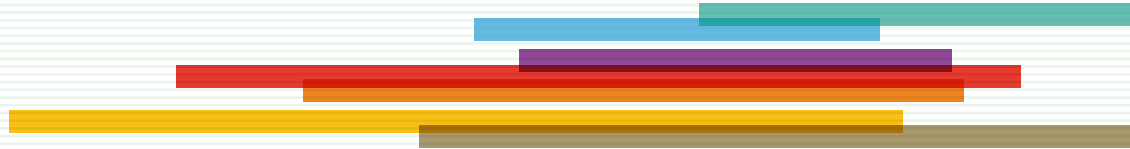




YAMATO HOLDINGS CO., LTD.

The Next Step *Forward*

*Becoming a Leading Provider of Distribution and
Lifestyle Support Solution Services in Asia*



Annual Report 2011

For the year ended March 31, 2011

Profile

The Yamato Group consists of Yamato Holdings Co., Ltd. (“the Company”), 45 subsidiaries and 7 affiliated companies. It is primarily involved in six business segments: Delivery, BIZ-Logistics, Home Convenience, e-Business, Financial and Truck Maintenance, as well as services incidental to these activities.

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

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Forward-Looking Statements

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

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

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 Takkyubin

Takkyubin is the Yamato Group's flagship service offering. Since its launch in 1976, we have pursued a strategy of differentiation based on development of additional strategic offerings such as *Cool Takkyubin* and *Takkyubin Collect*, and improvement of delivery quality, including enhanced features such as *Time Period Delivery* and *Driver Direct* services. As

(Millions of Parcels)

4,000

3,500

3,000

2,500

2,000

Timeline of New Product Development

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

1,500

1,000

500

1975

1980

1985

1990

Yamato
Japan Post

1986 Takkyubin Collect launched



1988 Cool Takkyubin service launched



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.

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

We started *Takkyubin* operations in Shanghai and Singapore in January 2010, and Hong Kong in February 2011. Moving forward, the Yamato Group will continue to expand *Takkyubin* operations farther beyond Japan's shores to more parts of Asia, where vigorous growth is expected going forward. By providing the high-quality *Takkyubin* service and offering global consumers new value previously unavailable outside of Japan, we will strive to become a leading provider of distribution and lifestyle support solution services in Asia.

1999

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

2007

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

* 1 The period April 1999 through March 2000 in this graph only
 * 2 The period April 2007 through March 2008 in this graph only

Trends in Delivery Volume

Truck **Total Number of Deliveries**

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.

Enhancing sender-side customer service

Enhancing delivery-side customer service

Enhancing services by proposing solutions

1996 Start of year-round operations

1998 Start of Time Period Delivery

2007 Kuroneko Members service launched



2009 5 Solution Models (Today Shopping Service, Global Direct, etc.)



2002 Start of Driver Direct service

2010 Takkyubin services started in Shanghai and Singapore

2011 Takkyubin services started in Hong Kong



1995

2000

2005

2010

2011

Six-Year Consolidated Financial Summary

	Millions of Yen						Thousands of U.S. Dollars ^(Note)
	2011	2010	2009	2008	2007	2006	2011
Operating revenues	¥1,236,520	¥1,200,834	¥1,251,922	¥1,225,974	¥1,161,568	¥1,144,961	\$14,870,959
Delivery	995,651	966,480	997,898	981,142	934,607	908,228	11,974,155
Non-Delivery	240,869	234,354	254,024	244,832	226,961	236,733	2,896,804
Operating costs	1,143,006	1,110,971	1,167,764	1,129,008	1,064,044	1,043,372	13,746,313
Selling, general and administrative expenses	29,200	28,474	28,437	28,786	30,363	32,868	351,173
Operating income	64,314	61,389	55,721	68,180	67,161	68,721	773,473
Delivery	40,844	38,345	31,344	40,350	43,698	47,053	491,213
Non-Delivery	23,470	23,044	24,376	27,830	23,463	21,668	282,260
Income before income taxes and minority interests	61,836	60,434	48,996	67,596	66,825	7,712	743,668
Income taxes	28,491	28,096	23,349	31,447	32,470	31,276	342,641
Net income (loss)	33,208	32,282	25,523	35,353	33,813	(23,968)	399,371
	Yen						U.S. Dollars ^(Note)
Per share of common stock:							
Basic net income (loss)	¥ 73.42	¥ 71.84	¥ 57.60	¥ 79.80	¥ 75.59	¥ (53.47)	\$ 0.88
Diluted net income	73.30	71.16	56.45	78.12	74.00		0.88
Cash dividends	22.00	22.00	22.00	22.00	20.00	20.00	0.26
Net assets per share	1,173.60	1,130.33	1,073.86	1,050.99	1,005.63	951.08	14.11
	Millions of Yen						Thousands of U.S. Dollars ^(Note)
Working capital	¥ 185,922	¥ 165,890	¥ 159,937	¥ 125,355	¥ 140,377	¥ 123,483	\$ 2,235,989
Total shareholders' equity	515,602	512,910	475,815	465,801	445,263	423,690	6,200,875
Total assets	899,363	878,641	869,606	874,219	829,721	793,222	10,816,155
Capital expenditures	52,472	39,700	45,856	124,832	48,881	48,865	631,049
Depreciation and amortization	39,583	39,883	42,697	44,772	40,150	35,003	476,041
Net cash provided by operating activities	87,899	77,064	84,463	116,896	80,763	84,675	1,057,117
Operating income margin (%)	5.20	5.11	4.45	5.56	5.78	6.00	—
Return on revenues (%)	2.69	2.69	2.04	2.88	2.91	(2.09)	—
Return on assets (%)	3.74	3.69	2.93	4.15	4.17	(3.26)	—
Return on equity (%)	6.46	6.53	5.42	7.76	7.78	(5.43)	—
Current ratio (%)	170.34	159.82	158.00	144.89	149.30	143.77	—
Shareholders' equity ratio (%)	57.33	58.38	54.72	53.28	53.66	53.41	—
Assets turnover (Times)	1.39	1.37	1.44	1.44	1.43	1.56	—
Interest coverage ratio (Times)	73.71	88.35	58.57	223.00	260.66	137.92	—
Number of employees	171,642	167,555	170,662	169,836	157,653	152,787	—
Full-time	83,427	82,395	82,601	80,843	77,170	75,552	—
Part-time	88,215	85,160	88,061	88,993	80,483	77,235	—
Takkyubin delivery volume (Millions of parcels)	1,348	1,262	1,232	1,236	1,174	1,128	—
Unit price (Yen)	609	624	646	644	647	653	—
Kuroneko Mail handling volume (Millions of units)	2,312	2,262	2,231	2,206	1,970	1,734	—
Unit price (Yen)	64	65	65	64	66	69	—

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥83.15 to U.S.\$1.

To Our Shareholders



left
Kaoru Seto
Representative Director and Chairman

right
Makoto Kigawa
Representative Director,
President and Executive Officer

The Next Step *Forward*

Becoming a Leading Provider of Distribution and Lifestyle Support Solution Services in Asia

We offer our prayers for those who lost their lives in the Great East Japan Earthquake, and offer our deepest sympathies to all those affected by this disaster.

The Yamato Group's management philosophy is to help enrich our society by enhancing the social infrastructure of *Takkyubin* networks, creating more convenient services for comfortable lifestyles and developing an innovative logistics system. This philosophy also aims to generate sustained growth and maximize corporate value while balancing growth potential, financial soundness and operating efficiency.

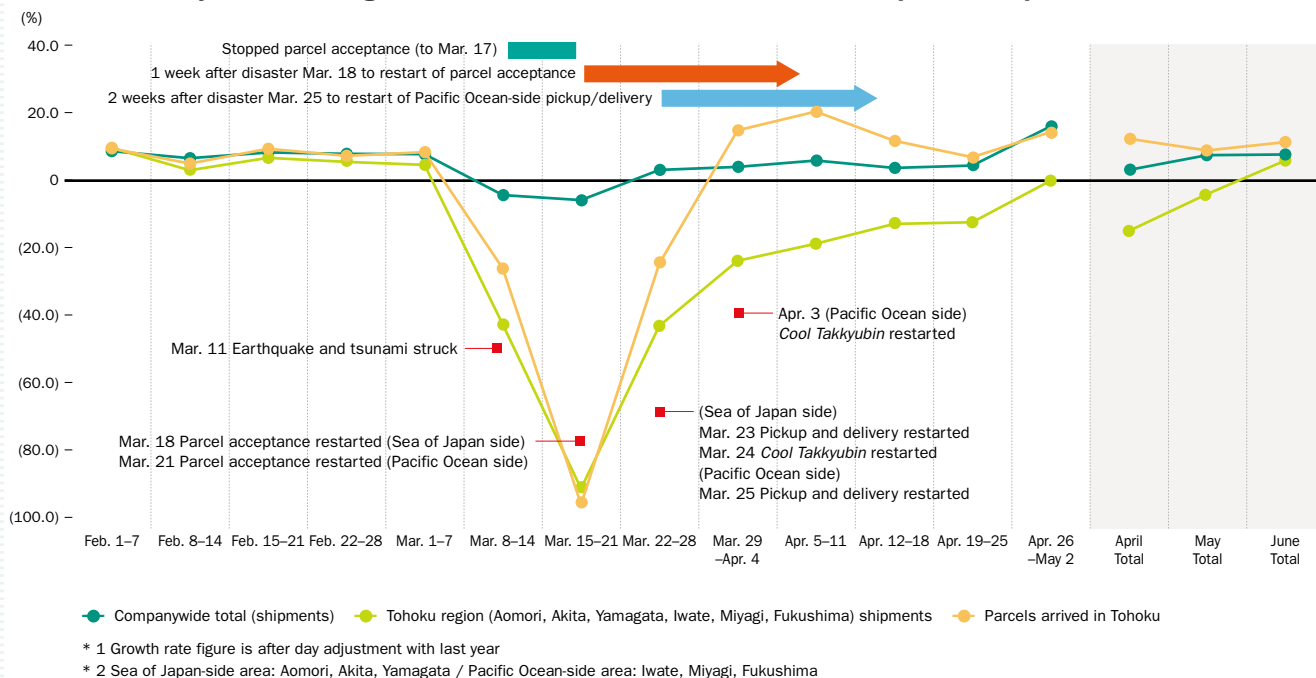
Review of fiscal 2011

Fiscal 2011 was the final year of our medium-term management plan, Create Satisfaction Three-Year Plan. Consolidated operating revenues for fiscal 2011 increased 3.0% from the previous year to ¥1,236,520 million, while

Financial Results

	Millions of Yen			Change	
	FY09/3	FY10/3	FY11/3	Increase/ Decrease	YoY (%)
Operating revenues					
Delivery	¥ 997,898	¥ 966,480	¥ 995,651	¥29,171	3.0
Non-Delivery	254,024	234,354	240,869	6,515	2.8
Total	1,251,922	1,200,834	1,236,520	35,686	3.0
Operating income	55,721	61,389	64,314	2,925	4.8
(Margin)	4.5%	5.1%	5.2%	–	–
Net income	25,523	32,282	33,208	926	2.9
(Margin)	2.0%	2.7%	2.7%	–	–

Trends in *Takkyubin* Handling Volume before and after the Great East Japan Earthquake



operating income increased 4.8% to ¥64,314 million. Amidst a harsh business environment caused by the prolonged economic slump, we were able to attain revenue and profit increases despite suffering damage from the Great East Japan Earthquake that occurred on March 11 by focusing our efforts on recovery of our network to fulfill our role as infrastructure, and by actively promoting rebuilding assistance in affected areas.

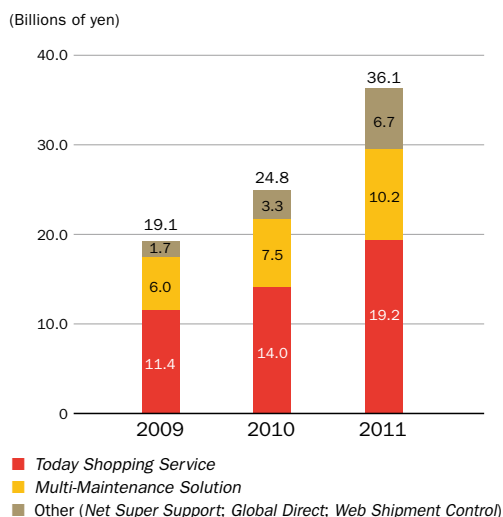
Evaluation and review of Create Satisfaction Three-Year Plan

We were unable to attain the targets for operating income declared when we formulated our Create Satisfaction Three-Year Plan due to the effects of rapid economic deterioration caused by the global financial crisis of September 2008. During this medium-term management plan, however, we outlined our two major policies of establishing an overwhelming leadership position in the parcel delivery market and creating strategic global footholds in the Asia region, and actively worked to create unique services that cannot be duplicated by others by organically

combining information technology (IT), logistics technology (LT), and financial technology (FT).

As a result, we developed new services such as *Today Shopping Service* and *Multi-Maintenance Solution* despite facing the Lehman shock and other unprecedented changes in the business environment, promoting the rollout of new businesses to meet ever-advancing customer needs.

Revenues from 5 solution models



Development Status of Overseas *Takkyubin* Business



In addition, *Takkyubin* business was started in Shanghai and Singapore in January 2010, and in Hong Kong in February 2011, and will start in Malaysia this September. The fact that we were able to launch a *Takkyubin* business in Asia is very significant, and we believe that we were able to gain a foothold in our global strategy. Transaction volume overseas is still small, but an analysis of customer trends and market penetration makes us confident that this will become a major earnings pillar in the future.

The Yamato Group, as the only logistics company with a network extending the “last mile” to the end user, will continue to provide society with new value and create the defining trends of the times. We intend to continue managing the company with an eye on growth in order to continue to be the logistics partner chosen and trusted by customers.

Hopes for next generation of management

Finally, I, Kaoru Seto, stepped down from the post of president of Yamato Holdings after five years on April 1, 2011, and became Chairman. Going forward, I will move away from the post of president and be in a position to supervise the executive side. I would like to ensure that the path to sustained growth is a certain one by supporting new management led by new President Makoto Kigawa from a different position than before.

Please look forward to future growth by the Yamato Group. We ask for your continued support and encouragement.

September 12, 2011

Kaoru Seto

Kaoru Seto

Representative Director and Chairman

M. Kigawa

Makoto Kigawa

Representative Director, President and Executive Officer

A Message from the President



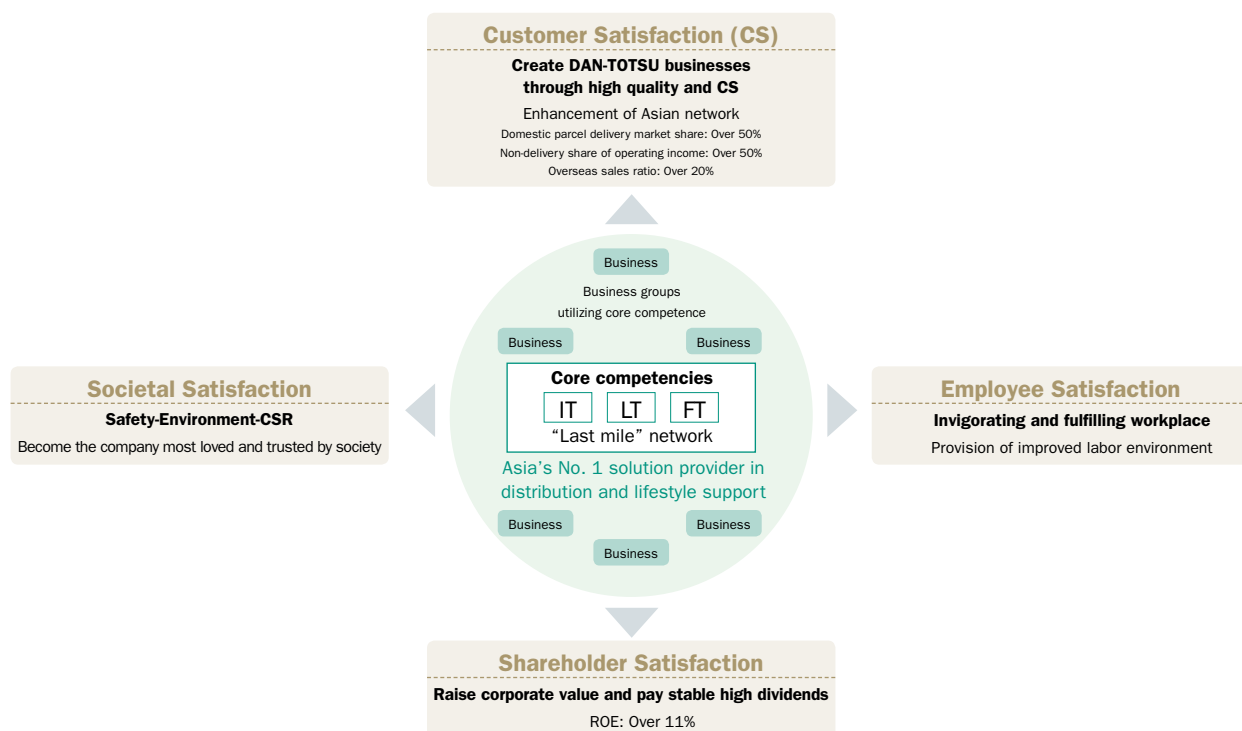
Makoto Kigawa
Representative Director,
President and Executive Officer

My name is Makoto Kigawa, and I became the new President of Yamato Holdings Co., Ltd. on April 1, 2011.

In January 2011, we formulated and announced a long-term management plan, DAN-TOTSU* Management

Plan 2019, whose final year is fiscal 2020, the 100th anniversary of our founding, and a medium-term management plan for the first three years of this period, DAN-TOTSU Three-Year Plan HOP.

Yamato Group Concept Map ahead of 100th Anniversary



* The phrase *dan-totsu* in Japanese means "by far" or "unassailable," and the overriding aim of the DAN-TOTSU Management Plan 2019 is to "make each stakeholder's satisfaction by far the best," stakeholders of the Group being customers, shareholders, society and the Group's employees.

Numerical Targets for DAN-TOTSU Management Plan 2019 and DAN-TOTSU Three-Year Plan HOP

	Fiscal 2014	Fiscal 2020
Consolidated operating revenues	¥1,440.0 billion	<ul style="list-style-type: none"> • 100 businesses • Domestic parcel delivery market share: Over 50% • Non-delivery share of operating income: Over 50% • Overseas sales ratio: Over 20% • ROE: Over 11%
Consolidated operating income	¥88.0 billion	
Operating margin	6.1%	
ROE	8.5%	
Takkyubin handling volume	1,680 million parcels Domestic: 1,560 million Overseas: 120 million	

My mission in taking up the post of leading Yamato Holdings in this pivotal year is to create new value by organically combining our management resources of information technology (IT), logistics technology (LT) and financial technology (FT) while expanding the Delivery Business, mainly parcel delivery service, through portfolio management of our six main businesses of Delivery, BIZ-logistics, Home Convenience, e-Business, Financial and Truck Maintenance.

By our 100th anniversary, we aim to establish DAN-TOTSU (unassailable) positions in solution capability, delivery quality and customer satisfaction as a leading provider of distribution and lifestyle support solution services in Asia.

We will further solidify and develop the earnings bases and financial profile left by former President Seto, enhance corporate value by creating earnings pillars for a new era, and increase satisfaction and meet the expectations of customers, society, employees, shareholders and all other stakeholders.

Here, I would like to explain the convictions contained in DAN-TOTSU Management Plan 2019 and DAN-TOTSU Three-Year Plan HOP as well as our direction for the future.

Revival of *Takkyubin's* growth potential and securing of resources for non-delivery business growth

The domestic parcel delivery market, the Yamato Group's main battleground, has achieved rapid growth, as shown in

the market data on page 2, thanks to growth of *Takkyubin*, which began with C2C cargo handling in 1976.

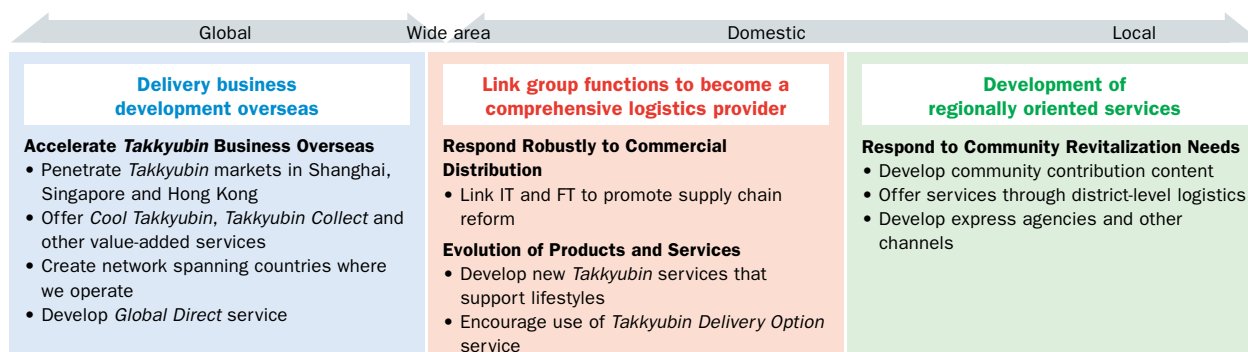
It has been 35 years since *Takkyubin* was launched, and together with structural factors such as the prolonged domestic economic slump and population decline, *Takkyubin* is being viewed as maturing in recent years, and consequently, the Yamato Group's growth is also being viewed as possibly slowing as growth potential declines for *Takkyubin*, a major pillar of earnings.

The basic strategy of DAN-TOTSU Management Plan 2019 is execution of innovations that will revive the growth potential of *Takkyubin*, and the plan focuses on reviving the growth potential of *Takkyubin* seen in the past by entering new business domains through establishment of lifetime lifestyle support platforms closely tied to local communities and lifestyles, and the creation and expansion of new markets through acceleration of overseas *Takkyubin* business.

In order to revive *Takkyubin's* growth potential, we intend to heighten the product characteristics of *Takkyubin*, our main product, by strengthening our network and creating new added value by organically combining our management resources of information technology (IT), logistics technology (LT) and financial technology (FT), aiming for further enhancement of profit margins in the Delivery Business and the securing of funds for Group growth.

In other words, we will allocate the cash generated from our Delivery Business, which is a stable earnings base, to

Reviving *Takkyubin* Growth Potential and Securing Resources for Non-Delivery Business Growth



non-delivery businesses as strategic investments in addition to the above, and we believe that we can revive *Takkyubin*'s growth potential by simultaneously accelerating growth of non-delivery business groups as individual businesses and creating new added value by organically combining our management resources of information technology (IT), logistics technology (LT) and financial technology (FT).

The Delivery Business, centered on *Takkyubin*, and non-delivery businesses that will add new value to our Delivery Business, are mutually connected, and it is precisely this business portfolio that is the Yamato Group's strength.

Now, we will introduce three important measures for reviving *Takkyubin*'s growth potential.

1. Bolstering responsiveness to business trends

The Yamato Group will combine information technology (IT) and financial technology (FT) to heighten the product characteristics of *Takkyubin* by adding "+α" value to transportation, bolstering its responsiveness to business trends.

We will actively generate solution models for our corporate clients that will enable shortening of lead times and reductions in inventory, and ultimately the lowering of total distribution costs, building a foundation as a solution provider.

2. Establishment of lifetime lifestyle support platforms

The Yamato Group will enter a new business domain more closely tied to local communities and individual lives based on its detailed nationwide network of 3,900 *Takkyubin*

centers and 32,000 sales drivers working on weekdays. In addition to creating a same-day delivery network within regions, we will build lifetime lifestyle support platforms by utilizing the *Kuroneko Members* service, etc. and revitalize local communities by working with local governments, etc.

3. Acceleration of *Takkyubin* business in Asia

The Yamato Group has been expanding its *Takkyubin* business in Taiwan from about 10 years ago by providing know-how to the Uni-president Enterprise Corp., and we will also accelerate our own Yamato Group *Takkyubin* business in Asia, where even more economic growth is expected in the future.

Takkyubin business was started in Shanghai and Singapore in January 2010, and in Hong Kong in February 2011, and will start in Malaysia this September. In the future, we will build a global supply chain in Asia, transplanting the business model we have developed in Japan overseas, especially in Asia, to penetrate the market.

Acceleration of non-delivery business growth and *Haneda Chronogate* concept

As noted above, the Delivery Business, centered on *Takkyubin*, and non-delivery businesses are mutually connected.

Therefore, non-delivery business growth is crucial for the Delivery Business to continue growing, and the Delivery Business also supports non-delivery business growth.

Consequently, we will allocate the cash generated from our Delivery Business, which is the Group's stable earnings base, to non-delivery businesses as strategic investments, further accelerating the growth of non-delivery businesses as individual businesses.

We would like to stress here that we are not bolstering the new business domain of non-delivery business in order to solve the problem of a maturing parcel delivery market where growth seen in the past cannot be expected.

The Yamato Group believes that completely new distribution never seen before can be designed through portfolio management of the Delivery Business and five main non-delivery businesses.

This is precisely why we would like to accelerate further growth of non-delivery businesses and create unique services that cannot be duplicated by other companies by organically combining information technology (IT), logistics technology (LT) and financial technology (FT); in other words, trigger distribution innovation in Japan, revive the growth potential of *Takkyubin*, and contribute to our management philosophy of helping to enrich society.

The impetus for this strategy will be *Haneda Chronogate*, currently under construction. The Yamato Group has always viewed Asia and Japan as one economic zone, and believed that a "connecting point" was needed for products, money and information to move seamlessly within the zone. The *Haneda Chronogate* is just such a "connecting point."

Haneda Chronogate is located next to Haneda Airport, where international flights were restarted, has distribution facilities such as the Tokyo and Yokohama ports and container terminals nearby, enjoys good access to the Metropolitan Expressway, and will be a base for presenting our corporate customers with the Yamato Group's best solutions.

To that end, *Haneda Chronogate* will have all Yamato Group companies located there, with four main functions: the Direct Transport function, which will handle products received from overseas without turning them into inventory in domestic warehouses, resulting in overwhelming reductions in lead times; the Global Cross-Docking function, which will sort products received from overseas, improving inventory turnover rates and minimizing inventory volume;



Haneda Chronogate

the Product/Distribution Processing function, which will support customer operations such as product processing, kitting and maintenance, etc.; and the Multi-Transport function, which will provide the optimal mode of transport from among diverse methods of transportation.

By creating an integrated distribution platform consisting of these functions and opening it up to customers, we will design completely new distribution never seen before, and provide time-sensitive and spatially optimized logistics suited to this era.

In this way, the Yamato Group will promote a thorough differentiation strategy through seamless global supply chain management from customers' procurement to distribution, and fully support customers' supply chain management.

I invite you to look forward to the completion of what will be one of Japan's largest super terminals.

Changes in environment for Yamato Group since the Great East Japan Earthquake

Up to now, we have explained our DAN-TOTSU Management Plan 2019, but we predict that the environment surrounding the Yamato Group will most likely change significantly in the next few years. This trend has particularly accelerated since the Great East Japan Earthquake that occurred on March 11, 2011, bringing about major changes for not only Japan's social and economic structure but also people's values and lifestyles.



These changes include, for example, reviews of supply chain structures and changes in consumption behavior. As a result of this disaster, companies not only in affected areas but also in other regions had their supply chains disrupted, forcing stoppages in corporate activities such as production and sales. Many Japanese companies are now moving to revise supply chains by taking into account business continuity plans (BCPs), led by the auto industry, whose assembly of finished cars was hindered for a long period because parts makers suffered damage, and the retail distribution industry, which avoided damage to stores but could not restart operations because products could not be procured.

In addition, as companies in various industries start rotating holidays, and 24-hour retailers and restaurants move to possibly shorten operating hours as a result of nationwide electricity shortages caused by the accident at the Fukushima Daiichi Nuclear Power Station, consumption activity will inevitably be affected.

We believe such moves will further accelerate the Yamato Group's distribution innovation.

The Yamato Group will bring the energy of about 170,000 Group employees together, aim to become a leading provider of distribution and lifestyle support solution services in Asia, and contribute to realization of its management philosophy of "enriching society."

Towards enhancement of shareholder value

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

To that end, we have declared ROE to be an important benchmark to keep in mind in order to achieve both strengthened capital accumulation and utilization of business assets.

In fiscal 2011, in addition to falling short of our operating income target, the financial markets remained uncertain and we held back on investments needed for future growth, including the *Haneda Chronogate* logistics terminal. Consequently, we took steps to secure cash in order to increase liquidity at hand. As a result, the shareholders' equity ratio was 57.3% and ROE was 6.5%.

The goal in our long-term management plan announced in January 2011, DAN-TOTSU Management Plan 2019, the final year of which is the 100th anniversary of our founding in fiscal 2020, is to establish DAN-TOTSU positions in solution capability, delivery quality and customer satisfaction as a leading provider of distribution and lifestyle support solution services in Asia. However, the environment surrounding the Yamato Group is now facing a major turning point. This is because in executing growth strategies

toward the position we are shooting for, we will have to win out in competition not only with domestic companies but also with companies backed by national governments in emerging markets, led by China, and if we are unable to corral such growth, the Yamato Group cannot hope for medium- to long-term growth.

Looking ahead, we will continue to enact medium- and long-term strategies that look five and ten years down the road, respectively. Based on these strategies we will conduct necessary investments that will be increasingly vital going forward, including well-timed M&As, being sure not to overlook the crucial openings for future growth.

Therefore, a certain level of funds on hand will be needed, so there could be cases where measures are taken to raise funds flexibly.

On the other hand, we are also flexibly considering share buybacks in order to maintain funds on hand at appropriate levels, depending on the progress of profit growth and investment plans. While maintaining a shareholders' equity ratio of about 50%, we will improve the quality of our finances and pursue capital efficiency towards attainment of our fiscal 2014 ROE target of 8.5%.

As for our dividend policy, our intention to maintain a consolidated dividend payout ratio of 30% is unchanged, with a basic policy of increasing dividends per share in line with profit growth. Based on this policy, for the fiscal year ended March 2011 we paid dividends of ¥22 per share, including an interim dividend of ¥11.

Co-existence with society—Supporting earthquake reconstruction

In order for the Yamato Group to continue being a logistics partner that is chosen and trusted by customers, it is very important to become a company that co-exists with society. To that end, a virtuous cycle must be sustained of contributing to society through our main business and earning profits in return to continue our business, which we believe will also lead to enhanced corporate value.

I visited areas affected by the Great East Japan Earthquake about two weeks after the disaster, and I was at a loss for words after seeing destruction that was much greater than imagined.

On the other hand, I was also greatly moved by the fact that people in affected areas were facing reconstruction head-on and doing their best. After this visit, the Yamato Group decided to donate ¥10 per piece of domestic *Takkyubin* in order to aid the revitalization of local people's living conditions and industrial infrastructure. The total amount donated will be based on future transaction volume, but the total amount, assuming that a similar volume as last year's approximately 1.3 billion pieces is handled, is expected to be about ¥13 billion. Since this amount is equivalent to as much as 40% of net income, we decided on implementation in the belief that it will contribute to enhanced corporate value over the medium to long term. Donations based on monthly transaction volume will be donated to recipients through the Yamato Welfare Foundation's Great East Japan Earthquake Life, Industry Infrastructure Recovery and Rebuilding Relief Fund.

In June of this year, donations made through the relief fund were recognized as "designated donations" by Japan's Minister of Finance. In addition to the Yamato Group's "¥10 donation per piece of domestic *Takkyubin*," the Yamato Welfare Foundation is collecting donations from other companies and groups as well as individuals, striving to help in any way possible the sustained support of reconstruction and revitalization.

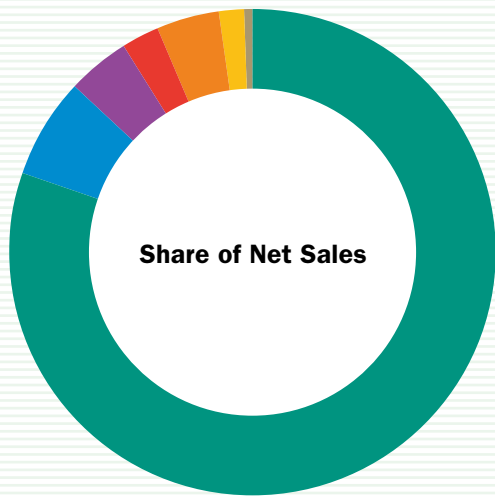
We ask for the understanding of you, our shareholders, in such efforts by the Yamato Group.

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

September 12, 2011

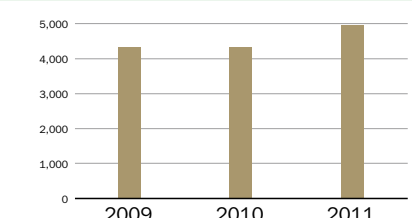
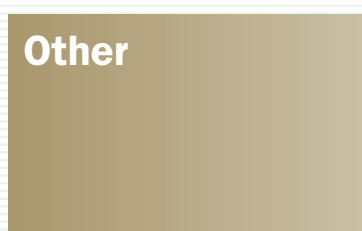
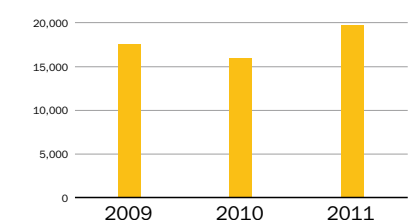
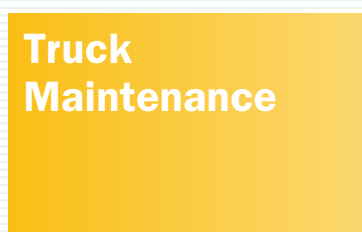
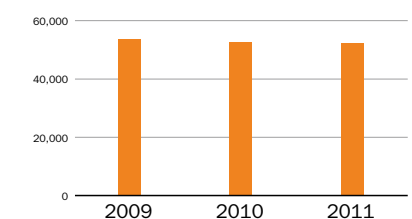
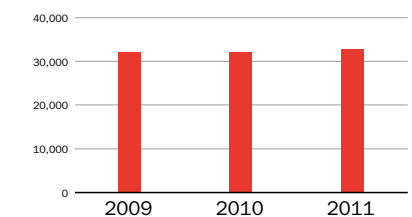
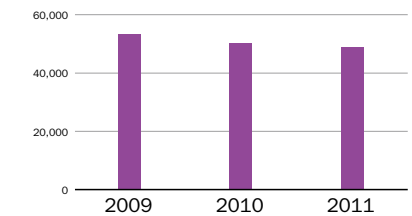
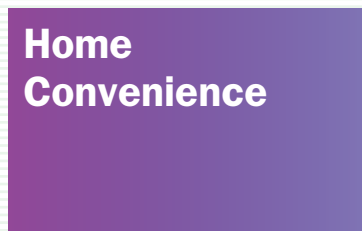
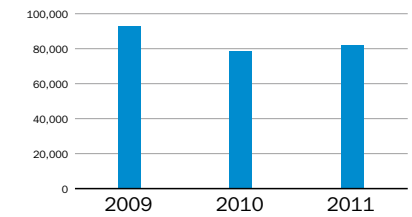
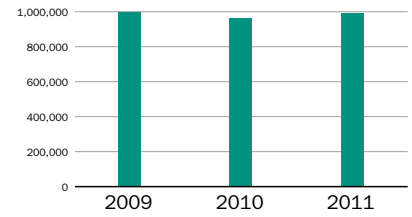


Makoto Kigawa
Representative Director, President and Executive Officer

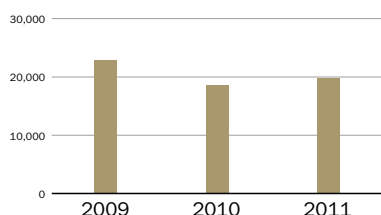
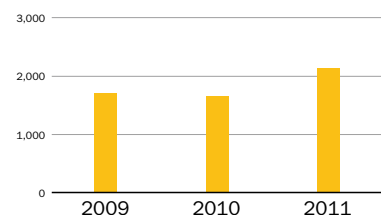
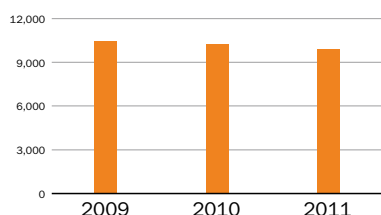
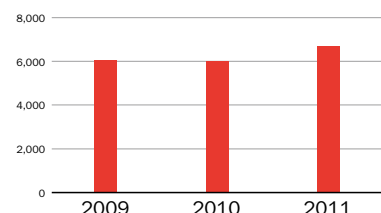
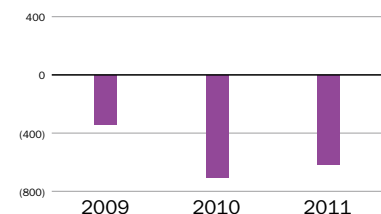
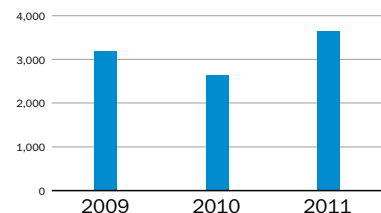
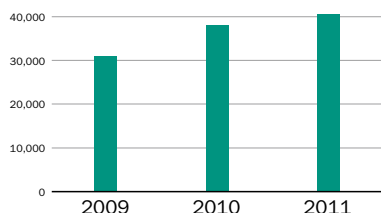


- Delivery 80.5%
- BIZ-Logistics 6.6%
- Home Convenience 4.0%
- e-Business 2.7%
- Financial 4.2%
- Truck Maintenance 1.6%
- Other 0.4%

Operating Revenues (Millions of Yen)



Operating Income (Loss) (Millions of Yen)



Business Description

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

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

BIZ-Logistics handles logistics and other B2B distribution operations.

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

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

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

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

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

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

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

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

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

Overview of Operations

Delivery

Masaki Yamauchi

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



Guided by its basic corporate philosophy of “Total Reliability,” the Delivery Business utilizes the business resources of the Group in the Japanese and overseas markets to pursue business development that improves the convenience of customers’ lives. In the Japanese market, the Delivery Business aims to achieve further development of its *Takkyubin* service through the establishment of an overwhelming competitive advantage over our rivals. This is to be achieved through an enormous leap in quality of services based on the concept of “from home delivery to personal delivery,” and improvements in cost structure. In overseas markets, the Delivery Business is targeting expansion of its *Takkyubin* business in the Asia region. Efforts in Japan will also focus on meeting our responsibilities as an essential element of the social infrastructure following the Great East Japan Earthquake. As part of these efforts, the Delivery Business did everything in its power to bring about a swift recovery of the *Takkyubin* network and resume normal operation of *Takkyubin* services. In these ways and others, will continue to contribute to the speedy restoration of the affected regions.

Review of Fiscal 2011

The fiscal year ended March 31, 2011 marked the final year of our three-year medium-term management plan Create Satisfaction Three-Year Plan. As such, it was a year in which we completed the old plan as well as one in which we set the path for our transition to the next three-year plan. The backdrop to this year of change was a continued contraction in the delivery service market due to economic stagnation. Our response was to take full advantage of the opportunities offered to us by the existing competitive environment to attract new customers, mainly in the small lot commercial distribution sector, and increase deliveries to existing customers. As a result of these efforts, total delivery volume rose to record levels. While this increase was most welcome, we recognized the need to prevent an associated increase in costs. To this end we ensured that our cost management, particularly of personnel costs,

remained commensurate with both earnings and the volume of business. In the immediate aftermath of the Great East Japan Earthquake the Delivery Business spared no effort in fulfilling its mission as an essential element of the social infrastructure. In bringing about a speedy return to normal operations and delivering relief supplies to those in need, as well as in other ways, the Delivery Business hopes to contribute to the rebuilding and restoration of the affected regions.

As a result of the above, the Delivery Business was able to attain increases in both revenue and profit with operating revenues rising 3.0% year on year, to ¥995,651 million, and operating income climbing 6.6% to ¥40,578 million.

However, this result reflected a change in our accounting method affecting transactions conducted by transport companies that added approximately ¥4.9 billion to both operating revenues and expenses. On a real basis, therefore, operating revenues actually increased by 2.5%. The change in accounting method had no effect on operating income.

In Japan, we continued to boost sales through solutions such as *Today Shopping Service*, *Net Super Support* and other solutions that fully leverage the coordination within the Yamato Group and its functions. It is through such high-quality services that the Delivery Business meets the ever-diversifying needs of its customers. We have also made advances in the range of settlement methods our customers can select from electronic money (e-money), now in such widespread use in Japan as to be an essential part of daily life, can now be used to pay for product purchases, transport fees and others. The terminals our sales drivers carry are now capable of handling nanaco, Edy and WAON, making us the first in the industry to offer more than one of the major e-money services on a nationwide basis. Overseas, our main business activities focused on achieving borderless operations. We help customers to procure raw materials locally, produce products and import those goods to Japan through our *Global Direct* service. In addition, we further expanded our business in the Asia region by commencing *Takkyubin* services in Hong Kong in February 2011. Our more sophisticated lines, such as *Cool Takkyubin* and *Takkyubin Collect*, have been well received in our existing overseas markets, a trend reflected in a steady increase in delivery volumes.

Strategies in Fiscal 2012

The fiscal year ending March 31, 2012 marks the first year of our three-year medium-term management plan *DAN-TOTSU* Three-Year Plan HOP. This fiscal year will see the Delivery Business strive to remain one step ahead of our rivals in meeting customer needs. This in turn will, we believe, lead to increased market share, improved quality and stronger cost-competitiveness. Our aim is to establish a position, by the 100th anniversary of our founding in fiscal 2020, as the most

appreciated and best-known company in all communities. We will do so by pursuing two major business strategies. In Japan, we will further increase the quality of our operations to establish an overwhelming competitive advantage. Overseas, we will accelerate the expansion of our *Takkyubin* business in the Asia region.

Domestic Market: Achieving an enormous leap in quality through the adoption of a “regional- and lifestyle-oriented approach” and the provision of logistics solutions

One initiative for revitalizing the growth potential of our *Takkyubin* services is the construction of lifetime lifestyle support platforms based on members’ services such as *Kuroneko Members*, and an ever more refined *Takkyubin* network. We are also creating a new business model more closely tied to local communities by incorporating partnerships with local governments in order to provide services tailored to the unique characteristics of each local market. Additionally, an expansion of our *Net Super Support* services will help us to revitalize local retailers, as well as better support those whose access to shops and supermarkets is limited by old age or location. A good example would be an elderly person living in an isolated region. Our sales driver would be able to check up on the health and well-being of that customer at the same time as making the required delivery. This is an invaluable service in local communities and will cement further the *Takkyubin* network’s position in social infrastructure.

We will proceed with further development of existing business solutions to match changes in customers’ lifestyles. In certain areas, for example, our *Today Shopping Service* will deliver items on inventory at the center to a consumer in as little as four hours of a direct order being received. In addition, we will develop cutting-edge, cloud-based services that combine the *Takkyubin* network with logistics technology (LT),

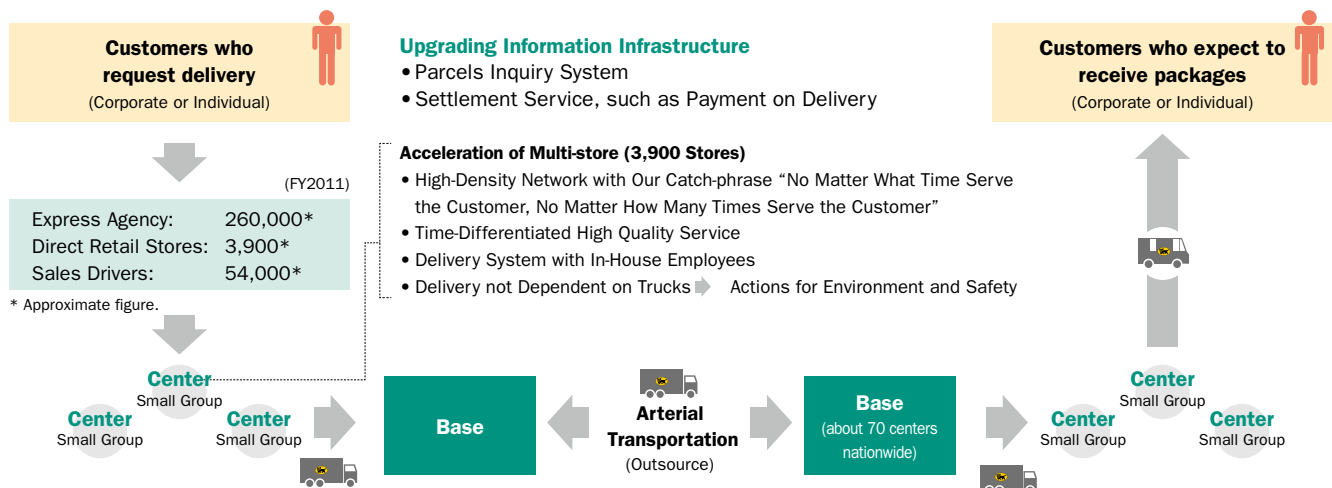
information technology (IT) and financial technology (FT) to provide flexible distribution solutions that best meet each customer’s needs. We will also make improvements to our supply chain based on our experiences after the Great East Japan Earthquake. The main elements of these improvements will be a more equal mix of dispersed and centralized inventories, and greater visualization of the flow of goods along the supply chain. By bringing these two elements together under a centralized system of control, we will be able to improve efficiency at the same time as providing better protection against risk, especially risks associated with breakdowns in distribution infrastructure.

Overseas Market: Accelerating and strengthening development of our *Takkyubin* service in Asia

In addition to our networks in Taiwan, Shanghai, Singapore, and Hong Kong, we intend to start offering our *Takkyubin* service in Malaysia from fall 2011. At the same time as expanding our distribution infrastructure across our Asia network, we will introduce the same range of high-quality, value-added products and services currently available in Japan in order to better support those companies setting up overseas operations in the region. Using the *Global Direct* service to gain a foothold, we intend to exceed the standards of conventional logistics centers in providing added-value corporate solutions to a range of industries, be it for procurement, product shipment or overseas delivery purposes, as well as for delivery of goods back to Japan.

As we proceed with these business activities, our strategies to improve convenience for our customers will be to optimize pickup and delivery team structure based on delivery schedule to provide better service at a time more convenient to the customer. In addition, we will look to embed the *Takkyubin* network further in local communities while improving productivity and increasing market share.

Takkyubin Service



BIZ-Logistics

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



The BIZ-Logistics Business aims to amaze and satisfy its customers and the consumers of their products and services by exceeding customers' expectations. The business realizes this goal by developing innovative eco-friendly packing materials and proprietary delivery solution models that leverage the Yamato Group's infrastructure, in particular the *Today Shopping Service*, the *Multi-Maintenance Solution* service and the *Global Direct Service*.

Review of Fiscal 2011

In the fiscal year ended March 2011, operating revenues increased 3.9% from a year earlier, to ¥82,008 million, and operating income jumped 37.9% to ¥3,664 million. The main contributory factors behind these increases were the economic recovery, the expansion of domestic business and the introduction of domestic business models to overseas markets.

The following are two examples of initiatives carried out in the period under review.

In case 1, in our medical logistics business we entered a new domain—maintenance services for medical equipment and instrumentation. These services begin with the collection of medical apparatus used in surgical procedures and other medical applications from hospitals. This apparatus then undergoes a number of treatments including cleaning, disinfection and sterilization in preparation for re-use at a medical facility in need of such apparatus. As the apparatus at the heart of this business is often essential for the saving and support of human life, it is of paramount importance that, in carrying out our tasks, we place a premium on both speed and attention to detail. To this end, we have established specialized maintenance service centers in Tokyo, Sapporo and Fukuoka. Major orders from several medical device manufacturers in the period under review made for an auspicious start in this new business. Going forward, we intend to broaden our network of medical maintenance centers to facilitate the further expansion of this business.

In case 2, the period under review saw us continue to expand the same-day delivery network for the *Today Shopping Service*. More concretely, we built new *Auto Pick Factory* facilities (automated warehousing) in Amagasaki City (Nishi-Osaka), Komaki City (Aichi) and Taoyuan County (Taiwan). The Taiwan facility is the first use of *Auto Pick Factory* services for warehousing overseas. The new domestic centers use their special features as “directly linked *Takkyubin*” facilities to allow the delivery of items on inventory at the center to a consumer in as few as four hours from a direct sales order being received. This “four-hour delivery service,” available in certain areas, is a service our competitors cannot match.



Auto Pick Factory

In order to meet the demand from consumers for faster delivery of mail-order items, the Group will continue to pursue advances in the *Today Shopping Service*, while at the same time, increasing the number of *Auto Pick Factory* facilities compliant with *Takkyubin* services both at home and abroad.

As a result of the above, the BIZ-Logistics Business posted improved results for the period under review. In addition, the period also saw us enter a new business domain, as well as expand our domestic business model into overseas markets.

Strategies in Fiscal 2012

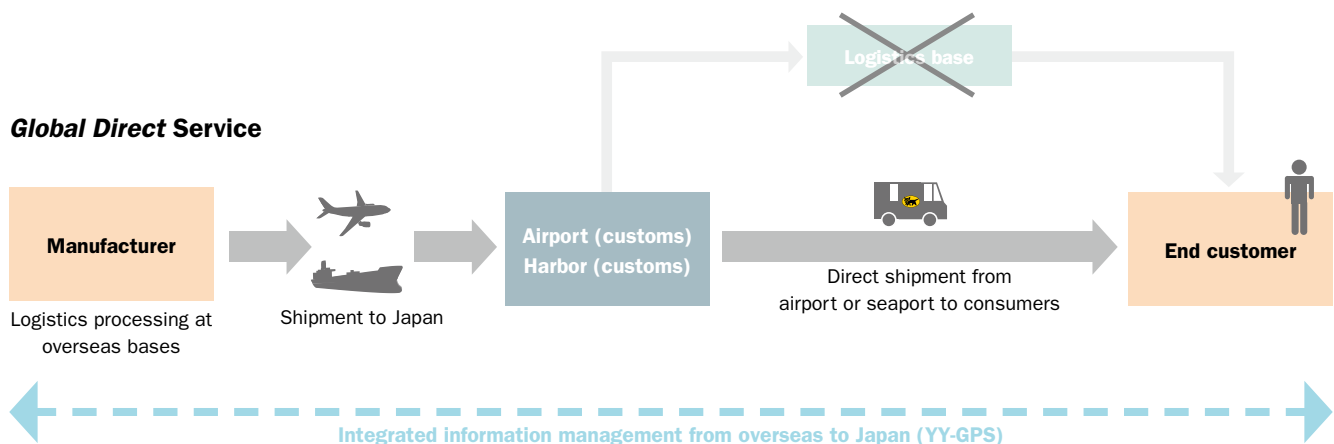
In the fiscal year ending March 31, 2012, the BIZ-Logistics Business will aim to attain further business development and to amaze and satisfy its customers and the consumers of their products and services. We will do so by achieving advances in business solutions, such as the *Today Shopping Service*, the *Multi-Maintenance Solution* service and the *Global Direct* service, that harness the information technology (IT), logistics technology (LT) and financial technology (FT) of the Yamato Group. Through these initiatives, the BIZ-Logistics Business intends to get both the DAN-TOTSU Three-Year Plan HOP and DAN-TOTSU Management Plan 2019 off to an auspicious start.

The following are examples of specific initiatives planned for fiscal 2012. One such example is the construction of *Haneda Chronogate*. A key advantage of the *Haneda Chronogate* project is its location. Not only does it stand at the gateway between Japan and the rest of the world, but it is also a “connecting point” at which land, air and sea transport networks converge. Another advantage is the concentration of

numerous Yamato Group functions within a single facility. The BIZ-Logistics Business will use these two advantages to provide a speedy connection between all corners of Japan and the global markets beyond its borders, at the same time as offering the Yamato Group’s value-added solutions for all processing, repair and settlement needs. *Haneda Chronogate* will have all Yamato Group companies located there, with four main functions: the Direct Transport function, which will handle products received from overseas without turning them into inventory in domestic warehouses, resulting in significant reductions in lead times; the Global Cross-Docking function, which will sort products received from overseas, improving inventory turnover rates and minimizing inventory volume; the Product/Distribution Processing function, which will support customer operations such as product processing, kitting and maintenance, etc.; and the Multi-Transport function, which will provide the optimal mode of transport from among diverse methods of transportation. By creating an integrated distribution platform consisting of these functions and opening it up to customers, *Haneda Chronogate* will offer a completely new design for distribution, one never seen before, and will serve as the impetus for new innovation in Japanese logistics.

In addition to the expansion into Asia of *Takkyubin* services, fiscal 2012 will see the transfer of our domestic business model to overseas markets. Services such as the *Today Shopping Service* mentioned above, *Multi-Maintenance Solution* and *Document Secure Solution* will be rolled out, in collaboration with overseas subsidiaries, in step with the expansion of the *Takkyubin* network.

Global Direct Service



Home Convenience



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

My name is Atsushi Ichino, and I became the new president of Yamato Home Convenience Co., Ltd. on April 1, 2011. I would like to start by saying that our prayers go out to those who lost their lives in the Great East Japan Earthquake, and we wish to express our heartfelt sympathies for those affected by this terrible disaster.

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

Review of Fiscal 2011

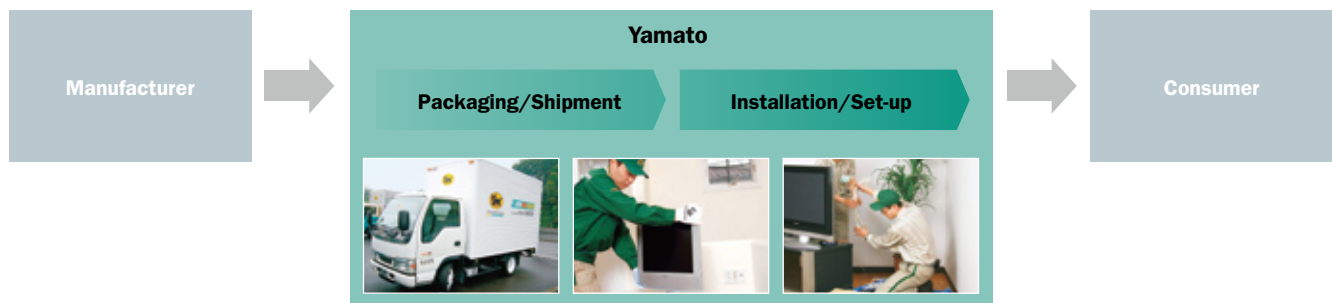
In our delivery with installation business, a service that not only delivers but also installs and assembles large-sized furniture and appliances, we sought to meet the demands of customers wishing to use delivered furniture and equipment immediately after delivery, based on the strengths of our nationwide network and the service itself. We also started offering new services that include repair, maintenance and after-care.

Revenues grew in the period under review, in part as a result of strong performance in repair services for large-sized appliances, in addition to installation services for appliances.

In the moving business, we offered a range of lifestyle-related services aimed at removing the hassle associated with moving house, as well as leveraging the special strengths of our network to enable the transport of individual moving crates.

In response to requests from corporate personnel being transferred away from their families to a new city or town, as well as their employers, we started offering a new price plan that took the actual number of items being transported into account. We also increased flexibility to allow multiple pickups and/or deliveries at the convenience of the customer. Further innovations aimed at reducing the amount of items moved, and by extension the fuss and cost of moving, included new services offering customers rental or used appliances for their new home or the opportunity to recycle their unwanted consumer electronics before moving.

Household Takkyubin Service



Intensified competition in the moving market exacerbated the impact of the Great East Japan Earthquake which occurred mid-March, the peak moving season, leading to the cancellation or postponing of orders. As a result, operating revenues slipped 2.7% year on year, to ¥48,997 million.

Similarly, we posted an operating loss of ¥618 million. However, thanks to productivity increases and cost cuts, this was an improvement of ¥83 million on the operating loss suffered last year.

Strategies in Fiscal 2012

The period under review will mark the first year of both our long-term management plan DAN-TOTSU Management Plan 2019, and our medium-term management plan DAN-TOTSU Three-Year Plan HOP. Our strategy in the coming year will focus on developing services that add a new dimension to customers' home convenience experience. Another important aspect will be providing support to those in need in areas affected by the Great East Japan Earthquake.

By harnessing our collective strengths we intend to offer a lineup of products and services designed to supplement improved comfort and convenience in the homes of all our customers. In doing so, we hope to evolve into a company that provides value to society, and live up to our name—the Home Convenience Company. We will also seek to probe new sources of demand in both the home and office markets. By establishing businesses that will expand our range of activities, we intend to achieve two important goals: increased productivity of management resources, and a reduction in seasonal fluctuations of revenue—an issue for the Home Convenience Business. The

products and services we offer will maximize the Group's nationwide network, a major management resource in and of itself, and will reflect the characteristics of the local community.

We have established our own technological capability qualification standards to be used in the development of our technicians and drivers, who are usually the last to interact with customers at the end of the service provision process. Based on those standards, we will continue our development and training programs with the goal of upgrading and expanding technician and driver skills.

We will continue to devote all possible resources to restoration activities in areas affected by the Great East Japan Earthquake. Efforts will include the installation and assembly of furniture and consumer electronics at temporary housing and the provision of daily necessities at lower than normal prices. Although market conditions will probably remain challenging for some time to come, we intend to continue with our disaster relief activities, and at the same time offer enhanced customer convenience through an expansion in our range of services. In turn these efforts will lead to stronger corporate value and sustained growth over the long term.

e-Business



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

Our e-Business is involved in a range of information services for corporations, including Application Service Provider (ASP) services and information system development.

Using Information and Communication Technology (ICT), the e-Business works in partnership with customers in promoting efficient business processes. Based on these services, the e-Business provides solutions for potential business problems and proactively proposes solutions that result in sales growth and cost reductions for customers.

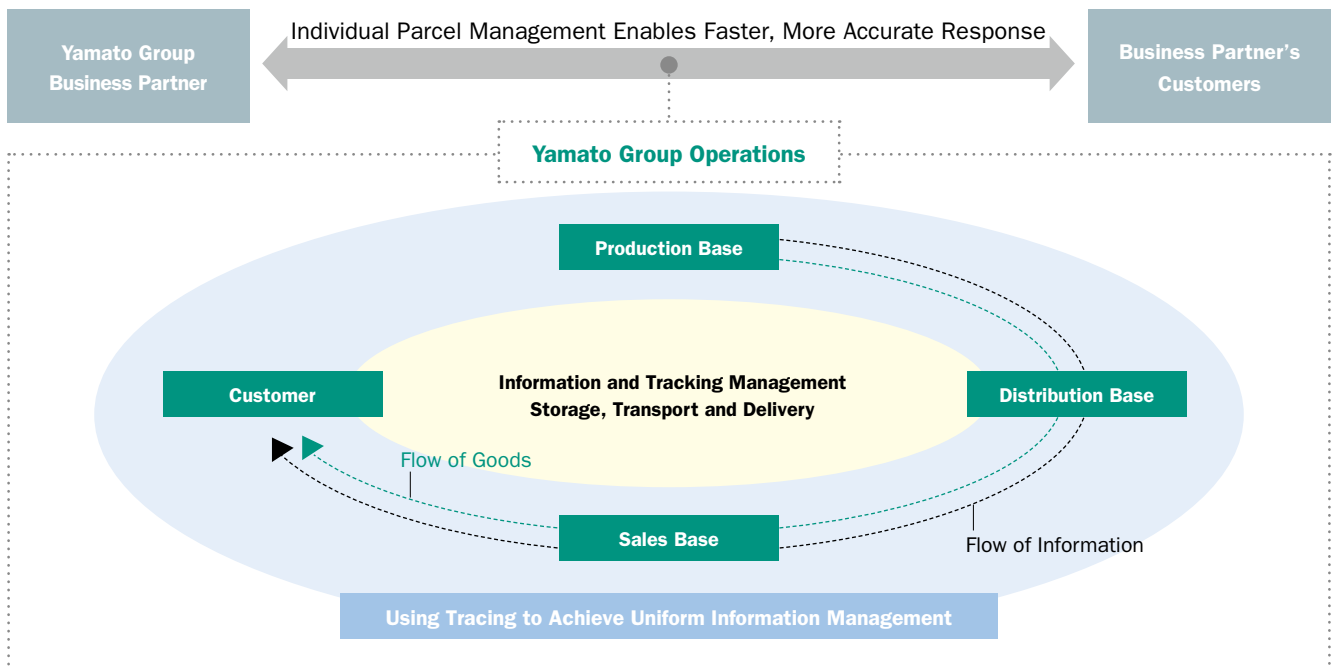
Review of Fiscal 2011

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

Our Asian developments also continued with a focus on promoting *Takkyubin* services by leveraging ICT. *Takkyubin* businesses were initiated in Singapore and Shanghai in 2010, and in Hong Kong in 2011. Using know-how gained in operating our domestic business, we developed a version of our *Takkyubin* system tailored to Asia for use as a shared ASP system in all countries across the continent. Regarding the Group's new in-house ICT system, the *7th generation NEKO system*, we established a relay system to provide settlement information to our customers in the electronic money business.

Our *Web-Based Mail Order solution business*, which develops business outside the Group, took steps to develop the *Net Super Support* business, in which we expect demand will

e-Logistics Solution



expand. The business targeted retail business customers, such as supermarkets and department stores, in expanding its *Net Super Support* service, a comprehensive service offering web system creation, delivery of items and collection of payments. Taking advantage of the multifunctionality of the Yamato Group, this service has gained a strong reputation for its overall power as a service that deals with the underlying social trends of an aging society and the depopulation of rural areas. Consequently, business is expanding firmly.

In our *e-Logistics Solution Business*, we worked to provide services that contribute to the reduction of customers' inventories and costs through the integration of distribution and information functions.

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

Revenues of the *IT Operating Business* increased on the strength of expanded demand for its *PC Life Cycle Service*, which increases the efficiency of customers' PC management operations. The business provides a full service for customers' personal computers throughout this life cycle, from purchasing to disposal, and includes installation and setting up of software, delivery, on-site installation, operating support and maintenance services.

Although the measures mentioned above supported expansion in Internet direct sales, tracing services and services for the credit card industry, the current curtailing of ICT capital investments by existing corporate clients reduced overall demand. Despite the less than favorable business climate, operating revenues increased 2.2% year on year, to ¥32,799 million, while operating income rose 11.5%, to ¥6,710 million.

Strategies in Fiscal 2012

Our first strategy is to promote the provision of advanced solutions to customers in order to build a foundation as a solution provider.

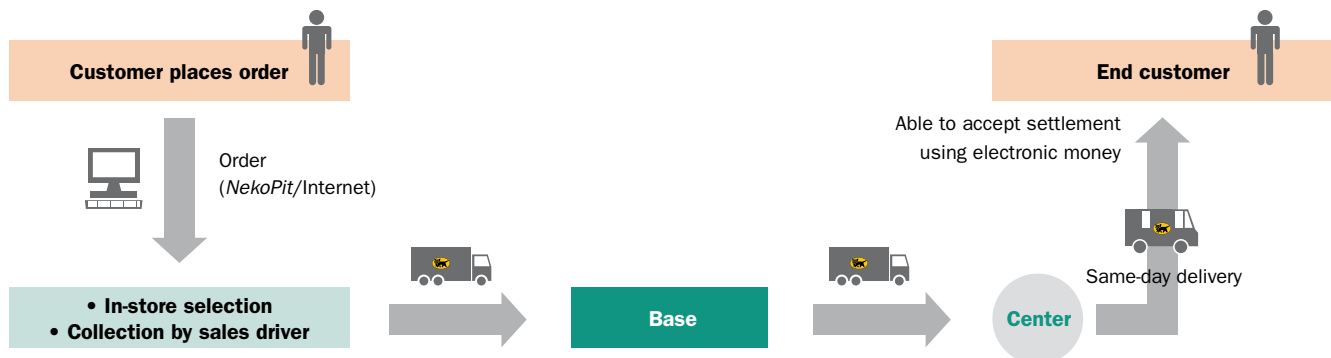
Our second strategy is to employ ICT to nurture human resources with the capability of creating total solutions that combine logistics technology (LT) and financial technology (FT). These employees will then be dispersed throughout the Group to make effective use of their skills.

Our third strategy is to create new services and promote them using all our resources in order to increase the number of businesses involved with e-Business formation.

The last strategy is to transfer and develop the high-quality *Takkyubin* system developed in Japan to countries in Asia in support of the Group's development of its *Takkyubin* business in Asia. At the same time, we will also look to promote other products and services developed in Japan in the rest of Asia.

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

Net Super Support Service



Financial



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

Review of Fiscal 2011

The Financial Business proposes total comprehensive solutions for mail-order companies that offer greater convenience for purchasers (end-users) and an improved business environment for the mail-order companies.

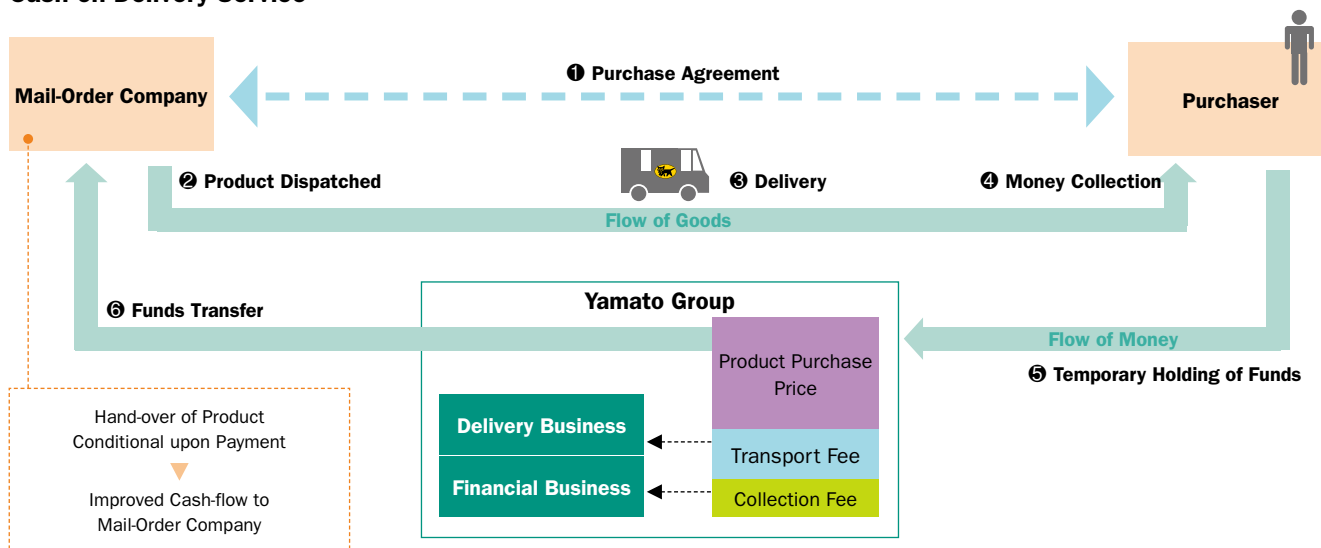
Our high-quality services and wide range of settlement methods offer purchasers who use mail-order shopping the same secure, comfortable shopping environment they have when shopping in a store. Purchasers who are satisfied with the service become repeat customers, which leads to higher revenues for mail-order companies.

We offer support to mail-order companies in building and improving mail-order systems, while also offering systems for reducing costs relating to settlement processing. The proposals we make to increase revenues and cut costs contribute to improved business environments for corporate customers.

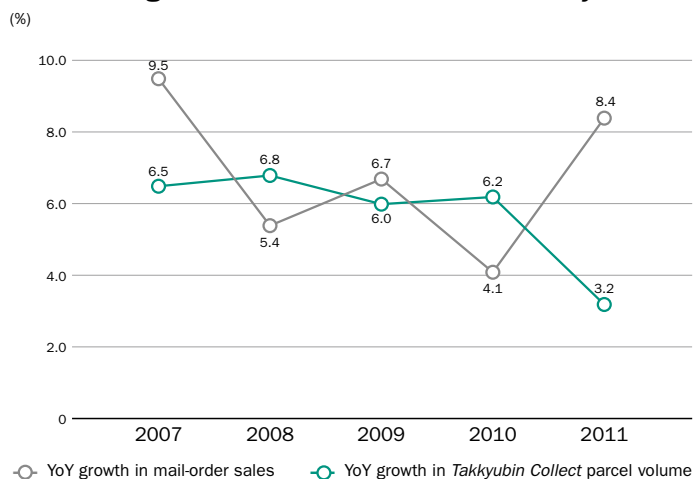
Moreover, we continue to pursue greater convenience in methods of payment, actively promoting electronic money (e-money) payments in addition to payments by cash, credit or debit card. As a settlement method, e-money has grown in importance in recent years to the point that it is now an integral part of daily life in Japan. Transactions settled using e-money stood at ¥1.3 trillion in 2009.

In response to this trend, we developed a number of initiatives geared towards e-money transactions. The first of these was the introduction of systems for accepting payment for the *Takkyubin Collect* service using a PC or mobile phone in November 2007. Since then the scope of users has expanded, and in June 2010 we introduced a single terminal able to process settlements using a variety of e-money brands, a first in Japan. We also launched a service allowing recipients to pay by e-money at the time of delivery. Initially, the service was limited to settlements using retail and independent electronic prepaid cards such as nanaco, Edy and WAON. However, from May

Cash on Delivery Service



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



Source: The Japan Direct Marketing Association

2011, the terminals used by our sales drivers was adapted to accept payments from transit-based electronic prepaid cards such as SUICA, ICOCA and PASMO. As a result, our customers will be able to use 99% of all e-money types currently available in Japan to make their purchases. This is the only service of its kind in Japan's home delivery market and offered exclusively by the Yamato Group.

Operating revenues for this segment for fiscal 2011 were ¥52,393 million, down 0.5% year on year, partly because of a contraction in the shopping credit business despite healthy numbers of settlements in the *Takkyubin Collect* service. Operating income for the Financial Business declined 3.1% to ¥9,938 million.

Strategies for Fiscal 2012

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

For our corporate customers in the business-to-consumer (B2C) mail-order market, we will propose optimal solutions for innovating logistics operations, thereby contributing to a

flourishing mail-order shopping market and comfortable lifestyles supported by mail-order shopping. For individual users, we will continue to develop a universal settlement platform that will make purchasing a simpler, more convenient experience by removing the hassle associated with making payments.

In the business-to-business (B2B) market, we will assist the expansion of our client companies' businesses by providing optimized services that leverage the Group's management resources and solutions in the settlement and finance fields. These services will be designed to address the financial issues associated with delivery and procurement operations encountered in logistics. Moreover, we have embarked upon an initiative that is centered on a cash-on-delivery settlement service for handling the import and export of goods between companies in conjunction with the *Global Procurement Support Service*, a service set up to address the international procurement needs of mid-sized component manufacturers. We will continue to pursue further improvements in convenience for client companies by providing a range of services covering the full range of client needs from logistics (order processing, warehousing and delivery) through to finance.

Truck Maintenance

Keishiro Sasaki

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



The Direction of This Business

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

Our vision is to transform this business from being the number one for truck maintenance in Japan to the only one customers choose. "Transform inconvenience into convenience from the customer's standpoint" is the corporate DNA of the Yamato Group. Based on this perspective, the business offers services, chiefly for logistics companies, that go beyond vehicle maintenance to provide a one-stop solution covering body and tire maintenance, as well as fuel supplies. In addition, in providing inspection consultations as a partner that helps customers manage risk associated with their operations, and management solutions that allow customers to get the most out of their facilities, plants and logistics equipment, we are aiming for total vehicle management services that contribute to the revitalization of the logistics businesses of customers.

Review of Fiscal 2011

In fiscal 2011, we posted increases in both revenues and profit. Our operating revenues amounted to ¥19,696 million (an increase of 23.1% year on year), while operating income was ¥2,134 million (an increase of 29.4%).

The number of automobile safety inspections done for companies outside the Yamato Group totaled 34,899 vehicles, up 14.2% from the previous fiscal year. This was the result of a number of factors. During the fiscal year under review, we strengthened our network of 70 vehicle maintenance plants, focused mainly on those 18 plants that have been upgraded to high-operating-efficiency *Superworks* plants. We also aggressively

Superworks vehicle maintenance plants— in search of greater gains in operating efficiency



External view



Inside the plant



A mechanic at work

promoted a number of other services. These included *Off-Time Vehicle Inspection* which allows customers to schedule automobile safety inspections during a time period more convenient for them, and the *12-Month Fixed-Price Maintenance Package*, which evens out monthly vehicle maintenance expenses.

The East Japan Earthquake that struck on March 11, 2011, resulted in damage to our facilities, as well as to the vehicles operated by our customers. Not only were there delays in the submission of vehicles by customers, but our work schedules were also adversely affected. We expended every effort to minimize the negative impact of these delays on customer operations by reallocating work to other Yamato Group facilities nearby. We also worked proactively to bring about a speedy recovery of lifeline services and logistics infrastructure by providing maintenance services for vehicles used in the relief efforts.

Strategies in Fiscal 2012

In fiscal 2012, we aim to introduce a new, more environmentally friendly model to further strengthen our *Superworks* vehicle maintenance plants. As part of this plan, two plants are scheduled for construction in the Kanto region, complete with solar power generation systems and energy conserving LED lighting. We will also look to develop a comprehensive consulting business designed to cover all aspects of vehicle management.

Moreover, we plan to broaden the focus of our activities beyond just maintenance to include a more management-oriented approach in the services we provide. Through the promotion of the existing *12-Month Fixed-Price Maintenance Package*, as well as new services for managing wear and tear on tires and vehicle bodies, we intend to provide a more comprehensive solution that goes beyond simple maintenance and repair when the need arises. These new mechanisms will allow our customers to manage maintenance of their vehicles in ways that enable managers to more accurately budget for maintenance costs in advance, rather than on a case-by-case basis. This will in turn lead to greater improvements in the cash flows of our customers.

Our expectations for these new schemes are substantial. We forecast new maintenance contracts for 25,000 vehicles. For the fiscal year ahead, our performance targets in the one million vehicle strong commercial truck market will be 151,700 vehicles under management, 81,700 automobile safety inspections, and a 13.0% increase in the number of vehicles serviced for non-Group companies. The coming year will also see us continue in efforts to restore all our facilities in quake-hit regions to working order so as to help our customers get their operations back to normal as soon as possible.

Expanding our Superworks network

18 locations out of 70 in total (as of March 31, 2011)
 ↕ to be increased to 20



Basic Concept—“The Four Cs”

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

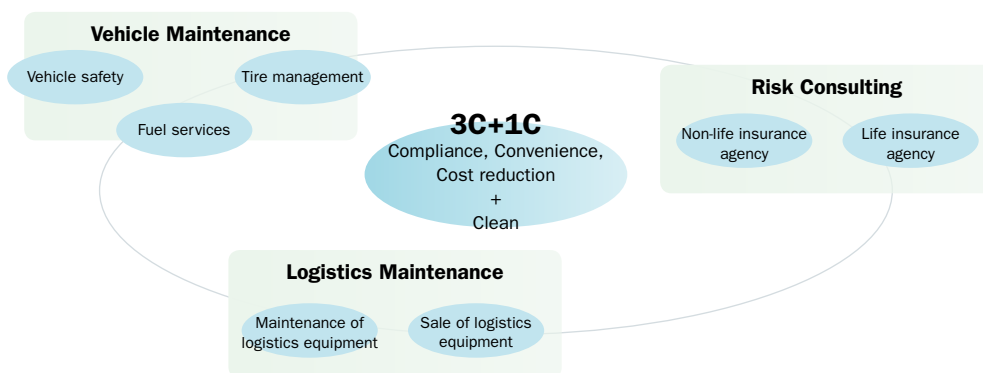
The first “C” is Compliance. Using our *Repairworks* mobile plants that enable vehicle inspections in customers’ garages, we have contributed to improving the completion rate for statutory vehicle inspections of our customers. We also promote a Manager Development Support Program for G Mark and Green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

Next, we have Convenience. Based on this concept, we support improvement in operating rates for commercial

vehicles by operating 24 hours a day, 365 days a year in order to carry out vehicle inspections when the vehicles are not in operation.

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

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



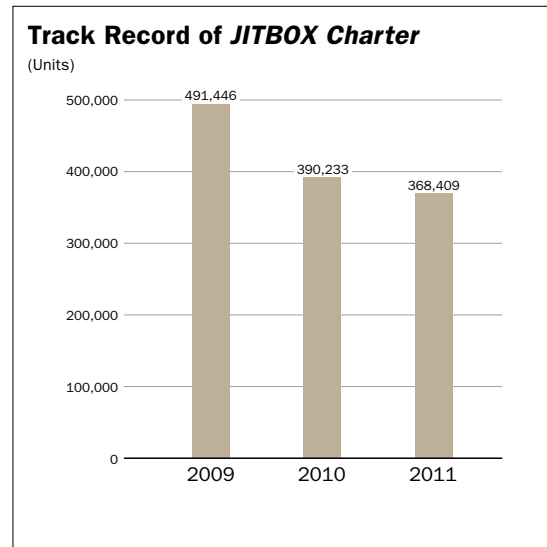
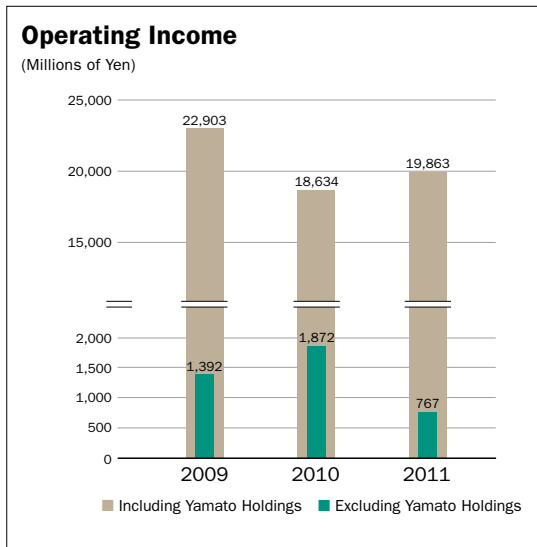
Other



JITBOX Charter

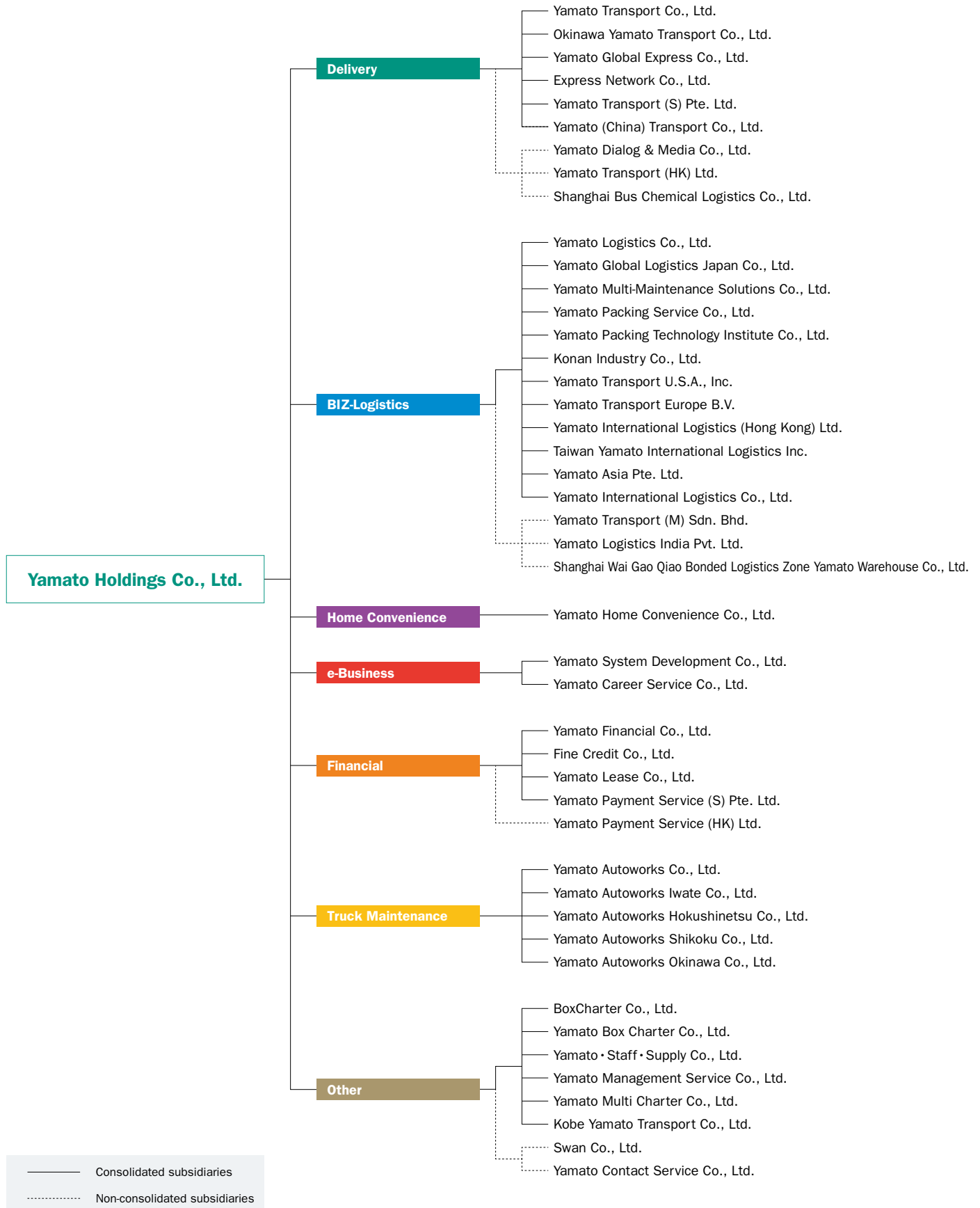
The *JITBOX Charter* service is a service that provides transportation by transport box. The service takes advantage of the Yamato Group network consisting of 16 companies to provide value to customers through delivery timed to suit the customer's needs and frequent right-volume delivery. In fiscal 2011, although there was an expansion in the transportation of large equipment such as copier machines and equipment pickup and delivery, such as for exhibitions, handling volume declined overall from the previous year.

As a result, operating income in Other, excluding other income and expenses such as dividends which Yamato Holdings received from Group companies, decreased 59.0% to ¥767 million.



Organization

As of March 31, 2011



Corporate Social Responsibility

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

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

Safety

Safety Classes for Children

The Group places a strong emphasis on respect for human life in carrying out its operations. This is reflected in a number of initiatives rolled out in the period under review.



One such initiative is the aggressive promotion of a new telematics system, *See-T Navi*, which supports safer and more environmentally friendly vehicle

operations. Another is the continuation of our program of safety classes for children. In fiscal 2011, over 1,300 classes were held nationwide.

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

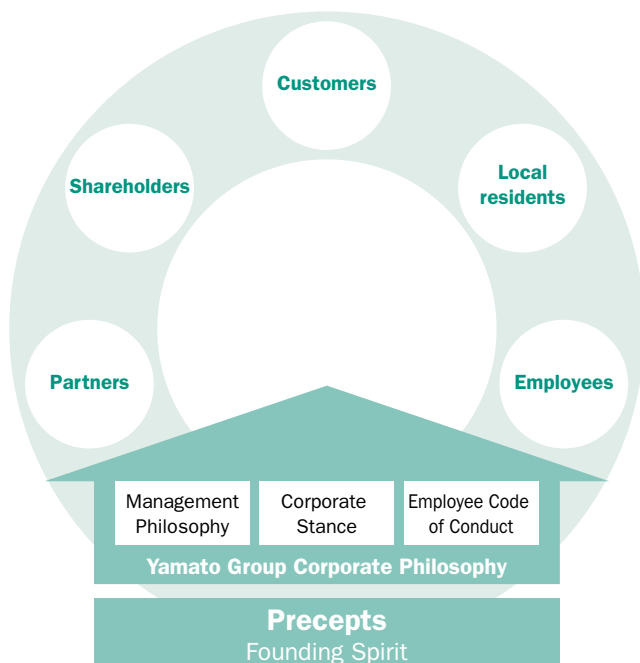
Taught entirely by Yamato Transport employees, the fun and entertaining classes employ various means to teach children about traffic safety.

Environment

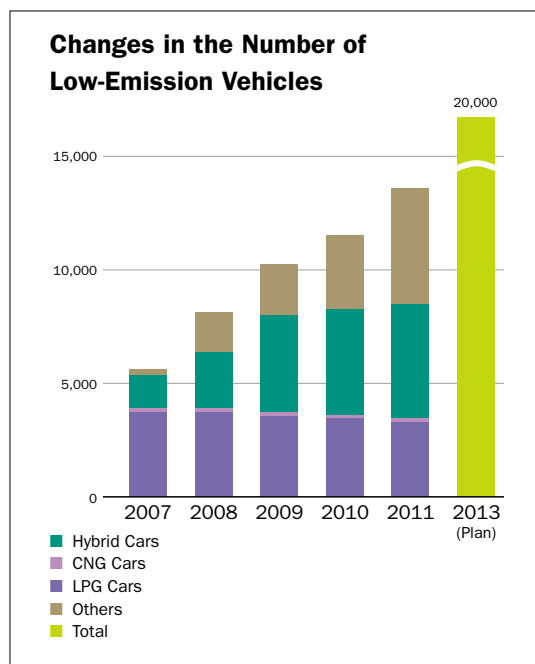
Active Deployment of Low-Emission Delivery Vehicles

The Yamato Group fully recognizes the importance of environmental conservation to the entire human race. With this in mind, the Group has set in motion a number of independent projects that promote the creation of a low-carbon society through the latest in eco-friendly technology. Fiscal 2011 was the stage for one such technology: the deployment of prototype light commercial electric vehicles for pickup and delivery operations. Elsewhere, we upgraded terminals and vehicle servicing plants to incorporate "greener" specs such as solar energy and the recycling of used motor oil. We also

Diagram of Yamato Group Corporate Philosophy



Changes in the Number of Low-Emission Vehicles



promoted the use of handcarts and electric bicycles with attached trailers for pickup and delivery. In a similar vein, we have accelerated the introduction of low-emission vehicles such as hybrids in order to reduce fuel usage in our operations. As a Group with business operations centering on the field of logistics, Yamato is striving to reach this goal through the initiatives mentioned above as part of a more robust environmental stance.

In specific terms, by fiscal 2013 Yamato Transport is aiming to have 20,000 low-emission delivery vehicles in operation in its fleet of vehicles. In fiscal 2011, we added 2,041 low-emission vehicles, including 391 hybrids, to bring the total to 13,579.

As Yamato Transport's vehicles account for 86% of the Group's total vehicle fleet, this brings the total proportion of low-emission vehicles in the Yamato Group's fleet to 30.8%.

Satellite Centers Eliminate Use of Vehicles for Parcel Delivery

The opening of more satellite centers reduces the delivery area assigned to each sales driver. This change not only enables drivers to provide more detailed services to each customer, but also helps to curb increases in the number of vehicles required to keep pace with increased parcel volume. Yamato Transport has a network of 1,013 satellite centers across Japan, located mainly in urban centers. Parcel delivery from these satellite centers is conducted primarily through the use of handcarts and bicycles with attached trailers, rather than motor vehicles.

Society

Employing People with Disabilities

We at the Yamato Group believe that everyone deserves the opportunity to enjoy the world of work and the act of independently earning a living, irrespective of any disability, physical or otherwise. For the reason, we have embarked on a number of projects to help gain the support of local communities, most notably the Swan Bakery. This bakery was founded together with the Yamato Welfare Foundation and provides employment opportunities for those with disabilities in the production and sale of bread and pastry products. We also actively employ people with disabilities as couriers for our *Kuroneko Mail* services. For both these occupations and others, we operate a support facility at

which employees learn the necessary skills and know-how for their new vocation.

Support for Great East Japan Earthquake Relief Efforts

As support activities for the Great East Japan Earthquake, we cooperated in the transport of relief supplies from all over the country to the affected areas in coordination with governmental and public organizations. We also established an organization to transport relief supplies to shelters in Iwate, Miyagi, and Fukushima Prefectures, in order to deliver relief supplies directly from supply bases within the affected areas to those in need. This organization consists of a maximum of 200 trucks as well as 500 staff, and is still in operation. We will leverage this experience to further reinforce our system and thereby provide stable transportation, even during emergencies. In addition, we resolved to make donations on an ongoing basis for the restoration of local and industrial infrastructure in the affected regions, as well as to support recovery efforts. Specifically, we will donate ¥10 per *Takkyubin* package to public organizations and funds that conduct activities for the restoration of local infrastructure and provide support for the rebuilding of the fishing and agriculture industries in the region. These donations are estimated to reach ¥13.0 billion in total over the course of a year. Going forward, we will continue to work towards the restoration of social and industrial infrastructure in the affected areas by promoting Group-wide support activities.

External Evaluation

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



Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social and environmental criteria, and are positioned to capitalize on the benefits of responsible business practices.

Corporate Governance

As of March 31, 2011

Basic Position on Corporate Governance

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

Status of Corporate Governance

The Board of Directors, Management Advisory Committee and Executive Committee serve as administrative organs involved in decision-making, supervision and execution for the Yamato Group. This management structure enables decisions to be made rapidly and precisely on important matters. The number of Board members cannot exceed 12 as stipulated in the Company's articles of incorporation. As of June 24, 2011, the Board comprised six directors, two of whom are outside directors. The term of office of directors has been set at one year in order to clarify management responsibilities for each fiscal year.

Status of Internal Audits, Audits by Auditors and Accounting Audits

The Board of Auditors is made up of one full-time auditor and three outside auditors. Auditors attend meetings of the Board of Directors and other important meetings to 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 auditors to put in place a framework that enables the auditors to smoothly carry out their functions. In addition, Group Auditors' Liaison Meetings are held periodically for the full-time auditors of the major operating companies to confer on auditing policies and procedures, exchange information and otherwise enhance collaboration. Meetings with internal auditors are also held periodically to exchange information. When audits uncover irregularities, this information is immediately shared with internal control divisions so that improvements can be made.

Internal audits are performed by a 11-member team that operates independently from any other Group organ. Together with the 113 employees who conduct internal audits for Group companies, the Yamato Group has a total of 124 internal auditors, who check whether the business and affairs of the Group as a whole are being carried out appropriately and efficiently based on the annual auditing plan. A structure is in place under which results are reported to the Board of Directors and the Board of Auditors. Also, the Group Internal Auditing Committee meets regularly for the internal auditors of the operating companies to confer on problems and proposed improvements based on auditing policies and audit results, as well as to exchange information and otherwise enhance collaboration.

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

Outside Directors and Outside Auditors

The Group has two highly independent outside directors, both of whom have no conflicts of interest with the Yamato Group. Outside directors draw on their extensive experience as managers to provide necessary advice and recommendations on management as a whole. They also provide advice regarding any internal control irregularities discovered by the accounting auditors or the Audit Division and internal issues, with the aim of improving collaboration between internal control divisions.

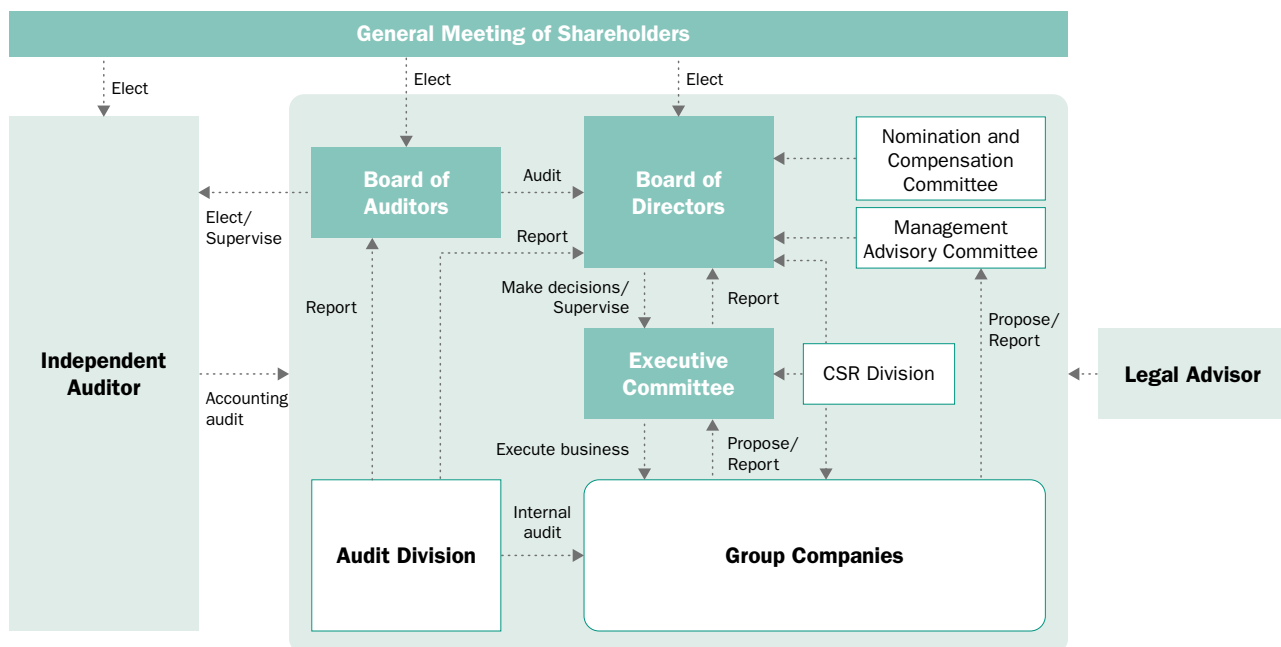
Similarly, the Group's three outside auditors are highly independent, and have no conflicts of interest with the Yamato Group. Each leverages his or her own individual experience in the accounting field—one through a career as a university professor, another as the financial officer at a different company, and one through work as a certified public

accountant. The outside auditors thus have ample knowledge and insight with respect to finance and accounting.

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

To enable checks on management from an objective standpoint, two of the Group's six directors are currently outside directors. This configuration allows the outside directors to adequately fulfill their appointed function. Furthermore, to enhance oversight functions pertaining to the Company's business execution, three of the four auditors are outside auditors. This configuration, too, enables the outside auditors to adequately fulfill their appointed function.

Corporate Governance Framework



Directors and Auditors

As of June 28, 2011

Directors



Kaoru Seto
Representative Director and
Chairman



Makoto Kigawa
Representative Director,
President and Executive Officer



Haruo Kanda
Representative Director and
Managing Executive Officer



Masaki Yamauchi
Director and Executive Officer
(Representative Director, President and
Executive Officer of Yamato Transport Co., Ltd.)

Outside Directors



Masayoshi Sato



Toshitaka Hagiwara

Auditors



Hiroshi Kawada



Keiko Kitamura



Koji Okawa



Motoharu Yokose

Executive Officers



Kenji Minaki

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



Kenichi Shibasaki

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



Toshizo Kurisu

(Financing and Accounting, Investor Relations, CSR, Overseas Business Strategy)



Hitoshi Kanamori

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



Atsushi Ichino

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



Hidenori Osano

(Planning, Marketing and Administration, IT Planning, Solution Laboratory)

Advisor



Keiji Aritomi

Analysis of Financial Position and Management Results



Toshizo Kurisu
 (Executive Officer, responsible for Financing and Accounting, Investor Relations, CSR, Overseas Business Strategy)

The Current State and Future Direction of the Yamato Group's Finance Strategy

The management philosophy of the Yamato Group is to help “enrich our society by enhancing the social infrastructure of *Takkyubin* networks, creating more convenient services for comfortable lifestyles and developing an innovative logistics system.” Guided by this philosophy, the Group has actively worked to create unique services that cannot be duplicated by others by organically combining information technology (IT), logistics technology (LT) and financial technology (FT).

In January 2011, we formulated and announced a long-term management plan, DAN-TOTSU Management Plan 2019, whose final year is fiscal 2020, the 100th anniversary of our founding, and a medium-term management plan for the first three years of this period, DAN-TOTSU Three-Year Plan HOP.

The goal is to establish DAN-TOTSU (unassailable) positions in solution capability, delivery quality and customer satisfaction as a leading provider of distribution and lifestyle support solution services in Asia.

Details of performance and numerical targets are presented in “To Our Shareholders” and “Overview of Operations.” This section focuses on evaluation/review of numerical targets, mainly financial targets, in our previous three-year plan, Create

Satisfaction Three-Year Plan, and our finance strategy in “DAN-TOTSU Three-Year Plan HOP.”

Attainment of Numerical Targets in Create Satisfaction Three-Year Plan and Evaluation

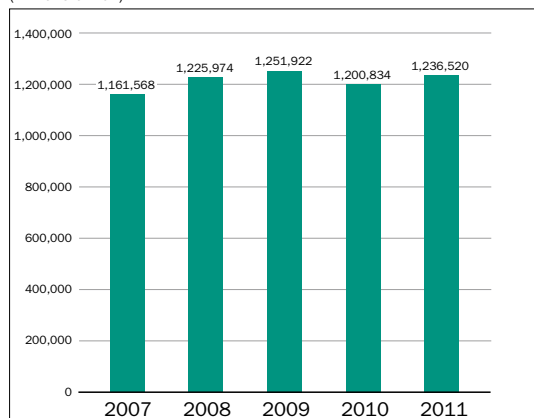
Under the Create Satisfaction Three-Year Plan, the Yamato Group targeted ¥1,450,000 million in operating revenues, operating income of ¥100,000 million, an operating margin of 6.9%, and ROE of 10.0%. The two guiding policies of the plan were to create solution businesses that deliver more convenience to customers, and to expand the Group's business territory to cover the Asian region. From this stance, we developed the *Today Shopping Service*, *Multi-Maintenance Solution* and other new services as we promoted new businesses for properly responding to our customers' increasingly sophisticated needs.

At present, there are signs of economic recovery, especially in Asia, and growth in the mail-order market. However, because of the effects of rapid economic deterioration triggered by the global financial crisis of September 2008, performance in the fiscal year ended March 31, 2011, the final year of the Create Satisfaction Three-Year Plan, was limited to operating revenues of ¥1,236,520 million, operating income of ¥64,314 million, an operating margin of 5.2%, and ROE of 6.5%, unfortunately falling short of all numerical targets.

In addition to falling short of our operating income target, the financial markets remained uncertain and we held back on investments needed for future growth, including the *Haneda Chronogate* logistics terminal. Consequently, we took steps to secure cash in order to increase liquidity at hand. As a result, the shareholders' equity ratio was 57.3% and ROE was 6.5% in fiscal 2011.

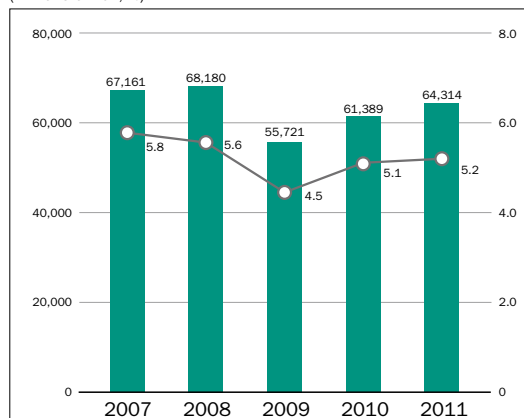
Operating Revenues

(Millions of Yen)



Operating Income/Operating Margin

(Millions of Yen, %)



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

As presented starting on page 40, despite the poor economic conditions, the Yamato Group has secured around ¥100.0 billion on an EBITDA basis. The shareholders' equity ratio is around 50%, and both cash flow generation capabilities and financial soundness are at high levels compared to competitors.

From my perspective as executive officer responsible for finance, I recognize that a major issue in addition to steady execution of the business plan is to undertake flexible capital policies that take advantage of this solid financial base, establish further financial dominance and tie this into expansion of corporate value.

The major theme of DAN-TOTSU Three-Year Plan HOP, announced in January 2011, is steady implementation of the business plan as well as expansion of corporate value through the execution of a flexible finance strategy and meeting the expectations of customers, society, employees, shareholders and all stakeholders.

Implementation of Capital Policies

In February 2011, we passed a resolution for issuance of corporate bonds with new share warrants attached for the purpose of share buybacks as part of our flexible finance strategy.

Proceeds of approximately ¥20.0 billion from the issuance of corporate bonds with new share warrants are set to be allocated in their entirety to share buybacks by the end of February 2012 for the purpose of enhancing capital efficiency. With regard to share buybacks, we passed a resolution at the same time as the resolution for issuing corporate bonds with new share warrants that sets an upper limit on total purchases of ¥30.0 billion and a buyback period of one year. (*)

* Share buybacks based on the resolution have ended as of April 27, 2011.

Aim of Issuance of Corporate Bonds with New Share Warrants and Share Buybacks

The Yamato Group concluded that share buybacks utilizing debt-like funds in addition to some of its own funds, while remaining aware of the need to contain capital cost increases, was the most effective scheme for a finance strategy aimed at expanding corporate value, and the optimal method of fund procurement.

We selected this scheme for share buybacks because we believed that buying back shares using low-cost corporate bonds with new share warrants attached and enhanced debt characteristics would enable capital efficiency, such as ROE and EPS, to be improved.

These corporate bonds with new share warrants are designed with the following characteristics.

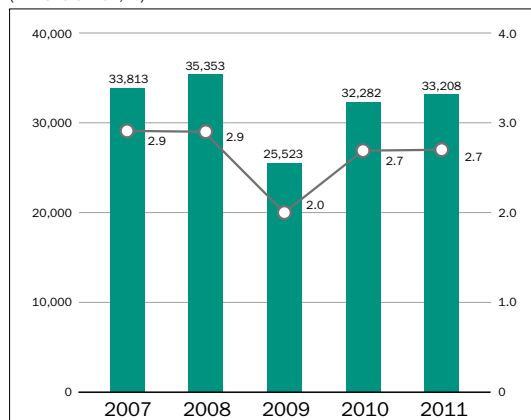
- (1) Since they are issued with a zero coupon, this enables a flexible finance strategy to be realized at low cost.
- (2) In order to enhance the debt characteristics of these bonds, and out of consideration for existing shareholders, the possibility of conversion into shares has been reduced as much as possible by attaching a 120% conversion limit provision and the right of investors to demand repayments three years from now on March 7, 2014.

The conversion limit provision refers to a provision that prohibits investors from exercising the new share warrants unless the share price exceeds the conversion price for a certain period of time.

Specifically, only when the closing price of Yamato Holdings' common shares exceeds 120% of the conversion price for any 20 days out of the final 30 consecutive trading days of any

Net Income/Return on Revenues

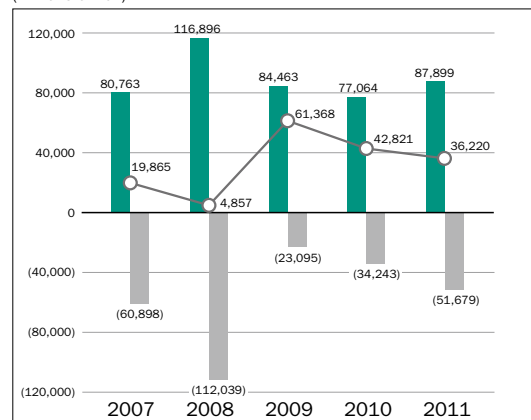
(Millions of Yen, %)



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

Operating and Investing Cash Flows/Free Cash Flows

(Millions of Yen)



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

quarter will investors, in principle, be able to exercise new share warrants in the following quarter. However, new share warrants can be exercised at any time from the day three months prior to maturity onward.

To date, the Yamato Group has bought back about ¥10.0 billion in shares continuously every year for five years from the fiscal year ended March 31, 2003 to the fiscal year ended March 31, 2007, for a total of about ¥50.0 billion over five years (about 28 million shares). Of this, approximately 12.0 million shares were retired in the fiscal year ended March 31, 2006, and approximately 3 million shares were used for M&A in the fiscal years ended March 31, 2007 and March 31, 2008.

The number of shares bought back in the latest buybacks based on the above-mentioned resolution that ended on April 27, 2011 was approximately 23.6 million shares, with a purchase price of approximately ¥30.0 billion, the largest share buyback in our history.

Towards Enhancement of Financial Quality

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

I believe that my role is to take steady steps towards enhancement of financial quality, aiming to generate sustained medium- to long-term growth and maximize corporate value while balancing growth potential, financial soundness and operating efficiency. To that end, we have declared ROE to be an important benchmark to keep in mind in order to achieve both ample capital accumulation and utilization of business assets.

The goal in our long-term management plan announced in January 2011, DAN-TOTSU Management Plan 2019, the final year of which is the 100th anniversary of our founding in fiscal 2020, is to establish DAN-TOTSU (unassailable) positions in solution capability, delivery quality, and customer satisfaction as a leading provider of distribution and lifestyle support solution services in Asia. However, the environment surrounding the Yamato Group is now facing a major turning point.

This is because in executing growth strategies toward the position we are shooting for, we will have to win out in competition not only with domestic companies but also with companies backed by national governments in emerging markets, led by China, and if we are unable to corral such growth, the Yamato Group cannot hope for medium- to long-term growth.

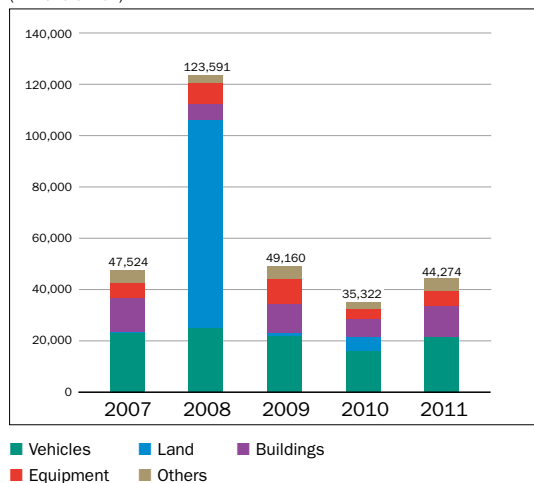
Looking ahead, we will continue to enact medium- and long-term strategies that look five and ten years down the road, respectively. Based on these strategies we will conduct necessary investments that will be increasingly vital going forward, including well-timed M&A, being sure not to overlook the crucial openings for future growth.

Therefore, a certain level of funds on hand will be needed, so there could be cases where measures are taken to raise funds flexibly.

On the other hand, we are also flexibly considering share buybacks in order to maintain funds on hand at appropriate levels, depending on the progress of profit growth and investment plans. While maintaining a shareholders' equity ratio of about 50%, we will improve the quality of our finances and pursue capital efficiency towards attainment of our ROE target of 8.5% for the fiscal year ending March 31, 2014.

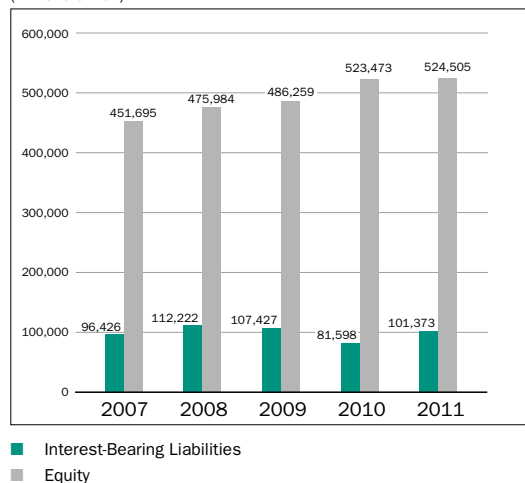
Capital Expenditure

(Millions of Yen)



Interest-Bearing Liabilities/Equity

(Millions of Yen)



As for our dividend policy, our intention to maintain a consolidated dividend payout ratio of 30% is unchanged, with a basic policy of increasing dividends per share in line with profit growth.

Management of Funds

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

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

Credit Ratings

As of March 2011, Yamato Holdings has received the following credit rating from Rating & Investment Information, Inc. (R&I).

R&I AA-

The Yamato Group will strive to minimize risk of loss of performance to secure target profits, maintaining awareness of capital costs, while at the same time maintaining and improving credit ratings in order to facilitate smooth capital procurement.

Risk Management

Over 60% of the consolidated operating revenues of the Yamato Group are accounted for by the *Takkyubin* business.

It follows therefore that, domestic economic trends aside, the largest risk facing the Group is the disruption or damage to the foundation and infrastructure needed to operate *Takkyubin* services. Such potential disruptions include delays or stoppages in the supply of electricity and fuel, the physical damage caused by natural disasters such as the recent Great East Japan

Earthquake, as well as the effect of acts of terrorism, war or other international conflict, and the spread of infectious disease such as new strains of influenza. Interruption of *Takkyubin* operations or the inability to continue making deliveries as normal has the potential to severely impact the results of the Yamato Group.

A second area of risk concerns the corporate image of the Group. The Group has spent many years in the passionate pursuit of greater convenience for our customers through high-quality services. As a result we have won the trust of customers and society as a whole, and gained a position of dominance over our rivals.

However, an incident such as damage to or loss of packages entrusted to *Takkyubin* or *Kuroneko Mail*, or a similar major flaw in services or products could lead to a loss of this trust in the Group and thereby impact the Group's results.

In order to continue fulfilling its mission as an essential element of the social infrastructure under any and all circumstances, the Yamato Group has put in place a number of measures aimed at reducing risks associated with disruptions to normal operation of *Takkyubin* services. These measures include policies for engineering a modal shift in pickup and delivery services to reduce fuel usage through the introduction of low-emission vehicles and the use of handcarts. We are also making concerted efforts to reduce the amount of electricity we consume in our operations. In addition, we have set up backup systems for managing information in Tokyo and Osaka.

At the same time, we are making ongoing improvements to quality control to reduce as much as possible the likelihood of major flaws in services or products such as damage to or loss of packages entrusted to us. To this end, we have established a multi-layered approach for reviewing and managing data on quality levels from each of our *Takkyubin* centers.

Toward Enhancement of Shareholder Value

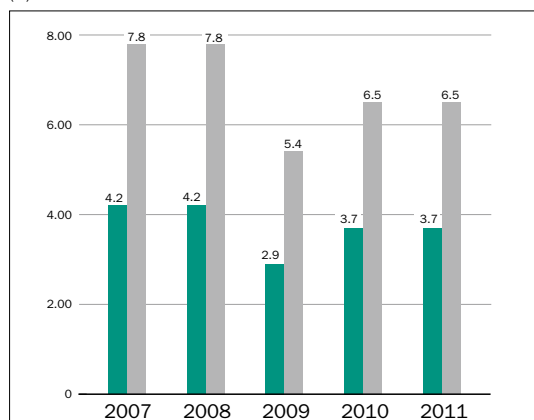
In our medium-term management plan DAN-TOTSU Three-Year Plan HOP, which started in the fiscal year ending March 31, 2012, we intend to heighten the product characteristics of *Takkyubin*, our main product, by strengthening our network and creating new added value, aiming for further enhancement of profit margins in the Delivery Business and the securing of funds for Group growth.

We will also utilize our *Haneda Chronogate* logistics terminal to the fullest to create an innovative logistics network that manages domestic and overseas operations as one, providing high-value-added services to our customers.

Through steady implementation of the above-mentioned business plan, as well as execution of a flexible finance strategy, we will expand corporate value to meet the expectations of customers, society, employees, shareholders and all stakeholders.

ROA/ROE

(%)



■ ROA
■ ROE

Consolidated Balance Sheets

March 31, 2011 and 2010

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
CURRENT ASSETS:			
Cash and cash equivalents (Notes 2.d and 13)	¥ 209,178	¥ 189,658	\$ 2,515,668
Notes and accounts receivable (Note 13):			
Trade	142,096	145,895	1,708,908
Installment (Note 3)	41,151	52,945	494,908
Lease (Note 12)	17,506	17,363	210,536
Allowance for doubtful accounts	(3,487)	(4,692)	(41,932)
Inventories (Note 4)	2,713	2,511	32,625
Deferred tax assets (Note 11)	18,185	18,710	218,696
Prepaid expenses and other current assets	22,913	20,810	275,565
Total current assets	450,255	443,200	5,414,974
PROPERTY, PLANT AND EQUIPMENT—At cost:			
Land (Note 6)	182,421	181,480	2,193,874
Buildings and structures (Note 6)	271,232	263,633	3,261,960
Vehicles	179,979	178,961	2,164,505
Leased assets (Note 12)	24,826	16,840	298,574
Machinery and equipment	107,233	101,996	1,289,630
Construction in progress	13,796	4,009	165,921
Others	3,989	2,907	47,980
Total	783,476	749,826	9,422,444
Accumulated depreciation	(415,321)	(394,634)	(4,994,837)
Net property, plant and equipment	368,155	355,192	4,427,607
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 13)	18,910	21,398	227,417
Investments in and advances to non-consolidated subsidiaries and affiliates, net of valuation allowance of ¥315 million (\$3,788 thousand) in 2011 and ¥406 million in 2010	4,102	5,262	49,335
Long-term loans	1,089	1,515	13,091
Goodwill	779		9,373
Lease deposits	21,705	22,800	261,033
Deferred tax assets (Note 11)	17,276	15,152	207,767
Other assets	17,092	14,122	205,558
Total investments and other assets	80,953	80,249	973,574
TOTAL	¥ 899,363	¥ 878,641	\$10,816,155

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 13)	¥ 8,631	¥ 18,847	\$ 103,798
Current portion of long-term debt (Notes 7, 13 and 14)	18,305	16,543	220,145
Notes and accounts payable (Note 13):			
Trade	113,699	113,889	1,367,393
Construction	17,694	23,301	212,794
Income taxes payable	20,447	18,694	245,905
Employees' savings deposits	3,934	3,639	47,310
Accrued expenses	56,753	55,752	682,540
Deferred profit on installment sales (Notes 3 and 13)	6,363	8,645	76,527
Other current liabilities	18,507	18,000	222,573
Total current liabilities	264,333	277,310	3,178,985
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 13 and 14)	74,438	46,208	895,225
Long-term accounts payable	90	27	1,088
Liability for employees' retirement benefits (Note 8)	28,471	27,862	342,401
Retirement allowances for directors and corporate auditors	8	8	96
Deferred tax liabilities (Note 11)	785	905	9,438
Other long-term liabilities	6,733	2,848	80,978
Total long-term liabilities	110,525	77,858	1,329,226
COMMITMENTS LIABILITIES (Note 12)			
EQUITY (Notes 10 and 18):			
Common stock—authorized, 1,787,541,000 shares in 2011 and 2010; issued, 468,052,892 shares in 2011 and 2010	127,235	127,235	1,530,184
Capital surplus	121,315	121,315	1,458,985
Retained earnings	311,569	288,408	3,747,075
Treasury stock—at cost, 28,716,928 shares in 2011 and 14,282,503 shares in 2010	(44,631)	(26,506)	(536,746)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	1,501	3,197	18,057
Foreign currency translation adjustments	(1,387)	(739)	(16,680)
Total	515,602	512,910	6,200,875
Minority interests	8,903	10,563	107,069
Total equity	524,505	523,473	6,307,944
TOTAL	¥899,363	¥878,641	\$10,816,155

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
INCOME BEFORE MINORITY INTERESTS	¥33,345	\$401,027
OTHER COMPREHENSIVE INCOME (Note 15):		
Unrealized loss on available-for-sale securities	(1,757)	(21,134)
Foreign currency translation adjustments	(768)	(9,240)
Total other comprehensive income	(2,525)	(30,374)
COMPREHENSIVE INCOME	¥30,820	\$370,653
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥30,868	\$371,234
Minority interests	(48)	(581)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended March 31, 2011 and 2010

	Thousands		Millions of Yen							
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated other comprehensive income		Total	Minority Interests	Total Equity
						Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments			
BALANCE, APRIL 1, 2009	443,088	¥120,729	¥114,814	¥266,035	¥(26,438)	¥ 1,552	¥ (877)	¥475,815	¥10,444	¥486,259
Net income				32,282				32,282		32,282
Cash dividends, ¥22 per share				(9,865)				(9,865)		(9,865)
Adjustment of retained earnings for changes in the scope of consolidation				(44)				(44)		(44)
Purchase of treasury stock	(62)				(81)			(81)		(81)
Disposal of treasury stock	7		(5)		13			8		8
Shares issued on conversion of convertible debt	10,737	6,506	6,506					13,012		13,012
Net change in the year						1,645	138	1,783	119	1,902
BALANCE, MARCH 31, 2010	453,770	127,235	121,315	288,408	(26,506)	3,197	(739)	512,910	10,563	523,473
Net income				33,208				33,208		33,208
Cash dividends, ¥22 per share				(9,983)				(9,983)		(9,983)
Adjustment of retained earnings for changes in the scope of consolidation				(64)				(64)		(64)
Purchase of treasury stock	(14,435)				(18,127)			(18,127)		(18,127)
Disposal of treasury stock	1				2			2		2
Net change in the year						(1,696)	(648)	(2,344)	(1,660)	(4,004)
BALANCE, MARCH 31, 2011	439,336	¥127,235	¥121,315	¥311,569	¥(44,631)	¥ 1,501	¥(1,387)	¥515,602	¥ 8,903	¥524,505

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated other comprehensive income		Total	Minority Interests	Total Equity	
					Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments				
BALANCE, MARCH 31, 2010	\$1,530,184	\$1,458,994	\$3,468,530	\$(318,771)	\$ 38,445	\$ (8,885)	\$6,168,497	\$127,035	\$6,295,532	
Net income			399,371				399,371		399,371	
Cash dividends, \$0.26 per share			(120,059)				(120,059)		(120,059)	
Adjustment of retained earnings for changes in the scope of consolidation			(767)				(767)		(767)	
Purchase of treasury stock				(218,000)			(218,000)		(218,000)	
Disposal of treasury stock		(9)		25			16		16	
Net change in the year					(20,388)	(7,795)	(28,183)	(19,966)	(48,149)	
BALANCE, MARCH 31, 2011	\$1,530,184	\$1,458,985	\$3,747,075	\$(536,746)	\$ 18,057	\$(16,680)	\$6,200,875	\$107,069	\$6,307,944	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 61,836	¥ 60,434	\$ 743,668
Adjustments for:			
Income taxes—paid	(27,631)	(27,749)	(332,300)
Depreciation and amortization	39,586	39,883	476,077
Loss on disposal of property, plant and equipment	190	576	2,285
Loss on impairment of long-lived assets		1,794	
Loss on adjustment for adoption of accounting for asset retirement obligations	1,642		19,748
Gain on sales of marketable and investment securities—net	(45)	(28)	(542)
Loss on valuation of investment securities	85	265	1,026
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease in notes and accounts receivable	12,974	2,337	156,028
Increase in inventories	(828)	(122)	(9,957)
Increase (decrease) in notes and accounts payable	737	(3,764)	8,864
Increase (decrease) in liability for employees' retirement benefits	609	(535)	7,323
Other—net	(1,256)	3,973	(15,103)
Total adjustments	26,063	16,630	313,449
Net cash provided by operating activities	87,899	77,064	1,057,117
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	493	360	5,935
Purchases of property, plant and equipment	(42,914)	(32,387)	(516,101)
Proceeds from sales of marketable and investment securities	1	61	17
Purchases of marketable and investment securities	(10)	(10)	(126)
Increase in investments in and advances to non-consolidated subsidiaries and affiliates	(1,982)	(4,590)	(23,840)
Cash collected from long-term loans	1,109	1,289	13,342
Cash advanced for long-term loans	(682)	(799)	(8,205)
Other	(7,694)	1,833	(92,536)
Net cash used in investing activities	(51,679)	(34,243)	(621,514)
FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	65,033	91,540	782,120
Repayments of short-term loans	(81,849)	(91,827)	(984,351)
Proceeds from long-term debt	36,884		443,590
Repayments of long-term debt	(13,008)	(18,799)	(156,440)
Dividends paid	(10,112)	(9,976)	(121,616)
Purchase of treasury stock—net	(18,131)	(73)	(218,055)
Other	1,030	1,011	12,387
Net cash used in financing activities	(20,153)	(28,124)	(242,365)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	(467)	106	(5,624)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,600	14,803	187,614
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	3,854	63	46,347
CASH AND CASH EQUIVALENTS DECREASED BY EXCLUSION OF CONSOLIDATED SUBSIDIARY	(13)	(17)	(158)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	189,351	174,502	2,277,225
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.d)	¥208,792	¥189,351	\$2,511,028

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheets and the consolidated statements of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 15. In addition, “income before minority interests” is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 consolidated financial statements to conform to the classifications and presentations used in 2011.

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 ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011. 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, 2011 include the accounts of the Company and its 36 significant (34 in 2010) 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 non-consolidated subsidiaries, whose combined assets, net sales, net income and retained earnings in the aggregate are not significant to the consolidated financial statements, have not been consolidated with the Company.

There were no affiliates accounted for by the equity method in 2011 or 2010.

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

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

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

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however,

the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income.

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

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

d. Cash Equivalents—Cash equivalents in the consolidated statements 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 statements of cash flows include time deposits, certificate of deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash and cash equivalents presented in the consolidated balance sheets	¥209,178	¥189,658	\$2,515,668
Time deposits due beyond three months	(105)		(1,257)
Bank overdraft	(281)	(307)	(3,383)
Cash and cash equivalents presented in the consolidated statements of cash flows	¥208,792	¥189,351	\$2,511,028

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

f. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group had no trading securities at March 31, 2011 and 2010.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The effect of this change was to increase operating costs and expenses by ¥251 million (\$3,024 thousand) and to decrease operating income by the same amount, and was to increase other expenses by ¥1,642 million (\$19,748 thousand) and to decrease income before income taxes and minority interests by ¥1,893 million (\$22,772 thousand).

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

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

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

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

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

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

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

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

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

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

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

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

t. New Accounting Pronouncements

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

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

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

3. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.4% and 0.6% of operating revenues in 2011 and 2010, respectively.

Annual maturities of notes and accounts receivable—installment at March 31, 2011 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
2012	¥23,731	¥3,156	\$285,401	\$37,954
2013	10,098	1,772	121,444	21,310
2014	4,493	842	54,030	10,125
2015	1,856	373	22,327	4,492
2016	731	155	8,797	1,869
2017 and thereafter	242	65	2,909	777
Total	¥41,151	¥6,363	\$494,908	\$76,527

4. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Merchandise	¥ 804	¥ 889	\$ 9,669
Work in process	173	778	2,083
Raw materials and supplies	1,736	844	20,873
Total	¥2,713	¥2,511	\$32,625

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Non-current:			
Marketable equity securities	¥17,060	¥19,536	\$205,176
Non-marketable equity securities	1,736	1,748	20,878
Other	114	114	1,363
Total	¥18,910	¥21,398	\$227,417

Information regarding each category of the securities classified as available-for-sale at March 31, 2011 and 2010 was as follows:

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

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

	Thousands of U.S. Dollars			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	\$177,988	\$34,662	\$7,474	\$205,176

The information for available-for-sale securities which were sold during the year ended March 31, 2011 and 2010 was as follows:

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

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2010			
Available-for-sale:			
Equity securities	¥52	¥39	¥11
Other	21		
Total	¥73	¥39	¥11

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
March 31, 2011			
Available-for-sale:			
Equity securities	\$16	\$6	\$-
Other	1		
Total	\$17	\$6	\$-

The impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥85 million (\$1,026 thousand) and ¥265 million, respectively.

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment for the year ended March 31, 2010. As a result, the Group recognized an impairment loss of ¥1,794 million as other expense for the asset groups of the Sapporo Regional Branch of Yamato Transport Co., Ltd. and another nine regional branches for the year ended March 31, 2010, due to continuous operating losses of those units. The carrying amounts of the relevant asset groups were written down to the recoverable amounts. In the case where net selling prices were used as recoverable amounts, relevant buildings were evaluated based on assessed value of fixed assets, and relevant land was evaluated based on posted land prices. In the case where the recoverable amounts were measured at their value in use, the discount rate used for computation of present value of future cash flows was 7.69%. No impairment losses were recognized for the year ended March 31, 2011.

7. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2011 and 2010 consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2011 and 2010 were approximately 0.792% and 0.464%, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
0.200% to 2.000% loans from a Japanese banks due 2011 to 2015	¥ 56,139		\$ 675,153
0.650% to 2.000% loans from a Japanese banks due 2010 to 2014		¥ 47,147	
Lease obligations	16,604	10,604	199,688
Unsecured 1.59% bonds due in November 2010		5,000	
Zero coupon convertible bonds due in March 2016	20,000		240,529
Total	92,743	62,751	1,115,370
Less current portion	(18,305)	(16,543)	(220,145)
Total	¥ 74,438	¥ 46,208	\$ 895,225

Annual maturities of long-term debt at March 31, 2011 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥18,305	\$ 220,145
2013	16,664	200,406
2014	17,707	212,952
2015	19,529	234,867
2016	20,505	246,603
2017 and thereafter	33	397
Total	¥92,743	\$1,115,370

The conversion price of the convertible bonds due in March 2016 was ¥1,850 per share at March 31, 2011. If all the outstanding convertible bonds had been exercised at March 31, 2011, 10,811 thousand shares of common stock would have been issued.

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

8. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees.

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

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ 90,394	¥ 86,631	\$1,087,125
Fair value of plan assets	(57,873)	(56,453)	(696,008)
Unrecognized actuarial loss	(4,379)	(2,568)	(52,670)
Prepaid pension cost	329	252	3,954
Net liability	¥ 28,471	¥ 27,862	\$ 342,401

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 5,257	¥ 4,862	\$ 63,220
Interest cost	1,728	1,641	20,789
Recognized actuarial gain	(1,268)	(1,943)	(15,252)
Amortization of prior service cost	556		6,686
Net periodic benefit costs	¥ 6,273	¥ 4,560	\$ 75,443

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%	0.0%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss	5 years	5 years

9. ASSET RETIREMENT OBLIGATIONS

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

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Balance, April 1, 2010	¥3,649	\$43,883
Additional provisions associated with the acquisition of property, plant and equipment	98	1,179
Reconciliation associated with passage of time	77	930
Reduction associated with settlement of asset retirement obligations	(1)	(17)
Others	8	96
Balance, March 31, 2011	¥3,831	\$46,071

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 Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

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

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

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

c. Treasury Stock

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

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 approximately 40% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Current:			
Accrued expenses	¥ 11,875	¥ 11,651	\$ 142,812
Enterprise tax	1,903	1,755	22,889
Allowance for doubtful accounts	766	1,277	9,213
Legal welfare expense	1,773	1,689	21,318
Other	2,285	2,499	27,486
Deferred tax assets—current	¥ 18,602	¥ 18,871	\$ 223,718
Non-current:			
Liability for employees' retirement benefits	¥ 11,285	¥ 11,059	\$ 135,715
Investment securities	1,585	1,534	19,069
Investment in and advances to non-consolidated subsidiaries and affiliates	44	44	524
Loss on devaluation of land	27,181	27,181	326,891
Loss on impairment of long-lived assets	4,102	4,118	49,329
Loss on devaluation of telephone subscription rights	615	615	7,397
Unrealized profit	1,415	1,053	17,022
Other	8,500	6,267	102,224
Less valuation allowance	(35,390)	(35,344)	(425,614)
Deferred tax assets—non-current	¥ 19,337	¥ 16,527	\$ 232,557
Deferred tax liabilities:			
Current—other	¥ 417	¥ 161	\$ 5,022
Deferred tax liabilities—current	¥ 417	¥ 161	\$ 5,022
Non-current:			
Unrealized gain on available-for-sale securities	¥ 741	¥ 1,544	\$ 8,915
Other	2,105	736	25,313
Deferred tax liabilities—non-current	¥ 2,846	¥ 2,280	\$ 34,228
Deferred tax assets—net	¥ 34,676	¥ 32,957	\$ 417,025

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Normal effective statutory tax rate	40.0%	40.0%
Per capita levy of local taxes	4.4	4.5
Valuation allowance	0.7	1.1
Other—net	1.0	0.9
Actual effective tax rate	46.1%	46.5%

12. LEASES

(1) Lessee

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

Future rental income payable under non-cancelable operating leases at March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 469	¥ 79	\$ 5,639
Due after one year	908	130	10,917
Total	¥1,377	¥209	\$16,556

(2) Lessor

The net investments in lease as of March 31, 2011 and 2010 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Gross lease receivables	¥18,925	¥18,886	\$227,600
Unguaranteed residual values	1,329	1,566	15,981
Unearned interest income	(2,748)	(3,089)	(33,045)
Investments in lease, current	¥17,506	¥17,363	\$210,536

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, 2011 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 7,156	\$ 86,060
2013	5,439	65,416
2014	3,441	41,380
2015	2,116	25,452
2016	763	9,170
2017 and thereafter	10	122
Total	¥18,925	\$227,600

The minimum rental commitments under non-cancelable operating leases at March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 469	¥219	\$ 5,641
Due after one year	1,261	727	15,167
Total	¥1,730	¥946	\$20,808

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 customer's credit risk by monitoring collections and accrued receivable at due dates.

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

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

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

Account payable and bank loans exposed to liquidity risks are managed by each company of the Group, through 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, 2011 and 2010 were as follows:

March 31, 2011	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥209,178	¥209,178	
Trade notes and accounts receivable	142,096		
Allowance for doubtful accounts	(142)		
	141,954	142,577	¥ 623
Installment sales receivable	41,151		
Allowance for doubtful accounts	(2,725)		
Deferred profit on installment sales	(6,363)		
	32,063	37,958	5,895
Investment securities	17,060	17,060	
Notes and accounts payable	113,699	113,699	
Short-term loans	21,639	21,719	80
Long-term loans	43,131	43,454	323
Derivatives			
March 31, 2010			
Cash and cash equivalents	¥189,658	¥189,658	
Trade notes and accounts receivable	145,895		
Allowance for doubtful accounts	(153)		
	145,742	146,200	¥ 458
Installment sales receivable	52,945		
Allowance for doubtful accounts	(4,013)		
Deferred profit on installment sales	(8,645)		
	40,287	48,050	7,763
Investment securities	19,536	19,536	
Notes and accounts payable	113,889	113,889	
Short-term loans	26,855	26,880	25
Long-term loans	39,139	39,300	161
Derivatives			

March 31, 2011	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	\$2,515,668	\$2,515,668	
Trade notes and accounts receivable	1,708,908		
Allowance for doubtful accounts	(1,708)		
	1,707,200	1,714,702	\$ 7,502
Installment sales receivable	494,908		
Allowance for doubtful accounts	(32,778)		
Deferred profit on installment sales	(76,527)		
	385,603	456,503	70,900
Investment securities	205,176	205,176	
Notes and accounts payable	1,367,393	1,367,393	
Short-term loans	260,238	261,197	959
Long-term loans	518,713	522,599	3,886
Derivatives			

Cash and cash equivalents

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

Trade notes and accounts receivable

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

Installment sales receivable

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

Marketable and investment securities

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

Notes and accounts payable

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

Short-term loans and long-term loans

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

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

Derivatives

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Investments in equity instruments that do not have a quoted market price in an active market	¥5,849	¥7,000	\$70,347

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

March 31, 2011	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥209,178		
Trade notes and accounts receivable	136,018	¥ 6,004	¥ 74
Installment sales receivable	23,429	17,480	242
Total	¥368,625	¥23,484	¥316

March 31, 2010	Millions of Yen		
Cash and cash equivalents	¥189,658		
Trade notes and accounts receivable	140,194	¥ 5,592	¥109
Installment sales receivable	30,406	22,224	315
Total	¥360,258	¥27,816	¥424

March 31, 2011	Thousands of U.S. Dollars		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	\$2,515,668		
Trade notes and accounts receivable	1,635,814	\$ 72,203	\$ 891
Installment sales receivable	281,767	210,230	2,911
Total	\$4,433,249	\$282,433	\$3,802

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

14. DERIVATIVES

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

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

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2011				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥47,848	¥40,524	*
March 31, 2010				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥40,172	¥32,848	*
		Thousands of U.S. Dollars		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2011				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	\$575,442	\$487,360	*

*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 year ended March 31, 2011 was the following:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥(2,498)	\$(30,041)
Reclassification adjustments to profit or loss	86	1,027
Amount before income tax effect	(2,412)	(29,014)
Income tax effect	655	7,880
Total	¥(1,757)	\$(21,134)
Foreign currency translation adjustments		
Adjustments arising during the year	¥ (768)	\$ (9,240)
Total other comprehensive income	¥(2,525)	\$(30,374)

Total comprehensive income for the year ended March 31, 2010 was the following:

	Millions of Yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥34,047
Minority interests	199
Total comprehensive income	¥34,246

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen 2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥1,787
Foreign currency translation adjustments	120
Total other comprehensive income	¥1,907

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2011	Net Income	Weighted- average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥33,208	452,306	¥73.42	\$0.88
Effect of dilutive securities—Convertible bonds		711		
Diluted EPS—Net income for computation	¥33,208	453,017	¥73.30	\$0.88
Year ended March 31, 2010				
Basic EPS—Net income available to common shareholders	¥32,282	449,334	¥71.84	
Effect of dilutive securities—Convertible bonds	12	4,500		
Diluted EPS—Net income for computation	¥32,294	453,834	¥71.16	

17. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

(1) Description of Reportable Segments

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

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

The Group defines the reporting segments as follows:

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

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

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

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

The information for the year ended March 31, 2010 under revised ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures” is not disclosed since it is same as the segment information disclosed under the former accounting standard.

Information about reporting segments for the year ended March 31, 2011 is as follows:

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

	Thousands of U.S. Dollars									
	2011									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	\$11,974,155	\$ 986,264	\$589,265	\$394,454	\$ 630,098	\$236,880	\$ 59,843	\$14,870,959	\$ -	\$14,870,959
Intersegment revenues	617,563	139,731	171,373	288,252	53,057	305,069	617,071	2,192,116	(2,192,116)	
Total segment revenues	\$12,591,718	\$1,125,995	\$760,638	\$682,706	\$ 683,155	\$541,949	\$676,914	\$17,063,075	\$(2,192,116)	\$14,870,959
Segment income (loss)	\$ 488,009	\$ 44,070	\$ (7,432)	\$ 80,696	\$ 119,526	\$ 25,662	\$238,878	\$ 989,409	\$ (215,936)	\$ 773,473
Segment assets	6,586,248	584,647	239,170	420,609	2,017,392	239,982	122,123	10,210,171	605,984	10,816,155
Other:										
Depreciation	366,234	18,812	9,971	41,959	18,207	11,524	8,976	475,683	358	476,041
Increase of tangible and intangible fixed assets	475,899	16,773	7,978	85,183	33,191	4,463	4,799	628,286	2,763	631,049

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

Segment revenues and segment income of "Other" include dividends for the year ended March 31, 2011 by ¥18,713 million (\$225,050 thousand), which the Company received from its subsidiaries and affiliates as a pure holding company.

Reconciliation is as follows:

(1) Reconciliation of segment income by ¥17,955 million (\$215,936 thousand) is intersegment eliminations.

(2) Reconciliation of segment assets by ¥50,387 million (\$605,984 thousand) includes intersegment eliminations by ¥114,765 million (\$1,380,214 thousand) and corporate assets which are not allocated to each reporting segments by ¥165,152 million (\$1,986,198 thousand).

(3) Reconciliation of increase of tangible and intangible fixed assets by ¥230 million (\$2,763 thousand) is the Company's capital investment.

Segment income is reconciled with consolidated statements of income.

[Related Information about Reporting Segments]

(1) Information about products and services

Operating revenues from customers for the year ended March 31, 2011 are as follows:

Millions of Yen				Thousands of U.S. Dollars			
2011				2011			
Takkyubin	Kuroneko Mail	Other	Total	Takkyubin	Kuroneko Mail	Other	Total
¥782,121	¥141,145	¥313,254	¥1,236,520	\$9,406,144	\$1,697,481	\$3,767,334	\$14,870,959

(2) Information about geographical areas

Operating revenues for the year ended March 31, 2011 are as follows:

Millions of yen				Thousands of U.S. Dollars			
2011				2011			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥1,218,149	¥8,139	¥10,232	¥1,236,520	\$14,650,023	\$97,883	\$123,053	\$14,870,959

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

Millions of yen				Thousands of U.S. Dollars			
2011				2011			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥366,661	¥210	¥1,284	¥368,155	\$4,409,631	\$2,531	\$15,445	\$4,427,607

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

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

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

Thousands of U.S. Dollars										
2011										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	\$1,092		\$1,251					\$2,343		\$2,343
Amounts of goodwill	4,368		5,005					9,373		9,373

Industry Segments

Information about industry segments of the Company and consolidated subsidiaries for the year ended March 31, 2010 is summarized as follows:

Millions of Yen										
2010										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:										
Operating revenues from customers	¥ 966,480	¥78,927	¥50,351	¥32,094	¥ 52,659	¥16,002	¥ 4,321	¥	–	¥1,200,834
Intersegment operating revenues	44,230	10,863	15,630	21,351	4,300	24,051	47,574	(167,999)		
Total operating revenues	1,010,710	89,790	65,981	53,445	56,959	40,053	51,895	(167,999)		1,200,834
Operating costs and expenses	972,639	87,133	66,682	47,429	46,699	38,404	33,261	(152,802)		1,139,445
Operating income (loss)	¥ 38,071	¥ 2,657	¥ (701)	¥ 6,016	¥ 10,260	¥ 1,649	¥18,634	¥ (15,197)	¥	¥ 61,389
b. Assets, depreciation and capital expenditures:										
Assets	¥ 526,012	¥48,764	¥21,995	¥30,805	¥171,490	¥19,539	¥10,854	¥ 49,182	¥	¥ 878,641
Depreciation	31,346	1,583	1,050	2,910	1,110	902	952	30		39,883
Capital expenditures	28,747	1,820	705	3,876	1,834	2,033	655	30		39,700

Geographic Segments

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

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

Operating revenues are summarized by geographic area based on the countries where the Company and its subsidiaries are located.

Operating Revenues from Foreign Customers

Operating revenues from foreign customers for the year ended March 31, 2010 amounted to ¥17,145 million.

18. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's Board of Directors meeting held on May 16, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11.00 (\$0.13) per share	¥4,833	\$58,120

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan
Tel: +81 (3) 3457 7321
Fax: +81 (3) 3457 1694
www.deloitte.com/jp

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

We have audited the accompanying consolidated balance sheets of Yamato Holdings Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamato Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

June 9, 2011

Corporate Data

As of March 31, 2011

Head Office

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

Common Stock

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

Stock Exchange Listing

Tokyo Stock Exchange

Transfer Agent and Registrar

Mizuho Trust & Banking Co., Ltd.

Annual Meeting

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

Auditors

Deloitte Touche Tohmatsu LLC

Principal Shareholders

	Percentage of total shares outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.43%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.85%
Yamato Employees' Shareholding Association	3.95%
Mizuho Bank, Ltd.	3.68%
State Street Bank and Trust Company 505223	2.84%
Nippon Life Insurance Company	2.84%
Meiji Yasuda Life Insurance Company	2.62%
Yamato Trading-Partner Shareholding Association	2.41%
SSBT OD05 Omnibus Account Treaty Clients	1.72%
Sompo Japan Insurance Inc.	1.39%
Total	32.74%

Stock Price Range (Tokyo Stock Exchange)

