

Notes to Consolidated Financial Statements

Year Ended March 31, 2013

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamato Holdings Co., Ltd. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.05 to \$1, the approximate rate of exchange at March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2013, include the accounts of the Company and its 40 significant (39 in 2012) subsidiaries (together, the “Group”).

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

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

There were no affiliates accounted for by the equity method in 2013 or 2012.

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

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

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

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

the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

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

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

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash and cash equivalents presented in the consolidated balance sheet	¥213,619	¥209,179	\$2,271,336
Time deposits due beyond three months	(695)	(490)	(7,387)
Bank overdraft	(283)	(296)	(3,009)
Cash and cash equivalents presented in the consolidated statement of cash flows	¥212,641	¥208,393	\$2,260,940

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

f. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost, and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group had no trading securities at March 31, 2013 and 2012.

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

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

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

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

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

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

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

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

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

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

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

The foreign subsidiaries have defined contribution retirement plans.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

t. New Accounting Pronouncements

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

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

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

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

3. NOTES AND ACCOUNTS RECEIVABLE

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

Annual maturities of notes and accounts receivable—installment at March 31, 2013, and related amortization of deferred profit on installment sales are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Receivables	Deferred Profit on Installment Sales	Receivables	Deferred Profit on Installment Sales
2014	¥19,318	¥2,080	\$205,398	\$22,116
2015	9,191	1,348	97,726	14,337
2016	4,899	790	52,093	8,406
2017	2,339	412	24,874	4,381
2018	1,127	229	11,981	2,431
2019 and thereafter	582	147	6,189	1,562
Total	¥37,456	¥5,006	\$398,261	\$53,233

4. INVENTORIES

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

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

5. MARKETABLE AND INVESTMENT SECURITIES

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

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

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

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

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale: Equity securities	¥13,421	¥4,282	¥199	¥17,504

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

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

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

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

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

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

6. LONG-LIVED ASSETS

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

7. BANK LOANS AND LONG-TERM DEBT

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

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

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

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

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

The conversion price of the convertible bonds due in March 2016 was ¥1,850 per share at March 31, 2013. If all the outstanding convertible bonds had been exercised at March 31, 2013, 10,811 thousand shares of common stock would have been issued.

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

8. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees.

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

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

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

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

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

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

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

9. ASSET RETIREMENT OBLIGATIONS

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

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

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

10. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

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

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

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

c. Treasury Stock

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

11. INCOME TAXES

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

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

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

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2013, with the corresponding figures for 2012 is as follows:

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

12. LEASES

(1) Lessee

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

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

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

(2) Lessor

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

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

Maturities of lease receivables for finance leases that are deemed not to transfer ownership of the leased property to the lessee as of March 31, 2013, are as follows:

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

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

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

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

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

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

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

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

(3) Fair Values of Financial Instruments

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

Fair values of financial instruments at March 31, 2013 and 2012, were as follows:

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

March 31, 2012	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥209,179	¥209,179	
Trade notes and accounts receivable	158,175		
Allowance for doubtful accounts	(79)		
	158,096	158,675	¥ 579
Installment sales receivable	35,539		
Allowance for doubtful accounts	(1,561)		
Deferred profit on installment sales	(4,960)		
	29,018	33,688	4,670
Investment securities	17,504	17,504	
Trade notes and accounts payable	129,454	129,454	
Short-term loans	17,390	17,396	6
Long-term loans	40,850	40,882	32
Derivatives			

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

Cash and cash equivalents

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

Trade notes and accounts receivable

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

Installment sales receivable

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

Marketable and investment securities

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

Trade notes and accounts payable

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

Short-term loans and long-term loans

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

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

Derivatives

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

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

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

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

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

March 31, 2012	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years
Cash and cash equivalents	¥209,179		
Trade notes and accounts receivable	151,663	¥ 6,463	¥ 49
Installment sales receivable	19,886	15,310	343
Total	¥380,728	¥21,773	¥392

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

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

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

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

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

14. DERIVATIVES

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

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

Derivative Transactions to Which Hedge Accounting Is Applied

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

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

15. COMPREHENSIVE INCOME

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

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

16. NET INCOME PER SHARE

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

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

17. SEGMENT INFORMATION

(1) Description of Reportable Segments

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

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

The Group defines the reporting segments as follows:

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

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

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

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

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

	Millions of Yen									
	2012									
	Delivery	BIZ-Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Reconciliation	Consolidated
Segment revenues:										
Segment revenues from customers	¥1,014,564	¥82,479	¥47,715	¥35,504	¥ 54,115	¥21,188	¥ 5,268	¥1,260,833	¥ -	¥1,260,833
Intersegment revenues	54,096	11,827	14,157	26,494	4,171	26,896	44,604	182,245	(182,245)	
Total segment revenues	¥1,068,660	¥94,306	¥61,872	¥61,998	¥ 58,286	¥48,084	¥49,872	¥1,443,078	¥(182,245)	¥1,260,833
Segment income (loss)	¥ 40,965	¥ 3,663	¥ (44)	¥ 6,703	¥ 9,938	¥ 2,514	¥11,877	¥ 75,616	¥ (8,965)	¥ 66,651
Segment assets	558,494	50,520	19,796	36,550	174,683	21,635	10,948	872,626	46,669	919,295
Other:										
Depreciation and amortization	29,406	1,534	756	3,691	1,932	931	366	38,616	66	38,682
Increase of tangible and intangible fixed assets	35,654	1,386	595	3,353	3,609	1,208	147	45,952	2,663	48,615

Thousands of U.S. Dollars

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

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

Segment revenues and segment income of "Other" include dividends for the years ended March 31, 2013 and 2012, of ¥17,553 million (\$186,636 thousand) and ¥10,219 million, respectively, which the Company received from its subsidiaries as a pure holding company.

Reconciliations are as follows:

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

Segment income is reconciled with the consolidated statement of income.

[Related Information about Reporting Segments]

(1) Information about products and services

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

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

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

(2) Information about geographical areas

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Millions of Yen										
2012										
	Delivery	BIZ- Logistics	Home Convenience	e-Business	Financial	Truck Maintenance	Other	Total	Eliminations or Corporate	Consolidated
Amortization of goodwill	¥ 91		¥104					¥195		¥195
Amounts of goodwill	273		312					585		585

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

18. SUBSEQUENT EVENT

Appropriations of Retained Earnings

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

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