

# Consolidated Financial Statements

Nippon Express Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2020  
With Independent Auditor's Report

## Independent Auditor's Report

The Board of Directors  
Nippon Express Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Nippon Express Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Convenience Translation**


The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 26, 2020

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Certified Public Accountant

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1 Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(Unit: Thousands of  
U.S. dollars)

	(Unit: Millions of yen)		
	FY2018 (as of March 31, 2019)	FY2019 (as of March 31, 2020)	FY2019 (as of March 31, 2020)
<b>ASSETS</b>			
Current assets			
Cash and deposits (Note 1)	173,338	141,319	1,298,531
Notes receivable - trade (Note 6)	27,927	25,745	236,565
Accounts receivable – trade	331,586	305,843	2,810,288
Inventories (Note 5)	8,027	9,105	83,667
Advance payments - trade	5,595	6,076	55,833
Prepaid expenses	14,168	16,446	151,119
Lease investment assets	119,522	133,018	1,222,257
Other	33,063	35,835	329,275
Less: allowance for doubtful accounts	(964)	(1,077)	(9,898)
Total current assets	712,263	672,312	6,177,640
Non-current assets:			
Property and equipment			
Vehicles	183,177	183,616	1,687,188
Less: accumulated depreciation	(139,392)	(132,960)	(1,221,731)
Vehicles, net	43,785	50,655	465,457
Buildings	629,116	626,931	5,760,646
Less: accumulated depreciation	(374,336)	(374,864)	(3,444,492)
Buildings, net	254,779	252,066	2,316,153
Structures	69,988	71,328	655,410
Less: accumulated depreciation	(55,282)	(55,662)	(511,460)
Structures, net	14,705	15,666	143,950
Machinery and equipment	85,150	87,478	803,807
Less: accumulated depreciation	(65,535)	(66,679)	(612,692)
Machinery and equipment, net	19,615	20,799	191,115
Tools, furniture and fixtures	112,239	114,381	1,051,014
Less: accumulated depreciation	(89,209)	(88,471)	(812,934)
Tools, furniture and fixtures, net	23,029	25,910	238,080
Vessels	21,276	21,100	193,887
Less: accumulated depreciation	(10,848)	(11,686)	(107,384)
Vessels, net	10,428	9,414	86,502
Land	193,049	198,667	1,825,484
Leased assets	9,479	30,552	280,740
Less: accumulated depreciation	(5,170)	(12,930)	(118,812)
Leased assets, net	4,309	17,622	161,927
Construction in progress	13,786	23,629	217,118
Net property and equipment (Note 1,2)	577,488	614,431	5,645,790
Intangible assets			
Leasehold rights	7,887	7,966	73,199
Goodwill	12,701	2,644	24,298
Other	61,431	63,885	587,023
Total intangible assets	82,020	74,496	684,521

(Unit: Thousands of

(Unit: Millions of yen)

U.S. dollars)

	FY2018 (as of March 31, 2019)	FY2019 (as of March 31, 2020)	FY2019 (as of March 31, 2020)
Investments and other assets			
Investment securities (Note 3)	100,718	89,422	821,669
Long-term loans receivable	932	582	5,349
Long-term loans to employees	35	32	301
Long-term prepaid expenses	5,431	6,691	61,484
Security deposits	20,778	21,351	196,187
Net retirement benefit asset	1,422	1,224	11,247
Deferred tax assets	26,449	28,625	263,028
Other (Note 3)	10,107	9,809	90,138
Less: allowance for doubtful accounts	(973)	(942)	(8,658)
Total investments and other assets	164,903	156,796	1,440,748
Total non-current assets	824,413	845,724	7,771,061
Total assets	1,536,677	1,518,037	13,948,701
<b>LIABILITIES</b>			
Current liabilities:			
Notes payable - trade (Note 6)	8,175	5,599	51,452
Accounts payable - trade (Note1)	173,323	162,287	1,491,199
Short-term loans payable (Note1)	43,226	67,136	616,893
Other payables	35,667	39,767	365,412
Income taxes payable	15,845	14,925	137,144
Consumption taxes payable	9,430	9,329	85,729
Unpaid expenses	24,608	20,544	188,778
Advances received	12,289	11,098	101,976
Deposits	74,421	46,609	428,274
Deposits from employees	306	314	2,890
Provision for bonuses	22,697	25,918	238,154
Provision for directors' bonuses	156	107	983
Other	34,252	61,571	565,755
Total current liabilities	454,402	465,209	4,274,644
Non-current liabilities:			
Bonds payable	110,000	100,000	918,864
Long-term loans payable (Note1)	232,082	219,006	2,012,376
Deferred tax liabilities	7,631	5,572	51,199
Provision for directors' retirement benefits	478	312	2,867
Provision for special repairs	183	201	1,852
Provision for loss on guarantees	470	436	4,011
Other provisions	307	458	4,216
Net retirement benefit liability	144,624	133,134	1,223,325
Other	26,053	37,198	341,801
Total non-current liabilities	521,830	496,320	4,560,515
Total liabilities	976,232	961,530	8,835,160

(Unit: Thousands of

(Unit: Millions of yen)

U.S. dollars)

	FY2018 (as of March 31, 2019)	FY2019 (as of March 31, 2020)	FY2019 (as of March 31, 2020)
<b>NET ASSETS</b>			
Shareholders' equity:			
Common stock	70,175	70,175	644,815
Additional paid-in capital	22,832	22,637	208,004
Retained earnings	471,176	461,499	4,240,556
Treasury stock	(19,854)	(18,251)	(167,707)
Total shareholders' equity	544,329	536,060	4,925,668
Accumulated other comprehensive income:			
Valuation differences on available-for-sale securities	40,704	29,573	271,738
Deferred gains (losses) on hedges	(236)	(124)	(1,141)
Foreign currency translation adjustments	(3,110)	(5,062)	(46,519)
Remeasurements of retirement benefit plans	(38,070)	(20,981)	(192,794)
Total accumulated other comprehensive income	(712)	3,404	31,283
Non-controlling interests	16,827	17,041	156,589
Total net assets	560,444	556,506	5,113,541
Total liabilities and net assets	1,536,677	1,518,037	13,948,701

## (2) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statements of Income

(Unit: Thousands of

(Unit: Millions of yen)

U.S. dollars)

	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)	FY2019 (April 1, 2019 to March 31, 2020)
Revenues	2,138,501	2,080,352	19,115,616
Operating costs (Note1)	1,949,635	1,911,049	17,559,949
Gross profit	188,866	169,303	1,555,666
Selling, general and administrative expenses:			
Personnel expenses	63,139	61,198	562,328
Depreciation and amortization	8,072	8,787	80,742
Advertising expenses	4,093	4,157	38,203
Provision of allowance for doubtful accounts	44	400	3,679
Other	33,917	35,535	326,522
Total selling, general and administrative expenses (Note1)	109,268	110,078	1,011,475
Operating income	79,598	59,224	544,190
Non-operating income:			
Interest income	788	1,048	9,631
Dividend income	2,986	3,176	29,183
Gain on sales of vehicles	527	384	3,530
Share of profit of entities accounted for using equity method	608	—	—
Gain on foreign exchange	1,887	1,313	12,073
Other	5,710	4,291	39,435
Total non-operating income	12,507	10,214	93,855
Non-operating expenses:			
Interest expense	2,858	2,864	26,317
Loss on sale and retirement of vehicles	170	151	1,392
Share of loss of entities accounted for using equity method (Note 4)	—	6,660	61,198
Compensation for damage and settlement package	1,201	72	661
Other	2,072	2,256	20,732
Total non-operating expenses	6,303	12,004	110,302
Ordinary income	85,802	57,434	527,743
Extraordinary income:			
Gain on sales of non-current assets (Note 2)	3,273	1,831	16,833
Gain on sales of investment securities	181	2,444	22,465
Other	60	175	1,612
Total extraordinary income	3,516	4,452	40,911
Extraordinary loss:			
Loss on disposal of non-current assets (Note 3)	4,861	6,774	62,248
Loss on sales of investment securities	2	38	356
Loss on valuation of investment securities	507	911	8,371
Impairment loss (Note 4)	5,245	13,928	127,980
Other	851	1,841	16,919
Total extraordinary loss	11,468	23,493	215,876
Profit before income taxes	77,850	38,392	352,778
Income taxes-current	30,116	26,501	243,508
Income taxes-deferred	(3,057)	(6,626)	(60,889)
Total Income taxes	27,058	19,874	182,619
Profit	50,791	18,518	170,159
Profit attributable to non-controlling interests	1,461	1,109	10,191
Profit attributable to owners of parent	49,330	17,409	159,968



Consolidated Statements of Comprehensive Income

(Unit: Thousands of  
U.S. dollars)

	(Unit: Millions of yen)		
	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)	FY2019 (April 1, 2019 to March 31, 2020)
Profit	50,791	18,518	170,159
Other comprehensive income:			
Valuation differences on available-for-sale securities	(6,365)	(11,129)	(102,268)
Deferred gains (losses) on hedges	(208)	112	1,031
Foreign currency translation adjustments	(7,074)	(2,014)	(18,509)
Remeasurements of retirement benefit plans	2,427	17,050	156,670
Share of other comprehensive income (loss) of entities accounted for using the equity method	(110)	(35)	(326)
Other comprehensive income (loss) (Note 1)	(11,330)	3,982	36,597
Comprehensive income:	39,460	22,501	206,757
(Comprehensive income attributable to)			
Owners of parent	38,149	21,526	197,801
Non-controlling interests	1,311	974	8,955

## (3) Consolidated Statements of Changes in Net Assets

FY2018 (April 1, 2018 to March 31, 2019)

(Unit: Millions of yen)

	Shareholders' equity:				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	70,175	24,707	444,717	(20,191)	519,407
Changes during the year					
Cash dividends			(12,489)		(12,489)
Profit attributable to owners of parent			49,330		49,330
Changes in equity due to transactions with non-controlling shareholders		(1,874)			(1,874)
Purchase of treasury stock				(10,081)	(10,081)
Disposal of treasury stock		0		37	37
Retirement of treasury stock		(0)	(10,381)	10,381	—
Net changes in items other than shareholders' equity					
Total changes during the year	—	(1,874)	26,458	337	24,921
Balance at end of the year	70,175	22,832	471,176	(19,854)	544,329

	Accumulated other comprehensive income:					Non-controlling interests	Total net assets
	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)		
Balance at beginning of the year	47,068	(27)	3,941	(40,515)	10,467	17,618	547,494
Changes during the year							
Cash dividends							(12,489)
Profit attributable to owners of parent							49,330
Changes in equity due to transactions with non-controlling shareholders							(1,874)
Purchase of treasury stock							(10,081)
Disposal of treasury stock							37
Retirement of treasury stock							—
Net changes in items other than shareholders' equity	(6,363)	(208)	(7,052)	2,444	(11,180)	(790)	(11,971)
Total changes during the year	(6,363)	(208)	(7,052)	2,444	(11,180)	(790)	12,949
Balance at end of the year	40,704	(236)	(3,110)	(38,070)	(712)	16,827	560,444

FY2019 (April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Shareholders' equity:				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	70,175	22,832	471,176	(19,854)	544,329
Changes during the year					
Cash dividends			(15,138)		(15,138)
Profit attributable to owners of parent			17,409		17,409
Changes in equity due to transactions with non-controlling shareholders		(195)			(195)
Purchase of treasury stock				(10,549)	(10,549)
Disposal of treasury stock		—	(0)	204	204
Retirement of treasury stock		—	(11,947)	11,947	—
Net changes in items other than shareholders' equity					
Total changes during the year	—	(195)	(9,676)	1,602	(8,268)
Balance at end of the year	70,175	22,637	461,499	(18,251)	536,060

(Unit: Thousands of U.S. dollars)

	Shareholders' equity:				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	644,815	209,797	4,329,468	(182,435)	5,001,645
Changes during the year					
Cash dividends			(139,099)		(139,099)
Profit attributable to owners of parent			159,968		159,968
Changes in equity due to transactions with non-controlling shareholders		(1,793)			(1,793)
Purchase of treasury stock				(96,931)	(96,931)
Disposal of treasury stock		—	(2)	1,882	1,879
Retirement of treasury stock		—	(109,776)	109,776	—
Net changes in items other than shareholders' equity					
Total changes during the year	—	(1,793)	(88,911)	14,727	(75,977)
Balance at end of the year	644,815	208,004	4,240,556	(167,707)	4,925,668

(Unit: Millions of yen)

	Accumulated other comprehensive income:					Non-controlling interests	Total net assets
	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)		
Balance at beginning of the year	40,704	(236)	(3,110)	(38,070)	(712)	16,827	560,444
Changes during the year							
Cash dividends							(15,138)
Profit attributable to owners of parent							17,409
Changes in equity due to transactions with non-controlling shareholders							(195)
Purchase of treasury stock							(10,549)
Disposal of treasury stock							204
Retirement of treasury stock							—
Net changes in items other than shareholders' equity	(11,131)	112	(1,952)	17,088	4,117	213	4,331
Total changes during the year	(11,131)	112	(1,952)	17,088	4,117	213	(3,937)
Balance at end of the year	29,573	(124)	(5,062)	(20,981)	3,404	17,041	556,506

(Unit: Thousands of U.S. dollars)

	Accumulated other comprehensive income:					Non-controlling interests	Total net assets
	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)		
Balance at beginning of the year	374,021	(2,172)	(28,583)	(349,815)	(6,550)	154,626	5,149,721
Changes during the year							
Cash dividends							(139,099)
Profit attributable to owners of parent							159,968
Changes in equity due to transactions with non-controlling shareholders							(1,793)
Purchase of in treasury stock							(96,931)
Disposal of treasury stock							1,879
Retirement of treasury stock							—
Net changes in items other than shareholders' equity	(102,282)	1,031	(17,936)	157,021	37,833	1,963	39,797
Total changes during the year	(102,282)	1,031	(17,936)	157,021	37,833	1,963	(36,179)
Balance at end of the year	271,738	(1,141)	(46,519)	(192,794)	31,283	156,589	5,113,541

## (4) Consolidated Statements of Cash Flows

(Unit: Thousands of  
U.S. dollars)

	(Unit: Millions of yen)		
	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)	FY2019 (April 1, 2019 to March 31, 2020)
Cash flows from operating activities:			
Profit before income taxes	77,850	38,392	352,778
Depreciation and amortization	52,147	59,649	548,096
Amortization of goodwill	1,286	1,217	11,184
Loss (gain) on sale or write-down of investment securities, net	328	(1,495)	(13,737)
Loss (gain) on sale or disposal of property and equipment, net	1,231	4,709	43,277
Impairment loss	5,245	13,928	127,980
Increase (decrease) in provision for bonuses	212	3,236	29,735
Increase (decrease) in net retirement benefit liability	8,015	13,154	120,869
Interest and dividend income	(3,774)	(4,224)	(38,815)
Interest expense (Note 2)	2,858	2,864	26,317
Share of (profit) loss of entities accounted for using equity method	(608)	6,660	61,198
(Gain) loss on step acquisitions	13	—	—
(Increase) decrease in trade receivables	(15,270)	9,734	89,443
(Increase) decrease in inventories	(1,059)	(1,076)	(9,887)
Increase (decrease) in accounts payable	7,806	(12,633)	(116,086)
Increase (decrease) in consumption taxes payable	(247)	(545)	(5,016)
Other	(32,854)	(10,165)	(93,408)
Sub-total	103,181	123,405	1,133,930
Interest and dividends received	3,960	4,413	40,557
Interest paid (Note 2)	(2,898)	(3,137)	(28,827)
Income taxes paid	(31,544)	(26,475)	(243,274)
Net cash provided by operating activities	72,698	98,206	902,386
Cash flows from investing activities:			
Payment for purchase of property and equipment	(78,739)	(92,124)	(846,497)
Proceeds from sales of property and equipment	1,662	9,706	89,186
Payment for purchase of investment securities	(64)	(13,275)	(121,986)
Proceeds from sales of investment securities	2,320	3,504	32,203
Payment for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	(17,931)	(78)	(723)
Other	1,791	454	4,176
Net cash used in investing activities	(90,960)	(91,813)	(843,643)

(Unit: Thousands of

(Unit: Millions of yen)

U.S. dollars)

	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)	FY2019 (April 1, 2019 to March 31, 2020)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	10,387	15,577	143,136
Proceeds from long-term loans payable	30,650	21,010	193,053
Payment for long-term loans payable	(38,223)	(25,971)	(238,645)
Redemption of bonds	—	(15,000)	(137,829)
Payment for purchase of interests in subsidiaries that do not result in change in scope of consolidation	(3,639)	(464)	(4,271)
Cash dividends	(12,480)	(15,123)	(138,962)
Payment for purchase of treasury stock	(10,081)	(10,549)	(96,931)
Other	8,694	18,801	172,760
Net cash used in financing activities	(14,693)	(11,720)	(107,691)
Effect of exchange rate changes on cash and cash equivalents	(2,843)	(593)	(5,456)
Net increase (decrease) in cash and cash equivalents	(35,799)	(5,920)	(54,404)
Cash and cash equivalents at beginning of year	137,891	102,092	938,089
Cash and cash equivalents at end of year (Note 1)	102,092	96,171	883,685

[Notes]

(Significant matters that serve as the basis for preparing consolidated financial statements)

1. Presentation of amounts in the consolidated financial statements

The yen amounts are truncated to millions and US dollar amounts to thousands. The total Japanese yen and US dollar amounts shown in the financial statements do not necessarily agree with the sum of the individual amounts. US dollar amounts presented in the financial statements are included solely for convenience. The rate of ¥108.83 to US\$1.00, prevailing on March 31, 2020, has been used for translation into US 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 US dollars at that or any other rate.

2 Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 266

We have omitted the names of major consolidated subsidiaries as they are described in the Global Network section of the Nippon Express Group Integrated Report 2020.

Nippon Express Transport Mexico Co., Ltd. has been established and included in the scope of consolidation beginning in the current consolidated fiscal year. In addition, Nittsu Sakata Logistics Co., Ltd. has been excluded from the scope of consolidation due to liquidation. The five subsidiaries, including Nippon Express Kobe Transport Co., Ltd., have been excluded due to mergers with other consolidated subsidiaries.

(2) Except for the 266 companies noted above, all 26 subsidiaries, including Nittsu Energy Kanto Co., Ltd., are small and their total assets, revenues, profit and retained earnings (equivalent to equity), etc., do not have a significant impact on our consolidated financial statements. Therefore, these entities have been excluded from the scope of consolidation.

(3) A total of 57 subsidiaries, including Nippon Express Travel USA, Inc., held by 15 overseas consolidated subsidiaries, including Nippon Express USA, Inc., are included in the scope of the consolidation.

3 Matters concerning the application of the equity method

(1) Companies accounted for using the equity method

Affiliates: There are 24 equity-method affiliates, including Meitetsu Transport Co., Ltd

Due to the acquisition of new shares, the Company has included Future Supply Chain Solutions Limited in the scope of equity-method affiliates beginning with the current consolidated fiscal year.

(2) Except for the 24 companies noted above, the 26 non-consolidated subsidiaries, including Nittsu Energy Kanto Co., Ltd., and the 44 affiliated companies, including Tokyo Koun Co., Ltd., do not have a significant impact on our consolidated financial statements in terms of profit and retained earnings (equivalent to equity), etc. Therefore, we have excluded these entities from the scope of equity-method affiliates.

4 Matters concerning the fiscal years of consolidated subsidiaries

Of our consolidated subsidiaries, 97 overseas subsidiaries, including Nippon Express USA, Ltd., and one domestic subsidiary use December 31 as their fiscal year-end. The Company uses these financial statements as of December 31 in the preparation of our consolidated financial statements. We make the necessary adjustments for the consolidation of material transactions that occur between the different consolidated closing dates.

5 Matters concerning accounting policies

(1) Valuation standards and methods for significant assets

a. Valuation standards and methods for securities

Available-for-sale securities

- Securities that have a market value

The Company uses the market-value method based on market price, etc., as of the consolidated closing date. The Company includes valuation differences directly in net assets, and costs of securities sold are determined by the moving-average method.

- Securities that do not have a market value

Primarily stated at cost using the moving-average method.

b. Valuation standards and methods for derivatives

Stated using the market-value method.

c. Valuation standards and methods for inventories

Inventories are stated primarily at the lower of cost or market determined by the moving average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability.)

(2) Depreciation and amortization method for significant assets

a. Property and equipment (excluding leased assets)

The Company and domestic consolidated subsidiaries use the straight-line method primarily. Overseas consolidated subsidiaries primarily use the straight-line method based on estimated useful economic lives.

Note that the most common useful economic life periods are as follows.

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

b. Intangible Assets (excluding leased assets)

The Company and domestic consolidated subsidiaries use the straight-line method. In-house software is amortized using the straight-line method based on useful life (five years) within the Company. Overseas consolidated subsidiaries primarily use the straight-line method based on estimated useful economic lives.

c. Leased Assets

The Company uses the straight-line method over the lease period defined as the useful economic life with zero residual value.

(3) Standards for the recognition of significant allowances

a. Allowance for doubtful accounts

The Company creates allowance for doubtful accounts to prepare against bad debt expenses on receivables based on a historical write-off rate for ordinary receivables and the estimated amount of irrecoverable debt is posted according to the recoverability of individual cases for specified receivables, such as debt with a possibility of default.

In addition, adjustments are made to the allowance for doubtful accounts through elimination of receivables and payables between consolidated companies.

b. Provision for bonuses

To provide bonuses to employees, the Company and consolidated subsidiaries make provisions based on expected amount to be paid corresponding to the current fiscal year.

c. Provision for directors' bonuses

To provide bonuses to directors, the company and consolidated subsidiaries make provisions based on expected amount to be paid corresponding to the current fiscal year.

d. Provision for directors' retirement benefits

To provide future retirement benefits to directors, certain consolidated subsidiaries make provisions for directors based on the amount required to be paid according to internal rules.

e. Provision for special repairs

To cover the payment of vessel repairs, certain consolidated subsidiaries make estimated provisions based on past results.

f. Provision for loss on guarantees

To cover losses related to debt guarantees, certain consolidated subsidiaries make estimated provisions based on a consideration of the financial conditions of the guaranteed companies.



(4) Accounting method for retirement benefits

a. Allocation of projected retirement benefit obligation

When calculating the retirement benefit obligation, the method of attributing projected retirement benefits to the period which extends until the end of the current consolidated fiscal year is based on a periodic straight-line standard.

b. Method for amortizing actuarial differences and prior service cost

Prior service costs are primarily amortized, using the straight-line method, over a specified period (three to 15 years) within the average remaining service years of the employee from the time of occurrence.

Actuarial differences are primarily amortized, using the straight-line method, over a specified period (three to 15 years) within the average remaining years of service for employees from the year subsequent to the consolidated fiscal year of occurrence.

c. Adoption of simplified accounting method in small companies

Certain consolidated subsidiaries apply a simplified method for calculating retirement benefit liabilities and retirement benefit expenses based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminated their employment at fiscal year-end, approximate the retirement benefit obligation at year end.

(5) Standards for recognition of material revenues and expenses

a. Standards for income related to finance lease transactions

Revenue and related cost of revenue are recorded at the time lease fees are received.

b. Standards on recognition of completed construction revenues

The percentage-of-completion method (the estimated percentage of completion shall be based on the ratio of the cost incurred to the estimated total cost) is applied to contracted construction work in progress if the outcome of the construction activity is deemed certain by the end of the consolidated fiscal year. The completed-contract method is applied to all other contracted construction work.

(6) Important hedge accounting methods

a. Hedge accounting methods

The Company applies the deferred hedge accounting method.

The Company adopts allocation treatment for forward exchange transactions that meet the requirements for that method and special treatment is adopted for interest rate swaps that meet the requirements for special treatment.

b. Hedging instruments and hedged items

Hedging instruments and hedged items to which hedge accounting is applied are as follows.

i. Hedging instrument: Forward exchange contract

Hedged items: Monetary receivables and payables denominated in foreign currencies and future transactions denominated in foreign currencies

ii. Hedging instrument: Interest rate swap

Hedged item: Loans payable

c. Hedging policy

The Company and consolidated subsidiaries engage in derivative transactions only for the purpose of hedging risk within the scope of assets and liabilities subject to market fluctuation risk.

d. Method for assessing hedge effectiveness

The Company and some consolidated subsidiaries evaluate the effectiveness of investment product hedging based on internal effectiveness management data. However, effectiveness is not assessed for forward exchange contracts that subject to allocation treatment and interest rate swaps subject to special treatment.

e. Other

Forward exchange contracts used by the Company and consolidated subsidiaries are recorded by the department in charge based on the risk management policy related to foreign exchange fluctuation risk. Interest rate swaps are managed by the Company's Financial Planning Division based on the risk management policy related to interest rate fluctuation risk. Risk management is conducted under a system in which the Internal Audit Division performs regular checks.

(7) Amortization method and amortization period of goodwill

Goodwill is amortized by the straight-line method over a period of seven to 20 years.

(8) Scope of funds reported on the consolidated statement of cash flows

The funds (cash and cash equivalents) recorded in the consolidated statement of cash flow consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and bear only a minor risk of price fluctuation.

(9) Accounting treatment of consumption taxes

The Company and domestic consolidated subsidiaries use tax-exclusion method. However, consumption taxes not subject to deduction are accounted for as expenses in the consolidated fiscal period in which they are incurred.

This treatment is not applicable to overseas consolidated subsidiaries.

(10) Among companies accounted for as equity-method affiliates, the accounting standard for domestic affiliated companies (15 companies) is basically the same as that of the Company. Overseas affiliates (nine companies) comply with the accounting standards under each respective country. There is no significant difference from the standards used by the Company.

(Changes in Accounting Policies)

(Changes due to the application of IFRS 16 Leases)

At the beginning of the current consolidated fiscal year, certain consolidated overseas subsidiaries applied IFRS 16, Leases, accounting for all leases in principle under lessee accounting treatment by recording assets and liabilities on the consolidated balance sheets.

In applying this accounting standard, the Company has adopted the permitted transitional relief, recognizing the cumulative effect as of the date of initial adoption.

The application of this accounting standard has had a minimal impact on the consolidated financial statements.

(Accounting standards issued but not yet effective)

The Company and domestic consolidated subsidiaries

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (“ASBJ”) Guidance No. 30, March 31, 2020)

(1) Overview

This standard provides a comprehensive accounting standard for revenue recognition. Revenue is recognized according to the following five steps:

Step 1: Identify the contract with the customer.

Step 2: Identify performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate transaction price to performance obligations within the contract.

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

(2) Scheduled application date

To be applied from the beginning of the fiscal year ending March 2022.

(3) Impact from the application of this accounting standard

The company is still evaluating the impact of this accounting standard at the time of preparation of the consolidated financial statements.

(Additional Information)

(Performance-linked stock compensation plan)

1. Transaction overview

In an effort to provide executives with greater motivation to make contributions that improve business performance and increase enterprise value in the medium and long term, the Company revised our executive compensation system. As of September 2016, the Company introduced a performance-linked stock compensation plan (hereinafter referred to as the “Plan”) for directors and executive officers (excluding outside directors and expatriates).

The Plan is a stock compensation plan that uses the Board Incentive Plan (BIP) trust (hereinafter referred to as “BIP trust”) and is linked to the Company's medium- to long-term business performance. BIP Trust is a trust-type incentive plan, and arranges for delivery of Company shares to directors and executive officers according to company performance and other factors.

2. Company stock remaining in BIP trust

Company stock remaining in the BIP trust is recorded as treasury stock under net assets based on the book value (excluding incidental expenses) in the BIP trust. The book value and the number of treasury stock shares at the end of the current consolidated fiscal year is 650 million yen and 124,132 shares, respectively.

(Impact of the COVID-19 pandemic)

The spread of COVID-19 during the current consolidated fiscal year has had a major impact on both the Japanese and global economies. The Group has experienced the negative impact of COVID-19 in lower ocean export volumes and air consolidated

exports that cannot be completely compensated for through charter transportation. The Company believes that the impact will continue to some extent in the next consolidated fiscal year and beyond.

There is no precedent that serves as a reference for how to reflect the impact of COVID-19 in accounting estimates. As there is no generally accepted view on the future spread of the pandemic or when it will be brought under control, etc., it is extremely difficult to predict the impact on the Group's business results in the next consolidated fiscal year and beyond. The Company is conducting accounting estimates to recognize and measure impairment losses on goodwill and fixed assets under the assumption that some regions will suffer an impact in fiscal 2020 but will gradually recover toward fiscal 2021.

(Notes to consolidated balance sheets)

1 Collateral assets and secured debts

Assets pledged as collateral are as follows:

	FY2018 (as of March 31, 2019) (Millions of yen)	FY2019 (as of March 31, 2020) (Millions of yen)	FY2019 (as of March 31, 2020) (Thousands of U.S. dollars)
Time deposits	10	10	91
Buildings	532	505	4,646
Land	1,222	1,222	11,231
Total	1,764	1,737	15,969

Secured debts are as follows:

	FY2018 (as of March 31, 2019) (Millions of yen)	FY2019 (as of March 31, 2020) (Millions of yen)	FY2019 (as of March 31, 2020) (Thousands of U.S. dollars)
Accounts payable - trade	14	11	109
Long-term loans payable	366	330	3,032
Short-term loans payable and other	36	36	336
Total	417	378	3,478

2 The amount and details of the reduction entry deducted from the acquisition cost of property due to expropriation, etc., are as follows:

	FY2018 (as of March 31, 2019) (Millions of yen)	FY2019 (as of March 31, 2020) (Millions of yen)	FY2019 (as of March 31, 2020) (Thousands of U.S. dollars)
Buildings	814	291	2,674
Machinery and equipment	3	3	29
Vehicles	14	6	55
Land	69	126	1,166
Structures and other	21	7	72
Total	923	435	3,998

3 Main investments in non-consolidated subsidiaries and affiliates are as follows.

	FY2018 (as of March 31, 2019) (Millions of yen)	FY2019 (as of March 31, 2020) (Millions of yen)	FY2019 (as of March 31, 2020) (Thousands of U.S. dollars)
Company's shares (included in investment securities)	17,769	24,134	221,767
Investments in capital (included in other under investments and other assets)	2,288	2,220	20,407

#### 4. Debt guarantees

The Company provides debt guarantees for amounts borrowed from financial institutions by non-consolidated companies.

Guaranteed party	Guaranteed amount (Millions of yen)		Guaranteed amount (Thousands of U.S. dollars)	Type
	FY2018 (as of March 31, 2019)	FY2019 (as of March 31, 2020)	FY2019 (as of March 31, 2020)	
Nagoya United Container Terminal Co., Ltd.	112	75	689	Loan guarantee
NITTSU SHOJI LEASING (THAILAND) CO., LTD.	3,182	3,246	29,830	Loan guarantee
NITTSU SHOJI (SINGAPORE) PTE. LTD.	856	667	6,137	Loan guarantee
NITTSU SHOJI U.S.A., INC.	4,305	4,714	43,315	Loan guarantee
Other	1,387	894	8,214	Loan guarantee
Total	9,845	9,597	88,187	

#### 5 Details of inventories

	FY2018 (as of March 31, 2019) (Millions of yen)	FY2019 (as of March 31, 2020) (Millions of yen)	FY2019 (as of March 31, 2020) (Thousands of U.S. dollars)
Merchandise and finished goods	5,278	6,388	58,697
Work in process	492	557	5,126
Raw materials and supplies	2,255	2,159	19,843

#### 6 Notes matured as of the end of the consolidated period are settled on their clearance date.

Since the end date of the previous consolidated fiscal year (FY2018) was a financial institution holiday, the following matured notes are included in the balance at the end of the previous fiscal year.

(Millions of yen)

	FY2018 (as of March 31, 2019)	FY2019 (as of March 31, 2020)
Notes receivable - trade	1,815	—
Notes payable - trade	150	—

(Notes to consolidated statements of income)

1 Provisions for allowances, etc., are as follows:

(FY2018)

	(Millions of yen)	
	Operating costs	Selling, general and administrative expenses:
Provision for bonuses	19,662	3,273
Provision for directors' bonuses	—	156
Retirement benefit expenses	14,161	1,719
Provision for directors' retirement benefits	—	65
Provision for special repairs	88	—

(FY2019)

	Operating costs	Operating costs	Selling, general and administrative expenses:	Selling, general and administrative expenses:
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Provision for bonuses	22,759	209,132	3,126	28,732
Provision for directors' bonuses	—	—	104	964
Retirement benefit expenses	14,127	129,809	2,427	22,305
Provision for directors' retirement benefits	—	—	61	561
Provision for special repairs	79	726	—	—

2 Details of gain on sales of non-current assets by type of asset

	FY2018 (as of March 31, 2019) (Millions of yen)	FY2019 (as of March 31, 2020) (Millions of yen)	FY2019 (as of March 31, 2020) (Thousands of U.S. dollars)
Land	2,582	1,219	11,202
Buildings	620	569	5,236
Intangible assets and other	71	42	394
Total	3,273	1,831	16,833

3 Details of loss on disposal of non-current assets by type of asset

	FY2018 (as of March 31, 2019) (Millions of yen)	FY2019 (as of March 31, 2020) (Millions of yen)	FY2019 (as of March 31, 2020) (Thousands of U.S. dollars)
Buildings	2,208	5,214	47,918
Structures	405	414	3,807
Machinery and equipment	177	188	1,732
Tools, furniture and fixtures	75	77	707
Land	563	446	4,099
Intangible assets and other	1,431	433	3,982
Total	4,861	6,774	62,248

#### 4 Impairment loss

The Group has recorded impairment losses for the following assets.

FY2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)			
Use	Class	Location	Impairment loss
Business assets	Buildings, etc.,	Saitama Prefecture, Indonesia, other	4,267
Idle assets	Land, etc.,	Saitama Prefecture	977
Total			5,245

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

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

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

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

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

FY2019 (April 1, 2019 to March 31, 2020)

Use	Class	Location	Impairment loss	
			(Millions of yen)	(Thousands of U.S. dollars)
—	Goodwill	—	8,371	76,925
Business assets	Other intangible assets	—	4,377	40,220
Idle assets	Tools, furniture and fixtures	Tokyo, other	1,179	10,834
Total			13,928	127,980

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.

Taking account of initial business plans, progress, and future expectations, etc., of Traconf (a subsidiary in Italy), the Group has deemed the recoverable amount of related goodwill and other intangible assets are less than their respective carrying amounts. Therefore, the Company have written down book values to their recoverable amounts. This write-down is recorded as an impairment loss under extraordinary loss. The recoverable amounts of the relevant assets were estimated based on value in use. Calculations were made using a discount rate of 10.7% to calculate the present value of future cash flows. Tools, furniture, and fixtures grouped as business assets by the Company have become idle during the current consolidated

fiscal year (FY2019), with no plan for their use. Therefore, their carrying amounts have been written down to their recoverable amounts. This write-down is recorded as an impairment loss under extraordinary loss. The recoverable amount of the relevant assets was determined by the net selling price. The relevant assets were deemed to have no recoverable amount as they are not expected to be sold.

Share prices declined significantly for Future Supply Chain Solutions Limited, an equity-method affiliate of the Company. Therefore, the Company reduced goodwill to recoverable amount, recording ¥7,676 million as the share of loss of entities accounted for using the equity method under non-operating expenses. The recoverable amount was determined by the net selling price based on the share price.

(Notes to consolidated statements of comprehensive income)

1 Reclassifications and tax effects for other comprehensive income

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Valuation differences on available-for-sale securities			
Amount incurred during the period	(9,260)	(14,603)	(134,190)
Adjustments	138	(1,402)	(12,884)
Before tax effect	(9,121)	(16,006)	(147,074)
Tax effect	2,755	4,876	44,806
Valuation differences on available-for-sale securities	(6,365)	(11,129)	(102,268)
Deferred gains (losses) on hedges			
Amount incurred during the period	(364)	87	801
Adjustments	63	74	684
Before tax effect	(301)	161	1,486
Tax effect	92	(49)	(454)
Deferred gains (losses) on hedges	(208)	112	1,031
Foreign currency translation adjustments			
Amount incurred during the period	(7,074)	(2,014)	(18,509)
Foreign currency translation adjustments	(7,074)	(2,014)	(18,509)
Remeasurements of retirement benefit plans			
Amount incurred during the period	(2,696)	17,483	160,652
Adjustments	6,310	6,966	64,009
Before tax effect	3,614	24,449	224,662
Tax effect	(1,186)	(7,399)	(67,992)
Remeasurements of retirement benefit plans	2,427	17,050	156,670
Share of other comprehensive income (loss) of affiliates accounted for using the equity method			
Amount incurred during the period	(110)	(35)	(326)
Other comprehensive income (loss)	(11,330)	3,982	36,597



(Notes to consolidated statements of shareholders' equity)

FY2018 (April 1, 2018 to March 31, 2019)

1 Type and total number of outstanding shares

Type of shares	Balance at the beginning of the current consolidated fiscal year	Increase in shares	Decrease in shares	Balance at the end of the current consolidated fiscal year
Common stock (1000 shares)	99,800	—	1,800	98,000

(Reasons for change)

The decrease of 1,800,000 shares in the number of outstanding shares of common stock is due to the cancellation of treasury stock as resolved by the board of directors (March 22, 2019).

2 Type and total number of shares of treasury stock

Type of shares	Balance at the beginning of the current consolidated fiscal year	Increase in shares	Decrease in shares	Balance at the end of the current consolidated fiscal year
Common stock (1000 shares)	3,718	1,466	1,800	3,385

Note: In addition to the above, 65,000 shares of the Company held by the Board Incentive Plan (BIP) have been recorded in our consolidated financial statements as shares of treasury stock held by the Company.

(Reasons for change)

The increase in the number of the common shares of treasury stock is due to the acquisition of 1,453,000 shares, the acquisition of 10,000 shares by way of allotment of shares without contribution, and the purchase of 3,000 fractional shares, as resolved by the board of directors (January 31, 2019).

The decrease in the number of common shares of treasury stock is due to the cancellation of 1,800,000 shares and the sales of 24 fractional shares as resolved by the board of directors (March 22, 2019).

3 Matters concerning dividends

(1) Cash dividends paid

Resolutions	Type of shares	Total dividend amount (Millions of yen)	Dividend per share (yen)	Record date	Effective date
June 28, 2018 General shareholders' meeting	Common stock	5,764	60.00	March 31, 2018	June 29, 2018
October 31, 2018 Board of Directors	Common stock	6,724	70.00	September 30, 2018	December 4, 2018

Notes 1: The total amount of dividends as resolved at the general shareholders' meeting held on June 28, 2018, includes ¥4 million distributed to the BIP.

2: The total amount of dividends as resolved at the board of directors held on October 31, 2018 includes ¥4 million distributed to the BIP.

(2) Dividends with a cut-off date during the fiscal year, but an effective date subsequent to the end of the fiscal year

Resolutions	Type of shares	Source of Dividend	Total dividend amount (Millions of yen)	Dividend per Share (Yen)	Record date	Effective date
June 27, 2019 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	8,042	85.00	March 31, 2019	June 28, 2019

Note: The total amount of dividends includes ¥5 million distributed to the BIP.

FY2019 (April 1, 2019 to March 31, 2020)

1 Type and total number of outstanding shares

Type of shares	Balance at the beginning of the current consolidated fiscal year	Increase in shares	Decrease in shares	Balance at the end of the current consolidated fiscal year
Common stock (1000 shares)	98,000	—	2,000	96,000

(Reasons for change)

The decrease of 2,000,000 shares in the number of outstanding shares of common stock is due to the cancellation of treasury stock adopted at the board of directors (March 24, 2020).

2 Type and total number of shares of treasury stock

Type of shares	Balance at the beginning of the current consolidated fiscal year	Increase in shares	Decrease in shares	Balance at the end of the current consolidated fiscal year
Common stock (1000 shares)	3,385	1,561	2,000	2,946

Note: In addition to the above, 124,000 shares of the Company held by the Board Incentive Plan (BIP) have been recorded in our consolidated financial statements as shares of treasury stock held by the Company.

(Reasons for change)

The increase in the number of common shares of treasury stock is due to the acquisition of 1,556,000 shares and the purchase of 4,000 fractional shares as resolved at the board of directors (October 31, 2019).

The decrease in the number of common shares of treasury stock is due to the cancellation of 2,000,000 shares and sales of 460 fractional shares adopted at the board of directors (March 24, 2020).

3 Matters concerning dividends

(1) Cash dividends paid

Resolutions	Type of shares	Total dividend amount (Millions of yen)	Total dividend amount (Thousands of U.S. dollars)	Dividend per Share (Yen)	Dividend per Share (U.S. dollars)	Record date	Effective date
June 27, 2019 Ordinary General Meeting of Shareholders	Common stock	8,042	73,897	85.00	0.78	March 31, 2019	June 28, 2019
October 31, 2019 Board of Directors	Common stock	7,096	65,202	75.00	0.68	September 30, 2019	December 3, 2019

Notes 1: The total amount of dividends as resolved at the general shareholders' meeting held on June 27, 2019, includes ¥5 million (US\$51 thousand) distributed to the BIP.

2: The total amount of dividends as resolved at a meeting of the board of directors held on October 31, 2019 includes ¥9 million (US\$85 thousand) distributed to the BIP.

(2) Dividends with a cut-off date during the fiscal year, but an effective date subsequent to the end of the fiscal year

Resolutions	Type of shares	Source of Dividend	Total dividend amount (Millions of yen)	Total dividend amount (Thousands of U.S. dollars)	Dividend per Share (Yen)	Dividend per Share (U.S. dollars)	Record date	Effective date
June 26, 2020 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	7,444	68,402	80.00	0.73	March 31, 2020	June 29, 2020

Note: The total amount of dividends includes ¥9 million (US\$91 thousand) distributed to the BIP.

(Notes to consolidated statements of cash flows)

1 Relationship between the period-end balance in cash and deposits and items listed on the consolidated balance sheet

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Cash and deposits	173,338	141,319	1,298,531
Cash related to CSD service	(42,242)	(14,223)	(130,691)
Cash related to exchange money delivery service	(22,655)	(24,521)	(225,315)
Time deposits with maturities of over three months	(6,216)	(6,278)	(57,687)
Time deposits pledged as collateral	(130)	(125)	(1,151)
Cash and cash equivalents	102,092	96,171	883,685

2 (FY2018)

Interest expense and interest paid presented in cash flows from operating activities exclude financial expenses (¥322 million) included in operating costs of our leasing business, etc.

(FY2019)

Interest expense and interest paid presented in cash flows from operating activities exclude financial expenses (¥247 million (US\$2,277 thousand)) included in operating costs of our leasing business, etc.

3 Details of assets and liabilities of companies that have become consolidated subsidiaries of the Company through the acquisition of shares

(FY2018)

The description is omitted here due to the lack of materiality.

(FY2019)

The description is omitted here due to the lack of materiality.

(Lease transactions)

1 Finance lease transactions

(Lessee)

No items to report.

(Lessor)

(1) Breakdown of lease investment assets

	FY2018 (as of March 31, 2019) (Millions of yen)	FY2019 (as of March 31, 2020) (Millions of yen)	FY2019 (as of March 31, 2020) (Thousands of U.S. dollars)
Lease liabilities	115,694	129,827	1,192,939
Estimated remaining value	5,141	5,240	48,157
Unearned interest income	(1,313)	(2,050)	(18,839)
Lease investment assets	119,522	133,018	1,222,257

(2) Amount expected to recover for lease receivables and lease investment assets after the end of the consolidated fiscal year  
FY2018 (as of March 31, 2019)

	(Millions of yen)	
	Lease receivables	Lease investment assets
Within 1 year	3,452	37,020
Due between 1 and 2 years	2,878	29,455
Due between 2 and 3 years	2,178	21,467
Due between 3 and 4 years	1,520	13,705
Due between 4 and 5 years	748	5,976
Over 5 years	623	8,068

FY2019 (as of March 31, 2020)

	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)
Within 1 year	4,282	39,349	39,757	365,321
Due between 1 and 2 years	3,537	32,509	32,010	294,130
Due between 2 and 3 years	2,813	25,851	24,181	222,198
Due between 3 and 4 years	1,982	18,217	15,711	144,369
Due between 4 and 5 years	994	9,139	7,214	66,293
Over 5 years	737	6,776	10,951	100,625

## 2 Operating lease transactions

Future minimum lease payments related to non-cancellable operating lease transactions

(Lessee)

	FY2018 (as of March 31, 2019) (Millions of yen)	FY2019 (as of March 31, 2020) (Millions of yen)	FY2019 (as of March 31, 2020) (Thousands of U.S. dollars)
Within 1 year	32,974	33,412	307,016
Over 1 years	144,398	144,109	1,324,172
Total	177,372	177,522	1,631,188

Note: This result is due to the application of IFRS 16 Leases at certain overseas subsidiaries beginning with the current consolidated fiscal year (FY2019). Operating leases related to relevant subsidiaries are included in the previous consolidated fiscal year (FY2018) only.

(Lessor)

No items to report.

(Financial instruments)

FY2018 (April 1, 2018 to March 31, 2019)

## 1 Matters on the status of financial instruments

### (1) Policy on financial instruments

In light of plans for capital investment, etc., the Group is raising the funds it requires through bank loans and bonds issuance. The Group raises short-term working capital mainly through bank loans. Derivatives are used only for the purpose of hedging to manage the exposure of assets and liabilities to risks of market fluctuation, mainly to avoid the risks described below. The Group does not conduct derivative transactions for the purpose of trading or speculation.

### (2) Nature and extent of risks arising from financial instruments and risk management

Notes and trade receivables (operating receivables) are subject to customer credit risk. Regarding this risk, the Group performs due-date and credit-balance management by customer in accordance with in-house rules. The Group periodically evaluates the financial state of each customer to reduce risk. Operating receivables denominated in foreign currencies are exposed to foreign exchange fluctuation risk. The Group partially hedges these receivables through forward exchange contracts. Investment securities are mainly equity shares, held for business and capital alliance with partner companies. These securities are subject to market price fluctuations. However, the Group periodically checks market prices and the financial conditions of partner companies, reviewing the benefits of continuing to hold these shares in consideration of our relationships with partner companies.

Most accounts payable are operating payables due within one year. Operating payables partially denominated in foreign currencies are exposed to foreign exchange fluctuation risk. The Group partially hedges these payables through forward exchange contracts. Short-term loans payable are primarily to raise funds related to sales. Long-term loans payable and bonds payable are primarily to raise funds related to capital investment. Redemption dates extend up to 17 years from the day of account settlement. We mainly establish fixed interest payments for long-term loans payable through fixed interest rates. Certain long-term loans payable are subject to variable interest, which involve interest fluctuation risk. We engage in derivative transactions (interest rate swaps) to hedge these loans.

Derivatives transactions consist of foreign forward exchange transactions designed to hedge trade receivables and payables denominated in foreign currencies against the risk of changes in foreign exchange rates. Interest rate swap transactions are designed to hedge loans payable against the risk of changes in interest payable. For details regarding hedging instruments, hedged items, hedging policy, methods for evaluating hedge effectiveness, etc., please refer to Significant matters that serve as the basis for preparing consolidated financial statements 5 Matters concerning accounting policies (6) Important hedge accounting methods.

Regarding the execution and management of derivative transactions, foreign currency forward exchange contracts used by the Company and consolidated subsidiaries are entered into by the department in charge according to the Company's risk management policy concerning foreign currency exchange rate fluctuations. Interest rate swaps are entered into by the Finance & Accounting Division based on the Company's risk management policy concerning interest rate fluctuations. The Internal Audit Division periodically examines the execution and management of derivative transactions to control risk.

When using derivatives, the Group enters only into contracts with highly rated major financial institutions. Therefore, the Group believes that credit risk associated with default is quite limited.

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

### (3) Supplementary information on fair values of financial instruments

Fair values of financial instruments include prices based on market prices and prices calculated rationally in the absence of market prices. As price calculations incorporate variable factors, values may fluctuate if different assumptions are used. In addition, the notional amounts of derivatives in the notes under Derivative transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

## 2 Matters concerning the fair value of financial instruments

The consolidated balance sheet carrying amounts, fair values, and related unrealized gains or losses related to financial instruments as of March 31, 2019 are as follows:

	Carrying amount (*1) (Millions of yen)	Fair value (*1) (Millions of yen)	Unrealized gains (losses) (Millions of yen)
(1) Cash and deposits	173,338	173,338	—
(2) Accounts receivable - trade	331,586	331,586	—
(3) Lease investment assets	119,522	119,851	328
(4) Investment securities Available-for-sale securities	76,055	76,055	—
(5) Accounts payable - trade	(173,323)	(173,323)	—
(6) Short-term loans payable	(17,607)	(17,607)	—
(7) Deposits	(74,421)	(74,421)	—
(8) Bonds payable	(125,000)	(125,835)	(835)
(9) Long-term loans payable	(257,701)	(259,805)	(2,103)
(10) Derivative transactions (*2)			
a. Derivative transactions not treated under hedge accounting	—	—	—
b. Derivative transactions treated under hedge accounting	(340)	(340)	—

(\*1) Liabilities are presented in parentheses.

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

Notes 1: Calculation method for fair values of financial instruments and other matters concerning securities and derivatives

### (1) Cash and deposits, (2) Accounts receivable - trade

The carrying amounts of these instruments approximate fair value due to their respective short maturities.

### (3) Lease investment assets

The fair value of lease investment assets is calculated 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 investment securities is determined by the quoted price on the relevant stock exchange.

See notes under Securities for notes related to investment securities.

### (5) Accounts payable, (6) short-term loans payable, and (7) deposits

The carrying amounts of these instruments approximate fair value due to their respective short maturities. Short-term loans payable excludes the portion of long-term loans payable scheduled to be repaid within one year.

### (8) Bonds payable

The fair value of bonds issued by the Company is calculated with reference to relevant quoted market prices.

(9) Long-term loans payable

The fair value of long-term loans payable is calculated 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. The fair value of long-term loans payable subject to the special treatment for 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 using an interest rate swap based on the interest rate assumed if entering into an identical loan agreement. Long-term loans payable includes the portion of long-term loans payable scheduled to be repaid within one year.

(10) Derivative transactions

Information on the derivative transactions is included in the notes under Derivative transactions.

Notes 2: Unlisted equity securities with a carrying amount of 24,663 million yen are not included in (4) Investment securities since there is no quoted market price and it is impossible to estimate future cash flows, which makes it difficult to determine fair values.

Notes 3: Scheduled redemption amounts for monetary receivables and other securities with maturity dates after the day of the fiscal year end

	Within 1 year (Millions of yen)	Due between 1 and 5 years (Millions of yen)	Due between 5 and 10 years (Millions of yen)
Cash and deposits	173,338	—	—
Accounts receivable - trade	331,586	—	—
Lease investment assets	36,488	69,881	13,152

Notes 4: Scheduled repayment amounts for short-term loans payable, bonds and long-term loans payable after the day of the fiscal year end

	Within 1 year (Millions of yen)	Due between 1 and 5 years * (Millions of yen)	Over 5 years (Millions of yen)
Short-term loans payable	17,607	—	—
Bonds payable	15,000	50,000	60,000
Long-term loans payable	25,619	123,862	108,220

\*For scheduled repayment amounts per year for 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 attached to the consolidated financial statements.



1 Matters concerning the status of financial instruments

(1) Policy on financial instruments

In light of plans for capital investment, etc., the Group is raising the funds it requires through bank loans and bonds issuance. The Group raises short-term working capital mainly through bank loans and short-term bonds. Derivatives are used only for the purpose of hedging to manage the exposure of assets and liabilities to risks of market fluctuation, mainly to avoid the risks described below. The Group does not conduct derivative transactions for the purpose of trading or speculation.

(2) Nature and extent of risks arising from financial instruments and risk management

Notes and trade receivables (operating receivables) are subject to customer credit risk. Regarding this risk, the Group performs due-date and credit-balance management by customer in accordance with in-house rules. The Group periodically evaluates the financial state of each customer to reduce risk. Operating receivables denominated in foreign currencies are exposed to foreign exchange fluctuation risk. The Group partially hedges these receivables through forward exchange contracts. Investment securities are mainly equity shares, held for business and capital alliance with partner companies. These securities are subject to market price fluctuations. However, the Group periodically checks market prices and the financial conditions of partner companies, reviewing the benefits of continuing to hold these shares in consideration of our relationships with partner companies.

Most accounts payable are operating payables due within one year. Operating payables partially denominated in foreign currencies are exposed to foreign exchange fluctuation risk. The Group partially hedges these payables through forward exchange contracts. Short-term loans payable are primarily to raise funds related to sales. Long-term loans payable and bonds payable are primarily to raise funds related to capital investment. Redemption dates extend up to 16 years from the day of account settlement. We mainly establish fixed interest payments for long-term loans payable through fixed interest rates. Certain long-term loans payable are subject to variable interest, which involve interest fluctuation risk. We engage in derivative transactions (interest rate swaps) to hedge these loans.

Derivatives transactions consist of foreign forward exchange transactions designed to hedge trade receivables and payables denominated in foreign currencies against the risk of changes in foreign exchange rates. Interest rate swap transactions are designed to hedge loans payable against the risk of changes in interest payable. For details regarding hedging instruments, hedged items, hedging policy, methods for evaluating hedge effectiveness, etc., please refer to Significant matters that serve as the basis for preparing consolidated financial statements 5 Matters concerning accounting policies (6) Important hedge accounting methods.

Regarding the execution and management of derivative transactions, foreign currency forward exchange contracts used by the Company and consolidated subsidiaries are entered into by the department in charge according to the Company's risk management policy concerning foreign currency exchange rate fluctuations. Interest rate swaps are entered into by the Company's Financial Planning Division based on the Company's risk management policy concerning interest rate fluctuations. The Internal Audit Division periodically examines the execution and management of derivative transactions to control risk. When using derivatives, the Group enters only into contracts with highly rated major financial institutions. Therefore, the Group believes that credit risk associated with default is quite limited.

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

(3) Supplementary information on fair values of financial instruments

Fair values of financial instruments include prices based on market prices and prices calculated rationally in the absence of market prices. As price calculations incorporate variable factors, values may fluctuate if different assumptions are used. In addition, the notional amounts of derivatives in the notes under Derivative transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

## 2 Matters concerning the fair value of financial instruments

The consolidated balance sheet carrying amounts, fair values, and related unrealized gains or losses related to financial instruments as of March 31, 2020 are as follows:

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Unrealized gains (losses)
(1) Cash and deposits	141,319	141,319	—
(2) Accounts receivable - trade	305,843	305,843	—
(3) Lease investment assets	133,018	133,781	762
(4) Investment securities			
Available-for-sale securities	58,485	58,485	—
Shares of subsidiaries and associates	8,772	4,301	(4,471)
(5) Accounts payable - trade	(162,287)	(162,287)	—
(6) Short-term loans payable	(33,120)	(33,120)	—
(7) Deposits	(46,609)	(46,609)	—
(8) Bonds payable	(110,000)	(109,773)	227
(9) Long-term loans payable	(253,022)	(253,636)	(614)
(10) Derivative transactions (*2)			
a. Derivative transactions not treated under hedge accounting	—	—	—
b. Derivative transactions treated under hedge accounting	(178)	(178)	—

	Thousands of U.S. dollars		
	Carrying amount (*1)	Fair value (*1)	Unrealized gains (losses)
(1) Cash and deposits	1,298,531	1,298,531	—
(2) Accounts receivable - trade	2,810,288	2,810,288	—
(3) Lease investment assets	1,222,257	1,229,267	7,009
(4) Investment securities			
Available-for-sale securities	537,402	537,402	—
Shares of subsidiaries and associates	80,606	39,523	(41,082)
(5) Accounts payable - trade	(1,491,199)	(1,491,199)	—
(6) Short-term loans payable	(304,335)	(304,335)	—
(7) Deposits	(428,274)	(428,274)	—
(8) Bonds payable	(1,010,750)	(1,008,664)	2,085
(9) Long-term loans payable	(2,324,934)	(2,330,579)	(5,644)
(10) Derivative transactions (*2)			
a. Derivative transactions not treated under hedge accounting	—	—	—
b. Derivative transactions treated under hedge accounting	(1,637)	(1,637)	—

(\*1) Liabilities are presented in parentheses.

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

Notes 1: Calculation method for fair values of financial instruments and other matters concerning securities and derivatives

(1) Cash and deposits, (2) Accounts receivable - trade

The carrying amounts of these instruments approximate fair value due to their respective short maturities.

(3) Lease investment assets

The fair value of lease investment assets is calculated 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 investment securities is determined by the quoted price on the relevant stock exchange.

See notes under Securities for notes related to investment securities.

(5) Accounts payable, (6) short-term loans payable, and (7) deposits

The carrying amounts of these instruments approximate fair value due to their respective short maturities. Short-term loans payable excludes the portion of long-term loans payable scheduled to be repaid within one year.

(8) Bonds payable

The fair value of bonds issued by the Company is calculated with reference to relevant quoted market prices.

(9) Long-term loans payable

The fair value of long-term loans payable is calculated 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. The fair value of long-term loans payable subject to the special treatment for 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 using an interest rate swap based on the interest rate assumed if entering into an identical loan agreement. Long-term loans payable includes the portion of long-term loans payable scheduled to be repaid within one year.

(10) Derivative transactions

Information on the derivative transactions is included in the notes under Derivative transactions.

Notes 2: Unlisted equity securities with a carrying amount of ¥22,164 million (US\$203,660 thousand) are not included in (4)

Investment securities since there is no quoted market price and it is impossible to estimate future cash flows, which makes it difficult to determine fair values.

Notes 3: Scheduled redemption amounts for monetary receivables and other securities with maturity dates after the day of the fiscal year end

	Millions of yen			Thousands of U.S. dollars		
	Within 1 year	Due between 1 and 5 years	Due between 5 and 10 years	Within 1 year	Due between 1 and 5 years	Due between 5 and 10 years
Cash and deposits	141,319	—	—	1,298,531	—	—
Accounts receivable - trade	305,843	—	—	2,810,288	—	—
Lease investment assets	39,527	78,659	14,831	363,202	722,777	136,277

Notes 4: Scheduled repayment amounts for short-term loans payable, bonds and long-term loans payable after the day of the fiscal year end

	Millions of yen			Thousands of U.S. dollars		
	Within 1 year	Due between 1 and 5 years*	Over 5 years	Within 1 year	Due between 1 and 5 years*	Over 5 years
Short-term loans payable	33,120	—	—	304,335	—	—
Bonds payable	10,000	40,000	60,000	91,886	367,545	551,318
Long-term loans payable	34,015	148,823	70,183	312,557	1,367,486	644,889

\*For scheduled repayment amounts per year for 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 attached to the consolidated financial statements.

(Securities)

FY2018 (As of March 31, 2019)

1 Available-for-sale securities

Classification	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Amount reported on the consolidated balance sheet exceeds acquisition cost			
a. Stock	74,068	15,360	58,708
b. Other	—	—	—
Sub-total	74,068	15,360	58,708
Amount reported on the consolidated balance sheet does not exceed acquisition cost			
a. Stock	1,988	2,271	(282)
b. Other	—	—	—
Sub-total	1,988	2,271	(282)
Total	76,057	17,631	58,426

2 Available-for-sale securities sold during FY2018 (April 1, 2018 to March 31, 2019)

Classification	Selling price (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
a. Stock	314	179	2
b. Other	—	—	—
Total	314	179	2

3 Securities treated as impairment loss

The Company recorded an impairment loss of ¥457 million in available-for-sale securities for FY2018.

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.

1 Available-for-sale securities

Classification	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Amount reported on the consolidated balance sheet exceeds acquisition cost			
a. Stock	56,534	13,837	42,696
b. Other	—	—	—
Sub-total	56,534	13,837	42,696
Amount reported on the consolidated balance sheet does not exceed acquisition cost			
a. Stock	1,953	2,259	(306)
b. Other	—	—	—
Sub-total	1,953	2,259	(306)
Total	58,487	16,096	42,390

Classification	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference
Amount reported on the consolidated balance sheet exceeds acquisition cost			
a. Stock	519,470	127,144	392,326
b. Other	—	—	—
Sub-total	519,470	127,144	392,326
Amount reported on the consolidated balance sheet does not exceed acquisition cost			
a. Stock	17,948	20,764	(2,816)
b. Other	—	—	—
Sub-total	17,948	20,764	(2,816)
Total	537,419	147,908	389,510

2 Available-for-sale securities sold during FY2019 (April 1, 2019 to March 31, 2020)

Classification	Millions of yen		
	Selling price	Total gain on sale	Total loss on sale
a. Stock	3,434	2,444	34
b. Other	1	—	4
Total	3,435	2,444	38

Classification	Thousands of U.S. dollars		
	Selling price	Total gain on sale	Total loss on sale
a. Stock	31,556	22,465	316
b. Other	9	—	40
Total	31,565	22,465	356

3 Securities treated as impairment loss

The Company recorded impairment loss of ¥906 million (US\$8,327 thousand) on available-for-sale securities for FY2019.

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.

## (Derivative transactions)

FY2018 (As of March 31, 2019)

## 1 Derivative transactions not treated under hedge accounting

No items to report.

## 2 Derivative transactions treated under hedge accounting

## (1) Interest rates

Hedge accounting methods	Type of derivative transactions	Major hedged items	Nominal amount (Millions of yen)	Portion of nominal amount in excess of one year (Millions of yen)	Fair value (*1) (Millions of yen)
Interest rate swaps subject to special treatment	Interest rate swap Floating rate receipt Fixed rate payment	Long-term loans payable	10,000	10,000	(*2)
Principle treatment method	Interest rate swap Floating rate receipt Fixed rate payment	Long-term loans payable	50,000	50,000	(340)

(\*1) Fair value is based on the quoted price obtained from the financial institutions.

(\*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

Hedge accounting methods	Type of derivative transactions	Major hedged items	Nominal amount (Millions of yen)	Portion of nominal amount in excess of one year (Millions of yen)	Fair value (*1) (Millions of yen)
Principle treatment method	Forward foreign exchange contract Selling US\$, other	Forecasted transactions on receivables and payables in foreign currencies	1,021	—	(3)
	Forward foreign exchange contract Buying US\$, other		1,275	—	3
Allocation treatment for forward exchange transactions	Forward foreign exchange contract Selling US\$, other	Accounts receivable - trade	2,077	—	(*2)
	Forward foreign exchange contract Buying US\$, other	Accounts payable - trade	5,103	—	

(\*1) Fair value is based on the quoted price obtained from the financial institutions.

(\*2) Allocation treatment for forward exchange transactions to which designated hedge accounting is applied are accounted for together with accounts receivable-trade and accounts payable-trade designated as hedged items. Fair values are included in the fair values the relevant accounts receivable-trade and accounts payable-trade.



FY2019 (As of March 31, 2020)

1 Derivative transactions not treated under hedge accounting

No items to report.

2 Derivative transactions treated under hedge accounting

(1) Interest rates

Hedge accounting methods	Type of derivative transactions	Major hedged items	Millions of yen		
			Nominal amount	Portion of nominal amount in excess of one year	Fair value (*1)
Interest rate swaps subject to special treatment	Interest rate swap Floating rate receipt Fixed rate payment	Long-term loans payable	10,000	10,000	(*2)
Principle treatment method	Interest rate swap Floating rate receipt Fixed rate payment	Long-term loans payable	50,000	50,000	(184)

Hedge accounting methods	Type of derivative transactions	Major hedged items	Thousands of U.S. dollars		
			Nominal amount	Portion of nominal amount in excess of one year	Fair value (*1)
Interest rate swaps subject to special treatment	Interest rate swap Floating rate receipt Fixed rate payment	Long-term loans payable	91,886	91,886	(*2)
Principle treatment method	Interest rate swap Floating rate receipt Fixed rate payment	Long-term loans payable	459,432	459,432	(1,693)

(\*1) Fair value is based on the quoted price obtained from the financial institutions.

(\*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

Hedge accounting methods	Type of derivative transactions	Major hedged items	Millions of yen		
			Nominal amount	Portion of nominal amount in excess of one year	Fair value (*1)
Principle treatment method	Forward foreign exchange contract Selling US\$, others	Foreign currency claims, scheduled liabilities	5,820	—	23
	Forward foreign exchange contract Buying US\$, others		1,393	—	(17)
Foreign currency forward exchange contracts	Forward foreign exchange contract Selling US\$, others	Accounts receivable - trade	3,029	—	(*2)
	Forward foreign exchange contract Buying US\$, others	Accounts payable - trade	3,475	—	

Hedge accounting methods	Type of derivative transactions	Major hedged items	Thousands of U.S. dollars		
			Nominal amount	Portion of nominal amount in excess of one year	Fair value (*1)
Principle treatment method	Forward foreign exchange contract Selling US\$, others	Forecasted transactions on receivables and payables in foreign currencies	53,479	—	214
	Forward foreign exchange contract Buying US\$, others		12,802	—	(158)
Allocation treatment for forward exchange transactions	Forward foreign exchange contract Selling US\$, others	Accounts receivable - trade	27,836	—	(*2)
	Forward foreign exchange contract Buying US\$, others	Accounts payable - trade	31,933	—	

(\*1) Fair value is based on the quoted price obtained from the financial institutions.

(\*2) Allocation treatment for forward exchange transactions to which designated hedge accounting is applied are accounted for together with accounts receivable-trade and accounts payable-trade designated as hedged items. Fair values are included in the fair values the relevant accounts receivable-trade and accounts payable-trade.

(Retirement benefits)

## 1 Overview of retirement benefit plans

The Company and domestic consolidated subsidiaries have established both 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 provided according to individual pay grade and period of service.

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 provided according to individual pay grade and period of service.

Certain domestic consolidated subsidiaries using the defined-benefit and retirement lump-sum payment plans apply the simplified method for the calculation of retirement benefit liability and cost.

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

## 2 Defined-benefit retirement plans

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

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Reconciliation of retirement benefit obligation at the beginning of the fiscal year	214,992	214,221	1,968,400
Service cost	9,254	8,641	79,402
Interest cost	877	710	6,530
Actuarial differences	(942)	(1,900)	(17,461)
Retirement benefits paid	(9,781)	(4,822)	(44,315)
Prior service cost arising in the current period	—	(23,354)	(214,600)
Other	(179)	(84)	(773)
Reconciliation of retirement benefit obligation at the end of the fiscal year	214,221	193,410	1,777,183

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

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Reconciliation of pension assets at the beginning of the fiscal year	82,326	77,042	707,918
Expected return on plan assets	1,247	1,188	10,923
Actuarial differences	(3,660)	(7,818)	(71,842)
Employer contribution	1,515	865	7,955
Retirement benefits paid	(3,999)	(3,295)	(30,278)
Other	(384)	(114)	(1,056)
Reconciliation of pension assets at the end of the fiscal year	77,042	67,868	623,620

(3) Reconciliation of retirement benefit liability and retirement benefit assets at the beginning and end of the fiscal year for plans to which the simplified method is applied

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Net reconciliation of retirement benefit liability and retirement benefit assets at the beginning of the fiscal year	6,177	6,023	55,343
Retirement benefit expenses	685	1,425	13,095
Retirement benefits paid	(632)	(1,187)	(10,909)
Effect of business combinations	81	—	—
Other	(289)	107	986
Net reconciliation of retirement benefit liability and retirement benefit assets at the end of the fiscal year	6,023	6,368	58,515

(4) Reconciliation of balance of retirement benefit obligation and pension assets at the end of the fiscal year, and the balance of retirement benefit liability and retirement benefit assets recorded in the consolidated balance sheet

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Funded retirement benefit obligation	198,608	177,446	1,630,491
Plan assets	(77,699)	(68,417)	(628,665)
	120,909	109,028	1,001,826
Unfunded retirement benefit obligation	22,292	22,881	210,251
Net amount of liabilities and assets on the consolidated balance sheet	143,201	131,910	1,212,077
Net retirement benefit liability	144,624	133,134	1,223,325
Net retirement benefit asset	(1,422)	(1,224)	(11,247)
Net amount of liabilities and assets on the consolidated balance sheet	143,201	131,910	1,212,077

Notes 1: The plans include those to which the simplified method is applied.

2: As the Company has established a retirement benefit trust to cover retirement lump-sum payment plans, the retirement benefit obligation of funded plans includes the retirement lump-sum payment plans. Likewise, pension assets include the retirement benefit trust of the retirement lump-sum payment plans.

(5) Amount and details of retirement benefit cost

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Service cost	9,254	8,641	79,402
Interest cost	877	710	6,530
Expected return on plan assets	(1,247)	(1,188)	(10,923)
Amortization of actuarial gain or loss	6,016	7,836	72,005
Amortization of prior service cost	294	(870)	(7,995)
Retirement benefit cost calculated under the simplified method	685	1,425	13,095
Retirement benefit cost for defined benefit plans	15,881	16,554	152,114

(6) Remeasurements of retirement benefit plans

Details of the remeasurements of retirement benefits (before tax-effect accounting) are as follows:

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Prior service cost	300	22,486	206,620
Actuarial differences	3,313	1,963	18,041
Total	3,614	24,449	224,662

(7) Cumulative remeasurements of retirement benefit plans

Details of cumulative remeasurements of retirement benefit plans (before tax-effect accounting) are as follows:

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Unrecognized prior service cost	2,457	(20,029)	(184,042)
Unrecognized actuarial differences	52,891	50,927	467,956
Total	55,348	30,898	283,914

(8) Matters concerning pension assets

a. Major breakdown of pension assets

The ratio of each main category to total pension assets is as follows.

(Unit : %)

	FY2018 (March 31, 2019)	FY2019 (March 31, 2020)
Fixed income securities	16	18
Stock	75	70
Cash and deposits	2	2
Other	7	10
Total	100	100

(Note) Total pension assets include the retirement benefit trust established for the lump-sum retirement benefit plan of 58% in the previous consolidated fiscal year and 52% in this consolidated fiscal year.

b. Method for establishing the long-term expected rate of return on investment

To determine the long-term expected rate of return on pension assets, the Company considers the current and expected distribution of plan assets and the current and future expected long-term rates of return from the various assets that make up the pension assets.

(9) Matters concerning the calculation basis for actuarial values

Main calculation methods for actuarial values

(Unit : %)

	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Discount rate	0.0 - 1.2	0.0 - 1.2
Long-term expected rate of return on investment	0.0 - 2.7	0.0 - 2.7
Projected wage increase rate	0.0 - 7.8	0.0 - 7.8

(Note) The discount rate and long-term expected rate of return are expressed as a weighted average.

3 Defined contribution plan

The required contributions to the defined contribution plan of the Company and its consolidated subsidiaries amounted to ¥4,393 million in the previous consolidated fiscal year and ¥5,036 million (US\$46,277 thousand) in the current consolidated fiscal year.

(Tax effect accounting)

1 Deferred tax assets and deferred tax liabilities by major classification

	FY2018 (As of March 31, 2019) (Millions of yen)	FY2019 (As of March 31, 2020) (Millions of yen)	FY2019 (As of March 31, 2020) (Thousands of U.S. dollars)
<b>Deferred tax assets</b>			
Allowance for doubtful accounts	377	347	3,191
Provision for bonuses	7,718	8,764	80,536
Accrued enterprise tax	1,106	996	9,160
Asset retirement obligations	3,322	3,323	30,535
Net retirement benefit liability	65,887	61,005	560,554
Deferred tax from elimination of unrealized gains	3,318	3,330	30,606
Impairment loss	2,849	2,647	24,323
Loss on valuation of investment securities	1,894	1,913	17,583
Tax loss carried forward	981	952	8,748
Other	15,339	18,263	167,815
Subtotal of deferred tax assets	102,794	101,544	933,056
Valuation allowance for tax loss carried forward	(927)	(866)	(7,959)
Valuation allowance for deductible temporary differences	(7,400)	(7,279)	(66,885)
Valuation allowance, subtotal	(8,327)	(8,145)	(74,845)
Total deferred tax assets	94,467	93,399	858,211
<b>Deferred tax liabilities</b>			
Adjustment for loss on transfer of leased assets	(919)	(1,059)	(9,738)
Reserve for tax purpose reduction entry of non-current assets	(14,372)	(13,832)	(127,099)
Gain on contribution of securities to retirement benefit trust	(19,325)	(18,171)	(166,974)
Valuation differences on available-for-sale securities	(17,570)	(12,702)	(116,722)
Valuation differences on assets and liabilities of subsidiaries	(14,411)	(14,642)	(134,546)
Other	(9,050)	(9,936)	(91,302)
Total deferred tax liabilities	(75,648)	(70,345)	(646,381)
Deferred tax assets, net	18,818	23,053	211,829

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

(Unit : %)

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Domestic statutory tax rate	30.6	30.6
(Adjustments)		
Permanently nondeductible expenses	1.1	3.1
Inhabitant tax per capital	1.9	3.0
Increase (decrease) in valuation allowance	0.7	(0.5)
Differences in applicable tax rates of overseas subsidiaries	(2.9)	0.6
Dividend income elimination in consolidation	1.8	1.5
Amortization of goodwill	0.5	1.0
Impairment of goodwill	—	6.7
Tax rate differences with unprofitable subsidiaries	0.3	0.4
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(0.2)	5.3
Other	1.0	0.1
Effective tax rate after adoption of tax effect accounting	34.8	51.8

(Asset retirement obligations)

FY2018 (April 1, 2018 to March 31, 2019)

Asset retirement obligations carried on consolidated balance sheets

(1) Summary of asset retirement obligations

Asset retirement obligations take into account original state restoration obligations associated with real estate lease agreements for warehouses and fixed-term land lease agreements. Additionally, asset retirement obligations take into account obligations to remove harmful substances used in some warehouses.

(2) Calculation method of asset retirement obligation

The estimated period of use between two to 50 years, mainly based on the corresponding depreciation period. The amount of asset retirement obligation is calculated using a discount rate between 0.0% to 2.3%.

(3) Changes in the total amount of asset retirement obligations during the current consolidated fiscal year

	(Millions of yen)
Balance at beginning of the year	11,099
Increase due to purchase of property and equipment	147
Adjustment due to passage of time	135
Decrease due to fulfillment of asset retirement obligations	(68)
Other	(28)
Balance at end of the year	11,284

FY2019 (April 1, 2019 to March 31, 2020)

Asset retirement obligations carried on consolidated balance sheets

(1) Summary of asset retirement obligations

Asset retirement obligations take into account original state restoration obligations associated with real estate lease agreements for warehouses and fixed-term land lease agreements. Additionally, asset retirement obligations take into account obligations to remove harmful substances used in some warehouses.

(2) Calculation method of asset retirement obligation value

The estimated period of use between two to 50 years, mainly based on the corresponding depreciation period. The amount of asset retirement obligation is calculated using a discount rate between 0.0% to 2.3%.

(3) Changes in the total amount of asset retirement obligations during the current consolidated fiscal year

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	11,284	103,692
Increase due to purchase of property and equipment	419	3,852
Adjustment due to passage of time	128	1,182
Decrease due to fulfillment of asset retirement obligations	(583)	(5,363)
Other	(1)	(15)
Balance at end of the year	11,247	103,348



(Rental property and other real estate)

FY2018 (April 1, 2018 to March 31, 2019)

The Company and certain consolidated subsidiaries own office buildings (including land) and parking lots (including land) for rent throughout Japan. In the fiscal year ended March 31, 2019, net rental profit related to rental property was ¥7,698 million (rental revenue was recorded as revenues and main rental expenses were recorded as operating costs). Other income amounted to ¥1,649 million (mainly recorded as gain from the disposal of fixed assets).

In addition, the carrying amount recognized on the consolidated balance sheet, the amount of increase (decrease) during the current fiscal year, and the fair value of the rental property are as follows.

(Millions of yen)

Carrying amount			Fair value at end of consolidated fiscal year
Balance at beginning of consolidated fiscal year	Change during the consolidated fiscal year	Balance at end of consolidated fiscal year	
47,507	(1,340)	46,167	154,570

Notes: 1 The amount recorded on the consolidated balance sheet is the acquisition cost less accumulated depreciation.

2 The main component of the increase (decrease) in the current consolidated fiscal year is depreciation.

3 The fair value of primary investment properties at the end of the current consolidated fiscal year is based on real estate appraisal reports by real estate appraisers.

FY2019 (April 1, 2019 to March 31, 2020)

The Company and certain consolidated subsidiaries own office buildings (including land) and parking lots (including land) for rent throughout Japan. In the fiscal year ended March 31, 2020, net rental profit related to rental property was ¥6,759 million (US\$62,111 thousand) (rental revenue was recorded as revenues and main rental expenses were recorded as operating costs), and other income was ¥840 million (US\$7,718 thousand) (mainly recorded as gain from the disposal of fixed assets).

In addition, the carrying amount recognized on the consolidated balance sheet, the amount of increase (decrease) during the current fiscal year, and the fair value of the rental property are as follows.

Millions of yen

Carrying amount			Fair value at end of consolidated fiscal year
Balance at beginning of consolidated fiscal year	Change during the consolidated fiscal year	Balance at end of consolidated fiscal year	
46,167	(10,597)	35,569	150,329

Thousands of U.S. dollars

Carrying amount			Fair value at end of consolidated fiscal year
Balance at beginning of consolidated fiscal year	Change during the consolidated fiscal year	Balance at end of consolidated fiscal year	
424,212	(97,376)	326,835	1,381,327

Notes: 1 The amount recorded on the consolidated balance sheet is the acquisition cost less accumulated depreciation.

2 The main components of the increase (decrease) in the current consolidated fiscal year were changes in the purpose of use from leased assets to business assets -¥10,145 million (-US\$93,219 thousand) and depreciation.

3 The fair value of primary investment properties at the end of the current consolidated fiscal year is based on real estate appraisal reports by real estate appraisers.

(Segment Information, etc.)

[Segment Information]

## 1. Overview of reportable segments

Reportable segments of the Group are organizational units combining area segments and business segments whose individual financial results are available 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 Logistics business consists of five reportable area segments: Japan, The Americas, Europe, East Asia, and South Asia & Oceania. Reportable segments outside of the Logistics business are specialized businesses of Security Transportation, Heavy Haulage & Construction, and Logistics Support, which conducts sales and real estate business related to each business.

As a result, the main products and services of each reportable segment and its main business activities are as follows.

Reportable segments	Main products and services	Main businesses
Japan (Logistics)	Railway utilization transportation, chartered truck services, combined delivery services, air freight forwarding, travel, marine and harbor transportation, moving and relocation, warehousing and distribution processing, in-factory work, information asset management, real estate rental, fine arts transportation, security transportation, heavy haulage and 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 and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, travel	Air freight forwarding, harbor transportation, warehousing, motor cargo transportation, travel
Europe (Logistics)	Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, travel	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation, travel
East Asia (Logistics)	Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation
South Asia & Oceania (Logistics)	Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, heavy haulage and construction, travel	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation, heavy haulage and construction, travel
Security Transportation	Security Transportation	Security guard, motor cargo transportation
Heavy Haulage & Construction	Heavy Haulage & Construction	Heavy haulage and construction
Logistics Support	Lease, sale of petroleum, etc., sale of others, real estate, finance, others	Sale of distribution equipment, wrapping and packaging materials, vehicles, petroleum, liquefied petroleum (LP) gas, etc., lease, vehicle maintenance, insurance agency, 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

The accounting method for the reportable business segments is as described in *Significant matters that serve as the basis for preparing consolidated financial statements 5 Matters concerning 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 prices.

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

FY2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)

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

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

Notes: 1. Details of Adjustment are as follows:

- (1) The segment income adjustment of -¥8,161 million includes -¥183 million for the elimination of intersegment transactions, and -¥8,043 million of corporate expenses that are not attributable to any individual reportable segment. The most significant portion of corporate expenses relates to corporate image advertising and the Company's administration of group companies.
- (2) Segment asset adjustment of ¥3,623 million includes -¥200,381 million for the elimination of intersegment transactions and ¥204,005 million of corporate assets not allocated to each reportable segment. Corporate assets mainly consist of cash and deposits, investment securities, and non-current assets held by the Company that are not attributable to any individual reportable segment.
- (3) Depreciation and amortization adjustment mainly represents depreciation and amortization within the Company that are not attributable to any individual reportable segment.
- (4) Adjustment to increase property and equipment and intangible assets mainly represent capital expenditures within the Company that is not attributable to any individual reportable segment.

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

FY2019 (April 1, 2019 to March 31, 2020)

Millions of yen					
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	1,201,554	77,392	113,319	102,753	83,059
Intersegment	12,042	13,675	6,019	9,295	7,052
Total	1,213,597	91,068	119,338	112,048	90,112
Segment income (loss)	42,852	2,793	1,777	2,992	3,155
Segment assets	800,714	53,269	64,170	54,000	77,638
Other items					
Depreciation and amortization	34,248	1,472	3,608	3,087	4,197
Amortization of goodwill	584	—	566	66	—
Impairment loss on non-current assets	—	—	12,748	—	—
Investment in equity method affiliates	11,556	64	—	1,493	2,772
Increase in property and equipment and intangible assets	65,699	4,781	2,048	1,256	5,525

Millions of yen						
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in consolidated statements of income (Note 2)
Revenues						
Revenues from external customers	72,537	52,268	377,466	2,080,352	—	2,080,352
Intersegment	51	89	93,735	141,962	(141,962)	—
Total	72,589	52,358	471,201	2,222,315	(141,962)	2,080,352
Segment income (loss)	(1,073)	6,193	12,357	71,050	(11,826)	59,224
Segment assets	82,544	26,776	377,097	1,536,211	(18,174)	1,518,037
Other items						
Depreciation and amortization	2,401	949	6,109	56,075	3,574	59,649
Amortization of goodwill	—	—	—	1,217	—	1,217
Impairment loss on non-current assets	—	1,179	—	13,928	—	13,928
Investment in equity method affiliates	—	294	—	16,181	—	16,181
Increase in property and equipment and intangible assets	2,089	4,651	7,769	93,821	9,550	103,372

Thousands of U.S. dollars					
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	11,040,659	711,136	1,041,253	944,160	763,203
Intersegment	110,658	125,657	55,307	85,411	64,807
Total	11,151,317	836,793	1,096,561	1,029,572	828,010
Segment income (loss)	393,758	25,671	16,334	27,499	28,997
Segment assets	7,357,478	489,476	589,641	496,193	713,390
Other items					
Depreciation and amortization	314,697	13,527	33,160	28,370	38,569
Amortization of goodwill	5,368	—	5,205	610	—
Impairment loss on non-current assets	—	—	117,145	—	—
Investment in equity method affiliates	106,184	591	—	13,726	25,471
Increase in property and equipment and intangible assets	603,689	43,934	18,827	11,548	50,768

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	666,521	480,279	3,468,401	19,115,616	—	19,115,616
Intersegment	472	825	861,302	1,304,442	(1,304,442)	—
Total	666,994	481,104	4,329,704	20,420,058	(1,304,442)	19,115,616
Segment income (loss)	(9,861)	56,910	113,550	652,860	(108,669)	544,190
Segment assets	758,472	246,037	3,465,010	14,115,701	(166,999)	13,948,701
Other items						
Depreciation and amortization	22,068	8,724	56,135	515,254	32,841	548,096
Amortization of goodwill	—	—	—	11,184	—	11,184
Impairment loss on non-current assets	—	10,834	—	127,980	—	127,980
Investment in equity method affiliates	—	2,709	—	148,683	—	148,683
Increase in property and equipment and intangible assets	19,196	42,737	71,394	862,095	87,754	949,849

Notes: 1. Details of Adjustment are as follows:

- (1) Segment income (loss) adjustment of ¥11,826 million (-US\$108,669 thousand) includes ¥468 million (-US\$4,306 thousand) for the elimination of intersegment transactions and ¥11,409 million (-US\$104,835 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) Segment asset adjustment of ¥18,174 million (-US\$166,999 thousand) includes ¥216,338 million (-US\$1,987,857 thousand) for the elimination of intersegment transactions and ¥198,163 million (US\$1,820,857 thousand) of corporate assets not allocated to each reportable segment. Corporate assets mainly consist of cash and deposits, investment securities, and non-current assets held by the Company that are not attributable to any individual reportable segment.
  - (3) Depreciation and amortization adjustment mainly represents depreciation and amortization within the Company that are not attributable to any individual reportable segment.
  - (4) Adjustment to increase property and equipment and intangible assets mainly represent capital expenditures within the Company that is not attributable to any individual reportable segment.
2. Segment income (loss) has been reconciled with operating income in the consolidated financial statements.
3. During the current consolidated fiscal year, the Company recorded ¥7,676 million (US\$70,535 thousand) in share of loss of entities accounted for using equity method related to investments in affiliates in South Asia and Oceania.

Related Information

FY2018 (April 1, 2018 to March 31, 2019)

1 Information by product and service

(Millions of yen)

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

	Fine arts transportation	Security transportation	Heavy Haulage & Construction	Other transportation	Leases	Sale of petroleum, etc.,	Sale of others	Other	Total
Revenues from external customers	3,867	71,644	69,266	64,252	58,711	200,775	95,164	37,685	2,138,501

2 Information by region

(1) Revenues

(Millions of yen)

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

Notes: 1 Revenues in the country or region in which the Company or consolidated subsidiaries are located.

2 Country or region category is based on geographical proximity.

3 Major countries or regions that belong to each category

- (1) The Americas.....US, Canada and Latin America
- (2) Europe.....United Kingdom, Netherlands, and Germany – Europe and Africa
- (3) East Asia.....China, Taiwan and South Korea
- (4) South Asia/Oceania.....Singapore, Thailand, etc. South Asia and Oceania

(2) Property and Equipment

This information is omitted as the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment recorded on the consolidated balance sheet.

3 Information by major customer

This information is omitted as there is no specific customer who accounts for 10% or more of the revenues in the consolidated statement of income

FY2019 (April 1, 2019 to March 31, 2020)

1 Information by product and service

Millions of yen										
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving and relocation	Warehousing and distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine and harbor transportation
Revenues from external customers	81,144	65,037	315,050	68,359	312,034	65,655	13,830	323,196	3,970	237,794

Millions of yen									
	Fine arts transportation	Security Transportation	Heavy Haulage & Construction	Other transportation	Leases	Sale of petroleum, etc.,	Sale of others	Other	Total
Revenues from external customers	3,939	70,398	73,680	66,259	60,594	189,989	86,128	43,287	2,080,352

Thousands of U.S. dollars										
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving and relocation	Warehousing and distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine and harbor transportation
Revenues from external customers	745,607	597,603	2,894,887	628,132	2,867,173	603,285	127,084	2,969,739	36,482	2,185,004

Thousands of U.S. dollars									
	Fine arts transportation	Security Transportation	Heavy Haulage & Construction	Other transportation	Leases	Sale of petroleum, etc.,	Sale of others	Other	Total
Revenues from external customers	36,200	646,866	677,027	608,837	556,784	1,745,743	791,406	397,749	19,115,616

2 Information by region

(1) Revenues

Millions of yen					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
1,535,426	143,369	117,287	166,444	117,824	2,080,352

Thousands of U.S. dollars					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
14,108,487	1,317,370	1,077,708	1,529,399	1,082,649	19,115,616

(Notes) 1 Revenues in the country or region in which the Company or consolidated subsidiaries are located.

2 Country or region category is based on geographical proximity.

3 Major countries or regions that belong to each category

- (1) The Americas.....US, Canada and Latin America
- (2) Europe.....United Kingdom, Netherlands, and Germany – Europe and Africa
- (3) East Asia.....China, Taiwan and South Korea
- (4) South Asia/Oceania.....Singapore, Thailand, etc. South Asia and Oceania

(2) Property and Equipment

This information is omitted as the value of property and equipment located in Japan exceeds 90% of the amount of property and equipment recorded on the consolidated balance sheet.

### 3 Information by major customer

This information is omitted as there is no specific customer who accounts for 10% or more of the revenues in the consolidated statement of income.

#### Information on Non-current Assets and Impairment Loss by Reporting Segment.

FY2018 (April 1, 2018 to March 31, 2019)

Omitted, as the same information is disclosed in the segment information.

FY2019 (April 1, 2019 to March 31, 2020)

Omitted, as the same information is disclosed in the segment information.



Information on Amortization and Unamortized Balance of Goodwill by Reporting Segment

FY2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Balance at end of the year	2,775	—	9,672	253	—

	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total
Balance at end of the year	—	—	—	12,701

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

FY2019 (April 1, 2019 to March 31, 2020)

Millions of yen					
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Balance at end of the year	2,190	—	268	184	—

Millions of yen				
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total
Balance at end of the year	—	—	—	2,644

Thousands of U.S. dollars					
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Balance at end of the year	20,132	—	2,469	1,696	—

Thousands of U.S. dollars				
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total
Balance at end of the year	—	—	—	24,298

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

Information on Gain on Negative Goodwill by Reporting Segment.

FY2018 (April 1, 2018 to March 31, 2019)

Omitted due to immateriality.

FY2019 (April 1, 2019 to March 31, 2020)

Not applicable.

Related-Party Information

FY2018 (April 1, 2018 to March 31, 2019)

Not applicable.

FY2019 (April 1, 2019 to March 31, 2020)

Not applicable.

## (Per-Share Information)

	FY2018 (April 1, 2018 to March 31, 2019) (yen)	FY2019 (April 1, 2019 to March 31, 2020) (yen)	FY2019 (April 1, 2019 to March 31, 2020) (U.S. dollars)
Net assets per share	5,749.60	5,805.12	53.34
Basic earnings per share	515.13	185.06	1.70

Notes: 1 Diluted earnings per share is not stated as there were no residual securities.

2 The Company's shares owned by the Executive Compensation BIP Trust are included in the treasury stock to be deducted from the total number of issued shares during the period for the purpose of computing net assets per share. In calculating basic earnings per share, the aforementioned Company shares have been included in the treasury stock to be deducted from the average number of shares during the period. In the previous consolidated fiscal year, the total number of shares of treasury stock held in trust at the end of the period was 65,000 shares and the average number of shares during the period was 67,000 shares. In the current fiscal year, the total number of shares of treasury stock held in the trust at end of the period was 124,000 shares, and the average number of shares during the period was 96,000 shares.

3 The following provides the basis for computing basic earnings per share.

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Basic earnings per share			
Profit attributable to owners of parent	49,330	17,409	159,968
Amount not attributable to common shareholders	—	—	
Profit attributable to owners of parent related to common stock	49,330	17,409	159,968
Weighted average number of common stock during the year (1,000 shares)	95,763	94,076	—

4. The following provides the basis for computing net assets per share.

	FY2018 (April 1, 2018 to March 31, 2019) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Millions of yen)	FY2019 (April 1, 2019 to March 31, 2020) (Thousands of U.S. dollars)
Total net assets	560,444	556,506	5,113,541
Amount to deduct from total net assets	16,827	17,041	156,589
(Non-controlling interests)	(16,827)	(17,041)	(156,589)
Net assets at end of year related to common stock	543,616	539,465	4,956,952
Number of common stock at end of year used to calculate net assets per share (1,000 shares)	94,548	92,929	—

(Significant Subsequent Events)

(Issuance of Corporate Bonds)

The Company issued the 13th and 14th series unsecured bond offerings on June 16, 2020 pursuant to a resolution of the board of directors at a meeting held on May 22, 2020. The outline of each bond issuance is as follows.

(Nippon Express Co., Ltd. 13th series unsecured bonds)

1. Total amount of corporate bonds: ¥30 billion (US\$275,659 thousand)
2. Individual bond amount: ¥100 million (US\$918 thousand)
3. Interest rate: 0.160% per year
4. Issue price: ¥100 (US\$0.91) per ¥100 of each bond
5. Date of Issuance: June 16, 2020
6. Redemption deadline: June 16, 2025
7. Redemption method: Lump-sum redemption (however, bonds may be repurchased and cancelled at any time after the date of payment.)
- 8 Collateral: Bonds are not collateralized or guaranteed, and there are no assets specifically reserved for bonds.
9. Use of funds: Capital expenditures and redemption of corporate bonds.

(Nippon Express Co., Ltd. 14th series unsecured bonds)

1. Total amount of corporate bonds: ¥20 billion (US\$183,772 thousand)
2. Individual bond amount: ¥100 million (US\$918 thousand)
3. Interest rate: 0.280% per year
4. Issue price: ¥100 (US\$0.91) per ¥100 of each bond
5. Date of Issuance: June 16, 2020
6. Redemption deadline: June 16, 2027
7. Redemption method: Lump-sum redemption (however, bonds may be repurchased and cancelled at any time after the date of payment.)
- 8 Collateral: Bonds are not collateralized or guaranteed, and there are no assets specifically reserved for bonds.
9. Use of funds: Capital expenditures and redemption of corporate bonds.

## (5) Consolidated Supplementary Schedules

## Corporate Bond Schedule

Company Name	Series Name	Date issued	Millions of yen		Thousands of U.S. dollars	Interest rate (%)	Collateral	Redemption deadline
			Balance at beginning of the year	Balance at end of the year	Balance at end of the year			
Nippon Express Co., Ltd.	5th series unsecured bonds	June 1, 2009	15,000	—	—	1.8	Unsecured	May 31, 2019
	7th series unsecured bonds	October 20, 2011	10,000	10,000	91,886	1.1	Unsecured	October 20, 2021
	8th series unsecured bonds	February 25, 2016	10,000	10,000 [10,000]	91,886 [91,886]	0.1	Unsecured	February 25, 2021
	9th series unsecured bonds	February 25, 2016	10,000	10,000	91,886	0.3	Unsecured	February 25, 2026
	10th series unsecured bonds	July 14, 2016	30,000	30,000	275,659	0.1	Unsecured	July 14, 2023
	11th series unsecured bonds	July 14, 2016	30,000	30,000	275,659	0.2	Unsecured	July 14, 2026
	12th series unsecured bonds	July 14, 2016	20,000	20,000	183,772	0.7	Unsecured	July 14, 2036
Total	—	—	125,000	110,000 [10,000]	1,010,750 [91,886]	—	—	—

Notes: 1 The figure in parentheses in the Balance at the end of the current fiscal year column is the amount scheduled to be redeemed within one year.

2 The annual scheduled redemption amount within five years after the consolidated closing date is as follows.

Millions of yen				
Within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years
10,000	10,000	—	30,000	—

Thousands of U.S. dollars				
Within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years
91,886	91,886	—	275,659	—

Schedule of Borrowings

Classification	Balance at beginning of the year (Millions of yen)	Balance at end of the year (Millions of yen)	Balance at end of the year (Thousands of U.S. dollars)	Average interest rate (%)	Due date
Short-term loans payable	17,607	33,120	304,335	0.3	—
Current portion of long-term loans payable	25,619	34,015	312,557	0.7	—
Current portion of lease obligations	1,025	6,254	57,470	—	—
Long-term loans payable (excludes current portion)	232,082	219,006	2,012,376	0.6	Final payment date March 17, 2030
Lease obligations (excludes current portion)	3,445	11,616	106,738	—	Final payment date August 31, 2031
Other interest-bearing debt					
Commercial paper (current portion)	10,000	37,000	339,979	0.0	—
Employee internal deposit	306	314	2,890	0.1	—
<b>Total</b>	<b>290,086</b>	<b>341,328</b>	<b>3,136,349</b>	<b>—</b>	<b>—</b>

- Notes: 1 Average interest rate represents the weighted average interest rate applicable to the average loan balance during the period. However, average interest rates are not stated for either the current portion of lease obligations and 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 of long-term loans at the end of the current fiscal year includes subordinated loans of ¥50,000 million (US\$459,432 thousand). However, the repayment period shown is applicable to long-term loans excluding subordinated loans.
- 3 The annual repayment amount for long-term loans payable and lease obligations (excludes current portion) within five years after the consolidated closing date is as follows.

Millions of yen				
Classification	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years
Long-term loans payable	26,006	56,243	28,536	38,036
Lease obligations	5,248	2,859	2,070	638

Thousands of U.S. dollars				
Classification	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Due between 4 and 5 years
Long-term loans payable	238,968	516,799	262,213	349,505
Lease obligations	48,223	26,278	19,024	5,863

- 4 Employee internal deposits are recorded as deposits from employees on the consolidated balance sheet.

Schedule of Asset Retirement Obligations

Omitted, as the amount of asset retirement obligations at the beginning of the current consolidated fiscal year and at the end of the current consolidated fiscal year was less than 1% of the total amount of liabilities and net assets as of the beginning of the current consolidated fiscal year and as of the end of the current consolidated fiscal year.

2 Other

Quarterly information for the current consolidated fiscal year:

Millions of yen				
	Three months ended June 30 (consolidated) April 1, 2019 to June 30, 2019	Six months ended September 30 (consolidated) April 1, 2019 to September 30, 2019	Nine months ended December 31 (consolidated) April 1, 2019 to December 31, 2019	FY2019  April 1, 2019 March 31, 2020
Revenues	519,758	1,038,952	1,566,659	2,080,352
Profit before income taxes	12,685	30,103	48,167	38,392
Profit attributable to owners of parent	7,280	19,010	31,278	17,409
Basic earnings per share (yen)	76.99	201.07	331.31	185.06

Thousands of U.S. dollars				
	Three months ended June 30 (consolidated) April 1, 2019 to June 30, 2019	Six months ended September 30 (consolidated) April 1, 2019 to September 30, 2019	Nine months ended December 31 (consolidated) April 1, 2019 to December 31, 2019	FY2019  April 1, 2019 March 31, 2020
Revenues	4,775,879	9,546,565	14,395,473	19,115,616
Profit before income taxes	116,559	276,606	442,591	352,778
Profit attributable to owners of parent	66,899	174,682	287,410	159,968
Basic earnings per share (U.S. dollars)	0.70	1.84	3.04	1.70

	Q1 April 1, 2019 to June 30, 2019	Q2 July 1, 2019 to September 30, 2019	Q3 October 1, 2019 to December 31, 2019	Q4 January 1, 2020 to March 31, 2020
Basic earnings (losses) per share (yen)	76.99	124.10	130.33	(149.01)

	Q1 April 1, 2019 to June 30, 2019	Q2 July 1, 2019 to September 30, 2019	Q3 October 1, 2019 to December 31, 2019	Q4 January 1, 2020 to March 31, 2020
Basic earnings (losses) per share (U.S. dollars)	0.70	1.14	1.19	(1.36)

Note The Company has adopted a BIP trust for director compensation. Company shares held by the trust are, according to calculations of per share information, included in the treasury shares deducted when calculating the average of the number of shares outstanding during the period.