

Financial Section

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Consolidated Balance Sheet

March 31, 2015

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
CURRENT ASSETS:			
Cash and cash equivalents (Notes 2.d and 15)	¥ 247,398	¥ 220,148	\$ 2,058,737
Notes and accounts receivable (Note 15):			
Trade	187,834	188,145	1,563,066
Installment (Note 5)	42,008	39,480	349,570
Lease (Note 14)	44,948	35,329	374,039
Allowance for doubtful accounts	(1,338)	(1,591)	(11,139)
Inventories (Note 6)	3,336	3,237	27,760
Deferred tax assets (Note 13)	15,687	16,548	130,542
Prepaid expenses and other current assets	26,333	26,063	219,133
Total current assets	566,206	527,359	4,711,708
PROPERTY, PLANT AND EQUIPMENT—At cost:			
Land	187,964	188,344	1,564,152
Buildings and structures	334,120	329,289	2,780,392
Vehicles	194,198	187,882	1,616,027
Machinery and equipment	123,025	121,422	1,023,757
Leased assets (Note 14)	24,029	23,944	199,957
Construction in progress	16,025	7,895	133,353
Others	17,795	11,662	148,088
Total	897,156	870,438	7,465,726
Accumulated depreciation	(477,055)	(453,310)	(3,969,837)
Net property, plant and equipment	420,101	417,128	3,495,889
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7 and 15)	33,843	25,577	281,630
Investments in and advances to unconsolidated subsidiaries and affiliates	724	644	6,024
Long-term loans	1,040	961	8,655
Software	12,646	12,343	105,236
Lease deposits	17,902	18,468	148,971
Deferred tax assets (Note 13)	21,978	21,687	182,889
Other assets (Note 10)	8,091	7,967	67,331
Total investments and other assets	96,224	87,647	800,736
TOTAL	¥1,082,531	¥1,032,134	\$ 9,008,333

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
CURRENT LIABILITIES:			
Short-term bank loans (Notes 9 and 15)	¥ 17,766	¥ 19,256	\$ 147,842
Current portion of long-term debt (Notes 9, 15 and 16)	29,071	21,941	241,920
Notes and accounts payable (Note 15):			
Trade	157,480	172,463	1,310,476
Other	10,470	21,942	87,126
Income taxes payable	20,024	20,908	166,632
Employees' savings deposits	4,944	4,723	41,138
Accrued expenses	61,295	61,535	510,070
Deferred profit on installment sales (Notes 5 and 15)	5,655	5,349	47,061
Other current liabilities (Note 11)	50,329	19,243	418,811
Total current liabilities	357,034	347,360	2,971,076
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9, 15 and 16)	88,532	66,646	736,724
Liability for employees' retirement benefits (Notes 2.j, 3 and 10)	53,024	47,224	441,237
Deferred tax liabilities (Note 13)	3,948	1,808	32,853
Other long-term liabilities (Note 11)	8,794	8,924	73,180
Total long-term liabilities	154,298	124,602	1,283,994
COMMITMENTS LIABILITIES (Note 14)			
EQUITY (Notes 12 and 20):			
Common stock—authorized, 1,787,541,000 shares in 2015 and 2014; issued, 435,564,792 shares in 2015 and 454,684,992 shares in 2014	127,235	127,235	1,058,790
Capital surplus	70,209	100,863	584,249
Retained earnings	395,353	371,965	3,289,947
Treasury stock—at cost, 22,370,985 shares in 2015 and 35,742,057 shares in 2014	(43,008)	(56,079)	(357,891)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	13,848	8,770	115,234
Foreign currency translation adjustments	1,169	342	9,728
Remeasurements of defined employees' retirement benefit plans (Notes 2.j and 10)	715	(1,717)	5,952
Total	565,521	551,379	4,706,009
Minority interests	5,678	8,793	47,254
Total equity	571,199	560,172	4,753,263
TOTAL	¥1,082,531	¥1,032,134	\$9,008,333

Consolidated Statement of Income

Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING REVENUES	¥1,396,708	¥1,374,610	\$11,622,771
OPERATING COSTS AND EXPENSES:			
Operating costs	1,290,715	1,274,471	10,740,742
Selling, general and administrative expenses	37,046	37,043	308,282
Total operating costs and expenses	1,327,761	1,311,514	11,049,024
Operating income	68,947	63,096	573,747
OTHER INCOME (EXPENSES):			
Interest and dividend income	674	622	5,604
Interest expense	(398)	(412)	(3,312)
(Loss) gain on sales and disposal of property, plant and equipment—net	(2)	1,461	(13)
Loss on impairment of long-lived assets (Note 8)	(1,792)	(217)	(14,910)
Gain on sales of marketable and investment securities (Note 7)	7	1	58
Loss on valuation of investment securities (Note 7)		(3)	
Other—net	1,722	1,334	14,325
Other income—net	211	2,786	1,752
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	69,158	65,882	575,499
INCOME TAXES (Note 13):			
Current	29,815	32,604	248,106
Deferred	1,740	(1,601)	14,478
Total income taxes	31,555	31,003	262,584
NET INCOME BEFORE MINORITY INTERESTS	37,603	34,879	312,915
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	70	103	579
NET INCOME	¥ 37,533	¥ 34,776	\$ 312,336

	Yen		U.S. Dollars (Note 1)
	2015	2014	2015
PER SHARE OF COMMON STOCK (Notes 2.r and 18):			
Basic net income	¥90.41	¥82.22	\$0.75
Diluted net income	88.26	80.18	0.73
Cash dividends applicable to the year	25.00	24.00	0.21

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥37,603	¥34,879	\$312,915
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized gain on available-for-sale securities	5,371	2,938	44,693
Foreign currency translation adjustments	826	1,408	6,878
Remeasurements of defined employees' retirement benefit plans	2,443		20,328
Total other comprehensive income	8,640	4,346	71,899
COMPREHENSIVE INCOME	¥46,243	¥39,225	\$384,814
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥45,878	¥38,825	\$381,774
Minority interests	365	400	3,040

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2015

	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	Remeasurements of Defined Employees' Retirement Benefit Plans			
BALANCE, APRIL 1, 2013	423,714	¥127,235	¥111,291	¥347,358	¥(56,496)	¥ 6,095	¥(1,032)	¥ -	¥534,451	¥ 8,464	¥542,915
Net income				34,776					34,776		34,776
Cash dividends, ¥24 per share				(10,169)					(10,169)		(10,169)
Purchase of treasury stock	(4,771)				(10,012)				(10,012)		(10,012)
Disposal of treasury stock					1				1		1
Retirement of treasury stock			(10,428)		10,428						
Net change in the year						2,675	1,374	(1,717)	2,332	329	2,661
BALANCE, MARCH 31, 2014	418,943	127,235	100,863	371,965	(56,079)	8,770	342	(1,717)	551,379	8,793	560,172
Cumulative effects of changes in an accounting policy (Note 3)				(4,080)					(4,080)	(18)	(4,098)
RESTATED BALANCE		127,235	100,863	367,885	(56,079)	8,770	342	(1,717)	547,299	8,775	556,074
Net income				37,533					37,533		37,533
Cash dividends, ¥24 per share				(10,065)					(10,065)		(10,065)
Purchase of treasury stock	(12,235)				(30,588)				(30,588)		(30,588)
Disposal of treasury stock	5,590		(405)		10,746				10,341		10,341
Retirement of treasury stock			(31,507)		31,507						
Change in equity related to transaction with non-controlling shareholders (Notes 3 and 4)	896		1,258		1,406				2,664		2,664
Net change in the year						5,078	827	2,432	8,337	(3,097)	5,240
BALANCE, MARCH 31, 2015	413,194	¥127,235	¥ 70,209	¥395,353	¥(43,008)	¥ 13,848	¥ 1,169	¥ 715	¥565,521	¥ 5,678	¥571,199

	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	Remeasurements of Defined Employees' Retirement Benefit Plans			
BALANCE, MARCH 31, 2014	\$1,058,790	\$839,341	\$3,095,325	\$(466,668)	\$ 72,980	\$2,850	\$(14,289)	\$4,588,329	\$ 73,169	\$4,661,498
Cumulative effects of changes in an accounting policy (Note 3)			(33,954)					(33,954)	(143)	(34,097)
RESTATED BALANCE	1,058,790	839,341	3,061,371	(466,668)	72,980	2,850	(14,289)	4,554,375	73,026	4,627,401
Net income			312,336					312,336		312,336
Cash dividends, \$0.20 per share			(83,760)					(83,760)		(83,760)
Purchase of treasury stock				(254,537)				(254,537)		(254,537)
Disposal of treasury stock		(3,369)		89,420				86,051		86,051
Retirement of treasury stock		(262,189)		262,189						
Change in equity related to transaction with non-controlling shareholders (Notes 3 and 4)		10,466		11,705				22,171		22,171
Net change in the year					42,254	6,878	20,241	69,373	(25,772)	43,601
BALANCE, MARCH 31, 2015	\$1,058,790	\$584,249	\$3,289,947	\$(357,891)	\$115,234	\$9,728	\$ 5,952	\$4,706,009	\$ 47,254	\$4,753,263

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 69,158	¥ 65,882	\$ 575,499
Adjustments for:			
Income taxes—paid	(30,362)	(35,437)	(252,657)
Depreciation and amortization	46,078	42,284	383,443
Loss (gain) on sales and disposal of property, plant and equipment—net	2	(1,461)	13
Loss on impairment of long-lived assets	1,792	217	14,910
Gain on sales of marketable and investment securities	(7)	(1)	(58)
Loss on valuation of investment securities		3	
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(11,898)	(38,786)	(99,010)
(Increase) decrease in inventories	(47)	401	(388)
(Decrease) increase in notes and accounts payable	(14,666)	33,411	(122,043)
Increase in liability for employees' retirement benefits	2,796	6,278	23,265
Other—net	29,774	7,284	247,770
Total adjustments	23,462	14,193	195,245
Net cash provided by operating activities	92,620	80,075	770,744
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	2,539	4,238	21,124
Purchases of property, plant and equipment	(54,308)	(65,212)	(451,927)
Proceeds from sales of marketable and investment securities	14	2	118
Purchases of marketable and investment securities	(1,021)	(11)	(8,498)
(Increase) decrease in investments in and advances to unconsolidated subsidiaries and affiliates	(127)	375	(1,059)
Collection of loans	1,210	1,120	10,068
Payment of loans	(1,292)	(1,154)	(10,748)
Other	(5,500)	(4,294)	(45,767)
Net cash used in investing activities	(58,485)	(64,936)	(486,689)
FINANCING ACTIVITIES:			
Repayments of short-term debt—net	(6,757)	(1,681)	(56,225)
Proceeds from long-term debt	60,400	27,007	502,621
Repayments of long-term debt	(19,392)	(14,145)	(161,369)
Dividends paid	(10,146)	(10,235)	(84,433)
Purchase of treasury stock—net	(30,592)	(10,013)	(254,570)
Other	(682)	34	(5,680)
Net cash used in financing activities	(7,169)	(9,033)	(59,656)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	690	648	5,742
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,656	6,754	230,141
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	219,395	212,641	1,825,707
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.d)	¥247,051	¥219,395	\$2,055,848
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Decrease in capital surplus due to exercise of stock acquisition rights	¥ (405)	¥ —	\$ (3,370)
Decrease in treasury stock due to exercise of stock acquisition rights	10,745		89,415
Decrease in zero coupon convertible bonds due to exercise of stock acquisition rights	10,340		86,045

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2015

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2014 consolidated financial statements to conform them to the classifications and presentations used in 2015.

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 ¥120.17 to \$1, the approximate rate of exchange at March 31, 2015. 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, 2015, include the accounts of the Company and its 39 significant (41 in 2014) subsidiaries (together, the “Group”).

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

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

There were no affiliates accounted for by the equity method in 2015 or 2014.

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

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

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

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

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

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Cash and cash equivalents presented in the consolidated balance sheet	¥247,398	¥220,148	\$2,058,737
Time deposits due beyond three months	(36)	(445)	(300)
Bank overdraft	(311)	(308)	(2,589)
Cash and cash equivalents presented in the consolidated statement of cash flows	¥247,051	¥219,395	\$2,055,848

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

f. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost, and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group had no trading securities at March 31, 2015 and 2014.

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

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

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

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

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

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

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

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

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

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

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

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

Under the revised accounting standard, actuarial gains and losses are recognized within equity on the consolidated balance sheet after adjusting for tax effects, and funded status is recognized as a liability or asset.

In addition, the Company changed its accounting policy for “Retirement and Pension Plan” from the beginning of the fiscal year ended March 31, 2015 (see Note 3).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. ACCOUNTING CHANGE

Accounting Standard for Retirement Benefits—The ASBJ revised ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” in May 2012, and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits” in March 2015.

The accounting standard revised calculation methods for defined benefit obligation and service cost.

The Company applied the revised accounting standard effective from the beginning of the fiscal year ended March 31, 2015. In applying of the revised accounting standard, the Company reviewed the calculation method of retirement benefit obligations and service cost and amended the determination of discount rate from one that is based on the period of years approximate to the expected average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In applying the accounting standard, the effect of the review described above has been added to or deducted from retained earnings as of the beginning of the fiscal year ended March 31, 2015.

As a result of this change, as of the beginning of the fiscal year ended March 31, 2015, liabilities for employees' retirement benefits increased by ¥6,262 million (\$52,110 thousand), deferred tax assets increased by ¥2,215 million (\$18,430 thousand), and retained earnings decreased by ¥4,080 million (\$33,954 thousand).

In addition, the effects of this change on operating income and income before income taxes and minority interests for the fiscal year ended March 31, 2015, are immaterial. Net assets per share decreased by ¥9.87 (\$0.08).

Accounting Standards for Business Combinations—In September 2013, the ASBJ revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements,” ASBJ Statement No. 7, “Accounting Standard for Business Divestitures” and related standards and implementation guidance.

The accounting standards revised mainly as follows: (a) accounting treatment of transactions with non-controlling interest; (b) accounting treatment of acquisition-related costs; and (c) provisional accounting treatments for a business combination.

The Company early applied the above revised accounting standards for (a) and (b), effective from the beginning of the fiscal year ended March 31, 2015, and for (c), effective for a business combination occurring on or after the beginning of the fiscal year ended March 31, 2015.

As a result, changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions, and acquisition-related costs shall be accounted as expenses in the periods in which the costs are incurred and the services are received. Furthermore, adjustments to items recognized in the original accounting for a business combination, for a maximum of one year after the acquisition date, are made retrospectively as if those adjustments had been made at the acquisition date when new information about facts and circumstances existing at the acquisition date is obtained.

The revised accounting standards are applied prospectively to business combinations for which the business combination date is on or after the beginning of the fiscal year ended March 31, 2015.

As a result of this change, as of March 31, 2015, capital surplus increased by ¥834 million (\$6,942 thousand). In addition, the effects of this change on operating income and income before income taxes and minority interests for the fiscal year ended March 31, 2015, are immaterial. Net assets per share increased by ¥2.02 (\$0.02).

4. BUSINESS COMBINATION

Transactions under common control

(1) Outline of business combination

On September 1, 2014, the Company conducted a share exchange to make two consolidated subsidiaries wholly owned subsidiaries in order to further strengthen the Group management and construct a more effective consolidated management structure by accelerating decision-making and increasing mobility and flexibility of the Group management.

Name and main business of the companies involved in the business combination

Combining entity (wholly owning parent company through share exchange)

Name: Yamato Holdings Co., Ltd. (the "Company")

Main business: Management control of Group companies and incidental operations thereof, on the basis of Group companies share holdings

Combined entities (wholly owned subsidiaries through share exchange)

Name: Yamato Global Express Co., Ltd. ("YGX")

Main business: Domestic air cargo transport business

Name: Yamato Global Logistics Japan Co., Ltd. ("YGL")

Main business: International air cargo service, handling of marine cargo, import/export customs clearance services

Date of business combination

September 1, 2014 (effective date)

Legal form of business combination

Share exchange with the Company as a wholly owning parent company and YGX and YGL ("YGX & YGL") as wholly owned subsidiaries

(2) Outline of accounting treatment applied

The Company early applied ASBJ Statement No. 21, "Accounting Standard for Business Combinations," and ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and accounted for the business combination as a transaction with non-controlling shareholders under common control.

(3) Additional acquisition of subsidiaries' share

Acquisition cost

YGX ¥1,093 million (\$ 9,097 thousand) Consideration: Common stock of the Company

YGL ¥737 million (\$ 6,132 thousand) Consideration: Common stock of the Company

Total acquisition cost ¥1,830 million (\$15,229 thousand)

Share exchange ratio, calculation method for exchange ratio and number of shares delivered

Share exchange ratio

Type of Stock: Common Stock

	Wholly owning parent company	Wholly owned subsidiary	
	The Company	YGX	YGL
Share exchange ratio	1	41.297	5.621

Calculation method for exchange ratio

The Company requested KPMG FAS Co., Ltd., a third-party institution that is independent from the Company and both YGX & YGL, to carry out the calculation of the share exchange ratios in order to ensure the fairness and validity of the calculation. KPMG FAS Co., Ltd. carried out the calculations of the share exchange ratios by using the average market share price method for calculating the Company's stock value, taking into consideration the Company's status as a listed company, and using the discounted cash flow method for calculating YGX & YGL's stock values, taking into consideration their status as unlisted companies. The Company's stock value was calculated based on the closing share price on the calculation base date (July 30, 2014) and the respective average closing price for the one-month period, three-month period and six-month period up to the calculation base date. The Company conducted careful negotiation and discussion about the share exchange ratios with YGX & YGL, and decided the share exchange ratios in reference to the result of the calculation by the third-party institution.

Number of shares delivered

896,425 shares

The Company applied treasury stock to the consideration of the share exchange and did not issue new stock.

(4) Change in equity related to transaction with non-controlling shareholders

Increase in capital surplus by transaction with non-controlling shareholders

¥1,559 million (\$12,972 thousand)

Main reason for the change

The change was resulted from a difference between cost of additional acquisition of the subsidiaries' shares and the decrease of non-controlling interest caused by the additional acquisition.

5. NOTES AND ACCOUNTS RECEIVABLE

Sales recorded on the installment basis were 0.3% of operating revenues in both 2015 and 2014.

Annual maturities of notes and accounts receivable—installment at March 31, 2015, 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
2016	¥20,655	¥2,199	\$171,885	\$18,299
2017	10,482	1,544	87,229	12,852
2018	5,906	966	49,146	8,035
2019	2,921	518	24,307	4,313
2020	1,421	276	11,823	2,301
2021 and thereafter	623	152	5,180	1,261
Total	¥42,008	¥5,655	\$349,570	\$47,061

6. INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Merchandise	¥ 722	¥ 780	\$ 6,006
Work in process	512	235	4,265
Raw materials and supplies	2,102	2,222	17,489
Total	¥3,336	¥3,237	\$27,760

7. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Noncurrent:			
Marketable equity securities	¥33,017	¥24,796	\$274,750
Nonmarketable equity securities	730	685	6,076
Other	96	96	804
Total	¥33,843	¥25,577	\$281,630

Information regarding each category of the securities classified as available-for-sale at March 31, 2015 and 2014, was as follows:

	Millions of Yen			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥13,794	¥19,261	¥38	¥33,017

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

	Thousands of U.S. Dollars			
	2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	\$114,786	\$160,279	\$315	\$274,750

Information for available-for-sale securities, which were sold during the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2015			
Available-for-sale:			
Equity securities	¥14	¥7	¥-
Other			
Total	¥14	¥7	¥-
March 31, 2014			
Available-for-sale:			
Equity securities	¥2	¥1	¥-
Other			
Total	¥2	¥1	¥-

March 31, 2015	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	\$118	\$58	\$-
Other			
Total	\$118	\$58	\$-

Loss on valuation of available-for-sale equity securities for the year ended March 31, 2014 was ¥3 million.

8. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2015 and 2014. As a result, the Group recognized an impairment loss of ¥1,792 million (\$14,910 thousand) as other expense for the asset groups of Yamato (China) Transport Co., Ltd. and ten other asset groups for the year ended March 31, 2015, and ¥217 million as other expense for the asset groups of the Tomakomai Maintenance Factory of Yamato Autoworks Co., Ltd. and eleven other asset groups for the year ended March 31, 2014, due to continuous operating losses of those units or significant declines in market prices. The carrying amounts of the relevant asset groups were written down to the recoverable amounts. In the case where net selling prices were used as recoverable amounts, the relevant asset groups were evaluated mainly based on Real Estate Appraisal Standards, assessed value of fixed assets, and posted land prices. In the case where the recoverable amounts were measured at its value in use, the discount rates used for computation of present value of future cash flows were 5.65% to 6.15%.

9. BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2015 and 2014, consisted of notes to banks and bank overdrafts. The weighted-average interest rates applicable to the bank loans as of March 31, 2015 and 2014, were approximately 0.755% and 0.450%, respectively.

Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
0.120% to 6.400% loans from banks due 2015 to 2019	¥100,554		\$ 836,763
0.150% to 6.900% loans from banks due 2014 to 2017		¥ 59,422	
Lease obligations	7,389	9,165	61,494
Zero coupon convertible bonds due in March 2016	9,660	20,000	80,387
Total	117,603	88,587	978,644
Less current portion	(29,071)	(21,941)	(241,920)
Total	¥ 88,532	¥ 66,646	\$ 736,724

Annual maturities of long-term debt at March 31, 2015, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 29,071	\$241,920
2017	34,210	284,676
2018	42,868	356,728
2019	10,911	90,795
2020	441	3,674
2021 and thereafter	102	851
Total	¥117,603	\$978,644

The conversion price of the convertible bonds due in March 2016 was ¥1,850 per share at March 31, 2015. If all the outstanding convertible bonds had been exercised at March 31, 2015, 5,221,621 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.

10. RETIREMENT AND PENSION PLANS

The Group has defined benefit pension plans and defined contribution retirement plans for employees.

The defined benefit pension plans provide, under most circumstances, that employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from the consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

(1) Defined Benefit Pension Plans

The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥119,136	¥112,493	\$ 991,394
Cumulative effects of changes in an accounting policy	6,312		52,527
Restated balance	125,448	112,493	1,043,921
Service cost	9,704	8,910	80,749
Interest cost	1,098	1,443	9,135
Actuarial loss arising during the year	1,917	744	15,955
Retirement benefits paid	(5,041)	(4,458)	(41,945)
Past service cost arising during the year		4	
Balance at end of year	¥133,126	¥119,136	\$1,107,815

The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥72,079	¥64,927	\$599,807
Expected return on plan assets	721	649	5,998
Actuarial gain arising during the year	5,269	4,516	43,848
Contributions from the employer	4,137	3,881	34,431
Retirement benefits paid	(1,848)	(1,894)	(15,377)
Balance at end of year	¥80,358	¥72,079	\$668,707

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Defined benefit obligation of funded plan	¥ 53,415	¥ 50,035	\$ 444,494
Plan assets	(80,358)	(72,079)	(668,707)
	(26,943)	(22,044)	(224,213)
Defined benefit obligation of unfunded plan	79,711	69,101	663,321
Net liability arising from defined benefit obligation	¥ 52,768	¥ 47,057	\$ 439,108

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for employees' retirement benefits	¥53,024	¥47,224	\$441,237
Asset for employees' retirement benefits	(256)	(167)	(2,129)
Net liability arising from defined benefit obligation	¥52,768	¥47,057	\$439,108

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

The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 9,704	¥ 8,910	\$80,749
Interest cost	1,098	1,443	9,135
Expected return on plan assets	(721)	(649)	(5,998)
Recognized actuarial loss	399	3,047	3,318
Past service cost		4	
Others	(13)	(6)	(102)
Net periodic benefit costs	¥10,467	¥12,749	\$87,102

Amount recognized in other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans for the year ended March 31, 2015, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
Actuarial gain and (loss)	¥3,751	\$31,211
Total	¥3,751	\$31,211

Amounts recognized in accumulated other comprehensive income (before income tax effect adjustments) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized actuarial gain and (loss)	¥1,067	¥(2,683)	\$8,881
Total	¥1,067	¥(2,683)	\$8,881

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
General accounts	31%	34%
Debt investments	24	26
Equity investments	24	21
Others	21	19
Total	100%	100%

Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	0.9%	1.3%
Expected rate of return on plan assets	1.0%	1.0%

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

(2) Defined Contribution Retirement Plans

The amounts contributed to the defined contribution retirement plans of the Group for the years ended March 31, 2015 and 2014, were ¥2,136 million (\$17,775 thousand) and ¥2,089 million, respectively.

11. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥4,789	¥4,459	\$39,849
Additional provisions associated with the acquisition of property, plant and equipment	170	355	1,413
Reconciliation associated with passage of time	93	90	776
Reconciliation associated with changes in accounting estimates	2	(1)	20
Reduction associated with settlement of asset retirement obligations	(80)	(110)	(670)
Others	6	(4)	50
Balance at end of year	¥4,980	¥4,789	\$41,438

Changes in accounting estimates were recorded as it became evident that the estimate of the discounted cash flows required for future asset retirement would change at the beginning of the year, which resulted from certain events such as obtaining new information. A reconciliation has been prepared for the change, which resulted in an increase and decrease of the asset retirement obligation for the years ended March 31, 2015 and 2014, by ¥2 million (\$20 thousand) and ¥1 million, respectively.

12. 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 a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

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

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

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

c. Treasury Stock

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a 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.

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of 35.6% and 38.0% for the years ended March 31, 2015 and 2014.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Current:			
Accrued expenses	¥ 9,711	¥ 10,463	\$ 80,814
Enterprise tax	1,769	1,747	14,716
Allowance for doubtful accounts	216	196	1,799
Legal welfare expense	1,818	1,660	15,130
Other	2,466	3,067	20,519
Less valuation allowance		(273)	
Deferred tax assets—current	¥ 15,980	¥ 16,860	\$ 132,978
Noncurrent:			
Liability for employees' retirement benefits	¥ 17,728	¥ 16,998	\$ 147,520
Investment securities	1,992	2,199	16,579
Loss on devaluation of land	21,898	24,163	182,228
Loss on impairment of long-lived assets	4,188	4,225	34,853
Loss on devaluation of telephone subscription rights	495	546	4,118
Unrealized profit	1,914	1,840	15,923
Other	10,693	10,764	88,984
Less valuation allowance	(33,122)	(35,505)	(275,630)
Deferred tax assets—noncurrent	¥ 25,786	¥ 25,230	\$ 214,575
Deferred tax liabilities:			
Current—other	¥ (293)	¥ (312)	\$ (2,436)
Deferred tax liabilities—current	¥ (293)	¥ (312)	\$ (2,436)
Noncurrent:			
Unrealized gain on available-for-sale securities	¥ (4,740)	¥ (2,871)	\$ (39,443)
Other	(3,016)	(2,480)	(25,096)
Deferred tax liabilities—noncurrent	¥ (7,756)	¥ (5,351)	\$ (64,539)
Deferred tax assets—net	¥ 33,717	¥ 36,427	\$ 280,578

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, with the corresponding figures for 2014 is as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Per capita levy of local taxes	4.2	4.3
Valuation allowance	(0.2)	1.2
Downward revision to deferred tax assets as of end of the period due to the change in the corporate tax rate	5.0	1.8
Other—net	1.0	1.8
Actual effective tax rate	45.6%	47.1%

On March 31, 2015, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from 35.6% to 33.1%, effective for the fiscal year beginning on April 1, 2015 and to 32.3% for the fiscal year beginning on or after April 1, 2016.

The effects of the reform were to decrease deferred tax assets (after subtraction of deferred tax liabilities) in the consolidated balance sheet as of March 31, 2015, by ¥3,277 million (\$27,271 thousand), of which ¥2,912 million (\$24,236 thousand) is the effect of the change in tax rates, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥3,753 million (\$31,232 thousand), of which ¥3,388 million (\$28,197 thousand) is the effect of the change in tax rates.

14. LEASES

(1) Lessee

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

Future rental payments under noncancelable operating leases at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥ 85	¥ 76	\$ 707
Due after one year	65	123	540
Total	¥150	¥199	\$1,247

(2) Lessor

The net investments in lease as of March 31, 2015 and 2014, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Gross lease receivables	¥44,580	¥35,645	\$370,975
Unguaranteed residual values	4,207	2,948	35,007
Unearned interest income	(3,839)	(3,264)	(31,943)
Investments in leases—current	¥44,948	¥35,329	\$374,039

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, 2015, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥13,829	\$115,078
2017	12,081	100,534
2018	9,662	80,400
2019	6,365	52,972
2020	2,331	19,398
2021 and thereafter	312	2,593
Total	¥44,580	\$370,975

The minimum rental commitments under noncancelable operating leases at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥2,812	¥2,069	\$23,397
Due after one year	5,846	4,385	48,649
Total	¥8,658	¥6,454	\$72,046

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

Marketable and investment securities are mainly equity securities of the companies with which the Group has business relationships or capital alliances. Such securities are exposed to the risk of market price fluctuations.

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

Short-term bank loans and long-term bank loans are mainly related to a financial business. 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 such as interest rate swaps. In addition, such interest rate swaps are contracted in accordance with internal rules, which prescribe the authority over derivative transactions.

Accounts payable and bank loans exposed to liquidity risks are managed by each company of the Group, such as through 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. The value could vary depending on the technique used.

Fair values of financial instruments at March 31, 2015 and 2014, were as follows:

March 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥247,398	¥247,398	
Trade notes and accounts receivable	187,834		
Allowance for doubtful accounts	(122)		
	187,712	188,298	¥ 586
Installment sales receivable	42,008		
Allowance for doubtful accounts	(802)		
Deferred profit on installment sales	(5,655)		
	35,551	40,979	5,428
Investment securities	33,017	33,017	
Trade notes and accounts payable	157,480	157,480	
Short-term loans	34,443	34,515	72
Long-term loans	83,877	83,834	(43)
Derivatives			

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

March 31, 2015	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	\$2,058,737	\$2,058,737	
Trade notes and accounts receivable	1,563,066		
Allowance for doubtful accounts	(1,012)		
	1,562,054	1,566,931	\$ 4,877
Installment sales receivable	349,570		
Allowance for doubtful accounts	(6,674)		
Deferred profit on installment sales	(47,061)		
	295,835	341,011	45,176
Investment securities	274,750	274,750	
Trade notes and accounts payable	1,310,476	1,310,476	
Short-term loans	286,626	287,215	589
Long-term loans	697,979	697,630	(349)
Derivatives			

Cash and cash equivalents

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

Trade notes and accounts receivable

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

Installment sales receivable

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

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 7.

Trade notes and accounts payable

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

Short-term loans and long-term loans

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

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

Derivatives

Fair value information for derivatives is included in Note 16.

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Investments in equity instruments that do not have a quoted market price in an active market	¥1,551	¥1,324	\$12,904

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

	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
March 31, 2015			
Cash and cash equivalents	¥247,398		
Trade notes and accounts receivable	174,738	¥12,915	¥181
Installment sales receivable	20,655	20,730	623
Total	¥442,791	¥33,645	¥804
March 31, 2014			
Cash and cash equivalents	¥220,148		
Trade notes and accounts receivable	177,095	¥10,975	¥ 75
Installment sales receivable	19,688	19,154	638
Total	¥416,931	¥30,129	¥713

	Thousands of U.S. Dollars		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
March 31, 2015			
Cash and cash equivalents	\$2,058,737		
Trade notes and accounts receivable	1,454,092	\$107,469	\$1,505
Installment sales receivable	171,885	172,505	5,180
Total	\$3,684,714	\$279,974	\$6,685

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

Year Ending March 31	Millions of Yen		
	Long-term loans	Lease obligations	Zero coupon convertible bonds
2016	¥ 16,677	¥2,734	¥9,660
2017	32,328	1,882	
2018	41,549	1,319	
2019	10,000	911	
2020		441	
2021 and thereafter		102	
Total	¥100,554	¥7,389	¥9,660

Year Ending March 31	Thousands of U.S. Dollars		
	Long-term loans	Lease obligations	Zero coupon convertible bonds
2016	\$138,784	\$22,749	\$80,387
2017	269,016	15,660	
2018	345,747	10,981	
2019	83,216	7,579	
2020		3,674	
2021 and thereafter		851	
Total	\$836,763	\$61,494	\$80,387

Please see Note 9 for annual maturities of long-term debt.

16. DERIVATIVES

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

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

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2015	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥38,582	¥26,376	*
March 31, 2014				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	¥44,050	¥29,050	*
Thousands of U.S. Dollars				
March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term bank loans	\$321,062	\$219,489	*

* The fair value of interest rate swaps is included in that of hedged items (see Note 15).

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 7,258	¥3,784	\$ 60,399
Reclassification adjustments to profit or loss	(7)	(1)	(58)
Amount before income tax effect	7,251	3,783	60,341
Income tax effect	(1,880)	(845)	(15,648)
Total	¥ 5,371	¥2,938	\$ 44,693
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 826	¥1,408	\$ 6,878
Remeasurements of defined employees' retirement benefit plans:			
Adjustments arising during the year	¥ 3,352	¥ –	\$ 27,893
Reclassification adjustments to profit or loss	399		3,318
Amount before income tax effect	3,751		31,211
Income tax effect	(1,308)		(10,883)
Total	¥ 2,443	¥ –	\$ 20,328
Total other comprehensive income	¥ 8,640	¥4,346	\$ 71,899

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2015				
Basic EPS—Net income available to common shareholders	¥37,533	415,131	¥90.41	\$0.75
Adjustment in net income—Administrative fee (net of tax)	5			
Effect of dilutive securities—Convertible bonds		10,187		
Diluted EPS—Net income for computation	¥37,538	425,318	¥88.26	\$0.73
Year Ended March 31, 2014				
Basic EPS—Net income available to common shareholders	¥34,776	422,941	¥82.22	
Effect of dilutive securities—Convertible bonds		10,811		
Diluted EPS—Net income for computation	¥34,776	433,752	¥80.18	

19. SEGMENT INFORMATION

(1) Description of Reportable Segments

The Group identifies operating segments as components of entity 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 segments and assess their performance.

The Company, as a pure holding company, forms six reportable segments classified according to business content and manages them based on these reportable segments. Therefore, the Group has the following six reporting segments; "Delivery," "BIZ-Logistics," "Home Convenience," "e-Business," "Financial," and "Autoworks" based on the above policy.

The Group defines the reporting segments as follows:

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

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

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

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

	Millions of Yen									
	2015									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,101,439	¥103,821	¥48,475	¥40,487	¥ 66,658	¥27,153	¥ 8,675	¥1,396,708	¥ -	¥1,396,708
Intersegment revenues	63,411	12,151	14,546	28,253	3,402	28,558	59,229	209,550	(209,550)	
Total segment revenues	¥1,164,850	¥115,972	¥63,021	¥68,740	¥ 70,060	¥55,711	¥67,904	¥1,606,258	¥(209,550)	¥1,396,708
Segment income	¥ 39,205	¥ 4,683	¥ 613	¥ 7,757	¥ 8,918	¥ 3,733	¥24,144	¥ 89,053	¥ (20,106)	¥ 68,947
Segment assets	660,296	61,508	20,242	40,377	239,044	24,794	12,849	1,059,110	23,421	1,082,531
Other:										
Depreciation and amortization	34,792	1,818	557	3,761	3,437	768	261	45,394	664	46,058
Increase of tangible and intangible fixed assets	33,832	3,201	711	4,965	8,397	455	220	51,781	241	52,022

	Millions of Yen									
	2014									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,099,400	¥ 90,255	¥48,723	¥40,831	¥ 62,728	¥25,650	¥ 7,023	¥1,374,610	¥ -	¥1,374,610
Intersegment revenues	61,095	12,462	14,154	27,104	3,568	28,067	60,664	207,114	(207,114)	
Total segment revenues	¥1,160,495	¥102,717	¥62,877	¥67,935	¥ 66,296	¥53,717	¥67,687	¥1,581,724	¥(207,114)	¥1,374,610
Segment income	¥ 35,784	¥ 3,404	¥ 217	¥ 8,057	¥ 9,406	¥ 3,272	¥24,957	¥ 85,097	¥ (22,001)	¥ 63,096
Segment assets	633,427	54,551	19,017	38,635	233,495	23,412	11,169	1,013,706	18,428	1,032,134
Other:										
Depreciation and amortization	31,849	1,561	575	3,712	2,721	907	285	41,610	656	42,266
Increase of tangible and intangible fixed assets	64,479	4,250	700	3,366	5,493	380	564	79,232	299	79,531

	Thousands of U.S. Dollars									
	2015									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	\$9,165,671	\$863,953	\$403,387	\$336,912	\$ 554,699	\$225,959	\$ 72,190	\$11,622,771	\$ -	\$11,622,771
Intersegment revenues	527,683	101,111	121,047	235,109	28,304	237,647	492,874	1,743,775	(1,743,775)	
Total segment revenues	\$9,693,354	\$965,064	\$524,434	\$572,021	\$ 583,003	\$463,606	\$565,064	\$13,366,546	\$(1,743,775)	\$11,622,771
Segment income	\$ 326,250	\$ 38,969	\$ 5,102	\$ 64,549	\$ 74,213	\$ 31,065	\$200,912	\$ 741,060	\$ (167,313)	\$ 573,747
Segment assets	5,494,681	511,840	168,443	336,004	1,989,219	206,326	106,921	8,813,434	194,899	9,008,333
Other:										
Depreciation and amortization	289,520	15,130	4,636	31,302	28,606	6,390	2,169	377,753	5,524	383,277
Increase of tangible and intangible fixed assets	281,537	26,633	5,919	41,319	69,876	3,785	1,826	430,895	2,010	432,905

Notes: Effective from the fiscal year ended March 31, 2015, the Delivery Business segment includes the contact service business, previously included in the e-Business, due to changes involving business segment categories made in accordance with actual circumstances related to management and administration. The segment information for the fiscal year ended March 31, 2014 has been prepared and presented according to the new classification. "Other" includes JITBOX charter services, staffing services, and shared services. Segment revenues and segment income of "Other" include dividends for the years ended March 31, 2015 and 2014, of ¥21,910 million (\$182,328 thousand) and ¥24,105 million, respectively, which the Company received from its subsidiaries as a pure holding company.

Reconciliations are as follows:

- (1) Reconciliations of segment income for the years ended March 31, 2015 and 2014, of ¥20,106 million (\$167,313 thousand) and ¥22,001 million, respectively, are intersegment eliminations and others.
- (2) Reconciliations of segment assets at March 31, 2015 and 2014, of ¥23,421 million (\$194,899 thousand) and ¥18,428 million, respectively, include intersegment eliminations of assets and liabilities of ¥166,006 million (\$1,381,424 thousand) and ¥143,010 million, and corporate assets which are not allocated to each reporting segments of ¥189,427 million (\$1,576,323 thousand) and ¥161,438 million, respectively.
- (3) Reconciliations of increases of tangible and intangible fixed assets at March 31, 2015 and 2014, of ¥241 million (\$2,010 thousand) and ¥299 million, respectively, include the Company's capital investment.

Segment income is reconciled with the consolidated statement of income.

The ASBJ revised ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" in May 2012, and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" in March 2015. The accounting standard revised calculation methods for defined benefit obligation and service cost. The Company applied the revised accounting standard effective from the beginning of the fiscal year ended March 31, 2015. In applying of the revised accounting standard, the Company reviewed the calculation method of retirement benefit obligations and service cost and amended the determination of discount rate from one that is based on the period of years approximate to the expected average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. The effect of this change on segment income for the fiscal year ended March 31, 2015 is immaterial.

[Related Information about Reporting Segments]

(1) Information about products and services

Operating revenues from customers for the years ended March 31, 2015 and 2014, are as follows:

2015				2014			
TA-Q-BIN	Kuroneko Mail	Other	Total	TA-Q-BIN	Kuroneko Mail	Other	Total
¥912,563	¥111,885	¥372,260	¥1,396,708	¥906,057	¥120,800	¥347,753	¥1,374,610

Thousands of U.S. Dollars

2015			
TA-Q-BIN	Kuroneko Mail	Other	Total
\$7,593,934	\$931,058	\$3,097,779	\$11,622,771

(2) Information about geographical areas

Operating revenues for the years ended March 31, 2015 and 2014, are as follows:

2015				2014			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥1,368,793	¥10,261	¥17,654	¥1,396,708	¥1,349,718	¥10,461	¥14,431	¥1,374,610

Thousands of U.S. Dollars

2015			
Japan	North America	Other	Total
\$11,390,474	\$85,390	\$146,907	\$11,622,771

Property, plant and equipment at March 31, 2015 and 2014, are as follows:

2015				2014			
Japan	North America	Other	Total	Japan	North America	Other	Total
¥418,202	¥442	¥1,457	¥420,101	¥415,013	¥386	¥1,729	¥417,128

Thousands of U.S. Dollars

2015			
Japan	North America	Other	Total
\$3,480,089	\$3,677	\$12,123	\$3,495,889

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

Loss on impairment of long-lived assets by reporting segments for the years ended March 31, 2015 and 2014, are as follows:

	Millions of Yen									
	2015									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	¥1,404	¥91	¥297					¥1,792		¥1,792

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

	Thousands of U.S. Dollars									
	2015									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Autoworks	Other	Total	Eliminations or Corporate	Consolidated
Loss on impairment of long-lived assets	\$11,682	\$755	\$2,473					\$14,910		\$14,910

20. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Company's Board of Directors meeting held on May 14, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥13.00 (\$0.11) per share	¥5,372	\$44,699

Independent Auditor's Report

Deloitte.

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

We have audited the accompanying consolidated balance sheet of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamato Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 10, 2015

Member of
Deloitte Touche Tohmatsu Limited