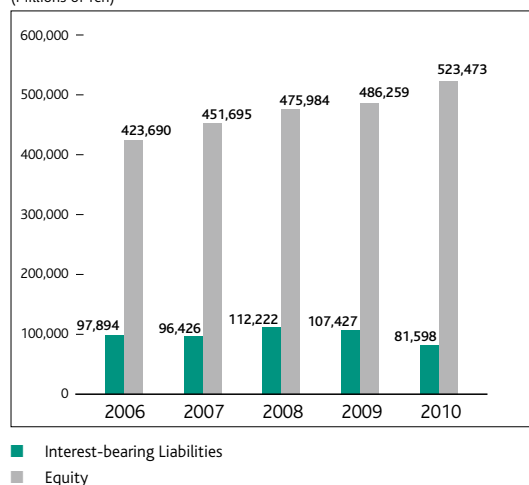
Capital Expenditure

(Millions of Yen)



Interest-bearing Liabilities/Equity

(Millions of Yen)



Credit Ratings

As of March 2010, Yamato Holdings has received the following credit rating from Rating & Investment Information, Inc. (R&I).

R&I AA-

The business environment has remained severe amid the global economic recession following the Lehman Shock. The Yamato Group will strive to minimize risk of loss of performance to secure target profits, maintaining awareness of capital costs, while at the same time maintaining and improving credit ratings in order to facilitate smooth capital procurement.

Reforming Cost Structures

In order to achieve the lower costs that accompany enhanced business process efficiency, Yamato Group company Yamato Transport Co., Ltd. has relocated some back-office business processes such as management of accounts and receivables from its 69 administrative centers in Japan to the IBM Global Delivery Center located in Dalian, China. Operations in China began in November 2009.

As of March 2010, approximately 250 employees are operating the Dalian center. Going forward, we plan to progressively expand the scope of operations and increase the number of staff as processing volumes grow.

Risk Management

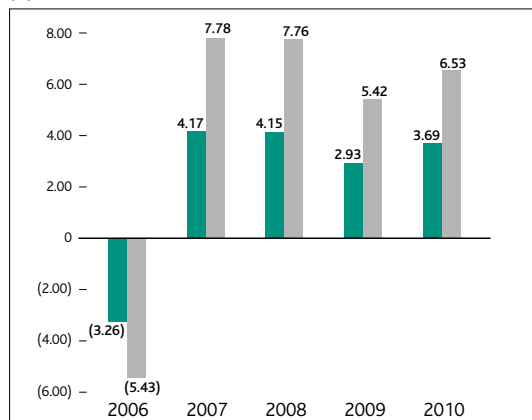
The risks that could affect the business operations of the Yamato Group fall into two categories: macroeconomic risks and risks specific to the logistics industry.

Naturally, it is impossible to avoid risk completely, and without taking certain risks it is not possible to achieve commensurate or increased returns.

In order to achieve returns that are greater than risk, the Yamato Group is seeking to eliminate excessive dependence on the delivery business and to compose an optimized business portfolio as a means of minimizing risk and pursuing high returns.

ROA/ROE

(%)



■ ROA
■ ROE

Consolidated Balance Sheets

March 31, 2010 and 2009

| ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|------------------|------------------|--|
| | 2010 | 2009 | 2010 |
| CURRENT ASSETS: | | | |
| Cash (Notes 2.d and 12) | ¥ 189,658 | ¥ 179,753 | \$ 2,038,455 |
| Notes and accounts receivable (Note 12): | | | |
| Trade | 145,895 | 138,405 | 1,568,088 |
| Installment (Note 3) | 52,945 | 62,062 | 569,060 |
| Lease (Note 11) | 17,363 | 19,778 | 186,616 |
| Allowance for doubtful accounts | (4,692) | (5,405) | (50,436) |
| Inventories (Note 4) | 2,511 | 2,388 | 26,988 |
| Deferred tax assets (Note 10) | 18,710 | 18,017 | 201,098 |
| Prepaid expenses and other current assets | 20,810 | 20,711 | 223,670 |
| Total current assets | 443,200 | 435,709 | 4,763,539 |
| | | | |
| PROPERTY, PLANT AND EQUIPMENT—At cost: | | | |
| Land (Note 6) | 181,480 | 177,761 | 1,950,563 |
| Buildings and structures (Note 6) | 263,633 | 261,077 | 2,833,543 |
| Vehicles | 178,961 | 177,590 | 1,923,485 |
| Leased assets (Note 11) | 16,840 | 15,338 | 180,992 |
| Machinery and equipment | 101,996 | 96,183 | 1,096,262 |
| Construction in progress | 4,009 | 638 | 43,086 |
| Others | 2,907 | 1,627 | 31,247 |
| Total | 749,826 | 730,214 | 8,059,178 |
| Accumulated depreciation | (394,634) | (371,409) | (4,241,548) |
| Net property, plant and equipment | 355,192 | 358,805 | 3,817,630 |
| | | | |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities (Notes 5 and 12) | 21,398 | 18,930 | 229,984 |
| Investments in and advances to non-consolidated subsidiaries and affiliates, net of valuation allowance of ¥406 million (\$4,364 thousand) in 2010 and ¥91 million in 2009 | 5,262 | 731 | 56,559 |
| Long-term loans | 1,515 | 2,014 | 16,286 |
| Lease deposits | 22,800 | 24,617 | 245,060 |
| Deferred tax assets (Note 10) | 15,152 | 15,458 | 162,850 |
| Other assets | 14,122 | 13,342 | 151,787 |
| Total investments and other assets | 80,249 | 75,092 | 862,526 |
| TOTAL | ¥ 878,641 | ¥ 869,606 | \$ 9,443,695 |

See notes to consolidated financial statements.

| LIABILITIES AND EQUITY | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|-----------------|--|
| | 2010 | 2009 | 2010 |
| CURRENT LIABILITIES: | | | |
| Short-term bank loans (Notes 7 and 12) | ¥ 18,847 | ¥ 14,450 | \$ 202,564 |
| Current portion of long-term debt (Notes 7 and 12) | 16,543 | 32,889 | 177,808 |
| Notes and accounts payable (Note 12): | | | |
| Trade | 113,889 | 117,899 | 1,224,084 |
| Construction | 23,301 | 10,432 | 250,437 |
| Income taxes payable | 18,694 | 17,569 | 200,925 |
| Employees' savings deposits | 3,639 | 3,382 | 39,118 |
| Accrued expenses | 55,752 | 52,487 | 599,229 |
| Deferred profit on installment sales (Note 3) | 8,645 | 11,556 | 92,915 |
| Other current liabilities | 18,000 | 15,108 | 193,463 |
| Total current liabilities | 277,310 | 275,772 | 2,980,543 |
| LONG-TERM LIABILITIES: | | | |
| Long-term debt (Notes 7, 12 and 13) | 46,208 | 60,088 | 496,649 |
| Long-term accounts payable | 27 | 15,770 | 286 |
| Liability for employees' retirement benefits (Note 8) | 27,862 | 28,397 | 299,469 |
| Retirement allowances for directors and corporate auditors | 8 | 8 | 85 |
| Deferred tax liabilities (Note 10) | 905 | 573 | 9,730 |
| Other long-term liabilities | 2,848 | 2,739 | 30,606 |
| Total long-term liabilities | 77,858 | 107,575 | 836,825 |
| COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 14) | | | |
| EQUITY (Notes 9 and 17): | | | |
| Common stock—authorized, 1,787,541,000 shares in 2010 and 2009; issued, 468,052,892 shares in 2010 and 457,315,176 shares in 2009 | 127,235 | 120,729 | 1,367,528 |
| Capital surplus | 121,315 | 114,814 | 1,303,905 |
| Retained earnings | 288,408 | 266,035 | 3,099,831 |
| Unrealized gain on available-for-sale securities | 3,197 | 1,552 | 34,358 |
| Foreign currency translation adjustments | (739) | (877) | (7,941) |
| Treasury stock—at cost, 14,282,503 shares in 2010 and 14,227,149 shares in 2009 | (26,506) | (26,438) | (284,886) |
| Total | 512,910 | 475,815 | 5,512,795 |
| Minority interests | 10,563 | 10,444 | 113,532 |
| Total equity | 523,473 | 486,259 | 5,626,327 |
| TOTAL | ¥878,641 | ¥869,606 | \$9,443,695 |

Consolidated Statements of Income

Years Ended March 31, 2010 and 2009

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-------------------|-------------------|--|
| | 2010 | 2009 | 2010 |
| OPERATING REVENUES | ¥1,200,834 | ¥1,251,922 | \$12,906,645 |
| OPERATING COSTS AND EXPENSES: | | | |
| Operating costs | 1,110,971 | 1,167,764 | 11,940,789 |
| Selling, general and administrative expenses | 28,474 | 28,437 | 306,048 |
| Total operating costs and expenses | 1,139,445 | 1,196,201 | 12,246,837 |
| Operating income | 61,389 | 55,721 | 659,808 |
| OTHER (INCOME) EXPENSES: | | | |
| Interest and dividend income | (551) | (859) | (5,918) |
| Interest expense | 697 | 955 | 7,484 |
| Gain on sales of marketable and investment securities | (38) | (128) | (413) |
| Loss on sales of investments in subsidiaries | | 357 | |
| Loss on valuation of investment securities | 265 | 6,209 | 2,841 |
| Loss on valuation of investment in subsidiaries | 61 | | 656 |
| Loss on disposal of property, plant and equipment | 576 | 1,138 | 6,194 |
| Loss on impairment of long-lived assets (Note 6) | 1,794 | 974 | 19,282 |
| Bond issuance costs | 14 | 14 | 152 |
| Provision of allowance for investment loss of a non-consolidated subsidiary | 315 | | 3,386 |
| Other—net | (2,178) | (1,935) | (23,407) |
| Other expenses—net | 955 | 6,725 | 10,257 |
| INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS | 60,434 | 48,996 | 649,551 |
| INCOME TAXES (Note 10): | | | |
| Current | 29,083 | 25,447 | 312,585 |
| Deferred | (987) | (2,098) | (10,611) |
| Total income taxes | 28,096 | 23,349 | 301,974 |
| MINORITY INTERESTS IN NET EARNINGS OF CONSOLIDATED SUBSIDIARIES | 56 | 124 | 604 |
| NET INCOME | ¥ 32,282 | ¥ 25,523 | \$ 346,973 |
| | | | |
| | | | |
| | Yen | | U.S. Dollars |
| | 2010 | 2009 | 2010 |
| PER SHARE OF COMMON STOCK (Notes 2.s and 15): | | | |
| Basic net income | ¥ 71.84 | ¥ 57.60 | \$ 0.77 |
| Diluted net income | 71.16 | 56.45 | 0.76 |
| Cash dividends applicable to the year | 22.00 | 22.00 | 0.24 |

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended March 31, 2010 and 2009

| | Thousands | | | | Millions of Yen | | | | | | |
|--|--|-----------------|-----------------|-------------------|--|---|--|------------------|-----------------|--------------------|-----------------|
| | Outstanding Number of Shares of Common Stock | Common Stock | Capital Surplus | Retained Earnings | Unrealized Gain on Available-for-sale Securities | Deferred Loss on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Treasury Stock | Total | Minority Interests | Total Equity |
| BALANCE, APRIL 1, 2008 | 443,203 | ¥120,725 | ¥114,847 | ¥250,711 | ¥ 5,994 | ¥(63) | ¥ (93) | ¥(26,320) | ¥465,801 | ¥10,183 | ¥475,984 |
| Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2.b) | | | | (4) | | | | | (4) | | (4) |
| Net income | | | | 25,523 | | | | | 25,523 | | 25,523 |
| Cash dividends, ¥23 per share | | | | (10,193) | | | | | (10,193) | | (10,193) |
| Adjustment of retained earnings for changes in the scope of consolidation | | | | (2) | | | | | (2) | | (2) |
| Purchase of treasury stock | (172) | | | | | | | (213) | (213) | | (213) |
| Disposal of treasury stock | 51 | | (36) | | | | | 95 | 59 | | 59 |
| Shares issued on conversion of convertible debt | 6 | 4 | 3 | | | | | | 7 | | 7 |
| Net change in the year | | | | | (4,442) | 63 | (784) | | (5,163) | 261 | (4,902) |
| BALANCE, MARCH 31, 2009 | 443,088 | 120,729 | 114,814 | 266,035 | 1,552 | | (877) | (26,438) | 475,815 | 10,444 | 486,259 |
| Net income | | | | 32,282 | | | | | 32,282 | | 32,282 |
| Cash dividends, ¥22 per share | | | | (9,865) | | | | | (9,865) | | (9,865) |
| Adjustment of retained earnings for changes in the scope of consolidation | | | | (44) | | | | | (44) | | (44) |
| Purchase of treasury stock | (62) | | | | | | | (81) | (81) | | (81) |
| Disposal of treasury stock | 7 | | (5) | | | | | 13 | 8 | | 8 |
| Shares issued on conversion of convertible debt | 10,737 | 6,506 | 6,506 | | | | | | 13,012 | | 13,012 |
| Net change in the year | | | | | 1,645 | | 138 | | 1,783 | 119 | 1,902 |
| BALANCE, MARCH 31, 2010 | 453,770 | ¥127,235 | ¥121,315 | ¥288,408 | ¥ 3,197 | | ¥(739) | ¥(26,506) | ¥512,910 | ¥10,563 | ¥523,473 |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | | | |
|---|------------------------------------|--------------------|--------------------|--|---|--|--------------------|--------------------|--------------------|--------------------|
| | Common Stock | Capital Surplus | Retained Earnings | Unrealized Gain on Available-for-sale Securities | Deferred Loss on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Treasury Stock | Total | Minority Interests | Total Equity |
| BALANCE, MARCH 31, 2009 | \$1,297,601 | \$1,234,033 | \$2,859,362 | \$16,681 | | \$(9,432) | \$(284,156) | \$5,114,089 | \$112,251 | \$5,226,340 |
| Net income | | | 346,973 | | | | | 346,973 | | 346,973 |
| Cash dividends, \$0.24 per share | | | (106,035) | | | | | (106,035) | | (106,035) |
| Adjustment of retained earnings for changes in the scope of consolidation | | | (469) | | | | | (469) | | (469) |
| Purchase of treasury stock | | | | | | | (867) | (867) | | (867) |
| Disposal of treasury stock | | (55) | | | | | 137 | 82 | | 82 |
| Shares issued on conversion of convertible debt | 69,927 | 69,927 | | | | | | 139,854 | | 139,854 |
| Net change in the year | | | | 17,677 | | 1,491 | | 19,168 | 1,281 | 20,449 |
| BALANCE, MARCH 31, 2010 | \$1,367,528 | \$1,303,905 | \$3,099,831 | \$34,358 | | \$(7,941) | \$(284,886) | \$5,512,795 | \$113,532 | \$5,626,327 |

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2010 and 2009

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|-----------|--|
| | 2010 | 2009 | 2010 |
| OPERATING ACTIVITIES: | | | |
| Income before income taxes and minority interests | ¥ 60,434 | ¥ 48,996 | \$ 649,551 |
| Adjustments for: | | | |
| Income taxes—paid | (27,749) | (27,370) | (298,247) |
| Depreciation and amortization | 39,883 | 42,697 | 428,659 |
| Loss on disposal of property, plant and equipment | 576 | 1,138 | 6,194 |
| Loss on impairment of long-lived assets | 1,794 | 974 | 19,282 |
| Gain (loss) on sales of marketable and investment securities | (28) | 229 | (296) |
| Loss on valuation of investment securities | 325 | 6,209 | 3,497 |
| Changes in assets and liabilities, net of effects from newly consolidated subsidiaries: | | | |
| Decrease in notes and accounts receivable | 2,337 | 16,963 | 25,114 |
| Increase (decrease) in inventories | (122) | 782 | (1,313) |
| Decrease in notes and accounts payables | (3,764) | (4,026) | (40,457) |
| Decrease (increase) in liability for employees' retirement benefits | (535) | 1,193 | (5,755) |
| Other—net | 3,913 | (3,322) | 42,061 |
| Total adjustments | 16,630 | 35,467 | 178,739 |
| Net cash provided by operating activities | 77,064 | 84,463 | 828,290 |
| INVESTING ACTIVITIES: | | | |
| Proceeds from sale of property, plant and equipment | 360 | 559 | 3,872 |
| Purchases of property, plant and equipment | (32,387) | (36,986) | (348,100) |
| Proceeds from sales of marketable and investment securities | 61 | 10,158 | 658 |
| Purchases of marketable and investment securities | (10) | (11) | (110) |
| Increase in investments in and advances to non-consolidated subsidiaries and affiliates | (4,590) | (403) | (49,338) |
| Cash collected from long-term loans | 1,289 | 1,384 | 13,858 |
| Cash advanced for long-term loans | (799) | (533) | (8,588) |
| Other | 1,833 | 2,737 | 19,706 |
| Net cash used in investing activities | (34,243) | (23,095) | (368,042) |
| FINANCING ACTIVITIES: | | | |
| Proceeds from short-term bank loans | 91,540 | 114,500 | 983,878 |
| Repayments of short-term loans | (91,827) | (122,784) | (986,968) |
| Proceeds from long-term debt | | 12,000 | |
| Repayments of long-term debt | (18,799) | (22,008) | (202,053) |
| Dividends paid | (9,976) | (10,387) | (107,225) |
| Repurchase of treasury stocks | (73) | (154) | (784) |
| Other | 1,011 | 3 | 10,865 |
| Net cash used in financing activities | (28,124) | (28,830) | (302,287) |
| FOREIGN CURRENCY TRANSLATION | | | |
| ADJUSTMENTS ON CASH AND CASH EQUIVALENTS | 106 | (458) | 1,145 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 14,803 | 32,080 | 159,106 |
| CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR | 63 | 101 | 672 |
| CASH AND CASH EQUIVALENTS DECREASED BY EXCEPTION OF CONSOLIDATED SUBSIDIARIES | (17) | | (182) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 174,502 | 142,321 | 1,875,564 |
| CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.d) | ¥189,351 | ¥ 174,502 | \$2,035,160 |

See notes to consolidated financial statements.

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 Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to 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 2009 consolidated financial statements to conform to the classifications and presentations used in 2010.

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 ¥93.04 to \$1, the approximate rate of exchange at March 31, 2010. 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, 2010 include the accounts of the Company and its 34 significant (32 in 2009) 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.

There were no affiliates accounted for by the equity method in 2010 or 2009.

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

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

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

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008, and adjusted the beginning balance of retained earnings at April 1, 2008 as if accounting standard had been retrospectively applied.

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

The Group also records installment sales receivables, which include principal and fees from customers, after the Group has accepted the relevant contracts which are referred to the Group by participating member stores. Fees from customers and member stores were generally recognized in equal installments over the lives of each respective contract.

d. 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 |
|---------------------------------------|-----------------|----------|------------------------------|
| | 2010 | 2009 | 2010 |
| Cash | ¥189,658 | ¥179,753 | \$2,038,455 |
| Time deposits due beyond three months | | (5,000) | |
| Bank overdraft included in cash | (307) | (251) | (3,295) |
| Cash and cash equivalents | ¥189,351 | ¥174,502 | \$2,035,160 |

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, 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 equity. The Group has no trading securities at March 31, 2010 and 2009, respectively.

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

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

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

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

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

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

h. Long-lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

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

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

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

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

Certain domestic consolidated subsidiary participates in a cooperative welfare pension fund as a substitute for the aforementioned contributory trustee pension plan. The foreign subsidiaries have respective defined contribution retirement plans.

Effective April 1, 2009, the Company applied ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefit (part 3)."

The effect of adoption of the new accounting standard for the year ended March 31, 2010 was no effective.

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 the approval of the shareholders.

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

l. Leases—All finance lease transactions are capitalized to recognize lease assets and lease obligations.

m. Bonuses to Directors—Bonuses to directors were accrued at the year end to which such bonuses were attributable, but they are no longer recognized from this year end.

n. 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.

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

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

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

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

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

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

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

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

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

t. New Accounting Pronouncements

Asset Retirement Obligations—In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, 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 the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

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

This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17 “Accounting Standard for Segment Information Disclosures” and issued ASBJ Guidance No. 20 “Guidance on Accounting Standard for Segment Information Disclosures.” Under the standard and guidance, a company is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.6% and 0.7% of operating revenues in 2010 and 2009, respectively.

Annual maturities of notes and accounts receivable—installment at March 31, 2010 and related amortization of deferred profit on installment sales are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars | |
|---------------------|-----------------|--------------------------------------|---------------------------|--------------------------------------|
| | Receivables | Deferred Profit on Installment Sales | Receivables | Deferred Profit on Installment Sales |
| 2011 | ¥25,623 | ¥4,093 | \$275,393 | \$43,985 |
| 2012 | 15,652 | 2,501 | 168,230 | 26,884 |
| 2013 | 7,304 | 1,251 | 78,509 | 13,450 |
| 2014 | 2,813 | 505 | 30,236 | 5,433 |
| 2015 | 1,153 | 209 | 12,397 | 2,246 |
| 2016 and thereafter | 400 | 86 | 4,295 | 917 |
| Total | ¥52,945 | ¥8,645 | \$569,060 | \$92,915 |

4. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|----------------------------|-----------------|--------|---------------------------|
| | 2010 | 2009 | 2010 |
| Merchandise | ¥ 889 | ¥ 855 | \$ 9,555 |
| Work in process | 778 | 325 | 8,367 |
| Raw materials and supplies | 844 | 1,208 | 9,066 |
| Total | ¥2,511 | ¥2,388 | \$26,988 |

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|----------------------------------|-----------------|---------|---------------------------|
| | 2010 | 2009 | 2010 |
| Non-current: | | | |
| Marketable equity securities | ¥19,536 | ¥16,944 | \$209,977 |
| Non-marketable equity securities | 1,748 | 1,870 | 18,786 |
| Other | 114 | 116 | 1,221 |
| Total | ¥21,398 | ¥18,930 | \$229,984 |

Information regarding each category of the securities classified as available-for-sale at March 31, 2010 and 2009 was as follows:

| | Millions of Yen | | | |
|---------------------------------------|-----------------|------------------|-------------------|------------|
| | 2010 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Available-for-sale: Equity securities | ¥14,874 | ¥4,826 | ¥164 | ¥19,536 |

| | Millions of Yen | | | |
|---------------------------------------|---------------------------|------------------|-------------------|------------|
| | 2009 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Available-for-sale: Equity securities | ¥15,068 | ¥2,560 | ¥684 | ¥16,944 |
| | Thousands of U.S. Dollars | | | |
| | 2010 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Available-for-sale: Equity securities | \$159,867 | \$51,876 | \$1,766 | \$209,977 |

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 was as follows. The similar information for 2010 is disclosed in Note 12.

| March 31, 2009 | Carrying Amount | |
|---------------------------------------|-----------------|--|
| | Millions of Yen | |
| Available-for-sale: Equity securities | ¥1,870 | |

The Proceeds from sales of available-for-sale securities for the year ended March 31, 2009 were ¥10,158 million. Gross realized gains on these sales, computed on the moving average cost basis, were ¥128 million for the year ended March 31, 2009.

The information of available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

| March 31, 2010 | Millions of Yen | | |
|---------------------|---------------------------|----------------|---------------|
| | Proceeds | Realized gains | Realized loss |
| Available-for-sale: | | | |
| Equity securities | ¥52 | ¥38 | ¥11 |
| Other | 21 | | |
| Total | ¥73 | ¥38 | ¥11 |
| March 31, 2010 | Thousands of U.S. Dollars | | |
| | Proceeds | Realized gains | Realized loss |
| Available-for-sale: | | | |
| Equity securities | \$558 | \$413 | \$117 |
| Other | 229 | | |
| Total | \$787 | \$413 | \$117 |

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥325 million (\$3,497 thousand) and ¥5,064 million, respectively.

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2010 and 2009. As a result, the Group recognized an impairment loss of ¥1,794 million (\$19,282 thousand) as other expense for the asset groups of the Sapporo Regional Branch of Yamato Transport Co., Ltd. and another nine regional branches for the year ended March 31, 2010, and ¥974 million as other expense for the asset groups of the Chitose Regional Branch of Yamato Transport Co., Ltd. and another five regional branches for the year ended March 31, 2009, respectively, due to continuous operating losses of those units. 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, relevant buildings were evaluated based on assessed value of fixed assets, and relevant land was evaluated based on posted land prices. In the case where the recoverable amounts were measured at its value in use, the discount rate used for computation of present value of future cash flows was 7.69%.

7. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2010 and 2009 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the bank loans ranged from 0.420% to 1.480% and 0.650% to 8.50% at March 31, 2010 and 2009, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|----------|------------------------------|
| | 2010 | 2009 | 2010 |
| 0.650% to 2.000% loans from a Japanese bank due 2010 to 2014 | ¥ 47,147 | ¥ 65,895 | \$ 506,739 |
| Lease obligations due in December 2016 | 10,604 | 9,019 | 113,978 |
| Unsecured 1.59% bonds due in November 2010 | 5,000 | 5,000 | 53,740 |
| Unsecured 1.2% convertible debentures, convertible into common stock at ¥1,211.80 per share, due in September 2009 | | 13,063 | |
| Total | 62,751 | 92,977 | 674,457 |
| Less current portion | (16,543) | (32,889) | (177,808) |
| Total | ¥ 46,208 | ¥ 60,088 | \$ 496,649 |

Annual maturities of long-term debt at March 31, 2010 were as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|------------------------------|
| 2011 | ¥16,543 | \$177,808 |
| 2012 | 15,808 | 169,903 |
| 2013 | 14,249 | 153,156 |
| 2014 | 15,385 | 165,357 |
| 2015 | 762 | 8,191 |
| 2016 and thereafter | 4 | 42 |
| Total | ¥62,751 | \$674,457 |

8. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of government bonds, 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 not included in aforementioned plans, which are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|------------------------------|-----------------|----------|------------------------------|
| | 2010 | 2009 | 2010 |
| Projected benefit obligation | ¥ 86,631 | ¥ 82,691 | \$ 931,120 |
| Fair value of plan assets | (56,453) | (48,520) | (606,757) |
| Unrecognized actuarial loss | (2,568) | (5,982) | (27,605) |
| Prepaid pension cost | 252 | 208 | 2,711 |
| Net liability | ¥ 27,862 | ¥ 28,397 | \$ 299,469 |

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|----------------------------------|-----------------|---------|------------------------------|
| | 2010 | 2009 | 2010 |
| Service cost | ¥ 4,862 | ¥ 4,718 | \$ 52,256 |
| Interest cost | 1,641 | 1,615 | 17,638 |
| Expected return on plan assets | | (1,127) | |
| Recognized actuarial gain (loss) | (1,943) | 795 | (20,878) |
| Net periodic benefit costs | ¥ 4,560 | ¥ 6,001 | \$ 49,016 |

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

| | 2010 | 2009 |
|---|---------|---------|
| Discount rate | 2.0% | 2.0% |
| Expected rate of return on plan assets | 0.0% | 2.0% |
| Amortization period of prior service cost | 1 year | 1 year |
| Recognition period of actuarial gain/loss | 5 years | 5 years |

9. EQUITY

On and after May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

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

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

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

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

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

c. Treasury Stock

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

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|------------------------------|
| | 2010 | 2009 | 2010 |
| Deferred tax assets: | | | |
| Current: | | | |
| Accrued expenses | ¥ 11,651 | ¥ 10,703 | \$ 125,219 |
| Enterprise tax | 1,755 | 1,691 | 18,866 |
| Allowance for doubtful accounts | 1,277 | 1,643 | 13,727 |
| Legal welfare expense | 1,689 | 1,453 | 18,156 |
| Other | 2,500 | 2,667 | 26,864 |
| Deferred tax assets—current | ¥ 18,872 | ¥ 18,157 | \$ 202,832 |
| Non-current: | | | |
| Liability for employees' retirement benefits | ¥ 11,059 | ¥ 11,278 | \$ 118,861 |
| Investment securities | 1,534 | 3,734 | 16,482 |
| Investment in and advances to non-consolidated subsidiaries and affiliates | 44 | 29 | 469 |
| Loss on devaluation of land | 27,181 | 27,181 | 292,148 |
| Loss on impairment of long-lived assets | 4,118 | 3,663 | 44,265 |
| Loss on devaluation of telephone subscription rights | 615 | 615 | 6,610 |
| Unrealized profit | 1,053 | 898 | 11,320 |
| Other | 6,267 | 3,486 | 67,355 |
| Less valuation allowance | (35,344) | (34,677) | (379,878) |
| Deferred tax assets—non-current | ¥ 16,527 | ¥ 16,207 | \$ 177,632 |
| Deferred tax liabilities: | | | |
| Current—other | ¥ 161 | ¥ 140 | \$ 1,734 |
| Deferred tax liabilities—current | ¥ 161 | ¥ 140 | \$ 1,734 |
| Non-current: | | | |
| Unrealized gain on available-for-sale securities | ¥ 1,544 | ¥ 532 | \$ 16,596 |
| Other | 737 | 789 | 7,916 |
| Deferred tax liabilities—non-current | ¥ 2,281 | ¥ 1,321 | \$ 24,512 |
| Deferred tax assets—net | ¥ 32,957 | ¥ 32,903 | \$ 354,218 |

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 were as follows:

| | 2010 | 2009 |
|-------------------------------------|-------|-------|
| Normal effective statutory tax rate | 40.0% | 40.0% |
| Per capita levy of local taxes | 4.5 | 5.5 |
| Valuation allowance | 1.1 | 1.2 |
| Other—net | 0.9 | 1.0 |
| Actual effective tax rate | 46.5% | 47.7% |

11. LEASES

(1) Lessee

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

The minimum rental commitments under non-cancelable operating leases at March 31, 2010 and 2009 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------|-----------------|-------------|------------------------------|
| | 2010 | 2009 | 2010 |
| Due within one year | ¥ 79 | ¥135 | \$ 846 |
| Due after one year | 130 | 63 | 1,400 |
| Total | ¥209 | ¥198 | \$2,246 |

(2) Lessor

The net investment in lease as of March 31, 2010 and 2009 are summarized as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------------------|-----------------|----------------|------------------------------|
| | 2010 | 2009 | 2010 |
| Gross lease receivables | ¥18,886 | ¥21,674 | \$202,986 |
| Unguaranteed residual values | 1,566 | 1,926 | 16,828 |
| Unearned interest income | (3,089) | (3,822) | (33,198) |
| Investments in lease, current | ¥17,363 | ¥19,778 | \$186,616 |

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

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|------------------------------|
| 2011 | ¥ 6,902 | \$ 74,183 |
| 2012 | 5,737 | 61,663 |
| 2013 | 3,917 | 42,099 |
| 2014 | 1,780 | 19,125 |
| 2015 | 550 | 5,915 |
| 2016 and thereafter | | 1 |
| Total | ¥18,886 | \$202,986 |

The minimum rental commitments under non-cancelable operating leases at March 31, 2010 and 2009 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------|-----------------|-------------|------------------------------|
| | 2010 | 2009 | 2010 |
| Due within one year | ¥219 | ¥ 74 | \$ 2,353 |
| Due after one year | 727 | 275 | 7,815 |
| Total | ¥946 | ¥349 | \$10,168 |

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(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 for 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 are exposed to customer credit risk.

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

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

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

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

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

(3) Fair Values of Financial Instruments

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

Fair values of financial instruments at March 31, 2010 were as follows:

| March 31, 2010 | Millions of Yen | | |
|--------------------------------------|-----------------|------------|------------|
| | Carrying Amount | Fair Value | Difference |
| Cash | ¥189,658 | ¥189,658 | |
| Trade notes and accounts receivable | 145,895 | | |
| Allowance for doubtful accounts | (153) | | |
| | 145,742 | 146,200 | ¥ 458 |
| Installment sales receivable | 52,945 | | |
| Allowance for doubtful accounts | (4,013) | | |
| Deferred profit on installment sales | (8,645) | | |
| | 40,287 | 48,050 | 7,763 |
| Investment securities | 19,536 | 19,536 | |
| Notes and accounts payable | 113,889 | 113,889 | |
| Short-term loans | 26,855 | 26,880 | 25 |
| Long-term loans | 39,139 | 39,300 | 161 |
| Derivatives | | | |

| March 31, 2010 | Thousands of U.S. Dollars | | |
|--------------------------------------|---------------------------|-------------|------------|
| | Carrying Amount | Fair Value | Difference |
| Cash | \$2,038,455 | \$2,038,455 | |
| Trade notes and accounts receivable | 1,568,088 | | |
| Allowance for doubtful accounts | (1,644) | | |
| | 1,566,444 | 1,571,370 | \$ 4,926 |
| Installment sales receivable | 569,060 | | |
| Allowance for doubtful accounts | (43,137) | | |
| Deferred profit on installment sales | (92,915) | | |
| | 433,008 | 516,440 | 83,432 |
| Investment securities | 209,977 | 209,977 | |
| Notes and accounts payable | 1,224,084 | 1,224,084 | |
| Short-term loans | 288,635 | 288,905 | 270 |
| Long-term loans | 420,669 | 422,396 | 1,727 |
| Derivatives | | | |

Cash

The carrying values of cash approximates 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 receivable are determined by discounting the cash flows related to the receivables at the rate of government bonds.

Installment sales receivable

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

Marketable and investment securities

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

Notes and accounts payable

The fair values of payables, which are almost all 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 debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

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

Derivatives

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

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

| March 31, 2010 | Carrying Amount | |
|--|-----------------|---------------------------|
| | Millions of Yen | Thousands of U.S. Dollars |
| Investments in equity instruments that do not have a quoted market price in an active market | ¥7,000 | \$75,240 |

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

| March 31, 2010 | Millions of Yen | | |
|-------------------------------------|-------------------------|---------------------------------------|----------------------|
| | Due in one year or less | Due after one year through five years | Due after five years |
| Cash | ¥189,658 | | |
| Trade notes and accounts receivable | 140,194 | ¥ 5,592 | ¥109 |
| Installment sales receivable | 30,406 | 22,224 | 315 |
| Total | ¥360,258 | ¥27,816 | ¥424 |

| March 31, 2010 | Thousands of U.S.Dollars | | |
|-------------------------------------|--------------------------|---------------------------------------|----------------------|
| | Due in one year or less | Due after one year through five years | Due after five years |
| Cash | \$2,038,455 | | |
| Trade notes and accounts receivable | 1,506,814 | \$ 60,101 | \$ 1,173 |
| Installment sales receivable | 326,804 | 238,871 | 3,385 |
| Total | \$3,872,073 | \$298,972 | \$4,558 |

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

13. DERIVATIVES

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

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

As noted in Note 12, the Group applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, therefore, the required information is disclosed only for 2010.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2010

| At March 31, 2010 | Hedged item | Millions of Yen | | Fair Value |
|---|----------------------|-----------------|------------------------------------|------------|
| | | Contract Amount | Contract Amount due after One Year | |
| Interest rate swaps (fixed rate payment, floating rate receipt) | Long-term bank loans | ¥40,172 | ¥32,848 | * |

| At March 31, 2010 | Hedged item | Thousands of U.S. Dollars | | Fair Value |
|---|----------------------|---------------------------|------------------------------------|------------|
| | | Contract Amount | Contract Amount due after One Year | |
| Interest rate swaps (fixed rate payment, floating rate receipt) | Long-term bank loans | \$431,771 | \$353,052 | * |

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

14. CONTINGENT LIABILITIES

Contingent liabilities for guarantees and items of a similar nature at March 31, 2010 amounted to ¥75 million (\$808 thousand) as guarantees of loans of a non-consolidated subsidiary.

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

| | Millions of Yen | Thousands of Shares | Yen | U.S. Dollars |
|---|-----------------|-------------------------|--------|--------------|
| Year ended March 31, 2010 | Net Income | Weighted-average Shares | EPS | |
| Basic EPS—Net income available to common shareholders | ¥32,282 | 449,334 | ¥71.84 | \$0.77 |
| Effect of dilutive securities—Convertible bonds | 12 | 4,550 | | |
| Diluted EPS—Net income for computation | ¥32,294 | 453,884 | ¥71.16 | \$0.76 |
| Year ended March 31, 2009 | | | | |
| Basic EPS—Net income available to common shareholders | ¥25,523 | 443,140 | ¥57.60 | |
| Effect of dilutive securities—Convertible bonds | 99 | 10,782 | | |
| Diluted EPS—Net income for computation | ¥25,622 | 453,922 | ¥56.45 | |

16. 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, 2010 and 2009 is as follows:

(1) Industry Segments

| | Millions of Yen | | | | | | | | |
|---|-----------------|---------------|------------------|------------|-----------|-------------------|---------|---------------------------|--------------|
| | 2010 | | | | | | | | |
| | Delivery | BIZ-Logistics | Home Convenience | e-Business | Financial | Truck Maintenance | Other | Eliminations or Corporate | Consolidated |
| a. Operating revenues and operating income: | | | | | | | | | |
| Operating revenues to customers | ¥ 966,480 | ¥78,927 | ¥50,351 | ¥32,094 | ¥ 52,659 | ¥16,002 | ¥ 4,321 | | ¥1,200,834 |
| Intersegment operating revenues | 44,230 | 10,863 | 15,630 | 21,351 | 4,300 | 24,051 | 47,574 | ¥(167,999) | |
| Total operating revenues | 1,010,710 | 89,790 | 65,981 | 53,445 | 56,959 | 40,053 | 51,895 | (167,999) | 1,200,834 |
| Operating costs and expenses | 972,639 | 87,133 | 66,682 | 47,429 | 46,699 | 38,404 | 33,261 | (152,802) | 1,139,445 |
| Operating income (loss) | ¥ 38,071 | ¥ 2,657 | ¥ (701) | ¥ 6,016 | ¥ 10,260 | ¥ 1,649 | ¥18,634 | ¥ (15,197) | ¥ 61,389 |
| b. Assets, depreciation and capital expenditures: | | | | | | | | | |
| Assets | ¥ 526,012 | ¥48,764 | ¥21,995 | ¥30,805 | ¥171,490 | ¥19,539 | ¥10,854 | ¥ 49,182 | ¥ 878,641 |
| Depreciation | 31,346 | 1,583 | 1,050 | 2,910 | 1,110 | 902 | 952 | 29 | 39,882 |
| Capital expenditures | 28,747 | 1,820 | 705 | 3,876 | 1,834 | 2,033 | 655 | 30 | 39,700 |

Thousands of U.S. Dollars

| | 2010 | | | | | | | | |
|---|---------------|---------------|------------------|------------|------------|-------------------|------------|---------------------------|---------------|
| | Delivery | BIZ-Logistics | Home Convenience | e-Business | Financial | Truck Maintenance | Other | Eliminations or Corporate | Consolidated |
| a. Operating revenues and operating income: | | | | | | | | | |
| Operating revenues to customers | \$ 10,387,792 | \$ 848,318 | \$ 541,176 | \$ 344,945 | \$ 565,982 | \$ 171,989 | \$ 46,443 | | \$ 12,906,645 |
| Intersegment operating revenues | 475,381 | 116,751 | 167,990 | 229,490 | 46,216 | 258,499 | 511,332 | \$(1,805,659) | |
| Total operating revenues | 10,863,173 | 965,069 | 709,166 | 574,435 | 612,198 | 430,488 | 557,775 | (1,805,659) | 12,906,645 |
| Operating costs and expenses | 10,453,986 | 936,513 | 716,703 | 509,774 | 501,922 | 412,764 | 357,497 | (1,642,322) | 12,246,837 |
| Operating income (loss) | \$ 409,187 | \$ 28,556 | \$ (7,537) | \$ 64,661 | \$ 110,276 | \$ 17,724 | \$ 200,278 | \$ (163,337) | \$ 659,808 |

b. Assets, depreciation and capital expenditures:

| | | | | | | | | | |
|----------------------|--------------|------------|------------|------------|--------------|------------|------------|------------|--------------|
| Assets | \$ 5,653,611 | \$ 524,122 | \$ 236,406 | \$ 331,096 | \$ 1,843,185 | \$ 210,005 | \$ 116,657 | \$ 528,613 | \$ 9,443,695 |
| Depreciation | 336,912 | 17,008 | 11,286 | 31,279 | 11,928 | 9,697 | 10,235 | 314 | 428,659 |
| Capital expenditures | 308,976 | 19,566 | 7,576 | 41,657 | 19,707 | 21,848 | 7,041 | 328 | 426,699 |

Millions of Yen

| | 2009 | | | | | | | | |
|---|-----------|---------------|------------------|------------|-----------|-------------------|----------|---------------------------|--------------|
| | Delivery | BIZ-Logistics | Home Convenience | e-Business | Financial | Truck Maintenance | Other | Eliminations or Corporate | Consolidated |
| a. Operating revenues and operating income: | | | | | | | | | |
| Operating revenues to customers | ¥ 997,898 | ¥ 92,947 | ¥ 53,315 | ¥ 32,273 | ¥ 53,608 | ¥ 17,555 | ¥ 4,326 | | ¥ 1,251,922 |
| Intersegment operating revenues | 42,478 | 11,627 | 16,115 | 20,076 | 3,772 | 25,171 | 50,406 | ¥(169,645) | |
| Total operating revenues | 1,040,376 | 104,574 | 69,430 | 52,349 | 57,380 | 42,726 | 54,732 | (169,645) | 1,251,922 |
| Operating costs and expenses | 1,009,253 | 101,379 | 69,770 | 46,290 | 46,874 | 41,015 | 31,829 | (150,209) | 1,196,201 |
| Operating income(loss) | ¥ 31,123 | ¥ 3,195 | ¥ (340) | ¥ 6,059 | ¥ 10,506 | ¥ 1,711 | ¥ 22,903 | ¥ (19,436) | ¥ 55,721 |

b. Assets, depreciation and capital expenditures:

| | | | | | | | | | |
|----------------------|-----------|----------|----------|----------|-----------|----------|----------|----------|-----------|
| Assets | ¥ 526,645 | ¥ 45,808 | ¥ 24,492 | ¥ 28,159 | ¥ 186,378 | ¥ 16,123 | ¥ 10,491 | ¥ 31,510 | ¥ 869,606 |
| Depreciation | 34,950 | 1,479 | 1,212 | 2,493 | 784 | 692 | 1,062 | 25 | 42,697 |
| Capital expenditures | 33,923 | 2,153 | 627 | 3,824 | 1,912 | 3,099 | 292 | 26 | 45,856 |

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 household effects delivery services
 e-Business: Information services targeted at the business market, including ASP services and the development of information systems
 Financial: Financial services targeted at business customers and consumers, such as settlement and collection
 Truck Maintenance: Vehicle maintenance services and fuel supply targeted at transport companies
 Other: Group support services, shared services centering on arterial transport, and staffing services

(2) Geographic Segments

The geographic segments of the Company and consolidated subsidiaries for the years ended March 31, 2010 and 2009 are summarized as follows:

| | Millions of Yen | | | | | |
|--|-----------------|---------|--------|--------|---------------------------|--------------|
| | 2010 | | | | | |
| | Japan | U.S.A. | Europe | Asia | Eliminations or Corporate | Consolidated |
| Operating revenues and operating income: | | | | | | |
| Operating revenues to customers | ¥1,184,846 | ¥ 8,392 | ¥2,564 | ¥5,032 | | ¥1,200,834 |
| Interarea operating revenues | 4,287 | 3,139 | 1,359 | 3,265 | ¥(12,050) | |
| Total operating revenues | 1,189,133 | 11,531 | 3,923 | 8,297 | (12,050) | 1,200,834 |
| Operating costs and expenses | 1,127,780 | 11,347 | 3,976 | 8,295 | (11,953) | 1,139,445 |
| Operating income (loss) | ¥ 61,353 | ¥ 184 | ¥ (53) | ¥ 2 | ¥ (97) | ¥ 61,389 |
| Assets | ¥ 783,363 | ¥ 2,858 | ¥1,155 | ¥4,607 | ¥ 86,658 | ¥ 878,641 |

| | Thousands of U.S. Dollars | | | | | |
|--|---------------------------|-----------|----------|----------|---------------------------|--------------|
| | 2010 | | | | | |
| | Japan | U.S.A. | Europe | Asia | Eliminations or Corporate | Consolidated |
| Operating revenues and operating income: | | | | | | |
| Operating revenues to customers | \$12,734,805 | \$ 90,204 | \$27,556 | \$54,080 | | \$12,906,645 |
| Interarea operating revenues | 46,074 | 33,740 | 14,608 | 35,093 | \$(129,515) | |
| Total operating revenues | 12,780,879 | 123,944 | 42,164 | 89,173 | (129,515) | 12,906,645 |
| Operating costs and expenses | 12,121,449 | 121,962 | 42,737 | 89,156 | (128,467) | 12,246,837 |
| Operating income (loss) | \$ 659,430 | \$ 1,982 | \$ (573) | \$ 17 | \$ (1,048) | \$ 659,808 |
| Assets | \$ 8,419,635 | \$ 30,720 | \$12,420 | \$49,511 | \$ 931,409 | \$ 9,443,695 |

| | Millions of Yen | | | | | |
|--|-----------------|---------|--------|--------|---------------------------|--------------|
| | 2009 | | | | | |
| | Japan | U.S.A. | Europe | Asia | Eliminations or Corporate | Consolidated |
| Operating revenues and operating income: | | | | | | |
| Operating revenues to customers | ¥1,232,517 | ¥10,672 | ¥2,745 | ¥5,988 | | ¥1,251,922 |
| Interarea operating revenues | 4,794 | 3,848 | 1,747 | 3,361 | ¥(13,750) | |
| Total operating revenues | 1,237,311 | 14,520 | 4,492 | 9,349 | (13,750) | 1,251,922 |
| Operating costs and expenses | 1,181,772 | 14,131 | 4,489 | 9,269 | (13,460) | 1,196,201 |
| Operating income | ¥ 55,539 | ¥ 389 | ¥ 3 | ¥ 80 | ¥ (290) | ¥ 55,721 |
| Assets | ¥ 789,878 | ¥ 2,613 | ¥1,409 | ¥3,000 | ¥ 72,706 | ¥ 869,606 |

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, 2010 and 2009 amounted to ¥17,145 million (\$184,277 thousand) and ¥21,042 million, respectively.

17. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2010 were approved at the Company's board of directors meeting held on May 14, 2010:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|------------------------------|
| Year-end cash dividends, ¥11.00 (\$0.12) per share | ¥4,991 | \$53,649 |

Deloitte.

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

We have audited the accompanying consolidated balance sheets of Yamato Holdings Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamato Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

June 9, 2010

Corporate Data

(As of March 31, 2010)

Head Office

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

Common Stock

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

Stock Exchange Listing

Tokyo Stock Exchange

Transfer Agent and Registrar

Mizuho Trust & Banking Co., Ltd.

Annual Meeting

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

Auditors

Deloitte Touche Tohmatsu LLC
(by Tohmatsu & Co., the Japanese member of
Deloitte Touche Tohmatsu)

Principal Shareholders

| | Percentage of total shares outstanding |
|--|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 6.24% |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 5.56% |
| Mizuho Bank, Ltd. | 3.68% |
| Yamato Employees' Shareholding Association | 3.65% |
| State Street Bank and Trust Company 505223 | 2.96% |
| Nippon Life Insurance Company | 2.84% |
| Meiji Yasuda Life Insurance Company | 2.62% |
| Yamato Trading-Partner Shareholding Association | 2.36% |
| SOMPO JAPAN INSURANCE INC. | 1.39% |
| Japan Trustee Services Bank, Ltd. (Trust Account 9) | 1.36% |
| Total | 32.66% |

Stock Price Range (Tokyo Stock Exchange)

