We Find the Way

NIPPON EXPRESS

1-9-3, Higashi-Shimbashi, Minato-ku, Tokyo 105-8322, Japan
Phone: +81 (3) 6251-1111
URL: (Japanese) www.nittsu.co.jp
(English) www.nipponexpress.com

November 2018

We Find the Way

NIPPON EXPRESS

YOUR GLOBAL BUSINESS NEEDS

GLOBAL LOGISTICS

ANNUAL REPORT 2018

Year ended March 31, 2018

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.

NIPPON EXPRESS

Contents

Overview

Management Strategy

Operations

Governance & Sustainability

Financial Section

Corporate Data

Caution Regarding Forward-Looking Statements

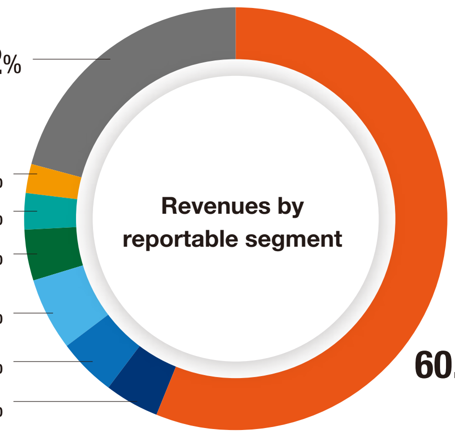
This annual report contains information about forward-looking statements related to such matters as the Company's plans, strategies and business results. These forward-looking statements represent judgments made by the Company based on information available at present and are inherently subject to a 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.

The Nippon Express Group's global network, spanning 293 cities across 45 countries (as of March 31, 2018; excluding Japan), is one of the world's largest. With a global structure comprising the five prongs of Japan, the Americas, Europe, East Asia and South Asia & Oceania, the Nippon Express Group operates a wide range of businesses, including motor cargo transportation and other logistics businesses, the security transportation business, the heavy haulage and construction business, and the logistics support business, which includes the sale of logistics-related products.

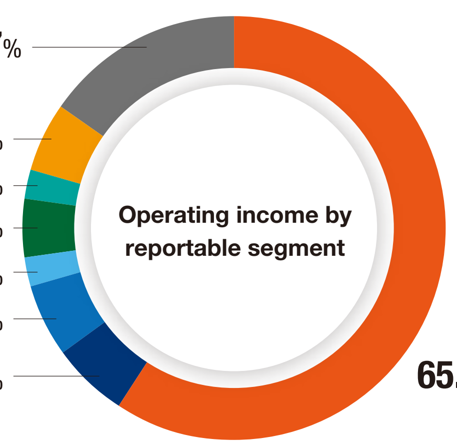
Revenues (fiscal 2017)

¥1,995,317 million



Operating income (fiscal 2017)

¥70,269 million



- Japan
- The Americas
- Europe
- East Asia
- South Asia & Oceania
- Security Transportation
- Heavy Haulage & Construction
- Logistics Support

*Figures presented exclude adjustments.

(As of March 31, 2018)

Scale

Subsidiaries **293**

Affiliates **64**

Overseas network .... **45** countries

293 cities

711 locations

Facilities

Vehicles (non-consolidated) **18,355**

Loading and construction vehicles (non-consolidated) **4,941**

Warehousing

Overseas warehousing space .... **2,910,000** m^2

Warehousing space (non-consolidated) .... **2,800,000** m^2

People

Employees (consolidated) **69,672**

Logistics	
Japan	41,909
The Americas	2,849
Europe	2,966
East Asia	4,937
South Asia & Oceania	7,401

Employees (non-consolidated) **31,871**

Proportion of women among new graduate hires (non-consolidated) (fiscal 2018) **43.3**%

Environmental Protection

Nippon Express Group CO_2 emissions (fiscal 2017) .... **918,388** t

Eco-friendly vehicles held by the domestic Nippon Express Group **9,169**

Origins

1872

- Riku-un Moto Kaisha is founded, organized mainly by Sosuke Sasaki of the Edo-based courier organization Izumiya

1875

- Company name changes to Naikoku Tsu-un Kaisha

1928

- Naikoku Tsu-un merges with Kokusai Unso, Meiji Unso and Kokusai Tsu-un and begins operations under the name Kokusai Tsu-un Kaisha

1937

- Kokusai Tsu-un is dissolved and Nippon Express Co., Ltd. established in response to the need to consolidate transport operations (collection, delivery, loading and unloading at both ends of rail transport routes) brought on by wartime material and labor shortages

1950

- Following the war, Nippon Express is reborn, transforming from national policy concern to private company listed on the Tokyo Stock Exchange

Company History

1951

- Experimental operations of “Nittsu-style” container transport begin

Maebashi Branch express transport truck (circa 1955)

1955

- Domestic consolidated air freight services begin
- Nippon Express completes registration as travel agency and fully enters the travel industry

1957

- International air freight forwarding operations begin

1958

- First employee to be stationed overseas is sent to New York

1959

- First transport by 300-ton trailer

300-ton trailer on its way to the West Tokyo Power Transformer Station

1962

- Nippon Express USA, Inc., the Group’s first overseas subsidiary, is established

Large Nippon Express air freight forwarding truck delivering Olympic athletes’ luggage (1964)

1965

- Security transportation division is launched, specializing in transporting cash between bank branches

1973

- Nippon Express (Singapore) Pte., Ltd. is established

1977

- Nippon Express (Nederland) B.V. is established

1981

- Nippon Express (Deutschland) GmbH is established
- Nippon Express (U.K.) Ltd. is established

1991

- Corporate committee is established to address environmental issues

1992

- 200th overseas location is established

1994

- Nippon Express (Shanghai) Co., Ltd. is established, kicking off the rapid development of the Group’s network of facilities in Asia

2001

- Nippon Express adopts a board of executive officers in response to heightened awareness of corporate governance
- Number of overseas employees surpass 10,000

2006

- Nippon Express (St. Petersburg) LLC is established (now Nippon Express (Russia) LLC)

2007

- Nippon Express (India) Pvt. Ltd. is established

2010

- Small-parcel delivery business is transferred to Japan Post Co., Ltd.

Nippon Express Group Corporate Strategy 2012 —Towards New Growth—

April 1, 2010–March 31, 2013

Shift to a five-pronged global structure / Begin to consolidate business locations in Japan

Key Strategies

- Growth as a Global Logistics Company
- Promotion of Strategic Environmental Management
- Enhancement of Management Infrastructure
- Promotion of Corporate Social Responsibility (CSR) Management

2010

- Operations kick off at Nippon Express Training & Education Center (NEX-TEC Shibaura), which aims to develop professionals and leaders capable of advancing cross-divisional logistics

2011

- Nippon Express Europe GmbH is established in Germany as a regional headquarters company overseeing 15 local corporations in Europe, Russia and the Middle East
- Nippon Express acquires full ownership of U.S. logistics company Associated Global Systems, Inc.

2012

- Nippon Express (South Asia & Oceania) Pte., Ltd. is established in Singapore to oversee 18 local companies in the region
- Nippon Express acquires full ownership of Hong Kong logistics company APC Asia Pacific Cargo (H.K.) Limited

Nippon Express Group Corporate Strategy 2015 —Innovation and Moving Forward—

April 1, 2013–March 31, 2016

Major internal reorganization to establish a one-stop service structure for land, sea and air transport

Key Strategies

- Further Expanding Our Global Logistics Business
- Strengthening Management Practices for Our Domestic Businesses
- Expanding Business by Utilizing the Diversity of Group Companies
- Contributing to Society through Our Businesses in Accordance with Corporate Social Responsibility (CSR) Management

2013

- Nippon Express acquires full ownership of Italian logistics company Franco Vago S.p.A.
- Nittsu NEC Logistics, Ltd. is established (made a consolidated subsidiary in 2014)

2014

- Nittsu Panasonic Logistics Co., Ltd. is established and made a consolidated subsidiary
- Nippon Express Engineering (Vietnam) Co., Ltd. is established, specializing in heavy haulage and construction
- Nippon Express (Myanmar) Co., Ltd. is established.
- Nippon Express (Malaysia) Sdn. Bdn. acquires halal logistics certification with an eye to providing logistics services to Islamic markets worldwide
- Nippon Express reforms its business structure (Kyushu, Kansai, Chubu)

2015

- Nippon Express reforms its business structure (Kanto, Headquarters)
- Nippon Express acquires full ownership of Wanbishi Archives, Co., Ltd.

Nippon Express Group Corporate Strategy 2018 —New Sekai-Nittsu—

April 1, 2016–March 31, 2019

2016

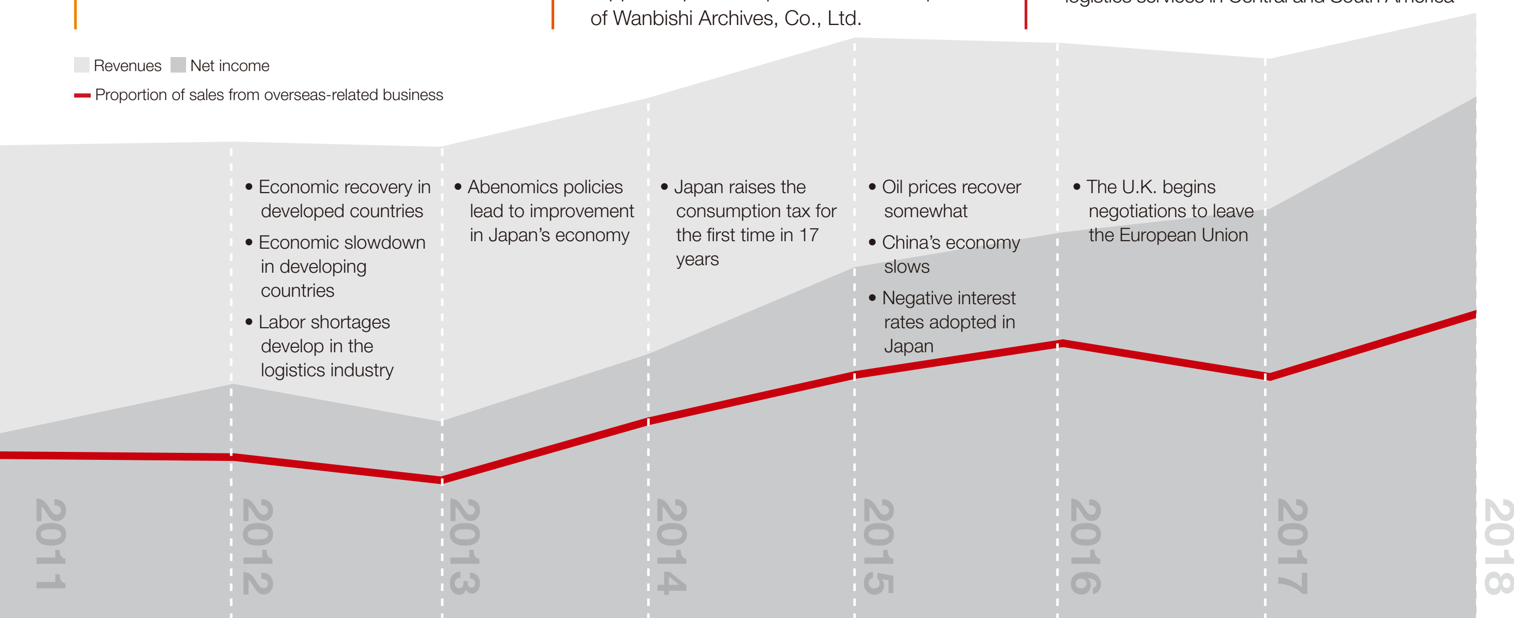
- NEX Global Engineering Pte. Ltd. is established in Singapore to oversee heavy haulage and plant businesses overseas
- Nippon Express acquires a partial stake in Meitetsu Transport Co., Ltd.
- Global Logistics Innovation Centre is established in Singapore to conduct market research and business development targeting non-Japanese global companies

2017

- Kenya Branch, the Group's first business location in Africa, opens
- Memorandum of understanding is concluded with Kazakhstan Railways on rail transport collaboration in Kazakhstan, a key junction linking East Asia and Europe
- The NSAO Mekong Development Center, a regional management organization, is opened to strengthen logistics functions in Thailand
- Nippon Express opens its Morocco Branch, becoming the first Japanese forwarder to operate in the country

2018

- Nippon Express acquires full ownership of Italian logistics company Traconf S.r.l.
- Nippon Express concludes agreement for partnership in Japan with global venture capital accelerator Plug and Play Japan Co., Ltd., to find practical applications for cutting-edge logistics technologies
- Branches are opened in Laos, where "Thailand-plus-one" manufacturing and processing facilities are increasingly being located
- Panama Branch opens in order to expand logistics services in Central and South America



Nippon Express Group Corporate Strategy 2018 —New Sekai-Nittsu—

April 1, 2016–March 31, 2019

Basic Policy

The Nippon Express Group's new management plan is aimed at achieving the Group vision of becoming a global logistics company. Toward this end, we are working to further enhance the profitability of our businesses in Japan, focusing investment on B2B operations in priority business fields and growth regions and promoting Group management emphasizing earnings. Our key strategies are divided into area strategies that define the ranges of activity and functional strategies that outline the targets for reinforcement and reform. In line with these strategies, we will offer logistics-centered supply chain solutions in countries and regions around the world and contribute to customers' global business development.

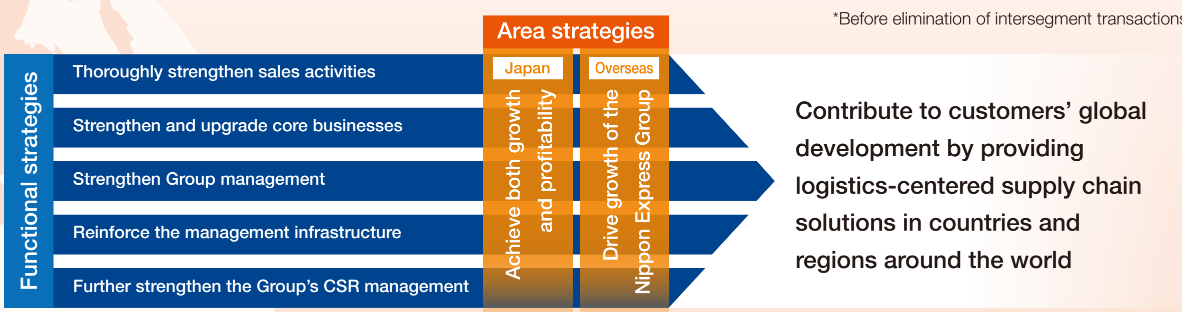
Progress

Numerical Targets / Results	FY2018 targets	FY2018 forecast	FY2017 results
Revenues	¥2,150.0 billion	¥2,080.0 billion	¥1,995.3 billion
Operating income	¥75.0 billion	¥77.0 billion	¥70.2 billion
Net income	¥45.0 billion	¥45.0 billion	¥6.5 billion
Sales from overseas-related business	¥860.0 billion	¥800.0 billion	¥750.6 billion
Return on assets (ROA)	2.8%	3.0%	0.4%
Investment plan	Three-year total ¥200.0 billion	Single-year amount ¥90.0 billion	Single-year amount ¥96.4 billion

Numerical targets by segment		FY2018 targets		FY2017 results	
		Revenues	Operating income	Revenues	Operating income
Logistics	Japan	¥1,300.0 billion	¥48.0 billion	¥1,203.4 billion	¥45.9 billion
	The Americas	¥100.0 billion	¥5.6 billion	¥91.3 billion	¥4.4 billion
	Europe	¥90.0 billion	¥3.8 billion	¥96.0 billion	¥4.1 billion
	East Asia	¥135.0 billion	¥4.2 billion	¥117.4 billion	¥1.8 billion
	South Asia & Oceania	¥105.0 billion	¥3.6 billion	¥85.3 billion	¥3.3 billion
Security Transportation		¥56.0 billion	¥1.7 billion	¥57.2 billion	¥1.7 billion
Heavy Haulage & Construction		¥53.0 billion	¥3.3 billion	¥47.6 billion	¥4.0 billion
Logistics Support		¥472.0 billion	¥10.4 billion	¥443.2 billion	¥11.7 billion

*Before elimination of intersegment transactions

Key strategies



Vision of the Nippon Express Group

"Global Logistics Company"

Progress

For details about items marked with "○," please refer to pp 14–15.

Key strategies	Areas of Focus	Progress
Area strategies		
Japan **Achieve both growth and profitability**	Develop business adapted to regional characteristics	• Establishment of Automotive Business Branch • Establishment of Kyushu Automotive Logistics Branch • Establishment of Nomi Distribution Center ○ Support joint modal shift between Kansai/Chugoku and Kyushu by four major beer manufacturers
	Strengthen domestic businesses, and establish new core businesses	• Establishment of Network Transport Business Promotion Headquarters ○ Launch of NEX-NET: Sea & Rail Tokyo Land Bridge WestBound/EastBound ○ Establishment of Narita Temperature Controlled HUB (a large-scale freezer/refrigeration facility) • Establishment of services in new temperature range (2°C – 8°C) in TempSure Thermo ULD (making it possible to handle the transportation of medical supplies and pharmaceuticals) ○ Operational kickoff of Kaigai Tenkai Highway
Overseas **Drive growth of the Nippon Express Group**	Enhance profitability in the Americas, Europe, and East Asia	○ Establishment of Kenya Branch and Morocco Branch ○ Relocation and expansion of Laredo office in Texas, an important area for logistics between the U.S. and Mexico
	Growth in South Asia & Oceania	• Establishment of Thilawa Logistics Center and Myawaddy Office in Myanmar • Establishment of Semarang Logistics Center in Indonesia ○ Acquisition of bonded logistics center license for food-related products and electrical and electronic-related goods, halal certification, and AEO certification in Indonesia
Functional strategies		
Thoroughly strengthen sales activities	Expand sales & marketing targeting non-Japanese companies	• Establishment of Global Logistics Innovation Center
Strengthen Group management	Promote M&A that will contribute to enhancement of the corporate value of the Nippon Express Group	○ Acquisition of Traconf S.r.l. as subsidiary
Strengthen and upgrade core businesses	Expand the network in the intra-Asian region	○ Establishment of NSAO Mekong Development Center
	Increase the deals for traffic to and from Asia	○ Entry into business tie-up with Kazakhstan Railways ○ Establishment of Chongqing SEA & RAIL Service • Entry into business tie-up with SIPG Logistics Co., Ltd.

Under the "Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu" business plan, Nippon Express has been working to increase its corporate value in order to become a truly global logistics company. As we move toward the next stage, we will create new value from logistics to contribute to social development.

Mitsuru Saito

Mitsuru Saito
President, Chief Executive Officer

My First Year as President and the Work Ahead

About a year and a half has passed since I became president in May 2017. Every day, I am made strongly aware of my responsibility to act with certainty as I put decisions into action and achieve the targets the Group has committed to. Since taking office, I have keenly felt the strength of the Nippon Express Group, the vastness of its potential and the weight of the work that lies ahead of us.

My mission as president is, quite simply, to grow the Nippon Express Group into a truly global logistics company. Within the Company, I constantly strive to communicate the importance of boldly embracing innovation and acting with speed. Sharing a sense of urgency driven by the understanding that the dangers posed by holding back outweigh those of moving forward, we are striving to transform all aspects of our corporate culture, extending even to employee mindsets.

We are considering balance sheet strategy from the perspective of financial and capital markets and will continue working to enhance our capital efficiency and further increase corporate value.

The Nippon Express Group's Vision and Mission

A truly global logistics company, as Nippon Express aspires to be, must offer logistics-centered supply chain solutions around the world and contribute to its customers' global business development. I hope to help strengthen the Nippon Express Group so that it can exert a strong presence on the world stage. We are working to leverage the high level of quality we have developed through our operations in Japan while enhancing speed and innovating so that we can hold our own against the largest European and American forwarding companies. We are determined to take the lead in addressing the challenges the industry is facing, such as securing human resources and building next-generation logistics services, and to boldly push boundaries as a leader in Japan's logistics industry.

Looking at our responsibility as a member of society, expectations for logistics to play a crucial role in social infrastructure are great. For example, in recent years, logistics companies have increasingly been tasked with optimizing their customers' overall supply chains, and, at times of disaster, providing support that helps customers maintain business continuity or resume operations quickly to help communities recover. In the Nippon Express Group Corporate Philosophy, we declare that we will be a driving force for social development by connecting people, businesses and regions. By firmly putting these principles into action, we will meet society's expectations.

Fiscal 2017 Operating Environment and Performance

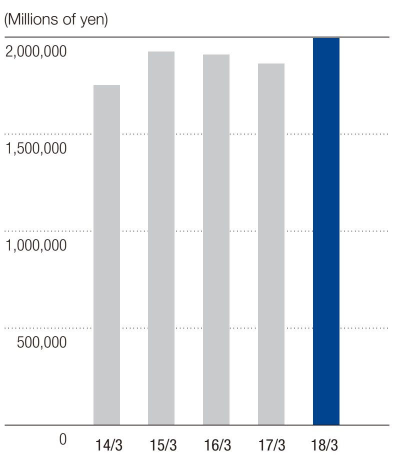
During fiscal 2017, the year ended March 31, 2018, production and trade expanded globally, and the global economy continued to grow. The domestic economy also saw gradual improvement, backed by recovery in exports and production. In the logistics industry, transport-related demand for such domestic freight as automotive parts and steel increased. International freight was firm overall, as air freight forwarding of electronics parts and other cargo, mainly to Asia, remained strong.

Under these circumstances, fiscal 2017 revenues came to ¥1,995.3 billion, up 7.0% from the previous fiscal year, and operating income rose 22.4% year on year to ¥70.2 billion. Both revenues and operating income set new record highs. However, profit attributable to owners of parent came to ¥6.5 billion, down 82.1% year on year due in part to impairment loss on goodwill.

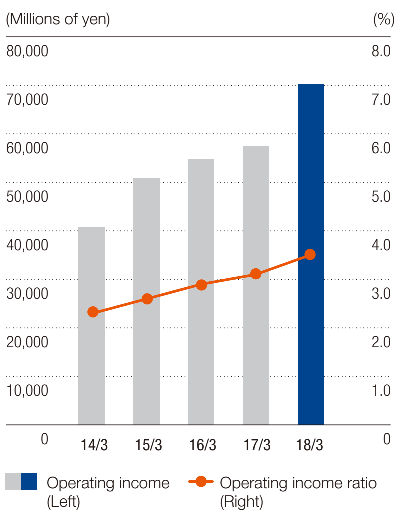
The greatest factor behind the increase in revenues was air freight forwarding, particularly the increase in export freight originating in Japan. Shipments of automotive- and machinery-related freight going to Europe and electronics parts going to Asia were strong. In addition, revenues in the logistics support business grew considerably, including those from packing services. Overseas, the Group's European businesses saw firm import and export forwarding as well as warehousing and delivery operations, and cargo handling in the new areas of high-end fashion and non-Japanese corporate customers increased. Revenues and profit in both Europe and South Asia & Oceania, where we steadily captured economic growth, improved significantly.

At the same time, anticipated synergies with companies we had brought into the Group through M&A were slow to materialize, and we recorded impairment loss on goodwill and non-current assets. Wanbishi Archives, on which we recorded impairment loss, is an important Group company, and we will redouble our efforts as a Group to realize the positive effects of its integration.

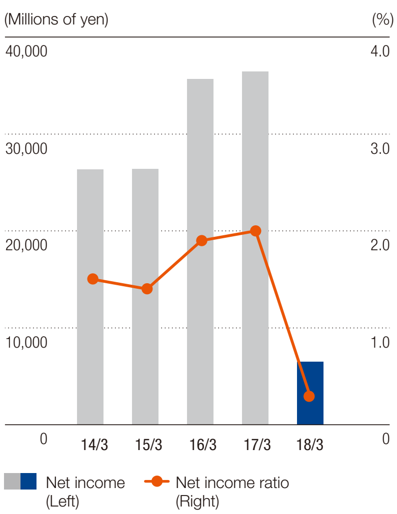
Revenues



Operating Income and Operating Income Ratio



Net Income and Net Income Ratio



Progress under "Nippon Express Group Corporate Strategy 2018 —New Sekai-Nittsu"

Under the current business plan, we are working to further enhance the profitability of businesses in Japan while focusing investment on B2B operations in priority business fields and growth regions and promoting Group management that emphasizes earnings. The management environment has changed in several ways since we formulated the plan, but we have steadily implemented the plan's key strategies, which are classified as area strategies and functional strategies. Thanks to these efforts, I think that progress thus far has largely met our expectations.

Area Strategies

In Japan, we are working to achieve both growth and profitability. To this end, we have been working to unify land, marine and air operations while upgrading facilities to serve as the foundation of global logistics operations in order to expand business with global companies, focusing mainly on the region encompassing Tokyo, Nagoya and Osaka. We also established the Network Transport Business Promotion Headquarters as part of efforts to build new businesses, including network transport products combining marine and harbor transportation with railway transportation.

Overseas, we continued to focus management resources on South Asia. Specifically, we upgraded facilities as part of efforts to expand the volume of logistics we handle going to and from, and moving within, the Asia region. We invested in new growth elsewhere as well, opening branches in Kenya and Morocco in Africa and expanding our Laredo location in Texas, an important area for logistics between the United States and Mexico.

Functional Strategies

The five functional strategies are as follows: First, to thoroughly strengthen sales activities, we have further reinforced our one-stop sales and account management and reorganized the domestic regional blocs, working to effectively use and share personnel and resources over wider areas to expand revenues. Second, to strengthen and upgrade core businesses, the Group established a regional management organization aimed at reinforcing logistics functions in Thailand as part of efforts to strengthen logistics functions in the region, focusing on forwarding, an area of strength, to meet customer needs. Third, to strengthen Group management, the Group worked to advance coordination between Group companies and promoted the joint use of equipment and facilities. Fourth, to reinforce the management infrastructure, the Group worked to improve productivity and streamline operations by such means as establishing a shared service organization to consolidate accounting. Fifth, to further strengthen the Group's CSR management, the Group actively advanced work style reforms, including efforts to promote diversity and eliminate excessively long working hours.

(Millions of yen)

	Management Plan 2018 targets to be achieved in FY2018	Forecast for FY2018	Actual results in FY2017	Actual results in FY2016
Revenues	2,150,000	2,080,000	1,995,317	1,864,301
Operating income	75,000	77,000	70,269	57,431
Profit attributable to owners of parent	45,000	45,000	6,534	36,454
Sales from overseas-related business	860,000	800,000	750,687	645,997
ROA (Return on Assets)	2.8%	3.0%	0.4%	2.4%
Investment plan	(3-year total) 200,000	90,000	96,452	80,300

Medium- and Long-Term Outlook and Strategy

To achieve the targets of the business plan and sustainably enhance corporate value, in addition to the basic drivers of growth strategies and improving profitability, a Group management approach, which underpins both, will be essential.

Growth Strategies

To reach the fiscal 2018 forecast of operating income of ¥77.0 billion we must first thoroughly strengthen sales activities. We are further reinforcing one-stop sales and account management to address market needs comprehensively, rather than in isolation. As we do so, we are aiming to secure our customers' logistics operations in their entirety, utilizing land, marine and air operations as an integrated whole to expand international business, where there is a great deal of room for growth.

Next, in overseas businesses, we will advance business development with a heightened sense of speed and scale, focusing mainly on the freight forwarding and logistics businesses. In particular, in Asia, where approximately 70% of the world's logistics is concentrated, we will bring together the comprehensive strengths of the Group. We are conducting market research and sales development at the Global Logistics Innovation Centre (GLIC) recently opened in Singapore to secure business with non-Japanese customers and downstream industries, which until now have not been areas where we excel. Our strength is the high level of quality we have developed in Japan, and we will remain committed to maintaining and improving this strength. Furthermore, in countries and regions that we have yet to enter, we will continue to lay the groundwork for future business. We recently became the first Japanese-owned forwarder to open a branch in Panama. We intend to be a trail blazer in that market and in Africa.

To further accelerate growth, we are also utilizing M&A. In March 2018, we added Traconf S.r.l., a company with considerable strength in fashion industry logistics, especially for high-end fashion, to the Nippon Express Group. Together with Franco Vago S.p.A., which deals in freight forwarding, Trancof has given the Group access to markets in the high-end fashion industry, allowing it to build a platform for providing integrated services. Going forward, we will expand our high-end fashion logistics business around the world.

By combining freight forwarding, which has been an area of strength overseas, with the logistics business, in which we have built up know-how in Japan, we will develop a wide range of services that will provide comprehensive support for customers' supply chains.

Improving Profitability

Fundamental to improving profitability will be streamlining operations, enhancing productivity, and ensuring that our pricing is fair. In Japan, through organizational reforms, we have been consolidating our regional blocs, working to reduce management costs and the costs of integrated land, marine, and air operations. Furthermore, in terms of management functions, using the Shared Service Center established in November 2017, we have been consolidating accounting operations and working to improve the efficiency of administrative work performed using robotic process automation.

Regarding the issue of fair pricing, because personnel, outsourcing and fuel costs are all expected to continue rising, we are asking our customers for fair compensation. At the same time, such price increases are, of course, accompanied by initiatives to support the improvement of customers' logistics and streamline their supply chains.

Group Management

To promote overall optimization, we will further advance thoroughgoing Group management. The Nippon Express Group possesses management resources capable of providing a wide range of services ancillary to logistics, such as its domestic and international networks, IT systems, marketing functions, financial support capabilities and think tank support. This capacity to meet so many of our business needs internally sets us clearly apart from the competition. We must utilize this capacity as a cohesive, integrated force, making it a source of overwhelming strength. There is considerable room for improvement in this area, so I hope to speed up the reinforcement of such coordination going forward.

To enhance the Group's asset efficiency, we established the Group CRE Management Division in April 2018. This division will carry out the unified management of efforts to make more efficient use of Group real estate assets, positioning the real estate business as an income generator. We will relocate the Company's headquarters building in 2021. This will reinforce our one-stop land, marine and air transport business framework while also serving as part of initiatives to make efficient use of our real estate assets.

The Next Business Plan

Under the next business plan, we will continue to accelerate growth in overseas markets, which present the greatest growth potential; one-stop sales and account management will remain the core of our business strategy; and, in Japan, we will continue to focus on the region encompassing Tokyo, Osaka and Nagoya. In addition, we are focusing on capital efficiency.

The Japanese logistics industry is now facing severe truck driver shortages, and unresolved issues related to the industry's workforce, such as the need to prevent excessively long working hours and implement other work style reforms, are receiving widespread scrutiny as social issues. Securing and developing human resources is a major challenge the logistics industry as a whole is facing. We must attract new people to the industry. Nippon Express is taking the lead in improving work environments and reforming work practices to be more attractive to the younger generation. To this end, in May 2017, we established the Diversity Promotion Group with the aim of helping all employees to feel that their work is worthwhile and reinforce competitiveness by enabling diverse employees to excel. Furthermore, we believe that it is important to stay alert to and strive to apply new technologies that help address personnel shortages and improve operational efficiency and productivity. In May 2017, we established the Logistics Engineering Strategy Division, under which we have begun high-level research and the development of cutting-edge logistics technologies. We are concentrating efforts in this area in order to bring new technologies to practical and commercial applications as quickly as possible. Going forward, we will continue to implement these and other initiatives aimed at sustainable growth.

Business Infrastructure

To achieve sustainable growth, we must not only attend to short-term financial results, but effectively enhance our business infrastructure, including corporate governance and CSR.

Corporate governance is one of the Nippon Express Group's top priorities. We are constantly improving our management structure in response to demands from a wide range of stakeholders.

The Nippon Express Group's basic approach to corporate social responsibility (CSR) is to help improve the lives of people around the globe and support the development of a sustainable world through logistics. Accordingly, we have established "Responsibilities to the Earth's Environment," "Sound Company Conduct," and "Respect for Human Rights" as key priorities for the entire Group. We are advancing efforts in step with international initiatives, such as the Sustainable Development Goals (SDGs), as we pursue sustainable management aimed at the sustainable development of both the Group and society.

Message to Our Stakeholders

Nippon Express regards shareholder returns as part of the foundation of sustainable growth.

Nippon Express executed a consolidation of shares on October 1, 2017 at a ratio of 10 common shares to 1. After accounting for said consolidation of shares, the annual dividend for fiscal 2017 came to ¥120 per share. We are targeting a dividend payout ratio of around 30% to 40% and forecast a per-share dividend of ¥145 for fiscal 2018.

We seek to carry out increases in treasury stock holdings on an ongoing basis and will flexibly consider such options in light of capital requirements for growth, the market environment and other factors.

Going forward, we will strive to achieve both growth and strong profitability, working to reinforce the Group's financial position and enhance the return of profits to shareholders.

We gratefully look forward to your continued support.

2018

July

Establishment of Integrated Transport System for Halal Products in Indonesia

Muslims make up nearly 90% of Indonesia's population, and the country's halal market is expected to see continued expansion. Beginning in April 2018, PT Nippon Express Indonesia, PT Nittsu Lemo Indonesia Logistik and PT NEX Logistics Indonesia received halal certification from Indonesia's certifying body. With this, said three Group companies will be able to provide comprehensive halal logistics services, ranging from air and ocean cargo forwarding to warehousing storage and distribution, thereby enabling broad support for customers' supply chains.

Operations Launched in Laos, the Group's Ninth ASEAN Country

Nippon Express (South Asia & Oceania) Pte., Ltd. has established two branches in Laos—one in the capital, Vientiane, and one in Savannakhet Province. In recent years, Laos has seen strong economic growth of more than 7% annually and has attracted attention in Japan as a location for "Thailand-Plus-One" manufacturing and processing, in which primary manufacturing sites in Thailand are supplemented by operations in the surrounding region. The country is located in the heart of the GMS* and is an important strategic region for logistics linking Thailand, Vietnam and China. The Nippon Express Group has begun operations in Laos to ensure that it will be able to take advantage of growing logistics demand going forward.

* Greater Mekong Sub-region, a name for a region of the Mekong River basin spanning Thailand, Cambodia, Laos, Vietnam, Myanmar, and China's Yunnan Province and Guangxi Zhuang Autonomous Region.

May

Intermodal Through Transport Services between Japan and Europe Begun Using China-Europe Rail Transport

Nippon Express Co., Ltd. is developing cross-border rail transport services between China and Europe on an ongoing basis. In May 2018, the Company commenced sales of Eurasia Train Direct (Sea & Rail), an intermodal through transport service between Japan and Europe that combines sea and rail transport, and Eurasia Train Direct (Air & Rail), which combines air and rail transport. Under these services, Nippon Express maintains seamless responsibility for transport from origin to destination. Furthermore, these services offer a "third transport mode," positioned between air and maritime transport, for use during peak periods or under special circumstances.

April

Supporting a Joint Modal Shift by Major Beer Brewers

Nippon Express Co., Ltd. is supporting a joint mobile shift in transport between the Kansai and Chugoku regions and Kyushu being undertaken by Asahi Breweries, Ltd., Kirin Brewery Company, Limited, Sapporo Breweries, Ltd. and Suntory Beer Ltd. This modal shift is aimed at the reducing the environmental impact of logistics operations and alleviating truck driver shortages by reducing long-distance trucking. Together, the four companies expect to secure long-distance rail container transport capacity equivalent to 2,400 heavy trucks, thereby reducing annual CO_2 emissions by 1,500 tons (or approximately 74% of the previous level).

Creating Business Structures to Expand the Real Estate Business

Nippon Express Co., Ltd. established a Group CRE Management Division within the Administration Headquarters as part of business structure reforms. In recent years, CRE* strategy has been growing in importance as part of efforts to ensure optimized, efficient use of corporate real estate and thereby maximize corporate value. The Group plans to expand its real estate business to secure annual revenues of around ¥10 billion and will proactively invest the resulting profit in areas that include cutting-edge technologies, such as AI and IoT at front-line logistics sites.

* Corporate real estate

March

Italian Company Traconf S.r.l. Made a Consolidated Subsidiary

Nippon Express Co., Ltd., made Traconf S.r.l., an Italian apparel-related logistics service provider in the high-end fashion industry, a consolidated subsidiary through Nippon Express Europe GmbH. This move will enable one-stop service, in coordination with Franco Vago S.p.A., another Italian company the Group acquired in 2013, encompassing international transport, product warehousing and distribution to market. Nippon Express aims to become a leader in fashion logistics not just in Europe, but around the world.

February

Chongqing SEA & RAIL Multimodal Transport Service Launched

Nippon Express (China) Co., Ltd. began sales of a new multimodal transport service that combines rail transport from Chongqing to Qinzhou, near the Chinese border with Vietnam, with maritime transport from Qinzhou Port to major ports in Japan and Southeast Asia. The new transport service cuts lead times considerably compared with conventional maritime transport via the Yangtze River, helping overcome such issues as delays in domestic shipping schedules on the Yangtze and delays due to dam repairs.

2017

December/August

Sales of Eco-Friendly Domestic Multimodal Transport Service Begun

Nippon Express Co., Ltd. is developing new, eco-friendly logistics services called Nippon Express-New Eco Transport, or NEX-NET. First, in August 2017, sales began of NEX-NET: Sea & Rail Tokyo Land Bridge WestBound, a service combining marine transport from the Port of Tomakomai in Hokkaido to Tokyo Bay with rail transport from Tokyo. Next, in December

2017, sales began of NEX-NET: Sea & Rail Tokyo Land Bridge EastBound, a service combining rail transport from Western Japan (chiefly the Kansai region) to rail freight terminals in Tokyo with marine transport from Tokyo Bay to the ports of Tomakomai and Kushiro. Nippon Express will continue working to reduce the environmental footprint of logistics operations.

Two Branches Opened in Africa

Nippon Express Europe GmbH began operations in Kenya in August 2017, and in Morocco in December of the same year, becoming the first Japanese forwarder to operate in the country. Logistics demand in Kenya is expected to expand as more Japanese companies enter the country prompted by investment by the Japanese government and the commencement of transport by a new freight train route in 2017. In Morocco, the government's active solicitation of foreign companies has drawn many Japanese automotive parts-related companies to the country, and the government has been pursuing strategic measures aimed at establishing Morocco as a logistics hub for North and West Africa. The Nippon Express Group will continue actively working to enter the African market.

October

Comprehensive Support for Online Retailing in the United States

For small and medium-sized Japanese companies, there are many formidable barriers to exporting products, including those related to human resources, language abilities, sales channels, overseas market information and cost. Nippon Express Co., Ltd. has launched Kaigai Tenkai Highway, an export service that addresses all these barriers in a single package focused on U.S. e-commerce sites. Going forward, Nippon Express plans to expand this service to European, Asian and other markets while broadening sales channels through such means as enabling sales through multiple e-commerce websites in each country or region and brick-and-mortar shops.

Regional Management Organization Established in Thailand

Nippon Express (South Asia & Oceania) Pte. Ltd. (NSAO) opened the NSAO Mekong Development Center in Bangkok, Thailand, to respond to diversifying needs and to market and social changes in South and Southeast Asia, with a particular focus on bolstering logistics functions in the Mekong Region.* To address needs for a comprehensive, Groupwide approach, the center will serve as a regional management organization, providing multifaceted support for the Group's logistics operations, transport networks, trucking services, new businesses, and IT planning, development and sales functions.

* The area around the Mekong River basin—namely, Thailand, Vietnam, Cambodia, Myanmar and Laos—which is expected to continue seeing strong economic growth.

September

Business Location in Laredo, Texas, Relocated and Expanded

Nippon Express USA, Inc., relocated and expanded its facilities in Laredo, Texas, in the United States. Positioned near the U.S.-Mexico border, the city of Laredo sits in the NAFTA corridor connecting the American Midwest, home of the nation's automobile industry, with the Central Mexican Plateau and is thus a key location handling trade between the two countries. Combining the functions of a logistics center with those of a truck control center, the new facility will enable bonded storage, milk-runs and door-to-door cross-border truck transport.

August

Memorandum of Understanding with Kazakhstan Railways on Rail Transport Collaboration

Nippon Express (China) Co., Ltd. concluded a memorandum of understanding with Kazakhstan Railways National Company (Kazakhstan's national rail company) and one of the railway's subsidiaries regarding a partnership for cooperation in rail transport and logistics services in China, South Korea, Taiwan, Hong Kong and Kazakhstan. Kazakhstan is a key junction for railway transport linking East Asia and Europe. Through this partnership, Nippon Express seeks to develop products that leverage rail transport routes through Kazakhstan and to bolster its logistics functions in East Asia.

July

Large-Scale Freezer/Refrigerator Facility Opened, Targeting Pharmaceuticals

Reflecting rising demand for international air freight transport requiring strict temperature control, mainly for medical and pharmaceutical products, chemicals and electronic materials, customers are seeking higher-quality temperature control during transport and warehousing. To meet these needs, Nippon Express Co., Ltd. established and began operating Narita Temperature Controlled HUB, a freezer/refrigerator facility located within one of its logistics centers, about 5 km from Narita Airport, to serve as a logistics base offering strict temperature control for international air cargo.

Leading the Way in Logistics Innovation with Cutting-Edge R&D —The Logistics Engineering Strategy Division

As part of its May 2017 business structure reforms, Nippon Express Co., Ltd. established the Logistics Engineering Strategy Division (LE Strategy Division) within the Administration Headquarters to build services that utilize cutting-edge logistics technologies.

With an eye on strategically utilizing advanced technologies, the LE Strategy Division coordinates with relevant existing divisions within the Company and the Group to match such technologies with internal needs and the needs of customers. At the same time, the division has designated seven activity themes and acts as project leader directing the technological development of the Nippon Express Group as a whole. As a leader in the logistics industry, Nippon Express is playing a leading role in finding practical applications for cutting-edge technologies and solving social issues.

In the Japanese logistics industry, a shortage of labor—reflecting the aging of truck drivers and an insufficient supply of younger workers due to the country's demographic graying—has become a serious challenge. At the same time, society is approaching a turning point that is being called the fourth industrial revolution, and there are signs that players in other industries may enter the logistics industry. As such, it is essential that the logistics industry also promote initiatives to utilize IoT, AI and other cutting-edge technologies.

Until now, know-how and insights regarding the use of such technologies existed in disparate and isolated pockets scattered among individual worksites and Group companies. Nippon Express aims to bring this knowledge and these insights together to provide highly versatile, cutting-edge solutions. The LE Strategy Division gathers information on cutting-edge technologies and advances initiatives under seven activity themes from research onward. We are striving to actively lead the way in commercializing new technologies with the potential to revolutionize logistics, such as self-driving trucks and drones, and thereby enhance efficiency in a wide range of areas.

By creating new value that goes a step beyond present needs, we will help solve social issues and build a solid competitive advantage in the industry.

Seven Activity Themes

1. Applying self-driving technologies to vehicle platooning
2. Utilizing robots for material handling and loading/unloading to bring greater sophistication to warehousing
3. Partially computerizing roll calls and inspections to reduce the workloads of drivers/managers
4. Researching and developing logistics solutions that utilize AI
5. Constructing a system for matching cargo with vehicles
6. Employing drones (small unmanned aerial vehicles)
7. Collecting information on cutting-edge technologies

Demonstration Testing of Drone Use inside Warehouses

In August 2017, Nippon Express tested the utilization of drones for warehouse inventory control and logistics facility security in its Tokyo C-NEX Warehouse. Semi-autonomous flight testing, in-flight Chameleon Code* reading testing, and video recording testing using ultrasensitive multi-purpose cameras for security operations were conducted to verify the current level of technology and to identify issues to be addressed in practically applying this technology. Building on drones' ability to fly, Nippon Express will continue to examine the use, on a range of fronts, of the full range of capabilities of drones, including carrying things as well as functions related to seeing, probing, checking and monitoring.

* Chameleon Code: A color bar code that uses cyan, magenta, yellow and black to enable the precise, high-speed recognition of multiple codes

Data Analyses for Optimal Placement of Logistics Bases

Overseas expansion by our customers is shifting from setting up manufacturing sites to sales activities targeting the markets of host countries, giving rise to the need to add to and reorganize their logistics bases. In 2017, the Global Logistics Solutions Division (GLS Division), which handles overseas logistics businesses, began providing new functions utilizing customers' big data to conduct analyses to determine the optimal placement of logistics bases. In addition to offering analyses based on specific objectives, such as cutting logistics costs, reducing delivery lead times, or revising the number of locations, these analyses will cover the entire world, meaning that the scope of locations to be analyzed can extend beyond a particular country.

* Conceptual illustration

Overview

- We are taking part in the testing efforts of the Ministry of Land, Infrastructure, Transport and Tourism and Ministry of Economy, Trade and Industry, aimed at real-world testing by 2020 and commercialization by 2022, by offering opinions and operational technology support and participating in the drawing up of regulations.
- We are advancing considerations regarding the commercial use of platooning.

- We have previously used these technologies only for specific customers and cargos. Going forward, however, we will focus on building highly versatile systems that can handle a wide range of cargo.
- Introducing versatile automated systems will require the further sophistication of the systems themselves, so we will work with specialized material handling companies and other partners.

- We are computerizing certain aspects of vehicle inspections and pre- and post-trip roll calls
- To avoid human error, we are building computerized systems that increase accuracy and support operations managers.

- We are working to optimize warehouse layouts and operations by actively utilizing AI and big data.
- We are working with partners who have cutting-edge technologies and sharing our logistics know-how and ideas to build solutions.

- We need a platform that does not simply offer matching, but takes into account the transport capabilities of the Nippon Express Group. Leveraging our nationwide network, we are creating a platform that can be effectively used in our mainstay B2B services.

- Efforts center on using drones to access high places and in warehouses.
- We are already conducting pilot testing in warehouses in Europe and developing a palette-level inventory management system. However, as there remain a number of difficulties related to barcode, RFID and other recognition technologies as well as linking with automated systems, these systems are not yet ready for practical use in complex inventory management.
- We are studying opportunities to improve efficiency while ensuring safety, such as using drones to inspect freight stored in high places as well as facilities and bridges during construction using heavy machinery.

- Technological innovation is constantly advancing, and our efforts encompass all areas that contribute to the evolution of logistics.
- We are pursuing efficiency from numerous angles, including those related to business and internal improvements.
- Through such means as participating in accelerator programs, we are collecting information and will actively advance collaborations with start-ups that offer useful technologies.

Partnership Agreement with Plug and Play Japan

To help commercialize cutting-edge logistic technologies, Nippon Express has concluded a partnership agreement effective in Japan with global venture capital accelerator Plug and Play Japan Co., Ltd., which works alongside major companies to support startups offering innovative technologies and ideas. Though this partnership, Nippon Express will be engaging with and uncovering venture companies that investigate, research, develop, or already possess various cutting-edge technologies. These efforts are expected to contribute to the development of the entire logistics industry.

Research into Using Computerization to Improve Roll Call Accuracy

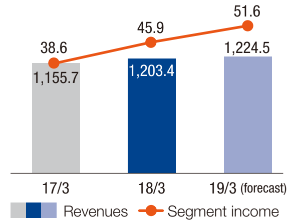
The work of operations managers is wide ranging, encompassing the labor management and education of drivers and management of trip schedules. In particular, roll call functions before and after trips, including verifying that drivers and vehicles are fit for duty, require a great deal of time and labor, and keeping information on the preexisting health conditions and health maintenance of each driver current across multiple locations is difficult, presenting issues related to roll call accuracy. Nippon Express and Nittsu Research Institute and Consulting proposed the research theme “Using Computerization to Improve Roll Call Accuracy” for support under the Ministry of Land, Infrastructure, Transport and Tourism’s 2018 Transportation Technology Development Promotion System, and the proposal was accepted. We plan to carry out a three-year study on roll call functions using automated technologies to improve accuracy and reduce labor requirements. With support from the government, we aim to create systems that will be useful not just for the Nippon Express Group, but for many companies.

Segment Overview

Japan (As of March 31, 2018)

Revenues and Segment Income

(Billions of yen)



Fiscal 2018 Forecast

Revenues:	¥1,224.5 billion
Segment income:	¥51.6 billion
Main capital expenditure plans:	New international air freight core system for Nippon Express Co., Ltd.

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

Main Constituent Companies (total: 208)

Nippon Express Co., Ltd., Nittsu Transport Co., Ltd., Nittsu Panasonic Logistics Co., Ltd., Nittsu NEC Logistics, Ltd., Wanbishi Archives, Co., Ltd., Nippon Shipping Co., Ltd., Osaka Warehouse Co., Ltd., Hokuoh Transportation Inc., Kita-Nihon Kaiun Co., Ltd., Shiogama Koun Co., Ltd., Bingo Express Co., Ltd., Sakaiminato Kairiku Unso Co., Ltd., Tokushima Express Co., Ltd.
Including the above, 155 consolidated subsidiaries, 1 equity-method subsidiary, 13 equity-method affiliates and 38 other affiliates

Segment Resources

Employees:	41,909
Segment assets:	¥831.4 billion
Capital expenditures:	¥74.3 billion

Fiscal 2017 Performance

Due in part to firm transactions in air freight export and chartered truck services, revenues rose ¥47.7 billion, or 4.1%, year on year to ¥1,203.4 billion. Operating income increased ¥7.3 billion, or 18.9%, year on year to ¥45.9 billion.

Fiscal 2017 Highlights

We worked to create new value to meet market needs through such means as reinforcing the transport value chain. Efforts to this end included providing support for the joint modal shift in transport between the Kansai and Chugoku regions and Kyushu for the products of four major beer brewers, the expansion of services to meet needs for the strict temperature control of medical and other products by opening a new freezer/refrigerator facility, and the proactive development of an eco-friendly logistics service called Nippon Express-New Eco Transport (NEX-NET). Furthermore, to strategically utilize corporate real estate, we reformed the management structure for real estate owned by the Group.

Fiscal 2018 Forecast

- Air export forwarding will remain strong, especially to Asia.
- We will develop businesses suited to regional characteristics and further expand and enhance one-stop sales and account management.

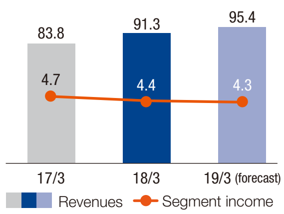
*Forecast as of July 31, 2018

**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. The segment forecasts reflect this change.

The Americas (As of March 31, 2018)

Revenues and Segment Income

(Billions of yen)



Fiscal 2018 Forecast

Revenues:	¥95.4 billion
Segment income:	¥4.3 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 and 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

Main Constituent Companies (total: 13 companies)

Nippon Express USA, Inc.
Including the above, 12 consolidated subsidiaries and 1 equity-method affiliate

Segment Resources

Employees:	2,849
Locations:	143
Segment assets:	¥49.5 billion
Capital expenditures:	¥1.6 billion

Fiscal 2017 Performance

Due in part to firm transactions in air freight export and chartered truck services, revenues rose ¥7.5 billion, or 9.0%, year on year to ¥91.3 billion. However, due to such factors as rising forwarding costs, operating income decreased ¥0.2 billion, or 6.0%, year on year to ¥4.4 billion.

Fiscal 2017 Highlights

U.S.-Mexico cross-border logistics, especially that related to automobiles, is increasingly brisk. To increase our presence in this field, we expanded our facilities in Laredo, Texas, a city located near the U.S.-Mexico border and on a corridor connecting key automotive industry manufacturing regions, aiming to reinforce our logistics functions.

Fiscal 2018 Forecast

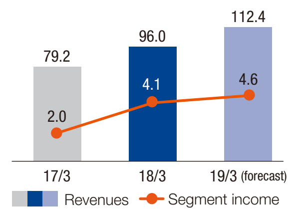
- Automobile-related truck transportation between the United States and Mexico will remain strong. Cargo movement of marine export/import freight forwarding and warehousing and distribution will remain steady.

*Forecast as of July 31, 2018

Europe (As of March 31, 2018)

Revenues and Segment Income

(Billions of yen)



Fiscal 2018 Forecast

Revenues:	¥112.4 billion
Segment income:	¥4.6 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. and other subsidiaries and affiliates engage in air freight forwarding, marine and harbor transportation and warehousing in various cities in Europe.

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

Main Constituent Companies (total: 37)

Nippon Express Europe GmbH, Nippon Express (U.K.) Ltd., Nippon Express (Nederland) B.V., Nippon Express France, S.A., Franco Vago S.p.A.
Including the above, 37 consolidated subsidiaries.

Segment Resources

Employees:	2,966
Locations:	90
Segment assets:	¥75.0 billion
Capital expenditures:	¥1.5 billion

Fiscal 2017 Performance

Due to firm transactions in air freight forwarding and marine and harbor transportation, revenues rose ¥16.7 billion, or 21.1%, year on year to ¥96.0 billion. Operating income increased ¥2.1 billion, or 104.6 %, year on year to ¥4.1 billion.

Fiscal 2017 Highlights

In anticipation of further logistics links between Europe and Africa, we opened branches in Kenya and Morocco to put in place a structure capable of meeting needs in African markets. We are aggressively working to develop our logistics business by expanding our European logistics network into Africa. Furthermore, in Italy, to complement an existing subsidiary that operates a strong forwarding business for high-end fashion, we made another local company, a provider of high-end fashion logistics services, a subsidiary, thereby reinforcing our business structure.

Fiscal 2018 Forecast

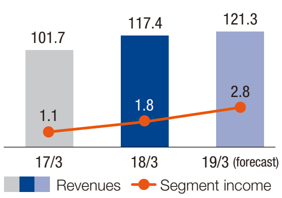
- The warehousing and distribution business and air and marine export/import freight forwarding will be solid. Enhancement of sales to non-Japanese companies is achieving penetration.

*Forecast as of July 31, 2018

East Asia (As of March 31, 2018)

Revenues and Segment Income

(Billions of yen)



Fiscal 2018 Forecast

Revenues:	¥121.3 billion
Segment income:	¥2.8 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 and harbor transportation, warehousing and other businesses in various cities in East Asia.

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

Main Constituent Companies (total: 26)

Nippon Express (China) Co., Ltd., Nippon Express (H.K.) Co., Ltd., APC Asia Pacific Cargo (H.K.) Ltd., , Nippon Express Korea Co., Ltd., Nippon Express (Taiwan) Co., Ltd.
Including the above, 21 consolidated subsidiaries and 5 equity-method affiliates

Segment Resources

Employees:	4,937
Locations:	224
Segment assets:	¥56.2 billion
Capital expenditures:	¥0.3 billion

Fiscal 2017 Performance

Due to firm transactions in air freight export and chartered truck services, revenues rose ¥15.7 billion, or 15.5%, year on year to ¥117.4 billion. Operating income increased ¥0.7 billion, or 65.2 %, year on year to ¥1.8 billion.

Fiscal 2017 Highlights

In response to China's Belt and Road Initiative, we have been developing cross-border railway transport services spanning the Eurasian continent between China and Europe and working to increase the number of cities served. Furthermore, we developed intermodal through transport services connecting key ports and airports in Japan with Europe via China and formed a business partnership with the national rail company of Kazakhstan, a key junction linking East Asia and Europe. Through such measures, we reinforced our business frameworks and worked to build competitive, high-quality transport products in the region.

Fiscal 2018 Forecast

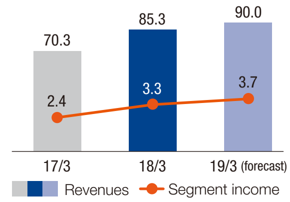
- Automobile-related transactions in China will remain strong.
- Air and marine freight forwarding will recover. We will aim to improve customer transfer and consolidation efficiency to counter soaring air forwarding costs.

*Forecast as of July 31, 2018

South Asia & Oceania (As of March 31, 2018)

Revenues and Segment Income

(Billions of yen)



Fiscal 2018 Forecast

Revenues:	¥90.0 billion
Segment income:	¥3.7 billion
Main capital expenditure plans:	Warehouse construction in Shah Alam Industrial Park for Nippon Express (Malaysia) Sdn. Bhd.

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 and harbor transportation, warehousing and marine and harbor transportation businesses in various cities in South Asia and Oceania.

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

Main Constituent Companies (total: 27)

Nippon Express (South Asia & Oceania) Pte., Ltd., Nippon Express (Singapore) Pte., Ltd., Nippon Express (Australia) Pty., Ltd., Nippon Express (Malaysia) Sdn. Bdn., Nippon Express (Thailand) Co., Ltd., PT. NEX Logistics Indonesia
Including the above, 25 consolidated subsidiaries and 2 equity-method affiliates

Segment Resources

Employees:	7,401
Locations:	254
Segment assets:	¥63.7 billion
Capital expenditures:	¥4.2 billion

Fiscal 2017 Performance

Due in part to firm air freight exports, revenues rose ¥15.0 billion, or 21.4%, year on year to ¥85.3 billion, and operating income increased ¥0.9 billion, or 36.6%, year on year to ¥3.3 billion.

Fiscal 2017 Highlights

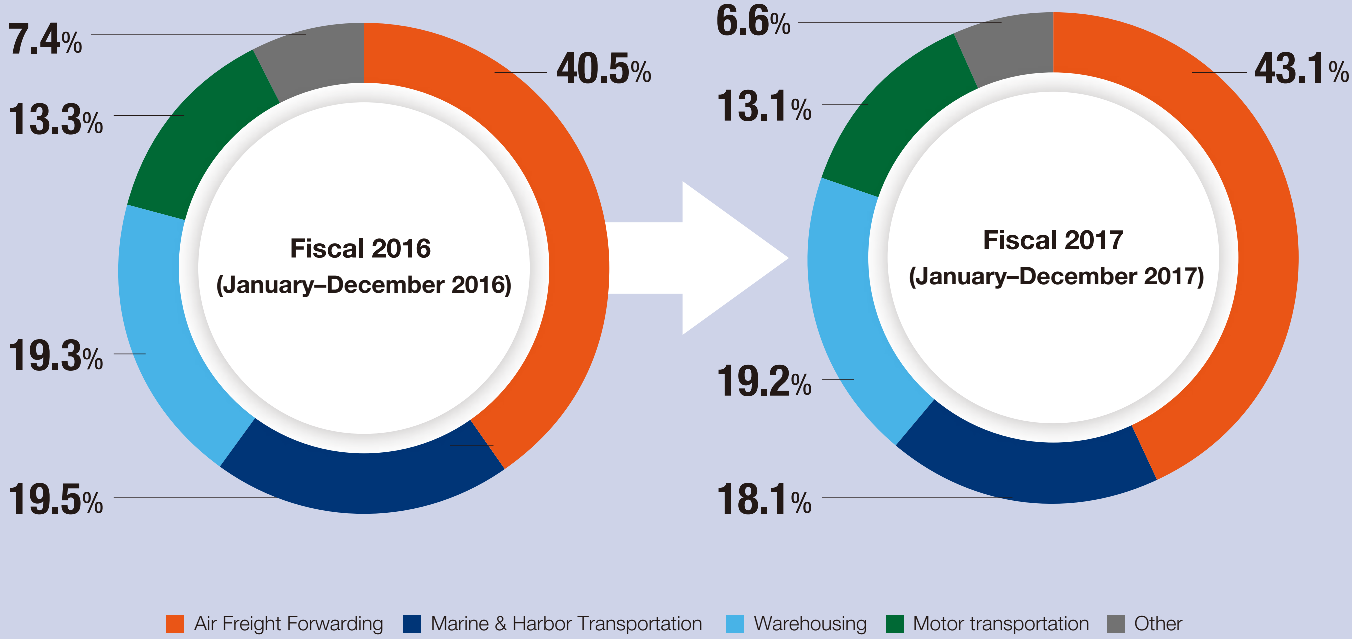
In the region covered by the South Asia & Oceania segment, including the Mekong Region, which is expected to see increasing growth, responding to diversifying needs is essential. Because a Groupwide, comprehensive approach is required, we established a regional management organization in Thailand to provide multifaceted support for the Group's logistics operations, transport networks, trucking services, new businesses, and IT planning, development and sales functions. Furthermore, we sought to quickly respond to changing demand through such efforts as opening two branches in Laos, which is attracting attention as a location for manufacturing within the Mekong Region.

Fiscal 2018 Forecast

- Performance in the warehousing and distribution business will be solid, and cargo movement in air export freight forwarding will remain steady.

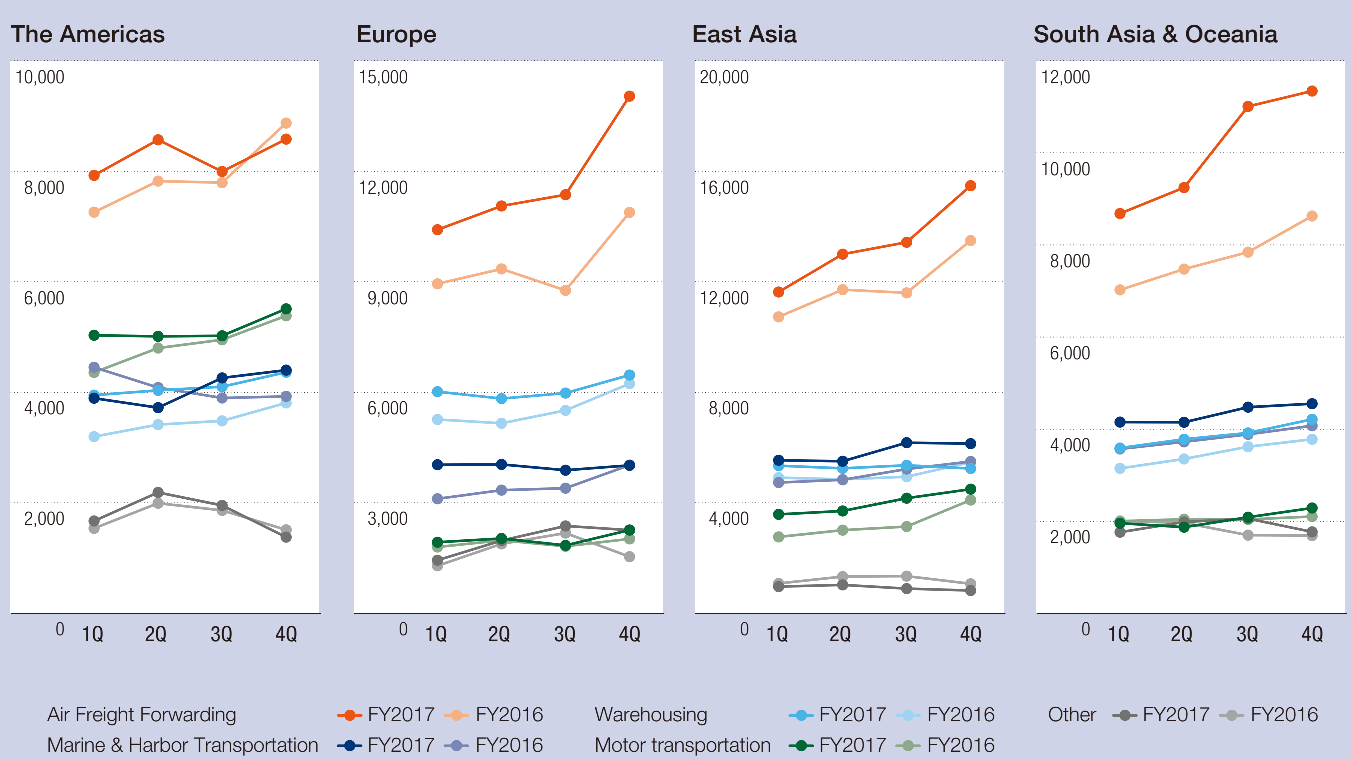
*Forecast as of July 31, 2018

Revenues of Overseas Companies by Business* (%)



*Overseas companies have a fiscal year ending December 31.

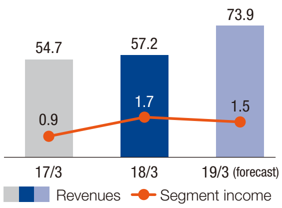
Quarterly Breakdown of Revenues of Overseas Segments by Business (Millions of yen)



*Overseas companies have a fiscal year ending December 31.

Security Transportation (As of March 31, 2018)

Revenues and Segment Income
(Billions of yen)



Fiscal 2018 Forecast

Revenues:	¥73.9 billion
Segment income:	¥1.5 billion

Business Overview

Area: Japan

Start of business: 1965

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

Key products and services: Security transportation

Fiscal 2017 Performance

Due in part to firm logistics transactions, revenues grew ¥2.4 billion, or 4.5%, year on year to ¥57.2 billion. Operating income increased ¥0.7 billion, or 82.6%, year on year to ¥1.7 billion.

* 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. The segment forecasts reflect this change.

Main Constituent Company (total: 1)

Nippon Express Co., Ltd.

Segment Resources

Employees:	4,735
Segment assets:	¥73.2 billion
Capital expenditures:	¥2.7 billion

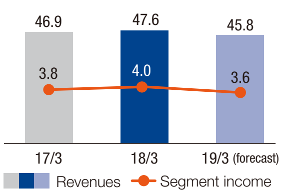
Fiscal 2018 Forecast

- We will aim to build a cash logistics platform and promote the acquisition of outsourcing from regional financial institutions.
- The business will be affected by increases in labor costs, etc.

*Forecast as of July 31, 2018

Heavy Haulage & Construction (As of March 31, 2018)

Revenues and Segment Income
(Billions of yen)



Fiscal 2018 Forecast

Revenues:	¥45.8 billion
Segment income:	¥3.6 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

Fiscal 2017 Performance

Due in part to an increase in domestic construction projects related to heavy electrical equipment, revenues rose ¥0.6 billion, or 1.3%, year on year to ¥47.6 billion. Operating income increased ¥0.1 billion, or 4.6%, year on year to ¥4.0 billion.

Main Constituent Companies (total: 2)

Nippon Express Co., Ltd., Tomoe Tekko Co., Ltd.

Segment Resources

Employees:	825
Segment assets:	¥20.6 billion
Capital expenditures:	¥0.8 billion

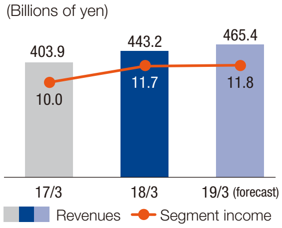
Fiscal 2018 Forecast

- Shutdown and maintenance contracts concentrated in the first half of the year are expected to decrease and major overseas projects are not expected.

*Forecast as of July 31, 2018

Logistics Support (As of March 31, 2018)

Revenues and Segment Income
(Billions of yen)



Fiscal 2018 Forecast

Revenues:	¥465.4 billion
Segment income:	¥11.8 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

Fiscal 2017 Performance

Due in part to a rise in unit selling prices for oil and in increase in packing services transactions, revenues rose ¥39.2 billion, or 9.7%, year on year to ¥443.2 billion. Operating income increased ¥1.7 billion, or 17.0%, year on year to ¥11.7 billion.

Main Constituent Companies (total: 46; 33 in Japan, 13 overseas)

Nittsu Shoji Co., Ltd., Nittsu Real Estate Co., Ltd., Nippon Express Capital Co., Ltd., Careerroad Inc. Including the above, 15 consolidated subsidiaries, 1 equity-method affiliate and 30 other affiliates

Segment Resources

Employees:	3,935
Segment assets:	¥323.0 billion
Capital expenditures:	¥7.3 billion

Fiscal 2018 Forecast

- Solid cargo movement will continue in the logistics support business of Nittsu Shoji.

*Forecast as of July 31, 2018

A Business Infrastructure That Helps Increase Corporate Value

Nippon Express Group CSR Report

The Nippon Express Group publishes the *Nippon Express Group CSR Report*. This report focuses on activities related to corporate social responsibility (CSR), providing more detailed information on such topics as corporate governance.

We hope that readers will find this publication useful to understanding the Group's CSR initiatives.

http://www.nipponexpress.com/about/csr/report/

Nippon Express's Global CSR

The increasing globalization of corporate activities and the consequent positive and negative impacts on society have been receiving close attention in recent years. As a responsible global logistics provider, the Nippon Express Group has selected three important issues to be given immediate priority by the Group as a whole, and efforts to address these issues will constitute part of Nippon Express' Global CSR.

Key Priorities for the Nippon Express Group

- Responsibilities to the Earth's Environment
- Sound Company Conduct
- Respect for Human Rights

Process

Fiscal 2013
We examined important CSR issues to be addressed globally on a priority basis in line with international CSR-related guidelines such as ISO 26000 and the views of stakeholders inside and outside the Company.

Fiscal 2014
After careful discussion, our Board of Executives selected three issues—Responsibilities to the Earth's Environment, Sound Company Conduct and Respect for Human Rights— as important CSR issues to be tackled by the Group as a whole.

Specific topics within each of these three key global CSR issues were determined in accordance with various guidelines and the views of stakeholders inside and outside the Company, filtered through the twin perspectives of the impact the Company has on society and the impact that these issues have on the Company.

Fiscal 2015
A dialogue with experts revealed that specific issues pertaining to "Respect for Human Rights" had not been identified, so some of the content was revised accordingly. The issues selected the previous fiscal year were retained unchanged for the most part, although issues regarding "customer satisfaction" were deleted as not directly relevant to respect for human rights.

Fiscal 2016
Partial revisions were also made in the descriptions of specific issues to make them easier to understand.

Fiscal 2017
To fulfill our responsibilities toward the global environment, we formulated and began pursuing long-term targets to be met by fiscal 2030 for preventing global warming and building a recycling-oriented society.

Responsibilities to the Earth's Environment

- Effective responses to climate change
- Reduction of energy use
- Reduction of waste
- Reduction of pollution

*The issues on this list are specific priorities that are particularly relevant to the Nippon Express Group from a CSR perspective. The fact that an issue is not on this list is not intended to indicate that said issue is unimportant.

Passing on the global environment to the next generation in a sustainable state is a vital issue of common interest to all mankind. The Nippon Express Group is striving to reduce its environmental impact across all of its business activities by such means as reducing the energy used in transport and cutting greenhouse gas emissions.

Long-Term Targets for 2030

Nippon Express has set long-term targets for 2030 in pursuing environmental management. It will continue to push ahead with environmental management focused on preventing global warming and creating a recycling-oriented society, and to support the development of a sustainable society.

Long-Term Environmental Management Targets for 2030

Reduce CO_2 emissions by 30% from their fiscal 2013 levels no later than fiscal 2030		
	Numerical targets for total emissions	Numerical targets for output in units per million yen in sales
Fiscal 2013 standard value:	490,513 tons	469.72 kg/million yen
Fiscal 2030 target value:	343,359 tons (30% decrease)	328.80 kg/million yen (30% decrease)

Reduce industrial waste generation vis-à-vis sales each year by 1% from the previous year (until fiscal 2030).	
Fiscal 2016 standard value:	21.96 kg/million yen
Fiscal 2030 target value:	19.08 kg/million yen

TOPICS

New Domestic Multimodal Through Transport

Nippon Express has developed a 12-foot hybrid container that can be loaded on both trains and coastal vessels, making it possible to switch transport mode from rail to ship without having to repack containerized cargo. The Company used these containers to launch a new service* in 2017.

The new service not only helps improve work efficiency by reducing loading/unloading operations and mitigates environmental impact, but also provides effective alternatives during traffic disturbances or peak periods.

* NEX-NET (Nippon Express-New Eco Transport) Sea & Rail Tokyo Land Bridge WestBound & EastBound

Using Railway Forwarding within China

Chongqing is an inland city where river-based trade can be traced back to ancient times. Maritime transport of cargo to overseas destinations from Chongqing has conventionally entailed transporting the cargo by river vessel to Shanghai, where it is loaded onto oceangoing vessels. However, relying on river shipping poses a number of problems, such as long lead times and schedule instability. To circumvent these problems, in March 2018 the Nippon Express Group launched its Chongqing Sea & Rail Service using rail for inland transport from Chongqing. This service halves lead times and substantially reduces CO_2 emissions.

Environmentally Friendly (Low-Emission) Vehicles

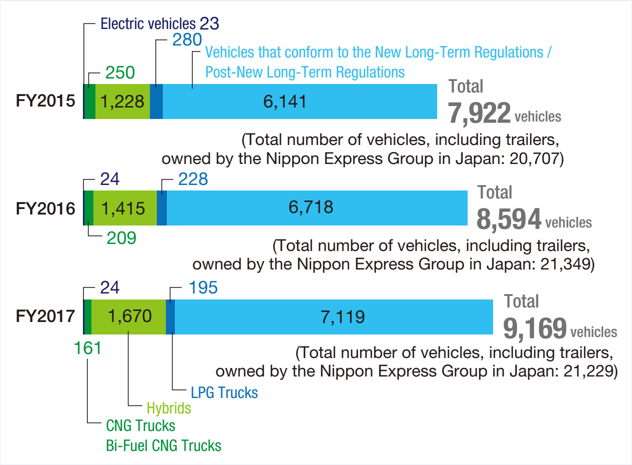
Nippon Express is actively adopting environmentally friendly vehicles. We have introduced Compressed Natural Gas (CNG), hybrid and LPG trucks while focusing on low-emission diesel trucks that conform to new long-term regulations. The domestic Group has a fleet of 9,169 vehicles as of March 31, 2018.

Non-Consolidated: Vehicle-Related Investment in Environmental Conservation

(Millions of yen)

Investment category	Major examples	Amount		
		FY2015	FY2016	FY2017
Environmentally friendly vehicles, etc.	CNG, hybrid and LPG vehicles, heavy-duty vehicles that meet fuel efficiency standards	4,408	5,105	5,985

Nippon Express Group: Number of Environmentally Friendly Vehicles in Fleet (as of March 31 of each year)



Promoting Environmentally Friendly Facilities

The Nippon Express Group is actively expanding its environmentally friendly facilities through activities that include the construction of warehouses featuring solar panels and buildings hosting rooftop greenery. The Nippon Express Group has formulated standards for the installation of equipment when constructing logistics facilities and offices. These standards call for equipment that reduces greenhouse gases such as CO_2, including equipment that enables the proactive use of renewable energy, equipment that encourages biodiversity and equipment that is conducive to the enhanced safety and health of people working in the facilities and the local community as well as to business continuity.

Osaka Branch office building, to be completed in January 2019 (rendering of completed building)

Conceived as a facility resilient against disasters and featuring specifications in keeping with the times, the building will have the latest in equipment and eco-friendly facilities

LED lighting installed in the warehouse of the Kita-Kanto Logistics Provider Branch's Takasaki Air Sales Center

The change to LED lights has reduced CO_2 emissions by about 80%.

Sound Company Conduct

- Adherence to fair business practices and cooperation with suppliers and business partners
- Prevention of corruption
- Prevention of anti-competitive behavior

Respect for Human Rights

- Actualization of safety and security for employees (focus on occupational safety and health, creation of employee-friendly workplaces, prevention of discrimination in the workplace, provision of opportunities for further development of abilities)
- Improvement of labor practices throughout the supply chain
- Recruitment of human resources in the areas where business is conducted
- Protection of customer information
- Consideration of the impact of human rights in global business (e.g., child labor, security practices)
- Establishment of an ongoing human rights due diligence system and a grievance mechanism

*The issues on this list are specific priorities that are particularly relevant to the Nippon Express Group from a CSR perspective. The fact that an issue is not on this list is not intended to indicate that said issue is unimportant.

We are regularly conducting educational and awareness-building activities on" Sound Company Conduct" and" Respect for Human Rights" for employees throughout the Group to firmly inculcate these ideas and raise compliance awareness. We are also seeking to bolster relevant systems and organizations by, among other means, expanding the whistleblower system to all Group companies in Japan and organizing a new Diversity Promotion Group. Furthermore, we are also working to revamp our overseas governance system to strengthen global governance. Moving forward, we will be striving to ensure fair, transparent and free competition and legitimate transactions, and to eliminate all types of harassment and other infringements on human rights, all the while respecting and complying with national/regional rules and regulations and international norms.

The Nippon Express Group is implementing" Nippon Express Group Corporate Strategy 2018-New Sekai-Nittsu," its current medium-term business plan, in which further strengthening the Group's CSR management is presented as an important functional strategy, and is adopting a four-pronged approach: giving top priority to safety, stepping up compliance, encouraging the creation of better working environments, and establishing CSR-based businesses. This is meant to demonstrate our strong commitment to helping resolve social issues and develop sustainable societies by providing people around the world with logistics services stressing safety and security.

With logistics as its core business, the Nippon Express Group makes use of public social infrastructure and is thus obliged to ensure that safety takes top priority and that compliance is firmly established. We believe it our responsibility as a company to construct a fair and equitable corporate governance system with open lines of communication, to enthusiastically interact with employees and other stakeholders as well as with customers, and to help resolve social issues through business.

TOPICS

Sound Company Conduct

Ensuring Fair Trading and Competition

Nippon Express enforces fair trading and competition throughout the Group to meet the expectations and win the trust of the public through its business endeavors. The Nippon Express Group Charter of Conduct requires that employees engage in fair, transparent, freely competitive and proper transactions as part of sound company conduct. This same Charter of Conduct assigns the management team responsibility for enforcing the Charter's principles throughout the company and promoting compliance with these principles among business partners and other links along the supply chain.

Inter-Industry Exchange Workshop on SDGs

In December 2017, Nippon Express invited representatives from the UN Development Programme (UNDP) to participate in an inter-industry exchange workshop attended by 71 persons (17 from Nippon Express) from more than 40 companies/organizations.

The workshop was entitled "Building Sustainable Social Infrastructure with the SDGs* as a Starting Point" and, touching on disasters, as mentioned in the SDGs, we offered a presentation and group work on disaster logistics using Nippon Express' response to the 2016 Kumamoto Earthquake as a case study. People from different industries and jobs put forth ideas from a variety of perspectives, prompting a vigorous exchange of views.

* Sustainable Development Goals. These are international goals for the period 2016–2030 listed in the 2030 Agenda for Sustainable Development adopted at the September 2015 UN Sustainable Development Summit, comprising 17 major goals and 169 specific targets for achieving these goals.

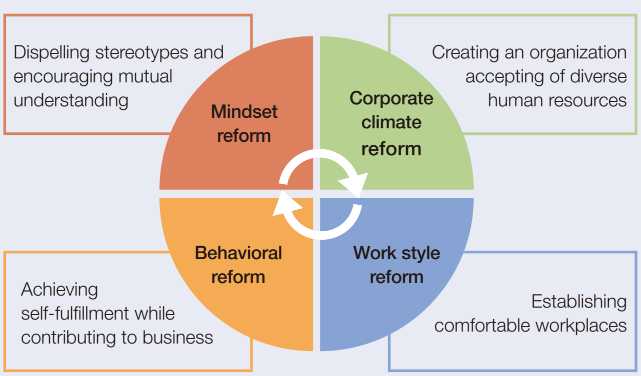
Policies for Promoting Diversity

In promoting diversity, Nippon Express has disseminated the executive commitment made by the president himself, and has made clear its determination to promulgate the objectives and necessity of diversity throughout the Company. We have also adopted a structure by which the Head Office's Diversity Promotion Group can collaborate with branch-level personnel responsible for promoting diversity in pursuing diversity management.

The Company's goals in supporting diversity are to simultaneously achieve growth as a genuinely global logistics company and self-fulfillment among employees, and to create a company in which all employees find their work rewarding. To keep related efforts on track, we have formulated a Diversity Promotion Master Plan that calls for steadily proceeding through four reform cycles—mindset reform, corporate climate reform, work style reform and behavioral reform—and we are primarily promoting active roles for female employees, stepping up the employment and cultivation of global management personnel, and fostering specialized professionals.

In the future, we will steadily implement the various measures in this Master Plan and enhance individual employees' autonomy and ability to act as we strive to foster a corporate climate that allows a diversity of personnel to maximize their potential and continue to create new value.

Diversity Promotion Cycle



Organizational Improvements to Eliminate Long Working Hours

Efforts to Manage Working Hours

Nippon Express is using PC operating time and start/finish times on digital driving recorders to manage working hours. Linking up working hours with objective data has made it easier to accurately ascertain and manage working hours, and this information is being used as fundamental data for preventing long working hours across the entire Company.

Efforts to Eliminate Long Working Hours

To eliminate long working hours, Nippon Express is seeking to keep its employees from working more than a prescribed number of hours through top-down direction from the president. More specifically, a Company-wide system has been instituted that calls on workplace managers to pay particular attention to work assignments when overtime hours appear about to exceed the prescribed figure, with branch administrative units working in concert to improve their organizations as a whole.

If employees do end up working more hours than the stipulated figure, this fact will be reported to the Board of Executive Officers and determined efforts will be made by the top corporate managers to rectify the situation. By keeping up these efforts, we are working to eliminate long working hours.

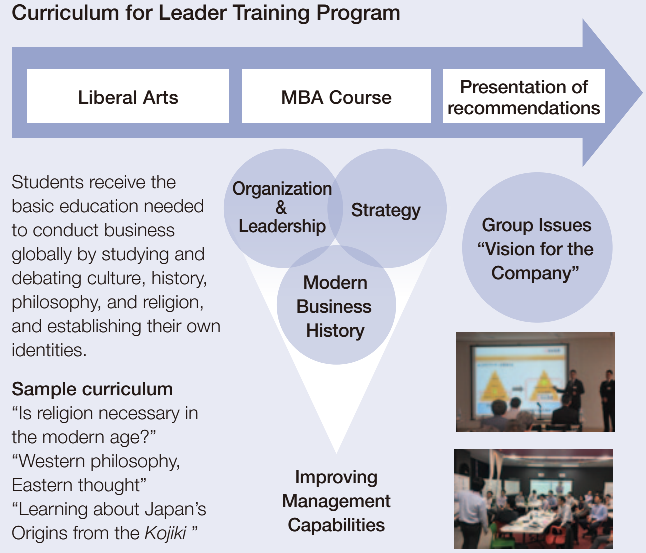
Developing Next-Generation Human Resources Capable of Business Innovation

In line with the fiscal 2017 Education & Training Plan, a Leader Training Program was held for employees in their eighth or tenth year with the Company. This Leader Training Program is designed to uncover and cultivate executive candidates able to take the Nippon Express Group into the future.

The curriculum was given a full overhaul in fiscal 2017, the 11th year of implementation. In the first half, students studied the liberal arts, reinforcing their educational foundations for thinking about and assessing matters, while the second half focused exclusively on the methods taught in MBA programs to impart the essence of global-standard business administration. For the final recommendation phase, the 20 trainees were divided into four groups to consider the business approaches that the Nippon Express Group should undertake to fulfill its vision for 2030.

The results were submitted to corporate executives in December 2017 in a presentation of recommendations, and the subsequent question-and-answer session saw a very energetic exchange of opinions.

Curriculum for Leader Training Program



Basic Policy on Corporate Governance

Recognizing the importance of enhancing and reinforcing corporate governance, ensuring compliance and guaranteeing management transparency, Nippon Express Co., Ltd. has adopted a basic policy of speedy management through rapid decision making and the clarification of responsibility. We regard the improvement of the management structure and the implementation of necessary measures to reach these goals as top priorities. The Company has proactively implemented all of the principles of the Tokyo Stock Exchange's Corporate Governance Code.

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
Number of directors (number of outside directors)	14 (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 2017: 21
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 2017: 8
Board of executive officers in place [Yes/No]	Yes
Number of executive officers (number who concurrently serve as directors)	32 (10)
Term of executive officers	1 year
Frequency of Board of Executive Officers meetings	Once a month in principal or more as needed

(As of June 28, 2018)

Internal Audits and Audit & Supervisory Board Members

The Company has set up the Audit Division at the Company headquarters. Pursuant to the Nippon Express Group Auditing Regulations, the Internal Audit Division conducts internal audits, including onsite audits and paper audits, to confirm the status of the execution of employees' duties and reports its findings to the President as needed. Moreover, the Internal Audit Division proactively provides advice and recommendations in accordance with the Nippon Express Group Auditing Regulations in order to protect the Company from losses caused by management.

The Audit & Supervisory Board members coordinate with the Audit Division staff in charge at the Auditing Division, conducting audits through visits to main Group facilities and examinations of subsidiaries.

By implementing internal audits, audits by the Audit & Supervisory Board members and accounting audits (conducted by Ernst & Young ShinNihon LLC) in a way that is independent and mutually complementary, we have built an auditing system that maintains objectivity.

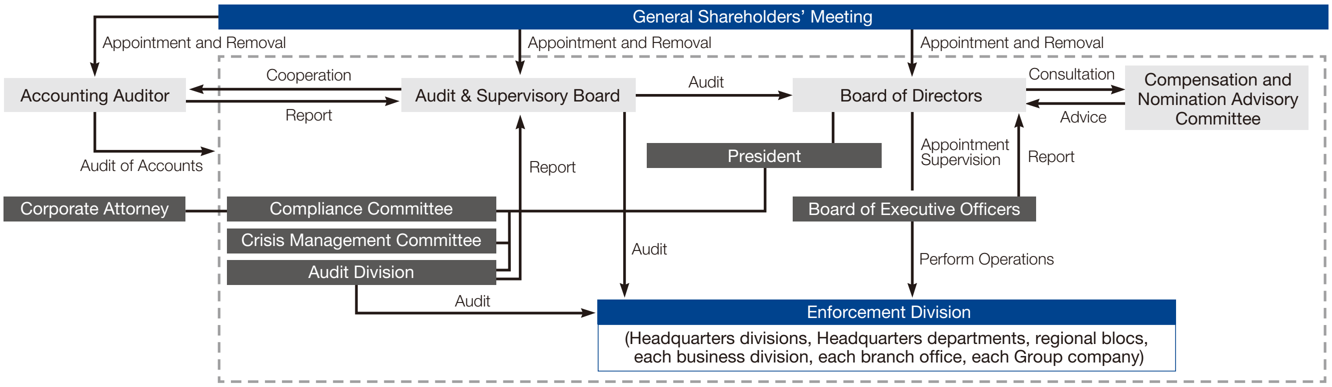
Outside Directors and Outside Audit & Supervisory Board Members

Three of the Company's 14 directors are outside directors. The outside directors provide expert insight from an outside perspective when making important management decisions and strengthen oversight of the Board of Directors' business execution. Furthermore, we believe that the auditing provided by the Audit & Supervisory Board, including its three outside members, sufficiently ensures the objectivity and neutrality of management oversight. The Company has three outside directors and three outside Audit & Supervisory Board members, all of whom are designated as independent officers with no potential conflicts of interest with ordinary shareholders under the criteria specified by the Tokyo Stock Exchange.

Outside directors	Reasons for appointment	Fiscal 2017 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.	21 of 21
Shigeo Nakayama	For his legal knowledge and abundant business experience acquired through many years of activities as a lawyer.	21 of 21
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 21

Outside Audit & Supervisory Board members	Reasons for appointment	Fiscal 2017 Board of Directors meeting attendance	Fiscal 2017 Audit & Supervisory Board meeting attendance
Tadashi Kanki	For his wealth of experience as a business executive and broad-ranging insight	15 of 15*	5 of 5*
Toshiaki Nojiri	For his particularly thorough knowledge of logistics policy as an academic studying the Antimonoply 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 21	8 of 8
Yoshio Aoki	For his abundant experience as a certified public accountant and expert knowledge of finance and accounting.	21 of 21	8 of 8

* Tadashi Kanki was newly appointed as an outside Audit & Supervisory Board member at the 111th General Shareholders' Meeting held on June 29, 2017. The attendance record given above is for meetings of the Board of Directors and Audit & Supervisory Board from that date forward.



Nominations

Nippon Express selects as director candidates diverse individuals (including women) who can manage the company with precision, fairness and efficiency and who have sufficient social credibility, based on such factors as personal character, insight, corporate management experience, expertise in law, accounting and other fields, and academic expertise, as well as certain appointment criteria. Selections 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. Furthermore, the selection of outside director and outside Audit & Supervisory Board member candidates is made with input from the Compensation and Nomination Advisory Committee. Specifically, Nippon Express selects individuals who meet the requirements for outside directors and outside Audit & Supervisory Board members specified in Article 2-15 and -16 of the Companies Act and offer excellence of character and insight, abundant experience as business executives at other companies and other traits that make them well suited to supervise the overall operations of the Group.

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 May 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.
President 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 in a prompt and precise manner as chief managing officer of the Administration Headquarters. He has been serving as president and representative director since 2017, and the Company believes that his solid leadership and management capabilities, based on his outstanding insight, are crucial for vigorously driving the management of the entire Nippon Express Group,.
Executive Vice President and Representative Director	Yutaka Ito	Since his appointment as executive officer in 2012, Mr. Yutaka Ito has contributed greatly to improving profitability as general manager of the Air Transport Business Division. He has been serving as executive vice president, chief operating officer and representative director since 2015, and the Company believes that his leadership and management capabilities, based on his extensive experience in and profound knowledge of global business, are crucial for strengthening its increasingly important overseas business.
Executive Vice President 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 in formulating and implementing business strategies, are crucial for further reinforcing its business strength and ensuring its solid competitiveness.
Executive Vice President 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 and representative director since 2017, and the Company believes that his leadership and management capabilities, based on his extensive experience and knowledge in the areas of its domestic business as well as general affairs, personnel and operational management, are crucial for developing a rock-solid operational base.
Director	Katsuhiro Terai	Mr. Katsuhiro Terai was appointed as executive officer in 2012. In 2015, he was appointed as general manager of the Marine Transport Business and assumed the office of director. He has served as a director and senior managing executive officer with executive responsibility for the Kanto & Koshinetsu Region since May 2017, and the Company believes that his management capabilities, based on his extensive experience and knowledge, are crucial for further strengthening its business in the region.
Director	Fumihiko Sakuma	Since his appointment as executive officer in 2013, Mr. Fumihiko Sakuma has been responsible for operations in the North Kanto & Shin-Etsu Region. In 2015, he was appointed as executive officer in charge of important sections, such as the Corporate Planning Division, and assumed the office of director. He has served as director and managing executive officer with responsibility for the Kanto & Shin-Etsu Area since 2017, and the Company believes that his management capabilities are crucial for further strengthening its business in the area.
Director	Susumu Akita	Since his appointment as executive officer in 2014, Mr. Susumu Akita has been responsible for operations in the Tohoku Region. In 2016, he was appointed as executive officer in charge of important administrative sections, such as general affairs, human resources, and business administration, and assumed the office of director. The Company believes that his management capabilities, based on his excellent insight, are crucial for further reinforcing the management infrastructure.

Director	Satoshi Horikiri	Since his appointment as executive officer in 2015, Mr. Satoshi Horikiri has responsible for leading operations in the North Kanto & Shin-Etsu Region. In 2017, he was appointed as executive officer in charge of several important sections, including the Corporate Planning Division, and assumed the office of director. The Company believes that his management capabilities, based on his excellent insight, are crucial for further strengthening the management of the Nippon Express Group.
Director	Yoshiyuki Matsumoto	Having held important posts in the Air Freight Business Division, Mr. Yoshiyuki Matsumoto was appointed as executive officer in charge of the Air Freight Business in 2017 and assumed the office of director in the same year. The Company believes that his management capabilities, based on his profound experience in the Air Freight Business on a global scale, are crucial for strengthening the global freight forwarding business, one of the Company's critical operations.
Director	Takashi Masuda	Having served as general manager of the Finance & Accounting Division and officer in charge of accounting at Nittsu Shoji Co., Ltd., Mr. Takashi Masuda was appointed as executive officer of the Company in May 2018. The Company believes that his management capabilities, based on his diverse experience and profound knowledge in finance, are crucial for strengthening business operations through the further reinforcement of its financial base and sophisticated strategic investment.

Effectiveness of the Board of Directors

Nippon Express' 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 information gathered through these efforts is analyzed and evaluated to monitor the Board's overall effectiveness.

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, part-time 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 Company's Performance 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.

The new plan is funded using part of the previous compensation scheme's basic compensation. Under the plan, a varying number of shares of the Company are granted as compensation to the eligible directors and executive officers based on factors that include individual rank and the level of attainment of the Company's performance targets over a period of three fiscal years. In addition to the grant of shares, to facilitate the payment of income taxes, a portion of the shares to be granted will be converted to cash within the trust and delivered as cash. The number of shares granted is determined based on the share delivery rules (covering calculation methods, the timing of share deliveries, etc.) determined by the Board of Directors.

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 2016
Trust term	September 2016 to August 2019
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	¥400 million (including trust fees and trust expenses)
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	Up to 900,000 (for the three-year trust term)

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

The Company has established a set of Compliance Regulations as a set of behavioral guidelines to ensure the legal and ethical compliance of all employees. Additionally, the Company has established a Compliance Committee at Group headquarters chaired by the president and appointed staff members in charge of compliance and compliance promotion at the Group headquarters and each branch office. The Company has also created and operates "Nittsu Speak Up," an internal reporting system for the prevention, early detection and correction of legal violations, misconduct or other violations of corporate ethics on the part of employees.

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 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.

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 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.

At the time of the Great East Japan Earthquake, by swiftly invoking a BCP, we sought to maintain business continuity while prioritizing the transport of emergency relief supplies above all other operations, greatly contributing to disaster recovery.

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.

Policy for Constructive Dialogue with Shareholders

Staff members designated to IR activities within the Corporate Planning Division conduct dialogue with shareholders and investors as persons in charge, while the Directors and the executive management conduct interviews with shareholders and investors. 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, as well as taking part in small meetings and IR conferences sponsored by securities companies. Opinions and such obtained through dialogue with shareholders and investors are periodically reported to the Board of Directors as well as fed back to the executive management and the relevant divisions within the Company, to ensure that such feedback is reflected in corporate activities.

Regarding the internal systems, with the dedicated staff on IR activities as a secretariat, Head Office Administrative Divisions collaborate to discuss the formulation, operation, and revision of disclosure policies and the appropriateness of information disclosure activities, results of which are submitted to and resolved by the Board of Directors. Based on the disclosure policies resolved by the Board of Directors, the Company information is disclosed under the responsibility of the President and Representative Director or Officers who are in charge of overseeing the respective disclosed information. The Board of Directors shares the contents of information disclosure activities reported through the Director in charge of the Corporate Planning Division and confirms the appropriateness of such activities.

Directors, Executive Officers, Audit & Supervisory Board Members (As of June 28, 2018)

Chairman and Representative Director

Kenji Watanabe

President and Representative Director, Chief Executive Officer

Mitsuru Saito

Executive Vice Presidents and Representative Directors, Chief Operating Officers

Yutaka Ito

Takaaki Ishii

Hisao Taketsu

Director and Senior Managing Executive Officer

Katsuhiro Terai

Directors and Managing Executive Officers

Fumihiko Sakuma

Susumu Akita

Satoshi Horikiri

Directors and Executive Officers

Yoshiyuki Matsumoto

Takashi Masuda

Directors

Masahiro Sugiyama*

Shigeo Nakayama*

Sadako Yasuoka*

Managing Executive Officers

Akira Kondo
Tatsuo Sugiyama
Eiichi Nakamura
Mitsuru Uematsu
Suguru Yoshioka
Toshiro Uchida
Makoto Ikeda

Executive Officers

Takeshi Sato
Ichiro Miyawaki
Masato Nakagawa
Hiroshi Kandori
Hirofumi Funaki
Shigeru Umino
Yutaka Nagai
Ryuji Goya
Hiroshi Takahashi
Chihiro Sugiyama
Kohei Hashimoto
Shigeki Arima
Akiyoshi Sekine
Kazutoshi Hamashima
Shinjiro Takezoe

Full-time Audit and Supervisory Board Members

Tatsuya Suzuki
Tadashi Kanki**
Naoya Hayashida

Audit and Supervisory Board Members

Toshiaki Nojiri**
Yoshio Aoki**

*Outside director
**Outside Audit and Supervisory Board Member

Financial Section

Corporate Overview

The Nippon Express Group consists of Nippon Express Co., Ltd. and its 293 subsidiaries, including 265 consolidated subsidiaries and 1 equity-method subsidiary, as well as 64 affiliates, of which 23 are equity-method affiliates, totaling 358 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 310 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 warehousing 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. 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)

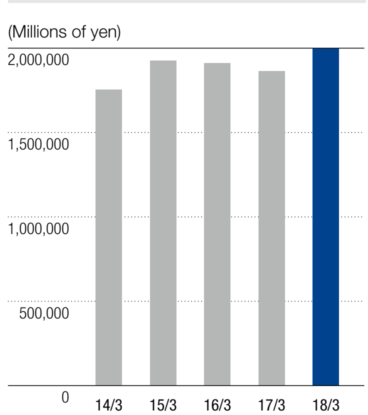
The Company and an affiliate handle the transportation, erection and installation of heavy cargo and pursue related businesses.

Logistics Support

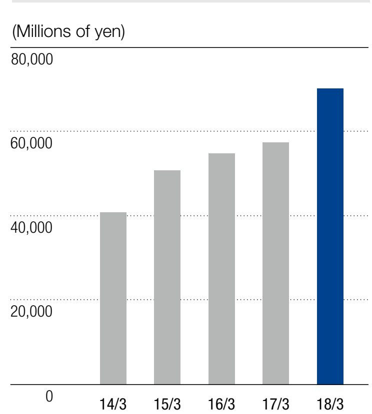
(46 companies, including Nittsu Shoji Co., Ltd.)

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.

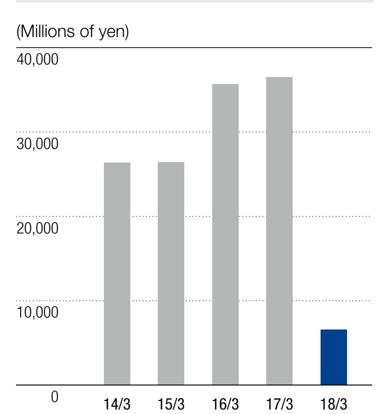
Revenues



Operating income



Profit attributable to owners of parent



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 2017, the consolidated fiscal year ended March 31, 2018, as overseas economies continued to gradually recover, the Japanese economy continued to gradually improve, owing to a pick-up in exports and production activities.

Under these economic conditions, in the field of logistics, domestic freight saw an increase in transportation demand, including for automotive parts and steel, and performance in international freight was generally firm due to such factors as the steady airfreight of electronic components and other cargo, mainly to Asia.

In this business environment, the Nippon Express Group made united efforts to achieve its management targets based on its area strategies and functional strategies, the key strategies of its three-year business plan, “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu,” launched in April 2016.

Area Strategies

In Japan, the Nippon Express Group sought to further integrate land, marine and air operations and improve facilities centered around global logistics, mainly in the region encompassing Tokyo, Osaka and Nagoya, in order to expand business with global companies under a one-stop account-based sales system.

Overseas, the Group continued to make concentrated investments of management resources, mainly in South Asia. Through such efforts as setting up warehouses in various countries, the Group worked to expand its logistics offerings for cargo going to and from and moving within Asia and thereby build an overwhelmingly strong position in the region.

Functional Strategies

To thoroughly strengthen sales activities, the Group further reinforced the one-stop account-based sales system and carried out the structural reorganization of its domestic regional blocs. By doing so, we advanced the collection and sharing of information over wider areas while working to effectively use personnel and resources to expand revenues.

To strengthen and upgrade core businesses, the Group sought to further expand freight forwarding, an area of strength. To this end, the Group reinforced logistics functions by such means as establishing a regional management organization, in Thailand as part of efforts to get logistics operations there running smoothly and thereby create a virtuous cycle.

To strengthen Group management, the Group advanced such measures as promoting coordination between Group companies in each business field and promoted the joint use of their equipment and facilities.

To reinforce the management infrastructure, the Group worked to improve productivity and streamline operations by such means as establishing a shared service organization, thereby consolidating accounting, and greatly reducing indirect operations.

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

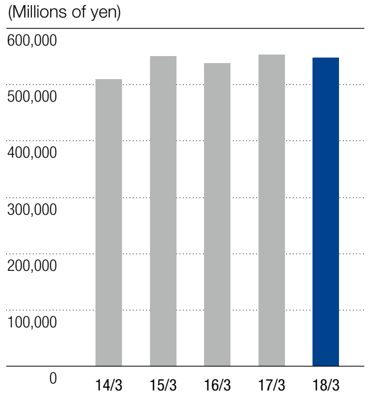
Business Results

Revenues and Operating Costs

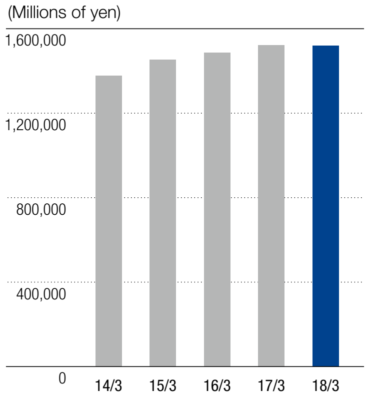
Revenues increased by ¥131.0 billion, or 7.0%, year on year to ¥1,995.3 billion.

Operating costs came to ¥1,817.2 billion, an increase of ¥115.2 billion, or 6.8%, from the previous fiscal year. Gross profit increased ¥15.7 billion, or 9.7%, year on year to ¥178.0 billion. The increase in operating costs was mainly due to an increase in forwarding costs.

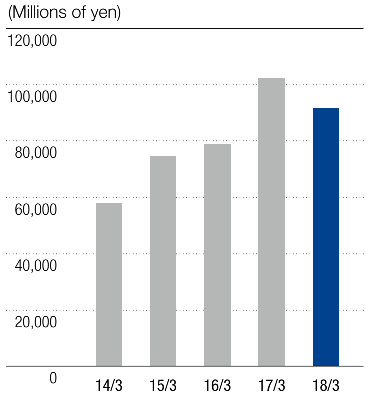
Net assets



Total assets



Net cash provided by operating activities



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

Selling, general and administrative expenses grew ¥2.9 billion, or 2.8%, year on year to ¥107.7 billion, mainly due to expenses arising from the establishment of a shared service organization.

As a result of the above, operating income came to ¥70.2 billion, up ¥12.8 billion, or 22.4%, from the previous fiscal year. Ordinary income amounted to ¥74.3 billion, up ¥10.5 billion, or 16.6%.

Other Income and Expenses and Profit Attributable to Owners of Parent

Extraordinary income was ¥24.3 billion, an increase of ¥15.9 billion, or 189.7%, compared with the previous fiscal year, due mainly to a ¥15.6 billion gain on contribution of securities to retirement benefit trust. Extraordinary loss grew ¥50.1 billion, or 441.6%, to ¥61.5 billion, due mainly to a ¥47.5 billion increase in impairment loss.

Profit before income taxes amounted to ¥37.1 billion. After deducting current income taxes, inhabitants' tax, enterprise tax and other adjustments as well as non-controlling interests, profit attributable to owners of parent came to ¥6.5 billion, a decrease of ¥29.9 billion, or 82.1%, from the previous fiscal year.

Results by Reportable Segment

For information on financial results by reportable segment, please refer to pp 18–22.

Cash Flows

Cash and cash equivalents as of March 31, 2018 amounted to ¥137.8 billion, a decrease of ¥25.4 billion year on year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥91.8 billion, a year-on-year decrease of ¥10.4 billion. This was mainly due to an increase in trade receivables.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥87.4 billion, a year-on-year increase of ¥16.4 billion. This was mainly due to an increase in payment for purchase of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥31.4 billion, a year-on-year increase of ¥19.6 billion. This was mainly due to a decrease in proceeds from issuance of bonds.

Financial Position

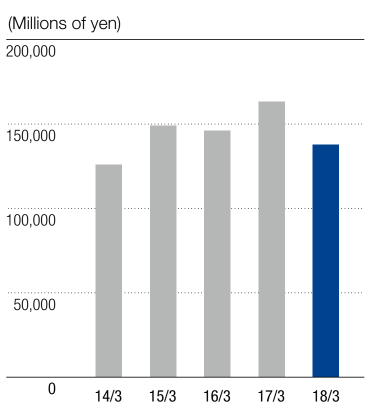
Assets

Total assets as at March 31, 2018 amounted to ¥1,518.0 billion, a decrease of ¥3.7 billion, or 0.2%, from the previous fiscal year-end.

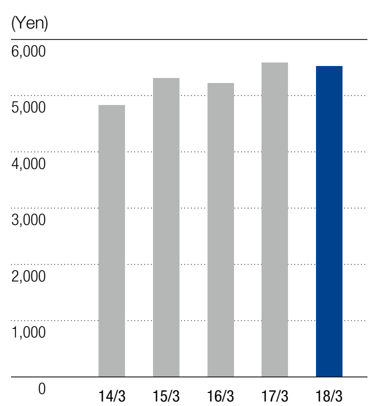
By segment, total assets in Europe (Logistics) came to ¥75.0 billion, up ¥28.3 billion, or 60.6%, from the previous fiscal year-end, largely due to an increase in cash and cash in banks. The total assets of the other segments were largely level year on year.

Current assets amounted to ¥730.0 billion, an increase of ¥24.0 billion, or 3.4%, from the end of the previous fiscal year, mainly due to an increase in accounts receivable-trade. Non-current assets totaled ¥788.0 billion, a decrease of ¥27.7 billion, or 3.4%, from the end of the previous fiscal year, mainly due to decreases in goodwill and investment securities.

Cash and cash equivalents at end of year

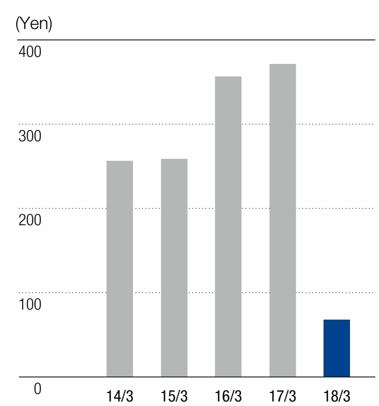


Net assets per share



* 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.

Liabilities and Net Assets

Total liabilities as at March 31, 2018 were ¥970.5 billion, up ¥1.7 billion, or 0.2%, from the end of the previous fiscal year.

Current liabilities amounted to ¥445.2 billion, an increase of ¥6.7 billion, or 1.5%, from the end of the previous fiscal year, mainly due to an increase in deposits. Non-current liabilities amounted to ¥525.2 billion, a decrease of ¥5.0 billion, or 1.0%, from the end of the previous fiscal year, mainly because of a decrease in net retirement benefit liability.

Net assets as of March 31, 2018 amounted to ¥547.4 billion, a year-on-year decrease of ¥5.4 billion, or 1.0%. This was attributable largely to decreases in valuation differences on available-for-sale securities.

Capital Investment

Total capital investment by the Nippon Express Group in the fiscal year under review amounted to ¥96.5 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

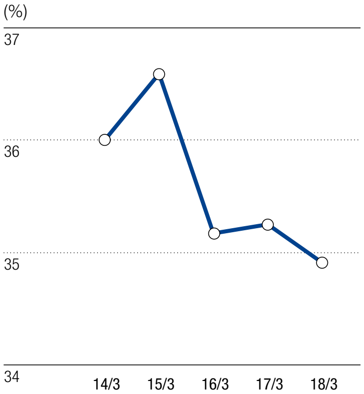
The Company regards the return of profits to shareholders as one of its most important priorities. We aim to enhance returns while expanding our business operations, strengthening our financial position, expanding shareholders' equity and improving profit ratios. The earnings retained by the Company 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.

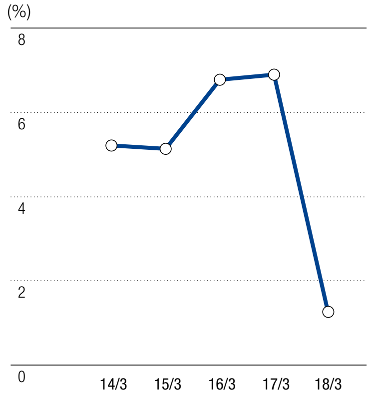
The 112th General Shareholders' Meeting, held on June 28, 2018, considered and approved a proposal for a year-end dividend for fiscal 2017 of ¥60 per share. The Company executed a consolidation of shares on October 1, 2017 at a ratio of 10 common shares to 1. After accounting for said consolidation of shares, the annual dividend, comprising the year-end dividend and the interim dividend of ¥60 per share, came to ¥120 per share (for a dividend payout ratio of 176.3%).

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

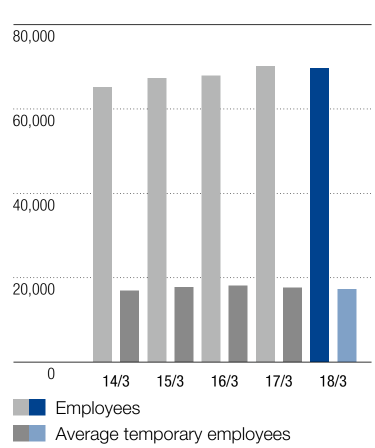
Equity ratio



Return on equity



Employees and average temporary employees



		2018	2017	2016
For the year: (Millions of yen)	Revenues [1]	**1,995,317**	1,864,301	1,909,105
	Revenues by industry segment up to the year ended March 31, 2010 [2]			
	Distribution and Transportation	**—**	—	—
	Goods Sales	**—**	—	—
	Other	**—**	—	—
	Elimination	**—**	—	—
	Revenues by region segment up to the year ended March 31, 2010 [2]			
	Japan	**—**	—	—
	The Americas	**—**	—	—
	Europe	**—**	—	—
	Asia & Oceania	**—**	—	—
	Elimination	**—**	—	—
	Revenues by reportable segment from the consolidated year ended March 31, 2011 onward [2]			
	Distribution & Transportation			
	Domestic Companies			
	Combined Business	**—**	—	736,568
	Security Transportation	**—**	—	53,803
	Heavy Haulage & Construction	**—**	—	51,395
	Air Freight Forwarding	**—**	—	182,533
	Marine & Harbor Transportation	**—**	—	118,205
	Overseas Companies			
	The Americas	**—**	—	94,697
	Europe	**—**	—	84,579
	Asia & Oceania [3]	**—**	—	—
	East Asia	**—**	—	115,068
	South Asia & Oceania	**—**	—	70,225
	Goods Sales	**—**	—	367,328
	Other	**—**	—	173,632
	Adjustment	**—**	—	(138,935)
	Revenues by reportable segment from the consolidated year ended March 31, 2017 onward[2]			
	Logistics			
	Japan	**1,203,475**	1,155,713	1,158,390
	The Americas	**91,396**	83,831	94,697
	Europe	**96,048**	79,286	84,579
	East Asia	**117,487**	101,746	115,068
	South Asia & Oceania	**85,382**	70,343	70,225
	Security Transportation	**57,241**	54,781	53,803
	Heavy Haulage & Construction	**47,602**	46,985	51,395
	Logistics Support	**443,264**	403,994	410,906
	Adjustment	**(146,582)**	(132,381)	(129,962)
	Operating income	**70,269**	57,431	54,778
	Profit attributable to owners of parent [4]	**6,534**	36,454	35,659
At year-end: (Millions of yen)	Total net assets	**547,494**	552,985	538,018
	Total assets	**1,518,024**	1,521,800	1,484,953
	Net cash provided by operating activities [5]	**91,865**	102,360	78,844
	Cash and cash equivalents at end of year [5]	**137,891**	163,386	146,007
Per share [6]: (Yen)	Net assets per share [7]	**5,519.09**	5,586.52	521.77
	Basic earnings per share [7]	**68.06**	371.32	35.61
Ratios: (%)	Operating income ratio	**3.5**	3.1	2.9
	Equity ratio	**34.91**	35.25	35.17
	Return on equity	**1.23**	6.89	6.77
Other:	Employees	**69,672**	70,092	67,909
	(Average temporary employees)	**17,300**	17,673	18,102

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. 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.

2015	2014	2013	2012	2011	2010	2009	2008
1,924,929	1,752,468	1,613,327	1,628,027	1,617,185	1,569,633	1,828,946	1,901,433
—	—	—	—	—	1,288,373	1,528,695	1,600,988
—	—	—	—	—	326,337	369,661	377,964
—	—	—	—	—	33,919	31,002	28,629
—	—	—	—	—	(78,996)	(100,412)	(106,148)
—	—	—	—	—	1,418,878	1,625,564	1,696,152
—	—	—	—	—	37,717	56,831	59,872
—	—	—	—	—	44,724	69,059	77,524
—	—	—	—	—	93,830	112,654	109,645
—	—	—	—	—	(25,517)	(35,162)	(41,761)
742,356	721,717	699,287	704,717	717,439	751,004	—	—
55,401	54,651	58,842	58,764	59,542	60,875	—	—
46,886	36,656	37,186	40,048	34,356	39,294	—	—
210,763	181,720	182,143	205,407	203,408	183,860	—	—
118,836	131,708	124,207	125,654	124,216	110,717	—	—
79,160	69,066	54,028	42,963	42,806	37,717	—	—
83,609	72,788	44,230	46,453	45,069	44,724	—	—
—	—	—	—	—	93,830	—	—
101,321	92,156	68,812	72,967	76,955	—	—	—
64,607	51,367	44,291	44,811	45,564	—	—	—
420,155	412,846	383,738	374,076	352,507	322,699	—	—
143,602	61,460	41,802	40,368	35,980	32,347	—	—
(141,773)	(133,672)	(125,242)	(128,206)	(120,662)	(107,437)	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
50,811	40,865	33,206	37,497	31,629	37,535	33,513	48,502
26,382	26,345	23,831	26,949	8,541	12,566	15,172	36,439
550,137	509,954	518,409	494,205	479,898	495,883	484,337	520,823
1,453,617	1,377,443	1,247,612	1,230,964	1,147,539	1,201,801	1,172,074	1,297,406
74,519	57,892	60,937	80,754	76,019	82,198	64,080	90,096
148,942	125,900	113,689	135,882	78,383	121,187	93,031	144,639
531.06	483.38	489.39	461.63	448.29	464.38	454.03	489.26
25.87	25.62	22.89	25.85	8.19	12.05	14.55	34.94
2.6	2.3	2.1	2.3	2.0	2.4	1.8	2.6
36.59	36.00	41.17	39.10	40.74	40.29	40.40	39.33
5.14	5.22	4.79	5.68	1.80	2.62	3.08	7.16
67,347	65,162	64,834	65,759	66,924	65,916	71,352	69,177
17,752	16,925	15,985	15,765	16,583	19,406	22,801	24,434

5. 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.

6. 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.

7. 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.

Consolidated Balance Sheets

Nippon Express Co., Ltd. and consolidated subsidiaries
As of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
ASSETS	2017	2018	2018
Current assets:			
Cash and cash in banks (Note 1)	¥ 212,683	¥ 198,044	$ 1,864,123
Notes receivable—trade (Note 6)	23,162	26,648	250,833
Accounts receivable—trade	298,594	322,390	3,034,551
Inventories (Note 5)	6,128	6,979	65,698
Advance payments—trade	3,638	4,997	47,038
Prepaid expenses	13,476	13,341	125,579
Deferred tax assets	10,810	11,014	103,678
Lease investment assets	112,336	116,204	1,093,791
Other	26,283	31,577	297,232
Less: allowance for doubtful accounts	(1,117)	(1,183)	(11,137)
Total current assets	705,994	730,016	6,871,388
Non-current assets:			
Property and equipment			
Vehicles	176,019	180,019	1,694,457
Less: accumulated depreciation	(149,202)	(144,802)	(1,362,971)
Vehicles, net	26,816	35,217	331,485
Buildings	598,870	620,146	5,837,225
Less: accumulated depreciation	(353,595)	(361,667)	(3,404,249)
Buildings, net	245,275	258,479	2,432,975
Structures	67,250	68,548	645,223
Less: accumulated depreciation	(54,379)	(54,661)	(514,508)
Structures, net	12,871	13,887	130,714
Machinery and equipment	78,552	82,508	776,625
Less: accumulated depreciation	(63,510)	(64,547)	(607,565)
Machinery and equipment, net	15,041	17,960	169,059
Tools, furniture and fixtures	108,584	109,321	1,029,006
Less: accumulated depreciation	(86,092)	(86,966)	(818,582)
Tools, furniture and fixtures, net	22,492	22,355	210,423
Vessels	18,958	21,267	200,180
Less: accumulated depreciation	(13,777)	(9,811)	(92,352)
Vessels, net	5,181	11,455	107,827
Land	178,991	192,541	1,812,327
Leased assets	9,039	8,739	82,264
Less: accumulated depreciation	(4,441)	(4,725)	(44,482)
Leased assets, net	4,598	4,013	37,781
Construction in progress	6,853	4,329	40,754
Net property and equipment (Notes 1, 2)	518,123	560,240	5,273,349
Intangible assets			
Leasehold rights	8,026	7,984	75,152
Goodwill	43,047	4,180	39,350
Other	68,381	54,426	512,297
Total intangible assets	119,455	66,591	626,799
Investments and other assets			
Investment securities (Notes 1, 3)	125,896	109,835	1,033,840
Long-term loans receivable	199	553	5,211
Long-term loans to employees	82	62	585
Long-term prepaid expenses	4,195	5,417	50,990
Security deposits	19,881	20,203	190,167
Net retirement benefit asset	677	1,195	11,254
Deferred tax assets	15,056	12,653	119,099
Other (Note 3)	13,307	12,285	115,643
Less: allowance for doubtful accounts	(1,070)	(1,030)	(9,695)
Total investments and other assets	178,226	161,176	1,517,097
Total non-current assets	815,805	788,008	7,417,246
Total assets	¥1,521,800	¥1,518,024	$14,288,635

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen 2017	2018	Thousands of U.S. dollars 2018
Current liabilities:			
Notes payable—trade (Note 6)	¥ 5,833	¥ 9,868	$ 92,890
Accounts payable—trade (Note 1)	156,864	163,743	1,541,264
Short-term loans payable (Note 1)	60,606	45,213	425,577
Other payables	32,804	34,518	324,912
Income taxes payable	16,517	18,666	175,701
Consumption taxes payable	5,809	9,736	91,649
Unpaid expenses	20,735	25,408	239,160
Advances received	11,811	12,137	114,247
Deposits	48,990	64,661	608,632
Deposits from employees	28,339	28,726	270,396
Provision for bonuses	21,299	22,531	212,076
Provision for directors' bonuses	141	147	1,385
Other provisions	37	—	—
Other	28,675	9,880	93,004
Total current liabilities	438,468	445,241	4,190,900
Non-current liabilities:			
Bonds payable	125,000	125,000	1,176,581
Long-term loans payable (Note 1)	209,724	227,013	2,136,799
Deferred tax liabilities	12,576	7,414	69,789
Provision for directors' retirement benefits	359	414	3,900
Provision for special repairs	205	94	887
Provision for loss on guarantees	829	503	4,741
Provision for loss on contracts	565	—	—
Other provisions	205	271	2,554
Net retirement benefit liability	157,371	140,039	1,318,144
Other	23,510	24,537	230,959
Total non-current liabilities	530,346	525,288	4,944,358
Total liabilities	968,815	970,529	9,135,258

NET ASSETS			
Shareholders' equity:			
Common stock	70,175	70,175	660,535
Additional paid-in capital	24,707	24,707	232,560
Retained earnings	449,713	444,717	4,185,965
Less: treasury stock	(20,145)	(20,191)	(190,056)
Total shareholders' equity	524,450	519,407	4,889,005
Accumulated other comprehensive income:			
Valuation differences on available-for-sale securities	56,945	47,068	443,041
Deferred gains (losses) on hedges	6	(27)	(258)
Foreign currency translation adjustments	992	3,941	37,103
Remeasurements of retirement benefit plans	(46,015)	(40,515)	(381,356)
Total accumulated other comprehensive income	11,928	10,467	98,529
Non-controlling interests	16,606	17,618	165,840
Total net assets	552,985	547,494	5,153,376
Total liabilities and net assets	¥1,521,800	¥1,518,024	$14,288,635

Consolidated Statements of Income

Nippon Express Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Revenues	¥1,864,301	¥1,995,317	$18,781,228
Operating costs (Note 1)	1,702,006	1,817,276	17,105,388
Gross profit	162,295	178,041	1,675,839
Selling, general and administrative expenses:			
Personnel expenses	58,713	59,996	564,726
Depreciation and amortization	8,018	7,934	74,685
Advertising expenses	4,204	3,671	34,555
Provision of allowance for doubtful accounts	206	191	1,805
Other	33,720	35,977	338,642
Total selling, general and administrative expenses (Note 1)	104,863	107,771	1,014,415
Operating income	57,431	70,269	661,423
Non-operating income:			
Interest income	455	671	6,320
Dividend income	2,733	3,285	30,927
Gain on sales of vehicles	322	303	2,858
Equity in earnings of unconsolidated subsidiaries and affiliates	1,733	654	6,163
Gain on foreign exchange	2,073	342	3,224
Other	5,514	4,520	42,553
Total non-operating income	12,833	9,779	92,048
Non-operating expenses:			
Interest expenses	3,420	3,239	30,488
Loss on sale and retirement of vehicles	44	80	756
Other	2,993	2,333	21,968
Total non-operating expenses	6,458	5,653	53,213
Ordinary income	63,806	74,395	700,257
Extraordinary income:			
Gain on sales of non-current assets (Note 2)	5,336	2,619	24,658
Gain on sales of investment securities	109	5,879	55,344
Gain on step acquisitions	2,291	—	—
Gain on contribution of securities to retirement benefit trust (Note 6)	—	15,662	147,429
Other	654	149	1,408
Total extraordinary income	8,392	24,312	228,841
Extraordinary loss:			
Loss on disposal of non-current assets (Note 3)	4,626	7,953	74,866
Loss on sales of investment securities	382	1	15
Loss on valuation of investment securities	84	410	3,862
Impairment loss (Note 4)	4,175	51,711	486,743
Loss on disaster (Note 5)	874	—	—
Loss on transition to defined-contribution plans	679	—	—
Other	541	1,474	13,878
Total extraordinary loss	11,365	61,551	579,366
Profit before income taxes	60,834	37,155	349,732
Income taxes:			
Current	26,593	30,383	285,984
Deferred	(3,054)	(1,090)	(10,268)
Total income taxes	23,539	29,292	275,716
Profit	37,294	7,863	74,016
Profit attributable to non-controlling interests	840	1,329	12,512
Profit attributable to owners of parent	¥ 36,454	¥ 6,534	$ 61,503

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Profit	¥37,294	¥7,863	$74,016
Other comprehensive income:			
Valuation differences on available-for-sale securities	9,828	(9,881)	(93,013)
Deferred gains (losses) on hedges	220	(34)	(322)
Foreign currency translation adjustments	(7,140)	2,839	26,731
Remeasurements of retirement benefit plans	7,903	5,572	52,450
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(161)	60	568
Other comprehensive income (loss)	10,650	(1,443)	(13,585)
Comprehensive income	47,945	6,420	60,430
(Comprehensive income attributable to)			
Owners of parent	47,280	5,073	47,753
Non-controlling interests	¥ 664	¥1,346	$12,677

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, 2017

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	Non-controlling interests	Total net assets
Balance at beginning of the year	¥70,175	¥25,306	¥445,495	¥(19,818)	¥521,158	¥47,118	¥(214)	¥8,085	¥(53,888)	¥ 1,101	¥15,758	¥538,018
Changes during the year												
Cash dividends			(10,927)		(10,927)							(10,927)
Profit attributable to owners of parent			36,454		36,454							36,454
Changes in equity due to transactions with non-controlling shareholders		(599)			(599)							(599)
Increase in treasury stock				(21,634)	(21,634)							(21,634)
Decrease in treasury stock		—		—	—							—
Retirement of treasury stock		(0)	(21,307)	21,308	—							—
Net changes in items other than shareholders' equity						9,826	220	(7,093)	7,873	10,826	848	11,675
Total changes during the year	—	(599)	4,218	(326)	3,291	9,826	220	(7,093)	7,873	10,826	848	14,967
Balance at end 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

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, 2018

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	$660,535	$232,559	$4,232,996	$(189,624)	$4,936,466	$536,003	$ 64	$ 9,341	$(433,129)	$112,280	$156,312	$5,205,059
Changes during the year												
Cash dividends			(108,534)		(108,534)							(108,534)
Profit attributable to owners of parent			61,503		61,503							61,503
Changes in equity due to transactions with non-controlling shareholders		(0)			(0)							(0)
Increase in treasury stock				(615)	(615)							(615)
Decrease in treasury stock		1		183	185							185
Retirement of treasury stock		—	—	—	—							—
Net changes in items other than shareholders' equity						(92,962)	(322)	27,762	51,772	(13,750)	9,528	(4,221)
Total changes during the year	—	1	(47,030)	(431)	(47,460)	(92,962)	(322)	27,762	51,772	(13,750)	9,528	(51,682)
Balance at end of the year	$660,535	$232,560	$4,185,965	$(190,056)	$4,889,005	$443,041	$(258)	$37,103	$(381,356)	$ 98,529	$165,840	$5,153,376

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash flows from operating activities:			
Profit before income taxes	¥ 60,834	¥ 37,155	$ 349,732
Depreciation and amortization	53,553	48,934	460,606
Amortization of goodwill	4,222	3,229	30,399
Loss (gain) on sale or write-down of securities, net	357	(5,467)	(51,466)
Loss (gain) on sale or disposal of property and equipment, net	(987)	5,110	48,105
Impairment loss	4,175	51,711	486,743
(Gain) loss on securities contribution to employees' retirement benefit trust	—	(15,662)	(147,429)
Increase (decrease) in provision for bonuses	(180)	1,202	11,318
Increase (decrease) in net retirement benefit liability	7,358	6,203	58,394
Interest and dividend income	(3,189)	(3,957)	(37,247)
Interest expenses (Note 2)	3,420	3,239	30,488
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(1,733)	(654)	(6,163)
(Gain) loss on step acquisitions	(2,291)	—	—
(Increase) decrease in trade receivables	(3,495)	(29,177)	(274,633)
(Increase) decrease in inventories	229	(847)	(7,976)
Increase (decrease) in accounts payable	5,741	9,060	85,283
Increase (decrease) in consumption taxes payable	(1,291)	4,125	38,831
Other	(671)	4,317	40,635
Sub-total	126,052	118,523	1,115,622
Interest and dividends received	3,287	4,122	38,800
Interest paid (Note 2)	(3,431)	(3,392)	(31,934)
Income taxes paid	(23,547)	(27,388)	(257,795)
Net cash provided by operating activities	102,360	91,865	864,693
Cash flows from investing activities:			
Payment for purchase of property and equipment	(74,134)	(97,108)	(914,043)
Proceeds from sales of property and equipment	6,239	55	525
Payment for purchase of investment securities	(5,671)	(1,624)	(15,290)
Proceeds from sales of investment securities	5,726	9,429	88,761
Payment for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	(2,105)	—	—
Other	(1,014)	1,787	16,829
Net cash used in investing activities	(70,961)	(87,458)	(823,217)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(3,474)	(444)	(4,185)
Proceeds from long-term loans payable	21,337	55,195	519,540
Payment for long-term loans payable	(53,739)	(53,218)	(500,929)
Proceeds from issuance of bonds	80,000	—	—
Redemption of bonds	(20,000)	(20,000)	(188,253)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,132)	(146)	(1,381)
Cash dividends	(10,923)	(11,521)	(108,449)
Payment for purchase of treasury stock	(21,634)	(65)	(615)
Other	(2,252)	(1,242)	(11,693)
Net cash provided by (used in) financing activities	(11,820)	(31,443)	(295,967)
Effect of exchange rate changes on cash and cash equivalents	(2,940)	1,542	14,517
Net increase (decrease) in cash and cash equivalents	16,638	(25,494)	(239,974)
Cash and cash equivalents at beginning of year	146,007	163,386	1,537,899
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	740	—	—
Cash and cash equivalents at end of year (Note 1)	¥163,386	¥137,891	$1,297,925

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 ¥106.24 to US$1.00, prevailing on March 31, 2018, 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 265 consolidated subsidiaries. The names of major subsidiaries are noted in "Management Discussion and Analysis."
Effective the year ended March 31, 2018, Euro Overseas Logistics S.A. has been excluded from the scope of consolidation due to liquidation, and two subsidiaries, including Nittsu Osaka Logistics Co., Ltd., have been excluded due to merger with another consolidated subsidiary.

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 53 subsidiaries, including Nippon Express Travel USA, Inc., held by 13 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:
a. Non-consolidated subsidiary: Awa Godo Tsuun Co., Ltd.
b. Affiliates: There are 23 equity-method affiliates, including Meitetsu Transport Co., Ltd.
Effective the year ended March 31, 2018, CNJ World Logistics Co., Ltd. has been excluded from the scope of equity method affiliates due to liquidation.

2) A total of 27 non-consolidated subsidiaries, including Nittsu Energy Kanto Co., Ltd., and 41 affiliates, including Tokyo Koun Co., Ltd., other than the above 24 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 94 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.

g. Provision for loss on contracts
Certain consolidated subsidiaries provide a reserve for potential loss occurring during the execution of real estate lease contracts at the estimated amount of loss.

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 (4–15 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 (4–15 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 subsidiaries and affiliates (16 companies) apply basically the same accounting standards as the Company while certain foreign subsidiaries (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 accounting policies

Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates and Changes in Accounting Estimates

The depreciation method for property and equipment (excluding leased assets) used by the Company and some domestic consolidated subsidiaries was changed to the straight-line method from the fiscal year ended March 31, 2018. Previously, the straight-line method was mainly used for buildings and the declining-balance method for property and equipment other than buildings.

In April 2015, the Company announced that it would implement internal reorganization to establish a one-stop structure leveraging the Group's comprehensive capabilities in land, marine and air transport. Since then, it has been pushing forward with the establishment of an integrated customer-oriented, account-based sales structure, spanning from sales to operations. As a result of these initiatives, in the fiscal year ended March 31, 2018, the Company reached capital investment decisions related to Groupwide optimization and realized services that effectively utilize management resources. Specifically, by consolidating at major distribution centers the vehicles, warehouse facilities and other assets that had been scattered across multiple business divisions and distribution centers, the Company realized more efficient, steady utilization of said assets. Furthermore, the Company and its group companies have promoted the unified operation of their property and equipment, enabling more stable asset utilization in the Logistics Support business, including vehicle maintenance services.

In addition, spurred by multiple large-scale investment projects that started full operation in the fiscal year ended March 31, 2018, including the construction of general-purpose distribution centers to meet diversifying customer needs, the Group has realized further stability in asset utilization. In light of this, the Company verified the status of use of its domestic property and equipment.

As a result, going forward, the Groupwide strengthening of the one-stop structure for land, marine and air transport will promote the joint use of facilities, and facilities are expected to be in stable use across their periods of service. Therefore, the Company judged that cost allocation by the straight-line method better reflects the actual economic conditions of the Group and that the unification of the Group's depreciation methods will help enhance business management. Accordingly, the Company changed to the straight-line method.

At the same time, based on a review of actual utilization conditions, the Company changed the useful lives of some vehicles to reflect actual conditions.

As a result of these changes, operating income, ordinary income and profit before income taxes for the fiscal year ended March 31, 2018 each increased by ¥8,301 million (US$78,137 thousand) compared with the figures calculated based on the previous method.

4. Accounting standards issued but not yet effective

• 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.

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, 2018 were ¥364 million (US$3,426 thousand) and 73,253 shares, respectively.

6. Notes to Consolidated Balance Sheets

(1) Assets pledged as collateral and secured payables

Assets pledged as collateral are as follows:

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Time deposits	235	17	160
Buildings	864	558	5,257
Land	1,633	1,222	11,504
Investment securities	998	955	8,994
Total	3,731	2,753	25,917

The Company's secured payables are as follows:

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Accounts payable—trade	4,691	4,727	44,501
Long-term loans payable	440	403	3,796
Short-term loans payable and others	36	36	345
Total	5,168	5,167	48,643

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

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Buildings	14,093	241	2,270
Machinery and equipment	85	53	503
Vehicles	2	5	53
Land	145	70	663
Structures and others	7	810	7,627
Total	14,335	1,181	11,118

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

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Equity securities (included in investment securities)	15,859	17,498	164,708
Investments in capital or partnerships (included in Other under investments and other assets)	2,151	1,859	17,504

(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
	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)	
Nagoya United Container Terminal Co., Ltd.	187	150	1,411	Loan guarantee
Nittsu Shoji Leasing (Thailand) Co., Ltd.	1,995	2,522	23,746	Loan guarantee
Nittsu Shoji (Singapore) Pte. Ltd.	1,137	976	9,187	Loan guarantee
Nittsu Shoji USA, Inc.	112	10,534	99,159	Loan guarantee
Other	567	1,417	13,340	Loan guarantee, others
Total	3,998	15,600	146,845	

(5) Inventories

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Merchandise and finished goods	3,448	4,162	39,181
Work in process	592	622	5,863
Raw materials and stores	2,087	2,194	20,653

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

As March 31, 2018 was a bank holiday, the following notes due as of that date are included in their respective balances in the consolidated balance sheet.

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Notes receivable—trade	—	1,621	15,264
Notes payable—trade	—	977	9,202

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:

(2017)

	Operating costs (Millions of yen)	Selling, general, and administrative expenses (Millions of yen)
Provision for bonuses	18,644	3,056
Provision for directors' bonuses	—	139
Retirement benefit cost	18,336	1,900
Provision for directors' retirement benefits	—	98
Provision for special repairs	103	—

(2018)

	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	19,194	180,669	3,476	32,721
Provision for directors' bonuses	—	—	137	1,290
Retirement benefit cost	15,627	147,092	1,961	18,466
Provision for directors' retirement benefits	—	—	86	811
Provision for special repairs	46	434	—	—

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

	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Thousands of U.S. dollars)
Land	5,072	1,931	18,180
Buildings	212	40	378
Intangible assets and others	51	648	6,100
Total	5,336	2,619	24,658

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

	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Thousands of U.S. dollars)
Buildings	2,584	5,920	55,726
Structures	301	156	1,477
Machinery and equipment	237	156	1,472
Tools, furniture and fixtures	92	91	862
Land	97	118	1,117
Intangible assets and others	1,313	1,509	14,209
Total	4,626	7,953	74,866

(4) Impairment loss

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

2017 (From April 1, 2016 to March 31, 2017)

Purpose of use	Type	Location	Impairment loss (Millions of yen)
—	Goodwill	—	4,175

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 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 by estimating their value in use and applying a discount rate of 11.3%–14.4% to future cash flows.

A description of additional impairment loss other than the above has been omitted as it is immaterial.

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

Purpose of use	Type	Location	Impairment loss (Millions of yen)	Impairment loss (Thousands of U.S. dollars)
—	Goodwill	—	36,058	339,406
Assets for business use	Other intangible assets	—	12,879	121,229
Assets for business use	Buildings, land, others	Thailand	2,773	26,107
Total			51,711	486,743

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 by estimating their value in use and applying a discount rate of 6.1%–12.3% to future cash flows.

(5) Loss on disaster

2017 (From April 1, 2016 to March 31, 2017)

Expenses and losses (including amounts recorded as provisions) for the restoration, etc., of facilities damaged by the April 2016 Kumamoto Earthquake are recognized as loss on disaster. The main components of this loss on disaster are as follows:

	Millions of yen
Restoration expense for non-current assets	806
Loss on destruction of non-current assets	20
Other	47

¥37 million in provision for loss on disaster is included in other provisions under current liabilities.

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

Not applicable.

(6) Gain on contribution of securities to retirement benefit trust

2017 (From April 1, 2016 to March 31, 2017)

Not applicable.

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 (US$151,310 thousand) to its retirement benefit trust. As a result, the Company recorded ¥15,662 million (US$147,429 thousand) in gain on contribution of securities to retirement benefit trust under extraordinary income.

8. Notes to Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income

	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Thousands of U.S. dollars)
Valuation differences on available-for-sale securities			
Amount recognized during the year	13,832	(8,396)	(79,033)
Reclassification adjustments	284	(5,801)	(54,609)
Before tax effect adjustment	14,117	(14,198)	(133,642)
Tax effects	(4,288)	4,316	40,628
Valuation differences on available-for-sale securities	9,828	(9,881)	(93,013)
Deferred gains (losses) on hedges			
Amount recognized during the year	319	(87)	(819)
Reclassification adjustments	—	37	352
Before tax effect adjustment	319	(49)	(467)
Tax effects	(98)	15	144
Deferred gains (losses) on hedges	220	(34)	(322)
Foreign currency translation adjustments			
Amount recognized during the year	(7,140)	2,839	26,731
Foreign currency translation adjustments	(7,140)	2,839	26,731
Remeasurements of retirement benefit plans			
Amount recognized during the year	(1,020)	428	4,034
Reclassification adjustments	10,716	7,612	71,651
Before tax effect adjustment	9,695	8,040	75,685
Tax effects	(1,792)	(2,468)	(23,235)
Remeasurements of retirement benefit plans	7,903	5,572	52,450
Share of other comprehensive income (loss) of affiliates accounted for using the equity method			
Amount recognized during the year	(161)	60	568
Total other comprehensive income (loss)	10,650	(1,443)	(13,585)

9. Notes to Consolidated Statements of Changes in Net Assets

2017 (From April 1, 2016 to March 31, 2017)

(1) Class and number of shares issued

Class of shares	Number of shares as of April 1, 2016	Increase	Decrease	Number of shares as of March 31, 2017
Common stock (Thousand shares)	1,038,000	—	40,000	998,000

Details of the changes are as follows:
The decrease in common stock issued is due to the retirement of 40,000 thousand shares of treasury stock pursuant to the resolution of the Board of Directors (March 24, 2017).

(2) Class and number of treasury stock

Class of shares	Number of shares as of April 1, 2016	Increase	Decrease	Number of shares as of March 31, 2017
Common stock (Thousand shares)	37,068	40,029	40,000	37,098

(Note) In addition to the above, 771 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 40,000 thousand shares pursuant to the resolution of the Board of Directors (July 29, 2016) and the purchase of 29 thousand shares in quantities of less than one unit.

The decrease in common stock in treasury is due to the retirement of 40,000 thousand shares of treasury stock pursuant to the resolution of the Board of Directors (March 24, 2017).

(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, 2016	Common stock	6,005	6.00	March 31, 2016	June 30, 2016
Board of Directors' Meeting held on October 31, 2016	Common stock	4,922	5.00	September 30, 2016	December 2, 2016

(Note) The total amount of dividends decided by resolution of the Board of Directors on October 31, 2016 includes ¥3 million 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, 2017, 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 29, 2017	Common stock	Retained earnings	5,765	6.00	March 31, 2017	June 30, 2017

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

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

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 29, 2017	Common stock	54,267	0.05	March 31, 2017	June 30, 2017
Board of Directors' Meeting held on October 31, 2017	Common stock	54,266	0.05	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 (US$43 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, 2017 includes ¥4 million (US$41 thousand) 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

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 28, 2018	Common stock	Retained earnings	54,262	0.56	March 31, 2018	June 29, 2018

(Note) The total amount of dividends includes ¥4 million (US$41 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

	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Thousands of U.S. dollars)
Cash and cash in banks	212,683	198,044	1,864,123
Cash related to CSD services	(17,918)	(30,208)	(284,337)
Cash related to exchange money delivery services	(21,111)	(21,937)	(206,494)
Time deposits with maturities of over three months	(10,032)	(7,852)	(73,909)
Time deposits pledged as collateral for debts	(235)	(154)	(1,455)
Cash and cash equivalents	163,386	137,891	1,297,925

(2) (2017)
“Interest expenses” as well as “Interest paid” in cash flows from operating activities are presented excluding ¥410 million in financing costs included in operating costs mainly in the leasing business.

(2018)
“Interest expenses” as well as “Interest paid” in cash flows from operating activities are presented excluding ¥330 million (US$3,113 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
(2017)
A description is omitted because the amount is immaterial.

(2018)
Not applicable.

11. Leases

(1) Finance leases

(Lessee)
Not applicable.

(Lessor)
1) Breakdown of lease investment assets

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Gross lease receivables	109,570	112,747	1,061,248
Estimated residual values	4,046	4,719	44,423
Unearned interest income	(1,281)	(1,262)	(11,880)
Lease investment assets	112,336	116,204	1,093,791

2) Lease receivables and maturities of gross lease receivables corresponding to lease investment assets subsequent to March 31, 2017 and 2018 are as follows:

2017 (As of March 31, 2017)

	Lease receivables (Millions of yen)	Lease investment assets (Millions of yen)
Due in one year or less	3,109	36,184
Due after one year through two years	2,315	28,329
Due after two years through three years	1,603	20,024
Due after three years through four years	1,042	12,559
Due after four years through five years	428	5,326
Due after five years	259	7,145

2018 (As of March 31, 2018)

	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	3,161	29,758	37,144	349,627
Due after one year through two years	2,456	23,123	28,536	268,607
Due after two years through three years	1,857	17,486	20,870	196,445
Due after three years through four years	1,175	11,065	13,046	122,802
Due after four years through five years	563	5,301	5,663	53,313
Due after five years	470	4,425	7,484	70,452

(2) Operating leases

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

(Lessee)

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Portion due within one year	31,461	31,055	292,317
Thereafter	159,371	149,319	1,405,494
Total	190,833	180,375	1,697,812

(Lessor)

Not applicable.

12. Financial instruments

2017 (From April 1, 2016 to March 31, 2017)

(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 19 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, 2017 are as follows:

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	212,683	212,683	—
2) Accounts receivable—trade	298,594	298,594	—
3) Lease investment assets	112,336	113,617	1,281
4) Investment securities			
Available-for-sale securities	103,059	103,059	—
5) Accounts payable—trade	(156,864)	(156,864)	—
6) Short-term loans payable	(7,575)	(7,575)	—
7) Deposits	(48,990)	(48,990)	—
8) Bonds	(145,000)	(144,775)	225
9) Long-term loans payable	(262,755)	(266,911)	(4,155)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	9	9	—

(*1) Liabilities are presented in parentheses.
(*2) Receivables and payables incurred as a result of derivatives are presented on a net basis.

(Note 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.”

(Note 2) Unlisted equity securities with a carrying amount of ¥22,836 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.

(Note 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	212,683	—	—
Accounts receivable—trade	298,594	—	—
Lease investment assets	35,621	65,580	11,133

(Note 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	7,575	—	—
Bonds payable	20,000	35,000	90,000
Long-term loans payable	53,031	106,656	103,068

* 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.

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 (*1)	Fair value (*1)	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 (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(39)	(39)	—

	Thousands of U.S. dollars		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	1,864,123	1,864,123	—
2) Accounts receivable—trade	3,034,551	3,034,551	—
3) Lease investment assets	1,093,791	1,099,956	6,164
4) Investment securities			
Available-for-sale securities	803,482	803,482	—
5) Accounts payable—trade	(1,541,264)	(1,541,264)	—
6) Short-term loans payable	(66,825)	(66,825)	—
7) Deposits	(608,632)	(608,632)	—
8) Bonds	(1,176,581)	(1,180,638)	(4,056)
9) Long-term loans payable	(2,495,550)	(2,524,209)	(28,658)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(372)	(372)	—

(*1) Liabilities are presented in parentheses.
(*2) Receivables and payables incurred as a result of derivatives are presented on a net basis.
(Note 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.”

(Note 2) Unlisted equity securities with a carrying amount of ¥24,473 million (US$230,357 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.

(Note 3) 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	198,044	—	—	1,864,123	—	—
Accounts receivable—trade	322,390	—	—	3,034,551	—	—
Lease investment assets	36,613	67,436	12,154	344,633	634,755	114,402

(Note 4) 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	7,099	—	—	66,825	—	—
Bonds payable	—	35,000	90,000	—	329,442	847,138
Long-term loans payable	38,113	118,256	108,756	358,751	1,113,110	1,023,688

* 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

2017 (As of March 31, 2017)

(1) Available-for-sale securities

Category	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	102,305	20,454	81,850
2) Other	—	—	—
Sub-total	102,305	20,454	81,850
Carrying value does not exceed acquisition cost:			
1) Equity securities	755	858	(102)
2) Other	—	—	—
Sub-total	755	858	(102)
Total	103,061	21,313	81,747

(2) Available-for-sale securities sold during 2017 (From April 1, 2016 to March 31, 2017)

Category	Millions of yen		
	Sales proceeds	Total gains on sales	Total losses on sales
1) Equity securities	148	91	1
2) Other	—	—	—
Total	148	91	1

(3) Impairment loss on investment securities

The Company recorded impairment loss of ¥14 million on available-for-sale securities for the fiscal year ended March 31, 2017.

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.

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

Category	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	789,905	152,983	636,922
2) Other	—	—	—
Sub-total	789,905	152,983	636,922
Carrying value does not exceed acquisition cost:			
1) Equity securities	13,595	14,715	(1,120)
2) Other	—	—	—
Sub-total	13,595	14,715	(1,120)
Total	803,501	167,699	635,801

(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

Category	Thousands of U.S. dollars		
	Sales proceeds	Total gains on sales	Total losses on sales
1) Equity securities	87,742	54,735	9
2) Other	—	—	—
Total	87,742	54,735	9

(3) Impairment loss on investment securities

The Company recorded impairment loss of ¥247 million (US$2,328 thousand) 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.

14. Derivatives

2017 (As of March 31, 2017)

(1) Derivative transactions to which hedge accounting is not applied at March 31, 2017

Not applicable.

(2) Derivative transactions to which hedge accounting is applied at March 31, 2017

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	24

(*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	1,228	—	(2)
	Forward foreign currency contracts: Buying US$ and other currencies		622	—	(11)
Designation method	Forward foreign currency contracts: Selling US$ and other currencies	Accounts receivable—trade	1,444	—	(*2)
	Forward foreign currency contracts: Buying US$ and other currencies	Accounts payable—trade	3,351	—	

(*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.

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)

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	94,126	94,126	(*2)
Deferral hedge	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	470,632	470,632	(303)

(*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	—	

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	16,467	—	57
	Forward foreign currency contracts: Buying US$ and other currencies		9,212	—	(126)
Designation method	Forward foreign currency contracts: Selling US$ and other currencies	Accounts receivable—trade	17,140	—	(*2)
	Forward foreign currency contracts: Buying US$ and other currencies	Accounts payable—trade	34,272	—	

(*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.

In July 2016, certain domestic consolidated subsidiaries transitioned part of their defined-benefit pension plans to defined-contribution pension 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)

	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Thousands of U.S. dollars)
Retirement benefit obligation at beginning of the year	217,815	213,853	2,012,932
Service cost	9,358	9,200	86,603
Interest cost on projected benefit obligation	841	1,065	10,030
Actuarial gain or loss	1,174	292	2,752
Retirement benefits paid	(12,481)	(9,406)	(88,542)
Decrease due to transition to defined-contribution plans	(2,806)	—	—
Other	(47)	(13)	(129)
Retirement benefit obligation at end of the year	213,853	214,992	2,023,646

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

	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Thousands of U.S. dollars)
Plan assets at beginning of the year	64,664	63,301	595,838
Expected return on plan assets	1,159	1,077	10,138
Actuarial gain or loss	565	800	7,538
Contribution from employer	1,574	2,461	23,172
Retirement benefits paid	(1,099)	(1,218)	(11,464)
Decrease due to transition to defined-contribution plans	(3,078)	—	—
Contribution of securities to retirement benefit trust	—	16,075	151,310
Other	(484)	(172)	(1,628)
Plan assets at end of the year	63,301	82,326	774,906

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

	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Thousands of U.S. dollars)
Net retirement benefit liability and net retirement benefit asset at beginning of the year (net amount)	6,056	6,141	57,806
Benefit cost	865	787	7,412
Retirement benefits paid	(683)	(832)	(7,838)
Effect of business combination	44	—	—
Other	(141)	81	769
Net retirement benefit liability and net retirement benefit asset at end of the year (net amount)	6,141	6,177	58,149

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

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Retirement benefit obligation of funded plans	199,210	200,046	1,882,969
Plan assets	(63,893)	(82,951)	(780,797)
	135,317	117,094	1,102,172
Retirement benefit obligation of unfunded plans	21,375	21,749	204,717
Net retirement obligation and assets at end of the year	156,693	138,844	1,306,890
Net retirement benefit liability	157,371	140,039	1,318,144
Net retirement benefit asset	(677)	(1,195)	(11,254)
Net retirement liability and asset at end of the year	156,693	138,844	1,306,890

(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

	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Thousands of U.S. dollars)
Service cost	9,358	9,200	86,603
Interest cost on projected retirement benefit obligation	841	1,065	10,030
Expected return on plan assets	(1,159)	(1,077)	(10,138)
Amortization of unrecognized actuarial loss	9,806	7,085	66,689
Amortization of prior service cost	522	527	4,962
Retirement benefit cost calculated by the simplified method	865	787	7,412
Retirement benefit cost of defined-benefit plans	20,235	17,589	165,559
Loss on transition to defined-contribution plans (Note)	679	—	—

(Note) This amount is recorded as extraordinary loss.

6) Remeasurements of retirement benefit plans in other comprehensive income

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

	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Millions of yen)	2018 (From April 1, 2017 to March 31, 2018) (Thousands of U.S. dollars)
Prior service cost	528	531	5,005
Actuarial gain or loss	9,166	7,509	70,680
Total	9,695	8,040	75,685

(Note) For the fiscal year ended March 31, 2017, prior service cost and actuarial gain or loss include reclassification adjustments due to the transition of certain defined-benefit pension plans to defined-contribution pension plans of ¥(0) million and ¥386 million, respectively.

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:

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Unrecognized prior service cost	3,289	2,757	25,957
Unrecognized actuarial gain or loss	63,714	56,205	529,038
Total	67,003	58,962	554,995

8) Plan assets

a. Main components of plan assets

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

	2017 (As of March 31, 2017)	2018 (As of March 31, 2018)
Bonds	19%	16%
Equity securities	70%	74%
Cash and cash in banks	3%	3%
Other	8%	7%
Total	100%	100%

(Note) 52.2% of plan assets in the year ended March 31, 2017, and 59.7% of plan assets in the year ended March 31, 2018 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

	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)
Discount rates	0.1%–1.2%	0.1%–1.2%
Long-term expected rates of return on plan assets	0.0%–2.7%	0.0%–2.7%
Expected rates of pay raises	0.5%–8.6%	0.2%–8.0%

(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 ¥4,119 million for the year ended March 31, 2017 and ¥4,212 million (US$39,653 thousand) for the year ended March, 31, 2018.

(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, 2017 and 2018 are as follows:

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Deferred tax assets:			
(Current)			
Allowance for doubtful accounts	184	186	1,754
Accrued bonuses	7,358	7,680	72,295
Enterprise tax payable	1,152	1,212	11,408
Asset retirement obligations	1,271	1,038	9,778
Other	2,048	2,156	20,295
Total	12,015	12,274	115,533
(Non-current)			
Allowance for doubtful accounts	277	308	2,900
Net retirement benefit liability	64,957	65,046	612,263
Unrealized gains	3,243	3,270	30,782
Impairment losses	2,651	3,046	28,672
Asset retirement obligations	2,009	2,264	21,317
Loss on valuation of investment securities, etc.	1,420	1,714	16,142
Loss carried forward	875	739	6,956
Other	8,588	10,201	96,018
Total	84,023	86,591	815,053
Sub-total	96,038	98,865	930,586
Valuation allowance	(7,715)	(7,819)	(73,598)
Total deferred tax assets	88,322	91,046	856,987

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Deferred tax liabilities:			
(Current)			
Loss on adjustment for transfer of leased assets	(833)	(893)	(8,409)
Other	(223)	(75)	(708)
Total	(1,056)	(968)	(9,118)
(Non-current)			
Reserve for deferred gains on fixed assets	(14,622)	(14,392)	(135,473)
Gain on contribution of securities to retirement benefit trust	(14,532)	(19,325)	(181,904)
Valuation differences on available-for-sale securities	(24,642)	(20,326)	(191,325)
Valuation differences on assets and liabilities of subsidiaries	(15,793)	(11,852)	(111,559)
Other	(4,544)	(7,971)	(75,032)
Total	(74,135)	(73,868)	(695,295)
Total deferred tax liabilities	(75,191)	(74,836)	(704,413)

(Note) Net deferred tax assets and liabilities as of March 31, 2017 and 2018 are included in the following items of the consolidated balance sheets.

	2017 (As of March 31, 2017) (Millions of yen)	2018 (As of March 31, 2018) (Millions of yen)	2018 (As of March 31, 2018) (Thousands of U.S. dollars)
Deferred tax assets—current	10,810	11,014	103,678
Others (Deferred tax liabilities)—current	(159)	(43)	(413)
Deferred tax assets—non-current	15,056	12,653	119,099
Deferred tax liabilities—non-current	(12,576)	(7,414)	(69,789)

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

	2017 (As of March 31, 2017)	2018 (As of March 31, 2018)
Statutory tax rate	30.9%	30.9%
(Adjustment)		
Non-deductible items	1.5	2.4
Per capita inhabitants' tax	2.0	3.1
Changes in valuation allowance	(0.9)	0.7
Difference in tax rate applicable to foreign subsidiaries	1.2	3.4
Elimination of dividends from consolidated subsidiaries	0.5	1.9
Amortization of goodwill	2.1	2.7
Impairment of goodwill	2.1	30.0
Difference in tax rate due to companies reporting losses	0.2	0.7
Other, net	(0.9)	3.0
Effective tax rate	38.7%	78.8%

17. Asset retirement obligations

2017 (From April 1, 2016 to March 31, 2017)
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 0.007%–2.315% 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 2017

	Millions of yen
Balance at beginning of the year	12,030
Increase due to acquisition of property and equipment	74
Accretion adjustment	153
Decrease due to settlement	(802)
Increase due to business combinations	37
Other	(67)
Balance at end of the year	11,426

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%–2.315% 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	Thousands of U.S. dollars
Balance at beginning of the year	11,426	107,557
Increase due to acquisition of property and equipment	121	1,145
Accretion adjustment	136	1,288
Decrease due to settlement	(653)	(6,150)
Increase due to business combinations	—	—
Other	66	630
Balance at end of the year	11,099	104,471

18. Investment and rental property

2017 (From April 1, 2016 to March 31, 2017)
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, 2017 were ¥7,332 million and ¥3,521 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, 2017
April 1, 2016	Increase (decrease)	March 31, 2017	
49,319	(1,378)	47,940	146,031

(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, 2017 primarily consists of depreciation.
3. Fair value of properties as of March 31, 2017 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.
4. Effective the year ended March 31, 2017, due to a change in the management system for the real estate business, the Company has changed its allocation standards for related expenses. This change increased the Company's net rental profit.

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 (US$67,727 thousand) and ¥434 million (US$4,090 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, 2018
April 1, 2017	Increase (decrease)	March 31, 2018	
47,940	(433)	47,507	146,267

Thousands of U.S. dollars			
Carrying amount			Fair value as of March 31, 2018
April 1, 2017	Increase (decrease)	March 31, 2018	
451,250	(4,077)	447,172	1,376,764

(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.

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)	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
East Asia (Logistics)	Air freight forwarding; marine & harbor transportation; warehousing & distribution processing; moving & relocation; chartered truck services	Air freight forwarding; harbor transportation; warehousing; motor cargo transportation
South Asia & Oceania (Logistics)	Air freight forwarding; marine & harbor transportation; warehousing & distribution processing; moving & relocation; chartered truck services; heavy haulage & construction; travel	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.

As noted in "Changes in accounting policies," the depreciation method used by the Company and some domestic consolidated subsidiaries for property and equipment other than buildings was changed from the fiscal year ended March 31, 2018. Previously, such property and equipment was depreciated mainly by the declining-balance method, but from the fiscal year ended March 31, 2018, it is depreciated by the straight-line method. In addition, the Company changed the useful lives of some vehicles.

As a result of these changes, compared with the figures calculated based on the previous method, segment income for the fiscal year ended March 31, 2018 increased ¥6,636 million (US$62,464 thousand) in Japan (Logistics), ¥830 million (US$7,817 thousand) in Security Transportation, ¥341 million (US$3,210 thousand) in Heavy Haulage & Construction and ¥493 million (US$4,645 thousand) in Logistics Support.

(3) Revenues, income (loss), assets, liabilities and other items by reportable segment

2017 (From April 1, 2016 to March 31, 2017)

	Millions of yen				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	1,143,290	70,869	73,895	93,157	63,826
Intersegment	12,423	12,962	5,391	8,589	6,517
Total	1,155,713	83,831	79,286	101,746	70,343
Segment income	38,658	4,772	2,030	1,117	2,486
Segment assets	847,188	49,614	46,751	54,709	64,093
Other items					
Depreciation and amortization	35,657	1,207	1,376	1,173	1,886
Amortization of goodwill	2,370	311	392	479	348
Impairment loss on non-current assets	0	—	1,790	2,384	—
Investment in equity method affiliates	9,402	64	—	1,617	124
Increase in property and equipment and intangible assets	62,150	1,407	1,131	1,161	7,108

	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	54,740	46,512	318,009	1,864,301	—	1,864,301
Intersegment	41	472	85,984	132,381	(132,381)	—
Total	54,781	46,985	403,994	1,996,683	(132,381)	1,864,301
Segment income	964	3,883	10,015	63,930	(6,498)	57,431
Segment assets	86,887	25,039	311,777	1,486,062	35,738	1,521,800
Other items						
Depreciation and amortization	2,165	984	5,711	50,164	3,389	53,553
Amortization of goodwill	—	—	319	4,222	—	4,222
Impairment loss on non-current assets	—	—	—	4,175	—	4,175
Investment in equity method affiliates	—	202	141	11,552	—	11,552
Increase in property and equipment and intangible assets	1,843	535	7,773	83,110	1,847	84,958

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

(1) The segment income adjustment of ¥6,498 million includes ¥136 million for the elimination of intersegment income and ¥6,368 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 ¥35,738 million includes ¥149,841 million for the elimination of intersegment income, and ¥185,579 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.

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	1,190,027	76,604	89,911	106,649	75,867
Intersegment	13,448	14,792	6,136	10,837	9,515
Total	1,203,475	91,396	96,048	117,487	85,382
Segment income	45,970	4,486	4,155	1,845	3,396
Segment assets	831,407	49,573	75,090	56,293	63,755
Other items					
Depreciation and amortization	32,239	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	74,304	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	57,200	47,388	351,667	1,995,317	—	1,995,317
Intersegment	41	213	91,597	146,582	(146,582)	—
Total	57,241	47,602	443,264	2,141,899	(146,582)	1,995,317
Segment income	1,761	4,062	11,722	77,399	(7,129)	70,269
Segment assets	73,259	20,669	323,056	1,493,106	24,918	1,518,024
Other items						
Depreciation and amortization	1,600	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	2,796	812	7,389	93,128	3,430	96,558

	Thousands of U.S. dollars				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	11,201,312	721,054	846,305	1,003,855	714,111
Intersegment	126,585	139,232	57,762	102,011	89,564
Total	11,327,897	860,287	904,068	1,105,867	803,675
Segment income	432,699	42,225	39,112	17,373	31,967
Segment assets	7,825,746	466,618	706,804	529,869	600,112
Other items					
Depreciation and amortization	303,455	13,083	13,719	8,985	17,695
Amortization of goodwill	22,312	—	2,200	646	2,984
Impairment loss on non-current assets	419,662	—	—	—	67,081
Investment in equity method affiliates	95,482	594	—	13,440	1,413
Increase in property and equipment and intangible assets	699,401	15,825	14,282	3,166	40,391

	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	538,410	446,052	3,310,126	18,781,228	—	18,781,228
Intersegment	386	2,010	862,172	1,379,726	(1,379,726)	—
Total	538,797	448,063	4,172,298	20,160,954	(1,379,726)	18,781,228
Segment income	16,578	38,235	110,336	728,529	(67,106)	661,423
Segment assets	689,564	194,553	3,040,818	14,054,088	234,546	14,288,635
Other items						
Depreciation and amortization	15,066	5,465	51,543	429,013	31,592	460,606
Amortization of goodwill	—	—	2,255	30,399	—	30,399
Impairment loss on non-current assets	—	—	—	486,743	—	486,743
Investment in equity method affiliates	—	2,196	1,241	114,367	—	114,367
Increase in property and equipment and intangible assets	26,318	7,650	69,550	876,587	32,288	908,875

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

(1) The segment income adjustment of ¥7,129 million (US$67,106 thousand) includes ¥148 million (US$1,397 thousand) for the elimination of intersegment income and ¥7,001 million (US$65,899 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 ¥24,918 million (US$234,546 thousand) includes ¥199,307 million (US$1,876,015 thousand) for the elimination of intersegment income, and ¥224,226 million (US$2,110,561 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.

[Related information]

2017 (From April 1, 2016 to March 31, 2017)

(1) Information by products and services

	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
Revenues from external customers	78,880	61,177	287,771	66,101	271,626	58,828	13,090	294,615	4,686	208,611

	Millions of yen								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Leasing	Sales of petroleum, etc.	Other sales	Other	Total
Revenues from external customers	3,780	72,869	59,480	62,510	54,716	156,098	85,308	24,146	1,864,301

(2) Information by region

1) Revenues

Millions of yen					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
1,409,396	121,874	81,739	147,258	104,032	1,864,301

(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.

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

(1) Information by products and services

	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
Revenues from external customers	80,576	63,252	298,840	65,359	282,200	58,296	13,462	350,511	4,491	225,500

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

	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
Revenues from external customers	758,435	595,373	2,812,878	615,210	2,656,253	548,725	126,720	3,299,242	42,279	2,122,561

	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
Revenues from external customers	36,716	676,075	610,189	548,417	533,781	1,653,324	863,817	281,227	18,781,228

(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

Thousands of U.S. dollars					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
13,789,939	1,363,344	948,162	1,609,317	1,070,464	18,781,228

(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]

2017 (From April 1, 2016 to March 31, 2017)
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."

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."

[Information about unamortized balance of goodwill by reportable segment]

2017 (From April 1, 2016 to March 31, 2017)

	Millions of yen				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Balance at end of the year	37,435	—	538	412	4,422

	Millions of yen			
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total
Balance at end of the year	—	—	239	43,047

(Note) For the amortization of goodwill, please refer to "Segment information (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
Balance at end of the year	3,359	—	493	327	—

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

	Thousands of U.S. dollars				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Balance at end of the year	31,621	—	4,642	3,085	—

	Thousands of U.S. dollars			
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total
Balance at end of the year	—	—	—	39,350

(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]

2017 (From April 1, 2016 to March 31, 2017)
Not applicable.

2018 (From April 1, 2017 to March 31, 2018)
Not applicable.

20. Related party information

2017 (From April 1, 2016 to March 31, 2017)
Not applicable.

2018 (From April 1, 2017 to March 31, 2018)
Not applicable.

21. Per share information

	Yen		U.S. dollars
	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)	2018 (From April 1, 2017 to March 31, 2018)
Net assets per share	5,586.52	5,519.09	51.94
Basic earnings per share	371.32	68.06	0.64

(Notes) 1. Diluted earnings per share is 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, net assets per share 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.

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, 2017 was 77 thousand shares, and the average number of shares of treasury stock held by the trust for the fiscal year ended March 31, 2017 was 44 thousand shares. 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.

4. The bases for the computation of basic earnings per share are set out below.

	Millions of yen		Thousands of U.S. dollars
	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)	2018 (From April 1, 2017 to March 31, 2018)
Basic earnings per share			
Profit attributable to owners of parent	36,454	6,534	61,503
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent related to common stock	36,454	6,534	61,503
Weighted average number of common stock during the year (1,000 shares)	98,173	96,012	—

5. The bases for the computation of net assets per share are set out below.

	Millions of yen		Thousands of U.S. dollars
	2017 (March 31, 2017)	2018 (March 31, 2018)	2018 (March 31, 2018)
Total net assets	552,985	547,494	5,153,376
Deductions from total net assets	16,606	17,618	165,840
Non-controlling interests	16,606	17,618	165,840
Net assets at end of year related to common stock	536,378	529,875	4,987,535
Number of common stock at end of year used to calculate net assets per share (1,000 shares)	96,013	96,007	—

22. Supplementary schedules

[Schedule of bonds]

Issuer	Name of bond	Issuance date	Millions of yen		Thousands of U.S. dollars			
			Balance as of April 1, 2017	Balance as of March 31, 2018	Balance as of March 31, 2018	Interest rate (%)	Collateral	Maturity
Nippon Express Co., Ltd.	3rd Unsecured Straight Bonds	January 30, 2008	20,000	—	—	1.59	Unsecured	January 30, 2018
	5th Unsecured Straight Bonds	June 1, 2009	15,000	15,000	141,189	1.82	Unsecured	May 31, 2019
	7th Unsecured Straight Bonds	October 20, 2011	10,000	10,000	94,126	1.09	Unsecured	October 20, 2021
	8th Unsecured Straight Bonds	February 25, 2016	10,000	10,000	94,126	0.10	Unsecured	February 25, 2021
	9th Unsecured Straight Bonds	February 25, 2016	10,000	10,000	94,126	0.28	Unsecured	February 25, 2026
	10th Unsecured Straight Bonds	July 14, 2016	30,000	30,000	282,379	0.12	Unsecured	July 14, 2023
	11th Unsecured Straight Bonds	July 14, 2016	30,000	30,000	282,379	0.20	Unsecured	July 14, 2026
	12th Unsecured Straight Bonds	July 14, 2016	20,000	20,000	188,253	0.70	Unsecured	July 14, 2036
Total	—	—	145,000	125,000	1,176,581	—	—	—

(Note) The repayment schedule for bonds for five years subsequent to March 31, 2018 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	—

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
—	141,189	94,126	94,126	—

[Schedule of loans]

Category	Balance as of April 1, 2017 (Millions of yen)	Balance as of March 31, 2018 (Millions of yen)	Balance as of March 31, 2018 (Thousands of U.S. dollars)	Average interest rate (%)	Due date
Short-term loans (payable)	7,575	7,099	66,825	1.662	—
Current portion of long-term loans payable	53,031	38,113	358,751	0.658	—
Current portion of lease obligation	900	789	7,435	—	—
Long-term loans payable (excluding current portion)	209,724	227,013	2,136,799	0.707	Final due date: March 17, 2030
Lease obligation (excluding current portion)	3,532	3,441	32,391	—	Final due date: August 31, 2031
Other interest-bearing debt					
Commercial paper (current portion)	—	—	—	—	—
In-house savings deposits by employees	28,339	28,726	270,396	0.622	
Total	303,103	305,185	2,872,600	—	—

(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, 2018 of long-term loans payable includes subordinated loans of ¥50,000 million (US$470,632 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, 2018, 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	25,142	33,211	25,568	34,334
Lease obligation	614	450	283	1,657

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	236,656	312,610	240,666	323,177
Lease obligation	5,781	4,244	2,669	15,600

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, 2018 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, 2018.

Quarterly information in 2018

	Millions of yen			
	Three months ended Jun. 30, 2017 (From April 1, 2017 to June 30, 2017)	Six months ended Sep. 30, 2017 (From April 1, 2017 to September 30, 2017)	Nine months ended Dec. 31, 2017 (From April 1, 2017 to December 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)
Revenues	474,985	956,131	1,470,797	1,995,317
Profit (loss) before income taxes	17,697	34,004	53,273	37,155
Profit attributable to owners of parent	11,089	21,570	34,009	6,534
Basic earnings per share (Yen)	115.50	224.66	354.21	68.06

	Thousands of U.S. dollars			
	Three months ended Jun. 30, 2017 (From April 1, 2017 to June 30, 2017)	Six months ended Sep. 30, 2017 (From April 1, 2017 to September 30, 2017)	Nine months ended Dec. 31, 2017 (From April 1, 2017 to December 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)
Revenues	4,470,868	8,999,732	13,844,105	18,781,228
Profit (loss) before income taxes	166,582	320,074	501,446	349,732
Profit attributable to owners of parent	104,382	203,037	320,115	61,503
Basic earnings per share (U.S. dollars)	1.08	2.11	3.33	0.64

	1Q (From April 1, 2017 to June 30, 2017)	2Q (From July 1, 2017 to September 30, 2017)	3Q (From October 1, 2017 to December 31, 2017)	4Q (From January 1, 2018 to March 31, 2018)
Basic earnings (loss) per share (Yen)	115.50	109.16	129.55	(286.17)

	1Q (From April 1, 2017 to June 30, 2017)	2Q (From July 1, 2017 to September 30, 2017)	3Q (From October 1, 2017 to December 31, 2017)	4Q (From January 1, 2018 to March 31, 2018)
Basic earnings (loss) per share (U.S. dollars)	1.08	1.02	1.21	(2.69)

(Notes) 1. 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.

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 figures for each quarter cumulatively and non-cumulatively are calculated on the assumption that said consolidation of shares was implemented at the beginning of the fiscal year ended March 31, 2017.

Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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, 2018, 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, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 3 to the consolidated financial statements, which describes the depreciation method for property and equipment (excluding leased assets) used by the Company and some domestic consolidated subsidiaries was changed to the straight-line method from the fiscal year ended March 31, 2018. Previously, the straight-line method was mainly used for buildings and the declining-balance method for property and equipment other than buildings. At the same time, the Company changed the useful lives of some vehicles. Our opinion is not qualified in respect of this matter.

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 28, 2018
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Global Network (As of March 31, 2018)

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.

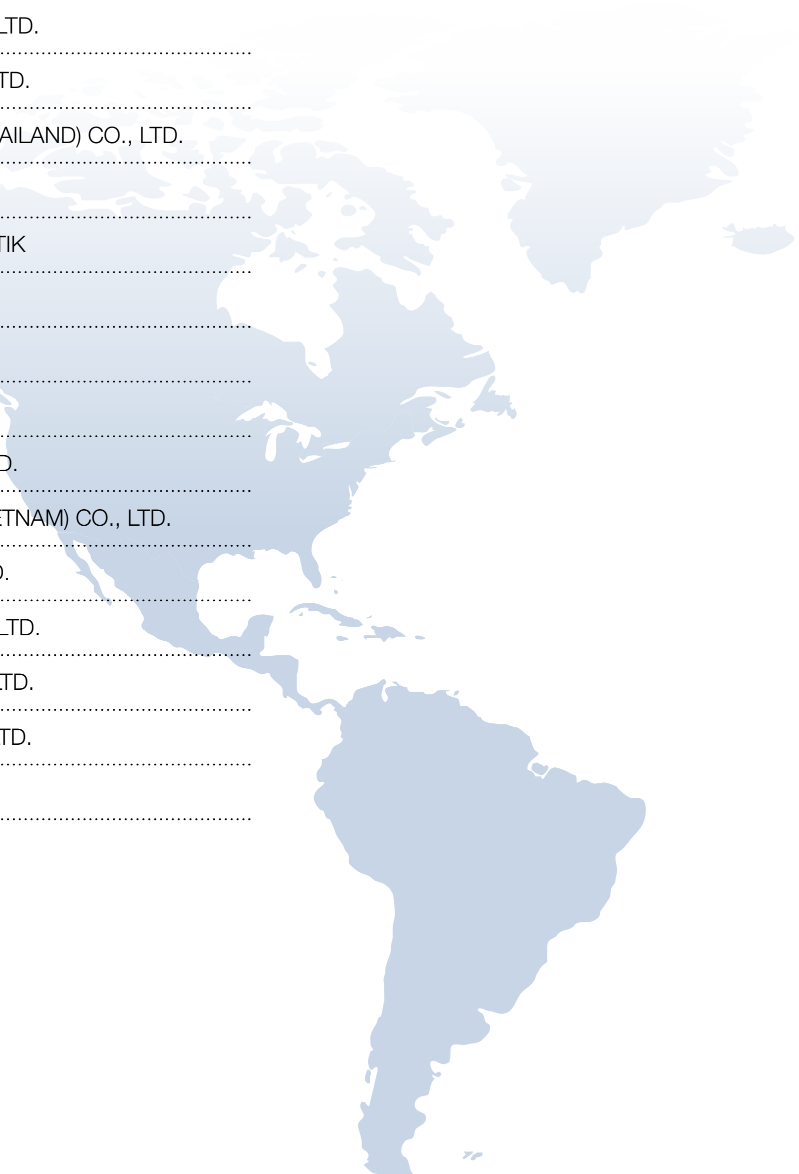
NIPPON EXPRESS (MYANMAR) CO., LTD.

NITTSU LOGISTICS MYANMAR CO., LTD.

NITTSU SHOJI (THAILAND) CO., LTD.

Representative Offices

Johannesburg Representative Office



Company Information (As of March 31, 2018)

Company name	Nippon Express Co., Ltd.
Headquarters	1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322, Japan Tel: +81 (3) 6251-1111
Formal establishment	October 1, 1937
Paid-in capital	¥70,175 million
Employees	31,871
URL	(Japanese) www.nittsu.co.jp (English) www.nipponexpress.com

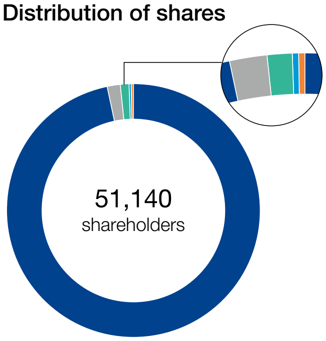
Areas of operation

1. Rail freight forwarding business
2. Truck transportation business
3. Truck freight forwarding business
4. Marine transportation business
5. Coastal shipping business
6. Harbor transportation business
7. NVOCC marine transportation business
8. Air freight forwarding business
9. Transportation businesses and forwarding business other than as listed above
10. Freight transportation consignment business
11. Warehousing business
12. Construction business
13. Customs-clearance business
14. Freight collection and settlement business
15. Air freight forwarding agency business
16. Non-life insurance agency business
17. Packing and packaging business
18. Packaging, labeling and storage business for pharmaceuticals, quasi-pharmaceuticals, cosmetics and medical equipment
19. Travel agency business
20. Transportation, construction and installation of heavy goods and any incidental business thereto
21. Sale, purchase and lease of real estate and any incidental business thereto
22. Security services business
23. General worker dispatching business
24. Waste management business
25. Specified correspondence delivery service business
26. Collection and processing of logistics information and any incidental business thereto
27. Sale of goods and commodities
28. Any other business related to the above items
29. Investments in and financing of business listed in the above items

Share Information (As of March 31, 2018)

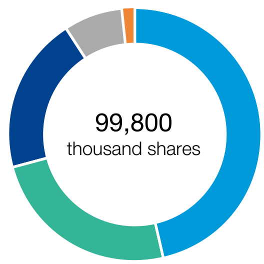
Stock exchange	Tokyo	
Number of shares	Total number of shares authorized	398,800,000
	Total number of shares issued	99,800,000
Number of shareholders	51,140	
Administrator of shareholder registry/Account managing institution of special account	Mitsubishi UFJ Trust and Banking Corporation	

Distribution of shares



By type of shareholder

Individuals, others	96.9%
Other corporate	1.6%
Overseas corporate	1.2%
Financial institutions	0.2%
Financial instruments and exchange dealers	0.1%
Governmental bodies	0.0%



Proportion of shares held

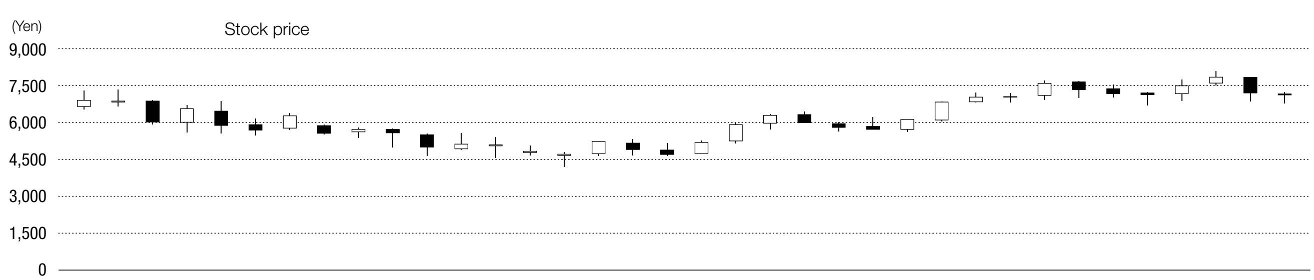
Financial institutions	46.4%
Overseas corporate	24.7%
Individuals, others	20.0%
Other corporate	7.6%
Financial instruments and exchange dealers	1.4%
Governmental bodies	0.0%

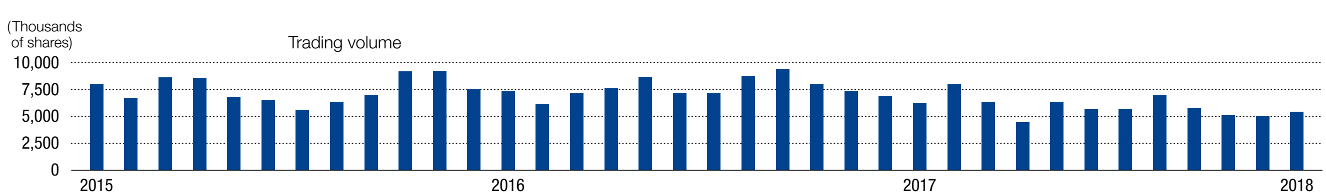
Major shareholders

	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	8,345	8.7
Japan Trustee Services Bank, Ltd. (Account in Trust)	7,441	7.7
Asahi Mutual Life Insurance Company	5,601	5.8
Sompo Japan Nipponkoa Insurance Inc.	5,096	5.3
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	4.3
Nippon Express Employees' Shareholding Association	3,410	3.5
Japan Trustee Services Bank, Ltd. (Account in Trust No. 4)	1,841	1.9
Japan Trustee Services Bank, Ltd. (Account in Trust No. 9)	1,582	1.6
STATE STREET BANK WEST CLIENT – TREATY 505234	1,529	1.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd. **	1,492	1.6

* Although the Company owns 3,718 thousand shares of treasury stock, it is excluded from the major shareholders stated above.
** The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd. on April 1, 2018.

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.