1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

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

u. New Accounting Pronouncements

Auditing Treatment concerning Depreciation**—**In February 2012, Japanese Institute of Certified Public Accountants issued Revision of Auditing and Assurance Practice Committee Statement No. 81, "Auditing Treatment concerning Depreciation" in accordance with the new tax laws enacted in Japan in December 2011 which changed the depreciation rate used for declining-balance method.

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

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

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

3. NOTES AND ACCOUNTS RECEIVABLE

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

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

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

4. INVENTORIES

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

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

5. MARKETABLE AND INVESTMENT SECURITIES

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

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

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

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

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

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

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

	Millions of Yen		
March 31, 2012	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥–**	**¥–**	**¥–**
Other	**9**		
Total	**¥9**	**¥–**	**¥–**
March 31, 2011			
Available-for-sale:			
Equity securities	¥1	¥–	¥–
Other			
Total	¥1	¥–	¥–

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

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

6. BANK LOANS AND LONG-TERM DEBT

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

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

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

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

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

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

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

7. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees.

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

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

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

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

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

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

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

8. ASSET RETIREMENT OBLIGATIONS

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

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

9. EQUITY

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

a. Dividends

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

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

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

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

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

c. Treasury Stock

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

10. INCOME TAXES

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

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

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

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

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

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

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

11. LEASES

(1) Lessee

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

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

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

(2) Lessor

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

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

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

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

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

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

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

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

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

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

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

(3) Fair Values of Financial Instruments

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

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

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

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

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

Cash and cash equivalents

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

Trade notes and accounts receivable

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

Installment sales receivable

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

Marketable and investment securities

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

Notes and accounts payable

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

Short-term loans and long-term loans

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

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

Derivatives

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

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

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

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

	Millions of Yen		
March 31, 2012	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	**¥209,179**		
Trade notes and accounts receivable	**151,663**	**¥ 6,463**	**¥ 49**
Installment sales receivable	**19,886**	**15,310**	**343**
Total	**¥380,728**	**¥21,773**	**¥392**
March 31, 2011			
Cash and cash equivalents	¥209,178		
Trade notes and accounts receivable	136,018	¥ 6,004	¥ 74
Installment sales receivable	23,429	17,480	242
Total	¥368,625	¥23,484	¥316

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

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

13. DERIVATIVES

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

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

Derivative Transactions to Which Hedge Accounting Is Applied

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

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

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

14. COMPREHENSIVE INCOME

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

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

15. NET INCOME PER SHARE

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

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

16. SEGMENT INFORMATION

(1) Description of Reportable Segments

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

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

The Group defines the reporting segments as follows:

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

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

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

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

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

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

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

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

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

Reconciliations are as follows:

(1) Reconciliations of segment income at March 31, 2012 and 2011, by ¥8,965 million ($109,078 thousand) and ¥17,955 million, respectively, are intersegment eliminations.

(2) Reconciliations of segment assets at March 31, 2012 and 2011, by ¥46,669 million ($567,816 thousand) and ¥50,387 million, respectively, includes intersegment eliminations by ¥119,764 million ($1,457,156 thousand) and ¥114,765 million, and corporate assets which are not allocated to each reporting segments by ¥166,433 million ($2,024,972 thousand) and ¥165,152 million, respectively.

(3) Reconciliations of increase of tangible and intangible fixed assets at March 31, 2012 and 2011 by ¥2,663 million ($32,394 thousand) and ¥230 million, respectively, are the Company's capital investment.

Segment income is reconciled with the consolidated statements of income.

[Related Information about Reporting Segments]

(1) Information about products and services

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

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

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

(2) Information about geographical areas

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

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

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

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

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

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

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

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

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

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

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

17. SUBSEQUENT EVENT

Appropriations of Retained Earnings

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

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