



YAMATO HOLDINGS CO., LTD.

New Era of Growth Potential
Value-Networking

Annual Report 2013

For the year ended March 31, 2013

Profile

The Yamato Group consists of Yamato Holdings Co., Ltd. (“the Company”), 44 subsidiaries and 3 affiliated companies. It is primarily involved in six business segments: Delivery, BIZ-Logistics, Home Convenience, e-Business, Financial, and Truck Maintenance*¹, 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 *TA-Q-BIN**² 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.

*1 The segment name of Truck Maintenance was changed to Autoworks starting with the fiscal year ending March 31, 2014.

*2 *TA-Q-BIN* is the name in English for “*Takkyubin*,” the Yamato Group’s core small parcel delivery service.



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.

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To Our Shareholders

The Yamato Group is striving concertedly to materialize its management philosophy, which is to help enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles and developing an innovative logistics system.

It was to this end that our long-term DAN-TOTSU Management Plan 2019 was formulated in January 2011.

We are endeavoring to become Asia's No. 1 solution provider in distribution and lifestyle support by fiscal 2020, when we will celebrate our 100th anniversary.

This long-term plan consists of three successive medium-term management plans. The first is the DAN-TOTSU Three-Year Plan HOP (covering fiscal 2012 through fiscal 2014). The second is DAN-TOTSU Three-Year Plan STEP (fiscal 2015 through fiscal 2017). The third is DAN-TOTSU Three-Year Plan JUMP (fiscal 2018 through fiscal 2020).

The past fiscal year (fiscal 2013) was the second year of DAN-TOTSU Three-Year Plan HOP, meaning fiscal 2014 will bring the curtain down on the first of our three successive medium-term management plans.

In fiscal 2013, the business environment in Japan saw positive factors such as a reversal of the strong yen trend and rise in stock prices from December 2012 on the back of anticipation of the new administration of Prime Minister Shinzō Abe and its growth strategies for reviving the economy. On the other hand, the economic outlook continued to be clouded with uncertainty due to factors such as concerns about a resurgence of the debt crisis in Europe.

Under this operating climate, the Yamato Group responded to ever-evolving customer needs by further enhancing the *TA-Q-BIN* and other existing businesses, while developing new business lines by comprehensively leveraging



left

Kaoru Seto

Kaoru Seto
Representative Director and
Chairman

right

M. Kigawa

Makoto Kigawa
Representative Director,
President and Executive Officer

Group management resources.

In the existing Delivery Business, *Kuroneko Mail* handling volume declined owing to stricter policies on parcel acceptance that emphasize compliance, and stiffer competition.

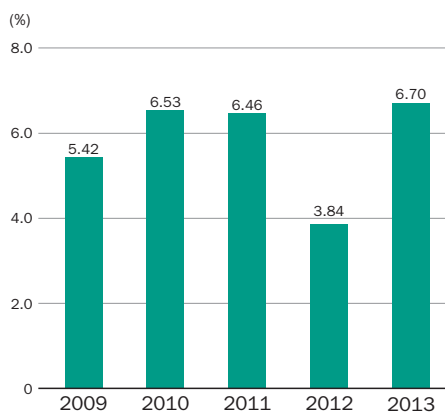
In our mainstay *TA-Q-BIN* service, we organically integrated a pioneering consumer-centric strategy of differentiation with non-delivery businesses to successfully expand our solution business. This enabled us to capture package delivery demand in the growing mail-order market.

In terms of new businesses, one business we launched in an increasingly borderless world was next-day document delivery to locations covered by our overseas *TA-Q-BIN* business. This service draws on our logistics hub capabilities in Okinawa. This is the first step toward building an integrated transportation service in Asia.

As a result of these factors, operating revenues rose 1.7% year on year in fiscal 2013, to ¥1,282,374 million. However, operating income was down 0.7%, to ¥66,203 million.

	Millions of Yen					Change	
	FY09/3	FY10/3	FY11/3	FY12/3	FY13/3	Increase/ Decrease	YoY(%)
Operating revenues							
Delivery	¥ 997,898	¥ 966,480	¥ 995,651	¥1,014,564	¥1,028,219	¥13,655	1.3
Non-Delivery	254,024	234,354	240,869	246,269	254,155	7,886	3.2
Total	1,251,922	1,200,834	1,236,520	1,260,833	1,282,374	21,541	1.7
Operating income	55,721	61,389	64,314	66,651	66,203	(448)	(0.7)
(Operating margin)	4.5%	5.1%	5.2%	5.3%	5.2%	-	-
Net income	25,523	32,282	33,208	19,787	35,144	15,357	77.6
(Net margin)	2.0%	2.7%	2.7%	1.6%	2.7%	-	-

Return on Equity



ROE improved steadily to 6.7%, one factor being a share buyback of approximately ¥10.0 billion in February 2013.

We intend to continue managing the Company with an eye on growth in order to continue to be the logistics partner chosen and trusted by customers.

We ask our shareholders for your ongoing encouragement and support.

August 2013

Performance Highlights

For the year ended March 31, 2013

	Millions of Yen						Thousands of U.S. Dollars ^(Note)
	2013	2012	2011	2010	2009	2008	2013
Operating revenues	¥1,282,374	¥1,260,833	¥1,236,520	¥1,200,834	¥1,251,922	¥1,225,974	\$13,635,020
Delivery	1,028,219	1,014,564	995,651	966,480	997,898	981,142	10,932,686
Non-Delivery	254,155	246,269	240,869	234,354	254,024	244,832	2,702,334
Operating costs	1,181,834	1,163,777	1,143,006	1,110,971	1,167,764	1,129,008	12,566,016
Selling, general and administrative expenses	34,337	30,405	29,200	28,474	28,437	28,786	365,093
Operating income	66,203	66,651	64,314	61,389	55,721	68,180	703,911
Delivery	42,123	41,199	40,844	38,345	31,344	40,350	447,880
Non-Delivery	24,080	25,452	23,470	23,044	24,376	27,830	256,031
Income before income taxes and minority interests	64,284	45,817	61,836	60,434	48,996	67,596	683,504
Income taxes	29,563	26,059	28,491	28,096	23,349	31,447	314,325
Net income	35,144	19,787	33,208	32,282	25,523	35,353	373,679

Per share of common stock:	Yen						U.S. Dollars ^(Note)
Basic net income	¥ 81.85	¥ 46.00	¥ 73.42	¥ 71.84	¥ 57.60	¥ 79.80	\$ 0.87
Diluted net income	79.84	44.87	73.30	71.16	56.45	78.12	0.85
Cash dividends	23.00	22.00	22.00	22.00	22.00	22.00	0.24
Net assets per share	1,261.35	1,197.26	1,173.60	1,130.33	1,073.86	1,050.99	13.41

	Millions of Yen						Thousands of U.S. Dollars ^(Note)
Working capital	¥ 186,868	¥ 182,111	¥ 185,922	¥ 165,890	¥ 159,937	¥ 125,355	\$ 1,986,902
Total shareholders' equity	534,451	514,996	515,602	512,910	475,815	465,801	5,682,629
Total assets	950,153	919,295	899,363	878,641	869,606	874,219	10,102,635
Capital expenditures	48,052	48,615	52,472	39,700	45,856	124,832	510,922
Depreciation and amortization	37,936	38,682	39,583	39,883	42,697	44,772	403,355
Net cash provided by operating activities	73,950	71,843	87,899	77,064	84,463	116,896	786,283
Operating income margin (%)	5.16	5.29	5.20	5.11	4.45	5.56	–
Net margin (%)	2.74	1.57	2.69	2.69	2.04	2.88	–
Return on assets (%)	3.76	2.18	3.74	3.69	2.93	4.15	–
Return on equity (%)	6.70	3.84	6.46	6.53	5.42	7.76	–
Current ratio (%)	162.39	164.50	170.34	159.82	158.00	144.89	–
Shareholders' equity ratio (%)	56.25	56.02	57.33	58.38	54.72	53.28	–
Assets turnover (Times)	1.37	1.39	1.39	1.37	1.44	1.44	–
Interest coverage ratio (Times)	108.36	90.52	73.71	88.35	58.57	223.00	–
Number of employees	177,108	177,301	171,642	167,555	170,662	169,836	–
Full-time	84,422	84,293	83,427	82,395	82,601	80,843	–
Part-time	92,686	93,008	88,215	85,160	88,061	88,993	–
TA-Q-BIN delivery volume (Millions of parcels)	1,487	1,423	1,348	1,262	1,232	1,236	–
Unit price (Yen)	591	600	609	624	646	644	–
Kuroneko Mail handling volume (Millions of units)	2,112	2,187	2,312	2,262	2,231	2,206	–
Unit price (Yen)	61	62	64	65	65	64	–

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥94.05 to U.S.\$1.

A Message from the President



In this annual report, I would like to explain the Yamato Group's medium-term strategies in line with the following four themes.

The Four Themes

1. The Yamato Group's Vision
2. Our Unique Competitive Advantages
3. Tackling the Challenges of a Growing E-Commerce Market
4. Fiscal 2014 Forecasts and Shareholder Returns

Makoto Kigawa

Representative Director,
President and Executive Officer

1. The Yamato Group's Vision

Through its network innovations, the Yamato Group will develop logistics as a means for generating value. By reforming logistics, we will launch a *value networking concept* that contributes to growth strategies in Japan's economy.

Seeking to Become Asia's No. 1 Solution Provider in Distribution and Lifestyle Support

In fiscal 2014, the final year of DAN-TOTSU Three-Year Plan HOP, we aim to link regional economic zones and fully harness the unparalleled transportation speed of three logistics terminals. These are the *Atsugi Gateway*, *Haneda Chronogate*, and the *Okinawa International Logistics Hub*.

We will seamlessly integrate the overwhelming speed of these three facilities with the strength of our "last mile" network, which covers Japan and Asia, and our proprietary information technology (IT), logistics technology (LT), and financial settlement technology (FT), to launch new solutions that dramatically improve logistics speed, costs, and quality.

Through our network innovations, we will develop logistics as a means for generating value. By reforming logistics, we will launch a *value networking concept* that contributes to growth strategies in Japan's economy, thereby becoming Asia's No. 1 solution provider in distribution and lifestyle support.

Value Networking Concept

In an increasingly borderless age, boosting international competitiveness by reducing costs is a key ongoing challenge for world-class Japanese manufacturers and companies in primary industries. However, they have already reached the limits to which they can trim production and personnel expenses.

But there is still great scope to lower costs in the logistics domain, our core business. The Yamato Group believes that there are four issues that it can help resolve.

The first issue is that in the retail sector logistics costs are tending to rise as companies look to handle many small orders and cut lead times to avoid losing sales opportunities amid stiffer competition with major e-commerce businesses.

The second is that logistics costs remain high at manufacturers, who have reached the limits to which they can lower production costs, because they have left everything up to logistics companies after shipment.

The third issue is that advancing globalization and borderlessness have resulted in increasing dispersion and complexity with respect to the locations of suppliers and production sites, meaning that overall logistics, including inventory volume management, has not been optimized.

Finally, since the Great East Japan Earthquake of March 2011, there has been a growing need among manufacturers, retailers, and other companies regardless of industry or size to control risks by dispersing inventory from a business continuity planning (BCP) perspective.

The Yamato Group aims to resolve these issues by seamlessly integrating the overwhelming speed of three facilities with our “last mile” network, which covers Japan and Asia and our proprietary IT, LT, and FT, to launch new solutions that dramatically improve logistics speed, costs, and quality.

Specifically, we will leverage the five engines below to attain greater speed, lower costs, and higher quality, and reduce overall inventory volumes so we can reform logistics and contribute to Japan’s growth strategies.

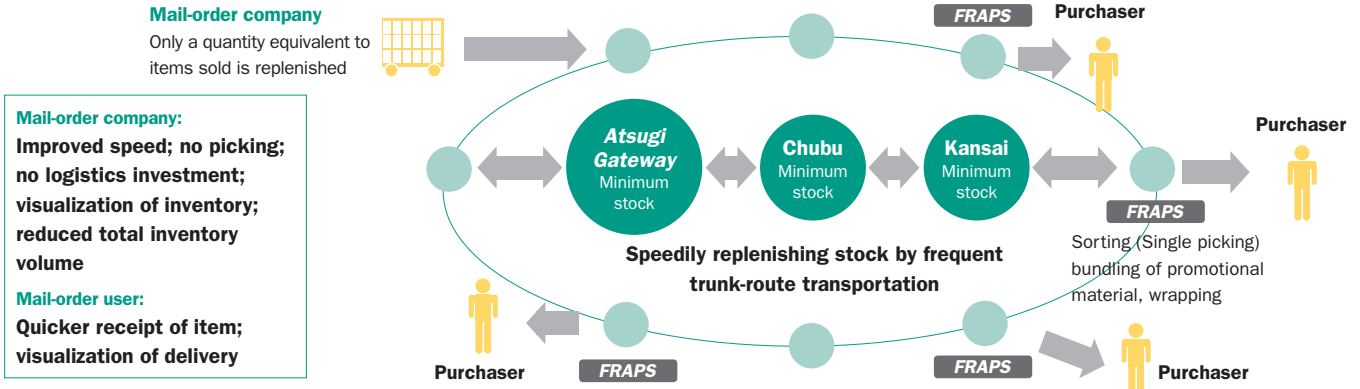
The Five Engines of Value Networking

- (1) Non-stop logistics to add value by swiftly networking operations. This will be made possible by launching full-fledged operations at *Haneda Chronogate*, *Atsugi Gateway*, and the *Okinawa International Logistics Hub*—multifunctional super-hubs that integrate speed and high value-added capabilities.
- (2) Cloud-based networking regardless of shipping location, shipment type and shipment volume through *FRAPS**, which uses a network to swiftly and accurately ensure delivery to multiple locations by optimizing the collection of goods.
- (3) The world’s first network for the integrated global delivery of refrigerated packages through the launch of *International Cool TA-Q-BIN*.
- (4) Visualization of logistics by both senders and receivers through seamless digital informatization from shipment through arrival.
- (5) Demand chain perspective innovations that satisfy needs of purchasers and suppliers.

*FRAPS is an acronym for the *Free Rack Auto Pick System*, a cloud-based setup that can use “last mile” networks. This picking system uses proprietary flow-through racks. As the racks move along, items are sorted and cross-merged on the network, reducing overall inventory by enhancing flow speeds and visualizing inventory volumes and flows.

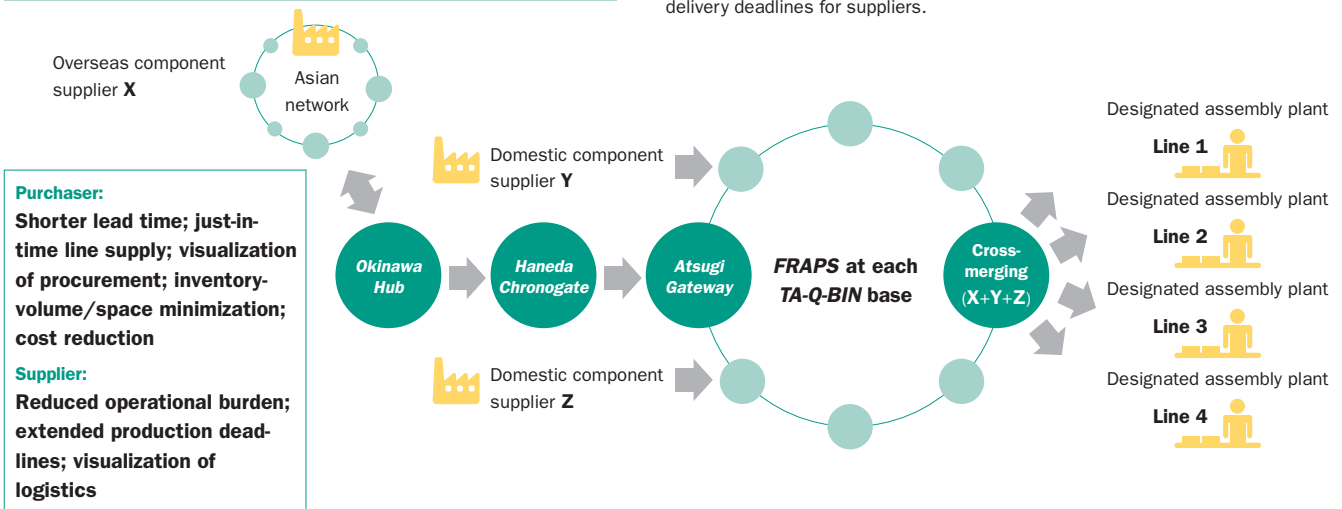
Example of “Logistics Reform” For Mail-Order Industry
Speedy Mail-Order Delivery
by Dispersed Warehousing

The Yamato Group offers fast delivery times as quick as four hours, with the minimum stock inventory dispersed close to the principal markets. As only a quantity equivalent to items sold is speedily replenished, an improved level of service is realized without increases in cost or inventory volume.



Example of “Logistics Reform” For Machine Builders
Component Procurement from Multiple Suppliers

The Yamato Group provides a service for just-in-time bulk procurement from suppliers dispersed throughout Japan and Asia to factory lines. This service shortens the procurement lead time, reduces inventory, and extends delivery deadlines for suppliers.



We will harness these five engines to pursue logistics structure innovations extending from suppliers and manufacturers to end-users and retail stores.

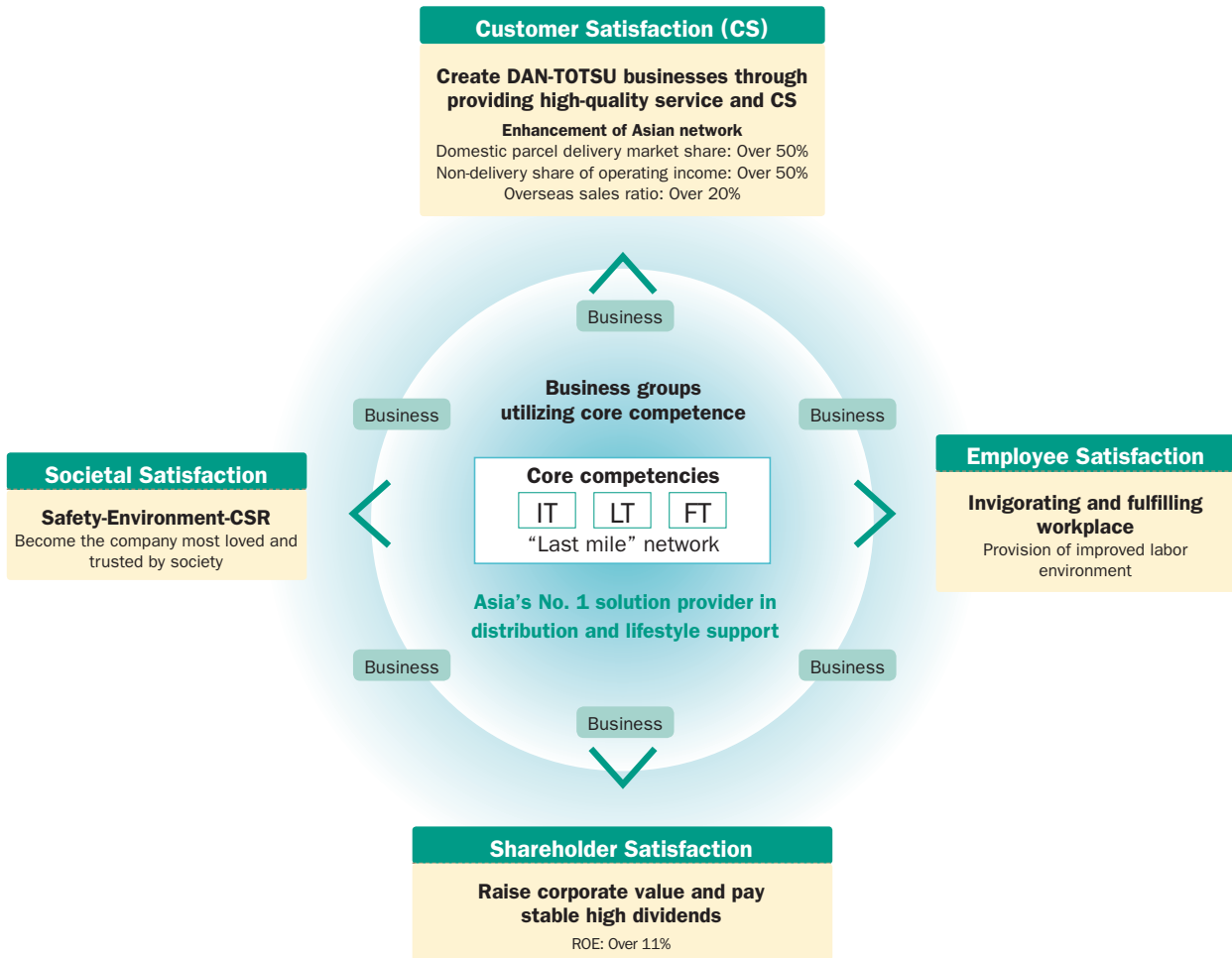
To illustrate specific current and future initiatives, we present two business model examples above.

Establishing Platforms to Revitalize Communities and Provide Lifetime Lifestyle Support

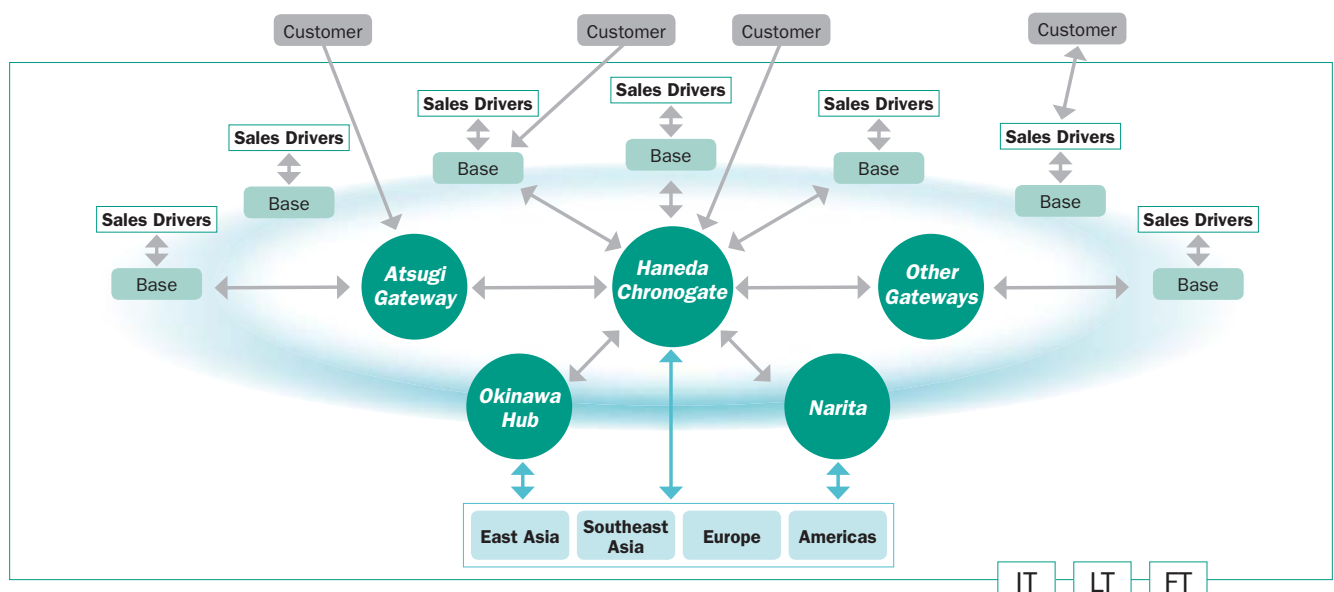
Another key element in our drive to become Asia’s No. 1 solution provider in distribution and lifestyle support is establishing *platforms to revitalize communities and provide lifetime lifestyle support*.

Japan’s socioeconomic structure, values, and lifestyles are changing due to trends such as population aging, rural depopulation and greater social advancement by women. The Yamato Group is therefore forming partnerships with the government, local public bodies and other companies to establish platforms for revitalizing communities and providing *lifetime lifestyle support platforms* closely tied to local communities and lifestyles.

Yamato Group Concept Map Ahead of 100th Anniversary



Overall Image of Value-Networking Design



For example, we offer the *Magokoro TA-Q-BIN* service through a tie-up with the Iwate Prefectural Council of Social Welfare. The service combines checking on the wellbeing of the elderly and daily package deliveries. In another example, we collaborated with Tottori Prefecture to jointly open the *Sanin Ryutsu Trinity Center*, which is helping promote local industry and job creation.

Over the years, the Yamato Group has built its business through close ties with the lifestyles of individuals and communities. It is essential for us to co-exist with society so that we can continue to generate sustainable corporate value. We believe that it is important to balance the optimization of economic returns and the maximization of social contributions.

From this perspective, we are refining our past approach to CSR, deploying regional revitalization measures and providing lifetime lifestyle support through our core businesses based on a Creating Shared Value concept to help create an affluent society.

2. Our Unique Competitive Advantages

We will pursue sustainable growth by combining the unique strengths of our “last mile” network covering Japan and Asia and our non-delivery businesses, which maintain high profitability, to enhance added value.

The Yamato Group has several unique competitive advantages.

The following three elements are the cornerstones to the Yamato Group attaining sustainable growth.

1. A network extending the “last mile” in the Delivery Business
2. Enhancing added value by combining services with non-delivery businesses
3. Building our Asian *TA-Q-BIN* network

A Network Extending the “Last Mile” in the Delivery Business

The *TA-Q-BIN* business, which started as a consumer-to-consumer (C2C) delivery service, has been operating for 37 years since its launch in 1976.

We have run that service steadily from the outset through pioneering efforts to become as close as possible to our customers by operating from their perspective.

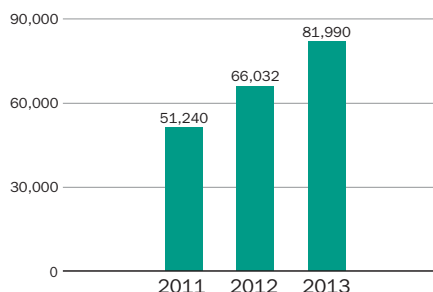
As with electricity and water supplies, the “last mile” of our network has become essential to the lifestyles of end-users.

In the fiscal year ended March 31, 2013, our approximately 3,900 direct retail stores around Japan employed about 54,000 sales drivers. We maintained the No. 1 industry share in terms of delivery volumes as a result of our high-quality transportation and high value-added services.

The brand strength stemming from the Yamato Group’s *TA-Q-BIN* services and great customer trust in its quality are tremendous assets of the Group.

Delivery Volume (Including Taiwan)

(Parcels)



Enhancing Added Value by Combining Services with Non-delivery Businesses

The Yamato Group adopted a pure holding company structure in November 2005.

We took advantage of that transition to reduce our reliance on *TA-Q-BIN* and other Delivery Business services by organically linking resources with non-delivery businesses. These non-delivery businesses are the BIZ-Logistics, Home Convenience, e-Business, Financial and Truck Maintenance business segments. In this way, we are developing and deploying new business models, accelerating strategies to increase the earnings power of the entire Group.

Regarding the logistics reforms mentioned earlier, seamlessly integrating such non-delivery businesses as IT and FT with the “last mile” networks of our Delivery Business will empower us to provide new solutions that dramatically improve logistics speed, costs, and quality.

Building Our Asian *TA-Q-BIN* Network

We launched Asian *TA-Q-BIN* services in 2000, expanding our business by providing know-how to Taiwan’s Uni-President Enterprises Corp.

In January 2010, we took advantage of the economic growth potential of Asia by launching our own businesses in the region, starting with Shanghai and Singapore.

In the fiscal year ended March 31, 2013, we also developed businesses in Hong Kong and Malaysia, in addition to Shanghai and Singapore. Demand for delivery services is steadily rising in these locations.

Only a handful of companies anywhere have “last mile” networks in Asia.

We plan to engage in borderless logistics by reinforcing operations in countries in which we already do business while reinforcing internationally integrated transportation services that link countries and regions.

Our first step toward building an internationally integrated transportation services structure in Asia was in November 2012, when we used our *Okinawa International Logistics Hub* to launch a next-day delivery service of documents to Shanghai, Singapore, Hong Kong, and Malaysia, where we have *TA-Q-BIN* capabilities. In May 2013, we extended next-day deliveries to include small parcels.

Our Asian *TA-Q-BIN* network will likely play an important role as we roll out international *Cool TA-Q-BIN* services and build a global supply chain.

3. Tackling the Challenges of a Growing E-Commerce Market

The Yamato Group has successfully expanded its solutions business, by organically combining consumer-driven differentiation strategies, which it pioneered and has continued to rigorously deploy, with its non-delivery businesses. And as a result we have quickly increased our presence in the growing e-commerce market.

The prime driver of the express home delivery market in Japan is expansion in the B2C segment, particularly mail-order customers. This trend should continue.

In fiscal 2013, *TA-Q-BIN* delivery volume increased 4.5% from a year earlier. As of the start of fiscal 2014, we project 8.6% growth for the year.

The e-commerce market has expanded on the strength of enabling people to buy quality products at reasonable prices from the comfort of their homes, in what amounts to a change in lifestyles. *TA-Q-BIN* services have underpinned the expansion of this market.

Since initiating *TA-Q-BIN* services, the Yamato Group has remained true to its pioneering commitment to becoming as close as possible to customers by operating from their perspective and continuing to deploy its differentiation strategies while succeeding with its solutions proposals. As a result, we have quickly increased our presence in the e-commerce market.

We draw on our 54,000 sales drivers, approximately 3,900 direct retail stores, and the channel diversity of our roughly 250,000 express agencies around Japan, including convenience stores, to offer uncompromising delivery quality, information and tracking management, and payment and settlement systems. These and other resources comprehensively support e-commerce companies and consumers alike, giving us large first-mover advantages in the e-commerce market.

We are endeavoring to enhance delivery quality and labor productivity by building a team-based structure that covers part-time employees and sales drivers to concurrently deliver parcels during times when customers are most likely to be home.

These efforts have enabled us to constrain additional cost pressures even as the number of packages in the e-commerce market increases.

We also offer solutions that satisfy the needs of mail-order businesses that are seeing logistics costs rise as they try to handle many small orders more quickly to avoid losing sales opportunities.

For example, we can ensure speedy deliveries through our *Today Shopping Service*, which can deliver goods in as quick as four hours after an order, and our *Distributed Inventory-based Fast Direct Sales* service quickly delivers orders and swiftly replenishes products sold, preventing costs and inventory volumes from increasing. This is achieved by maintaining minimal inventories near key markets.

We therefore satisfy the needs of both senders and recipients. In other words, we have organically integrated a pioneering consumer-centric strategy of differentiation with non-delivery businesses to successfully expand our solution business. This has enabled us to capture package delivery demand in the growing mail-order market.

The Yamato Group is thus perfectly placed to do well in an e-commerce market that should steadily expand in the years ahead.

4. Fiscal 2014 Forecasts and Shareholder Returns

Our basic shareholder policy is to try to increase total returns through a combination of dividends and share buybacks.

In fiscal 2014, the final year of DAN-TOTSU Three-Year Plan HOP, in the domestic market we aim to continue creating new businesses and leverage Group collaboration to engage in proposal-based sales, while supplying services closely tied to communities.

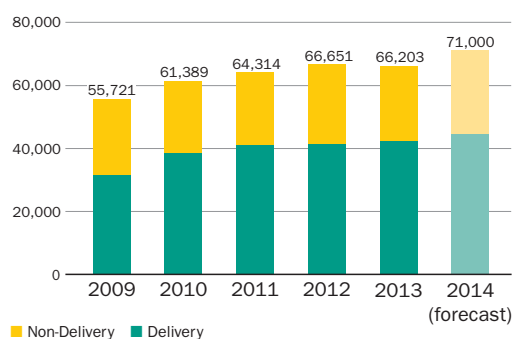
In overseas markets, we will reinforce management in locations that our *TA-Q-BIN* business covers. In addition, we will engage in borderless logistics in Asia by bolstering our internationally integrated transportation services structure.

We will link our strategies in the domestic and overseas markets to build a network that accelerates our long-term growth strategies. This will be achieved by completing the *Atsugi Gateway* and *Haneda Chronogate* and fully operating our *Okinawa International Logistics Hub*.

For fiscal 2014, we forecast that consolidated operating revenues will increase 4.9% year on year to ¥1,345.0 billion. Operating income is projected to rise 7.2% to ¥71.0 billion, while net income is forecast to increase 15.2% to ¥40.5 billion. We expect to increase capital investment 70.5% to ¥90.0 billion, as we look to deliver record-setting performance.

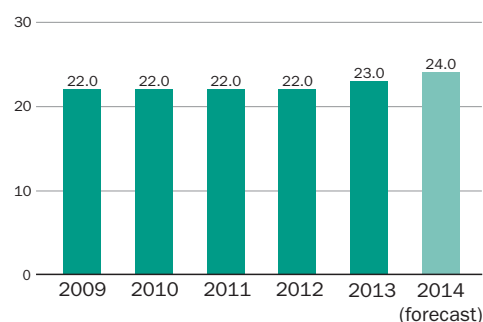
Operating Income

(Millions of Yen)



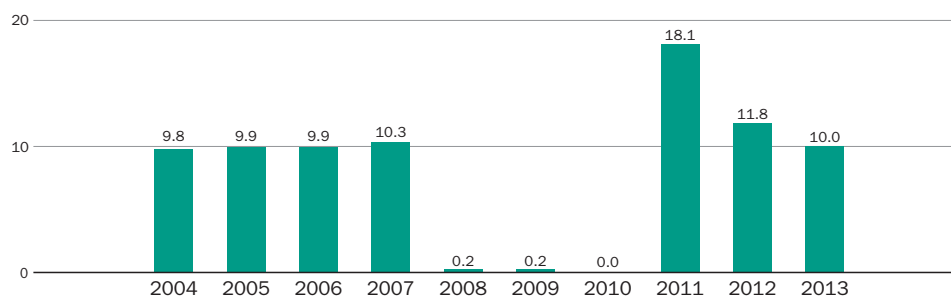
Cash Dividends per Share

(Yen)



Acquisition of own shares

(Billions of Yen)



Capital investment will be higher than in previous years because of several factors. These include spending to maintain existing businesses and investments in growth areas, one being emerging business opportunities that we have identified in intercompany logistics, which encompasses e-commerce and procurements/deliveries.

Under the DAN-TOTSU Three-Year Plan HOP, ending in fiscal 2014, we are aiming for ROE exceeding 7.0%. Meanwhile, we seek to generate an ROE of more than 11.0% under DAN-TOTSU Management Plan 2019, which runs through fiscal 2020.

Our basic shareholder returns policy is to try to increase the total return through a combination of dividends and share buybacks.

We will continue to increase our earnings power by steadily executing our business plan, while raising capital efficiency by implementing flexible capital policies, as and when needed, by taking advantage of our solid financial base.

For the fiscal year ended March 31, 2013, we paid dividends of ¥23 per share, up ¥1 from a year earlier.

For fiscal 2014, management plans to increase dividends by ¥1 per share, to ¥24.

The Yamato Group is striving concertedly to materialize its management philosophy, which is to help enrich our society by enhancing the social infrastructure of *TA-Q-BIN* networks, creating more convenient services for comfortable lifestyles and developing an innovative logistics system. By increasing the satisfaction of all stakeholders, including shareholders, customers, society, and employees, we aim to enhance corporate value.

We ask our shareholders for their ongoing encouragement and support.



August 2013

A handwritten signature in black ink that reads "M. Kigawa" with a long horizontal flourish extending to the right.

Makoto Kigawa
Representative Director,
President and Executive Officer

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.

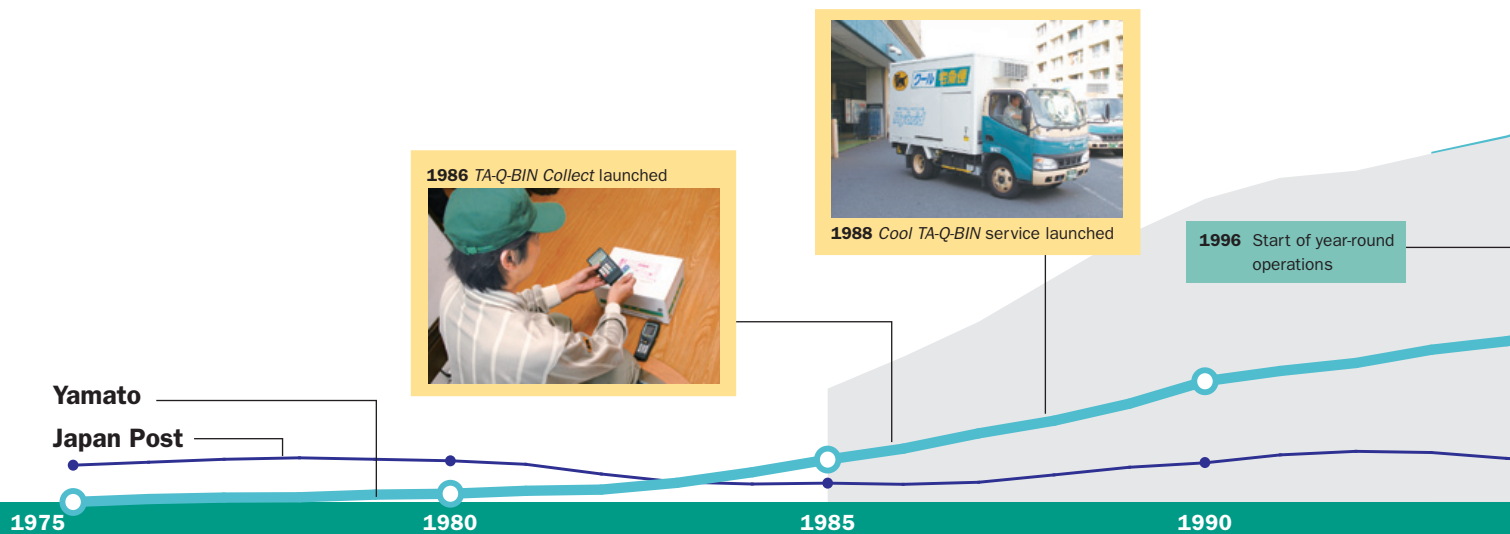
In the data, "parcels" denotes individual packages weighing less than 30 kg, irrespective of the type of delivery (C2C, B2C or B2B).

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 TA-Q-BIN

TA-Q-BIN 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 TA-Q-BIN* and *TA-Q-BIN 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.

Timeline of New Product Development



Source: Japan Post Holdings Co., Ltd.
Japan Post Co., Ltd.

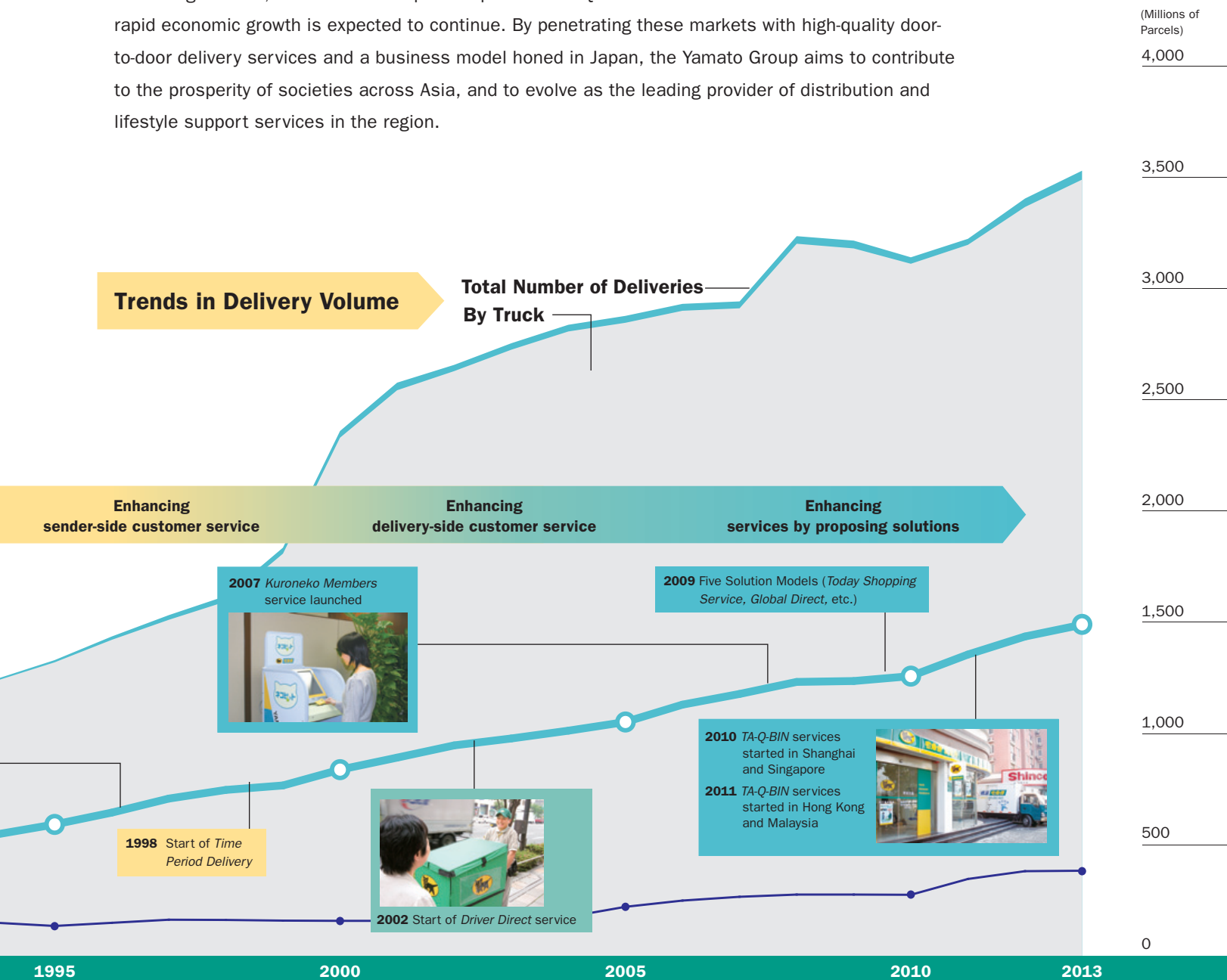
Note: "Total Number of Deliveries" includes express home delivery services involving transport by truck, air and other methods.
Source: Statistical survey by the Ministry of Land, Infrastructure, Transport and Tourism.

Currently, the Group is working not only to develop new strategic offerings and improve service quality, but to also adapt to the needs of customers that have grown in sophistication on an ongoing basis. To this end, the Yamato Group will strive to attain further growth in *TA-Q-BIN* through the generation of new business and solution models in areas of the business in which growth can be expected.

Moreover, the Yamato Group is developing its overseas *TA-Q-BIN* business across Asia.

In addition to operations that have already begun in Shanghai, Singapore and Hong Kong, in September 2011, the Group launched a *TA-Q-BIN* operation in Malaysia.

Moving forward, the Yamato Group will expand the *TA-Q-BIN* business in markets across Asia where rapid economic growth is expected to continue. By penetrating these markets with high-quality door-to-door delivery services and a business model honed in Japan, the Yamato Group aims to contribute to the prosperity of societies across Asia, and to evolve as the leading provider of distribution and lifestyle support services in the region.



(Millions of
Parcels)
4,000

Trends in Delivery Volume

Total Number of Deliveries
By Truck

Enhancing sender-side customer service

Enhancing delivery-side customer service

Enhancing services by proposing solutions

2007 Kuroneko Members service launched

2009 Five Solution Models (*Today Shopping Service, Global Direct, etc.*)

1998 Start of Time Period Delivery

2002 Start of Driver Direct service

2010 *TA-Q-BIN* services started in Shanghai and Singapore
2011 *TA-Q-BIN* services started in Hong Kong and Malaysia

3,500
3,000
2,500
2,000
1,500
1,000
500
0

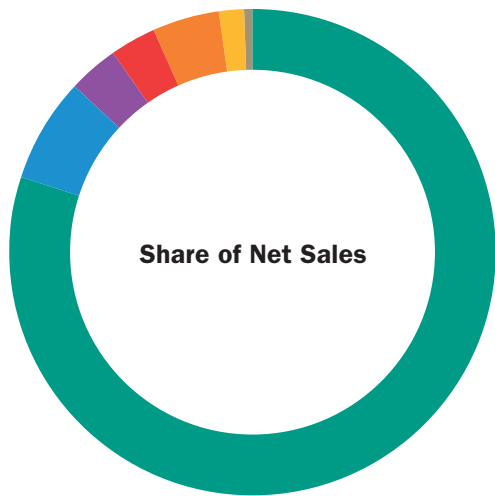
1995 2000 2005 2010 2013

1999
In fiscal 1999*¹, certain firms switched their existing parcels to express home delivery, and the data for the year reflects this increase. Excluding this extraordinary factor, year-on-year growth was 5.9%.

2007
As a result of the privatization of the postal service in October 2007, Japan Post Co., Ltd. now falls under the jurisdiction of the Motor-Truck Transport Business Law, and is included in the survey starting from fiscal 2007*².

*1 The period April 1999 through March 2000 in this graph only

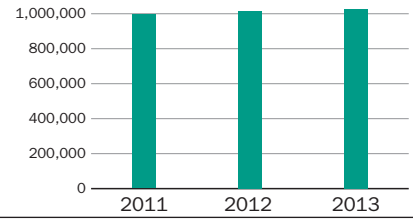
*2 The period April 2007 through March 2008 in this graph only



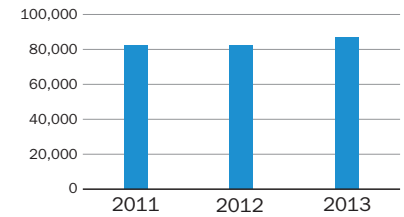
■ Delivery	80.2%
■ BIZ-Logistics	6.8%
■ Home Convenience	3.5%
■ e-Business	2.9%
■ Financial	4.4%
■ Truck Maintenance	1.8%
■ Other	0.4%

Operating Revenues (Millions of Yen)

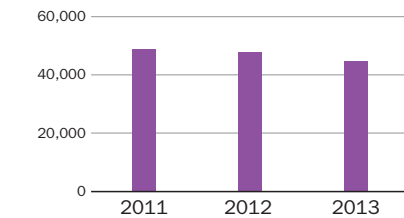
Delivery



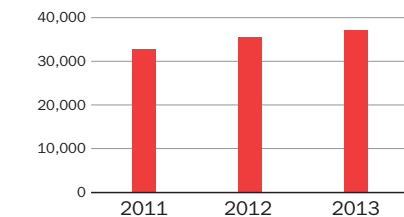
BIZ-Logistics



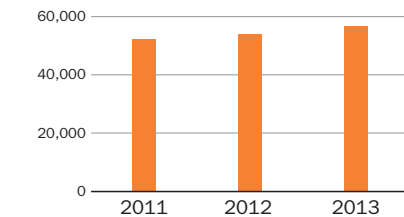
Home Convenience



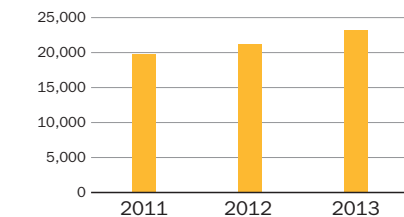
e-Business



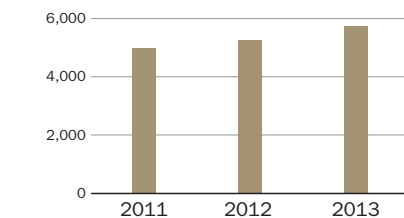
Financial



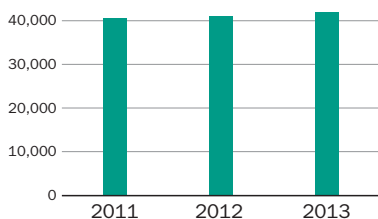
Truck Maintenance



Other



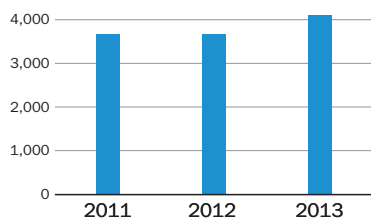
Operating Income (Loss) (Millions of Yen)



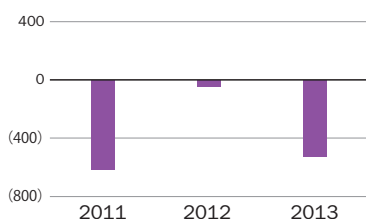
Business Description

The Delivery Business provides small parcel delivery services for the general public and corporations.

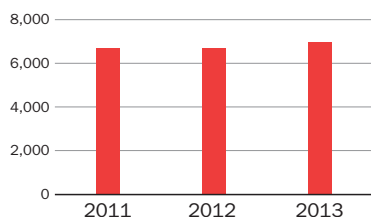
Guided by its basic corporate philosophy of "Total Reliability," the business provides mainly *TA-Q-BIN* and *Kuroneko Mail* services to improve convenience in customers' lives.



The BIZ-Logistics Business is a corporate distribution operation involved in services such as logistics and medical products distribution. The business provides customers with an innovative logistics system by combining management resources such as the *TA-Q-BIN* network with international transport and warehouse management functions.

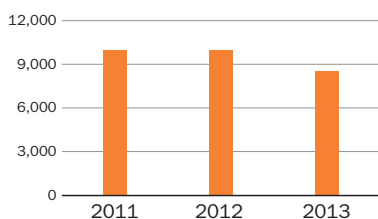


The Home Convenience Business is a community-based lifestyle support operation that provides services such as the pickup, delivery, and assembly and installation of home furnishings and appliances. The business provides lifestyle-related services utilizing the Yamato Group's nationwide network, with the aim of supporting the convenient and comfortable lifestyles of customers.



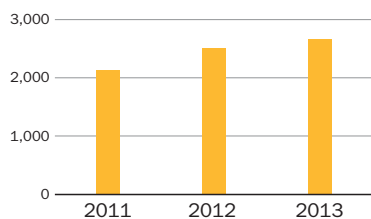
The e-Business comprises operations in contract data processing and information systems development.

The e-Business is actively engaged in proposing solutions that integrate data, distribution and settlement functions, to raise business process efficiency and solve potential business problems customers face.



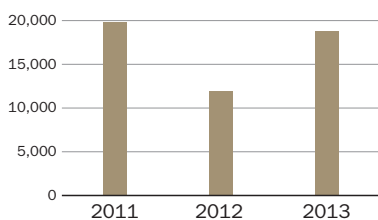
The Financial Business provides settlement services and financial products for corporations and the general public.

From payment collection on mail-order product deliveries to B2B logistics settlement, the Financial Business is striving to respond to every means of settlement to meet the needs of customers.



The Truck Maintenance Business performs the maintenance and upkeep of trucks and other vehicles for transportation companies under contract.

Utilizing the Yamato Group's technologies for reliably maintaining and repairing trucks, the Truck Maintenance Business provides customers in the trucking and bus transportation sector with three forms of value: 1) convenient vehicle maintenance, 2) compliance with statutory vehicle inspections, and 3) reduced maintenance and repair costs.



The Yamato Group's Other businesses comprise the B2B logistics business involving the *JITBOX Charter* service, personnel placement services, and shared services.

* Operating income in Other includes dividends from Group companies.

Delivery



Masaki Yamauchi

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 convenience in customers’ lives. In the Japanese market, the Delivery Business aims to establish an overwhelming competitive advantage over rivals through various measures. These include evolving our products and services, reinforcing our ability to propose commercial distribution solutions, and addressing local revitalization needs. In overseas markets, the Delivery Business aims to expand its *TA-Q-BIN* business in Asia and develop and cultivate services that streamline domestic and international transportation services.

Review of Fiscal 2013

In the Delivery Business, our basic strategy for the second year of our medium-term management plan, DAN-TOTSU Three-Year Plan HOP, was to build a foundation for further growth and on this basis we worked to strengthen sales capabilities in the small lot commercial distribution sector, our core revenue base, and reinforce sales of solutions built on the consolidated strengths of the Yamato Group.

As a result, in the rapidly growing e-commerce market, we capitalized on our lineup of strategically differentiated products that offer added-value and utilize the Group’s management resources, specifically our nationwide network that extends the “last mile” to customers, to acquire new customers and boost deliveries from existing customers. This led to record-high handling volume for *TA-Q-BIN* services.

Handling volume for *Kuroneko Mail* declined owing to stricter policies on parcel acceptance in keeping with our compliance commitment and stiffer competition.

We drew on part-timers in what we call our *field cast* and team-based approaches to concurrently deliver parcels during times when customers were most likely to be home, as we worked to improve delivery quality and productivity.

At the same time, we worked to improve the accuracy of work volume projections and to rightsize our workforce. As a result of these and other efforts, operating revenues rose 1.3% year on year to ¥1,028,219 million, and operating income was up 2.3%, to ¥41,908 million.

In the Japanese market, in order to meet the diversifying needs of customers with high-quality services, for corporate customers in particular, we offered solutions such as *Yamato Business Members* utilizing the *TA-Q-BIN* network and other Yamato Group functions. At the same time, for individual customers, we ran the *Kuroneko Point Campaign* to build closer relationships with members of the *Kuroneko Members* service. Moreover, to further raise convenience levels for people receiving parcels, in addition to our existing service that allows pickup at stores offering *TA-Q-BIN* services, we began a service that allows people to choose a convenience store in advance as the pickup location when they purchase a mail-order product. In addition, use of our shopping delivery service, health and well-being confirmation service and other services created in partnership with local governments also increased nationwide, as further progress was made on building *lifetime lifestyle support platforms*.

In the overseas market, as goods, money and information have become increasingly borderless with the integration of the Asian economic zone, there has been increasing need for quick, safe and secure delivery services that connect all of Asia, including Japan. We have responded by developing the *TA-Q-BIN* business in Shanghai, Singapore, Hong Kong and Malaysia. Products and services we have honed in Japan, such as *Cool TA-Q-BIN*, *TA-Q-BIN Collect* and *Time Period Delivery* services, are gradually gaining acceptance in other countries and regions where we are now operating, as services continue to expand in the Asian zone. In November 2012, we launched a service that enables next-day delivery from Japan to other parts of Asia with 24-hour customs clearance at our *Okinawa International Logistics Hub*, putting in place a new Asian door-to-door integrated delivery platform.

Strategies for Fiscal 2014

As a result of the Japanese market contracting due to the aging population and low birthrate and to acceleration in global competition, there has been increasing demand among Japanese companies in connection with operational efficiency, the provision of higher added-value products, and overseas market development. At the same time, domestic consumers currently have a mixture of needs that reflect ongoing diversification in lifestyles. There is both the need mainly among young people for highly convenient services in line with their personal lifestyles, and the need mainly among elderly people for highly conscientious and friendly services.

Amid such conditions, in fiscal 2014, the final year of our medium-term management plan, DAN-TOTSU Three-Year Plan HOP, we will provide innovative solutions with the goal of being one of Japan’s most recognized, most appreciated companies.

1. Reforming Logistics with Value Networking

In the area of corporate solutions, we will develop advanced solutions to help companies make breakthroughs in their logistics systems by combining networks for same-day inter-city delivery and next-day delivery to Asia with advanced logistics at distribution centers, under the *value networking concept*. Logistics innovation will be promoted with priority not only on the sender (supply) side, but also from the standpoint of the demand chain to identify needs on the receiver (procurement) side. For example, in the B2C market, we will utilize the *Free Rack Auto Pick System (FRAPS)* to provide solutions that keep costs and inventory from increasing and disperse inventory to radically shorten lead times from order to delivery. These solutions will make it possible for even smaller mail-order companies with local inventory to provide delivery speeds and quality equivalent to large mail-order enterprises as well as improve convenience for their customers. In the B2B market, we will provide solutions for integrated, global just-in-time delivery and procurement via cross-merge functions to shorten lead times and reduce inventory on both the supply and procurement sides.

In addition, we will start an *international Cool TA-Q-BIN* service to expand sales channels for fresh, high-quality Japanese food in Asia and to directly tie producers all over Japan with customers in Asia through highly competitive short lead times and refrigeration technology. We will begin in Hong Kong and then gradually expand to other countries. In parallel, we will work to further develop collection and delivery networks in individual countries and carry out initiatives to improve delivery quality.

2. Responding to Diversifying Lifestyles and Providing Lifetime Lifestyle Support Platforms to Contribute to Society

In the area of consumer solutions, we will increase the flexibility of parcel pickup in order to make it more convenient to receive deliveries. In addition to prior notification of scheduled deliveries via e-mail and the ability to change delivery times online, we will broaden the range of pickup locations to accommodate the increasingly diverse lifestyles of consumers.

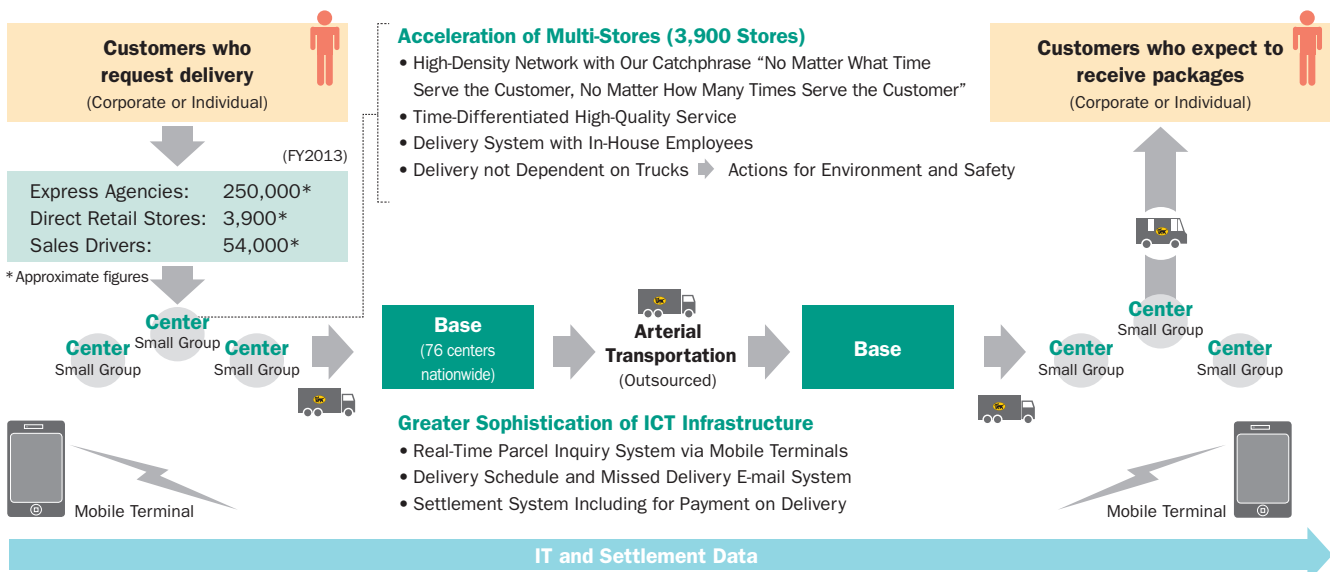
For consumers outside of major urban centers, we will develop services for making daily life more convenient in partnership with the government, municipalities and other companies. Our shopping delivery service and service for confirming the health and well-being of people when *TA-Q-BIN* deliveries are made, which were created in partnership with social welfare councils, local merchants and other organizations, have already begun to spread across the country. We intend to create business models for these types of programs to establish *lifetime lifestyle support platforms* capable of creating value for society on a permanent basis.

3. Establishing Business Foundations for Highly Efficient Management

At the same time as creating new solutions in this way, we will establish business foundations for highly efficient operations. We will look first at the entire Yamato Group and then begin revamping business site locations and reforming work flows in each division to improve administrative efficiency and optimize personnel assignments.

And, clearly recognizing that our employees are the source of our competitive advantage, we will work to refine personnel systems and hiring practices and further enhance employee training and internal communication.

TA-Q-BIN Services





Hitoshi Kanamori

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 their products and services by exceeding all customers' expectations. The business realizes this goal by providing innovative logistics solution models from the perspective of users, combining logistics and international transportation capabilities with the *TA-Q-BIN* network and other management resources of the Yamato Group.

Review of Fiscal 2013

In fiscal 2013, operating revenues increased 5.2% from a year earlier to ¥86,807 million, and operating income rose 11.8% to ¥4,095 million. This was mainly due to steady growth in the medical equipment-related service and other logistics businesses, as well as services for the mail-order industry centered on Japan.

One domestic initiative during the year under review was to materialize the new concept of “inventory free” using the *FRAPS (Free Rack Auto Pick System)*. Unlike conventional logistics operations requiring storage, this approach allows us to use the *TA-Q-BIN* network to achieve the fastest delivery regardless of where inventories may be. Through this service, we will help client companies to expand sales by reducing delivery lead time to consumers, in addition to reducing their trading inventories.

One overseas initiative during the year under review was to begin providing companies conducting auctions in the U.S. with logistics services incorporating advanced expertise from Japan. By introducing operations using digital devices, we improved the efficiency of shipment work by 50%, while reducing human error during the picking process by half. By helping client companies to enhance their operations and improve quality, the BIZ-Logistics Business has helped them to achieve higher levels of consumer satisfaction.

By providing services from the standpoint of consumers, the BIZ-Logistics Business will constantly drive logistics solutions advances by customer and region to steadily expand its domain.

Strategies for Fiscal 2014

Fiscal 2014 is the final year of our medium-term management plan DAN-TOTSU Three-Year Plan HOP. Guided by our slogan of “LOGINNOVATION,” which encapsulates our goal of achieving logistics innovation, we will work to create higher value-added solutions.

In domestic business, we aim to provide services that facilitate even more convenient and comfortable lifestyles in new business fields by creating business models ahead of the government's growth strategies.

In the medical field in particular, the BIZ-Logistics Business will establish a Medical Platform providing a one-stop solution specializing in the medical field with operations based in the Kobe Special Medical Zone. In doing so, the BIZ-Logistics Business aims to contribute to the development of medical technologies such as regenerative medicine and preventive medicine.

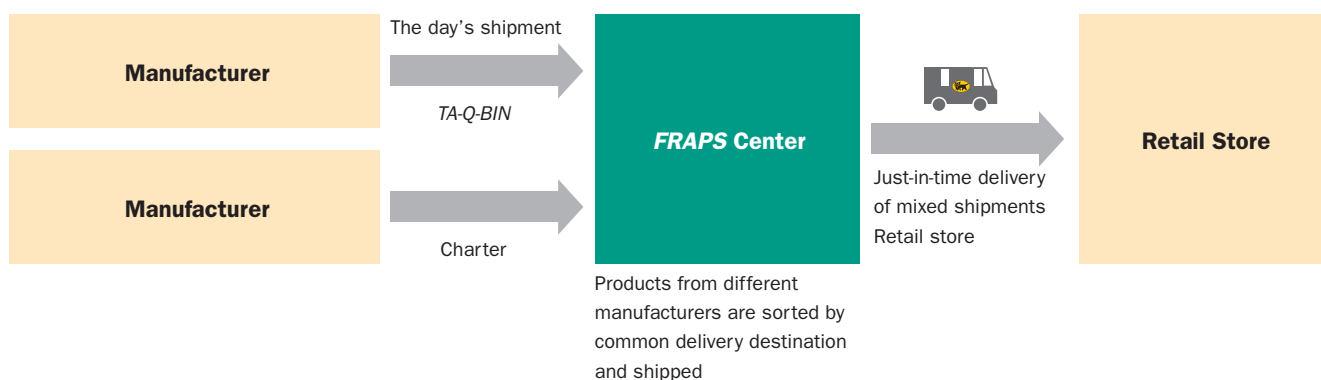
The BIZ-Logistics Business also aims to supply even higher value-added services by combining its information technology (IT), logistics technology (LT) and financial technology (FT) with *Atsugi Gateway* and *Haneda Chronogate*, which will open in FY2014 as hubs linking Japan and overseas. The BIZ-Logistics Business will also provide Cross Merger Delivery, which is a service designed to raise the efficiency of product distribution without increasing costs or inventories, and the Distributed Inventory-based Fast Direct Sales service, which combines “inventory free” with reduced delivery time. Through these services, the BIZ-Logistics Business aims to further amaze and satisfy its customers and consumers.



FRAPS

The BIZ-Logistics Business will contribute to the realization of a prosperous society, bringing “INNOVATION to LOGISTICS” by fusing the management resources of the Yamato Group organically.

FRAPS



Home Convenience



Atsushi Ichino

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

In the Home Convenience Business, we provide lifestyle support services that help eliminate inconveniences at home, along with moving services and home furnishing delivery and assembly and installation services. In addition, leveraging our networks, we provide a range of solutions to corporate customers in both the private and public sectors to support sales growth and help reduce costs.

Review of Fiscal 2013

In fiscal 2013, which was the second year of DAN-TOTSU Three-Year Plan HOP, we actively engaged in product development and sales promotions while we worked to reform our cost structure and strengthen management quality.

In services for individual customers, we launched the *Single-person Moving Mini Type* service in combination with convenient and open-ended rentals of home furnishing essentials, with the aim of catering to a trend in which single people are taking fewer belongings with them when they move. We also provided same-day services to complete the move in one day. This has helped to differentiate ourselves substantially in the market for moving single persons. Television commercials and other advertising were also strengthened in an effort to raise recognition of our moving services.

Moreover, we launched a convenient house cleaning service for customers wishing to tidy their living space trouble-free, and an estate organization service for the

peace of mind of customers with the need to organize the personal belongings of someone who has passed away. These services were very well received by customers with a shortage of time or manpower.

In services for corporate clients, we marketed our comprehensive logistics support service to businesses involved in eco-home related equipment such as home power generators and storage batteries. This service offers end-to-end support covering import procedures, parts merging, advance site surveys, delivery, set up, installation, inspection and repairs. As a result, we were able to greatly increase our handling volume. At the same time, we achieved rapid growth by expanding the scope of this service to include businesses in IT devices, office equipment, kitchen appliances and more.

We also launched a mail order service drawing on our capabilities cultivated for over 20 years in procuring local produce from all over Japan. This service, used by many customers, was launched mainly to help corporate clients improve customer footfall, or to order produce to enhance their employee benefit programs.

Revenues from new services increased as a result of the initiatives above. However, our volume zone in *Household TA-Q-BIN* for delivering mainly television set purchases diminished. This was owing to consumer demand for television sets waning after expiration of Japan's home appliance Eco Points program and the switch to digital terrestrial broadcasting. As a result, operating revenues declined 6.5% year on year to ¥44,602 million. In terms of expenses, we reduced fixed costs, including facilities-related costs by consolidating sites, and administrative personnel expenses by automating office processes, while also reining in variable costs, such as contract vehicle expenses by improving the productivity of our own fleet. However, this was not enough to offset the decline in revenue, and we recorded an operating loss of ¥527 million.

Strategies in Fiscal 2014

This year, which is the final year of DAN-TOTSU Three-Year Plan HOP, we intend to further expand our business domain to secure growth into the future. Our focus in particular will be on lifestyle support services. In this modern society it is

now easy to conduct various procedures and make purchases from home thanks to advancements in IT and delivery networks. Consumption in the privacy of one's home will continue to increase going forward, and it will not only be to simply eliminate inconvenience but to establish lifestyles tailored to individual preferences. There will also likely be acceleration in demand for services performed by third parties as customers seek to make more effective use of their own time. The Yamato Group can reach customers at their homes all over Japan. We also have the capability to deliver packages whether large or heavy, as well as the capable technicians to conduct electrical installation and other work. Utilizing this network, we intend to provide services that both eliminate inconvenience within the home and help individuals realize their own aspirations.

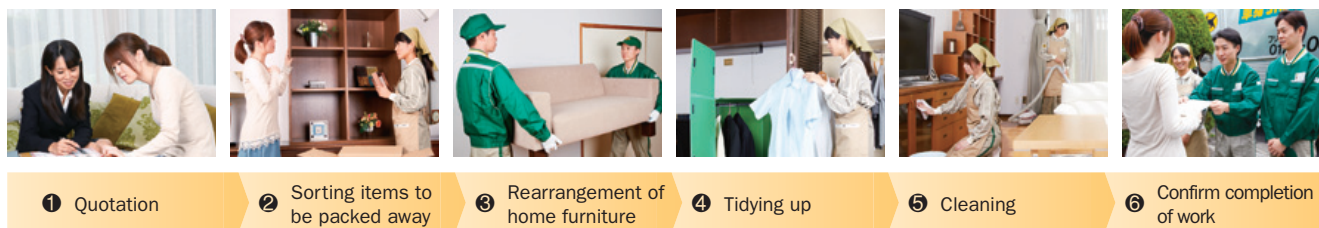
In addition, we will expand the adaptation of our network to corporate clients. Along with our traditional office relocation service, we will provide clients with a total package that

includes taking care of their office layout design, the arrangement of required fixtures, and measures for environmental care and disaster preparedness. In particular, we intend to help small- and medium-size companies break the bottleneck they often experience in economies of scale by bundling their demand and providing them with business structures and cost reductions that would have not been possible individually.

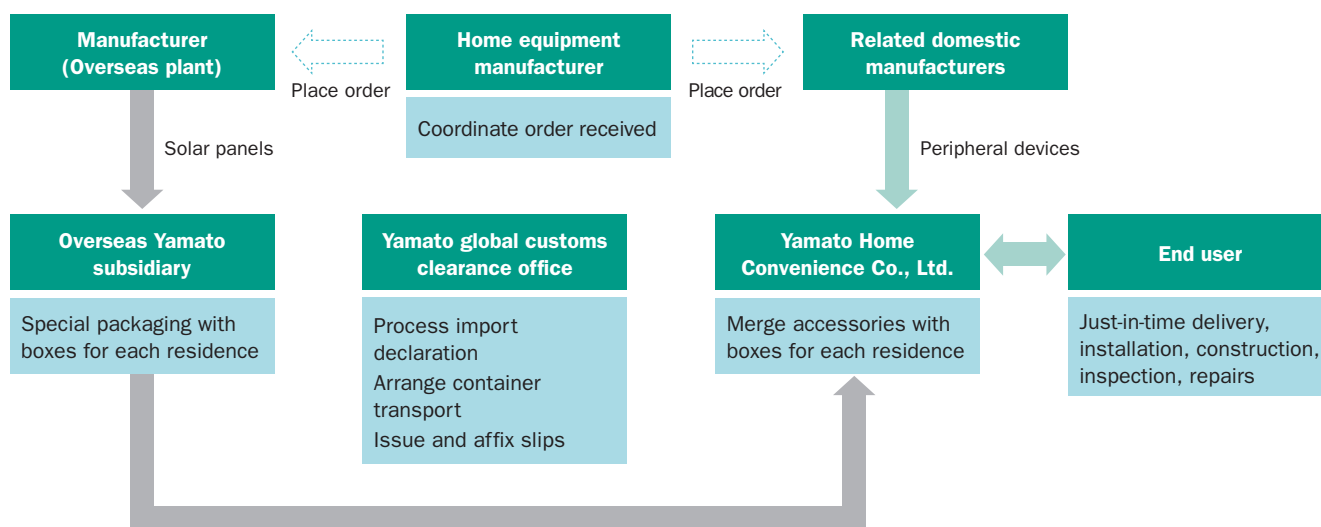
The above lifestyle support services and corporate activity support services have the effect of increasing our average daily workload. And by smoothing out the downtime, they help raise productivity and contribute to structural improvements in profitability. We will also continue to reduce administrative costs and reinforce controls on variable expenses as we work to ensure stable, sustainable profits.

We are a company that will continue to be needed by society and we intend to develop services that are appreciated by customers and further raise our corporate value.

Services for Individual Customers (*Raku Raku Okatazuke Pack*) (Convenient House Cleaning Service)



Service for Corporate Customers (Solution Model for Eco-Friendly Home Equipment)





Kenji Minaki

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

The 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.

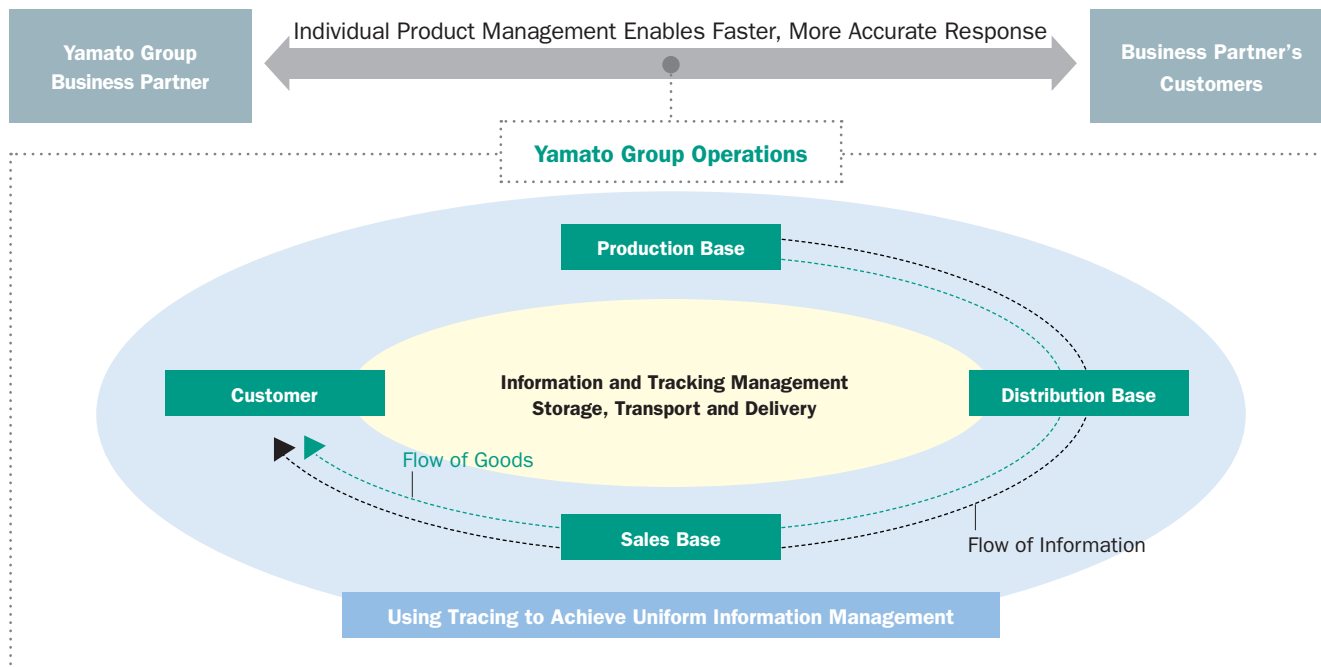
Review of Fiscal 2013

The e-Business actively proposed solutions that integrate data, distribution and settlement functions, to raise business process efficiency and solve potential business problems of customers. Furthermore, we developed and operated systems in step with business development across the Yamato Group.

In collaboration with the Financial Business in e-money services, we have been promoting installation and operation of a multi e-money settlement terminal that allows settlement by multiple brands of e-money. During the year under review, we saw expanded installation and use of these terminals by a wide range of customers in terms of business size and sector, including nationwide retailers and small and medium-sized retail and service businesses.

In our *e-Logistics Solution* business, we offer a service that visualizes delivery flows and the whereabouts of packages by applying the tracking know-how of our *TA-Q-BIN* business for customers requiring individual goods

e-Logistics Solution



management, such as telecommunications equipment and cable television businesses. In the year under review, we accelerated business development mainly by promoting services supporting reservations management, storage and retrieval management, and inventory management needed by precision instruments and medical device manufacturers when renting products to hospitals and other customers. In addition, we saw expanded use of our existing services.

In *e-On Demand Solutions*, business expanded in the fiscal year under review thanks to the development of services, particularly for the pharmaceutical industry, that support improved sales efficiency and inventory reductions through the management, on-demand printing, and just-in-time delivery of customers' sales promotion materials.

Our *Web-Based Mail Order Solution* business took steps to develop the "net supermarket" business, in which we expect demand to 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 multifunctionality 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.

Overseas, the e-Business progressed in line with the Yamato Group's Asian developments using ICT. Our e-Business

additionally cultivated its own operations in Taiwan.

As a result, operating revenues increased 4.4% year on year, to ¥37,061 million, supported mainly by growth in services linking data and logistics functions. Operating income rose 4.2%, to ¥6,987 million due to productivity enhancements and cost cutting measures, despite upfront investments in e-money services and other factors.

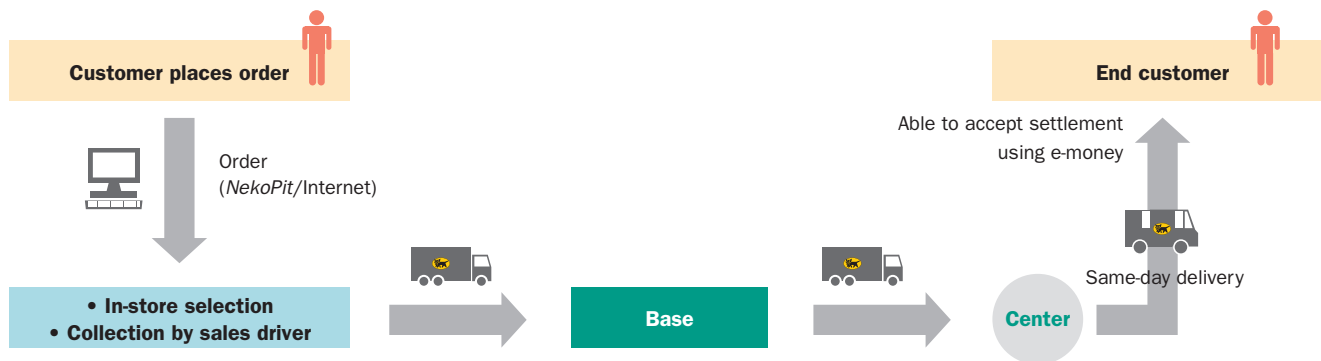
Strategies in Fiscal 2014

Our first strategy is to strengthen the competitiveness of our products. Besides refining existing services as a matter of course, we will create more services and businesses by combining the management resources of the e-Business and the rest of the Yamato Group. We will also collaborate with the services of other companies to generate unique solutions.

Our second strategy is to reinforce our sales capabilities. We will employ the networks of the e-Business and the rest of the Yamato Group as part of efforts to enhance our solutions capabilities by collaborating with influential external partners in the marketplace. We will draw on our solid, wide-ranging sales structure to cultivate customer needs and deliver solutions.

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. Our goal is to help build an enriched society as a solutions provider.

Net Super Support Service





Toshizo Kurisu

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

The Financial Business aims to become a partner that provides convenience for consumers and helps enterprises overhaul their logistics systems by providing settlement and other financial solutions in Japan and abroad. We are determined to offer diverse settlement methods to fulfill customer requirements, such as collecting payments upon delivery on behalf of mail-order companies and handling settlements between companies. Under our DAN-TOTSU Management Plan 2019, we will endeavor to develop various services for becoming No. 1 in settlement, particularly for mail-order companies.

Review of Fiscal 2013

For our corporate customers in the business-to-consumer (B2C) mail-order market, the Yamato Group proactively promoted sales of *Kuroneko Web Collect*, a service that allows settlement by multiple methods of payment such as credit card and e-money simultaneously. We also worked to propose a total solution in which we provide not only a settlement method but also assist in sales promotion activities of customers.

In the business-to-business (B2B) market in Japan, we helped sellers expand sales channels and buyers perform credit transactions through the *Kuroneko Anshin Kessai Service*. We also provided value through improving business efficiency and at the same time managing accounts receivable and reducing risk in debt collection.

Moreover, in Shanghai, Singapore, Hong Kong and Malaysia, where we provide settlement solutions, we worked to differentiate ourselves from local companies, making proposals in line with customer needs. These efforts resulted in a year-on-year increase in the number of settlement transactions and in operating revenues.

Operating revenues were up 4.8% year on year to ¥56,710 million due to an increase in the number of *TA-Q-BIN Collect* and e-money settlement transactions. Operating income was ¥8,516 million, down 14.3% year on year, due to the effect of a reversal of an allowance for doubtful accounts in the previous fiscal year.

Strategies in Fiscal 2014

In the B2C market, in addition to cash-on-delivery settlement, our mainstay service, we will enhance the functions of *TA-Q-BIN Collect* to accommodate increasing numbers of consumers purchasing products online. We will also revamp our sales system and work to further strengthen sales of non-face-to-face settlement services.

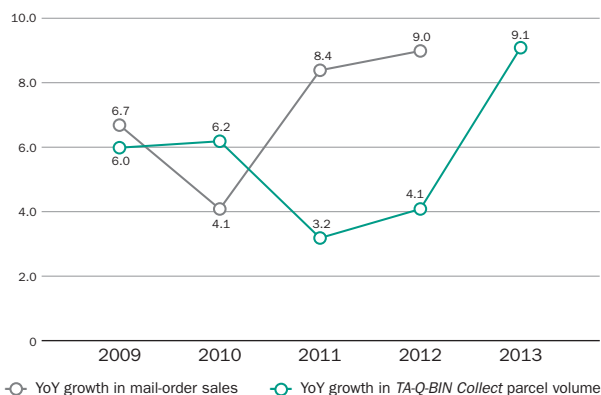
In addition, we will propose solutions that go beyond settlement services and leverage the collective resources of the Yamato Group to flexibly meet the diversifying needs of consumers and mail-order companies while also working to refine those solutions to provide greater added value.

In the B2B market, we will develop logistics consultants and utilize outbound calls to strengthen sales and continue working to develop the business around the *Kuroneko Anshin Kessai Service*.

With the B2C market for global logistics settlement services growing steadily, we intend to provide consulting for Japanese mail-order firms entering overseas markets and continue developing cash-on-delivery services in parts of Asia where *TA-Q-BIN* is being made available. In the B2B market, we will enhance services that make it easier to use the Global Procurement Support Service by handling multiple currencies, for example.

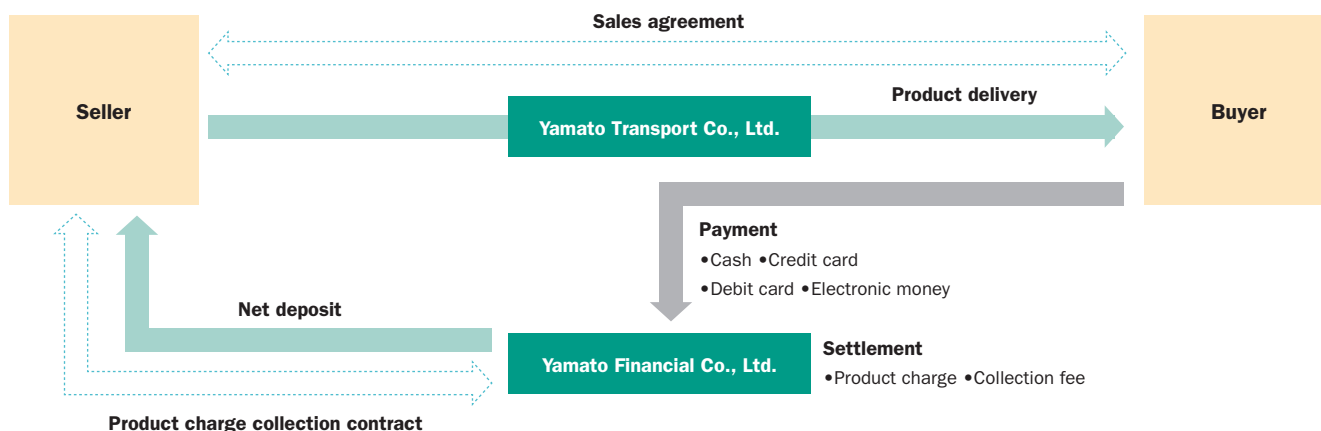
With these objectives, we will provide fast, high-quality services to mail-order companies through *Haneda Chronogate*, *Atsugi Gateway* and the *Okinawa International Logistics Hub*, while also providing settlement solutions in response to the changing logistics infrastructure surrounding companies, users and the community in an effort to be an ideal partner for customers in logistics reform.

The Growing Mail-Order Sales Market and *TA-Q-BIN* Collect
(%)



Source: The Japan Direct Marketing Association
Note: The growth rate in mail-order sales shown in this chart is through the year ended March 31, 2012 because data for the year ended March 31, 2013 had not yet been released by the Japan Direct Marketing Association as of August 23, 2013.

***TA-Q-BIN* Collect: Flowchart of Cash-on-Delivery Service**



Truck Maintenance



Keishirou Sasaki

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

The Truck Maintenance Business operates vehicle servicing plants for logistics and distribution companies. Over the years, the business has expanded the industry's first maintenance service into a 24-hours-a-day, 365-days-a-year service that enables customers to service their vehicles without stopping operations, schedule automobile safety inspections and have routine check-ups.

Our vision is to transform this business from being the only one customers choose to the No. 1 for autoworks in Japan. "Transform inconvenience into convenience from the customer's standpoint" is the corporate DNA of the Yamato Group. Based on this perspective, the business offers services, chiefly for logistics and distribution companies, that go beyond vehicle maintenance to provide a one-stop solution covering body and tire maintenance, as well as fuel supplies.

In addition, in providing insurance consultations as a partner that helps customers manage risk associated with their operations, and management solutions that allow customers to get the most out of their facilities, plants and logistics equipment, we are aiming for total vehicle management services that contribute to the revitalization of the businesses of customers.

New *Superworks* vehicle maintenance plants pursue greater gains in operating efficiency and environmental performance



Superworks Okayama
(Completed September 13, 2012)



Solar power system

Review of Fiscal 2013

We posted increases in both revenues and profit in the year under review. Our operating revenues were ¥23,229 million, up 9.6% year on year. Operating income increased 6.1% to ¥2,666 million.

A new *Superworks* vehicle maintenance plant was established in the Minami district of Okayama, Okayama Prefecture, a gateway to the Kansai and Shikoku regions of Japan. *Superworks* plants represent a new paradigm in environmentally sensitive maintenance facilities and feature high operating efficiency as well as solar power systems, LED lighting and other energy-saving equipment. Of our 71 vehicle maintenance plants, 21 are now *Superworks* facilities, which has reinforced our network.

We also launched a new *Body Maintenance Service* that provides chassis*¹ inspection and maintenance along with body (wing and tailgate*²) maintenance to help prevent delivery delays caused by breakdowns and reduce truck downtime. A new *Tailgate Mounting Service**³ was also started.

As a result of leveraging our network strengths and solutions capabilities in this way, automobile safety inspections for companies outside the Yamato Group increased 3.9% over the previous year to 39,500 vehicles.

*1. The part of a vehicle that drives; includes the engine, brakes, drive-train, etc.

*2. Parts of a vehicle that are not needed to drive; includes the loading bed, loading equipment, etc.

*3. Equipment on the rear of a truck bed for lifting and lowering

Strategies for Fiscal 2014

In fiscal 2014, we intend to accelerate initiatives with the goal of expanding our network of environmentally sensitive *Superworks* facilities and further establish a management business based on maintenance and vehicle management. We will also promote maintenance of the delivery infrastructure from a business continuity planning (BCP) standpoint.

We will establish a new location in the Chubu region and further extend our network to major urban areas, and we will work to develop business in concert with local customers by further augmenting our service network. Moreover, we plan to broaden the focus of our activities beyond just maintenance to include a more management-oriented approach in the services we provide. We will further promote the

Body Maintenance Service and *Tailgate Mounting Service*



Body Maintenance Service



Tailgate Mounting Service

existing *12-Month Fixed-Price Maintenance Package*, and the *Tire Management Service*, while expanding sales of new services, namely the *Body Maintenance Service*, and a safety education program for transportation companies. Through these efforts, we intend to provide new mechanisms that will allow our customers to more accurately budget for and control vehicle maintenance costs. In addition, we will provide customers with expertise on safe and reliable operations.

In order to create one-stop services, we will step up various efforts. One is to add a new management program whereby we visit locations where customers' vehicles are stored and change the oil. In addition, we will promote our risk consulting business in our capacity as an insurance agent and push ahead with our facilities and equipment maintenance management business. Moreover, we will

Expanding our Superworks Network

21 locations out of 71 in total (as of March 31, 2013)



establish fuel supply bases to support logistics and transportation infrastructure.

Through these sorts of new measures, we aim to grow operating revenues by 1.2% year on year to ¥23.5 billion, and operating income by 16.3% to ¥3.1 billion.

Basic Concept—The “Three Cs” and “One C”

The Truck Maintenance Business provides one-stop services based on observing the three “Cs” underpinning management support for logistics and distribution companies.

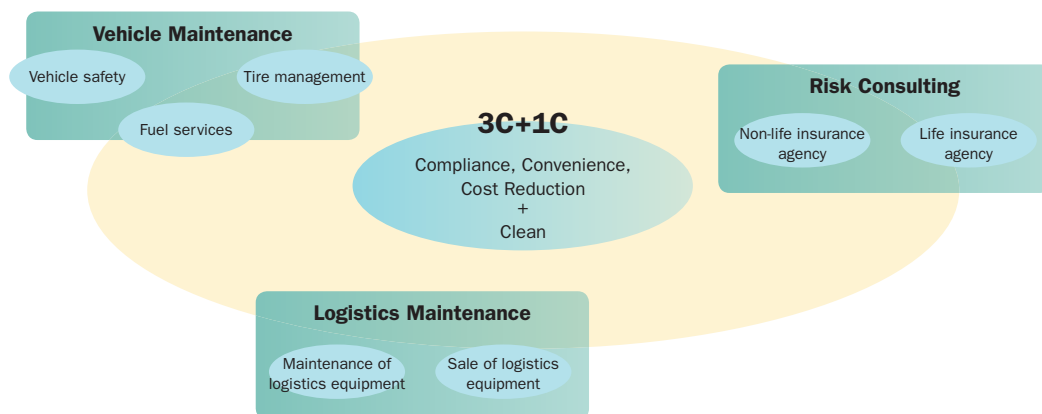
The first “C” is Compliance, which is the foundation of management. Our *Repairworks* mobile plants have contributed to improving the completion rate for statutory vehicle inspections of our customers.

Next, we have Convenience, where we pursue ever higher levels of convenience for our customers. Based on this concept, we aim to establish a framework that enables operations 24 hours a day, 365 days a year, in order to carry out vehicle inspections when the vehicles are not in operation.

Our third “C” stands for Cost Reduction based on helping to improve utilization rates for commercial vehicles while leveraging procurement capabilities. By promoting measures to constrain the need for spare vehicles and increasing the completion rate for statutory vehicle inspections, we have made it possible to implement preventive maintenance, which helps limit occurrences of unexpected costs. We will harness our nationwide network to procure optimal parts and fuels so as to provide customers with high-quality products and services at low cost.

The last “C” stands for Clean. In keeping with the times, we have addressed environmental issues by deploying solar power systems, energy-efficient LED lighting, and other facilities at *Superworks*. Also, we have started to build a system for being able to handle new technologies in our maintenance operations, with an eye on the increasing use of electric vehicles.

And we are recommending rebuilt and reused parts to support the environmental efforts of logistics and distribution companies.



Other



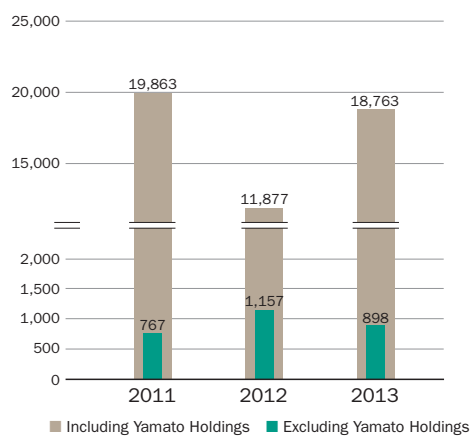
JITBOX Charter

The *JITBOX Charter* service is a service that provides transportation by transport box. The service takes advantage of its Group network consisting of multiple companies and provides value to customers through timely delivery and frequent, right-volume delivery. In the fiscal year ended March 31, 2013, the Group increased the number of transportation orders of precision equipment and transportation orders related to events, and the handling volume exceeded that of the previous fiscal year. In addition, we developed returnable material suited for the transportation of precision equipment, among other items, and strove to provide an environmentally friendly and safe transportation service.

Operating income in Other, excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies, decreased 22.4% from the previous fiscal year to 898 million yen.

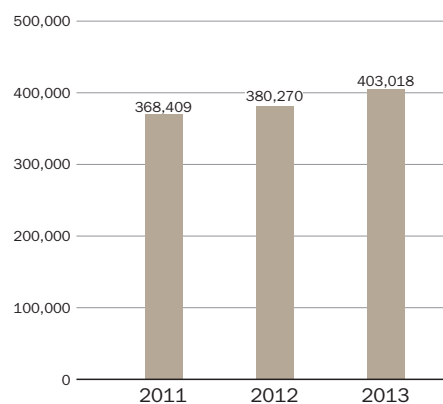
Operating Income

(Millions of Yen)



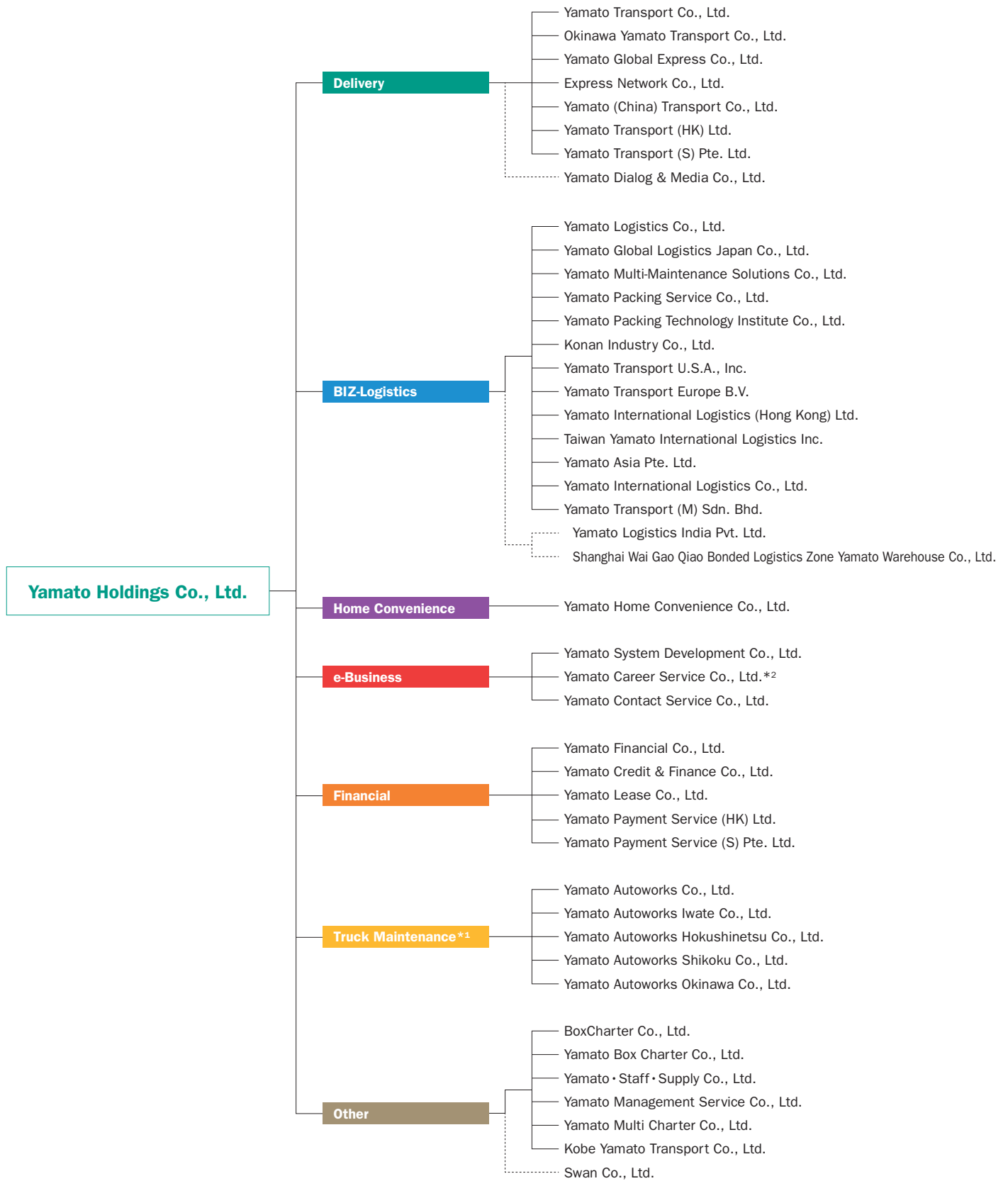
Track Record of *JITBOX Charter*

(Units)



Organization

As of March 31, 2013



———— Consolidated subsidiaries
 Nonconsolidated subsidiaries

*1 The segment name of Truck Maintenance was changed to Autoworks starting with the fiscal year ending March 31, 2014.

*2 Yamato Career Service Co., Ltd. in the e-Business was renamed Yamato Web Solutions Co., Ltd. on August 1, 2013.

Corporate Social Responsibility

The Yamato Group believes that its sustained growth is largely contingent upon not only business profitability, but also fair and proper management 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 Corporate Social Responsibility (CSR) activities from the perspectives of safety, the environment and society, in line with the Yamato Group Corporate Philosophy at the heart of the Group's business, with the aim of becoming a respected company admired the most and trusted by society.

Safety

Promoting the Deployment of See-T Navi

See-T Navi is a proprietary telematics system encouraging safe and environmentally friendly driving that Yamato Transport developed and began deploying in March 2010.

This system, which records an extensive array of driving performance data, enables Yamato Transport sales drivers to self-inspect their driving performance and make improvements. The data from this system can also be used to individually instruct sales drivers, and has functioned as a strong support for safe driving habits within the Group.

In May 2011, the Japan Federation of Freight Industries awarded the See-T Navi system a Prize for Technology Developed to Reduce the Environmental Impact of Freight Transport at its 12th Freight Industry Environmental Awards. As of March 31, 2013, there were 29,947 Yamato Transport delivery vehicles throughout Japan equipped with the See-T Navi system.

Environment

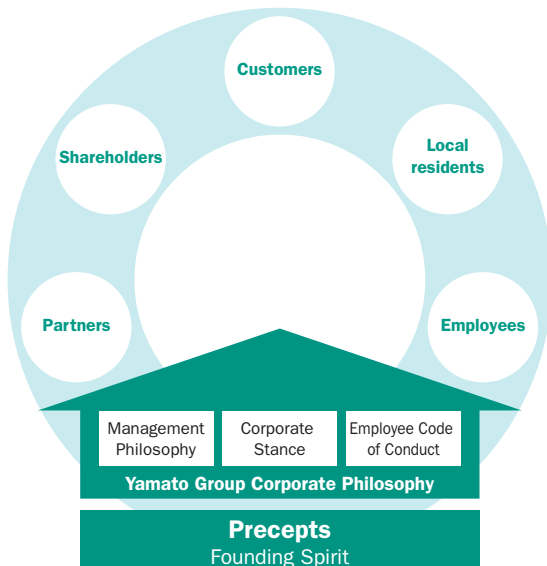
Active Deployment of Low-Emission Delivery Vehicles

The Yamato Group is actively engaged in activities for protecting the environment.

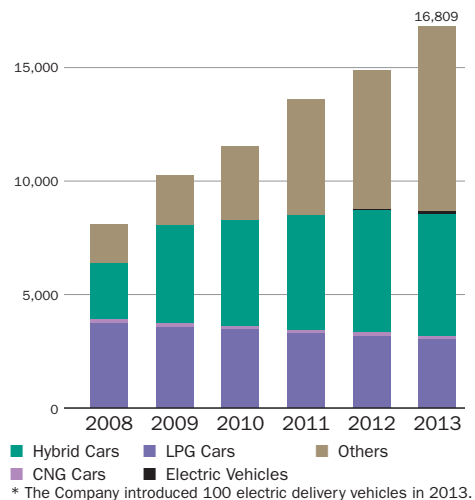
In the fiscal year ended March 2013, the Group engaged in a wide range of initiatives for reducing CO₂ emissions during pickup and delivery that included the deployment of electric vehicles and the use of streetcars.

Yamato Transport added 100 light commercial electric vehicles to its fleet between 2011 and 2012 in coordination with local municipalities in districts associated with the FutureCity Initiative and other progressive environmental programs, and in districts requiring special environmental measures, such as areas around World Heritage sites.

Diagram of Yamato Group Corporate Philosophy



Changes in the Number of Low-Emission Vehicles



As a result, the accumulative total of low-emission vehicles at Yamato Transport had reached 16,809 vehicles, or approximately 39% of the entire fleet.

In a similar vein, we have continued to actively introduce low-emission vehicles. As of March 31, 2012, we had added 37 hybrid vehicles and 1,901 low-emission vehicles to our fleet.

Satellite Centers Eliminate Use of Vehicles for Parcel Delivery

The opening of more satellite centers reduces the delivery area assigned to each sales driver. This change 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.

Yamato Transport is promoting the development of these satellite centers, which enable the pickup and delivery of parcels without the use of motor vehicles, apart from the occasional mini-vehicle, in mainly urban districts and densely populated residential areas.



Building-Town Promotion Office Established –Combining In-Building Logistics with Area Logistics to Support Urban Development–

As more large-scale commercial buildings have been developed across the country, there has been increasing demand for ways to raise logistics efficiency within the buildings, reduce the impact on the surrounding environment, and augment security measures.

Yamato Transport has provided services to enhance the convenience and peace of mind of the tenants of such commercial buildings through in-building logistics and has successfully reduced CO₂ emissions and improved area safety levels by reducing the number delivery trucks in operation.

And, in November 2012, the company established the new Building-Town Management Promotion Office. This office is in charge of establishing centralized parcel collection and delivery systems for commercial buildings combining in-building and area logistics, and integrating these systems with urban development that goes beyond the buildings.

Society

Safety Classes for Children

The Group places top priority on respect for human life in carrying out its operations. This is reflected in a number of initiatives the Group implements.

One such initiative is the Company's program of safety classes for children, which we have been holding nationwide since 1998 to teach them ways to protect themselves from traffic accidents.

In the fiscal year ended March 31, 2013, 201,333 children participated in 1,945 of these classes held throughout Japan. Since the program began, roughly 2.16 million children have taken part in classes that have been held approximately 20,000 times.



Taught entirely by Yamato Transport employees, the classes employ various means to teach children about traffic safety.

The Group also held its first safety class for children overseas in China.

Actively Employing People with Disabilities

The Yamato Group, primarily through the Yamato Welfare Foundation, promotes various activities for the realization of a society in which people with disabilities can enjoy the world of work and the act of independently earning a living.

Such support for helping people with disabilities gain their independence includes active employment at the Swan Bakery, which produces and sells bread, and as couriers for our *Kuroneko Mail* service. In addition, the Yamato Welfare Foundation operates a support facility where people with disabilities can receive training in vocational skills and knowledge.



External Praise

June 2012:

13th Environmental Grand Prize for Distribution —Special Environmental Award for Distribution

“Pickup and delivery system utilizing streetcars with a low carbon footprint”

(YAMATO TRANSPORT CO., LTD., Keifuku Electric Railroad Co., Ltd.)

Sponsor: Japan Federation of Freight Industries

December 2012:

2012 Environment Minister’s Award for Global Warming Prevention

—Implementation of Countermeasures

“Promotion of environmental preservation activities under the “(N)ecology “(black cat ecology) catchphrase”

(YAMATO TRANSPORT CO., LTD.)

Sponsor: Ministry of the Environment

January 2013:

16th Nikkei Environment Management Survey* 3rd Place (Distribution industry)

(YAMATO HOLDINGS CO., LTD.)

Sponsor: Nikkei Inc.

* Environment Management Survey: A ranking of the extent companies have struck a balance between environmental initiatives and enhancing business efficiency, based on evaluating items such as the internal framework for promoting environmentally-sound management, measures to prevent global warming, and the recycling of resources.

March 2013:

Key Firm of Integrity Award* for Excellence

(YAMATO HOLDINGS CO., LTD.)

- Under the basic credo of “I belong to Yamato,” all employees participate in the Group’s management.
- Making the most of management resources comprising business bases throughout Japan, sales drivers, employees and the Company’s information network, the Yamato Group is collaborating with local governments, residents and companies to revitalize communities and provide support for senior citizens, among others initiatives.
- Voluntary support activities of Group employees in the immediate aftermath of the Great East Japan Earthquake were worthy of commendation.

Sponsor: Key Firm of Integrity Award Advisory Panel

Co-sponsors: Japan Corporate Governance Network IntegreX Inc.

* Key Firm of Integrity Award: Awards for companies selected for their excellence in a survey of corporate social responsibility (CSR), corporate ethics, compliance, internal control and other pertinent criteria.

Corporate Governance

As of March 31, 2013

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 have implemented measures and bolstered management systems as part of our corporate governance initiative.

Status of Corporate Governance

The Board of Directors, Management Advisory Committee and Executive Committee serve as administrative organs involved in decision-making, execution and supervision of the Yamato Group. This management structure enables decisions to be made rapidly and precisely on important business matters.

The number of Board members cannot exceed 12 as stipulated in the Company's articles of incorporation. The term of office for directors has been set at one year in order to clarify management responsibilities for each fiscal year.

Outside Directors and Outside Audit & Supervisory Board Members

To ensure objective checks of management, two of the six directors were outside directors as of the year ended March 31, 2013.

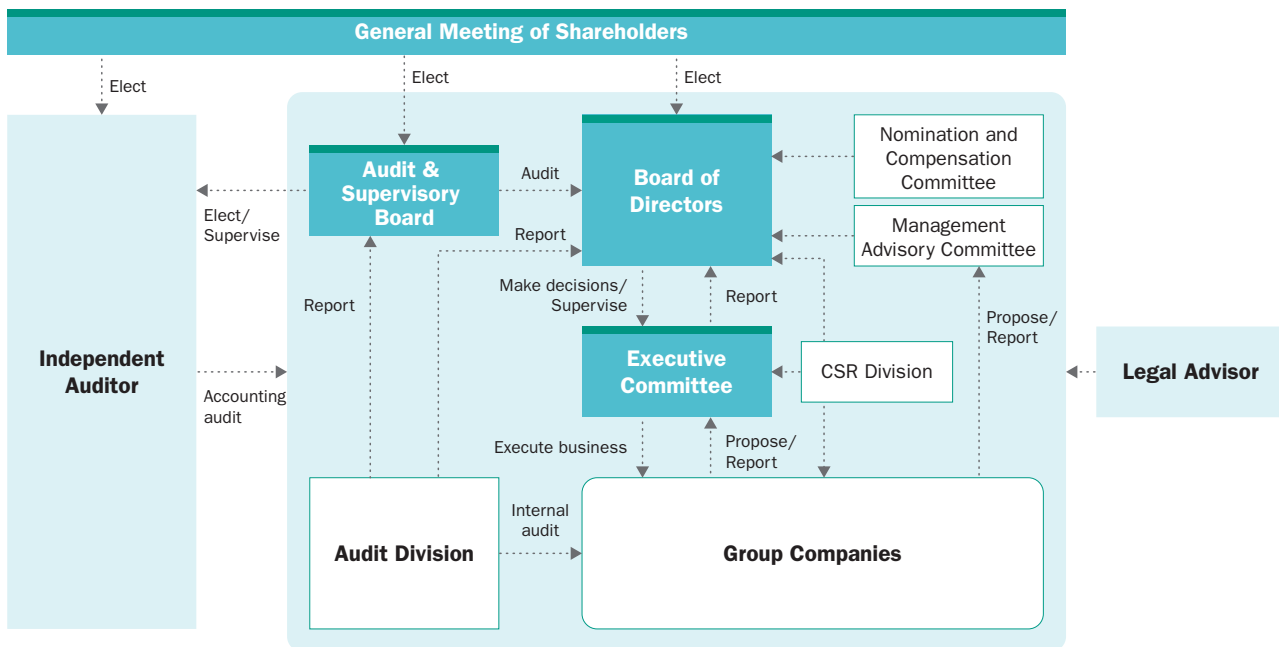
Similarly, three of the four Audit & Supervisory Board members are outside Audit & Supervisory Board members to reinforce supervision of business execution.

Both outside directors have ample experience and extensive knowledge, Masayoshi Sato being a lawyer and Toshitaka Hagiwara being a businessman. They comment and advise as needed on all aspects of business management.

Collaboration with the Independent Auditor and the Audit Division enhances governance.

Similarly, all outside Audit & Supervisory Board members have ample expertise in finance and accounting. They are Koji Okawa, whose experience has included working for a financial institution and a tax and accounting firm, Motoharu Yokose, a certified public accountant, and Hiroyuki Kanae, who has professional experience as a lawyer.

Corporate Governance Framework



Outside Audit & Supervisory Board members attend Audit & Supervisory Board meetings as well as periodic meetings to exchange opinions with the President. These meetings also serve to confirm the status of directors' execution of duties, by means of including questions regarding management policy.

The abovementioned two outside directors and three outside Audit & Supervisory Board members have no conflicts of interest with the Group.

The Group maintains a policy of satisfying the independence criteria of the Tokyo Stock Exchange, Inc., when choosing outside directors and Audit & Supervisory Board members.

The Group has notified the Tokyo Stock Exchange that all the above outside directors and Audit & Supervisory Board members are independent, as required.

Outside Director Masayoshi Sato resigned at the closing of the Ordinary Meeting of Shareholders on June 25, 2013. In his place, Masakatsu Mori was nominated and appointed as a new outside director.

Status of Internal Audits, Audits by Audit & Supervisory Board Members and Accounting Audits

The Audit & Supervisory Board is made up of one full-time Audit & Supervisory Board member and three outside Audit & Supervisory Board members. Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings to audit the execution of duties by the directors, 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 Audit & Supervisory Board members to put in place a

framework that enables the Audit & Supervisory Board members to smoothly carry out their functions.

In addition, Group Auditors' Liaison Meetings are held periodically for the full-time Audit & Supervisory Board members 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 12-member team that operates independently from any other Group organ. Together with the 102 employees who conduct internal audits for Group companies, the Yamato Group has a total of 114 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 Audit & Supervisory Board.

Also, the Group Internal Auditing Committee meets regularly for the internal auditors of the operating companies to confer on problems and proposed improvements based on auditing policies and audit results. At the same time, management collaborates with Group companies' internal control divisions to improve and build systems to validate internal controls.

As the Group's appointed Independent Auditor, Deloitte Touche Tohmatsu LLC holds regular meetings with Audit & Supervisory Board members and conducts effective accounting audits. Accounting audits are performed by two certified public accountants, Yoshiaki Kitamura and Kazuhide Kobori, assisted by another 13 certified public accountants and 13 other staff members.

Compensation of Directors and Audit & Supervisory Board Members

Details of Compensation for Directors and Audit & Supervisory Board Members

Director and Audit & Supervisory Board member category	Total compensation and other remuneration (Millions of Yen)	Total by compensation and remuneration category (Millions of Yen)		Headcount of eligible directors and Audit & Supervisory Board members
		Basic compensation		
Directors (excluding outside directors)	225	225		4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	20	20		1
Outside directors and Audit & Supervisory Board members	35	35		6

To ensure the objectivity and transparency of policies for determining director compensation, deliberations are conducted through the Nomination and Compensation Committee, more than half of whose members are outside directors, with the Board of Directors making resolutions.

Director compensation comprises fixed remuneration that reflects external standards and performance-based amounts. The compensation of Audit & Supervisory Board members and outside directors is fixed in keeping with the nature of their work.

Compensation of Accounting Auditor

Details of Compensation for Certified Public Accountants and Staff of the Accounting Auditor

Category	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013	
	Compensation paid for audit certification activities (Millions of Yen)	Compensation paid for non-audit activities (Millions of Yen)	Compensation paid for audit certification activities (Millions of Yen)	Compensation paid for non-audit activities (Millions of Yen)
Yamato Holdings Co., Ltd.	41	8	42	1
Consolidated subsidiaries	133	—	133	4
Total	174	8	175	5

Other Important Compensation Details

Fiscal year ended March 31, 2012

The compensation that 11 overseas subsidiaries, including consolidated subsidiary Yamato Transport U.S.A., Inc., paid to Deloitte Touche Tohmatsu Limited, which is part of the same network of the accounting firm that audits Yamato Holdings, was as follows.

Compensation paid for audit certification and related activities: ¥82 million

Fiscal year ended March 31, 2013

The compensation that 12 overseas subsidiaries, including consolidated subsidiary Yamato Transport U.S.A., Inc., paid to Deloitte Touche Tohmatsu Limited, which is part of the same network of the accounting firm that audits Yamato Holdings, was as follows.

Compensation paid for audit certification and related activities: ¥98 million

Details of Non-Audit Activities of Certified Public Accountants and Staff of the Accounting Auditor

Fiscal year ended March 31, 2012

The non-audit activities for which the Company paid the certified public accountants and staff of the accounting auditors entailed advice and guidance relating to the introduction of International Financial Reporting Standards.

Fiscal year ended March 31, 2013

Non-audit activities for which the Company paid the certified public accountants and staff of the accounting auditors entailed advice and guidance on the introduction of International Financial Reporting Standards.

Policy for Determining Accounting Auditor Compensation

We determine audit compensation for the certified public accountants and staff of the accounting auditor based on the number of days required for audits, the Company's size, and the nature of its operations.

Directors and Audit & Supervisory Board Members

As of June 25, 2013





5

Directors

- 1. **Kaoru Seto**
Representative Director and Chairman
- 2. **Makoto Kigawa**
Representative Director,
President and Executive Officer
- 3. **Haruo Kanda**
Representative Director,
Senior Executive Officer
- 4. **Masaki Yamauchi**
Director and Executive Officer
- 5. **Kenji Minaki**
Director and Executive Officer



10

Outside Directors

- 6. **Toshitaka Hagiwara**
- 7. **Masakatsu Mori**

Full-time Audit & Supervisory Board Member

- 8. **Hiroshi Kawada**



15

Audit & Supervisory Board Members

- 9. **Koji Okawa**
- 10. **Motoharu Yokose**
- 11. **Hiroyuki Kanae**

Managing Executive Officer

- 12. **Kenichi Shibasaki**



20

Executive Officers

- 13. **Toshizo Kurisu**
- 14. **Hitoshi Kanamori**
- 15. **Atsushi Ichino**
- 16. **Keishirou Sasaki**
- 17. **Tadao Mikami**
- 18. **Hideo Tanzawa**
- 19. **Hidenori Osano**

Advisor

- 20. **Keiji Aritomi**

Analysis of Financial Position and Management Results



Kenichi Shibasaki
Managing Executive Officer
responsible for Financing and
Accounting

In this year's annual report, I would like to look back on the year ended March 31, 2013 based on the following themes and discuss the Yamato Group's capital policies.

1. Attainment of Numerical Targets in Fiscal 2013 and Evaluation
2. The Yamato Group's Long-term Management Plan and ROE Target
3. Agility and Flexibility of Financial Activities
4. Implementation Status of Capital Policies to Enhance Financial Quality and Basic Policy on Shareholder Returns
5. Business Risks

1. Attainment of Numerical Targets in Fiscal 2013 and Evaluation

Regarding the business environment during the fiscal year ended March 31, 2013, economic conditions have shown

some signs of improvement since December 2012. These include the reversal of the yen's appreciation and a rise in stock prices on the back of anticipation of the new administration of Prime Minister Shinzō Abe and its growth strategies toward revival of the Japanese economy. Meanwhile, the economic recovery remained in the balance due to uncertain factors such as concerns about a resurgence of the debt crisis in Europe.

Operating in this environment, the Yamato Group worked to achieve greater sophistication of its existing businesses, particularly the *TA-Q-BIN* business, and took steps to develop new businesses by utilizing a multiple assortment of the management resources within the Group for properly responding to customers' ever-evolving needs.

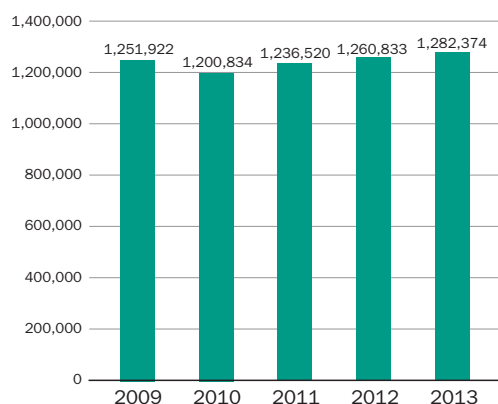
In our existing Delivery Business, the handling volume of *Kuroneko Mail* decreased due to stricter policies on parcel acceptance that emphasize compliance, along with intensified competition.

In our mainstay *TA-Q-BIN* service, we organically integrated a pioneering consumer-centric strategy of differentiation with non-delivery businesses to successfully expand our solution business. This enabled us to capture package delivery demand in the growing mail-order market.

As a new business, the Yamato Group launched a service that delivers documents to destinations inside overseas

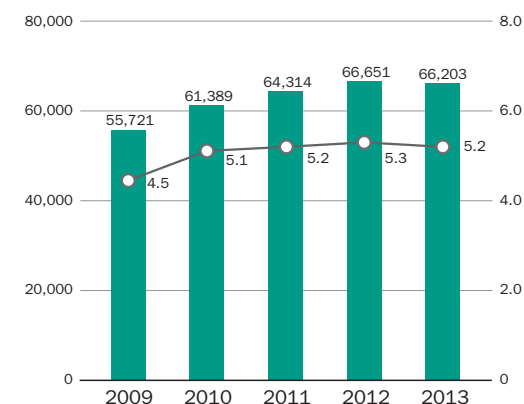
Operating Revenues

(Millions of Yen)



Operating Income/Operating Income Margin

(Millions of Yen, %)



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

TA-Q-BIN service areas as early as the next day by utilizing the *Okinawa International Logistics Hub*.

As a result, operating revenues increased 1.7% year on year to ¥1,282,374 million, while operating income decreased 0.7% to ¥66,203 million.

ROE for the fiscal year ended March 31, 2013 rose to 6.7%, helped partly by share buybacks of approximately ¥10.0 billion conducted in February 2013. In this manner, ROE has gradually shown steady improvement.

2. The Yamato Group's Long-term Management Plan and ROE Target

The management philosophy of the Yamato Group is to help “enrich our society by enhancing the social infrastructure of TA-Q-BIN networks, creating more convenient services for comfortable lifestyles and developing an innovative logistics system.” The entire Yamato Group is making a concerted effort to realize this philosophy.

To this end, in January 2011, we formulated a long-term management plan, DAN-TOTSU Management Plan 2019, whose final year is fiscal 2020. Guided by this plan, we are making every effort to become a leading provider of distribution and lifestyle support solution services in Asia by the year ending March 2020, when we will celebrate the 100th anniversary of our founding.

The major theme of this long-term management plan is to increase satisfaction of shareholders, customers, the public, employees and all other stakeholders.

From my perspective as Managing Executive Officer responsible for Financing and Accounting, I recognize that the keys for success are to increase our profitability by steadily executing our business plan, and also raising capital efficiency by implementing capital policies that take advantage of our solid financial base. And we must tie these improvements to a further increase in corporate value.

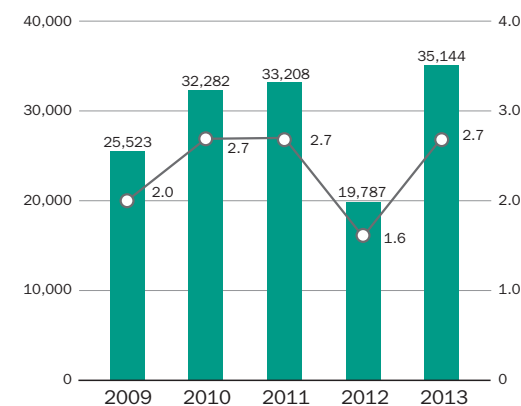
From this perspective, we consider ROE to be a key benchmark to keep in mind as we seek to raise shareholder value, in order to achieve both strengthened capital accumulation and utilization of business assets.

We plan to raise ROE to over 7.0% in the year ending March 2014, the final year of the medium-term management plan DAN-TOTSU Three-Year Plan HOP, and to over 11.0% in the year ending March 2020, the final year of the long-term management plan DAN-TOTSU Management Plan 2019.

We revised the ROE target for the year ending March 2014, the final year of the medium-term management plan, from 8.5% to over 7.0%. However, our basic approach toward achieving the overall objectives of our business and financial strategies remains unchanged.

Net Income/Net Margin

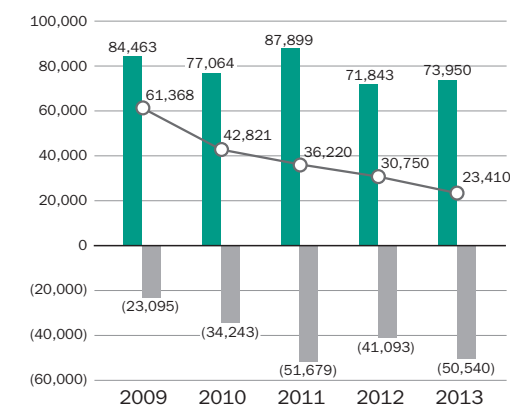
(Millions of Yen, %)



■ Net Income (left scale)
○ Net Margin (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

While steadily executing our business plan, we will consider and implement capital policies by taking into consideration financial stability and soundness, as well as efficiency, with the aim of achieving our targets.

3. Agility and Flexibility of Financial Activities

The Yamato Group consistently and continually generates between ¥70.0 billion and ¥80.0 billion in cash annually to maintain the agility and flexibility of financial activities while sufficiently covering ordinary expenditures.

As of March 2013, Yamato Holdings has received the following credit rating from Rating and Investment Information, Inc. (R&I):

R&I AA-

The Yamato Group will strive to remain aware of capital costs, while at the same time maintain the existing credit rating in order to facilitate smooth capital procurement.

4. Implementation Status of Capital Policies to Enhance Financial Quality and Basic Policy on Shareholder Returns

The Yamato Group seeks to provide returns to shareholders based on the return to shareholders ratio, a combination of both dividends and share buybacks.

We have a basic policy of paying dividends with a target consolidated dividend payout ratio of 30% of consolidated net income.

During the fiscal year ended March 31, 2013, we bought back about ¥10.0 billion in shares, and retired 6.7 million shares of treasury stock.

For the fiscal year ended March 31, 2013, we paid dividends of ¥23 per share, ¥1 higher than in the previous fiscal year. The return to shareholders ratio, a combination of both dividends and share buybacks, was over 50% for the fiscal year ended March 31, 2013.

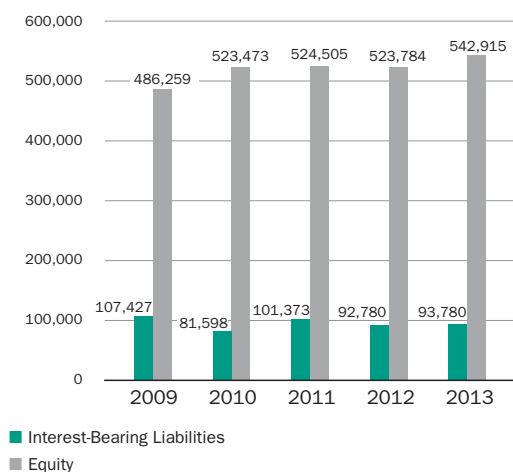
For the fiscal year ending March 31, 2014, we are considering plans to increase the dividend slightly. We are planning an annual dividend of ¥24 per share, ¥1 higher than in the fiscal year ended March 31, 2013.

While increasing our profitability by steadily executing our business plan, we will work to raise capital efficiency by implementing capital policies that take advantage of our solid financial base. And we will strive to tie these improvements to a further increase in corporate value.

The following is a review of our capital policy measures in past years:

Interest-Bearing Liabilities/Equity

(Millions of Yen)



ROA/ROE

(%)



From the fiscal years ended March 31, 2003 to 2007

The Yamato Group bought back about ¥10.0 billion in shares continuously every year for five years from the fiscal year ended March 31, 2003 to the fiscal year ended March 31, 2007.

Of these shares, approximately 12.0 million shares were retired in the fiscal year ended March 31, 2006, and approximately 3 million shares were used for M&As in the fiscal years ended March 31, 2007 and March 31, 2008.

Fiscal year ended March 31, 2011

In February 2011, we issued corporate bonds with new share warrants attached for the purpose of share buybacks as part of efforts to implement flexible financial strategies.

Proceeds of approximately ¥20.0 billion from the issuance of corporate bonds with new share warrants were allocated in their entirety to share buybacks for the purpose of enhancing capital efficiency.

These buybacks resulted in the repurchase of shares at a total cost of approximately ¥30.0 billion, representing our largest buybacks ever.

Considering the prevailing market conditions then, we selected this scheme for share buybacks because we believed that buying back shares using low-cost corporate bonds with new share warrants attached and enhanced debt characteristics would maximize the positive impact on capital efficiency, such as ROE and EPS.

Fiscal year ended March 31, 2012

No share buybacks were conducted during the fiscal year ended March 31, 2012.

The Company did not conduct share buybacks in the fiscal year ended March 31, 2012 because it decided to devote resources to fulfilling the Group's social mission in response to the unprecedented damage caused by the major earthquake that struck in March 2011. To this end, the Yamato Group helped deliver supplies to the region to assist in its recovery, while Group employees donated their time as volunteers. The Group also donated ¥10 per *TA-Q-BIN* parcel to help in the revitalization of local people's living conditions and industrial infrastructure, and continued the initiative for a full year.

These donations, which totaled ¥14.2 billion, were used to provide grants exclusively for the restoration and revitalization of the local infrastructure and for rebuilding of the fishing and agriculture industries in the region. An independent committee of experts selected projects for grants under a basic policy of visible, quick and effective assistance. Priority was placed on subsidizing the types of projects that do not normally receive government support.

5. Business Risks

The Yamato Group is fully aware of the potential impact of the following risks on its business performance and financial position, and is accordingly managing these risks.

The following risks are solely within the scope of projections possible from information available at the end of March 2013, and may not encompass all of the risks related to the business of the Yamato Group.

- (1) Legal Regulations
- (2) High Reliance on the *TA-Q-BIN* Business for Operating Revenues
- (3) Secure Human Resources
- (4) Loss of Business Expertise Caused by Personnel Leaving the Company
- (5) Decline in Trust in the Company
- (6) Leak of Customer Information
- (7) Loss of Social Trust Due to Major Traffic Accident and Administrative Action
- (8) Official Regulation Due to Environmental Issues
- (9) Natural Disasters or Power Outages
- (10) Computer Viruses and Criminal Hacking Activity
- (11) International Developments or Terrorism
- (12) Credit Management Costs and Interest Rate Fluctuations

We ask our shareholders and other investors for their ongoing encouragement and support.

Consolidated Balance Sheet

March 31, 2013

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
CURRENT ASSETS:			
Cash and cash equivalents (Notes 2.d and 13)	¥ 213,619	¥ 209,179	\$ 2,271,336
Notes and accounts receivable (Note 13):			
Trade	163,790	158,175	1,741,518
Installment (Note 3)	37,456	35,539	398,261
Lease (Note 12)	22,377	18,925	237,924
Allowance for doubtful accounts	(1,654)	(2,261)	(17,592)
Inventories (Note 4)	3,601	3,345	38,291
Deferred tax assets (Note 11)	16,647	17,078	177,000
Prepaid expenses and other current assets	30,572	24,475	325,064
Total current assets	486,408	464,455	5,171,802
PROPERTY, PLANT AND EQUIPMENT—At cost:			
Land	187,108	182,304	1,989,446
Buildings and structures	281,096	273,712	2,988,797
Vehicles	182,679	182,004	1,942,360
Leased assets (Note 12)	23,549	25,937	250,387
Machinery and equipment	108,493	105,325	1,153,570
Construction in progress	35,892	30,052	381,624
Others	9,432	6,243	100,291
Total	828,249	805,577	8,806,475
Accumulated depreciation	(445,092)	(430,397)	(4,732,503)
Net property, plant and equipment	383,157	375,180	4,073,972
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 13)	21,787	18,749	231,658
Investments in and advances to nonconsolidated subsidiaries and affiliates, net of valuation allowance of ¥222 million (\$2,360 thousand) in 2013 and 2012	838	3,339	8,907
Long-term loans	915	952	9,733
Goodwill		585	
Software	12,389	12,018	131,723
Lease deposits	19,373	20,202	205,982
Deferred tax assets (Note 11)	18,515	17,197	196,868
Other assets	6,771	6,618	71,990
Total investments and other assets	80,588	79,660	856,861
TOTAL	¥ 950,153	¥ 919,295	\$10,102,635

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 13)	¥ 15,704	¥ 5,260	\$ 166,972
Current portion of long-term debt (Notes 7, 13 and 14)	18,825	17,082	200,157
Notes and accounts payable (Note 13):			
Trade	138,288	129,454	1,470,370
Other	15,283	21,736	162,501
Income taxes payable	22,442	17,631	238,616
Employees' savings deposits	4,453	4,200	47,346
Accrued expenses	57,344	57,801	609,717
Deferred profit on installment sales (Notes 3 and 13)	5,006	4,960	53,233
Other current liabilities (Note 9)	22,195	24,220	235,989
Total current liabilities	299,540	282,344	3,184,901
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 13 and 14)	59,252	70,439	630,003
Long-term accounts payable	2,414	3,798	25,664
Liability for employees' retirement benefits (Note 8)	38,178	31,733	405,934
Deferred tax liabilities (Note 11)	459	269	4,886
Other long-term liabilities (Note 9)	7,395	6,928	78,629
Total long-term liabilities	107,698	113,167	1,145,116
COMMITMENTS LIABILITIES (Note 12)			
EQUITY (Notes 10 and 18):			
Common stock—authorized, 1,787,541,000 shares in 2013 and 2012; issued, 461,345,492 shares in 2013 and 468,052,892 shares in 2012	127,235	127,235	1,352,842
Capital surplus	111,291	121,314	1,183,312
Retained earnings	347,358	321,862	3,693,335
Treasury stock—at cost, 37,631,001 shares in 2013 and 37,905,955 shares in 2012	(56,496)	(56,514)	(600,698)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	6,095	2,976	64,812
Foreign currency translation adjustments	(1,032)	(1,877)	(10,974)
Total	534,451	514,996	5,682,629
Minority interests	8,464	8,788	89,989
Total equity	542,915	523,784	5,772,618
TOTAL	¥950,153	¥919,295	\$10,102,635

Consolidated Statement of Income

Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING REVENUES	¥1,282,374	¥1,260,833	\$13,635,020
OPERATING COSTS AND EXPENSES:			
Operating costs	1,181,834	1,163,777	12,566,016
Selling, general and administrative expenses	34,337	30,405	365,093
Total operating costs and expenses	1,216,171	1,194,182	12,931,109
Operating income	66,203	66,651	703,911
OTHER (INCOME) EXPENSES:			
Interest and dividend income	(661)	(606)	(7,026)
Interest expense	612	737	6,505
Loss on disposal of property, plant and equipment—net	224	286	2,386
Loss on impairment of long-lived assets (Note 6)	1,769	222	18,815
Gain on sales of marketable and investment securities	(42)		(448)
Loss on valuation of investment securities	1,176	1,982	12,500
Loss on valuation of investment in nonconsolidated subsidiaries and affiliate	453		4,818
Donations concerning restoration support		14,236	
Retirement benefits related to the extension of the retirement age		4,444	
Other—net	(1,612)	(467)	(17,143)
Other expenses—net	1,919	20,834	20,407
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	64,284	45,817	683,504
INCOME TAXES (Note 11):			
Current	31,269	25,690	332,464
Deferred	(1,706)	369	(18,139)
Total income taxes	29,563	26,059	314,325
NET INCOME BEFORE MINORITY INTERESTS	34,721	19,758	369,179
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(423)	(29)	(4,500)
NET INCOME	¥ 35,144	¥ 19,787	\$ 373,679
	Yen		U.S. Dollars
	2013	2012	2013
PER SHARE OF COMMON STOCK (Notes 2.r and 16):			
Basic net income	¥ 81.85	¥ 46.00	\$ 0.87
Diluted net income	79.84	44.87	0.85
Cash dividends applicable to the year	23.00	22.00	0.24

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥34,721	¥19,758	\$369,179
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized gain on available-for-sale securities	3,199	1,514	34,010
Foreign currency translation adjustments	1,035	(433)	11,005
Total other comprehensive income	4,234	1,081	45,015
COMPREHENSIVE INCOME	¥38,955	¥20,839	\$414,194
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥39,210	¥20,827	\$416,900
Minority interests	(255)	12	(2,706)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2013

	Thousands		Millions of Yen							
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income		Minority Interests	Total Equity	
						Unrealized Gain on Available- for-Sale Securities	Foreign Currency Translation Adjustments			
BALANCE, APRIL 1, 2011	439,336	¥127,235	¥121,315	¥311,569	¥(44,631)	¥1,501	¥(1,387)	¥515,602	¥8,903	¥524,505
Net income				19,787				19,787		19,787
Cash dividends, ¥22 per share				(9,564)				(9,564)		(9,564)
Adjustment of retained earnings for changes in the scope of consolidation				70				70		70
Purchase of treasury stock	(9,190)				(11,884)			(11,884)		(11,884)
Disposal of treasury stock	1		(1)		1					
Net change in the year						1,475	(490)	985	(115)	870
BALANCE, MARCH 31, 2012	430,147	127,235	121,314	321,862	(56,514)	2,976	(1,877)	514,996	8,788	523,784
Net income				35,144				35,144		35,144
Cash dividends, ¥22 per share				(9,463)				(9,463)		(9,463)
Adjustment of retained earnings for changes in the scope of consolidation				(185)				(185)		(185)
Purchase of treasury stock	(6,433)				(10,006)			(10,006)		(10,006)
Disposal of treasury stock					1			1		1
Retirement of treasury stock			(10,023)		10,023					
Net change in the year						3,119	845	3,964	(324)	3,640
BALANCE, MARCH 31, 2013	423,714	¥127,235	¥111,291	¥347,358	¥(56,496)	¥6,095	¥(1,032)	¥534,451	¥8,464	¥542,915

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income		Total	Minority Interests	Total Equity
					Unrealized Gain on Available- for-Sale Securities	Foreign Currency Translation Adjustments			
BALANCE, MARCH 31, 2012	\$1,352,842	\$1,289,893	\$3,422,248	\$(600,899)	\$31,643	\$(19,957)	\$5,475,770	\$93,435	\$5,569,205
Net income			373,679				373,679		373,679
Cash dividends, \$0.23 per share			(100,619)				(100,619)		(100,619)
Adjustment of retained earnings for changes in the scope of consolidation			(1,973)				(1,973)		(1,973)
Purchase of treasury stock				(106,389)			(106,389)		(106,389)
Disposal of treasury stock			(1)	10			9		9
Retirement of treasury stock		(106,580)		106,580					
Net change in the year					33,169	8,983	42,152	(3,446)	38,706
BALANCE, MARCH 31, 2013	\$1,352,842	\$1,183,312	\$3,693,335	\$(600,698)	\$64,812	\$(10,974)	\$5,682,629	\$89,989	\$5,772,618

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 64,284	¥ 45,817	\$ 683,504
Adjustments for:			
Income taxes—paid	(28,078)	(26,743)	(298,543)
Depreciation and amortization	37,944	38,685	403,450
Loss on disposal of property, plant and equipment—net	224	286	2,386
Loss on impairment of long-lived assets	1,769	222	18,815
Gain on sales of marketable and investment securities	(42)		(448)
Loss on valuation of investment securities	1,176	1,982	12,500
Donations concerning restoration support paid	(1,148)	(13,088)	(12,210)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in notes and accounts receivable	(10,526)	(11,962)	(111,922)
Decrease (increase) in inventories	87	(520)	924
Increase in notes and accounts payable	8,406	15,771	89,378
Increase in liability for employees' retirement benefits	6,442	3,264	68,501
Other—net	(6,588)	18,129	(70,052)
Total adjustments	9,666	26,026	102,779
Net cash provided by operating activities	73,950	71,843	786,283
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	582	788	6,189
Purchases of property, plant and equipment	(47,099)	(35,913)	(500,784)
Proceeds from sales of marketable and investment securities	52	9	557
Purchases of marketable and investment securities	(12)	(11)	(126)
Decrease (increase) in investments in and advances to nonconsolidated subsidiaries and affiliates	511	(1,202)	5,430
Collection of loans	881	969	9,367
Payments of loans	(847)	(788)	(9,008)
Other	(4,608)	(4,945)	(48,998)
Net cash used in investing activities	(50,540)	(41,093)	(537,373)
FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	68,949	23,214	733,108
Repayments of short-term debt	(63,955)	(32,410)	(680,014)
Proceeds from long-term debt	5,538	9,850	58,883
Repayments of long-term debt	(12,199)	(13,008)	(129,705)
Dividends paid	(9,528)	(9,707)	(101,308)
Purchase of treasury stock—net	(10,008)	(11,889)	(106,413)
Other	181	1,033	1,925
Net cash used in financing activities	(21,022)	(32,917)	(223,524)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	457	(182)	4,860
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,845	(2,349)	30,246
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR			
	1,403	1,950	14,922
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	208,393	208,792	2,215,772
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.d)	¥212,641	¥208,393	\$2,260,940

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2013

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2012 consolidated financial statements to conform them to the classifications and presentations used in 2013.

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 ¥94.05 to \$1, the approximate rate of exchange at March 31, 2013. 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, 2013, include the accounts of the Company and its 40 significant (39 in 2012) 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 2013 or 2012.

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 that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been 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 revenue at the time when freight has been received from the shipping customer for transportation.

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

d. Cash Equivalents—Cash equivalents in the consolidated statement of cash flows are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents in the consolidated statement of cash flows include time deposits, certificates of 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
	2013	2012	2013
Cash and cash equivalents presented in the consolidated balance sheet	¥213,619	¥209,179	\$2,271,336
Time deposits due beyond three months	(695)	(490)	(7,387)
Bank overdraft	(283)	(296)	(3,009)
Cash and cash equivalents presented in the consolidated statement of cash flows	¥212,641	¥208,393	\$2,260,940

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, 2013 and 2012.

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

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

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

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

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

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

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

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

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

j. Retirement and Pension Plan—The Company and substantially all 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.

In the year ended March 31, 2013, a domestic consolidated subsidiary withdrew from a cooperative welfare pension fund in which the subsidiary had participated as a substitute for the aforementioned contributory-trustee pension plan.

The foreign subsidiaries have defined contribution retirement plans.

Directors and Audit & Supervisory Board members are not covered by the retirement and pension plans described above.

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

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of 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 a reconciliation to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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

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

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

n. 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.

o. 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.

p. 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.

q. 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.

r. 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.

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

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

t. New Accounting Pronouncements

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

Under the revised accounting standard, actuarial gains and losses and past service costs shall be recognized within equity on the consolidated balance sheet after adjusting for tax effects, and the funded status shall be recognized as a liability or asset. With respect to the method for attributing the expected benefit to periods of service, the benefit formula basis is newly allowed as an option, in addition to the straight-line basis. The method for determining the discount rate is also amended.

The accounting standard and the guidance will be applied to the Company and its domestic consolidated subsidiaries from the end of the fiscal year that begins on or after April 1, 2013. However, the revision of the attribution method of the expected benefit will be applied from the beginning of the fiscal year that begins on or after April 1, 2014. The accounting standard and the guidance will not be applied retrospectively to the financial statements in the prior years, following the transitional provisions.

The application of the accounting standard and the guidance is expected to have an effect on the consolidated financial statements and the Company is now in the process of measuring it.

3. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.3% of operating revenues in 2013 and 2012, respectively.

Annual maturities of notes and accounts receivable—installment at March 31, 2013, 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
2014	¥19,318	¥2,080	\$205,398	\$22,116
2015	9,191	1,348	97,726	14,337
2016	4,899	790	52,093	8,406
2017	2,339	412	24,874	4,381
2018	1,127	229	11,981	2,431
2019 and thereafter	582	147	6,189	1,562
Total	¥37,456	¥5,006	\$398,261	\$53,233

4. INVENTORIES

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Merchandise	¥ 852	¥ 770	\$ 9,059
Work in process	161	87	1,716
Raw materials and supplies	2,588	2,488	27,516
Total	¥3,601	¥3,345	\$38,291

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Noncurrent:			
Marketable equity securities	¥20,516	¥17,504	\$218,136
Nonmarketable equity securities	1,175	1,140	12,496
Other	96	105	1,026
Total	¥21,787	¥18,749	\$231,658

Information regarding each category of the securities classified as available-for-sale at March 31, 2013 and 2012, was as follows:

	Millions of Yen			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥12,257	¥8,277	¥18	¥20,516

	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

	Thousands of U.S. Dollars			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	\$130,324	\$88,000	\$188	\$218,136

Information for available-for-sale securities, which were sold during the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2013			
Available-for-sale:			
Equity securities	¥44	¥42	¥-
Other	8		
Total	¥52	¥42	¥-

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

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
March 31, 2013			
Available-for-sale:			
Equity securities	\$467	\$448	\$-
Other	90		
Total	\$557	\$448	\$-

Impairment losses on available-for-sale equity securities for the years ended March 31, 2013 and 2012, were ¥1,176 million (\$12,500 thousand) and ¥1,982 million, respectively.

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2013 and 2012. As a result, the Group recognized an impairment loss of ¥1,769 million (\$18,815 thousand) as other expense for the asset groups of the Nishi-Kanto Regional Branch of Yamato Home Convenience Co., Ltd. and eight other asset groups for the year ended March 31, 2013, and ¥222 million as other expense for the asset groups of the Iwate Regional Branch of Yamato Transport Co., Ltd. and another asset group for the year ended March 31, 2012, respectively, due to continuous operating losses of those units. The carrying amounts of the relevant asset groups were written down to the recoverable amounts. The recoverable amounts of the relevant asset groups were measured by net selling prices and evaluated based mainly on Real Estate Appraisal Standards, assessed value of fixed assets, and posted land prices.

7. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2013 and 2012, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2013 and 2012, were approximately 0.663% and 1.365%, respectively.

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
0.200% to 6.900% loans from Japanese banks due 2013 to 2017	¥ 46,321		\$ 492,505
0.200% to 2.000% loans from Japanese banks due 2012 to 2016		¥ 52,981	
Lease obligations	11,756	14,540	125,002
Zero coupon convertible bonds due in March 2016	20,000	20,000	212,653
Total	78,077	87,521	830,160
Less current portion	(18,825)	(17,082)	(200,157)
Total	¥ 59,252	¥ 70,439	\$ 630,003

Annual maturities of long-term debt at March 31, 2013, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥18,825	\$200,157
2015	21,473	228,312
2016	31,601	336,001
2017	5,381	57,212
2018	764	8,128
2019 and thereafter	33	350
Total	¥78,077	\$830,160

The conversion price of the convertible bonds due in March 2016 was ¥1,850 per share at March 31, 2013. If all the outstanding convertible bonds had been exercised at March 31, 2013, 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.

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 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 Audit & Supervisory Board members, which are paid subject to the approval of the shareholders, are not included in the aforementioned plans.

The liability for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥112,493	¥ 97,901	\$1,196,097
Fair value of plan assets	(64,927)	(58,359)	(690,345)
Unrecognized actuarial loss	(9,502)	(8,027)	(101,034)
Prepaid pension cost	114	218	1,216
Net liability	¥ 38,178	¥ 31,733	\$ 405,934

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥ 7,106	¥5,453	\$ 75,552
Interest cost	1,946	1,786	20,697
Recognized actuarial loss	3,399	2,006	36,143
Net periodic benefit costs	¥12,451	¥9,245	\$132,392

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	2012
Discount rate	1.3%	2.0%
Expected rate of return on plan assets	0.0%	0.0%
Recognition period of actuarial gain/loss	5 years	5 years

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	¥4,059	¥3,831	\$43,157
Additional provisions associated with the acquisition of property, plant and equipment	197	185	2,089
Reconciliation associated with passage of time	85	80	905
Reconciliation associated with changes in accounting estimates	141	2	1,502
Reduction associated with settlement of asset retirement obligations	(26)	(36)	(278)
Others	3	(3)	31
Balance at end of year	¥4,459	¥4,059	\$47,406

In the year ended March 31, 2013, changes in accounting estimates were recorded as it became evident that the discounted cash flows required for the future asset retirement exceed the amount estimated at the beginning of the year, which resulted from certain events such as obtaining new information. A reconciliation has been prepared for the excess, which resulted in an increase of the asset retirement obligation for the year ended March 31, 2013, by ¥141 million (\$1,502 thousand).

10. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Audit & Supervisory Board, 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 (noncash assets) to shareholders subject to a certain limitation and additional requirements.

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

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

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

c. Treasury Stock

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

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 38% and 40% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Current:			
Accrued expenses	¥ 10,994	¥ 11,156	\$ 116,903
Enterprise tax	2,015	1,628	21,426
Allowance for doubtful accounts	211	394	2,241
Legal welfare expense	1,728	1,696	18,373
Other	2,456	3,037	26,115
Less valuation allowance	(392)	(466)	(4,172)
Deferred tax assets—current	¥ 17,012	¥ 17,445	\$ 180,886
Noncurrent:			
Liability for employees' retirement benefits	¥ 13,720	¥ 11,301	\$ 145,876
Investment securities	2,202	1,741	23,413
Loss on devaluation of land	24,218	24,219	257,504
Loss on impairment of long-lived assets	4,150	3,715	44,124
Loss on devaluation of telephone subscription rights	546	546	5,808
Unrealized profit	1,660	1,522	17,650
Other	10,087	9,522	107,249
Less valuation allowance	(34,472)	(32,853)	(366,529)
Deferred tax assets—noncurrent	¥ 22,111	¥ 19,713	\$ 235,095
Deferred tax liabilities:			
Current—other	¥ 365	¥ 367	\$ 3,886
Deferred tax liabilities—current	¥ 365	¥ 367	\$ 3,886
Noncurrent:			
Unrealized gain on available-for-sale securities	¥ 2,020	¥ 1,027	\$ 21,478
Other	2,035	1,758	21,635
Deferred tax liabilities—noncurrent	¥ 4,055	¥ 2,785	\$ 43,113
Deferred tax assets—net	¥ 34,703	¥ 34,006	\$ 368,982

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, 2013, with the corresponding figures for 2012 is as follows:

	2013	2012
Normal effective statutory tax rate	38.0%	40.0%
Per capita levy of local taxes	4.2	5.9
Valuation allowance	2.2	3.5
Downward revision to deferred tax assets as of end of the period due to the change in the corporate tax rate		6.3
Other—net	1.6	1.2
Actual effective tax rate	46.0%	56.9%

12. LEASES

(1) Lessee

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

Future rental income payable under noncancelable operating leases at March 31, 2013 and 2012, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥507	¥ 503	\$5,385
Due after one year	44	497	469
Total	¥551	¥1,000	\$5,854

(2) Lessor

The net investments in lease as of March 31, 2013 and 2012, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Gross lease receivables	¥22,859	¥19,860	\$243,049
Unguaranteed residual values	1,820	1,488	19,354
Unearned interest income	(2,302)	(2,423)	(24,479)
Investments in leases, current	¥22,377	¥18,925	\$237,924

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, 2013, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 7,379	\$ 78,457
2015	6,195	65,865
2016	4,771	50,727
2017	3,101	32,972
2018	1,260	13,396
2019 and thereafter	153	1,632
Total	¥22,859	\$243,049

The minimum rental commitments under noncancelable operating leases at March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥1,509	¥ 966	\$16,042
Due after one year	3,431	2,245	36,481
Total	¥4,940	¥3,211	\$52,523

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

Therefore, the Group maintains customers' credit risk by monitoring collections and accrued receivables at due dates.

Marketable and investment securities are mainly equity securities of the companies 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 prescribes 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, 2013 and 2012, were as follows:

March 31, 2013	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥213,619	¥213,619	
Trade notes and accounts receivable	163,790		
Allowance for doubtful accounts	(143)		
	163,647	164,258	¥ 611
Installment sales receivable	37,456		
Allowance for doubtful accounts	(1,112)		
Deferred profit on installment sales	(5,006)		
	31,338	36,110	4,772
Investment securities	20,516	20,516	
Trade notes and accounts payable	138,288	138,288	
Short-term loans	29,814	29,892	78
Long-term loans	32,210	32,275	65
Derivatives			

March 31, 2012	Millions of Yen		
	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	
Trade 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, 2013	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	\$2,271,336	\$2,271,336	
Trade notes and accounts receivable	1,741,518		
Allowance for doubtful accounts	(1,518)		
	1,740,000	1,746,496	\$ 6,496
Installment sales receivable	398,261		
Allowance for doubtful accounts	(11,824)		
Deferred profit on installment sales	(53,233)		
	333,204	383,943	50,739
Investment securities	218,136	218,136	
Trade notes and accounts payable	1,470,370	1,470,370	
Short-term loans	317,004	317,827	823
Long-term loans	342,473	343,164	691
Derivatives			

Cash and cash equivalents

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

Trade notes and accounts receivable

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

Installment sales receivable

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

Marketable and investment securities

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

Trade notes and accounts payable

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

Short-term loans and long-term loans

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

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

Derivatives

Information of the fair value for derivatives is included in Note 14.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥2,082	¥4,465	\$22,132

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

March 31, 2013	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥213,619		
Trade notes and accounts receivable	156,108	¥ 7,637	¥ 45
Installment sales receivable	19,318	17,556	582
Total	¥389,045	¥25,193	¥627

March 31, 2012	Millions of Yen		
	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, 2013	Thousands of U.S. Dollars		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	\$2,271,336		
Trade notes and accounts receivable	1,659,838	\$ 81,206	\$ 474
Installment sales receivable	205,398	186,674	6,189
Total	\$4,136,572	\$267,880	\$6,663

(6) Maturity Analysis for Long-term Loans, Lease Obligations and Convertible Bonds

Year Ending March 31	Millions of Yen		
	Long-term loans	Lease obligations	Zero coupon convertible bonds
2014	¥14,111	¥ 4,714	
2015	17,118	4,355	
2016	9,967	1,634	¥20,000
2017	4,617	764	
2018	508	256	
2019 and thereafter		33	
Total	¥46,321	¥11,756	¥20,000

Year Ending March 31	Thousands of U.S. Dollars		
	Long-term loans	Lease obligations	Zero coupon convertible bonds
2014	\$150,032	\$ 50,125	
2015	182,001	46,311	
2016	105,977	17,371	\$212,653
2017	49,093	8,119	
2018	5,402	2,726	
2019 and thereafter		350	
Total	\$492,505	\$125,002	\$212,653

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

14. DERIVATIVES

Certain consolidated subsidiaries use derivative financial instruments to manage their exposure to fluctuations in interest rates. Interest rate swaps are utilized by the consolidated subsidiaries to reduce interest rate risk. 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 is recognized and included in interest expense or income.

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2013	Hedged Item			
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥42,050	¥28,050	*
March 31, 2012				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥49,074	¥37,550	*
		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2013	Hedged Item			
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	\$447,103	\$298,246	*

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

15. COMPREHENSIVE INCOME

Each component of other comprehensive income for the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 3,036	¥ 428	\$ 32,281
Reclassification adjustments to profit or loss	1,176	1,390	12,499
Amount before income tax effect	4,212	1,818	44,780
Income tax effect	(1,013)	(304)	(10,770)
Total	¥ 3,199	¥1,514	\$ 34,010
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 1,035	¥ (433)	\$ 11,005
Total other comprehensive income	¥ 4,234	¥1,081	\$ 45,015

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2013 and 2012, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted- average Shares	EPS	
Year Ended March 31, 2013				
Basic EPS—Net income available to common shareholders	¥35,144	429,377	¥81.85	\$0.87
Effect of dilutive securities—Convertible bonds		10,811		
Diluted EPS—Net income for computation	¥35,144	440,188	¥79.84	\$0.85
Year Ended March 31, 2012				
Basic EPS—Net income available to common shareholders	¥19,787	430,181	¥46.00	
Effect of dilutive securities—Convertible bonds		10,811		
Diluted EPS—Net income for computation	¥19,787	440,992	¥44.87	

17. 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 <i>TA-Q-BIN</i> (door-to-door parcel delivery) and <i>Kuroneko Mail</i> (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									
	2013									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,028,219	¥86,807	¥44,602	¥37,061	¥ 56,710	¥23,229	¥ 5,746	¥1,282,374	¥ -	¥1,282,374
Intersegment revenues	56,439	11,486	14,752	27,860	3,911	27,531	52,994	194,973	(194,973)	
Total segment revenues	¥1,084,658	¥98,293	¥59,354	¥64,921	¥ 60,621	¥50,760	¥58,740	¥1,477,347	¥(194,973)	¥1,282,374
Segment income (loss)	¥ 41,908	¥ 4,095	¥ (527)	¥ 6,987	¥ 8,516	¥ 2,666	¥18,763	¥ 82,408	¥ (16,205)	¥ 66,203
Segment assets	575,699	52,525	18,415	36,862	189,457	21,804	10,845	905,607	44,546	950,153
Other:										
Depreciation and amortization	27,770	1,542	756	3,759	2,357	948	253	37,385	551	37,936
Increase of tangible and intangible fixed assets	31,725	1,655	550	2,262	4,483	729	233	41,637	6,415	48,052

	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

Thousands of U.S. Dollars

	2013									Consolidated	
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Reconciliation		
Segment revenues:											
Segment revenues from customers	\$10,932,686	\$ 922,986	\$474,235	\$394,054	\$ 602,979	\$246,981	\$ 61,099	\$13,635,020	\$ -	\$13,635,020	
Intersegment revenues	600,096	122,132	156,855	296,223	41,580	292,731	563,466	2,073,083	(2,073,083)		
Total segment revenues	\$11,532,782	\$1,045,118	\$631,090	\$690,277	\$ 644,559	\$539,712	\$624,565	\$15,708,103	\$(2,073,083)	\$13,635,020	
Segment income (loss)	\$ 445,597	\$ 43,535	\$ (5,606)	\$ 74,287	\$ 90,551	\$ 28,349	\$199,498	\$ 876,211	\$ (172,300)	\$ 703,911	
Segment assets	6,121,197	558,482	195,799	391,938	2,014,433	231,835	115,310	9,628,994	473,641	10,102,635	
Other:											
Depreciation and amortization	295,263	16,394	8,035	39,970	25,061	10,084	2,694	397,501	5,854	403,355	
Increase of tangible and intangible fixed assets	337,324	17,594	5,851	24,055	47,662	7,750	2,472	442,708	68,214	510,922	

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, 2013 and 2012, of ¥17,553 million (\$186,636 thousand) and ¥10,219 million, respectively, which the Company received from its subsidiaries as a pure holding company.

Reconciliations are as follows:

- (1) Reconciliations of segment income for the years ended March 31, 2013 and 2012, of ¥16,205 million (\$172,300 thousand) and ¥8,965 million, respectively, are intersegment eliminations.
- (2) Reconciliations of segment assets at March 31, 2013 and 2012, of ¥44,546 million (\$473,641 thousand) and ¥46,669 million, respectively, include intersegment eliminations of ¥118,389 million (\$1,258,793 thousand) and ¥119,764 million, and corporate assets which are not allocated to each reporting segment of ¥162,935 million (\$1,726,692 thousand) and ¥166,433 million, respectively.
- (3) Reconciliations of increases of tangible and intangible fixed assets at March 31, 2013 and 2012, of ¥6,415 million (\$68,214 thousand) and ¥2,663 million, respectively, are the Company's capital investment.

Segment income is reconciled with the consolidated statement of income.

[Related Information about Reporting Segments]

(1) Information about products and services

Operating revenues from customers for the years ended March 31, 2013 and 2012, are as follows:

Millions of Yen							
2013				2012			
TA-Q-BIN	Kuroneko Mail	Other	Total	TA-Q-BIN	Kuroneko Mail	Other	Total
¥831,083	¥122,277	¥329,014	¥1,282,374	¥811,906	¥129,870	¥319,057	¥1,260,833

Thousands of U.S. Dollars			
2013			
TA-Q-BIN	Kuroneko Mail	Other	Total
\$8,836,602	\$1,300,127	\$3,498,291	\$13,635,020

(2) Information about geographical areas

Operating revenues for the years ended March 31, 2013 and 2012, are as follows:

Millions of Yen							
2013				2012			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥1,259,728	¥9,545	¥13,101	¥1,282,374	¥1,242,311	¥8,264	¥10,258	¥1,260,833

Thousands of U.S. Dollars			
2013			
Japan	North America	Other	Total
\$13,394,232	\$101,493	\$139,295	\$13,635,020

Property, plant and equipment at March 31, 2013 and 2012, are as follows:

Millions of Yen							
2013				2012			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥380,952	¥300	¥1,905	¥383,157	¥373,322	¥204	¥1,654	¥375,180

Thousands of U.S. Dollars			
2013			
Japan	North America	Other	Total
\$4,050,532	\$3,186	\$20,254	\$4,073,972

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

Impairment losses of long-lived assets by reporting segments for the years ended March 31, 2013 and 2012, are as follows:

Millions of Yen										
2013										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
Impairment losses of long-lived assets		¥357	¥1,409		¥3			¥1,769		¥1,769

Millions of Yen										
2012										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
Impairment losses of long-lived assets	¥222							¥222		¥222

Thousands of U.S. Dollars										
2013										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
Impairment losses of long-lived assets		\$3,797	\$14,987		\$31			\$18,815		\$18,815

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

Amortization and balance of goodwill by reporting segments for the years ended March 31, 2013 and 2012, are as follows:

Millions of Yen										
2013										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	¥68		¥104					¥172		¥172
Amounts of goodwill										

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

Thousands of U.S. Dollars										
2013										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	\$726		\$1,106					\$1,832		\$1,832
Amounts of goodwill										

18. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's Board of Directors meeting held on May 16, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥12.00 (\$0.13) per share	¥5,085	\$54,062

Independent Auditor's Report

Deloitte.

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

We have audited the accompanying consolidated balance sheet of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 6, 2013

Corporate Data

As of March 31, 2013

Head Office

Yamato Holdings Co., Ltd.
16-10, Ginza 2-chome, Chuo-ku, Tokyo
104-8125 Japan
Telephone: 81-3-3541-4141
Facsimile: 81-3-5565-3427

Common Stock

Authorized: 1,787,541,000 shares
Issued: 461,345,492 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.

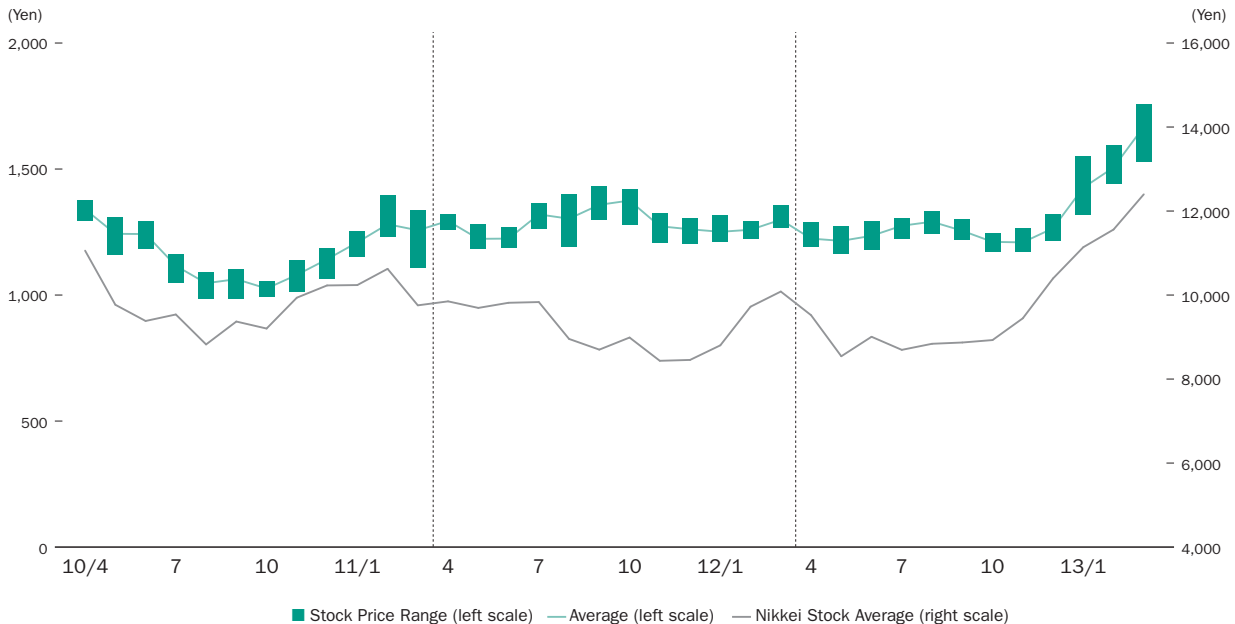
Auditor

Deloitte Touche Tohmatsu LLC

Principal Shareholders

	Percentage of total shares outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.09%
Yamato Employees' Shareholding Association	4.31%
Japan Trustee Services Bank, Ltd. (Trust Account)	3.96%
Mizuho Bank, Ltd.	3.74%
State Street Bank and Trust Company 505223	3.12%
Nippon Life Insurance Company	3.09%
Meiji Yasuda Life Insurance Company	2.66%
Yamato Trading-Partner Shareholding Association	2.48%
SSBT OD05 Omnibus Account Treaty Clients	1.81%
Sompo Japan Insurance Inc.	1.31%
Total	32.57%

Stock Price Range (Tokyo Stock Exchange)





YAMATO HOLDINGS CO., LTD.

