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## EMBARKING ON A NEW STAGE OF GROWTH



# The Nippon Express Group's Solutions

## Accelerating Global Development

- Constructing infrastructure and networks for regional logistics in developing countries
- Expanding the freight forwarding business as the base of the logistics business
- Offering broad support for globally expanding Japanese-owned companies
- Developing and expanding global SCM support
- Developing and recruiting globally capable human resources

## Strengthening Management Practices

- Undertaking restructuring to establish an integrated, one-stop model for land, sea and air transport
- Developing new businesses, developing products and strengthening marketing as future income drivers
- Expanding global business in both forwarding and logistics
- Launching initiatives to optimize transportation fees and improve the profit structure

## Streamlining Logistics Operations

- Undertaking domestic restructuring
- Constructing IT systems
- Cultivating business alliances and joint transportation arrangements in and outside Japan
- Promoting modal shifts

### Challenges Facing the Logistics Industry

#### The mission of the logistics industry:

Improve our function as part of the infrastructure that supports society and continuously work to overcome structural difficulties

#### Labor Shortages

- Shortage of drivers and coastal shipping employees
- Rise in the median age of truck drivers with a shrinking proportion of drivers under 30

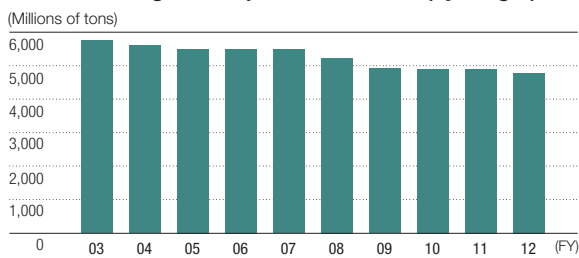
#### Reducing Environmental Impact

- Accelerate modal shifts
- Adopt eco-friendly vehicles

#### Shrinking Domestic Freight Volume

- Domestic freight transportation volumes declining year by year

##### Domestic Freight Transportation Volume (by weight)

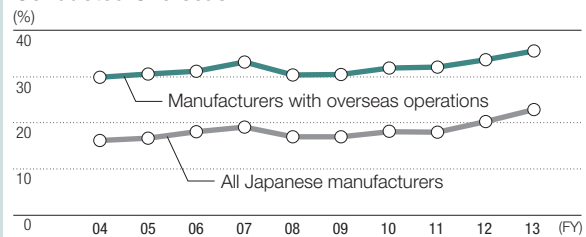


\*Source: Japan Federation of Freight Industries

#### Responding to Global Competition

- Global expansion by Japanese-owned manufacturers, mainly in ASEAN countries

##### Proportion of Japanese Manufacturers' Production Conducted Overseas



\*Source: Ministry of Economy, Trade and Industry

#### Changes in the Logistics Industry

Outline of comprehensive logistics measures (2013 to 2017)

Program to promote comprehensive logistics measures

Laws concerning the adoption of comprehensive logistics and logistics streamlining

Action plan to address labor shortages in the logistics field

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

## Nippon Express Group Corporate Strategy 2015

# – Innovation and Moving Forward –

April 1, 2013–March 31, 2016

		FY2015 targets	FY2014 results
<b>Numerical Targets</b>	Revenues	¥1,800.0 billion	¥1,924.9 billion
	Operating income	¥54.0 billion	¥50.8 billion
	Net income*	¥34.0 billion	¥26.3 billion
	Return on assets (ROA)	2.5%	1.9%
	Proportion of sales from overseas-related businesses	40%	34.7%
	Operating income margin for domestic Combined Business	3%	2.5%
	<b>Environmental Target</b>	CO <sub>2</sub> emissions	Reduce by an average of 1.0% or more per year**

Growth potential

### “Further Expanding Our Global Logistics Business”

Aiming to promote growth in global markets and increase the proportion of sales from overseas-related business to 40% by FY2015

1. Growth in Global Markets
2. Expanding Overseas-Related Business in Japan
3. Increasing Business with Non-Japanese Companies
4. Accelerating the Pace of Growth through M&As
5. Strengthening Global Human Resources Development
6. Expanding Global IT Infrastructure

Profitability

### “Strengthening Management Practices for Our Domestic Businesses”

Improving operating profit margins in the domestic Combined Business segment to 3% in FY2015

1. Strengthening Sales Activities
2. Carrying Out a Fundamental Review of Management Resources

Growth potential

### “Expanding Business by Utilizing the Diversity of Group Companies”

Strengthening Group management and establishing a base for our business expansion

1. Expanding Logistics-Related Businesses
2. Developing Cutting-Edge Logistics Technologies
3. Creating New Business Domains

Social

### “Contributing to Society through Our Businesses in Accordance with Corporate Social Responsibility (CSR) Management”

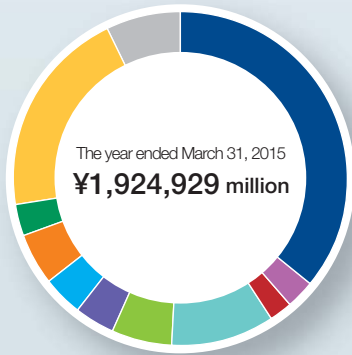
1. Ensuring Safety
2. Establishing a Disaster-Resilient Business Framework
3. Promoting Green Logistics

\* Due to an amendment to the Accounting Standard for Business Combinations, “net income,” as reported through fiscal 2014, will be presented as “net income attributable to shareholders of Nippon Express Co. Ltd.” from fiscal 2015 onward. In this report, this item is presented as “net income.”

\*\* Using FY2009 as the benchmark base unit for the Nippon Express Group

# At a Glance (As of March 31, 2015)

## Revenues by reportable segment



Reportable segment	
Combined Business	38.6%
Security Transportation	2.9%
Heavy Haulage & Construction	2.4%
Air Freight Forwarding	10.9%
Marine & Harbor Transportation	6.2%
The Americas	4.1%
Europe	4.3%
East Asia	5.3%
South Asia & Oceania	3.4%
Goods Sales	21.8%
Other	7.5%

\*Ratios graphed exclude adjustments.

## Main Products and Services by Region

### Europe

Revenues	¥83,609 million
Countries	21
Companies/ Representative Office	25 / 1
Business bases	86
Employees	2,414
Warehouse space	377,770m <sup>2</sup>

### Europe

- Air freight forwarding
- Marine & harbor transportation
- Warehousing & distribution processing
- Moving & relocation
- Chartered truck services
- Travel

### Domestic companies

- Railway utilization transportation
- Chartered truck services
- Combined delivery services
- Moving & relocation
- Warehousing & distribution processing
- In-factory work real estate rental

### East Asia

Revenues	¥101,321 million
Countries	3
Companies/ Representative Office	34 / 1
Business bases	141
Employees	6,550
Warehouse space	727,366m <sup>2</sup>

### East Asia

- Air freight forwarding
- Marine & harbor transportation
- Warehousing & distribution processing
- Moving & relocation
- Chartered truck services
- Travel

**Group Network** (Excludes domestic network)

Countries	41
Cities	240
Business bases	514
Overseas employees	20,018
Warehouse space	2,355,770 m <sup>2</sup>

Under the “Nippon Express Group Corporate Strategy 2015 – Innovation and Moving Forward” medium-term management plan, Nippon Express is working as a global logistics company to prepare for its next stage of growth.

**Domestic companies**

- Real estate rental
- Marine & harbor transportation
- Fine arts transportation
- Security transportation
- Heavy haulage & construction
- Air freight forwarding
- Travel

**The Americas**

- Air freight forwarding
- Marine & harbor transportation
- Warehousing & distribution processing
- Moving & relocation
- Chartered truck services
- Travel

**The Americas**


Revenues	¥79,160 million
Countries	5
Companies	19
Business bases	127
Employees	2,671
Warehouse space	554,282 m <sup>2</sup>

**South Asia & Oceania**

- Air freight forwarding
- Marine & harbor transportation
- Warehousing & distribution processing
- Moving & relocation
- Chartered truck services
- Heavy haulage & construction
- Travel

**South Asia & Oceania**

Revenues	¥64,607 million
Countries	12
Companies/ Representative Offices	34 / 2
Business bases	160
Employees	8,383
Warehouse space	696,352 m <sup>2</sup>

A professional portrait of Kenji Watanabe, the President and Chief Executive Officer of Nippon Express Group. He is shown from the waist up, wearing a dark suit, a white shirt, and a patterned tie. He has short, dark hair and is looking directly at the camera with a neutral expression. His right hand is resting on a dark, reflective surface in the foreground. The background is a dark, textured wall.

During fiscal 2014, ended March 31, 2015, the entire Nippon Express Group implemented the “Nippon Express Group Corporate Strategy 2015 – Innovation and Moving Forward” medium-term management plan. As a result, we achieved increases in both revenues and income, with especially large gains in operating and ordinary income.

*Kenji Watanabe*

Kenji Watanabe  
President, Chief Executive Officer

# Q1

## Could you share your forecasts regarding the global economy and the logistics industry?

The outlook for overseas economies in fiscal 2015, ending March 31, 2016, is unclear. While the U.S. economy is expected to be firm, reflecting brisk consumer spending, concerns remain regarding stagnation in the Russian economy due to the drop in oil prices and slowing economic growth in China. In Japan, the economy is expected to recover, albeit gradually, supported by a pickup in corporate earnings, improvement in hiring and rising capital investment.

In the logistics industry, we expect domestic freight transportation volumes to increase, reflecting recovery in production accompanying improvement in consumer spending and decreases in corporate inventories as well as the return of some manufacturers' overseas production bases to Japan. Backed by the weak yen, international freight transportation, particularly exports to the United States, is expected to remain firm, though not forecast to grow significantly.

# Q2

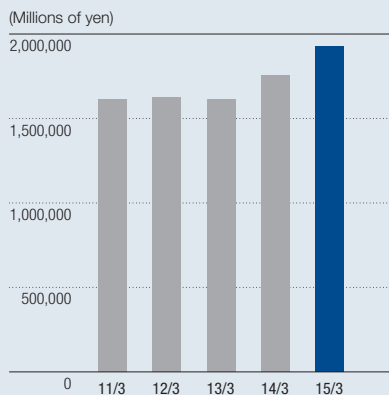
## What do you see as your role in the changing global logistics industry?

The role demanded of logistics companies is becoming quite broad, going beyond transport to encompass storage, loading, packaging and distribution processing as well as data management and systems related to all of these services. Between raw materials procurement and the delivery of final products to customers, goods are handled by a wide range of actors, and the importance of logistics in terms of its effects on all kinds of industry and the average person is growing larger than before. On the other hand, we are facing a number of challenges, such as the development of efficient logistics systems overseas, the strengthening of business continuity frameworks that are resilient in times of

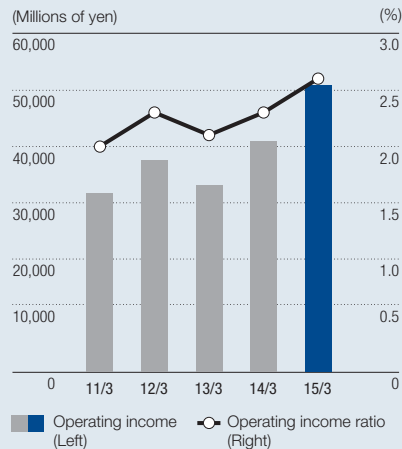
disaster and the securing of able human resources.

As espoused in the Nippon Express Group's Corporate Philosophy, the Group's mission is to drive the development of society by transporting cargo. While rigorously maintaining safety and giving due consideration to the environment, we are concentrating our strengths on the global stage to create new value through logistics. I also feel that the Nippon Express Group's role within the logistics industry is that of a pioneer of next-generation business models and frameworks. Even as society continues to change, we always act in a manner that reflects our pride as a company that society trusts and depends on.

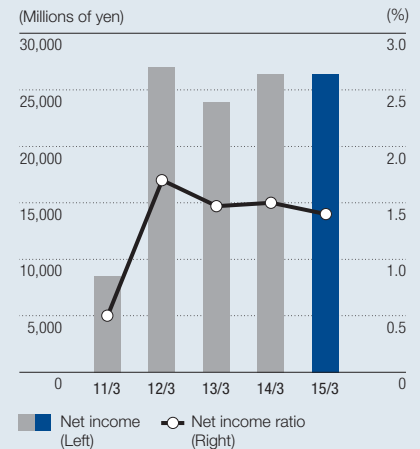
### Revenues



### Operating income and operating income ratio



### Net income and net income ratio





### Q3

#### Given the circumstances, what do you think the Nippon Express Group should strive toward in the medium to long term?

We are advancing the Nippon Express Group's medium-term management plan, aiming, first and foremost, to achieve sustainable growth by further expanding our global logistics business in growth markets and strengthening managing practices. To this end, we are advancing the development and supply of new products and services that solve logistics challenges while focusing on building a business framework that is resilient in the face of disasters and friendly to the environment. By doing so, we are working to fulfill our responsibilities in supporting customers' supply chains and thus contribute to society through our businesses.

For the longer term, we have established three ideals to aim for over the next decade of so under the Nippon Express Group Vision and are advancing a range of initiatives to achieve this vision. The three ideals are:

**A Global Logistics Company**

Supports customers worldwide through logistics services

**A Company that Fulfills Its Responsibilities to the Earth**

Cares for the environment and works to realize a low-carbon society

**A People-Friendly Company**

Values its employees and helps them to achieve job satisfaction

### Q4

#### Please tell us about progress under the “Nippon Express Group Corporate Strategy 2015 – Innovation and Moving Forward” medium-term management plan.

In the year ended March 31, 2015, we recorded revenues of ¥1,924.9 billion, up 9.8% year on year. This increase was attributable to significant growth in the Air Freight Forwarding segment as a result of a rise in demand in the fourth quarter due to labor disputes at ports on the west coast of the United States as well as strong performance in the Heavy Haulage & Construction segment and overseas segments and significant sales growth in the Other segment as a result of new additions to the scope of consolidation.

Operating income also increased, rising 24.3%

year on year to ¥50.8 billion. This was mainly due to year-on-year improvements in income in the Combined Business segment and overseas segments as well as significant income growth in the Air Freight Forwarding segment, reflecting the increase in segment sales, and favorable performance in the Goods Sales segment.

Having thus achieved the revenue goal set for the final year of the medium-term management plan a year early, we were able to begin laying the groundwork for the next management plan.

#### NIPPON EXPRESS GROUP CORPORATE STRATEGY 2015 – Innovation and Moving Forward –

	Numerical Targets	
	FY2015 targets	FY2014 results
Revenue	¥1,800.0 billion	¥1,924.9 billion
Operating income	¥54.0 billion	¥50.8 billion
Net income	¥34.0 billion	¥26.3 billion
Return on assets (ROA)	2.5%	1.9%
Proportion of sales from overseas-related businesses	40%	34.7%
Operating income margin for domestic Combined Business	3%	2.5%

# Q5

## In May 2015, Nippon Express conducted a major internal reorganization for the first time in 53 years. Why did you make this move?

To continue to implement our medium-term management plan, we have been aiming to become a true global logistics company by reinforcing customer-oriented sales operations, selecting and concentrating management resources, and improving efficiency. To do this, we implemented major reforms aimed at building an organizational structure that can provide one-stop services for our customers.

Specifically, to establish a one-stop service structure for land, sea and air transport, starting in May 2014, we established business blocs for the Kyushu Region, followed by the Kansai Region and then the Chubu Region. In May 2015, we abolished the Air Cargo Business Division and Marine Transport Business Division, transferring their operations to the Air Freight Business Branch and the Marine Transport Business Branch, respectively. We then established a Kanto Region business bloc, comprising these two divisions and the existing Land Transport Division. With these changes, we completed the construction of our one-stop service structure.

We also reorganized our headquarters. The previous system of five headquarters, namely the Sales Promotion, Domestic Business, International Business, Network Transport Business Promotion and Administrative headquarters, was replaced by a three-headquarter system, comprising the Global Sales Strategy, International Business, and Administration

headquarters. Under the Global Sales Strategy Headquarters, we have installed the Business Development and Marketing Strategy Divisions to reinforce the marketing and development of products and new businesses that will become future income pillars. Under the International Business Headquarters, to further strengthen overseas businesses, we have set up the new Global Forwarding Planning & Development and Global Logistics Solutions Divisions.

We furthermore revised the regional bloc and branch organization, establishing Sales Development Divisions I and II as well as a Logistics Development Division under the Kanto Region bloc, aiming to ensure even more immediate response to customer needs, including at frontline business sites. Under the Chubu Region bloc, we established an Automotive Logistics Branch specializing in business with automobile-related customers as well as the Chubu Area Sales Promotion Division to meet needs in the aerospace and other industries.

Going forward, we will be better able to grasp the circumstances and issues facing each customer and offer comprehensive logistics proposals, achieving true one-stop operations, an approach that was difficult under the previous, mode-based structure. This reorganization is tremendously meaningful for us as a driver of our continued growth.

### Environmental Target

CO<sub>2</sub> emissions

Reduce by an average of 1.0% or more per year\*

\* Using FY2009 as the benchmark base unit for the Nippon Express Group

### Key Strategies:

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

## Q6

**Please tell us about the Group's strategy of boosting growth by expanding its global logistics business, specifically about initiatives to raise the proportion of sales from overseas businesses to 40%, and the Group's trajectory going forward.**

In fiscal 2014, the proportion of sales accounted for by overseas-related businesses came to 34.7%, thanks to improved sales in air freight forwarding and marine and harbor transportation exports as well as the positive effect of exchange rates on sales at overseas subsidiaries, even though sales in Japan also grew. To reach the target of 40% for fiscal 2015, we are working to expand overseas businesses, targeting South Asia in particular.

We are increasing our presence in South Asia,

offering halal logistics and other high-level services while aggressively developing business in India, the region's largest economy. Until now, we have focused on reinforcing logistics operations in this region. Going forward, we will advance proposals that connect logistics and forwarding. I think it will be vital to optimally balance the forwarding and logistics businesses as we develop globally. Furthermore, we will actively utilize additional acquisitions and strategic business alliances.

## Q7

**With regard to the key strategy "Strengthening Management Practices for Our Domestic Businesses," Nippon Express has set the goal of achieving an operating income ratio of 3% in the Combined Business segment. What is your strategy for increasing profitability and how do you evaluate progress so far?**

The fiscal 2014 operating income ratio in the Combined Business segment was 2.5%, exceeding our target for the year, 2.4%, by 0.1 of a percentage point. During fiscal 2015, the final year of the medium-term management plan, to reach our goal of 3%, we need to further enhance sales capabilities and reduce costs. To do so, we will continue to develop the various cost management initiatives we have put in place so far while working to streamline even more, including through the use of the new operational support system we adopted in July 2014. In addition, the

recent organizational reforms, while mainly aimed at strengthening the sales structure, are also contributing to greater efficiency and are expected to be of great benefit to Group performance.

Furthermore, the New Tokyo Logistics Center (tentative name), one of the Group's largest domestic logistics facilities, is scheduled to be completed in spring 2017. The Center will serve all modes of transportation, be they air, sea or land, and will take full advantage of the Group's comprehensive strengths to provide high-value-added logistics services.

## Q8

**Please tell us about your policy and direction for CSR management.**

For us, corporate social responsibility (CSR) means our duty to help improve the lives of people around the world and support the development of industry through logistics.

"Contributing to Society through Our Businesses in Accordance with Corporate Social Responsibility (CSR) Management" is one of the key strategies under our medium-term management plan, and we are implementing it through various measures.

The first such measure is ensuring safety. We use public infrastructure, such as roads, airports and harbors; establishing and maintaining safety is therefore a top priority, one on which there can be no compromise. The second measure is ensuring preparedness for natural disasters and other emergencies. Nippon Express Co., Ltd. is a designated public institution under

Japan's Disaster Measures Basic Law. As such, the Company has the social duty of ensuring business continuity and maintaining lifelines for ordinary citizens by preventing disruptions in the transportation of emergency supplies and customers' supply chains. The third measure is protecting the environment and working to use fewer resources. We recognize that we must actively work to reduce the environmental burden of our business and strive for the creation of a low-carbon society.

Under the title "Nippon Express's Global CSR," the Group has outlined priority issues to address as a global logistics company, including responsibilities to the global environment, sound corporate conduct and respect for human rights. We are making Group-wide efforts to forcefully implement CSR management.



## Q9

### What are your performance forecasts for fiscal 2015?

In the domestic Combined Business segment, we will advance operations tailored to the economic and market conditions of each region, taking such steps as reinforcing sales capabilities in the region encompassing the country's three largest metropolitan areas (Tokyo, Osaka and Nagoya), and consolidating business locations in other parts of the country. In existing operations, we will continue working to improve profitability through such means as using IT to improve efficiency. We aim to achieve an operating income ratio in the Combined Business segment of 3% for the fiscal year.

Overseas, the area in which we are receiving the most inquiries from customers is still Asia. Closely monitoring changes in customer needs, we will make necessary investments, such as reinforcing the capabilities of business bases and establishing new

locations, while also focusing on reducing all types of costs. The supply chains of the manufacturing industries we serve are steadily shifting from connecting Japan and the world to linkages within the Asian region as well as between Asia and the world. As such, the real test for the Nippon Express Group going forward will be to succeed in Asia.

	Fiscal 2015 forecast	Year-on-year change
Revenues	¥2,000.0 billion	+3.9%
Operating income	¥54.0 billion	+6.3%
Ordinary income	¥63.0 billion	+5.8%
Net income	¥34.0 billion	+28.9%

## Q10

### In closing, is there any message you would like to convey to shareholders and investors?

Nippon Express regards shareholder returns as a top priority. We maintain a policy of emphasizing stable dividends while striving to strengthen our financial position, increase shareholders' equity and improve the profit ratio.

Annual dividends remained at ¥10 per share in fiscal 2014. We will make the fullest efforts to maintain this level. We are using internal reserves for capital investment, including the upgrading of logistics bases and replacement of vehicles, and to implement the various measures necessary to achieve the goals of the management plan with the

aim of increasing corporate value. We also increased treasury stock ¥15.0 billion between November 2014 and March 2015, and will continue to consider such holdings as an option in light of future investment plans and capital requirements. With regard to the form of shareholder returns, we will continue to listen to the opinions of shareholders and investors and are seeking to expand the range of available options.

We gratefully look forward to your continued support.

Special Feature:

## New Progress in Global Logistics

The Nippon Express Group is implementing a growth strategy based on the two core businesses of freight forwarding and logistics. In recent years, the Group has developed international transportation networks, chiefly in Asia, and made progress in expanding its logistics business. To raise profitability going forward, we are now applying the strengths of our freight forwarding business developed in Japan across Asia. In particular, to capture the business of corporations based in Europe and the Americas, the Nippon Express Group is working to leverage its strengths in timely procurement and competitive transportation rates while further enhancing its solution proposals for customers' supply chains, including by offering greater traceability of transportation processes and reduced lead times.

# FORWARDING

### Further Strengthening the Freight Forwarding Business

- Strength: Providing diverse services leveraging accumulated know-how and advantages in scale
- Challenge: New development linked with the logistics business
- Medium-term plan: Expand third-country transportation

Fiscal 2014 Topics

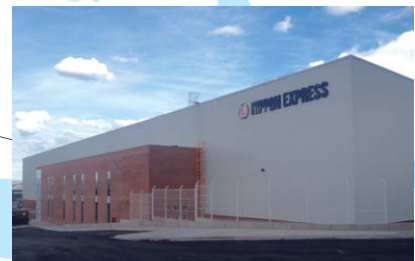
## The Americas

### Bonded Warehouse and Sales Office Established in Mexico

Responding to diversifying logistics needs in Mexico, in November 2014 we set up and opened the San Luis Potosi Logistics Center in the city of San Luis Potosi on the Central Mexican Plateau, thereby becoming the first Japanese logistics company to establish a bonded warehouse within the free trade zone there. Also in November, we opened a sales office in Salamanca and began offering just-in-time delivery services to automobile-related companies in the area.



Salamanca Sales Office



San Luis Potosi Logistics Center

# LOGISTICS

## Building a Global Foundation for the Logistics Business

- Strength: Steady development of regional logistics networks
- Challenge: Improving profitability by streamlining operations
- Medium-term plan: Respond to expanding global SCM

### Providing Diverse Services

Our flexibility allows us to create optimized combinations of air freight forwarding and marine and harbor transportation that draw on the strength of our longstanding forwarding network, mainly for transport to and from Japan. This is one of our great strengths. Prolonged labor disputes have led to congestion at major ports on the West Coast of the United States. To avoid this congestion, Nippon Express Co., Ltd. quickly launched sales through its NEX-MULTIMODAL Air SAT! North America sea and air service. Through this service, freight is transported from Japan to Honolulu by sea, then from Honolulu to Los Angeles by air freight forwarding on cargo charter flights. Seeking to rapidly adapt to changing market needs and develop new transportation models, we are advancing the development of a wide variety of services.

### Orders Received for the Transport of Aircraft Wings

Nippon Express (U.K.) Co., Ltd. and Nippon Express (Canada) Co., Ltd. have become the first Japanese logistics companies to be contracted by Canadian aircraft company Bombardier Inc. to transport wings for its new C Series aircraft from a plant in the United Kingdom to the final assembly plant in Canada. Using our global network, we are combining land, sea and air transportation modes to realize optimized integrated transport and build an aircraft transportation service model that reduces lead times and costs.

The size of the global private aircraft market is expected to roughly double over the coming 20 years. We are working to accumulate transportation know-how in this and other growth markets.



“C Series” is a registered trademark of Bombardier Company and its subsidiaries (photo provided by Bombardier Inc.)

# Europe



The ELC3 logistics warehouse in Rotterdam allows hands-free picking, improving efficiency, safety and visibility



Japanese Red Cross Society and Nippon Express staff received supplies at the Katmandu airport

## Support for Ebola-Affected Areas Using Integrated Transport Systems

In December 2014, the Nippon Express Group provided integrated transport from departure to arrival of 680,000 sets of personal protection supplies and other materials as part of Japan International Cooperation Agency (JICA)'s material assistance to Ebola-affected areas of West Africa. Nippon Express Co., Ltd. handled the inspection and packaging of the materials in Japan and air freight forwarding to Dubai, and Nippon Express (Middle East) L.L.C. handled the receipt and storage of the materials at their destination. Going forward, the Group will continue to actively contribute to international society through logistics.

## New Logistics Warehouse Established at the Port of Rotterdam

Nippon Express (Nederland) B.V. established the ELC3, one of the Group's largest logistics warehouses in Europe, and began operations there in January 2015. The ELC3 is located on the port of Rotterdam, the first European port of call for major shipping companies operating out of Japan and Asia. The ELC3 operates as a distribution center, concentrating goods produced in Asia for distribution in Western Europe. Operating in tandem with the existing ELC1 logistics warehouse, the ELC3 is helping to achieve greater efficiency and optimization in warehousing.

## Assisting in Transportation of Emergency Supplies for the Nepal Earthquake

In response to the April 2014 earthquake in Nepal, Nippon Express Co., Ltd. assisted in the Japanese Red Cross Society's transportation of disaster relief supplies from Dubai using its integrated transport framework. The Company prepared for the transport of relief supplies from the storage facilities of Japanese Red Cross Society in Dubai and dispatched two employees to Katmandu, Nepal, to prepare to receive the supplies. Because Nepal is landlocked, all emergency supplies have to go through airports. As a result, there was some congestions and confusion at the airport in Katmandu after the earthquake. By working closely with local officials, however, Nippon Express's employees were able to quickly execute the hand-off of supplies. Going forward, we will continue to use its accumulated know-how in transporting emergency supplies to cooperate in international support to disaster-affected areas and humanitarian aid.

## Streamlining Operations Using a New System

In July 2014, Nippon Express Co., Ltd. launched a new operational support system, unifying the management of its domestic navigational control and basic operation systems to improve operating efficiency and product quality. The Company continues to improve the system, aiming to soon roll it out overseas and eventually build a unified global transportation management framework.

## Nittsu NEC Logistics, Ltd. Becomes a Consolidated Subsidiary

In December 2014, Nippon Express Co., Ltd. acquired additional shares of Nittsu NEC Logistics, Ltd. from NEC Corporation, making the former a consolidated Group subsidiary. Nittsu NEC Logistics boasts sophisticated logistics know-how in the ICT industry. Going forward, the Group will deepen coordination with the Nittsu NEC Logistics, combining the strengths of the new subsidiary with its network and expertise to construct a global logistics platform in the field of ICT.

## MITT Warehouse Opened in Taiwan

In December 2014, Nippon Express (Taiwan) Co., Ltd. opened the MITT\* Warehouse, located in an industrial district in south-central Taiwan. The company became the first Japanese forwarder in this area to obtain an ILC\*\* license, enabling a level of distribution processing not possible at general bonded warehouses. Accordingly, the MITT Warehouse now offers high-level domestic and international procurement logistics

# Asia



The operational support system helps to visualize operations

services, such as parts processing and just-in-time delivery for the manufacturing facilities of precision equipment manufacturers.

\* Middle Formosa International & Trusty Terminal

\*\* International Logistics Center

### Halal Logistics Certification Acquired

In December 2014, Nippon Express (Malaysia) Sdn. Bdn. became the first Japanese logistics company to acquire halal logistics certification\* from the Department of Islamic Development, a certifying body within the Malaysian government. With the certification, the company has established a framework to provide wide-ranging support for halal product supply chains. Having first stepped up business operations in Malaysia and entered the business of international transportation between Japan and Malaysia, in the future, we hope to provide logistics services to Islamic markets worldwide.

\*MS2400-1 certification, for transport operations

### Nippon Express (Myanmar) Co., Ltd. Established

Nippon Express (South Asia & Oceania) Pte., Ltd. established Nippon Express (Myanmar) Co., Ltd., which commenced operations in January 2015. The new company provides comprehensive logistics services, including international ocean and air cargo transport, cross-border services, domestic trunk line transport and transport for Japanese companies with locally based factories. Using our road transport network covering approximately 7,300 km in eight ASEAN countries, we are working to secure a competitive edge in Myanmar, where additional expansion by Japanese-owned companies is expected going forward.

### Multifunctional Warehouse Opened in Vietnam

Nippon Express (Vietnam) Co., Ltd. opened the Amata Logistics Center, a multifunctional warehouse, in the Amata Vietnam Logistics Park in Vietnam in February 2015. Taking advantage of its location, which offers excellent access to big cities, ports and airports, the center is being operated as an intermodal transport hub for land, sea and air transportation. Numerous Japanese manufacturers have already moved into this industrial park, and the Amata Logistics Center is set up to meet diversifying logistics needs, including those for non-resident inventory, distribution processing, cross-border transport and refrigerated and frozen storage.

### Consolidated Marine Reefer Cargo Service for Malaysia Launched

In response to rising demand in ASEAN countries for fresh produce and processed foods, Nippon Express Co., Ltd. launched a consolidated marine reefer cargo service for Malaysia in March 2015 to transport foods that require refrigeration. Before the introduction of this service, reefer containers had to be prepared individually for each customer, even to ship small amounts. Now, by accommodating bonded operations at refrigerated warehouses at points of origin and destinations, Nippon Express has created a consolidated marine transportation service for food products that require refrigeration, an industry first, thus enabling significant cost reductions. Furthermore, through this service, the Company offers special transportation insurance for fresh foods, thus reducing transportation risk. We will continue to develop services precisely tailored to customer needs in order to set ourselves apart in the marketplace.

### PT. NEX Logistics Indonesia Established

Nippon Express (South Asia & Oceania) Pte., Ltd. has operated in Indonesia for almost 20 years. To strengthen its operations there, the company established PT. NEX Logistics Indonesia, which commenced operations in April 2015. In August 2015, the company's warehouse in an industrial zone in West Java was completed, enabling total support of customers' supply chains, from procurement to sales and storage.



MITT Warehouse in Chiayi County, Taiwan



Halal cleaning operations



Opening ceremony of Nippon Express (Myanmar) Co., Ltd.



Opening ceremony of Amata Logistics Center



# Corporate Governance

We, the Nippon Express Group, aim to conduct business by acting in accordance with our fundamental policies of “the realization of speedy management through quick decision making” and “the establishment of a clear division of responsibility” while strengthening stakeholder trust.

We recognize that high standards of corporate governance, compliance, transparency and risk management create an important foundation for responsible business practices and are working to ensure that we achieve all of these.

## Corporate Governance Structure

### Our Thoughts on Corporate Governance

Nippon Express’s fundamental thinking regarding corporate governance is expressed as “the realization of speedy management through quick decision making” and “the establishment of a clear division of responsibility.” The number of the members of the Board of Directors is specified as no more than 15, and the term is one year.

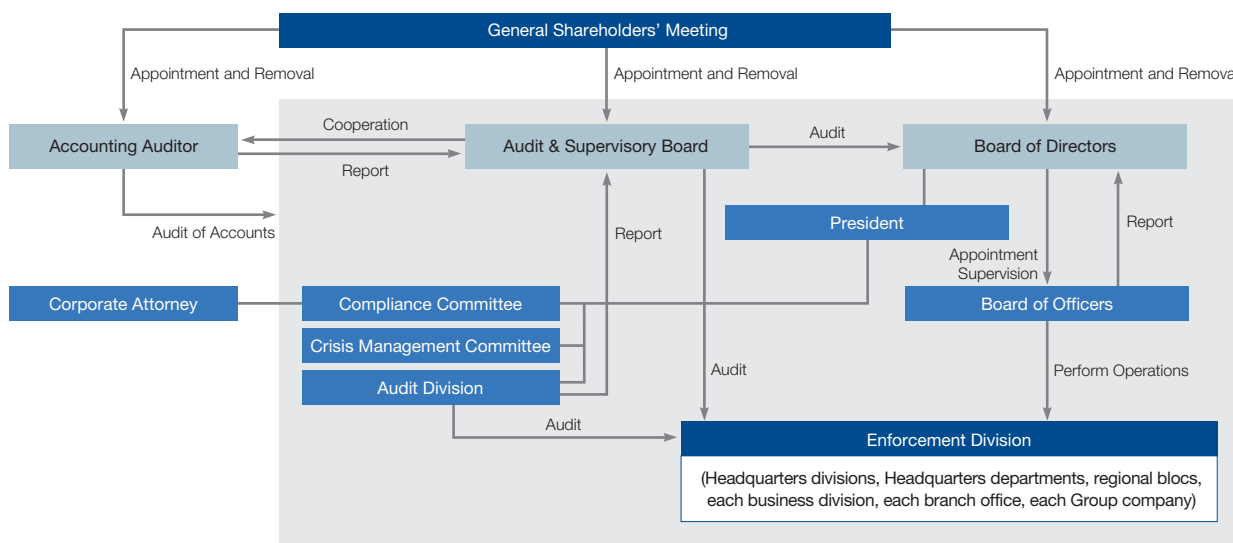
At the same time, the Company has introduced a board of executive officers with the goal of ensuring the rapid execution of business operations. As of June 26, 2015, we have 15 directors (three of whom are outside directors) and 30 executive officers (10 of whom concurrently serve as directors). In addition, our auditors attend meetings of the Board of Directors and other important conferences, review key

documents, visit our main facilities for audits, perform reviews at subsidiaries, and report all results at meetings of the Audit & Supervisory Board and the Board of Directors. The Audit & Supervisory Board functions as a supervisory institution that operates from an objective point of view. As of June 26, 2015, we have four auditors (three of whom are outside auditors).

### Creating an Internal Control System

In order to conduct business fairly and efficiently, it is important to implement a firm internal control system. Nippon Express has created an effective control system that includes a compliance system, a risk management system, an internal audit system and a system to assure fair business operations in all Group companies.

### Corporate Governance Structure



## Crisis Management System

### Creating a Crisis Management System

Nippon Express has constructed a crisis management system under four “Crisis Management Codes”: “the Disaster Management Code,” “the Overseas Crisis Management Code,” “the System Risk Management Code” and “the New Influenza Management Code.” We have established steps to be taken against widespread disasters, new types of influenza, information system risks and emergencies overseas. Collaboration within the Group has been reinforced according to “the Nippon Express Group Disaster Measures Regulations.”

As a designated public institution under the Disaster Measures Basic Law and the Civil Protection Act (the Act Concerning the Measures for Protection of the People in Armed Attack Situations) as well as the Act on Special Measures concerning the Relief of Pandemic Influenza implemented on April 2013, Nippon Express fulfilled its role as a designated public institution by working to assist areas affected by the Great East Japan Earthquake with rehabilitation and reconstruction. For instance, we transported emergency materials from the day that the earthquake struck.

Furthermore, besides preparing emergency stockpiles of supplies that include food and drinking water as well as hygienic items such as masks and gloves as countermeasures against influenza, we have brought in satellite phones and mobile phones with priority access in times of

disaster to enable us to respond to power failures or disruptions in telephone networks. By distributing them to related divisions at the head office and major branches across Japan, we ensure prompt communication in an event of emergency.

### Business Continuity Framework (BCM and BCP)

Nippon Express developed Business Continuity Management (BCM) as well as a Business Continuity Plan (BCP) in order to continue operations even when faced with disasters or threats like the spread of new influenza. At the time of the Great East Japan Earthquake, we tried to continue our business operations, starting with the transport of emergency relief materials, by swiftly invoking a BCP.

While each company of the Nippon Express Group places the health and lives of employees and their families first when responding to emergencies caused by natural disasters, industrial disasters and man-made disasters, we also try to continue our business operations as much as possible in order to fulfill our social responsibility as a designated public institution under the Disaster Measures Basic Law, the Civil Protection Act and the Special Measures Act to Counter New Types of Influenza, and also as a maintainer of social function contributing to realizing efficient and stable supply chains.

## Compliance Initiatives

### Compliance Management Promotion System

Stressing the importance of compliance management, Nippon Express established the Compliance Division in June 2003 (the Corporate Social Responsibility Division from April 2013). In October of the same year, Compliance Regulations were also created. Additionally, the Company has established a Compliance Committee chaired by the company president and an internal whistle-blower system (Nittsu Speak-up),

and undertaken other measures to encourage honest and fair company activities.

In fiscal 2014 Nippon Express conducted a compliance survey among all employees and temporary workers (response rate: 84.5%). Going forward, the Company will conduct employee education and on-the-job training based on the results of the survey as part of ongoing efforts to ensure thorough compliance awareness.

# Directors, Executive Officers & Corporate Auditors

(As of June 26, 2015)

Chairman and Representative Director



Masanori Kawai

President and Representative Director, Chief Executive Officer



Kenji Watanabe

Executive Vice Presidents and Representative Directors, Chief Operating Officers



Akira Ohinata



Mitsuru Saito



Yutaka Ito

Director and Senior Managing Executive Officer



Takaaki Ishii

Directors and Managing Executive Officers



Yasuaki Nii



Hisao Taketsu



Katsuhiko Terai

Directors and Executive Officers



Fumihiko Sakuma



Naoya Hayashida

Directors



Noboru Shibusawa



Masahiro Sugiyama\*



Shigeo Nakayama\*



Sadako Yasuoka\*

Managing Executive Officers

Takumi Shimauchi  
Hideaki Tabuchi  
Kenji Fujii  
Yasuhiro Goto  
Hiroyuki Murakami  
Yukio Yokoo

Executive Officers

Yuji Kobuchi  
Yasunori Takahashi  
Akira Kondo  
Norifumi Ide  
Kazushi Tanaka  
Yoichi Aoyama  
Tatsuo Sugiyama  
Susumu Akita  
Eiichi Nakamura  
Koichi Kobayashi  
Mitsuru Uematsu  
Suguru Yoshioka  
Toshiro Uchida  
Satoshi Horikiri

Full-time Corporate Auditors

Takashi Wada  
Zenjiro Watanabe\*\*  
Hiromi Konno\*\*

Corporate Auditor

Yuzuru Fujita\*\*

\*Outside director  
\*\*Outside auditor

# Corporate Social Responsibility (CSR)

## Nippon Express Group CSR Activities

To fulfill our social responsibility as a global logistics company, the Nippon Express Group contributes to the further development of society by providing various modes of transport with an emphasis on safety while also focusing on efforts aimed at environmental preservation. In addition, we work to fulfill our responsibility to stakeholders by building strong relationships and driving

sustainable growth toward the realization of our corporate philosophy.

The management plan “Nippon Express Group Corporate Strategy 2015 – Innovation and Moving Forward” based on the spirit of the Corporate Philosophy, Nippon Express Group Charter of Conduct and Nippon Express Group Environmental Charter, started in April 2013.

## Charter of Conduct

While clearly stipulating respect for human rights, including the rejection of child labor and forced labor, interactive communication with a wide range of stakeholders, the respect for employee diversity essential to business globalization and

other initiatives, the Nippon Express Group Charter of Conduct also promotes conduct exceeding CSR requirements throughout the supply chain in a manner the Group is well positioned to implement.

<http://www.nipponexpress.com/about/corporate/charter/index.html>

## Selection of Key Priorities

Today's ongoing globalization of business activities and the consequent effects, both positive and negative, that companies have on society are subject to close attention. As a responsible global logistics company, the Nippon Express Group has been engaged since 2013 in identifying key CSR priorities to be the focus of efforts by the entire Group. Taking into consideration international CSR-related guidelines such as ISO 26000 and the opinions of international experts and our stakeholders, we have selected three Global CSR

themes, making them and various issues gathered under them key priorities for the Group.

The Nippon Express Group operates its business from 514 overseas locations (as of March 31, 2015). Therefore, we have selected from among the diverse range of social issues we face in our international business activities those we believe must be given the highest priority. To respond to these issues we have launched global initiatives under the banner of Nippon Express' Global CSR.

### Nippon Express' Global CSR

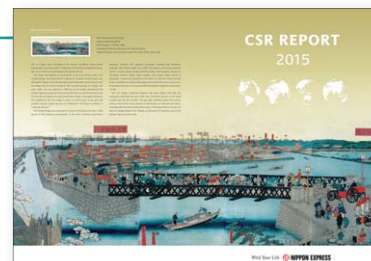
<b>1. Responsibilities to the Earth's Environment</b>	Protection of the global environment is a key issue that must be addressed by a logistics company that utilizes fossil fuel and emits CO <sub>2</sub> round-the-clock.
<b>2. Sound Company Conduct</b>	As a logistics company that operates worldwide, it is critical that we not only comply with the laws of each of the countries and regions we enter, but that we also understand and implement fair business practices, which are increasingly under scrutiny.
<b>3. Respect for Human Rights</b>	As the scope of our business expands, the Nippon Express Group supply chain continues to become more global in nature. Given this development we must ensure that we respect human rights from a broader perspective that extends beyond workplace and work environment, particularly in developing countries, and we believe that not doing so might pose a risk of business discontinuity.

### The Nippon Express Group CSR Report

The *Nippon Express CSR Report* serves to provide stakeholders with necessary information, mainly regarding the Group's CSR initiatives.

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

<http://www.nipponexpress.com/about/csr/report/index.html>



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### April 1, 2014 – March 31, 2015 Corporate Overview

The Nippon Express Group consists of Nippon Express Co., Ltd. and its 299 subsidiaries, including 266 consolidated subsidiaries and 1 equity-method subsidiary, as well as 69 affiliates, of which 25 are equity-method affiliates, totaling 369 companies. In Japan, the Group's Distribution & Transportation segment encompasses domestic companies operating primarily in the following reportable segments: Combined Business (motor cargo transportation, railway forwarding), Air Freight Forwarding and Marine & Harbor Transportation. The Distribution & Transportation segment also operates companies overseas. The Group's remaining reportable segments comprise Goods Sales-related businesses as well as real estate and other operations that are classified as Other. The Group's business operations by industry and reportable segment are as follows.

#### ■ Distribution & Transportation, domestic companies

205 companies, including Nippon Express Co., Ltd. and Nittsu Transport Co., Ltd.

#### Combined Business

With a network of facilities throughout Japan, the Company engages in businesses related to railway forwarding, motor cargo transportation services, warehousing operations and other related businesses. A portion of these businesses are undertaken by the Company's subsidiaries and affiliates, including Nittsu Transport, Bingo Express Co., Ltd., and Tokushima Express Co., Ltd.

#### Security Transportation

The Company operates security guard and related businesses throughout Japan.

#### Heavy Haulage & Construction

The Company handles the transportation, erection and installation of heavy cargo and pursues related businesses throughout Japan.

#### Air Freight Forwarding

The Company operates air freight forwarding and other related businesses. A portion of these businesses are operated by the Company's subsidiaries and affiliates. In addition, Nippon Express Travel Co., Ltd. and related subsidiaries and affiliates operate the travel and other related businesses.

#### Marine & Harbor Transportation

The Company engages in marine and harbor transportation at all key domestic ports. The Company's subsidiaries, including Nippon Shipping Co., Ltd., and affiliates undertake marine transportation and coastal shipping, while the Company's subsidiaries and affiliates operate the harbor transportation business at certain ports in Japan.

#### ■ Distribution & Transportation, overseas companies

104 companies, including Nippon Express U.S.A., Inc.

#### The Americas

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

#### Europe

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

#### East Asia

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

#### South Asia & Oceania

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

#### ■ Goods Sales

38 companies, including Nittsu Shoji Co., Ltd. Nittsu Shoji, Taiyo Nissan Auto Sales., Ltd., Nittsu Shoji (Thailand) Co., Ltd. and other domestic and overseas subsidiaries and affiliates engage in the sale and leasing of distribution equipment, sale of wrapping and packaging materials, sale and leasing of vehicles, sale of petroleum and liquefied petroleum (LP) gas, vehicle maintenance and insurance sales.

#### ■ Other

21 companies, including Nittsu Real Estate Co., Ltd. Nittsu Real Estate and other subsidiaries and affiliates mainly engage in the real estate business. In addition, this business segment operates logistics businesses in certain industries through Nittsu Panasonic Logistics Co., Ltd. and Nittsu NEC Logistics, Ltd., conducts investigations and research through Nittsu Research Institute and Consulting, Inc., runs a logistics finance business through Nippon Express Capital Co., Ltd., provides driver training courses for the general public through Nittsu Driving School Co., Ltd., and operates an employee dispatching business through Careerroad Inc.

## Performance Overview

During the consolidated fiscal year ended March 31, 2015, the Japanese economy saw moderate recovery thanks to such factors as the continued depreciation of the yen backed by additional monetary easing and the recovery in the U.S. economy as well as improvement in the domestic corporate profit environment due to a substantial drop in crude oil prices. These factors offset weak personal consumption due to rising prices and recoil in demand following the last-minute surge before the 2014 consumption tax increase.

Amid these economic conditions, the logistics industry as a whole performed solidly. Although conditions in domestic freight, including stagnant demand for the transportation of consumer goods-related freight, were challenging, international freight was firm overall, with a rise in exports of automobile and electronic component-related freight, mainly for the United States and Asia.

In this business environment, the Nippon Express Group made united efforts to implement the four key strategies of “Further Expanding Our Global Logistics Business,” “Strengthening Management Practices for Our Domestic Businesses,” “Expanding Business by Utilizing the Diversity of Group Companies” and “Contributing to Society through Our Businesses in Accordance with Corporate Social Responsibility (CSR) Management” in order to advance its medium-term management plan “Nippon Express Group Corporate Strategy 2015 – Innovation and Moving Forward.” As its main initiatives, in the global logistics business, the Group worked to expand sales of multi modal transportation services and actively advanced the development of bases in various areas overseas through such measures as establishing local corporations and opening logistics centers, aiming to capture increasingly brisk regional logistics overseas, and working to enhance its borderless transport network.

In its domestic businesses, the Group strived to maximize profitability through such measures as further reinforcing its one-stop sales structure in metropolitan areas through organizational reform spanning land, sea and air transport and implementing price revisions to ensure appropriate rate collection. At the same time, the Group

worked to effectively utilize its management resources by introducing an operational support system that unifies the management of its navigation control and basic operation systems.

Furthermore, Nippon Express strongly promoted Groupwide CSR management. Under the title “Nippon Express’ Global CSR,” the Group outlined its priority issues as a global logistics company, including its responsibilities regarding the Earth’s environment, sound corporate conduct and respect for human rights.

## Business Results

### Revenues and Operating Costs

As a result of the above, consolidated revenues increased ¥172.4 billion, or 9.8%, compared with the previous fiscal year to ¥1,924.9 billion.

In Distribution & Transportation, domestic companies, Marine and Harbor Transportation revenues fell ¥12.8 billion, or 9.8%, but Combined Business revenues grew ¥20.6 billion, or 2.9%, Security Transportation revenues increased ¥0.7 billion, or 1.4%, Heavy Haulage & Construction revenues grew ¥10.2 billion, or 27.9%, and Air Freight Forwarding revenues climbed ¥29.0 billion, or 16.0%, due to congestion in ports on the west coast of the United States.

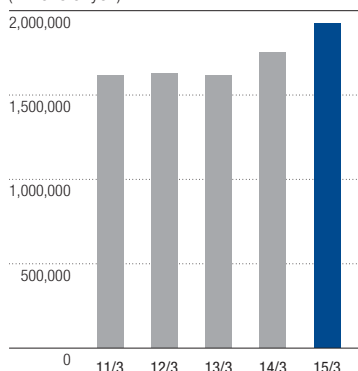
In Distribution & Transportation, overseas companies, due to firm transactions in air freight export and warehousing, revenues in the Americas rose ¥10.0 billion, or 14.6%, revenues in Europe rose ¥10.8 billion, or 14.9%, revenues in East Asia rose ¥9.1 billion, or 9.9%, and revenues in South Asia & Oceania rose ¥13.2 billion, or 25.8%.

In the Goods Sales segment, revenues increased ¥7.3 billion, or 1.8%, year on year due to firm sales of export packaging. In the Other business segment, the effect of acquisitions contributed to a ¥82.1 billion, or 133.7%, increase in revenues.

Operating costs came to ¥1,783.6 billion, an increase of ¥155.5 billion, or 9.6%, from the previous fiscal year. Gross profit increased ¥16.8 billion, or 13.6%, year on year to ¥141.3 billion, and the ratio of gross profit to revenues rose 0.2 of a percentage point to 7.3%. The increase in operating costs was mainly due to the new consolidation of subsidiaries.

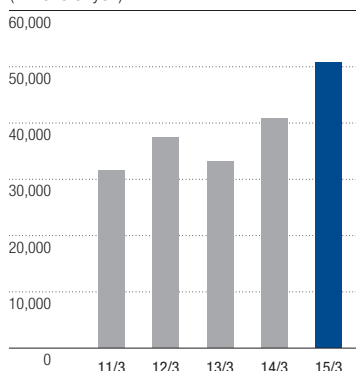
### Revenues

(Millions of yen)



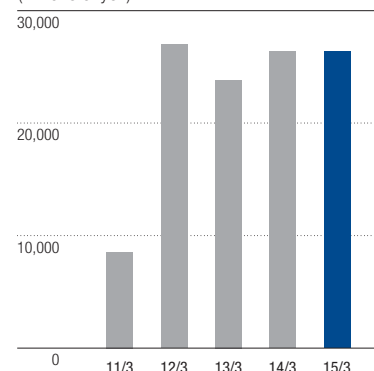
### Operating income

(Millions of yen)



### Net income

(Millions of yen)



## ■ Selling, General and Administration Expenses, Operating Income and Ordinary Income

Selling, general and administrative expenses grew ¥6.9 billion, or 8.3%, year on year to ¥90.4 billion, mainly due to the new consolidation of subsidiaries.

As a result of the above, operating income came to ¥50.8 billion, up ¥9.9 billion, or 24.3%, from the previous fiscal year. Ordinary income amounted to ¥59.5 billion, up ¥9.4 billion, or 18.8%.

## ■ Other Income and Expenses and Net Income

Extraordinary income was ¥8.7 billion, a decrease of ¥2.6 billion, or 23.4%, compared with the previous fiscal year, while extraordinary loss rose ¥4.8 billion, or 33.8%, to ¥19.3 billion. The decrease in extraordinary income was mainly attributable to a ¥2.7 billion decrease in gain on sales of investment securities. The primary reason for the rise in extraordinary loss was the recording of ¥5.4 billion in impairment loss.

Income before income taxes and minority interests amounted to ¥48.9 billion. After deducting current income taxes, inhabitants' tax, enterprise tax and other adjustments as well as minority interests, net income came to ¥26.3 billion, an increase of ¥30 million, or 0.1%, from the previous fiscal year.

Net income per share was ¥0.24 higher year on year at ¥25.87, while return on equity fell 0.08 of a percentage point to 5.14%.

## ■ Results by Reportable Segment

Financial results by reportable segment are summarized as follows. Indicated figures do not include consumption taxes.

### 1. Combined Business (Distribution & Transportation, domestic companies)

As a result of increases in motor transportation and warehousing transactions, revenues were ¥742.3 billion, a year-on-year rise of ¥20.6 billion, or 2.9%, while segment income was ¥18.2 billion, up ¥3.0 billion, or 20.0%, year on year.

### 2. Security Transportation (Distribution & Transportation, domestic companies)

Due to such factors as steady logistics transactions, revenues were up ¥0.7 billion, or 1.4%, year on year to ¥55.4 billion, but segment income fell ¥0.3 billion, or 26.4%, year on year to ¥0.8 billion.

### 3. Heavy Haulage & Construction (Distribution & Transportation, domestic companies)

Owing partly to an increase in maintenance construction of domestic plants and increases in various types of projects overseas, revenues grew ¥10.2 billion, or 27.9%, year on year to ¥46.8 billion, while segment income rose ¥0.2 billion, or 12.7%, year on year to ¥2.1 billion.

### 4. Air Freight Forwarding (Distribution & Transportation, domestic companies)

Because import and domestic air freight transactions were firm and export air freight transportation demand increased due to congestion at ports on the west coast of the United States, revenues were up ¥29.0 billion, or 16.0%, year on year to ¥210.7 billion, and segment income rose ¥4.5 billion, or 81.3%, year on year to ¥10.1 billion.

### 5. Marine & Harbor Transportation (Distribution & Transportation, domestic companies)

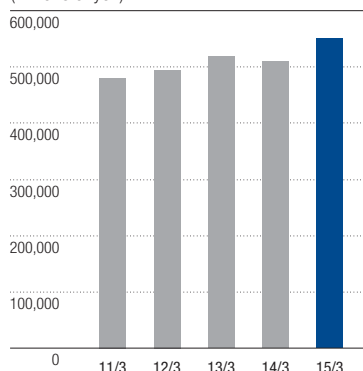
Mainly owing to decreases in import and domestic freight transactions, revenues decreased ¥12.8 billion, or 9.8%, year on year to ¥118.8 billion, while segment income was down ¥0.2 billion, or 4.0%, year on year to ¥4.9 billion.

### 6. The Americas (Distribution & Transportation, overseas companies)

Reflecting such factors as firm air freight export and warehousing and delivery transactions, revenues expanded ¥10.0 billion, or 14.6%, year on year to ¥79.1 billion, and segment income rose ¥0.5 billion, or 19.7%, year on year to ¥3.4 billion.

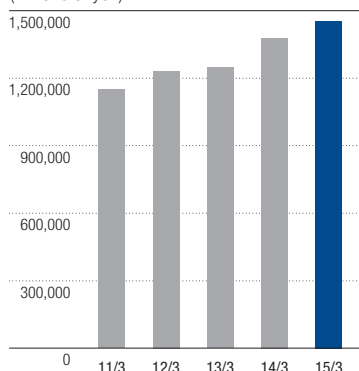
### Total net assets

(Millions of yen)



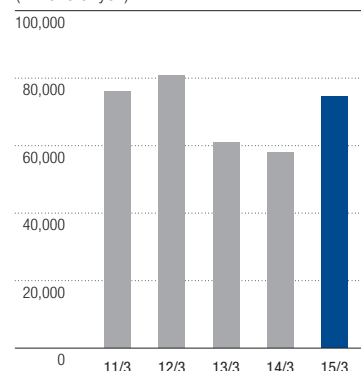
### Total assets

(Millions of yen)



### Net cash provided by operating activities

(Millions of yen)





#### 7. Europe (Distribution & Transportation, overseas companies)

Due to firm performance in air freight export, revenues grew ¥10.8 billion, or 14.9%, year on year to ¥83.6 billion, while segment income grew ¥1.6 billion, or 232.5%, year on year to ¥2.3 billion.

#### 8. East Asia (Distribution & Transportation, overseas companies)

Reflecting firm transactions in warehousing, revenues rose ¥9.1 billion, or 9.9%, year on year to ¥101.3 billion, while segment income was up ¥0.6 billion, or 54.5%, year on year to ¥1.9 billion.

#### 9. South Asia & Oceania (Distribution & Transportation, overseas companies)

As a result of factors that included firm transactions in air freight export and warehousing, revenues were up ¥13.2 billion, or 25.8%, year on year to ¥64.6 billion, while segment income fell ¥0.5 billion, or 35.1%, year on year to ¥0.9 billion.

#### 10. Goods Sales

Due mainly to firm transactions in export packaging, revenues increased ¥7.3 billion, or 1.8%, year on year to ¥420.1 billion, and segment income increased ¥1.5 billion, or 32.3%, year on year to ¥6.4 billion.

#### 11. Other

Due mainly to the acquisitions of shares of Nittsu Panasonic Logistics Co., Ltd. and Nittsu NEC Logistics, Ltd., revenues increased ¥82.1 billion, or 133.7%, year on year to ¥143.6 billion, and segment income increased ¥0.6 billion, or 30.9%, year on year to ¥2.6 billion.

## Cash Flows

Consolidated cash and cash equivalents (“cash”) amounted to ¥148.9 billion as of March 31, 2015. This represented a year-on-year net increase of ¥23.0 billion.

### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥74.5 billion, an increase from ¥57.8 billion recorded in the previous fiscal year. This was mainly due to income before income taxes and minority interests of ¥48.9 billion, depreciation and amortization of ¥51.0 billion and income taxes paid of ¥27.3 billion.

### Cash Flows from Investing Activities

Net cash used in investing activities was ¥22.3 billion, compared with ¥58.1 billion in the previous fiscal year. This was mainly due to ¥48.8 billion in payment for purchase of property and equipment, including distribution centers, commercial warehousing upgrades and vehicle acquisitions, as well as ¥15.8 billion in proceeds from sale of property and equipment.

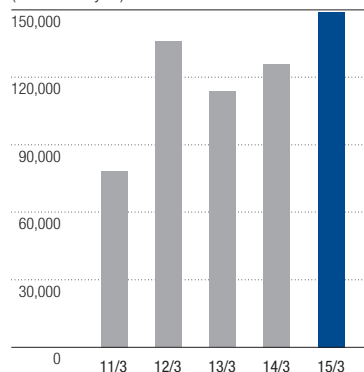
### Cash Flows from Financing Activities

Net cash used in financing activities was ¥33.6 billion, compared with ¥5.8 billion provided in the previous fiscal year. This was mainly attributable to proceeds from long-term loans payable of ¥49.1 billion as well as payment for long-term loans payable of ¥40.7 billion, ¥15.0 billion used for the redemption of bonds payable, a purchase of treasury stock amounting to ¥15.0 billion and cash dividends paid of ¥10.2 billion.

As described in Note 3 of the Notes to Consolidated Financial Statements, “Changes in accounting policies,” for fiscal 2014 onward, cash related to CSD services and exchange money delivery services in the Security Transportation Business has been excluded from the scope of funds (i.e., cash and cash equivalents). The figures above reflect the retrospective application of this change in accounting policy.

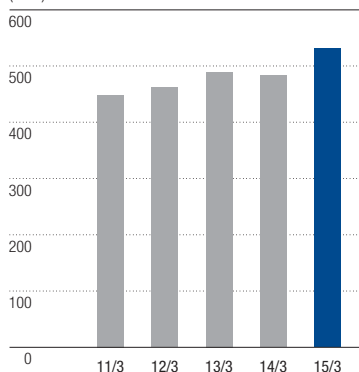
### Cash and cash equivalents at end of year

(Millions of yen)



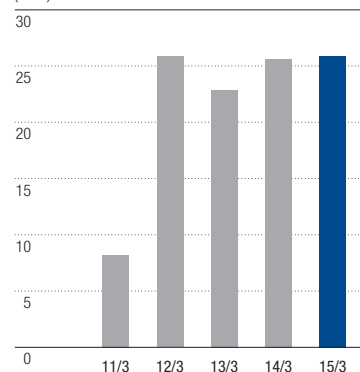
### Equity per share

(Yen)



### Net income per share

(Yen)



## Financial Position

### Assets

Total assets as of March 31, 2015 amounted to ¥1,453.6 billion, an increase of ¥76.1 billion, or 5.5%, from the previous fiscal year-end.

Total current assets amounted to ¥719.3 billion, an increase of ¥72.2 billion, or 11.2%, from the end of the previous fiscal year, due largely to an increase in accounts receivable—trade. Total noncurrent assets stood at ¥734.3 billion, up ¥3.9 billion, or 0.5%, year on year, largely because of an increase in investment securities.

### Liabilities and Net Assets

Total liabilities as of March 31, 2015 were ¥903.4 billion, an increase of ¥35.9 billion, or 4.1%, from the previous fiscal year-end.

Total current liabilities increased ¥54.4 billion, or 12.5%, from the end of the previous fiscal year to ¥491.9 billion, primarily due to an increase in short-term loans payable. Total noncurrent liabilities decreased ¥18.5 billion, or 4.3%, to ¥411.5 billion from the previous fiscal year-end, mainly because of a decrease in long-term loans payable.

Net assets as of March 31, 2015 amounted to ¥550.1 billion, a year-on-year increase of ¥40.1 billion, or 7.9%. This was attributable largely to increases in retained earnings and valuation differences on available-for-sale securities.

Net assets per share amounted to ¥531.06, an increase of ¥47.68 compared with the position at the previous fiscal year-end. The equity ratio increased 0.59 of a percentage point to 36.59%.

## Capital Investment

Total capital investment by the Nippon Express Group in fiscal 2014 amounted to ¥53.0 billion. Major items included changes to logistics systems and the improvement of distribution depots to support international freight operations. Other investments included the development of commercial warehouses and the replacement of vehicles and transportation equipment.

## Dividend Policy

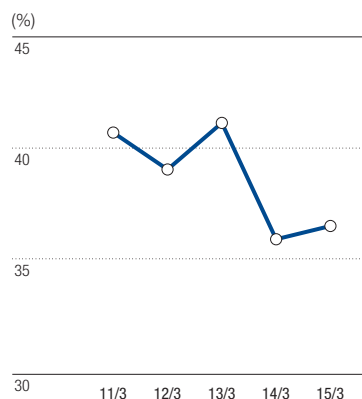
The Company regards the return of profits to shareholders as one of its most important priorities. We aim to maximize returns and maintain dividend stability while expanding our business operations, strengthening our financial position, expanding shareholders' equity and improving profit ratios.

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

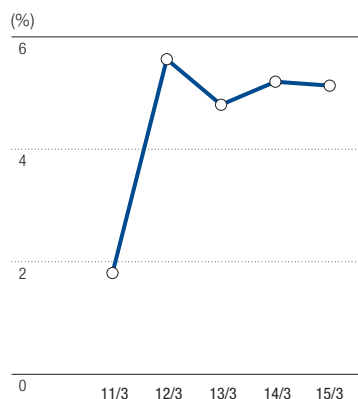
At the 109th General Shareholders' Meeting on June 26, 2015, we proposed and received approval to set the year-end dividend for fiscal 2014 at ¥5 per share. Together with the interim dividend of ¥5, this brought the annual dividend to ¥10 per share.

The earnings retained by Nippon Express will be used in part for the development of logistics bases, the replacement of vehicles and other capital investment aimed at expanding sales of various transport products and improving transport efficiency. Funds will also go toward reinforcing the Group's financial position and enhancing its management infrastructure.

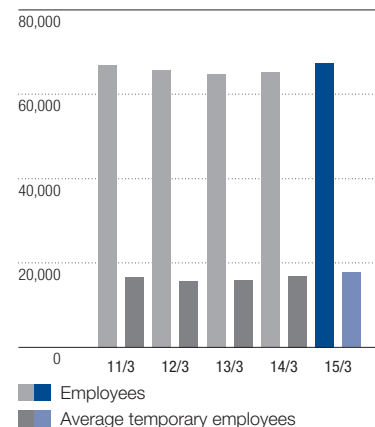
### Equity ratio



### Return on equity



### Employees and Average temporary employees



## 11-Year Summary

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

Millions of yen

		2015	2014	2013	2012
For the year:	Revenues <sup>1</sup>	¥1,924,929	¥1,752,468	¥1,613,327	¥1,628,027
	Revenues by industry segment up to the year ended March 31, 2010 <sup>2</sup>				
	Distribution and Transportation	—	—	—	—
	Goods Sales	—	—	—	—
	Other	—	—	—	—
	Elimination	—	—	—	—
	Revenues by industry segment up to the year ended March 31, 2010 <sup>2</sup>				
	Japan	—	—	—	—
	The Americas	—	—	—	—
	Europe	—	—	—	—
	Asia & Oceania	—	—	—	—
	Elimination	—	—	—	—
	Revenues by reportable segment from the consolidated year ended March 31, 2011 onward <sup>2</sup>				
	Distribution & Transportation				
	Domestic Companies				
	Combined Business	742,356	721,717	699,287	704,717
	Security Transportation	55,401	54,651	58,842	58,764
	Heavy Haulage & Construction	46,886	36,656	37,186	40,048
	Air Freight Forwarding <sup>3</sup>	210,763	181,720	182,143	205,407
	Marine & Harbor Transportation	118,836	131,708	124,207	125,654
	Overseas Companies				
	The Americas	79,160	69,066	54,028	42,963
	Europe	83,609	72,788	44,230	46,453
	Asia & Oceania <sup>4</sup>	—	—	—	—
	East Asia	101,321	92,156	68,812	72,967
	South Asia & Oceania	64,607	51,367	44,291	44,811
	Goods Sales	420,155	412,846	383,738	374,076
	Other	143,602	61,460	41,802	40,368
	Adjustment	(141,773)	(133,672)	(125,242)	(128,206)
	Operating income	50,811	40,865	33,206	37,497
	Net income	26,382	26,345	23,831	26,949
At year-end:	Total net assets <sup>5</sup>	550,137	509,954	518,409	494,205
	Total assets	1,453,617	1,377,443	1,247,612	1,230,964
	Net cash provided by operating activities <sup>6</sup>	74,519	57,892	60,937	80,754
	Cash and cash equivalents at end of year <sup>6</sup>	148,942	125,900	113,689	135,882
Per share: (yen)	Equity per share	531.06	483.38	489.39	461.63
	Net income per share	25.87	25.62	22.89	25.85
Ratios: (%)	Equity ratio	36.59%	36.00%	41.17%	39.10%
	Return on equity	5.14	5.22	4.79	5.68
Other:	Employees	67,347	65,162	64,834	65,759
	(Average temporary employees)	17,752	16,925	15,985	15,765

1. Revenue figures do not include consumption taxes.

2. Effective from the consolidated fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008). The above listed revenues by industry, geographical and reportable segments do not include internal sales or money transfers between segments.

3. From the year ended March 31, 2013, the name of the "Air Freight Forwarding & Travel" segment has been changed to "Air Freight Forwarding."

4. Nippon Express underwent an organizational change in the consolidated fiscal year ended March 31, 2011. Consequently, for Distribution & Transportation, overseas companies, Asia & Oceania has been divided into East Asia and South Asia & Oceania. As it is not possible to restate the results for the consolidated fiscal year ended March 31, 2010 under the new reportable segments, such results are presented here in accordance with the previous segment designations.

Millions of yen

2011	2010	2009	2008	2007	2006	2005
¥1,617,185	¥1,569,633	¥1,828,946	¥1,901,433	¥1,866,267	¥1,793,925	¥1,753,306
—	1,288,373	1,528,695	1,600,988	1,584,476	1,526,259	1,489,136
—	326,337	369,661	377,964	365,578	350,427	347,693
—	33,919	31,002	28,629	20,115	14,705	14,855
—	(78,996)	(100,412)	(106,148)	(103,904)	(97,467)	(98,379)
—	1,418,878	1,625,564	1,696,152	1,677,490	1,643,237	1,615,580
—	37,717	56,831	59,872	56,820	49,416	44,137
—	44,724	69,059	77,524	66,403	58,361	52,353
—	93,830	112,654	109,645	103,615	80,261	72,776
—	(25,517)	(35,162)	(41,761)	(38,062)	(37,351)	(31,541)
717,439	751,004	—	—	—	—	—
59,542	60,875	—	—	—	—	—
34,356	39,294	—	—	—	—	—
203,408	183,860	—	—	—	—	—
124,216	110,717	—	—	—	—	—
42,806	37,717	—	—	—	—	—
45,069	44,724	—	—	—	—	—
—	93,830	—	—	—	—	—
76,955	—	—	—	—	—	—
45,564	—	—	—	—	—	—
352,507	322,699	—	—	—	—	—
35,980	32,347	—	—	—	—	—
(120,662)	(107,437)	—	—	—	—	—
31,629	37,535	33,513	48,502	50,325	43,187	43,025
8,541	12,566	15,172	36,439	33,208	18,663	32,190
479,898	495,883	484,337	520,823	517,516	488,205	444,940
1,147,539	1,201,801	1,172,074	1,297,406	1,360,694	1,315,599	1,287,351
76,019	82,198	64,080	90,096	123,058	63,966	83,139
78,383	121,187	93,031	144,639	170,109	150,615	145,983
448.29	464.38	454.03	489.26	486.94	467.80	426.24
8.19	12.05	14.55	34.94	31.84	17.71	30.64
40.74%	40.29%	40.40%	39.33%	37.33%	37.11%	34.56%
1.80	2.62	3.08	7.16	6.67	4.00	7.43
66,924	65,916	71,352	69,177	67,773	65,562	65,321
16,583	19,406	22,801	24,434	23,796	24,190	24,400

5. The calculation of net assets is carried out by applying the Accounting Standards for Description of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, "Accounting Standards for Business Enterprises, No. 5" dated December 9, 2005) and the Application Guidelines for Accounting Standards and Others for Description of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, "Application Guideline for Accounting Standards for Business Enterprises, No. 8" dated December 9, 2005) from the year ended March 31, 2007.

6. As described in Note 3 of the Notes to Consolidated Financial Statements, "Changes in accounting policies," from the year ended March 31, 2015 onward, cash related to CSD services and exchange money delivery services in the Security Transportation Business has been excluded from the scope of funds (i.e., cash and cash equivalents). The effect of this change has been retrospectively applied to the figures presented above for net cash provided by operating activities as well as cash and cash equivalents at end of year for the fiscal years ended March 31, 2011 through 2014.

# (1) Consolidated Financial Statements

## Consolidated Balance Sheets

Nippon Express Co., Ltd. and consolidated subsidiaries  
As of March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
ASSETS	2014	2015	2015
<b>Current assets:</b>			
Cash and cash in banks (Note 1)	¥ 186,297	¥ 207,112	\$ 1,723,494
Notes receivable—trade	14,540	13,471	112,101
Accounts receivable—trade	273,330	321,679	2,676,871
Inventories (Note 6)	8,722	6,020	50,103
Advance payments—trade	2,112	4,098	34,102
Prepaid expenses	11,173	12,670	105,435
Deferred tax assets	11,847	13,689	113,920
Lease investment assets (Note 1)	108,062	108,273	901,002
Other (Note 5)	32,272	33,602	279,621
Less: allowance for doubtful accounts	(1,289)	(1,304)	(10,856)
Total current assets	647,069	719,313	5,985,797
<b>Noncurrent assets:</b>			
<b>Property and equipment</b>			
Vehicles	168,545	171,508	1,427,213
Less: accumulated depreciation	(146,512)	(147,415)	(1,226,726)
Vehicles, net	22,032	24,092	200,487
Buildings	563,251	563,414	4,688,480
Less: accumulated depreciation	(319,129)	(328,977)	(2,737,599)
Buildings, net	244,122	234,437	1,950,880
Structures	64,884	64,403	535,934
Less: accumulated depreciation	(52,188)	(52,618)	(437,865)
Structures, net	12,695	11,784	98,068
Machinery and equipment	71,134	72,983	607,336
Less: accumulated depreciation	(57,248)	(59,051)	(491,399)
Machinery and equipment, net	13,885	13,932	115,936
Tools, furniture and fixtures	99,002	102,492	852,896
Less: accumulated depreciation	(77,665)	(80,774)	(672,166)
Tools, furniture and fixtures, net	21,337	21,718	180,729
Vessels	17,799	17,769	147,869
Less: accumulated depreciation	(11,694)	(12,382)	(103,038)
Vessels, net	6,105	5,387	44,831
Land	174,248	176,165	1,465,966
Leased assets	14,569	6,668	55,491
Less: accumulated depreciation	(4,095)	(2,711)	(22,564)
Leased assets, net	10,474	3,956	32,927
Construction in progress	842	1,071	8,916
Net property and equipment (Notes 1, 2)	505,745	492,545	4,098,743
<b>Intangible assets</b>			
Leasehold rights	7,491	7,527	62,644
Goodwill	16,982	14,821	123,340
Other	34,732	37,737	314,036
Total intangible assets	59,206	60,087	500,021
<b>Investments and other assets</b>			
Investment securities (Notes 1, 3)	112,713	133,577	1,111,568
Long-term loans receivable	4,062	2,513	20,915
Long-term loans to employees	216	139	1,163
Long-term prepaid expenses	3,808	4,643	38,644
Security deposits	18,088	21,245	176,795
Net retirement benefit asset	1,230	1,783	14,841
Deferred tax assets	14,154	6,607	54,983
Other (Note 3)	12,295	12,169	101,270
Less: allowance for doubtful accounts	(1,146)	(1,009)	(8,403)
Total investments and other assets	165,423	181,670	1,511,779
Total noncurrent assets	730,374	734,304	6,110,544
Total assets	¥1,377,443	¥1,453,617	\$12,096,341

	Millions of yen		Thousands of U.S. dollars
LIABILITIES	2014	2015	2015
<b>Current liabilities:</b>			
Notes payable—trade	¥ 8,024	¥ 7,308	\$ 60,815
Accounts payable—trade (Note 1)	153,390	170,211	1,416,424
Short-term loans payable (Note 1)	46,813	83,397	693,993
Other payables	37,741	25,949	215,943
Income taxes payable	17,063	16,192	134,750
Consumption taxes payable	4,251	16,487	137,202
Unpaid expenses	19,137	21,127	175,813
Advances received	10,016	26,906	223,899
Deposits	63,145	61,165	508,992
Deposits from employees	27,660	27,764	231,045
Provision for bonuses	20,281	21,752	181,013
Provision for directors' bonuses	137	135	1,128
Allowance for warranties and repairs	62	62	516
Allowance for class action lawsuit filed in the United States	—	3,899	32,447
Allowance for business structure improvement expenses	—	1,050	8,737
Other	29,721	8,530	70,984
Total current liabilities	437,449	491,940	4,093,708
<b>Noncurrent liabilities:</b>			
Bonds payable	65,000	65,000	540,900
Long-term loans payable (Note 1)	204,037	180,969	1,505,945
Deferred tax liabilities	4,083	4,865	40,488
Provision for directors' retirement benefits	330	350	2,913
Provision for special repairs	260	202	1,684
Provision for loss on guarantees	829	829	6,898
Net retirement benefit liability	126,951	135,678	1,129,052
Other (Note 1)	28,547	23,644	196,760
Total noncurrent liabilities	430,040	411,539	3,424,642
Total liabilities	867,489	903,480	7,518,351
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock	70,175	70,175	583,966
Additional paid-in capital	26,908	26,908	223,917
Retained earnings	417,869	419,851	3,493,811
Less: treasury stock	(17,353)	(19,444)	(161,808)
Total shareholders' equity	497,599	497,490	4,139,887
<b>Accumulated other comprehensive income:</b>			
Valuation differences on available-for-sale securities	40,077	61,900	515,107
Deferred gains (losses) on hedges	3	(7)	(63)
Foreign currency translation adjustments	3,829	14,901	124,007
Remeasurements of retirement benefit plans	(45,628)	(42,375)	(352,630)
Total accumulated other comprehensive income (loss)	(1,717)	34,419	286,420
Minority interests	14,072	18,227	151,682
Total net assets	509,954	550,137	4,577,990
Total liabilities and net assets	¥1,377,443	¥1,453,617	\$12,096,341

## Consolidated Statements of Income

Nippon Express Co., Ltd. and consolidated subsidiaries  
For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
<b>Revenues</b>	¥1,752,468	¥1,924,929	\$16,018,387
<b>Operating costs</b> (Note 1)	1,628,037	1,783,621	14,842,483
<b>Gross profit</b>	124,430	141,308	1,175,903
<b>Selling, general and administrative expenses:</b>			
Salaries, compensation, and welfare expenses	45,661	48,952	407,362
Depreciation and amortization	5,523	6,592	54,856
Advertising expenses	3,831	4,110	34,206
Provision for allowance for doubtful accounts	183	24	207
Other	28,365	30,816	256,443
Total selling, general and administrative expenses (Note 1)	83,564	90,497	753,076
<b>Operating income</b>	40,865	50,811	422,827
<b>Non-operating income:</b>			
Interest income	723	708	5,892
Dividend income	2,679	2,474	20,592
Gain on sales of vehicles	353	349	2,905
Equity in earnings of affiliates	796	744	6,191
Gain on foreign exchange	2,857	2,840	23,638
Other	7,238	7,367	61,307
Total non-operating income	14,647	14,483	120,527
<b>Non-operating expenses:</b>			
Interest expenses	3,151	2,882	23,985
Loss on sale and retirement of vehicles	33	43	365
Other	2,171	2,805	23,347
Total non-operating expenses	5,357	5,731	47,698
<b>Ordinary income</b>	50,156	59,563	495,656
<b>Extraordinary income:</b>			
Gain on sales of noncurrent assets (Note 2)	3,405	2,875	23,925
Gain on sales of investment securities	7,975	5,205	43,319
Other	28	664	5,529
Total extraordinary income	11,410	8,745	72,774
<b>Extraordinary loss:</b>			
Loss on disposal of noncurrent assets (Note 3)	4,086	7,686	63,965
Loss on sales of investment securities	0	7	59
Loss on valuation of investment securities	154	606	5,047
Impairment loss (Note 4)	—	5,441	45,283
Extraordinary additional retirement benefits	9,725	—	—
Provision of allowance for class action lawsuit filed in the United States	—	3,899	32,447
Provision of allowance for business structure improvement expenses (Note 5)	—	1,050	8,737
Other	480	638	5,311
Total extraordinary loss	14,447	19,329	160,852
<b>Income before income taxes and minority interests</b>	47,119	48,978	407,578
<b>Income taxes:</b>			
Current	23,373	26,346	219,240
Deferred	(3,191)	(3,429)	(28,541)
Total income taxes	20,181	22,916	190,698
<b>Income before minority interests</b>	26,937	26,062	216,879
<b>Minority interests in income (loss)</b>	591	(319)	(2,659)
<b>Net income</b>	¥ 26,345	¥ 26,382	\$ 219,539

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Comprehensive Income

Nippon Express Co., Ltd. and consolidated subsidiaries  
For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
<b>Income before minority interests</b>	¥26,937	<b>¥26,062</b>	<b>\$216,879</b>
<b>Other comprehensive income:</b>			
Valuation differences on available-for-sale securities	4,712	<b>21,823</b>	<b>181,601</b>
Deferred gains (losses) on hedges	20	<b>(11)</b>	<b>(92)</b>
Foreign currency translation adjustments	18,495	<b>11,183</b>	<b>93,063</b>
Remeasurements of retirement benefit plans	—	<b>3,132</b>	<b>26,068</b>
Share of other comprehensive income of affiliates accounted for using the equity method	513	<b>448</b>	<b>3,733</b>
Other comprehensive income (Note 1)	23,742	<b>36,576</b>	<b>304,374</b>
<b>Comprehensive income</b>	50,679	<b>62,639</b>	<b>521,253</b>
(Comprehensive income attributable to)			
Shareholders of Nippon Express	49,480	<b>62,518</b>	<b>520,251</b>
Minority interests	¥ 1,199	<b>¥ 120</b>	<b>\$ 1,002</b>

The accompanying notes are an integral part of these statements.



## Consolidated Statements of Changes in Net Assets

Nippon Express Co., Ltd. and consolidated subsidiaries

For the year ended March 31, 2014

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income					Minority interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of the year	¥70,175	¥26,908	¥401,902	¥ (6,078)	¥492,907	¥35,358	¥(17)	¥(14,565)	¥ —	¥20,776	¥ 4,725	¥518,409
Cumulative effects of changes in accounting policies			—		—							—
Restated balance	70,175	26,908	401,902	(6,078)	492,907	35,358	(17)	(14,565)	—	20,776	4,725	518,409
Changes during the year												
Cash dividends			(10,377)		(10,377)							(10,377)
Net income			26,345		26,345							26,345
Change in amounts due to change in scope of consolidation			—		—							—
Increase in treasury stock				(11,278)	(11,278)							(11,278)
Decrease in treasury stock		0	—	3	3							3
Retirement of treasury stock		—	—	—	—							—
Net changes in items other than shareholders' equity						4,719	21	18,395	(45,628)	(22,493)	9,346	(13,146)
Total changes during the year	—	0	15,967	(11,275)	4,691	4,719	21	18,395	(45,628)	(22,493)	9,346	(8,454)
Balance at end of the year	¥70,175	¥26,908	¥417,869	¥(17,353)	¥497,599	¥40,077	¥ 3	¥ 3,829	¥(45,628)	¥ (1,717)	¥14,072	¥509,954

For the year ended March 31, 2015

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income					Minority interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of the year	¥70,175	¥26,908	¥417,869	¥(17,353)	¥497,599	¥40,077	¥ 3	¥ 3,829	¥(45,628)	¥ (1,717)	¥14,072	¥509,954
Cumulative effects of changes in accounting policies			(1,819)		(1,819)							(1,819)
Restated balance	70,175	26,908	416,050	(17,353)	495,779	40,077	3	3,829	(45,628)	(1,717)	14,072	508,135
Changes during the year												
Cash dividends			(10,258)		(10,258)							(10,258)
Net income			26,382		26,382							26,382
Change in amounts due to change in scope of consolidation			656		656							656
Increase in treasury stock				(15,072)	(15,072)							(15,072)
Decrease in treasury stock		0	(0)	2	2							2
Retirement of treasury stock		(0)	(12,979)	12,979	—							—
Net changes in items other than shareholders' equity						21,822	(11)	11,072	3,253	36,136	4,155	40,291
Total changes during the year	—	(0)	3,801	(2,090)	1,710	21,822	(11)	11,072	3,253	36,136	4,155	42,002
Balance at end of the year	¥70,175	¥26,908	¥419,851	¥(19,444)	¥497,490	¥61,900	¥ (7)	¥14,901	¥(42,375)	¥34,419	¥18,227	¥550,137

For the year ended March 31, 2015

	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income					Minority interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of the year	\$583,966	\$223,918	\$3,477,318	\$(144,410)	\$4,140,792	\$333,509	\$ 30	\$ 31,871	\$(379,702)	\$(14,291)	\$117,104	\$4,243,606
Cumulative effects of changes in accounting policies			(15,138)		(15,138)							(15,138)
Restated balance	583,966	223,918	3,462,180	(144,410)	4,125,654	333,509	30	31,871	(379,702)	(14,291)	117,104	4,228,468
Changes during the year												
Cash dividends			(85,363)		(85,363)							(85,363)
Net income			219,539		219,539							219,539
Change in amounts due to change in scope of consolidation			5,464		5,464							5,464
Increase in treasury stock				(125,428)	(125,428)							(125,428)
Decrease in treasury stock		1	0	20	21							21
Retirement of treasury stock		(2)	(108,009)	108,011	—							—
Net changes in items other than shareholders' equity						181,597	(93)	92,136	27,072	300,712	34,577	335,289
Total changes during the year	—	0	31,630	(17,397)	14,232	181,597	(93)	92,136	27,072	300,712	34,577	349,522
Balance at end of the year	\$583,966	\$223,917	\$3,493,811	\$(161,808)	\$4,139,887	\$515,107	\$(63)	\$124,007	\$(352,630)	\$286,420	\$151,682	\$4,577,990

## Consolidated Statements of Cash Flows

Nippon Express Co., Ltd. and consolidated subsidiaries  
For the years ended March 31, 2014 and 2015

Thousands of  
U.S. dollars

	Millions of yen		
	2014	2015	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 47,119	¥ 48,978	\$ 407,578
Depreciation and amortization	47,108	51,005	424,443
Amortization of goodwill	2,009	2,453	20,415
Extraordinary additional retirement benefits	9,725	—	—
Loss (gain) on sale or write-down of securities, net	(7,821)	(4,592)	(38,213)
Loss (gain) on sale or disposal of property and equipment, net	361	4,506	37,499
Impairment loss	—	5,441	45,283
Increase (decrease) in provision for bonuses	1,464	245	2,039
Increase (decrease) in allowance for class action lawsuit filed in the United States	—	3,899	32,447
Increase (decrease) in allowance for business structure improvement expenses	—	1,050	8,737
Increase (decrease) in net retirement benefit liability	7,805	8,349	69,477
Interest and dividend income	(3,402)	(3,182)	(26,484)
Interest expenses (Note 2)	3,151	2,882	23,985
Equity in earnings of unconsolidated subsidiaries and affiliates	(796)	(744)	(6,191)
(Increase) decrease in trade receivables	(27,805)	(26,266)	(218,574)
(Increase) decrease in inventories	(3,134)	2,817	23,449
Increase (decrease) in accounts payable	9,080	1,915	15,938
Increase (decrease) in consumption taxes payable	(637)	11,050	91,957
Other	(3,274)	(5,074)	(42,227)
Sub-total	80,954	104,735	871,561
Interest and dividends received	3,605	3,954	32,904
Interest paid (Note 2)	(3,102)	(2,945)	(24,507)
Payment for extraordinary additional retirement benefits	(9,725)	—	—
Payment for loss on disaster	(48)	—	—
Payment for deposits associated with class action lawsuit filed in the United States	—	(3,899)	(32,447)
Income taxes paid	(13,791)	(27,325)	(227,391)
Net cash provided by operating activities	57,892	74,519	620,118
<b>Cash flows from investing activities:</b>			
Payment for purchase of securities	(9,173)	(2,157)	(17,954)
Proceeds from sale of securities	9,081	8,012	66,679
Payment for purchase of property and equipment	(42,150)	(48,809)	(406,168)
Proceeds from sale of property and equipment	5,032	15,880	132,149
Payment for purchase of shares of subsidiaries resulting in change in scope of consolidation	(22,639)	—	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	4,164	34,659
Other	1,683	522	4,347
Net cash used in investing activities	(58,165)	(22,386)	(186,287)
<b>Cash flows from financing activities:</b>			
Change in short-term loans payable	(2,935)	5,179	43,103
Change in commercial paper	1,500	(6,000)	(49,929)
Proceeds from long-term loans payable	90,150	49,131	408,848
Payment for long-term loans payable	(60,198)	(40,710)	(338,770)
Redemption of bonds	—	(15,000)	(124,823)
Proceeds from stock issuance to minority shareholders	23	39	327
Cash dividends	(10,377)	(10,258)	(85,363)
Purchase of treasury stock	(11,278)	(15,073)	(125,433)
Other	(1,047)	(945)	(7,870)
Net cash provided by (used in) financing activities	5,835	(33,636)	(279,911)
Effect of exchange rate changes on cash and cash equivalents	6,649	4,373	36,393
Net increase (decrease) in cash and cash equivalents	12,211	22,869	190,312
Cash and cash equivalents at beginning of year	113,689	125,900	1,047,689
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	—	172	1,433
Cash and cash equivalents at end of year (Note 1)	¥125,900	¥148,942	\$1,239,435

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

Nippon Express Co., Ltd. and consolidated subsidiaries

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

The yen amounts are truncated at millions and U.S. dollar amounts are rounded off in thousands. The total Japanese yen and U.S. dollar amounts shown in the financial statements do not necessarily agree with the sum of the individual amounts. U.S. dollar amounts presented in the financial statements are included solely for convenience. The rate of ¥120.17 to US\$1.00, prevailing on March 31, 2015, has been used for translation into U.S. dollar amounts in the financial statements. The inclusion of such amounts should not be construed as a representation that Japanese yen amounts have been or could in the future be converted into U.S. dollars at that or any other rate.

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

### (1) Scope of consolidation

- 1) There are 266 consolidated subsidiaries. The names of major subsidiaries are noted in "Management Discussion and Analysis."  
Effective the year ended March 31, 2015, three companies, including Nippon Express (Myanmar) Co., Ltd. have been included in the scope of consolidation due to new establishment, Nittsu NEC Logistics, Ltd., which had previously been an equity method affiliate, and its eight group companies have been included due to additional purchase of investments, and Nittsu Shoji (Thailand) Co., Ltd. has been included due to its increasing materiality.  
Effective the year ended March 31, 2015, four subsidiaries, including Nittsu Obihiro Ryutsu Co., Ltd. have been excluded from the scope of consolidation due to a merger with another consolidated subsidiary, four subsidiaries, including Nittsu Hirosaki Unyu Co., Ltd., have been excluded due to liquidation and two subsidiaries including ML Milestone Logistics B.V., have been excluded due to the sale of investments.
- 2) A total of 33 subsidiaries, including Nittsu Energy Kanto Co., Ltd., are excluded from the scope of consolidation as these companies are small, and their impact on the consolidated financial statements in terms of total assets, net sales, net income or loss corresponding to interest held by the Company and retained earnings corresponding to interest held by the Company is considered to be immaterial as a whole.
- 3) A total of 53 subsidiaries, including Nippon Express Travel USA, Inc., held by 14 overseas consolidated subsidiaries, including Nippon Express U.S.A., Inc., are included in the scope of the consolidation.

### (2) Application of equity method

- 1) Companies to which the equity method is applied:
  - a. Subsidiary: Awa Godo Tsuun Co., Ltd.
  - b. Affiliates: There are 25 equity-method affiliates, including Nippon Vopack Co., Ltd.  
Effective the year ended March 31, 2015, Nittsu NEC Logistics, Ltd. has been excluded from the scope of equity method affiliates due to the additional purchase of investments, and LLP JA-LPA has been excluded due to a decrease in the Company's equity interest ratio.
- 2) A total of 32 subsidiaries, including Nittsu Energy Kanto Co., Ltd., and 44 affiliates, including Tokyo Koun Co., Ltd., other than the above 26 companies are excluded from the scope of subsidiaries or affiliates accounted for by the equity method since their impact on the consolidated financial statements in terms of net income or loss corresponding to interest held by the Company and retained earnings corresponding to interest held by the Company is considered to be immaterial as a whole.

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

A total of one domestic and 93 overseas and consolidated subsidiaries, including Nippon Express U.S.A., Inc., have a balance sheet date of December 31. In preparing the accompanying consolidated financial statements, the financial statements as of December 31 and for the year then ended are used in consolidation after making necessary adjustments for significant transactions occurring from January 1 through March 31.

Of the equity-method affiliates, 13 companies have a balance sheet date of December 31. Significant transactions between December 31 and March 31 are reflected in computing the equity earnings attributable to the Group.

### (4) Significant accounting policies

- 1) Valuation methods
  - a. Securities
    - Available-for-sale securities
      - Available-for-sale securities with market value  
Available-for-sale securities with market value are stated at fair value based on the market price as of the balance sheet date with any unrealized gains or losses, net of applicable taxes, reported as a component of accumulated other comprehensive income.  
The cost of securities sold is stated using the moving average method.
      - Available-for-sale securities without market value  
Available-for-sale securities without market value are stated at cost using the moving average method.
  - b. Derivatives  
Derivatives are stated at fair value.
  - c. Inventories  
Inventories are stated primarily at the lower of cost or market determined by the moving average method (balance sheet amounts are written down on the basis of any decreased profitability).

## 2) Depreciation and amortization

### a. Property and equipment, except for leased assets

Depreciation of property and equipment, except for buildings, is mainly computed by the declining-balance method over the applicable useful lives. Buildings are depreciated by the straight-line method over their estimated lives. Overseas consolidated subsidiaries mainly use the straight-line method over the estimated lives of the assets.

Useful lives of assets are principally as follows:

Vehicles	3 to 7 years
Buildings and structures	3 to 60 years
Machinery and equipment, tools, furniture and fixtures and vessels	2 to 20 years

### b. Intangible fixed assets, except for leased assets

Amortization of intangible fixed assets is computed by the straight-line method over the estimated useful lives. Costs of software for internal use are amortized using the straight-line method over the available period (five years). Overseas consolidated subsidiaries mainly use straight-line method over the estimated lives.

### c. Leased assets

Depreciation of leased assets is computed by the straight-line method with zero residual value, assuming the lease period as the useful life.

## 3) Allowances and provisions

### a. Allowance for doubtful accounts

To provide for potential loss on receivables, the Company provides an allowance for the expected amount of irrecoverable receivables. Allowances for ordinary debt are computed based on the historical rate of default. For certain debts, such as those where recovery is doubtful, the Company considers the likelihood of recovery on an individual basis and records an allowance for the amount of debt expected to be unrecoverable.

The allowance for doubtful accounts is adjusted after offsetting receivables and payables between consolidated subsidiaries.

### b. Provision for bonuses

Provision for bonuses is provided at an estimated amount to be paid to the employees by the Company and its consolidated subsidiaries based on services rendered during the fiscal year ended March 31, 2015.

### c. Provision for directors' bonuses

Provision for directors' bonuses is provided at an estimated amount to be paid to the directors by the Company and its consolidated subsidiaries based on services rendered during the fiscal year ended March 31, 2015.

### d. Allowance for warranties and repairs

An allowance for warranties and repairs is provided at an estimated amount based on the past experience of certain consolidated subsidiaries to provide quality assurance from initial purchase on sales of new cars.

### e. Provision for directors' retirement benefits

Certain consolidated subsidiaries provide a reserve for the future payment of retirement benefits to directors based on the amounts required to be paid according to their internal rules.

### f. Provision for special repairs

Certain consolidated subsidiaries provide a reserve for special repairs at an estimated amount for the future repairs of vessels based on past experience.

### g. Provision for loss on guarantees

Certain consolidated subsidiaries provide a reserve for loss on guarantees in the amount of the expected loss based on the financial position and other factors of the guaranteed parties.

### h. Allowance for class action lawsuit filed in the United States

In March 2009, the Company was handed down a cease and desist order from the Japan Fair Trade Commission for the reason of violation of the Antimonopoly Act regarding fuel surcharges on international airfreight forwarding.

The Company provides the estimated amount of loss that will be required for possible future loss on a class action lawsuit filed in the United States due to this incident.

### i. Allowance for business structure improvement expenses

To provide for possible lump sum payments incurred in supporting the transfer and career change in conjunction with the implementation of business structure reforms for certain consolidated subsidiaries, an allowance is provided at an estimated amount of related expenses.

## 4) Retirement benefits

### a. Allocation of projected retirement benefit obligation

In calculating the retirement benefit obligation, the straight-line method is used to allocate the projected retirement benefit obligation to the estimated years of service of the eligible employees.

### b. Method for amortizing actuarial gain or loss and prior service cost

Prior service cost is amortized as incurred mainly by the straight-line method over a period not exceeding the estimated average remaining service years of employees (13–15 years) at the time of occurrence.

Actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized, mainly amortized by the straight-line method over a period not exceeding the average remaining service years of the employees (12–15 years) at the time of occurrence.

### c. Application of simplified method at smaller-sized companies, etc.

Certain consolidated subsidiaries apply the simplified method for calculating net retirement benefit liability and retirement benefit cost. Under this method, the payments for voluntary early retirement of all eligible employees at the end of the fiscal year are recognized as the retirement benefit obligation.

- 5) Revenue and expenses
- a. Finance lease revenue  
Finance lease revenue and related cost of revenue are recorded when the lease payment is received.
  - b. Completed construction  
For the percentage of the contractor's obligation performed at the balance sheet date, the percentage-of-completion method is applied to contracts where the outcome of the construction activity is deemed certain; otherwise, the completed-contract method is applied. The percentage of completion is determined using the ratio of cost incurred to the estimated total cost.
- 6) Hedge accounting
- a. Hedge accounting method  
Deferred hedge accounting is adopted.  
The designation method is applied for forward foreign currency contracts which meet the requirements and exceptional accounting is applied for interest rate swaps which meet the requirements.
  - b. Hedging instruments and hedged items
    - a) Hedging instruments            Forward foreign currency contracts  
Hedged items                        Receivables and payables denominated in foreign currencies and foreign currency-denominated forecasted transactions
    - b) Hedging instruments            Interest rate swaps  
Hedged items                        Loans payable
  - c. Hedging policy  
The Company and its consolidated subsidiaries use derivatives only for the purpose of hedging the exposure of assets and liabilities to market fluctuation risk.
  - d. Method for evaluating hedging effectiveness  
The Company and its consolidated subsidiaries use internally available management data to assess hedging effectiveness. However, the evaluation of hedging effectiveness is omitted for forward foreign currency contracts to which the designation method is applied and interest rate swaps to which exceptional accounting is applied.
  - e. Other  
Forward foreign currency contracts used by the Company and its consolidated subsidiaries are overseen by the Management Department based on application forms submitted by each trading section, and interest rate swaps are overseen exclusively by the Finance & Accounting Department of the head office. The Internal Audit Department periodically conducts examinations as part of risk management.
- 7) Amortization of goodwill  
Goodwill is amortized in equal installments over 5 to 10 years.
- 8) Cash and cash equivalents in the consolidated statements of cash flows  
Cash and cash equivalents include cash at hand, demand deposits at banks and highly liquid short-term investments with negligible risk of fluctuation in value and maturities of less than three months.  
As noted in Changes in accounting policies, effective the year ended March 31, 2015, cash related to the CSD services and exchange money delivery services of the Security Transportation Business has been excluded from the scope of funds.
- 9) Accounting method for consumption tax  
Consumption taxes with respect to the Company and its domestic subsidiaries are excluded from respective transaction amounts. However, non-deductible consumption taxes relating to assets are reported as periodical expenses in the consolidated fiscal year in which they are incurred.  
This is not applicable to overseas consolidated subsidiaries.
- 10) Of the equity method affiliates, domestic subsidiaries and affiliates (15 companies) apply basically the same accounting standards as the Company while certain foreign subsidiaries (11 companies) apply accounting standards prevailing in the country in which they operate, none of which are materially different from the accounting standards applied by the Company.

### 3. Changes in accounting policies

#### 1. Retirement Benefits

With regard to the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; the "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; the "Guidance on Retirement Benefits"), the Company has applied the provisions set forth in Article 35 of the Retirement Benefits Accounting Standard and Article 67 of the Guidance on Retirement Benefits effective from the fiscal year ended March 31, 2015. Under the new policy, the Company reviewed the method of calculating the retirement benefit obligation and service cost, and, in regard to the method used to determine the discount rate, changed from the use of the period approximate to the expected average remaining service years of the employees to the use of a single weighted average discount rate reflecting the estimated timing of benefit payment and its amount for each estimated timing, mainly using the maturities of bonds as assumptions in determining the discount rate.

The application of the Retirement Benefits Accounting Standard and the Guidance on Retirement Benefits is subject to transitional treatment as set forth in Article 37 of the Retirement Benefits Accounting Standard. At the beginning of the fiscal year ended March 31, 2015, the cumulative effect of the change in the method of calculating the retirement benefit obligation and service cost is stated as an adjustment to retained earnings.

As a result of this change, net retirement benefit liability increased by ¥2,825 million (US\$23,510 thousand) and retained earnings decreased by ¥1,819 million (US\$15,140 thousand) at the beginning of the fiscal year ended March 31, 2015. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March

31, 2015 is immaterial.

The effect of these changes on per share information is described in “Per Share Information.”

## 2. Change in Scope of Funds in Consolidated Statements of Cash Flows

Cash related to the CSD services and exchange money delivery services of the Security Transportation Business was previously included in the scope of funds (i.e., cash and cash equivalents). However, due to the increasing volume of requests for these services, the impact arising from the net increase in deposits received from customers on “cash flows from operating activities” is significant. At the same time, there are increasing needs for more transparent disclosure of the current state of the funds supporting the Company’s business strategies including M&As. Therefore, reviews of the services were conducted in accordance with their actual conditions in the wake of system upgrades implemented for the purpose of enhancing fund management and capturing more detailed information. As a result, in order to disclose the state of cash flows more precisely, cash related to the CSD services and exchange money delivery services are excluded from the scope of funds starting from the fiscal year ended March 31, 2015.

This change in the accounting policy has been applied retrospectively, and the consolidated financial statements for the fiscal year ended March 31, 2014 consist of the figures after the retrospective application.

Consequently, for the fiscal year ended March 31, 2014, “net cash provided by operating activities” and “net increase in cash and cash equivalents” increased by ¥13,684 million (US\$113,878 thousand), respectively, while “cash and cash equivalents at end of year” decreased by ¥53,129 million (US\$442,115 thousand), compared with those before the retrospective application.

## 4. Supplementary information

### 1. Allowance for class action lawsuit filed in the United States

In March 2009, the Company was handed down a cease and desist order from the Japan Fair Trade Commission for a violation of the Antimonopoly Act regarding fuel surcharges on international airfreight forwarding.

The Company provides the amount estimated at that point in time at ¥3,315 million (US\$27,586 thousand) for possible future loss on a class action lawsuit filed in the United States due to this incident as “allowance for class action lawsuit filed in the United States” in the first quarter ended June 30, 2014.

The Company recalculated the estimated amount in respect of fluctuation of the foreign exchange rate at the end of the fiscal year ended March 31, 2015, and thus the amount of the allowance has been changed to ¥3,899 million (US\$32,447 thousand).

### 2. Retirement benefits

Due to some revisions the Company made in the employees’ retirement benefits rules during the fiscal year ended March 31, 2015, the retirement benefit obligation increased by ¥3,508 million (US\$29,198 thousand). However, as it is recognized as prior service cost, this increase is amortized by the straight-line method over 15 years in accordance with the Company’s accounting policies.

## 5. Notes to Consolidated Balance Sheets

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

Assets pledged as collateral are as follows:

	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)
Time deposits	176	539	4,488
Buildings	5,201	4,936	41,079
Structures	49	44	371
Machinery and equipment	5	3	31
Land	2,997	2,927	24,365
Investment securities	326	1,029	8,571
Lease investment assets	59	14	121
Total	8,817	9,496	79,027

The Company’s secured payables are as follows:

	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)
Accounts payable—trade	4,839	4,598	38,263
Long-term loans payable	771	558	4,647
Short-term loans payable and others	827	503	4,193
Total	6,438	5,660	47,104

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

	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)
Buildings	165	9	75
Machinery and equipment	29	—	—
Vehicles	7	11	95
Land	592	—	—
Structures and others	34	47	391
Total	829	67	561

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

	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)
Equity securities (included in investment securities)	20,009	13,915	115,802
Investments in capital or partnerships (included in Other under investments and other assets)	2,598	2,401	19,981

#### 4 Guarantees of loans

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

Guaranteed party	Guaranteed amount			Type
	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)	
World Cargo Distribution Center Co., Ltd.	360	254	2,115	Loan guarantee
Nagoya United Container Terminal Co., Ltd.	758	679	5,651	Loan guarantee
Portek International Pte. Ltd.	604	700	5,825	Loan guarantee
Nittsu Shoji Leasing (Thailand) Co., Ltd.	421	1,309	10,899	Loan guarantee
Other	824	428	3,569	Loan guarantee
Total	2,969	3,372	28,061	

(5) (2014)

“Other current assets” include a reserve payment resulting from sales of notes receivable as part of asset securitization in the amount of ¥3,778 million.

(2015)

“Other current assets” include a reserve payment resulting from sales of notes receivable as part of asset securitization in the amount of ¥3,134 million (US\$26,085 thousand).

(6) Inventories

	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)
Merchandise and finished goods	6,581	3,118	25,947
Work in process	289	465	3,871
Raw materials and stores	1,850	2,437	20,284

## 6. Notes to Consolidated Statements of Income

(1) Provisions for various reserves, etc. recognized in operating costs and selling, general and administrative expenses are as follows:  
(2014)

	Operating costs (Millions of yen)	Selling, general, and administrative expenses (Millions of yen)
Provision for bonuses	17,256	2,958
Provision for directors' bonuses	—	135
Allowance for warranties and repairs	—	4
Retirement benefit cost	16,811	1,913
Provision for directors' retirement benefits	—	132
Provision for special repairs	150	—

(2015)

	Operating costs (Millions of yen)	Operating costs (Thousands of U.S. dollars)	Selling, general, and administrative expenses (Millions of yen)	Selling, general, and administrative expenses (Thousands of U.S. dollars)
Provision for bonuses	18,856	156,912	2,835	23,593
Provision for directors' bonuses	—	—	135	1,128
Allowance for warranties and repairs	—	—	2	24
Retirement benefit cost	17,421	144,970	1,725	14,361
Provision for directors' retirement benefits	—	—	133	1,109
Provision for special repairs	112	932	—	—

(2) Breakdown of gain on sales of noncurrent assets

	2014 (From April 1, 2013 to March 31, 2014) (Millions of yen)	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2015 (From April 1, 2014 to March 31, 2015) (Thousands of U.S. dollars)
Land	2,368	2,670	22,224
Buildings	1,002	13	111
Intangible assets and others	34	190	1,589
Total	3,405	2,875	23,925

(3) Breakdown of loss on disposal of noncurrent assets

	2014 (From April 1, 2013 to March 31, 2014) (Millions of yen)	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2015 (From April 1, 2014 to March 31, 2015) (Thousands of U.S. dollars)
Buildings	3,017	6,216	51,730
Structures	205	316	2,632
Machinery and equipment	120	287	2,392
Tools, furniture and fixtures	101	160	1,331
Land	345	313	2,611
Intangible assets and others	295	392	3,266
Total	4,086	7,686	63,965

(4) Impairment loss

The Company and its consolidated subsidiaries recorded impairment loss on the following asset groups for the fiscal year ended March 31, 2015.

Purpose of use	Type	Location	Impairment loss (Millions of yen)	Impairment loss (Thousands of U.S. dollars)
Assets for business use	Goodwill	—	3,715	30,922
	Other intangible assets	—	1,678	13,967
Idle assets	Land	Kagoshima prefecture, etc.	47	394
Total			5,441	45,283



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

In terms of goodwill and other intangible assets noted above, certain consolidated subsidiaries have deemed their carrying amounts to be unrecoverable in light of the initial business plans, actual results, earnings forecasts and other factors, reduced their carrying amounts to their recoverable amounts and recorded the corresponding impairment loss under extraordinary loss. The recoverable amounts of these assets were measured by estimating their value in use and applying a discount rate of 10.8% to future cash flows.

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

(5) Provision of allowance for business structure improvement expenses

The provision of allowance for business structure improvement expenses for the fiscal year ended March 31, 2015 comprises the estimated amount of expenses for lump sum payments incurred in supporting the transfer and career change of employees in conjunction with the implementation of business structure reforms for certain consolidated subsidiaries.

## 7. Notes to Consolidated Statements of Comprehensive Income

(1) Reclassification adjustments and tax effects on components of other comprehensive income

	2014 (From April 1, 2013 to March 31, 2014) (Millions of yen)	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2015 (From April 1, 2014 to March 31, 2015) (Thousands of U.S. dollars)
Valuation differences on available-for-sale securities			
Amount recognized during the year	14,555	34,215	284,728
Reclassification adjustments	(7,424)	(5,094)	(42,397)
Before tax effect adjustment	7,130	29,120	242,331
Tax effects	(2,417)	(7,297)	(60,729)
Valuation differences on available-for-sale securities	4,712	21,823	181,601
Deferred gains (losses) on hedges			
Amount recognized during the year	32	(16)	(138)
Tax effects	(11)	5	45
Deferred gains (losses) on hedges	20	(11)	(92)
Foreign currency translation adjustments			
Amount recognized during the year	18,349	11,183	93,063
Reclassification adjustments	145	—	—
Foreign currency translation adjustments	18,495	11,183	93,063
Remeasurements of retirement benefit plans			
Amount recognized during the year	—	(739)	(6,157)
Reclassification adjustments	—	8,525	70,943
Before tax effect adjustment	—	7,785	64,786
Tax effects	—	(4,652)	(38,718)
Remeasurements of retirement benefit plans	—	3,132	26,068
Share of other comprehensive income of affiliates accounted for using the equity method			
Amount recognized during the year	513	448	3,733
Total other comprehensive income	23,742	36,576	304,374

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

2014 (From April 1, 2013 to March 31, 2014)

(1) Class and number of shares issued

Class of shares	Number of shares as of April 1, 2013	Increase	Decrease	Number of shares as of March 31, 2014
Common stock (Thousand shares)	1,062,299	—	—	1,062,299

(2) Class and number of treasury stock

Class of shares	Number of shares as of April 1, 2013	Increase	Decrease	Number of shares as of March 31, 2014
Common stock (Thousand shares)	12,657	23,794	6	36,445

Details of the changes are as follows:

The increase in common stock in treasury is due to the acquisition of 23,588 thousand shares pursuant to the resolution of the Board of Directors' Meeting (December 21, 2012) and the purchase of 206 thousand shares in quantities of less than one unit.

The decrease in common stock in treasury is due to the transfer of shares in quantities of less than one unit.

(3) Dividends

1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General Shareholders' Meeting held on June 27, 2013	Common stock	5,248	5.0	March 31, 2013	June 28, 2013
Board of Directors' Meeting held on October 31, 2013	Common stock	5,129	5.0	September 30, 2013	December 3, 2013

2) Dividends whose record date falls in the year ended March 31, 2014, but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General Shareholders' Meeting held on June 27, 2014	Common stock	Retained earnings	5,129	5.0	March 31, 2014	June 30, 2014

2015 (from April 1, 2014 to March 31, 2015)

(1) Class and number of shares issued

Class of shares	Number of shares as of April 1, 2014	Increase	Decrease	Number of shares as of March 31, 2015
Common stock (Thousand shares)	1,062,299	—	24,299	1,038,000

Details of the changes are as follows:

The decrease in common stock issued is due to the retirement of treasury stock of 24,299 thousand shares pursuant to the resolution of the Board of Directors' Meeting (March 20, 2015).

(2) Class and number of treasury stock

Class of shares	Number of shares as of April 1, 2014	Increase	Decrease	Number of shares as of March 31, 2015
Common stock (Thousand shares)	36,445	24,260	24,304	36,401

Details of the changes are as follows:

The increase in common stock in treasury is due to the acquisition of 24,117 thousand shares pursuant to the resolution of the Board of Directors' Meeting (November 21, 2014) and the purchase of 143 thousand shares in quantities of less than one unit.

The decrease in common stock in treasury is due to the retirement of treasury stock of 24,299 thousand shares pursuant to the resolution of the Board of Directors' Meeting (March 20, 2015) and the transfer of 4 thousand shares in quantities of less than one unit.

(3) Dividends

1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General Shareholders' Meeting held on June 27, 2014	Common stock	5,129	5.0	March 31, 2014	June 30, 2014
Board of Directors' Meeting held on October 31, 2014	Common stock	5,128	5.0	September 30, 2014	December 2, 2014

Resolution	Class of shares	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General Shareholders' Meeting held on June 27, 2014	Common stock	42,683	0.04	March 31, 2014	June 30, 2014
Board of Directors' Meeting held on October 31, 2014	Common stock	42,680	0.04	September 30, 2014	December 2, 2014

2) Dividends whose record date falls in the year ended March 31, 2015, but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General Shareholders' Meeting held on June 26, 2015	Common stock	Retained earnings	5,007	5.0	March 31, 2015	June 29, 2015

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General Shareholders' Meeting held on June 26, 2015	Common stock	Retained earnings	41,674	0.04	March 31, 2015	June 29, 2015

## 9. Notes to Consolidated Statements of Cash Flows

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

	2014 (From April 1, 2013 to March 31, 2014) (Millions of yen)	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2015 (From April 1, 2014 to March 31, 2015) (Thousands of U.S. dollars)
Cash and cash in banks	186,297	207,112	1,723,494
Cash related to CSD services	(34,694)	(27,981)	(232,848)
Cash related to exchange money delivery services	(18,435)	(21,021)	(174,930)
Time deposits with maturities of over three months	(7,090)	(8,627)	(71,791)
Time deposits pledged as collateral for debts	(176)	(539)	(4,488)
Cash and cash equivalents	125,900	148,942	1,239,435

(Note) As described in "(Changes in accounting policies) 2. Change in Scope of Funds in Consolidated Statements of Cash Flows," effective the fiscal year ended March 31, 2015, cash related to CSD services and exchange money delivery services in the Security Transportation Business has been excluded from the scope of funds (i.e., cash and cash equivalents). Accordingly, the above figures for the fiscal year ended March 31, 2014 reflect the retrospective application of this change in the accounting policy.

(2) (2014)

"Interest expense" as well as "Interest paid" in cash flows from operating activities are presented excluding ¥556 million in financing costs included in operating costs in the Goods Sales Business (leasing business).

(2015)

"Interest expense" as well as "Interest paid" in cash flows from operating activities are presented excluding ¥526 million (US\$4,385 thousand) in financing costs included in operating costs in the Goods Sales Business (leasing business, etc.).

## 10. Leases

### (1) Finance leases

(Lessee) —

(Lessor)

1) Breakdown of lease investment assets

	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)
Gross lease receivables	108,152	107,904	897,932
Estimated residual values	1,730	2,108	17,543
Unearned interest income	(1,820)	(1,739)	(14,473)
Lease investment assets	108,062	108,273	901,002

2) Lease receivables and maturities of gross lease receivables corresponding to lease investment assets subsequent to March 31, 2014 and 2015 are as follows:  
2014 (As of March 31, 2014)

	Lease receivables (Millions of yen)	Lease investment assets (Millions of yen)
Due in one year or less	2,635	33,984
Due after one year through two years	2,029	27,282
Due after two years through three years	1,574	20,715
Due after three years through four years	1,055	13,714
Due after four years through five years	571	6,261
Due after five years	472	6,194

2015 (As of March 31, 2015)

	Lease receivables (Millions of yen)	Lease receivables (Thousands of U.S. dollars)	Lease investment assets (Millions of yen)	Lease investment assets (Thousands of U.S. dollars)
Due in one year or less	2,743	22,832	34,443	286,619
Due after one year through two years	2,274	18,930	27,941	232,518
Due after two years through three years	1,863	15,504	20,779	172,920
Due after three years through four years	1,093	9,098	12,970	107,934
Due after four years through five years	442	3,680	5,289	44,018
Due after five years	338	2,814	6,479	53,921

## (2) Operating leases

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

(Lessee)

	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)
Portion due within one year	19,762	28,616	238,131
Thereafter	93,802	149,871	1,247,163
Total	113,565	178,487	1,485,295

(Lessor) —

## 11. Financial instruments

2014 (From April 1, 2013 to March 31, 2014)

### (1) Financial instruments and related disclosures

#### 1) Group policy for financial instruments

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

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

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

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

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

Derivative transactions for forward foreign currency contracts are overseen by the Management Department based on application forms submitted by the trading sections of the Company and certain consolidated subsidiaries, and interest rate swaps are overseen exclusively by the Finance & Accounting Department of the Company's head office. The Internal Audit Department periodically examines the execution and management of derivative transactions to control risk.

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

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

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

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

### (2) Fair value of financial instruments

The carrying amount, fair value and related unrealized gain (loss) on financial instruments at March 31, 2014 are as follows:

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	186,297	186,297	—
2) Accounts receivable—trade	273,330	273,330	—
3) Lease investment assets	108,062	108,570	508
4) Investment securities			
Available-for-sale securities	85,183	85,183	—
5) Accounts payable—trade	(153,390)	(153,390)	—
6) Short-term loans payable	(4,657)	(4,657)	—
7) Deposits	(63,145)	(63,145)	—
8) Bonds	(65,000)	(67,619)	(2,619)
9) Long-term loans payable	(246,193)	(250,818)	(4,624)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	5	5	—

(\*1) Liabilities are presented in parentheses.

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

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

1) Cash and cash in banks and 2) accounts receivable—trade:

Due to the short maturities of these instruments, the carrying amount approximates fair value.

3) Lease investment assets:

The fair value of lease investment assets is computed by discounting the aggregate value of the principal and interest using the interest rate assumed if entering into an identical lease agreement.

4) Investment securities:

The fair value of equity securities is determined by the quoted price of the stock exchange.

5) Accounts payable—trade, 6) short-term loans payable and 7) deposits:

Due to the short maturities of these instruments, the carrying amount approximates fair value. Short-term loans payable do not include the current portion of long-term loans payable.

8) Bonds:

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

9) Long-term loans payable:

The fair value of long-term loans payable is computed by discounting the aggregate value of the principal and interest on long-term loans payable classified by period using the interest rate assumed if entering into an identical loan agreement. Additionally, the fair value of long-term loans payable that are subject to the exceptional accounting of interest rate swaps is calculated by discounting the aggregate amount of the principal and interest on the long-term loans payable that have been accounted for together with the interest rate swap using the interest rate assumed if entering into an identical loan agreement. Long-term loans payable include the current portion.

10) Derivatives:

Information on the fair value of derivatives is included in Note 13. "Derivatives."

(Note 2) Unlisted equity securities with a carrying amount of ¥27,529 million are not included in (4) investment securities—available-for-sale securities, since there is no quoted market price and it is impossible estimate future cash flows, making it very difficult to determine their fair values.

(Note 3) The redemption schedule for monetary receivables and other securities with contractual maturities subsequent to the year-end

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years
Cash and cash in banks	186,297	—	—
Accounts receivable—trade	273,330	—	—
Lease investment assets	33,194	67,005	7,862

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

	Millions of yen		
	Due in one year or less	Due after one year through five years*	Due after five years
Short-term loans payable	4,657	—	—
Bonds payable	15,000	40,000	25,000
Long-term loans payable	42,155	143,625	60,412

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

2015 (from April 1, 2014 to March 31, 2015)

## (1) Financial instruments and related disclosures

### 1) Group policy for financial instruments

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

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

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

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

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

Derivative transactions for forward foreign currency contracts are overseen by the Management Department based on application forms submitted by the trading sections of the Company and certain consolidated subsidiaries, and interest rate swaps are overseen exclusively by the Finance & Accounting Department of the Company's head office. The Internal Audit Department periodically examines the execution and management of derivative transactions to control risk.

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

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

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

The fair values of financial instruments comprise the quoted market price and other rationally computed values where market price is not available. Since variable factors are considered in computing the values, such values may change depending on the assumptions used. The contract amounts of derivatives described in Note 13. "Derivatives" do not represent the exposure to the market risk related to the derivatives.

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

The carrying amount, fair value and related unrealized gain (loss) on financial instruments at March 31, 2015 are as follows:

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	207,112	207,112	—
2) Accounts receivable—trade	321,679	321,679	—
3) Lease investment assets	108,273	109,045	772
4) Investment securities			
Available-for-sale securities	112,044	112,044	—
5) Accounts payable—trade	(170,211)	(170,211)	—
6) Short-term loans payable	(11,100)	(11,100)	—
7) Deposits	(61,165)	(61,165)	—
8) Bonds	(65,000)	(67,370)	(2,370)
9) Long-term loans payable	(253,266)	(257,930)	(4,664)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(11)	(11)	—
	Thousands of U.S. dollars		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	1,723,494	1,723,494	—
2) Accounts receivable—trade	2,676,871	2,676,871	—
3) Lease investment assets	901,002	907,428	6,425
4) Investment securities			
Available-for-sale securities	932,386	932,386	—
5) Accounts payable—trade	(1,416,424)	(1,416,424)	—
6) Short-term loans payable	(92,374)	(92,374)	—
7) Deposits	(508,992)	(508,992)	—
8) Bonds	(540,900)	(560,626)	(19,726)
9) Long-term loans payable	(2,107,564)	(2,146,381)	(38,817)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(95)	(95)	—

(\*1) Liabilities are presented in parentheses.

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

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

1) Cash and cash in banks and 2) accounts receivable—trade:

Due to the short maturities of these instruments, the carrying amount approximates fair value.

3) Lease investment assets:

The fair value of lease investment assets is computed by discounting the aggregate value of the principal and interest using the interest rate assumed if entering into an identical lease agreement.

4) Investment securities:

The fair value of equity securities is determined by the quoted price of the stock exchange.

5) Accounts payable—trade, 6) short-term loans payable and 7) deposits:

Due to the short maturities of these instruments, the carrying amount approximates fair value. Short-term loans payable do not include the current portion of long-term loans payable.

8) Bonds:

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

9) Long-term loans payable:

The fair value of long-term loans payable is computed by discounting the aggregate value of the principal and interest on long-term loans payable classified by period using the interest rate assumed if entering into an identical loan agreement. Additionally, the fair value of long-term loans payable that are subject to the exceptional accounting of interest rate swaps is calculated by discounting the aggregate amount of the principal and interest on the long-term loans payable that have been accounted for together with the interest rate swap using the interest rate assumed if entering into an identical loan agreement. Long-term loans payable include the current portion.

10) Derivatives:

Information on the fair value of derivatives is included in Note 13. "Derivatives."

(Note 2) Unlisted equity securities with a carrying amount of ¥21,532 million (US\$179,182 thousand) are not included in (4) investment securities—available-for-sale securities, since there is no quoted market price and it is impossible estimate future cash flows, making it very difficult to determine their fair values.

(Note 3) The redemption schedule for monetary receivables and other securities with contractual maturities subsequent to the year-end

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and cash in banks	207,112	—	—	1,723,494	—	—
Accounts receivable—trade	321,679	—	—	2,676,871	—	—
Lease investment assets	33,690	66,046	8,536	280,356	549,610	71,035

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

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years*	Due after five years	Due in one year or less	Due after one year through five years*	Due after five years
Short-term loans payable	11,100	—	—	92,374	—	—
Bonds payable	—	55,000	10,000	—	457,684	83,215
Long-term loans payable	72,296	114,597	66,371	601,619	953,630	552,314

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

## 12. Securities

2014 (March 31, 2014)

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

Category	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	85,406	22,840	62,566
2) Other	—	—	—
Sub-total	85,406	22,840	62,566
Carrying value does not exceed acquisition cost:			
1) Equity securities	1,485	2,118	(633)
2) Other	—	—	—
Sub-total	1,485	2,118	(633)
Total	86,891	24,959	61,932



**(2) Available-for-sale securities sold during 2014 (From April 1, 2013 to March 31, 2014)**

Category	Millions of yen		
	Carrying value	Total gains on sales	Total losses on sales
1) Equity securities	8,988	7,975	0
2) Other	—	—	—
Total	8,988	7,975	0

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

The Company recorded impairment loss of ¥25 million on available-for-sale securities for the consolidated fiscal year under review.

When fair value declines by 50% or more than 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.

2015 (March 31, 2015)

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

Category	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	113,445	21,953	91,492
2) Other	—	—	—
Sub-total	113,445	21,953	91,492
Carrying value does not exceed acquisition cost:			
1) Equity securities	421	859	(438)
2) Other	—	—	—
Sub-total	421	859	(438)
Total	113,866	22,813	91,053

Category	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	944,041	182,685	761,356
2) Other	—	—	—
Sub-total	944,041	182,685	761,356
Carrying value does not exceed acquisition cost:			
1) Equity securities	3,506	7,155	(3,649)
2) Other	—	—	—
Sub-total	3,506	7,155	(3,649)
Total	947,547	189,840	757,707

**(2) Available-for-sale securities sold during 2015 (From April 1, 2014 to March 31, 2015)**

Category	Millions of yen		
	Carrying value	Total gains on sales	Total losses on sales
1) Equity securities	7,438	5,155	7
2) Other	—	—	—
Total	7,438	5,155	7

Category	Thousands of U.S. dollars		
	Carrying value	Total gains on sales	Total losses on sales
1) Equity securities	61,900	42,905	59
2) Other	—	—	—
Total	61,900	42,905	59

### (3) Impairment loss on investment securities

The Company recorded impairment loss of ¥151 million (US\$1,259 thousand) on available-for-sale securities for the consolidated fiscal year under review.

When fair value declines by 50% or more than 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.

## 13. Derivatives

2014 (March 31, 2014)

### (1) Derivative transactions to which hedge accounting is not applied at March 31, 2014

Not applicable.

### (2) Derivative transactions to which hedge accounting is applied at March 31, 2014

#### 1) Interest rate-related derivatives

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

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

#### 2) Currency-related derivatives

Hedge accounting method	Type of derivative transaction	Major hedged items	Millions of yen		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Deferral hedge	Forward foreign currency contracts: Selling US\$	Forecasted transactions on receivables and payables in foreign currencies	3,768	—	(22)
	Forward foreign currency contracts: Buying US\$ and other currencies		5,633	—	27
Designation method	Forward foreign currency contracts: Selling US\$ and other currencies	Accounts receivable—trade	2,798	—	(*2)
	Forward foreign currency contracts: Buying US\$ and other currencies	Accounts payable—trade	2,265	—	

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

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

2015 (March 31, 2015)

### (1) Derivative transactions to which hedge accounting is not applied at March 31, 2015

Not applicable.

### (2) Derivative transactions to which hedge accounting is applied at March 31, 2015

#### 1) Interest rate-related derivatives

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

Hedge accounting method	Type of derivative transaction	Major hedged items	Thousands of U.S. dollars		
			Contract amount (notional principal)	Contract amount due after one year	Fair value
Exceptional accounting for interest rate swaps	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	83,215	83,215	(*)

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

## 2) Currency-related derivatives

Hedge accounting method	Type of derivative transaction	Major hedged items	Millions of yen		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Deferral hedge	Forward foreign currency contracts: Selling US\$	Forecasted transactions on receivables and payables in foreign currencies	899	—	(10)
	Forward foreign currency contracts: Buying US\$ and other currencies		807	—	(1)
Designation method	Forward foreign currency contracts: Selling US\$ and other currencies	Accounts receivable—trade	1,686	—	(*2)
	Forward foreign currency contracts: Buying US\$ and other currencies	Accounts payable—trade	3,235	—	

Hedge accounting method	Type of derivative transaction	Major hedged items	Thousands of U.S. dollars		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Deferral hedge	Forward foreign currency contracts: Selling US\$	Forecasted transactions on receivables and payables in foreign currencies	7,485	—	(84)
	Forward foreign currency contracts: Buying US\$ and other currencies		6,722	—	(10)
Designation method	Forward foreign currency contracts: Selling US\$ and other currencies	Accounts receivable—trade	14,036	—	(*2)
	Forward foreign currency contracts: Buying US\$ and other currencies	Accounts payable—trade	26,922	—	

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

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

## 14. Retirement benefits

### (1) Overview of retirement benefit plans

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

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

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

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

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

## (2) Defined-benefit retirement plans

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

	2014 (from April 1, 2013 to March 31, 2014) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Thousands of U.S. dollars)
Balance of retirement benefit obligation at beginning of the year	172,026	183,372	1,525,940
Cumulative effect of change in accounting policies	—	2,825	23,510
Restated balance at beginning of the year	172,026	186,197	1,549,450
Service cost	7,801	9,076	75,529
Interest cost on projected benefit obligation	2,019	2,173	18,090
Actuarial gain or loss	(3,372)	3,995	33,244
Retirement benefits paid	(11,798)	(16,746)	(139,357)
Prior service cost	—	3,520	29,293
Effect of business combination	14,636	10,774	89,662
Other	2,059	1,403	11,677
Balance of retirement benefit obligation at end of the year	183,372	200,394	1,667,591

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

	2014 (from April 1, 2013 to March 31, 2014) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Thousands of U.S. dollars)
Plan assets at beginning of the year	47,974	63,518	528,574
Expected return on plan assets	811	1,259	10,483
Actuarial gain	565	7,158	59,566
Contribution from employer	1,491	2,057	17,121
Retirement benefits paid	(3,035)	(6,035)	(50,223)
Effect of business combination	14,450	3,352	27,893
Other	1,261	1,025	8,536
Plan assets at end of the year	63,518	72,336	601,951

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

	2014 (from April 1, 2013 to March 31, 2014) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Thousands of U.S. dollars)
Net retirement benefit liability and net retirement benefit asset at beginning of the year (net amount)	5,176	5,867	48,826
Benefit cost	909	519	4,324
Retirement benefits paid	(315)	(541)	(4,502)
Contribution to plan	(88)	(58)	(488)
Effect of business combination	117	6	50
Other	68	43	360
Net retirement benefit liability and net retirement benefit asset at end of the year (net amount)	5,867	5,836	48,570

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

	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)
Retirement benefit obligation of funded plans	178,427	188,552	1,569,046
Plan assets	(63,977)	(72,865)	(606,356)
	114,449	115,686	962,689
Retirement benefit obligation of unfunded plans	11,271	18,208	151,521
Net retirement obligation and assets at end of the year	125,720	133,894	1,114,211
Net retirement benefit liability	126,951	135,678	1,129,052
Net retirement benefit asset	(1,230)	(1,783)	(14,841)
Net retirement liability and asset at end of the year	125,720	133,894	1,114,211

(Notes) 1. Includes plans for which the simplified method is applied.

2. Because the Company has adopted a retirement allowance trust for retirement lump sum plans, retirement lump sum plans are included in the retirement benefit obligation of funded plans. Likewise, the retirement allowance trust of retirement lump sum payment plans is included in plan assets of funded plans.

5) Retirement benefit cost

	2014 (from April 1, 2013 to March 31, 2014) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Thousands of U.S. dollars)
Service cost	7,801	9,076	75,529
Interest cost on projected retirement benefit obligation	2,019	2,173	18,090
Expected return on plan assets	(811)	(1,259)	(10,483)
Amortization of unrecognized actuarial loss	9,419	9,276	77,192
Amortization of prior service cost	(612)	(750)	(6,248)
Retirement benefit cost calculated by the simplified method	909	519	4,324
Other	—	111	926
Retirement benefit cost of defined-benefit plans	18,724	19,146	159,331

(Note) For the year ended March 31, 2014, in addition to the above retirement benefit cost, the Company also recorded ¥9,725 million in special payments to employees upon their leaving the Company.

6) Remeasurements of retirement benefit plans in other comprehensive income

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

	2014 (from April 1, 2013 to March 31, 2014) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Thousands of U.S. dollars)
Prior service cost	—	(3,596)	(29,929)
Actuarial gain or loss	—	11,382	94,716
Total	—	7,785	64,786

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

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

	2014 (from April 1, 2013 to March 31, 2014) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Millions of yen)	2015 (from April 1, 2014 to March 31, 2015) (Thousands of U.S. dollars)
Unrecognized prior service cost	(165)	3,431	28,554
Unrecognized actuarial gain or loss	70,848	59,465	494,848
Total	70,682	62,897	523,403

8) Plan assets

a. Main components of plan assets

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

	2014 (As of March 31, 2014)	2015 (As of March 31, 2015)
Bonds	19%	18%
Equity securities	64%	66%
Cash and cash in banks	7%	6%
Other	10%	9%
Total	100%	100%

(Note) 52.2% of plan assets in the year ended March 31, 2014, and 52.5% of plan assets in the year ended March 31, 2015 are held in the retirement allowance trust for retirement lump sum payment plans.

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

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

9) Actuarial assumptions

Principal actuarial assumptions

	2014 (from April 1, 2013 to March 31, 2014)	2015 (from April 1, 2014 to March 31, 2015)
Discount rates	0.9%–1.6%	0.6%–1.3%
Long-term expected rates of return on plan assets	0.0%–2.5%	0.0%–2.7%
Expected rates of pay raises	1.0%–6.9%	1.0%–7.7%

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

**(3) Defined contribution plans**

The amounts contributed to defined contribution plans of the Company and consolidated subsidiaries are ¥3,387 million for the year ended March 31, 2014 and ¥3,598 million (US\$29,943 thousand) for the year ended March, 31, 2015.

**(4) Multi-employer plans**

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

## 15. Income Taxes

### (1) The significant components of the Company's deferred tax assets and liabilities as of March 31, 2014 and 2015 are as follows:

	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)
Deferred tax assets:			
(Current)			
Allowance for doubtful accounts	149	268	2,234
Accrued bonuses	6,929	7,979	66,402
Enterprise tax payable	1,183	1,223	10,183
Asset retirement obligations	1,193	1,225	10,194
Allowance for class action lawsuit filed in the United States	—	1,290	10,740
Other	4,881	3,015	25,091
Total	14,337	15,002	124,847
(Noncurrent)			
Allowance for doubtful accounts	359	312	2,602
Net retirement benefit liability	67,054	62,747	522,154
Unrealized gains	3,252	3,217	26,774
Impairment losses	3,022	2,756	22,940
Asset retirement obligations	2,668	2,438	20,295
Loss on valuation of investment securities, etc.	1,514	1,490	12,406
Loss carried forward	3,361	1,756	14,613
Other	2,950	4,908	40,842
Total	84,184	79,628	662,631
Sub-total	98,522	94,631	787,479
Valuation allowance	(10,693)	(9,344)	(77,764)
Total deferred tax assets	87,828	85,286	709,714
Deferred tax liabilities:			
(Current)			
Loss on adjustment for transfer of leased assets	(886)	(813)	(6,769)
Other	(1,431)	(321)	(2,678)
Total	(2,317)	(1,135)	(9,447)
(Noncurrent)			
Reserve for deferred gains on fixed assets	(16,791)	(15,073)	(125,437)
Gain on securities contribution to employees' retirement benefits trust	(18,333)	(16,634)	(138,424)
Valuation differences on available-for-sale securities	(21,718)	(29,042)	(241,679)
Valuation differences on assets and liabilities of subsidiaries	(5,629)	(6,492)	(54,027)
Other	(1,220)	(1,725)	(14,356)
Total	(63,694)	(68,968)	(573,925)
Total deferred tax liabilities	(66,011)	(70,103)	(583,373)

(Note) Net deferred tax assets and liabilities as of March 31, 2014 and 2015 are included in the following items of the consolidated balance sheets.

	2014 (As of March 31, 2014) (Millions of yen)	2015 (As of March 31, 2015) (Millions of yen)	2015 (As of March 31, 2015) (Thousands of U.S. dollars)
Deferred tax assets—current	11,847	13,689	113,920
Deferred tax liabilities—current	(102)	(249)	(2,074)
Deferred tax assets—noncurrent	14,154	6,607	54,983
Deferred tax liabilities—noncurrent	(4,083)	(4,865)	(40,488)

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

	2014 (From April 1, 2013 to March 31, 2014)	2015 (From April 1, 2014 to March 31, 2015)
Statutory tax rate	38.0%	35.6%
(Adjustment)		
Non-deductible items	2.5	2.1
Reduction of year-end deferred tax assets due to the change of tax rate	1.9	3.7
Per capita inhabitants' tax	3.9	2.4
Changes in valuation allowance	(2.5)	(2.8)
Difference in tax rate applicable to foreign subsidiaries	(3.2)	(1.8)
Amortization of goodwill	1.6	1.8
Impairment of goodwill	—	2.7
Difference in tax rate due to companies reporting losses	0.6	1.4
Other, net	0.1	1.7
Effective tax rate	42.8%	46.8%

## (3) Revisions to deferred tax assets and deferred tax liabilities due to change in statutory tax rate

Under the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) promulgated March 31, 2015, Japanese corporate income tax rates have been lowered from fiscal years beginning on or after April 1, 2015. As a result, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2015 has been changed from 35.6% to 33.1% for temporary differences expected to be settled in the fiscal year beginning April 1, 2015, and to 32.3% for temporary differences expected to be settled in the fiscal year beginning on April 1, 2016 and thereafter.

As a result of the tax rate change, deferred tax assets (less deferred tax liabilities) decreased by ¥462 million (US\$3,851 thousand) and deferred income taxes increased by ¥1,825 million (US\$15,188 thousand), valuation differences on available-for-sale securities increased by ¥3,362 (US\$27,982 thousand) and remeasurements of retirement benefit plans decreased by ¥1,999 million (US\$16,642 thousand) as of and for the fiscal year ended March 31, 2015.

## 16. Asset retirement obligations

2014 (From April 1, 2013 to March 31, 2014)

Asset retirement obligations that are stated in the consolidated balance sheets

### 1) Description of the asset retirement obligations

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

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

The asset retirement obligations are calculated using a 0.160%–2.315% periodic discount rate over two to fifty years duration of use in most cases, based on estimated useful life.



### 3) Changes in total asset retirement obligations during 2014

	Millions of yen
Balance at beginning of the year	10,758
Increase due to acquisition of property and equipment	48
Accretion adjustment	153
Decrease due to settlement	(565)
Increase due to business combinations	997
Other	66
Balance at end of the year	11,458

2015 (From April 1, 2014 to March 31, 2015)

Asset retirement obligations that are stated in the consolidated balance sheets

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

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

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

The asset retirement obligations are calculated using a 0.160%–2.315% periodic discount rate over two to fifty years duration of use in most cases, based on estimated useful life.

### 3) Changes in total asset retirement obligations during 2015

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the year	11,458	95,352
Increase due to acquisition of property and equipment	217	1,805
Accretion adjustment	152	1,269
Decrease due to settlement	(133)	(1,111)
Increase due to business combinations	6	50
Other	26	219
Balance at end of the year	11,726	97,585

## 17. Investment and rental property

2014 (From April 1, 2013 to March 31, 2014)

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings and parking lots (including land) throughout Japan. Net rental profit (rental income included in net sales less rental expenses included mainly in cost of sales) and other losses (included mainly in loss on disposal of noncurrent assets) on investment and rental property for the year ended March 31, 2014 were ¥4,563 million and ¥871 million, respectively.

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

Millions of yen			
Carrying amount			Fair value as of March 31, 2014
April 1, 2013	Increase (decrease)	March 31, 2014	
44,461	112	44,573	122,754

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

2. Increase during the year ended March 31, 2014 primarily consists of an increase in the number of properties.

3. Fair value of properties as of March 31, 2014 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.

2015 (from April 1, 2014 to March 31, 2015)

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings and parking lots (including land) throughout Japan. Net rental profit (rental income included in net sales less rental expenses included mainly in cost of sales) and other losses (included mainly in loss on disposal of noncurrent assets) on investment and rental property for the year ended March 31, 2015 were ¥4,800 million (US\$39,945 thousand) and ¥181 million (US\$1,513 thousand), respectively.

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

Millions of yen			
Carrying amount			Fair value as of March 31, 2015
April 1, 2014	Increase (decrease)	March 31, 2015	
44,573	711	45,284	122,519

Thousands of U.S. dollars			
Carrying amount			Fair value as of March 31, 2015
April 1, 2014	Increase (decrease)	March 31, 2015	
370,921	5,918	376,839	1,019,549

- (Notes) 1. Carrying amount recognized in the consolidated balance sheet is stated at acquisition cost less accumulated depreciation.  
 2. Increase during the year ended March 31, 2015 primarily consists of an increase in the number of properties.  
 3. Fair value of properties as of March 31, 2015 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.

## 18. Segment information

### (1) Outline of the reportable segments

Reportable segments of the Company are its organizational units whose individual financial results can be identified separately, and serve as the basis and subject of regular review by the Board of Directors, for the purpose of allocating management resources and evaluating business performance.

The Company's head office comprises functional headquarters, including the Domestic Business Headquarters, International Business Headquarters and Sales Promotion Headquarters. Each headquarters is responsible for developing comprehensive strategies for its products and services both in Japan and abroad, and engages in business activities based on such strategies. Under each headquarters, regional general managers are appointed to cover specific geographic regions and business divisions specializing in specific products and services are established, providing a structure that allows regional management and/or concerned field offices to make optimum business decisions on their own.

Under this principle, the Company has developed a segment structure in the form of matrix comprising segments by geographical region along with segments by products and services as classified based on mode of transportation such as air or marine, in which the domestic Distribution & Transportation business comprises five reportable segments, namely Combined Business, Security Transportation, Heavy Haulage & Construction, Air Freight Forwarding, and Marine & Harbor Transportation, while overseas Distribution & Transportation operations comprises four reportable segments, including the Americas, Europe, East Asia, and South Asia & Oceania, besides the two reportable segments outside Distribution & Transportation operations, which are Goods Sales and Other.

The Combined Business segment (Distribution & Transportation, domestic companies) includes subsidiaries/affiliates and branches in each geographical region (area). However, it is still presented as one reportable segment because of the similarity in the nature of their businesses as well as financial characteristics.

Also, the Combined Business segment (Distribution & Transportation, domestic companies) is presented on a combined basis with the Fine Arts business segment because of the similarity in the nature of their businesses. Likewise, in Air Freight Forwarding (Distribution & Transportation, domestic companies), the Air Freight Forwarding business segment is presented on a combined basis with the Travel business segment. In each of the above cases, however, the impact of the presentation on a combined basis is minimal.

Main products and services as well as main lines of business in each reportable segment are as follows:

Reportable segments	Main products and services	Main lines of business
Combined Business (Distribution & Transportation domestic companies)	Railway utilization transportation, chartered truck services, combined delivery services, moving & relocation, warehousing & distribution processing, in-factory work, real estate rental, marine & harbor transportation, fine arts transportation, security transportation and heavy haulage & construction	Railway forwarding, motor cargo transportation, warehousing and in-factory work
Security Transportation (Distribution & Transportation domestic companies)	Security transportation	Security guard business, motor cargo transportation
Heavy Haulage & Construction (Distribution & Transportation, domestic companies)	Heavy haulage & construction	Heavy haulage and construction
Air Freight Forwarding (Distribution & Transportation, domestic companies)	Air freight forwarding and travel	Air freight forwarding and travel
Marine & Harbor Transportation (Distribution & Transportation, domestic companies)	Marine & harbor transportation, warehousing & distribution processing and moving & relocation	Marine transportation, harbor transportation and warehousing
The Americas (Distribution & Transportation, overseas companies)	Air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services and travel	Air freight forwarding, harbor transportation, warehousing, motor cargo transportation and travel
Europe (Distribution & Transportation, overseas companies)	Air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services and travel	
East Asia (Distribution & Transportation, overseas companies)	Air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services and travel	
South Asia & Oceania (Distribution & Transportation, overseas companies)	Air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services, heavy haulage & construction and travel	
Goods Sales	Lease, sale of petroleum and others	Sales and leasing of distribution equipment, wrapping and packing materials, vehicles, petroleum and LP gas, etc., vehicle maintenance services and insurance sales
Other	Other	Mediation, planning and designing and management of real estate, industry-specific logistics, investigation and research, logistics finance, automobile operation instruction and employee dispatching

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

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

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

As noted in "Changes in accounting policies," following the change in the calculation method for the retirement benefit obligation and service cost effective from the beginning of the fiscal year ended March 31, 2015, the Company has changed the calculation method for these items for each business segment in the same manner.

The impact of this change on each reportable segment and others is immaterial.

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

2014 (From April 1, 2013 to March 31, 2014)

	Millions of yen						
	Distribution & Transportation						
	Domestic companies					Overseas companies	
	Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe
Revenues							
Revenues from external customers	714,659	54,625	36,450	178,590	123,567	56,809	67,166
Intersegment	7,057	26	205	3,130	8,140	12,257	5,621
Total	721,717	54,651	36,656	181,720	131,708	69,066	72,788
Segment income	15,165	1,178	1,913	5,613	5,108	2,843	720
Segment assets	477,500	81,290	14,867	94,737	94,914	38,136	52,118
Other items							
Depreciation and amortization	21,075	2,182	650	4,147	4,347	1,052	1,409
Amortization of goodwill	—	—	—	—	—	311	433
Impairment loss on noncurrent assets	—	—	—	—	—	—	—
Investment in equity method affiliates	5,486	—	—	1,052	1,261	51	—
Increase in property and equipment and intangible assets	19,699	3,091	1,419	6,281	2,583	787	7,974

	Millions of yen						
	Distribution & Transportation		Goods Sales	Other	Total	Adjustment (Note 1)	Total (Note 2)
	Overseas companies						
	East Asia	South Asia & Oceania					
Revenues							
Revenues from external customers	84,806	47,278	347,653	40,859	1,752,468	—	1,752,468
Intersegment	7,350	4,088	65,192	20,600	133,672	(133,672)	—
Total	92,156	51,367	412,846	61,460	1,886,141	(133,672)	1,752,468
Segment income	1,232	1,434	4,856	2,019	42,085	(1,219)	40,865
Segment assets	55,735	37,837	261,530	110,854	1,319,523	57,920	1,377,443
Other items							
Depreciation and amortization	953	1,160	5,423	1,618	44,022	3,085	47,108
Amortization of goodwill	579	207	319	157	2,009	—	2,009
Impairment loss on noncurrent assets	—	—	—	—	—	—	—
Investment in equity method affiliates	1,527	1,602	—	1,628	12,610	—	12,610
Increase in property and equipment and intangible assets	2,429	1,060	5,039	17,035	67,401	5,201	72,603

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

- (1) The segment income adjustment of ¥1,219 million includes ¥260 million for the elimination of intersegment income, and ¥1,519 million of corporate expenses not allocated to each reportable segment. The most significant portion of corporate expenses relates to corporate image advertising and the Company's administration of group companies.
- (2) The segment assets adjustment of ¥57,920 million includes ¥154,528 million for the elimination of intersegment income, and ¥231,770 million of corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, securities and noncurrent assets held by the head office not attributable to each reportable segment.
- (3) The depreciation and amortization adjustment represents the depreciation and amortization at the head office not attributable to each reportable segment.
- (4) The adjustment in increase in property and equipment and intangible assets represents primarily the capital expenditures at the head office not attributable to each reportable segment.

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

2015 (From April 1, 2014 to March 31, 2015)

	Millions of yen						
	Distribution & Transportation						
	Domestic companies					Overseas companies	
	Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe
Revenues							
Revenues from external customers	734,736	55,371	46,611	208,007	109,004	65,198	78,497
Intersegment	7,619	30	275	2,756	9,832	13,962	5,111
Total	742,356	55,401	46,886	210,763	118,836	79,160	83,609
Segment income	18,201	867	2,156	10,173	4,904	3,404	2,394
Segment assets	470,597	80,274	20,061	109,815	84,105	54,534	52,064
Other items							
Depreciation and amortization	21,126	2,301	1,136	4,552	3,593	1,140	1,487
Amortization of goodwill	—	—	—	—	—	311	453
Impairment loss on noncurrent assets	2	—	—	—	—	—	—
Investment in equity method affiliates	5,607	—	—	1,085	1,385	63	—
Increase in property and equipment and intangible assets	17,702	2,746	1,981	1,873	1,300	1,157	2,074

	Millions of yen						
	Distribution & Transportation		Goods Sales	Other	Total	Adjustment (Note 1)	Total (Note 2)
	Overseas companies						
	East Asia	South Asia & Oceania					
Revenues							
Revenues from external customers	92,008	59,456	357,042	118,994	1,924,929	—	1,924,929
Intersegment	9,312	5,151	63,113	24,608	141,773	(141,773)	—
Total	101,321	64,607	420,155	143,602	2,066,703	(141,773)	1,924,929
Segment income	1,904	930	6,423	2,643	54,005	(3,193)	50,811
Segment assets	62,491	49,236	271,564	138,346	1,393,092	60,524	1,453,617
Other items							
Depreciation and amortization	1,135	1,229	5,230	4,702	47,636	3,369	51,005
Amortization of goodwill	435	130	319	802	2,453	—	2,453
Impairment loss on noncurrent assets	—	—	44	5,394	5,441	—	5,441
Investment in equity method affiliates	1,606	1,933	—	—	11,682	—	11,682
Increase in property and equipment and intangible assets	664	3,053	5,665	11,382	49,603	3,424	53,027

	Thousands of U.S. dollars						
	Distribution & Transportation						
	Domestic companies					Overseas companies	
	Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe
Revenues							
Revenues from external customers	6,114,146	460,777	387,879	1,730,945	907,082	542,548	653,220
Intersegment	63,405	251	2,292	22,935	81,819	116,189	42,539
Total	6,177,551	461,028	390,171	1,753,881	988,902	658,738	695,759
Segment income	151,468	7,219	17,948	84,662	40,809	28,330	19,924
Segment assets	3,916,100	668,007	166,939	913,831	699,888	453,813	433,257
Other items							
Depreciation and amortization	175,808	19,150	9,455	37,885	29,899	9,489	12,379
Amortization of goodwill	—	—	—	—	—	2,590	3,773
Impairment loss on noncurrent assets	20	—	—	—	—	—	—
Investment in equity method affiliates	46,666	—	—	9,034	11,526	529	—
Increase in property and equipment and intangible assets	147,315	22,852	16,487	15,593	10,825	9,631	17,266

	Thousands of U.S. dollars						
	Distribution & Transportation		Goods Sales	Other	Total	Adjustment (Note 1)	Total (Note 2)
	Overseas companies						
	East Asia	South Asia & Oceania					
Revenues							
Revenues from external customers	765,654	494,768	2,971,142	990,221	16,018,387	—	16,018,387
Intersegment	77,494	42,868	525,201	204,777	1,179,775	(1,179,775)	—
Total	843,148	537,637	3,496,344	1,194,998	17,198,162	(1,179,775)	16,018,387
Segment income	15,847	7,745	53,455	21,995	449,406	(26,578)	422,827
Segment assets	520,024	409,723	2,259,840	1,151,257	11,592,682	503,659	12,096,341
Other items							
Depreciation and amortization	9,449	10,234	43,525	39,128	396,406	28,036	424,443
Amortization of goodwill	3,626	1,086	2,658	6,680	20,415	—	20,415
Impairment loss on noncurrent assets	—	—	373	44,889	45,283	—	45,283
Investment in equity method affiliates	13,365	16,091	—	—	97,213	—	97,213
Increase in property and equipment and intangible assets	5,530	25,406	47,146	94,722	412,776	28,494	441,270

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

- (1) The segment income adjustment of ¥3,193 million (US\$26,578 thousand) includes ¥110 million (US\$915 thousand) for the elimination of intersegment income, and ¥3,130 million (US\$26,051 thousand) of corporate expenses not allocated to each reportable segment. The most significant portion of corporate expenses relates to corporate image advertising and the Company's administration of group companies.
- (2) The segment assets adjustment of ¥60,524 million (US\$503,659 thousand) includes ¥183,839 million (US\$1,529,825 thousand) for the elimination of intersegment income, and ¥268,142 million (US\$2,231,359 thousand) of corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, securities and noncurrent assets held by the head office not attributable to each reportable segment.
- (3) The depreciation and amortization adjustment represents the depreciation and amortization at the head office not attributable to each reportable segment.
- (4) The adjustment in increase in property and equipment and intangible assets represents primarily the capital expenditures at the head office not attributable to each reportable segment.

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

## [Related information]

2014 (From April 1, 2013 to March 31, 2014)

### (1) Information by products and services

	Millions of yen									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & harbor transportation
Revenues from external customers	79,284	59,790	247,046	66,265	193,502	46,331	11,938	284,234	5,071	198,743

	Millions of yen								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Lease	Sales of petroleum, etc.	Other sales	Other	Total
Revenues from external customers	3,432	74,273	50,097	55,871	48,652	223,050	79,752	25,131	1,752,468

### (2) Information by region

#### 1) Revenues

	Millions of yen					
	Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
	1,353,739	115,214	74,691	128,947	79,876	1,752,468

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

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

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

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

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

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

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

## 2) Property and equipment

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

## (3) Information about major customers

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

2015 (from April 1, 2014 to March 31, 2015)

### (1) Information by products and services

	Millions of yen									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & harbor transportation
Revenues from external customers	77,777	60,316	281,759	65,024	237,788	50,412	12,450	331,854	4,150	211,742

	Millions of yen									
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Lease	Sales of petroleum, etc.	Other sales	Other	Total	
Revenues from external customers	3,508	75,755	62,100	66,085	51,150	215,932	93,421	23,697	1,924,929	

	Thousands of U.S. dollars									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & harbor transportation
Revenues from external customers	647,226	501,929	2,344,673	541,105	1,978,770	419,509	103,608	2,761,543	34,536	1,762,023

	Thousands of U.S. dollars									
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Lease	Sales of petroleum, etc.	Other sales	Other	Total	
Revenues from external customers	29,193	630,402	516,770	549,934	425,651	1,796,893	777,412	197,201	16,018,387	

## (2) Information by region

### 1) Revenues

Millions of yen					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
1,443,806	148,213	81,202	136,346	115,360	1,924,929

Thousands of U.S. dollars					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
12,014,702	1,233,368	675,727	1,134,609	959,978	16,018,387

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

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

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

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

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

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

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

## 2) Property and equipment

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

## (3) Information about major customers

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

## [Information about impairment loss on noncurrent assets by each reportable segment]

2014 (From April 1, 2013 to March 31, 2014)

Not applicable.

2015 (From April 1, 2014 to March 31, 2015)

A description is omitted because similar information has been disclosed under Segment information.

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

2014 (From April 1, 2013 to March 31, 2014)

Millions of yen							
Distribution & Transportation							
Domestic companies					Overseas companies		
Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe	
Balance at end of the year	—	—	—	—	—	933	4,326

Millions of yen					
Distribution & Transportation		Goods Sales	Other	Total	
Overseas companies					
East Asia	South Asia & Oceania				
Balance at end of the year	4,435	391	1,198	5,696	16,982

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

2015 (From April 1, 2014 to March 31, 2015)

Millions of yen							
Distribution & Transportation							
Domestic companies					Overseas companies		
Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe	
Balance at end of the year	—	—	—	—	—	622	3,828

Millions of yen					
Distribution & Transportation		Goods Sales	Other	Total	
Overseas companies					
East Asia	South Asia & Oceania				
Balance at end of the year	4,119	261	878	5,112	14,821

Thousands of U.S. dollars							
Distribution & Transportation							
Domestic companies					Overseas companies		
Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe	
Balance at end of the year	—	—	—	—	—	5,180	31,856

Thousands of U.S. dollars					
Distribution & Transportation		Goods Sales	Other	Total	
Overseas companies					
East Asia	South Asia & Oceania				
Balance at end of the year	34,277	2,172	7,311	42,542	123,340

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



### [Information about gain on negative goodwill by each reportable segment]

2014 (From April 1, 2013 to March 31, 2014)

Not applicable.

2015 (From April 1, 2014 to March 31, 2015)

A description is omitted because the amount is immaterial.

### 19. Related party information

2014 (From April 1, 2013 to March 31, 2014)

Not applicable.

2015 (From April 1, 2014 to March 31, 2015)

Not applicable.

### 20. Per share information

The amounts and bases for the computation of net assets per share and net income per share are set out below.

	Yen		U.S. dollars
	2014 (March 31, 2014)	2015 (March 31, 2015)	2015 (March 31, 2015)
(1) Net assets per share	483.38	531.06	4.41
	Millions of yen		Thousands of U.S. dollars
	2014 (March 31, 2014)	2015 (March 31, 2015)	2015 (March 31, 2015)
(Basis for calculation)			
Total net assets on consolidated balance sheets	509,954	550,137	4,577,990
Net assets related to common stock	495,881	531,909	4,426,307
Breakdown of difference: Minority interests	14,072	18,227	151,682
Number of common stock issued (1,000 shares)	1,062,299	1,038,000	—
Treasury stock of common stock (1,000 shares)	36,445	36,401	—
Number of common stock used to calculate net assets per share (1,000 shares)	1,025,853	1,001,598	—
	Yen		U.S. dollars
	2014 (From April 1, 2013 to March 31, 2014)	2015 (From April 1, 2014 to March 31, 2015)	2015 (From April 1, 2014 to March 31, 2015)
(2) Net income per share	25.62	25.87	0.21
	Millions of yen		Thousands of U.S. dollars
	2014 (From April 1, 2013 to March 31, 2014)	2015 (From April 1, 2014 to March 31, 2015)	2015 (From April 1, 2014 to March 31, 2015)
(Basis for calculation)			
Net income	26,345	26,382	219,539
Net income related to common stock	26,345	26,382	219,539
Weighted average number of common stock during the year (1,000 shares)	1,028,194	1,019,897	—

(Notes) 1. Diluted net income per share is not stated because there were no residual securities.

2. As noted in Note 3. "Changes in accounting policies," the Company has adopted the Accounting Standard for Retirement Benefits and Guidance on Retirement Benefits subject to the transitional treatment stipulated by Article 37 of said standard.

As a result, net assets per share as of March 31, 2015 decreased by ¥1.82 (US\$0.01). However, the impact of this change on net income per share for the fiscal year ended March 31, 2015 is immaterial.

## 21. Significant subsequent events

Not applicable.

## 22. Supplementary schedules

### [Schedule of bonds]

Issuer	Name of bond	Issuance date	Millions of yen		Thousands of U.S. dollars	Interest rate (%)	Collateral	Maturity
			Balance as of April 1, 2014	Balance as of March 31, 2015	Balance as of March 31, 2015			
Nippon Express Co., Ltd.	3rd Unsecured Straight Bonds	January 30, 2008	20,000	20,000	166,430	1.59	Unsecured	January 30, 2018
	4th Unsecured Straight Bonds	June 1, 2009	15,000 (15,000)	—	—	1.12	Unsecured	May 30, 2014
	5th Unsecured Straight Bonds	June 1, 2009	15,000	15,000	124,823	1.82	Unsecured	May 31, 2019
	6th Unsecured Straight Bonds	October 20, 2011	20,000	20,000	166,430	0.46	Unsecured	October 20, 2016
	7th Unsecured Straight Bonds	October 20, 2011	10,000	10,000	83,215	1.09	Unsecured	October 20, 2021
Total	—	—	80,000 (15,000)	65,000	540,900	—	—	—

(Notes) 1. The amounts in parenthesis represent amounts due within one year.

2. The repayment schedule for bonds for five years subsequent to March 31, 2015 is summarized as follows:

Millions of yen				
Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
—	20,000	20,000	—	15,000

Thousands of U.S. dollars				
Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
—	166,430	166,430	—	124,823

### [Schedule of loans]

Category	Balance as of April 1, 2014 (Millions of yen)	Balance as of March 31, 2015 (Millions of yen)	Balance as of March 31, 2015 (Thousands of U.S. dollars)	Average interest rate (%)	Due date
Short-term loans (payable)	4,657	11,100	92,374	1.126	—
Current portion of long-term loans payable	42,155	72,296	601,619	0.764	—
Current portion of lease obligation	1,602	636	5,293	—	—
Long-term loans payable (excluding current portion)	204,037	180,969	1,505,945	0.769	Final due date: March 17, 2030
Lease obligation (excluding current portion)	9,324	3,703	30,819	—	Final due date: August 2, 2029
Other interest-bearing debt					
Commercial paper (current portion)	6,000	—	—	0.089	—
In-house savings deposits by employees	27,660	27,764	231,045	0.625	—
Total	295,439	296,470	2,467,096	—	—

(Notes) 1. Average interest rates are stated at weighted average interest rates on the average balance of borrowings for the year.

However, average interest rates are not stated for either the current portion of lease obligations or lease obligations (excluding current portion), since the interest portion in the total lease payment has been allocated to each fiscal year by the straight-line method.

2. The repayment schedule for long-term loans payable and lease obligation (excluding current portion) per year for five years subsequent to March 31, 2015, is summarized as follows:

Category	Millions of yen			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	46,278	42,326	25,832	159
Lease obligation	493	407	317	180

Category	Thousands of U.S. dollars			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	385,107	352,223	214,969	1,330
Lease obligation	4,103	3,394	2,643	1,504

3. Deposits in the in-house savings deposits by employees are recorded as Deposits from employees in the consolidated balance sheets.

### [Schedule of asset retirement obligations]

A description is omitted because the amounts of asset retirement obligations at the beginning of the year ended March 31, 2015 and the end of the year ended March 31, 2015 are both less than one percent of the total of liabilities and net assets at the beginning of the year ended March 31, 2015 and the end of the year ended March 31, 2015.

## (2) Other

### Quarterly information in 2015

	Millions of yen			
	Three months ended Jun. 30, 2014 From April 1, 2014 to June 30, 2014	Six months ended Sep. 30, 2014 From April 1, 2014 to September 30, 2014	Nine months ended Dec. 31, 2014 From April 1, 2014 to December 31, 2014	2015 From April 1, 2014 to March 31, 2015
Revenues	452,984	919,222	1,417,784	1,924,929
Income before income taxes and minority interests	8,080	26,235	39,023	48,978
Net income	4,710	16,058	24,359	26,382
Net income per share (yen)	4.59	15.65	23.77	25.87

	Thousands of U.S. dollars			
	Three months ended Jun. 30, 2014 From April 1, 2014 to June 30, 2014	Six months ended Sep. 30, 2014 From April 1, 2014 to September 30, 2014	Nine months ended Dec. 31, 2014 From April 1, 2014 to December 31, 2014	2015 From April 1, 2014 to March 31, 2015
Revenues	3,769,531	7,649,348	11,798,157	16,018,387
Income before income taxes and minority interests	67,239	218,323	324,739	407,578
Net income	39,198	133,627	202,711	219,539
Net income per share (U.S. dollars)	0.03	0.13	0.19	0.21

	1Q	2Q	3Q	4Q
	From April 1, 2014 to June 30, 2014	From July 1, 2014 to September 30, 2014	From October 1, 2014 to December 31, 2014	From January 1, 2015 to March 31, 2015
Net income per share (yen)	4.59	11.06	8.12	2.01

	1Q	2Q	3Q	4Q
	From April 1, 2014 to June 30, 2014	From July 1, 2014 to September 30, 2014	From October 1, 2014 to December 31, 2014	From January 1, 2015 to March 31, 2015
Net income per share (U.S. dollars)	0.03	0.09	0.06	0.01



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## Independent Auditor's Report

The Board of Directors  
Nippon Express Co., Ltd.

We have audited the accompanying consolidated financial statements of Nippon Express Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

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

### *Emphasis of Matter*

We draw attention to Note 3. "Changes in accounting policies" to the consolidated financial statements, which describes Changes in Scope of Funds in Consolidated Statements of Cash Flows. Our opinion is not qualified in respect of this matter.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 26, 2015  
Tokyo, Japan

*Ernst & Young ShinNihon LLC*

# Global Network

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## The Americas

### **NIPPON EXPRESS U.S.A., INC.**

24-01 44th Road, 14th Floor  
Long Island City, NY 11101, U.S.A.

### **NEX TRANSPORT, INC.**

13900 State Route 287  
East Liberty, OH 43319, U.S.A.

### **NIPPON EXPRESS TRAVEL U.S.A., INC.**

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San Francisco, CA 94133, U.S.A.

### **ASSOCIATED GLOBAL SYSTEMS, INC.**

3333 New Hyde Park Road  
New Hyde Park, NY 11042, U.S.A.

### **NIPPON EXPRESS CANADA, LTD.**

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Mississauga, ON L5T 2X3, Canada

### **NIPPON EXPRESS DE MEXICO, S.A. DE C.V.**

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### **NEX GLOBAL LOGISTICS DE MEXICO, S.A. DE C.V.**

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Ciudad Industrial  
Delegación Mesa de Otay, Tijuana  
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### **NIPPON EXPRESS DO BRASIL TRANSPORTES INTERNACIONAIS LTDA.**

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São Paulo-SP, 01325-010, Brazil

### **MAP CARGO S.A.S.**

AK 97 No.24C-80  
Bogota D.C. 110911, Colombia

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## Europe

### **NIPPON EXPRESS EUROPE GMBH**

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### **NIPPON EXPRESS (DEUTSCHLAND) GMBH**

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41199 Mönchengladbach, Germany

### **NEX LOGISTICS EUROPE GMBH**

Marie-Bernays-Ring 23  
41199 Mönchengladbach, Germany

### **NIPPON EXPRESS (NEDERLAND) B.V.**

Cessnalaan 24, 1119 NL Schiphol-Rijk, Netherlands

### **NIPPON EXPRESS EURO CARGO B.V.**

Cessnalaan 24, 1119 NL Schiphol-Rijk, Netherlands

### **NIPPON EXPRESS (U.K.) LTD.**

Heathrow 360, 2 Millington Road, Hayes  
Middlesex UB3 4AZ, U.K.

### **NIPPON EXPRESS (IRELAND) LTD.**

Unit 6, Plato Business Park, Damastown  
Mulhuddart, Dublin 15, Ireland

### **NIPPON EXPRESS (BELGIUM) N.V./S.A.**

Bedrijvenzone Machelen  
Cargo 723/1, B-1830  
Machelen, Belgium

### **NIPPON EXPRESS FRANCE, S.A.S.**

1, Rue Du Chapelier, B.P. 18177  
95702 Roissy Aeroport Charles De Gaulle, France

### **NIPPON EXPRESS (ITALIA) S.R.L.**

Via Londra 12, 20090 Segrate MI, Italy

### **FRANCO VAGO S.P.A.**

Viuzzo di Porto, 4/B  
50018 Badia a Settimo, Scandicci, Firenze, Italy

### **NIPPON EXPRESS (SCHWEIZ) AG**

Grindel Strasse 19, 8303 Bassersdorf, Switzerland

### **NIPPON EXPRESS DE ESPAÑA, S.A.**

Centro de Carga Aerea, Aeropuerto de Barajas  
Parcela 2.1, Nave 2, 28042 Madrid, Spain

### **NIPPON EXPRESS PORTUGAL S.A.**

Aeroporto De Lisboa, Edificio 125, Piso 3  
Gab. 6, 1700 Lisboa, Portugal

### **NIPPON EXPRESS (RUSSIA) L.L.C.**

2nd Hutorskaya st. 38A, Bldg. No. 23  
Moscow 127287, Russia

### **NIPPON EXPRESS (MIDDLE EAST) L.L.C.**

c/o Airlink Jebel Ali Logistics Centre, P.O. Box 17341  
Jebel Ali, Dubai, U.A.E.

### **NIPPON EXPRESS (ISTANBUL) GLOBAL LOGISTICS A.S.**

Istanbul Dunya Ticaret Merkezi A2 Block Kat. 3  
No: 162, 34149 Sevketiye Mh.  
Bakirkoy, Istanbul, Turkey

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## East Asia

### **NIPPON EXPRESS (H.K.) CO., LTD.**

1101 Chinachem Golden Plaza  
77 Mody Road, Tsim Sha Tsui East  
Kowloon, Hong Kong

### **APC ASIA PACIFIC CARGO (H.K.) LTD.**

3rd Floor, Godown A, Sunshine Kowloon Bay Cargo Centre  
59 Tai Yip Street, Kowloon Bay  
Kowloon, Hong Kong

### **NIPPON EXPRESS (SHENZHEN) CO., LTD.**

B 105-36 Futian Free Trade Zone  
Shenzhen, Guangdong 518038, P.R.C.

### **NIPPON EXPRESS (ZHUHAI) CO., LTD.**

No.1 Ping Dong 5 Road  
Nan Pin High-Technology Industry Area, Zhuhai  
Guangdong 519060, P.R.C.

### **NIPPON EXPRESS (SOUTH CHINA) CO., LTD.**

Room 1312, Hongchang Plaza, Shennan East Road  
Luohu, Shenzhen, Guangdong 518002, P.R.C.

### **NIPPON EXPRESS (CHINA) CO., LTD.**

Room E508-513, ACLP International Building  
No. 566 Shunping Road, Shunyi District  
Beijing 101300, P.R.C.

### **NIPPON EXPRESS CARGO SERVICE (SHENZHEN) CO., LTD.**

Nippon Express Warehouse  
Yantain Port Free Trade Zone  
Shenzhen, Guangdong 518083, P.R.C.

### **NIPPON EXPRESS GLOBAL LOGISTICS (SHANGHAI) CO., LTD.**

11, De Bao Lu, Wai Gao Qiao Free Trade Zone  
Shanghai 200131, P.R.C.

### **NIPPON EXPRESS (XIAMEN) CO., LTD.**

No. 23-1B, Xiangxing 1 Road, Xiangyu Free Trade Zone  
Xiamen, Fujian 361006, P.R.C.

### **NIPPON EXPRESS (XI'AN) CO., LTD.**

A2-9, Xi'an Integrated Bonded Zone, 88, Gangwu Avenue  
Xi'an International Trade & Logistics Park, Xi'an  
Shaanxi 710026, P.R.C.

### **CHONGQING MINSHENG NITTSU XIYONG LOGISTICS CO., LTD.**

26-3, Zhongbao Avenue, Shapingba District  
Chongqing, 401331 P.R.C.

### **SHANGHAI E-TECHNOLOGY CO., LTD.**

3rd Floor, 126 Jiangchang No. 3 Road  
Shanghai 200436, P.R.C.

### **NIPPON EXPRESS (SUZHOU) CO., LTD.**

No. 622 Changjiang Road  
Suzhou New District, Suzhou  
Jiangsu 215011, P.R.C.

### **NIPPON EXPRESS (SHANGHAI) CO., LTD.**

C-12, 11th Floor, Shanghai Mart No. 2299  
Yan-an Road West  
Shanghai 200336, P.R.C.

### **NITTSU SINOTRANS LOGISTIC DALIAN LTD.**

No. 6 Haitian Road  
Free Trade Zone of Dalian  
Dalian, Liaoning 116600, P.R.C.

### **NIPPON EXPRESS KOREA CO., LTD.**

11th Floor, Kyobo Securities B/D  
26-4 Yeouido-Dong  
Yeoungdeungpo-Gu  
Seoul 150-737, Republic of Korea

### **NIPPON EXPRESS (TAIWAN) CO., LTD.**

14th Floor, No. 285, Section. 4, Chung Hsiao E. Road  
Da-an District Taipei 10692, Taiwan, R.O.C.

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## South Asia & Oceania

### **NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE., LTD.**

5C Toh Guan Road East  
Singapore 608828

### **NIPPON EXPRESS (SINGAPORE) PTE., LTD.**

5C Toh Guan Road East  
Singapore 608828

### **NIPPON EXPRESS (AUSTRALIA) PTY., LTD.**

Airgate Business Park, 291 Coward Street  
Mascot NSW 2020, Australia

### **NIPPON EXPRESS (NEW ZEALAND) LTD.**

37 Andrew Baxter Drive, Airport Oaks, Mangere  
P.O. Box 73035, Auckland Int'l Airport, New Zealand

### **NIPPON EXPRESS (MALAYSIA) SDN. BHD.**

10th Floor, West Tower, Wisma Consplant 1, No. 2  
Jalan SS16/4, 47500 Subang Jaya  
Selangor Darul Ehsan, Malaysia

### **NITTSU TRANSPORT SERVICE (M) SDN. BHD.**

Lot 4286, Batu 12, Jalan Balakong, 43300 Sri Kembangan  
Selangor Darul Ehsan, Malaysia

### **NIPPON EXPRESS (PHILIPPINES) CORPORATION**

Lot 85 A & B, Avocado Road, Food Terminal Inc. Complex  
East Service Road  
Taguig City 1630, Philippines

### **NEP LOGISTICS, INC.**

Unit 1, Lot 10, Phase 4, East Science Ave.  
Laguna Technopark, Binan  
Laguna, Philippines

### **HI-TECH NITTSU (THAILAND) CO., LTD.**

193/88 21st Floor, Lake Rajada Office Complex  
Rachadapisek Road Klong Toey  
Bangkok 10110, Thailand

### **NIPPON EXPRESS (THAILAND) CO., LTD.**

3195/16 11th Floor, Vibulthani Tower 1, Rama 4 Road  
Klong Ton, Klong Toey, Bangkok 10110, Thailand

### **NIPPON EXPRESS ENGINEERING (THAILAND) CO., LTD.**

3195/16 11th Floor, Vibulthani Tower 1, Rama 4 Road  
Klong Ton, Klong Toey, Bangkok 10110, Thailand

### **PT. NIPPON EXPRESS INDONESIA**

Soewarna Business Park Block J lot 12  
Bandara International Soekarno-Hatta  
Jakarta 19110, Indonesia

### **PT. NITTSU LEMO INDONESIA LOGISTIK**

Jl. Raya Cakung Cilincing Kav. 14  
Cakung-Timur, Cakung  
Jakarta 13910, Indonesia

### **NIPPON EXPRESS (INDIA) PVT. LTD.**

The Millenia, Tower-B, 3rd Floor, Unit No. 302  
Nos. 1 & 2, Murphy Road, Ulsoor  
Bangalore-560008, India

### **NITTSU LOGISTICS (INDIA) PVT. LTD.**

The Millenia, Tower-B, 3rd Floor, Unit No. 302  
Nos. 1 & 2, Murphy Road, Ulsoor  
Bangalore-560008, India

### **NIPPON EXPRESS (VIETNAM) CO., LTD.**

R. 5.2-5.3 E-TOWN, 364 Cong Hoa Street  
Tan Binh District, Ho Chi Minh City, Vietnam

### **NIPPON EXPRESS ENGINEERING (VIETNAM) CO., LTD.**

Harbour View Office Tower 7th Floor, Unit-E  
12 Tran Phu Street  
Ngo Quyen, Hai Phong, Vietnam

### **NIPPON EXPRESS BANGLADESH LTD.**

Plot #26, Lake Drive Road, Nikunja-1  
Dhaka-1229, Bangladesh

### **NIPPON EXPRESS (CAMBODIA) CO., LTD.**

2nd Floor Regency Complex C, Unit No. C2/6  
Preah Monireth Blvd., Sangkat Tomnoubteouk  
Khan Chamkarmon, Phnom Penh, Cambodia

### **NIPPON EXPRESS (MYANMAR) CO., LTD.**

#2A, 2nd Floor, United Tower  
141/145, Bo Aung Kyaw Street  
Kyauktada Township, Yangon, Myanmar

### **PT. NEX LOGISTICS INDONESIA**

Jl. Raya Cakung Cilincing Kav. 14  
Cakung-Timur, Cakung  
Jakarta 13910, Indonesia

### **NITTSU SHOJI (THAILAND) CO., LTD.**

103 Moo 1, Hi-Tech Industrial Estate  
Asia Road KM. 60-61, Ban Lane  
Bang Pa-in, Ayutthaya 13160, Thailand

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## Representative Offices

### Johannesburg Representative Office

Clearwater Office Park, Block F, 1st Floor

Corner of Park and Atlas Roads

Boksburg 1459, South Africa



# Company Information

(As of March 31, 2015)

<b>Name</b>	Nippon Express Co., Ltd.
<b>Headquarters</b>	1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322, Japan Tel: +81 (3) 6251-1111
<b>Formal establishment</b>	October 1, 1937
<b>Paid-in capital</b>	¥70,175 million
<b>Employees</b>	32,510
<b>URL</b>	(Japanese) <a href="http://www.nittsu.co.jp/">http://www.nittsu.co.jp/</a> (English) <a href="http://www.nipponexpress.com/">http://www.nipponexpress.com/</a>

## Areas of operation

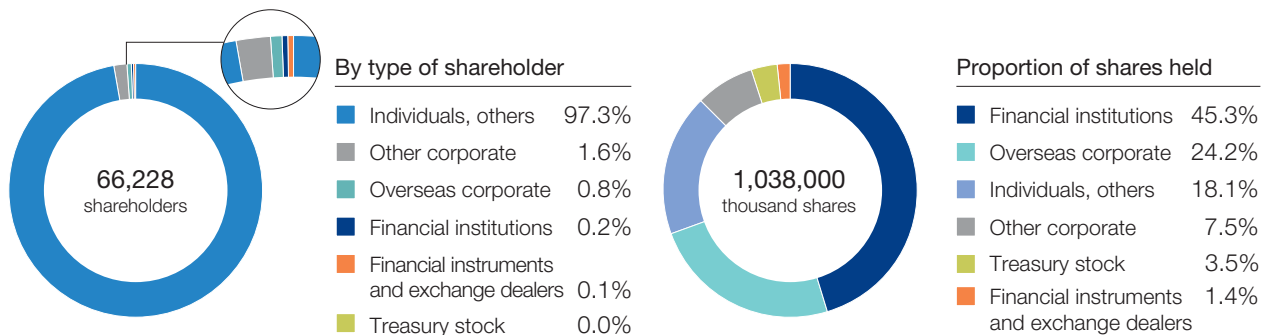
- 1 Rail freight forwarding business
- 2 Truck transportation business
- 3 Truck freight forwarding business
- 4 Marine transportation business
- 5 Coastal shipping business
- 6 Harbor transportation business
- 7 NVOCC marine transportation business
- 8 Air freight forwarding business
- 9 Transportation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

# Share Information

(As of March 31, 2015)

<b>Stock listing</b>	Tokyo	
<b>Number of shares</b>	Total number of shares authorized	3,988,000,000
	Total number of shares issued	1,038,000,000
<b>Number of shareholders</b>	66,228	
<b>Stock transfer agent</b>	Mitsubishi UFJ Trust and Banking Corporation	

## Distribution of shares



## Major shareholders

	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	82,311	8.2
Japan Trustee Services Bank, Ltd. (Account in Trust)	69,461	6.9
Asahi Mutual Life Insurance Company	56,019	5.6
Sompo Japan Nipponkoa Insurance Inc.	50,967	5.1
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.)	41,500	4.1
Nippon Express Employees' Shareholding Association	34,600	3.5
Japan Trustee Services Bank, Ltd. (Account in Trust No. 4)	25,806	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	21,316	2.1
State Street Bank and Trust Company 505223	12,219	1.2
The Bank of New York Mellon SA/NV 10	12,184	1.2

\* Although the Company owns 36,401 thousand shares of treasury stock, it is excluded from the major shareholders stated above.

\*\* The shareholding ratio stated above is calculated excluding treasury stock.

## Stock price movement

