YAMATO HOLDINGS CO., LTD.

New Era of Growth Potential

Advancing with "*Value Networking*" design and forge a robust corporate culture

Annual Report 2014

For the year ended March 31, 2014

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 Autoworks*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 “Autoworks” changed its segment name from “Truck Maintenance” starting from the fiscal year ended 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.

Contents

To Our Shareholders

The Yamato Group has developed products and services for further improving customer convenience under a management philosophy that aims 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.”

Moreover, our long-term *DAN-TOTSU Management Plan 2019* was formulated in January 2011, based on this philosophy.

Since then, we have developed our businesses along the theme of striving for “more globalization” while remaining “in close touch with the lives of local residents.” In doing so, we have endeavored to become Asia’s No. 1 solution provider in distribution and lifestyle support by fiscal 2020, when we will be celebrating our 100th anniversary.

In the year ended March 2014, the final year of the first *DAN-TOTSU Three-Year Plan HOP* phase of our long-term plan, our operating climate was underpinned by continued expansion of e-commerce markets, and marked by a recovery in personal consumption, corporate earnings, and the job market in Japan.

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 Group management resources.

In particular, we succeeded in growing our solutions business, which the Group pioneered as an organic outcrop of rigorously combining consumer differentiation strategies with non-delivery businesses. As a result, the Yamato Group enjoyed a year in which our presence in the growing e-commerce market increased dramatically.

Moreover, in July 2013, we announced a new “*Value Networking*” design as a pillar for underpinning our growth in the future.

This design describes our attempt to raise logistics to a new evolutionary stage by upgrading our services as a “means for generating new value.” This will be achieved by integrating our “last mile” delivery network, built up in Japan and Asia as the Group’s core competence, with an array of non-delivery services we are developing.

Kaoru Seto

Kaoru Seto
Representative Director and Chairman
(left)

M. Kigawa

Makoto Kigawa
Representative Director, President and Executive Officer
(right)

To kick start this revolution in logistics networking, our *Haneda Chronogate, Atsugi Gateway,* and *Okinawa International Logistics Hub* began operation in the second half of 2013. The logistics quality, speed, and cost benefit improvements brought about by these strategic bases will be leveraged to push strongly for the realization of our "*Value Networking*" design.

Thanks to these endeavors, our consolidated operating revenues increased substantially by 7.2% year on year to ¥1,374,610 million in the year ended March 2014.

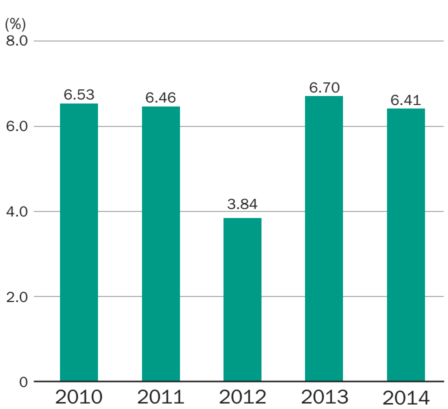
On the other hand, our operating income fell short of target and declined 4.7% year on year to ¥63,096 million, due to a weighty increase in temporary expenses. These short-lived impacts on income included delivery system improvements to keep up with the increasing *TA-Q-BIN* handling volume, system buildups for improving the quality of *Cool TA-Q-BIN* refrigerated courier services, and the Group responding to the record snowfall Japan experienced in February 2014.

Net income decreased 1.0% year on year to ¥34,776 million.

Impacted by the decline in income, ROE stood at 6.4%. Even though this ratio of shareholder returns was boosted in part by approximately ¥10,000 million in share buybacks we conducted in January 2014.

	Millions of Yen						
						Change	
	FY10/3	FY11/3	FY12/3	FY13/3	**FY14/3**	Increase/ Decrease	YoY (%)
Operating revenues							
Delivery	¥ 966,480	¥ 995,651	¥1,014,564	¥1,028,219	**¥1,098,693**	**¥70,474**	**6.9**
Non-Delivery	234,354	240,869	246,269	254,155	**275,917**	**21,762**	**8.6**
Total	1,200,834	1,236,520	1,260,833	1,282,374	**1,374,610**	**92,236**	**7.2**
Operating income	61,389	64,314	66,651	66,203	**63,096**	**(3,107)**	**(4.7)**
(Operating margin)	5.1%	5.2%	5.3%	5.2%	**4.6%**	**–**	**–**
Net income	32,282	33,208	19,787	35,144	**34,776**	**(368)**	**(1.0)**
(Net margin)	2.7%	2.7%	1.6%	2.7%	**2.5%**	**–**	**–**

Return on Equity



The *DAN-TOTSU Three-Year Plan STEP*, the second phase of our long-term plan launched in April 2014, posits promoting the "*Value Networking*" design and forging a robust corporate culture as our two management pillars going forward.

Accordingly, we will develop business models with high added value to revolutionize the logistics we provide customers as we endeavor to promote our "*Value Networking*" design. At the same time, we will deliver greater satisfaction to our shareholders and other investors, customers, the local communities, and societies we serve, and our employees by forging a robust corporate culture. This will enable us to take a balanced approach to management, enhance corporate governance, and keep the promises we make to our customers.

We ask our shareholders and other investors for their ongoing encouragement and support as the Yamato Group embarks on a journey in pursuit of new growth.

September 2014

Performance Highlights

For the year ended March 31, 2014

	Millions of Yen						Thousands of U.S. Dollars (Note)
	2014	2013	2012	2011	2010	2009	**2014**
Operating revenues	**¥1,374,610**	¥1,282,374	¥1,260,833	¥1,236,520	¥1,200,834	¥1,251,922	**$13,356,103**
Delivery	**1,098,693**	1,028,219	1,014,564	995,651	966,480	997,898	**10,675,214**
Non-Delivery	**275,917**	254,155	246,269	240,869	234,354	254,024	**2,680,889**
Operating costs	**1,274,471**	1,181,834	1,163,777	1,143,006	1,110,971	1,167,764	**12,383,117**
Selling, general and administrative expenses	**37,043**	34,337	30,405	29,200	28,474	28,437	**359,923**
Operating income	**63,096**	66,203	66,651	64,314	61,389	55,721	**613,063**
Income before income taxes and minority interests	**65,882**	64,284	45,817	61,836	60,434	48,996	**640,130**
Income taxes	**31,003**	29,563	26,059	28,491	28,096	23,349	**301,235**
Net income	**34,776**	35,144	19,787	33,208	32,282	25,523	**337,895**
	Yen						U.S. Dollars (Note)
Per share of common stock:							
Basic net income	**¥ 82.22**	¥ 81.85	¥ 46.00	¥ 73.42	¥ 71.84	¥ 57.60	**$ 0.80**
Diluted net income	**80.18**	79.84	44.87	73.30	71.16	56.45	**0.78**
Cash dividends	**24.00**	23.00	22.00	22.00	22.00	22.00	**0.23**
Net assets per share	**1,316.12**	1,261.35	1,197.26	1,173.60	1,130.33	1,073.86	**12.79**
	Millions of Yen						Thousands of U.S. Dollars (Note)
Working capital	**¥ 179,999**	¥ 186,868	¥ 182,111	¥ 185,922	¥ 165,890	¥ 159,937	**$ 1,748,926**
Total shareholders' equity	**551,379**	534,451	514,996	515,602	512,910	475,815	**5,357,360**
Total assets	**1,032,134**	950,153	919,295	899,363	878,641	869,606	**10,028,509**
Capital expenditures	**79,531**	48,052	48,615	52,472	39,700	45,856	**772,745**
Depreciation and amortization	**42,266**	37,936	38,682	39,583	39,883	42,697	**410,668**
Net cash provided by operating activities	**80,075**	73,950	71,843	87,899	77,064	84,463	**778,035**
Operating income margin (%)	**4.59**	5.16	5.29	5.20	5.11	4.45	–
Net margin (%)	**2.53**	2.74	1.57	2.69	2.69	2.04	–
Return on assets (ROA) (%)	**3.51**	3.76	2.18	3.74	3.69	2.93	–
Return on equity (ROE) (%)	**6.41**	6.70	3.84	6.46	6.53	5.42	–
Current ratio (%)	**151.82**	162.39	164.50	170.34	159.82	158.00	–
Shareholders' equity ratio (%)	**53.42**	56.25	56.02	57.33	58.38	54.72	–
Assets turnover (Times)	**1.39**	1.37	1.39	1.39	1.37	1.44	–
Interest coverage ratio (Times)	**153.41**	108.36	90.52	73.71	88.35	58.57	–
Number of employees	**193,146**	177,108	177,301	171,642	167,555	170,662	–
Full-time	**87,279**	84,422	84,293	83,427	82,395	82,601	–
Part-time	**105,867**	92,686	93,008	88,215	85,160	88,061	–
TA-Q-BIN delivery volume (Millions of parcels)	**1,665**	1,487	1,423	1,348	1,262	1,232	–
Unit price (Yen)	**574**	591	600	609	624	646	–
Kuroneko Mail handling volume (Millions of units)	**2,084**	2,112	2,187	2,312	2,262	2,231	–
Unit price (Yen)	**61**	61	62	64	65	65	–

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥102.92 to U.S.$1.

A Message from the President

In April 2014, the Yamato Group began working on *DAN-TOTSU Three-Year Plan STEP* as the second phase to our long-term *DAN-TOTSU Management Plan 2019*, which we aim to complete in the year ending March 2020.

In this 2014 annual report, I would like to explain our medium-term strategies along the lines of the following four themes.

The Four Themes

1. **The Yamato Group's Vision**
2. **Promoting the "*Value Networking*" Design and Forging a Robust Corporate Culture**
3. **Our Unique Competitive Advantages**
4. **Forecasts and Shareholder Returns for the Year Ending March 2015**

Makoto Kigawa
Representative Director,
President and Executive Officer

1. The Yamato Group's Vision

The Yamato Group is striving to become Asia's No. 1 solution provider in distribution and lifestyle support by fiscal 2020, when we will be celebrating our 100th anniversary.

In relation to this, I think sustainable growth and co-existing with society are interconnected, and that it is vital for us as a Company that maximization of our profits and contribution to society are compatible.

The Yamato Group is striving to become Asia's No. 1 provider in distribution and lifestyle support solution services by fiscal 2020, when we will be celebrating our 100th anniversary.

To this end, the following three objectives were set forth in our long-term *DAN-TOTSU Management Plan 2019*, scheduled for completion in the year ending March 2020:

(1) Enhance the logistics network in Asia

(2) Raise the product sophistication of *TA-Q-BIN*

(3) Establish *lifetime lifestyle support platforms* that are in close touch with local communities

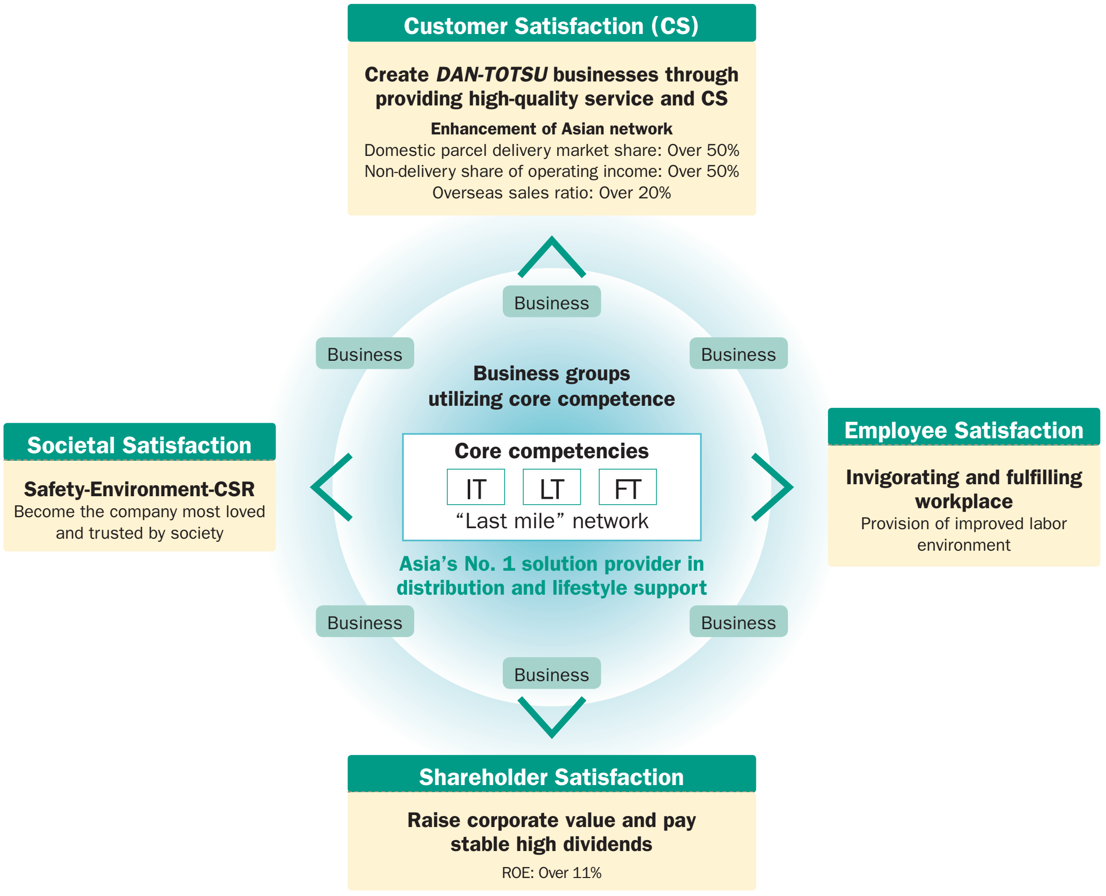
These three objectives have served as guideposts in our pursuit of innovation for realizing growth in *TA-Q-BIN* services, and cost structure reforms for giving rise to high profit margins.

Over the years, the Yamato Group has developed businesses in close touch with the lifestyles of individuals in local communities. As a result, I have come to think that sustainable growth and co-existing with society are interconnected, and that it is vital for us as a Company that maximization of our profits and contribution to society are compatible.

This perspective has led us to refine our concept of CSR into a *Creating Shared Value* concept on which we base the revitalization of communities and the lifestyle support we provide as part of the structural innovations in our logistics business.

In that sense, our vision as a Group also entails delivering sustainable growth to the greater satisfaction of all our stakeholders, including shareholders, customers, the communities we serve, and our employees, by maximizing our profits in combination with social contributions.

Yamato Group Concept Map Ahead of 100th Anniversary



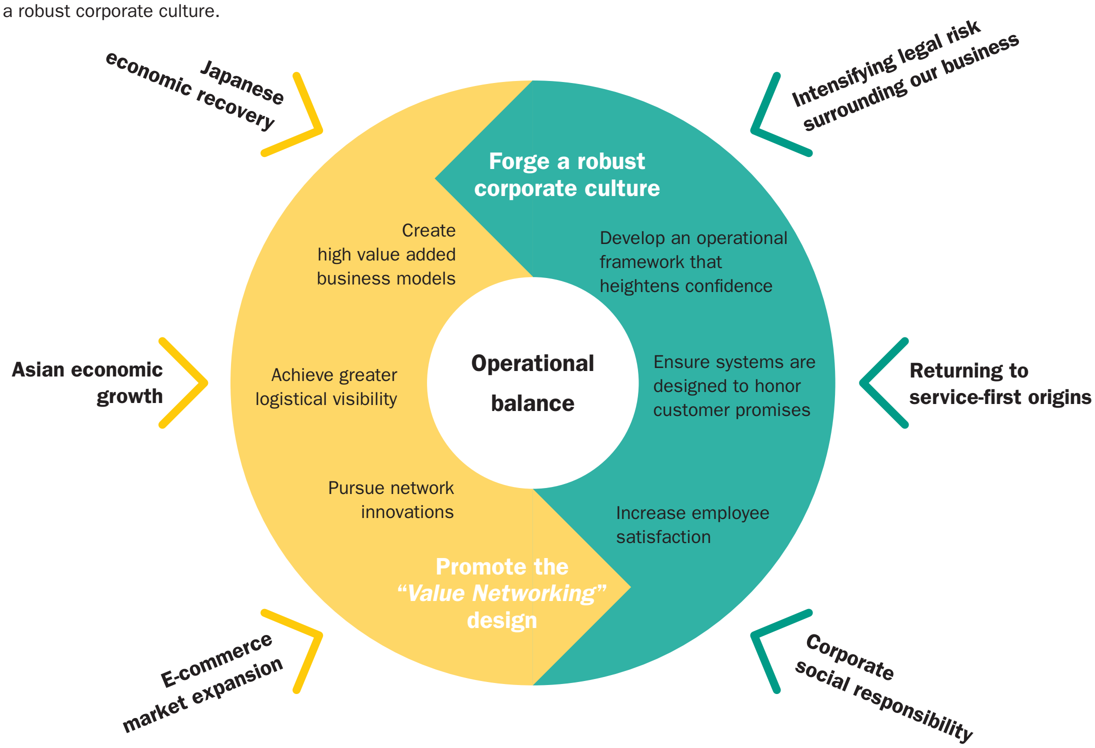
2. Promoting the "Value Networking" Design and Forging a Robust Corporate Culture

Under *DAN-TOTSU Three-Year Plan STEP*, the Yamato Group will promote its "*Value Networking*" design and give rise to business models with high added value that not only benefit customers but also contribute to the growth of the Japanese economy.

At the same time, we will forge a robust corporate culture by rigorously educating our employees to instill in them the Yamato Group Corporate Philosophy and make the trust we earned from customers unshakable.

Achieve Operational Balance

We aim to achieve operational balance through a two-pronged approach of pursuing our "*Value Networking*" design while also forging a robust corporate culture.



The *DAN-TOTSU Three-Year Plan STEP* we began implementing in April 2014 is the second phase to our long-term *DAN-TOTSU Management Plan 2019*. Our aim in *STEP* is to give shape to our vision of becoming Asia's No. 1 solution provider in distribution and lifestyle support.

This second phase is comprised of two main strategic pillars: the first for promoting our new "*Value Networking*" design, and the second for forging a robust corporate culture through enhanced corporate governance and CSR activities.

Basic Group Strategy 1: Promoting the "*Value Networking*" Design

The "*Value Networking*" design describes our attempt to raise logistics to a new evolutionary stage by upgrading our services as a "means for generating new value." This will be achieved by integrating our "last mile" delivery network, built up in Japan and Asia as the Group's core competence, with an array of non-delivery services we are developing. The concept will differentiate the Yamato Group from conventional third-party logistics (3PL) providers who are dependent on warehousing and delivery of inventory for revenue.

Our "*Value Networking*" design activates the following five engines in giving rise to business models with high added value for improving the speed and quality of our logistics dramatically, and holding down the total distribution cost of our customers.

The Five Engines of the "*Value Networking*" Design

(1) A non-stop logistic network, branching out from the full operation of *Haneda Chronogate, Atsugi Gateway,* and *Okinawa International Logistics Hub*, providing swift value-added services 24 hours a day, 365 days a year.

(2) A cloud-based network, interfaced with *FRAPS**, which is unrestrained by shipping location, shipping format, and shipping volume

* *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.

(3) The world's first integrated delivery network of international refrigerated packages, initiated by *International Cool TA-Q-BIN*

(4) Seamless digital informatization enabling both senders and receivers to visualize logistics from shipment to arrival

(5) Demand-chain-perspective innovation satisfying the needs of both purchasers and suppliers

Finding Insights to Changing Market Conditions

The "*Value Networking*" design was an insight that came to us as we observed the business conditions of Japanese companies become increasingly borderless, and also intertwined with the rapidly growing economies of Asia.

For example, our customers in the retail and distribution industry are facing intensifying competition with major e-commerce companies and are encountering growth of cross-border e-commerce markets. Accepting smaller orders to stay in business and seeking prompt international delivery had meant yearly increases in logistics costs for these customers.

Meanwhile, many Japanese manufacturers were having difficulty reining in their total distribution cost, including inventory control, as they internationalized. This was because, while capable of keeping manufacturing costs under control, they had to resort to outsourcing for shipments from the overseas factories they were opening.

We think that the solutions the Yamato Group is capable of providing can help these customers reduce their total distribution cost, while improving the speed and quality of their logistics dramatically.

Meanwhile, the Yamato Group has also had to cope with various changes in its operating environment, including an aging and shrinking population in Japan, labor shortages, and the rapid expansion of cross-border and domestic e-commerce markets.

It was around seven years ago that we began initiating cost structure reforms in earnest. Since then we have been working to raise our baseline profit margins, while maintaining or enhancing our service quality, in anticipation of intensifying cost pressure.

As part of cost structure reform, we have invested approximately ¥200.0 billion in new logistics facilities such as *Haneda Chronogate* and *Atsugi Gateway* and in speeding up our conventional *TA-Q-BIN* service to revolutionize our logistics network.

These capital investments for revolutionizing our logistics network will reach the final stage in the year ending March 2015. From then on, the Yamato Group will enter a new phase of reaping benefits from the reform.

In my analysis, the time-efficiency advantages of being ahead of others gained from the initiatives we took will become a factor differentiating the Yamato Group substantially from our competitors.

As the objectives to our medium- to long-term strategy, we will continue to:

(1) Give rise to business models with high added value based on our "*Value Networking*" design,
(2) Push for cost structure reforms by re-examining our logistics network and package pickup and delivery system,
(3) Apply pricing strategies for receiving fees for added value we provide,
(4) Stimulate new demand in Asia centered on *TA-Q-BIN*, and
(5) Build a global demand chain for our services.

Basic Group Strategy 2: Forging a Robust Corporate Culture

As the other strategic pillar to *DAN-TOTSU Three-Year Plan STEP*, the Yamato Group will concentrate more than ever on building an open and transparent corporate culture. To this end, we will conduct employee education programs for the entire group to instill in them the Yamato Group Corporate Philosophy and make the trust we have earned from our customers unshakable.

At the same time, we will bolster corporate governance to make Group management more transparent, realize a sound financial structure, and take a strategic approach to legal affairs to ensure risk management is functioning as a check against the new business lines we create. The objectives behind these measures we implement will be to 1) incentivize our employees to seek customer satisfaction and 2) build a system that ensures that the promises we make customers will be kept.

In addition, we are aiming to develop a next-generation information system by the end of March 2017 to strengthen our IT platform. The new system will apply tools for making cargo flow handled by the Group as a whole and each pickup and delivery area visible, so that an appropriate system for maintaining and enhancing the quality of our services can be honed.

We will also try to fully commercialize the community lifestyle support services we developed with local municipalities as part of our *Creating Shared Value* concept of embracing values important to society in our main business activities.

3. Our Unique Competitive Advantages

The Yamato Group's strength stems from the added value generated by fusing the "last mile" delivery network, built up in Japan and Asia as the Group's core competence, with an array of high-margin, non-delivery services.

The Yamato Group has numerous unique competitive advantages unequaled by other companies.

But the following two strengths are the most salient as a foundation in realizing sustainable growth for the Yamato Group and promoting the "*Value Networking*" design for driving growth in the medium- to long-term.

1. The Yamato Group's "last mile" delivery network in Japan and Asia
2. The added value generated by fusing this network with an array of non-delivery businesses

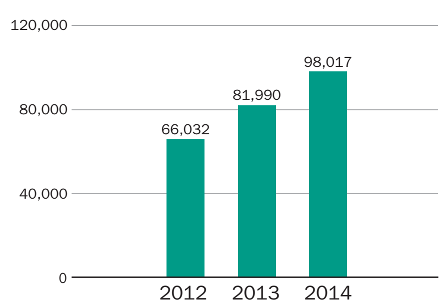
The Yamato Group's "Last Mile" Delivery Network in Japan and Asia

The *TA-Q-BIN* business, which started as a home delivery service for consumers, has been operating for 38 years since its launch in 1976.

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

Delivery Volume (Including Taiwan)

(Thousand Parcels)



As with electricity and water supplies, our unique "last mile" delivery network has become essential to the lifestyles of end users.

In the year ended March 2014, 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.

We began expanding our *TA-Q-BIN* business in Asia when we provided our expertise in *TA-Q-BIN* nurtured in Japan to Taiwan's Uni-President Enterprises Corp. in 2000.

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.

As of March 31, 2014, we had developed the *TA-Q-BIN* delivery business in Hong Kong and Malaysia, in addition to Shanghai and Singapore. Demand for delivery services is steadily rising in these locations.

Courier companies with a "last mile" delivery network in Asia are few and far between globally. We are convinced that this unique delivery network of ours is a strong advantage in capturing the market for borderless logistics, extending the reach we have with customers in the countries in which we already operate, and promoting a plan linking the regions and countries we serve with an integrated international transportation service.

To build this integrated international transportation service in Asia, we used our *Okinawa International Logistic Hub* to launch an overnight delivery service of documents in November 2012 from Japan to Shanghai, Singapore, Hong Kong, and Malaysia, where we have *TA-Q-BIN* services available. In May 2013, we extended next-day deliveries to include small parcels.

In October 2013, we launched *International Cool TA-Q-BIN*, our service for delivering small refrigerated packages internationally. The target area of this service between Japan and Hong Kong is scheduled to expand to Taiwan and Singapore, as well.

Such *TA-Q-BIN* networks we have developed in Asia will play an important role in addressing our medium-term objective of building up a global demand chain for the Yamato Group.

The Added Value Generated by Fusing our Network with an Array of 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 services by organically linking resources with non-delivery businesses. These non-delivery businesses are the BIZ-Logistics, Home Convenience, e-Business, Financial, and Autoworks business segments. In this way, we are developing and deploying new business models and accelerating strategies to increase the earnings power of the entire Group.

Seamlessly integrating such non-delivery businesses as IT and financial settlement technology (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.

4. Year Ending March 2015 Forecasts and Shareholder Returns

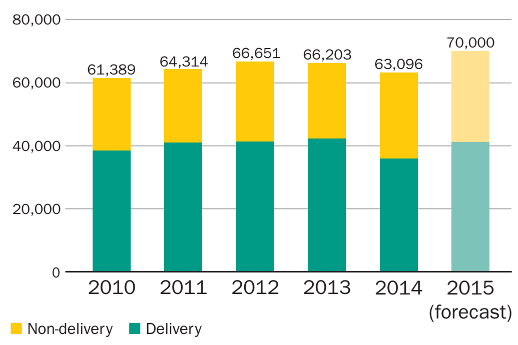
Our basic shareholder policy is to try to increase total returns through a combination of dividends and share buybacks.

In the year ending March 2015, the first year of the *DAN-TOTSU Three-Year Plan STEP*, we forecast that consolidated operating revenues will increase 4.5% year on year to ¥1,437.0 billion. Operating income is projected to rise 10.9% to ¥70.0 billion, while net income is forecast to increase 17.9% to ¥41.0 billion. We expect to reduce capital investment 9.6% to ¥80.0 billion, as we look to deliver a record-setting performance.

Capital investment will peak out from the year ending March 2015. That said, the budget for the year will include spending to maintain existing businesses and growth investments that include new business opportunities such as e-commerce and procurement and delivery in the corporate logistics category.

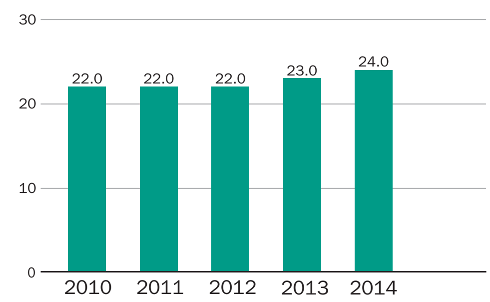
Operating Income

(Millions of Yen)



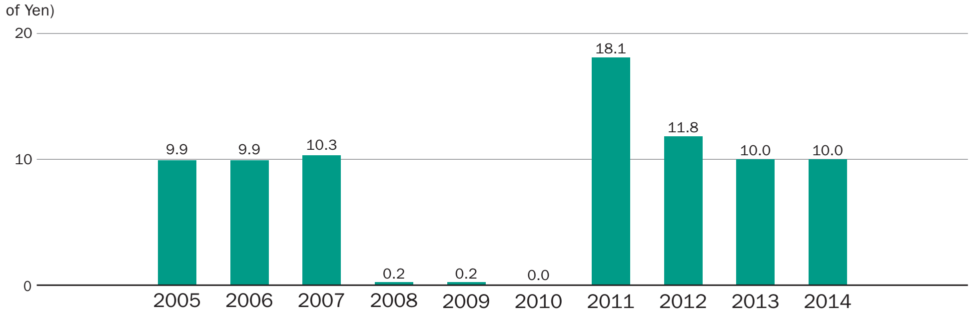
Cash Dividends per Share

(Yen)



Acquisition of own shares

(Billions of Yen)



Under the *DAN-TOTSU Three-Year Plan STEP*, ending March 2017, we are aiming for ROE exceeding 9.0%. Meanwhile, we seek to generate an ROE of more than 11.0% under the *DAN-TOTSU Management Plan 2019*, which runs through the year ending March 2020.

For the year ended March 2014, we paid dividends of ¥24 per share, up ¥1 from a year earlier.

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

We will 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.

We ask our shareholders and other investors to look forward to the steps the Yamato Group has begun taking on a journey in pursuit of new growth, and appreciate their ongoing encouragement and support.

September 2014

M. Kigawa

Makoto Kigawa
Representative Director,
President and Executive Officer

Market Data

Growth in the Express Home Delivery Market

Trends in Parcel Delivery Volume

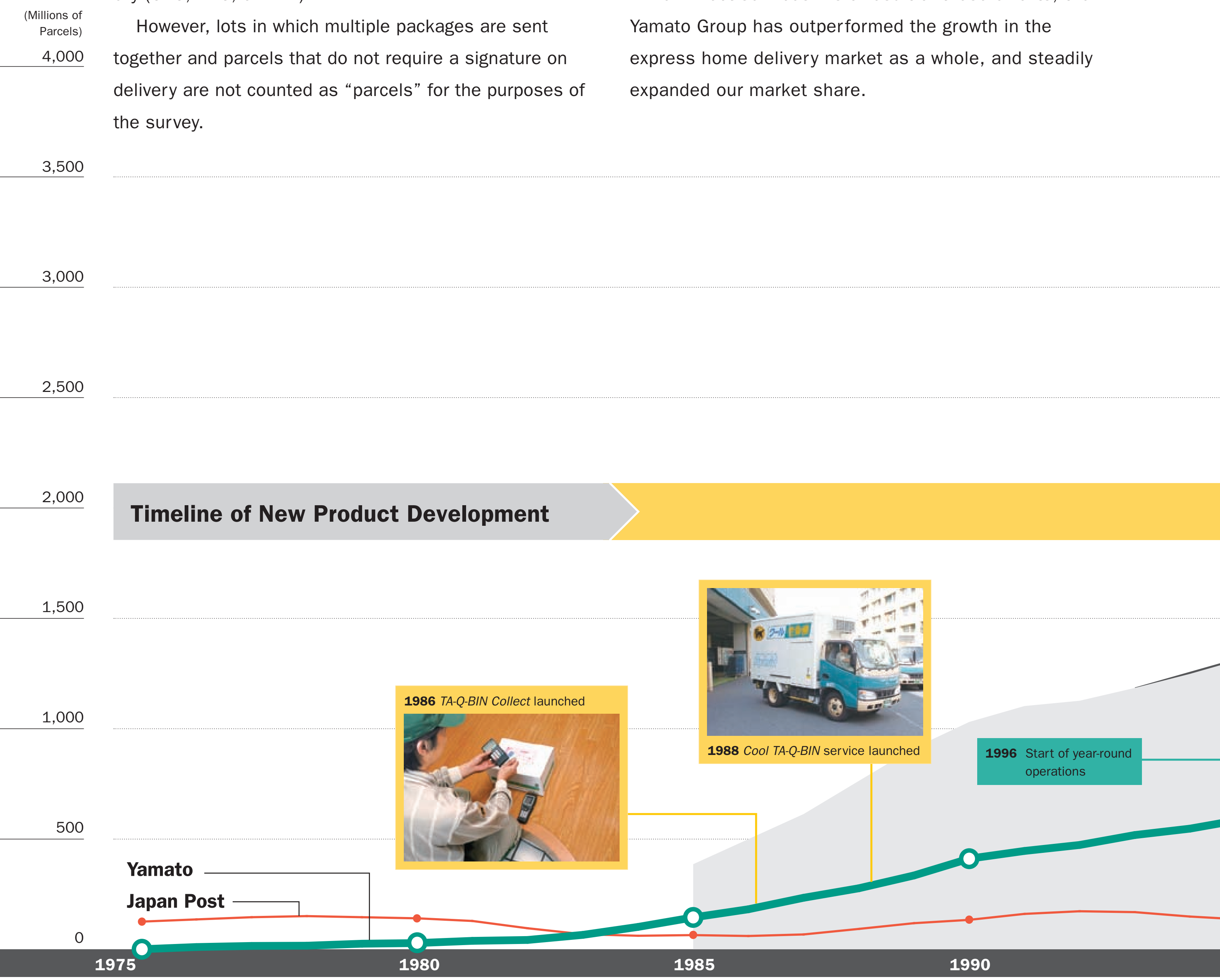
This survey uses company-reported parcel delivery volume data compiled by Japan's Ministry of Land, Infrastructure, Transport and Tourism.

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.



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

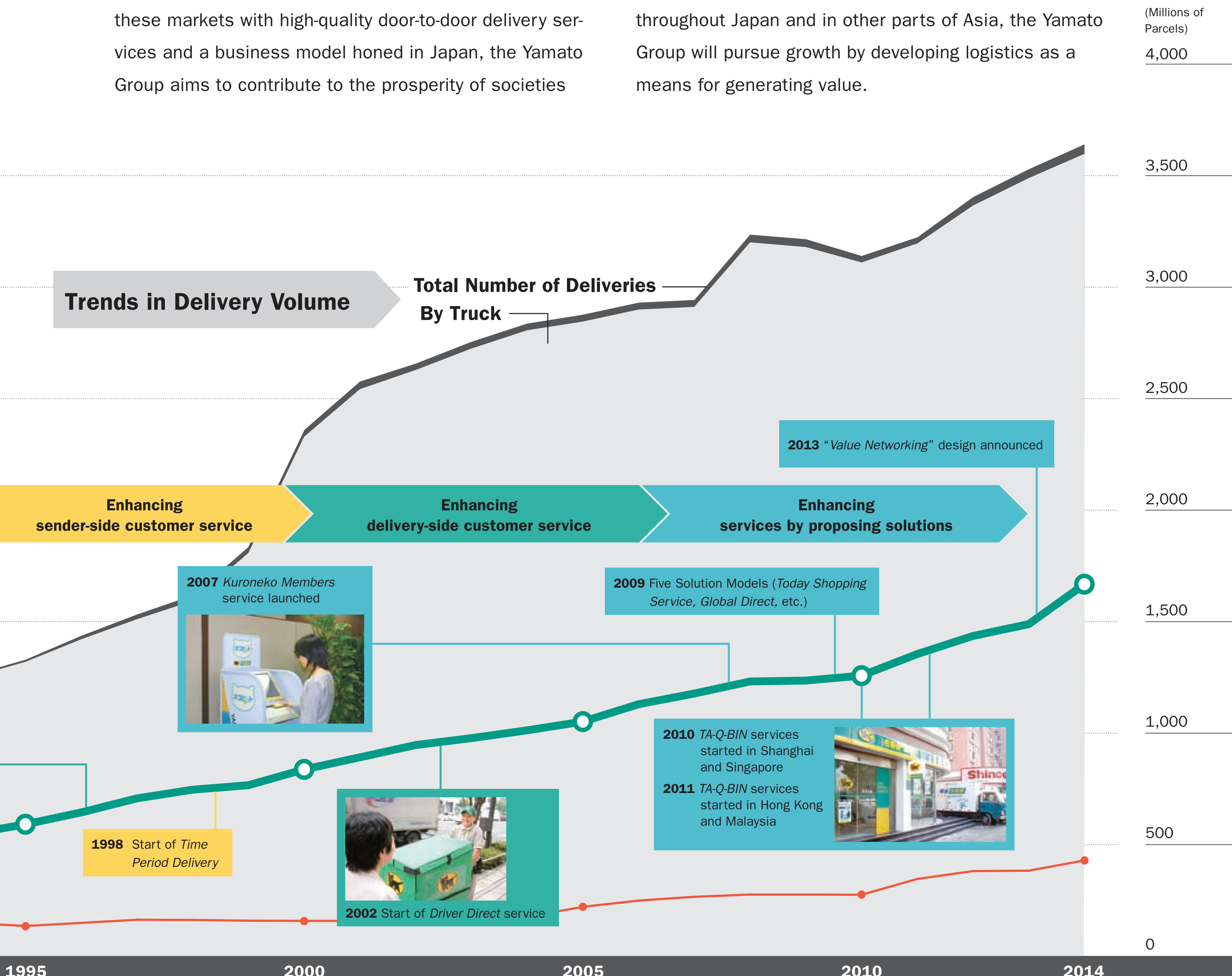
Note: "Total Number of Deliveries" includes express home delivery services involving transport by truck, air, and other methods.
Source: Statistical survey by the Ministry of Land, Infrastructure, Transport and Tourism

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.

In July 2013, Yamato Holdings announced the *Value Networking* concept as a pillar for growth going forward. By integrating the overwhelming speed of our large-scale, value-added distribution centers with our proprietary information technology (IT), logistics technology (LT), financial settlement technology (FT) and last-mile delivery network throughout Japan and in other parts of Asia, the Yamato Group will pursue growth by developing logistics as a means for generating value.



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%.

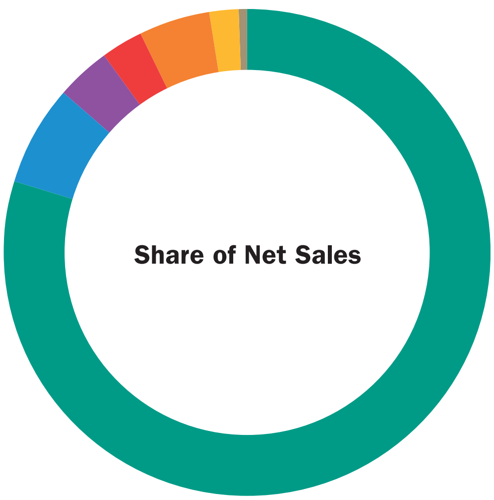
*1 The period April 1999 through March 2000 in this graph only

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].

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

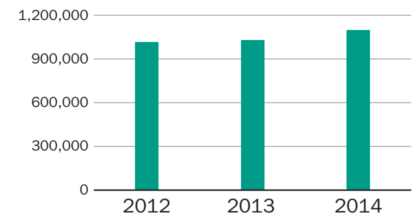
At a Glance



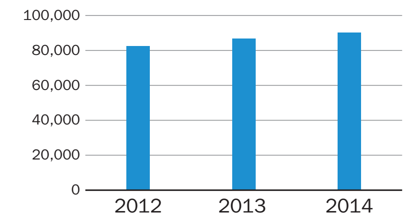
- Delivery 79.9%
- BIZ-Logistics 6.6%
- Home Convenience 3.5%
- e-Business 3.0%
- Financial 4.6%
- Autoworks 1.9%
- Other 0.5%

Operating Revenues (Millions of Yen)

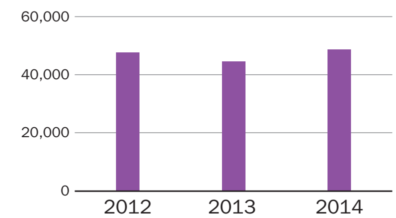
Delivery



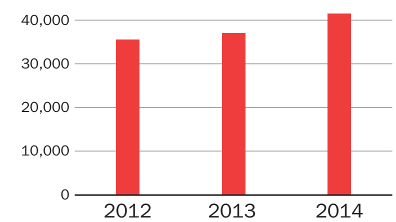
BIZ-Logistics



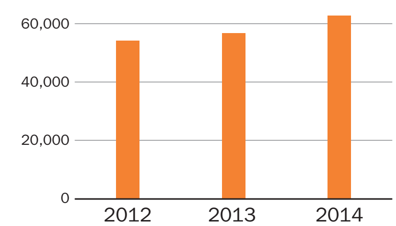
Home Convenience



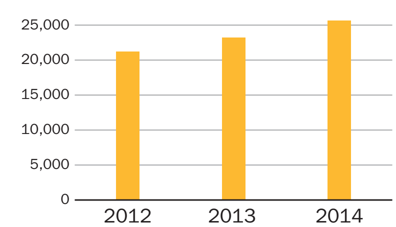
e-Business



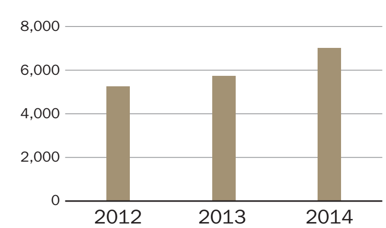
Financial



Autoworks

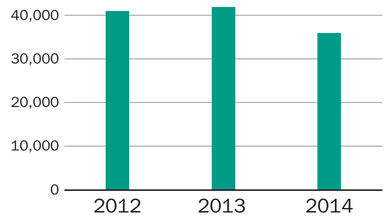


Other



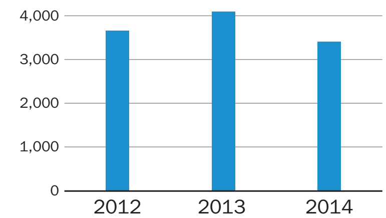
Operating Income (Loss) (Millions of Yen)

Business Description

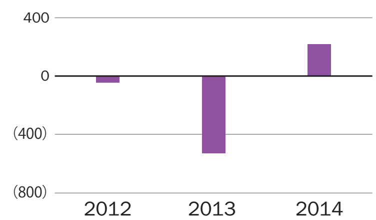


The Delivery Business provides small parcel delivery services for the general public and corporations.

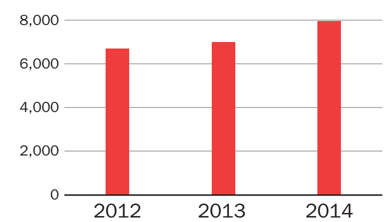
Guided by its basic corporate philosophy of "Total Reliability," the business provides mainly *TA-Q-BIN* and *Kuroneko Mail* services to improve convenience in customers' lives.



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.

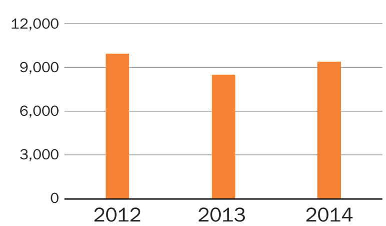


The Home Convenience Business is a community-based lifestyle support operation that provides services such as the pickup, delivery, and assembly and installation of home furnishings and appliances. The business provides lifestyle-related services utilizing the Yamato Group's nationwide network, with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



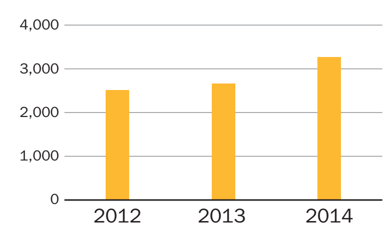
The e-Business comprises operations in contract data processing and information systems development.

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.



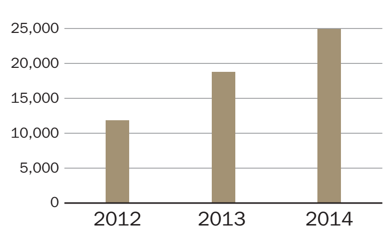
The Financial Business provides settlement services and financial products for corporations and the general public.

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 Autoworks 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 Autoworks 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.

With the goal of being one of Japan's most recognized and most endeared companies, the Delivery Business pursues development aimed at making the lives of customers more convenient. As a form of social infrastructure, we are committed to living up to the trust society places in us while meeting its expectations.

The environment in which the Delivery Business operates is undergoing a major transition. In the Japanese market, volume has been increasing thanks to growth in e-commerce markets and with more frequent and smaller lots becoming the norm in B2B logistics. In addition, distribution distances have shortened due to the population becoming more concentrated in urban areas and companies building distribution facilities in the suburbs. Plus, home delivery services are beginning to be vertically integrated with outside industries such as mail-order companies, and specialized local delivery companies are beginning to enter the scene. On the other side of things, consumers have started to demand flexible services in line with their own lifestyles, coinciding with an increase in single-person, dual-income, and senior citizen households. It is also becoming increasingly difficult to secure personnel due to Japan's aging and shrinking population, so maintaining *TA-Q-BIN* networks and high-quality services is a major management issue.

Operating in this environment, in the Japanese market, we will bolster solution proposals for commercial distribution, a growth area, further enhance products and services that respond to the diverse needs of consumers, and accommodate needs associated with the revitalization of local communities, another growing area. In conjunction with this, we will also reinforce systems for maintaining high-quality services. At the same time, we intend to further expand the *TA-Q-BIN* business overseas in anticipation of economic growth in Asia and the lowering of tariff barriers and continue to build an integrated overseas and domestic delivery platform. Through these initiatives we will work to realize the "*Value Networking*" design.

Review of the Year Ended March 2014

The year under review was the final year of our medium-term management plan, *DAN-TOTSU Three-Year Plan HOP*, and in order to build a foundation for further growth, we opened *Haneda Chronogate*, which is based on a new concept in distribution and stands as one of Japan's largest general distribution terminals, as well as *Atsugi Gateway* while also launching full-fledged operations at the *Okinawa International Logistics Hub*. By linking domestic and overseas distribution and effecting new logistics innovations through these new facilities we steadily carried out activities to realize the "*Value Networking*" design and give concrete form to the foundation that had been planned.

In the Japanese market, we expanded pickup services at convenience stores to boost convenience for customers and worked to support sales growth for mail-order companies in the rapidly growing e-commerce market. For the B2B market, we proposed solutions drawing on *TA-Q-BIN* networks and Group functions. And for individual customers, we steadily increased membership in the *Kuroneko Members* online service in order to further raise convenience for people receiving deliveries, adding new online functions that allow members to request changes in pickup dates and times using the *Kuroneko Yamato Parcel Inquiry System* and enhancing pickup services to promote greater use, which included expanding the scope of convenience store pickup when deliveries would otherwise be missed. In addition, there was increased use nationwide of services created in partnership with local governments, including lifestyle support services, such as a shopping delivery service, and services provided on behalf of government agencies, such as a service for confirming the health and well-being of seniors. In this way we made further progress on establishing *lifetime lifestyle support platforms*.

In overseas markets, the ongoing integration of the Asian economic sphere is accelerating the transition to borderless goods, money, and information, and with demand for shorter lead times for international delivery and lower total distribution costs, which includes inventory control, we launched the *International Cool TA-Q-BIN* service for delivery from Japan to Hong Kong utilizing the *Okinawa International Logistics Hub* in October 2013. The service allows small parcels requiring refrigeration to be delivered frequently and with a high level of quality. In addition, with the opening of *Haneda Chronogate* and *Atsugi Gateway*, we have established the foundation for a distribution network to Asia with higher quality, faster speeds, and greater cost performance.

In terms of earnings, in the rapidly expanding e-commerce market, our strength lies in differentiation and delivery quality via our "last mile" network, and this has led to a major increase in delivery volume centering on mail-order customers. In the *TA-Q-BIN* business, we achieved record-high transaction volume. On the other hand, *Kuroneko Mail* transaction volume declined due to more stringent acceptance requirements, as more emphasis was put on compliance, and to a more intense competitive environment.

In terms of expenditures, we further developed transport and delivery systems in conjunction with the sharp increase in *TA-Q-BIN* volume, maintained and raised the quality of *Cool TA-Q-BIN*, and as a result of these and other initiatives, expenses related to system construction increased. There was also a record-setting snowfall in February, so temporary expenses were incurred as a result.

As a result, operating revenues increased 6.9% year on year to ¥1,098,693 million, in contrast to operating income which decreased 14.4% to ¥35,874 million.

Strategies for the Year Ending March 2015

We began a new three-year plan this year, *DAN-TOTSU Three-Year Plan STEP*. Under the plan, we will promote new growth strategies that build on the foundation laid in our previous three-year plan. We have also crafted three management policies, outlined below, for continuing to build a robust management base that will be ready for further changes in the market environment. Initiatives for realizing the three management policies will be implemented in the year ending March 2015.

1. Raise the value of the Yamato brand by resuming full participation of all employees in management, with an emphasis on the frontlines

In order to create a workplace environment in which each and every employee demonstrates their abilities and finds meaning in their work, we will enhance the employee training system, reform the personnel evaluation system, and revise organizational formats. In addition, in order to maintain the *TA-Q-BIN* network and high-quality delivery services, we will reinforce systems through utilization of diverse human resources, revise workflows centering on *Cool TA-Q-BIN* and *Kuroneko Mail* and further enhance available pickup options.

2. Reform the income structure and maintain sustained growth for the company and good quality of life for employees

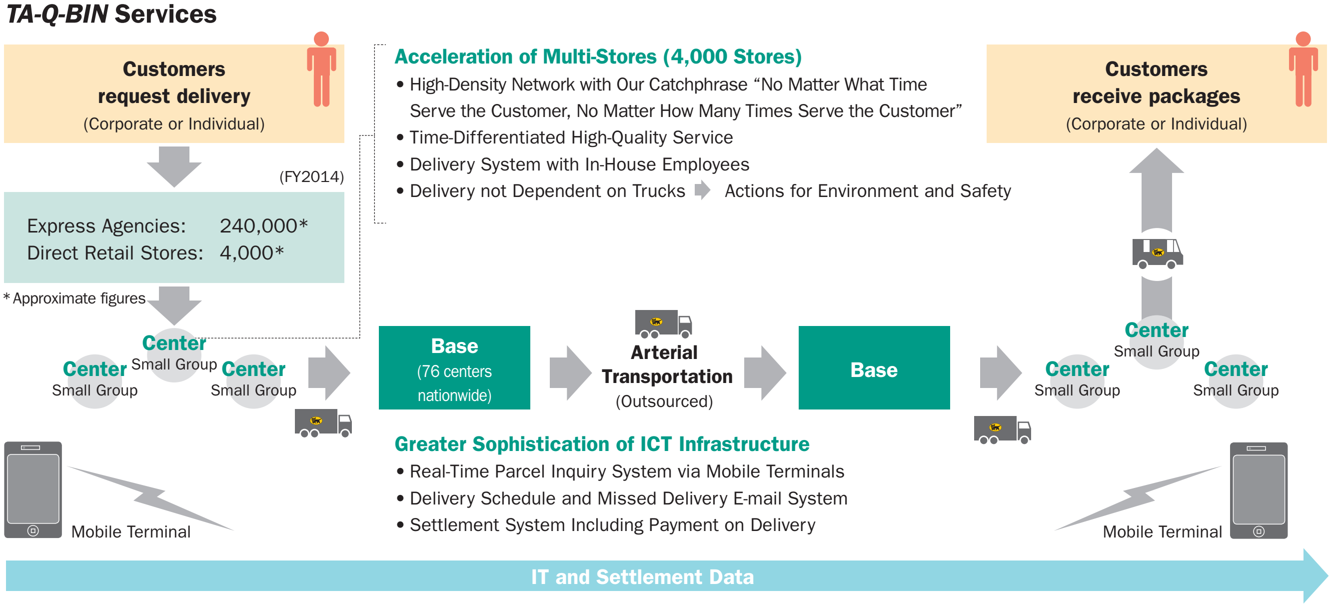
We intend to more rigorously manage income by making costs of our goods and services transparent and by revising our management accounting system in order to set rates and collect at appropriate levels. At the same time, in order to reform the cost structure, we will promote full digitalization utilizing our *Kuroneko Members* and *Yamato Business Members* services, which have seen membership increases, and more actively use IT to simplify internal clerical administration to both reduce the clerical overhead and lower costs.

3. Pursue *"Value Networking"* design and meet increasingly sophisticated customer needs

Under the *"Value Networking"* design concept, we will further reinforce our network infrastructure to realize same-day delivery between major Japanese cities and next-day delivery to Asia. In addition, in order to accommodate increased volume within major metropolitan areas, we will also reorganize our urban area networks. For Asia, we plan to promote sales of *International Cool TA-Q-BIN*, which is experiencing growing demand. We will also actively develop B2B solutions in combination with advanced logistics at each distribution facility. These solutions will put emphasis not only on the sender (the supplier) but also on the needs of the recipient (the purchaser) from a "demand chain" standpoint.

In order to carry out the initiatives for the year ending March 2015, primarily those discussed above, and achieve the goals of the new three-year plan, we will institute a management system using key performance indicators (KPI). Setting clear targets and making progress transparent, we will steadily execute the plan while flexibly responding to the changing environment.

TA-Q-BIN Services



BIZ-Logistics

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

Guided by our slogan of "LOGINNOVATION," which encapsulates our goal of achieving logistics innovation, the BIZ-Logistics Business will work to pull together the Yamato Group's management resources in creating innovative logistics solution models. Our efforts will be devoted to satisfying and inspiring the Yamato Group's corporate customers, as well as the consumers they serve.

Review of the Year Ended March 2014

In the year ended March 2014, operating revenues of the BIZ-Logistics Business increased 4.0% from a year earlier to ¥90,255 million in contrast to operating income decreasing 16.9% to ¥3,404 million. Revenue growth was mainly attributable to an expansion in our logistics business in Japan as a result of the economy recovering. Profits, on the other hand, were weighed down by waning demand for our logistics in international trade as the global economy stagnated, and the expenses we incurred in developing new logistics bases.

The following are two initiatives we carried out in business logistics during the year ended March 2014.

Firstly, we worked on launching a new logistics service, combining the Yamato Group's high-speed network and logistics capabilities, to coincide with the completion of our *Haneda Chronogate* and *Atsugi Gateway* distribution centers. This contributed to shorter delivery lead times and enhanced convenience for corporate customers receiving deliveries. Particularly when the service was coordinated by our proprietary *FRAPS (Free Rack Auto Pick System)* loading docks for sorting manufacturing materials and consumer goods into lots, and then cross-merging them for synchronized just-in-time delivery to stores and factories. In the meantime, we also opened the *Keihinjima Ryutsu Trinity Center* as a new logistics platform base. This new base will provide the infrastructure that will enable industrial product makers to concentrate on manufacturing, because we will now have the capacity for contracting their procurement logistics upstream and sales distribution logistics downstream. Going forward, BIZ-Logistics will contribute to revitalizing manufacturers in Japan by increasing the added value in the sophisticated business logistics we provide.

Secondly, we also worked on expanding the all-in-one support we provide with repair services in our Multi-Maintenance business. Our goal was to establish a one-stop solution that not only warehoused and supplied parts for home appliance repairs, but also came with a network for overseeing all functions involved in repairs from beginning to end. This covered the call centers for accepting repair requests, pick-ups, repairs, operational checks, and delivery of the repaired appliances. The all-in-one support we provided shortened repair turnaround, while enabling prompt customer support, and contributed greatly to raising the satisfaction of the Yamato Group's corporate customers.

Strategies for the Year Ending March 2015

In the year ending March 2015, the first year of our *DAN-TOTSU Three-Year Plan STEP* medium-term plan, BIZ-Logistics will leverage the Group's "*Value Networking*" design to radically reshape the value chain of our corporate customers in the field of logistics.

Domestically, we will continue to work on business expansion that stems from both the creation of logistics models with high added value and growth in our baseline operations. One concrete example of this is the *Inventory-free Model* we have developed for small and medium-sized mail-order business operators. Under this model, these operators can make speedy home deliveries in as little as four hours, because our logistics capabilities enable them to disperse their inventory near major delivery markets in minimal lots. This model shortens lead times, improves work quality and reduces costs with no physical investment.

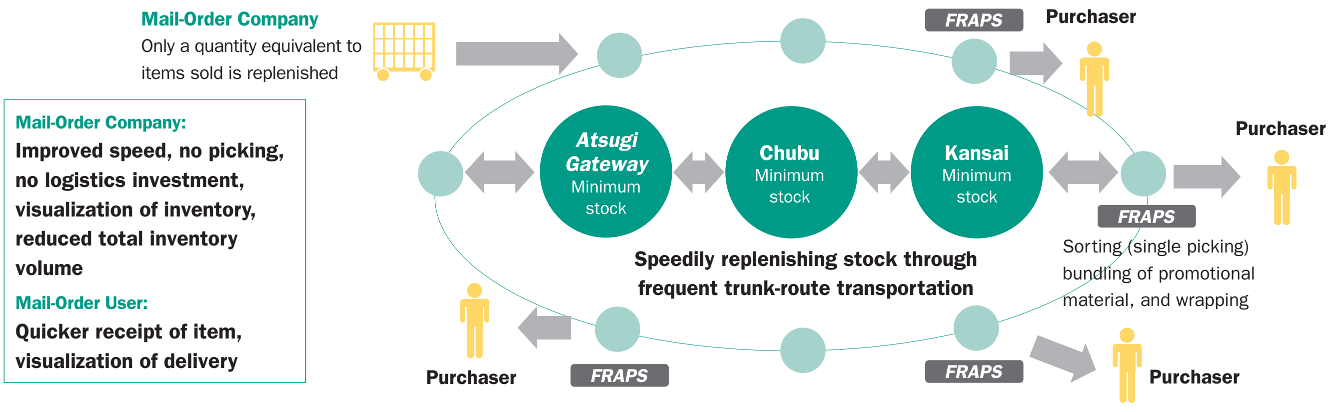
Internationally, we plan on providing services matching the market needs of each region the Yamato Group covers by globalizing our business logistics models in Japan. One area we are working on is an all-in-one procurement and delivery model for the supply of consumables in drugstore chains.

FRAPS

Our model will combine customs clearance, warehousing, and transport functions with traceability. And we will apply a flexible approach to globalizing this logistics model, including active pursuit of local business alliances.

In these and other ways, the BIZ-Logistics Business will help enrich society through borderless logistics and innovations by organically connecting the management resources of the Yamato Group.

Inventory-free Model



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 solve inconveniences at home, along with moving services and home furniture delivery, 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 the Year Ended March 2014

In fiscal 2014, the final year of our *DAN-TOTSU Three-Year Plan HOP*, we established the business model for lifestyle support services by systematically building out the product lineup, while implementing cost structure reforms and bolstering backup support for operations to strengthen our management base.

In services for individual customers, we used sales promotion activities for the Group's moving services as a foot in the door to actively pitch our lifestyle support services. This included our *Raku Raku Okatazuke Pack* for customers seeking convenient house cleaning services and *Memorial Seiri Service*, providing people in mourning the reliable help they need in sorting out the estates of the deceased. We also reminded customers of our capabilities for contracting daily chores, the delivery and installation of furniture and household appliances in rural areas far from shopping districts, and for buying and recycling used furniture and appliances. These services we pitched were favored by individuals on tight schedules, and those in need of a helping hand.

In addition, we bolstered our weak furniture delivery, assembly, and installation service. This was done by establishing a centralized nationwide network for dispatching two-person crews, rearranging rooms, hauling away used furniture and appliances for recycling, and performing other value-added chores upon arrival. The convenience the crews provided was popular among both retailers and buyers of mail-order furniture and household appliances, and resulted in a recovery and increase in work volume in furniture delivery, assembly, and installation.

In services for corporate clients, we marketed our comprehensive logistics support service to businesses involved with 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 checks, delivery, setup, installation, inspection, and repairs. Consequently, 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 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 enhance their employee benefit programs.

As a result, operating revenues for Home Convenience increased 9.2% year on year to ¥48,723 million. This steady growth in operating results was underscored by the solution platforms we provided corporate clients in the home and commercial furnishing installation business, in addition to the diverse array of value-added lifestyle support services we built around the Yamato Group's moving and furniture delivery service.

Moreover, the operating income we recorded was ¥217 million, an improvement of ¥744 million over the previous year. This was attributable to the strategic management of subcontracting and personnel expenses in rigorous alignment with profit margins, as well as the integration and consolidation of operational and clerical functions to curtail fixed overhead.

Strategies for the Year Ending March 2015

The year ending March 2015 is the first year of the *DAN-TOTSU Three-Year Plan STEP*, in which we will be aiming to stabilize our operating environment. Under the plan, we will balance our effort to expand operations by creating value-added business models against our initiatives to forge a robust corporate culture by strengthening the management base.

In services for individual customers, 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 owing 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 solve inconveniences within the home and help individuals realize their own fulfillment.

At the same time, we will begin to genuinely adapt our network to the needs of corporate clients. This will entail launching development of a *Technical Network Business* in the year ending March 2015. This new facilities contracting, maintenance, and after service network under the *Kuroneko Technical Network* brand will combine our formidable two-person delivery and installation crews with the capability of 130 collaborating utility work contractors whom satisfy the bar we set for excellence. Together, our crew and the contractors will provide a one-stop service for corporate clients, such as home furnishing makers, who want to hire operational support and enhance end user satisfaction at the same time.

The above lifestyle support services and corporate activity support services will have the effect of increasing our average daily workload. And by smoothing out downtime, they help raise productivity and contribute to structural improvements in profitability.

Meanwhile, our management base will be strengthened in accordance with the YHC Code of Conduct we formulated as a guideline for enhancing the safety, compliance, and customer relations of Yamato Home Convenience Co., Ltd. In combination with backup support for business operations and cost structure reforms, this code will be applied to satisfy customers, society, and our employees, and build a sound management base for recording stable profits in return.

Looking ahead, we will strive to raise our corporate value by developing services favored by customers and needed by society.

E-commerce Solutions Model

Business-oriented solutions	Network strengths ➡ Network integrating Yamato's delivery and installation services with utility work contractors throughout Japan	Customer-oriented solutions
(1) Logistics and distribution processing ➡ Import, warehousing, and shipping management * Inventory management and resale (2) Warehouse and storage ➡ Inventory storage (3) Return product purchase ➡ Yamato purchases returned products for resale at its recycling shops	(1) Centralized nationwide dispatching for coordinating delivery, installation, and construction from beginning to end (2) Use of shipping cages to prevent cargo from moving (3) EDI (electronic data interchange) system (4) Various settlements (such as cash on delivery and online settlement)	(1) Renewal services ➡ Appliance and furniture renewal and moving (2) Purchase and haulage of used appliances and furniture ➡ For resale and recycling cost reduction (3) Home environment support services

Technical Network Business Model

High added-value baseline operations	Network strengths ➡ Network integrating Yamato's delivery and installation services with utility work contractors throughout Japan	High added-value operations
(1) Overseas procurement (2) Domestic procurement (3) Merging, kitting, installation, localization, etc.	(1) Centralized nationwide dispatching for coordinating delivery, installation, and construction from beginning to end (2) Use of shipping cages to prevent cargo from moving (3) EDI (electronic data interchange) system (4) Various settlements (such as cash on delivery and online settlement)	(1) Inspections (2) Maintenance ➡ Cleaning and grass cutting to prevent malfunctions and improve power generation efficiency (3) Repairs ➡ Identification and replacement of malfunctioning panels

e-Business

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

The e-Business is involved in a range of information services for corporate customers, including cloud-based (ASP/SaaS) services, and information system development and operation.

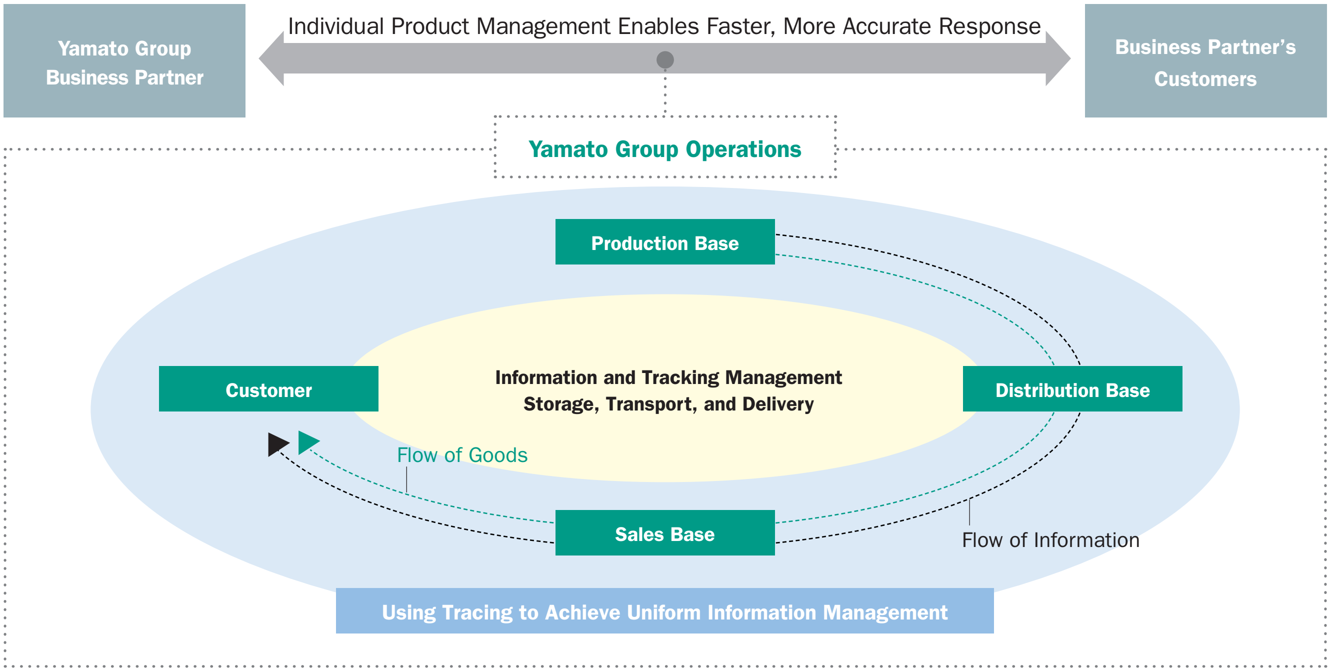
Using ICT, the e-Business works in partnership with customers to enhance business process efficiency. Based on its services, the e-Business seeks to help resolve latent business issues and proactively propose solutions that result in sales growth and cost reductions for customers.

Review of the Year Ended March 2014

In the e-Business, we spent the year under review actively proposing solutions that integrate data with distribution and settlement functions to raise business process efficiency and help resolve the hidden business issues of our customers. Furthermore, we also devoted ourselves to developing and operating ICT systems that were an integral part of business development for the Yamato Group as a whole.

In collaboration with the Financial Business in e-money services, we have been promoting installation and operation of the *Multi e-money Settlement Terminals*, which are capable of processing multiple brands of e-money for settlement on a single platform. During the year under review, we saw

e-Logistics Solution



expanded installation and use of the terminals by a wide range of corporate customers, including companies developing chain stores and those in the food and drink, retail, and amusement facilities industries.

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, including telecommunications equipment and cable television companies in need of managing and keeping track of the individual terminals they install. In the year under review, in addition to subscription growth in our existing services, we accelerated business development by mainly promoting services for managing the reservations, acceptance and delivery, and inventory of precision instrument and medical device manufacturers when renting products to hospitals and other customers.

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 for customers through the management, on-demand printing, and just-in-time delivery of sales promotion materials.

Our *Web-Based Mail Order Solutions* business was grown through the development of mail-order and e-commerce ICT services designed for the expanding mail-order and e-commerce market.

In *Chain Store Solutions*, we experienced business growth by developing ICT services for supporting the delivery of summer and year-end gift packages by retailers, and product returns and exchanges by mail-order businesses.

Overseas, we provide ICT backup support in the Yamato Group's steps to advance into the Asian market. We are also actively involved in bringing the Group's proprietary services online in Taiwan and Singapore in coordination with the Group's business expansion in Asia.

As a result, operating revenues increased 12.1% year on year to ¥41,538 million, supported mainly by growth in services linking data and logistics functions. Operating income rose 13.8% to ¥7,954 million due to productivity enhancements and cost cutting measures, despite upfront investments in e-money services and other factors.

Strategies for the Year Ending March 2015

Our first strategy is to strengthen the competitiveness of our ICT products. Besides refining existing services as a matter of course, we will create more services and businesses by combining the management resources of e-Business and other business operations within the Yamato Group.

Our second strategy is to reinforce our sales capabilities. In order to cultivate customer needs as the market for our ICT services spreads throughout Japan, we will open six branches and build a sales network for proposing ICT solutions in tune with local requirements. At the same time, we will raise the sophistication of our ICT solutions capability by working in closer coordination with the Yamato Group's other business operations.

Thirdly, we will emphasize quality. We must value our ties with customers, build reliable and good relationships of trust, and enhance the level of our ICT services from their perspective, if we are to keep our customers satisfied.

Going forward, the e-Business will provide ICT and other optimal solutions, combining the Yamato Group's management resources in distribution and settlement functions, in order to contribute to the business development of our customers.

Financial

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

The Financial Business aims to become a strong partner that provides convenience for consumers and helps business operators overhaul their distribution 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 payment on delivery for mail-order companies and handling settlements between companies. Under our *DAN-TOTSU Management Plan 2019*, we will strengthen strategies in the e-commerce market in order to command the No. 1 market share as a settlement provider for mail-order businesses in particular while enhancing the product lineup of our other financial services.

Review of the Year Ended March 2014

In addition to providing all sorts of settlement methods from credit cards to payments at convenience stores and with e-money, the Financial Business addressed continued growth of online mail-order businesses in the business-to-consumer (B2C) market by actively promoting sales of *Kuroneko Web Collect*, a service package for mail-order businesses that helps integrate their sales processing from receiving payment to settlement. This was done with the aid of new functions such as Repeat Customer Settlement and Advance Sales that we added to enhance the service. We also began leasing the Group's *Multi e-money Settlement Terminal* to vendors as we adapt to a market for settling payments with e-money that has been burgeoning in terms of penetration rate, settlement volume and application. These terminals were used to enable vendors to accept e-money for payment at not only permanent storefronts, but also in other settings such as at events held for short periods of time throughout Japan. We offered these business customers proposals for total solutions in which we packaged the means for accepting e-money as payment with assistance in sales promotion activities.

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*. This service also provided the added value of improving business efficiency, enabling the management of trade receivables, and reducing the risk of those receivables going uncollected. Efforts were geared toward improving the service by enabling buyers to submit applications online and speeding up the screening for approving their credit.

In leasing, we bolstered sales by expanding the scope of our truck leasing market from the existing customer base of shipping companies to companies who have in-house logistics operations. We also enhanced our product strength by developing new products, such as lease backs and three-year operating leases, matching customer needs in new markets, to promote sales and increase profits.

Overseas, in Shanghai, Singapore, Hong Kong, and Malaysia, where we provide settlement solutions, we worked to differentiate ourselves from local competitors by proposing solutions in line with local customs and the unmet needs of customers. This included the introduction of a settlement service accepting checks as payment in Singapore and Hong Kong where writing checks is customary. These efforts resulted in a year-on-year increase in overseas settlement transaction volume and operating revenues.

As a result of the above, operating revenues in the Financial Business rose 10.6% year on year to ¥62,728 million. This improvement was largely attributable to an increase in the number of *TA-Q-BIN Collect* and e-money settlement transactions due to more business with major mail-order companies. Operating income was ¥9,406 million, up 10.4% year on year.

Strategies for the Year Ending March 2015

In the B2C market, the e-commerce and online mail-order market is expected to grow as a result of the establishment of environments with easy Internet access from just about anywhere. In response, we will be enhancing the functions available on *Kuroneko Web Collect*, our strategic service product in the online mail-order market, while maintaining our core business of settling payment on delivery. In parallel, we will take the initiative of enhancing the marketability of our services by means that include marketing process reforms and business alliances.

We will also strive to provide safe, reliable, and convenient settlement services while flexibly adapting to the diversifying needs of both buyers and mail-order business operators. This will be done by expanding our *Kuroneko Pay On Delivery* service, as well as our business leasing the Group's *Multi e-money Settlement Terminal*.

In the meantime, we will hone our product development and marketing capabilities in striving to deliver added value to mail-order business operators. These capabilities will be upgraded to propose total solutions that make the most of the Yamato Group's collective power in addressing their diversifying needs.

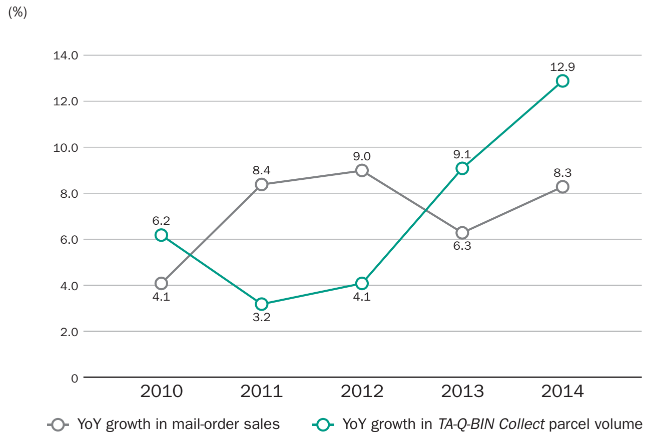
In the B2B market, we will accelerate growth by strengthening the marketing structure underpinning our *Kuroneko Anshin Kessai Service*. To achieve this, we will sort our target customers by segment, and draw on the Group's marketing acumen to propose optimal solutions for each.

In leasing, we will designate used car leasing, lease backs, and three-year operating leases as our three strategic products. At the same time, we will provide solutions to business issues having to do with safety, environmental accountability, quality assurance and customer development through our value-added services. In these ways, we will strive to differentiate ourselves from the competition and grow our net balance of lease contracts.

In overseas markets, we will work to steadily increase our settlement volume amid rapid growth of cross-border settlements in the B2C market, mainly by helping retailers from Japan expand their sales channels overseas. Meanwhile, in the overseas B2B market, we will make our *Global Procurement Support Service* and other capabilities for settling international trade even easier to use.

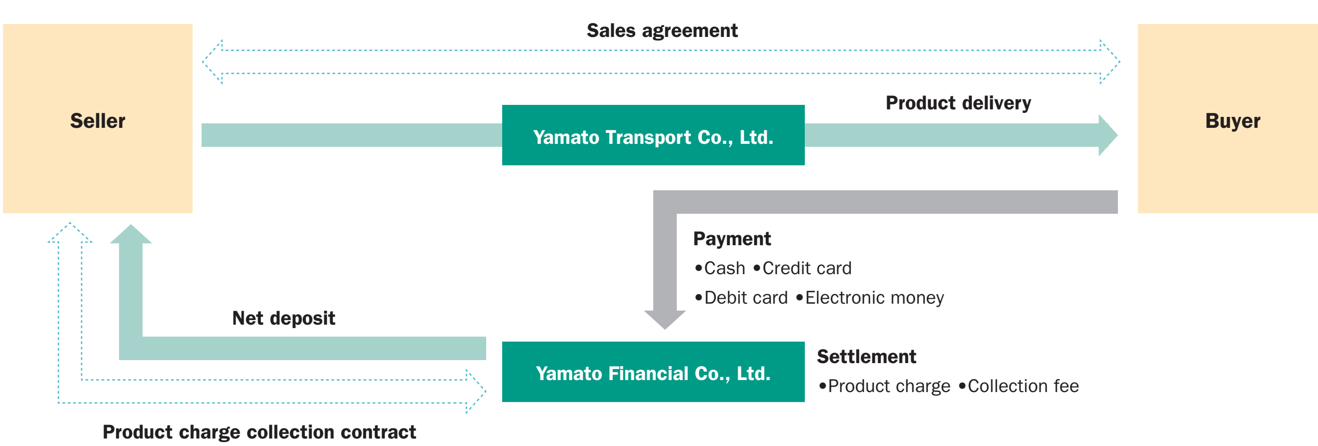
With these objectives, we will propose solutions based on the Yamato Group's "*Value Networking*" design and aim to become the ideal partner for customers by upholding consumer convenience and realizing distribution reform for business operators.

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



Source: The Japan Direct Marketing Association

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



Autoworks

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

The Autoworks Business is not satisfied with being a one-of-a-kind operation in Japan. Our vision is to transform our vehicle maintenance services into the No. 1 autoworks for logistics and distribution business operators. “Transform inconvenience into convenience from the customer’s standpoint” is the corporate DNA of the Yamato Group. Based on this perspective, the Autoworks Business functions as a vehicle maintenance plant chiefly for logistics and distribution companies. We have enhanced our operations in scope with groundbreaking services in the industry that go beyond vehicle maintenance to provide around the clock service 365 days a year, vehicle maintenance without downtime, mandatory inspections around tight time schedules, and road service for vehicles. We offer our customers the value of compliance with statutory vehicle inspections, convenient vehicle maintenance, and reduced maintenance costs.

Furthermore, to better provide one-stop service solutions geared toward customer business operations, we have added services for maintaining and safeguarding logistics facilities and equipment, along with auto and property insurance agency services where we offer plans tailored to customer needs.

Review of the Year Ended March 2014

We posted increases in both revenues and profit in the year under review. Our operating revenues were ¥25,650 million, up 10.4% year on year. Operating income increased 22.7% to ¥3,272 million.

A new *Superworks* vehicle maintenance plant was established near the Port of Nagoya, the largest port in Japan in terms of total cargo throughput. *Superworks* plants represent a new paradigm in environmentally accountable 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, 22 are now *Superworks* facilities. We also enhanced customer convenience by expanding our road service for basic vehicle repairs and inspections performed on location at customer business sites.

In addition, we launched the sale of a new proprietary digital tachograph that was simplified to be affordable and easy to use. This product, which encourages safe and proper driving to reduce traffic accidents and conserve fuel consumption while supporting enhancements in labor management of drivers, was part of our effort to expand services contributing to the security and safety of our customers.

As a result of leveraging our network strengths and solutions capabilities in this way, mandatory inspections performed on vehicles outside the Yamato Group, a key performance indicator, increased by 1,900 over the previous year to 78,500 vehicles.

Strategies for the Year Ending March 2015

In the year ending March 2015, we aim to grow operating revenues by 9.2% year on year to ¥28.0 billion, and operating income by 10.0% to ¥3.6 billion. To this end, we will adhere to the following strategies and basic

Superworks vehicle maintenance plants pursue operating efficiency and environmental accountability

Superworks Nagoya
Completed in April 2013

EarthDrive DTU-1 simplified digital tachograph

Launched for sale in August 2013

concept to reshape Autoworks as a solutions company able to make new logistics support proposals while providing management assistance to logistics and distribution business operators.

Basic Strategy 1: Build Closer, Far-reaching Trust to Create New Value Together

1. Build service networks closer in touch with customers

We will establish *Superworks* facilities in major Japanese cities and strengthen our road service equipped with vehicle diagnostics capabilities. This will be done to provide services closely in touch with our customers in each local market, and to help maintain delivery infrastructure from the standpoint of business continuity planning (BCP).

2. Build far-reaching services providing management support

We will utilize IT to enhance our far-reaching repair and maintenance capabilities in support of procurement, management of logistics vehicles, facilities, equipment and machinery, and risk management. This will be done to upgrade the customer orientation of our services and create an enduring value cycle by eliminating customer down time.

3. Create new value together

We will strengthen collaboration with business partner companies and expand our scope of services in vehicle, facility and equipment maintenance. This will be done to help improve the quality of deliveries by logistics and distribution business operators so that we can create new value together.

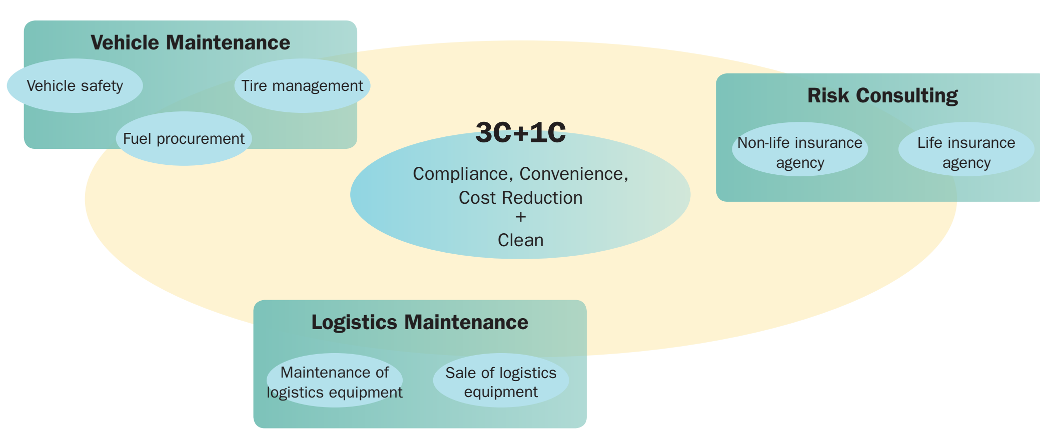
Basic Strategy 2: Forge a Robust Corporate Culture

We will forge a robust corporate culture in line with the Yamato Group's corporate philosophy for the Autoworks Business. This will be done by nurturing an environment of mutual trust that endorses a culture in which employees encourage one another in realizing their full potential. To this end, we will also enhance corporate governance while strengthening our legal compliance and financial structure.

Basic Concept—The "Three Cs" and "One C"

The Autoworks Business provides one-stop services based on observing the three "Cs" underpinning management support for logistics and distribution business operators. The first "C" is Compliance, which is the foundation of management. In this regard, our *Repairworks* road service has contributed to improving the completion rate for statutory vehicle inspections by 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 around the clock operations 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 limit 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 optimally procure parts and fuel so as to provide customers with high-quality products and services at low costs.

The last "C" stands for Clean. In keeping with the times, we have addressed environmental accountability 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. In addition, we are recommending the use of rebuilt and reused parts, and are actively involved in recycling discarded batteries, in our efforts to support the environmental accountability of customers and society at large.



Other

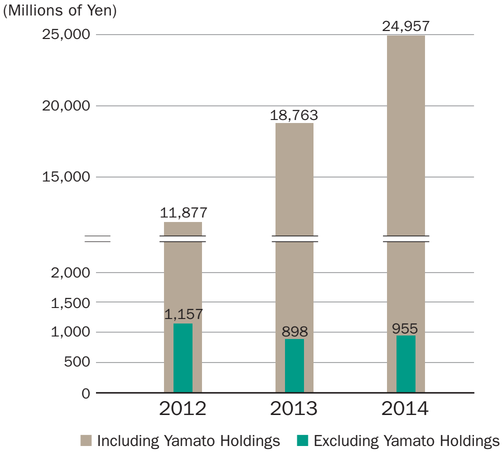
JITBOX Charter

The *JITBOX Charter* service is a service that provides transportation in shipment cages. The service takes advantage of its Group network consisting of multiple companies and provides value to customers through timely delivery and frequent, adequate volume delivery. In the fiscal year ended March 31, 2014, the Group saw an increase in usage of the service by manufacturers and other customers and transportation orders related to events, and the handling volume exceeded that of the previous fiscal year.

Operating income in Other, excluding dividends which Yamato Holdings Co., Ltd. received from the Group companies, increased 6.3% from the previous fiscal year to ¥955 million.

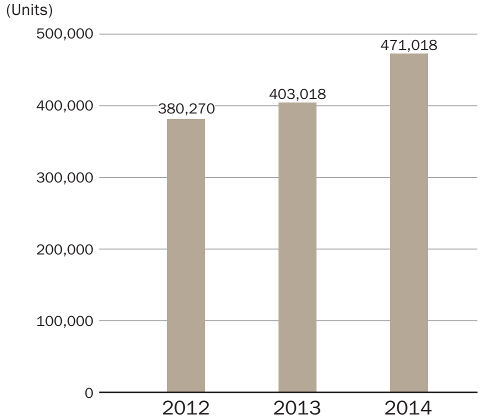
Operating Income

(Millions of Yen)



Track Record of *JITBOX Charter*

(Units)



Organization

As of March 31, 2014

- **Yamato Holdings Co., Ltd.**
  - **Delivery**
    - Yamato Transport Co., Ltd.
    - Okinawa Yamato Transport Co., Ltd.
    - Yamato Global Express Co., Ltd.
    - Express Network Co., Ltd.
    - Yamato (China) Transport Co., Ltd.
    - Yamato Transport (HK) Ltd.
    - Yamato Dialog & Media Co., Ltd.
  - **BIZ-Logistics**
    - Yamato Logistics Co., Ltd.
    - Yamato Global Logistics Japan Co., Ltd.
    - Yamato Multi-Maintenance Solutions Co., Ltd.
    - Yamato Packing Service Co., Ltd.
    - Yamato Packing Technology Institute Co., Ltd.
    - Konan Industry Co., Ltd.
    - Yamato Transport U.S.A., Inc.
    - Yamato Transport Europe B.V.
    - Yamato International Logistics Co., Ltd.
    - Yamato International Logistics (Hong Kong) Ltd.
    - Taiwan Yamato International Logistics Inc.
    - Yamato Transport (S) Pte. Ltd.
    - Yamato Transport (M) Sdn. Bhd.
    - Yamato Logistics India Pvt. Ltd.
    - Shanghai Wai Gao Qiao Bonded Logistics Zone Yamato Warehouse Co., Ltd.
    - PT. Yamato Indonesia
  - **Home Convenience**
    - Yamato Home Convenience Co., Ltd.
  - **e-Business**
    - Yamato System Development Co., Ltd.
    - Yamato Web Solutions Co., Ltd.*2
    - Yamato Contact Service Co., Ltd.*3
  - **Financial**
    - Yamato Financial Co., Ltd.
    - Yamato Credit & Finance Co., Ltd.
    - Yamato Lease Co., Ltd.
    - Yamato Payment Service (HK) Ltd.
  - **Autoworks*1**
    - Yamato Autoworks Co., Ltd.
    - Yamato Autoworks Iwate Co., Ltd.
    - Yamato Autoworks Hokushinetsu Co., Ltd.
    - Yamato Autoworks Shikoku Co., Ltd.
    - Yamato Autoworks Okinawa Co., Ltd.
  - **Other**
    - Yamato Asia Pte Ltd.
    - BoxCharter Co., Ltd.
    - Yamato Box Charter Co., Ltd.
    - Yamato・Staff・Supply Co., Ltd.
    - Yamato Management Service Co., Ltd.
    - Yamato Multi Charter Co., Ltd.
    - Kobe Yamato Transport Co., Ltd.
    - Swan Co., Ltd.

——— Consolidated subsidiaries

········ Unconsolidated subsidiaries

*1 "Autoworks" changed its segment name from "Truck Maintenance" starting from the fiscal year ended March 31, 2014.
*2 Yamato Career Service Co., Ltd. in the e-Business was renamed Yamato Web Solutions Co., Ltd. on August 1, 2013.
*3 From the fiscal year ending March 2015, Yamato Contact Service Co., Ltd. will be reclassified for inclusion under the Delivery Business from the e-Business unit.

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 further becoming a company most loved and trusted by society.

Safety

The Yamato Group, which uses public roads in carrying out its business, believes ensuring the safety and security of people from local communities is of paramount importance. With a philosophy of "Safety First, Sales Second," we endeavor to drive safely and focus on measures to promote safe transportation, and put respect for human lives as our greatest priority at all times while undertaking duties.

Review of the Year Ended March 2014

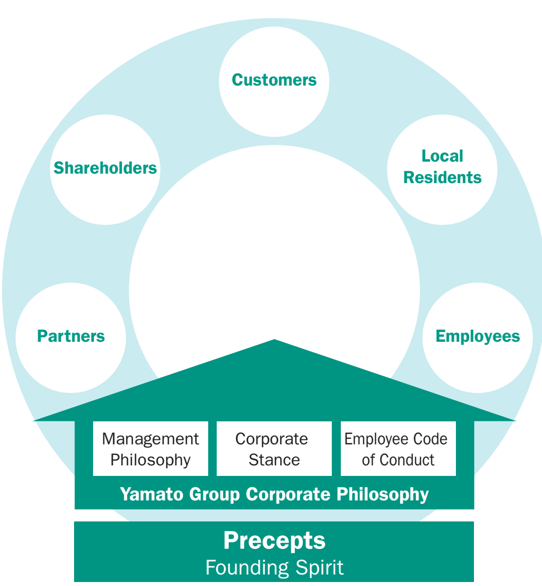
Deploying *See-T Navi* in Delivery Vehicles

See-T Navi is a proprietary telematics navigation system encouraging safe and environmentally friendly driving that Yamato Transport developed and deployed 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 246 Safety Instructors, safety specialists posted nationwide, can use data from this system for individual instruction, and the system has functioned as a strong support for sales drivers and safe driving habits.

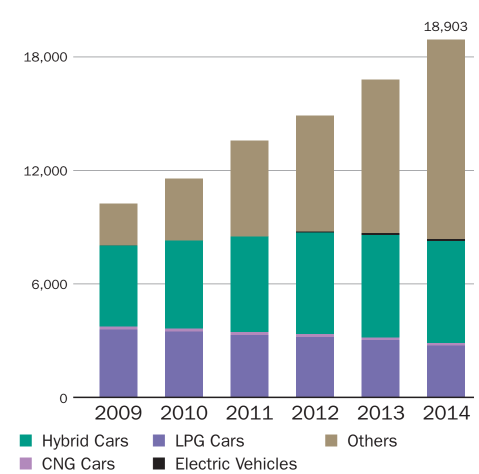
Constructing a Driver's License Management System using IC Card Licenses

Yamato Transport always conducts visual inspections of documentation such as driver's licenses before drivers drive, but has also constructed a system using IT that matches drivers with the details on their license and license categories. Thorough compliance is supported by managing driving duties from the IT aspect.

Diagram of Yamato Group Corporate Philosophy



Changes in the Number of Low-Emission Vehicles



Holding Safe Driver Contests

Yamato Transport holds Driver Contests to further enhance safety awareness and driving skills, not only in Japan, but also overseas in Malaysia and Singapore with Yamato Transport (M) Sdn. Bhd. and Yamato Transport (S) Pte. Ltd.

Maintaining Safety in Vehicles

Yamato Autoworks operates *Superworks* vehicle maintenance factories open 24 hours a day, 365 days a year at 22 bases inside Japan, greatly improving work efficiency and with more than 60% of maintenance operators possessing vehicle inspection qualifications.

Environment

The Yamato Group has adopted the catchphrase of Necology for the environmental preservation activities in which it engages as a corporate social responsibility, and to ensure individual employees are aware of the need to protect the environment as they go about their daily duties. Packing, carrying, and delivering during transport are a matter of course, but Yamato takes a thoroughly ecological approach to a variety of other initiatives to build an environmentally friendly distribution system. Yamato provides these types of products and services with the aim of working together with communities to contribute to making a better society.

Review of the Year Ended March 2014

Reducing CO_2 Emissions

The Yamato Group uses carts and trolleys to avoid using vehicles for deliveries to the greatest possible extent and is shifting toward low-emission vehicles when it does have to use them. In the fiscal year ended March 2014, Yamato Transport added approx. 21,000 low-emission vehicles, making up 41.5% of the entire fleet.

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 Future City Initiative and other progressive environmental programs, and in districts requiring special environmental measures, such as areas around World Heritage sites.

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, mainly in urban districts and densely populated residential areas.

Yamato Transport is also promoting a modal shift toward railway and water-based transport, joint transport with other companies, and other methods of efficient transport.

Kuroneko Yamato Environmental Classes

Environmental classes are held to teach children about the importance of the environment. Yamato Transport held 241 classes in the year ended March 2014, attended by 20,700 children.

Society

The Yamato Group values the dialogue with each stakeholder, is aware of the social responsibilities that it must fulfill, and aims to be a company that achieves sustained development together with society. It uses its business and social contribution activities to solve issues local communities are facing.

Review of the year ended March 2014

Safety Classes for Children

We have held safety classes for children since 1998. Held all over Japan, these classes seek to teach children ways to protect themselves from traffic accidents. In the fiscal year ended March 2014, classes were held on 2,013 occasions and around 224,000 children participated. Classes were held overseas as well.

Promoting CSV Entrenched in Communities

Based on the belief of Creating Shared Value (CSV), which is the creation of values together with local communities through business, joining with local governments across the country in Project G (Government) the entire Yamato Group promotes developments including support watching over the elderly, shopping support, and emergency transport at times of disaster. As of the end of June 2014, we had been involved in a total number of 550 cases and concluded agreements with 110 local governments.

The *Music TA-Q-BIN Kuroneko Family Concert* has been held 283 times and attended by over 410,000 people.

Recognized by the Ministry of Health, Labor and Welfare as a Company Supporting Child-Raising

Certification was awarded to Yamato System Development Co., Ltd. in fiscal 2012 and Yamato Transport and Yamato Logistics Co., Ltd. in fiscal 2014.

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.

Corporate Governance

As of March 31, 2014

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.

The current status of provision for oversight of business execution and management, internal control, and related functions at the Yamato Group is illustrated as follows.

Status of Corporate Governance

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

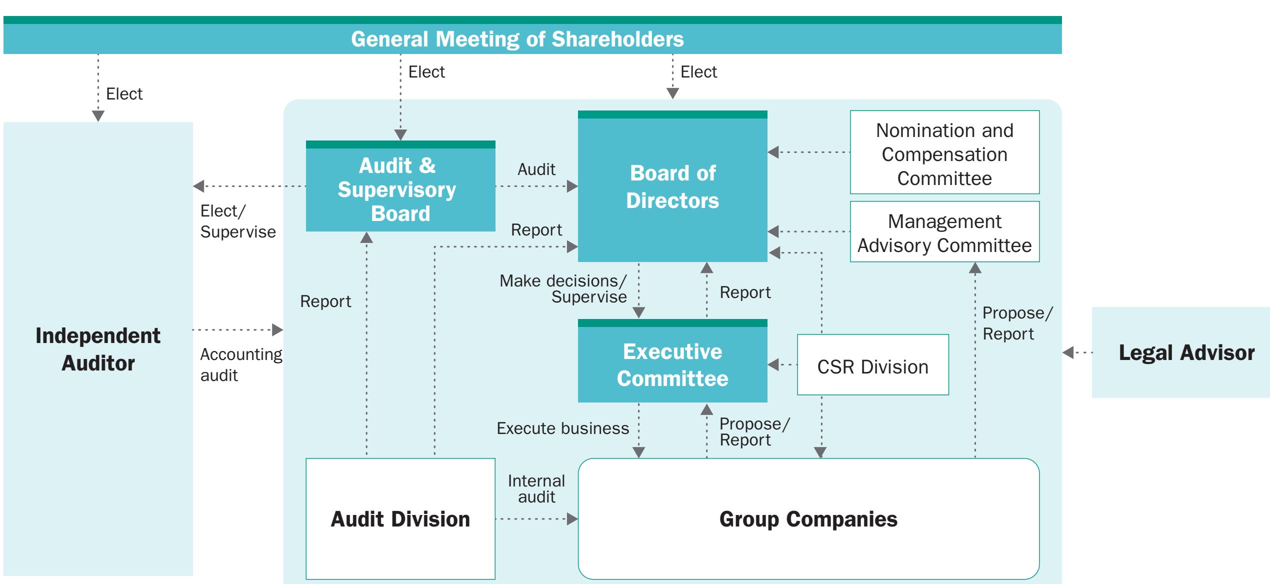
Outside Directors and Outside Audit & Supervisory Board Members

The two outside directors and three outside Audit & Supervisory Board members currently appointed by Yamato Holdings have no conflict of interest in terms of, but not limited to, their human, capital, and business relationship with the Yamato Group. None hold or held positions as an outside director, outside Audit & Supervisory Board member, full-time director, full-time Audit & Supervisory Board member, executive officer, or employee of companies with which the Yamato Group has or had such relationships.

Both outside directors, Toshitaka Hagiwara and Masakatsu Mori, have ample experience and extensive knowledge as business people. They comment and advise as needed on all aspects of business management. Furthermore, their 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 accounting firm; Motoharu Yokose, a certified public accountant; and Hiroyuki Kanae, who has professional experience as a lawyer. 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

Corporate Governance Framework



confirm the status of directors' execution of duties, by means of including questions regarding management policy.

To ensure objective checks of management, two of the seven directors are currently outside directors. This configuration allows the outside directors to adequately fulfill their appointed function. Similarly, three of the four Audit & Supervisory Board members are outside Audit & Supervisory Board members to reinforce supervision of business execution. This configuration, too, enables the outside members to adequately fulfill their appointed function.

The Group maintains a policy of satisfying the independence criteria of 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.

Full-time Audit & Supervisory Board member Hiroshi Kawada and Audit & Supervisory Board member Koji Okawa resigned, and Kazuko Takahara was newly appointed as a full-time Audit & Supervisory Board member at the conclusion of the Ordinary General Meeting of Shareholders on June 24, 2014. Consequently, the Company's Audit & Supervisory Board became comprised of three members, two of which are outside Audit & Supervisory Board members.

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 an 11-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 113 internal auditors who check whether the business and affairs of the Group as a whole are being carried out appropriately and efficiently based on the annual auditing plan. A structure is in place under which results are reported to the Board of Directors and the Audit & Supervisory Board. Also, the Group Internal Auditing Committee meets regularly with the internal auditors of the operating companies to confer on problems and propose 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 9 certified public accountants and 20 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)	218	218	5
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

	Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014	
Category	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.	42	1	45	29
Consolidated subsidiaries	133	4	134	4
Total	175	5	179	33

Other Important Compensation Details

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 as the accounting firm that audits Yamato Holdings, was as follows.

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

Fiscal year ended March 31, 2014

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 as the accounting firm that audits Yamato Holdings, was as follows.

Compensation paid for audit certification and related activities: ¥129 million

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

Fiscal year ended March 31, 2013

Non-audit activities for which Yamato Holdings 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, 2014

Non-audit activities for which Yamato Holdings paid the certified public accountants and staff of the accounting auditors entailed advice and guidance on the accounting of reorganizations within the Group.

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, Audit & Supervisory Board Members, and Executive Officers

As of June 24, 2014

Directors

Kaoru Seto
Representative Director and Chairman

Makoto Kigawa
Representative Director, President and Executive Officer

Haruo Kanda
Representative Director, Senior Executive Officer

Outside Directors

Toshitaka Hagiwara

Masakatsu Mori

Full-time Audit & Supervisory Board Member

Kazuko Takahara

Executive Officers

Toshizo Kurisu

Hitoshi Kanamori

Atsushi Ichino

Executive Officers

Hideo Tanzawa

Richard Chua Khing Seng

Kenji Minaki
Director and Managing Executive Officer

Masaki Yamauchi
Director and Executive Officer

Audit & Supervisory Board Members

Motoharu Yokose

Hiroyuki Kanae

Keishirou Sasaki

Yoshihiko Hoshino

Tadao Mikami

Managing Executive Officer

Kenichi Shibasaki

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, 2014 based on the following themes and discuss the Yamato Group's capital policies.

1. Attainment of Numerical Targets in Fiscal 2014 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 2014 and Evaluation

With respect to the business environment during the fiscal year ended March 31, 2014, the internet mail-order market continued to expand, while consumer spending, corporate earnings and employment showed signs of recovery.

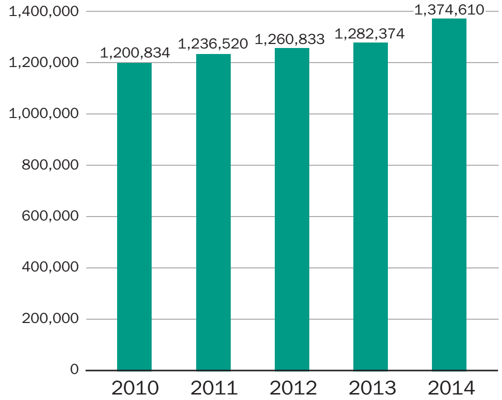
Operating in this environment, the Yamato Group worked to establish new networks that will realize a revolution in logistics, create new services, and achieve greater sophistication of its existing businesses in order to achieve the objectives of the long-term management plan *DAN-TOTSU Management Plan 2019* and the medium-term management plan *DAN-TOTSU Three-Year Plan HOP*.

In the Delivery Business, revenues steadily climbed due to a significant increase in *TA-Q-BIN* delivery volumes amid growth in the internet mail-order market and surging demand ahead of the consumption tax hike.

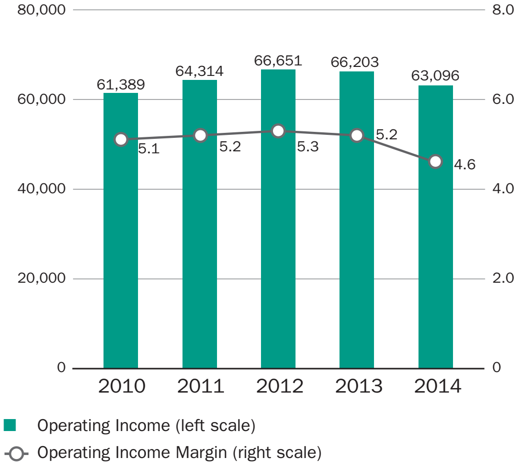
Nevertheless, earnings declined as a consequence of greatly increased one-time expenses incurred for initiatives that included building a framework to improve *Cool TA-Q-BIN* quality, setting up collection and delivery mechanisms in line with increasing *TA-Q-BIN* delivery volumes, and addressing issues caused by record-level snowfalls in February.

In the non-delivery businesses, we provided a diverse range of services drawing on various managerial resources with respect to information, logistics, and transaction settlement. At the same time, we aggressively pursued proposal-based sales through alliances with respective

Operating Revenues
(Millions of Yen)



Operating Income/Operating Income Margin
(Millions of Yen, %)



Group companies, with the aim of helping corporate clients find solutions to management challenges.

As a result, operating revenues increased 7.2% year on year to ¥1,374,610 million, while operating income decreased 4.7% to ¥63,096 million.

Net income per share rose 0.5% as a result of the shares we bought back in January 2014.

ROE was 6.4%, a decline from the previous fiscal year.

We fell short of achieving the targets in our medium-term management plan *DAN-TOTSU Three-Year Plan HOP*. That said, our cost structure reforms aimed primarily at revolutionizing the Yamato Group's logistics network and parcel pickup and delivery system were successful at strategically capturing changes in the market place. In my analysis, we managed in the year under review to build a foundation for keeping our long-term management plan, ending March 2020, on track and significantly differentiating the Yamato Group from our competitors.

Going forward, we are aiming for a record ¥70.0 billion in consolidated operating income in the year ending March 2015. To this end, we will implement pricing strategies, by first effectively raising our unit price by strictly sorting the *TA-Q-BIN* parcels we accept according to size, to ensure that the Group is working together to provide customers high added value. At the same time, cost structure reforms for revolutionizing our logistics network and parcel pickup and delivery system will be expanded to include other parts of Asia, as we continue to apply strategies for differentiating the Yamato Group from the competition.

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.

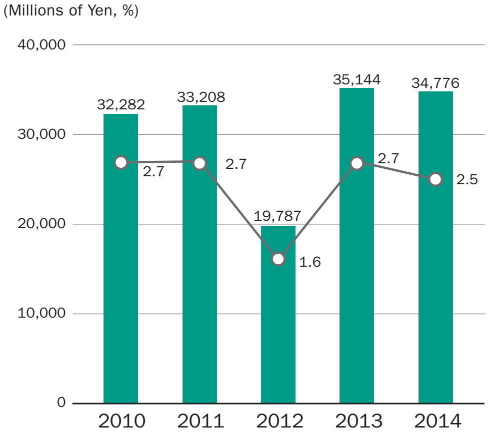
To this end, in January 2011, we formulated a long-term management plan, *DAN-TOTSU Management Plan 2019*, that's final year is fiscal 2020. Guided by this plan, we are making every effort to become a leading provider of distribution and lifestyle support solution services in Asia by the year ending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

This long-term management plan aims to increase satisfaction of shareholders, customers, the public, employees and all other stakeholders.

We recognize that the keys for success are to increase the profitability by steadily executing our business plan,

Net Income/Net Margin

(Millions of Yen, %)

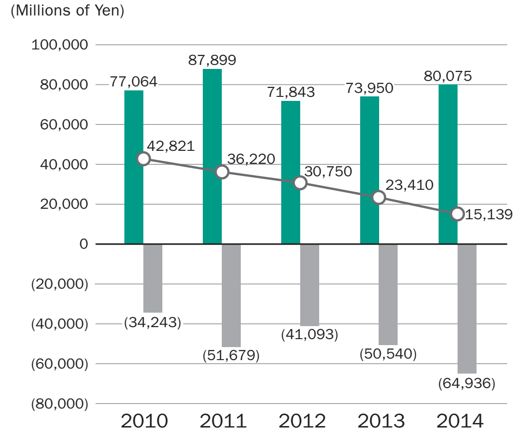


Net Income (left scale)

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

and also to raise 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, which we plan to attain by combining our business and financial strategies.

We aim to raise ROE to over 9.0% in the year ending March 2017, the final year of the medium-term management plan *DAN-TOTSU Three-Year Plan STEP*, 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*.

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 2014, 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.

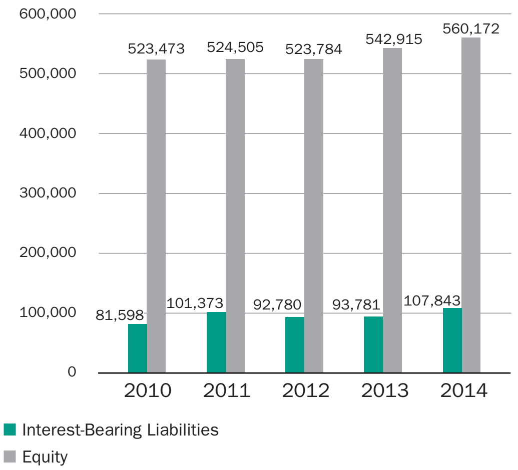
During the fiscal year ended March 31, 2014, we bought back about ¥10.0 billion in shares, and retired 6.7 million shares of treasury stock to allay concerns for the dilution of equity.

For the fiscal year ended March 31, 2014, we paid dividends of ¥24 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, 2014.

For the fiscal year ending March 31, 2015, we will take our earnings performance into consideration as we aim for a consolidated dividend payout ratio of 30%.

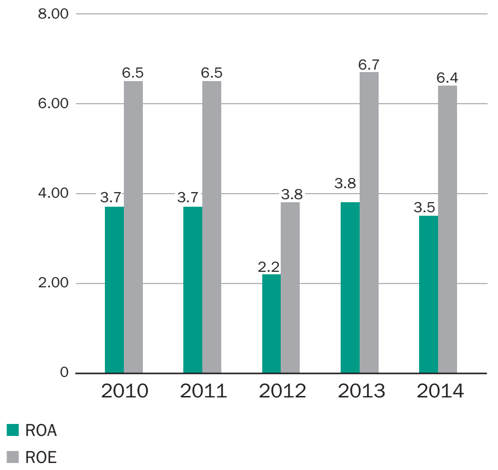
Interest-Bearing Liabilities/Equity

(Millions of Yen)



ROA/ROE

(%)



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.

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 2014, and may not encompass all of the risks related to the business of the Yamato Group.

(1) Legal Regulations
The risk of revenues decreasing as a result of restrictions on operations, and expenses increasing as a result of compliance with laws and regulations

(2) High Reliance on the *TA-Q-BIN* Business for Operating Revenues
The risk of delivery volumes and unit prices declining as a result of a change in environment surrounding the *TA-Q-Bin* Business

(3) Securing Human Resources
The risk of growth slowing as a result of difficulty recruiting high-quality human resources

(4) Loss of Business Expertise Caused by Personnel Leaving the Company
The risk of competitive advantage declining as a result of an outflow of business expertise from the Company

(5) Decline in Trust in the Company
The risk of society's trust declining as a result of a deterioration in service quality, or accidents involving damage or loss of entrusted packages

(6) Leak of Customer Information
The risk of society's trust declining as a result of a leakage of customer information to the outside

(7) Loss of Social Trust Due to Major Traffic Accident and Administrative Action
The risk of society's trust declining as a result of a major traffic accident, and business suspension as a result of government sanction

(8) Official Regulation Due to Environmental Issues
The risk of incurring expenses as a result of complying with environmental regulations more rigorous than envisioned

(9) Natural Disasters or Power Outages
The risk of business being suspended as a result of an unexpected major natural disaster or power outage

(10) Computer Viruses and Criminal Hacking Activity
The risk of computer systems or operations being partly suspended as a result of infection by a computer virus or hacking.

(11) International Developments or Terrorism
The risk of business being suspended in certain regions as a result of terrorism, warfare or outbreak of a new contagious disease.

(12) Credit Management Costs and Interest Rate Fluctuations
The risk of credit management costs increasing as a result of economic trends and other impacts, and fund procurement costs increasing as a result of a rise in long-term interest rates.

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

Consolidated Balance Sheet

March 31, 2014

ASSETS	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT ASSETS:			
Cash and cash equivalents (Notes 2.d and 13)	**¥ 220,148**	¥ 213,619	**$ 2,139,017**
Notes and accounts receivable (Note 13):			
Trade	**188,145**	163,790	**1,828,070**
Installment (Note 3)	**39,480**	37,456	**383,605**
Lease (Note 12)	**35,329**	22,377	**343,265**
Allowance for doubtful accounts	**(1,591)**	(1,654)	**(15,461)**
Inventories (Note 4)	**3,237**	3,601	**31,456**
Deferred tax assets (Note 11)	**16,548**	16,647	**160,782**
Prepaid expenses and other current assets	**26,063**	30,572	**253,241**
Total current assets	**527,359**	486,408	**5,123,975**
PROPERTY, PLANT AND EQUIPMENT—At cost:			
Land	**188,344**	187,108	**1,830,001**
Buildings and structures	**329,289**	281,096	**3,199,464**
Vehicles	**187,882**	182,679	**1,825,512**
Leased assets (Note 12)	**23,944**	23,549	**232,649**
Machinery and equipment	**121,422**	108,493	**1,179,777**
Construction in progress	**7,895**	35,892	**76,708**
Others	**11,662**	9,432	**113,309**
Total	**870,438**	828,249	**8,457,420**
Accumulated depreciation	**(453,310)**	(445,092)	**(4,404,487)**
Net property, plant and equipment	**417,128**	383,157	**4,052,933**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 13)	**25,577**	21,787	**248,518**
Investments in and advances to unconsolidated subsidiaries and affiliates, net of valuation allowance of ¥222 million in 2013	**644**	838	**6,260**
Long-term loans	**961**	915	**9,334**
Software	**12,343**	12,389	**119,925**
Lease deposits	**18,468**	19,373	**179,445**
Deferred tax assets (Note 11)	**21,687**	18,515	**210,713**
Other assets (Note 8)	**7,967**	6,771	**77,406**
Total investments and other assets	**87,647**	80,588	**851,601**
TOTAL	**¥1,032,134**	¥ 950,153	**$10,028,509**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 13)	¥ 19,256	¥ 15,704	$ 187,092
Current portion of long-term debt (Notes 7, 13 and 14)	21,941	18,825	213,188
Notes and accounts payable (Note 13):			
Trade	172,463	138,288	1,675,702
Other	21,942	15,283	213,193
Income taxes payable	20,908	22,442	203,148
Employees' savings deposits	4,723	4,453	45,888
Accrued expenses	61,535	57,344	597,892
Deferred profit on installment sales (Notes 3 and 13)	5,349	5,006	51,974
Other current liabilities (Note 9)	19,243	22,195	186,972
Total current liabilities	347,360	299,540	3,375,049
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 13 and 14)	66,646	59,252	647,552
Long-term accounts payable	1,243	2,414	12,078
Liability for employees' retirement benefits (Notes 2.j and 8)	47,224	38,178	458,843
Deferred tax liabilities (Note 11)	1,808	459	17,568
Other long-term liabilities (Note 9)	7,681	7,395	74,626
Total long-term liabilities	124,602	107,698	1,210,667
COMMITMENTS LIABILITIES (Note 12)			
EQUITY (Notes 10 and 18)**:**			
Common stock—authorized, 1,787,541,000 shares in 2014 and 2013; issued, 454,684,992 shares in 2014 and 461,345,492 shares in 2013	127,235	127,235	1,236,249
Capital surplus	100,863	111,291	980,019
Retained earnings	371,965	347,358	3,614,120
Treasury stock—at cost, 35,742,057 shares in 2014 and 37,631,001 shares in 2013	(56,079)	(56,496)	(544,884)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	8,770	6,095	85,211
Foreign currency translation adjustments	342	(1,032)	3,328
Remeasurements of defined employees' retirement benefit plans (Notes 2.j and 8)	(1,717)		(16,683)
Total	551,379	534,451	5,357,360
Minority interests	8,793	8,464	85,433
Total equity	560,172	542,915	5,442,793
TOTAL	¥1,032,134	¥950,153	$10,028,509

Consolidated Statement of Income

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
OPERATING REVENUES	**¥1,374,610**	¥1,282,374	**$13,356,103**
OPERATING COSTS AND EXPENSES:			
Operating costs	**1,274,471**	1,181,834	**12,383,117**
Selling, general and administrative expenses	**37,043**	34,337	**359,923**
Total operating costs and expenses	**1,311,514**	1,216,171	**12,743,040**
Operating income	**63,096**	66,203	**613,063**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**622**	661	**6,049**
Interest expense	**(412)**	(612)	**(4,002)**
Gain (loss) on sales and disposal of property, plant and equipment—net	**1,461**	(224)	**14,192**
Loss on impairment of long-lived assets (Note 6)	**(217)**	(1,769)	**(2,109)**
Gain on sales of marketable and investment securities	**1**	42	**9**
Loss on valuation of investment securities (Note 5)	**(3)**	(1,176)	**(33)**
Loss on valuation of investment in unconsolidated subsidiaries and affiliates		(453)	
Other—net	**1,334**	1,612	**12,961**
Other income (expenses)—net	**2,786**	(1,919)	**27,067**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**65,882**	64,284	**640,130**
INCOME TAXES (Note 11)**:**			
Current	**32,604**	31,269	**316,794**
Deferred	**(1,601)**	(1,706)	**(15,559)**
Total income taxes	**31,003**	29,563	**301,235**
NET INCOME BEFORE MINORITY INTERESTS	**34,879**	34,721	**338,895**
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	**103**	(423)	**1,000**
NET INCOME	**¥ 34,776**	¥ 35,144	**$ 337,895**

	Yen		U.S. Dollars
	2014	2013	**2014**
PER SHARE OF COMMON STOCK (Notes 2.r and 16)**:**			
Basic net income	**¥ 82.22**	¥ 81.85	**$ 0.80**
Diluted net income	**80.18**	79.84	**0.78**
Cash dividends applicable to the year	**24.00**	23.00	**0.23**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
NET INCOME BEFORE MINORITY INTERESTS	**¥34,879**	¥34,721	**$338,895**
OTHER COMPREHENSIVE INCOME (Note 15)**:**			
Unrealized gain on available-for-sale securities	**2,938**	3,199	**28,548**
Foreign currency translation adjustments	**1,408**	1,035	**13,682**
Total other comprehensive income	**4,346**	4,234	**42,230**
COMPREHENSIVE INCOME	**¥39,225**	¥38,955	**$381,125**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥38,825**	¥39,210	**$377,237**
Minority interests	**400**	(255)	**3,888**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2014

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 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
Net income				34,776					34,776		34,776
Cash dividends, ¥24 per share				(10,169)					(10,169)		(10,169)
Purchase of treasury stock	(4,771)				(10,012)				(10,012)		(10,012)
Disposal of treasury stock					1				1		1
Retirement of treasury stock			(10,428)		10,428						
Net change in the year						2,675	1,374	(1,717)	2,332	329	2,661
BALANCE, MARCH 31, 2014	**418,943**	**¥127,235**	**¥100,863**	**¥371,965**	**¥(56,079)**	**¥8,770**	**¥ 342**	**¥(1,717)**	**¥551,379**	**¥8,793**	**¥560,172**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Employees' Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$1,236,249	$1,081,331	$3,375,031	$(548,928)	$59,226	$(10,028)	$ –	$5,192,881	$82,233	$5,275,114
Net income			337,895					337,895		337,895
Cash dividends, $0.23 per share			(98,806)					(98,806)		(98,806)
Purchase of treasury stock				(97,275)				(97,275)		(97,275)
Disposal of treasury stock		2		5				7		7
Retirement of treasury stock		(101,314)		101,314						
Net change in the year					25,985	13,356	(16,683)	22,658	3,200	25,858
BALANCE, MARCH 31, 2014	**$1,236,249**	**$ 980,019**	**$3,614,120**	**$(544,884)**	**$85,211**	**$ 3,328**	**$(16,683)**	**$5,357,360**	**$85,433**	**$5,442,793**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 65,882**	¥ 64,284	**$ 640,130**
Adjustments for:			
Income taxes—paid	**(35,437)**	(28,078)	**(344,320)**
Depreciation and amortization	**42,284**	37,944	**410,842**
(Gain) loss on sales and disposal of property, plant and equipment—net	**(1,461)**	224	**(14,192)**
Loss on impairment of long-lived assets	**217**	1,769	**2,109**
Gain on sales of marketable and investment securities	**(1)**	(42)	**(9)**
Loss on valuation of investment securities	**3**	1,176	**33**
Donations concerning restoration support paid		(1,148)	
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in notes and accounts receivable	**(38,786)**	(10,526)	**(376,860)**
Decrease in inventories	**401**	87	**3,898**
Increase in notes and accounts payable	**33,411**	8,406	**324,630**
Increase in liability for employees' retirement benefits	**6,278**	6,442	**61,003**
Other—net	**7,284**	(6,588)	**70,771**
Total adjustments	**14,193**	9,666	**137,905**
Net cash provided by operating activities	**80,075**	73,950	**778,035**
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	**4,238**	582	**41,176**
Purchases of property, plant and equipment	**(65,212)**	(47,099)	**(633,617)**
Proceeds from sales of marketable and investment securities	**2**	52	**21**
Purchases of marketable and investment securities	**(11)**	(12)	**(106)**
Decrease in investments in and advances to unconsolidated subsidiaries and affiliates	**375**	511	**3,646**
Collection of loans	**1,120**	881	**10,878**
Payment of loans	**(1,154)**	(847)	**(11,210)**
Other	**(4,294)**	(4,608)	**(41,724)**
Net cash used in investing activities	**(64,936)**	(50,540)	**(630,936)**
FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	**80,798**	68,949	**785,052**
Repayments of short-term debt	**(82,478)**	(63,955)	**(801,383)**
Proceeds from long-term debt	**27,007**	5,538	**262,411**
Repayments of long-term debt	**(14,145)**	(12,199)	**(137,442)**
Dividends paid	**(10,235)**	(9,528)	**(99,449)**
Purchase of treasury stock—net	**(10,013)**	(10,008)	**(97,285)**
Other	**33**	181	**325**
Net cash used in financing activities	**(9,033)**	(21,022)	**(87,771)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**648**	457	**6,294**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,754**	2,845	**65,622**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		1,403	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**212,641**	208,393	**2,066,084**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.d)	**¥219,395**	¥212,641	**$2,131,706**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2014

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 2013 consolidated financial statements to conform them to the classifications and presentations used in 2014.

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 ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. 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, 2014, include the accounts of the Company and its 41 significant (40 in 2013) 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 unconsolidated 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 2014 or 2013.

Investments in the unconsolidated 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
	2014	2013	**2014**
Cash and cash equivalents presented in the consolidated balance sheet	**¥220,148**	¥213,619	**$2,139,017**
Time deposits due beyond three months	**(445)**	(695)	**(4,319)**
Bank overdraft	**(308)**	(283)	**(2,992)**
Cash and cash equivalents presented in the consolidated statement of cash flows	**¥219,395**	¥212,641	**$2,131,706**

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, 2014 and 2013.

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 consolidated subsidiaries mainly have a contributory trusted 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 calculating the retirement benefit obligations, the straight-line basis is used in determining the amount of the expected retirement benefit obligations attributed to service performed up to the end of the current fiscal year. Past service costs are recognized in profit or loss in full in the fiscal year in which it arises. Actuarial gains and losses are amortized on a straight-line basis over five years within the average remaining service period of the eligible employees on and after the fiscal year following the fiscal year in which it arises.

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 shall be recognized within equity on the consolidated balance sheet after adjusting for tax effects, and funded status shall be recognized as a liability or asset.

The Company applied the revised accounting standard effective from the end of the fiscal year ended March 31, 2014. In applying the accounting standard, and in accordance with transitional accounting as stipulated in the accounting standard, the effect of the changes in accounting policy described above has been recognized in the item remeasurements of defined employees’ retirement benefit plans under accumulated other comprehensive income as of March 31, 2014.

As a result of this change, as of the fiscal year ended March 31, 2014, liability for employees’ retirement benefits of ¥47,224 million ($458,843 thousand) was recorded, accumulated other comprehensive income decreased by ¥1,717 million ($16,683 thousand), and deferred tax assets increased by ¥1,087 million ($10,557 thousand). Net assets per share decreased by ¥4.10 ($0.04).

***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 the 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 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 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 revised ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits."

The accounting standard has been revised mainly in terms of accounting methods for unrecognized actuarial gains or losses and unrecognized past service costs, calculation methods for defined benefit obligation and service cost, and enhancement of disclosure items.

The revision of the calculation methods for defined benefit obligation and service cost will be applied to the Company and its domestic consolidated subsidiaries from the beginning of the fiscal year that begins on or after April 1, 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 Company is now in the process of measuring the effect of applying the accounting standard and the guidance.

Accounting Standards for Business Combinations—In September 2013, the ASBJ revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures" and related standards and implementation guidance.

The accounting standards has been revised mainly as follows: (a) accounting treatment of changes in a parent's ownership interest in a subsidiary, due to purchase of ownership interests in its subsidiary or other transactions, while the parent retains its controlling interest in its subsidiary; (b) accounting treatment of acquisition-related costs; (c) the presentation of net income and the change in presentation from minority interests to non-controlling interests; and (d) transitional accounting treatment.

(a) and (b) will be applied from the beginning of the fiscal year that begins on or after April 1, 2014, (d) will be applied early for a business combination which will occur on or after the beginning of the fiscal year that begins on or after April 1, 2014, and (c) will be applied early from the beginning of the fiscal year that begins on or after April 1, 2015.

3. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.3% of operating revenues in 2014 and 2013, respectively.

Annual maturities of notes and accounts receivable—installment at March 31, 2014, 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
2015	**¥19,688**	**¥2,113**	**$191,292**	**$20,526**
2016	**9,818**	**1,450**	**95,392**	**14,094**
2017	**5,438**	**886**	**52,839**	**8,610**
2018	**2,659**	**485**	**25,836**	**4,708**
2019	**1,239**	**256**	**12,042**	**2,487**
2020 and thereafter	**638**	**159**	**6,204**	**1,549**
Total	**¥39,480**	**¥5,349**	**$383,605**	**$51,974**

4. INVENTORIES

Inventories at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Merchandise	**¥ 780**	¥ 852	**$ 7,584**
Work in process	**235**	161	**2,279**
Raw materials and supplies	**2,222**	2,588	**21,593**
Total	**¥3,237**	¥3,601	**$31,456**

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Noncurrent:			
Marketable equity securities	**¥24,796**	¥20,516	**$240,922**
Nonmarketable equity securities	**685**	1,175	**6,657**
Other	**96**	96	**939**
Total	**¥25,577**	¥21,787	**$248,518**

Information regarding each category of the securities classified as available-for-sale at March 31, 2014 and 2013, was as follows:

	Millions of Yen			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**¥12,777**	**¥12,038**	**¥19**	**¥24,796**

	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

	Thousands of U.S. Dollars			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	**$124,145**	**$116,962**	**$185**	**$ 240,922**

Information for available-for-sale securities, which were sold during the years ended March 31, 2014 and 2013, was as follows:

	Millions of Yen		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥2**	**¥1**	**¥–**
Other			
Total	**¥2**	**¥1**	**¥–**
March 31, 2013			
Available-for-sale:			
Equity securities	¥44	¥42	¥–
Other	8		
Total	¥52	¥42	¥–

	Thousands of U.S. Dollars		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$21**	**$9**	**$–**
Other			
Total	**$21**	**$9**	**$–**

Loss on valuation of available-for-sale equity securities for the years ended March 31, 2014 and 2013, were ¥3 million ($33 thousand) and ¥1,176 million, respectively.

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2014 and 2013. As a result, the Group recognized an impairment loss of ¥217 million ($2,109 thousand) as other expense for the asset groups of the Tomakomai Maintenance Factory of Yamato Autoworks Co., Ltd. and eleven other asset groups for the year ended March 31, 2014, and ¥1,769 million 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, respectively, due to continuous operating losses of those units or significant declines in market prices. 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 mainly based 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, 2014 and 2013, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2014 and 2013, were approximately 0.450% and 0.663%, respectively.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
0.150% to 6.900% loans from Japanese banks due 2014 to 2017	**¥ 59,422**		**$ 577,366**
0.200% to 6.900% loans from Japanese banks due 2013 to 2017		¥ 46,321	
Lease obligations	**9,165**	11,756	**89,048**
Zero coupon convertible bonds due in March 2016	**20,000**	20,000	**194,326**
Total	**88,587**	78,077	**860,740**
Less current portion	**(21,941)**	(18,825)	**(213,188)**
Total	**¥ 66,646**	¥ 59,252	**$ 647,552**

Annual maturities of long-term debt at March 31, 2014, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥21,941	$213,188
2016	32,143	312,310
2017	26,882	261,194
2018	7,294	70,874
2019	306	2,974
2020 and thereafter	21	200
Total	¥88,587	$860,740

The conversion price of the convertible bonds due in March 2016 was ¥1,850 per share at March 31, 2014. If all the outstanding convertible bonds had been exercised at March 31, 2014, 10,810,810 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 defined benefit pension plans and defined contribution retirement plans for employees.

The defined benefit pension plans provide, under most circumstances, that 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.

Year Ended March 31, 2014

(1) Defined Benefit Pension Plans

The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Balance at beginning of year	¥112,493	$1,093,014
Service cost	8,910	86,577
Interest cost	1,443	14,019
Actuarial loss arising during the year	744	7,233
Retirement benefits paid	(4,458)	(43,318)
Past service cost arising during the year	4	36
Others		(4)
Balance at end of year	¥119,136	$1,157,557

The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Balance at beginning of year	¥64,927	$630,849
Expected return on plan assets	649	6,308
Actuarial gain arising during the year	4,516	43,880
Contributions from the employer	3,881	37,702
Retirement benefits paid	(1,894)	(18,401)
Balance at end of year	¥72,079	$700,338

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Defined benefit obligation of funded plan	¥ 50,035	$ 486,157
Plan assets	(72,079)	(700,338)
	(22,044)	(214,181)
Defined benefit obligation of unfunded plan	69,101	671,400
Net liability arising from defined benefit obligation	¥ 47,057	$ 457,219

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Liability for employees' retirement benefits	¥47,224	$458,843
Asset for employees' retirement benefits	(167)	(1,624)
Net liability arising from defined benefit obligation	¥47,057	$457,219

The amount of liability and asset for employees' retirement benefits that are offset individually by the Company and subsidiaries are combined.

The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Service cost	¥ 8,910	$ 86,577
Interest cost	1,443	14,019
Expected return on plan assets	(649)	(6,308)
Recognized actuarial loss	3,047	29,607
Past service cost	4	36
Others	(6)	(58)
Net periodic benefit costs	¥12,749	$123,873

Accumulated other comprehensive income before tax effect adjustments on defined employees' retirement benefit plans as of March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Unrecognized actuarial gain and (loss)	¥(2,683)	$(26,072)
Total	¥(2,683)	$(26,072)

Plan assets as of March 31, 2014, consisted of the following:

	2014
General accounts	34%
Debt investments	26
Equity investments	21
Others	19
Total	100%

Assumptions used for the year ended March 31, 2014, were set forth as follows:

	2014
Discount rate	**1.3%**
Expected rate of return on plan assets	**1.0%**

The expected rate of return on plan assets is determined on the basis of the distribution of plan assets, past performance of respective assets that make up investments of plan assets, and market trends.

(2) Defined Contribution Retirement Plans

The amount contributed to the defined contribution retirement plans of the Group for the year ended March 31, 2014, was ¥2,089 million ($20,301 thousand).

Year Ended March 31, 2013

(1) Defined Benefit Pension Plans

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

	Millions of Yen
	2013
Projected benefit obligation	¥112,493
Fair value of plan assets	(64,927)
Unrecognized actuarial loss	(9,502)
Prepaid pension cost	114
Net liability	¥ 38,178

The components of net periodic benefit costs for the year ended March 31, 2013, is as follows:

	Millions of Yen
	2013
Service cost	¥ 7,106
Interest cost	1,946
Recognized actuarial loss	3,399
Net periodic benefit costs	¥12,451

Assumptions used for the year ended March 31, 2013, is set forth as follows:

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

(2) Defined Contribution Retirement Plans

The amount contributed to the defined contribution retirement plans of the Group for the year ended March 31, 2013, was ¥2,053 million.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Balance at beginning of year	¥4,459	¥4,059	$43,320
Additional provisions associated with the acquisition of property, plant and equipment	355	197	3,452
Reconciliation associated with passage of time	90	85	878
Reconciliation associated with changes in accounting estimates	(1)	141	(11)
Reduction associated with settlement of asset retirement obligations	(110)	(26)	(1,069)
Others	(4)	3	(43)
Balance at end of year	¥4,789	¥4,459	$46,527

Changes in accounting estimates were recorded as it became evident that the estimate of the discounted cash flows required for future asset retirement would change at the beginning of the year, which resulted from certain events such as obtaining new information. A reconciliation has been prepared for the change, which resulted in a decrease and increase of the asset retirement obligation for the years ended March 31, 2014 and 2013, by ¥1 million ($11 thousand) and ¥141 million, respectively.

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 a normal effective statutory tax rate of 38.0% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Deferred tax assets:			
Current:			
Accrued expenses	**¥ 10,463**	¥ 10,994	**$ 101,668**
Enterprise tax	**1,747**	2,015	**16,975**
Allowance for doubtful accounts	**196**	211	**1,903**
Legal welfare expense	**1,660**	1,728	**16,131**
Other	**3,067**	2,456	**29,798**
Less valuation allowance	**(273)**	(392)	**(2,656)**
Deferred tax assets—current	**¥ 16,860**	¥ 17,012	**$ 163,819**
Noncurrent:			
Liability for employees' retirement benefits	**¥ 16,998**	¥ 13,720	**$ 165,155**
Investment securities	**2,199**	2,202	**21,369**
Loss on devaluation of land	**24,163**	24,218	**234,772**
Loss on impairment of long-lived assets	**4,225**	4,150	**41,053**
Loss on devaluation of telephone subscription rights	**546**	546	**5,307**
Unrealized profit	**1,840**	1,660	**17,873**
Other	**10,764**	10,087	**104,581**
Less valuation allowance	**(35,505)**	(34,472)	**(344,973)**
Deferred tax assets—noncurrent	**¥ 25,230**	¥ 22,111	**$ 245,137**
Deferred tax liabilities:			
Current—other	**¥ (312)**	¥ (365)	**$ (3,037)**
Deferred tax liabilities—current	**¥ (312)**	¥ (365)	**$ (3,037)**
Noncurrent:			
Unrealized gain on available-for-sale securities	**¥ (2,871)**	¥ (2,020)	**$ (27,896)**
Other	**(2,480)**	(2,035)	**(24,096)**
Deferred tax liabilities—noncurrent	**¥ (5,351)**	¥ (4,055)	**$ (51,992)**
Deferred tax assets—net	**¥ 36,427**	¥ 34,703	**$ 353,927**

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, 2014, with the corresponding figures for 2013 is as follows:

	2014	2013
Normal effective statutory tax rate	**38.0%**	38.0%
Per capita levy of local taxes	**4.3**	4.2
Valuation allowance	**1.2**	2.2
Downward revision to deferred tax assets as of end of the period due to the change in the corporate tax rate	**1.8**	
Other—net	**1.8**	1.6
Actual effective tax rate	**47.1%**	46.0%

On March 31, 2014, a new tax reform law was enacted in Japan, which changed the normal effective statutory tax rate from 38.0% to 35.6%, effective for the fiscal year beginning on or after April 1, 2014.

The effects of the reform were to decrease deferred tax assets (after subtraction of deferred tax liabilities) in the consolidated balance sheet as of March 31, 2014, by ¥1,172 million ($11,387 thousand), and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥1,163 million ($11,296 thousand).

12. LEASES

(1) Lessee

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

Future rental payments under noncancelable operating leases at March 31, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	**¥ 76**	¥507	**$ 736**
Due after one year	**123**	44	**1,201**
Total	**¥199**	¥551	**$1,937**

(2) Lessor

The net investments in lease as of March 31, 2014 and 2013, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gross lease receivables	**¥35,645**	¥22,859	**$346,340**
Unguaranteed residual values	**2,948**	1,820	**28,638**
Unearned interest income	**(3,264)**	(2,302)	**(31,713)**
Investments in leases—current	**¥35,329**	¥22,377	**$343,265**

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, 2014, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	**¥10,861**	**$105,523**
2016	**9,442**	**91,743**
2017	**7,592**	**73,767**
2018	**5,246**	**50,974**
2019	**2,242**	**21,786**
2020 and thereafter	**262**	**2,547**
Total	**¥35,645**	**$346,340**

The minimum rental commitments under noncancelable operating leases at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Due within one year	**¥2,069**	¥1,509	**$20,106**
Due after one year	**4,385**	3,431	**42,607**
Total	**¥6,454**	¥4,940	**$62,713**

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, 2014 and 2013, were as follows:

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	**¥220,148**	**¥220,148**	
Trade notes and accounts receivable	**188,145**		
Allowance for doubtful accounts	**(131)**		
	188,014	**188,519**	**¥ 505**
Installment sales receivable	**39,480**		
Allowance for doubtful accounts	**(933)**		
Deferred profit on installment sales	**(5,349)**		
	33,198	**38,320**	**5,122**
Investment securities	**24,796**	**24,796**	
Trade notes and accounts payable	**172,463**	**172,463**	
Short-term loans	**36,412**	**36,493**	**81**
Long-term loans	**42,266**	**42,334**	**68**
Derivatives			

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, 2014	Thousands of U.S. Dollars Carrying Amount	 Fair Value	 Difference
Cash and cash equivalents	**$2,139,017**	**$2,139,017**	
Trade notes and accounts receivable	**1,828,070**		
Allowance for doubtful accounts	**(1,276)**		
	1,826,794	**1,831,709**	**$4,915**
Installment sales receivable	**383,605**		
Allowance for doubtful accounts	**(9,071)**		
Deferred profit on installment sales	**(51,974)**		
	322,560	**372,324**	**49,764**
Investment securities	**240,922**	**240,922**	
Trade notes and accounts payable	**1,675,702**	**1,675,702**	
Short-term loans	**353,788**	**354,575**	**787**
Long-term loans	**410,670**	**411,332**	**662**
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 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
	2014	2013	**2014**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,324**	¥2,082	**$12,865**

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

	Millions of Yen		
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	**¥220,148**		
Trade notes and accounts receivable	**177,095**	**¥10,975**	**¥ 75**
Installment sales receivable	**19,688**	**19,154**	**638**
Total	**¥416,931**	**¥30,129**	**¥713**
March 31, 2013			
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

	Thousands of U.S. Dollars		
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	**$2,139,017**		
Trade notes and accounts receivable	**1,720,708**	**$106,637**	**$ 725**
Installment sales receivable	**191,292**	**186,109**	**6,204**
Total	**$4,051,017**	**$292,746**	**$6,929**

(6) Maturity Analysis for Long-term loans, Lease obligations and Convertible bonds

	Millions of Yen		
Year Ending March 31	Long-term loans	Lease obligations	Zero coupon convertible bonds
2015	¥17,156	¥4,785	
2016	10,007	2,136	¥20,000
2017	25,656	1,226	
2018	6,603	691	
2019		306	
2020 and thereafter		21	
Total	¥59,422	¥9,165	¥20,000

	Thousands of U.S. Dollars		
Year Ending March 31	Long-term loans	Lease obligations	Zero coupon convertible bonds
2015	$166,696	$46,492	
2016	97,225	20,759	$194,326
2017	249,285	11,909	
2018	64,160	6,714	
2019		2,974	
2020 and thereafter		200	
Total	$577,366	$89,048	$194,326

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		
March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥44,050	¥29,050	*
March 31, 2013				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥42,050	¥28,050	*

		Thousands of U.S. Dollars		
March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	$428,002	$282,258	*

*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, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥3,784**	¥ 3,036	**$36,766**
Reclassification adjustments to profit or loss	**(1)**	1,176	**(9)**
Amount before income tax effect	**3,783**	4,212	**36,757**
Income tax effect	**(845)**	(1,013)	**(8,209)**
Total	**¥2,938**	¥ 3,199	**$28,548**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥1,408**	¥ 1,035	**$13,682**
Total other comprehensive income	**¥4,346**	¥ 4,234	**$42,230**

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2014	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥34,776**	**422,941**	**¥82.22**	**$0.80**
Effect of dilutive securities—Convertible bonds		**10,811**		
Diluted EPS—Net income for computation	**¥34,776**	**433,752**	**¥80.18**	**$0.78**
Year Ended March 31, 2013				
Basic EPS—Net income available to common shareholders	¥35,144	429,377	¥81.85	
Effect of dilutive securities—Convertible bonds		10,811		
Diluted EPS—Net income for computation	¥35,144	440,188	¥79.84	

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 "Autoworks" based on the above policy.

"Autoworks" changed its segment name from "Truck Maintenance" starting from the fiscal year ended March 31, 2014.

The Group defines the reporting segments as follows:

Delivery:	Small-parcel delivery services such as TA-Q-BIN (door-to-door parcel delivery) and Kuroneko Mail (posting service)
BIZ-Logistics:	Intercompany logistics services, aimed at the B2B supply-chain management market
Home Convenience:	Lifestyle support services intimately connected with the needs of local markets, such as moving and household effects delivery services
e-Business:	Information services targeted at the business market, including ASP services and the development of information systems
Financial:	Financial services targeted at business customers and consumers, such as settlement and collection
Autoworks:	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									
	2014									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,098,693	¥ 90,255	¥48,723	¥41,538	¥ 62,728	¥25,650	¥ 7,023	¥1,374,610	¥ –	¥1,374,610
Intersegment revenues	60,184	12,462	14,154	30,179	3,568	28,067	60,664	209,278	(209,278)	
Total segment revenues	¥1,158,877	¥102,717	¥62,877	¥71,717	¥ 66,296	¥53,717	¥67,687	¥1,583,888	¥(209,278)	¥1,374,610
Segment income	¥ 35,874	¥ 3,404	¥ 217	¥ 7,954	¥ 9,406	¥ 3,272	¥24,957	¥ 85,084	¥ (21,988)	¥ 63,096
Segment assets	632,617	54,551	19,017	39,693	233,495	23,412	11,169	1,013,954	18,180	1,032,134
Other:										
Depreciation and amortization	31,776	1,561	575	3,785	2,721	907	285	41,610	656	42,266
Increase of tangible and intangible fixed assets	64,378	4,250	700	3,468	5,493	380	563	79,232	299	79,531

	Millions of Yen									
	2013									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	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

	Thousands of U.S. Dollars									
	2014									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	$10,675,214	$876,941	$473,408	$403,594	$ 609,483	$249,227	$ 68,236	$13,356,103	$ –	$13,356,103
Intersegment revenues	584,767	121,087	137,527	293,227	34,663	272,705	589,432	2,033,408	(2,033,408)	
Total segment revenues	$11,259,981	$998,028	$610,935	$696,821	$ 644,146	$521,932	$657,668	$15,389,511	$(2,033,408)	$13,356,103
Segment income	$ 348,559	$ 33,073	$ 2,113	$ 77,284	$ 91,386	$ 31,795	$242,489	$ 826,699	$ (213,636)	$ 613,063
Segment assets	6,146,692	530,029	184,776	385,670	2,268,706	227,474	108,521	9,851,868	176,641	10,028,509
Other:										
Depreciation and amortization	308,745	15,166	5,591	36,779	26,434	8,809	2,766	404,290	6,378	410,668
Increase of tangible and intangible fixed assets	625,510	41,296	6,804	33,693	53,369	3,696	5,475	769,843	2,902	772,745

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, 2014 and 2013, of ¥24,105 million ($234,208 thousand) and ¥17,553 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, 2014 and 2013, of ¥21,988 million ($213,636 thousand) and ¥16,205 million, respectively, are intersegment eliminations.

(2) Reconciliations of segment assets at March 31, 2014 and 2013, of ¥18,180 million ($176,641 thousand) and ¥44,546 million, respectively, include intersegment eliminations of ¥143,258 million ($1,391,937 thousand) and ¥118,389 million, and corporate assets which are not allocated to each reporting segments of ¥161,438 million ($1,568,578 thousand) and ¥162,935 million, respectively.

(3) Reconciliations of increases of tangible and intangible fixed assets at March 31, 2014 and 2013, of ¥299 million ($2,902 thousand) and ¥6,415 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, 2014 and 2013, are as follows:

Millions of Yen							
2014				2013			
TA-Q-BIN	*Kuroneko Mail*	Other	Total	*TA-Q-BIN*	*Kuroneko Mail*	Other	Total
¥906,057	¥120,800	¥347,753	¥1,374,610	¥831,083	¥122,277	¥329,014	¥1,282,374

Thousands of U S. Dollars			
2014			
TA-Q-BIN	*Kuroneko Mail*	Other	Total
$8,803,507	$1,173,726	$3,378,870	$13,356,103

(2) Information about geographical areas

Operating revenues for the years ended March 31, 2014 and 2013, are as follows:

Millions of Yen							
2014				2013			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥1,349,718	**¥10,461**	**¥14,431**	**¥1,374,610**	¥1,259,728	¥9,545	¥13,101	¥1,282,374

Thousands of U.S. Dollars			
2014			
Japan	North America	Other	Total
$13,114,248	**$101,637**	**$140,218**	**$13,356,103**

Property, plant and equipment at March 31, 2014 and 2013, are as follows:

Millions of Yen							
2014				2013			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥415,013	**¥386**	**¥1,729**	**¥417,128**	¥380,952	¥300	¥1,905	¥383,157

Thousands of U.S. Dollars			
2014			
Japan	North America	Other	Total
$4,032,386	**$3,748**	**$16,799**	**$4,052,933**

(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, 2014 and 2013, are as follows:

	Millions of Yen									
	2014									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Impairment losses of long-lived assets						**¥217**		**¥217**		**¥217**

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

	Thousands of U.S. Dollars									
	2014									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Impairment losses of long-lived assets						**$2,109**		**$2,109**		**$2,109**

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

Amortization and balance of goodwill by reporting segments for the year ended March 31, 2014, is not applicable, and for 2013, is as follows:

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

18. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's Board of Directors meeting held on May 16, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥12.00 ($0.12) per share	**¥5,027**	**$48,847**

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, 2014, 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, 2014, 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, 2014

Corporate Data

As of March 31, 2014

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: 454,684,992 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.

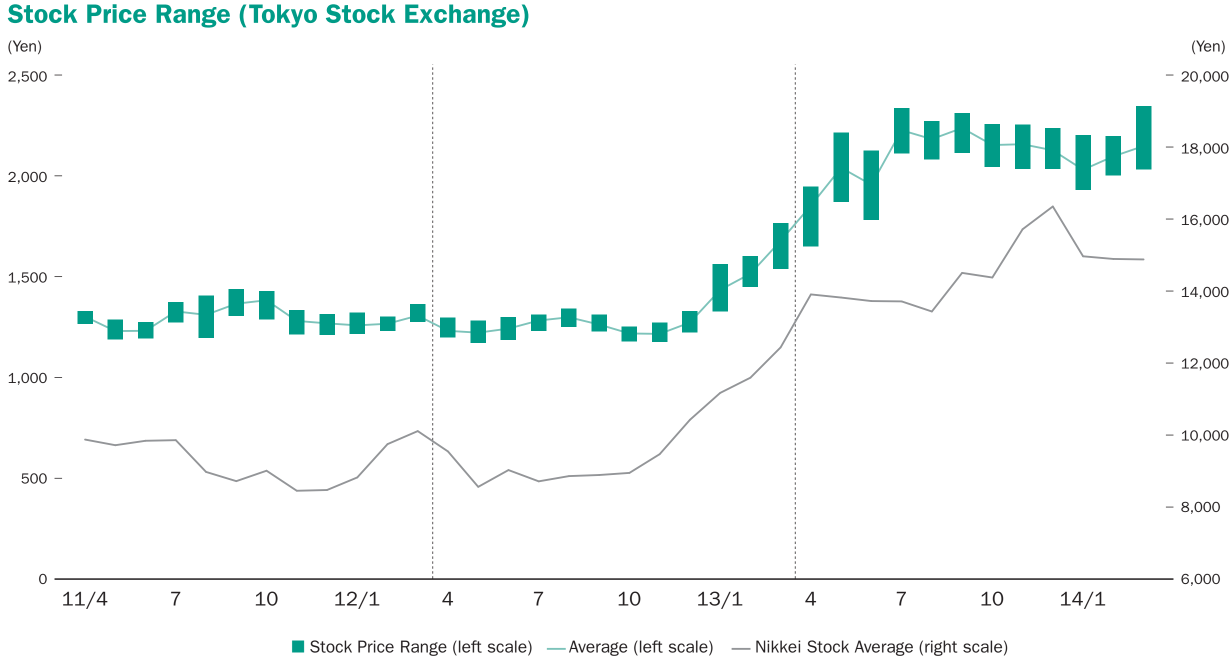
Auditor

Deloitte Touche Tohmatsu LLC

Principal Shareholders

	Percentage of total shares outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.33%
State Street Bank and Trust Company 505223	4.97%
Yamato Employees' Shareholding Association	4.02%
Japan Trustee Services Bank, Ltd. (Trust Account)	3.61%
Mizuho Bank, Ltd.	3.60%
Nippon Life Insurance Company	3.14%
Meiji Yasuda Life Insurance Company	2.70%
Yamato Trading-Partner Shareholding Association	2.11%
The Bank of New York Mellon SA/NV 10	1.55%
Sompo Japan Insurance Inc.	1.33%
Total	33.35%

Stock Price Range (Tokyo Stock Exchange)



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