



1-9-3, Higashi-Shimbashi, Minato-ku, Tokyo 105-8322, Japan

Phone: +81 (3) 6251-1111

URL: (Japanese) <http://www.nittsu.co.jp/>

(English) <http://www.nipponexpress.com/>



BECOMING A TRULY GLOBAL LOGISTICS COMPANY

ANNUAL REPORT 2017

Year ended March 31, 2017



New Sekai-Nittsu

In October 2017, Nippon Express will mark the 80th anniversary of its founding. From its origins in domestic freight transport connecting customers with railway stations, Nippon Express has grown into a comprehensive logistics group providing a wide range of logistics services with a network that spans 42 countries worldwide. In 2007, we established our Corporate Philosophy, laying out the ideals of being a driving force for social development, creating new ideas and value that expand the field of logistics, and inspiring trust every step of the way. The Nippon Express Group advances its businesses in line with this philosophy.

The Group launched the “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu” in April 2016. This three-year business plan is positioned as the culmination of the measures articulated in the two previous management plans, Corporate Strategy 2012 and its successor Corporate Strategy 2015. Under the new plan, the entire Group is working to push through to the next stage. Going forward, we will continue working to become a truly global logistics company.

Nippon Express Group Corporate Philosophy

Our Mission	Be a Driving Force for Social Development
Our Challenge	Create New Ideas and Value that Expand the Field of Logistics
Our Pride	Inspire Trust Every Step of the Way

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

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

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

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

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



Contents

Overview

Nippon Express's Strengths	2
Origins and Company History	4

Management Strategy

An Interview with the President	6
The Nippon Express Group's Management Plans	12
Management Plan 2018	14

Operations

Nippon Express Group Topics	16
Segment Overview	18

Governance & Sustainability

The Nippon Express Group's CSR	24
Corporate Governance	28
Directors, Executive Officers, Audit & Supervisory Board Members	32

Financial Section

Financial Section	33
-------------------	----

Corporate Data

Global Network	82
Company Information	84
Share Information	85



Caution Regarding Forward-Looking Statements

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

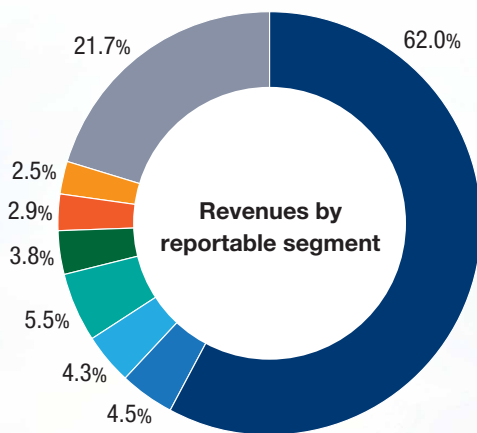
*Due to the application of the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21, issued September 13, 2013) and other accounting standards, the accounting item presented as "net income" prior to fiscal 2015 has been renamed "net income attributable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

Nippon Express's Strengths

The Nippon Express Group's overseas network, spanning 267 cities across 42 countries, is one of the world's largest. With a global structure comprising the five prongs of Japan, the Americas, Europe, East Asia and South Asia & Oceania, the Nippon Express Group operates a wide range of businesses, including motor cargo transportation and other logistics businesses, the security transportation business, the heavy haulage and construction business, and the logistics support business, which includes the sale of logistics-related products.

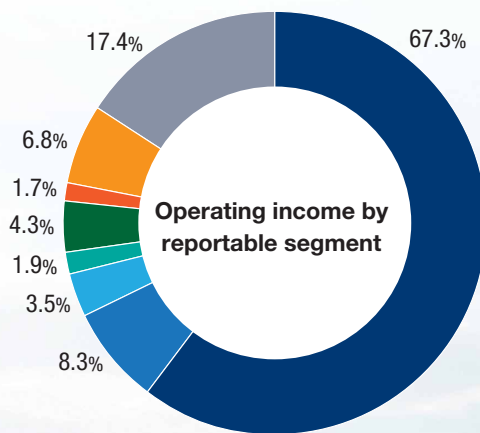
▶ Revenues (fiscal 2016)

¥1,864,301 million



▶ Operating income (fiscal 2016)

¥57,431 million



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

*Figures presented exclude adjustments.



▶ Scale



Subsidiaries

295

Affiliates

67

Overseas network

42 countries**267** cities**678** locations

▶ Facilities



Vehicles (non-consolidated)

18,369

Loading and construction vehicles (non-consolidated)

4,915

▶ Warehousing



Overseas warehousing space

2,990,000 m²

Warehousing space (non-consolidated)

2,900,000 m²

▶ People



Employees (consolidated)

70,092

		Logistics		
Japan	The Americas	Europe	East Asia	South Asia & Oceania
42,850	2,691	2,718	4,970	7,555

Employees
(non-consolidated)**32,008**Portion of women among new graduate hires
(non-consolidated) (fiscal 2017)**37.8%**

▶ Environmental Protection

Nippon Express Group
CO₂ emissions (fiscal 2016)**942,363**tEco-friendly vehicles held by the
domestic Nippon Express Group**8,594**

Origins and Company History

▶ Origins

1872

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

1875

- Company name changes to Naikoku Tsu-un Kaisha (Domestic Express Co., Ltd.)

▶ Company History

1951

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



Maebashi Branch express transport truck (circa 1955)

1962

- Nippon Express U.S.A., Inc., the Group’s first overseas subsidiary, is established



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

1965

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

1950

1928

- Naikoku Tsu-un merges with Kokusai Unso, Meiji Unso and Kokusai Tsu-un and begins operations under the name Kokusai Tsu-un Kaisha (International Express Co., Ltd.)

1937

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

1950

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

1960

1955

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

1957

- International air freight forwarding operations begin

1958

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

1959

- First transport by 300-ton trailer



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

1970

1973

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

1977

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

1981

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

1991

- Corporate committee is established to address environmental issues

1992

- 200th overseas location is established

1994

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

2001

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

2006

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

2007

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

1980

1990

2000

2010

2010

- Small-parcel delivery business is transferred to Japan Post Co., Ltd.
- Operations kick off at Nippon Express Training & Education Center (NEX-TEC Shibaura), which aims to develop professionals and leaders capable of advancing cross-divisional logistics

2011

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

2012

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

2013

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

2014

- Nittsu Panasonic Logistics Co., Ltd. is established and made a consolidated subsidiary
- Nippon Express Engineering (Vietnam) Co., Ltd. is established, specializing in heavy haulage and construction
- Nippon Express (Myanmar) Co., Ltd. is established.

2014

- Nippon Express (Malaysia) Sdn. Bdn. acquires halal logistics certification with an eye to providing logistics services to Islamic markets worldwide
- Nippon Express reforms its business structure (Kyushu, Kansai, Chubu)

2015

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

2016

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

An Interview with the President

It was my honor to assume the position of president and chief executive officer in May 2017.

Under “Nippon Express Group Corporate Strategy 2018 —New Sekai-Nittsu,” the business plan for the period up to fiscal 2018, the year ending March 31, 2019, we will work toward our goal of being a truly global logistics company, implementing aggressive management through speedy decision making as we seek to increase corporate value and contribute to social development through logistics.

Mitsuru Saito

Mitsuru Saito
President, Chief Executive Officer

Background

Joined Nippon Express Co., Ltd. in 1978. Later served as general manager of the Finance & Accounting Division of Nippon Express USA, Inc.; general manager of the Finance & Accounting Division of Nippon Express Co., Ltd.; executive officer and regional general manager of the Tohoku Region and general manager of the Sendai Branch; director and managing executive officer; and representative director and executive vice president. Appointed president and chief executive officer in May 2017.

Q1

Please tell us about your aspirations and intentions as president as well as your thoughts on the position and role of Nippon Express within the industry and what the Company should aim to become.

I feel that by implementing bold, decisive reforms, the Nippon Express Group has already taken major steps toward freeing itself from restraints imposed by outdated business models and its former corporate culture and begun realizing the goal of becoming a truly global logistics company. Having been handed the reins of management as we approach the culmination of these reforms, I certainly feel a great responsibility to ensure that we achieve the goals of “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu,” which will conclude in fiscal 2018.

A truly global logistics company, as Nippon Express aspires to be, must offer logistics-centered supply chain solutions in countries and regions around the world and contribute to customers’ global business development. I hope to help strengthen the Nippon Express Group so that, in the future, it can compete on an equal footing with large-scale integrated logistics services providers on the world stage.

My experience overseas, including while stationed at Nippon Express USA, has taught me that the solution to many difficulties lies in communicating openly, taking into account differences in language, culture and values. I have worked hard to build professional relationships. Growth in one’s personal network naturally leads to growth in the breadth of one’s work and in oneself, and is an asset for life.

I, myself, strive to maintain open communications, aiming to exercise the right amount of flexibility while remaining true to my core principles and beliefs. I try to hold myself to a standard of promptly making decisions and then boldly putting them into action.

When the Great East Japan Earthquake struck in 2011, I was in the Tohoku Region, the area most affected. This experience drove home for me the significance of the role that logistics plays in supporting social infrastructure. In recent years, logistics companies have taken on the role of building their customers’ overall supply chains, and, at times of disaster, they provide support that helps customers maintain business continuity or resume operations quickly, helping communities recover. Nippon Express is a designated public institution under the Disaster Measures Basic Law. We must prepare our logistics network and systems so that they will be useful to society. In the Nippon Express Group Corporate Philosophy, we have declared to the world that we will connect people, businesses and regions and, in doing so, support and power social development. At the same time, the industry as a whole faces many pressing tasks, including securing human resources and building next-generation logistics services. Nippon Express must take on new challenges as a leader in Japan’s logistics industry.

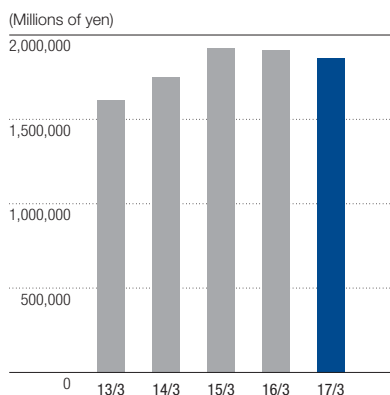
Q2

Please tell us about the operating environment and the Company’s results for fiscal 2016.

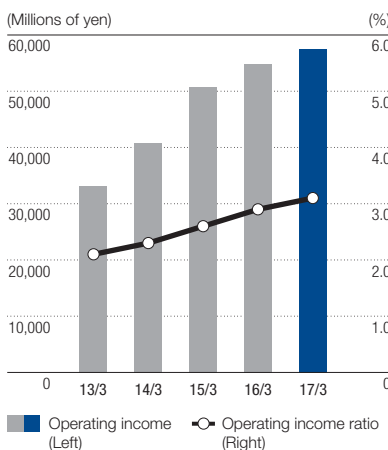
The domestic economy continued to gradually recover, but consumer spending was less than robust. Overseas, there was a growing sense of uncertainty in many countries. Looking at the logistics industry, there were signs of recovery in international freight transportation, such as increased air freight forwarding to Asia, but domestic freight remained weak, reflecting such factors as decreased production-related freight volumes.

Under these circumstances, fiscal 2016 revenues came to ¥1,864.3 billion, down 2.3% from the previous fiscal year. This was due to ongoing stagnation in domestic cargo transport, decreased overseas revenues after yen conversions due to the strong yen, a decrease in overseas large-scale plant construction in the Heavy Haulage & Construction segment, and a drop in the unit selling price of oil in the Logistics Support segment. However, operating income rose 4.8% year

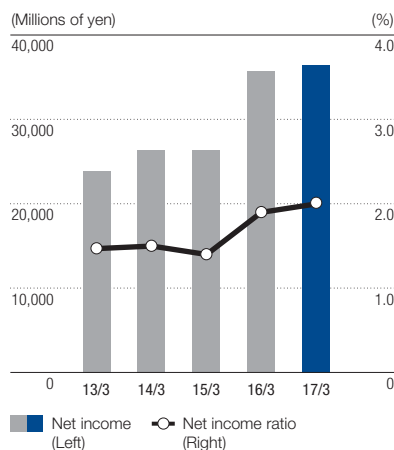
Revenues



Operating income and operating income ratio



Net income and net income ratio



on year to ¥57.4 billion, and net income attributable to shareholders of Nippon Express rose 2.2% to ¥36.4 billion, a record high. While the result for revenues was somewhat less than satisfactory, the growth in profit showed that our cost control efforts, mainly in domestic businesses, are bearing fruit.

Going forward, we need to bolster revenue, increasing the focus on revenue expansion throughout the Group while

reinforcing the cost structure. We will strive to reinforce the sales and functionality of one-stop services for land, sea and air transport. In Japan, especially, we must ensure that we win out over the competition in the Kanto, Chubu and Kansai regions, our original market, which contains Japan's three largest metropolitan areas, Tokyo, Osaka and Nagoya. By doing so, we will aim to expand revenue.

Q3

Please tell us about the progress of “Nippon Express Group Corporate Strategy 2018 —New Sekai-Nittsu.” First, how is the Group implementing its area strategies?

The business plan's key strategies are divided into area strategies and functional strategies. Under the plan, we are working to further enhance the profitability of businesses in Japan. At the same time, we are focusing investment on B2B operations in priority business fields and growth regions and promoting Group management that emphasizes earnings.

Looking first at area strategies, our strategies in Japan are to strengthen domestic businesses, develop businesses adapted to regional characteristics and establish new core businesses to further promote business structure reforms as well as to establish a foundation that is capable of achieving both growth and profitability. In the plan's first year, by further

integrating Group operations, mainly in the region encompassing Tokyo, Osaka and Nagoya, we sought to concentrate and increase the efficiency of management resources.

Previously, we offered land, sea and air transport separately, depending on customer needs. Through structural reforms, we have now created an integrated land, sea and air system that allows us to more fully exercise Group strengths. Going forward, we will further enhance our competitiveness in the Tokyo metropolitan area, where global companies are concentrated, and make sales pitches aimed at expanding our role throughout customers' supply chains. At the same time, we will work to increase cargo handling volumes in other

regions, including overseas areas, and expand the range of transportation modes that we offer. In January 2017, we opened Tokyo C-NEX, which is one of the Group's largest urban logistics centers and boasts easy access to key logistics points, including the Tokyo city center as well as railways, airports and Tokyo Bay. This facility will play a major role as hub for global logistics by land, sea and air going forward.

On the international front, we have positioned overseas business as the area that will drive the growth of the Nippon Express Group. We continue to focus management resources on Southeast Asia. Specifically, we are aggressively

accelerating the opening of new facilities and further expanding businesses in which we have strength through such initiatives as reinforcing the global operation of the Heavy Haulage & Construction segment. Furthermore, we established the Global Logistics Innovation Centre in Singapore with an eye to strengthening sales efforts geared toward non-Japanese customers, who will be essential for growth going forward. By establishing an overwhelmingly strong position in Asia and expanding the volume of cargo we handle going to and from the region, we will achieve global growth that encompasses Europe and the Americas, as well.

Q4

Next, please tell us about the plan's functional strategies.

Under our functional strategies, first, we have implemented one-stop sales integrating land, sea and air transport as well as rigorous account management to strengthen customer-oriented sales. Next, we will make our core global forwarding and logistics businesses stronger and more sophisticated by reinforcing the global purchasing power of our Global Forwarding Planning & Development Division and implementing R&D at the newly established Logistics Engineering Strategy Division to develop cutting-edge logistics technologies

incorporating advances in artificial intelligence and the Internet of things. In addition, to expand the third-country forwarding business and reinforce regional logistics in areas around the world, we have been building warehouses owned by the Group in such countries as India and Mexico. We are promoting thorough Group management to leverage strategic management resources and optimize their allocation throughout the Group.

Q5

What are your thoughts and predictions regarding the achievement of the plan's quantitative targets?

I think that fiscal 2017 will be crucial to the achievement of the business plan's targets. We are concentrating management resources to further enhance efficiency and promote growth. We are also actively considering M&A opportunities, focusing on companies that have strengths in areas where we either do not have operations or do comparatively little business, that offer capabilities needed for new businesses or that might help us reinforce business in regions or customer bases where

we are weak. Such opportunities are being considered separately from our ¥200.0 billion three-year capital investment plan.

Our structural reorganization in May 2017, in which we consolidated the domestic regional blocs into larger units, helped to optimize management resource allocation and integrate the sales structure. We will implement the integrated planning, development and sales promotion of network products that combine various transportation modes, mainly

	Fiscal 2017 forecast	Year-on-year change
Revenues	¥1,940.0 billion	+4.1%
Operating income	¥67.0 billion	+16.7%
Ordinary income	¥70.0 billion	+9.7%
Net income	¥42.0 billion	+15.2%

(As of July 31, 2017)

through the newly established Network Transport Business Promotion Headquarters (formerly the Automotive Planning, Small-Lot Cargo Sales, Railway Forwarding and Moving Sales divisions). In addition, we are working to establish heretofore unseen business models powered by the Group's comprehensive strengths, such as finance company functions, trading company functions and a think tank within the Group. Such business models will allow us to achieve overwhelming business differentiation within Japan. By providing services that our competitors cannot, I am sure that we will be able to further improve the Nippon Express Group's corporate value.

The key area for us overseas is Southeast Asia. We will make concentrated investments to expand our network there, including in countries that we have not yet entered. At the same time, in Europe and the Americas, we hope to aggressively move into not just upstream logistics areas, where we already have strength, but downstream areas as well. Going forward, we will utilize M&A and work to secure new logistics know-how in fields where we have considerable room for expansion, such as fresh foods and pharmaceuticals, actively working to expand the range of our businesses.

Q6

Please tell us about the Group's business infrastructure and about CSR management-related policy and initiatives.

Going forward, we will pay greater attention to non-financial value as we seek to increase total corporate value, which is a combination of the financial and non-financial. For us, corporate social responsibility (CSR) refers to our duty to help improve the lives of people around the world and support the development of a sustainable world through logistics. One of the business plan's functional strategies is to "further strengthen the Group's CSR management." We are implementing a variety of measures in line with this strategy. An example of a business initiative related to CSR is the joint

transport of products of two beer breweries by railway container, launched in January 2017. This initiative received the Logistics Environment Award at the Japan Federation of Freight Industries' 18th annual Logistics Environment Awards. This award was given in recognition of initiative's goals of reducing environmental burden and helping to solve such social issues as truck driver shortages via a modal shift. Going forward, we will continue to embrace new ways of understanding value, leading the way in the industry and society to carry out our corporate social responsibility.

Q7

Could you tell us about the Group's efforts to strengthen corporate governance and its human resource strategy?

Corporate governance is one of the Nippon Express Group's top priorities. We are gradually improving our management structure and taking necessary measures in response to demands from society and our stakeholders.

Securing and developing human resources is a major challenge faced by the logistics industry. Mechanisms to draw people into the industry are indispensable to securing drivers and other human resources. To this end, we are improving work environments and reforming work practices to be more attractive to the younger generation. Furthermore, in May

2017, we established the Diversity Promotion Group, aiming to better enable all employees to feel that their work is worthwhile and reinforce competitiveness by enabling diverse employees to excel. In particular, as a major pillar of these efforts, we are actively working to promote the professional success of women. Overseas, we are promoting more local staff to management-level positions previously held mainly by employees dispatched from Japan. Top positions in our local companies in Italy, Switzerland, France and Spain are held by European staff, who have achieved solid records of success.

Q8

In closing, is there any message you would like to convey to Nippon Express' stakeholders?

Nippon Express regards shareholder returns as a top priority. Our policy is to strive to enhance returns while growing sales, strengthening our financial position, increasing shareholders' equity and improving the profit ratio.

Our annual dividend for fiscal 2016 was ¥11 per share, for a dividend payout ratio of 29.6%. We are targeting a dividend payout ratio of around 30% to 40%. Furthermore, between August 2016 and February 2017, we implemented a purchase of treasury stock amounting to 40 million shares at ¥21.2 billion. We continue to actively consider increases in treasury stock 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.

At the same time, 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 business plan with the aim of increasing corporate value.

We gratefully look forward to your continued support.



The Nippon Express Group's Management Plans

The Nippon Express Group launched the “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu” in April 2016. This three-year management plan is positioned as the final stage of the Group’s measures articulated in the two previous management plans, Corporate Strategy 2012 and its successor Corporate Strategy 2015. Over the next three years, the Group intends to demonstrate its medium- to long-term orientation, laying a foundation for

► Management Plans

Nippon Express Group Corporate Strategy 2012 —Towards New Growth—

April 1, 2010–March 31, 2013

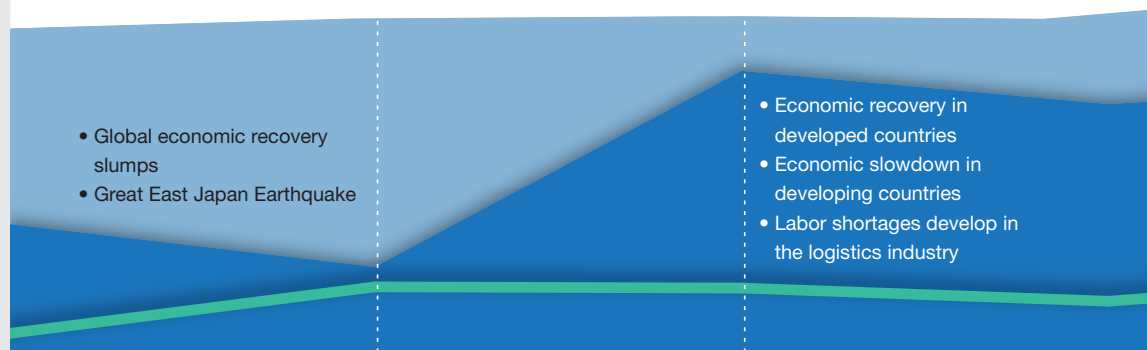
**Shift to a five-pronged global structure /
Begin to consolidate business locations in Japan**

Key Strategies		
<ul style="list-style-type: none"> • Growth as a Global Logistics Company • Promotion of Strategic Environmental Management 	<ul style="list-style-type: none"> • Enhancement of Management Infrastructure • Promotion of Corporate Social Responsibility (CSR) Management 	<ul style="list-style-type: none"> • Acquired all shares of American logistics company Associated Global Systems, Inc. • Acquired all shares of Hong Kong logistics company APC Asia Pacific Cargo (H.K.) Ltd. • Acquired all shares of Italian logistics company Franco Vago S.p.A.

► Financial Results

	FY2010	FY2011	FY2012
Revenues (Millions of yen)	1,617,185	1,628,027	1,613,327
Operating income (Millions of yen)	31,629	37,497	33,206
Net income (Millions of yen)	8,541	26,949	23,831
ROA (%)	0.7	2.3	1.9
Proportion of sales from overseas-related business (%)	30.9	30.8	29.7

- Revenues
- Net income
- Proportion of sales from overseas-related business



sustainable development into the future. Under the preceding management plan, the Nippon Express Group aimed to transform to a more customer-centered structure. To that end, we forged ahead with internal reorganization, removing internal barriers to establish an integrated, one-stop model for land, sea and air transport. Building on these reforms, the Group aims to further enhance the profitability of its businesses in Japan and become a truly global logistics company.

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

April 1, 2013–March 31, 2016

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

Key Strategies

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

- Established Nittsu NEC Logistics, Ltd. (made a consolidated subsidiary in 2014)
- Established Nittsu Panasonic Logistics Co., Ltd. and made it a consolidated subsidiary

- Reformed the business structure (Kyushu, Kansai, Chubu)

- Reformed the business structure (Kanto, Headquarters)
- Acquired all shares of Wanbishi Archives, Co., Ltd.
- Acquired shares of Meitetsu Transport Co., Ltd. (April 2016)

Nippon Express Group Corporate Strategy 2018

—New Sekai-Nittsu—

April 1, 2016–March 31, 2019

FY2013	FY2014	FY2015	FY2016
1,752,468	1,924,929	1,909,105	1,864,301
40,865	50,811	54,778	57,431
26,345	26,382	35,659	36,454
2.0	1.9	2.4	2.8
32.5	34.7	36.2	34.6

- Abenomics policies lead to improvement in Japan's economy

- Japan raises the consumption tax for the first time in 17 years

- Oil prices recover somewhat
- China's economy slows

- Negative interest rates adopted in Japan
- The U.K. begins negotiations to leave the European Union

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

April 1, 2016–March 31, 2019

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

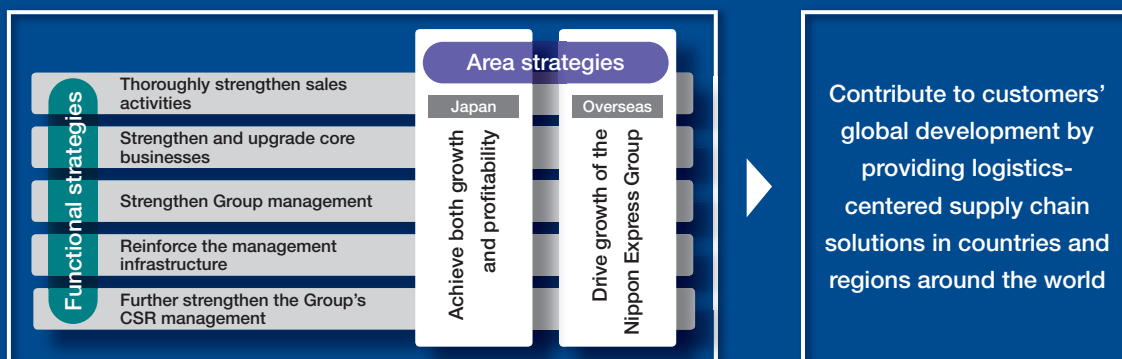
▶ **Progress**

Numerical Targets / Results	FY2018 targets	FY2017 forecast	FY2016 results
Revenues	¥2,150.0 billion	¥1,940.0 billion	¥1,864.3 billion
Operating income	¥75.0 billion	¥67.0 billion	¥57.4 billion
Net income	¥45.0 billion	¥42.0 billion	¥36.4 billion
Sales from overseas-related business	¥860.0 billion	—	¥645.9 billion
Return on assets (ROA)	2.8%	—	2.4%
Investment plan	Three-year total ¥200.0 billion	Single-year amount ¥90.0 billion	Single-year amount ¥80.3 billion

Numerical targets by segment		FY2018 targets		FY2016 results	
		Revenues	Operating income	Revenues	Operating income
Logistics	Japan	¥1,300.0 billion	¥48.0 billion	¥1,155.7 billion	¥38.6 billion
	The Americas	¥100.0 billion	¥5.6 billion	¥83.8 billion	¥4.7 billion
	Europe	¥90.0 billion	¥3.8 billion	¥79.2 billion	¥2.0 billion
	East Asia	¥135.0 billion	¥4.2 billion	¥101.7 billion	¥1.1 billion
	South Asia & Oceania	¥105.0 billion	¥3.6 billion	¥70.3 billion	¥2.4 billion
Security Transportation		¥56.0 billion	¥1.7 billion	¥54.7 billion	¥0.9 billion
Heavy Haulage & Construction		¥53.0 billion	¥3.3 billion	¥46.9 billion	¥3.8 billion
Logistics Support		¥472.0 billion	¥10.4 billion	¥403.9 billion	¥10.0 billion

*Before elimination of intersegment transactions

▶ **Key strategies**



Vision of the Nippon Express Group
“Global Logistics Company”

► Progress

Key strategies	Areas of Focus	Progress
Area strategies		
<p>Japan</p> <p>Achieve both growth and profitability</p>	Expand transactions with global companies in metropolitan areas, namely Tokyo, Nagoya and Osaka	<ul style="list-style-type: none"> • Opened Tokyo C-NEX
	Strengthen domestic businesses and establish new core businesses	<ul style="list-style-type: none"> • Formed a business alliance with Meitetsu Transport Co., Ltd. • Established the Network Transport Planning Division
<p>Overseas</p> <p>Drive growth of the Nippon Express Group</p>	Growth in South Asia & Oceania	<ul style="list-style-type: none"> • Opened a new warehouse in India • Opened a branch in Sri Lanka
	Global development of the heavy haulage & construction business	<ul style="list-style-type: none"> • Established NEX GLOBAL ENGINEERING PTE., LTD.
Functional strategies		
Thoroughly strengthen sales activities	Expand sales & marketing targeting non-Japanese companies	<ul style="list-style-type: none"> • Established the Global Logistics Innovation Centre
Strengthen and upgrade core businesses	Strengthen the purchasing power of global freight forwarding	<ul style="list-style-type: none"> • Implemented initiatives to strengthen purchasing power, mainly through the Global Forwarding Planning & Development Division
	Strengthen R&D of logistics engineering and its practical application	<ul style="list-style-type: none"> • Established the Logistics Engineering Strategy Division
Reinforce the management infrastructure	Promote diversity management	<ul style="list-style-type: none"> • Established the Diversity Promotion Group

2017

June Multifunctional Logistics Warehouse Opened in Myanmar

Nittsu Logistics Myanmar Co., Ltd. kicked off operations at its newly completed Thilawa Logistics Center in the Thilawa Special Economic Zone, Myanmar's only customs bonded area. The facility offers temperature-controlled, dehumidified warehousing for the storage of apparel and chemical products. As of the end of March 2017, the special economic zone where it is located is host to about 80 companies from 16 countries, mainly in the construction material, food and beverage, apparel and automotive-related industries.

May Halal Warehousing Certification Acquired in Malaysia

Nippon Express (Malaysia) Sdn. Bdn. acquired halal warehousing certification in 2017 from the Department of Islamic Development (JAKIM), a certifying body within the Malaysian government. This followed halal transport certification acquired in 2014. Having also acquired halal warehousing and transport certification in Japan from the Japan Halal Association in 2016, Nippon Express has created a halal integrated transport system fully supported by the Nippon Express Group that links origins and destinations in Malaysia and Japan.



March Multifunctional Logistics Warehouse Opened in India

Nittsu Logistics (India) Private Limited completed the construction of the Sri City Logistics Center, a multifunctional logistics warehouse in the Sri City Industrial Zone, located outside Chennai, a major logistics hub for the automotive and other industries in South India. Approximately 40 foreign companies, including 14 Japanese companies, have set up manufacturing facilities in the industrial zone. Going forward, the Group will continue to enhance its domestic transport network in India.



Feb. Aerospace Industry Quality Management System Certification Acquired

In February 2017, Nippon Express Co., Ltd. acquired certification under the AS9120 standard for aerospace industry quality management systems as a forwarder at both Narita and Haneda airports. The Group is working to expand the certification of its facilities in and outside Japan. The February 2017 certifications enable the Group to provide high-quality, high-speed service through its network connecting key airports in the United States and France as well as the Chubu, Narita and Haneda airports in Japan.

Jan. Tokyo C-NEX, One of Nippon Express Co., Ltd.'s Largest Logistics Centers, Opened

Nippon Express Co., Ltd. opened Tokyo C-NEX, an urban distribution center. With excellent access for multiple transportation modes, including transport via rail container, harbor and airport, the facility's location in Shinsuna, Koto-Ku, Tokyo, is ideal as a freight collection point and base for distribution to the city center. A double rampway structure allows vehicles direct access to any floor. In addition, with floor spaces of over 23,000 m², each floor can function semi-independently, for more efficient, sophisticated operations.



Jan. Joint Transport and Modal Shift Achieved in Transport of Products to Hokuriku

Helping to reduce environmental impact and alleviate truck driver shortages and other issues, Nippon Express Co., Ltd., is providing storage and inventory management for Asahi Breweries, Ltd. and Kirin Brewery Company, Limited, at a joint distribution center in Kanazawa-shi, Ishikawa. The center was established to facilitate the two companies' joint rail container transport of products from breweries in the Kansai Region to the Hokuriku Region. By enabling a modal shift that replaces 10,000 long-distance truck trips annually with rail transport, the collaboration is expected to cut annual CO₂ emissions by 2,700 tons.

2016

Dec. Facility Targeting Non-Japanese Global Companies Established in Singapore

Nippon Express (South Asia & Oceania) Pte., Ltd. opened the Global Logistics Innovation Centre, a facility specializing in market research and business development targeting non-Japanese global companies. The Centre is located in Singapore, home to many global companies' Asia-Pacific regional headquarters. Reinforcing regional sales efforts, the Centre will develop business opportunities with non-Japanese customers, analyze clients' businesses and conduct research and development related to logistics systems.

Sept. Logistics Center Opened in Mexico

Nippon Express de Mexico, S.A. de C.V., which operates in 10 cities in Mexico, opened its third logistics center in the country, the Aguascalientes Logistics Center. The facility is located in the state of Aguascalientes, where Japanese finished-vehicle manufacturers and many other automobile-related companies have set up operations. Serving as base for product distribution and distribution processing, the center is capable of meeting a full range of logistics needs with sophisticated, high-quality services.



2016

Aug.

Temperature-Controlled International Air Freight Forwarding Service Expanded

Nippon Express Co., Ltd. began sales of NEX-SOLUTION TempSure Thermo ULD, an international air freight forwarding service that meets strict quality control standards for pharmaceutical and food product logistics by maintaining a 15–25°C temperature-stable transport environment at the loading container level. The service uses special insulating materials wrapped around air-freight forwarding loading containers to maintain a steady temperature and can accommodate heavy, large-sized freight. (A version of the service for the 2–8°C range was launched in June 2017.)



July

Consolidated Cargo Rail Transport Service between China and Europe Launched

Nippon Express (China) Co., Ltd., and Nippon Express Europe GmbH added a consolidated cargo offering to their lineup of cross-border rail transport services between China and Europe. This service for small freight volumes combines multiple transport modes to ship multiple customers' less-than-container-load cargos together by rail, then distribute them to cities across China and Europe using the companies' trucking networks. In May 2017, the service was made part of Eurasian Train Direct brand, and the cities and routes covered under the service were expanded.

July

Certification for Handling Medical Instruments Acquired in Brazil

In March 2016, Nippon Express do Brasil Transportes Internacionais Ltda. received certification from Brazil's National Health Surveillance Agency for business activities related to the storage of cosmetics, perfumes and toiletry products and in July of that year received certification for business activities related to the storage of medical instruments. As Japan and Brazil strengthen cooperative ties in the fields of medicine and healthcare, more Japanese companies are expected to enter the Brazilian market, and the Nippon Express Group will be there to provide high-quality services for related products.



July

Subsidiary in India Begins Operations as Specialized Domestic Logistics Company

Nittsu Logistics (India) Private Limited began transport, warehousing and delivery operations as a specialized domestic logistics company. This initiative is aimed at reinforcing the capability of the Group's logistics business to meet growing local demand, especially that for more sophisticated logistics, driven by India's economic growth. Accordingly, Nippon Express (India) Private Limited is now focusing on comprehensive logistics services centered on air freight forwarding and marine and harbor forwarding.

July

Company Established to Reinforce the Heavy Haulage and Construction Business in Southeast Asia

Nippon Express (South Asia & Oceania) Pte., Ltd. established NEX Global Engineering Pte. Ltd. in Singapore to oversee heavy haulage and plant projects overseas. The new company will provide one-stop support to meet growing demand in Southeast Asia for all kinds of logistics services, including heavy cargo transport and installation, plant engineering, the delivery of materials and products after plant set-up, customs clearance, warehousing and domestic transport.



Apr.

Logistics Center Opened in South Korea

Nippon Express Korea Co., Ltd. opened the Busan Global Logistics Center in the free trade zone of the Busan New Port Ungdong Hinterland Complex. The Port of Busan is one of East Asia's greatest marine and harbor logistics hubs. Logistics demand at the port is growing, both from existing businesses in the area, such as those related to the automotive industry and online shopping, as well as an increasingly wide range of industries, including pharmaceuticals and apparel. The Group also seeks to reinforce service at the center as a facility linking Japan to the world.



Segment Overview

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



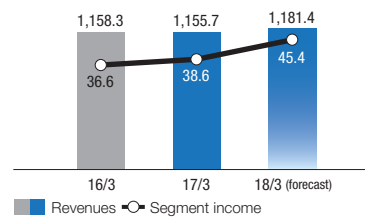


Japan

(As of March 31, 2017)

Revenues and segment income

(Billions of yen)



Fiscal 2017 Forecast

Revenues:	¥1,181.4 billion
Segment income:	¥45.4 billion
Main capital expenditure plans:	Oroshimachi, Sendai logistics center for Nippon Express Co., Ltd.

* Forecasts as of July 31, 2017



Business Overview

Area: Japan

Established: 1937

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

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

Main Constituent Companies (total: 212)

Nippon Express Co., Ltd., Nittsu Transport Co., Ltd., Nittsu Panasonic Logistics Co., Ltd., Nittsu NEC Logistics, Ltd., Wanbishi Archives, Co., Ltd., Express Travel Co., Ltd., Nippon Shipping Co., Ltd., Osaka Warehouse Co., Ltd., Hokuoh Transportation Inc., Kita-Nihon Kaiun Co., Ltd., Tsutai Warehouse Co., Ltd., Tohoku Truck Co., Ltd., Sendai Port Silo Co., Ltd., Bingo Express Co., Ltd., Sakaiminato Kairiku Unso Co., Ltd., Tokushima Express Co., Ltd. In addition to the above, 157 consolidated subsidiaries, 1 equity-method subsidiary, 14 equity-method affiliates and 39 other affiliates

Segment Resources

Employees:	42,850
Segment assets:	¥847.1 billion
Capital expenditures:	¥62.1 billion

Fiscal 2016 Performance

Due in part to weak freight transactions in motor transportation and marine and harbor transportation, revenues fell ¥2.6 billion, or 0.2%, year on year to ¥1,155.7 billion. However, due to factors that included decreases in costs associated with forwarding, car chartering and subcontracting and fuel as well as the new consolidation of subsidiaries, operating income increased ¥2.0 billion, or 5.6%, year on year to ¥38.6 billion.

Fiscal 2016 Highlights

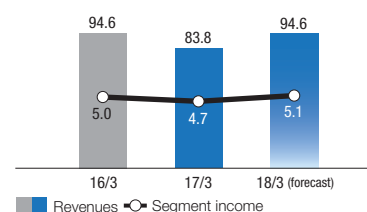
The Nippon Express Group completed the construction of Tokyo C-NEX, which is among the Group's largest logistics centers and slated to play a key role in its business operations. The new center was built in line with one of the area strategies of the business plan, "Expand transactions with global companies in metropolitan areas." In addition, we worked to expand a wide range of services in fields with promising growth potential through such initiatives as the joint rail transport of beer and other beverages produced by multiple manufacturers, provision of temperature-stable air freight forwarding services using enhanced loading containers to meet the needs of pharmaceutical and food manufacturers, and acquisition of certification for aerospace industry quality management systems at Haneda and Narita international airports.

The Americas

(As of March 31, 2017)

Revenues and segment income

(Billions of yen)



Fiscal 2017 Forecast

Revenues:	¥94.6 billion
Segment income:	¥5.1 billion

* Forecasts as of July 31, 2017



Business Overview

Areas: United States, Canada and Central and South America

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

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

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

Main Constituent Companies (total: 13 companies)

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

Segment Resources

Employees:	2,691
Locations:	124
Segment assets:	¥49.6 billion
Capital expenditures:	¥1.4 billion

Fiscal 2016 Performance

Due in part to a market recoil following the increase in air freight imports and exports resulting from the impact of crowded ports on the west coast of the United States in the previous year as well as the impact of exchange rates, revenues fell ¥10.8 billion, or 11.5%, year on year to ¥83.8 billion, and operating income decreased ¥0.3 billion, or 6.2%, year on year to ¥4.7 billion.

Fiscal 2016 Highlights

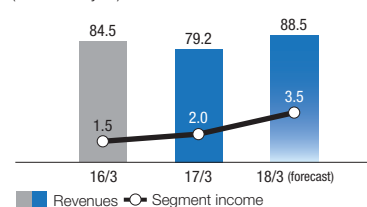
The Group opened a logistics center in the state of Aguascalientes, Mexico, an area in which many automotive companies have set up operations. In terms of services, we launched consolidated air cargo services offering the fastest transport in the industry from Japan to Mexico along with business support in Mexico. In Brazil, we became the first Japanese logistics operator to receive certification for handling medical instruments and began customs clearance operations in Rio de Janeiro.

Europe

(As of March 31, 2017)

Revenues and segment income

(Billions of yen)



Fiscal 2017 Forecast

Revenues:	¥88.5 billion
Segment income:	¥3.5 billion

* Forecasts as of July 31, 2017



Business Overview

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

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

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

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

Main Constituent Companies (total: 38)

Nippon Express Europe GmbH, Nippon Express (U.K.) Ltd., Nippon Express (Nederland) B.V., Nippon Express France, S.A.S., Franco Vago S.p.A. In addition to the above, 37 consolidated subsidiaries and 1 affiliate

Segment Resources

Employees:	2,718
Locations:	93
Segment assets:	¥46.7 billion
Capital expenditures:	¥1.1 billion

Fiscal 2016 Performance

Despite firm warehousing transactions, due to factors that included the impact of exchange rates, revenues fell ¥5.2 billion, or 6.3%, year on year to ¥79.2 billion, but operating income increased ¥0.4 billion, or 30.2%, year on year to ¥2.0 billion.

Fiscal 2016 Highlights

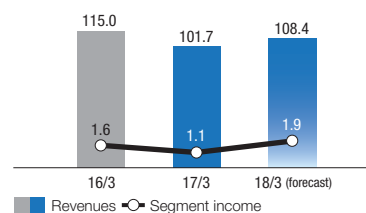
The Nippon Express Group began accepting orders for consolidated cargo transport via its Eurasia Train Direct cross-border rail transport service connecting China and Europe and expanded the service. In addition, we began sales through ADRIA DIRECT, an integrated, intermodal transport service operating via Koper Port in Slovenia that keeps cargo in the same container throughout the course of transport between Asia, the Middle East and Europe while improving the service by shortening lead times. Through such products, we are meeting needs for logistics spanning the Eurasian continent.

East Asia

(As of March 31, 2017)

Revenues and segment income

(Billions of yen)



Fiscal 2017 Forecast

Revenues: ¥108.4 billion

Segment income: ¥1.9 billion

* Forecasts as of July 31, 2017



Business Overview

Areas: China, Taiwan, South Korea

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

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

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

Main Constituent Companies (total: 27)

Nippon Express (H.K.) Co., Ltd., APC Asia Pacific Cargo (H.K.) Ltd., Nippon Express (China) Co., Ltd., Nippon Express Korea Co., Ltd., Nippon Express (Taiwan) Co., Ltd.

In addition to the above, 22 consolidated subsidiaries and 5 equity-method affiliates

Segment Resources

Employees:	4,970
Locations:	206
Segment assets:	¥54.7 billion
Capital expenditures:	¥1.1 billion

Fiscal 2016 Performance

Despite firm air freight import transactions, due to factors that included the impact of exchange rates, revenues fell ¥13.3 billion, or 11.6%, year on year to ¥101.7 billion, and operating income decreased ¥0.5 billion, or 33.5%, year on year to ¥1.1 billion.

Fiscal 2016 Highlights

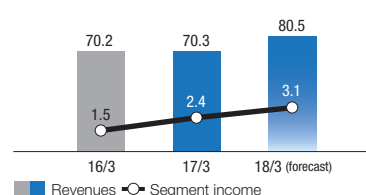
In South Korea, the Nippon Express Group opened the Busan Global Logistics Center in the Busan free trade zone, one of the world's most important logistics hubs. In addition, aiming to expand the scope of its business operations within China in the transport of chemical products, including hazardous goods, the Nippon Express Group formed a business partnership with the Sinotrans Group, China's largest customs clearance and logistics operator. Nippon Express also formed a business partnership with the Alibaba Group, China's largest e-commerce operator, under which it has begun the full-fledged provision of logistics services to companies selling goods on a cross-border e-commerce website.

South Asia & Oceania

(As of March 31, 2017)

Revenues and segment income

(Billions of yen)



Fiscal 2017 Forecast

Revenues: ¥80.5 billion

Segment income: ¥3.1 billion

Main capital expenditure plans: Warehouse construction in Gobel Industrial Park by NEX Logistics Indonesia

* Forecasts as of July 31, 2017



Business Overview

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

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

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

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

Main Constituent Companies (total: 27)

Nippon Express (Singapore) Pte., Ltd., Nippon Express (Australia) Pty., Ltd., Nippon Express (Malaysia) Sdn. Bdn., Nippon Express (Thailand) Co., Ltd., Nittsu Logistics (Thailand) Co., Ltd. In addition to the above, 25 consolidated subsidiaries and 2 equity-method affiliates

Segment Resources

Employees:	7,555
Segment income:	204
Segment assets:	¥64.0 billion
Capital expenditures:	¥7.1 billion

Fiscal 2016 Performance

Due in part to the new consolidation of subsidiaries, revenues rose ¥0.1 billion, or 0.2%, year on year to ¥70.3 billion, and operating income increased ¥0.9 billion, or 58.5%, year on year to ¥2.4 billion.

Fiscal 2016 Highlights

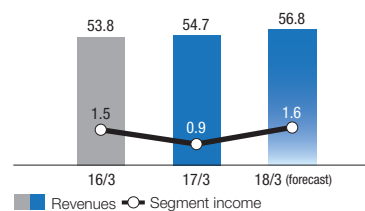
Responding to demand for infrastructure improvement and factory construction across Southeast Asia, the Nippon Express Group established NEX Global Engineering Pte. Ltd. in Singapore to oversee heavy haulage and plant projects overseas. In addition, the Group opened the Global Logistics Innovation Centre, a body specializing in market research and business development targeting non-Japanese global companies in Singapore. In India, we opened the Sri City Logistics Center in the suburbs of Chennai, a major logistics hub. Furthermore, Nittsu Logistics (India) Private Limited began operations as a specialized domestic logistics company to meet growing domestic logistics demand, especially that for more sophisticated logistics.

Security Transportation

(As of March 31, 2017)

Revenues and segment income

(Billions of yen)



Fiscal 2017 Forecast

Revenues: ¥56.8 billion

Segment income: ¥1.6 billion

* Forecasts as of July 31, 2017

Business Overview

Area: Japan

Start of business: 1965

Businesses: Nippon Express Co., Ltd. engages in the security and motor cargo transportation businesses.

Key products and services: Security transportation

Main Constituent Company (total: 1)

Nippon Express Co., Ltd.

Segment Resources

Employees: 4,449

Segment assets: ¥86.8 billion

Capital expenditures: ¥1.8 billion

Fiscal 2016 Performance

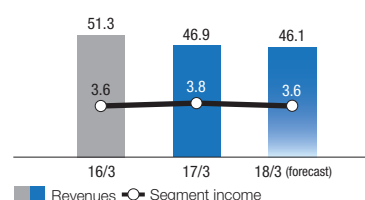
Due in part to firm logistics transactions, revenues grew ¥0.9 billion, or 1.8%, year on year to ¥54.7 billion, but operating income decreased ¥0.6 billion, or 38.6%, year on year to ¥0.9 billion.

Heavy Haulage & Construction

(As of March 31, 2017)

Revenues and segment income

(Billions of yen)



Fiscal 2017 Forecast

Revenues: ¥46.1 billion

Segment income: ¥3.6 billion

* Forecasts as of July 31, 2017

Business Overview

Area: Japan

Start of business: 1963 (registered as construction operator; Nippon Express's heavy haulage operations predate this registration)

Businesses: Nippon Express Co., Ltd. and an affiliate handle the transportation, erection and installation of heavy cargo and pursue related businesses.

Key products and services: Heavy haulage and construction

Main Constituent Companies (total: 2)

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

Segment Resources

Employees: 810

Segment assets: ¥25.0 billion

Capital expenditures: ¥0.5 billion

Fiscal 2016 Performance

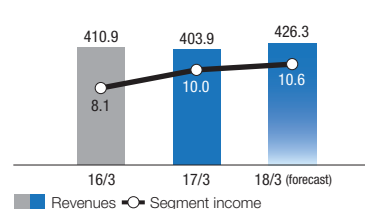
Due in part to a decrease in projects overseas, revenues fell ¥4.4 billion, or 8.6%, year on year to ¥46.9 billion, but operating income increased ¥0.1 billion, or 5.3%, year on year to ¥3.8 billion.

Logistics Support

(As of March 31, 2017)

Revenues and segment income

(Billions of yen)



Fiscal 2017 Forecast

Revenues: ¥426.3 billion

Segment income: ¥10.6 billion

Main capital expenditure plans: Reconstruction of Nittsu Shoji's Tokyo LS Center Kawasaki

* Forecasts as of July 31, 2017

Business Overview

Areas: Japan, Thailand

Start of business: 1964 (Establishment of Nittsu Shoji Co., Ltd.)

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

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

Main Constituent Companies (total: 45; 32 in Japan, 13 overseas)

Nittsu Shoji Co., Ltd., Nittsukicoh Co., Ltd., Nittsu Real Estate Co., Ltd., Nittsu Research Institute and Consulting, Inc., Nippon Express Capital Co., Ltd., Nittsu Driving School Co., Ltd., Careerroad Inc.

In addition to the above, 15 consolidated subsidiaries, 1 equity-method affiliate and 29 other affiliates

Segment Resources

Employees: 3,953

Segment assets: ¥311.7 billion

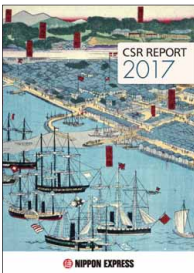
Capital expenditures: ¥7.7 billion

Fiscal 2016 Performance

Due in part to a drop in unit selling prices for oil, revenues fell ¥6.9 billion, or 1.7%, year on year to ¥403.9 billion, but operating income increased ¥1.8 billion, or 22.7%, year on year to ¥10.0 billion.

A Business Infrastructure That Helps Increase Corporate Value

- The Nippon Express Group's CSR
- Corporate Governance



Nippon Express Group CSR Report

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

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

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

Nippon Express' Global CSR

The increasing globalization of corporate activities and the consequent positive and negative impacts on society have been receiving close attention in recent years. To discharge its social responsibilities as a global logistics company, the Nippon Express Group will not put safety first and contribute to social development through a variety of transport modes, but will also dedicate itself to global environmental conservation. To this end, the Group has selected three important issues to be given immediate priority by the Group as a whole, and efforts to address these issues will constitute part of Nippon Express' Global CSR.

Key Priorities for the Nippon Express Group

The Nippon Express Group has taken into consideration international CSR guidelines and the views of experts and stakeholders to identify specific issues closely tied to Nippon Express Group in Nippon Express' Global CSR on the following three important issues. These specific issues are explained in greater detail on pages 25–27.

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

Identifying the Key Priorities

Fiscal 2013

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

Fiscal 2014

Our Board of Executives selected "Responsibilities to the Earth's Environment," "Sound Company Conduct," and "Respect for Human Rights" as the Group's three key CSR issues. Based on these, we identified specific issues, taking into account the impacts that the company's business activities have on society, the impacts that these issues have on the company, accordance

with various guidelines and the views of stakeholders inside and outside the company.

Fiscal 2015

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

Fiscal 2016

The wording of some specific issues was revised for clarity.

Initiatives to Come

In view of UN's establishment of Sustainable Development Goals (SDGs) and the changes in global awareness prompted by the Paris Agreement going into force, our Environmental Management Promotion Committee approved long-term goals effective through FY2030 to enable us to fulfill our responsibilities to the global environment, including preventing global warming and building a recycling-oriented society, and committed to pursuing these goals in future.

Responsibilities to the Earth's Environment

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

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

“Responsibilities to the Earth's Environment” is one of the principles of the Nippon Express Group Charter of Conduct. In line with this principle, the Group has established the Nippon Express Group Environmental Charter and works to fulfill its responsibilities to the global environment on a Groupwide basis.

We have sought to fulfill our “Responsibilities to the Earth's Environment” by extending to our Group companies overseas the Eco-Driving efforts that we have been promoting for many years in Japan, as part of which we have been systematically introducing ecofriendly vehicles and energy-saving logistics facilities. Through these and other measures, the Company hopes to achieve two long-term targets set in FY2017: (1) Reduce CO₂ emissions by 30% from

the 2013 level by fiscal 2030, and (2) Reduce industrial wastes per unit of sales by 1% annually (through fiscal 2030). We will be striving with these concrete targets to pro-actively fulfill our responsibilities. Individual Group companies will also be setting out specific targets that reflect their local conditions and respective business domains, and undertaking dynamic efforts to achieve them. We are also advocating measures such as planning, developing and selling ecofriendly services and products and establishing low-carbon supply chains globally, as well as building a strong track record in proposing modal shifts and joint transport services that help customers reduce CO₂ emissions, and we remain solidly committed to these courses of action in future.

TOPICS

Joint Transport Achieved Through Four-company Cooperation

In January 2017, Asahi Breweries, Ltd., Kirin Brewery Company, Limited, Japan Freight Railway Company and Nippon Express began the joint transport of beer and related products to the Hokuriku Region. The products of the two beer makers are transported in Japan Freight Railway Company's railway containers approximately 250 km and then managed by Nippon Express at a logistics center newly opened in Kanazawa City, greatly improving transport efficiency and reducing annual CO₂ emission by an estimated 2,700 metric tons.



Substantially Reducing Transport Time with the Trans-Siberian Railway

By 2020, trade between Japan and Russia is forecast to grow 33% from the 2016 level.* Facilitating this trade, in January 2017 Nippon Express began sales through Sea and Rail Moscow, an international multi modal transportation service for freight transport to Moscow that uses the Trans-Siberian Railway, reducing transport time, costs, and CO₂ emissions.

*Source: Data from IHS Markit

Comparison of Marine & Harbor and Rail Transportation Routes



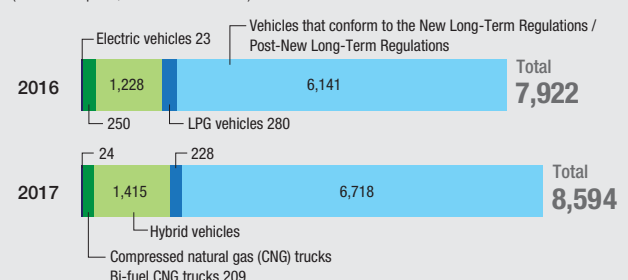
Promoting Rail Freight Transport System Use in India

Despite ongoing economic development, stable rail freight transport remains difficult in India, and trucks, which have a large environmental footprint, are the main mode of transport. On commission from Japan's Ministry of Land, Infrastructure, Transport and Tourism, in January 2017 Nippon Express carried out a demonstration test of a regular joint transport freight train service between Delhi and Bangalore aimed at providing stable, efficient rail transport using dedicated freight rail lines. Building on the results of this test, Nippon Express will take part in the construction of a more efficient and less environmentally burdensome Indian rail transport network.

Adopting Environmentally Friendly (Low-Emission) Vehicles

Nippon Express is actively adopting a range of environmentally friendly (low-emission) vehicles. The Group is mainly purchasing CNG, hybrid and LPG vehicles as well as diesel vehicles that conform to Japan's Post-New Long-Term Regulations. As of March 31, 2017, the Nippon Express Group in Japan has a total of 8,594 such vehicles.

Eco-Friendly Vehicles Owned by the Nippon Express Group (within Japan, as of March 31)



Sound Company Conduct

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

Respect for Human Rights

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

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

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

The Nippon Express Group is implementing “Nippon Express Group Corporate Strategy 2018-New Sekai-Nittsu,” its current

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

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

TOPICS

Sound Company Activities

Ensuring Thorough Compliance Awareness

Nippon Express prioritizes compliance management. In addition to maintaining frameworks to ensure compliance, we implement initiatives aimed at raising compliance awareness. In fiscal 2016, we implemented our 18th compliance survey. The survey was issued to all Nippon Express employees and temporary staff as well as 140 Group companies, with a response rate of 85.3%. The results of the survey inform ongoing efforts to promote compliance awareness, including education and on-the-job training.

Employee Education Using the Compliance Handbook

In fiscal 2015, we distributed over 18,000 overseas editions of our Compliance Handbook in English and Chinese at our overseas locations as part of efforts—undertaken in tandem with each Group company’s in-house management and training methods—to educate employees. In fiscal 2016, overseas companies revised their rules of employment in light of the handbook’s content, translated it into additional languages, developed related e-learning content and implemented other ongoing educational initiatives using the handbook.

Respect for Human Rights

Training as driver instructors

The Nippon Express Group trains and works to enhance the driving skills of its truck drivers. Aiming to further improve local drivers' proficiency in the South Asia & Oceania Bloc, we began the full-fledged training of driving instructors among local staff in 2017. Nippon Express (Vietnam) was selected as the model company for this initiative. An instructor (in charge of developing and teaching driving instructors) and safety management officer were dispatched from the Company Headquarters in Japan, along with a Japanese technical instructor from Nippon Express (South Asia & Oceania) Pte., Ltd., to implement safety training. These individuals are working hard to provide instruction that will enhance safety and quality across Vietnam, transcending differences in culture and customs in the country's north and south. Going forward, we will expand safety initiatives through the training of driver instructors.



Nurturing the Next Generation Across China

The Nippon Express Group has made broad-ranging efforts to nurture the next generation. In China, a key business area for the Group, Nippon Express (China) Co., Ltd. established a Nippon Express scholarship with Beijing Wuzi University, which is known for logistics-related research and education, in October 2014. Since then, the company and university have continued to work together, holding a total of seven public lectures. In addition, joint research and other new initiatives are planned going forward.

Promoting Diversity

In May 2017, Nippon Express established the Diversity Promotion Group with the aim of creating a corporate environment where all employees can enjoy meaningful work. The Diversity Promotion Group is focusing on enabling women to fully utilize their abilities, strengthening the hiring and development of human resources for global managerial positions and developing human resources with specialized skills.

The full utilization of women's abilities in the workplace is essential to sustainable corporate development. However, such utilization requires improvements in the work environment. Nippon Express has an action plan based on relevant Japanese laws. Of all of new graduates hired for management track positions in the April 2017 hiring season, 37.8% were women, meeting the action plan's target of at

least 30% in its first year. Furthermore, we are actively promoting local hiring in countries around the world and promoting local staff to management positions, bringing many non-Japanese nationals into central roles within the Group's businesses. Furthermore, under a new full-time employee program, we are hiring non-Japanese students studying abroad in Japan to serve as links between Japan and other countries. We expect that these hires will, through work in Japan and their countries of origin, become a driving force in the creation of business areas that integrate diverse approaches and values.



Improving Working Environments

To eliminate excessive working hours, the President of Nippon Express issued an executive order to ensure that employees' overtime does not exceed predefined limits. Management systems are used to monitor the number of hours worked, and the resulting data is being used to inform efforts to prevent overwork.

Recognized Under the 2017 Certified Health and Productivity Management Organization Recognition Program

In February 2017, Nippon Express Co., Ltd. was recognized under the 2017 Certified Health and Productivity Management Organization Recognition Program (White 500 large enterprise category), which selects leading companies that meet high standards for health and productivity management. Specifically, the program recognizes enterprises engaging in excellent health and productivity management related to overcoming health-related challenges identified by the Ministry of Economy, Trade and Industry in regional communities or promoting health-conscious activities led by the Nippon Kenko Kaigi. We will continue to actively advance initiatives aimed at promoting our employees' health.



Corporate Governance

Basic Policy on Corporate Governance

Recognizing the importance of enhancing and reinforcing corporate governance, ensuring compliance and guaranteeing management transparency, the Nippon Express Co., Ltd. has adopted a basic policy of speedy management through rapid decision making and the clarification of responsibility. We regard

the improvement of the management structure and the implementation of necessary measures to reach these goals as top priorities. The Company has proactively implemented all of the principles of the Tokyo Stock Exchange's Corporate Governance Code.

Implementation of Corporate Governance

Corporate Governance Structure

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

Organizational structure	Company with Audit & Supervisory Board members
Number of directors (number of outside directors)	15 (3)
Term of directors	1 year
Frequency of Board of Directors meetings	Once a month in principle or more as needed Meetings held in fiscal 2016: 20
Number of Audit & Supervisory Board members (number of outside members)	5 (3)
Frequency of Audit & Supervisory Board meetings	Once every three months in principle or more as needed Meetings held in fiscal 2016: 8
Board of executive officers in place [Yes/No]	Yes
Number of executive officers (number who concurrently serve as directors)	30 (11)
Term of executive officers	1 year
Frequency of Board of Executive Officers meetings	Once a month in principal or more as needed

(As of June 29, 2017)

Internal Audits and Audit & Supervisory Board Members

The Company has set up the Audit Division at the Company headquarters and placed staff members in charge of auditing at each branch office. The Internal Audit Division, pursuant to auditing regulations, conducts internal audits, including onsite audits and paper audits, examining whether employees are performing their duties in accordance with the law and the Articles of Incorporation and reporting its findings to the President as needed. Moreover, the Internal Audit Division provides instruction, advice and recommendations in accordance with the auditing regulations in order to prevent the risk of losses caused by management.

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

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

Outside Directors and Outside Audit & Supervisory Board Members

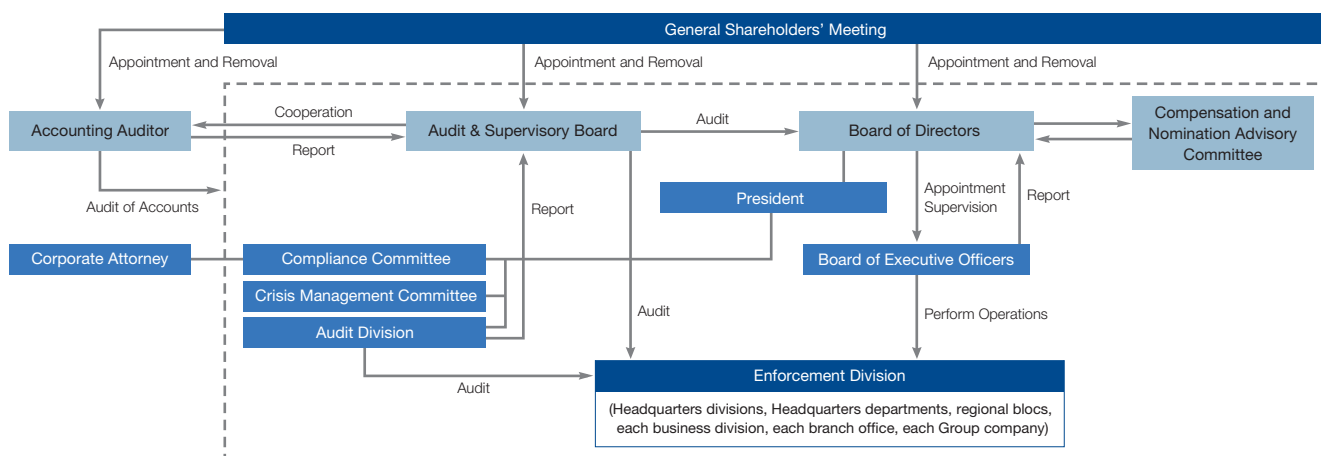
The Company's outside directors and Audit & Supervisory Board members provide expert insight from an outside perspective when making important management decisions and strengthen oversight of the Board of Directors' business execution. Furthermore, we believe that the auditing provided by the Audit & Supervisory Board, including its three outside members,

sufficiently ensures the objectivity and neutrality of management oversight. The Company has three outside directors and three outside Audit & Supervisory Board members, all of whom are designated as independent officers with no potential conflicts of interest with ordinary shareholders under the criteria specified by the Tokyo Stock Exchange.

Outside directors	Reasons for appointment	Fiscal 2016 Board of Directors meeting attendance	
Masahiro Sugiyama	For his abundant experience, including many years of research in the areas of transport and freight as a university professor.	20 of 20	
Shigeo Nakayama	For his legal knowledge and abundant business experience acquired through many years of activities as a lawyer.	20 of 20	
Sadako Yasuoka	For her profound education and abundant experience, including such educational activities as the study of the Analects of Confucius, with people of various ages.	20 of 20	
Outside Audit & Supervisory Board members	Reasons for appointment	Fiscal 2016 Board of Directors meeting attendance	Fiscal 2016 Audit & Supervisory Board meeting attendance
Tadashi Kanki	For his wealth of experience as a business executive and broad-ranging insight	—*	—*
Toshiaki Nojiri	For his particularly thorough knowledge of logistics policy as an academic studying the Antimonopoly Act and transport business policy as well as experience serving as an academic expert in a number of posts in government and industry organizations.	14 of 14**	5 of 5**
Yoshio Aoki	For his abundant experience as a certified public accountant and expert knowledge of finance and accounting.	14 of 14**	5 of 5**

* Appointed June 29, 2017

**Toshiaki Nojiri and Yoshio Aoki were newly appointed as outside directors at the 110th General Shareholders' Meeting held on June 26, 2016. The attendance record given above is for meetings of the Board of Directors from that date forward.



Nominations

Nippon Express selects as director candidates individuals with diverse skills, considering such factors as personal character, insight, corporate management experience, expertise in law, accounting and other fields, and academic expertise. Selections are made with input from the Compensation and Nomination Advisory Committee, which Nippon Express has voluntarily established as an advisory body to the Board of Directors. A majority of the members of this committee are independent outside directors. Furthermore, the selection of outside director

and outside Audit & Supervisory Board member candidates is made with input from the Compensation and Nomination Advisory Committee. Specifically, Nippon Express selects individuals who meet the requirements for outside directors and outside Audit & Supervisory Board members specified in Article 2-15 and -16 of the Companies Act and offer excellence of character and insight, abundant experience as business executives and other traits that make them well suited to supervise the overall operations of the Group.

Effectiveness of the Board of Directors

Nippon Express' Board of Directors gathers opinions regarding its effectiveness via reports submitted by the directors on the status of the execution of their duties and surveys of the Audit &

Supervisory Board members. The information gathered through these efforts is analyzed and evaluated to monitor the Board's overall effectiveness.

Director and Audit & Supervisory Board Member Compensation

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

In September 2016, Nippon Express adopted a performance-based stock compensation plan that uses an executive compensation board incentive plan (BIP) trust (the "BIP Trust") for its directors and executive officers (excluding outside directors, part-time directors and those who do not reside in Japan) to

enhance motivation to contribute to the improvement of corporate value and shareholder value over the medium to long term. Based on the Company's Performance Share Plan and the Restricted Stock Plan in the United States, the BIP Trust is a trust-based incentive plan, under which compensation based on the Company's shares is delivered to the Directors according to factors that include the Company's business performance.

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

Details of the BIP Trust Agreement

Type of trust	Monetary trust other than a specified solely-administered monetary trust (third-party beneficiary trust with beneficiaries yet to exist)
Purpose of trust	To provide incentives to the directors and executive officers of the Company
Entruster	The Company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiaries	Directors and executive officers who satisfy the beneficiary requirements
Trust administrator	Third party having no conflict of interest with the Company (certified public accountant)
Date of trust agreement	August 2016
Trust term	September 2016 to August 2019
Commencement of the plan	September 2016
Exercise of voting rights	Voting rights will not be exercised
Class of shares to be acquired	Common stock of the Company
Upper limit of trust money	¥400 million (including trust fees and trust expenses)
Rights holder	The Company
Residual assets	The Company, as the rights holder, may receive residual assets within the scope of the reserve for trust expenses after deducting funds to acquire the Company's shares from trust money
Total number of shares to be delivered to the directors and executive officers	Up to 900,000 (for the three-year trust term)

Structure of the Internal Control System

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

operations. This system comprises specific rules and organizational frameworks regarding compliance, risk management, internal control and ensuring that Group companies operate correctly.

Compliance Management Promotion System

The Company has established a set of Compliance Regulations as a set of behavioral guidelines to ensure the legal and ethical compliance of all employees. Additionally, the Company has established a Compliance Committee at Group headquarters chaired by the president and appointed staff members in charge of compliance and compliance promotion at the Group

headquarters and each branch office. The Company has also created and operates “Nittsu Speak Up,” an internal reporting system for the prevention, early detection and correction of legal violations, misconduct or other violations of corporate ethics on the part of employees.

Crisis Management System

Structure of the Crisis Management System

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

Nippon Express is a designated public institution under the Disaster Measures Basic Law and the Civil Protection Act (the Act Concerning the Measures for Protection of the People in

Armed Attack Situations) as well as the Act on Special Measures concerning the Relief of Pandemic Influenza promulgated in April 2013. The Company has fulfilled this role by transporting emergency supplies from the day that the Great East Japan Earthquake struck, working to assist the recovery of affected areas.

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

Business Continuity Framework (BCM and BCPs)

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

Under this framework, Nippon Express places the safety of employees and their families first when responding to emergencies while also fulfilling its responsibility as a designated public institution under the Disaster Measures Basic Law, the Civil Protection Act and the Special Measures Act to Counter New

Types of Influenza through such operations as transporting emergency relief supplies.

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

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

Directors, Executive Officers, Audit & Supervisory Board Members

(As of June 29, 2017)

Chairman and Representative Director



Kenji Watanabe

President and Representative Director, Chief Executive Officer



Mitsuru Saito

Executive Vice Presidents and Representative Directors, Chief Operating Officers



Yutaka Ito



Takaaki Ishii



Hisao Taketsu

Director and Senior Managing Executive Officers



Takumi Shimauchi



Katsuhiko Terai



Fumihiko Sakuma



Susumu Akita

Directors and Managing Executive Officers

Directors and Executive Officers



Naoya Hayashida



Satoshi Horikiri



Yoshiyuki Matsumoto

Directors



Masahiro Sugiyama*



Shigeo Nakayama*



Sadako Yasuoka*

Managing Executive Officers

Yukio Yokoo
Yasunori Takahashi
Akira Kondo
Norifumi Ide
Kazushi Tanaka
Yoichi Aoyama
Tatsuo Sugiyama
Eiichi Nakamura

Executive Officers

Mitsuru Uematsu
Suguru Yoshioka
Toshiro Uchida
Makoto Ikeda
Takeshi Sato
Ichiro Miyawaki
Masato Nakagawa
Hiroshi Kandori
Hirofumi Funaki
Shigeru Umino
Yutaka Nagai

Full-time Audit and Supervisory Board Members

Takashi Wada
Tatsuya Suzuki
Tadashi Kanki**

Audit and Supervisory Board Members

Toshiaki Nojiri**
Yoshio Aoki**

*Outside director
**Outside Audit and Supervisory Board Member

Financial Section

34	Management Discussion and Analysis
38	11-Year Summary
40	(1) Consolidated Financial Statements
40	Consolidated Balance Sheets
42	Consolidated Statements of Income
43	Consolidated Statements of Comprehensive Income
44	Consolidated Statements of Changes in Net Assets
45	Consolidated Statements of Cash Flows
46	Notes to Consolidated Financial Statements
46	1. Presentation of amounts in the consolidated financial statements
	2. Basis of presentation of consolidated financial statements and summary of significant accounting policies
48	3. Changes in accounting policies
	4. Supplementary information
49	5. Notes to Consolidated Balance Sheets
50	6. Notes to Consolidated Statements of Income
52	7. Notes to Consolidated Statements of Comprehensive Income
	8. Notes to Consolidated Statements of Changes in Net Assets
54	9. Notes to Consolidated Statements of Cash Flows
55	10. Leases
56	11. Financial instruments
60	12. Securities
61	13. Derivatives
63	14. Retirement benefits
66	15. Income taxes
68	16. Asset retirement obligations
69	17. Investment and rental property
	18. Segment information
75	19. Related party information
76	20. Per share information
	21. Significant subsequent events
78	22. Supplementary schedules
80	(2) Other
81	Report of Independent Auditors

Corporate Overview

The Nippon Express Group consists of Nippon Express Co., Ltd. and its 295 subsidiaries, including 268 consolidated subsidiaries and 1 equity-method subsidiary, as well as 67 affiliates, of which 24 are equity-method affiliates, totaling 363 companies. The Group's operations center on the Logistics segment, which operates motor cargo transportation, railway forwarding, air freight forwarding, marine transportation, harbor transportation and warehousing businesses in and outside Japan. The Group's remaining reportable segments are organized around specialized businesses. These segments are Security Transportation, Heavy Haulage & Construction and Logistics Support, which handles goods sales for the Group's businesses, real estate, and other businesses.

The Group's business operations by region and reportable segment are as follows. Note that the reportable segments have been reclassified as of the fiscal year under review.

Logistics

316 companies, including Nippon Express Co., Ltd. and Nippon Express USA, Inc.

Japan

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

The Americas

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

Europe

Nippon Express (U.K.) Ltd., Nippon Express (Nederland) B.V., Nippon Express (Deutschland) GmbH, Nippon Express France, S.A.S., Franco

Vago S.p.A. and other subsidiaries and affiliates engage in air freight forwarding, marine and harbor transportation, and warehousing businesses in various cities in Europe.

East Asia

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

South Asia & Oceania

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

Security Transportation

(Nippon Express, Co., Ltd.)

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

Heavy Haulage & Construction

(Nippon Express, Co., Ltd. and 1 other company)

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

Logistics Support

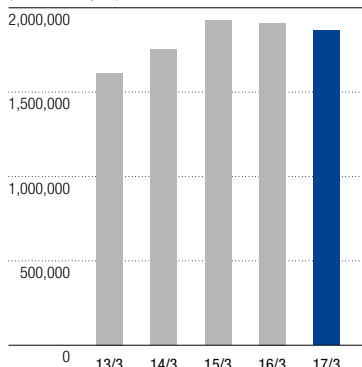
(45 companies, including Nittsu Shoji Co., Ltd.)

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

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

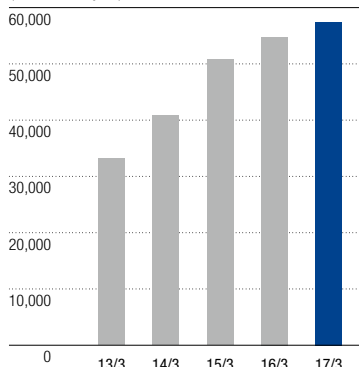
Revenues

(Millions of yen)



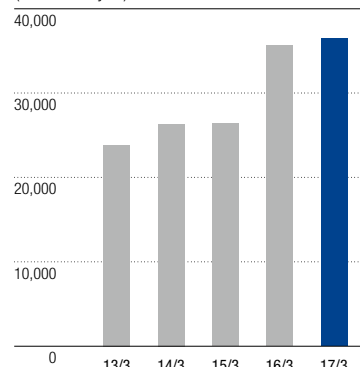
Operating income

(Millions of yen)



Net income attributable to shareholders of Nippon Express

(Millions of yen)



Performance Overview

During fiscal 2016, the consolidated fiscal year ended March 31, 2017, although the Japanese economy continued to gradually improve, backed by such factors as firm corporate earnings and improvements in employment and income, personal consumption remained lackluster due to stagnation in disposable income. Overseas economies remained highly unpredictable amid growing uncertainty due to such factors as slowing economic growth in China and emerging countries, political instability in Europe and movements toward protectionist policies in the United States.

Under these economic conditions, in the field of logistics, there were signs of recovery in international freight transportation, such as increased air freight forwarding to Asia, but domestic freight remained weak, reflecting such factors as decreased production-related freight volumes.

In this business environment, the Nippon Express Group launched “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu,” its new business plan for the three years beginning with fiscal 2016. In line with the plan, the Group made united efforts centered on the plan’s area strategies and functional strategies to build on the business structural reforms carried out under the previous management plan and become a truly global logistics company.

Area Strategies

In Japan, by further integrating Group operations, mainly in the region encompassing Tokyo, Osaka and Nagoya, the Group sought to concentrate and increase the efficiency of management resources. Through these efforts and by reinforcing the one-stop account-based sales system, the Group worked to increase business with global companies. In addition, to expand marketing closely tailored to local communities, the Nippon Express Group strove to provide logistics services that meet a wide range of customer needs. Efforts to this end included planning new services designed to leverage regional characteristics and offering services that support customers seeking overseas sales channels for the first time.

Overseas, the Nippon Express Group made concentrated investments of management resources, mainly in Southeast Asia. Specifically, the Group aggressively accelerated the opening of new facilities to strengthen its business foundation and worked to further expand businesses in which it has strength overseas through such initiatives as reinforcing the global operation of the Heavy Haulage & Construction segment. Furthermore, the Nippon Express Group implemented initiatives with the objective of driving its growth, such as the establishment of a body aimed at strengthening sales efforts geared toward non-Japanese customers.

Functional Strategies

To thoroughly strengthen sales activities, the Group further reinforced the one-stop account-based sales system and integrated land, sea and air transport operations, working to promote the development of new services and sharing of customer information to expand revenues.

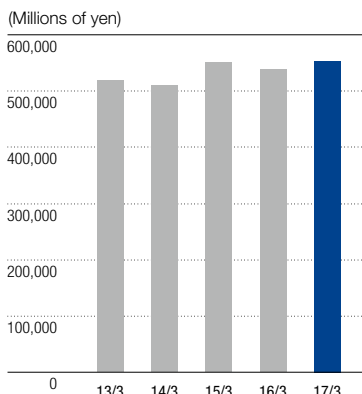
To strengthen and upgrade core businesses, the Group sought to expand the third-country forwarding business and reinforce regional logistics in areas around the world by aggressively building its own warehouses overseas and implementing initiatives to enhance its competitiveness.

To strengthen Group management, customer bases were shared through coordination among Group companies, and the Group worked to build platforms in such fields as electronics, ICT, and information asset management in order to enhance its networks and raise the quality of its logistics offerings.

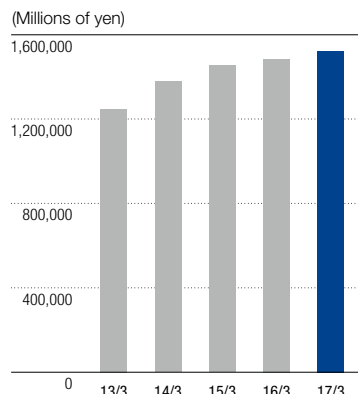
To reinforce the management infrastructure, the Group worked to strengthen management and planning functions and increase productivity through such measures as standardizing indirect operations and further enhancing management flexibility and speed.

To further strengthen the Group’s CSR management, the Group actively advanced initiatives aimed at creating more employee-friendly work environments, including efforts to promote diversity and eliminate excessively long working hours.

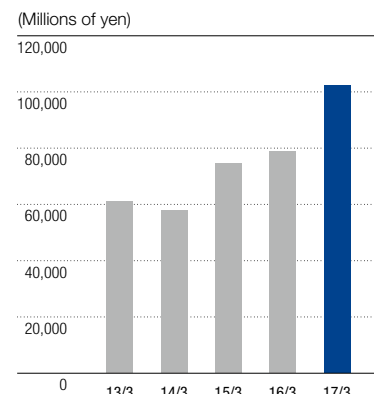
Total net assets



Total assets



Net cash provided by operating activities



Business Results

Revenues and Operating Costs

Revenues decreased by ¥44.8 billion, or 2.3%, year on year to ¥1,864.3 billion.

In the Logistics segment, revenues in South Asia & Oceania increased ¥0.1 billion, or 0.2%, year on year, due in part to the addition of new consolidated subsidiaries, but revenues decreased ¥2.6 billion, or 0.2%, in Japan and, due in part to the impact of exchange rates, fell ¥10.8 billion, or 11.5%, in the Americas, ¥5.2 billion, or 6.3%, in Europe and ¥13.3 billion, or 11.6%, in East Asia. Revenues increased ¥0.9 billion, or 1.8%, in the Security Transportation segment, but decreased ¥4.4 billion, or 8.6%, in the Heavy Haulage & Construction segment and ¥6.9 billion, or 1.7%, in the Logistics Support segment.

Operating costs came to ¥1,702.0 billion, a decrease of ¥53.4 billion, or 3.0%, from the previous fiscal year. Gross profit increased ¥8.6 billion, or 5.7%, year on year to ¥162.2 billion, and the ratio of gross profit to revenues rose 0.7 of a percentage point to 8.7%. The decrease in operating costs was mainly due to the decreases in purchases of oil for sale and fuel oil costs as a result of the drop in crude oil prices.

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

Selling, general and administrative expenses grew ¥6.0 billion, or 6.1%, year on year to ¥104.8 billion, mainly due to the new consolidation of subsidiaries.

As a result of the above, operating income came to ¥57.4 billion, up ¥2.6 billion, or 4.8%, from the previous fiscal year. Ordinary income amounted to ¥63.8 billion, up ¥1.4 billion, or 2.3%.

Other Income and Expenses and Net Income Attributable to Shareholders of Nippon Express

Extraordinary income was ¥8.3 billion, an increase of ¥2.9 billion, or 53.4%, compared with the previous fiscal year, due mainly to a ¥2.2 billion gain on step acquisitions. Extraordinary loss grew ¥2.6 billion, or

31.1%, to ¥11.3 billion, due mainly to a ¥3.8 billion increase in impairment loss.

Income before income taxes and non-controlling interests amounted to ¥60.8 billion. After deducting current income taxes, inhabitants' tax, enterprise tax and other adjustments as well as non-controlling interests, net income attributable to shareholders of Nippon Express came to ¥36.4 billion, an increase of ¥0.7 billion, or 2.2%, from the previous fiscal year.

Results by Reportable Segment

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

Cash Flows

Cash and cash equivalents amounted to ¥163.3 billion as of March 31, 2017. This represented a year-on-year net increase of ¥17.3 billion.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥102.3 billion, a year-on-year increase of ¥23.5 billion. This was primarily due to a decrease in outflows due to increases and decreases in accounts payable.

Cash Flows from Investing Activities

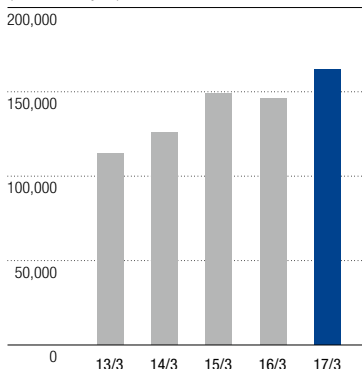
Net cash used in investment activities totaled ¥70.9 billion, a year-on-year decrease of ¥51.9 billion. This was mainly due to a year-on-year decrease in payment for purchase of shares of subsidiaries resulting in change in the scope of consolidation.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥11.8 billion, a turnaround of ¥55.7 billion from cash provided by financing activities in the previous fiscal year. This was mainly due to a decrease in proceeds from long-term loans payable and an increase in payment for purchase of treasury stock.

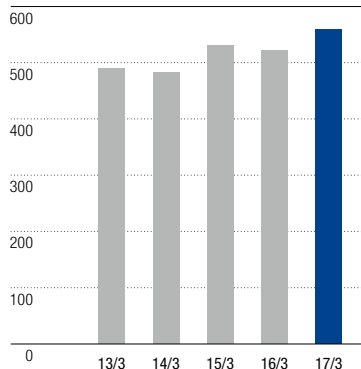
Cash and cash equivalents at end of year

(Millions of yen)



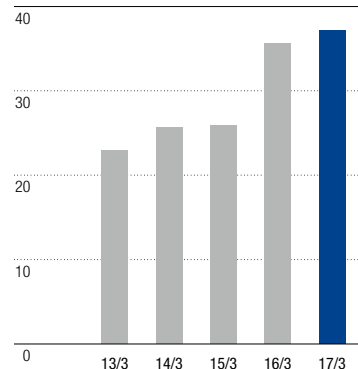
Equity per share

(Yen)



Net income per share

(Yen)



Financial Position

Assets

Total assets as of March 31, 2017 amounted to ¥1,521.8 billion, an increase of ¥36.8 billion, or 2.5%, from the previous fiscal year-end.

Total current assets amounted to ¥705.9 billion, an increase of ¥23.6 billion, or 3.5%, from the end of the previous fiscal year, primarily due to an increase in cash and cash in banks. Total non-current assets totaled ¥815.8 billion, an increase of ¥13.1 billion, or 1.6%, from the end of the previous fiscal year, mainly because of an increase in buildings.

Liabilities and Net Assets

Total liabilities as of March 31, 2017 were ¥968.8 billion, an increase of ¥21.8 billion, or 2.3%, from the end of the previous fiscal year.

Total current liabilities decreased ¥1.8 billion, or 0.4%, from the end of the previous fiscal year to ¥438.4 billion, primarily due to a decrease in advances received. Total non-current liabilities increased ¥23.7 billion, or 4.7%, to ¥530.3 billion from the previous fiscal year-end, mainly because of an increase in bonds payable.

Net assets as of March 31, 2017 amounted to ¥552.9 billion, a year-on-year increase of ¥14.9 billion, or 2.8%. This was attributable largely to increases in retained earnings and valuation differences on available-for-sale securities.

Capital Investment

Total capital investment by the Nippon Express Group in the fiscal year under review amounted to ¥84,958 million. Major items included investments aimed at future business development, including changes to logistics systems and improvements to such infrastructure as distribution depots for international freight operations and commercial warehouses, as well as the replacement of vehicles and transportation equipment.

Dividend Policy

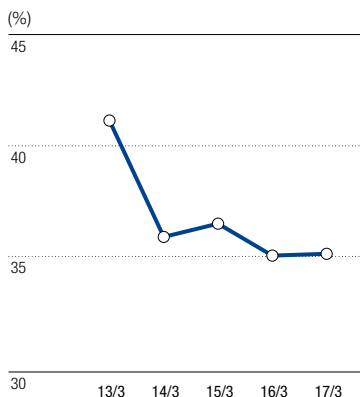
The Company regards the return of profits to shareholders as one of its most important priorities. We aim to enhance returns while expanding our business operations, strengthening our financial position, expanding shareholders' equity and improving profit ratios. The earnings retained by the Company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

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

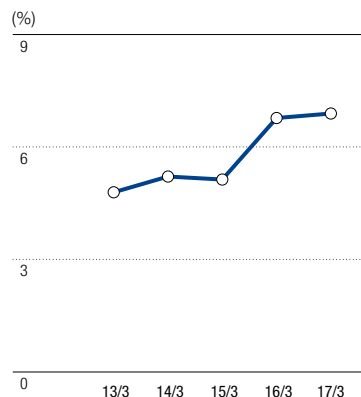
The 111th General Shareholders' Meeting, held on June 29, 2017, considered and approved a proposal for a year-end dividend for fiscal 2016 of ¥6 per share. Together with the interim dividend of ¥5, this brought the annual dividend to ¥11 per share (for a dividend payout ratio of 29.6%).

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

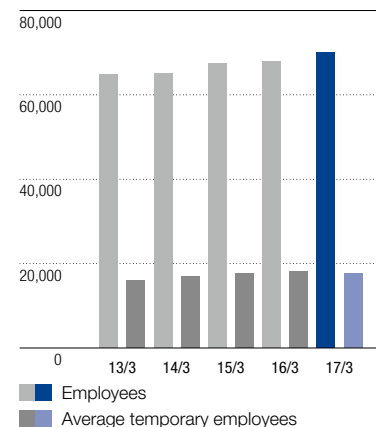
Equity ratio



Return on equity



Employees and average temporary employees



11-Year Summary

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

		2017	2016	2015
For the year:	Revenues ¹	1,864,301	1,909,105	1,924,929
(Millions of yen)	Revenues by industry segment up to the year ended March 31, 2010 ²			
	Distribution and Transportation	—	—	—
	Goods Sales	—	—	—
	Other	—	—	—
	Elimination	—	—	—
	Revenues by region segment up to the year ended March 31, 2010 ²			
	Japan	—	—	—
	The Americas	—	—	—
	Europe	—	—	—
	Asia & Oceania	—	—	—
	Elimination	—	—	—
	Revenues by reportable segment from the consolidated year ended March 31, 2011 onward ²			
	Distribution & Transportation			
	Domestic Companies			
	Combined Business	—	736,568	742,356
	Security Transportation	—	53,803	55,401
	Heavy Haulage & Construction	—	51,395	46,886
	Air Freight Forwarding	—	182,533	210,763
	Marine & Harbor Transportation	—	118,205	118,836
	Overseas Companies			
	The Americas	—	94,697	79,160
	Europe	—	84,579	83,609
	Asia & Oceania ³	—	—	—
	East Asia	—	115,068	101,321
	South Asia & Oceania	—	70,225	64,607
	Goods Sales	—	367,328	420,155
	Other	—	173,632	143,602
	Adjustment	—	(138,935)	(141,773)
	Revenues by reportable segment from the consolidated year ended March 31, 2017 onward ²			
	Logistics			
	Japan	1,155,713	1,158,390	—
	The Americas	83,831	94,697	—
	Europe	79,286	84,579	—
	East Asia	101,746	115,068	—
	South Asia & Oceania	70,343	70,225	—
	Security Transportation	54,781	53,803	—
	Heavy Haulage & Construction	46,985	51,395	—
	Logistics Support	403,994	410,906	—
	Adjustment	(132,381)	(129,962)	—
	Operating income	57,431	54,778	50,811
	Net income attributable to shareholders of Nippon Express ⁴	36,454	35,659	26,382
At year-end:	Total net assets	552,985	538,018	550,137
(Millions of yen)	Total assets	1,521,800	1,484,953	1,453,617
	Net cash provided by operating activities ⁵	102,360	78,844	74,519
	Cash and cash equivalents at end of year ⁵	163,386	146,007	148,942
Per share:	Equity per share ⁶	558.65	521.77	531.06
(Yen)	Net income per share ⁶	37.13	35.61	25.87
Ratios:	Equity ratio	35.25	35.17	36.59
(%)	Return on equity	6.89	6.77	5.14
Other:	Employees	70,092	67,909	67,347
	(Average temporary employees)	17,673	18,102	17,752

1. Revenue figures do not include consumption taxes.

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

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

2014	2013	2012	2011	2010	2009	2008	2007
1,752,468	1,613,327	1,628,027	1,617,185	1,569,633	1,828,946	1,901,433	1,866,267
—	—	—	—	1,288,373	1,528,695	1,600,988	1,584,476
—	—	—	—	326,337	369,661	377,964	365,578
—	—	—	—	33,919	31,002	28,629	20,115
—	—	—	—	(78,996)	(100,412)	(106,148)	(103,904)
—	—	—	—	1,418,878	1,625,564	1,696,152	1,677,490
—	—	—	—	37,717	56,831	59,872	56,820
—	—	—	—	44,724	69,059	77,524	66,403
—	—	—	—	93,830	112,654	109,645	103,615
—	—	—	—	(25,517)	(35,162)	(41,761)	(38,062)
721,717	699,287	704,717	717,439	751,004	—	—	—
54,651	58,842	58,764	59,542	60,875	—	—	—
36,656	37,186	40,048	34,356	39,294	—	—	—
181,720	182,143	205,407	203,408	183,860	—	—	—
131,708	124,207	125,654	124,216	110,717	—	—	—
69,066	54,028	42,963	42,806	37,717	—	—	—
72,788	44,230	46,453	45,069	44,724	—	—	—
—	—	—	—	93,830	—	—	—
92,156	68,812	72,967	76,955	—	—	—	—
51,367	44,291	44,811	45,564	—	—	—	—
412,846	383,738	374,076	352,507	322,699	—	—	—
61,460	41,802	40,368	35,980	32,347	—	—	—
(133,672)	(125,242)	(128,206)	(120,662)	(107,437)	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
40,865	33,206	37,497	31,629	37,535	33,513	48,502	50,325
26,345	23,831	26,949	8,541	12,566	15,172	36,439	33,208
509,954	518,409	494,205	479,898	495,883	484,337	520,823	517,516
1,377,443	1,247,612	1,230,964	1,147,539	1,201,801	1,172,074	1,297,406	1,360,694
57,892	60,937	80,754	76,019	82,198	64,080	90,096	123,058
125,900	113,689	135,882	78,383	121,187	93,031	144,639	170,109
483.38	489.39	461.63	448.29	464.38	454.03	489.26	486.94
25.62	22.89	25.85	8.19	12.05	14.55	34.94	31.84
36.00	41.17	39.10	40.74	40.29	40.40	39.33	37.33
5.22	4.79	5.68	1.80	2.62	3.08	7.16	6.67
65,162	64,834	65,759	66,924	65,916	71,352	69,177	67,773
16,925	15,985	15,765	16,583	19,406	22,801	24,434	23,796

4. Due to the application of the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21, issued September 13, 2013) and other accounting standards, the accounting item previously presented as "net income" has been renamed "net income attributable to shareholders of Nippon Express" from fiscal 2015 onward.

5. From the year ended March 31, 2015 onward, cash related to CSD services and exchange money delivery services in the Security Transportation Business has been excluded from the scope of funds (i.e., cash and cash equivalents). The effect of this change has been retrospectively applied to the figures presented above for net cash provided by operating activities as well as cash and cash equivalents at end of year for the fiscal years ended March 31, 2011 through 2014.

6. The Company adopted an executive compensation BIP trust as of the fiscal year ended March 31, 2017. For the purpose of calculating net assets per share, the Company's shares held by the trust are included in treasury stock, which is excluded from the number of common stock at the end of the year. For the purpose of calculating net income per share, the Company's shares held by the trust are included in treasury stock, which is excluded from the calculation of the weighted average number of common stock during the year.

(1) Consolidated Financial Statements

Consolidated Balance Sheets

Nippon Express Co., Ltd. and consolidated subsidiaries
As of March 31, 2016 and 2017

ASSETS	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Current assets:			
Cash and cash in banks (Note 1)	¥ 189,323	¥ 212,683	\$ 1,895,747
Notes receivable—trade	22,280	23,162	206,453
Accounts receivable—trade	296,592	298,594	2,661,504
Inventories (Note 5)	6,368	6,128	54,626
Advance payments—trade	4,383	3,638	32,427
Prepaid expenses	13,028	13,476	120,118
Deferred tax assets	11,530	10,810	96,361
Lease investment assets	112,827	112,336	1,001,301
Other	27,163	26,283	234,272
Less: allowance for doubtful accounts	(1,182)	(1,117)	(9,961)
Total current assets	682,316	705,994	6,292,850
Non-current assets:			
Property and equipment			
Vehicles	173,132	176,019	1,568,938
Less: accumulated depreciation	(147,841)	(149,202)	(1,329,909)
Vehicles, net	25,290	26,816	239,029
Buildings	571,593	598,870	5,338,005
Less: accumulated depreciation	(343,905)	(353,595)	(3,151,755)
Buildings, net	227,687	245,275	2,186,250
Structures	64,656	67,250	599,432
Less: accumulated depreciation	(53,532)	(54,379)	(484,706)
Structures, net	11,123	12,871	114,725
Machinery and equipment	76,644	78,552	700,172
Less: accumulated depreciation	(63,017)	(63,510)	(566,096)
Machinery and equipment, net	13,626	15,041	134,075
Tools, furniture and fixtures	105,464	108,584	967,866
Less: accumulated depreciation	(84,256)	(86,092)	(767,378)
Tools, furniture and fixtures, net	21,208	22,492	200,487
Vessels	17,731	18,958	168,989
Less: accumulated depreciation	(13,042)	(13,777)	(122,802)
Vessels, net	4,688	5,181	46,186
Land	177,438	178,991	1,595,429
Leased assets	7,882	9,039	80,573
Less: accumulated depreciation	(3,794)	(4,441)	(39,586)
Leased assets, net	4,087	4,598	40,987
Construction in progress	17,170	6,853	61,092
Net property and equipment (Notes 1, 2)	502,321	518,123	4,618,264
Intangible assets			
Leasehold rights	8,103	8,026	71,543
Goodwill	47,411	43,047	383,704
Other	72,658	68,381	609,515
Total intangible assets	128,173	119,455	1,064,762
Investments and other assets			
Investment securities (Notes 1, 3)	112,130	125,896	1,122,171
Long-term loans receivable	1,905	199	1,779
Long-term loans to employees	104	82	731
Long-term prepaid expenses	4,406	4,195	37,398
Security deposits	20,905	19,881	177,209
Net retirement benefit asset	962	677	6,040
Deferred tax assets	19,342	15,056	134,203
Other (Note 3)	13,284	13,307	118,619
Less: allowance for doubtful accounts	(899)	(1,070)	(9,537)
Total investments and other assets	172,142	178,226	1,588,616
Total non-current assets	802,637	815,805	7,271,644
Total assets	¥1,484,953	¥1,521,800	\$13,564,494

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Current liabilities:			
Notes payable—trade	¥ 7,506	¥ 5,833	\$ 51,993
Accounts payable—trade (Note 1)	151,057	156,864	1,398,202
Short-term loans payable (Note 1)	62,291	60,606	540,214
Other payables	29,825	32,804	292,404
Income taxes payable	13,891	16,517	147,228
Consumption taxes payable	7,134	5,809	51,784
Unpaid expenses	20,399	20,735	184,825
Advances received	23,138	11,811	105,284
Deposits	46,583	48,990	436,678
Deposits from employees	28,036	28,339	252,604
Provision for bonuses	21,529	21,299	189,855
Provision for directors' bonuses	143	141	1,264
Other provisions	—	37	330
Other	28,829	28,675	255,596
Total current liabilities	440,366	438,468	3,908,267
Non-current liabilities:			
Bonds payable	65,000	125,000	1,114,181
Long-term loans payable (Note 1)	240,955	209,724	1,869,367
Deferred tax liabilities	14,486	12,576	112,101
Provision for directors' retirement benefits	408	359	3,201
Provision for special repairs	224	205	1,831
Provision for loss on guarantees	829	829	7,389
Provision for loss on contracts	857	565	5,038
Other provisions	120	205	1,829
Net retirement benefit liability	160,168	157,371	1,402,719
Other	23,518	23,510	209,559
Total non-current liabilities	506,568	530,346	4,727,218
Total liabilities	946,935	968,815	8,635,485
NET ASSETS			
Shareholders' equity:			
Common stock	70,175	70,175	625,503
Additional paid-in capital	25,306	24,707	220,225
Retained earnings	445,495	449,713	4,008,499
Less: treasury stock	(19,818)	(20,145)	(179,567)
Total shareholders' equity	521,158	524,450	4,674,661
Accumulated other comprehensive income:			
Valuation differences on available-for-sale securities	47,118	56,945	507,576
Deferred gains (losses) on hedges	(214)	6	60
Foreign currency translation adjustments	8,085	992	8,845
Remeasurements of retirement benefit plans	(53,888)	(46,015)	(410,158)
Total accumulated other comprehensive income (loss)	1,101	11,928	106,325
Non-controlling interests	15,758	16,606	148,022
Total net assets	538,018	552,985	4,929,008
Total liabilities and net assets	¥1,484,953	¥1,521,800	\$13,564,494

Consolidated Statements of Income

Nippon Express Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Revenues	¥1,909,105	¥1,864,301	\$16,617,361
Operating costs (Note 1)	1,755,489	1,702,006	15,170,752
Gross profit	153,615	162,295	1,446,608
Selling, general and administrative expenses:			
Personnel expenses	55,209	58,713	523,337
Depreciation and amortization	7,080	8,018	71,475
Advertising expenses	3,830	4,204	37,472
Provision of allowance for doubtful accounts	—	206	1,842
Other	32,716	33,720	300,565
Total selling, general and administrative expenses (Note 1)	98,837	104,863	934,694
Operating income	54,778	57,431	511,914
Non-operating income:			
Interest income	559	455	4,061
Dividend income	3,184	2,733	24,368
Gain on sales of vehicles	349	322	2,870
Equity in earnings of unconsolidated subsidiaries and affiliates	835	1,733	15,447
Gain on foreign exchange	1,874	2,073	18,484
Other	6,747	5,514	49,154
Total non-operating income	13,550	12,833	114,386
Non-operating expenses:			
Interest expenses	2,791	3,420	30,488
Other financial expenses	803	—	—
Loss on sale and retirement of vehicles	38	44	393
Other	2,301	2,993	26,682
Total non-operating expenses	5,934	6,458	57,565
Ordinary income	62,394	63,806	568,735
Extraordinary income:			
Gain on sales of non-current assets (Note 2)	4,862	5,336	47,567
Gain on sales of investment securities	363	109	979
Gain on step acquisitions	—	2,291	20,425
Other	243	654	5,835
Total extraordinary income	5,469	8,392	74,807
Extraordinary loss:			
Loss on disposal of non-current assets (Note 3)	6,477	4,626	41,237
Loss on sales of investment securities	45	382	3,413
Loss on valuation of investment securities	62	84	756
Impairment loss (Note 4)	342	4,175	37,216
Provision of allowance for loss on contracts	949	—	—
Loss on disaster (Note 5)	—	874	7,790
Loss on transition to defined-contribution plans	—	679	6,059
Other	790	541	4,828
Total extraordinary loss	8,668	11,365	101,301
Income before income taxes and non-controlling interests	59,196	60,834	542,241
Income taxes:			
Current	22,770	26,593	237,038
Deferred	140	(3,054)	(27,223)
Total income taxes	22,910	23,539	209,814
Net income	36,285	37,294	332,427
Net income attributable to non-controlling interests	625	840	7,494
Net income attributable to shareholders of Nippon Express	¥ 35,659	¥ 36,454	\$ 324,932

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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net income	¥ 36,285	¥37,294	\$332,427
Other comprehensive income:			
Valuation differences on available-for-sale securities	(14,787)	9,828	87,605
Deferred gains (losses) on hedges	(206)	220	1,968
Foreign currency translation adjustments	(7,030)	(7,140)	(63,647)
Remeasurements of retirement benefit plans	(11,764)	7,903	70,447
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(244)	(161)	(1,442)
Other comprehensive income (loss)	(34,033)	10,650	94,930
Comprehensive income	2,251	47,945	427,357
(Comprehensive income (loss) attributable to)			
Shareholders of Nippon Express	2,342	47,280	421,436
Non-controlling interests	¥ (90)	¥ 664	\$ 5,920

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, 2016

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the year	¥70,175	¥26,908	¥419,851	¥(19,444)	¥497,490	¥61,900	¥ (7)	¥14,901	¥(42,375)	¥ 34,419	¥18,227	¥550,137
Changes during the year												
Cash dividends			(10,015)		(10,015)							(10,015)
Net income attributable to shareholders of Nippon Express			35,659		35,659							35,659
Changes in equity due to transactions with non-controlling shareholders		(1,601)			(1,601)							(1,601)
Increase in treasury stock				(374)	(374)							(374)
Decrease in treasury stock		0		0	0							0
Retirement of treasury stock												
Net changes in items other than shareholders' equity						(14,781)	(206)	(6,815)	(11,513)	(33,317)	(2,469)	(35,786)
Total changes during the year		(1,601)	25,643	(374)	23,668	(14,781)	(206)	(6,815)	(11,513)	(33,317)	(2,469)	(12,118)
Balance at end of the year	¥70,175	¥25,306	¥445,495	¥(19,818)	¥521,158	¥47,118	¥(214)	¥ 8,085	¥(53,888)	¥ 1,101	¥15,758	¥538,018

For the year ended March 31, 2017

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the year	¥70,175	¥25,306	¥445,495	¥(19,818)	¥521,158	¥47,118	¥(214)	¥8,085	¥(53,888)	¥ 1,101	¥15,758	¥538,018
Changes during the year												
Cash dividends			(10,927)		(10,927)							(10,927)
Net income attributable to shareholders of Nippon Express			36,454		36,454							36,454
Changes in equity due to transactions with non-controlling shareholders		(599)			(599)							(599)
Increase in treasury stock				(21,634)	(21,634)							(21,634)
Decrease in treasury stock												
Retirement of treasury stock		(0)	(21,307)	21,308								
Net changes in items other than shareholders' equity						9,826	220	(7,093)	7,873	10,826	848	11,675
Total changes during the year		(599)	4,218	(326)	3,291	9,826	220	(7,093)	7,873	10,826	848	14,967
Balance at end of the year	¥70,175	¥24,707	¥449,713	¥(20,145)	¥524,450	¥56,945	¥ 6	¥ 992	¥(46,015)	¥11,928	¥16,606	¥552,985

For the year ended March 31, 2017

	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the year	\$625,503	\$225,570	\$3,970,897	\$ (176,653)	\$4,645,318	\$419,989	\$ (1,907)	\$ 72,073	\$ (480,334)	\$ 9,821	\$140,459	\$4,795,599
Changes during the year												
Cash dividends			(97,402)		(97,402)							(97,402)
Net income attributable to shareholders of Nippon Express			324,932		324,932							324,932
Changes in equity due to transactions with non-controlling shareholders		(5,344)			(5,344)							(5,344)
Increase in treasury stock				(192,842)	(192,842)							(192,842)
Decrease in treasury stock												
Retirement of treasury stock		(0)	(189,927)	189,927								
Net changes in items other than shareholders' equity						87,587	1,968	(63,227)	70,175	96,503	7,563	104,067
Total changes during the year		(5,344)	37,602	(2,914)	29,342	87,587	1,968	(63,227)	70,175	96,503	7,563	133,409
Balance at end of the year	\$625,503	\$220,225	\$4,008,499	\$ (179,567)	\$4,674,661	\$507,576	\$ 60	\$ 8,845	\$ (410,158)	\$106,325	\$148,022	\$4,929,008

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Nippon Express Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2016 and 2017

Thousands of
U.S. dollars

	Millions of yen		
	2016	2017	2017
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 59,196	¥ 60,834	\$ 542,241
Depreciation and amortization	51,333	53,553	477,348
Amortization of goodwill	2,764	4,222	37,634
Loss (gain) on sale or write-down of securities, net	(255)	357	3,190
Loss (gain) on sale or disposal of property and equipment, net	1,303	(987)	(8,805)
Impairment loss	342	4,175	37,216
Increase (decrease) in provision for bonuses	(481)	(180)	(1,607)
Increase (decrease) in allowance for class action lawsuit filed in the United States	(3,899)	—	—
Increase (decrease) in allowance for business structure improvement expenses	(1,050)	—	—
Increase (decrease) in net retirement benefit liability	9,801	7,358	65,587
Interest and dividend income	(3,743)	(3,189)	(28,430)
Interest expenses (Note 2)	2,791	3,420	30,488
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(835)	(1,733)	(15,447)
(Gain) loss on step acquisitions	—	(2,291)	(20,425)
(Increase) decrease in trade receivables	11,350	(3,495)	(31,154)
(Increase) decrease in inventories	(342)	229	2,046
Increase (decrease) in accounts payable	(16,823)	5,741	51,173
Increase (decrease) in consumption taxes payable	(10,027)	(1,291)	(11,508)
Other	933	(671)	(5,987)
Sub-total	102,357	126,052	1,123,560
Interest and dividends received	4,082	3,287	29,300
Interest paid (Note 2)	(2,614)	(3,431)	(30,586)
Income taxes paid	(24,980)	(23,547)	(209,887)
Net cash provided by operating activities	78,844	102,360	912,386
Cash flows from investing activities:			
Payment for purchase of property and equipment	(50,219)	(74,134)	(660,797)
Proceeds from sales of property and equipment	4,940	6,239	55,612
Payment for purchase of investment securities	(3,456)	(5,671)	(50,551)
Proceeds from sales of investment securities	2,224	5,726	51,040
Payment for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	(77,167)	(2,105)	(18,769)
Other	797	(1,014)	(9,046)
Net cash used in investing activities	(122,881)	(70,961)	(632,512)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(536)	(3,474)	(30,970)
Proceeds from long-term loans payable	112,759	21,337	190,190
Payment for long-term loans payable	(72,810)	(53,739)	(479,005)
Proceeds from issuance of bonds	20,000	80,000	713,076
Redemption of bonds	—	(20,000)	(178,269)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3,330)	(1,132)	(10,095)
Cash dividends	(10,015)	(10,923)	(97,368)
Payment for purchase of treasury stock	(374)	(21,634)	(192,842)
Other	(1,755)	(2,252)	(20,074)
Net cash provided by (used in) financing activities	43,936	(11,820)	(105,360)
Effect of exchange rate changes on cash and cash equivalents	(2,835)	(2,940)	(26,206)
Net increase (decrease) in cash and cash equivalents	(2,935)	16,638	148,307
Cash and cash equivalents at beginning of year	148,942	146,007	1,301,427
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	—	740	6,602
Cash and cash equivalents at end of year (Note 1)	¥146,007	¥163,386	\$1,456,337

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Nippon Express Co., Ltd. and consolidated subsidiaries

1. Presentation of amounts in the consolidated financial statements

The yen amounts are truncated at millions and U.S. dollar amounts at thousands. The total Japanese yen and U.S. dollar amounts shown in the financial statements do not necessarily agree with the sum of the individual amounts. U.S. dollar amounts presented in the financial statements are included solely for convenience. The rate of ¥112.19 to US\$1.00, prevailing on March 31, 2017, 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 268 consolidated subsidiaries. The names of major subsidiaries are noted in "Management Discussion and Analysis." Effective the year ended March 31, 2017, four companies, including NEX Global Engineering Pte. Ltd., have been included in the scope of consolidation due to new establishment, Nittsu Logistics (Thailand) Co., Ltd. has been included due to the purchase of additional shares, and Nippon Express (Vietnam) Co., Ltd. has been included due to an increase in its materiality. Effective the year ended March 31, 2017, two subsidiaries, including MC Nittsu China Holdings Co., Ltd., have been excluded from the scope of consolidation due to liquidation, and DAISOULOGITEC Co. Ltd. has been excluded due to a merger with another consolidated subsidiary.
- 2) A total of 27 subsidiaries, including Nittsu Energy Kanto Co., Ltd., are excluded from the scope of consolidation as these companies are small, and their impact on the consolidated financial statements in terms of total assets, revenues, net income or loss and retained earnings corresponding to interest held by the Company is considered to be immaterial as a whole.
- 3) A total of 54 subsidiaries, including Nippon Express Travel USA, Inc., held by 13 overseas consolidated subsidiaries, including Nippon Express USA, Inc., are included in the scope of the consolidation.

(2) Application of equity method

- 1) Companies to which the equity method is applied:
 - a. Non-consolidated subsidiary: Awa Godo Tsuun Co., Ltd.
 - b. Affiliates: There are 24 equity-method affiliates, including Meitetsu Transport Co., Ltd. Effective the year ended March 31, 2017, two companies, including Meitetsu Transport Co., Ltd., have been included in the scope of equity method affiliates due to the purchase of shares, and Fun Japan Communications, Ltd. has been included due to new establishment. Effective the year ended March 31, 2017, Nippon Vopack Co., Ltd. (now Central Tank Terminal Co., Ltd.) has been excluded from the scope of equity method affiliates due to the sale of shares, Nittsu Logistics (Thailand) Co., Ltd. has been excluded due to the purchase of additional shares, Nippon Express (Vietnam) Co., Ltd. has been excluded due to an increase in its materiality, and Chongqing MinSheng Nittsu Xiyong Logistics Co., Ltd. has been excluded due to liquidation.
- 2) A total of 26 non-consolidated subsidiaries, including Nittsu Energy Kanto Co., Ltd., and 43 affiliates, including Tokyo Koun Co., Ltd., other than the above 25 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 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 95 overseas 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.

(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 primarily using the moving average method.
 - Available-for-sale securities without market value
Available-for-sale securities without market value are stated primarily at cost using the moving average method.
 - b. 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).
 - a. Property and equipment, except for leased assets
Depreciation of property and equipment is mainly computed by the declining-balance method over their applicable useful lives. However, buildings are mainly depreciated by the straight-line method over their estimated lives, and facilities attached to buildings and structures acquired on or after April 1, 2016 are also depreciated by the straight-line method over their estimated lives.

Overseas consolidated subsidiaries mainly use the straight-line method over the estimated lives of their assets.

Useful lives of assets are principally as follows:

Vehicles	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 assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method over their estimated useful lives. Costs of software for internal use are amortized using the straight-line method over the available period (5 years). Overseas consolidated subsidiaries mainly use the straight-line method over the estimated lives of their assets.

c. Leased assets

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

3) Allowances and provisions

a. Allowance for doubtful accounts

Allowance to provide for potential loss on receivables is provided at the estimated amount of irrecoverable receivables. Allowances for ordinary debt are computed based on the historical rate of default. For certain debts, such as those where recovery is doubtful, the likelihood of recovery is considered on an individual basis.

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

b. Provision for bonuses

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

c. Provision for directors' bonuses

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

d. Provision for directors' retirement benefits

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

e. Provision for special repairs

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

f. Provision for loss on guarantees

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

g. Provision for loss on contracts

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

4) Retirement benefits

a. Allocation of projected retirement benefit obligation

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

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

Prior service cost is amortized as incurred mainly by the straight-line method over a period not exceeding the estimated average remaining service years of employees (4–15 years) at the time of occurrence.

Actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized, mainly by the straight-line method over a period not exceeding the average remaining service years of the employees (4–15 years) at the time of occurrence.

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

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

5) Revenue and expenses

a. Finance lease revenue

Finance lease revenue and related cost of revenue are recorded when the lease payment is received.

b. Completed construction

For the percentage of the contractor's obligation performed at the balance sheet date, the percentage-of-completion method is applied to contracts where the outcome of the construction activity is deemed certain; otherwise, the completed-contract method is applied. The percentage of completion is determined using the ratio of cost incurred to the estimated total cost.

6) Hedge accounting

a. Hedge accounting method

Deferred hedge accounting is adopted.

The designation method is applied for forward foreign currency contracts which meet the requirements and exceptional accounting is applied for interest rate swaps which meet the requirements.

b. Hedging instruments and hedged items

a) Hedging instruments Forward foreign currency contracts

Hedged items Receivables and payables denominated in foreign currencies and foreign currency-denominated forecasted transactions

b) Hedging instruments Interest rate swaps
Hedged items Loans payable

c. Hedging policy

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

d. Method for evaluating hedging effectiveness

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

e. Other

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

7) Amortization of goodwill

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

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

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

9) Accounting method for consumption taxes

Consumption taxes with respect to the Company and its domestic subsidiaries are excluded from respective transaction amounts. However, non-deductible consumption taxes relating to assets are reported as periodical expenses in the fiscal year in which they are incurred.

This is not applicable to overseas consolidated subsidiaries.

10) Of the equity method affiliates, domestic subsidiaries and affiliates (17 companies) apply basically the same accounting standards as the Company while certain foreign subsidiaries (8 companies) apply accounting standards prevailing in the countries in which they operate, none of which are materially different from the accounting standards applied by the Company.

3. Changes in accounting policies

In accordance with the revision of the Corporation Tax Act of Japan, the Company and its domestic consolidated subsidiaries have applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (PITF No. 32, issued June 17, 2016), effective from the fiscal year ended March 31, 2017. Accordingly, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The effect of this change on operating income, ordinary income and income before income taxes and non-controlling interests for the fiscal year ended March 31, 2017 was immaterial.

4. Supplementary information

Performance-based stock compensation plan

(1) Outline of the plan

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

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

(2) Company shares remaining in the BIP Trust

Company shares remaining in the BIP Trust were recorded as treasury stock under net assets based on their carrying amount in the BIP Trust (less ancillary expenses). The carrying amount and the number of shares of said treasury stock as at March 31, 2017 were ¥383 million (US\$3,415 thousand) and 771,000 shares, respectively.

5. Notes to Consolidated Balance Sheets

(1) Assets pledged as collateral and secured payables

Assets pledged as collateral are as follows:

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Time deposits	259	235	2,101
Buildings	4,648	864	7,703
Structures	40	—	—
Machinery and equipment	2	—	—
Land	2,688	1,633	14,559
Investment securities	891	998	8,896
Total	8,530	3,731	33,261

The Company's secured payables are as follows:

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Accounts payable—trade	4,542	4,691	41,818
Long-term loans payable	491	440	3,922
Short-term loans payable and others	44	36	326
Total	5,078	5,168	46,067

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

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Buildings	284	14,093	125,621
Machinery and equipment	47	85	765
Vehicles	—	2	25
Land	8	145	1,294
Structures and others	76	7	67
Total	417	14,335	127,775

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

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Equity securities (included in investment securities)	16,369	15,859	141,363
Investments in capital or partnerships (included in Other under investments and other assets)	2,295	2,151	19,174

(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
	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)	
World Cargo Distribution Center Co., Ltd.	148	42	377	Loan guarantee
Nagoya United Container Terminal Co., Ltd.	600	187	1,671	Loan guarantee
Nittsu Shoji Leasing (Thailand) Co., Ltd.	1,792	1,995	17,783	Loan guarantee
Nittsu Shoji (Singapore) Pte. Ltd.	493	1,137	10,135	Loan guarantee
Other	402	636	5,677	Loan guarantee, others
Total	3,437	3,998	35,644	

(5) Inventories

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Merchandise and finished goods	3,652	3,448	30,737
Work in process	492	592	5,278
Raw materials and stores	2,223	2,087	18,610

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: (2016)

	Operating costs (Millions of yen)	Selling, general, and administrative expenses (Millions of yen)
Provision for bonuses	18,327	3,317
Provision for directors' bonuses	—	133
Retirement benefit cost	16,756	1,738
Provision for directors' retirement benefits	—	138
Provision for special repairs	82	—

(2017)

	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	18,644	166,189	3,056	27,244
Provision for directors' bonuses	—	—	139	1,246
Retirement benefit cost	18,336	163,439	1,900	16,942
Provision for directors' retirement benefits	—	—	98	874
Provision for special repairs	103	926	—	—

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

	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Thousands of U.S. dollars)
Land	4,541	5,072	45,212
Buildings	214	212	1,892
Intangible assets and others	106	51	461
Total	4,862	5,336	47,567

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

	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Thousands of U.S. dollars)
Buildings	3,655	2,584	23,038
Structures	153	301	2,687
Machinery and equipment	142	237	2,114
Tools, furniture and fixtures	90	92	823
Land	2,102	97	870
Intangible assets and others	331	1,313	11,704
Total	6,477	4,626	41,237

(4) Impairment loss

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

2016 (From April 1, 2015 to March 31, 2016)

A description is omitted because the amount is immaterial.

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

Purpose of use	Type	Location	Impairment loss (Millions of yen)	Impairment loss (Thousands of U.S. dollars)
—	Goodwill	—	4,175	37,215

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

In terms of goodwill 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 11.3%–14.4% to future cash flows.

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

(5) Loss on disaster

2016 (From April 1, 2015 to March 31, 2016)

Not applicable.

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

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

	Millions of yen	Thousands of U.S. dollars
Restoration expense for non-current assets	806	7,185
Loss on destruction of non-current assets	20	181
Other	47	424

¥37 million (US\$330 thousand) in provision for loss on disaster is included in other provisions under current liabilities.

7. Notes to Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income

	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Thousands of U.S. dollars)
Valuation differences on available-for-sale securities			
Amount recognized during the year	(23,293)	13,832	123,293
Reclassification adjustments	(193)	284	2,540
Before tax effect adjustment	(23,487)	14,117	125,833
Tax effects	8,699	(4,288)	(38,228)
Valuation differences on available-for-sale securities	(14,787)	9,828	87,605
Deferred gains (losses) on hedges			
Amount recognized during the year	(298)	319	2,848
Tax effects	92	(98)	(880)
Deferred gains (losses) on hedges	(206)	220	1,968
Foreign currency translation adjustments			
Amount recognized during the year	(7,024)	(7,140)	(63,647)
Reclassification adjustments	(5)	—	—
Foreign currency translation adjustments	(7,030)	(7,140)	(63,647)
Remeasurements of retirement benefit plans			
Amount recognized during the year	(22,227)	(1,020)	(9,099)
Reclassification adjustments	8,425	10,716	95,522
Before tax effect adjustment	(13,802)	9,695	86,423
Tax effects	2,037	(1,792)	(15,976)
Remeasurements of retirement benefit plans	(11,764)	7,903	70,447
Share of other comprehensive income (loss) of affiliates accounted for using the equity method			
Amount recognized during the year	(244)	(161)	(1,442)
Total other comprehensive income (loss)	(34,033)	10,650	94,930

8. Notes to Consolidated Statements of Changes in Net Assets

2016 (From April 1, 2015 to March 31, 2016)

(1) Class and number of shares issued

Class of shares	Number of shares as of April 1, 2015	Increase	Decrease	Number of shares as of March 31, 2016
Common stock (Thousand shares)	1,038,000	—	—	1,038,000

(2) Class and number of treasury stock

Class of shares	Number of shares as of April 1, 2015	Increase	Decrease	Number of shares as of March 31, 2016
Common stock (Thousand shares)	36,401	667	0	37,068

Details of the changes are as follows:

The increase in common stock in treasury is due to the acquisition of 626 thousand shares pursuant to the resolution of the Board of Directors (January 29, 2016) and the purchase of 41 thousand shares in quantities of less than one unit.

The decrease in common stock in treasury is due to the transfer of 200 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 26, 2015	Common stock	5,007	5.0	March 31, 2015	June 29, 2015
Board of Directors' Meeting held on October 30, 2015	Common stock	5,007	5.0	September 30, 2015	December 2, 2015

2) Dividends whose record date falls in the year ended March 31, 2016, but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2016	Common stock	Retained earnings	6,005	6.0	March 31, 2016	June 30, 2016

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

(1) Class and number of shares issued

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

Details of the changes are as follows:

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

(2) Class and number of treasury stock

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

(Note) In addition to the above, 771,000 of the Company's shares held by the executive compensation BIP trust are recorded under treasury stock in the consolidated financial statements.

Details of the changes are as follows:

The increase in common stock in treasury is due to the acquisition of 40,000 thousand shares pursuant to the resolution of the Board of Directors (July 29, 2016) and the purchase of 29 thousand shares in quantities of less than one unit.

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

(3) Dividends

1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2016	Common stock	6,005	6.0	March 31, 2016	June 30, 2016
Board of Directors' Meeting held on October 31, 2016	Common stock	4,922	5.0	September 30, 2016	December 2, 2016

Resolution	Class of shares	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2016	Common stock	53,530	0.05	March 31, 2016	June 30, 2016
Board of Directors' Meeting held on October 31, 2016	Common stock	43,872	0.04	September 30, 2016	December 2, 2016

(Note) The total amount of dividends decided by resolution of the Board of Directors on October 31, 2016 includes ¥3 million (US\$34 thousand) in dividends paid on shares of the Company held by the executive compensation BIP trust.

2) Dividends whose record date falls in the year ended March 31, 2017, but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2017	Common stock	Retained earnings	5,765	6.0	March 31, 2017	June 30, 2017

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 29, 2017	Common stock	Retained earnings	51,389	0.05	March 31, 2017	June 30, 2017

(Note) The total amount of dividends includes ¥4 million (US\$41 thousand) in dividends paid on shares of the Company held by the executive compensation BIP trust.

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

	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Thousands of U.S. dollars)
Cash and cash in banks	189,323	212,683	1,895,747
Cash related to CSD services	(14,971)	(17,918)	(159,713)
Cash related to exchange money delivery services	(20,469)	(21,111)	(188,176)
Time deposits with maturities of over three months	(7,616)	(10,032)	(89,419)
Time deposits pledged as collateral for debts	(259)	(235)	(2,101)
Cash and cash equivalents	146,007	163,386	1,456,337

(2) (2016)

"Interest expenses" as well as "Interest paid" in cash flows from operating activities are presented excluding ¥494 million in financing costs included in operating costs mainly in the leasing business.

(2017)

"Interest expenses" as well as "Interest paid" in cash flows from operating activities are presented excluding ¥410 million (US\$3,657 thousand) in financing costs included in operating costs mainly in the leasing business.

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

(2016)

Details of assets and liabilities acquired when Wanbishi Archives Co., Ltd. entered consolidation, the share acquisition cost, net payment for acquisition and related information are as follows:

	(Millions of yen)
Current assets	11,970
Non-current assets	54,166
Goodwill	35,724
Current liabilities	(2,878)
Non-current liabilities	(12,981)
Non-controlling interests	—
Share acquisition cost	86,000
Cash and cash equivalents	(8,832)
Net payment for acquisition	77,167

(2017)

A description is omitted because the amount is immaterial.

10. Leases

(1) Finance leases

(Lessee)
Not applicable.

(Lessor)

1) Breakdown of lease investment assets

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Gross lease receivables	111,084	109,570	976,651
Estimated residual values	3,231	4,046	36,071
Unearned interest income	(1,487)	(1,281)	(11,421)
Lease investment assets	112,827	112,336	1,001,301

2) Lease receivables and maturities of gross lease receivables corresponding to lease investment assets subsequent to March 31, 2016 and 2017 are as follows:
2016 (As of March 31, 2016)

	Lease receivables (Millions of yen)	Lease investment assets (Millions of yen)
Due in one year or less	2,944	35,946
Due after one year through two years	2,521	28,854
Due after two years through three years	1,711	20,916
Due after three years through four years	1,021	12,790
Due after four years through five years	504	5,809
Due after five years	375	6,766

2017 (As of March 31, 2017)

	Lease receivables (Millions of yen)	Lease receivables (Thousands of U.S. dollars)	Lease investment assets (Millions of yen)	Lease investment assets (Thousands of U.S. dollars)
Due in one year or less	3,109	27,719	36,184	322,524
Due after one year through two years	2,315	20,640	28,329	252,515
Due after two years through three years	1,603	14,292	20,024	178,491
Due after three years through four years	1,042	9,293	12,559	111,947
Due after four years through five years	428	3,816	5,326	47,480
Due after five years	259	2,309	7,145	63,691

(2) Operating leases

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

(Lessee)

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Portion due within one year	30,256	31,461	280,428
Thereafter	155,332	159,371	1,420,553
Total	185,589	190,833	1,700,982

(Lessor)
Not applicable.

11. Financial instruments

2016 (From April 1, 2015 to March 31, 2016)

(1) Financial instruments and related disclosures

1) Group policy for financial instruments

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

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

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

The payment terms of trade accounts 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 10 years after the balance sheet date. Most long-term loans have fixed interest rates, although some long-term loans have floating interest rates and are thus exposed to interest rate fluctuation risk, but are hedged using derivative transactions (interest rate swaps).

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

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

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

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

3) Supplementary explanation about the fair values of financial instruments

The fair values of financial instruments comprise the quoted market price and other rationally computed values where market price is not available. Since variable factors are considered in computing the values, such values may change depending on the assumptions used. The contract amounts of derivatives described in Note 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, 2016 are as follows:

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	189,323	189,323	—
2) Accounts receivable—trade	296,592	296,592	—
3) Lease investment assets	112,827	114,182	1,354
4) Investment securities			
Available-for-sale securities	88,890	88,890	—
5) Accounts payable—trade	(151,057)	(151,057)	—
6) Short-term loans payable	(10,087)	(10,087)	—
7) Deposits	(46,583)	(46,583)	—
8) Bonds	(85,000)	(86,899)	(1,899)
9) Long-term loans payable	(293,159)	(298,301)	(5,141)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(308)	(308)	—

(*1) Liabilities are presented in parentheses.

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

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

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

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

3) Lease investment assets:

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

4) Investment securities:

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

For notes about investment securities, please refer to Note 12. "Securities."

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

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

8) Bonds:

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

9) Long-term loans payable:

The fair value of long-term loans payable is computed by discounting the aggregate value of the principal and interest on long-term loans payable classified by period using the interest rate assumed if entering into an identical loan agreement.

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

10) Derivatives:

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

(Note 2) Unlisted equity securities with a carrying amount of ¥23,240 million are not included in (4) investment securities—available-for-sale securities, since there is no quoted market price and it is impossible to estimate future cash flows, making it very difficult to determine their fair values.

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

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and cash in banks	189,323	—	—
Accounts receivable—trade	296,592	—	—
Lease investment assets	35,282	67,571	9,974

(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	10,087	—	—
Bonds payable	20,000	45,000	20,000
Long-term loans payable	52,204	143,349	97,605

*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.

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

(1) Financial instruments and related disclosures

1) Group policy for financial instruments

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

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

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

The payment terms of trade payables are almost all less than one year. Although some of them are denominated in foreign currencies and exposed to foreign currency fluctuation risk, they are partially hedged using forward foreign currency contracts. Short-term loans payable are mainly used for operations and the main objective of long-term loans and bonds is to raise necessary funds for capital investments. Maturities of bonds are within 19 years after the balance sheet date. Most long-term loans have fixed interest rates, although some long-term loans have floating interest rates and are thus exposed to interest rate fluctuation risk, but are hedged using derivative transactions (interest rate swaps).

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

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

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

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

3) Supplementary explanation about the fair values of financial instruments

The fair values of financial instruments comprise the quoted market price and other rationally computed values where market price is not available. Since variable factors are considered in computing the values, such values may change depending on the assumptions used. The contract amounts of derivatives described in Note 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, 2017 are as follows:

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

	Thousands of U.S. dollars		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	1,895,747	1,895,747	—
2) Accounts receivable—trade	2,661,504	2,661,504	—
3) Lease investment assets	1,001,301	1,012,722	11,421
4) Investment securities			
Available-for-sale securities	918,616	918,616	—
5) Accounts payable—trade	(1,398,202)	(1,398,202)	—
6) Short-term loans payable	(67,519)	(67,519)	—
7) Deposits	(436,678)	(436,678)	—
8) Bonds	(1,292,450)	(1,290,444)	2,005
9) Long-term loans payable	(2,342,061)	(2,379,105)	(37,044)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	87	87	—

(*1) Liabilities are presented in parentheses.

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

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

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

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

3) Lease investment assets:

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

4) Investment securities:

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

For notes about investment securities, please refer to Note 12. "Securities."

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

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

8) Bonds:

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

9) Long-term loans payable:

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

10) Derivatives:

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

(Note 2) Unlisted equity securities with a carrying amount of ¥22,836 million (US\$203,555 thousand) are not included in (4) investment securities—available-for-sale securities, since there is no quoted market price and it is impossible to estimate future cash flows, making it very difficult to determine their fair values.

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

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and cash in banks	212,683	—	—	1,895,747	—	—
Accounts receivable—trade	298,594	—	—	2,661,504	—	—
Lease investment assets	35,621	65,580	11,133	317,507	584,551	99,242

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

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years*	Due after five years	Due in one year or less	Due after one year through five years*	Due after five years
Short-term loans payable	7,575	—	—	67,519	—	—
Bonds payable	20,000	35,000	90,000	178,269	311,970	802,210
Long-term loans payable	53,031	106,656	103,068	472,694	950,674	918,693

* 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

2016 (As of March 31, 2016)

(1) Available-for-sale securities

Category	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	87,212	18,746	68,465
2) Other	—	—	—
Sub-total	87,212	18,746	68,465
Carrying value does not exceed acquisition cost:			
1) Equity securities	1,680	2,518	(838)
2) Other	—	—	—
Sub-total	1,680	2,518	(838)
Total	88,892	21,265	67,627

(2) Available-for-sale securities sold during 2016 (From April 1, 2015 to March 31, 2016)

Category	Millions of yen		
	Sales proceeds	Total gains on sales	Total losses on sales
1) Equity securities	2,011	363	45
2) Other	—	—	—
Total	2,011	363	45

(3) Impairment loss on investment securities

The Company recorded impairment loss of ¥47 million on available-for-sale securities for the fiscal year ended March 31, 2016.

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

2017 (As of March 31, 2017)

(1) Available-for-sale securities

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

Category	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	911,896	182,323	729,572
2) Other	—	—	—
Sub-total	911,896	182,323	729,572
Carrying value does not exceed acquisition cost:			
1) Equity securities	6,736	7,654	(917)
2) Other	—	—	—
Sub-total	6,736	7,654	(917)
Total	918,633	189,977	728,655

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

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

Category	Thousands of U.S. dollars		
	Sales proceeds	Total gains on sales	Total losses on sales
1) Equity securities	1,326	817	17
2) Other	—	—	—
Total	1,326	817	17

(3) Impairment loss on investment securities

The Company recorded impairment loss of ¥14 million (US\$132 thousand) on available-for-sale securities for the fiscal year ended March 31, 2017.

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

13. Derivatives

2016 (As of March 31, 2016)

(1) Derivative transactions to which hedge accounting is not applied at March 31, 2016

Not applicable.

(2) Derivative transactions to which hedge accounting is applied at March 31, 2016

1) Interest rate-related derivatives

Hedge accounting method	Type of derivative transaction	Major hedged items	Millions of yen		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Exceptional accounting for interest rate swaps	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	10,000	10,000	(*2)
Deferral hedge	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	50,000	50,000	(303)

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

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

2) Currency-related derivatives

Hedge accounting method	Type of derivative transaction	Major hedged items	Millions of yen		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Deferral hedge	Forward foreign currency contracts: Selling US\$ and other currencies	Forecasted transactions on receivables and payables in foreign currencies	1,393	—	23
	Forward foreign currency contracts: Buying US\$ and other currencies		1,094	—	(28)
Designation method	Forward foreign currency contracts: Selling US\$ and other currencies	Accounts receivable—trade	1,290	—	(*2)
	Forward foreign currency contracts: Buying US\$ and other currencies	Accounts payable—trade	2,037	—	

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

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

2017 (As of March 31, 2017)

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

Not applicable.

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

1) Interest rate-related derivatives

Hedge accounting method	Type of derivative transaction	Major hedged items	Millions of yen		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Exceptional accounting for interest rate swaps	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	10,000	10,000	(*2)
Deferral hedge	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	50,000	50,000	24

Hedge accounting method	Type of derivative transaction	Major hedged items	Thousands of U.S. dollars		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Exceptional accounting for interest rate swaps	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	89,134	89,134	(*2)
Deferral hedge	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	445,672	445,672	215

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

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

2) Currency-related derivatives

Hedge accounting method	Type of derivative transaction	Major hedged items	Millions of yen		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Deferral hedge	Forward foreign currency contracts: Selling US\$ and other currencies	Forecasted transactions on receivables and payables in foreign currencies	1,228	—	(2)
	Forward foreign currency contracts: Buying US\$ and other currencies		622	—	(11)
Designation method	Forward foreign currency contracts: Selling US\$ and other currencies	Accounts receivable—trade	1,444	—	(*2)
	Forward foreign currency contracts: Buying US\$ and other currencies	Accounts payable—trade	3,351	—	

Hedge accounting method	Type of derivative transaction	Major hedged items	Thousands of U.S. dollars		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Deferral hedge	Forward foreign currency contracts: Selling US\$ and other currencies	Forecasted transactions on receivables and payables in foreign currencies	10,948	—	(22)
	Forward foreign currency contracts: Buying US\$ and other currencies		5,547	—	(105)
Designation method	Forward foreign currency contracts: Selling US\$ and other currencies	Accounts receivable—trade	12,873	—	(*2)
	Forward foreign currency contracts: Buying US\$ and other currencies	Accounts payable—trade	29,877	—	

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

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

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 multiemployer 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.

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

(2) Defined-benefit retirement plans

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

	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Thousands of U.S. dollars)
Retirement benefit obligation at beginning of the year	200,394	217,815	1,941,486
Service cost	8,650	9,358	83,414
Interest cost on projected benefit obligation	1,804	841	7,500
Actuarial gain or loss	17,648	1,174	10,472
Retirement benefits paid	(11,655)	(12,481)	(111,255)
Decrease due to transition to defined-contribution plans	—	(2,806)	(25,019)
Effect of business combination	1,855	—	—
Other	(883)	(47)	(423)
Retirement benefit obligation at end of the year	217,815	213,853	1,906,176

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

	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Thousands of U.S. dollars)
Plan assets at beginning of the year	72,336	64,664	576,387
Expected return on plan assets	1,256	1,159	10,338
Actuarial gain or loss	(4,423)	565	5,038
Contribution from employer	2,038	1,574	14,037
Retirement benefits paid	(5,823)	(1,099)	(9,800)
Decrease due to transition to defined-contribution plans	—	(3,078)	(27,440)
Other	(719)	(484)	(4,321)
Plan assets at end of the year	64,664	63,301	564,238

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

	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Thousands of U.S. dollars)
Net retirement benefit liability and net retirement benefit asset at beginning of the year (net amount)	5,836	6,056	53,980
Benefit cost	870	865	7,712
Retirement benefits paid	(824)	(683)	(6,094)
Contribution to plan	(6)	—	—
Effect of business combination	—	44	400
Other	179	(141)	(1,258)
Net retirement benefit liability and net retirement benefit asset at end of the year (net amount)	6,056	6,141	54,741

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

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Retirement benefit obligation of funded plans	203,878	199,210	1,775,655
Plan assets	(65,432)	(63,893)	(569,508)
	138,445	135,317	1,206,146
Retirement benefit obligation of unfunded plans	20,760	21,375	190,532
Net retirement obligation and assets at end of the year	159,206	156,693	1,396,678
Net retirement benefit liability	160,168	157,371	1,402,719
Net retirement benefit asset	(962)	(677)	(6,040)
Net retirement liability and asset at end of the year	159,206	156,693	1,396,678

(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 the plan assets of funded plans.

5) Retirement benefit cost

	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Thousands of U.S. dollars)
Service cost	8,650	9,358	83,414
Interest cost on projected retirement benefit obligation	1,804	841	7,500
Expected return on plan assets	(1,256)	(1,159)	(10,338)
Amortization of unrecognized actuarial loss	8,812	9,806	87,414
Amortization of prior service cost	(387)	522	4,661
Retirement benefit cost calculated by the simplified method	870	865	7,712
Retirement benefit cost of defined-benefit plans	18,495	20,235	180,365
Loss on transition to defined-contribution plans (Note)	—	679	6,059

(Note) This amount is recorded as extraordinary loss.

6) Remeasurements of retirement benefit plans in other comprehensive income

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

	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Millions of yen)	2017 (From April 1, 2016 to March 31, 2017) (Thousands of U.S. dollars)
Prior service cost	(387)	528	4,714
Actuarial gain or loss	(13,415)	9,166	81,708
Total	(13,802)	9,695	86,423

(Note) For the fiscal year ended March 31, 2017, prior service cost and actuarial gain or loss include reclassification adjustments due to the transition of certain defined-benefit pension plans to defined-contribution pension plans of ¥(0) million (US\$(6) thousand) and ¥386 million (US\$3,447 thousand), respectively.

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

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

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Unrecognized prior service cost	3,818	3,289	29,320
Unrecognized actuarial gain or loss	72,881	63,714	567,912
Total	76,699	67,003	597,233

8) Plan assets

a. Main components of plan assets

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

	2016 (As of March 31, 2016)	2017 (As of March 31, 2017)
Bonds	21%	19%
Equity securities	68%	70%
Cash and cash in banks	1%	3%
Other	10%	8%
Total	100%	100%

(Note) 48.1% of plan assets in the year ended March 31, 2016, and 52.5% of plan assets in the year ended March 31, 2017 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

	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)
Discount rates	0.1%–1.2%	0.1%–1.2%
Long-term expected rates of return on plan assets	0.0%–2.7%	0.0%–2.7%
Expected rates of pay raises	0.9%–7.9%	0.5%–8.6%

(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 ¥3,848 million for the year ended March 31, 2016 and ¥4,119 million (US\$36,719 thousand) for the year ended March, 31, 2017.

(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, 2016 and 2017 are as follows:

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Deferred tax assets:			
(Current)			
Allowance for doubtful accounts	231	184	1,640
Accrued bonuses	7,419	7,358	65,592
Enterprise tax payable	979	1,152	10,277
Asset retirement obligations	1,358	1,271	11,330
Other	2,753	2,048	18,257
Total	12,741	12,015	107,098

	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
(Non-current)			
Allowance for doubtful accounts	266	277	2,477
Net retirement benefit liability	64,251	64,957	578,992
Unrealized gains	3,238	3,243	28,909
Impairment losses	2,661	2,651	23,630
Asset retirement obligations	2,176	2,009	17,913
Loss on valuation of investment securities, etc.	1,427	1,420	12,660
Loss carried forward	720	875	7,802
Other	7,642	8,588	76,548
Total	82,384	84,023	748,935
Sub-total	95,126	96,038	856,034
Valuation allowance	(8,570)	(7,715)	(68,775)
Total deferred tax assets	86,555	88,322	787,258
Deferred tax liabilities:			
(Current)			
Loss on adjustment for transfer of leased assets	(811)	(833)	(7,426)
Other	(211)	(223)	(1,990)
Total	(1,023)	(1,056)	(9,416)
(Non-current)			
Reserve for deferred gains on fixed assets	(14,037)	(14,622)	(130,332)
Gain on securities contribution to employees' retirement benefits trust	(14,532)	(14,532)	(129,535)
Valuation differences on available-for-sale securities	(20,354)	(24,642)	(219,653)
Valuation differences on assets and liabilities of subsidiaries	(16,839)	(15,793)	(140,771)
Other	(3,519)	(4,544)	(40,505)
Total	(69,282)	(74,135)	(660,799)
Total deferred tax liabilities	(70,306)	(75,191)	(670,216)
(Note) Net deferred tax assets and liabilities as of March 31, 2016 and 2017 are included in the following items of the consolidated balance sheets.			
	2016 (As of March 31, 2016) (Millions of yen)	2017 (As of March 31, 2017) (Millions of yen)	2017 (As of March 31, 2017) (Thousands of U.S. dollars)
Deferred tax assets—current	11,530	10,810	96,361
Others (Deferred tax liabilities)—current	(137)	(159)	(1,420)
Deferred tax assets—non-current	19,342	15,056	134,203
Deferred tax liabilities—non-current	(14,486)	(12,576)	(112,101)

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

	2016 (As of March 31, 2016)	2017 (As of March 31, 2017)
Statutory tax rate	33.1%	30.9%
(Adjustment)		
Non-deductible items	1.6	1.5
Reduction of year-end deferred tax assets due to the change of tax rate	1.1	—
Per capita inhabitants' tax	2.1	2.0
Changes in valuation allowance	(0.5)	(0.9)
Difference in tax rate applicable to foreign subsidiaries	(0.8)	1.2
Elimination of dividends from consolidated subsidiaries	1.4	0.5
Amortization of goodwill	1.5	2.1
Impairment of goodwill	—	2.1
Difference in tax rate due to companies reporting losses	0.4	0.2
Other, net	(1.2)	(0.9)
Effective tax rate	38.7%	38.7%

16. Asset retirement obligations

2016 (From April 1, 2015 to March 31, 2016)

Asset retirement obligations that are stated in the consolidated balance sheets

(1) Description of the asset retirement obligations

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

(2) Method for calculating the asset retirement obligations

The asset retirement obligations are calculated using a 0.007%–2.315% periodic discount rate over 2 to 50 years duration of use in most cases, based on estimated useful life.

(3) Changes in total asset retirement obligations during 2016

	Millions of yen
Balance at beginning of the year	11,726
Increase due to acquisition of property and equipment	155
Accretion adjustment	153
Decrease due to settlement	(131)
Increase due to business combinations	146
Other	(20)
Balance at end of the year	12,030

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

Asset retirement obligations that are stated in the consolidated balance sheets

(1) Description of the asset retirement obligations

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

(2) Method for calculating the asset retirement obligations

The asset retirement obligations are calculated using a 0.007%–2.315% periodic discount rate over 2 to 50 years duration of use in most cases, based on estimated useful life.

(3) Changes in total asset retirement obligations during 2017

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the year	12,030	107,237
Increase due to acquisition of property and equipment	74	663
Accretion adjustment	153	1,368
Decrease due to settlement	(802)	(7,156)
Increase due to business combinations	37	338
Other	(67)	(598)
Balance at end of the year	11,426	101,853

17. Investment and rental property

2016 (From April 1, 2015 to March 31, 2016)

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings and parking lots (including land) throughout Japan. Net rental profit (rental income included in revenues less rental expenses included mainly in operating costs) and other losses (included mainly in loss on disposal of non-current assets) on investment and rental property for the year ended March 31, 2016 were ¥6,082 million and ¥1,191 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, 2016
April 1, 2015	Increase (decrease)	March 31, 2016	
45,284	4,034	49,319	143,358

- (Notes) 1. Carrying amount recognized in the consolidated balance sheets is stated at acquisition cost less accumulated depreciation.
2. Increase during the year ended March 31, 2016 primarily consists of an increase in the number of properties.
3. Fair value of properties as of March 31, 2016 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.

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

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings and parking lots (including land) throughout Japan. Net rental profit (rental income included in revenues less rental expenses included mainly in operating costs) and other losses (included mainly in loss on disposal of non-current assets) on investment and rental property for the year ended March 31, 2017 were ¥7,332 million (US\$65,360 thousand) and ¥3,521 million (US\$31,389 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, 2017
April 1, 2016	Increase (decrease)	March 31, 2017	
49,319	(1,378)	47,940	146,031

Thousands of U.S. dollars			
Carrying amount			Fair value as of March 31, 2017
April 1, 2016	Increase (decrease)	March 31, 2017	
439,602	(12,284)	427,318	1,301,640

- (Notes) 1. Carrying amount recognized in the consolidated balance sheets is stated at acquisition cost less accumulated depreciation.
2. Decrease during the year ended March 31, 2017 primarily consists of depreciation.
3. Fair value of properties as of March 31, 2017 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.
4. Effective the year ended March 31, 2017, due to a change in the management system for the real estate business, the Company has changed its allocation standards for related expenses. This change increased the Company's net rental profit. The net rental profit for the year ended March 31, 2016 has been calculated according to the new standards.

18. Segment information

[Segment Information]

(1) Outline of the reportable segments

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

The Company implemented large-scale organizational reforms in the previous fiscal year with the aim of shifting to a one-stop structure that can leverage the Group's comprehensive capabilities in land, marine and air transport in order to address the management issues of reinforcing customer-oriented sales operations, selecting and concentrating management resources and improving efficiency.

Furthermore, from the fiscal year ended March 31, 2017, the Group launched its new business plan, “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu.” Among the key strategies of the plan are the area strategies. Specifically, the area strategies position Japan as a key part of the Company’s global business, where the Company aims for both growth potential and profitability, while positioning overseas markets as the driver of the Group’s future growth.

The Group has therefore revised the reportable segments used in its information disclosure from the fiscal year ended March 31, 2017, changing the name of the former Distribution & Transportation Business to the Logistics Business, and reclassifying the former Combined Business, Air Freight Forwarding, Marine & Harbor Transportation segments and part of Other Business segment under the Japan segment.

Furthermore, Security Transportation and Heavy Haulage & Construction segments, which are specialized businesses, were made independent of the Distribution & Transportation Business, and the former Goods Sales and Other segments were integrated into the Logistics Support segment.

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

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

Note that segment information for the fiscal year ended March 31, 2016 has been prepared according to the reclassified segments.

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

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

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

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

2016 (From April 1, 2015 to March 31, 2016)

	Millions of yen				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	1,145,195	79,895	79,267	105,103	65,007
Intersegment	13,194	14,801	5,311	9,964	5,218
Total	1,158,390	94,697	84,579	115,068	70,225
Segment income	36,601	5,088	1,559	1,679	1,568
Segment assets	810,766	47,477	51,038	59,451	49,552
Other items					
Depreciation and amortization	32,808	1,299	1,693	1,263	1,447
Amortization of goodwill	1,030	311	438	534	130
Impairment loss on non-current assets	12	—	—	—	—
Investment in equity method affiliates	8,488	65	—	1,617	1,914
Increase in property and equipment and intangible assets	108,533	1,053	1,551	1,476	4,295

	Millions of yen					
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in consolidated statements of income (Note 2)
Revenues						
Revenues from external customers	53,773	51,051	329,810	1,909,105	—	1,909,105
Intersegment	30	344	81,096	129,962	(129,962)	—
Total	53,803	51,395	410,906	2,039,067	(129,962)	1,909,105
Segment income	1,570	3,687	8,161	59,917	(5,139)	54,778
Segment assets	62,056	23,124	321,089	1,424,555	60,397	1,484,953
Other items						
Depreciation and amortization	2,280	1,271	5,453	47,519	3,813	51,333
Amortization of goodwill	—	—	319	2,764	—	2,764
Impairment loss on non-current assets	—	—	330	342	—	342
Investment in equity method affiliates	—	—	—	12,086	—	12,086
Increase in property and equipment and intangible assets	1,527	435	6,205	125,080	2,422	127,502

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

- (1) The segment income adjustment of ¥5,139 million includes ¥195 million for the elimination of intersegment income and ¥5,052 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 ¥60,397 million includes ¥127,271 million for the elimination of intersegment income, and ¥187,669 million of corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, investment securities and non-current assets held by the head office not attributable to each reportable segment.
- (3) The depreciation and amortization adjustment represents primarily the depreciation and amortization at the head office not attributable to each reportable segment.
- (4) The adjustment in increase in property and equipment and intangible assets represents primarily the capital expenditures at the head office not attributable to each reportable segment.

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

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

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

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

	Thousands of U.S. dollars				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
Revenues					
Revenues from external customers	10,190,661	631,693	658,660	830,352	568,911
Intersegment	110,737	115,538	48,056	76,561	58,094
Total	10,301,398	747,231	706,717	906,913	627,006
Segment income	344,578	42,543	18,098	9,960	22,164
Segment assets	7,551,372	442,239	416,720	487,653	571,290
Other items					
Depreciation and amortization	317,835	10,766	12,269	10,463	16,818
Amortization of goodwill	21,129	2,774	3,502	4,274	3,105
Impairment loss on non-current assets	0	—	15,963	21,251	—
Investment in equity method affiliates	83,804	575	—	14,416	1,114
Increase in property and equipment and intangible assets	553,970	12,545	10,086	10,349	63,363

	Thousands of U.S. dollars					
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total	Adjustment (Note 1)	Amount in consolidated statements of income (Note 2)
Revenues						
Revenues from external customers	487,925	414,591	2,834,565	16,617,361	—	16,617,361
Intersegment	365	4,207	766,415	1,179,977	(1,179,977)	—
Total	488,291	418,798	3,600,980	17,797,339	(1,179,977)	16,617,361
Segment income	8,599	34,619	89,276	569,840	(57,926)	511,914
Segment assets	774,467	223,186	2,779,015	13,245,945	318,549	13,564,494
Other items						
Depreciation and amortization	19,302	8,774	50,906	447,137	30,210	477,348
Amortization of goodwill	—	—	2,847	37,634	—	37,634
Impairment loss on non-current assets	—	—	—	37,216	—	37,216
Investment in equity method affiliates	—	1,803	1,258	102,972	—	102,972
Increase in property and equipment and intangible assets	16,429	4,769	69,287	740,803	16,465	757,269

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

- (1) The segment income adjustment of ¥6,498 million (US\$57,926 thousand) includes ¥136 million (US\$1,218 thousand) for the elimination of intersegment income and ¥6,368 million (US\$56,761 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 ¥35,738 million (US\$318,549 thousand) includes ¥149,841 million (US\$1,335,606 thousand) for the elimination of intersegment income, and ¥185,579 million (US\$1,654,155 thousand) of corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, investment securities and non-current assets held by the head office not attributable to each reportable segment.
- (3) The depreciation and amortization adjustment represents primarily the depreciation and amortization at the head office not attributable to each reportable segment.
- (4) The adjustment in increase in property and equipment and intangible assets represents primarily the capital expenditures at the head office not attributable to each reportable segment.

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

[Related information]

2016 (From April 1, 2015 to March 31, 2016)

(1) Information by products and services

Revenues from external customers	Millions of yen									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & harbor transportation
	78,661	60,082	293,318	68,143	251,197	55,433	12,812	314,982	5,002	217,664

Revenues from external customers	Millions of yen								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Leasing	Sales of petroleum, etc.	Other sales	Other	Total
	3,674	74,023	65,142	70,197	52,911	169,544	89,896	26,414	1,909,105

(2) Information by region

1) Revenues

Millions of yen					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
1,413,849	144,141	88,904	153,087	109,122	1,909,105

(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.

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

(1) Information by products and services

Revenues from external customers	Millions of yen									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & Harbor transportation
	78,880	61,177	287,771	66,101	271,626	58,828	13,090	294,615	4,686	208,611

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

Revenues from external customers	Thousands of U.S. dollars									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & Harbor transportation
	703,094	545,302	2,565,039	589,190	2,421,132	524,363	116,681	2,626,043	41,771	1,859,448

Revenues from external customers	Thousands of U.S. dollars								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Leasing	Sales of petroleum, etc.	Other sales	Other	Total
	33,695	649,516	530,175	557,188	487,712	1,391,378	760,394	215,232	16,617,361

(2) Information by region

1) Revenues

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

Thousands of U.S. dollars					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
12,562,581	1,086,326	728,584	1,312,579	927,288	16,617,361

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

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

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

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

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

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

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

2) Property and equipment

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

(3) Information about major customers

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

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

2016 (From April 1, 2015 to March 31, 2016)

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

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

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

[Information about unamortized balance of goodwill by reportable segment]

2016 (From April 1, 2015 to March 31, 2016)

Balance at end of the year	Millions of yen				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
	39,805	311	3,012	3,592	130

Balance at end of the year	Millions of yen			
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total
	—	—	559	47,411

(Notes) 1. The Company reclassified its reportable segments effective from the fiscal year ended March 31, 2017. Information by segment for the fiscal year ended March 31, 2016 has been prepared according to the reclassified segments.

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

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

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

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

Balance at end of the year	Thousands of U.S. dollars				
	Logistics				
	Japan	The Americas	Europe	East Asia	South Asia & Oceania
	333,679	—	4,797	3,674	39,417

Balance at end of the year	Thousands of U.S. dollars			
	Security Transportation	Heavy Haulage & Construction	Logistics Support	Total
	—	—	2,135	383,704

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

[Information about gain on negative goodwill by reportable segment]

2016 (From April 1, 2015 to March 31, 2016)

Not applicable.

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

Not applicable.

19. Related party information

2016 (From April 1, 2015 to March 31, 2016)

Not applicable.

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

Not applicable.

20. Per share information

	Yen		U.S. dollars
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	2017 (From April 1, 2016 to March 31, 2017)
Net assets per share	521.77	558.65	4.97
Net income per share	35.61	37.13	0.33

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

2. For the purpose of calculating net assets per share and net income per share, the Company's shares held by the executive compensation BIP trust are included in treasury stock, which is excluded from the number of common stock at the end of the year and the weighted average number of common stock during the year. The number of shares of treasury stock held by the trust at March 31, 2017 was 771,000 shares, and the average number of shares of treasury stock held by the trust for the fiscal year ended March 31, 2017 was 449,000 shares. There were no such shares held by the executive compensation BIP trust for the fiscal year ended March 31, 2016.

3. The bases for the computation of net income per share are set out below.

	Millions of yen		Thousands of U.S. dollars
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	2017 (From April 1, 2016 to March 31, 2017)
Net income per share			
Net income attributable to shareholders of Nippon Express	35,659	36,454	324,932
Amount not attributable to common shareholders	—	—	—
Net income attributable to shareholders of Nippon Express related to common stock	35,659	36,454	324,932
Weighted average number of common stock during the year (1,000 shares)	1,001,470	981,737	—

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

	Millions of yen		Thousands of U.S. dollars
	2016 (March 31, 2016)	2017 (March 31, 2017)	2017 (March 31, 2017)
Total net assets	538,018	552,985	4,929,008
Deductions from total net assets	15,758	16,606	148,022
(Non-controlling interests)	(15,758)	(16,606)	(148,022)
Net assets at end of year related to common stock	522,260	536,378	4,780,986
Number of common stock at end of year used to calculate net assets per share (1,000 shares)	1,000,931	960,130	—

21. Significant subsequent events

Change in the number of shares constituting one share unit and the consolidation of shares

At the Board of Directors' meeting held on May 9, 2017, the Company resolved to submit proposals regarding the change in the number of shares constituting one share unit, the consolidation of shares and partial amendments of the Articles of Incorporation to the Company's 111th General Shareholders' Meeting held on June 29, 2017. These proposals were approved at said General Shareholders' Meeting.

(1) Change in the number of shares constituting one share unit

1) Reason for the change

Stock exchanges in Japan have released an "Action Plan for Consolidating Trading Units" and have been encouraging all domestically listed companies to transition to a standard trading unit of 100 shares. Understanding the importance of this action plan, the Company, as a company listed on the Tokyo Stock Exchange, decided to change the number of shares constituting one share unit, which is the trading unit of the Company's stock, from 1,000 shares to 100 shares.

2) Details of the change

The Company will change the number of shares constituting one share unit of its common stock from 1,000 shares to 100 shares as of October 1, 2017.

(2) Consolidation of shares

1) Reason for the consolidation of shares

In light of the change in the number of shares constituting one share unit from 1,000 shares to 100 shares mentioned in 1. (1) Reason for the Change, above, to keep the share price at the current level and avoid changing the number of voting rights owned by the shareholders, the Company decided to carry out a consolidation of shares in proportion to the change in the number of shares constituting one share.

2) Details of the consolidation of shares

a. Class of shares to be consolidated

Common stock

b. Method and ratio of consolidation

As of October 1, 2017, shares held by shareholders recorded in the final shareholder registry for as of September 30, 2017 (effectively September 29, 2017) will be consolidated at the ratio of 10 shares to 1 share.

c. Reduction of shares due to consolidation

Total shares issued before consolidation (as of March 31, 2017)	998,000,000
Reduction in the number of shares due to consolidation	898,200,000
Total shares issued after consolidation	99,800,000

(Note) "Reduction in the number of shares due to consolidation" is a theoretical value calculated by multiplying the total number of shares issued before consolidation by the share consolidation ratio.

3) Effects of the consolidation of shares

The consolidation of shares will decrease the total number of shares issued to one tenth of the current number. However, as the Company's net assets will remain unchanged, net assets per share will increase by ten times, and the asset value of the Company's shares will not change, unless due to other factors, such as changes in the stock market.

4) Reduction of shareholders due to the consolidation of shares

Composition of shareholders listed in the Company's shareholder registry as of March 31, 2017

	Shareholders (% of total)	Shares held (% of total)
All shareholders	57,479 (100%)	998,000,000 (100%)
Shareholders with fewer than 10 shares	1,298 (2.3%)	4,549 (0.0%)
Shareholders with more than 10 shares	56,181 (97.7%)	997,995,451 (100%)

5) Handling of fractional shares

Should fractional shares result from the consolidation of shares, the Company will sell all such fractional shares together in accordance with Article 235 of the Companies Act, and the proceeds will be distributed to the former holders of such fractional shares in amounts proportional to their respective former holdings.

6) Total shares authorized as of the effective date of the consolidation of shares

As the total number of shares issued will decrease as a result of the consolidation of shares, the Company will adjust the total number of authorized shares by decreasing said number in the same ratio as the share consolidation ratio (ten to one) as of the effective date of the consolidation of shares (October 1, 2017).

(3) Partial amendments to the Articles of Incorporation

1) Reason for the amendments

The Company will amend Article 5 (Total Number of Authorized Shares) of the current Articles of Incorporation in order to execute the abovementioned consolidation of shares and to decrease the total number of shares authorized in proportion to the share consolidation ratio. The Company will also amend Article 7 (Number of Shares Constituting One Share Unit) of the current Articles of Incorporation in order to change the number of shares constituting one share unit from 1,000 shares to 100 shares.

For these amendments, the Company will establish a supplementary provision in the Articles of Incorporation stating that the new provisions become effective on October 1, 2017, the effective date of the consolidation of shares. Said supplementary provision will be deleted on the same date.

2) Details of the partial amendments

The details of the amendments are as follows:

(Amended parts are underlined)

Before amendments	After amendments
Chapter 2 Shares (Total Number of Authorized Shares)	Chapter 2 Shares (Total Number of Authorized Shares)
Article 5 The total number of authorized shares to be issued by the Company shall be <u>3,988,000,000 shares</u> .	Article 5 The total number of authorized shares to be issued by the Company shall be <u>398,800,000 shares</u> .
(Number of Shares Constituting One Share Unit)	(Number of Shares Constituting One Share Unit)
Article 7 The number of shares constituting each share unit shall be <u>1,000 shares</u> .	Article 7 The number of shares constituting each share unit shall be <u>100 shares</u> .

Before amendments	After amendments
(Supplementary provision added here)	<p>Supplementary Provision</p> <p>(Effective Date of the Partial Amendments to the Articles of Incorporation)</p> <p>Amendments to Articles 5 and 7 shall come into effect on October 1, 2017, the effective date of the consolidation of shares subject to resolution at the 111th Ordinary General Meeting of Shareholders held on June 29, 2017.</p> <p>This supplementary provision shall be deleted on the effective date of the said consolidation of shares.</p>

(4) Schedule

Effective date of the consolidation of shares	October 1, 2017
Effective date of the change in the number of shares constituting one share unit	October 1, 2017
Effective date of the change in the total number of shares authorized	October 1, 2017
(Note) While the effective date of the change in the number of shares constituting one share unit and the consolidation of shares will be October 1, 2017, as set forth above, in light of book-entry transfer procedures following trades of shares, the trading unit on the Tokyo Stock Exchange will be changed from 1,000 shares to 100 shares on September 27, 2017.	

(5) Effect on per share information

Per share information for the fiscal years ended March 31, 2016 and 2017, calculated as if the above consolidation of shares had been executed on April 1, 2015, is as follows:

	Yen		U.S. dollars
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	2017 (From April 1, 2016 to March 31, 2017)
Net assets per share	5,217.74	5,586.52	49.79
Net income per share	356.07	371.32	3.30

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

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, 2016	Balance as of March 31, 2017	Balance as of March 31, 2017			
Nippon Express Co., Ltd.	3rd Unsecured Straight Bonds	January 30, 2008	20,000	20,000 (20,000)	178,269 (178,269)	1.59	Unsecured	January 30, 2018
	5th Unsecured Straight Bonds	June 1, 2009	15,000	15,000	133,701	1.82	Unsecured	May 31, 2019
	6th Unsecured Straight Bonds	October 20, 2011	20,000 (20,000)	—	—	0.46	Unsecured	October 20, 2016
	7th Unsecured Straight Bonds	October 20, 2011	10,000	10,000	89,134	1.09	Unsecured	October 20, 2021
	8th Unsecured Straight Bonds	February 25, 2016	10,000	10,000	89,134	0.10	Unsecured	February 25, 2021
	9th Unsecured Straight Bonds	February 25, 2016	10,000	10,000	89,134	0.28	Unsecured	February 25, 2026
	10th Unsecured Straight Bonds	July 14, 2016	—	30,000	267,403	0.12	Unsecured	July 14, 2023
	11th Unsecured Straight Bonds	July 14, 2016	—	30,000	267,403	0.20	Unsecured	July 14, 2026
	12th Unsecured Straight Bonds	July 14, 2016	—	20,000	178,269	0.70	Unsecured	July 14, 2036
Total	—	—	85,000 (20,000)	145,000 (20,000)	1,292,450 (178,269)	—	—	—

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

2. The repayment schedule for bonds for five years subsequent to March 31, 2017 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	—	15,000	10,000	10,000

Thousands of U.S. dollars				
Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
178,269	—	133,701	89,134	89,134

[Schedule of loans]

Category	Balance as of April 1, 2016 (Millions of yen)	Balance as of March 31, 2017 (Millions of yen)	Balance as of March 31, 2017 (Thousands of U.S. dollars)	Average interest rate (%)	Due date
Short-term loans (payable)	10,087	7,575	67,519	1.248	—
Current portion of long-term loans payable	52,204	53,031	472,694	0.614	—
Current portion of lease obligation	648	900	8,024	—	—
Long-term loans payable (excluding current portion)	240,955	209,724	1,869,367	0.770	Final due date: March 17, 2030
Lease obligation (excluding current portion)	3,338	3,532	31,484	—	Final due date: August 2, 2029
Other interest-bearing debt					
Commercial paper (current portion)	—	—	—	—	—
In-house savings deposits by employees	28,036	28,339	252,604	0.620	—
Total	335,271	303,103	2,701,694	—	—

- (Notes) 1. Average interest rates are stated at weighted average interest rates on the average balance of borrowings for the year. However, average interest rates are not stated for either the current portion of lease obligations or lease obligations (excluding current portion), since the interest portion in the total lease payment has been allocated to each fiscal year by the straight-line method.
2. The balance as of March 31, 2017 of long-term loans payable includes subordinated loans of ¥50,000 million (US\$445,672 thousand), but the corresponding due date for long-term loans payable does not include subordinated loans.
3. The repayment schedule for long-term loans payable and lease obligation (excluding current portion) per year for five years subsequent to March 31, 2017, 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	38,361	24,817	32,989	10,486
Lease obligation	702	523	399	215

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	341,936	221,211	294,053	93,473
Lease obligation	6,260	4,666	3,560	1,922

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

[Schedule of asset retirement obligations]

A description is omitted because the amounts of asset retirement obligations at the beginning and end of the fiscal year ended March 31, 2017 are both less than one percent of the total of liabilities and net assets at the beginning and end of the fiscal year ended March 31, 2017.

(2) Other

Quarterly information in 2017

	Millions of yen			
	Three months ended Jun. 30, 2016 (From April 1, 2016 to June 30, 2016)	Six months ended Sep. 30, 2016 (From April 1, 2016 to September 30, 2016)	Nine months ended Dec. 31, 2016 (From April 1, 2016 to December 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)
Revenues	449,511	909,278	1,380,451	1,864,301
Income before income taxes and non-controlling interests	13,932	30,198	47,327	60,834
Net income attributable to shareholders of Nippon Express	7,371	18,292	28,758	36,454
Net income per share (Yen)	7.36	18.36	29.10	37.13
	Thousands of U.S. dollars			
	Three months ended Jun. 30, 2016 (From April 1, 2016 to June 30, 2016)	Six months ended Sep. 30, 2016 (From April 1, 2016 to September 30, 2016)	Nine months ended Dec. 31, 2016 (From April 1, 2016 to December 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)
Revenues	4,006,698	8,104,810	12,304,585	16,617,361
Income before income taxes and non-controlling interests	124,190	269,170	421,855	542,241
Net income attributable to shareholders of Nippon Express	65,703	163,050	256,337	324,932
Net income per share (U.S. dollars)	0.06	0.16	0.25	0.33
Net income per share (Yen)	1Q (From April 1, 2016 to June 30, 2016)	2Q (From July 1, 2016 to September 30, 2016)	3Q (From October 1, 2016 to December 31, 2016)	4Q (From January 1, 2017 to March 31, 2017)
	7.36	11.01	10.76	8.00
Net income per share (U.S. dollars)	1Q (From April 1, 2016 to June 30, 2016)	2Q (From July 1, 2016 to September 30, 2016)	3Q (From October 1, 2016 to December 31, 2016)	4Q (From January 1, 2017 to March 31, 2017)
	0.06	0.09	0.09	0.07

(Note) The Company introduced an executive compensation BIP trust from the second quarter of the fiscal year ended March 31, 2017. For the purpose of calculating per share information, the Company's shares held by the executive compensation BIP trust are included in treasury stock, which is excluded from the weighted average number of common stock during the year.



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

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

Independent Auditor's Report

The Board of Directors
Nippon Express Co., Ltd.

We have audited the accompanying consolidated financial statements of Nippon Express Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 29, 2017
Tokyo, Japan

Global Network

The Americas

NIPPON EXPRESS USA, INC.
NEX TRANSPORT, INC.
NIPPON EXPRESS TRAVEL USA, INC.
ASSOCIATED GLOBAL SYSTEMS, INC.
NIPPON EXPRESS CANADA, LTD.
NIPPON EXPRESS DE MEXICO, S.A. DE C.V.
NEX GLOBAL LOGISTICS DE MEXICO, S.A. DE C.V.
NIPPON EXPRESS DO BRASIL
TRANSPORTES INTERNACIONAIS LTDA.
MAP CARGO S.A.S.
ADELTA LOGIS, INC.

Europe

NIPPON EXPRESS (EUROPE) GMBH
NIPPON EXPRESS (DEUTSCHLAND) GMBH
NEX LOGISTICS EUROPE GMBH
NIPPON EXPRESS (NEDERLAND) B.V.
NIPPON EXPRESS EURO CARGO B.V.
NIPPON EXPRESS (U.K.) LTD.
NIPPON EXPRESS (IRELAND) LTD.
NIPPON EXPRESS (BELGIUM) N.V./S.A.
NIPPON EXPRESS FRANCE, S.A.S.
NIPPON EXPRESS (ITALIA) S.R.L.
FRANCO VAGO S.P.A.
NIPPON EXPRESS (SCHWEIZ) AG
NIPPON EXPRESS DE ESPAÑA, S.A.
NIPPON EXPRESS PORTUGAL, S.A.
NIPPON EXPRESS (RUSSIA) L.L.C.
NIPPON EXPRESS (MIDDLE EAST) L.L.C.
NIPPON EXPRESS (ISTANBUL) GLOBAL LOGISTICS A.S.

East Asia

NIPPON EXPRESS (H.K.) CO., LTD.
APC ASIA PACIFIC CARGO (H.K.) LTD.
NIPPON EXPRESS (SHENZHEN) CO., LTD.
NIPPON EXPRESS (ZHUHAI) CO., LTD.
NIPPON EXPRESS (SOUTH CHINA) CO., LTD.
NIPPON EXPRESS (CHINA) CO., LTD.
NIPPON EXPRESS CARGO SERVICE (SHENZHEN) CO., LTD.
NIPPON EXPRESS GLOBAL LOGISTICS
(SHANGHAI) CO., LTD.
NIPPON EXPRESS (XIAMEN) CO., LTD.
NIPPON EXPRESS (XI'AN) CO., LTD.
SHANGHAI E-TECHNOLOGY CO., LTD.
NIPPON EXPRESS (SUZHOU) CO., LTD.
NIPPON EXPRESS (SHANGHAI) CO., LTD.
NIPPON EXPRESS KOREA CO., LTD.
NIPPON EXPRESS (TAIWAN) CO., LTD.

South Asia & Oceania

NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE., LTD.
NIPPON EXPRESS (SINGAPORE) PTE., LTD.
NEX GLOBAL ENGINEERING PTE. LTD.
NIPPON EXPRESS (AUSTRALIA) PTY., LTD.
NIPPON EXPRESS (NEW ZEALAND) LTD.
NIPPON EXPRESS (MALAYSIA) SDN. BHD.
NITTSU TRANSPORT SERVICE (M) SDN. BHD.
NIPPON EXPRESS (PHILIPPINES) CORPORATION
NEP LOGISTICS, INC.
NITTSU LOGISTICS (THAILAND) CO., LTD.
NIPPON EXPRESS (THAILAND) CO., LTD.
NIPPON EXPRESS ENGINEERING (THAILAND) CO., LTD.
PT. NIPPON EXPRESS INDONESIA
PT. NITTSU LEMO INDONESIA LOGISTIK
PT. NEX LOGISTICS INDONESIA
NIPPON EXPRESS (INDIA) PVT. LTD.
NITTSU LOGISTICS (INDIA) PVT. LTD.
NIPPON EXPRESS (VIETNAM) CO., LTD.
NIPPON EXPRESS ENGINEERING (VIETNAM) CO., LTD.
NIPPON EXPRESS BANGLADESH LTD.
NIPPON EXPRESS (CAMBODIA) CO., LTD.
NIPPON EXPRESS (MYANMAR) CO., LTD.
NITTSU LOGISTICS MYANMAR CO., LTD.
NITTSU SHOJI (THAILAND) CO., LTD.

Representative Offices

Johannesburg Representative Office



Company Information

(As of March 31, 2017)

Company name	Nippon Express Co., Ltd.
Headquarters	1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322, Japan Tel: +81 (3) 6251-1111
Formal establishment	October 1, 1937
Paid-in capital	¥70,175 million
Employees	32,008
URL	(Japanese) http://www.nittsu.co.jp/ (English) http://www.nipponexpress.com/

Areas of operation

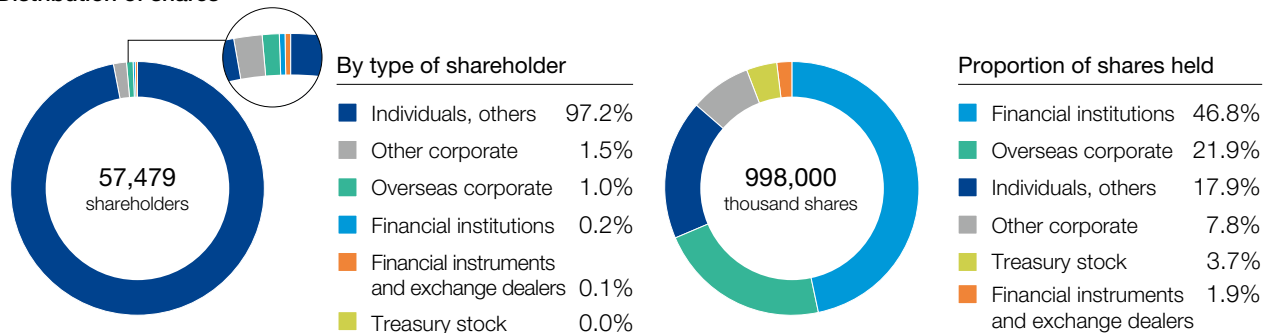
- 1 Rail freight forwarding business
- 2 Truck transportation business
- 3 Truck freight forwarding business
- 4 Marine transportation business
- 5 Coastal shipping business
- 6 Harbor transportation business
- 7 NVOCC marine transportation business
- 8 Air freight forwarding business
- 9 Transportation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

Share Information

(As of March 31, 2017)

Stock exchange	Tokyo	
Number of shares	Total number of shares authorized	3,988,000,000
	Total number of shares issued	998,000,000
Number of shareholders	57,479	
Administrator of shareholder registry/Account managing institution of special account	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)	82,425	8.6
Japan Trustee Services Bank, Ltd. (Account in Trust)	73,347	7.6
Asahi Mutual Life Insurance Company	56,019	5.8
Sompo Japan Nipponkoa Insurance Inc.	50,967	5.3
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.)	41,500	4.3
Nippon Express Employees' Shareholding Association	35,179	3.7
Japan Trustee Services Bank, Ltd. (Account in Trust No. 4)	17,823	1.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,921	1.6
Japan Trustee Services Bank, Ltd. (Account in Trust No. 5)	14,214	1.5
STATE STREET BANK WEST CLIENT - TREATY 505234	12,565	1.3

* Although Nippon Express holds 37,068 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Stock price movement

