

Notes to Consolidated Financial Statements

Years Ended March 31, 2005 and 2004

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2004 financial statements to conform to the classifications and presentations used in 2005.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamato Transport Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.39 to \$1, the approximate rate of exchange at March 31, 2005. 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, 2005 include the accounts of the Company and its 43 significant (40 in 2004) 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 2005. Two affiliates were accounted for by the equity method in 2004.

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 allocated to identifiable assets, and the remaining amount is recognized as goodwill and amortized on a straight-line basis over a five-year period, with the exception of minor amounts which are charged or credited to income in the period of acquisition.

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

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

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

The difference between cash and time deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Cash	¥119,694	¥116,913	\$1,114,576
Time deposits	342	119	3,186
Total	120,036	117,032	1,117,762
Time deposits due			
beyond three months	(6)		(63)
Bank overdraft included in cash		(1)	
Cash and cash equivalents	¥120,030	¥117,031	\$1,117,699

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

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

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

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

f. Property, Plant and Equipment (See Note 3, Accounting Change)—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings acquired after April 1, 1998. The depreciation of property, plant and equipment of foreign consolidated subsidiaries is computed on the straight-line method over the estimated useful lives of the assets. The range of useful lives is principally as follows:

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

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

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

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. 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.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2005 by ¥ 4,597 million (\$42,807 thousand).

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

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

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

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

As a result of this transfer, the Company recognized a gain on the decrease from pension obligation with transfer to cash balance plan in the amount of ¥40,470 million for the year ended March 31, 2004.

The Company and certain consolidated subsidiaries revised their retirement benefit regulations on October 1, 2004, and transferred their unfunded retirement benefits plan to the cash balance plan.

As a result of this transfer, the Company recognized a gain on the decrease of its retirement benefit obligation in the amount of ¥14,383 million (\$133,930 thousand) for the year ended March 31, 2005.

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

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

k. 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.

l. 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.

m. 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.

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

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

o. 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.

3. ACCOUNTING CHANGE

Effective April 1, 2004, the Company adopted the declining-balance method of depreciation for equipment used for refrigerated delivery service, which, previously, had been depreciated by the straight-line method.

The effects of this change were to increase depreciation by ¥723 million (\$6,731 thousand) and to decrease income before income taxes and minority interests by ¥723 million (\$6,731 thousand) for the year ended March 31, 2005.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Current:			
Government and corporate bonds	¥ 10	¥ 4,511	\$ 93
Other	101	3,567	937
Total	¥ 111	¥ 8,078	\$ 1,030
Non-current:			
Marketable equity securities	¥14,229	¥13,986	\$132,494
Non-marketable equity securities	1,754	1,509	16,337
Other	7,068	2,173	65,818
Total	¥23,051	¥17,668	\$214,649

Information regarding each category of the securities classified as available-for-sale and held-to-maturity at March 31, 2005 and 2004 was as follows:

	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥7,019	¥7,253	¥43	¥14,229
Other	5,010			5,010
Held-to-maturity	1,004	4		1,008

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

	Thousands of U.S. Dollars			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$65,361	\$67,534	\$401	\$132,494
Other	46,649			46,649
Held-to-maturity	9,350	37		9,387

The majority of available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Available-for-sale:			
Equity securities	¥1,754	¥1,509	\$16,337
Preferred shares	1,000	1,000	9,312

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥440 million (\$4,100 thousand) and ¥3 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥427 million (\$3,975 thousand) and ¥0 million (\$0 thousand), respectively, for the year ended March 31, 2005 and ¥0 million and ¥0 million, respectively, for the year ended March 31, 2004.

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at March 31, 2005 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Held to Maturity	Held to Maturity
Due in one year or less	¥ 111	\$1,030
Due after one year through five years	893	8,320
Total	¥1,004	\$9,350

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2005 and, as a result, recognized an impairment loss of ¥4,597 million (\$42,807 thousand) as other expense for the asset groups of the Saikyo Regional Branch and other five regional branches 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 lands were evaluated based on posted land price.

6. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2005 and 2004 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the bank loans were at 1.375% and ranged from 1% to 6% at March 31, 2005 and 2004, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Unsecured 2.6% bonds due in July 2004		¥ 15,000	
Unsecured 0.8% bonds due in December 2004		2,000	
Unsecured 1.05% bonds due in December 2007	¥ 2,000		\$ 18,624
Unsecured 1.2% convertible debentures, convertible into common stock at ¥1,211.80 per share, due in September 2009	13,421	13,425	124,974
Total	15,421	30,425	143,598
Less current portion		(17,000)	
Total	¥15,421	¥ 13,425	\$143,598

Based on debt assumption agreements with financial institutions, the Company has transferred the debt repayment obligation for certain bonds to such financial institutions and provided such financial institutions with cash for the payment of principal and interest on these bonds. As a result of these transactions, the balance of such bonds has derecognized amounted to ¥25,000 million (\$232,796 thousand) as of March 31, 2005 and 2004 (see Note 11).

Annual maturities of long-term debt at March 31, 2005 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥ 2,000	\$ 18,624
2009	13,421	124,974
Total	¥15,421	\$143,598

At March 31, 2005, land with carrying amount of ¥209 million (\$1,948 thousand) was pledged as collateral for short-term bank loans of ¥37 million (\$344 thousand). Marketable securities and investment securities with a carrying amount of ¥10 million (\$93 thousand) and ¥16 million (\$146 thousand) were deposited as security for dealings at March 31, 2005.

All outstanding convertible debentures of the Company at March 31, 2005, were convertible into 11,075 thousand shares of common stock of the Company. The conversion prices are subject to adjustments to reflect stock splits and certain other events.

The Company has entered into loan commitment agreements amounting to ¥30,000 million (\$279,356 thousand) with financial facilities. The loans receivable outstanding and the unused balances under these credit facilities as of March 31, 2005 amounted to ¥0 million (\$0 thousand) and ¥30,000 million (\$279,356 thousand), respectively.

7. RETIREMENT AND PENSION PLANS

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

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of government bond, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from the consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥ 80,367	¥ 87,154	\$ 748,369
Fair value of plan assets	(45,643)	(40,293)	(425,026)
Unrecognized actuarial loss	(21,712)	(28,616)	(202,179)
Net liability	¥ 13,012	¥ 18,245	\$ 121,164

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥ 4,981	¥ 8,665	\$ 46,385
Interest cost	1,608	2,541	14,968
Expected return on plan assets		(490)	
Recognized actuarial loss	7,110	7,763	66,209
Amortization of prior service cost	(14,383)	(39,674)	(133,930)
Net periodic benefit costs	¥ (684)	¥(21,195)	\$ (6,368)

Assumptions used for the years ended March 31, 2005 and 2004 are set forth as follows:

	2005	2004
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:		
Company	7 years	7 years
Consolidated subsidiaries	5 years	5 years

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code.

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

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

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

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥134,525 million (\$1,252,681 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

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

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40% and 41% for the years ended March 31, 2005 and 2004, respectively.

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

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets:			
Current:			
Accrued expenses	¥11,410	¥10,109	\$106,253
Enterprise tax	1,942	1,501	18,082
Legal welfare expense	1,454	1,187	13,536
Other	1,151	969	10,721
Deferred tax assets—current	¥15,957	¥13,766	\$148,592
Non-current:			
Liability for employees' retirement benefits	¥ 4,901	¥ 6,687	\$ 45,634
Investment securities	2,534	2,542	23,603
Investment in and advances to non-consolidated subsidiaries and affiliates	2,836	2,636	26,406
Loss on impairment of long-lived assets	1,861		17,329
Loss on devaluation of telephone subscription rights	525	475	4,888
Unrealized profit	607	572	5,657
Unrealized gain on available-for-sale securities	(2,884)	(2,789)	(26,857)
Other	200	(12)	1,861
Less valuation allowance	(3,768)	(2,636)	(35,088)
Deferred tax assets—non-current	¥ 6,812	¥ 7,475	\$ 63,433

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2005 and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2005
Normal effective statutory tax rate	40.0%
Per capita levy of local taxes	3.4
Valuation allowance	1.8
Other—net	0.1
Actual effective tax rate	45.3%

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

10. LEASES

Total lease payments under finance lease arrangements that do not transfer ownership of the leased property to the lessee were ¥3,259 million (\$30,350 thousand) and ¥3,252 million for the years ended March 31, 2005 and 2004, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation and obligations under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004 was as follows:

Millions of Yen					
2005					
	Buildings and Structures	Vehicles	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥99	¥180	¥16,768	¥96	¥17,143
Accumulated depreciation	22	132	8,821	40	9,015
Net leased property	¥77	¥ 48	¥ 7,947	¥56	¥ 8,128

Thousands of U.S. Dollars					
2005					
	Buildings and Structures	Vehicles	Machinery and Equipment	Other Assets	Total
Acquisition cost	\$919	\$1,673	\$156,145	\$890	\$159,627
Accumulated depreciation	203	1,227	82,141	371	83,942
Net leased property	\$716	\$ 446	\$ 74,004	\$519	\$ 75,685

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

Obligations under finance leases which included the imputed interest expense portion, and noncancelable operating leases as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2005	2005	2005	2005
	Finance Lease	Operating Lease	Finance Lease	Operating Lease
Due within one year	¥2,636	¥ 88	\$24,548	\$ 818
Due after one year	5,492	124	51,137	1,154
Total	¥8,128	¥212	\$75,685	\$1,972

	Millions of Yen	
	2004	2004
	Finance Lease	Operating Lease
Due within one year	¥3,063	¥456
Due after one year	3,995	92
Total	¥7,058	¥548

11. CONTINGENT LIABILITIES

Contingent liabilities for guarantees and items of a similar nature at March 31, 2005 amounted to ¥214 million (\$1,989 thousand) representing guarantees of loans of an unaffiliated company jointly and severally by the Company and 18 other unaffiliated companies and ¥86 million (\$797 thousand) as guarantees of loans of a non-consolidated subsidiary.

Based on debt assumption agreements with financial institutions, the Company has transferred the debt repayment obligation for certain bonds to such financial institutions. At March 31, 2005, the Company had contingent obligations of ¥25,000 million (\$232,796 thousand) in respect of these bonds.

12. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2005 and 2004 is as follows:

Year Ended March 31, 2005	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥33,735	455,771	¥74.02	\$0.69
Effect of dilutive securities— Convertible bonds	101	11,075		
Diluted EPS—Net income for computation	¥33,836	466,846	¥72.48	\$0.67

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

13. 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, 2005 and 2004 is as follows:

(1) Industry Segments

Millions of Yen							
2005							
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income (loss):							
Operating revenues to customers	¥ 866,752	¥ 110,691	¥ 43,384	¥ 24,432	¥ 26,644		¥1,071,903
Intersegment operating revenues	30,238	10,734	14,971	14,776	6,882	¥ (77,601)	
Total operating revenues	896,990	121,425	58,355	39,208	33,526	(77,601)	1,071,903
Operating costs and expenses	860,723	117,274	58,993	36,299	27,099	(79,688)	1,020,700
Operating income (loss)	¥ 36,267	¥ 4,151	¥ (638)	¥ 2,909	¥ 6,427	¥ 2,087	¥ 51,203

b. Assets, depreciation and capital expenditures:							
Assets	¥ 407,299	¥ 45,682	¥ 16,442	¥ 22,263	¥ 86,163	¥ 98,307	¥ 676,156
Depreciation	28,250	1,012	740	891	6,064	189	37,146
Capital expenditures	26,657	830	458	906	11,632	483	40,966

Thousands of U.S. Dollars							
2005							
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income (loss):							
Operating revenues to customers	\$8,071,067	\$1,030,737	\$403,986	\$227,510	\$248,106		\$9,981,406
Intersegment operating revenues	281,568	99,957	139,411	137,589	64,087	\$(722,612)	
Total operating revenues	8,352,635	1,130,694	543,397	365,099	312,193	(722,612)	9,981,406
Operating costs and expenses	8,014,921	1,092,038	549,337	338,011	252,345	(742,042)	9,504,610
Operating income (loss)	\$ 337,714	\$ 38,656	\$ (5,940)	\$ 27,088	\$ 59,848	\$ 19,430	\$ 476,796

b. Assets, depreciation and capital expenditures:							
Assets	\$3,792,708	\$ 425,381	\$153,111	\$207,313	\$802,335	\$ 915,418	\$6,296,266
Depreciation	263,060	9,426	6,891	8,300	56,463	1,759	345,899
Capital expenditures	248,225	7,733	4,264	8,433	108,319	4,500	381,474

Millions of Yen							
2004							
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:							
Operating revenues to customers	¥ 834,495	¥ 90,236	¥ 42,611	¥ 21,082	¥ 22,920		¥1,011,344
Intersegment operating revenues	22,600	6,400	12,944	13,437	7,680	¥ (63,061)	
Total operating revenues	857,095	96,636	55,555	34,519	30,600	(63,061)	1,011,344
Operating costs and expenses	821,547	93,548	55,545	32,072	24,254	(62,281)	964,685
Operating income	¥ 35,548	¥ 3,088	¥ 10	¥ 2,447	¥ 6,346	¥ (780)	¥ 46,659

b. Assets, depreciation and capital expenditures:							
Assets	¥ 405,577	¥ 39,056	¥ 18,167	¥ 19,308	¥ 52,709	¥ 117,975	¥ 652,792
Depreciation	27,806	1,007	687	850	5,123	190	35,663
Capital expenditures	35,753	678	1,183	857	8,972	144	47,587

Notes: Delivery: Small-parcel delivery services such as *Takkyubin* (door-to-door parcel delivery) and *Kuroneko Mail*
 BIZ-Logistics: Intercompany logistics services, aimed at the B2B supply-chain management market
 Home Convenience: Lifestyle support services intimately connected with the needs of local markets, such as moving and home cleaning services
 e-Business: Information services targeted at the business market, including ASP services and the development of information systems
 Financial: Financial services targeted at business customers and consumers, such as settlement and collection

(2) Geographic Segments

The geographic segments of the Company and consolidated subsidiaries for the years ended March 31, 2005 and 2004 are summarized as follows:

Millions of Yen						
2005						
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues:						
Outside customers	¥1,048,648	¥ 13,925	¥ 3,905	¥ 5,425		¥1,071,903
Interarea	5,128	2,665	1,356	2,256	¥ (11,405)	
Total operating revenues	1,053,776	16,590	5,261	7,681	(11,405)	1,071,903
Operating costs and expenses	1,003,398	16,219	5,135	7,354	(11,406)	1,020,700
Operating income	¥ 50,378	¥ 371	¥ 126	¥ 327	¥ 1	¥ 51,203
Assets	¥ 554,329	¥ 2,853	¥ 1,793	¥ 3,439	¥ 113,742	¥ 676,156

Thousands of U.S. Dollars						
2005						
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues:						
Outside customers	\$9,764,858	\$129,669	\$36,363	\$50,516		\$9,981,406
Interarea	47,751	24,817	12,623	21,008	\$ (106,199)	
Total operating revenues	9,812,609	154,486	48,986	71,524	(106,199)	9,981,406
Operating costs and expenses	9,343,498	151,028	47,810	68,479	(106,205)	9,504,610
Operating income	\$ 469,111	\$ 3,458	\$ 1,176	\$ 3,045	\$ 6	\$ 476,796
Assets	\$5,161,834	\$ 26,564	\$16,693	\$32,023	\$1,059,152	\$6,296,266

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

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, 2005 and 2004 amounted to ¥26,201 million (\$243,982 thousand) and ¥22,831 million, respectively.

14. SUBSEQUENT EVENTS

a. Shares purchase

In order to offer new settlement service, the Company acquired shares of new subsidiaries.

(1) On April 1, 2005, the Company acquired 589,400 shares of Fine Credit Co., Ltd. for ¥5,589 million (\$52,047 thousand). As a result, the Company owns 70.0% of issued shares of Fine Credit Co., Ltd.

Financial information of Fine Credit Co., Ltd. for the year ended March 31, 2004 is as follows:

Operating revenues:	¥13,259 million (\$123,464 thousand)
Ordinary profit:	¥1,125 million (\$10,477 thousand)
Net income:	¥567 million (\$5,284 thousand)
Common stock:	¥500 million (\$4,656 thousand)
Assets:	¥140,822 million (\$1,311,310 thousand)

(2) On April 1, 2005, the Company acquired 68,000 shares of World Computer Center Co., Ltd. for ¥61 million (\$573 thousand). As a result, the Company owns 85.0% of issued shares of World Computer Center Co., Ltd. Financial information of World Computer Center Co., Ltd. for the year ended June 30, 2004 is as follows:

Operating revenues:	¥1,338 million (\$12,455 thousand)
Ordinary profit:	¥1 million (\$8 thousand)
Net loss:	¥22 million (\$203 thousand)
Common stock:	¥40 million (\$372 thousand)
Assets:	¥353 million (\$3,290 thousand)

b. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2005 were approved at the Company's shareholders meeting held on June 29, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.00 (\$0.08) per share	¥4,051	\$37,723
Bonuses to directors and corporate auditors	58	540