

**We Find the Way**  
 **NIPPON EXPRESS**

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**We Find the Way**  
 **NIPPON EXPRESS**



# We Find the Way

NIPPON EXPRESS Group brings customers' possibilities to reality. There are often many solutions, but only one way is *the way*. We use our determination to find the best way to overcome hurdles and take our customers across the finish line.

On October 1, 2017, Nippon Express marked the 80th anniversary of its founding. We took this opportunity to establish a corporate message: We Find the Way. This message manifests our unchanging commitment to exercise innovative thinking to find and deliver the best way to serve our customers.

The Nippon Express Group is a comprehensive logistics group that provides a wide range of logistics services around the world. Going forward, we will continue striving to create new value through logistics, aiming to remain a driving force for social development.

Nippon Express Group Corporate Philosophy

## Our Mission

Be a Driving Force for Social Development

## Our Challenge

Create New Ideas and Value that Expand the Field of Logistics

## Our Pride

Inspire Trust Every Step of the Way

Since our founding, the Nippon Express Group has employed our logistical strengths to connect people, businesses, and regions throughout the world. In so doing, we have continuously supported social development.

While our mission never changes, we continuously advance to meet the world's changing needs.

Making no compromise in safety and maintaining a deep focus on environmental issues, we continuously strive to deliver innovative solutions at the next frontier of logistics.

We will forever take pride in our ability to inspire trust and answer the call of society.

Every move we make is aimed at advancing society and bringing an enriched life to future generations.



## Contents

### Overview

Nippon Express's Strengths.....	2
Origins and History.....	4

### Management Strategy

Message from the President .....	6
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### Operations

Special Feature 1. Looking back on Our Previous Corporate Strategies.....	12
Special Feature 2. Nippon Express Group Business Plan 2023 ~"Dynamic Growth"~.....	14
Special Feature 3. Business Structure Reforms on April 15, 2019.....	16
Segment Overview.....	18

### Governance & Sustainability

The Nippon Express Group's ESG Management.....	25
Corporate Governance.....	29

Messages from Our Outside Directors.....	34
Directors, Executive Officers, Audit & Supervisory Board Members.....	35

### Financial Section

Management Discussion and Analysis.....	36
11-Year Summary.....	40
(1) Consolidated Financial Statements.....	42
(2) Other.....	82
Report of Independent Auditors.....	83

### Corporate Data

Global Network.....	84
Organization.....	85
Company Information.....	86
Share Information.....	87

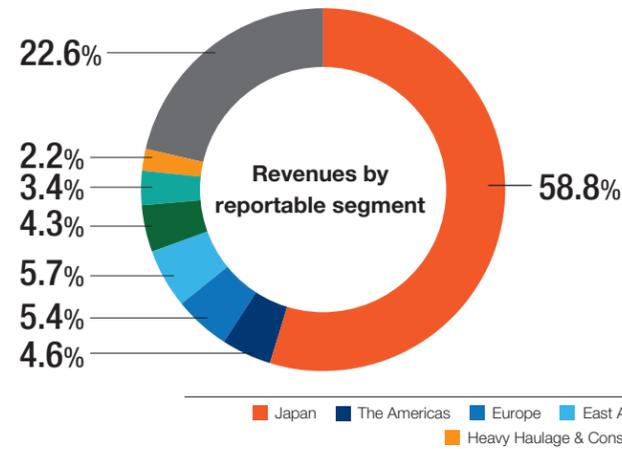
### Caution Regarding Forward-Looking Statements

This annual report contains information about forward-looking statements related to such matters as the Company's plans, strategies and business results. These forward-looking statements represent judgments made by the Company based on information available at present and are inherently subject to a variety of risks and uncertainties. The Company's actual activities and business results could differ significantly due to changes, including changes in the economic environment, business environment, demand and exchange rates.

\* Due to the application of the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21, issued September 13, 2013) and other accounting standards, the accounting item presented as "net income" prior to fiscal 2015 has been renamed "profit attributable to owners of parent" from fiscal 2015 onward. However, to aid readability, the term "net income" is used in this report, except in the Financial Section.

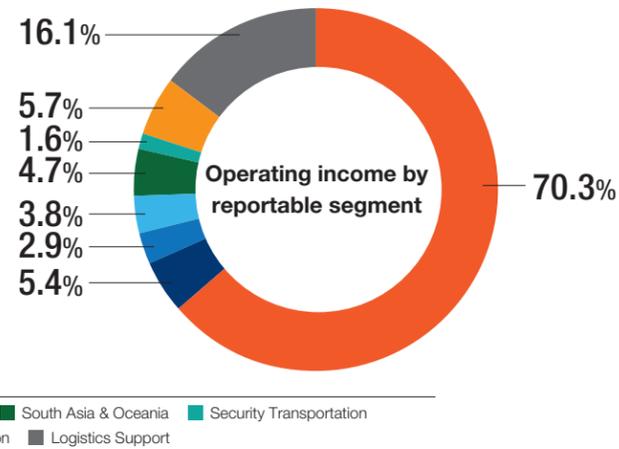
## Revenues (fiscal 2018)

¥ 2,138,501 million



## Operating Income (fiscal 2018)

¥ 79,598 million



\* Figures presented exclude adjustments.

## One of the World's Largest Networks

Nippon Express will transport cargo to any destination worldwide. Our overseas network began with the 1962 founding of our first foreign subsidiary in New York. We have continued to steadily build up our network over the 60 or so years since then.

In places where we have no business base, our trusted local partners ensure the delivery of our customers' cargo.

We will transport your cargo anywhere you ask us to. To live up to the trust placed in us, we will continue to expand our network going forward.

Subsidiaries	299
Affiliates	68
Overseas network	46 countries
	302 cities
	705 locations
Employees (consolidated)	71,525
Employees (non-consolidated)	32,280



## Offering All Transport Modes: Land, Ocean, and Air

Customer requests can vary with regard to package specifications—such as size and weight or other physical considerations—or degree of urgency. Because Nippon Express utilizes a comprehensive range of transport modes spanning Land, Ocean, and Air, including trucks, trains, ships, and airplanes, customers are able to choose the right option to meet their needs for each occasion.

In addition, we offer strict temperature-controlled transportation for pharmaceutical products and fresh foods, vibration-proofed services for precision instruments, and humidity-controlled shipping for fine arts. Moreover, even for deliveries requiring such special conditions, the customer is able to choose the optimal transport method.

Thanks to this broad range of options, we can satisfy many customers around the world.

Vehicles	(non-consolidated)	18,091
	(overseas)	3,136
Loading and construction vehicles	(non-consolidated)	5,043
	(overseas)	1,371
Warehousing space	(non-consolidated)	3 million m <sup>2</sup>
Overseas warehousing space		3.06 million m <sup>2</sup>
Freight forwarding volume <sup>*1</sup>	(ocean cargo)	680,000 TEU <sup>*2</sup>
	(air cargo)	900,000 tons

\*1 Volume for full calendar year (January to December)

\*2 TEU: Twenty-foot Equivalent Unit, equal to the volume of one twenty-foot shipping container.

## Finding the Way

As stated above, we can deliver anything, anywhere via a multitude of transport methods and utilizing our network spanning Japan and the rest of the world. From among these options, we identify the best way and dedicate ourselves to seeing the delivery through to success. It is this single-minded dedication that makes customers continue to choose us.

Owing to the experience and know-how we have accumulated over our long history of more than 80 years as well as the philosophy embodied in our corporate message of "We Find the Way," we are confident in and proud of our ability to identify the best way and see it through to success.

This steely determination and confidence has been passed down since our founding and will continue to be passed down to future generations as we strive to maintain our position as a welcomed presence in society going forward.

## We Find the Way

NIPPON EXPRESS Group brings customers' possibilities to reality. There are often many solutions, but only one way is *the way*. We use our determination to find the best way to overcome hurdles and take our customers across the finish line.

### We

Our unified strength makes us unique, driving everything we do on the frontline and in the background to deliver unparalleled logistics services. The word "we" speaks to a complex system of individuals with specialized skills that work together to become an unstoppable force.

### Find

Every client, project, and task is different, and sometimes we have to innovate to achieve our goals. Our work demands exploration and thinking outside the box. It's how we find the best way. The verb "find" in its present form tells a story of a company willing to dig deeper for the best results.

### the Way

Sure, there are many solutions, but there's only one best way. We don't find a way or some way; we find the best way, and we do it with passion and perseverance. Our efforts build connections to and between individuals and businesses.

**Nippon Express's predecessor company Riku-un Moto Kaisha established**

Sousuke Sasaki, the manager of Izumiya, a courier service provider in Edo, launched Riku-un Moto Kaisha as a logistics company. Mergers with other providers established the precursor of Nippon Express today.



**Company name changed to Kokusai Tsu-un K.K.**

Naikoku Tsu-un acquired and merged with Kokusai Unsou, Meiji Unsou, and Kokusai Tsu-un (formerly Godo Unsou), and renamed Kokusai Tsu-un K.K.

**Listed on stock exchange and reestablished as a private company**

Transformed from a semi-government enterprise to a private enterprise after the Express Business Act came into effect.

**First expatriate representative dispatched to New York**

Launched the Company's first overseas representative office by borrowing desk space from the American company REA two years after the start of collaboration. The representative conducted quality assurance on services provided by the American agency, including air and ocean cargo forwarding, overseas moving, and travel.



**Provided services for the Tokyo Summer Olympics**

Designated as the official carrier for the Olympic Games. In addition to the transport of competition equipment, luggage, and pigeons for release at the opening ceremony, the Company was asked to set up practice courses for marathons and cycling races, as well as to fabricate containers for transporting injured racehorses.



**Transported relief supplies as a designated public institution following the Great Hanshin-Awaji Earthquake**

Mobilized a total of 3,200 trucks and 225 cargo ships to transport relief supplies. Logistics becomes recognized as a lifeline that is as important as waterworks and gas.



**Head office functions relocated to a new building built in the Shiodome area, Tokyo**

The new head office was built in the Shiodome area, the birthplace of Japan's railways, also considered the starting point of our business, with the ideas of "creating a space that inspires intellectual creativity," "erecting a people- and environmentally friendly building", and "contributing to the surrounding neighborhood."



**Transported the Mona Lisa**

Transported the world famous artwork, which had never been taken off its premises aside from its trip to the United States, to the Tokyo National Museum in Ueno.



**Relocation of the Tokyo Metropolitan Government**

Relocation was carried out using 3,500 2-ton trucks' worth of materials and 6,500 personnel, capturing the imagination of the mass media.



**Provided services for the International Exposition in Osaka**

Won the contract as the designated transporter and customs broker to transport, move, install, and disassemble exhibits and retail products from foreign countries. We were also in charge of transporting the face part of the Tower of the Sun sculpture, which still stands as a symbol of the event.



**Nippon Express marked its 50th anniversary overseas**

**Awarded both the Logistics Environment Award and the Logistics Enlightenment Awareness Award**

Made a modal shift from trucks to railway for the transportation of automotive parts. Received the Logistics Environment Award for both CO<sub>2</sub> reduction and shortened lead time. At the same time, the Company was recognized for its training program on industrial waste treatment and received the Logistics Enlightenment Awareness Award.



**Tokyo C-NEX opened**

The Company's largest distribution center, Tokyo C-NEX offers easy access to the city center and is located within 30 minutes of a railway container hub, an airport, and a port, making it an ideal location as a distribution base.

**Foreign business locations topped 500**

**Overseas employees exceeded 20,000**

**Transported relief supplies for the Great Eastern Japan Earthquake**

Delivered relief goods around the clock using all modes of transport on Land, Ocean, and Air. The equivalent of 6,810 trucks' worth of goods were transported.



**Relocation of Tsukiji Market**

Tsukiji Market closed after 83 years of history as the kitchen of Japan and was relocated to Toyosu. Approximately 5,300 2-ton truckloads of items were moved in 4.5 days.



**Provided transportation support for EXPO 2005 AICHI JAPAN**

We provided logistics support to the preparation of EXPO 2005 AICHI JAPAN as the designated transporter. The popular "Mammoth" exhibition was successfully brought to the event from Siberia via refrigerated cargo transport using our comprehensive logistics capabilities.



**Transported Subaru Telescope for the National Astronomical Observatory of Japan**

Transported nearly all cargo related to the Subaru Project. The world's largest main telescope mirror was imported from Germany and brought to the summit of Mauna Kea on Hawaii Island, an elevation of 4,200 m, using a specialized trailer.



Origins

1872

**Company name changed to Naikoku Tsu-un K.K.**

The company name was changed to Naikoku Tsu-un K.K. after restructuring the logistics network under government protection.

1875

**Nippon Express Co., Ltd. established**

Nippon Express Co., Ltd. was established on October 1 in accordance with the Nippon Tsu-un Kabushiki Kaisha Act as a semi-government transportation enterprise, taking over the business of the private company Kokusai Tsu-un. 2017 marked the Company's 80th anniversary.

1928

1937

1950

**Test transport of Nippon Express-style containers and start of fine artwork transport service**

Nippon Express-style containers were small and collapsible and utilized in many applications. Moreover, the transport of fine artwork was officially started with the transport of Japanese antique art for an exhibition at the de Young Museum in San Francisco.

History

1951

**Nippon Express USA, Inc. established**

The Company's first overseas subsidiary. The first New York expatriate representative served as vice president.



1958

1962

1964

1970

1974

1991

1995

1998

2003

2005

2008

2011

2014

2015

2017

2018



**Mitsuru Saito**

President, Chief Executive Officer and Representative Director

## Introduction

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Since our founding in 1937, the Nippon Express Group has employed our logistical strengths to connect people, businesses, and regions throughout the world. In so doing, we have continuously supported social development.

At present, the Group comprises 368 companies and engages in business centered on logistics in 46 countries around the world. (As of March 31, 2019)

Our strength lies in our integrated capabilities, one of which is logistics that use all transportation modes encompassing the Land, Ocean, and Air and our worldwide network. Another is our specialized transport services, namely security transport, heavy haulage, and fine arts transport. In addition, we engage in businesses related to logistics, such as logistics support. This kind of business organization is highly unique, with the Group being the only example in Japan.

Thanks to the support of our many customers, our revenues in the fiscal year ended March 31, 2019 exceeded ¥2 trillion—a first for the Group.

I became president in May 2017, and, in October of the same year, I established a corporate message: We Find the Way.

This message conveys the idea that the NIPPON EXPRESS Group brings customers' possibilities to reality. There are often many solutions, but only one way is the way. We use our determination to find the best way to overcome hurdles and take our customers across the finish line.

Going forward, we anticipate a steady increase in global logistics demand. Putting the ideas expressed in this message into practice, the Group intends to obtain recognition as a logistics brand around the world and to steadily roll out growth strategies aimed at expanding the scale of its businesses.

## The Nippon Express Group Business Plan 2023 ~“Dynamic Growth”~

I'd like to explain our five-year Nippon Express Business Plan 2023 ~“Dynamic Growth”~ which started in April 2019.

### A. Background of the Business Plan and Progress to Date

Looking back over the last decade, one of the major tasks we faced was recovering and improving our revenues and operating income, which had fallen sharply due mainly to the financial crisis in 2008 and the sale of our small-parcel delivery business in 2009. We began to see improvement on this front after launching the Business Plan 2015 focused on business structure reform. We then shifted our focus to profitability and growth potential under the Business Plan 2018, aiming to become a truly global logistics company and

successfully establishing a foundation for growth.

After reviewing our three business plans to date and sorting out achievements and areas needing improvement, we conducted an analysis of the external environment to identify the opportunities we need to take and the risks we need to address. We then exercised our imagination to project the ideal future form of the Group and formulated our new long-term vision.

### B. Our Long-Term Vision

We will celebrate our centennial in 2037. Before developing the new business plan, we first thought about what we want the Group to be in 2037. We then established that idea as our long-term vision: A logistics company with a strong presence in the global market.

To put the term “strong presence in the global market” in a quantitative perspective, we aim to raise the share that overseas revenues make up of total consolidated revenues from 20%, where it is currently, to 50% by 2037.

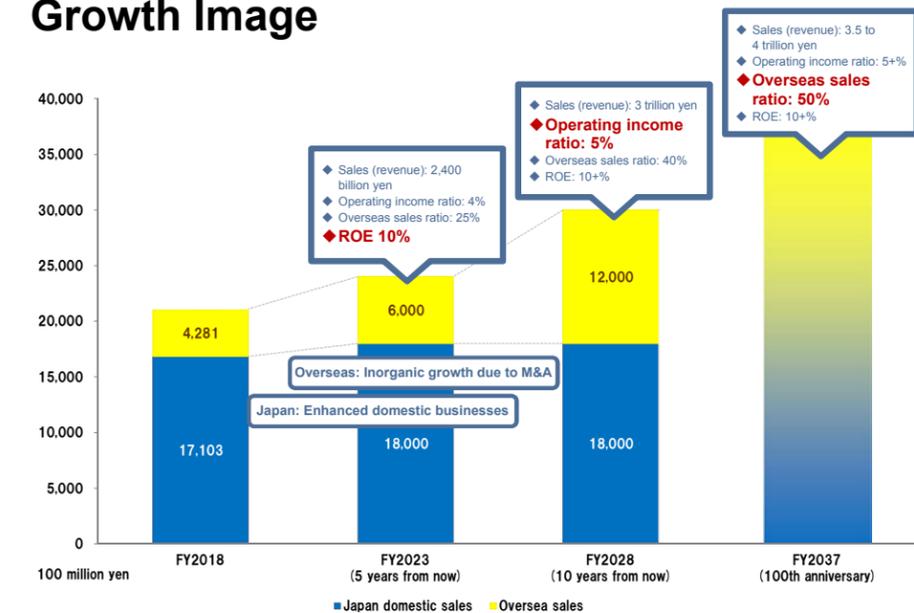
Our revenues have exceeded ¥2 trillion, meaning we are approaching a scale of operations almost equal to that of major overseas forwarders, even with only 20% of our revenues coming from overseas. However, despite our competitive advantage regarding cargo to and from Japan, we still lack sufficient presence to support further overseas growth.

We therefore chose the term “strong presence in the global market” to focus on our Group companies and thereby raise the global profile of Nippon Express.

### Working Towards Our Centennial Anniversary (2037 Vision)



## Growth Image



### C. Dynamic Growth

The current business plan is subtitled, “Dynamic Growth.” This is because even as our existing businesses continue to grow, we aim to shift that growth into high gear. At the same time, we aim to undertake initiatives and to grow in business areas unlike any before, including in new regions and business fields.

We extended the business plan to cover a total of five years, up from the usual three. In that five-year time span, we

plan to raise overseas revenues from around ¥430.0 billion (fiscal 2018) to ¥600.0 billion. We believe we can achieve this increase by fiscal 2023 from organic growth alone.

We have set a target of ¥1.2 trillion in overseas revenue within 10 years. Achieving this target will take more than just organic growth, however, so our plan has taken into account a certain level of M&A activity as well.

### D. Values to Be Sustained and Values to Be Changed

The Nippon Express Group Corporate Philosophy serves as the foundation of the Group. Our growth to date has been achieved upon a foundation of unchanging values, specifically the customer-first ideals expressed in the “We Find the Way” corporate message and the strength of our frontline workforce, which is backed by a commitment to safety, compliance, and quality.

Going forward, we will maintain innovation-focused efforts that will enable us to continue growing swiftly and globally well into the future. As we pursue these efforts, employees’ mindsets and behaviors will be encouraged to change, thereby creating new value as we shift toward a corporate culture and a

set of values that are more self-driven and ambitious in nature.

In addition, it will not be enough to simply achieve growth in business. We recognize the expectations of our various stakeholders and will continue working to meet those expectations.

In this way, we aim to become a logistics company with a strong presence in the global market by achieving sustainable business growth while staying true to our unchanging values, creating new value through innovation, and meeting stakeholder expectations. We have ingrained this idea Groupwide and will continue moving ahead toward these common goals.

### E. Growth Strategy for Our Core Businesses

We are pursuing a three-dimensional approach—customer (industry), business, and area—as a growth strategy. With regard to customers, we have positioned electronics, automobiles, apparel, pharmaceuticals, and semiconductors as our five priority industries. We are working to achieve the targets of our plan in its final fiscal year by steadily providing optimal logistics for each customers' global flow from procurement to production to sales using all transportation modes of Land, Ocean, and Air.

In addition, regarding business outside Japan, the Company has grown mainly in line with the overseas expansion of our customers in Japan. Moving ahead, we need to continue growing by increasing our business with non-Japanese corporate customers. To expand this customer base, we aim to capture new logistics areas by establishing global account management (GMA) and global target accounts (GTA) to enhance our account management.

### F. Strategy to Enhance Domestic Businesses in Japan

One of our themes is further enhancing the profitability of domestic operations. The Company was founded during World War II and, over the course of the Showa era business boom, it was able to establish a large number of branches across the country. The first step in our strategy aimed at enhancing domestic business in Japan was to unify the branch organization in October 2019. The organizational reform involved the integration of small-scale branches to form larger, more appropriately sized operations while

bringing together units that had been scattered throughout our organization. At the same time, we continued to strive to enhance operational safety, compliance, and quality by nurturing outstanding human resources, reconstructing our sales support system, and bolstering our sales capabilities.

In addition, we are working to improve productivity by adopting new technologies, including robotic process automation (RPA) and self-driving technologies.

### G. In Conclusion

The Nippon Express Group Business Plan 2023 ~“Dynamic Growth”~ is the first step toward realizing our vision for the Group.

We intend to change ourselves, shifting from slow and steady growth toward rapidly accelerating growth and undertaking various reforms to achieve a corporate image unlike any seen before. We have instilled the vision of this dynamic growth across the Group, demonstrating our resolve to achieve it.

The Nippon Express Group pursues innovation to fundamentally change its approaches and philosophies to realize its long-term vision. We are steadfastly promoting growth strategies to maintain and accelerate our initiatives. Furthermore, we will help realize a sustainable society by achieving dynamic growth that strengthens the management infrastructure needed for transformation and enhancing the functions that support our various measures. We will also continue endeavoring to transform the Company that makes employees feel satisfied and fulfilled.

## Message to Our Stakeholders

Nippon Express regards shareholder returns as one of its top priorities. Our policy is to expand sales and reinforce our financial position, expand shareholders' equity and improve our profit ratio, and enhance shareholder returns. Regarding internal reserves, we will continue our efforts to enhance our management infrastructure. To this end, we will strengthen our financial standing and use internal reserves for such capital investment as that for upgrading distribution centers and replacing vehicles, with the aim of improving transport efficiency and expanding sales of our various transport services.

The annual dividend for fiscal 2018 came to ¥155 per share. In addition, we have again revised our capital policy in the current business plan and now aim to achieve a dividend payout ratio of at least 30%. We forecast a per-share dividend of ¥155 and a dividend payout ratio of 32.6% for fiscal 2019.

Moreover, we established a new capital policy with the aim of achieving a total return ratio of at least 50% over a

cumulative five-year period. We will pay out continuous dividends and execute share buybacks as we continue working to achieve the targets of our business plan.

Going forward, we will strive to achieve both growth and strong profitability, reinforcing the Group's financial position and enhancing the return of profits to shareholders. To ensure our worldwide recognition and to support logistics around the world, we will continue creating new value as we move forward alongside all our stakeholders, including our customers, shareholders, investors, employees, and broader society.

The Nippon Express Group aims to establish a strong presence in the global market by steadily implementing the various strategies laid out in its business plan and intends to meet everyone's expectations as one unified group.

We gratefully look forward to your continued heartfelt support and understanding.

President, Chief Executive Officer  
and Representative Director

*Mitsuru Saito*

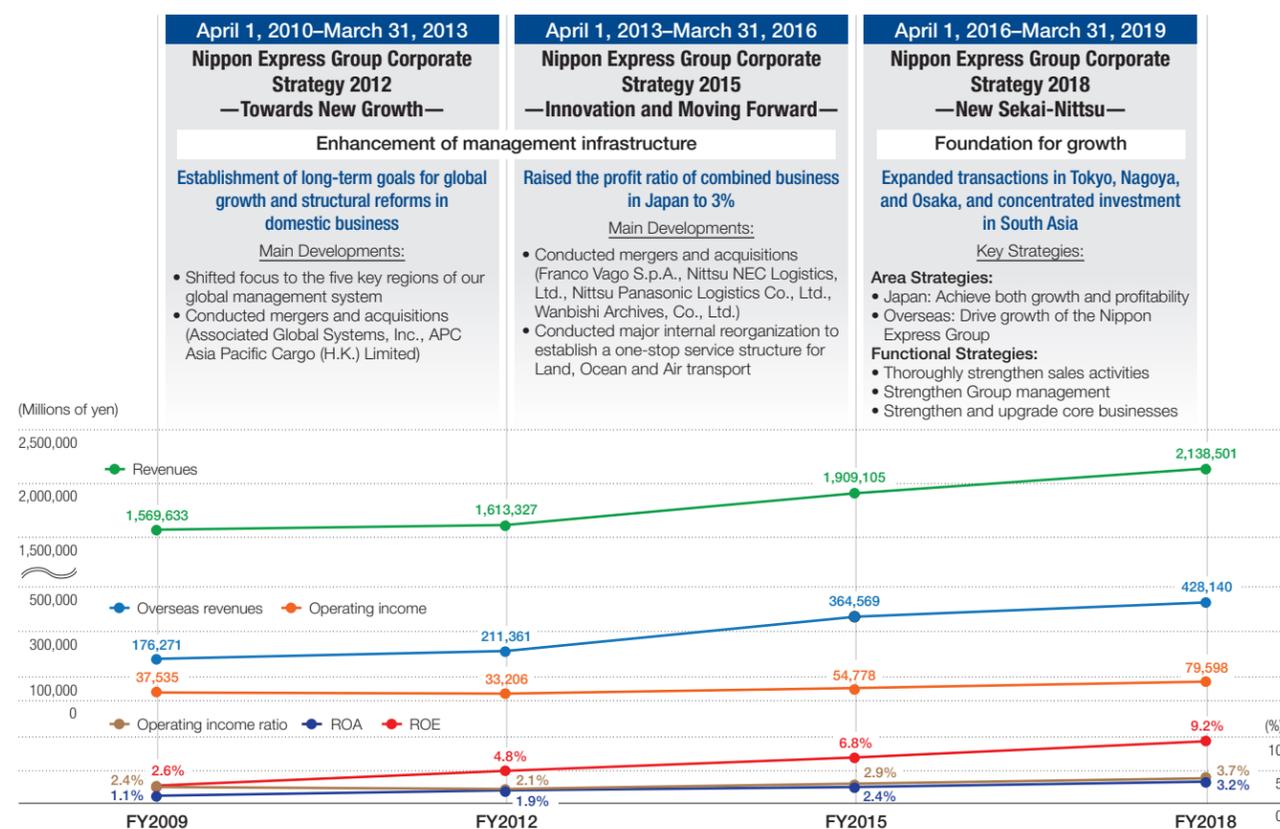


# Special Feature 1.

## Looking back on Our Previous Corporate Strategies

Over the last nine years from fiscal 2010 through fiscal 2018 the Company has implemented three business plans, under which it has worked hard to undertake structural reforms in Japan and achieve growth overseas. From April 1, 2010, we pursued M&A projects under the Nippon Express Group Corporate Strategy 2012 and subsequent Nippon Express Group Corporate Strategy 2015, offsetting the fall in revenues generated from the sale of the Pelican-brand parcel delivery business and the worldwide economic slowdown following the 2008 financial crisis. In addition, we undertook structural reforms in Japan, transforming domestic operations into a more profitable business structure.

We then shifted to a more aggressive growth strategy under the Nippon Express Group Corporate Strategy 2018, which ended in March 2019, building on the foundation formed by the achievements of the structural reforms. With the aim of further boosting business growth overseas, we worked hard to strengthen our sales activities (especially account management and one-stop sales), invest in overseas growth (especially in South Asia), reinforce the purchasing power of our Global Forwarding Planning & Development Division, and implement initiatives for shared services. We were able to achieve most of the numerical targets used as indicators under the business plans.



2009 Sale of Pelican Delivery Business to Japan Post Office

2012 Establishment of Nippon Express (South Asia & Oceania) Pte., Ltd., shift to a four-pronged overseas system

2015 First sweeping business structure reforms in 53 years

Progress on indicators related to structural reforms		FY2009	FY2018
Business reforms in Japan	Operating income ratio for combined business in Japan	2.0%	3.1% *FY2015 result
	Number of countries	36	46
Overseas network	Number of cities	209	302
	Number of locations	385	705
	Number of employees overseas	15,450	22,170
	Overseas warehousing space	1,501,820 m <sup>2</sup>	3,058,264 m <sup>2</sup>
ESG indicators	Eco-friendly vehicles (in Japan)	4,485	9,650
	Proportion of women among new graduate hires	27.5%	34.5%

## Corporate Strategy 2018: FY2018 Results

### Achievement Status of Numerical Targets

	Corporate strategy targets	FY2018 results	Achievement rate / implementation rate
Revenues	¥2,150.0 billion	¥2,138.5 billion	99.5%
Operating income	¥75.0 billion	¥79.5 billion	106.1% (achieved)
Profit attributable to owners of parent	¥45.0 billion	¥49.3 billion	109.6% (achieved)
Return on assets (ROA)	2.8%	3.2%	Achieved
Sales from overseas-related business	¥860.0 billion	¥824.2 billion	95.8%
Investment plan	¥200.0 billion	¥256.2 billion	128.1%

### Implementation Status of Key Strategies

Area strategies	Achievements	Ongoing issues
Japan	<p><b>Build a foundation that can ensure both growth and profitability</b></p> <p>Revenues (consolidated results, including overseas) FY2015 ¥1,909.1 billion → FY2018 ¥2,138.5 billion (+¥229.3 billion)</p> <p>Operating income (consolidated results, including overseas) FY2015 ¥54.7 billion → FY2018 ¥79.5 billion (+¥24.8 billion)</p>	<ul style="list-style-type: none"> <li>Expand business in the metropolitan areas of Tokyo, Nagoya, and Osaka</li> <li>Make domestic businesses profitable (real estate, security transportation, small-lot freight, etc.)</li> </ul>
Overseas	<p><b>Drive growth of the Nippon Express Group through overseas business</b></p> <p>Overseas revenues FY2015 ¥364.5 billion → FY2018 ¥428.1 billion (+¥63.5 billion)</p> <p><b>Boost growth in South Asia &amp; Oceania</b></p> <p>South Asia &amp; Oceania revenues FY2015 ¥70.2 billion → FY2018 ¥91.8 billion (+¥21.6 billion)</p>	<ul style="list-style-type: none"> <li>Strengthen intraregional logistics in South Asia</li> <li>Make forward-looking investments in India and Africa</li> <li>Make warehousing and other investment projects profitable</li> </ul>

Functional strategies	Achievements	Ongoing issues
Thoroughly strengthen sales activities	<ul style="list-style-type: none"> <li>Restructured organizations divided by transport mode (Land, Ocean, and Air) into regional blocks to thoroughly implement one-stop sales</li> <li>Established a new branch dedication to accounting</li> </ul>	<ul style="list-style-type: none"> <li>Conduct industry-specific marketing and further develop business in target industries</li> <li>Expand sales &amp; marketing targeting non-Japanese companies</li> </ul>
Strengthen and upgrade core businesses	<ul style="list-style-type: none"> <li>Strengthened the purchasing power of global freight forwarding</li> <li>Worked to promote logistics overseas                             <ul style="list-style-type: none"> <li>Established the NSAO Mekong Development Center</li> <li>Promoted rail services in central Europe</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Promote reforms of the marine and harbor transportation business</li> <li>Enter the pharmaceutical logistics business</li> <li>Use advanced technologies</li> </ul>
Strengthen the Group's management	<ul style="list-style-type: none"> <li>Acquired Traconf S.r.l.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen governance as a global corporate group</li> <li>Optimize inter-Group businesses</li> </ul>
Reinforce the management infrastructure	<ul style="list-style-type: none"> <li>Established the Shared Services Center (SSC)</li> <li>Established the Logistics Engineering Strategy Division and the Diversity Promotion Group</li> </ul>	<ul style="list-style-type: none"> <li>Improve sales and business productivity and reduce administration costs</li> <li>Reform IT structure</li> </ul>
Further strengthen the Group's CSR management	<ul style="list-style-type: none"> <li>Helped protect the global environment through business</li> <li>Strengthened overseas audits</li> </ul>	<ul style="list-style-type: none"> <li>Take specific measures to achieve long-term environmental goals</li> <li>Respond to trends related to work style reforms, equal pay for equal work, and diversity</li> </ul>

## Special Feature 2. Nippon Express Group Business Plan 2023 ~“Dynamic Growth”~

We recently outlined a new long-term vision in anticipation of our centennial in 2037, detailing the kind of corporate group we hope to be in the near future. And, to achieve our vision of becoming a logistics company with a strong presence in the global market, we created the Nippon Express Group Business Plan 2023 ~“Dynamic Growth”~ a new five-year plan we began implementing in April 2019.

### Basic Concepts

#### Innovation

The Nippon Express Group pursues innovation to fundamentally change its approaches and philosophies to realize its long-term vision. Become a corporate group that creates new value through innovation, is the company of choice among customers around the world, and has a strong presence in the global logistics market.

#### Business Growth Strategy

Vigorously promote Three-Dimensional (customer (industry), business, and area) enhancement. Develop a current customer base and develop businesses in Japan that we believe to be our strengths into global level. In Japan, improve profitability while implementing a growth strategy to build a solid management base.

#### Efforts to Implement Our Long-Term Vision

Achieve inorganic growth to become a mega-forwarder with a significant presence in the global market through M&A. Address innovation in our management base, including IT, research and development, human resources, branding, and governance reform as a global corporate group. Try to resolve social issues to help realize a sustainable society. Transform the company where employees from a variety of backgrounds play active roles and employees feel satisfied and fulfilled through working-style reforms.



	FY 2021 targets (consolidated)	FY 2023 targets (consolidated)
Revenues	¥2,250.0 billion	¥2,400.0 billion
Operating income	¥83.0 billion	¥100.0 billion
Operating income ratio	3.7 %	4.2 %
Net income	¥54.0 billion	¥63.0 billion
Overseas sales	¥520.0 billion	¥600.0 billion
ROE	9 %	10 %
Forwarding volume	Ocean cargo: 1,000,000 TEU Air cargo: 1,200,000 Ton	Ocean cargo: 1,300,000 TEU Air cargo: 1,400,000 Ton

### Business Growth Strategy: Growth Strategy for Core Businesses

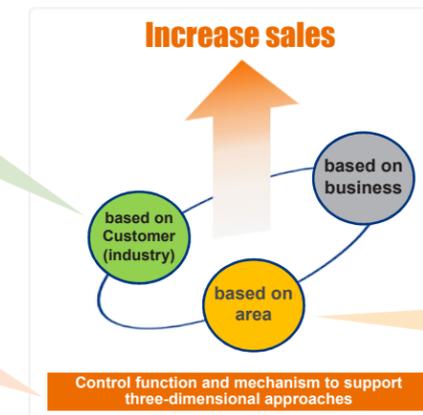
We are steadfastly pursuing a three dimensional approach—customer (industry), business, and area—as a growth strategy, whereby we spur the global growth of the customer base as well as the expansion of businesses we have developed in our

stronghold of Japan. Thanks to the customer-centered sales approach we have taken to date, which includes one-stop sales and account management, we are beginning to see real results. We will continue to reinforce these efforts.

#### Priority measures

- Approach based on customer (industry)
  - One-stop business promotion/account sales promotion, account management
  - Sales approach by industry and business type
  - Responding to changes due to the rapidly expanding ecommerce market
  - Expanding sales to non-Japanese accounts

- Control functions and mechanisms to support these three sales approaches
  - Establishing a system to support sales activities based on sales and operational data
  - Introducing KPIs to the sales process
  - Reinforcing Group sales support base



- Approach based on business
  - Forwarding business
  - Logistics business
  - Network transport business
  - Packaging solution business

- Approach based on area
  - Japan
  - The Americas
  - Europe
  - East Asia
  - South Asia and Oceania

#### ● Approach based on customer (industry)

##### Sales approach by industry and business type

Establishing a platform that responds to changes in, and the characteristics of, priority industries

##### Electric and electronics industry

- Respond to the increasing demand for electronic parts with the spread of IoT.

##### Automotive industry

- Strengthen distribution networks for production parts
- Respond to changes in supply chains with the popularization of electric vehicles

##### Apparel industry

- Further business development with luxury apparel and fashion items, using purchased company's capabilities in Europe.
- Further business development with fast-fashion cargo in Asian and other emerging markets

##### Pharmaceutical/medical industry

- Renovate business models following the adoption of tightened GDP\*1 guidelines

\*1 GDP: Good Distribution Practice for pharmaceutical products

##### Semiconductor industry

- Further business development with the rapidly-growing semiconductor industry

#### ● Approach based on business

##### Forwarding business

Implementing thorough strategies to increase volume

As a business directly connected with the supply chains of our customers, we have positioned freight forwarding, logistics, and network products as our core businesses. In freight forwarding, which is crucial to our expansion in the global market, we need to vastly expand our volume to compete at the same level as major overseas forwarders. Therefore, we established initiatives and targets to achieve our goal.

	FY2018	FY2021	Long-Term Vision
Overseas transport	680,000 TEU	1,000,000 TEU	2,000,000 TEU
Air transport	900,000 TON	1,200,000 TON	2,000,000 TON



##### Increasing handling volume of ocean transportation as a base cargo

- Reform in ocean cargo business
- NEXT50 PJ Global deployment

##### Reinforcing ability to increase efficiency of air cargo consolidation

- Further promoting global procurement
- Reinforcing service, planning, and quality assurance functions
- Expanding web-portal, e-booking

#### ● Approach based on area

##### Europe

Expanding customer basis of non-Japanese accounts

- Initiatives for luxury apparel and fashion items, automobiles, pharmaceuticals/medical supplies, and other priority industries
- Expanding business using China-Europe rail service
- Expanding business by entering African markets

##### Japan

Sustainable development that effectively leverages strengths

- Initiatives for the five priority industries (electric and electronics, automobile, apparel, pharmaceuticals/medical supplies, and semiconductors)
- Expanding Ocean transportation, the base cargo of Nippon Express
- Reinforcing logistics strategies

##### The Americas

Further business development with priority industries

- Initiatives for automobiles, pharmaceuticals/medical supplies, fresh foods, and priority industries
- Expanding customer basis of non-Japanese accounts
- Reinforcing cross-border business operations

##### South Asia and Oceania

Intensive investment of management resources

- Initiatives in the five priority industries and FMCG (Fast Moving Consumer Goods)
- Reinforcing and expanding businesses in India
- Further enhancing regional networks
- Reinforcing forwarding business to Europe and the Americas
- Efforts to handle large projects

##### East Asia

Expanding domestic logistics business in China

- Initiative for automobiles, pharmaceuticals/medical supplies, and other priority industries
- Further business development with global accounts of Chinese nationality
- Expanding business using China-Europe rail service
- Entry in emerging areas and untapped markets

##### Areas of Focus Going Forward

###### India & Africa

- **India:** We will step up logistics support for the automotive industry, strengthen our nationwide logistics services for the large consumer goods market, and continue to proactively adapt our operations to take into account infrastructure projects, such as high-speed rail projects.
- **Africa:** We will continue seizing business opportunities in eastern Africa, which has strong economic ties to India and China, as well as opportunities related to cargo sent from Europe to African destinations.

## Special Feature 3. Business Structure Reforms on April 15, 2019

Nippon Express Co., Ltd. has grown upon a foundation of unchanging values, specifically, the customer-first ideals expressed in the “We Find the Way” corporate message and the strength of our frontline workforce, which is backed by a commitment to safety, compliance, and quality. In April 2019, to realize our long-term vision of becoming a logistics company with a strong global presence, we implemented business structure reforms to create an organization that can encourage our employees’ ambitious zeal. Under this new structure, we worked to expand business with unprecedented speed and with an entirely new corporate identity, shifting toward a more outward-looking and fast-paced corporate culture. All divisions have been working together closely to steadily implement the key initiatives of the business plan, ensuring that we will continue to achieve our goals.

▶ Please see p 85 for an organizational chart.

### 1. Overview of Business Structure Reforms

#### Aim of the Business Structure Reforms

- Promote business expansion with unprecedented speed
- Swiftly implement a growth strategy for our core businesses that takes a three-dimensional approach (customer (industry), business, and area) as well as a strategy aimed at enhancing domestic businesses by securing the high profitability needed as a foundation for the growth strategy.
- Further strengthen compliance-related initiatives and promote CSR management

#### Clarifying Authority and Responsibility and Speeding up Decision Making



### 2. Overview of Each Division

#### Corporate Strategy Unit

Head: **Mitsuru Saito**, President, Chief Executive Officer and Representative Director

This unit comprises the Corporate Planning Division and the Financial Planning Division and is responsible for Groupwide business strategies.

The unit drafts and finalizes business plans and considers such proposals as restructuring the Groupwide business portfolio and strengthening

global governance. In addition, the unit drafts and finalizes financial plans related to the management of the entire Group.



#### Business Solutions Unit

Head: **Takaaki Ishii**, Executive Vice President, Chief Operating Officer and Representative Director

This unit encompasses the Global Sales Strategy Headquarters and the Overseas Business Headquarters and is responsible for formulating Groupwide sales strategies and overseas business strategies.

We are implementing a growth strategy for our core businesses entailing a three-dimensional approach (customer (industry), business, and area) as part of our business plan. In particular, we are emphasizing the customer (industry) dimension and have defined five target industries: electronics, automobiles,

apparel, pharmaceuticals, and semiconductors. For example, regarding the distribution of pharmaceuticals, a global standard is being defined that would require strict quality control. We are looking at this as a business opportunity. The stricter quality control standards will place a heavier burden on customers. We believe we can greatly reduce that burden by applying our logistics sharing methods to the frontlines of pharmaceuticals logistics and developing a logistics foundation that multiple companies can share. Moreover, regarding these five main industries, we established domestic and overseas revenue targets as KPIs and will continue promoting sales across the Group.



Item (Revenues)	Japan*1		Overseas	
	FY2018 Results	FY2023 KPI	FY2018 Results	FY2023 KPI
Strengthening efforts in the electric and electronics industry	¥115.0 billion	¥120.0 billion	¥105.0 billion	¥145.0 billion
Strengthening efforts in the automotive industry	¥80.0 billion	¥110.0 billion	¥59.0 billion	¥110.0 billion
Strengthening efforts in the apparel industry	¥16.0 billion	¥24.5 billion	¥48.0 billion	¥80.0 billion
Strengthening efforts in the pharmaceutical/medical industry	¥16.0 billion	¥36.0 billion	¥10.0 billion	¥40.0 billion

Item (Revenues)	FY2018 Results	FY2023 KPI
Expanding business with non-Japanese customers (GAM and GTA*2)	¥26.0 billion	¥43.0 billion

Item (Freight forwarding volume*3)	FY2018 Results	FY2023 KPI
Expanding marine forwarding	680,000 TEU	1,300,000 TEU
Expanding air forwarding	900,000 t	1,400,000 t

\*1 Domestic results and KPIs are for Nippon Express Co., Ltd. only.

\*2 GAM stands for Global Account Management. GTA stands for Global Target Accounts.

\*3 For the full calendar year (January to December).

#### Japan Business Unit

Head: **Susumu Akita**, Executive Vice President, Chief Operating Officer and Representative Director

The Japan Business Unit comprises the Japan Business Headquarters, which oversees seven regional blocks in Japan, and the Network Transport Business Promotion Headquarters, which is responsible for railways, combined delivery vehicles, moving services, and more.

The unit is responsible for implementing the strategy to enhance domestic businesses and for promoting the Group’s network business. Regarding the specific measure of unifying the branch

organization in Japan as outlined in the strategy to enhance domestic businesses, we strove to strengthen our sales capabilities and governance and to improve productivity by integrating small-scale branches to form larger, more appropriately sized operations. In addition, we made progress on making operations more automated and energy-efficient, enhancing the resiliency of our moving services business, and improving the productivity of our combined delivery services business.



Enhancing domestic businesses	Indicator	KPI (FY2021)	KPI (FY2023)
Unifying organizations and streamlining of administrative organizations	Cost savings	¥3.0 billion	¥4.5 billion
Cost to reform business processes	Cost savings	¥3.0 billion	¥5.0 billion
Improving profitability of main businesses	Cost savings	¥2.0 billion	¥2.5 billion
Revising service rates	Profit increase	¥3.0 billion	¥5.0 billion

#### Corporate Solutions Unit

Head: **Hisao Taketsu**, Executive Vice President, Chief Operating Officer and Representative Director

The Corporate Solutions Unit is responsible for supporting Groupwide business activities and promoting health, safety, and CSR management.

Under the ESG management outlined in the business plan, we are aiming to transform the Company into one where employees feel satisfied and fulfilled.

We are advancing with the conviction that, by maximizing the potential of a diverse range of employees, we can help improve the lives of people around the

globe and support the development of a sustainable world through logistics. To this end, we are working on reforming employee programs, training personnel, promoting diversity, and reforming work styles.

In addition, as a foundation for ESG management, we identified material priorities from the perspective of the Company’s sustainable growth and the development of a sustainable society, and we are taking specific measures geared toward these priorities.



Environment (E)	Indicator	KPI (FY2021)	KPI (FY2023)
Reducing CO <sub>2</sub> emissions (non-consolidated)	vs. FY2017	16,000-t reduction	24,000-t reduction

Society (S)	Indicator	KPI (FY2023)
Promoting diversity	Retention rate of female employees*	Same rate as male employees
Reforming work styles	Percentage of annual paid leave taken	Twice the FY2017 level

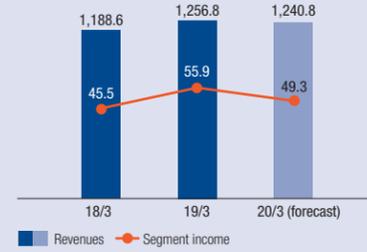
\* Retention rate of female employees after around eight years of employment

## Segment Overview

### Japan (Logistics) (As of March 31, 2019)



#### Revenues and Segment Income (Billions of yen)



#### Fiscal 2019 Forecast (As of October 31, 2019)

Revenues: **¥1,240.8 billion**  
Segment income: **¥49.3 billion**

#### Business Overview

Area: Japan

Established: 1937

Businesses: Nippon Express Co., Ltd. and its subsidiaries and affiliates engage in railway forwarding, motor cargo transportation, warehousing, air freight forwarding, marine transportation, harbor transportation, and other related businesses throughout Japan. In addition, Wanbishi Archives, Co., Ltd. and its subsidiaries operate information asset management businesses, and Nippon Express Travel Co., Ltd. and other subsidiaries and affiliates operate travel and related businesses.

Key products and services: Railway utilization transportation; chartered truck services; combined delivery services; air freight forwarding; travel; marine & harbor transportation; moving & relocation; warehousing & distribution processing; in-factory work; information asset management; real estate rental; fine arts transportation; security transportation; and heavy haulage & construction

#### Segment Resources

Employees: 40,586  
Segment assets: ¥ 804.3 billion  
Capital expenditures: ¥45.6 billion

#### Fiscal 2018 Performance

Due in part to firm transactions in air freight export and chartered truck services, revenues rose ¥68.1 billion, or 5.7%, year on year to ¥1,256.8 billion. Segment income increased ¥10.3 billion, or 22.7%, year on year to ¥55.9 billion.

#### Fiscal 2019 Forecast (As of October 31, 2019)

Air freight exports will continue to slow down.

The warehousing & storage business and moving & relocation business are projected to see solid returns while those of other businesses decline.

Despite the impact of an increase in personnel expenses due to employee system reform and a change of the period applicable to bonus payment, the overall increase in expenses will be smaller than initially forecast due to the effect of a decrease in overtime work and change in retirement allowance rules associated with the employee system reform.

Note: In accordance with organizational reforms of the security transportation business, part of the Japan segment was reorganized as the Security Transportation segment effective from the fiscal year ending March 31, 2019. Fiscal 2017 results have been adjusted to reflect this change.

#### Highlights

##### Solving the labor shortage and enhancing operational efficiency

With the aim of providing sustainable, stable, and quality logistics services amid an intensifying driver shortage, in 2019 we revised rates for transporting container cargo in the railroad business and, in the chartered car business, we revised our invoiced rates and fees.

To enhance operational efficiency, we began automating late-night operations using automated guided forklifts and other automated guided vehicles (AGVs) at a warehouse in Sapporo and conducted a feasibility study on self-driving trucks in Hokkaido Prefecture.



Automated guided forklifts

##### New logistics base established

We established a logistics base in Kariya City, Aichi Prefecture, and another in Fukuoka City. The latter has bonded storage facilities as well as air conditioning equipment, dustproof coatings on interior surfaces, and emergency power generators that adhere to guidelines for the appropriate distribution of pharmaceutical products and that can aid the transportation and storage of precision instruments. The former, which is a hub for the automotive parts industry, is a transfer center loading facility located next to a railway cargo station that accommodates both automotive and railway transportation.



The Central Fukuoka Logistics Center

##### Eco-friendly service launched

In April 2019, the Company began sales for NEX-NET: Sea Line Nagoya ↔ Sendai as a hybrid cargo-passenger service using our internally developed containers on a passenger ferry. By adding a new transportation method between Nagoya and Sendai, where there is a lot of distribution demand, this environmentally friendly service is expected to help offset the shortage of truck drivers and support BCP countermeasures.

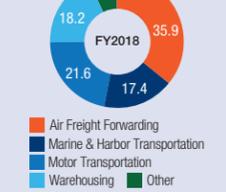


A 12-foot hybrid container that can be loaded onto rail cars and coastal vessels

### The Americas (Logistics) (As of March 31, 2019)



#### Each Business's Share of (Logistics) Revenues (%)



#### Revenues and Segment Income (Billions of yen)



#### Fiscal 2019 Forecast (As of October 31, 2019)

Revenues: **¥93.7 billion**  
Segment income: **¥3.9 billion**

#### Business Overview

Areas: United States, Canada and Central and South America

First local corporation established (opened for business): 1962 (in the United States)

Businesses: Nippon Express USA, Inc. and other subsidiaries and affiliates engage in air freight forwarding, marine & harbor transportation, and warehousing businesses in various cities in the Americas. In addition, Nippon Express Travel USA, Inc. operates a travel business.

Key products and services: Air freight forwarding; marine & harbor transportation; warehousing & distribution processing; moving & relocation; chartered truck services; and travel

#### Segment Resources

Employees: 3,040  
Segment assets: ¥52.6 billion  
Capital expenditures: ¥1.0 billion

#### Fiscal 2018 Performance

Due in part to firm transactions in air freight export and chartered truck services, revenues rose ¥7.3 billion, or 8.0%, year on year to ¥98.6 billion. However, due to such factors as a reactionary decrease from refunds received of overpaid forwarding costs from past years in the previous fiscal year, segment income decreased ¥0.2 billion, or 4.9%, year on year to ¥4.2 billion.

#### Fiscal 2019 Forecast (As of October 31, 2019)

Downward pressure on the economy will be pronounced, mainly due to a slowdown in the global economy.

Transportation demand for international services like air freight forwarding will be lower than expected.

More time will be required for recovery.

#### Highlights

##### Office opens in Lexington, Kentucky, USA

In March 2019, Nippon Express USA, Inc. opened a new office in Lexington, Kentucky. Lexington is home to several plants built by major Japanese automobile manufacturers, as well as to numerous suppliers to these manufacturers. By opening an office in this area, Nippon Express USA is looking to build a logistics network primarily targeting automobile companies.



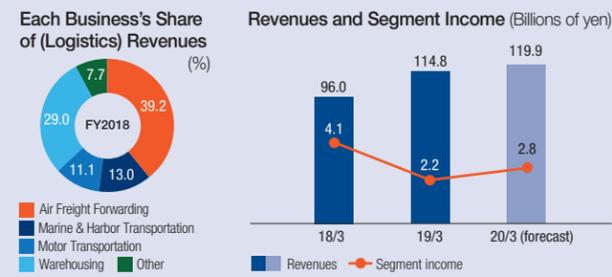
The Lexington Office

##### Panama Branch opens

Nippon Express USA, Inc. opened the Panama Branch in Panama City, Panama, in July 2018. As the only Japanese forwarder in the country, we conduct bonded inventory operations for cargo destined for Central and South America, international forwarding, warehouse operations, overseas moving operations, and more.

Famous for its canal linking the Atlantic and Pacific oceans, Panama not only serves as a transit point on maritime routes but also as the largest container-handling arrival and departure point in Latin America. It also functions as a major hub for cargo bound to Latin America. With the opening of this branch, we will strive to leverage this hub to our advantage.

## Europe (Logistics) (As of March 31, 2019)



**Fiscal 2019 Forecast**  
(As of October 31, 2019)

Revenues: **¥119.9 billion**

Segment income: **¥2.8 billion**

### Business Overview

Areas: United Kingdom, Netherlands, Germany and other countries in Europe and Africa

First local corporation established (opened for business): 1977 (Netherlands)

Businesses: Nippon Express (U.K.) Ltd., Nippon Express (Nederland) B.V., Nippon Express (Deutschland) GmbH, Nippon Express France, S.A.S., Franco Vago S.p.A., Traconf S.r.l. and other subsidiaries and affiliates engage in air freight forwarding, marine & harbor transportation, and warehousing in various cities in Europe.

Key products and services: Railway utilization transportation; air freight forwarding; marine & harbor transportation; warehousing & distribution processing; moving & relocation; chartered truck services; and travel

### Segment Resources

Employees: 3,519

Segment assets: ¥ 75.6 billion

Capital expenditures: ¥19.6 billion

### Fiscal 2018 Performance

Due to firm transactions in air freight forwarding and chartered truck services as well as newly consolidated subsidiaries, revenues rose ¥18.7 billion, or 19.5%, year on year to ¥114.8 billion. Segment income decreased ¥1.8 billion, or 45.3 %, year on year to ¥2.2 billion due in part to an increase in amortization of goodwill.

### Fiscal 2019 Forecast

(As of October 31, 2019)

Downward pressure on the economy will be pronounced, mainly due to a slowdown in the global economy.

Transportation demand for international services like air freight forwarding will be lower than expected.

More time will be required for recovery.

### New base opens in Morocco

Nippon Express France, S.A.S. opened the Tanger Med Logistics Center in June 2019 in Tanger Med Port as its second base in Morocco after the one in Casablanca. The port is one of the largest container ports in Africa and neighbors the Tangier Free Zone, which hosts around 800 global companies, including many Japanese automotive parts companies.

The government is taking strategic measures to support this logistics hub.



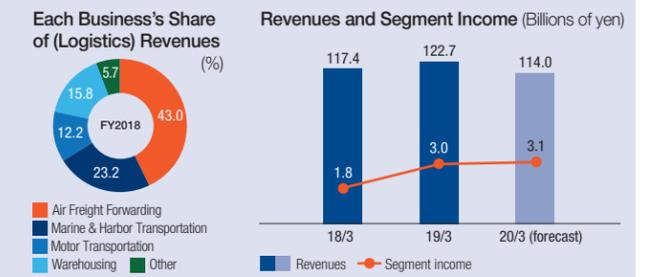
The Tanger Med Logistics Center

## Highlights

### Operations begin in Finland

The Group company APC Logistics AB opened a branch in the Finnish capital of Helsinki in June 2019. The metallurgical, machinery, and IT industries have grown in importance in Finland, complementing its traditional industries of paper, pulp, and lumber. APC Logistics AB is rolling out services mainly geared toward companies in Sweden and other Nordic countries for the international air freight forwarding, ocean forwarding, and truck services businesses between Asia and Northern Europe, leveraging its competitive advantages in the region.

## East Asia (Logistics) (As of March 31, 2019)



**Fiscal 2019 Forecast**  
(As of October 31, 2019)

Revenues: **¥114.0 billion**

Segment income: **¥3.1 billion**

### Business Overview

Areas: China, Taiwan, South Korea

First local corporation established (opened for business): 1979 (Hong Kong)

Businesses: Nippon Express (H.K.) Co., Ltd., Nippon Express (China) Co., Ltd., Nippon Express (Taiwan) Co., Ltd., APC Asia Pacific Cargo (H.K.) Ltd. and other subsidiaries and affiliates engage in air freight forwarding, marine & harbor transportation, warehousing, and other businesses in various cities in East Asia.

Key products and services: Railway utilization transportation; air freight forwarding; marine & harbor transportation; warehousing & distribution processing; moving & relocation; and chartered truck services

### Segment Resources

Employees: 4,965

Segment assets: ¥54.6 billion

Capital expenditures: ¥0.8 billion

### Fiscal 2018 Performance

Due to firm transactions in air freight exports and ocean exports, revenues rose ¥5.2 billion, or 4.5%, year on year to ¥122.7 billion. Segment income increased ¥1.1 billion, or 62.9%, year on year to ¥3.0 billion.

### Fiscal 2019 Forecast

(As of October 31, 2019)

Downward pressure on the economy will be pronounced, mainly due to a slowdown in the global economy.

Transportation demand for international services like air freight forwarding will be lower than expected.

More time will be required for recovery.

## Highlights

### Regular service starts between China and Europe

Nippon Express (China) Co., Ltd. and Nippon Express Europe GmbH started regular service of the Eurasia Train Direct cross-border transportation service between China and Europe in June 2019. Cargo items are collected from various locations in China, and then sent out three times each week to Poland and Germany. Moreover, the companies began a consolidated cargo transportation service (with integrated management of departures and arrivals by Nippon Express) with one train weekly between Shanghai and Düsseldorf, achieving a great reduction in lead time while maintaining high-quality service.



Cities with regular Eurasia Train Direct services

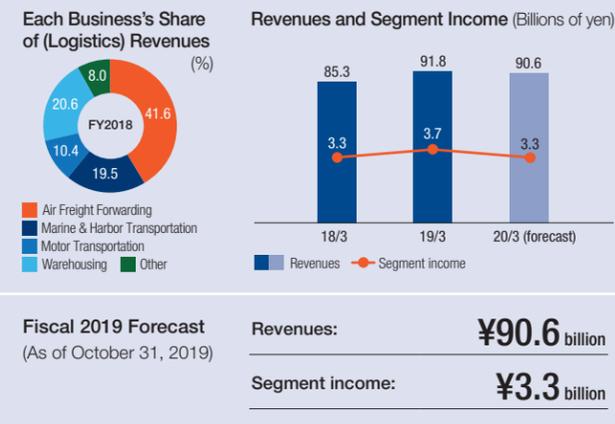
### Test run of a block train from Xi'an to Duisburg conducted

In December 2018, the Company conducted a test run of a single block train from Xi'an, China, bound for Duisburg, Germany. The Ministry of the Economy, Trade and Industry commissioned Nippon Express to conduct this test as an initiative based on a fiscal 2018 feasibility study aimed at developing high-quality infrastructure overseas.



A train at Xi'an Station

## South Asia & Oceania (Logistics) (As of March 31, 2019)



### Business Overview

Areas: Singapore, Thailand, and other countries in South Asia and Oceania

First local corporation established (opened for business): 1973 (Singapore)

Businesses: Nippon Express (Singapore) Pte., Ltd., Nippon Express (Thailand) Co., Ltd., Nippon Express (Australia) Pty., Ltd. and other subsidiaries and affiliates engage in air freight forwarding, marine & harbor transportation, and warehousing businesses in various cities in South Asia and Oceania.

Key products and services: Railway utilization transportation; air freight forwarding; marine & harbor transportation; warehousing & distribution processing; moving & relocation; chartered truck services; heavy haulage & construction; and travel

### Segment Resources

Employees:	7,984
Segment assets:	¥67.5 billion
Capital expenditures:	¥9.0 billion

### Fiscal 2018 Performance

Due in part to firm transactions in warehousing and chartered truck services, revenues rose ¥6.4 billion, or 7.6%, year on year to ¥91.8 billion, and segment income increased ¥0.3 billion, or 9.3%, year on year to ¥3.7 billion.

### Fiscal 2019 Forecast (As of October 31, 2019)

Downward pressure on the economy will be pronounced, mainly due to a slowdown in the global economy.

Transportation demand for international services like air freight forwarding will be lower than expected.

More time will be required for recovery.

## Highlights

### Bekasi Logistics Center constructed in Gobel Industrial Estate

In March 2019, PT NEX Logistics Indonesia completed construction of the Bekasi Logistics Center in the Gobel Industrial Estate located in Bekasi Regency (West Java Province). The new center provides logistics functions for electric machinery, electronics, automobiles, apparel, pharmaceuticals, and various other industries, as well as sales logistics functions for miscellaneous daily goods and food products.



The Bekasi Logistics Center

### Multi-function logistics warehouse established in Thailand

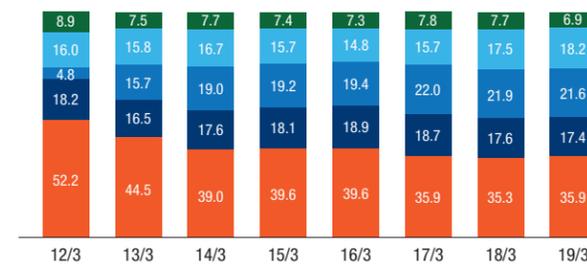
In July 2018, Nittsu Logistics (Thailand) Co., Ltd. opened the Amata City Chonburi Logistics Center, a multi-function logistics warehouse. Amata Nakorn Industrial Estate, the site of the new warehouse, is one of the largest in Thailand. More than 700 companies, 70% of which are Japanese, have set up operations there, forming a large concentration of automotive-related enterprises and further economic growth is projected.



The Amata City Chonburi Logistics Center

## Each Business's Share of (Logistics) Revenues in Each Overseas Region (%)

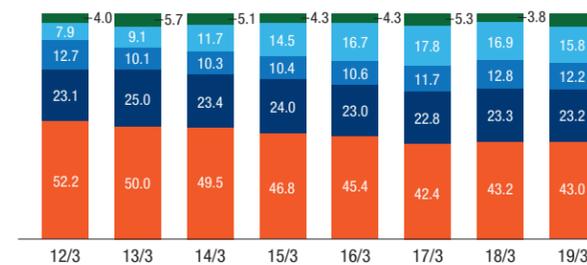
### The Americas



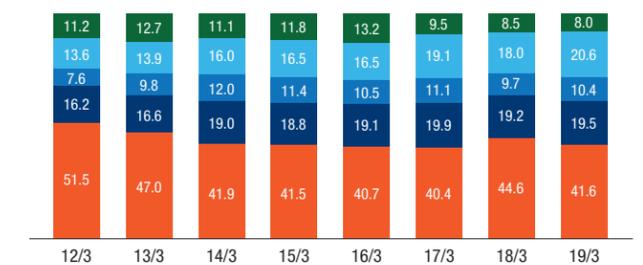
### Europe



### East Asia



### South Asia & Oceania

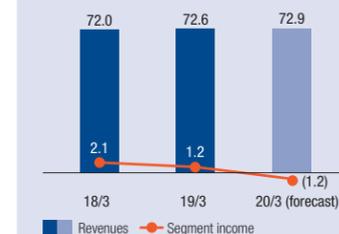


Legend: Air Freight Forwarding (Orange), Marine & Harbor Transportation (Dark Blue), Motor Transportation (Light Blue), Warehousing (Medium Blue), Other (Green)

## Security Transportation (As of March 31, 2019)



### Revenues and Segment Income (Billions of yen)



### Fiscal 2019 Forecast (As of October 31, 2019)

Revenues: **¥72.9 billion**

Segment income: **¥(1.2) billion**

### Business Overview

Area: Japan

Start of business: 1965

Businesses: Nippon Express Co., Ltd. engages in security transportation and related businesses.

Key products and services: Security transportation

### Segment Resources

Employees:	6,489
Segment assets:	¥113.5 billion
Capital expenditures:	¥3.0 billion

### Fiscal 2018 Performance

Due in part to sales expansion in cash logistics, revenues grew ¥0.6 billion, or 0.9%, year on year to ¥72.6 billion. Segment income decreased ¥0.8 billion, or 41.9%, year on year to ¥1.2 billion due in part to an increase in personnel expenses and fuel costs.

### Fiscal 2019 Forecast (As of October 31, 2019)

Due mainly to employee system reform, costs associated with personnel expenses are projected to rise significantly.

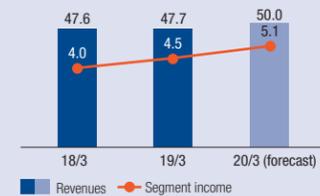
The amount of loss will be smaller than in the forecast announced on July 31 as a result of cost saving efforts, including negotiations for rate revisions and work to increase the efficiency of deliveries, against a backdrop of labor shortages.

Note: In accordance with organizational reforms of the security transportation business, part of the Japan segment was reorganized as the Security Transportation segment effective from the fiscal year ending March 31, 2019. Fiscal 2017 results have been adjusted to reflect this change.

Heavy Haulage & Construction (As of March 31, 2019)



Revenues and Segment Income (Billions of yen)



Fiscal 2019 Forecast (As of October 31, 2019)

Revenues: **¥50.0 billion**  
Segment income: **¥5.1 billion**

Business Overview

Area: Japan  
Start of business: 1963 (registered as construction operator; Nippon Express's heavy haulage operations predate this registration)  
Businesses: Nippon Express Co., Ltd. and an affiliate handle the transportation, erection, and installation of heavy cargo and pursue related businesses.  
Key products, and services: Heavy haulage and construction

Segment Resources

Employees: 867  
Segment assets: ¥23.5 billion  
Capital expenditures: ¥1.8 billion

Fiscal 2018 Performance

In spite of a reactionary decrease from the absence of a large-scale plant construction project in the previous year and other decreases, revenues rose ¥0.1 billion, or 0.3%, year on year to ¥47.7 billion. Segment income increased ¥0.4 billion, or 11.3%, year on year to ¥4.5 billion.

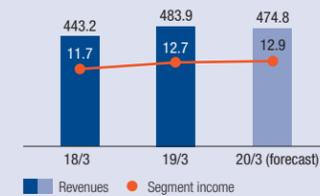
Fiscal 2019 Forecast (As of October 31, 2019)

Demand for the transport and installation of wind power plants and demand for shutdown maintenance are projected to remain firm in 2H. Although construction related to thermal power plants has been scheduled, project sizes will be smaller than those in 1H.

Logistics Support (As of March 31, 2019)



Revenues and Segment Income (Billions of yen)



Fiscal 2019 Forecast (As of October 31, 2019)

Revenues: **¥474.8 billion**  
Segment income: **¥12.9 billion**

Business Overview

Areas: Japan, Thailand  
Start of business: 1964 (Establishment of Nittsu Shoji Co., Ltd.)  
Businesses: Nittsu Shoji Co., Ltd., Nittsu Shoji (Thailand) Co., Ltd. and other subsidiaries and affiliates in and outside Japan engage in businesses related to the sale of distribution equipment, wrapping and packing materials, vehicles, petroleum, LP gas, and other products; leasing; vehicle maintenance services; and insurance sales. In addition, Nittsu Real Estate Co., Ltd. and other subsidiaries engage in the real estate business; Nittsu Research Institute and Consulting, Inc. engages in investigation and research operations; Nippon Express Capital Co., Ltd. engages in logistics finance; Nittsu Driving School Co., Ltd. provides driver training courses and Careerroad Inc. engages in employee dispatching.

Key products and services: Leasing; sale of petroleum, etc.; other sales; real estate; finance; and others

Segment Resources

Employees: 3,934  
Segment assets: ¥341.1 billion  
Capital expenditures: ¥9.7 billion

Fiscal 2018 Performance

Due in part to a rise in unit selling prices for oil and in increase in packing services transactions, revenues rose ¥40.7 billion, or 9.2%, year on year to ¥483.9 billion. Segment income increased ¥1.0 billion, or 9.0%, year on year to ¥12.7 billion.

Fiscal 2019 Forecast (As of October 31, 2019)

Revenues from the logistics finance business at Nippon Express Capital will continue to increase. Overall revenues are forecast to decrease mainly due to a decline in packing services for export to China and a decrease in the unit selling prices of Oil at Nittsu Shoji. On the other hand, the liquefied petroleum (LP) gas business and leasing business are projected to contribute to income.

The Group understands that contributing to a sustainable society through business operations is integral to its own continuous growth and higher corporate value. We also recognize that an ESG management perspective is indispensable to this end. Therefore, within our management plan, we identify our key priorities and clarify how they relate to the sustainable development goals (SDGs).

First, regarding the environment (E), we decided the theme of our efforts would be our commitment to reducing CO<sub>2</sub> emissions as a logistics company. We are taking measures aimed at achieving the Group's long-term goals while promoting activities that address the needs of society. Regarding society (S), our theme is transforming the Company into one where employees feel satisfied and fulfilled. To this end, we are transforming business models and policies to fully leverage the diverse capabilities of our employees. As for governance (G), the theme is establishing a mechanism to support sustainable improvement in corporate value. We have positioned safety, compliance, and quality within governance because they have the potential to become risks to management. Furthermore, to realize and bolster global governance, we have begun considering moving to a holding company structure and have conducted various studies into that.

ESG-oriented Business Management to Realize Sustainable Development and Improve Corporate Value



## E Environment

Key Priority: Responsibilities to the Earth's Environment



As a leader in the transport industry, which emits around 18% of Japan's carbon dioxide, Nippon Express considers reducing CO<sub>2</sub> emissions to be its top priority. In addition, the Group sees measures to reduce environmental impact through the logistics business as a worthy endeavor as well as a good opportunity for business growth. We will continue working to further accelerate the expansion of eco-friendly businesses, such as those that address modal shift, co-loaded delivery, and wind power generation.

Moreover, as we shift our focus to reducing CO<sub>2</sub> emissions as an operator and strive toward realizing our long-term goals no later than fiscal 2030, we will continue working hard to switch lighting over to LEDs, introduce eco-friendly vehicles, and use renewable energy.

\* Source: official website of the Ministry of Land, Infrastructure, Transport and Tourism; FY2017 record of CO<sub>2</sub> emissions in the transport sector

### Fiscal 2018 Results

- CO<sub>2</sub> emissions: 761,242 tons (domestic Group), 439,544 tons (non-consolidated)
- Percentage of owned eco-friendly vehicles to total owned vehicles: 46.0%
- Number of eco-friendly vehicles owned by the Nippon Express Group in Japan: 9,650

### Long-Term Environmental (E) Targets

#### • CO<sub>2</sub> Emission Reduction Goals

- Nippon Express (non-consolidated): Reduce CO<sub>2</sub> emissions by 30% from their FY2013 levels no later than FY2030
- Group companies in Japan: Reduce CO<sub>2</sub> emissions by 20% from their FY2013 levels no later than FY2030
- Group companies overseas: Establish own targets in consideration of levels of companies in Japan and of own country's situation

#### 1. Numerical targets for total emissions

- FY2013 standard value: 490,513 tons (Nippon Express Co., Ltd. only), 885,066 tons (domestic Group)
- FY2030 target value: 343,359 tons (Nippon Express Co., Ltd. only: 30% decrease), 708,053 tons (domestic Group: 20% decrease)

#### 2. Numerical targets for output units per million yen in revenue

- FY2013 standard value: 469.72 kg/million yen
- FY2030 target value: 328.80 kg/million yen (30% decrease)

#### • Reduce industrial waste emissions per revenue unit every year by 1% year on year (no later than FY2030)

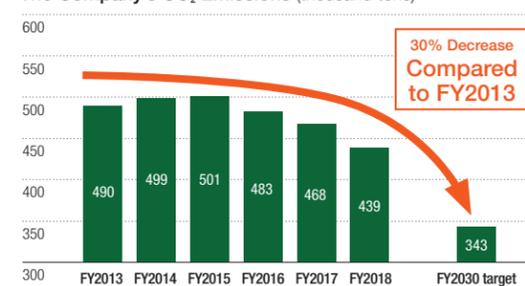
- FY2016 standard level: 21.96 kg/million yen
- FY2030 target level: 19.08 kg/million yen (30% decrease)

#### • The Group's CO<sub>2</sub> Emission Reduction Status (FY2018 compared with FY2013)

	FY2013	FY2018	Change from FY2013
CO <sub>2</sub> emissions	970,438 tons	873,089 tons	Down 97,349 tons

#### • CO<sub>2</sub> Emission Record and Reduction Targets for Nippon Express Alone

The Company's CO<sub>2</sub> Emissions (thousand tons)



\* For scopes 1 and 2 (carbon dioxide emissions from fossil fuels in Japan)

### CO<sub>2</sub> Emission Reduction Initiatives

#### Enhancing Eco-Friendly Distribution Facilities

The Group is enhancing its eco-friendly facilities. When constructing a new distribution facility, office or other building, we set standards for installing equipment. We install equipment that protects biodiversity and that better reduces greenhouse gas emissions by using renewable energy or using LEDs. We are working to enhance facilities that contribute to the continuation of business and to the improvement of the health and safety of employees and neighboring residents.



Osaka Branch office, which has cutting-edge and eco-friendly equipment  
Photo credits: PRIZE Co., Ltd

## Contributing through Our Business Operations

### Highly Specialized Environmental Contribution Businesses

Nippon Express has businesses that require highly specialized technology—namely the Heavy Haulage & Construction business and the Resource Recycling & Eco-Recycling business. These businesses contribute to social problem solutions that enable logistics to help promote recycling and the greater use of renewable energy. The Group considers these businesses part of its earnings base and part of its strategy to enhance domestic businesses in Japan.



We boast the top share of transport for wind power generation equipment

### Modal Shift

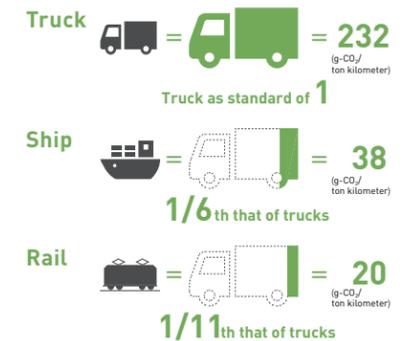
The Nippon Express Group facilitates cooperation between customers and logistics companies to make numerous modal shifts, switching from truck-centered transport to transport using railways and ships. Modal shifts organically link different modes of transport, reduce environmental impact and make transport more efficient; they also provide alternatives within business continuity plans (BCPs).

In 2019, we began selling NEX-NET: Sea Line Nagoya ⇄ Sendai as a product supporting modal shifts. This is the third product in the NEX-NET series, which uses RSV containers (a 12-foot hybrid container that can be loaded on both trains and coastal vessels).

In addition, Nippon Express received two Logistics Environment Conservation Awards at the 20th Logistics Environment Awards sponsored by the Japan Federation of Freight Industries—one for

its modal shift between Shizuoka and Saga using roll-on-roll-off ships and one for its stable transport of tires between Mie and Hiroshima using eco-friendly rail transport.

### CO<sub>2</sub> emissions intensity by transport mode



\* Source "CO<sub>2</sub> emissions in the transportation sector" from the Ministry of Land, Infrastructure, Transport and Tourism website ([http://www.mlit.go.jp/sogoseisaku/environment/sosei\\_environment\\_tk\\_000007.html](http://www.mlit.go.jp/sogoseisaku/environment/sosei_environment_tk_000007.html))

## S Society

Key Priority: Respect for Human Rights



We are working to transform the Company into one where employees feel satisfied and fulfilled.

We are promoting diversity and inclusion to foster a rewarding work environment. In addition, to achieve work style innovation, or, in other words, implement measures to fundamentally transform how we work, employees are taking the initiative, fully demonstrating their abilities and transforming the Company into one that continues to create value.

As for contributions through business operations, we regularly make preparations to fulfill our role as a designated public institution during times of crisis.

### Our Initiatives

#### Promotion and Instillment of Diversity

Mainly through the Diversity Promotion Group established at headquarters, we promote ongoing education through e-learning initiatives and group training workshops and have set up a dedicated internal portal site. Using the site, top management, including branch managers and other managerial-level persons, can disseminate extensive information about their commitments and post messages clarifying relevant objectives, necessities, and their determination to proceed with the commitments. In addition, we are maintaining our efforts to encourage people to reform their mindsets and behavior.

#### Employment of Persons with Disabilities

To encourage the employment of persons with disabilities, the Nippon Express Group is increasing its job categories throughout its network in Japan. We have also established a special subsidiary company whose operators give special consideration to employing persons with disabilities with the aim of encouraging and stabilizing the employment of the disabled.

	FY2016	FY2017	FY2018
Employment rate of persons with disabilities	2.08%	2.12%	2.23%
Number of persons with disabilities hired	8,154.5	8,340.5	8,659.0

Note: Figures are based on the calculation method used in the Levy and Grant System for Employing Persons with Disabilities.

#### Our Mission as a Designated Public Institution

As a truck transportation business operator, Nippon Express is a designated public institution under the Disaster Countermeasures Basic Act, the Act Concerning the Measures for Protection of the People in Armed Attack Situations, etc. (the Civil Protection Act), and the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response. Nippon Express has developed its crisis management and various other systems so that during an emergency it can fulfill its social responsibility of transporting emergency supplies at the request of the prefectural governments or other administrative bodies.

Message from the President

**Transforming the Company that makes employees feel satisfied and fulfilled**

Transforming the Company that makes employees feel satisfied and fulfilled is a very important theme under the Nippon Express Group Business Plan 2023, launched in April 2019, and we have been advancing initiatives accordingly. This is an area that I have been emphasizing throughout my time as president. I believe there are three conditions needed to ensure employees feel satisfied and fulfilled. The first is fair salaries. The second is social recognition of the Company and workplace. The third is a workplace atmosphere that enables open communication between superiors and subordinates. I think that if we can meet these three conditions, our employees will feel satisfied and fulfilled. To this end, we have been reforming our employee system since April 2019, working to implement equal pay for equal work and a fairer salary structure. At the same time, we are reforming our human resource systems by changing employee categories and introducing a competency and grade system. These efforts represent the first step to creating a more self-starting, ambitious corporate culture in which employees proactively engage with their current roles, think for themselves about how they can best produce results, and boldly take on new challenges.

We are advancing these initiatives with the conviction that, by maximizing the potential of a diverse range of employees, we can help improve the lives of people around the world and support the development of a sustainable world through logistics.



**G Governance**  
Key Priority: Sound Corporate Conduct



Our theme for governance under the new plan is establishing a mechanism to support the sustainable improvement of corporate value.

In addition, we are classifying issues of safety, compliance, and quality as elements of governance as they have the potential to become risks to the viability of Company.

**Our Initiatives**

**Focusing on Safety**

**The Group's and President's Commitment to Safety**

Nippon Express has established a Commitment to Safety to raise and extend safety awareness throughout the Group. In addition, since fiscal 2014, posters indicating the president's commitment and sense of responsibility for safety have been created and put up in workplaces to express the Group's strong resolve to prevent accidents and disasters.

**Occupational Accident Rates**

		FY2015	FY2018
Frequency rate*	<b>Nippon Express</b>	<b>1.13</b>	<b>1.94</b>
	Peers	2.68	3.42
Severity rate**	<b>Nippon Express</b>	<b>0.10</b>	<b>0.03</b>
	Peers	0.15	0.12

\* The frequency rate is an international indicator of incidence rate of occupational accidents.  
Number of casualties per 1,000,000 working hours =  $\frac{\text{Number of casualties}}{\text{Total number of working hours}} \times 1,000,000$

\*\* Severity rate is an international indicator of the degree of injury caused by occupational injury.  
Days lost per 1,000 working hours =  $\frac{\text{Workdays lost}}{\text{Total number of working hours}} \times 1,000$

**Compliance Training**

The *Compliance Handbook* is distributed as a training tool to all Group employees, including those overseas, to instill compliance awareness. We also proactively implement compliance training using the handbook and other materials. In fiscal 2018, 62,388 employees took part in such training. In addition in fiscal 2018, 34,382 employees participated in e-learning on the themes of harassment prevention and compliance violation prevention. We also make annual disclosures aimed at compliance promoters across the Group with the aim of sharing information and exchanging opinions related to compliance. Through such initiatives, we are working to improve compliance within the Group.

**Basic Views on Corporate Governance**

Nippon Express Co., Ltd. upholds its mission to resolve social issues through logistics and support social sustained development and growth in accordance with the "Nippon Express Group Corporate Philosophy." We also believe that working hand-in-hand with all stakeholders, including shareholders and investors, and respecting their viewpoints is indispensable to the realization of sustained growth and improvement of corporate value. To this

end, ensuring compliance and guaranteeing management transparency, as well as speedy management through rapid decision making and the clarification of responsibility, are important. Building such a system and ensuring that it functions properly comprises our basic policy on corporate governance. On the grounds of these basic views, the Company strives for continuous progress and the reinforcement of its corporate governance.

**Compliance with the Corporate Governance Code**

The Company is in compliance with all of the principles of the Tokyo Stock Exchange's Corporate Governance Code. We have detailed our policy and implementation regarding all 78 principles

in the "Nippon Express Policy and Implementations of JPX's Corporate Governance Code." This document is disclosed on our website and elsewhere.

<https://www.nipponexpress.com/pdf/ir/governance/Nippon-Express-Policy-and-Implementations-of-JPX%60s-Corporate-Governance-Code.pdf>



**• Securing the Rights and Equal Treatment of Shareholders**

In order to secure the rights of all stakeholders, we strive to provide information in a swift, accurate, and fair manner, develop an environment where shareholders can easily exercise their voting rights at General Shareholders' Meetings and actively disclose information while fostering constructive dialogue with all stakeholders.

**• Appropriate Cooperation with Stakeholders Other Than Shareholders**

In order to create sustainable growth and medium- to long-term corporate value with the aim of developing together with society, the Company considers it essential to have interactive communication with as many stakeholders as possible and continues to work to meet their expectations. The Nippon Express Group Business Plan 2023 includes promoting environmental, social, and corporate governance (ESG) management to generate sustainable growth and improve corporate value. Ensuring safe and sound logistics and compliance is a prerequisite for our business operations. By providing logistics services based on the business prerequisites of safety, soundness and compliance to people all over the world, we want to contribute to resolving social issues and the development of a sustainable society.

**• Ensuring Appropriate Information Disclosure and Transparency**

We proactively and widely disclose to stakeholders outside the Company information that we consider useful to constructive dialogue with shareholders, regardless of whether such disclosure is legally required, in a timely and appropriate manner through a wide range of means. We strive to ensure that high quality audits can be performed and to secure transparency.

**• Responsibilities of the Board**

By establishing regulations for the Board of Directors and clarifying the duties and responsibilities of the directors, we seek to secure an environment that supports appropriate risk taking and foster a culture that enables the active exchange of opinions. The members of the Audit & Supervisory Board are highly independent, and we have established a system and environment that enables them to exchange opinions with the directors at any time. We have also established a Compensation and Nomination Advisory Committee to carry out management oversight. A majority of the members of this committee are independent outside directors. By employing such discretionary approaches as necessary, we seek to enhance governance functions. Furthermore, we implement surveys to analyze and evaluate the effectiveness of the Board of Directors in order to improve said effectiveness.

**• Dialogue with Shareholders**

In addition to proactively disclosing information to deepen understanding of the Company's management policies and business operations, we hold meetings for shareholders and investors with management and report the opinions gleaned from such meetings to the Board of Directors. Through such efforts, we seek to improve the quality of dialogue.

## Implementation of Corporate Governance

### Corporate Governance Structure

Nippon Express is a company with Audit & Supervisory Board members. In addition to the Board of Directors and Audit & Supervisory Board, the Company has introduced a Board of Executive Officers system with the goal of ensuring rapid decision making and business execution.

Organizational structure	Company with Audit & Supervisory Board members
Chairperson of Board of Directors	Chairman (unless the Chairman is also the President)
Number of directors (number of outside directors)	9 (3)
Term of directors	1 year
Frequency of Board of Directors meetings	Once a month in principle or more as needed Meetings held in fiscal 2018: 20
Number of Audit & Supervisory Board members (number of outside members)	5 (3)
Frequency of Audit & Supervisory Board meetings	Once every three months in principle or more as needed Meetings held in fiscal 2018: 8
Board of executive officers in place [Yes/No]	Yes
Number of executive officers (number who concurrently serve as directors)	33 (5)
Term of executive officers	1 year
Frequency of Board of Executive Officers meetings	Once a month in principle or more as needed

(As of June 27, 2019)

### Internal Audits and Audit & Supervisory Board Members

Objectivity in auditing is maintained by conducting internal audits, Audit & Supervisory Board Member audits and accounting audits in an independent and complementary fashion.

As for the Internal Audit Division, the Company has set up the Audit Division at the head office, which conducts onsite audits and paper audits to examine whether employees are performing their duties in accordance with laws and regulations, the Articles of Incorporation, and other relevant rules and then reports to the President accordingly, pursuant to the “Nippon Express Group Auditing Regulations.” Moreover, the Internal Audit Division proactively provides advice and recommendations in accordance with the “Nippon Express Group Auditing Regulations” in order

to prevent losses caused by management.

Audit & Supervisory Board Member audits are conducted through inspection audits of major business locations and examinations of subsidiary companies in collaboration with staff in charge at the Auditing Division.

Ernst & Young ShinNihon LLC has been selected as our accounting auditor. This audit corporation conducts audits as an independent third party, and it audits the Company and its consolidated subsidiaries in accordance with the yearly accounting audit plan and in collaboration with the Internal Audit Division and the Audit & Supervisory Board.

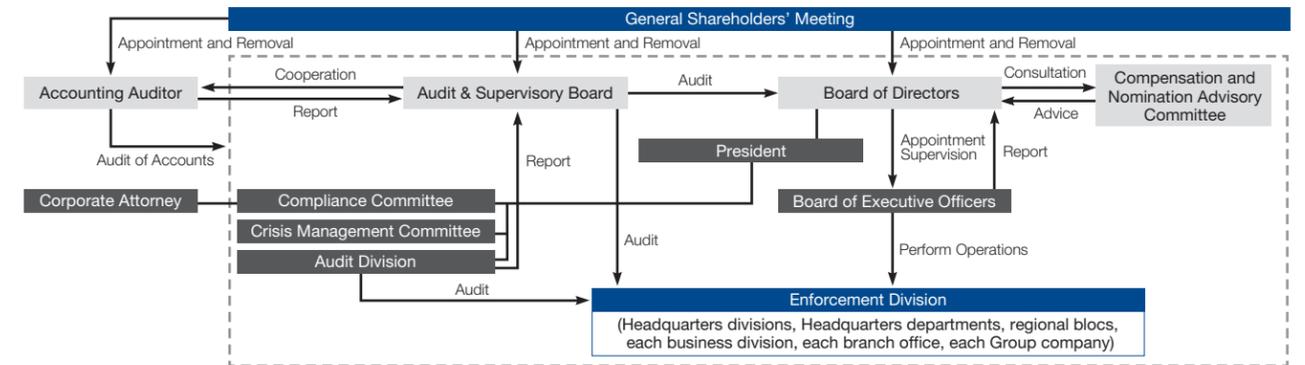
### Outside Directors and Outside Audit & Supervisory Board Members

Three of the Company’s nine directors are outside directors. The outside directors provide expert insight from an outside perspective when making important management decisions and strengthen the oversight of the Board of Directors’ business execution. In addition, audits are conducted by the Audit & Supervisory Board Members, including three outside Audit & Supervisory Board Members. We believe that adopting this structure sufficiently ensures the objectivity and neutrality of

management oversight.

Taking into consideration the requirements for outside directors stipulated in the Companies Act and the independence criteria set by securities exchanges, the Company has established its own independence standards. We appoint outside directors and outside Audit & Supervisory Board Members in accordance with these standards.

Outside directors	Reasons for appointment	Fiscal 2018 Board of Directors meeting attendance	
Masahiro Sugiyama	For his abundant experience, including many years of research in the areas of transport and freight as a university professor.	20 of 20	
Shigeo Nakayama	For his legal knowledge and abundant business experience acquired through many years of activities as a lawyer.	20 of 20	
Sadako Yasuoka	For her profound education and abundant experience, including such educational activities as the study of the Analects of Confucius, with people of various ages.	20 of 20	
Outside Audit & Supervisory Board members	Reasons for appointment	Fiscal 2018 Board of Directors meeting attendance	Fiscal 2018 Audit & Supervisory Board meeting attendance
Tadashi Kanki	For his wealth of experience as a business executive and broad-ranging insight	20 of 20	8 of 8
Toshiaki Nojiri	For his particularly thorough knowledge of logistics policy as an academic studying the Antimonopoly Act and transport business policy as well as experience serving as an academic expert in a number of posts in government and industry organizations.	20 of 20	8 of 8
Yoshio Aoki	For his abundant experience as a certified public accountant and expert knowledge of finance and accounting.	20 of 20	8 of 8



### Nominations

When selecting director candidates, the Board of Directors selects individuals who have the appropriate character, knowledge, experience of business management, expertise in law, accounting and other fields, and skills as well as academic backgrounds. When the Board selects candidates for outside directors and outside Audit & Supervisory Board members, it selects individuals who meet all the criteria for these positions as stipulated in Items 15 and 16, Article 2, of the Companies Act and from the viewpoints of whether or not they are suitable

candidates for monitoring the overall operation of the Company with excellent character and knowledge and abundant prior management experience.

For the appointment and dismissal of these officers, we have established a discretionary Compensation and Nomination Advisory Committee—with three out of four committee members as independent outside directors—as an advisory body of the Board of Directors. The Board makes hiring decisions based on the committee’s report.

### Reasons for appointment

Chairman and Representative Director	Kenji Watanabe	Since his appointment as president, chief executive officer and representative director in 2011, Mr. Kenji Watanabe has been committed to driving the growth of the Nippon Express Group and strengthening its domestic business. He has been serving as chairman and representative director since 2017, and the Company believes that his solid leadership and management capabilities, based on his outstanding insight, are crucial for strengthening the management of the entire Nippon Express Group in order to realize its long-term vision.
President, Chief Executive Officer, and Representative Director	Mitsuru Saito	Since his appointment as executive vice president, chief operating officer, and representative director in 2014, Mr. Mitsuru Saito has implemented operational structural reforms leading to sustainable corporate growth in a prompt and precise manner as chief managing officer of the Administration Headquarters. He has been serving as president, chief executive officer, and representative director since 2017, and the Company believes that his solid leadership and management capabilities, based on his outstanding insight, are crucial for implementing all strategies under the new business plan in a prompt and precise manner for the Nippon Express Group to grow into a logistics company with a strong presence in the global market.
Executive Vice President, Chief Operating Officer, and Representative Director	Takaaki Ishii	Since his appointment as executive officer in 2011, Mr. Takaaki Ishii has contributed greatly to the management of the Company, taking on executive responsibility for operations in broad areas primarily in the Kanto Region. He has been serving as executive vice president, chief operating officer, and representative director since 2017, and the Company believes that his leadership and management capabilities, based on his profound experience and knowledge, are crucial for further strengthening both its customer- and business-based approaches and developing its global logistics business while ensuring its solid competitiveness.
Executive Vice President, Chief Operating Officer, and Representative Director	Hisao Taketsu	Since his appointment as executive officer in 2011, Mr. Hisao Taketsu has contributed greatly to operational enhancement in his role as chief executive responsible for the Shikoku Region and Tokyo Metropolitan Region. He has been serving as executive vice president, chief operating officer, and representative director since 2017, and the Company believes that his leadership and management capabilities, based on his extensive experience and knowledge, are crucial for developing a rock-solid operational base to support its business growth strategy in the midst of an increasingly uncertain business environment.
Executive Vice President, Chief Operating Officer, and Representative Director	Susumu Akita	Since his appointment as executive officer in 2014, Mr. Susumu Akita has contributed to the development of businesses in the Tohoku Region and achieved great successes as a Company-wide manager of such important sections as general affairs, human resources and business administration. He has been serving as executive vice president, chief operating officer, and representative director since 2019, and the Company believes that his leadership and management capabilities, based on his excellent insight, are crucial for controlling its overall businesses in Japan, improving profitability and productivity, and advancing its strategy to enhance business resilience.
Director	Takashi Masuda	Since his appointment as executive officer in 2018, Mr. Takashi Masuda has promoted measures to reinforce the Company’s financial base and streamline Company-wide accounting operations. The Company believes that his management capabilities, based on his diverse experience and profound knowledge in finance, are crucial for strengthening its operational base through highly strategic investments and realizing capital policies in ESG-oriented business management.

### Effectiveness of Board of Directors

Nippon Express’s Board of Directors gathers opinions regarding its effectiveness via reports submitted by the directors on the status of the execution of their duties as well as surveys of the

directors and Audit & Supervisory Board members, including the outside directors and members, administered with the assistance of an outside organization. The survey results are analyzed

and evaluated, and the Board discusses and investigates the outcomes. The Board checks the aggregated results from the institution regarding the Board's composition, operation, management and business strategies, corporate ethics, risk management, and the evaluation of management and remuneration. From our last survey results, we decided that the effectiveness of

#### Director and Audit & Supervisory Board Member Compensation

The Company has established guidelines for director and Audit & Supervisory Board member compensation and bonuses. Based on such factors as individual duties and performance, compensation and bonuses for directors are determined by the Board of Directors and compensation for Audit & Supervisory Board members is determined by deliberation among the Audit & Supervisory Board members. These decisions are made with input from the Compensation and Nomination Advisory Committee, which Nippon Express has voluntarily established as an advisory body to the Board of Directors. A majority of the members of this committee are independent outside directors. Specific compensation amounts are set within the limits decided by resolution of the 100th General Shareholders' Meeting held on June 29, 2006, reflecting such considerations as corporate performance, industry standards, and employee salary levels.

In September 2016, Nippon Express adopted a performance-based stock compensation plan that uses an executive compensation board incentive plan (BIP) trust (the "BIP Trust") for its directors and executive officers (excluding outside directors and those who do not reside in Japan) to enhance motivation to contribute to the improvement of corporate value and shareholder value over the medium to long term. Based on the Performance

the entire Board was maintained.

The composition of the Board was extracted as an issue from the survey, so we changed the proportion of outside directors to one third. We are also striving to improve effectiveness, for example, by improving the quality of the presentations of the progress reports of major strategies at board meetings.

Share Plan and the Restricted Stock Plan in the United States, the BIP Trust is a trust-based incentive plan, under which compensation based on the Company's shares is delivered to the directors according to factors that include the Company's business performance.

This plan uses part of the existing basic remuneration as funds for share-based remuneration and grants, varying the numbers of Company shares depending on the recipient's position and level of attainment of performance goals. We have already finished three business years, the period required for the first evaluation. Upon approval at the General Shareholders' Meeting in June 2019, we changed the evaluation period to five business years and continued this system. At the end of each fiscal year and at the end of the period for evaluation, we will evaluate performance based on indicators such as net sales, operating income and return on equity (ROE).

At the same time as the granting of shares, a portion of the shares are paid in cash after being converted within the trust in order to use this amount for the payment of taxes, including income tax. The number of Company shares to be granted is determined based on share delivery rules that stipulate the calculation method, time of delivery, and other relevant matters.

#### Details of the BIP Trust Agreement

Type of trust	Monetary trust other than a specified solely-administered monetary trust (third-party beneficiary trust with beneficiaries yet to exist)
Purpose of trust	To provide incentives to the directors and executive officers of the Company
Entruster	The Company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiaries	Directors and executive officers who satisfy the beneficiary requirements
Trust administrator	Third party having no conflict of interest with the Company (certified public accountant)
Date of trust agreement	August 2019 (changed by changing the August 2019 trust agreement)
Trust term	September 2016 to August 2024 (changed by changing the August 2019 trust agreement)
Commencement of the plan	September 2016
Exercise of voting rights	Voting rights will not be exercised
Class of shares to be acquired	Common stock of the Company
Upper limit of trust money	¥800 million yen (including trust fees and trust expenses. Changed by changing the August 2019 trust agreement)
Share acquisition period	September 2, 2016 to September 5, 2016 (Following a change to the August 2019 trust agreement, the acquisition period became August 8, 2019 to August 30, 2019.)
Share acquisition method	Purchase from stock market
Rights holder	The Company
Residual assets	The Company, as the rights holder, may receive residual assets within the scope of the reserve for trust expenses after deducting funds to acquire the Company's shares from trust money
Total number of shares to be delivered to the directors and executive officers	Maximum 90,000 shares (Trust period: three years) (This was changed to 115,000 shares with a trust period of five years at the time of the amendment of the trust contract in August 2019.) Note: The Company conducted a reverse stock split at the rate of ten ordinary shares to one share on October 1, 2017. Therefore, the above figures signify the number of shares after the reverse split.

#### Structure of the Internal Control System

An internal control system is necessary for corporate operations to be carried out appropriately and efficiently. Nippon Express maintains an effective control system that ensures proper operations. This system comprises specific rules and

organizational frameworks regarding compliance, risk management, internal control, and ensuring that Group companies operate correctly.

#### Compliance Management Promotion System

To give the Nippon Express Group Charter of Conduct teeth, we have enacted a set of Compliance Regulations. It serves as a guideline for all employees to comply with laws and guarantee ethical behavior. One concrete measure we have taken is the establishment of the Compliance Committee, chaired by the President at the head office, for the implementation of compliance across the Company. At the same time, we have appointed staff members in charge of compliance as well as compliance promoters at the head office and each branch office to ensure

#### Crisis Management System

##### Structure of the Crisis Management System

Nippon Express has constructed a crisis management system comprising four codes under the Crisis Management Code: the Disaster Management Code, the Overseas Crisis Management Code, the System Risk Management Code, and the New Influenza Management Code. Furthermore, we have established steps to be taken against widespread disasters, outbreaks of new types of influenza and other infectious diseases, information system risks, emergencies overseas, and various other risks. At the same time, we are reinforcing collaboration within the Group in accordance with the Nippon Express Group Disaster Measures Regulations.

Nippon Express is a designated public institution under the Disaster Measures Basic Law and the Civil Protection Act (the Act Concerning the Measures for Protection of the People in Armed Attack Situations) as well as the Act on Special Measures

##### Business Continuity Framework (BCM and BCPs)

The Company has established a basic policy on business continuity management (BCM) as well as business continuity plans (BCPs) in order to continue operations even when faced with major disasters or threats, such as the spread of a new strain of influenza or other contagious disease. By systematically determining first response and recovery measures, the Group is increasing its resilience to emergencies.

Under this framework, Nippon Express places the safety of employees and their families first when responding to emergencies

#### Policy for Constructive Dialogue with Shareholders

For dialogues with shareholders and investors, the Investor Relations Promotion Group of the Corporate Planning Division within the Corporate Strategy Unit, which is managed by our top managers, responds to requests. Giving consideration to topics and dates, our top managers, the director in charge and/or senior managers attend the meetings. The Company holds, in addition to individual interviews in Japan and overseas, teleconferences, earnings presentations, tours of its facilities, business briefings, and small meetings sponsored by the Company as appropriate. It also takes part in small meetings and IR conferences sponsored by securities companies. Through these efforts, the Company is working hard to create opportunities for dialogue with shareholders and investors. Opinions and such obtained through dialogue are periodically reported to the Board of Directors as well as fed back to the outside directors, executive management, and the relevant divisions within the Company, to ensure that such feedback

thorough compliance by employees.

We also initiated "Nittsu Speak Up," an internal reporting system for the prevention, early detection, and correction of legal violations, dishonesty, or ethical misconduct by employees.

Moreover, we enacted the Basic Policy Relating to the Establishment of an Internal Control System, striving to maintain an effective internal control system while increasing the transparency and efficiency of management.

concerning the Relief of Pandemic Influenza promulgated in April 2013. The Company has fulfilled this role by transporting emergency supplies from the day that the Great East Japan Earthquake struck, working to assist the recovery of affected areas.

Furthermore, besides preparing emergency stockpiles of supplies that include food and drinking water as well as hygienic items such as masks and gloves as countermeasures against influenza and other infectious diseases, we have brought in satellite phones and mobile phones with priority access in times of disaster to enable us to respond to disruptions in telephone networks due to natural disasters. By distributing them to related divisions at the head office and major branches across Japan, we ensure prompt communication in the event of an emergency.

while also fulfilling its responsibility as a designated public institution under the Disaster Measures Basic Law, the Civil Protection Act, and the Special Measures Act to Counter New Types of Influenza through such operations as transporting emergency relief supplies.

Going forward, the Nippon Express Group will continue to act as a maintainer of social function contributing to the operation of supply chains, even during emergencies caused by natural disasters, industrial disasters, and man-made disasters, and thus contribute to society.

is reflected in corporate activities.

Inside the Company, the Investor Relations Promotion Group serves as the secretariat for information disclosure. The group establishes, implements and amends the Disclosure Policy with cooperation from other divisions, such as the Public Relations & Advertising Division, the General Affairs & Labor Division, the Accounting Division, the Financial Planning Division, and the Corporate Planning Division. The group also discusses the appropriateness of information disclosure activities with these divisions. The results are then reported to the Board for it to make a final decision. Based on the Disclosure Policy, one of the top managers or another officer is responsible for disclosure of information. The Board obtains reports on the progress of our information disclosure activities from the director in charge of the Corporate Planning Division, shares the contents of these reports, and checks the appropriateness of such progress.



Outside Director



**Masahiro Sugiyama**  
Professor emeritus, Waseda University  
PhD in commerce

Despite increase in public interest amid the recent logistics crisis, I believe the logistics industry continues to be unfairly judged and undervalued by society. As an Outside Director at Nippon Express, I consider it my duty to express pointed opinions on the executive officers' management policies and performance in light of my expectations of the Company playing a leading role in the logistics industry and in breaking through this social stagnation. In doing so, I regularly make use of my many years of experience on deliberative councils for transportation policies of public institutions.

I think Nippon Express's principal strengths are its executive officers and other employees—a group of people with a strong sense of duty who enjoy working in this industry—and its culture of mutual respect for opinions. In my opinion, an urgent concern going forward will be training principled employees capable of deftly navigating an

information-based society where rapidly developing information technology is widely used.

The Company's Board of Directors and other management bodies also feel the pressure that publicly traded companies are subject to on a daily basis as they are tested by the markets, and this experience has completely changed my prior perceptions of the industry.

Although there are many areas where I can comprehend the course laid out in the new management plan and 2037 Vision, the latter of which anticipates future trends in Japan and around the globe, it will be necessary to regularly undertake a self-examination and follow up on the progress of measures and initiatives due to the sudden pace of socioeconomic change. I hope the Company will make active use of personnel who can make cool and good judgments and who are exceptionally perceptive.

Outside Director



**Shigeo Nakayama**  
Attorney

I think the duty of outside directors is to leverage their own career experience to determine the propriety of decisions reached by the Board of Directors as well as to assess the decision-making process and facilitate reasonable management decisions. In my case, as a lawyer I tap into my specialized knowledge of legal and labor affairs when attending Board meetings to help avoid risks related to compliance (obeying legal, regulatory, and social rules) and commerce. In terms of day-to-day operations, I think one issue would be the further prevention of the relatively numerous culpable accidents and cases of harassment.

Through my work as an outside director, what I have really come to understand is the importance of logistics and the industry's social mission as well as the severity of the operating environment, particularly the direct effect on operations of

international political and economic trends and changes in the natural environment, including disasters. The fact that the Nippon Express Group achieved the goals laid out in its Nippon Express Group Corporate Strategy 2018 amid this environment is a huge accomplishment. I think one factor behind this was the Group's global network and the hard work of the employees supporting that network. I believe this because when I observed Group members' facilities in Japan and around the world, I saw that the employees working there approached their jobs with positivity and vigor, convincing me that these excellent workers on the frontline are a major strength for the Group. The Business Plan 2023, which leads up to the Company's centennial anniversary, is currently under way, and I look forward to the steady progress to come.

Outside Director



**Sadako Yasuoka**  
Instructor, Murayozan Densuin Terakoya School of the Analects of Confucius  
Representative, Ginza Adult School of the Analects of Confucius  
Instructor of the Analects of Confucius, Shukutoku SC Middle School and High School  
Representative, Yasuoka Sadako Jimusho

I believe that the role of an outside director is to objectively and fairly observe the Company, regularly offer questions, proposals, and insights, and accurately comprehend the results of these efforts and use them in formulating next steps. From my perspective as an instructor of the Analects of Confucius, my job is related to training personnel and instilling corporate ethics.

Although there has been a social trend toward fostering environments where women can work more easily, it is more important to realize environments in which it is easy for everyone to work. That is what will ultimately help resolve many issues. All these problems are interconnected. Nippon Express's reforms have clearly been picking up speed over the years.

It is the varying attitudes of individuals that helps improve work environments and support

structural reforms. The president said that he wants employees to feel satisfied and fulfilled, but the realization of a satisfying and fulfilling workplace depends largely on the attitudes of the people. In the lead up to the centennial anniversary, a significant shift in mindsets is under way as Nippon Express works to enhance domestic businesses and to establish a strong presence on the global stage.

It is precisely when undertaking major reforms that Nippon Express should leverage its positive corporate culture, strong unity, and ability to tactfully respond to issues. I think a potential issue moving forward will be ensuring that there is no difference in the pace of reform demonstrated by top management and the comprehension of workers on the frontlines.



Chairman and Representative Director

- 1 Kenji Watanabe

President, Chief Executive Officer and Representative Director

- 2 Mitsuru Saito

Executive Vice Presidents, Chief Operating Officers and Representative Directors

- 3 Takaaki Ishii
- 4 Hisao Taketsu
- 5 Susumu Akita

Director and Executive Officer

- 6 Takashi Masuda

Directors

- 7 Masahiro Sugiyama\*
- 8 Shigeo Nakayama\*
- 9 Sadako Yasuoka\*

Full-time Audit and Supervisory Board Members

- 10 Tatsuya Suzuki
- 11 Tadashi Kanki \*\*
- 12 Naoya Hayashida

Audit and Supervisory Board Members

- 13 Toshiaki Nojiri \*\*
- 14 Yoshio Aoki \*\*

\* Outside director  
\*\* Outside Audit and Supervisory Board Member

Senior Managing Executive Officers

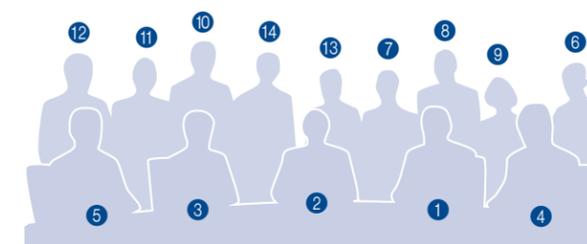
- Makoto Ikeda
- Akira Kondo
- Eiichi Nakamura
- Satoshi Horikiri

Managing Executive Officers

- Tatsuo Sugiyama
- Mitsuru Uematsu
- Toshiro Uchida
- Yutaka Nagai

Executive Officers

- Ichiro Miyawaki
- Masato Nakagawa
- Shigeru Umino
- Ryuji Goya
- Hiroshi Takahashi
- Chihiro Sugiyama
- Shigeki Arima
- Akiyoshi Sekine
- Kazutoshi Hamashima
- Shinjiro Takezoe
- Masayuki Yamada
- Hajime Matsumoto
- Atsushi Nagashima
- Tadashi Fujishiro
- Kenji Kato
- Ken Sato
- Tadahiro Furue
- Hiroyuki Tanaka
- Hideshi Ootsuki
- Tatsuya Akama



**Corporate Overview**

The Nippon Express Group consists of Nippon Express Co., Ltd. and its 299 subsidiaries, including 271 consolidated subsidiaries, as well as 68 affiliates, of which 23 are equity-method affiliates, totaling 368 companies. The Group's operations center on the Logistics segment, which operates motor cargo transportation, railway forwarding, air freight forwarding, marine transportation, harbor transportation and warehousing businesses in and outside Japan. The Group's remaining reportable segments are organized around specialized businesses. These segments are Security Transportation, Heavy Haulage & Construction and Logistics Support, which handles goods sales for the Group's businesses, real estate, and other businesses.

The Group's business operations by region and reportable segment are as follows.

**Logistics**

(Nippon Express Co., Ltd. and 323 other companies, including Nippon Express USA, Inc.)

**Japan**

Nippon Express Co., Ltd. and its subsidiaries and affiliates engage in businesses related to railway forwarding, motor cargo transportation, warehousing, air freight forwarding, marine transportation, harbor transportation and other related businesses throughout Japan. In addition, Wanbishi Archives, Co., Ltd. and its subsidiaries operate information asset management businesses, and Nippon Express Travel Co., Ltd. and other subsidiaries and affiliates operate the travel and related businesses.

**The Americas**

Nippon Express USA, Inc. and other subsidiaries and affiliates engage in air freight forwarding, marine and harbor transportation, and ware-

housing businesses in various cities in the Americas. In addition, Nippon Express Travel USA, Inc. operates a travel business.

**Europe**

Nippon Express (U.K.) Ltd., Nippon Express (Nederland) B.V., Nippon Express (Deutschland) GmbH, Nippon Express France, S.A.S., Franco Vago S.p.A., Traconf S.r.l. and other subsidiaries and affiliates engage in air freight forwarding, marine and harbor transportation, and warehousing businesses in various cities in Europe.

**East Asia**

Nippon Express (H.K.) Co., Ltd., Nippon Express (China) Co., Ltd., Nippon Express (Taiwan) Co., Ltd., APC Asia Pacific Cargo (H.K.) Ltd. and other subsidiaries and affiliates engage in air freight forwarding, marine and harbor transportation, and warehousing businesses in various cities in East Asia.

**South Asia & Oceania**

Nippon Express (Singapore) Pte., Ltd., Nippon Express (Thailand) Co., Ltd., Nippon Express (Australia) Pty., Ltd. and other subsidiaries and affiliates engage in air freight forwarding, marine and harbor transportation, warehousing, and heavy haulage and construction businesses in various cities in South Asia and Oceania.

**Security Transportation**

(Nippon Express, Co., Ltd.)  
Nippon Express Co., Ltd. operates security guard and related businesses.

**Heavy Haulage & Construction**

(Nippon Express, Co., Ltd. and 1 other company)  
Nippon Express, Co., Ltd. and an affiliate handle the transportation, erection and installation of heavy cargo and pursue related businesses.

**Logistics Support**

(43 companies, including Nittsu Shoji Co., Ltd.)  
Nittsu Shoji Co., Ltd., Nittsu Shoji (Thailand) Co., Ltd. and other subsidiaries and affiliates in and outside Japan engage in businesses related to the sale of distribution equipment, wrapping and packing materials, vehicles, petroleum, LP gas and other products; leasing; vehicle maintenance services and insurance sales.

In addition, Nittsu Real Estate Co., Ltd. and other subsidiaries engage in real estate businesses; Nittsu Research Institute and Consulting, Inc. engages in investigation and research operations; Nippon Express Capital Co., Ltd. engages in logistics finance; Nittsu Driving School Co., Ltd. provides driver training courses; and Careerroad Inc. engages in employee dispatching.

**Performance Overview**

During fiscal 2018, the consolidated fiscal year ended March 31, 2019, the Japanese economy continued on a gradual recovery trend led by strong corporate earnings, but future prospects remained uncertain due to pronounced downward pressure on the economy, such as a slowdown in the global economy, especially in China, and rising geopolitical risks.

Under these economic conditions, cargo movement in domestic freight was slow due to a series of natural disasters and other factors, while performance in international freight was generally firm due to expanding demand mainly in automobile-related freight and electronic components.

In this business environment, the Nippon Express Group made united efforts to implement its two key strategies—area strategies and functional strategies—with the aim of achieving the targets outlined in its three-year business plan, “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu,” which had entered its final year.

**Area Strategies**

In Japan, the Nippon Express Group promoted one-stop sales and account management, mainly in the region encompassing Tokyo, Osaka and Nagoya, and strove to expand business with global companies. In addition, the Group worked to further restructure its organization to strengthen domestic businesses.

Overseas, the Group continued to concentrate management resources mainly in South Asia to strengthen its warehouse-centered network, while developing business in priority industries such as luxury apparel and fashion items in Europe and expanding sales to non-Japanese companies in all regions.

**Functional Strategies**

To thoroughly strengthen sales activities, the Group strongly promoted one-stop sales and account management to expand business fields handled for existing customers and expanded new transactions mainly with non-Japanese companies.

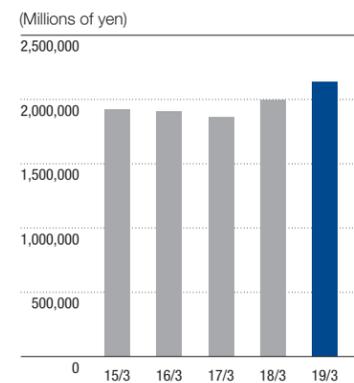
To strengthen and upgrade core businesses, the Group made efforts in the forwarding business to further promote global procurement, while also expanding forwarding products that utilize railways between China and Europe. In addition, the logistics business was further strengthened through initiatives to commercialize cutting-edge technologies in warehouse operations.

To strengthen Group management, the Group advanced measures to build industry-specific platforms that leverage the strengths of each Group company.

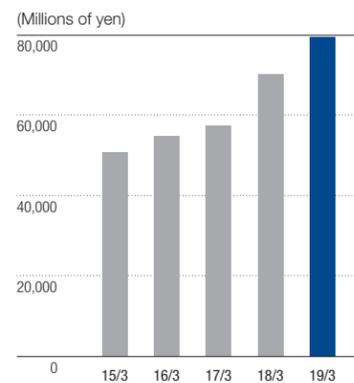
To reinforce the management infrastructure, the Group promoted organizational consolidation and strengthened logistics functions through the use of IT while making efforts to improve administrative productivity such as by promoting the use of robotic process automation (RPA).

To further strengthen the Group's CSR management, the Group actively advanced work style reforms, including efforts to promote diversity management and eliminate excessively long working hours.

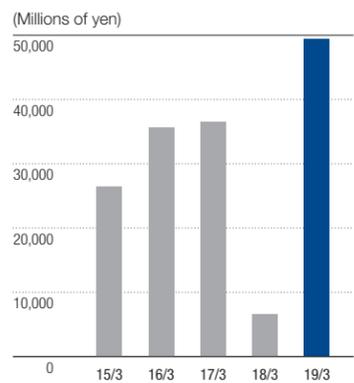
**Revenues**



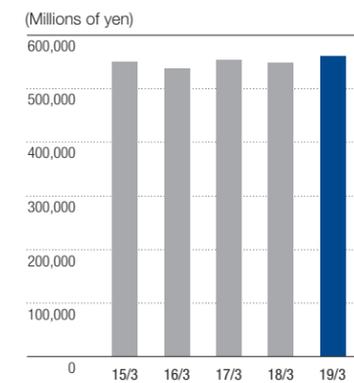
**Operating income**



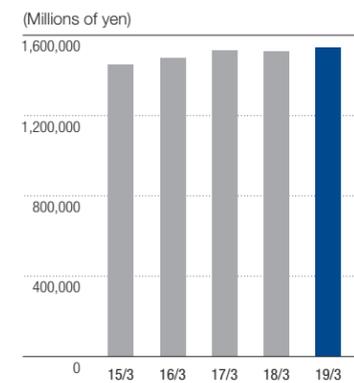
**Profit attributable to owners of parent**



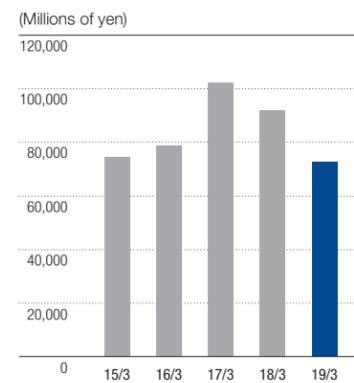
**Net assets**



**Total assets**



**Net cash provided by operating activities**



\* Nippon Express has applied Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, issued February 16, 2018) since April 1, 2018. The total assets and equity ratio figures for fiscal 2017 have been retroactively adjusted to reflect this application.

## Business Results

### Revenues and Operating Costs

Revenues increased by ¥143.1 billion, or 7.2%, year on year to ¥2,138.5 billion.

Operating costs came to ¥1,949.6 billion, an increase of ¥132.3 billion, or 7.3%, from the previous fiscal year. Gross profit increased ¥10.8 billion, or 6.1%, year on year to ¥188.8 billion. The increase in operating costs was mainly due to an increase in vehicle chartering and subcontracting costs.

### Selling, General and Administrative Expenses, Operating Income and Ordinary Income

Selling, general and administrative expenses grew ¥1.4 billion, or 1.4%, year on year to ¥109.2 billion, mainly due to expenses arising from the impact of newly consolidated companies.

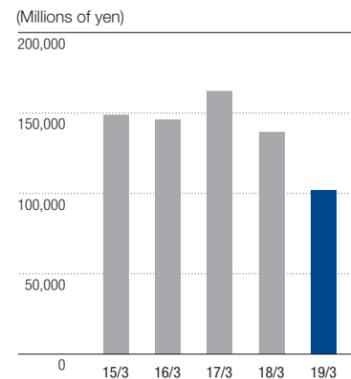
As a result of the above, operating income came to ¥79.5 billion, up ¥9.3 billion, or 13.3%, from the previous fiscal year. Ordinary income amounted to ¥85.8 billion, up ¥11.4 billion, or 15.3%.

### Other Income and Expenses and Profit Attributable to Owners of Parent

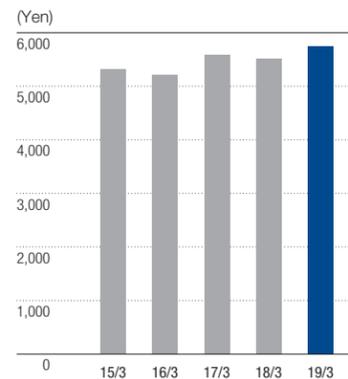
Extraordinary income was ¥3.5 billion, a decrease of ¥20.7 billion, or 85.5%, compared with the previous fiscal year, due mainly to a ¥15.6 billion loss on contribution of securities to retirement benefit trust. Extraordinary loss fell ¥50.0 billion, or 81.4%, to ¥11.4 billion, due mainly to a ¥46.4 billion decrease in impairment loss.

Profit before income taxes amounted to ¥77.8 billion. After deducting current income taxes and other adjustments as well as non-controlling interests, profit attributable to owners of parent came to ¥49.3 billion, an increase of ¥42.7 billion, or 655.0%, from the previous fiscal year.

### Cash and cash equivalents at end of year

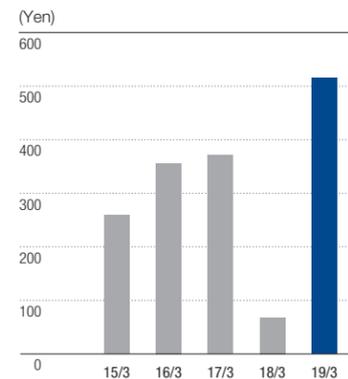


### Net assets per share



\* The Company executed a consolidation of shares at a ratio of 10 common shares to 1 effective October 1, 2017. Figures above for net assets per share prior to October 1, 2017 are calculated on the assumption that said consolidation had already been implemented.

### Basic earnings per share



\* The Company executed a consolidation of shares at a ratio of 10 common shares to 1 effective October 1, 2017. Figures above for basic earnings per share prior to October 1, 2017 are calculated on the assumption that said consolidation of shares had already been implemented.

## Results by Reportable Segment

For information on financial results by reportable segment, please refer to pp 18–24.

Furthermore, in accordance with organizational reforms of the security transportation business implemented on April 1 2018, part of the Japan (Logistics) segment was reorganized as the Security Transportation segment effective from the fiscal year ending March 31, 2019.

### Cash Flows

Cash and cash equivalents as of March 31, 2019 amounted to ¥102.0 billion, a decrease of ¥35.7 billion year on year.

### Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥72.6 billion, a year-on-year decrease of ¥19.1 billion. This was mainly due to a decrease in deposits from employees.

### Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥90.9 billion, a year-on-year increase of ¥3.5 billion. This was mainly due to an increase in payment for shares of subsidiaries resulting in change in scope of consolidation.

### Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥14.6 billion, a year-on-year decrease of ¥16.7 billion. This was mainly due to a decrease in redemption of bonds.

## Financial Position

### Assets

Total assets as at March 31, 2019 amounted to ¥1,536.6 billion, an increase of ¥19.6 billion or 1.3%, from the previous fiscal year-end.

By segment, total assets in Logistics Support came to ¥341.1 billion, up ¥18.1 billion, or 5.6%, from the previous fiscal year-end, largely due to an increase in accounts receivable—trade. The total assets of the other segments were largely level year on year.

Current assets amounted to ¥712.2 billion, a decrease of ¥6.7 billion or 0.9%, from the end of the previous fiscal year, mainly due to a decrease in cash and cash in banks. Non-current assets totaled ¥824.4 billion, an increase of ¥26.3 billion or 3.3%, from the end of the previous fiscal year, mainly due to an increase in goodwill.

### Liabilities and Net Assets

Total liabilities as at March 31, 2019 were ¥976.2 billion, up ¥6.6 billion, or 0.7%, from the end of the previous fiscal year.

Current liabilities amounted to ¥454.4 billion, an increase of ¥9.2 billion, or 2.1%, from the end of the previous fiscal year, mainly due to an increase in deposits. Non-current liabilities amounted to ¥521.8 billion, a decrease of ¥2.5 billion, or 0.5%, from the end of the previous fiscal year, mainly because of a decrease in bonds payable due to transfer to short-term bonds.

Net assets as of March 31, 2019 amounted to ¥560.4 billion, a year-on-year increase of ¥12.9 billion, or 2.4%. This was attributable largely to an increase in retained earnings.

### Capital Investment

Total capital investment by the Nippon Express Group in the fiscal year under review amounted to ¥97.8 billion. Major items included

investments aimed at future business development, including changes to logistics systems and improvements to such infrastructure as distribution depots for international freight operations and commercial warehouses, as well as the replacement of vehicles and transportation equipment.

## Dividend Policy

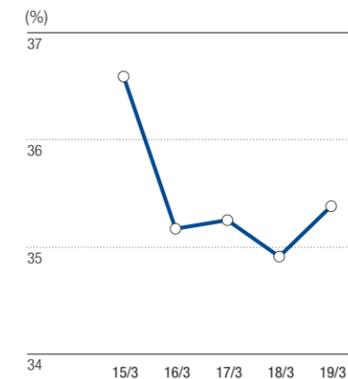
The Company regards the return of profits to shareholders as one of its most important priorities. We aim to enhance returns while expanding our business operations, strengthening our financial position, expanding shareholders' equity and improving profit ratios. The earnings retained by the Company are used in part for the development of logistics bases, the replacement of vehicles and other capital investment aimed at expanding sales of various transport services and improving transport efficiency. Funds also go toward reinforcing the Group's financial position and enhancing its management infrastructure.

The Company's basic policy is to pay dividends from retained earnings twice a year in the form of interim and year-end dividends. The Board of Directors is responsible for decisions concerning the interim dividend, while decisions on the year-end dividend are made at the General Shareholders' Meeting held following each fiscal year-end.

The 113th General Shareholders' Meeting, held on June 27, 2019, considered and approved a proposal for a year-end dividend for fiscal 2018 of ¥85 per share. The annual dividend, comprising the year-end dividend and the interim dividend of ¥70 per share, came to ¥155 per share (for a dividend payout ratio of 30.1%).

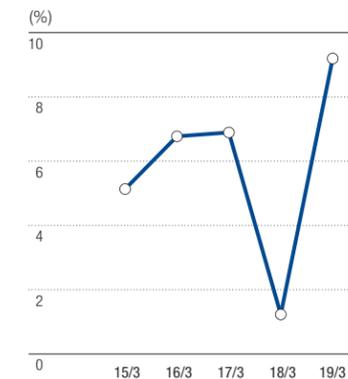
Note that the Company's Articles of Incorporation permit the payment of interim dividends as specified in Article 454-5 of the Companies Act.

### Equity ratio

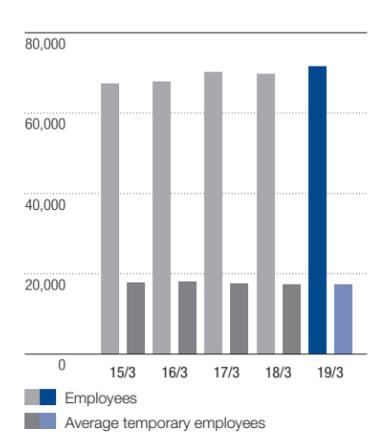


\* Nippon Express has applied Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, issued February 16, 2018) since April 1, 2018. The total assets and equity ratio figures for fiscal 2017 have been retroactively adjusted to reflect this application.

### Return on equity



### Employees and average temporary employees



# 11-Year Summary

Nippon Express Co., Ltd and consolidated subsidiaries  
For the years ended March 31

	2019	2018	2017
For the year:			
(Millions of yen)			
Revenues <sup>1</sup>	2,138,501	1,995,317	1,864,301
Revenues by industry segment up to the year ended March 31, 2010 <sup>2</sup>			
Distribution and Transportation	—	—	—
Goods Sales	—	—	—
Other	—	—	—
Elimination	—	—	—
Revenues by region segment up to the year ended March 31, 2010 <sup>2</sup>			
Japan	—	—	—
The Americas	—	—	—
Europe	—	—	—
Asia & Oceania	—	—	—
Elimination	—	—	—
Revenues by reportable segment from the consolidated year ended March 31, 2011 onward <sup>2</sup>			
Distribution & Transportation			
Domestic Companies			
Combined Business	—	—	—
Security Transportation	—	—	—
Heavy Haulage & Construction	—	—	—
Air Freight Forwarding	—	—	—
Marine & Harbor Transportation	—	—	—
Overseas Companies			
The Americas	—	—	—
Europe	—	—	—
Asia & Oceania <sup>3</sup>	—	—	—
East Asia	—	—	—
South Asia & Oceania	—	—	—
Goods Sales	—	—	—
Other	—	—	—
Adjustment	—	—	—
Revenues by reportable segment from the consolidated year ended March 31, 2017 onward <sup>2</sup>			
Logistics			
Japan	1,256,802 <sup>4</sup>	1,188,695 <sup>4</sup>	1,155,713
The Americas	98,699	91,396	83,831
Europe	114,812	96,048	79,286
East Asia	122,754	117,487	101,746
South Asia & Oceania	91,874	85,382	70,343
Security Transportation	72,647 <sup>4</sup>	72,022 <sup>4</sup>	54,781
Heavy Haulage & Construction	47,751	47,602	46,985
Logistics Support	483,965	443,264	403,994
Adjustment	(150,806)	(146,582)	(132,381)
Operating income	79,598	70,269	57,431
Profit attributable to owners of parent <sup>5</sup>	49,330	6,534	36,454
At year-end:			
(Millions of yen)			
Total net assets	560,444	547,494	552,985
Total assets	1,536,677	1,517,060 <sup>6</sup>	1,521,800
Net cash provided by operating activities <sup>7</sup>	72,698	91,865	102,360
Cash and cash equivalents at end of year <sup>7</sup>	102,092	137,891	163,386
Per share <sup>8</sup> :			
(Yen)			
Net assets per share <sup>9</sup>	5,749.60	5,519.09	5,586.52
Basic earnings per share <sup>9</sup>	515.13	68.06	371.32
Ratios:			
(%)			
Operating income ratio	3.7	3.5	3.1
Equity ratio	35.38	34.91 <sup>6</sup>	35.25
Return on equity	9.19	1.23	6.89
Other:			
Employees	71,525	69,672	70,092
(Average temporary employees)	17,310	17,300	17,673

1. Revenue figures do not include consumption taxes.  
2. Effective from the consolidated fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008). The above listed revenues by industry, geographical and reportable segments do not include internal sales or money transfers between segments.  
3. Nippon Express underwent an organizational change in the consolidated fiscal year ended March 31, 2011. Consequently, for Distribution & Transportation, overseas companies, Asia & Oceania has been divided into East Asia and South Asia & Oceania. As it is not possible to restate the results for the consolidated fiscal year ended March 31, 2010 under the new reportable segments, such results are presented here in accordance with the previous segment designations.  
4. In accordance with organizational reforms of the security transportation business, part of the Japan (Logistics) segment was reorganized as the Security Transportation segment effective from the fiscal year ending March 31, 2019. The fiscal 2017 results have been adjusted to reflect this change.  
5. Due to the application of the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21, issued September 13, 2013) and other accounting standards, the accounting item previously presented as "net income" has been renamed "profit attributable to owners of parent" from fiscal 2015 onward.

2016	2015	2014	2013	2012	2011	2010	2009
1,909,105	1,924,929	1,752,468	1,613,327	1,628,027	1,617,185	1,569,633	1,828,946
—	—	—	—	—	—	1,288,373	1,528,695
—	—	—	—	—	—	326,337	369,661
—	—	—	—	—	—	33,919	31,002
—	—	—	—	—	—	(78,996)	(100,412)
—	—	—	—	—	—	1,418,878	1,625,564
—	—	—	—	—	—	37,717	56,831
—	—	—	—	—	—	44,724	69,059
—	—	—	—	—	—	93,830	112,654
—	—	—	—	—	—	(25,517)	(35,162)
736,568	742,356	721,717	699,287	704,717	717,439	751,004	—
53,803	55,401	54,651	58,842	58,764	59,542	60,875	—
51,395	46,886	36,656	37,186	40,048	34,356	39,294	—
182,533	210,763	181,720	182,143	205,407	203,408	183,860	—
118,205	118,836	131,708	124,207	125,654	124,216	110,717	—
94,697	79,160	69,066	54,028	42,963	42,806	37,717	—
84,579	83,609	72,788	44,230	46,453	45,069	44,724	—
—	—	—	—	—	—	93,830	—
115,068	101,321	92,156	68,812	72,967	76,955	—	—
70,225	64,607	51,367	44,291	44,811	45,564	—	—
367,328	420,155	412,846	383,738	374,076	352,507	322,699	—
173,632	143,602	61,460	41,802	40,368	35,980	32,347	—
(138,935)	(141,773)	(133,672)	(125,242)	(128,206)	(120,662)	(107,437)	—
1,158,390	—	—	—	—	—	—	—
94,697	—	—	—	—	—	—	—
84,579	—	—	—	—	—	—	—
115,068	—	—	—	—	—	—	—
70,225	—	—	—	—	—	—	—
53,803	—	—	—	—	—	—	—
51,395	—	—	—	—	—	—	—
410,906	—	—	—	—	—	—	—
(129,962)	—	—	—	—	—	—	—
54,778	50,811	40,865	33,206	37,497	31,629	37,535	33,513
35,659	26,382	26,345	23,831	26,949	8,541	12,566	15,172
538,018	550,137	509,954	518,409	494,205	479,898	495,883	484,337
1,484,953	1,453,617	1,377,443	1,247,612	1,230,964	1,147,539	1,201,801	1,172,074
78,844	74,519	57,892	60,937	80,754	76,019	82,198	64,080
146,007	148,942	125,900	113,689	135,882	78,383	121,187	93,031
521.77	531.06	483.38	489.39	461.63	448.29	464.38	454.03
35.61	25.87	25.62	22.89	25.85	8.19	12.05	14.55
2.9	2.6	2.3	2.1	2.3	2.0	2.4	1.8
35.17	36.59	36.00	41.17	39.10	40.74	40.29	40.40
6.77	5.14	5.22	4.79	5.68	1.80	2.62	3.08
67,909	67,347	65,162	64,834	65,759	66,924	65,916	71,352
18,102	17,752	16,925	15,985	15,765	16,583	19,406	22,801

6. Nippon Express has applied Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, issued February 16, 2018) since April 1, 2018. The total assets and equity ratio figures for fiscal 2017 have been retroactively adjusted to reflect this application.  
7. From the year ended March 31, 2015 onward, cash related to CSD services and exchange money delivery services in the Security Transportation Business has been excluded from the scope of funds (i.e., cash and cash equivalents). The effect of this change has been retrospectively applied to the figures presented above for net cash provided by operating activities as well as cash and cash equivalents at end of year for the fiscal years ended March 31, 2011 through 2014.  
8. The Company executed a consolidation of shares at a ratio of 10 common shares to 1 effective October 1, 2017. Accordingly, net assets and basic earnings per share are calculated on the assumption that said consolidation of shares was implemented at the beginning of the fiscal year ended March 31, 2017.  
9. The Company adopted an executive compensation BIP trust as of the fiscal year ended March 31, 2017. For the purpose of calculating net assets per share, the Company's shares held by the trust are included in treasury stock, which is excluded from the number of common stock at the end of the year. For the purpose of calculating basic earnings per share, the Company's shares held by the trust are included in treasury stock, which is excluded from the calculation of the weighted average number of common stock during the year.

# (1) Consolidated Financial Statements

## Consolidated Balance Sheets

Nippon Express Co., Ltd. and consolidated subsidiaries  
As of March 31, 2018 and 2019

ASSETS	Millions of yen		Thousands of
	2018	2019	U.S. dollars
<b>Current assets:</b>			
Cash and cash in banks (Note 1)	¥ 198,044	¥ 173,338	\$ 1,561,747
Notes receivable—trade (Note 6)	26,648	27,927	251,617
Accounts receivable—trade	322,390	331,586	2,987,532
Inventories (Note 5)	6,979	8,027	72,321
Advance payments—trade	4,997	5,595	50,413
Prepaid expenses	13,341	14,168	127,655
Lease investment assets	116,204	119,522	1,076,877
Other	31,577	33,063	297,899
Less: allowance for doubtful accounts	(1,183)	(964)	(8,693)
Total current assets	719,001	712,263	6,417,370
<b>Non-current assets:</b>			
<b>Property and equipment</b>			
Vehicles	180,019	183,177	1,650,397
Less: accumulated depreciation	(144,802)	(139,392)	(1,255,900)
Vehicles, net	35,217	43,785	394,497
Buildings	620,146	629,116	5,668,222
Less: accumulated depreciation	(361,667)	(374,336)	(3,372,705)
Buildings, net	258,479	254,779	2,295,516
Structures	68,548	69,988	630,580
Less: accumulated depreciation	(54,661)	(55,282)	(498,083)
Structures, net	13,887	14,705	132,496
Machinery and equipment	82,508	85,150	767,192
Less: accumulated depreciation	(64,547)	(65,535)	(590,461)
Machinery and equipment, net	17,960	19,615	176,730
Tools, furniture and fixtures	109,321	112,239	1,011,258
Less: accumulated depreciation	(86,966)	(89,209)	(803,765)
Tools, furniture and fixtures, net	22,355	23,029	207,492
Vessels	21,267	21,276	191,696
Less: accumulated depreciation	(9,811)	(10,848)	(97,739)
Vessels, net	11,455	10,428	93,957
Land	192,541	193,049	1,739,338
Leased assets	8,739	9,479	85,410
Less: accumulated depreciation	(4,725)	(5,170)	(46,585)
Leased assets, net	4,013	4,309	38,824
Construction in progress	4,329	13,786	124,213
Net property and equipment (Notes 1, 2)	560,240	577,488	5,203,067
<b>Intangible assets</b>			
Leasehold rights	7,984	7,887	71,062
Goodwill	4,180	12,701	114,441
Other	54,426	61,431	553,489
Total intangible assets	66,591	82,020	738,993
<b>Investments and other assets</b>			
Investment securities (Notes 1, 3)	109,835	100,718	907,459
Long-term loans receivable	553	932	8,402
Long-term loans to employees	62	35	315
Long-term prepaid expenses	5,417	5,431	48,935
Security deposits	20,203	20,778	187,214
Net retirement benefit asset	1,195	1,422	12,819
Deferred tax assets	22,703	26,449	238,308
Other (Note 3)	12,285	10,107	91,066
Less: allowance for doubtful accounts	(1,030)	(973)	(8,767)
Total investments and other assets	171,227	164,903	1,485,753
Total non-current assets	798,059	824,413	7,427,814
Total assets	¥1,517,060	¥1,536,677	\$13,845,185

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen		Thousands of
	2018	2019	U.S. dollars
<b>Current liabilities:</b>			
Notes payable—trade (Note 6)	¥ 9,868	¥ 8,175	\$ 73,659
Accounts payable—trade (Note 1)	163,743	173,323	1,561,609
Short-term loans payable (Note 1)	45,213	43,226	389,466
Other payables	34,518	35,667	321,361
Income taxes payable	18,666	15,845	142,763
Accrued consumption taxes	9,736	9,430	84,964
Unpaid expenses	25,408	24,608	221,717
Advances received	12,137	12,289	110,725
Deposits	64,661	74,421	670,525
Deposits from employees	28,726	306	2,764
Provision for bonuses	22,531	22,697	204,499
Provision for directors' bonuses	147	156	1,413
Other	9,836	34,252	308,610
Total current liabilities	445,197	454,402	4,094,082
<b>Non-current liabilities:</b>			
Bonds payable	125,000	110,000	991,080
Long-term loans payable (Note 1)	227,013	232,082	2,091,018
Deferred tax liabilities	6,494	7,631	68,758
Provision for directors' retirement benefits	414	478	4,308
Provision for special repairs	94	183	1,648
Provision for loss on guarantees	503	470	4,243
Other provisions	271	307	2,770
Net retirement benefit liability	140,039	144,624	1,303,037
Other	24,537	26,053	234,735
Total non-current liabilities	524,368	521,830	4,701,601
Total liabilities	969,565	976,232	8,795,683
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock	70,175	70,175	632,266
Additional paid-in capital	24,707	22,832	205,714
Retained earnings	444,717	471,176	4,245,211
Less: treasury stock	(20,191)	(19,854)	(178,885)
Total shareholders' equity	519,407	544,329	4,904,307
<b>Accumulated other comprehensive income:</b>			
Valuation differences on available-for-sale securities	47,068	40,704	366,742
Deferred gains (losses) on hedges	(27)	(236)	(2,130)
Foreign currency translation adjustments	3,941	(3,110)	(28,026)
Remeasurements of retirement benefit plans	(40,515)	(38,070)	(343,007)
Total accumulated other comprehensive income	10,467	(712)	(6,422)
Non-controlling interests	17,618	16,827	151,617
Total net assets	547,494	560,444	5,049,501
Total liabilities and net assets	¥1,517,060	¥1,536,677	\$13,845,185

## Consolidated Statements of Income

Nippon Express Co., Ltd. and consolidated subsidiaries  
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Revenues	¥1,995,317	¥2,138,501	\$19,267,516
Operating costs (Note 1)	1,817,276	1,949,635	17,565,863
Gross profit	178,041	188,866	1,701,653
<b>Selling, general and administrative expenses:</b>			
Personnel expenses	59,996	63,139	568,876
Depreciation and amortization	7,934	8,072	72,732
Advertising expenses	3,671	4,093	36,885
Provision of allowance for doubtful accounts	191	44	401
Other	35,977	33,917	305,591
Total selling, general and administrative expenses (Note 1)	107,771	109,268	984,487
Operating income	70,269	79,598	717,165
<b>Non-operating income:</b>			
Interest income	671	788	7,101
Dividend income	3,285	2,986	26,904
Gain on sales of vehicles	303	527	4,751
Equity in earnings of unconsolidated subsidiaries and affiliates	654	608	5,481
Gain on foreign exchange	342	1,887	17,005
Other	4,520	5,710	51,446
Total non-operating income	9,779	12,507	112,690
<b>Non-operating expenses:</b>			
Interest expenses	3,239	2,858	25,758
Loss on sale and retirement of vehicles	80	170	1,540
Compensation for damage and settlement package	524	1,201	10,820
Other	1,809	2,072	18,671
Total non-operating expenses	5,653	6,303	56,790
Ordinary income	74,395	85,802	773,065
<b>Extraordinary income:</b>			
Gain on sales of non-current assets (Note 2)	2,619	3,273	29,496
Gain on sales of investment securities	5,879	181	1,637
Gain on contribution of securities to retirement benefit trust (Note 5)	15,662	—	—
Other	149	60	544
Total extraordinary income	24,312	3,516	31,678
<b>Extraordinary loss:</b>			
Loss on disposal of non-current assets (Note 3)	7,953	4,861	43,804
Loss on sales of investment securities	1	2	26
Loss on valuation of investment securities	410	507	4,570
Impairment loss (Note 4)	51,711	5,245	47,256
Other	1,474	851	7,668
Total extraordinary loss	61,551	11,468	103,326
Profit before income taxes	37,155	77,850	701,418
<b>Income taxes:</b>			
Current	30,383	30,116	271,344
Deferred	(1,090)	(3,057)	(27,550)
Total income taxes	29,292	27,058	243,793
Profit	7,863	50,791	457,624
Profit attributable to non-controlling interests	1,329	1,461	13,166
Profit attributable to owners of parent	¥ 6,534	¥ 49,330	\$ 444,457

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Comprehensive Income

Nippon Express Co., Ltd. and consolidated subsidiaries  
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit	¥7,863	¥50,791	\$457,624
<b>Other comprehensive income:</b>			
Valuation differences on available-for-sale securities	(9,881)	(6,365)	(57,353)
Deferred gains (losses) on hedges	(34)	(208)	(1,882)
Foreign currency translation adjustments	2,839	(7,074)	(63,735)
Remeasurements of retirement benefit plans	5,572	2,427	21,875
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	60	(110)	(993)
Other comprehensive income (loss)	(1,443)	(11,330)	(102,089)
Comprehensive income	6,420	39,460	355,534
(Comprehensive income attributable to)			
Owners of parent	5,073	38,149	343,721
Non-controlling interests	¥1,346	¥ 1,311	\$ 11,812

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Changes in Net Assets

Nippon Express Co., Ltd. and consolidated subsidiaries

For the year ended March 31, 2018

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the year	¥70,175	¥24,707	¥449,713	¥(20,145)	¥524,450	¥56,945	¥6	¥992	¥(46,015)	¥11,928	¥16,606	¥552,985
Changes during the year												
Cash dividends			(11,530)		(11,530)							(11,530)
Profit attributable to owners of parent			6,534		6,534							6,534
Changes in equity due to transactions with non-controlling shareholders		(0)			(0)							(0)
Increase in treasury stock				(65)	(65)							(65)
Decrease in treasury stock		0		19	19							19
Retirement of treasury stock												
Net changes in items other than shareholders' equity						(9,876)	(34)	2,949	5,500	(1,460)	1,012	(448)
Total changes during the year	—	0	(4,996)	(45)	(5,042)	(9,876)	(34)	2,949	5,500	(1,460)	1,012	(5,490)
Balance at end of the year	¥70,175	¥24,707	¥444,717	¥(20,191)	¥519,407	¥47,068	¥(27)	¥3,941	¥(40,515)	¥10,467	¥17,618	¥547,494

For the year ended March 31, 2019

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the year	¥70,175	¥24,707	¥444,717	¥(20,191)	¥519,407	¥47,068	¥(27)	¥3,941	¥(40,515)	¥10,467	¥17,618	¥547,494
Changes during the year												
Cash dividends			(12,489)		(12,489)							(12,489)
Profit attributable to owners of parent			49,330		49,330							49,330
Changes in equity due to transactions with non-controlling shareholders		(1,874)			(1,874)							(1,874)
Increase in treasury stock				(10,081)	(10,081)							(10,081)
Decrease in treasury stock		0		37	37							37
Retirement of treasury stock		(0)	(10,381)	10,381	—							—
Net changes in items other than shareholders' equity						(6,363)	(208)	(7,052)	2,444	(11,180)	(790)	(11,971)
Total changes during the year	—	(1,874)	26,458	337	24,921	(6,363)	(208)	(7,052)	2,444	(11,180)	(790)	12,949
Balance at end of the year	¥70,175	¥22,832	¥471,176	¥(19,854)	¥544,329	¥40,704	¥(236)	¥(3,110)	¥(38,070)	¥ (712)	¥16,827	¥560,444

For the year ended March 31, 2019

	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the year	\$632,266	\$222,607	\$4,006,820	\$(181,922)	\$4,679,772	\$424,080	\$ (247)	\$35,515	\$(365,035)	\$ 94,313	\$158,743	\$4,932,829
Changes during the year												
Cash dividends			(112,529)		(112,529)							(112,529)
Profit attributable to owners of parent			444,457		444,457							444,457
Changes in equity due to transactions with non-controlling shareholders		(16,891)			(16,891)							(16,891)
Increase in treasury stock				(90,835)	(90,835)							(90,835)
Decrease in treasury stock		0		334	334							334
Retirement of treasury stock		(1)	(93,536)	93,538	—							—
Net changes in items other than shareholders' equity						(57,338)	(1,882)	(63,542)	22,028	(100,735)	(7,126)	(107,861)
Total changes during the year	—	(16,893)	238,390	3,037	224,534	(57,338)	(1,882)	(63,542)	22,028	(100,735)	(7,126)	116,672
Balance at end of the year	\$632,266	\$205,714	\$4,245,211	\$(178,885)	\$4,904,307	\$366,742	\$(2,130)	\$(28,026)	\$(343,007)	\$ (6,422)	\$151,617	\$5,049,501

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Cash Flows

Nippon Express Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 37,155	¥ 77,850	\$ 701,418
Depreciation and amortization	48,934	52,147	469,841
Amortization of goodwill	3,229	1,286	11,589
Loss (gain) on sale or write-down of investment securities, net	(5,467)	328	2,959
Loss (gain) on sale or disposal of property and equipment, net	5,110	1,231	11,096
Impairment loss	51,711	5,245	47,256
Loss (gain) on contribution of securities to retirement benefit trust	(15,662)	—	—
Increase (decrease) in provision for bonuses	1,202	212	1,914
Increase (decrease) in net retirement benefit liability	6,203	8,015	72,221
Interest and dividend income	(3,957)	(3,774)	(34,006)
Interest expenses (Note 2)	3,239	2,858	25,758
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(654)	(608)	(5,481)
Loss (gain) on step acquisitions	—	13	122
(Increase) decrease in trade receivables	(29,177)	(15,270)	(137,585)
(Increase) decrease in inventories	(847)	(1,059)	(9,549)
Increase (decrease) in accounts payable	9,060	7,806	70,337
Increase (decrease) in accrued consumption taxes	4,125	(247)	(2,234)
Other	4,317	(32,854)	(296,011)
Sub-total	118,523	103,181	929,648
Interest and dividends received	4,122	3,960	35,683
Interest paid (Note 2)	(3,392)	(2,898)	(26,117)
Income taxes paid	(27,388)	(31,544)	(284,212)
Net cash provided by operating activities	91,865	72,698	655,002
<b>Cash flows from investing activities:</b>			
Payment for purchase of property and equipment	(97,108)	(78,739)	(709,425)
Proceeds from sales of property and equipment	55	1,662	14,982
Payment for purchase of investment securities	(1,624)	(64)	(577)
Proceeds from sales of investment securities	9,429	2,320	20,903
Payment for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	—	(17,931)	(161,563)
Other	1,787	1,791	16,140
Net cash used in investing activities	(87,458)	(90,960)	(819,538)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	(444)	10,387	93,586
Proceeds from long-term loans payable	55,195	30,650	276,152
Payment for long-term loans payable	(53,218)	(38,223)	(344,385)
Redemption of bonds	(20,000)	—	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(146)	(3,639)	(32,794)
Cash dividends	(11,521)	(12,480)	(112,447)
Payment for purchase of treasury stock	(65)	(10,081)	(90,835)
Other	(1,242)	8,694	78,333
Net cash used in financing activities	(31,443)	(14,693)	(132,389)
Effect of exchange rate changes on cash and cash equivalents	1,542	(2,843)	(25,618)
Net increase (decrease) in cash and cash equivalents	(25,494)	(35,799)	(322,545)
Cash and cash equivalents at beginning of year	163,386	137,891	1,242,378
Cash and cash equivalents at end of year (Note 1)	¥137,891	¥102,092	\$ 919,833

The accompanying notes are an integral part of these statements.

## Notes to Consolidated Financial Statements

Nippon Express Co., Ltd. and consolidated subsidiaries

### 1. Presentation of amounts in the consolidated financial statements

The yen amounts are truncated at millions and U.S. dollar amounts at thousands. The total Japanese yen and U.S. dollar amounts shown in the financial statements do not necessarily agree with the sum of the individual amounts. U.S. dollar amounts presented in the financial statements are included solely for convenience. The rate of ¥110.99 to US\$1.00, prevailing on March 31, 2019, has been used for translation into U.S. dollar amounts in the financial statements. The inclusion of such amounts should not be construed as a representation that Japanese yen amounts have been or could in the future be converted into U.S. dollars at that or any other rate.

### 2. Basis of presentation of consolidated financial statements and summary of significant accounting policies

#### (1) Scope of consolidation

- 1) There are 271 consolidated subsidiaries. The names of major subsidiaries are noted in "Management Discussion and Analysis." Effective the year ended March 31, 2019, eight companies, including Traconf S.r.l., have been included in the scope of consolidation due to the purchase of shares, and Awa Godo Tsuun Co., Ltd. has been included due to the purchase of additional shares. Also, Oslo Terminalservice A/S has been excluded from the scope of consolidation due to liquidation, Nittsu Ibaraki Unyu Co., Ltd. has been excluded due to merger with another consolidated subsidiary, and Nittsu Yamamori Butsuruyu Co., Ltd. has been excluded due to the sale of its shares.
- 2) A total of 28 subsidiaries, including Nittsu Energy Kanto Co., Ltd., are excluded from the scope of consolidation as these companies are small, and their impact on the consolidated financial statements in terms of total assets, revenues, profit and retained earnings corresponding to interest held by the Company is considered to be immaterial as a whole.
- 3) A total of 59 subsidiaries, including Nippon Express Travel USA, Inc., held by 15 overseas consolidated subsidiaries, including Nippon Express USA, Inc., are included in the scope of the consolidation.

#### (2) Application of equity method

- 1) Companies to which the equity method is applied:  
Affiliates: There are 23 equity-method affiliates, including Meitetsu Transport Co., Ltd.  
Effective the year ended March 31, 2019, Awa Godo Tsuun Co., Ltd. has been excluded from the scope of equity method affiliates due to the purchase of additional shares.
- 2) A total of 28 non-consolidated subsidiaries, including Nittsu Energy Kanto Co., Ltd., and 45 affiliates, including Tokyo Koun Co., Ltd., other than the above 23 companies are excluded from the scope of subsidiaries or affiliates accounted for by the equity method since their impact on the consolidated financial statements in terms of profit and retained earnings corresponding to interest held by the Company is considered to be immaterial as a whole.

#### (3) Accounting period of the consolidated subsidiaries

A total of one domestic and 101 overseas consolidated subsidiaries, including Nippon Express USA, Inc., have a balance sheet date of December 31. In preparing the accompanying consolidated financial statements, the financial statements as of December 31 and for the year then ended are used in consolidation after making necessary adjustments for significant transactions occurring from January 1 through March 31.

#### (4) Significant accounting policies

- 1) Valuation methods
  - a. Valuation methods for securities  
Available-for-sale securities
    - Available-for-sale securities with market value  
Available-for-sale securities with market value are stated at fair value based on the market price as of the balance sheet date with any unrealized gains or losses, net of applicable taxes, reported as a component of accumulated other comprehensive income. The cost of securities sold is stated primarily using the moving average method.
    - Available-for-sale securities without market value  
Available-for-sale securities without market value are stated primarily at cost using the moving average method.
  - b. Valuation methods for derivatives  
Derivatives are stated at fair value.
  - c. Valuation methods for inventories  
Inventories are stated primarily at the lower of cost or market determined by the moving average method (balance sheet amounts are written down on the basis of any decreased profitability).
- 2) Depreciation and amortization
  - a. Property and equipment, except for leased assets  
The Company and its domestic consolidated subsidiaries calculate the depreciation of property and equipment mainly by the straight-line method. Overseas consolidated subsidiaries mainly use the straight-line method over the estimated lives of their assets. Useful lives of assets are principally as follows:

Vehicles	4 to 9 years
Buildings and structures	3 to 50 years
Machinery and equipment, tools, furniture and fixtures and vessels	2 to 20 years

- b. Intangible assets, except for leased assets  
The Company and its domestic consolidated subsidiaries calculate amortization of intangible assets by the straight-line method. Costs of software for internal use are amortized using the straight-line method over the available period (5 years). Overseas consolidated subsidiaries mainly use the straight-line method over the estimated lives of their assets.
  - c. Leased assets  
Depreciation of leased assets is computed by the straight-line method with zero residual value, assuming the lease period as the useful life.
- 3) Allowances and provisions
    - a. Allowance for doubtful accounts  
Allowance to provide for potential loss on receivables is provided at the estimated amount of irrecoverable receivables. Allowances for ordinary debt are computed based on the historical rate of default. For certain debts, such as those where recovery is doubtful, the likelihood of recovery is considered on an individual basis.  
The allowance for doubtful accounts is adjusted after offsetting receivables and payables between consolidated subsidiaries.
    - b. Provision for bonuses  
Provision for bonuses is provided at an estimated amount to be paid to the employees by the Company and its consolidated subsidiaries based on services rendered during the fiscal year under review.
    - c. Provision for directors' bonuses  
Provision for directors' bonuses is provided at an estimated amount to be paid to the directors by the Company and its consolidated subsidiaries based on services rendered during the fiscal year under review.
    - d. Provision for directors' retirement benefits  
Certain consolidated subsidiaries provide a reserve for the future payment of retirement benefits to directors based on the amounts required to be paid according to their internal rules.
    - e. Provision for special repairs  
Certain consolidated subsidiaries provide a reserve for special repairs at an estimated amount for the future repairs of vessels based on past experience.
    - f. Provision for loss on guarantees  
Certain consolidated subsidiaries provide a reserve for loss on guarantees at the estimated amount of loss based on the financial position and other factors of the guaranteed parties.
  - 4) Retirement benefits
    - a. Allocation of projected retirement benefit obligation  
In calculating the retirement benefit obligation, the straight-line method is used to allocate the projected retirement benefit obligation to the estimated years of service of the eligible employees.
    - b. Method for amortizing actuarial gain or loss and prior service cost  
Prior service cost is amortized as incurred mainly by the straight-line method over a period not exceeding the estimated average remaining service years of employees (3–15 years) at the time of occurrence.  
Actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized, mainly by the straight-line method over a period not exceeding the average remaining service years of the employees (3–15 years) at the time of occurrence.
    - c. Application of simplified method at smaller-sized companies, etc.  
Certain consolidated subsidiaries apply the simplified method for calculating net retirement benefit liability and retirement benefit cost. Under this method, the payments for voluntary early retirement of all eligible employees at the end of the fiscal year are recognized as the retirement benefit obligation.
  - 5) Revenue and expenses
    - a. Finance lease revenue  
Finance lease revenue and related cost of revenue are recorded when the lease payment is received.
    - b. Completed construction  
For the percentage of the contractor's obligation performed at the balance sheet date, the percentage-of-completion method is applied to contracts where the outcome of the construction activity is deemed certain; otherwise, the completed-contract method is applied. The percentage of completion is determined using the ratio of cost incurred to the estimated total cost.
  - 6) Hedge accounting
    - a. Hedge accounting method  
Deferred hedge accounting is adopted.  
The designation method is applied for forward foreign currency contracts which meet the requirements and exceptional accounting is applied for interest rate swaps which meet the requirements.
    - b. Hedging instruments and hedged items
      - a) Hedging instruments      Forward foreign currency contracts  
Hedged items                  Receivables and payables denominated in foreign currencies and foreign currency-denominated forecasted transactions
      - b) Hedging instruments      Interest rate swaps  
Hedged items                  Loans payable

c. Hedging policy

The Company and its consolidated subsidiaries use derivatives only for the purpose of hedging the exposure of assets and liabilities to market fluctuation risk.

d. Method for evaluating hedging effectiveness

The Company and some of its consolidated subsidiaries use internally available management data to assess hedging effectiveness. However, the evaluation of hedging effectiveness is omitted for forward foreign currency contracts to which the designation method is applied and interest rate swaps to which exceptional accounting is applied.

e. Other

Forward foreign currency contracts used by the Company and its consolidated subsidiaries are carried out by each company's management department based on the Company's risk management policy concerning foreign currency exchange rate fluctuations. Interest rate swaps are carried out by the Finance & Accounting Department of the head office of the Company based on the Company's risk management policy concerning interest rate fluctuations. The Internal Audit Department periodically examines the execution and management of derivative transactions to control risk.

7) Amortization of goodwill

Goodwill is amortized by the straight-line method over 5 to 20 years.

8) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include cash at hand, demand deposits at banks and highly liquid short-term investments with negligible risk of fluctuation in value and maturities of less than three months.

9) Accounting method for consumption taxes

Consumption taxes with respect to the Company and its domestic subsidiaries are excluded from respective transaction amounts. However, non-deductible consumption taxes relating to assets are reported as periodical expenses in the fiscal year in which they are incurred. This is not applicable to overseas consolidated subsidiaries.

10) Of the equity method affiliates, domestic affiliates (15 companies) apply basically the same accounting standards as the Company while certain foreign affiliates (8 companies) apply accounting standards prevailing in the countries in which they operate, none of which are materially different from the accounting standards applied by the Company.

### 3. Changes in methods of presentation

#### Changes following adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting

The Company and its domestic consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, issued on February 16, 2018) from the beginning of the fiscal year ended March 31, 2019. Accordingly, the Company's methods of presentation have been changed, so that deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

As a result, in the consolidated balance sheets for the fiscal year ended March 31, 2018, deferred tax assets under current assets decreased by ¥11,014 million and deferred tax assets under investments and other assets increased by ¥10,050 million. In addition, deferred tax liabilities under current liabilities (other) and under non-current liabilities decreased by ¥43 million and ¥920 million, respectively.

Furthermore, deferred tax assets and deferred tax liabilities that are attributable to the same taxable entity have been offset. As a result, total assets decreased ¥964 million.

#### Changes to the Consolidated Statements of Income

Compensation for damage and settlement package was included in other under non-operating expenses in the fiscal year ended March 31, 2018. However, because its value has exceeded 10% of total non-operating expenses, it is presented separately from the fiscal year ended March 31, 2019. The consolidated financial statements for the fiscal year ended March 31, 2018 have been restated to reflect this change in presentation.

As a result, on the consolidated statements of income for the fiscal year ended March 31, 2018, the ¥2,333 million in other under non-operating expenses has been restated as ¥524 million in compensation for damage and settlement package and ¥1,809 million in other.

### 4. Accounting standards issued but not yet effective

The Company and its domestic consolidated subsidiaries

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

#### (1) Overview

The above statement and guidance provide comprehensive accounting standards with regard to revenue recognition. Under these standards, revenue is recognized by applying the following five steps.

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations.

Step 5: Recognize revenue when or as the performance obligations are satisfied.

#### (2) Scheduled date of adoption

The accounting standards are scheduled for adoption from the beginning of the fiscal year ending March 31, 2022.

#### (3) Effects of adoption of the accounting standards

At the time of preparation of the consolidated financial statements, the effects of adoption of the accounting standards on the consolidated financial statements are being evaluated.

#### Overseas consolidated subsidiaries

- Leases (IFRS 16)

#### (1) Overview

The above standard requires, in principle, lessees to recognize all leases as assets and liabilities on the balance sheets.

#### (2) Scheduled date of adoption

The accounting standard is scheduled for adoption from the beginning of the fiscal year ending March 31, 2020.

#### (3) Effects of adoption of the accounting standards

At the time of preparation of the consolidated financial statements, the effects of adoption of the accounting standard on the consolidated financial statements are being evaluated.

### 5. Supplementary information

#### Performance-based stock compensation plan

##### (1) Outline of the plan

To enhance motivation to contribute to the improvement of business performance and corporate value over the medium to long term, the Company revised the executive compensation system and introduced a performance-based stock compensation plan (the "Plan") for its directors and executive officers (excluding outside directors, part-time directors and those who do not reside in Japan; collectively, the "Directors"), starting from September 2016.

The Plan is a stock compensation system that is linked to the medium- to long-term performance of the Company and uses an executive compensation board incentive plan (BIP) trust (the "BIP Trust"). The BIP Trust is a trust-based incentive plan, under which compensation based on the Company's shares is delivered to the Directors according to factors that include the Company's business performance.

##### (2) Company shares remaining in the BIP Trust

Company shares remaining in the BIP Trust were recorded as treasury stock under net assets based on their carrying amount in the BIP Trust (less ancillary expenses). The carrying amount and the number of shares of said treasury stock as at March 31, 2019 were ¥327 million (US\$2,946 thousand) and 65,815 shares, respectively.

### 6. Notes to Consolidated Balance Sheets

#### (1) Assets pledged as collateral and secured payables

Assets pledged as collateral are as follows:

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Time deposits	17	10	90
Buildings	558	532	4,793
Land	1,222	1,222	11,012
Investment securities	955	—	—
Total	2,753	1,764	15,896

The Company's secured payables are as follows:

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Accounts payable—trade	4,727	14	126
Long-term loans payable	403	366	3,303
Short-term loans payable and others	36	36	330
Total	5,167	417	3,760

**(2) Breakdown of reduction entry amount deducted from acquisition cost of assets acquired as substitutes for assets transferred due to expropriation:**

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Buildings	241	814	7,338
Machinery and equipment	53	3	33
Vehicles	5	14	132
Land	70	69	621
Structures and others	810	21	197
Total	1,181	923	8,324

**(3) Main investments in unconsolidated subsidiaries and affiliates are as follows:**

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Equity securities (included in investment securities)	17,498	17,769	160,100
Investments in capital or partnerships (included in other under investments and other assets)	1,859	2,288	20,616

**(4) Guarantees of loans**

The Company has provided guarantees of loans to unconsolidated subsidiaries and affiliates in respect of their borrowings from financial institutions.

Guaranteed party	Guaranteed amount			Type
	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)	
Nagoya United Container Terminal Co., Ltd.	150	112	1,013	Loan guarantee
Nittsu Shoji Leasing (Thailand) Co., Ltd.	2,522	3,182	28,677	Loan guarantee
Nittsu Shoji (Singapore) Pte. Ltd.	976	856	7,718	Loan guarantee
Nittsu Shoji USA, Inc.	10,534	4,305	38,792	Loan guarantee
Other	1,417	1,387	12,503	Loan guarantee
Total	15,600	9,845	88,704	

**(5) Inventories**

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Merchandise and finished goods	4,162	5,278	47,556
Work in process	622	492	4,441
Raw materials and stores	2,194	2,255	20,323

**(6) Notes due at the end of the fiscal year are settled on the date of clearance.**

As March 31, 2019 and March 31, 2018 were bank holidays, the following notes due as of those dates are included in their respective balances in the consolidated balance sheet.

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Notes receivable—trade	1,621	1,815	16,361
Notes payable—trade	977	150	1,359

**7. Notes to Consolidated Statements of Income**

**(1) Provisions for various reserves, etc. recognized in operating costs and selling, general and administrative expenses are as follows:**

(2018)

	Operating costs (Millions of yen)	Selling, general, and administrative expenses (Millions of yen)
Provision for bonuses	19,194	3,476
Provision for directors' bonuses	—	137
Retirement benefit cost	15,627	1,961
Provision for directors' retirement benefits	—	86
Provision for special repairs	46	—

(2019)

	Operating costs (Millions of yen)	Operating costs (Thousands of U.S. dollars)	Selling, general, and administrative expenses (Millions of yen)	Selling, general, and administrative expenses (Thousands of U.S. dollars)
Provision for bonuses	19,662	177,159	3,273	29,491
Provision for directors' bonuses	—	—	156	1,409
Retirement benefit cost	14,161	127,592	1,719	15,495
Provision for directors' retirement benefits	—	—	65	590
Provision for special repairs	88	799	—	—

**(2) Breakdown of gain on sales of non-current assets**

	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Thousands of U.S. dollars)
Land	1,931	2,582	23,266
Buildings	40	620	5,587
Intangible assets and others	648	71	641
Total	2,619	3,273	29,496

**(3) Breakdown of loss on disposal of non-current assets**

	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Thousands of U.S. dollars)
Buildings	5,920	2,208	19,899
Structures	156	405	3,654
Machinery and equipment	156	177	1,598
Tools, furniture and fixtures	91	75	680
Land	118	563	5,075
Intangible assets and others	1,509	1,431	12,896
Total	7,953	4,861	43,804

#### (4) Impairment loss

The Company and its consolidated subsidiaries recorded impairment loss on the following asset groups.

##### 2018 (From April 1, 2017 to March 31, 2018)

Purpose of use	Type	Location	Impairment loss (Millions of yen)
—	Goodwill	—	36,058
Assets for business use	Other intangible assets	—	12,879
Assets for business use	Buildings, land, others	Thailand	2,773
Total			51,711

In the application of impairment accounting, the Company has grouped its assets based on its branches, which are the smallest units that generate cash flows that are largely independent from the cash flows of other assets or asset groups, while the consolidated subsidiaries have grouped their assets mainly by company.

In terms of the goodwill, other intangible assets, buildings, land and others noted above, certain consolidated subsidiaries have deemed their carrying amounts to be unrecoverable in light of the respective initial business plans, actual results, earnings forecasts and other factors, reduced their carrying amounts to their recoverable amounts and recorded the corresponding impairment loss under extraordinary loss. The recoverable amounts of these assets were measured at their value in use estimated by applying a discount rate of 6.1%–12.3% to future cash flows.

##### 2019 (From April 1, 2018 to March 31, 2019)

Purpose of use	Type	Location	Impairment loss (Millions of yen)	Impairment loss (Thousands of U.S. dollars)
Assets for business use	Buildings, others	Saitama Prefecture, Indonesia, others	4,267	38,450
Idle assets	Land, others	Saitama Prefecture	977	8,806
Total			5,245	47,256

In the application of impairment accounting, the Company has grouped its assets based on its branches, which are the smallest units that generate cash flows that are largely independent from the cash flows of other assets or asset groups, while the consolidated subsidiaries have grouped their assets mainly by company. Each of the significant idle assets and significant assets that are scheduled to be disposed of and for which no replacement investment has been planned forms one separate group for the purpose of impairment accounting.

The buildings and other assets under assets for business use noted above were considered separately from their normal groupings because the Board of Directors decided to dispose of them and no replacement investment has been planned. As a result, the Company has deemed their carrying amounts to be unrecoverable, reduced their carrying amounts to their recoverable amounts and recorded the corresponding impairment loss under extraordinary loss. The recoverable amounts of these assets were measured at their value in use estimated by applying a discount rate of 7.2% to future cash flows.

Furthermore, certain consolidated subsidiaries have deemed the carrying amounts of buildings and other assets to be unrecoverable in light of the respective initial business plans, actual results, earnings forecasts and other factors, reduced their carrying amounts to their recoverable amounts and recorded the corresponding impairment loss under extraordinary loss. The recoverable amounts of these assets were measured at their net selling value, which was reasonably estimated based on appraisal values.

A description of the impairment loss on other buildings and other assets under assets for business use other than the abovementioned is omitted because the amount is immaterial.

The land and other assets under idle assets noted above were previously grouped as assets for business use, but because they became idle during the fiscal year ended March 31, 2019 and there are no plans for their future use, certain consolidated subsidiaries have reduced their carrying amounts to their recoverable amounts and recorded the corresponding impairment loss under extraordinary loss. The recoverable amounts of these assets were measured at their net selling value, which was reasonably estimated based on appraisal values.

#### (5) Gain on contribution of securities to retirement benefit trust

##### 2018 (From April 1, 2017 to March 31, 2018)

To effectively utilize its financial assets and enhance its pension financing, in March 2018 the Company contributed additional investment securities valued at ¥16,075 million to its retirement benefit trust. As a result, the Company recorded ¥15,662 million in gain on contribution of securities to retirement benefit trust under extraordinary income.

##### 2019 (From April 1, 2018 to March 31, 2019)

Not applicable.

#### 8. Notes to Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income

	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Thousands of U.S. dollars)
Valuation differences on available-for-sale securities			
Amount recognized during the year	(8,396)	(9,260)	(83,432)
Reclassification adjustments	(5,801)	138	1,250
Before tax effect adjustment	(14,198)	(9,121)	(82,182)
Tax effects	4,316	2,755	24,828
Valuation differences on available-for-sale securities	(9,881)	(6,365)	(57,353)
Deferred gains (losses) on hedges			
Amount recognized during the year	(87)	(364)	(3,283)
Reclassification adjustments	37	63	570
Before tax effect adjustment	(49)	(301)	(2,713)
Tax effects	15	92	830
Deferred gains (losses) on hedges	(34)	(208)	(1,882)
Foreign currency translation adjustments			
Amount recognized during the year	2,839	(7,074)	(63,735)
Foreign currency translation adjustments	2,839	(7,074)	(63,735)
Remeasurements of retirement benefit plans			
Amount recognized during the year	428	(2,696)	(24,293)
Reclassification adjustments	7,612	6,310	56,858
Before tax effect adjustment	8,040	3,614	32,564
Tax effects	(2,468)	(1,186)	(10,688)
Remeasurements of retirement benefit plans	5,572	2,427	21,875
Share of other comprehensive income (loss) of affiliates accounted for using the equity method			
Amount recognized during the year	60	(110)	(993)
Total other comprehensive income (loss)	(1,443)	(11,330)	(102,089)

#### 9. Notes to Consolidated Statements of Changes in Net Assets

##### 2018 (From April 1, 2017 to March 31, 2018)

###### (1) Class and number of shares issued

Class of shares	Number of shares as of April 1, 2017	Increase	Decrease	Number of shares as of March 31, 2018
Common stock (Thousand shares)	998,000	—	898,200	99,800

(Note) The Company executed a consolidation of shares on October 1, 2017 at a ratio of 10 common shares to 1.

Details of the changes are as follows:

The decrease in common stock issued is due to a decrease of 898,200 thousand shares as a result of the consolidation of shares.

###### (2) Class and number of treasury stock

Class of shares	Number of shares as of April 1, 2017	Increase	Decrease	Number of shares as of March 31, 2018
Common stock (Thousand shares)	37,098	25	33,405	3,718

(Notes) 1. The Company executed a consolidation of shares on October 1, 2017 at a ratio of 10 common shares to 1.

2. In addition to the above, 73 thousand of the Company's shares held by the executive compensation BIP trust are recorded under treasury stock in the consolidated financial statements.

Details of the changes are as follows:

The increase in common stock in treasury is due to an increase of 3 thousand shares due to the purchase of fractional shares coinciding with the consolidation of shares and the purchase of 21 thousand shares (17 thousand before the consolidation of shares and 3 thousand after) in quantities of less than one unit.

The decrease in common stock in treasury is due to a decrease of 33,405 thousand shares as a result of the consolidation of shares and the sale of 0 thousand shares (0 thousand after the consolidation of shares) in quantities of less than one unit.

### (3) Dividends

#### 1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2017	Common stock	5,765	6.00	March 31, 2017	June 30, 2017
Board of Directors' Meeting held on October 31, 2017	Common stock	5,765	6.00	September 30, 2017	December 4, 2017

- (Notes) 1. The total amount of dividends decided by resolution of the General Shareholders' Meeting on June 29, 2017 includes ¥4 million in dividends paid on shares of the Company held by the executive compensation BIP trust.  
2. The total amount of dividends decided by resolution of the Board of Directors on October 31, 2017 includes ¥4 million in dividends paid on shares of the Company held by the executive compensation BIP trust.  
3. The dividend per share decided by resolution of the Board of Directors on October 31, 2017 is shown as the amount before the consolidation of shares because said dividend has a record date of September 30, 2017, which was before the consolidation of shares on October 1, 2017.

#### 2) Dividends whose record date falls in the year ended March 31, 2018, but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 28, 2018	Common stock	Retained earnings	5,764	60.00	March 31, 2018	June 29, 2018

(Note) The total amount of dividends includes ¥4 million in dividends paid on shares of the Company held by the executive compensation BIP trust.

2019 (From April 1, 2018 to March 31, 2019)

#### (1) Class and number of shares issued

Class of shares	Number of shares as of April 1, 2018	Increase	Decrease	Number of shares as of March 31, 2019
Common stock (Thousand shares)	99,800	—	1,800	98,000

Details of the changes are as follows:

The decrease in common stock issued is due to the retirement of 1,800 thousand shares of treasury stock pursuant to the resolution of the Board of Directors (March 22, 2019).

#### (2) Class and number of treasury stock

Class of shares	Number of shares as of April 1, 2018	Increase	Decrease	Number of shares as of March 31, 2019
Common stock (Thousand shares)	3,718	1,466	1,800	3,385

(Note) In addition to the above, 65 thousand of the Company's shares held by the executive compensation BIP trust are recorded under treasury stock in the consolidated financial statements.

Details of the changes are as follows:

The increase in common stock in treasury is due to the acquisition of 1,453 thousand shares pursuant to the resolution of the Board of Directors (January 31, 2019), the gratis acquisition of 10 thousand shares, and the purchase of 3 thousand shares in quantities of less than one unit.

The decrease in common stock in treasury is due to the retirement of 1,800 thousand shares of treasury stock pursuant to the resolution of the Board of Directors (March 22, 2019) and the transfer of 0 thousand shares in quantities of less than one unit.

### (3) Dividends

#### 1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 28, 2018	Common stock	5,764	60.00	March 31, 2018	June 29, 2018
Board of Directors' Meeting held on October 31, 2018	Common stock	6,724	70.00	September 30, 2018	December 4, 2018

Resolution	Class of shares	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General Shareholders' Meeting held on June 28, 2018	Common stock	51,940	0.54	March 31, 2018	June 29, 2018
Board of Directors' Meeting held on October 31, 2018	Common stock	60,589	0.63	September 30, 2018	December 4, 2018

- (Notes) 1. The total amount of dividends decided by resolution of the General Shareholders' Meeting on June 28, 2018 includes ¥4 million (US\$39 thousand) in dividends paid on shares of the Company held by the executive compensation BIP trust.  
2. The total amount of dividends decided by resolution of the Board of Directors on October 31, 2018 includes ¥4 million (US\$42 thousand) in dividends paid on shares of the Company held by the executive compensation BIP trust.

#### 2) Dividends whose record date falls in the year ended March 31, 2018, but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 27, 2019	Common stock	Retained earnings	8,042	85.00	March 31, 2019	June 28, 2019

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General Shareholders' Meeting held on June 27, 2019	Common stock	Retained earnings	72,458	0.76	March 31, 2019	June 28, 2019

(Note) The total amount of dividends includes ¥5 million (US\$50 thousand) in dividends paid on shares of the Company held by the executive compensation BIP trust.

## 10. Notes to Consolidated Statements of Cash Flows

(1) Reconciliation of the year-end balance of cash and cash equivalents with cash and cash in banks in the consolidated balance sheets

	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Thousands of U.S. dollars)
Cash and cash in banks	198,044	173,338	1,561,747
Cash related to CSD services	(30,208)	(42,242)	(380,600)
Cash related to exchange money delivery services	(21,937)	(22,655)	(204,120)
Time deposits with maturities of over three months	(7,852)	(6,216)	(56,013)
Time deposits pledged as collateral for debts	(154)	(130)	(1,178)
Cash and cash equivalents	137,891	102,092	919,833

(2) (2018)

"Interest expenses" as well as "Interest paid" in cash flows from operating activities are presented excluding ¥330 million in financing costs included in operating costs mainly in the leasing business.

(2019)

"Interest expenses" as well as "Interest paid" in cash flows from operating activities are presented excluding ¥322 million (US\$2,908 thousand) in financing costs included in operating costs mainly in the leasing business.

(3) Main assets and liabilities of companies that became consolidated subsidiaries as a result of share acquisitions

(2018)

Not applicable.

(2019)

A description is omitted because the amount is immaterial.

## 11. Leases

### (1) Finance leases

(Lessee)

Not applicable.

(Lessor)

#### 1) Breakdown of lease investment assets

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Gross lease receivables	112,747	115,694	1,042,387
Estimated residual values	4,719	5,141	46,328
Unearned interest income	(1,262)	(1,313)	(11,838)
Lease investment assets	116,204	119,522	1,076,877

#### 2) Lease receivables and maturities of gross lease receivables corresponding to lease investment assets subsequent to March 31, 2018 and 2019 are as follows:

2018 (As of March 31, 2018)

	Lease receivables (Millions of yen)	Lease investment assets (Millions of yen)
Due in one year or less	3,161	37,144
Due after one year through two years	2,456	28,536
Due after two years through three years	1,857	20,870
Due after three years through four years	1,175	13,046
Due after four years through five years	563	5,663
Due after five years	470	7,484

2019 (As of March 31, 2019)

	Lease receivables (Millions of yen)	Lease receivables (Thousands of U.S. dollars)	Lease investment assets (Millions of yen)	Lease investment assets (Thousands of U.S. dollars)
Due in one year or less	3,452	31,103	37,020	333,544
Due after one year through two years	2,878	25,934	29,455	265,389
Due after two years through three years	2,178	19,628	21,467	193,419
Due after three years through four years	1,520	13,697	13,705	123,486
Due after four years through five years	748	6,740	5,976	53,848
Due after five years	623	5,614	8,068	72,697

### (2) Operating leases

Future payment obligations under non-cancellable operating leases are as follows:

(Lessee)

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Portion due within one year	31,055	32,974	297,098
Thereafter	149,319	144,398	1,301,000
Total	180,375	177,372	1,598,098

(Lessor)

Not applicable.

## 12. Financial instruments

2018 (From April 1, 2017 to March 31, 2018)

### (1) Financial instruments and related disclosures

#### 1) Group policy for financial instruments

The Group raises necessary funds for capital investments mainly by bank loans and the issuance of bonds. Short-term working funds are raised mainly by bank loans. Derivatives are used only for hedging purposes to manage the exposure of assets and liabilities to risks of market fluctuation, and mainly to avoid risks as described below. The Group does not enter into derivatives for speculative or trading purposes.

#### 2) Nature and risk of financial instruments and risk management system

Notes and trade accounts receivable that are trade receivables are exposed to customer credit risk. The Group manages its customer credit risk by managing payment terms and balances and by monitoring periodically the financial positions of customers in accordance with internal guidelines. Although foreign currency trade receivables are exposed to foreign currency fluctuation risk, they are partially hedged by forward foreign currency contracts. Investment securities, mainly consisting of equity shares of customers or suppliers owned for business or capital alliance purposes, are exposed to the risk of market price fluctuations, and their holding status is continuously reviewed by monitoring the market value and financial position of the issuers on a regular basis and considering relationships with the counterparties.

The payment terms of trade payables are almost all less than one year. Although some of them are denominated in foreign currencies and exposed to foreign currency fluctuation risk, they are partially hedged using forward foreign currency contracts. Short-term loans payable are mainly used for operations and the main objective of long-term loans and bonds is to raise necessary funds for capital investments. Maturities of bonds are within 18 years after the balance sheet date. Most long-term loans have fixed interest rates, although some long-term loans have floating interest rates and are thus exposed to interest rate fluctuation risk, but are hedged using derivative transactions (interest rate swaps).

Derivatives mainly include forward foreign currency contracts, which are used to hedge foreign exchange risk on trade receivables and payables denominated in foreign currencies, and interest rate swaps, which are used to hedge fluctuation risk of interest rates on loans payable. For information regarding hedging instruments, hedged items, hedging policy and the method for evaluating hedging effectiveness relating to hedge accounting, please refer to "Basis of presentation of consolidated financial statements and summary of significant accounting policies (4) Significant accounting policies 6) Hedge accounting."

Forward foreign currency contracts are carried out by the management departments of the Company and certain consolidated subsidiaries based on the Company's risk management policy concerning foreign currency exchange rate fluctuations, and interest rate swaps are carried out by the Finance & Accounting Department of the Company's head office based on the Company's risk management policy concerning interest rate fluctuations. The Internal Audit Department periodically examines the execution and management of derivative transactions to control risk.

In using derivatives, the Group enters only into contracts with highly rated major financial institutions and believes that credit risk arising from default is quite limited.

With respect to liquidity risk related to fund raising, the Group manages its liquidity risk by controlling the funds of the Group as a whole on a timely basis, diversifying the funding instruments, obtaining commitment lines from financial institutions and making adjustments to the short-term and long-term fund procurement balance in consideration of market environments.

### 3) Supplementary explanation about the fair values of financial instruments

The fair values of financial instruments comprise the quoted market price and other rationally computed values where market price is not available. Since variable factors are considered in computing the values, such values may change depending on the assumptions used. The contract amounts of derivatives described in Note 14. "Derivatives" do not represent the exposure to the market risk related to the derivatives.

#### (2) Fair value of financial instruments

The carrying amount, fair value and related unrealized gain (loss) on financial instruments at March 31, 2018 are as follows:

	Millions of yen		
	Carrying amount <sup>(*)</sup>	Fair value <sup>(*)</sup>	Unrealized gain (loss)
(1) Cash and cash in banks	198,044	198,044	—
(2) Accounts receivable—trade	322,390	322,390	—
(3) Lease investment assets	116,204	116,859	654
(4) Investment securities			
Available-for-sale securities	85,361	85,361	—
(5) Accounts payable—trade	(163,743)	(163,743)	—
(6) Short-term loans payable	(7,099)	(7,099)	—
(7) Deposits	(64,661)	(64,661)	—
(8) Bonds	(125,000)	(125,431)	(431)
(9) Long-term loans payable	(265,127)	(268,171)	(3,044)
(10) Derivatives <sup>(*)2</sup>			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(39)	(39)	—

(\*)1 Liabilities are presented in parentheses.

(\*)2 Receivables and payables incurred as a result of derivatives are presented on a net basis.

(Notes) 1. Computation method of fair values of financial instruments and other matters concerning securities and derivatives

- 1) Cash and cash in banks and 2) accounts receivable—trade:  
Due to the short maturities of these instruments, the carrying amount approximates fair value.
  - 3) Lease investment assets:  
The fair value of lease investment assets is computed by discounting the aggregate value of the principal and interest using the interest rate assumed if entering into an identical lease agreement.
  - 4) Investment securities:  
The fair value of equity securities is determined by the quoted price of the stock exchange.  
For notes about investment securities, please refer to Note 13. "Securities."
  - 5) Accounts payable—trade, 6) short-term loans payable and 7) deposits:  
Due to the short maturities of these instruments, the carrying amount approximates fair value. Short-term loans payable do not include the current portion of long-term loans payable.
  - 8) Bonds:  
The fair value of bonds issued by the Company is computed with reference to their quoted market prices.
  - 9) Long-term loans payable:  
The fair value of long-term loans payable is computed by discounting the aggregate value of the principal and interest on long-term loans payable classified by period using the interest rate assumed if entering into an identical loan agreement. Additionally, the fair value of long-term loans payable that are subject to the exceptional accounting of interest rate swaps is calculated by discounting the aggregate amount of the principal and interest on the long-term loans payable that have been accounted for together with the interest rate swap using the interest rate assumed if entering into an identical loan agreement. Long-term loans payable include the current portion.
  - 10) Derivatives:  
Information on the fair value of derivatives is included in Note 14. "Derivatives."
2. Unlisted equity securities with a carrying amount of ¥24,473 million are not included in (4) investment securities—available-for-sale securities, since there is no quoted market price and it is impossible to estimate future cash flows, making it very difficult to determine their fair values.
3. The redemption schedule for monetary receivables and other securities with contractual maturities subsequent to the year-end

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and cash in banks	198,044	—	—
Accounts receivable—trade	322,390	—	—
Lease investment assets	36,613	67,436	12,154

4. The repayment schedule for short-term loans payable, bonds payable and long-term loans payable subsequent to the year-end

	Millions of yen		
	Due in one year or less	Due after one year through five years*	Due after five years
Short-term loans payable	7,099	—	—
Bonds payable	—	35,000	90,000
Long-term loans payable	38,113	118,256	108,756

\* For scheduled repayment amounts per year of short-term loans payable, bonds and long-term loans payable due after one year through five years, please refer to "Schedule of bonds" and "Schedule of loans" in the supplementary schedules to the consolidated financial statements.

2019 (From April 1, 2018 to March 31, 2019)

#### (1) Financial instruments and related disclosures

##### 1) Group policy for financial instruments

The Group raises necessary funds for capital investments mainly by bank loans and the issuance of bonds. Short-term working funds are raised mainly by bank loans. Derivatives are used only for hedging purposes to manage the exposure of assets and liabilities to risks of market fluctuation, and mainly to avoid risks as described below. The Group does not enter into derivatives for speculative or trading purposes.

##### 2) Nature and risk of financial instruments and risk management system

Notes and trade accounts receivable that are trade receivables are exposed to customer credit risk. The Group manages its customer credit risk by managing payment terms and balances and by monitoring periodically the financial positions of customers in accordance with internal guidelines. Although foreign currency trade receivables are exposed to foreign currency fluctuation risk, they are partially hedged by forward foreign currency contracts. Investment securities, mainly consisting of equity shares of customers or suppliers owned for business or capital alliance purposes, are exposed to the risk of market price fluctuations, and their holding status is continuously reviewed by monitoring the market value and financial position of the issuers on a regular basis and considering relationships with the counterparties.

The payment terms of trade payables are almost all less than one year. Although some of them are denominated in foreign currencies and exposed to foreign currency fluctuation risk, they are partially hedged using forward foreign currency contracts. Short-term loans payable are mainly used for operations and the main objective of long-term loans and bonds is to raise necessary funds for capital investments. Maturities of bonds are within 17 years after the balance sheet date. Most long-term loans have fixed interest rates, although some long-term loans have floating interest rates and are thus exposed to interest rate fluctuation risk, but are hedged using derivative transactions (interest rate swaps).

Derivatives mainly include forward foreign currency contracts, which are used to hedge foreign exchange risk on trade receivables and payables denominated in foreign currencies, and interest rate swaps, which are used to hedge fluctuation risk of interest rates on loans payable. For information regarding hedging instruments, hedged items, hedging policy and the method for evaluating hedging effectiveness relating to hedge accounting, please refer to "Basis of presentation of consolidated financial statements and summary of significant accounting policies (4) Significant accounting policies 6) Hedge accounting."

Forward foreign currency contracts are carried out by the management departments of the Company and certain consolidated subsidiaries based on the Company's risk management policy concerning foreign currency exchange rate fluctuations, and interest rate swaps are carried out by the Finance & Accounting Department of the Company's head office based on the Company's risk management policy concerning interest rate fluctuations. The Internal Audit Department periodically examines the execution and management of derivative transactions to control risk.

In using derivatives, the Group enters only into contracts with highly rated major financial institutions and believes that credit risk arising from default is quite limited.

With respect to liquidity risk related to fund raising, the Group manages its liquidity risk by controlling the funds of the Group as a whole on a timely basis, diversifying the funding instruments, obtaining commitment lines from financial institutions and making adjustments to the short-term and long-term fund procurement balance in consideration of market environments.

#### 3) Supplementary explanation about the fair values of financial instruments

The fair values of financial instruments comprise the quoted market price and other rationally computed values where market price is not available. Since variable factors are considered in computing the values, such values may change depending on the assumptions used. The contract amounts of derivatives described in Note 14. "Derivatives" do not represent the exposure to the market risk related to the derivatives.

## (2) Fair value of financial instruments

The carrying amount, fair value and related unrealized gain (loss) on financial instruments at March 31, 2019 are as follows:

	Millions of yen		
	Carrying amount <sup>(*)</sup>	Fair value <sup>(*)</sup>	Unrealized gain (loss)
(1) Cash and cash in banks	173,338	173,338	—
(2) Accounts receivable—trade	331,586	331,586	—
(3) Lease investment assets	119,522	119,851	328
(4) Investment securities			
Available-for-sale securities	76,055	76,055	—
(5) Accounts payable—trade	(173,323)	(173,323)	—
(6) Short-term loans payable	(17,607)	(17,607)	—
(7) Deposits	(74,421)	(74,421)	—
(8) Bonds	(125,000)	(125,835)	(835)
(9) Long-term loans payable	(257,701)	(259,805)	(2,103)
(10) Derivatives <sup>(*)2</sup>			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(340)	(340)	—

	Thousands of U.S. dollars		
	Carrying amount <sup>(*)</sup>	Fair value <sup>(*)</sup>	Unrealized gain (loss)
(1) Cash and cash in banks	1,561,747	1,561,747	—
(2) Accounts receivable—trade	2,987,532	2,987,532	—
(3) Lease investment assets	1,076,877	1,079,839	2,961
(4) Investment securities			
Available-for-sale securities	685,244	685,244	—
(5) Accounts payable—trade	(1,561,609)	(1,561,609)	—
(6) Short-term loans payable	(158,643)	(158,643)	—
(7) Deposits	(670,525)	(670,525)	—
(8) Bonds	(1,126,227)	(1,133,750)	(7,523)
(9) Long-term loans payable	(2,321,841)	(2,340,796)	(18,955)
(10) Derivatives <sup>(*)2</sup>			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(3,069)	(3,069)	—

(\*)1 Liabilities are presented in parentheses.

(\*)2 Receivables and payables incurred as a result of derivatives are presented on a net basis.

(Notes) 1. Computation method of fair values of financial instruments and other matters concerning securities and derivatives

- Cash and cash in banks and 2) accounts receivable—trade:  
Due to the short maturities of these instruments, the carrying amount approximates fair value.
- Lease investment assets:  
The fair value of lease investment assets is computed by discounting the aggregate value of the principal and interest using the interest rate assumed if entering into an identical lease agreement.
- Investment securities:  
The fair value of equity securities is determined by the quoted price of the stock exchange.  
For notes about investment securities, please refer to Note 13. "Securities."
- Accounts payable—trade, 6) short-term loans payable and 7) deposits:  
Due to the short maturities of these instruments, the carrying amount approximates fair value. Short-term loans payable do not include the current portion of long-term loans payable.
- Bonds:  
The fair value of bonds issued by the Company is computed with reference to their quoted market prices.
- Long-term loans payable:  
The fair value of long-term loans payable is computed by discounting the aggregate value of the principal and interest on long-term loans payable classified by period using the interest rate assumed if entering into an identical loan agreement. Additionally, the fair value of long-term loans payable that are subject to the exceptional accounting of interest rate swaps is calculated by discounting the aggregate amount of the principal and interest on the long-term loans payable that have been accounted for together with the interest rate swap using the interest rate assumed if entering into an identical loan agreement. Long-term loans payable include the current portion.

10) Derivatives:

Information on the fair value of derivatives is included in Note 14. "Derivatives."

- Unlisted equity securities with a carrying amount of ¥24,663 million (US\$222,214 thousand) are not included in (4) investment securities—available-for-sale securities, since there is no quoted market price and it is impossible to estimate future cash flows, making it very difficult to determine their fair values.
- The redemption schedule for monetary receivables and other securities with contractual maturities subsequent to the year-end

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and cash in banks	173,338	—	—	1,561,747	—	—
Accounts receivable—trade	331,586	—	—	2,987,532	—	—
Lease investment assets	36,488	69,881	13,152	328,757	629,615	118,504

- The repayment schedule for short-term loans payable, bonds payable and long-term loans payable subsequent to the year-end

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years*	Due after five years	Due in one year or less	Due after one year through five years*	Due after five years
Short-term loans payable	17,607	—	—	158,643	—	—
Bonds payable	15,000	50,000	60,000	135,147	450,491	540,589
Long-term loans payable	25,619	123,862	108,220	230,823	1,115,975	975,042

\* For scheduled repayment amounts per year of short-term loans payable, bonds and long-term loans payable due after one year through five years, please refer to "Schedule of bonds" and "Schedule of loans" in the supplementary schedules to the consolidated financial statements.

## 13. Securities

2018 (As of March 31, 2018)

### (1) Available-for-sale securities

Category	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	83,919	16,252	67,666
2) Other	—	—	—
Sub-total	83,919	16,252	67,666
Carrying value does not exceed acquisition cost:			
1) Equity securities	1,444	1,563	(119)
2) Other	—	—	—
Sub-total	1,444	1,563	(119)
Total	85,363	17,816	67,547

### (2) Available-for-sale securities sold during 2018 (From April 1, 2017 to March 31, 2018)

Category	Millions of yen		
	Sales proceeds	Total gains on sales	Total losses on sales
1) Equity securities	9,321	5,815	1
2) Other	—	—	—
Total	9,321	5,815	1

### (3) Impairment loss on investment securities

The Company recorded impairment loss of ¥247 million on available-for-sale securities for the fiscal year ended March 31, 2018.

When fair value declines by 50% or more of the acquisition cost, the Company recognizes an impairment loss. When fair value declines by more than 30% but less than 50%, the Company determines if it is necessary to recognize an impairment loss based on changes in the fair value of individual securities and other factors.

2019 (As of March 31, 2019)

**(1) Available-for-sale securities**

Category	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	74,068	15,360	58,708
2) Other	—	—	—
Sub-total	74,068	15,360	58,708
Carrying value does not exceed acquisition cost:			
1) Equity securities	1,988	2,271	(282)
2) Other	—	—	—
Sub-total	1,988	2,271	(282)
Total	76,057	17,631	58,426

Category	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	667,347	138,390	528,956
2) Other	—	—	—
Sub-total	667,347	138,390	528,956
Carrying value does not exceed acquisition cost:			
1) Equity securities	17,914	20,461	(2,547)
2) Other	—	—	—
Sub-total	17,914	20,461	(2,547)
Total	685,261	158,852	526,409

**(2) Available-for-sale securities sold during 2019 (From April 1, 2018 to March 31, 2019)**

Category	Millions of yen		
	Sales proceeds	Total gains on sales	Total losses on sales
1) Equity securities	314	179	2
2) Other	—	—	—
Total	314	179	2

Category	Thousands of U.S. dollars		
	Sales proceeds	Total gains on sales	Total losses on sales
1) Equity securities	2,835	1,620	26
2) Other	—	—	—
Total	2,835	1,620	26

**(3) Impairment loss on investment securities**

The Company recorded impairment loss of ¥457 million (US\$ 4,125 thousand) on available-for-sale securities for the fiscal year ended March 31, 2019.

When fair value declines by 50% or more of the acquisition cost, the Company recognizes an impairment loss. When fair value declines by more than 30% but less than 50%, the Company determines if it is necessary to recognize an impairment loss based on changes in the fair value of individual securities and other factors.

**14. Derivatives**

2018 (As of March 31, 2018)

**(1) Derivative transactions to which hedge accounting is not applied at March 31, 2018**

Not applicable.

**(2) Derivative transactions to which hedge accounting is applied at March 31, 2018**

**1) Interest rate-related derivatives**

Hedge accounting method	Type of derivative transaction	Major hedged items	Millions of yen		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Exceptional accounting for interest rate swaps	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	10,000	10,000	(*2)
Deferral hedge	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	50,000	50,000	(32)

(\*1) Fair value is based on information obtained from the counterparty financial institution.

(\*2) As interest rate swaps to which exceptional accounting is applied are accounted for together with the long-term loans payable designated as hedged items, their fair values are included in the fair values of the long-term loans payable.

**2) Currency-related derivatives**

Hedge accounting method	Type of derivative transaction	Major hedged items	Millions of yen		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Deferral hedge	Forward foreign currency contracts: Selling US\$ and other currencies	Forecasted transactions on receivables and payables in foreign currencies	1,749	—	6
	Forward foreign currency contracts: Buying US\$ and other currencies		978	—	(13)
Designation method	Forward foreign currency contracts: Selling US\$ and other currencies	Accounts receivable—trade	1,820	—	(*2)
	Forward foreign currency contracts: Buying US\$ and other currencies	Accounts payable—trade	3,641	—	

(\*1) Fair value is based on information obtained from the counterparty financial institution.

(\*2) Fair values of forward foreign currency contracts accounted for using the designation method are included in the fair values of the related accounts receivable—trade and accounts payable—trade.

2019 (As of March 31, 2019)

**(1) Derivative transactions to which hedge accounting is not applied at March 31, 2019**

Not applicable.

**(2) Derivative transactions to which hedge accounting is applied at March 31, 2019**

**1) Interest rate-related derivatives**

Hedge accounting method	Type of derivative transaction	Major hedged items	Millions of yen		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Exceptional accounting for interest rate swaps	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	10,000	10,000	(*2)
Deferral hedge	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	50,000	50,000	(340)

Hedge accounting method	Type of derivative transaction	Major hedged items	Thousands of U.S. dollars		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Exceptional accounting for interest rate swaps	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	90,098	90,098	(*2)
Deferral hedge	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	450,491	450,491	(3,065)

(\*1) Fair value is based on information obtained from the counterparty financial institution.

(\*2) As interest rate swaps to which exceptional accounting is applied are accounted for together with the long-term loans payable designated as hedged items, their fair values are included in the fair values of the long-term loans payable.

## 2) Currency-related derivatives

Hedge accounting method	Type of derivative transaction	Major hedged items	Millions of yen		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Deferral hedge	Forward foreign currency contracts: Selling US\$ and other currencies	Forecasted transactions on receivables and payables in foreign currencies	1,021	—	(3)
	Forward foreign currency contracts: Buying US\$ and other currencies		1,275	—	3
Designation method	Forward foreign currency contracts: Selling US\$ and other currencies	Accounts receivable—trade	2,077	—	(*2)
	Forward foreign currency contracts: Buying US\$ and other currencies	Accounts payable—trade	5,103	—	

Hedge accounting method	Type of derivative transaction	Major hedged items	Thousands of U.S. dollars		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Deferral hedge	Forward foreign currency contracts: Selling US\$ and other currencies	Forecasted transactions on receivables and payables in foreign currencies	9,201	—	(32)
	Forward foreign currency contracts: Buying US\$ and other currencies		11,491	—	28
Designation method	Forward foreign currency contracts: Selling US\$ and other currencies	Accounts receivable—trade	18,714	—	(*2)
	Forward foreign currency contracts: Buying US\$ and other currencies	Accounts payable—trade	45,980	—	

(\*1) Fair value is based on information obtained from the counterparty financial institution.

(\*2) Fair values of forward foreign currency contracts accounted for using the designation method are included in the fair values of the related accounts receivable—trade and accounts payable—trade.

## 15. Retirement benefits

### (1) Overview of retirement benefit plans

In order to pay employee retirement benefits, the Company and its domestic consolidated subsidiaries have funded and unfunded defined-benefit and defined-contribution retirement plans.

Under defined-benefit pension plans (all of which are funded plans), lump-sum payments or pension payments are made based on pay rate and period of service. Additionally, certain domestic consolidated subsidiaries participate in corporate pension funds of multiemployer plans.

Under retirement lump-sum payment plans (classified as unfunded plans, although some are funded due to the adoption of a retirement benefit trust), retirement benefits in the form of lump-sum payments are made based on pay rate and period of service.

The defined-benefit and retirement lump-sum payment plans of certain domestic consolidated subsidiaries calculate the net retirement benefit liability and benefit cost using the simplified method.

In addition, certain overseas consolidated subsidiaries have defined-benefit plans.

### (2) Defined-benefit retirement plans

#### 1) Reconciliation of the retirement benefit obligation at the beginning and the end of the fiscal year (excluding plans for which the simplified method is applied)

	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Thousands of U.S. dollars)
Retirement benefit obligation at beginning of the year	213,853	214,992	1,937,041
Service cost	9,200	9,254	83,384
Interest cost on projected benefit obligation	1,065	877	7,904
Actuarial gain or loss	292	(942)	(8,495)
Retirement benefits paid	(9,406)	(9,781)	(88,126)
Other	(13)	(179)	(1,614)
Retirement benefit obligation at end of the year	214,992	214,221	1,930,093

#### 2) Reconciliation of plan assets at the beginning and end of the fiscal year (excluding plans for which applying the simplified method is applied)

	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Thousands of U.S. dollars)
Plan assets at beginning of the year	63,301	82,326	741,742
Expected return on plan assets	1,077	1,247	11,236
Actuarial gain or loss	800	(3,660)	(32,984)
Contribution from employer	2,461	1,515	13,652
Retirement benefits paid	(1,218)	(3,999)	(36,037)
Contribution of securities to retirement benefit trust	16,075	—	—
Other	(172)	(384)	(3,468)
Plan assets at end of the year	82,326	77,042	694,141

#### 3) Reconciliation of the net retirement benefit liability and net retirement benefit asset at the beginning and end of the fiscal year for plans for which the simplified method is applied

	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Thousands of U.S. dollars)
Net retirement benefit liability and net retirement benefit asset at beginning of the year (net amount)	6,141	6,177	55,661
Benefit cost	787	685	6,176
Retirement benefits paid	(832)	(632)	(5,702)
Effect of business combination	—	81	734
Other	81	(289)	(2,603)
Net retirement benefit liability and net retirement benefit asset at end of the year (net amount)	6,177	6,023	54,266

**4) Reconciliation of balances of retirement benefit obligation and plan assets at the end of the fiscal year and balances of net retirement benefit liability and net retirement benefit asset at the end of the fiscal year**

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Retirement benefit obligation of funded plans	200,046	198,608	1,789,430
Plan assets	(82,951)	(77,699)	(700,060)
	117,094	120,909	1,089,369
Retirement benefit obligation of unfunded plans	21,749	22,292	200,848
Net retirement obligation and assets at end of the year	138,844	143,201	1,290,218
Net retirement benefit liability	140,039	144,624	1,303,037
Net retirement benefit asset	(1,195)	(1,422)	(12,819)
Net retirement liability and asset at end of the year	138,844	143,201	1,290,218

(Notes) 1. Includes plans for which the simplified method is applied.  
2. Because the Company has adopted a retirement benefit trust for retirement lump-sum plans, retirement lump-sum plans are included in the retirement benefit obligation of funded plans. Likewise, the retirement benefit trust of retirement lump-sum payment plans is included in the plan assets of funded plans.

**5) Retirement benefit cost**

	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Thousands of U.S. dollars)
Service cost	9,200	9,254	83,384
Interest cost on projected retirement benefit obligation	1,065	877	7,904
Expected return on plan assets	(1,077)	(1,247)	(11,236)
Amortization of unrecognized actuarial loss	7,085	6,016	54,204
Amortization of prior service cost	527	294	2,654
Retirement benefit cost calculated by the simplified method	787	685	6,176
Retirement benefit cost of defined-benefit plans	17,589	15,881	143,088

**6) Remeasurements of retirement benefit plans in other comprehensive income**

The components of remeasurements of retirement benefit plans (before tax effect) are as follows:

	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Millions of yen)	2019 (From April 1, 2018 to March 31, 2019) (Thousands of U.S. dollars)
Prior service cost	531	300	2,707
Actuarial gain or loss	7,509	3,313	29,856
Total	8,040	3,614	32,564

**7) Remeasurements of retirement benefit plans in accumulated other comprehensive income**

The components of remeasurements of retirement benefit plans (before tax effect) are as follows:

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Unrecognized prior service cost	2,757	2,457	22,138
Unrecognized actuarial gain or loss	56,205	52,891	476,540
Total	58,962	55,348	498,679

**8) Plan assets**

a. Main components of plan assets

The percentage composition by asset class of total plan assets is as follows:

	2018 (As of March 31, 2018) (%)	2019 (As of March 31, 2019) (%)
Bonds	16	16
Equity securities	74	75
Cash and cash in banks	3	2
Other	7	7
Total	100	100

(Note) 60% of plan assets in the year ended March 31, 2018 and 58% of plan assets in the year ended March 31, 2019 are held in the retirement benefit trust for retirement lump-sum payment plans.

b. Method for determining the long-term expected rate of return on plan assets

The current and expected allocation of plan assets as well as the current and expected long-term rates of return for the various assets that constitute the plan assets are considered when determining the long-term expected rate of return on plan assets.

**9) Actuarial assumptions**

Principal actuarial assumptions

	2018 (From April 1, 2017 to March 31, 2018) (%)	2019 (From April 1, 2018 to March 31, 2019) (%)
Discount rates	0.1–1.2	0.0–1.2
Long-term expected rates of return on plan assets	0.0–2.7	0.0–2.7
Expected rates of pay raises	0.2–8.0	0.0–7.8

(Note) The discount rates and long-term expected rates of return on plan assets are presented as weighted averages.

**(3) Defined-contribution plans**

The amounts contributed to defined-contribution plans of the Company and consolidated subsidiaries are ¥4,212 million for the year ended March 31, 2018 and ¥4,393 million (US\$39,584 thousand) for the year ended March, 31, 2019.

**(4) Multi-employer plans**

Multi-employer plans are included under defined-benefit retirement plans.

## 16. Income Taxes

(1) The significant components of the Company's deferred tax assets and liabilities As of March 31, 2018 and 2019 are as follows:

	2018 (As of March 31, 2018) (Millions of yen)	2019 (As of March 31, 2019) (Millions of yen)	2019 (As of March 31, 2019) (Thousands of U.S. dollars)
Deferred tax assets:			
Allowance for doubtful accounts	494	377	3,400
Accrued bonuses	7,680	7,718	69,541
Enterprise tax payable	1,212	1,106	9,967
Asset retirement obligations	3,303	3,322	29,934
Net retirement benefit liability	65,046	65,887	593,633
Unrealized gains	3,270	3,318	29,903
Impairment loss	3,046	2,849	25,672
Loss on valuation of investment securities, etc.	1,714	1,894	17,065
Loss carried forward	739	981	8,840
Other	12,357	15,339	138,205
Sub-total	98,865	102,794	926,163
Valuation allowance related to tax loss carried forward	(693)	(927)	(8,355)
Valuation allowance related to total deductible temporary differences	(7,125)	(7,400)	(66,676)
Sub-total	(7,819)	(8,327)	(75,031)
Total deferred tax assets	91,046	94,467	851,131
Deferred tax liabilities:			
Loss on adjustment for transfer of leased assets	(893)	(919)	(8,281)
Reserve for deferred gains on fixed assets	(14,392)	(14,372)	(129,491)
Gain on contribution of securities to retirement benefit trust	(19,325)	(19,325)	(174,119)
Valuation differences on available-for-sale securities	(20,326)	(17,570)	(158,304)
Valuation differences on assets and liabilities of subsidiaries	(11,852)	(14,411)	(129,840)
Other	(8,046)	(9,050)	(81,544)
Total deferred tax liabilities	(74,836)	(75,648)	(681,582)
Net deferred tax assets	16,209	18,818	169,549

## (2) Reconciliation of the statutory tax rate and the effective tax rate after adoption of tax effect accounting

	2018 (As of March 31, 2018) (%)	2019 (As of March 31, 2019) (%)
Statutory tax rate	30.9	30.6
(Adjustment)		
Non-deductible items	2.4	1.1
Per capita inhabitants' tax	3.1	1.9
Changes in valuation allowance	0.7	0.7
Difference in tax rate applicable to foreign subsidiaries	3.4	(2.9)
Elimination of dividends from consolidated subsidiaries	1.9	1.8
Amortization of goodwill	2.7	0.5
Impairment of goodwill	30.0	—
Difference in tax rate due to companies reporting losses	0.7	0.3
Other, net	3.0	0.8
Effective tax rate	78.8	34.8

## 17. Asset retirement obligations

2018 (From April 1, 2017 to March 31, 2018)

Asset retirement obligations that are stated in the consolidated balance sheets

### (1) Description of the asset retirement obligations

Asset retirement obligations are stated in respect of the Company's obligations to restore the premises it occupies to their original conditions under the property lease contracts for warehouses and the fixed term land lease contracts for leased properties. Asset retirement obligations are also stated for the Company's obligations to eliminate hazardous substances from the warehouses in which such substances are used.

### (2) Method for calculating the asset retirement obligations

The asset retirement obligations are calculated using a 0%–2.3% periodic discount rate over 2 to 50 years duration of use in most cases, based on estimated useful life.

### (3) Changes in total asset retirement obligations during 2018

	Millions of yen
Balance at beginning of the year	11,426
Increase due to acquisition of property and equipment	121
Accretion adjustment	136
Decrease due to settlement	(653)
Other	66
Balance at end of the year	11,099

2019 (From April 1, 2018 to March 31, 2019)

Asset retirement obligations that are stated in the consolidated balance sheets

### (1) Description of the asset retirement obligations

Asset retirement obligations are stated in respect of the Company's obligations to restore the premises it occupies to their original conditions under the property lease contracts for warehouses and the fixed term land lease contracts for leased properties. Asset retirement obligations are also stated for the Company's obligations to eliminate hazardous substances from the warehouses in which such substances are used.

### (2) Method for calculating the asset retirement obligations

The asset retirement obligations are calculated using a 0%–2.3% periodic discount rate over 2 to 50 years duration of use in most cases, based on estimated useful life.

### (3) Changes in total asset retirement obligations during 2019

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the year	11,099	100,000
Increase due to acquisition of property and equipment	147	1,329
Accretion adjustment	135	1,216
Decrease due to settlement	(68)	(615)
Other	(28)	(257)
Balance at end of the year	11,284	101,674

## 18. Investment and rental property

### 2018 (From April 1, 2017 to March 31, 2018)

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings and parking lots (including land) throughout Japan. Net rental profit (rental income included in revenues less rental expenses included mainly in operating costs) and other losses (included mainly in loss on disposal of non-current assets) on investment and rental property for the year ended March 31, 2018 were ¥7,195 million and ¥434 million, respectively.

The carrying amounts, changes in balances and fair value of such properties are as follows:

Millions of yen			
Carrying amount			Fair value as of March 31, 2018
April 1, 2017	Increase (decrease)	March 31, 2018	
47,940	(433)	47,507	146,267

(Notes) 1. Carrying amount recognized in the consolidated balance sheets is stated at acquisition cost less accumulated depreciation.

2. Decrease during the year ended March 31, 2018 primarily consists of depreciation.

3. Fair value of properties as of March 31, 2018 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.

### 2019 (From April 1, 2018 to March 31, 2019)

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings and parking lots (including land) throughout Japan. Net rental profit (rental income included in revenues less rental expenses included mainly in operating costs) and other losses (included mainly in loss on disposal of non-current assets) on investment and rental property for the year ended March 31, 2019 were ¥7,698 million (US\$69,357 thousand) and ¥1,649 million (US\$14,862 thousand), respectively.

The carrying amounts, changes in balances and fair value of such properties are as follows:

Millions of yen			
Carrying amount			Fair value as of March 31, 2019
April 1, 2018	Increase (decrease)	March 31, 2019	
47,507	(1,340)	46,167	154,570

(Notes) 1. Carrying amount recognized in the consolidated balance sheets is stated at acquisition cost less accumulated depreciation.

2. Decrease during the year ended March 31, 2019 primarily consists of depreciation.

3. Fair value of properties as of March 31, 2019 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.

## 19. Segment information

### [Segment information]

#### (1) Outline of the reportable segments

Reportable segments of the Group are its organizational units whose individual financial results can be identified separately and serve as the basis and subject of regular review by the Board of Directors for the purpose of allocating management resources and evaluating business performance. The Group's reportable segments comprise a combination of segments categorized by geographic area and those categorized by business.

The Logistics business is divided into five reportable segments: Japan, the Americas, Europe, East Asia, and South Asia & Oceania. The reportable segments outside of the logistics business are Security Transportation and Heavy Haulage & Construction, which are specialized businesses, and Logistics Support, which conducts goods sales, real estate and other peripheral businesses.

As a result, the main products and services and as well as main lines of business in each reportable segment are as follows:

Reportable segment	Main products and services	Main lines of business
Japan (Logistics)	Railway utilization transportation; chartered truck services; combined delivery services; air freight forwarding; travel; marine & harbor transportation; moving & relocation; warehousing & distribution processing; in-factory work; information asset management; real estate rental; fine arts transportation; security transportation; heavy haulage & construction	Railway forwarding; motor cargo transportation; air freight forwarding; travel; marine transportation; harbor transportation; warehousing; in-factory work; information asset management; real estate
The Americas (Logistics)	Air freight forwarding; marine & harbor transportation; warehousing & distribution processing; moving & relocation; chartered truck services; travel	Air freight forwarding; harbor transportation; warehousing; motor cargo transportation; travel
Europe (Logistics)	Railway utilization transportation; air freight forwarding; marine & harbor transportation; warehousing & distribution processing; moving & relocation; chartered truck services; travel	Railway forwarding; air freight forwarding; harbor transportation; warehousing; motor cargo transportation; travel
East Asia (Logistics)	Railway utilization transportation; air freight forwarding; marine & harbor transportation; warehousing & distribution processing; moving & relocation; chartered truck services	Railway forwarding; air freight forwarding; harbor transportation; warehousing; motor cargo transportation
South Asia & Oceania (Logistics)	Railway utilization transportation; air freight forwarding; marine & harbor transportation; warehousing & distribution processing; moving & relocation; chartered truck services; heavy haulage & construction; travel	Railway forwarding; air freight forwarding; harbor transportation; warehousing; motor cargo transportation; heavy haulage and construction; travel
Security Transportation	Security transportation	Security guard business; motor cargo transportation
Heavy Haulage & Construction	Heavy haulage & construction	Heavy haulage and construction
Logistics Support	Leasing; sale of petroleum, etc.; other sales; real estate; finance; other	Sale of distribution equipment, wrapping and packing materials, vehicles, petroleum, LP gas, etc.; leasing; vehicle maintenance services; insurance sales; mediation, planning, designing and management of real estate; investigation and research; logistics finance; automobile driving instruction; employee dispatching

#### (2) Method for calculating the amounts of revenues, income (loss), assets, liabilities and other items by reportable segment

Accounting principles for the reportable segments are the same as stated in "Basis of presentation of consolidated financial statements and summary of significant accounting policies (4) Significant accounting policies."

Income in each reportable segment is stated on the basis of operating income. Intersegment revenues and money transfers are based on current market price.

**(3) Revenues, income (loss), assets, liabilities and other items by reportable segment**  
2018 (From April 1, 2017 to March 31, 2018)

	Millions of yen				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	1,175,246	76,604	89,911	106,649	75,867
Intersegment	13,448	14,792	6,136	10,837	9,515
Total	1,188,695	91,396	96,048	117,487	85,382
Segment income	45,596	4,486	4,155	1,845	3,396
Segment assets	790,171	49,572	74,961	56,293	63,755
Other items					
Depreciation and amortization	31,764	1,390	1,457	954	1,879
Amortization of goodwill	2,370	—	233	68	317
Impairment loss on non-current assets	44,584	—	—	—	7,126
Investment in equity method affiliates	10,144	63	—	1,427	150
Increase in property and equipment and intangible assets	73,576	1,681	1,517	336	4,291

	Millions of yen					
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in consolidated statements of income (Note 2)
Revenues						
Revenues from external customers	71,981	47,388	351,667	1,995,317	—	1,995,317
Intersegment	41	213	91,597	146,582	(146,582)	—
Total	72,022	47,602	443,264	2,141,899	(146,582)	1,995,317
Segment income	2,135	4,062	11,722	77,399	(7,129)	70,269
Segment assets	113,762	20,669	322,955	1,492,142	24,918	1,517,060
Other items						
Depreciation and amortization	2,075	580	5,475	45,578	3,356	48,934
Amortization of goodwill	—	—	239	3,229	—	3,229
Impairment loss on non-current assets	—	—	—	51,711	—	51,711
Investment in equity method affiliates	—	233	131	12,150	—	12,150
Increase in property and equipment and intangible assets	3,524	812	7,389	93,128	3,430	96,558

(Notes) 1. Details of the adjustments are as follows:

- (1) The segment income adjustment of ¥7,129 million includes ¥148 million for the elimination of intersegment income and ¥7,001 million of corporate expenses not allocated to each reportable segment. The most significant portion of corporate expenses relates to corporate image advertising and the Company's administration of group companies.
- (2) The segment assets adjustment of ¥24,918 million includes ¥199,307 million for the elimination of intersegment income, and ¥224,226 million of corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, investment securities and non-current assets held by the head office not attributable to each reportable segment.
- (3) The depreciation and amortization adjustment represents primarily the depreciation and amortization at the head office not attributable to each reportable segment.
- (4) The adjustment in increase in property and equipment and intangible assets represents primarily the capital expenditures at the head office not attributable to each reportable segment.

2. Segment income has been reconciled with operating income in the consolidated financial statements.

2019 (From April 1, 2018 to March 31, 2019)

	Millions of yen				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	1,244,544	81,130	107,746	110,641	84,208
Intersegment	12,258	17,568	7,065	12,113	7,666
Total	1,256,802	98,699	114,812	122,754	91,874
Segment income	55,966	4,264	2,271	3,007	3,710
Segment assets	804,328	52,631	75,691	54,673	67,523
Other items					
Depreciation and amortization	33,362	1,419	2,297	794	1,674
Amortization of goodwill	584	—	604	97	—
Impairment loss on non-current assets	2,271	—	—	—	2,790
Investment in equity method affiliates	10,786	62	—	1,462	174
Increase in property and equipment and intangible assets	45,620	1,082	19,662	800	9,043

	Millions of yen					
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in consolidated statements of income (Note 2)
Revenues						
Revenues from external customers	72,598	47,636	389,996	2,138,501	—	2,138,501
Intersegment	49	115	93,969	150,806	(150,806)	—
Total	72,647	47,751	483,965	2,289,308	(150,806)	2,138,501
Segment income	1,240	4,520	12,778	87,759	(8,161)	79,598
Segment assets	113,536	23,510	341,158	1,533,053	3,623	1,536,677
Other items						
Depreciation and amortization	2,328	717	5,929	48,524	3,623	52,147
Amortization of goodwill	—	—	—	1,286	—	1,286
Impairment loss on non-current assets	—	—	182	5,245	—	5,245
Investment in equity method affiliates	—	245	—	12,731	—	12,731
Increase in property and equipment and intangible assets	3,053	1,887	9,716	90,866	7,016	97,883

	Thousands of U.S. dollars				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	11,213,123	730,970	970,775	996,858	758,700
Intersegment	110,444	158,291	63,661	109,136	69,073
Total	11,323,567	889,262	1,034,436	1,105,994	827,773
Segment income	504,244	38,420	20,468	27,097	33,434
Segment assets	7,246,857	474,199	681,963	492,600	608,372
Other items					
Depreciation and amortization	300,590	12,786	20,699	7,162	15,084
Amortization of goodwill	5,264	—	5,443	881	—
Impairment loss on non-current assets	20,463	—	—	—	25,146
Investment in equity method affiliates	97,182	565	—	13,176	1,575
Increase in property and equipment and intangible assets	411,035	9,751	177,152	7,212	81,484

	Thousands of U.S. dollars					
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in consolidated statements of income (Note 2)
Revenues						
Revenues from external customers	654,096	429,193	3,513,799	19,267,516	—	19,267,516
Intersegment	446	1,038	846,646	1,358,738	(1,358,738)	—
Total	654,542	430,231	4,360,445	20,626,254	(1,358,738)	19,267,516
Segment income	11,177	40,725	115,127	790,696	(73,530)	717,165
Segment assets	1,022,945	211,823	3,073,772	13,812,534	32,650	13,845,185
Other items						
Depreciation and amortization	20,980	6,461	53,427	437,193	32,648	469,841
Amortization of goodwill	—	—	—	11,589	—	11,589
Impairment loss on non-current assets	—	—	1,646	47,256	—	47,256
Investment in equity method affiliates	—	2,209	—	114,709	—	114,709
Increase in property and equipment and intangible assets	27,509	17,002	87,544	818,693	63,220	881,913

(Notes) 1. Details of the adjustments are as follows:

- (1) The segment income adjustment of ¥8,161 million (US\$73,530 thousand) includes ¥183 million (US\$1,654 thousand) for the elimination of intersegment income and ¥8,043 million (US\$72,472 thousand) of corporate expenses not allocated to each reportable segment. The most significant portion of corporate expenses relates to corporate image advertising and the Company's administration of group companies.
  - (2) The segment assets adjustment of ¥3,623 million (US\$32,650 thousand) includes ¥200,381 million (US\$1,805,404 thousand) for the elimination of intersegment income, and ¥204,005 million (US\$1,838,055 thousand) of corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, investment securities and non-current assets held by the head office not attributable to each reportable segment.
  - (3) The depreciation and amortization adjustment represents primarily the depreciation and amortization at the head office not attributable to each reportable segment.
  - (4) The adjustment in increase in property and equipment and intangible assets represents primarily the capital expenditures at the head office not attributable to each reportable segment.
2. Segment income has been reconciled with operating income in the consolidated financial statements.

#### (4) Changes in reportable segments

In order to respond to customer needs and further expand its business amid significant changes in the financial industry, the Company conducted an organizational reform relating to the Security Transportation business on April 1, 2018. As a result, effective from the fiscal year ended March 31, 2019, certain bodies previously included in the Japan (Logistics) segment have been moved to the Security Transportation segment.

The segment information for the fiscal year ended March 31, 2018 has been adjusted based on the classification method following this change.

#### [Related information]

2018 (From April 1, 2017 to March 31, 2018)

##### (1) Information by products and services

Revenues from external customers	Millions of yen									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & harbor transportation
	80,576	63,252	298,840	65,359	282,200	58,296	13,462	350,511	4,491	225,500

Revenues from external customers	Millions of yen								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Leasing	Sales of petroleum, etc.	Other sales	Other	Total
	3,900	71,826	64,826	58,263	56,708	175,649	91,771	29,877	1,995,317

## (2) Information by region

### 1) Revenues

Millions of yen					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
1,465,043	144,841	100,732	170,973	113,726	1,995,317

(Notes) 1. The above amounts represent revenues of the Company and its consolidated subsidiaries based on countries and regions.

2. Countries and regions are categorized on the basis of geographic proximity.

3. Main countries and regions in each segment are as follows:

- (1) The Americas ..... U.S.A., Canada, South and Central America
- (2) Europe ..... United Kingdom, the Netherlands, Germany and other European countries, and Africa
- (3) East Asia ..... China, Taiwan and South Korea
- (4) South Asia & Oceania ..... Singapore, Thailand and other South Asian and Oceanian countries

### 2) Property and equipment

A description is omitted because the proportion of property and equipment held in Japan exceeds 90% of the balance of property and equipment stated on the consolidated balance sheets.

### (3) Information about major customers

A description is omitted because there is no particular customer from whom revenue exceeds 10% of revenues stated on the consolidated statements of income.

2019 (From April 1, 2018 to March 31, 2019)

### (1) Information by products and services

Revenues from external customers	Millions of yen									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & harbor transportation
	77,139	67,026	317,592	67,171	304,383	59,889	13,788	387,023	4,368	238,749

Revenues from external customers	Millions of yen								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Leasing	Sales of petroleum, etc.	Other sales	Other	Total
	3,867	71,644	69,266	64,252	58,711	200,775	95,164	37,685	2,138,501

Revenues from external customers	Thousands of U.S. dollars									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & harbor transportation
	695,016	603,895	2,861,452	605,207	2,742,436	539,589	124,230	3,487,014	39,363	2,151,087

Revenues from external Customers	Thousands of U.S. dollars								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Leasing	Sales of petroleum, etc.	Other sales	Other	Total
	34,848	645,505	624,079	578,902	528,980	1,808,948	857,419	339,540	19,267,516

## (2) Information by region

### 1) Revenues

Millions of yen					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
1,542,269	166,676	132,058	173,267	124,230	2,138,501

Thousands of U.S. dollars					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
13,895,570	1,501,721	1,189,819	1,561,108	1,119,296	19,267,516

(Notes) 1. The above amounts represent revenues of the Company and its consolidated subsidiaries based on countries and regions.

2. Countries and regions are categorized on the basis of geographic proximity.

3. Main countries and regions in each segment are as follows:

(1) The Americas ..... U.S.A., Canada, South and Central America

(2) Europe ..... United Kingdom, the Netherlands, Germany and other European countries, and Africa

(3) East Asia ..... China, Taiwan and South Korea

(4) South Asia & Oceania ..... Singapore, Thailand and other South Asian and Oceanian countries

### 2) Property and equipment

A description is omitted because the proportion of property and equipment held in Japan exceeds 90% of the balance of property and equipment stated on the consolidated balance sheets.

### (3) Information about major customers

A description is omitted because there is no particular customer from whom revenue exceeds 10% of revenues stated on the consolidated statements of income.

### [Information about impairment loss on non-current assets by reportable segment]

2018 (From April 1, 2017 to March 31, 2018)

A description is omitted because similar information has been disclosed under "Segment information (3) Revenues, income (loss), assets, liabilities and other items by reportable segment."

2019 (From April 1, 2018 to March 31, 2019)

A description is omitted because similar information has been disclosed under "Segment information (3) Revenues, income (loss), assets, liabilities and other items by reportable segment."

### [Information about unamortized balance of goodwill by reportable segment]

2018 (From April 1, 2017 to March 31, 2018)

Balance at end of the year	Millions of yen				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
	3,359	—	493	327	—

Balance at end of the year	Millions of yen			
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total
	—	—	—	4,180

(Note) For the amortization of goodwill, please refer to "Segment information (3) Revenues, income (loss), assets, liabilities and other items by reportable segment."

2019 (From April 1, 2018 to March 31, 2019)

Balance at end of the year	Millions of yen				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
	2,775	—	9,672	253	—

Balance at end of the year	Millions of yen			
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total
	—	—	—	12,701

Balance at end of the year	Thousands of U.S. dollars				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
	25,004	—	87,150	2,286	—

Balance at end of the year	Thousands of U.S. dollars			
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total
	—	—	—	114,441

(Note) For the amortization of goodwill, please refer to "Segment information (3) Revenues, income (loss), assets, liabilities and other items by reportable segment."

### [Information about gain on negative goodwill by reportable segment]

2018 (From April 1, 2017 to March 31, 2018)

Not applicable.

2019 (From April 1, 2018 to March 31, 2019)

A description is omitted because the amount is immaterial.

### 20. Related party information

2018 (From April 1, 2017 to March 31, 2018)

Not applicable.

2019 (From April 1, 2018 to March 31, 2019)

Not applicable.

### 21. Per share information

	Yen		U.S. dollars
	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)	2019 (From April 1, 2018 to March 31, 2019)
Net assets per share	5,519.09	5,749.60	51.80
Basic earnings per share	68.06	515.13	4.64

(Notes) 1. Diluted earnings per share are not stated because there were no residual securities.

2. The Company executed a consolidation of shares at a ratio of 10 common shares to 1 effective October 1, 2017.

Accordingly, basic earnings per share are calculated on the assumption that said consolidation of shares was implemented at the beginning of the fiscal year ended March 31, 2017.

3. For the purpose of calculating net assets per share and basic earnings per share, the Company's shares held by the executive compensation BIP trust are included in treasury stock, which is excluded from the number of common stock at the end of the year and the weighted average number of common stock during the year. The number of shares of treasury stock held by the trust at March 31, 2018 was 73 thousand shares, and the average number of shares of treasury stock held by the trust for the fiscal year ended March 31, 2018 was 73 thousand shares. The number of shares of treasury stock held by the trust at March 31, 2019 was 65 thousand shares, and the average number of shares of treasury stock held by the trust for the fiscal year ended March 31, 2019 was 67 thousand shares.

4. The bases for the computation of basic earnings per share are set out below.

	Millions of yen		Thousands of U.S. dollars
	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)	2019 (From April 1, 2018 to March 31, 2019)
Basic earnings per share			
Profit attributable to owners of parent	6,534	49,330	444,457
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent related to common stock	6,534	49,330	444,457
Weighted average number of common stock during the year (1,000 shares)	96,012	95,763	—

5. The bases for the computation of net assets per share are set out below.

	Millions of yen		Thousands of U.S. dollars
	2018 (As of March 31, 2018)	2019 (As of March 31, 2019)	2019 (As of March 31, 2019)
Total net assets	547,494	560,444	5,049,501
Deductions from total net assets	17,618	16,827	151,617
Non-controlling interests	17,618	16,827	151,617
Net assets at end of year related to common stock	529,875	543,616	4,897,884
Number of common stock at end of year used to calculate net assets per share (1,000 shares)	96,007	94,548	—

## 22. Supplementary schedules

### [Schedule of bonds]

Issuer	Name of bond	Issuance date	Millions of yen			Thousands of U.S. dollars	Interest rate (%)	Collateral	Maturity
			Balance as of April 1, 2018	Balance as of March 31, 2019	Balance as of March 31, 2019				
Nippon Express Co., Ltd.	5th Unsecured Straight Bonds	June 1, 2009	15,000	15,000 (15,000)	135,147 (135,147)	1.8	Unsecured	May 31, 2019	
	7th Unsecured Straight Bonds	October 20, 2011	10,000	10,000	90,098	1.1	Unsecured	October 20, 2021	
	8th Unsecured Straight Bonds	February 25, 2016	10,000	10,000	90,098	0.1	Unsecured	February 25, 2021	
	9th Unsecured Straight Bonds	February 25, 2016	10,000	10,000	90,098	0.3	Unsecured	February 25, 2026	
	10th Unsecured Straight Bonds	July 14, 2016	30,000	30,000	270,294	0.1	Unsecured	July 14, 2023	
	11th Unsecured Straight Bonds	July 14, 2016	30,000	30,000	270,294	0.2	Unsecured	July 14, 2026	
	12th Unsecured Straight Bonds	July 14, 2016	20,000	20,000	180,196	0.7	Unsecured	July 14, 2036	
Total	—	—	125,000	125,000 (15,000)	1,126,227 (135,147)	—	—	—	

(Notes) 1. The amounts in parentheses represent amounts due within one year.

2. The repayment schedule for bonds for five years subsequent to March 31, 2019 is summarized as follows:

Millions of yen				
Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
15,000	10,000	10,000	—	30,000

Thousands of U.S. dollars				
Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
135,147	90,098	90,098	—	270,294

### [Schedule of loans]

Category	Balance as of April 1, 2018 (Millions of yen)	Balance as of March 31, 2019 (Millions of yen)	Balance as of March 31, 2019 (Thousands of U.S. dollars)	Average interest rate (%)	Due date
Short-term loans (payable)	7,099	17,607	158,643	0.5	—
Current portion of long-term loans payable	38,113	25,619	230,823	0.6	—
Current portion of lease obligation	789	1,025	9,235	—	—
Long-term loans payable (excluding current portion)	227,013	232,082	2,091,018	0.6	Final due date: March 17, 2030
Lease obligation (excluding current portion)	3,441	3,445	31,042	—	Final due date: August 31, 2031
Other interest-bearing debt					—
Commercial paper (current portion)	—	10,000	90,098	(0.0)	—
In-house savings deposits by employees	28,726	306	2,764	0.6	—
Total	305,185	290,086	2,613,626	—	—

(Notes) 1. Average interest rates are stated at weighted average interest rates on the average balance of borrowings for the year. However, average interest rates are not stated for either the current portion of lease obligations or lease obligations (excluding current portion), since the interest portion in the total lease payment has been allocated to each fiscal year by the straight-line method.  
2. The balance as of March 31, 2019 of long-term loans payable includes subordinated loans of ¥50,000 million (US\$450,491 thousand), but the corresponding due date for long-term loans payable does not include subordinated loans.  
3. The repayment schedule for long-term loans payable and lease obligation (excluding current portion) per year for five years subsequent to March 31, 2019, is summarized as follows:

Category	Millions of yen			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	33,293	25,694	56,337	8,536
Lease obligation	708	472	1,726	155

Category	Thousands of U.S. dollars			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	299,967	231,499	507,594	76,913
Lease obligation	6,387	4,254	15,552	1,399

4. Deposits in the in-house savings deposits by employees are recorded as Deposits from employees in the consolidated balance sheets.

### [Schedule of asset retirement obligations]

A description is omitted because the amounts of asset retirement obligations at the beginning and end of the fiscal year ended March 31, 2019 are both less than one percent of the total of liabilities and net assets at the beginning and end of the fiscal year ended March 31, 2019.

## Quarterly information in 2019

	Millions of yen			
	Three months ended Jun. 30, 2018 (From April 1, 2018 to June 30, 2018)	Six months ended Sep. 30, 2018 (From April 1, 2018 to September 30, 2018)	Nine months ended Dec. 31, 2018 (From April 1, 2018 to December 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)
Revenues	516,269	1,040,335	1,600,724	2,138,501
Profit (loss) before income taxes	18,130	37,983	64,549	77,850
Profit attributable to owners of parent	10,499	23,448	40,505	49,330
Basic earnings per share (Yen)	109.35	244.23	421.91	515.13

	Thousands of U.S. dollars			
	Three months ended Jun. 30, 2018 (From April 1, 2018 to June 30, 2018)	Six months ended Sep. 30, 2018 (From April 1, 2018 to September 30, 2018)	Nine months ended Dec. 31, 2018 (From April 1, 2018 to December 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)
Revenues	4,651,500	9,373,232	14,422,241	19,267,516
Profit (loss) before income taxes	163,351	342,228	581,580	701,418
Profit attributable to owners of parent	94,594	211,262	364,951	444,457
Basic earnings per share (U.S. dollars)	0.98	2.20	3.80	4.64

	1Q	2Q	3Q	4Q
	(From April 1, 2018 to June 30, 2018)	(From July 1, 2018 to September 30, 2018)	(From October 1, 2018 to December 31, 2018)	(From January 1, 2019 to March 31, 2019)
Basic earnings (loss) per share (Yen)	109.35	134.87	177.68	92.86

	1Q	2Q	3Q	4Q
	(From April 1, 2018 to June 30, 2018)	(From July 1, 2018 to September 30, 2018)	(From October 1, 2018 to December 31, 2018)	(From January 1, 2019 to March 31, 2019)
Basic earnings (loss) per share (U.S. dollars)	0.98	1.21	1.60	0.83

(Note) The Company has an executive compensation BIP trust. For the purpose of calculating per share information, the Company's shares held by the executive compensation BIP trust are included in treasury stock, which is excluded from the weighted average number of common stock during the year.



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Fax: +81 3 3503 1828  
ey.com

## Independent Auditor's Report

The Board of Directors  
Nippon Express Co., Ltd.

We have audited the accompanying consolidated financial statements of Nippon Express Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 Nippon Express Co., Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

June 27, 2019  
Tokyo, Japan

The Americas

- NIPPON EXPRESS USA, INC.
- NEX TRANSPORT, INC.
- NIPPON EXPRESS TRAVEL USA, INC.
- ASSOCIATED GLOBAL SYSTEMS, INC.
- NIPPON EXPRESS CANADA, LTD.
- NIPPON EXPRESS DE MEXICO, S.A. DE C.V.
- NEX GLOBAL LOGISTICS DE MEXICO, S.A. DE C.V.
- NIPPON EXPRESS DO BRASIL
- TRANSPORTES INTERNACIONAIS LTDA.
- MAP CARGO S.A.S.
- ADELTA LOGIS, INC.

Europe

- NIPPON EXPRESS EUROPE GMBH
- NIPPON EXPRESS (DEUTSCHLAND) GMBH
- NEX LOGISTICS EUROPE GMBH
- NIPPON EXPRESS (NEDERLAND) B.V.
- NIPPON EXPRESS EURO CARGO B.V.
- NIPPON EXPRESS (U.K.) LTD.
- NIPPON EXPRESS (IRELAND) LTD.
- NIPPON EXPRESS (BELGIUM) N.V./S.A.
- NIPPON EXPRESS FRANCE, S.A.S.
- NIPPON EXPRESS (ITALIA) S.R.L.
- FRANCO VAGO S.P.A.
- TRACONF S.R.L.
- NIPPON EXPRESS (SCHWEIZ) AG
- NIPPON EXPRESS DE ESPAÑA, S.A.
- NIPPON EXPRESS PORTUGAL, S.A.
- NIPPON EXPRESS (RUSSIA) L.L.C.
- NIPPON EXPRESS (MIDDLE EAST) L.L.C.
- NIPPON EXPRESS (ISTANBUL) GLOBAL LOGISTICS A.S.

East Asia

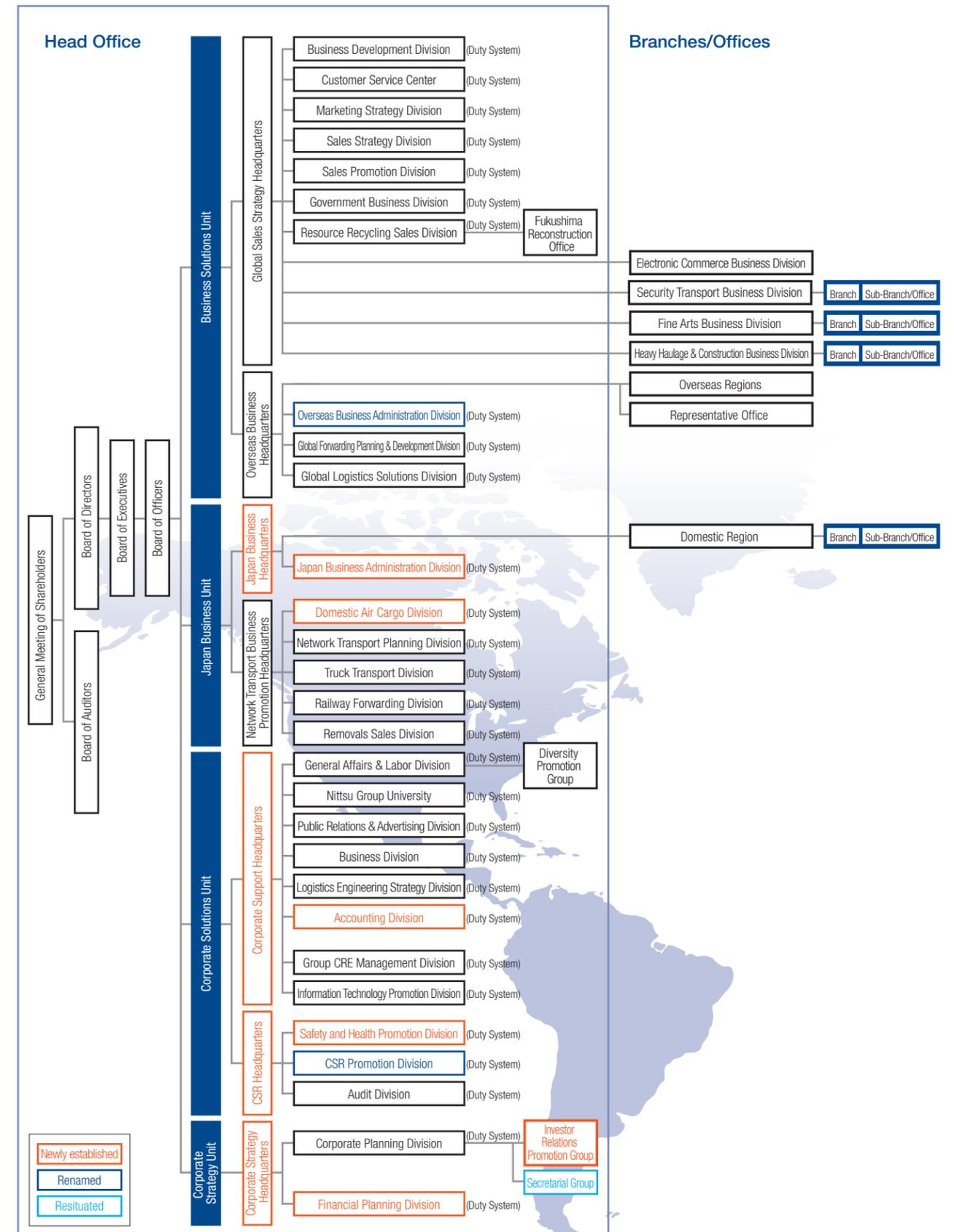
- NIPPON EXPRESS (H.K.) CO., LTD.
- APC ASIA PACIFIC CARGO (H.K.) LTD.
- NIPPON EXPRESS (SHENZHEN) CO., LTD.
- NIPPON EXPRESS (ZHUHAI) CO., LTD.
- NIPPON EXPRESS (SOUTH CHINA) CO., LTD.
- NIPPON EXPRESS (CHINA) CO., LTD.
- NIPPON EXPRESS CARGO SERVICE (SHENZHEN) CO., LTD.
- NIPPON EXPRESS GLOBAL LOGISTICS (SHANGHAI) CO., LTD.
- NIPPON EXPRESS (XIAMEN) CO., LTD.
- NIPPON EXPRESS (XI'AN) CO., LTD.
- SHANGHAI E-TECHNOLOGY CO., LTD.
- NIPPON EXPRESS (SUZHOU) CO., LTD.
- NIPPON EXPRESS (SHANGHAI) CO., LTD.
- NIPPON EXPRESS KOREA CO., LTD.
- NIPPON EXPRESS (TAIWAN) CO., LTD.

South Asia & Oceania

- NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE., LTD.
- NIPPON EXPRESS (SINGAPORE) PTE., LTD.
- NEX GLOBAL ENGINEERING PTE., LTD.
- NIPPON EXPRESS (AUSTRALIA) PTY., LTD.
- NIPPON EXPRESS (NEW ZEALAND) LTD.
- NIPPON EXPRESS (MALAYSIA) SDN. BHD.
- NITTSU TRANSPORT SERVICE (M) SDN. BHD.
- NIPPON EXPRESS (PHILIPPINES) CORPORATION
- NEP LOGISTICS, INC.
- NITTSU LOGISTICS (THAILAND) CO., LTD.
- NIPPON EXPRESS (THAILAND) CO., LTD.
- NIPPON EXPRESS ENGINEERING (THAILAND) CO., LTD.
- PT. NIPPON EXPRESS INDONESIA
- PT. NITTSU LEMO INDONESIA LOGISTIK
- PT. NEX LOGISTICS INDONESIA
- NIPPON EXPRESS (INDIA) PVT. LTD.
- NITTSU LOGISTICS (INDIA) PVT. LTD.
- NIPPON EXPRESS (VIETNAM) CO., LTD.
- NIPPON EXPRESS ENGINEERING (VIETNAM) CO., LTD.
- NIPPON EXPRESS BANGLADESH LTD.
- NIPPON EXPRESS (CAMBODIA) CO., LTD.
- NIPPON EXPRESS (MYANMAR) CO., LTD.
- NITTSU LOGISTICS MYANMAR CO., LTD.
- NITTSU SHOJI (THAILAND) CO., LTD.

Representative Offices

- Johannesburg Representative Office
- Kazakhstan Representative Office



## Company Information (As of March 31, 2019)

<b>Company name</b>	Nippon Express Co., Ltd.
<b>Headquarters</b>	1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322, Japan Tel: +81 (3) 6251-1111
<b>Formal establishment</b>	October 1, 1937
<b>Paid-in capital</b>	¥70,175 million
<b>Employees</b>	32,280
<b>URL</b>	(Japanese) <a href="http://www.nittsu.co.jp">www.nittsu.co.jp</a> (English) <a href="http://www.nipponexpress.com">www.nipponexpress.com</a>

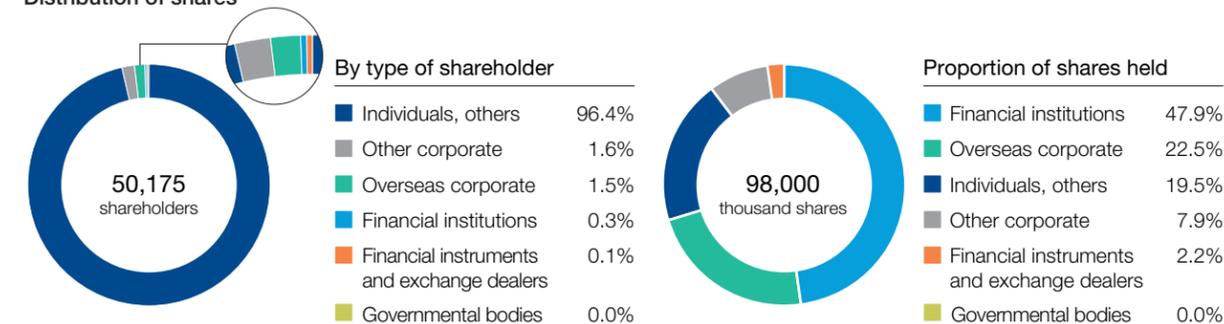
### Areas of operation

- |  |   |
|--|---|
| 1 Rail freight forwarding business   | 17 Packing and packaging business   |
| 2 Truck transportation business  | 18 Packaging, labeling and storage business for pharmaceuticals, quasi-pharmaceuticals, cosmetics and medical equipment |
| 3 Truck freight forwarding business  | 19 Travel agency business   |
| 4 Marine transportation business   | 20 Transportation, construction and installation of heavy goods and any incidental business thereto                     |
| 5 Coastal shipping business  | 21 Sale, purchase and lease of real estate and any incidental business thereto  |
| 6 Harbor transportation business   | 22 Security services business   |
| 7 NVOCC marine transportation business   | 23 General worker dispatching business  |
| 8 Air freight forwarding business  | 24 Waste management business  |
| 9 Transportation businesses and forwarding business other than as listed above | 25 Specified correspondence delivery service business   |
| 10 Freight transportation consignment business                                 | 26 Collection and processing of logistics information and any incidental business thereto                               |
| 11 Warehousing business  | 27 Sale of goods and commodities  |
| 12 Construction business   | 28 Any other business related to the above items  |
| 13 Customs-clearance business  | 29 Investments in and financing of business listed in the above items   |
| 14 Freight collection and settlement business                                  |   |
| 15 Air freight forwarding agency business                                      |   |
| 16 Non-life insurance agency business  |   |

## Share Information (As of March 31, 2019)

<b>Stock exchange</b>	Tokyo	
<b>Number of shares</b>	Total number of shares authorized	398,800,000
	Total number of shares issued	98,000,000
<b>Number of shareholders</b>	50,175	
<b>Administrator of shareholder registry/Account managing institution of special account</b>	Mitsubishi UFJ Trust and Banking Corporation	

### Distribution of shares

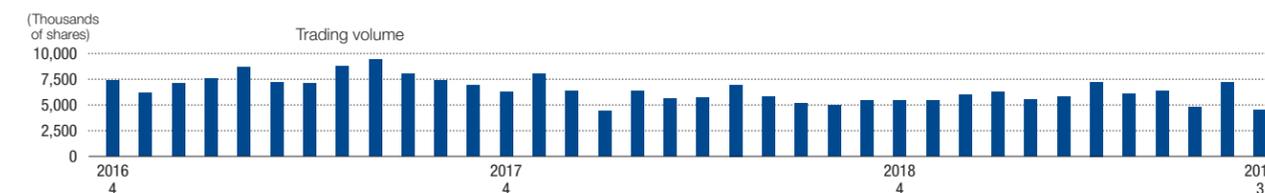
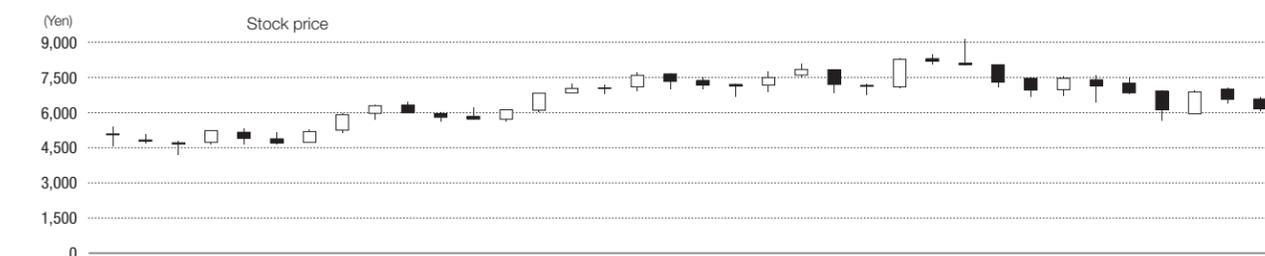


### Major shareholders

	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	9,355	9.9
Japan Trustee Services Bank, Ltd. (Account in Trust)	8,563	9.1
Asahi Mutual Life Insurance Company	5,601	5.9
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.)	4,150	4.4
Sompo Japan Nipponkoa Insurance Inc.	3,972	4.2
Nippon Express Employees' Shareholding Association	3,418	3.6
Japan Trustee Services Bank, Ltd. (Account in Trust No. 4)	1,784	1.9
Japan Trustee Services Bank, Ltd. (Account in Trust No. 9)	1,694	1.8
MUFG Bank, Ltd.	1,492	1.6
Japan Trustee Services Bank, Ltd. (Account in Trust No. 5)	1,458	1.5

Note: Although the Company owns 3,385 thousand shares of treasury stock, it is excluded from the major shareholders stated above.

### Stock price movement



Note: Nippon Express executed a share consolidation on October 1, 2017, at a ratio of 10 shares to one. Figures for all periods in the above graph are calculated based on the assumption that said consolidation had already occurred.