

## 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.

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 2009 consolidated financial statements to conform to the classifications and presentations used in 2010.

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 ¥93.04 to \$1, the approximate rate of exchange at March 31, 2010. 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, 2010 include the accounts of the Company and its 34 significant (32 in 2009) subsidiaries (together, the "Group").

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

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

There were no affiliates accounted for by the equity method in 2010 or 2009.

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

The excess of the costs over the underlying net equity of investments in consolidated subsidiaries is 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 the 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, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008, and adjusted the beginning balance of retained earnings at April 1, 2008 as if accounting standard had been retrospectively applied.

**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.

The Group also records installment sales receivables, which include principal and fees from customers, after the Group has accepted the relevant contracts which are referred to the Group by participating member stores. Fees from customers and member stores were generally recognized in equal installments over the lives of each respective contract.

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Cash	¥189,658	¥179,753	\$2,038,455
Time deposits due beyond three months		(5,000)	
Bank overdraft included in cash	(307)	(251)	(3,295)
Cash and cash equivalents	¥189,351	¥174,502	\$2,035,160

**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 has no trading securities at March 31, 2010 and 2009, respectively.

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 the 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 most 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.

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

Effective April 1, 2009, the Company applied ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefit (part 3)."

The effect of adoption of the new accounting standard for the year ended March 31, 2010 was no effective.

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

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

**l. Leases**—All finance lease transactions are capitalized to recognize lease assets and lease obligations.

**m. Bonuses to Directors**—Bonuses to directors were accrued at the year end to which such bonuses were attributable, but they are no longer recognized from this year end.

**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 were shown as “Foreign currency translation adjustments” 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**

**Asset Retirement Obligations**—In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, 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 is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

**Segment Information Disclosures**—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, a company 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.

### 3. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.6% and 0.7% of operating revenues in 2010 and 2009, respectively.

Annual maturities of notes and accounts receivable—installment at March 31, 2010 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
2011	¥25,623	¥4,093	\$275,393	\$43,985
2012	15,652	2,501	168,230	26,884
2013	7,304	1,251	78,509	13,450
2014	2,813	505	30,236	5,433
2015	1,153	209	12,397	2,246
2016 and thereafter	400	86	4,295	917
<b>Total</b>	<b>¥52,945</b>	<b>¥8,645</b>	<b>\$569,060</b>	<b>\$92,915</b>

### 4. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Merchandise	¥ 889	¥ 855	\$ 9,555
Work in process	778	325	8,367
Raw materials and supplies	844	1,208	9,066
<b>Total</b>	<b>¥2,511</b>	<b>¥2,388</b>	<b>\$26,988</b>

### 5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Non-current:			
Marketable equity securities	¥19,536	¥16,944	\$209,977
Non-marketable equity securities	1,748	1,870	18,786
Other	114	116	1,221
<b>Total</b>	<b>¥21,398</b>	<b>¥18,930</b>	<b>\$229,984</b>

Information regarding each category of the securities classified as available-for-sale at March 31, 2010 and 2009 was as follows:

	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

	Millions of Yen			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥15,068	¥2,560	¥684	¥16,944
	Thousands of U.S. Dollars			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	\$159,867	\$51,876	\$1,766	\$209,977

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 was as follows. The similar information for 2010 is disclosed in Note 12.

March 31, 2009	Carrying Amount	
	Millions of Yen	
Available-for-sale: Equity securities	¥1,870	

The Proceeds from sales of available-for-sale securities for the year ended March 31, 2009 were ¥10,158 million. Gross realized gains on these sales, computed on the moving average cost basis, were ¥128 million for the year ended March 31, 2009.

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

March 31, 2010	Millions of Yen		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	¥52	¥38	¥11
Other	21		
<b>Total</b>	<b>¥73</b>	<b>¥38</b>	<b>¥11</b>
March 31, 2010	Thousands of U.S. Dollars		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	\$558	\$413	\$117
Other	229		
<b>Total</b>	<b>\$787</b>	<b>\$413</b>	<b>\$117</b>

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥325 million (\$3,497 thousand) and ¥5,064 million, respectively.

## 6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2010 and 2009. As a result, the Group recognized an impairment loss of ¥1,794 million (\$19,282 thousand) 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, and ¥974 million as other expense for the asset groups of the Chitose Regional Branch of Yamato Transport Co., Ltd. and another five regional branches for the year ended March 31, 2009, respectively, 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 its value in use, the discount rate used for computation of present value of future cash flows was 7.69%.

## 7. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2010 and 2009 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the bank loans ranged from 0.420% to 1.480% and 0.650% to 8.50% at March 31, 2010 and 2009, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
0.650% to 2.000% loans from a Japanese bank due 2010 to 2014	¥ 47,147	¥ 65,895	\$ 506,739
Lease obligations due in December 2016	10,604	9,019	113,978
Unsecured 1.59% bonds due in November 2010	5,000	5,000	53,740
Unsecured 1.2% convertible debentures, convertible into common stock at ¥1,211.80 per share, due in September 2009		13,063	
Total	62,751	92,977	674,457
Less current portion	(16,543)	(32,889)	(177,808)
Total	¥ 46,208	¥ 60,088	\$ 496,649

Annual maturities of long-term debt at March 31, 2010 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥16,543	\$177,808
2012	15,808	169,903
2013	14,249	153,156
2014	15,385	165,357
2015	762	8,191
2016 and thereafter	4	42
Total	¥62,751	\$674,457

## 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 government bonds, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from the consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age. The retirement benefits for directors and corporate auditors are not included in aforementioned plans, which are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥ 86,631	¥ 82,691	\$ 931,120
Fair value of plan assets	(56,453)	(48,520)	(606,757)
Unrecognized actuarial loss	(2,568)	(5,982)	(27,605)
Prepaid pension cost	252	208	2,711
Net liability	¥ 27,862	¥ 28,397	\$ 299,469

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥ 4,862	¥ 4,718	\$ 52,256
Interest cost	1,641	1,615	17,638
Expected return on plan assets		(1,127)	
Recognized actuarial gain (loss)	(1,943)	795	(20,878)
Net periodic benefit costs	¥ 4,560	¥ 6,001	\$ 49,016

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%	2.0%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss	5 years	5 years

## 9. EQUITY

On and after May 1, 2006, Japanese companies have been 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.



## 10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Current:			
Accrued expenses	¥ 11,651	¥ 10,703	\$ 125,219
Enterprise tax	1,755	1,691	18,866
Allowance for doubtful accounts	1,277	1,643	13,727
Legal welfare expense	1,689	1,453	18,156
Other	2,500	2,667	26,864
Deferred tax assets—current	¥ 18,872	¥ 18,157	\$ 202,832
Non-current:			
Liability for employees' retirement benefits	¥ 11,059	¥ 11,278	\$ 118,861
Investment securities	1,534	3,734	16,482
Investment in and advances to non-consolidated subsidiaries and affiliates	44	29	469
Loss on devaluation of land	27,181	27,181	292,148
Loss on impairment of long-lived assets	4,118	3,663	44,265
Loss on devaluation of telephone subscription rights	615	615	6,610
Unrealized profit	1,053	898	11,320
Other	6,267	3,486	67,355
Less valuation allowance	(35,344)	(34,677)	(379,878)
Deferred tax assets—non-current	¥ 16,527	¥ 16,207	\$ 177,632
Deferred tax liabilities:			
Current—other	¥ 161	¥ 140	\$ 1,734
Deferred tax liabilities—current	¥ 161	¥ 140	\$ 1,734
Non-current:			
Unrealized gain on available-for-sale securities	¥ 1,544	¥ 532	\$ 16,596
Other	737	789	7,916
Deferred tax liabilities—non-current	¥ 2,281	¥ 1,321	\$ 24,512
Deferred tax assets—net	¥ 32,957	¥ 32,903	\$ 354,218

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, 2010 and 2009 were as follows:

	2010	2009
Normal effective statutory tax rate	40.0%	40.0%
Per capita levy of local taxes	4.5	5.5
Valuation allowance	1.1	1.2
Other—net	0.9	1.0
Actual effective tax rate	46.5%	47.7%

## 11. LEASES

### (1) Lessee

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

The minimum rental commitments under non-cancelable operating leases at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 79	¥135	\$ 846
Due after one year	130	63	1,400
<b>Total</b>	<b>¥209</b>	<b>¥198</b>	<b>\$2,246</b>

### (2) Lessor

The net investment in lease as of March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Gross lease receivables	¥18,886	¥21,674	\$202,986
Unguaranteed residual values	1,566	1,926	16,828
Unearned interest income	(3,089)	(3,822)	(33,198)
<b>Investments in lease, current</b>	<b>¥17,363</b>	<b>¥19,778</b>	<b>\$186,616</b>

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 6,902	\$ 74,183
2012	5,737	61,663
2013	3,917	42,099
2014	1,780	19,125
2015	550	5,915
2016 and thereafter		1
<b>Total</b>	<b>¥18,886</b>	<b>\$202,986</b>

The minimum rental commitments under non-cancelable operating leases at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥219	¥ 74	\$ 2,353
Due after one year	727	275	7,815
<b>Total</b>	<b>¥946</b>	<b>¥349</b>	<b>\$10,168</b>

## 12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

### (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 for 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 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 of derivative transactions.

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

### (3) Fair Values of Financial Instruments

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

Fair values of financial instruments at March 31, 2010 were as follows:

March 31, 2010	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash	¥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, 2010	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Cash	\$2,038,455	\$2,038,455	
Trade notes and accounts receivable	1,568,088		
Allowance for doubtful accounts	(1,644)		
	1,566,444	1,571,370	\$ 4,926
Installment sales receivable	569,060		
Allowance for doubtful accounts	(43,137)		
Deferred profit on installment sales	(92,915)		
	433,008	516,440	83,432
Investment securities	209,977	209,977	
Notes and accounts payable	1,224,084	1,224,084	
Short-term loans	288,635	288,905	270
Long-term loans	420,669	422,396	1,727
Derivatives			

**Cash**

The carrying values of cash approximates 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 receivable are 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 receivables. The fair values of installment receivables are determined by discounting the cash flows related to the installment receivables 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 marketable and investment securities by classification is included in Note 5.

**Notes and accounts payable**

The fair values of payables, which are almost 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 debt 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 13.

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

March 31, 2010	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥7,000	\$75,240

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

March 31, 2010	Millions of Yen		
	Due in one year or less	Due after one year through five years	Due after five years
Cash	¥189,658		
Trade notes and accounts receivable	140,194	¥ 5,592	¥109
Installment sales receivable	30,406	22,224	315
<b>Total</b>	<b>¥360,258</b>	<b>¥27,816</b>	<b>¥424</b>

March 31, 2010	Thousands of U.S.Dollars		
	Due in one year or less	Due after one year through five years	Due after five years
Cash	\$2,038,455		
Trade notes and accounts receivable	1,506,814	\$ 60,101	\$ 1,173
Installment sales receivable	326,804	238,871	3,385
<b>Total</b>	<b>\$3,872,073</b>	<b>\$298,972</b>	<b>\$4,558</b>

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

### 13. DERIVATIVES

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

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

As noted in Note 12, the Group applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, therefore, the required information is disclosed only for 2010.

**Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2010**

At March 31, 2010	Hedged item	Millions of Yen		Fair Value
		Contract Amount	Contract Amount due after One Year	
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥40,172	¥32,848	*

At March 31, 2010	Hedged item	Thousands of U.S. Dollars		Fair Value
		Contract Amount	Contract Amount due after One Year	
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	\$431,771	\$353,052	*

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

## 14. CONTINGENT LIABILITIES

Contingent liabilities for guarantees and items of a similar nature at March 31, 2010 amounted to ¥75 million (\$808 thousand) as guarantees of loans of a non-consolidated subsidiary.

## 15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2010	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥32,282	449,334	¥71.84	\$0.77
Effect of dilutive securities—Convertible bonds	12	4,550		
Diluted EPS—Net income for computation	¥32,294	453,884	¥71.16	\$0.76
Year ended March 31, 2009				
Basic EPS—Net income available to common shareholders	¥25,523	443,140	¥57.60	
Effect of dilutive securities—Convertible bonds	99	10,782		
Diluted EPS—Net income for computation	¥25,622	453,922	¥56.45	

## 16. SEGMENT INFORMATION

Information about industry segments, geographic segments and operating revenues to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2010 and 2009 is as follows:

### (1) Industry Segments

	Millions of Yen								
	2010								
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:									
Operating revenues to 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	29	39,882
Capital expenditures	28,747	1,820	705	3,876	1,834	2,033	655	30	39,700

Thousands of U.S. Dollars

	2010								
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:									
Operating revenues to customers	\$ 10,387,792	\$ 848,318	\$ 541,176	\$ 344,945	\$ 565,982	\$ 171,989	\$ 46,443		\$ 12,906,645
Intersegment operating revenues	475,381	116,751	167,990	229,490	46,216	258,499	511,332	\$(1,805,659)	
Total operating revenues	10,863,173	965,069	709,166	574,435	612,198	430,488	557,775	(1,805,659)	12,906,645
Operating costs and expenses	10,453,986	936,513	716,703	509,774	501,922	412,764	357,497	(1,642,322)	12,246,837
Operating income (loss)	\$ 409,187	\$ 28,556	\$ (7,537)	\$ 64,661	\$ 110,276	\$ 17,724	\$ 200,278	\$ (163,337)	\$ 659,808

b. Assets, depreciation and capital expenditures:

Assets	\$ 5,653,611	\$ 524,122	\$ 236,406	\$ 331,096	\$ 1,843,185	\$ 210,005	\$ 116,657	\$ 528,613	\$ 9,443,695
Depreciation	336,912	17,008	11,286	31,279	11,928	9,697	10,235	314	428,659
Capital expenditures	308,976	19,566	7,576	41,657	19,707	21,848	7,041	328	426,699

Millions of Yen

	2009								
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Eliminations or Corporate	Consolidated
a. Operating revenues and operating income:									
Operating revenues to customers	¥ 997,898	¥ 92,947	¥ 53,315	¥ 32,273	¥ 53,608	¥ 17,555	¥ 4,326		¥ 1,251,922
Intersegment operating revenues	42,478	11,627	16,115	20,076	3,772	25,171	50,406	¥(169,645)	
Total operating revenues	1,040,376	104,574	69,430	52,349	57,380	42,726	54,732	(169,645)	1,251,922
Operating costs and expenses	1,009,253	101,379	69,770	46,290	46,874	41,015	31,829	(150,209)	1,196,201
Operating income(loss)	¥ 31,123	¥ 3,195	¥ (340)	¥ 6,059	¥ 10,506	¥ 1,711	¥ 22,903	¥ (19,436)	¥ 55,721

b. Assets, depreciation and capital expenditures:

Assets	¥ 526,645	¥ 45,808	¥ 24,492	¥ 28,159	¥ 186,378	¥ 16,123	¥ 10,491	¥ 31,510	¥ 869,606
Depreciation	34,950	1,479	1,212	2,493	784	692	1,062	25	42,697
Capital expenditures	33,923	2,153	627	3,824	1,912	3,099	292	26	45,856

Notes: Delivery:	Small-parcel delivery services such as Takkyubin (door-to-door parcel delivery) and Kuroneko Mail
BIZ-Logistics:	Intercompany logistics services, aimed at the B2B supply-chain management market
Home Convenience:	Lifestyle support services intimately connected with the needs of local markets, such as moving and 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
Other:	Group support services, shared services centering on arterial transport, and staffing services

**(2) Geographic Segments**

The geographic segments of the Company and consolidated subsidiaries for the years ended March 31, 2010 and 2009 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 to 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

	Thousands of U.S. Dollars					
	2010					
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues and operating income:						
Operating revenues to customers	\$12,734,805	\$ 90,204	\$27,556	\$54,080		\$12,906,645
Interarea operating revenues	46,074	33,740	14,608	35,093	\$(129,515)	
Total operating revenues	12,780,879	123,944	42,164	89,173	(129,515)	12,906,645
Operating costs and expenses	12,121,449	121,962	42,737	89,156	(128,467)	12,246,837
Operating income (loss)	\$ 659,430	\$ 1,982	\$ (573)	\$ 17	\$ (1,048)	\$ 659,808
Assets	\$ 8,419,635	\$ 30,720	\$12,420	\$49,511	\$ 931,409	\$ 9,443,695

	Millions of Yen					
	2009					
	Japan	U.S.A.	Europe	Asia	Eliminations or Corporate	Consolidated
Operating revenues and operating income:						
Operating revenues to customers	¥1,232,517	¥10,672	¥2,745	¥5,988		¥1,251,922
Interarea operating revenues	4,794	3,848	1,747	3,361	¥(13,750)	
Total operating revenues	1,237,311	14,520	4,492	9,349	(13,750)	1,251,922
Operating costs and expenses	1,181,772	14,131	4,489	9,269	(13,460)	1,196,201
Operating income	¥ 55,539	¥ 389	¥ 3	¥ 80	¥ (290)	¥ 55,721
Assets	¥ 789,878	¥ 2,613	¥1,409	¥3,000	¥ 72,706	¥ 869,606

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

**(3) Operating Revenues to Foreign Customers**

Operating revenues to foreign customers for the years ended March 31, 2010 and 2009 amounted to ¥17,145 million (\$184,277 thousand) and ¥21,042 million, respectively.



## 17. SUBSEQUENT EVENT

### *Appropriations of Retained Earnings*

The following appropriations of retained earnings at March 31, 2010 were approved at the Company's board of directors meeting held on May 14, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11.00 (\$0.12) per share	¥4,991	\$53,649