NIPPON EXPRESS

ANNUAL REPORT 2013

Year ended March 31, 2013

Innovation for moving forward

During fiscal 2012, the final year of the previous medium-term management plan, the Nippon Express Group worked to achieve the plan's basic strategy of "Growth as a Global Logistics Company." Building the foundation for the next era, the Group implemented strategies tailored to the particular characteristics of each geographic area it operates in, including Japan, Asia, the Americas and Europe, with a focus on developing countries; strengthened business bases and enhanced services; and conducted M&A to expand its range of business.

The new "Nippon Express Group Corporate Strategy 2015 - Innovation and Moving Forward" three-year management plan was launched in April 2013. By effectively using the foundation we have built and through intraregional logistics, logistics in third countries and expansion of our business with non-Japanese customers, we will accelerate the development of our global business.

Going forward, the Nippon Express Group will use its collective strength to achieve dramatic growth.

Contents

In this fiscal report, fiscal years are indicated according to the date of their commencement.
Thus, fiscal 2012 is the year ended March 31, 2013.

Caution Regarding Forward-Looking Statements

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

Stepping up innovation for the next era

During fiscal 2012, the last year of the "Nippon Express Group Corporate Strategy 2012 – Towards New Growth" medium-term management plan, we implemented structural reforms and growth strategies aimed at advancing to the next stage. We endeavored to build a rock-solid business model that will not be affected by the continuing harsh conditions of the business environment, and to construct a business foundation that can win against global competition. Building on these results while acknowledging the challenges ahead, in April 2013 we launched our new medium-term management plan under the theme "Innovation and Moving Forward."

Kenji Watanabe
President, Chief Executive Officer

Q1 What is your assessment of the recent changes in external factors affecting Nippon Express?

A

In fiscal 2012, the world economy was buffeted by many elements of instability, including the European debt crisis and a distinct slowing of economic growth in China and other developing countries.

In the logistics industry, export demand for international freight transportation decreased and domestic freight transportation remained stagnant, showing only a slight improvement from the previous fiscal year, when it had been significantly impacted by the Great East Japan Earthquake.

Progress toward economic recovery in Japan is still less than robust, and, unfortunately, positive expectations for the new government's economic policies have yet to make a real difference in logistics demand.

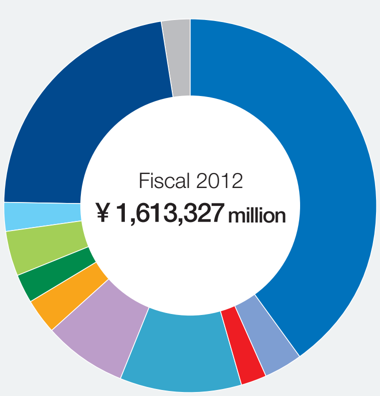
Q2 How would you rate Nippon Express' performance in fiscal 2012?

A

I'm very sorry to say that both revenues and income fell in fiscal 2012.

Domestic logistics demand was low throughout the year, but especially weak in the second half. Corporate production activities and shipping remained sluggish due to financial instability in European countries and economic slowdown in emerging economies. As a result, revenues came to ¥1,613.3 billion, down 0.9% compared with the previous fiscal year. Turning to earnings, in the first half of the year, business in Air Freight Forwarding, the

Revenues by reportable segment



Reportable segment	
Combined Business	43.3%
Security Transportation	3.6%
Heavy Haulage & Construction	2.3%
Air Freight Forwarding	11.3%
Marine & Harbor Transportation	7.7%
The Americas	3.3%
Europe	2.7%
East Asia	4.3%
South Asia & Oceania	2.7%
Goods Sales	23.8%
Other	2.6%

* The ratio is graphed excluding adjustments.

Americas and South Asia & Oceania grew compared with the previous year, leading to overall increased income, but in the second half of the year export demand for international freight transportation fell even further while conditions were harsh for Heavy Haulage & Construction, Marine & Harbor Transportation, and businesses in East Asia. Accordingly, operating income for the year came to ¥33.2 billion, down 11.4% year on year. Net income stood at ¥23.8 billion, down 11.6% from the previous fiscal year.

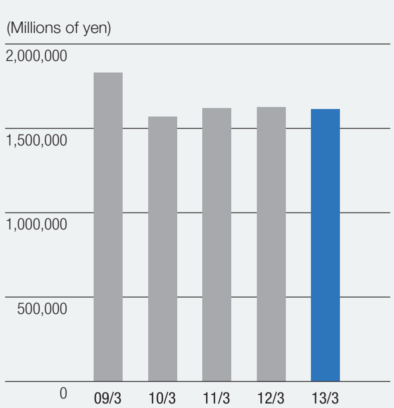
Q3 Fiscal 2012 was the final year of the “Nippon Express Group Corporate Strategy 2012 – Towards New Growth” medium-term management plan. Please tell us about the accomplishments made during the three-year period of the plan and the challenges for Nippon Express going forward.

A

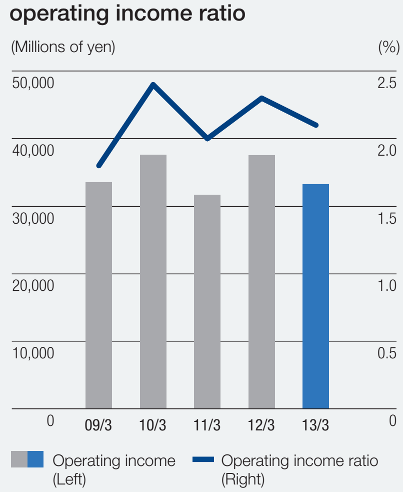
During the three years of the “Nippon Express Group Corporate Strategy 2012 – Towards New Growth” medium-term management plan, launched in April 2010, there were several events that shook the business foundations of many companies, such as the Great East Japan Earthquake, the European debt crisis, and the appreciation of the yen. These events depressed the production and sales activities of our customer companies, in turn negatively affecting logistics demand. Although Nippon Express was greatly impacted by such external factors in this harsh environment, the Group, seeing self-help as imperative to winning in the global marketplace, strengthened its footing to make the next leap forward.

Specifically, we advanced the consolidation of business locations throughout Japan, an issue since we spun off the domestic small-parcel delivery business in 2010. Overseas, we expanded sales bases and warehousing facilities, mainly in developing countries such as India, Bangladesh and Myanmar. We also acquired mid-sized overseas logistics companies,

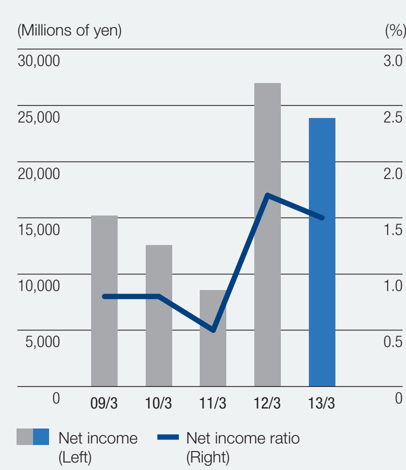
Revenues



Operating income and operating income ratio



Net income and net income ratio



increasing our number of business bases, our warehousing capacity and competitiveness to create a foundation for growth in the global market.

Nevertheless, revenues and earnings did not meet the targets set for the final year of the management plan, and I'm afraid there are still many challenges left to address. Moving forward, we must speed up such efforts as domestic structural reforms and securing customers in non-Japanese companies abroad.

Q4 Please tell us more about the "Nippon Express Group Corporate Strategy 2015 - Innovation and Moving Forward" management plan launched in April 2013.

A

Realistically, we cannot expect great growth in the domestic logistics market. Many Japanese companies are relocating their production structures overseas and, although the yen has depreciated somewhat, the production facilities that our customers have moved abroad cannot be easily returned to Japan.

On the other hand, the third-country supply chains that these Japanese companies have built are predicted to expand, as is demand for logistics companies that have global networks. The network of the Nippon Express Group already extends to 40 countries outside Japan, and, making use of our uniquely high quality logistics services, we are working to increase our presence in the global market.

Against this backdrop, our greatest priority in Japan is to increase profitability through structural reforms. Overseas, the central pillars of our efforts going forward will be the continued improvement of business frameworks, business alliances with local companies and M&A aimed at aggressively developing a customer base of non-Japanese companies in order to raise the proportion of sales from overseas-related businesses.

Q5 Please tell us about the four key strategies of the medium-term management plan.

A

The key strategies of the new medium-term management plan are "Further Expanding Our Global Logistics Business," "Strengthening Management Practices for Our Domestic Businesses," "Expanding Business by Utilizing the Diversity of Group Companies," and "Contributing to Society through Our Businesses in Accordance with Corporate Social Responsibility (CSR) Management."

We are declaring clearly our intent to forcefully push forward the further expansion of our global logistics business and the strengthening of our management structure in order to achieve sustainable growth. We have set the clear goals of ¥1,800 billion in revenues, a proportion of sales from overseas-related businesses of 40%, and a domestic Combined Business operating income ratio of 3% for fiscal 2015, the final year of the plan. We will also

NIPPON EXPRESS GROUP CORPORATE STRATEGY 2015
– Innovation and Moving Forward –
April 1, 2013 to March 31, 2016

Vision

A Global Logistics Company

Supports customers worldwide through logistics services

A Company That Fulfills Its Responsibilities to the Earth

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

A People-Friendly Company

Values its employees and helps them to achieve job satisfaction

* Declared in 2009 as the Nippon Express Group model for the decade ahead.

Numerical Targets

	FY2015 (Consolidated)	Actual Results FY2012 (Consolidated)
Revenue	¥1.8 trillion	¥1.6 trillion
Operating income	¥54.0 billion	¥33.2 billion
Net income	¥34.0 billion	¥23.8 billion
Return on assets (ROA)	2.5%	1.9%
Proportion of sales from overseas-related business	40%	29.7%
Operating income margin for domestic Combined Business	3%	1%

Environmental Target

CO_2 emissions	Reduce by an average of 1.0% or more per year*

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

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

Principal Measures

Further Expanding Our Global Logistics Business

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

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

Strengthening Management Practices for Our Domestic Businesses

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

- Strengthening Sales Activities
- Carrying out a Fundamental Review of Management Resources

Expanding Business by Utilizing the Diversity of Group Companies

Strengthening Group management and establishing a base for our business expansion

- Expanding Logistics-Related Businesses
- Developing Cutting-Edge Logistics Technologies
- Creating New Business Domains

Contributing to Society through our Businesses in Accordance with Corporate Social Responsibility (CSR) Management

- Ensuring Safety
- Establishing a Disaster-Resilient Business Framework
- Promoting Green Logistics

expand logistics-related businesses and take on new business areas by utilizing the diversity of Group companies, in which there is great potential for growth. Building on the experience of the Great East Japan Earthquake, we aim to build a system that is resilient against disasters and friendly to the environment, and contribute to local communities through our business.

Q6 Please tell us about the central policies involved in "Further Expanding Our Global Logistics Business"

A

If there's any area in which we can expect growth and also make full use of the strengths of the Group, it's the global logistics business. Going forward, we will work to enhance the development of logistics services in countries and regions overseas.

In the Americas, Nippon Express U.S.A., Inc., launched the XB3300 (Cross-Border 3,300 km) integrated transport service in March 2013. XB3300 consists of a trucking route that extends from Canada through the United States to Mexico, connecting automotive industry centers. In Asia, building on its freight forwarding business in automobile-producing regions, the Group has amassed a track record in supply chain management optimization with such services as just-in-time delivery and warehousing operations that utilize vendor-managed inventory. Using this know-how, we took on the construction of a network in the United States. Furthermore, in March 2012, we acquired Associated Global Systems, Inc., a mid-sized logistics company boasting customers in many local companies.

In March 2013, Nippon Express reached agreements with NEC Corporation and Panasonic Corporation on the partial transfer of shares of NEC Logistics, Ltd., and Panasonic Logistics Co., Ltd., respectively. This arrangement enables Nippon Express to offer enhanced support to NEC Corporation and Panasonic Corporation in the logistics aspects of their global business development. Furthermore, the two companies' expertise in the information communication and electronics industries will help us create a logistics platform for those industries, in which we hope to secure more customers.

Also in fiscal 2012, the Group acquired two mid-sized logistics companies in Hong Kong and Italy. The Nippon Express Group's policy going forward will be to continue to aggressively conduct M&A in regions where it is not yet able to take advantage of its strengths and in the logistics service area.

Through these policies we aim to raise the proportion of sales from overseas-related businesses to 40%.

Q7 Please tell us more about the key strategy of "Strengthening Management Practices for Our Domestic Businesses."

A

The outlook for domestic overall logistics demand is not bright. Still, our domestic businesses will remain a major pillar of operations for the Group. We are reexamining our cost structure by pushing further the consolidation of business locations throughout the country, a task carried over from the previous medium-term management plan, to establish a strong organizational structure. It is also necessary to optimize the distribution of management resources according to the circumstances of each region. At the same time, we are rethinking the distribution of management offices. On top of that, to make better use of the Group's collective strength, we are reinforcing a Groupwide sales system. Through these measures, we aim to improve the operating income margin of the domestic Combined Business segment to 3%.

We aim to differentiate the Nippon Express Group through security transportation, heavy haulage and construction, and fine arts transportation, areas that require a high degree of expertise and in which the Group has long excelled, ensuring that this expertise is passed on to the next generation of Nippon Express employees and promoting the further development of such technologies.

In addition, we are upgrading fringe logistics services from merely individual functions carried out within the Nippon Express Group to strategic businesses actively developed for customers.

Q8 Please tell us about the social mission and CSR policy of Nippon Express as they relate to CSR management.

A

For the Nippon Express Group, CSR management means helping to improve the lives of people around the world and supporting the development of industry through logistics. In the new medium-term management plan, we have laid out the key strategy of "Contributing to Society through Our Businesses in Accordance with CSR Management," renewing our commitment to our mission of realizing a sustainable society through logistics.

We regard maintaining an awareness of the logistics business as part of the infrastructure that supports economic activity as well as ensuring safety in our business activities as basic responsibilities.

As it happens, I experienced both the Great Hanshin-Awaji Earthquake when I was working in Osaka in 1995 and the Great East Japan Earthquake of 2011 in Tokyo. The business of Nippon Express extends throughout Japan. Using personnel and vehicles from unaffected areas, we were able to provide a kind of logistics infrastructure even right in the middle of heavily affected areas. Going forward, we will work to reinforce our business continuity framework in anticipation of large earthquakes and other disasters to ensure that we can always carry out our duties.

In addition, aiming to reduce CO_2 emissions and make more efficient use of energy resources, we will work to develop environmentally friendly logistics products and adopt vehicles that generate less environmental burden.

Q9 What are your forecasts for Nippon Express in fiscal 2013?

A Although there are signs of recovery in the Americas and Asia, as stagnation in Europe continues, the world economy is expected to make an only modest recovery. Although expectations are high as parts of the Japanese economy show signs of improvement, the influence of unstable overseas economies remains a concern and it would be a mistake to be overly optimistic.

Domestic demand for freight transport is expected to remain almost unchanged from the previous year despite a slight increase in motor transportation, while demand for international freight transportation, especially marine and harbor transportation, is predicted to make a moderate recovery.

As for the Group, in step with the gradual recovery of the US economy, the freight forwarding business, particularly with regard to the automotive and related industries, and regional logistics business are expected to show favorable results. We also expect to see positive contributions from business expansion in South Asia and the three companies in the United States, Hong Kong and Italy that were made into consolidated subsidiaries via M&A. Accordingly, the Nippon Express Group's performance in fiscal 2013 is forecast as follows. Revenues are expected to reach ¥1,690.0 billion, up 4.8% year on year, operating income is forecast to rise 11.4% to ¥37.0 billion, and net income is predicted to rise 4.9% to ¥25.0 billion.

Q10 In closing, is there any message you would like to convey to stakeholders and investors?

A Under the new management plan launched in April 2013, we intend to advance changes that we could not have made in the last three years and, in doing so, achieve dramatic growth.

Annual dividends remained at ¥10 per share in fiscal 2012. We will make the fullest efforts to maintain this level. While we work to ensure the stable growth of shareholder value through such measures as increases in treasury stock, in order to win out against global competition, we will also use capital for growth investments and to fund domestic structural reforms aimed at producing solid results and thus meet the expectations of our shareholders.

We gratefully look forward to the continuing support of our stakeholders and investors.

Interview June 2013

Overview of the Nippon Express Group's business in the Americas (as of March 31, 2013)

- Employees: 2,404
- 18 local companies in the United States, Canada, Mexico, Brazil and Colombia
- 123 business bases
- Major Group companies
  The United States: Nippon Express U.S.A., Inc., NEX Transport, Inc., Nippon Express Travel USA, Inc., Associated Global Systems, Inc.
  Canada: Nippon Express Canada, Ltd.
  Mexico: Nippon Express de Mexico, S.A. de C.V., NEX Global Logistics de Mexico, S.A. de C.V.
  Brazil: Nippon Express do Brasil Transportes Internacionais Ltda.
  Colombia: Map Cargo S.A.S.
- Warehouse space: 492,951m^2

Accelerating business development to connect the United States, Canada and Mexico

The Nippon Express Group has established "Further Expanding Our Global Logistics Business" as a key strategy of the "Nippon Express Group Corporate Strategy 2015 – Innovation and Moving Forward," medium-term management plan. The Group's business in the Americas centers on Nippon Express U.S.A., Inc., which, founded in 1962, includes 18 local corporations in five countries: the United States, Canada, Mexico, Brazil and Colombia.

Nippon Express' business in North America focuses on routes connecting the Americas with Japan and Asia as well as logistics within the Americas. In recent years, the Group has established a logistics network that supports automotive production in the region. It has strengthened its sales structure and warehousing facilities in Mexico, which has been developing as a production base for the automotive industry, and launched a ground transport route connecting Canada, the United States and Mexico.

1 Enhancing and Expanding Logistics Services

Logistics between the Americas and Asia and Japan

The Nippon Express Group is building a cross-dock consolidated cargo service network to rapidly sort consolidated cargo that arrives in the marine transportation gateway of Los Angeles from Japan and Asia and transport it to key cities throughout the United States by trailer. The Group's Arrow International multimodal transportation service, the backbone of which is marine transportation, is enhancing its lineup using the strength of its network, including integrated transport services across the United States, Canada and Central and South America. The Group has also established air freight forwarding services, including NEX SKY-BASIC for consolidated cargo transport, which allows customers to choose from multiple combinations of lead times from CFS* in Japan to destination CFS according to desired delivery time, as well as Mexican Eagle Liner for forwarding marine and air freight that arrives in Los Angeles to three major cities in Mexico by air.

*Container Freight Station

Regional Network Spanning Canada, the United States and Mexico

The Nippon Express Group is advancing the construction of its regional network by strengthening its truck transport services and promoting business expansion that is responsive to the characteristics of each area it serves. This, in turn, is helping us expand our number of global customers with facilities in the Americas.

In import air freight forwarding, the Time Advantage Service offers deliveries via a regular high-speed shuttle truck service to major cities from our facilities at two key gateway airports in Chicago and New York.

NEWLINKS is Nippon Express U.S.A.'s trucking network connecting the United States, Canada and Mexico. As forwarder, Nippon Express U.S.A. offers strategic services in coordination with transport operators to continually provide the highest quality transport services. NEWLINKS also maintains a website where customers can receive price estimates as well as arrange and manage shipments, for even greater convenience.

In March 2013, based on NEWLINKS, we launched XB3300 (Cross-Border 3,300 km), an integrated transport system serving the three countries of the North American Free Trade Agreement (NAFTA), namely, the United States, Canada and Mexico. This truck route extends approximately 3,300 kilometers from Toronto, Canada, to Monterrey, Mexico, providing service mainly to automotive industry centers. XB3300 is meeting increased demand for the transport of parts between Mexico and the United States resulting from expansion in automobile production and related industries in Mexico.

In March 2012, Nippon Express U.S.A. acquired Associated Global Systems, Inc. (AGS), a mid-sized logistics company engaged in domestic and international transport and warehousing. AGS has a solid reputation for finely-tuned services, such as time-specified delivery, direct delivery to specific divisions within large facilities, unpacking and installation in addition to has particular expertise in specialized transport, including precision instruments and oversized cargo. AGS has a large customer base in the United States, and Nippon Express will focus on activities that make mutual use of the two companies' customer bases and management resources.

2 The Potential of the Integrated Logistics Business

In the Americas, Nippon Express is also focusing on the integrated logistics business. In May 2011, Nippon Express U.S.A. began operations at its Chicago Logistics Center. The center has consolidated all the marine and harbor transportation, air freight forwarding, warehousing, distribution, moving, information system, travel and other services previously offered separately in the Chicago area at one unified location to offer one-stop services. Additionally, in March 2013, Nippon Express de Mexico, S.A. de C.V. opened the Guanajuato Logistics Center. Automotive industry facilities are now rapidly expanding in the region, and it is expected that the area will further its development as a key logistics hub in central Mexico. Going forward, we will strengthen our collection/delivery network in the area and expand regular truck transport routes linking Nippon Express locations across Mexico.

Branch Office Opened in Myanmar

In July 2012, Nippon Express (South Asia & Oceania) Pte., Ltd., opened a liaison office in Myanmar, making it a branch office in October of the same year.

Myanmar, a country of more than 60 million, holds promise not only as a production base, but also as a large consumer market, and offers an important strategic location in Asia. With further improvements to seaports, airports, roadways and other infrastructure, Myanmar will likely become a logistics node for the China, India and ASEAN economic zones.

Nippon Express will utilize the new branch office to ascertain market conditions in Myanmar and study local demand with an eye to possibly establishing a local company. The Group is striving to quickly develop a structure capable of providing high-quality logistics services in developing countries.

Enhancing Automotive-Related Logistics Services in China

Nippon Express (South China) Co., Ltd. (NE South China), opened new branches in Tianjin and Shanghai in February 2013.

Since its establishment in 2008, NE South China has provided milk-run operations for automotive parts delivery utilizing the Nippon Express Group's trucking network connecting China's major cities while working out of its own logistics centers to supply just-in-time (JIT) delivery services for assembly plants. With the opening of these branches in addition to existing facilities in Guangzhou and Zhengzhou, NE South China will actively address the growing need for automotive-related logistics in North, Northeast and East China.

Further Global Business Expansion via M&A

The Nippon Express Group recently completed two corporate acquisitions in order to increase the proportion of sales attributable to overseas-related business, one of the goals of the medium-term management plan, and to achieve the enhancement of management infrastructure by expanding its operational footprint.

In October 2012, Nippon Express (H.K.) Co., Ltd. (NE Hong Kong), acquired all shares of APC Asia Pacific Cargo (H.K.) Ltd. (APC), a Hong Kong-based logistics company with particular strength in transportation between Asia and Europe, especially northern Europe. With this acquisition, NE Hong Kong has been able to secure APC's wide-ranging customer base, which centers on non-Japanese apparel, cosmetics and other companies.

In January 2013, Nippon Express (Europe) GmbH acquired all shares of major Italian logistics company Franco Vago S.p.A., (Franco Vago). Franco Vago's mainstay businesses are apparel-related freight forwarding and logistics for high-end fashion brands and other companies, with business bases in not only Italy, but also China, the United States and elsewhere around the world. With this acquisition, the Nippon Express Group has been able to further enhance its global apparel-related logistics business, which centers on developing countries.

M&A to Establish Business Platforms in Various Industries

Nippon Express is pursuing corporate acquisitions in Japan with the aim of strengthening its global logistics services.

In March 2013, Nippon Express Co., Ltd. and NEC Corporation (NEC) reached an agreement to form a strategic partnership, making NEC Logistics, Ltd. (NECL), a joint venture company. Going forward, the two companies will work together to realize the growth of NECL as NEC's logistics partner and an advanced logistics company possessing specialized know-how in logistics for the information and communication technology (ICT) industry.

Multifunctional Warehouse Opened in Indonesia

In December 2012, PT. Nippon Express Indonesia opened a multifunctional warehouse, Mitra Karawang Logistics Center (MLC), in the Mitra Karawang Industrial Estate. The industrial estate is favorably situated, connected by highway to Indonesia's largest container port. The area also figures in plans for a new port on the Karawang Regency's north coast that is expected to further increase logistics demand.

MLC is fully equipped with security systems that meet TAPA* Class A standards. The warehouse will also employ Nippon Express' REWARDS global warehouse management system, offer cross-dock functions and be capable of handling milk-run and JIT delivery services.

As Indonesia continues to grow as a market for both production and consumption, the Nippon Express Group will provide logistics services that meet the increasingly diverse and sophisticated needs of customers.

* Transported Asset Protection Association, a non-profit association founded in the United States in 1997 whose aims are improved cargo transport safety and asset protection for high value-added goods.

Launched *Himawari 7*, a New Ship for Coastal Shipping in Japan

Nippon Express is promoting modal shifts in consideration of the environment.

In April 2013, Nittsu's newest vessel, *Himawari 7*, began operations on regular domestic marine transport routes between Tokyo and Hokkaido. *Himawari 7*'s gross tonnage is 3,000 tons greater than that of its predecessor RORO* container vessel, *Himawari 3*, which operated on the same routes, and Nippon Express aims to use the new vessel to further expand service. Additionally, compared with similar vessels, the *Himawari 7* has realized an approximately 7% increase in fuel efficiency, contributing to environmentally friendly modal shifts.

*Roll-On/Roll-Off

In line with its medium-term management plan, the Nippon Express Group has worked to invigorate its domestic businesses and achieve overseas expansion.

In Japan, we are working to increase profitability by strengthening our sales capabilities, improving operational efficiency and implementing structural reorganization, including the consolidation of business locations. Overseas, we are aggressively undertaking M&A to expand business in areas of high growth potential.

The creation of a logistics platform for the ICT field will strengthen NECL's management base while expanding its range of high-quality services.

In addition, in May 2013, Nippon Express Co., Ltd. concluded a share transfer agreement and shareholders agreement with Panasonic Corporation on the transfer of a portion of the ordinary shares of Panasonic Logistics Co., Ltd. (Panasonic Logistics). This transfer will add a new company to the Nippon Express Group that will serve as a foundation on which to build a logistics platform in the electronics industry. Nippon Express will make use of its global network and expertise in optimizing logistics operations to improve the efficiency of Panasonic Logistics while ensuring that the subsidiary's current level of service is maintained. In doing so, the Group will maximize Panasonic Logistics' growth potential and profitability as well as increase its corporate value.

Temperature-Controlled Container Handling Accreditation Attained Inside and Outside Japan

In May 2012, Nippon Express Co., Ltd. became the first Japanese forwarder to gain accreditation as a Qualified Envirotainer Provider (QEP)* at its facilities at Narita, Haneda and Kansai airports. In September of the same year, two Nippon Express facilities in Europe operated by Nippon Express (Deutschland) GmbH and Nippon Express (Italia) S.r.l. and eight facilities in the Americas operated by Nippon Express U.S.A., Inc., received QEP accreditation. This accreditation serves as proof that a forwarding system supports door-to-door cold chain management. As such, the Nippon Express Group will continue to work to attain QEP accreditation at more of its facilities.

*QEP is an accreditation system created by Sweden-based temperature-controlled container manufacturer Envirotainer, which recognizes companies that consistently implement quality control and employee training in the handling of temperature-controlled containers in accordance with guidelines for logistics operations utilized primarily by the pharmaceutical industry.

We, the Nippon Express Group, believe that high standards of corporate governance, compliance, transparency and risk management create an important foundation for responsible business practice.

We aim to conduct business by acting according to our fundamental policies of "the realization of speedy management through quick decision making" and "the establishment of a clear division of responsibility" while strengthening stakeholder trust.

Corporate Governance Structure

Nippon Express strives for transparent and efficient business management as we establish a corporate governance structure.

Our Thoughts on Corporate Governance

Nippon Express' fundamental thinking regarding corporate governance is expressed as "the realization of speedy management through quick decision making" and "the establishment of a clear division of responsibility." The number of the members of the Board of Directors is specified as less than 15, and the term is one year.

At the same time, the Company has introduced a board of executive officers with the goal of ensuring rapid execution of business operations. As of June 27, 2013, we have 14 directors and 28 executive officers (12 of whom concurrently serve as directors). In addition, our auditors attend meetings of the Board of Directors and other important conferences, review key documents, visit our main facilities for audits, perform reviews at subsidiaries, and report all results at meetings of the Board of Auditors and the Board of Directors. The Board of Auditors functions as a supervisory institution that operates from an objective point of view. As of June 27, 2013, we have four auditors (three of whom are outside auditors).

Creating an Internal Control System

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

Crisis Management System

Creating a Crisis Management System

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

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

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

Business Continuity Plan (BCP)

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

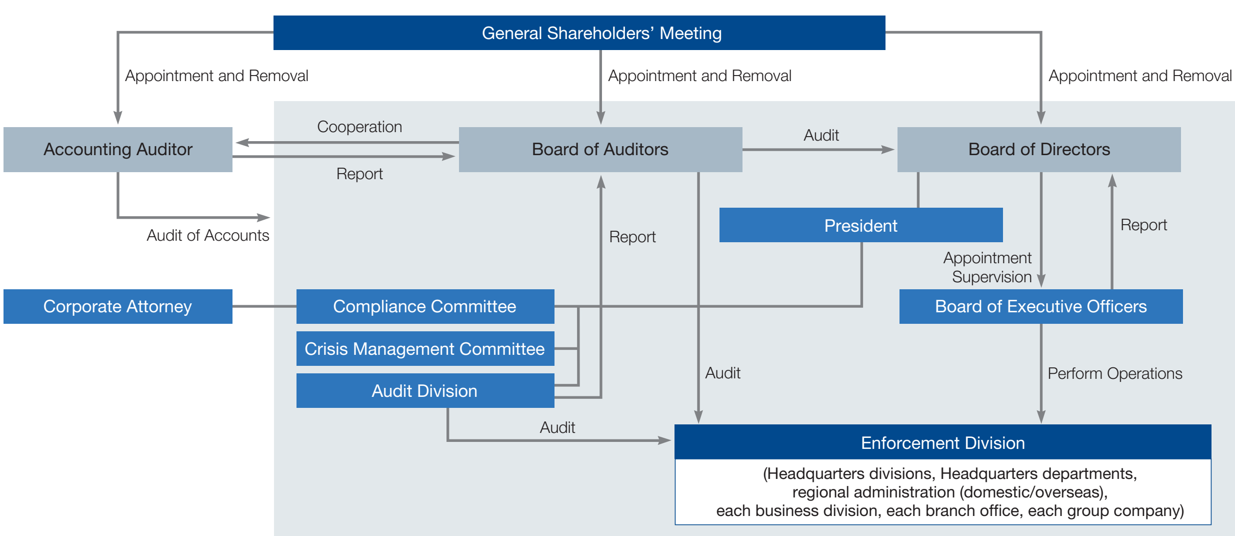
While each company of the Nippon Express Group places the health and lives of employees and their families first when responding to emergencies caused by natural disasters, industrial disasters and man-made disasters, we also try to continue our business operations as much as possible in order to fulfill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

Compliance Initiatives

Compliance Management Promotion System

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

Corporate Governance Organization Chart



Directors, Officers & Corporate Auditors

(As of June 27, 2013)

Chairman

Masanori Kawai

President, Chief Executive Officer

Kenji Watanabe

Executive Vice Presidents, Executive Officers

Jiro Nakamura

Keiji Hagio

Director, Senior Managing Officer

Masao Hosokoshi

Directors, Managing Officers

Akira Ohinata

Kiyofumi Miyachika

Takahiro Ideno

Mitsuru Saito

Directors, Officers

Hideo Hanaoka

Yasuaki Nii

Yutaka Ito

Masahiko Hata

Director

Noboru Shibusawa

Managing Officers

Masahito Watanabe

Takumi Shimauchi

Takashi Wada

Officers

Nobuki Ando

Takaaki Ishii

Hideaki Tabuchi

Yukinori Tsuji

Hisao Taketsu

Kenji Fujii

Yasuhiro Goto

Hiroyuki Murakami

Katsuhiro Terai

Yukio Yokoo

Yuji Kobuchi

Yasunori Takahashi

Akira Kondo

Corporate Auditors (Full-Time)

Shinichi Miyazaki

Zenjiro Watanabe*

Hiromi Konno*

Corporate Auditor

Yuzuru Fujita*

*Outside auditor

Fundamental CSR Philosophy

Since the establishment of the Nippon Express Group, we have expanded our business both in Japan and overseas, contributing to the development of industries and improvement in quality of life by delivering goods all over the world.

As a company that uses public infrastructure such as roads, rail, and seaports for its business, we are aware of our responsibility towards society at both the local and global levels. It is very important for us to have high ethical standards beyond compliance with the law, and to act in a socially responsible way.

In accordance with the spirit of the Nippon Express Group Corporate Philosophy, the Nippon Express Group Charter of Conduct, and the Nippon Express Group Environmental Charter, the new management plan "Nippon Express Group Corporate Strategy 2015 – Innovation and Moving Forward" was launched in April 2013. The Nippon Express Group will continuously contribute to society through logistics and do our utmost to live up to its trust.

Revisions to the Nippon Express Group Charter of Conduct

Following the publication of ISO 26000 (international standards regarding social responsibility) in November 2010, the Nippon Express Group revised the Nippon Express Charter of Conduct (April 2011) based on recent changes related to corporate social responsibility (CSR). The original Nippon Express Charter of Conduct, applicable only to the parent company was revised as the Nippon Express Group Charter of Conduct, and now embraces all Group affiliates in Japan and overseas.

While clearly stipulating respect for human rights, the denouncement of child labor and forced labor, interactive communication with myriad stakeholders, the respect for employee diversity essential to business globalization and other initiatives, the Nippon Express Group Charter of Conduct also promotes conduct exceeding CSR requirements throughout the supply chain in a manner the Group is well positioned to implement.

* Refer to the Nippon Express website to view the Nippon Express Group Charter of Conduct.

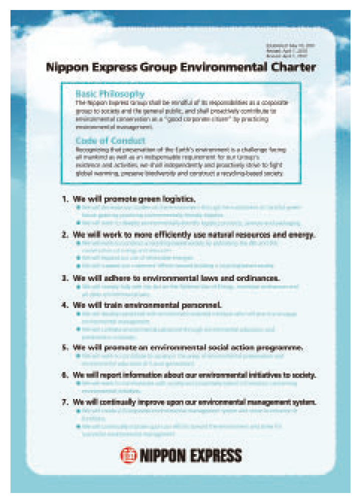
http://www.nipponexpress.com/about/corporate/charter/index.html

Environmental Initiatives

As a professional logistics group, we will contribute to society by delivering goods to people around the world while striving to achieve more energy-efficient "Earth-friendly logistics."

In April 2012, the Nippon Express Environmental Charter was revised to the Nippon Express Group Environmental Charter, positioning it as a set of policies with which all Group companies should comply.

The Nippon Express Group as a whole fulfils its responsibility for the global environment.


Nippon Express Group Environmental Charter

Basic Philosophy

Code of Conduct

1. We will promote green logistics.
2. We will work to more efficiently use natural resources and energy.
3. We will adhere to environmental laws and ordinances.
4. We will train environmental personnel.
5. We will promote an environmental social action programme.
6. We will report information about our environmental initiatives to society.
7. We will continually improve upon our environmental management system.

NIPPON EXPRESS

Nippon Express Group Environmental Charter

Basic Strategy of the "Nippon Express Corporate Strategy 2015 – Innovation and Moving Forward" Management Plan

The new management plan includes "Contributing to Society through Our Businesses in Accordance with Corporate Social Responsibility (CSR) Management" as one of its four key strategies.

It is our mission to ensure safety for the sake of society and our stakeholders, and we are advancing streamlining and cost-cutting measures on a basis of safety.

The Group is strengthening its business continuity framework, building a disaster-resilient system of logistics bases to fulfill its duties as a designated public institution under the Disaster Measures Basic Law and provide logistics services to support the continuation of customers' businesses.

Furthermore, we are reducing CO_2 emissions and power consumption to more efficiently use energy resources and are implementing green logistics through the active development and sale of environmentally friendly logistics products.

The Nippon Express Group will serve customers and local communities through its business by establishing a structure that is resilient to disasters and friendly to the environment as well as by promoting the development and provision of new products and services.

Financial Section

April 1, 2012 – March 31, 2013

The Nippon Express Group consists of Nippon Express Co., Ltd. and its 276 subsidiaries, including 248 consolidated subsidiaries and 1 equity-method subsidiary, as well as 64 affiliates, of which 25 are equity-method affiliates, totaling 341 companies. In Japan, the Group's Distribution & Transportation segment encompasses domestic companies primarily operating in the following reportable segments: Combined Business (motor cargo transportation, railway forwarding), Air Freight Forwarding and Marine & Harbor Transportation. The Distribution & Transportation segment also operates companies overseas. The Group's remaining reportable segments comprise Goods Sales-related businesses as well as real estate and other operations that are classified as Other.

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

■ Distribution & Transportation, domestic companies

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

Combined Business

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

Security Transportation

The Company operates security guard and related businesses throughout Japan.

Heavy Haulage & Construction

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

Air Freight Forwarding

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

Marine & Harbor Transportation

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

Note: Beginning from the consolidated fiscal year under review, among the business segments stated as reportable segments, the name of the "Air Freight Forwarding & Travel" segment has been changed to "Air Freight Forwarding." The change was made to the name only; the classification of the business segment remained unchanged.

■ Distribution & Transportation, overseas companies

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

The Americas

Nippon Express U.S.A. and other subsidiaries 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. and other subsidiaries 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. and other subsidiaries and affiliates engage in air freight forwarding, marine and harbor transportation and warehousing businesses in various cities in East Asia.

South Asia & Oceania

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

Goods Sales

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

Other

12 companies, including Nittsu Real Estate Co., Ltd.
Nittsu Real Estate and other subsidiaries and affiliates mainly engage in real estate rental, mediation and appraisal as well as building and warehouse planning, design and management. In addition, this business segment conducts investigations and research through Nittsu Research Institute and Consulting, Inc., offers financing through Nippon Express Capital Co., Ltd., provides driver training courses for the general public through Nittsu Driving School Co., Ltd., and operates an employee dispatching business through Careerroad Inc.

Performance Overview

During the consolidated fiscal year under review, the Japanese economy continued to suffer from stagnant corporate production activities and exports as a result of financial instability in Europe and economic slowdown in emerging countries. However, some signs of recovery have been seen since the turn of the year amid rising expectations triggered by the financial and monetary measures of the new government. Nevertheless, the outlook remains uncertain due to ongoing risks related to unstable overseas economies.

In the field of logistics, against the backdrop of these economic conditions, the situation continued to be challenging, as export demand for international freight transportation decreased. Domestic freight transportation also remained sluggish, facing harsh conditions despite a slight improvement over the previous fiscal year, during which logistics demand dropped significantly, largely as a result of the Great East Japan Earthquake.

In this business environment, as the "Nippon Express Group Corporate Strategy 2012 – Towards New Growth" medium term management plan entered its final year, the Nippon Express Group made collective efforts to implement the plan's four basic strategies of "Growth as a Global Logistics Company," "Promotion of Strategic Environmental Management," "Enhancement of Management Infrastructure" and "Promotion of Corporate Social Responsibility (CSR) Management."

Specifically, to ensure its "Growth as a Global Logistics Company," the Group has worked to expand its sales bases and warehouse facilities overseas while implementing corporate acquisitions aimed at capturing new customers and expanding its field of business as part of efforts to strengthen and reinforce the management resources of its global logistics business.

With regard to the "Promotion of Strategic Environmental Management," the Group has actively worked toward the expansion of environmentally friendly logistics services through such efforts as the expansion of warehouses equipped with solar power generation equipment and environmentally friendly vehicles, the promotion of safe eco-driving technologies overseas and the implementation of new greenhouse gas emissions reduction measures utilizing digital tachographs.

Similarly, with respect to the "Enhancement of Management Infrastructure" and "Promotion of CSR Management," the Group has strengthened the management resources that constitute its business base to improve sales capabilities and operational efficiency. For example, it has reinforced its network products sales structure, developed bases in the Tokyo metropolitan area and integrated systems for IT-related operations. Furthermore, in CSR management, the Group has revised its Business Continuity Plan (BCP) and been highly engaged in social contribution activities, such as those related to environmental preservation and the education of the next generation.

Business Results

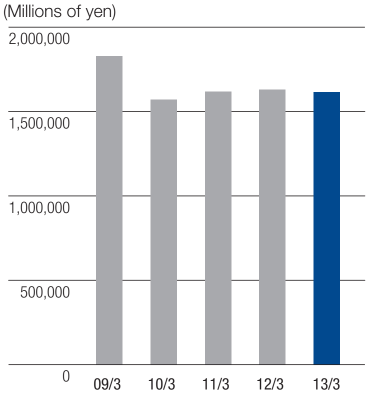
■ Revenues and Operating Costs

As a result of the above, consolidated revenues decreased ¥14.7 billion, or 0.9% compared with the previous fiscal year, to ¥1,613.3 billion.

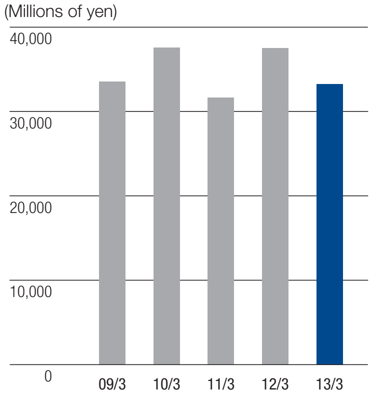
In Distribution & Transportation, domestic companies, although Security Transportation revenues edged up ¥0.07 billion, or 0.1%, as a result of decreased transport-related demand, Combined Business revenues fell ¥5.4 billion, or 0.8%, Heavy Haulage & Construction revenues dropped ¥2.8 billion, or 7.1%, Air Freight Forwarding revenues fell ¥23.2 billion, or 11.3%, and Marine and Harbor Transportation revenues fell ¥1.4 billion, or 1.2%.

In Distribution & Transportation, overseas companies, due to favorable results across a wide range of transactions as well as the result of corporate acquisitions, revenues in the Americas rose ¥11.0 billion, or 25.8%. In contrast, revenues in East Asia fell ¥4.1 billion, or 5.7%, while those in South Asia & Oceania fell ¥0.5 billion, or 1.2%, due mainly to sluggish air freight forwarding transactions. Additionally, revenues in Europe fell ¥2.2 billion, or 4.8%, due in part to the effect of exchange rates.

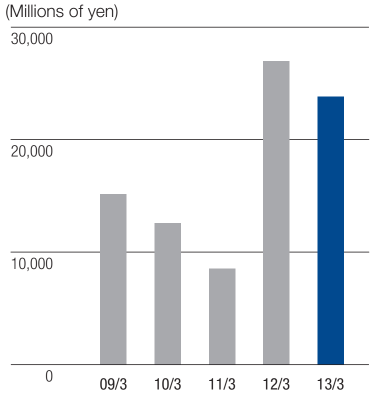
Revenues



Operating income



Net income



In the Goods Sales segment, revenues increased ¥9.6 billion, or 2.6%, due mainly to increased petroleum sales volume. In the Other business segment, revenues grew ¥1.4 billion, or 3.6%.

Operating costs came to ¥1,505.6 billion, a decrease of ¥13.7 billion, or 0.9%, from the previous fiscal year. Gross profit decreased ¥0.9 billion, or 0.9%, year on year to ¥107.7 billion, and the ratio of gross profit to revenues was unchanged from the previous fiscal year at 6.7%. The drop in operating costs was mainly attributable to such decreases as that in forwarding costs.

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

Selling, general and administrative expenses grew ¥3.3 billion, or 4.7%, year on year to ¥74.5 billion, mainly due to an increase in provision for allowance for doubtful accounts.

As a result of the above, operating income stood at ¥33.2 billion, down ¥4.2 billion, or 11.4%, from the previous fiscal year. Ordinary income stood at ¥41.5 billion, down ¥5.9 billion, or 12.5%, primarily because of a decrease in dividends income.

■ Other Income and Expenses and Net Income

Extraordinary income was ¥4.9 billion, a decrease of ¥3.3 billion, or 40.6%, compared with the previous fiscal year, while extraordinary loss rose ¥0.3 billion, or 5.2%, to ¥6.5 billion. The main reason for the decrease in extraordinary income was the recording of a reduction of ¥3.0 billion in gain on sales of noncurrent assets. The primary reason for the rise in extraordinary loss was the recording of ¥1.0 billion in extraordinary additional retirement benefits.

Income before income taxes and minority interests amounted to ¥39.8 billion. After deducting current income taxes, inhabitants' tax, enterprise tax and other adjustments as well as minority interests, net income came to ¥23.8 billion, a decrease of ¥3.1 billion, or 11.6%, from the previous fiscal year.

Net income per share was ¥2.96 lower year on year at ¥22.89, while return on equity fell 0.89 of a percentage point to 4.79%.

■ Results by Reportable Segment

Financial results by reportable segment are as summarized below.

Beginning from the consolidated fiscal year under review, among the business segments stated as reportable segments, the name of the "Air Freight Forwarding & Travel" segment has been changed to "Air Freight Forwarding." The change was made to the name only; the classification of the business segment remained unchanged.

Indicated figures do not include consumption taxes.

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

Despite an increase in transactions in warehousing, due to such factors as a decline in motor transportation transactions resulting from reduced domestic demand, segment sales were ¥699.2 billion, a year-on-year decrease of ¥5.4 billion, or 0.8%, while operating income was ¥7.0 billion, a year-on-year increase of ¥0.1 billion, or 2.1%.

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

Although unit prices decreased, because of an increase in demand and other factors, segment sales were up ¥0.07 billion, or 0.1%, year on year to ¥58.8 billion, while operating income was down ¥0.1 billion, or 5.6%, year on year to ¥1.7 billion.

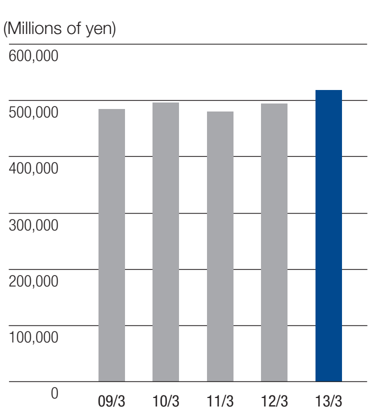
3. Heavy Haulage & Construction (Distribution & Transportation, domestic companies)

Mainly due to a significant reduction in domestic construction transactions, segment sales were down ¥2.8 billion, or 7.1%, year on year to ¥37.1 billion, and operating income was down ¥0.8 billion, or 23.1%, year on year to ¥2.9 billion.

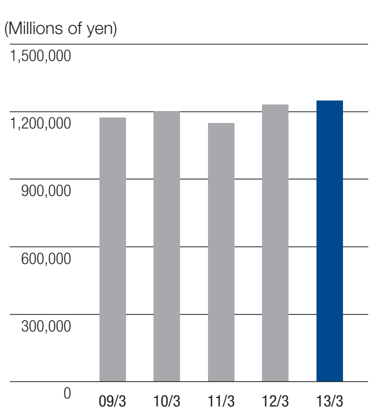
4. Air Freight Forwarding (Distribution & Transportation, domestic companies)

Due in part to a decrease in transactions in air freight export cargo, segment sales were down ¥23.2 billion, or 11.3%, year on year to ¥182.1 billion, and operating income was down ¥2.5 billion, or 39.5%, year on year to ¥3.9 billion.

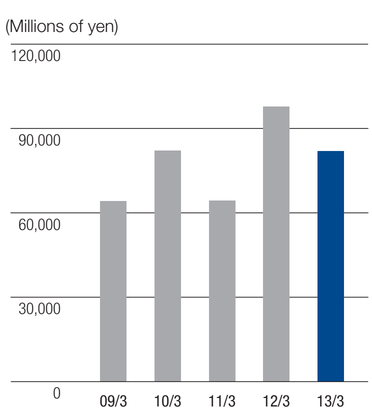
Total net assets



Total assets



Net cash provided by operating activities



5. Marine & Harbor Transportation (Distribution & Transportation, domestic companies)
Mainly as a result of a decrease in transactions for import cargo, segment sales were ¥124.2 billion, a year-on-year decrease of ¥1.4 billion, or 1.2%, and operating income was ¥4.6 billion, a year-on-year decrease of ¥0.4 billion, or 8.5%.

6. The Americas (Distribution & Transportation, overseas companies)
Due in part to the contribution made by Associated Global Systems, Inc. whose shares were acquired by a subsidiary of the Company, as well as strong air freight forwarding, marine freight forwarding, and warehouse transactions, segment sales were up ¥11.0 billion, or 25.8%, year on year to ¥54.0 billion, and operating income rose ¥0.4 billion, or 24.3%, year on year to ¥2.0 billion.

7. Europe (Distribution & Transportation, overseas companies)
Mainly owing to the effect of exchange rates, segment sales decreased ¥2.2 billion, or 4.8%, year on year to ¥44.2 billion, and operating income was down ¥0.3 billion, or 18.5%, year on year to ¥1.5 billion.

8. East Asia (Distribution & Transportation, overseas companies)
As a result of a decline in air freight forwarding transactions and other factors, segment sales decreased ¥4.1 billion, or 5.7%, year on year to ¥68.8 billion, and operating income was down ¥1.0 billion, or 43.3%, year on year to ¥1.3 billion.

9. South Asia & Oceania (Distribution & Transportation, overseas companies)
Partly as a result of a decline in air freight forwarding transactions, segment sales declined ¥0.5 billion, or 1.2%, year on year to ¥44.2 billion, while operating income rose ¥0.04 billion, or 2.9%, to ¥1.6 billion.

10. Goods Sales
Although segment sales increased ¥9.6 billion, or 2.6%, year on year to ¥383.7 billion mainly due to a rise in petroleum sales volume, operating income was down ¥1.1 billion, or 16.3%, year on year to ¥5.8 billion.

11. Other
Mainly due to growth in the logistics finance business, segment sales were up ¥1.4 billion, or 3.6%, year on year to ¥41.8 billion, while operating income was down ¥0.2 billion, or 11.8%, year on year to ¥1.7 billion.

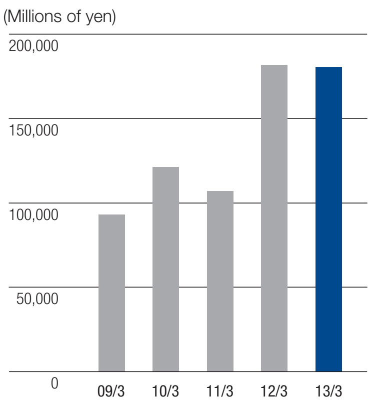
Cash Flows

Consolidated cash and cash equivalents ("cash") amounted to ¥180.5 billion as of March 31, 2013. This represented a year-on-year net decrease of ¥1.1 billion.

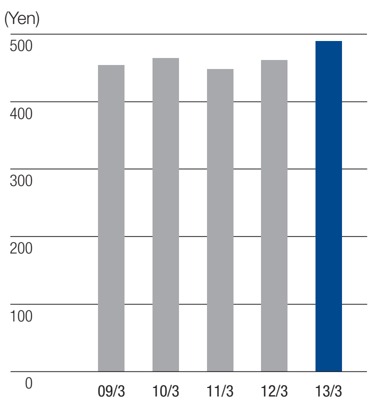
Cash Flows from Operating Activities
Cash flows from operating activities resulted in a net inflow of ¥82.0 billion, a decrease from ¥97.8 billion recorded in the previous fiscal year. This was mainly due to income before income taxes and minority interests of ¥39.8 billion and depreciation and amortization of ¥46.1 billion.

Cash Flows from Investing Activities
Cash flows from investing activities resulted in a net outflow of ¥50.9 billion, a year-on-year increase in expenditures from ¥31.5 billion. This was mainly due to the increase in payment for purchase of property and equipment to ¥49.9 billion, including for distribution centers, warehousing upgrades and vehicle acquisitions, as well as ¥8.1 billion in payment for purchase of consolidated subsidiaries due to changes in scope of consolidation.

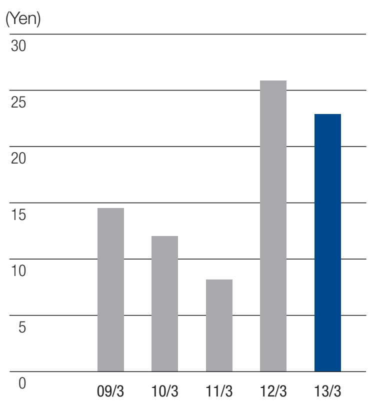
Cash and cash equivalents at end of year



Equity per share



Net income per share



Cash Flows from Financing Activities

Cash flows from financing activities resulted in a net outflow of ¥37.0 billion, a year-on-year turnaround from an inflow of ¥10.1 billion. This was mainly due to proceeds from long-term loans payable of ¥53.4 billion, payment for long-term loans payable of ¥75.4 billion, cash dividends of ¥10.4 billion and purchase of treasury stock amounting to ¥8.9 billion.

Financial Position

Assets

Total assets as of March 31, 2013 amounted to ¥1,247.6 billion, an increase of ¥16.6 billion, or 1.4%, compared with the previous fiscal year-end.

Current assets decreased ¥0.5 billion, or 0.1%, to ¥587.6 billion mainly due mainly to decreases in accounts receivable—trade and notes receivable—trade. Noncurrent assets increased ¥17.1 billion, or 2.7%, to ¥659.9 billion, largely because of an increase in investment securities.

Liabilities and Net Assets

Total liabilities amounted to ¥729.2 billion as of March 31, 2013, a decrease of ¥7.5 billion, or 1.0%, compared with the previous fiscal year-end.

Total current liabilities fell ¥12.7 billion, or 3.0%, to ¥408.8 billion, mainly as a result of decreases in short-term loans payable and income taxes payable. Total noncurrent liabilities increased ¥5.2 billion, or 1.7%, to ¥320.3 billion, primarily due to an increase in provision for retirement benefits.

Net assets rose ¥24.2 billion, or 4.9%, to ¥518.4 billion as of March 31, 2013. The main contributory factors to this rise were foreign currency translation adjustments and an increase in retained earnings.

Equity per share amounted to ¥489.39, an increase of ¥27.76 compared with the position at the previous fiscal year-end. The equity ratio increased 2.07 percentage points to 41.17%.

Capital Investment

Total capital investment by the Nippon Express Group in fiscal 2012 amounted to ¥58.9 billion. Major items included changes to logistics systems and the improvement of distribution depots to support international freight operations. Other investments included the development of commercial warehouses and the replacement of vehicles and transportation equipment.

Dividend Policy

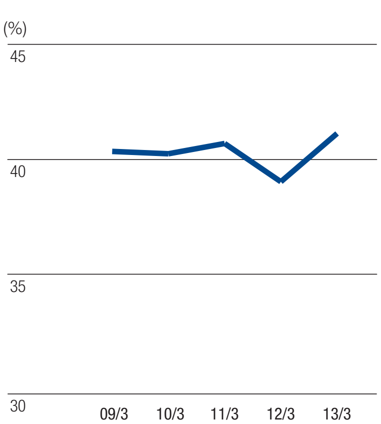
The Company regards the return of profits to shareholders as one of its most important priorities. We aim to maximize returns and maintain dividend stability while expanding our business operations, strengthening our financial position, expanding shareholders' equity and improving profit ratios.

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

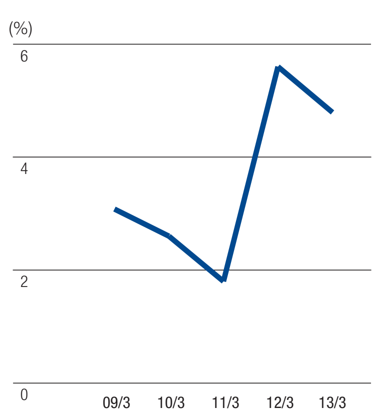
At the 107th General Shareholders' Meeting on June 27, 2013, we proposed and received approval to set the year-end dividend for fiscal 2012 at ¥5 per share. Together with the interim dividend of ¥5, this brought the annual dividend to ¥10 per share.

The earnings retained by Nippon Express will be used partly for investment, mainly in the development of logistics bases and the replacement of vehicles. They will also go toward funding corporate acquisitions necessary to realize the new key medium-term management plan strategies of "Further Expanding our Global Logistics Business" and "Strengthening Management Practices for Our Domestic Businesses," as well as implementing policies aimed at increasing corporate value.

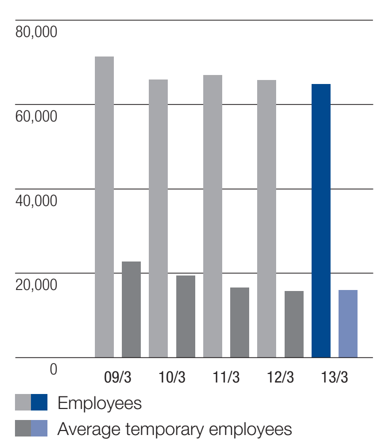
Equity ratio



Return on equity



Employees and
Average temporary employees



11-Year Summary

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

		Millions of yen			
		2013	**2012**	**2011**	**2010**
For the year:	Revenues [1]	**¥1,613,327**	¥1,628,027	¥1,617,185	¥1,569,633
	Revenues by industry segment up to the year ended March 31, 2010 [2]				
	Distribution and Transportation	**—**	—	—	1,284,772
	Goods Sales	**—**	—	—	266,211
	Other	**—**	—	—	18,649
	Revenues by industry segment up to the year ended March 31, 2010 [2]				
	Japan	**—**	—	—	1,412,630
	The Americas	**—**	—	—	29,794
	Europe	**—**	—	—	40,006
	Asia & Oceania	**—**	—	—	87,201
	Revenues by reportable segment from the consolidated year ended March 31, 2011 onward [2]				
	Distribution & Transportation				
	Domestic Companies				
	Combined Business	**692,222**	698,476	711,308	745,058
	Security Transportation	**58,815**	58,738	59,515	60,849
	Heavy Haulage & Construction	**36,921**	39,530	33,744	38,872
	Air Freight Forwarding [3]	**179,403**	203,824	202,099	182,763
	Marine & Harbor Transportation	**116,308**	116,843	116,059	103,959
	Overseas Companies				
	The Americas	**43,589**	31,959	32,898	29,794
	Europe	**39,916**	41,781	40,309	40,006
	East Asia	**63,373**	67,238	70,879	87,201[4]
	South Asia & Oceania	**41,446**	42,191	42,878	
	Goods Sales	**320,198**	308,033	287,929	263,066
	Other	**21,133**	19,409	19,561	18,061
	Operating income	**33,206**	37,497	31,629	37,535
	Net income	**23,831**	26,949	8,541	12,566
At year-end:	Total net assets [5]	**518,409**	494,205	479,898	495,883
	Total assets	**1,247,612**	1,230,964	1,147,539	1,201,801
	Net cash provided by operating activities	**82,018**	97,806	64,394	82,198
	Cash and cash equivalents at end of year	**180,503**	181,614	107,062	121,187
Per share: (yen)	Equity per share	**¥ 489.39**	¥ 461.63	¥ 448.29	¥ 464.38
	Net income per share	**22.89**	25.85	8.19	12.05
Ratios: (%)	Equity ratio	**41.17%**	39.10%	40.74%	40.29%
	Return on equity	**4.79**	5.68	1.80	2.62
Other:	Employees	**64,834**	65,759	66,924	65,916
	(Average temporary employees)	**15,985**	15,765	16,583	19,406

1. Revenue figures do not include consumption taxes.
2. Effective from the consolidated fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008). The above listed revenues by industry, geographical and reportable segments do not include internal sales or money transfers between segments.
3. From the year ended March 31, 2013, the name of the "Air Freight Forwarding & Travel" segment has been changed to "Air Freight Forwarding."

			Millions of yen			
2009	2008	2007	2006	2005	2004	2003
¥1,828,946	¥1,901,433	¥1,866,267	¥1,793,925	¥1,753,306	¥1,666,945	¥1,676,918
1,524,639	1,597,284	1,580,546	1,522,325	1,485,266	1,419,156	1,429,489
291,084	291,923	279,080	266,908	263,216	243,084	242,988
13,222	12,225	6,640	4,690	4,823	4,703	4,440
1,616,285	1,682,699	1,666,887	1,631,402	1,605,602	1,556,828	1,566,037
45,447	48,009	45,126	38,495	33,722	31,297	36,055
62,227	69,146	59,422	49,333	45,525	38,688	37,406
104,986	101,578	94,831	74,693	68,455	40,130	37,419
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
33,513	48,502	50,325	43,187	43,025	46,156	42,802
15,172	36,439	33,208	18,663	32,190	27,263	23,330
484,337	520,823	517,516	488,205	444,940	421,128	367,551
1,172,074	1,297,406	1,360,694	1,315,599	1,287,351	1,262,383	1,205,103
64,080	90,096	123,058	63,966	83,139	83,108	48,315
93,031	144,639	170,109	150,615	145,983	138,236	136,149
¥ 454.03	¥ 489.26	¥ 486.94	¥ 467.80	¥ 426.24	¥ 403.38	¥ 352.02
14.55	34.94	31.84	17.71	30.64	25.93	22.08
40.40%	39.33%	37.33%	37.11%	34.56%	33.36%	30.50%
3.08	7.16	6.67	4.00	7.43	6.91	6.28
71,352	69,177	67,773	65,562	65,321	64,699	65,160
22,801	24,434	23,796	24,190	24,400	25,321	25,701

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

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

Consolidated Balance Sheets

Nippon Express Co., Ltd. and consolidated subsidiaries
As of March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
ASSETS	2012	2013	2013
Current assets:			
Cash and cash in banks (Note 1)	¥ 187,797	¥ 188,124	$ 2,000,259
Notes receivable—trade (Note 7)	15,880	14,456	153,714
Accounts receivable—trade	241,822	233,460	2,482,304
Inventories (Note 6)	5,119	5,514	58,632
Advance payments—trade	1,705	2,231	23,726
Prepaid expenses	8,405	9,439	100,364
Deferred tax assets	11,371	9,556	101,612
Lease investment assets (Note 1)	89,851	95,115	1,011,324
Other (Note 5)	27,101	30,864	328,170
Less: allowance for doubtful accounts	(843)	(1,085)	(11,544)
Total current assets	588,212	587,677	6,248,564
Noncurrent assets:			
Property and equipment			
Vehicles	166,605	164,761	1,751,848
Less: accumulated depreciation	(147,808)	(146,125)	(1,553,698)
Vehicles, net	18,796	18,636	198,150
Buildings	536,869	546,114	5,806,636
Less: accumulated depreciation	(294,444)	(304,516)	(3,237,814)
Buildings, net	242,424	241,597	2,568,821
Structures	64,098	64,128	681,853
Less: accumulated depreciation	(50,279)	(51,242)	(544,839)
Structures, net	13,818	12,886	137,013
Machinery and equipment	65,086	65,137	692,586
Less: accumulated depreciation	(50,963)	(52,076)	(553,713)
Machinery and equipment, net	14,122	13,061	138,873
Tools, furniture and fixtures	89,567	91,946	977,635
Less: accumulated depreciation	(69,354)	(71,392)	(759,087)
Tools, furniture and fixtures, net	20,213	20,554	218,548
Vessels	15,791	19,023	202,267
Less: accumulated depreciation	(12,261)	(11,916)	(126,708)
Vessels, net	3,529	7,106	75,558
Land	169,870	169,581	1,803,095
Leased assets	4,913	5,108	54,313
Less: accumulated depreciation	(1,998)	(2,354)	(25,034)
Leased assets, net	2,914	2,753	29,278
Construction in progress	5,511	2,661	28,302
Net property and equipment (Notes 1 and 2)	491,203	488,838	5,197,644
Intangible assets			
Leasehold rights	6,923	6,686	71,098
Other	18,193	27,019	287,284
Total intangible assets	25,117	33,705	358,382
Investments and other assets			
Investment securities (Notes 1 and 3)	86,764	96,732	1,028,522
Long-term loans receivable	3,522	4,142	44,041
Long-term loans to employees	990	752	8,003
Long-term prepaid expenses	3,773	3,745	39,829
Security deposits	14,369	15,302	162,708
Other (Note 3)	18,796	17,962	190,983
Less: allowance for doubtful accounts	(1,785)	(1,246)	(13,257)
Total investments and other assets	126,431	137,391	1,460,830
Total noncurrent assets	642,752	659,935	7,016,857
Total assets	¥1,230,964	¥1,247,612	$13,265,422

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Current liabilities:			
Notes payable—trade (Note 7)	¥ 11,104	¥ 8,419	$ 89,522
Accounts payable—trade (Note 1)	135,158	128,275	1,363,911
Short-term loans payable (Note 1)	78,556	64,007	680,566
Other payables	29,987	31,450	334,396
Income taxes payable	15,449	6,527	69,400
Consumption taxes payable	5,162	4,863	51,710
Unpaid expenses	17,083	18,482	196,514
Advances received	10,475	9,715	103,303
Deposits	58,201	78,006	829,418
Deposits from employees	29,486	29,472	313,370
Provision for bonuses	19,532	18,332	194,922
Provision for directors' bonuses	139	130	1,386
Allowance for warranties and repairs	119	65	691
Provision for loss on disaster	487	—	—
Other	10,656	11,090	117,918
Total current liabilities	421,601	408,838	4,347,035
Noncurrent liabilities:			
Bonds payable	80,000	80,000	850,611
Long-term loans payable (Note 1)	160,541	156,038	1,659,101
Provision for retirement benefits	38,870	46,914	498,827
Provision for directors' retirement benefits	394	408	4,342
Provision for special repairs	190	178	1,895
Deferred tax liabilities	14,054	15,239	162,032
Other (Note 1)	21,107	21,586	229,518
Total noncurrent liabilities	315,158	320,365	3,406,328
Total liabilities	736,759	729,203	7,753,363
NET ASSETS			
Shareholders' equity:			
Common stock	70,175	70,175	746,148
Additional paid-in capital	26,908	26,908	286,105
Retained earnings	392,305	401,902	4,273,281
Less: treasury stock	(11,549)	(6,078)	(64,629)
Total shareholders' equity	477,839	492,907	5,240,906
Accumulated other comprehensive income:			
Valuation differences on available-for-sale securities	27,756	35,358	375,957
Deferred gains (losses) on hedges	8	(17)	(184)
Foreign currency translation adjustments	(24,256)	(14,565)	(154,864)
Total accumulated other comprehensive income	3,508	20,776	220,907
Minority interests	12,858	4,725	50,245
Total net assets	494,205	518,409	5,512,058
Total liabilities and net assets	¥1,230,964	¥1,247,612	$13,265,422

Consolidated Statements of Income

Nippon Express Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Revenues	¥1,628,027	¥1,613,327	$17,153,937
Operating costs (Note 1)	1,519,353	1,505,619	16,008,717
Gross profit	108,674	107,707	1,145,220
Selling, general and administrative expenses:			
Salaries, compensation, and welfare expenses	41,030	41,664	443,005
Depreciation and amortization	3,953	4,154	44,175
Advertising expenses	3,910	3,881	41,275
Provision for allowance for doubtful accounts	—	724	7,706
Other	22,283	24,075	255,986
Total selling, general and administrative expenses (Note 1)	71,177	74,501	792,149
Operating income	37,497	33,206	353,070
Non-operating income:			
Interest income	554	662	7,043
Dividends income	3,037	2,717	28,898
Gain on sales of vehicles	399	389	4,137
Equity in earnings of affiliates	455	540	5,750
Gain on foreign exchange	2,217	2,040	21,699
Other	7,815	7,093	75,417
Total non-operating income	14,480	13,444	142,946
Non-operating expenses:			
Interest expenses	3,224	3,161	33,611
Loss on sale and retirement of vehicles	55	31	336
Other	1,255	1,957	20,813
Total non-operating expenses	4,536	5,150	54,761
Ordinary income	47,441	41,500	441,255
Extraordinary income:			
Gain on sales of noncurrent assets (Note 2)	7,586	4,563	48,525
Gain on sales of investment securities (Note 4)	146	272	2,901
Other	571	93	989
Total extraordinary income	8,304	4,929	52,415
Extraordinary loss:			
Loss on disposal of noncurrent assets (Note 3)	3,223	4,736	50,366
Loss on sales of investment securities (Note 5)	374	557	5,924
Loss on valuation of investment securities (Note 6)	196	46	498
Impairment loss	169	—	—
Loss on disaster (Note 7)	269	—	—
Loss on settlement	1,614	—	—
Extraordinary additional retirement benefits	—	1,030	10,959
Other	410	210	2,234
Total extraordinary loss	6,258	6,581	69,983
Income before income taxes and minority interests	49,487	39,847	423,687
Income taxes:			
Current	20,092	16,251	172,791
Deferred	1,635	(1,140)	(12,130)
Total income taxes	21,727	15,110	160,660
Income before minority interests	27,759	24,737	263,026
Minority interests	809	906	9,635
Net income	¥ 26,949	¥ 23,831	$ 253,391

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Income before minority interests	¥ 27,759	¥ 24,737	$ 263,026
Other comprehensive income:			
Valuation differences on available-for-sale securities	1,393	7,605	80,868
Deferred gains (losses) on hedges	(2)	(25)	(270)
Foreign currency translation adjustments	(4,071)	9,768	103,869
Share of other comprehensive income of affiliates accounted for using the equity method	(104)	277	2,947
Other comprehensive income (Note 1)	(2,784)	17,626	187,415
Comprehensive income	24,974	42,364	450,441
(Comprehensive income attributable to)			
Shareholders of Nippon Express	24,332	41,099	436,998
Minority interests	¥ 642	¥ 1,264	$ 13,443

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 years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Shareholders' equity			
Common stock			
Balance at beginning of the year	¥ 70,175	¥ 70,175	$ 746,148
Total changes during the year	—	—	—
Balance at end of the year	70,175	70,175	746,148
Additional paid-in capital			
Balance at beginning of the year	26,908	26,908	286,105
Total changes during the year	—	—	—
Balance at end of the year	26,908	26,908	286,105
Retained earnings			
Balance at beginning of the year	375,785	392,305	4,171,240
Changes during the year:			
Cash dividends	(10,427)	(10,425)	(110,851)
Net income	26,949	23,831	253,391
Decrease in treasury stock	(1)	(12)	(133)
Changes by share exchanges	—	(3,796)	(40,365)
Total changes during the year	16,519	9,596	102,040
Balance at end of the year	392,305	401,902	4,273,281
Treasury stock			
Balance at beginning of the year	(11,542)	(11,549)	(122,803)
Changes during the year:			
Increase in treasury stock	(11)	(8,973)	(95,416)
Decrease in treasury stock	4	26	280
Changes by share exchanges	—	14,418	153,309
Total changes during the year	(7)	5,471	58,174
Balance at end of the year	(11,549)	(6,078)	(64,629)
Total shareholders' equity			
Balance at beginning of the year	461,326	477,839	5,080,691
Changes during the year:			
Cash dividends	(10,427)	(10,425)	(110,851)
Net income	26,949	23,831	253,391
Increase in treasury stock	(11)	(8,973)	(95,416)
Decrease in treasury stock	2	13	146
Changes by share exchanges	—	10,622	112,944
Total changes during the year	16,512	15,068	160,214
Balance at end of the year	¥477,839	¥492,907	$5,240,906

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Accumulated other comprehensive income			
Valuation differences on available-for-sale securities			
Balance at beginning of the year	¥ 26,370	¥ 27,756	$ 295,129
Net changes in items other than shareholders' equity	1,386	7,601	80,827
Total changes during the year	1,386	7,601	80,827
Balance at end of the year	27,756	35,358	375,957
Deferred gains (losses) on hedges			
Balance at beginning of the year	9	8	86
Net changes in items other than shareholders' equity	(1)	(25)	(271)
Total changes during the year	(1)	(25)	(271)
Balance at end of the year	8	(17)	(184)
Foreign currency translation adjustments			
Balance at beginning of the year	(20,255)	(24,256)	(257,915)
Net changes in items other than shareholders' equity	(4,001)	9,691	103,050
Total changes during the year	(4,001)	9,691	103,050
Balance at end of the year	(24,256)	(14,565)	(154,864)
Total accumulated other comprehensive income			
Balance at beginning of the year	6,125	3,508	37,300
Net changes in items other than shareholders' equity	(2,616)	17,268	183,607
Total changes during the year	(2,616)	17,268	183,607
Balance at end of the year	3,508	20,776	220,907
Minority interests			
Balance at beginning of the year	12,446	12,858	136,716
Net changes in items other than shareholders' equity	411	(8,132)	(86,471)
Total changes during the year	411	(8,132)	(86,471)
Balance at end of the year	12,858	4,725	50,245
Total net assets			
Balance at beginning of the year	479,898	494,205	5,254,707
Changes during the year:			
Cash dividends	(10,427)	(10,425)	(110,851)
Net income	26,949	23,831	253,391
Increase in treasury stock	(11)	(8,973)	(95,416)
Decrease in treasury stock	2	13	146
Changes by share exchanges	—	10,622	112,944
Net changes in items other than shareholders' equity	(2,205)	9,135	97,135
Total changes during the year	14,307	24,203	257,350
Balance at end of the year	¥494,205	¥518,409	$5,512,058

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, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 49,487	¥ 39,847	$ 423,687
Depreciation and amortization	48,390	46,101	490,176
Impairment loss	169	—	—
Extraordinary additional retirement benefits	—	1,030	10,959
Loss on disaster	269	—	—
Loss on settlement	1,614	—	—
Loss on sale or write-down of securities, net	425	331	3,521
Gain on sale or disposal of property and equipment, net	(4,706)	(184)	(1,959)
Increase (decrease) in provision for bonuses	428	(1,281)	(13,622)
Increase (decrease) in provision for retirement benefits	1,466	7,719	82,079
Interest and dividend income	(3,592)	(3,380)	(35,941)
Interest expense (Note 2)	3,224	3,161	33,611
Equity in earnings of unconsolidated subsidiaries and affiliates	(455)	(540)	(5,750)
(Increase) decrease in trade receivables	(26,807)	15,282	162,496
(Increase) decrease in inventories	(317)	(377)	(4,009)
Increase (decrease) in accounts payable	19,362	(13,604)	(144,656)
Increase (decrease) in consumption taxes payable	311	(232)	(2,472)
Other	20,225	15,970	169,809
Sub-total	109,494	109,843	1,167,928
Interest and dividends received	3,881	3,636	38,663
Interest paid (Note 2)	(3,230)	(3,265)	(34,723)
Payment for extraordinary additional retirement benefits	—	(1,030)	(10,959)
Payment for loss on disaster	(2,458)	(450)	(4,786)
Payment for settlement package with the United States Department of Justice paid	—	(1,735)	(18,454)
Income taxes paid	(9,881)	(24,978)	(265,591)
Net cash provided by operating activities	97,806	82,018	872,076
Cash flows from investing activities:			
Payment for purchase of securities	(1,570)	(2,971)	(31,592)
Proceeds from sale of securities	581	4,791	50,950
Payment for purchase of property and equipment	(42,592)	(49,990)	(531,534)
Proceeds from sale of property and equipment	14,465	7,161	76,142
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(8,100)	(86,126)
Other	(2,447)	(1,874)	(19,935)
Net cash used in investing activities	(31,563)	(50,984)	(542,095)
Cash flows from financing activities:			
Change in short-term loans payable	(115)	2,660	28,292
Change in commercial paper	2,000	2,500	26,581
Proceeds from long-term loans payable	36,575	53,406	567,846
Payment for long-term loans payable	(46,988)	(75,417)	(801,889)
Proceeds from issuance of bonds	30,000	—	—
Proceeds from stock issuance to minority shareholders	19	33	352
Cash dividends	(10,427)	(10,425)	(110,851)
Purchase of treasury stock	(11)	(8,973)	(95,416)
Other	(923)	(863)	(9,180)
Net cash provided by (used in) financing activities	10,129	(37,080)	(394,264)
Effect of exchange rate changes on cash and cash equivalents	(1,821)	4,935	52,474
Net increase (decrease) in cash and cash equivalents	74,551	(1,110)	(11,809)
Cash and cash equivalents at beginning of year	107,062	181,614	1,931,037
Cash and cash equivalents at end of year (Note 1)	¥181,614	¥180,503	$1,919,227

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 rounded off in millions and U.S. dollar amounts in thousands. The total Japanese yen and U.S. dollar amounts shown in the financial statements do not necessarily agree with the sum of the individual amounts. U.S. dollar amounts presented in the financial statements are included solely for convenience. The rate of ¥94.05 to US$1.00, prevailing on March 31, 2013, 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 248 consolidated subsidiaries. The names of major subsidiaries are described in “Management Discussion and Analysis.” A total of seven companies, APC Asia Pacific Cargo (H.K.) Ltd. and its group companies, are newly included in the scope of consolidation from the year ended March 31, 2013 due to acquisition.

A total of three companies including MITSUWA TRANSPORTATION CO., LTD. were excluded from the scope of consolidation due to a merger with other consolidated subsidiaries, and seven companies including Nittsu Takamatsu Logistics Service Co., Ltd. were excluded due to liquidation.

2) A total of 28 subsidiaries, including Nittsu Energy Kanto, are excluded from the scope of consolidation as these companies are small, and their impact on the consolidated financial statements in terms of total assets, net sales, net income or loss and retained earnings corresponding to interest held by the Company is considered to be immaterial as a whole.

3) A total of 27 subsidiaries, including Nippon Express Travel USA, Inc., held by 12 overseas consolidated subsidiaries, including Nippon Express U.S.A., Inc., are included in the scope of the consolidation.

(2) Application of equity method

1) Companies to which the equity method is applied:

a. Subsidiary: Awa Godo Tsuun Co., Ltd.

b. Affiliates: There are 25 equity-method affiliates, including Nippon Vopack Co., Ltd.

Effective the year ended March 31, 2013, JFE Logistics (Thailand) Co., Ltd. has been included in the scope of equity method affiliates due to new establishment, and three group companies of APC Asia Pacific Cargo (H.K.) Ltd. have been included due to acquisition.

2) A total of 27 subsidiaries, including Nittsu Energy Kanto, and 39 affiliates, including TOKYO KOUN CO., LTD., other than above 26 companies are excluded from the scope of subsidiaries or affiliates accounted for by the equity method, but are carried at cost, 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 69 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.

One equity-method affiliate has a balance sheet date of August 31 and twelve equity-method affiliates have a balance sheet date of December 31. Significant transactions between these dates and March 31 are reflected in computing the equity earnings attributable to the Group.

(4) Significant accounting policies

1) Valuation methods

a. Securities

Available-for-sale securities

- Available-for-sale securities with market value

Available-for-sale securities with market value are stated at fair value based on the market price as of the balance sheet date with any unrealized gains or losses, net of applicable taxes, reported as a component of accumulated other comprehensive income. Cost of sold securities is stated using the moving average method.

- Available-for-sale securities without market value

Available-for-sale securities without market value are stated at cost using the moving-average method.

b. Derivatives

Derivatives are stated at fair value.

c. Inventories

Inventories are stated primarily at the lower of cost determined by the moving-average method (balance sheet amounts are written down on the basis of any decreased profitability).

2) Depreciation and amortization

a. Property and equipment, except for leased assets

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

Useful lives of assets are principally as follows:

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

b. Intangible fixed assets, except for leased assets

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

c. Leased assets

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

3) Allowances and provisions

a. Allowance for doubtful accounts

To provide for potential loss on receivables, the Company provides an allowance for the expected amount of irrecoverable receivables. Allowances for ordinary bad debts are computed, based on the historical rate of default. For specific debts where recovery is doubtful, the Company considers the likelihood of recovery 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 ended March 31, 2013.

c. Provision for directors' bonuses

Provision for directors' bonuses is provided at an estimated amount to be paid to the directors by the Company and its consolidated subsidiaries based on services rendered during the fiscal year ended March 31, 2013.

d. Allowance for warranties and repairs

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

e. Provision for retirement benefits

To prepare for lump-sum retirement and severance payments, an accrual is stated at the present value of the estimated future obligations arising from services rendered to the end of the fiscal year.

The retirement benefit obligation is attributed to each period by the straight-line method over the years of service of employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over the period of the average remaining service years of the employees.

f. 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.

g. Provision for special repairs

Provision for special repairs is provided at an estimated amount for the future repairs of vessels based on the past experience of certain consolidated subsidiaries.

4) 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

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

5) Hedge accounting

a. Hedge accounting method

Deferred hedge accounting is adopted.

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 exchange contracts
Hedged items	Receivables and payables denominated in foreign currencies and foreign currency-denominated forecasted transactions
b) Hedging instruments	Interest rate swaps
Hedged items	Loans payable

c. Hedging policy

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

d. Method for evaluating hedging effectiveness

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

e. Other

Forward foreign exchange contracts used by the Company and its consolidated subsidiaries are overseen by the Management Department based on the application form submitted by each trading section, and interest rate swaps are overseen exclusively by the Finance & Accounting Department of the head office. The Internal Audit Department periodically conducts examinations as part of risk management.

6) Amortization of goodwill

Goodwill is amortized in equal installments over 5 to 10 years.

7) 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.

8) Accounting method for consumption tax

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

This is not applicable to overseas consolidated subsidiaries.

9) Of the equity method affiliates, domestic subsidiaries and affiliates (16 companies) apply basically the same accounting standards as the Company while certain foreign subsidiaries (10 companies) apply accounting standards prevailing in the country in which they operate, none of which are materially different from the accounting standards applied by the Company.

3. Changes in accounting policies

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Effective April 1, 2012, the Company and its domestic consolidated subsidiaries, in accordance with the revision to the Corporation Tax Act of Japan, have changed their method of depreciation of property and equipment acquired on or after April 1, 2012 to the depreciation method set forth in the revised Corporation Tax Act.

As a result of this change, operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2013 increased by ¥536 million (US$5,702 thousand).

(Unapplied accounting standards, etc.)

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012)

"Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012)

(1) Overview

The accounting standards have been revised in light of improving financial reporting and international trends, mainly in terms of accounting methods of unrecognized actuarial gain or loss and unrecognized prior service cost, calculation methods of projected benefit obligation and service cost, and the enhancement of disclosure.

(2) Scheduled date of adoption

The accounting standards are scheduled for adoption from the end of the fiscal year ending March 31, 2014. However, the revised calculation methods of projected benefit obligation and service cost are scheduled for adoption from the beginning of the fiscal year ending March 31, 2015.

(3) Effects of adoption of the accounting standards

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

4. Changes in the method of presentation

(Consolidated Statements of Cash Flows)

"Purchase of treasury stock," which had been included in "Other" under "Cash flows from financing activities" for the fiscal year ended March 31, 2012, is presented separately from the fiscal year ended March 31, 2013, since the amount has become material. The consolidated financial statements for the fiscal year ended March 31, 2012 have been reclassified to reflect this change in presentation.

As a result, the amount of ¥(935) million, which had been presented as "Other" under "Cash flows from financing activities" for the fiscal year ended March 31, 2012, has been reclassified as ¥(11) million of "Purchase of treasury stock" and ¥(923) million of "Other."

5. Notes to Consolidated Balance Sheets

(1) Assets pledged as collateral and secured payables

Assets pledged as collateral are as follows:

	2012 (As of March 31, 2012) (Millions of yen)	2013 (As of March 31, 2013) (Millions of yen)	2013 (As of March 31, 2013) (Thousands of U.S. dollars)
Time deposits	150	171	1,820
Buildings	5,446	5,462	58,077
Structures	60	54	576
Machinery and equipment	9	8	87
Land	3,449	2,997	31,871
Investment securities	455	672	7,145
Lease investment assets	223	124	1,320
Total	9,794	9,489	100,899

The Company's secured payables are as follows:

	2012 (As of March 31, 2012) (Millions of yen)	2013 (As of March 31, 2013) (Millions of yen)	2013 (As of March 31, 2013) (Thousands of U.S. dollars)
Accounts payable—trade	4,745	4,698	49,956
Long-term loans payable	1,449	1,134	12,058
Short-term loans payable and others	829	910	9,678
Total	7,025	6,742	71,694

(2) Acquisition costs of the assets acquired as substitutes for the assets transferred due to expropriation are stated at the book values of such transferred assets, where the difference between the acquisition cost and book values (provision for cost reduction) are as follows:

	2012 (As of March 31, 2012) (Millions of yen)	2013 (As of March 31, 2013) (Millions of yen)	2013 (As of March 31, 2013) (Thousands of U.S. dollars)
Buildings	1,038	774	8,234
Machinery and equipment	215	112	1,193
Vehicles	43	203	2,161
Land	85	334	3,552
Structures and others	3	15	165
Total	1,386	1,439	15,307

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

	2012 (As of March 31, 2012) (Millions of yen)	2013 (As of March 31, 2013) (Millions of yen)	2013 (As of March 31, 2013) (Thousands of U.S. dollars)
Equity securities (included in investment securities)	9,788	10,760	114,414
Investments in capital or partnerships (included in Other under investments and other assets)	1,899	2,061	21,915

(4) Guarantees of loans

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

(2012)

As of March 31, 2012		
Guaranteed party	Guaranteed amount (Millions of yen)	Type
World Cargo Distribution Center Co., Ltd.	571	Loan guarantee
Kobe Port International Distribution Center Co., Ltd.	495	Loan guarantee
Yokkaichi Port International Freight Center Co., Ltd.	3	Loan guarantee
Guarantees for employees' housing loans	3	Loan guarantee
Nittsu Shoji U.S.A., Inc.	139	Loan guarantee
Total	1,214	

(2013)

As of March 31, 2013			
Guaranteed party	Guaranteed amount (Millions of yen)	Guaranteed amount (Thousands of U.S. dollars)	Type
World Cargo Distribution Center Co., Ltd.	465	4,953	Loan guarantee
Nagoya United Container Terminal Co., Ltd.	837	8,904	Loan guarantee
Portek International Pte. Ltd.	239	2,546	Loan guarantee
Guarantees for employees' housing loans	1	16	Loan guarantee
Nittsu Shoji (Thailand) Co., Ltd.	312	3,317	Loan guarantee
Total	1,856	19,739	

(5) (2012)

"Other current assets" include a reserve payment resulting from sales of notes receivable as part of asset securitization in the amount of ¥2,975 million.

(2013)

"Other current assets" include a reserve payment resulting from sales of notes receivable as part of asset securitization in the amount of ¥4,135 million (US$43,974 thousand).

(6) Inventories

	2012 (As of March 31, 2012) (Millions of yen)	2013 (As of March 31, 2013) (Millions of yen)	2013 (As of March 31, 2013) (Thousands of U.S. dollars)
Merchandise and finished goods	2,561	3,440	36,585
Work in process	335	277	2,953
Raw materials and stores	2,223	1,795	19,093

(7) (2012)

Notes due at the end of the fiscal year are settled on the date of clearance. As March 31, 2012 was a bank holiday, the following notes due as of that date are included in their respective balances in the consolidated balance sheet.

	(Millions of yen)
Notes receivable—trade	948
Notes payable—trade	1,709

(2013)

Notes due at the end of the fiscal year are settled on the date of clearance. As March 31, 2013 was a bank holiday, the following notes due as of that date are included in their respective balances in the consolidated balance sheet.

	(Millions of yen)	(Thousands of U.S. dollars)
Notes receivable—trade	949	10,096
Notes payable—trade	1,550	16,483

6. Notes to Consolidated Statements of Income

(1) Provisions for various reserves recognized in operating costs and selling, general and administrative expenses are as follows:
(2012)

	Operating costs (Millions of yen)	Selling, general, and administrative expenses (Millions of yen)
Provision for bonuses	16,855	2,664
Provision for directors' bonuses	—	139
Allowance for warranties and repairs	—	3
Provision for retirement benefits	16,200	1,588
Provision for directors' retirement benefits	—	160
Provision for special repairs	67	—

(2013)

	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	15,639	166,285	2,603	27,677
Provision for directors' bonuses	—	—	137	1,463
Allowance for warranties and repairs	—	—	2	31
Provision for retirement benefits	16,900	179,694	1,823	19,386
Provision for directors' retirement benefits	—	—	175	1,867
Provision for special repairs	57	610	—	—

(2) Breakdown of gain on sales of property and equipment

	2012 (From April 1, 2011 to March 31, 2012) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Thousands of U.S. dollars)
Land	6,948	2,773	29,490
Buildings	365	1,495	15,897
Intangible assets and others	272	295	3,137
Total	7,586	4,563	48,525

(3) Breakdown of loss on disposal of property and equipment

	2012 (From April 1, 2011 to March 31, 2012) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Thousands of U.S. dollars)
Buildings	1,728	3,173	33,740
Structures	177	245	2,607
Machinery and equipment	193	93	996
Tools, furniture and fixtures	142	157	1,673
Land	577	90	960
Intangible assets and others	403	977	10,388
Total	3,223	4,736	50,366

(4) Breakdown of gain on sales of investment securities

	2012 (From April 1, 2011 to March 31, 2012) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Thousands of U.S. dollars)
Stocks of affiliates	—	0	8
Available-for-sale securities	146	272	2,893
Total	146	272	2,901

(5) Breakdown of loss on sales of investment securities

	2012 (From April 1, 2011 to March 31, 2012) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Thousands of U.S. dollars)
Stocks of affiliates	—	66	705
Available-for-sale securities	374	490	5,219
Total	374	557	5,924

(6) Loss on valuation of golf membership included in the loss on valuation of investment securities

	2012 (From April 1, 2011 to March 31, 2012) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Thousands of U.S. dollars)
	43	4	47

(7) Loss on disaster
(2012)
A description is omitted because the amount is immaterial.
(2013)
Not applicable.

7. Notes to Consolidated Statements of Comprehensive Income

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

	2012 (From April 1, 2011 to March 31, 2012) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Thousands of U.S. dollars)
Valuation differences on available-for-sale securities			
Amount recognized during the year	(1,713)	11,584	123,174
Reclassification adjustments	206	33	356
Before tax effect adjustment	(1,507)	11,618	123,531
Tax effects	2,900	(4,012)	(42,662)
Valuation differences on available-for-sale securities	1,393	7,605	80,868
Deferred gains (losses) on hedges			
Amount recognized during the year	(3)	(40)	(435)
Tax effects	1	15	165
Deferred gains (losses) on hedges	(2)	(25)	(270)
Foreign currency translation adjustments			
Amount recognized during the year	(4,079)	9,768	103,869
Reclassification adjustments	8	—	—
Foreign currency translation adjustments	(4,071)	9,768	103,869
Share of other comprehensive income of affiliates accounted for using the equity method			
Amount recognized during the year	(104)	277	2,947
Total other comprehensive income	(2,784)	17,626	187,415

8. Notes to Consolidated Statements of Changes in Net Assets

2012 (From April 1, 2011 to March 31, 2012)
(1) Class and number of shares issued

Class of shares	Number of shares as of April 1, 2011	Increase	Decrease	Number of shares as of March 31, 2012
Common stock (Thousand shares)	1,062,299	—	—	1,062,299

(2) Class and number of treasury stock

Class of shares	Number of shares as of April 1, 2011	Increase	Decrease	Number of shares as of March 31, 2012
Common stock (Thousand shares)	19,559	35	7	19,588

Details of the changes are as follows:
The increase in common stock in treasury is due to the purchase of shares of less than one unit.
The decrease in common stock in treasury is due to the transfer of shares of less than one unit.

(3) Dividends
1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2011	Common stock	5,213	5.0	March 31, 2011	June 30, 2011
Board of Directors' Meeting held on October 31, 2011	Common stock	5,213	5.0	September 30, 2011	December 2, 2011

2) Dividends whose record date falls during the year ended March 31, 2012, but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General Shareholders' Meeting held on June 28, 2012	Common stock	Retained earnings	5,213	5.0	March 31, 2012	June 29, 2012

2013 (From April 1, 2012 to March 31, 2013)
(1) Class and number of shares issued

Class of shares	Number of shares as of April 1, 2012	Increase	Decrease	Number of shares as of March 31, 2013
Common stock (Thousand shares)	1,062,299	—	—	1,062,299

(2) Class and number of treasury stock

Class of shares	Number of shares as of April 1, 2012	Increase	Decrease	Number of shares as of March 31, 2013
Common stock (Thousand shares)	19,588	23,037	29,967	12,657

Details of the changes are as follows:
The increase in common stock in treasury is due to the acquisition of 22,550 thousand shares pursuant to the resolution of the Board of Directors' Meeting (December 21, 2012) and the purchase of 487 thousand shares of less than one unit.
The decrease in common stock in treasury is due to the allocation of 29,922 thousand shares through a share exchange to make Nittsu Shoji Co., Ltd. a wholly owned subsidiary and the transfer of 45 thousand shares of less than one unit.

(3) Dividends
1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General Shareholders' Meeting held on June 28, 2012	Common stock	5,213	5.0	March 31, 2012	June 29, 2012
Board of Directors' Meeting held on October 31, 2012	Common stock	5,212	5.0	September 30, 2012	December 4, 2012

Resolution	Class of shares	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General Shareholders' Meeting held on June 28, 2012	Common stock	55,433	0.05	March 31, 2012	June 29, 2012
Board of Directors' Meeting held on October 31, 2012	Common stock	55,417	0.05	September 30, 2012	December 4, 2012

2) Dividends whose record date falls in the year ended March 31, 2013, but whose effective date is in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General Shareholders' Meeting held on June 27, 2013	Common stock	Retained earnings	5,248	5.0	March 31, 2013	June 28, 2013

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General Shareholders' Meeting held on June 27, 2013	Common stock	Retained earnings	55,802	0.05	March 31, 2013	June 28, 2013

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

	2012 (From April 1, 2011 to March 31, 2012) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Millions of yen)	2013 (From April 1, 2012 to March 31, 2013) (Thousands of U.S. dollars)
Cash and cash in banks	187,797	188,124	2,000,259
Time deposits with maturities of over three months	(6,033)	(7,449)	(79,210)
Time deposits pledged as collateral for debts	(150)	(171)	(1,820)
Cash and cash equivalents	181,614	180,503	1,919,227

(2) (2012)
"Interest expenses" as well as "Interest expenses paid" in cash flows from operating activities are presented excluding ¥801 million in financing costs included in cost of sales in the Goods Sales business (leasing business).

(2013)
"Interest expenses" as well as "Interest expenses paid" in cash flows from operating activities are presented excluding ¥639 million (US $6,796 thousand) in financing costs included in cost of sales in the Goods Sales business (leasing business).

(3) Significant non-cash and cash equivalent transactions
(2013)
During the fiscal year ended March 31, 2013, the Company conducted a share exchange making its consolidated subsidiary, Nittsu Shoji Co., Ltd., a wholly-owned subsidiary, and as a result of allocating treasury stock, retained earnings and treasury stock decreased as follows:

Decrease in retained earnings due to the share exchange	¥3,796 million (US$40,365 thousand)
Decrease in treasury stock due to the share exchange	¥14,418 million (US$153,309 thousand)

10. Leases

(1) Finance leases

(Lessee) —

(Lessor)
1) Breakdown of lease investment assets

	2012 (As of March 31, 2012) (Millions of yen)	2013 (As of March 31, 2013) (Millions of yen)	2013 (As of March 31, 2013) (Thousands of U.S. dollars)
Gross lease receivables	90,783	95,501	1,015,435
Estimated residual values	1,194	1,402	14,908
Unearned interest income	(2,126)	(1,788)	(19,018)
Lease investment assets	89,851	95,115	1,011,324

2) Lease receivables and maturities of gross lease receivables corresponding to lease investment assets subsequent to March 31, 2012 and 2013 are as follows:

2012 (As of March 31, 2012)

	Lease receivables (Millions of yen)	Lease investment assets (Millions of yen)
Due in one year or less	3,161	30,826
Due after one year through two years	2,134	23,977
Due after two years through three years	1,319	16,896
Due after three years through four years	795	10,326
Due after four years through five years	434	4,487
Due after five years	447	4,267

2013 (As of March 31, 2013)

	Lease receivables (Millions of yen)	Lease receivables (Thousands of U.S. dollars)	Lease investment assets (Millions of yen)	Lease investment assets (Thousands of U.S. dollars)
Due in one year or less	2,727	29,004	31,580	335,787
Due after one year through two years	1,897	20,170	24,567	261,213
Due after two years through three years	1,318	14,014	17,798	189,246
Due after three years through four years	915	9,734	11,465	121,912
Due after four years through five years	476	5,066	4,909	52,204
Due after five years	436	4,638	5,179	55,070

(2) Operating leases

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

(Lessee)

	2012 (As of March 31, 2012) (Millions of yen)	2013 (As of March 31, 2013) (Millions of yen)	2013 (As of March 31, 2013) (Thousands of U.S. dollars)
Portion due within one year	17,968	18,148	192,961
Thereafter	103,669	100,091	1,064,242
Total	121,638	118,239	1,257,203

(Lessor) —

11. Financial instruments

2012 (From April 1, 2011 to March 31, 2012)

(1) Financial instruments and related disclosures

1) Group policy for financial instruments

The Group raises necessary funds for capital investments mainly by bank loans and issuance of bonds. Short-term working funds are raised mainly by bank loans. Derivatives are used only for hedging purposes to manage the exposure of assets and liabilities to risks of market fluctuation. Mainly forward foreign currency contracts are utilized to hedge foreign exchange risk on receivables and payables denominated in foreign currencies as described below. The Group does not enter into derivatives for speculative or trading purposes.

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

Trade receivables such as trade notes and trade accounts are exposed to customer credit risk. The Group manages its customer credit risk by managing payment terms and balances 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 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 nine years after the balance sheet date and interest expenses of long-term loans are fixed by the fixed interest rate.

Derivatives mainly include forward foreign currency contracts, which are used to hedge foreign exchange risk on trade receivables and payables denominated in foreign currencies. The effectiveness of hedging is assessed using internal effectiveness management data.

Derivative transactions are overseen by the Management Department based on the application form submitted by each trading section, and the Internal Audit Department periodically examines the execution and controls on the derivative transactions. In using derivatives, the Group only enters into the contracts with highly rated financial institutions, and it believes that credit risk posed by default is quite limited.

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

3) Supplementary explanation about the fair values of financial instruments

The fair values of financial instruments comprise the quoted market price and other rationally computed values, if market price is not available. Since various 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

Carrying amount, fair value and related unrealized gain (loss) on financial instruments at March 31, 2012 are as follows:

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	187,797	187,797	—
2) Accounts receivable—trade	241,822	241,822	—
3) Lease investment assets	89,851	90,290	439
4) Investment securities			
Available-for-sale securities	66,501	66,501	—
5) Accounts payable—trade	(135,158)	(135,158)	—
6) Short-term loans payable	(3,133)	(3,133)	—
7) Deposits	(58,201)	(58,201)	—
8) Bonds	(80,000)	(82,521)	(2,521)
9) Long-term loans payable	(235,964)	(239,310)	(3,346)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	13	13	—

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

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

1) Cash and cash in banks and 2) accounts receivable—trade:
Due to the short maturities of these instruments, the carrying amount approximates fair value.

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

4) Investment securities:
The fair value of equity securities is determined by the quoted price of the stock exchange.

5) Accounts payable—trade, 6) short-term loans payable and 7) deposits:
Due to the short maturities of these instruments, the carrying amount approximates fair value. Short-term loans payable do not include the current portion of long-term loans payable.

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

9) Long-term loans payable:
The fair value of long-term loans payable is computed by discounting the aggregate value of the principal and interest on long-term loans payable classified by period using the interest rate assumed if the 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 whose carrying amount is ¥10,474 million are not included in (4) investment securities—available-for-sale securities, since there is no quoted market price and it is very difficult to determine fair values by estimating future cash flows.

(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	187,797	—	—
Accounts receivable—trade	241,822	—	—
Lease investment assets	29,810	54,632	5,408

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

	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	Due after five years
Short-term loans payable	3,133	—	—	—	—	—
Bonds	—	—	15,000	—	20,000	45,000
Long-term loans payable	75,442	53,353	23,154	38,970	1,470	43,593

2013 (From April 1, 2012 to March 31, 2013)

(1) Financial instruments and related disclosures

1) Group policy for financial instruments

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

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

Trade receivables such as trade notes and trade accounts are exposed to customer credit risk. The Group manages its customer credit risk by managing payment terms and balances 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 eight years after the balance sheet date. Interest expenses of long-term loans are fixed primarily by the fixed interest rate, and some of them have the floating interest rate and thus exposed to interest rate fluctuation risk. They 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 rate on loans payable. For 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 5) Hedge accounting.”

Derivative transactions for forward foreign currency contracts are overseen by the Management Department based on the application form submitted by each trading section, and interest rate swaps are overseen exclusively by the Finance & Accounting Department of the head office. The Internal Audit Department periodically examines the execution and controls on the derivative transactions.

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

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

3) Supplementary explanation about the fair values of financial instruments

The fair values of financial instruments comprise the quoted market price and other rationally computed values, if market price is not available. Since various 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

Carrying amount, fair value and related unrealized gain (loss) on financial instruments at March 31, 2013 are as follows:

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	188,124	188,124	—
2) Accounts receivable—trade	233,460	233,460	—
3) Lease investment assets	95,115	96,029	914
4) Investment securities			
Available-for-sale securities	78,834	78,834	—
5) Accounts payable—trade	(128,275)	(128,275)	—
6) Short-term loans payable	(6,125)	(6,125)	—
7) Deposits	(78,006)	(78,006)	—
8) Bonds	(80,000)	(83,357)	(3,357)
9) Long-term loans payable	(213,920)	(218,945)	(5,025)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(27)	(27)	—

	Thousands of U.S. dollars		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	2,000,259	2,000,259	—
2) Accounts receivable—trade	2,482,304	2,482,304	—
3) Lease investment assets	1,011,324	1,021,046	9,722
4) Investment securities Available-for-sale securities	838,213	838,213	—
5) Accounts payable—trade	(1,363,911)	(1,363,911)	—
6) Short-term loans payable	(65,129)	(65,129)	—
7) Deposits	(829,418)	(829,418)	—
8) Bonds	(850,611)	(886,305)	(35,693)
9) Long-term loans payable	(2,274,537)	(2,327,971)	(53,433)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(297)	(297)	—

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

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

1) Cash and cash in banks and 2) accounts receivable—trade:
Due to the short maturities of these instruments, the carrying amount approximates fair value.

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

4) Investment securities:
The fair value of equity securities is determined by the quoted price of the stock exchange.

5) Accounts payable—trade, 6) short-term loans payable and 7) deposits:
Due to the short maturities of these instruments, the carrying amount approximates fair value. Short-term loans payable do not include the current portion of long-term loans payable.

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

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

10) Derivatives:
Information on the fair value of derivatives is included in Note 13 “Derivatives.”

(Note 2) Unlisted equity securities whose carrying amount is ¥7,137 million (US$75,893 thousand) are not included in (4) investment securities—available-for-sale securities, since there is no quoted market price and it is very difficult to determine fair values by estimating future cash flows.

(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	188,124	—	—	2,000,259	—	—
Accounts receivable—trade	233,460	—	—	2,482,304	—	—
Lease investment assets	30,760	57,830	6,524	327,064	614,891	69,368

(Note 4) Repayment schedule for short-term loans payable, bonds 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	6,125	—	—	65,129	—	—
Bonds	—	55,000	25,000	—	584,795	265,816
Long-term loans payable	57,881	103,785	52,252	615,436	1,103,514	555,587

* 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

2012 (March 31, 2012)

(1) Available-for-sale securities

	Millions of yen		
Category	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	63,625	19,445	44,179
2) Other	—	—	—
Sub-total	63,625	19,445	44,179
Carrying value does not exceed acquisition cost:			
1) Equity securities	2,888	3,883	(995)
2) Other	—	—	—
Sub-total	2,888	3,883	(995)
Total	66,514	23,329	43,184

(Note) Acquisition cost is presented after deducting impairment loss. Impairment loss on available-for-sale securities with fair value amounted to ¥11 million for the year ended March 31, 2012.

The Company recognizes impairment loss when the fair value declines more than 50% of its acquisition cost and determines if it is necessary to recognize impairment loss after considering the movements of the individual fair value when the fair value declines to between 30% and 50% of the acquisition cost.

(2) Available-for-sale securities sold during 2012 (From April 1, 2011 to March 31, 2012)

	Millions of yen		
Category	Carrying value	Total gains on sales	Total losses on sales
1) Equity securities	417	146	374
2) Other	—	—	—
Total	417	146	374

2013 (March 31, 2013)

(1) Available-for-sale securities

Category	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	75,814	20,339	55,474
2) Other	—	—	—
Sub-total	75,814	20,339	55,474
Carrying value does not exceed acquisition cost:			
1) Equity securities	3,021	3,693	(672)
2) Other	—	—	—
Sub-total	3,021	3,693	(672)
Total	78,835	24,033	54,802

Category	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	806,103	216,263	589,839
2) Other	—	—	—
Sub-total	806,103	216,263	589,839
Carrying value does not exceed acquisition cost:			
1) Equity securities	32,130	39,276	(7,146)
2) Other	—	—	—
Sub-total	32,130	39,276	(7,146)
Total	838,233	255,540	582,693

(Note) Acquisition cost is presented after deducting impairment loss. Impairment loss on available-for-sale securities with fair value amounted to ¥42 million (US$456 thousand) for the year ended March 31, 2013.

The Company recognizes impairment loss when the fair value declines more than 50% of its acquisition cost and determines if it is necessary to recognize impairment loss after considering the movements of the individual fair value when the fair value declines to between 30% and 50% of the acquisition cost.

(2) Available-for-sale securities sold during 2013 (From April 1, 2012 to March 31, 2013)

Category	Millions of yen		
	Carrying value	Total gains on sales	Total losses on sales
1) Equity securities	4,834	272	490
2) Other	—	—	—
Total	4,834	272	490

Category	Thousands of U.S. dollars		
	Carrying value	Total gains on sales	Total losses on sales
1) Equity securities	51,401	2,893	5,219
2) Other	—	—	—
Total	51,401	2,893	5,219

13. Derivatives

2012 (March 31, 2012)

(1) Derivative transactions to which hedge accounting is not applied at March 31, 2012

Not applicable.

(2) Derivative transactions to which hedge accounting is applied at March 31, 2012

1) Currency-related derivatives

			Millions of yen		
Hedge accounting method	Type of derivative transaction	Major hedged items	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	266	—	(1)
	Forward foreign currency contracts: Buying US$ and other currencies		482	—	14
Designation method	Forward foreign currency contracts: Selling US$ and other currencies	Accounts receivable—trade	266	—	(*2)
	Forward foreign currency contracts: Buying US$ and other currencies	Accounts payable—trade	1,518	—	

(*1) Fair value is based on information obtained from the counterparty financial institution.
(*2) Fair values of derivatives are included in the fair values of the related accounts receivable—trade and accounts payable—trade.

2013 (March 31, 2013)

(1) Derivative transactions to which hedge accounting is not applied at March 31, 2013

Not applicable.

(2) Derivative transactions to which hedge accounting is applied at March 31, 2013

1) Interest rate-related derivatives

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

			Thousands of U.S. dollars		
Hedge accounting method	Type of derivative transaction	Major hedged items	Contract amount (notional principal)	Contract amount due after one year	Fair value
Exceptional accounting of the interest rate swaps	Interest rate swaps: Receiving on the floating interest rate Paying on the fixed interest rate	Long-term loans payable	106,326	—	(*)

(*) 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

			Millions of yen		
Hedge accounting method	Type of derivative transaction	Major hedged items	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	1,050	—	(21)
	Forward foreign currency contracts: Buying US$ and other currencies		2,067	—	(6)
Designation method	Forward foreign currency contracts: Selling US$ and other currencies	Accounts receivable—trade	1,197	—	(*2)
	Forward foreign currency contracts: Buying US$ and other currencies	Accounts payable—trade	3,207	—	

			Thousands of U.S. dollars		
Hedge accounting method	Type of derivative transaction	Major hedged items	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	11,168	—	(229)
	Forward foreign currency contracts: Buying US$ and other currencies		21,982	—	(67)
Designation method	Forward foreign currency contracts: Selling US$ and other currencies	Accounts receivable—trade	12,734	—	(*2)
	Forward foreign currency contracts: Buying US$ and other currencies	Accounts payable—trade	34,108	—	

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

The Company and domestic consolidated subsidiaries have two types of defined-benefit retirement plans: a retirement lump sum payment plan and a defined-benefit corporate pension plan. Moreover, the Company and some domestic consolidated subsidiaries adopt defined contribution pension plans while some overseas consolidated subsidiaries have defined benefit pension plans.

There are also cases when an employee is given a severance pay premium on leaving the Company. Further, the Company adopts a retirement allowance trust.

(2) Retirement benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2012 (As of March 31, 2012)	2013 (As of March 31, 2013)	2013 (As of March 31, 2013)
A. Projected benefit obligation	(170,108)	(177,661)	(1,889,008)
B. Plan assets at fair market value	43,008	47,974	510,091
C. Unfunded retirement benefit obligation (A+B)	(127,100)	(129,687)	(1,378,917)
D. Unrecognized actuarial net loss	89,239	83,419	886,969
E. Unrecognized prior service cost	(1,009)	(647)	(6,880)
F. Retirement benefit obligation at end of year (C+D+E)	(38,870)	(46,914)	(498,827)
G. Provision for retirement benefits (F)	(38,870)	(46,914)	(498,827)

(Note) Some consolidated subsidiaries use the simplified method for calculating retirement benefit obligation.

(3) Pension expense

	Millions of yen		Thousands of U.S. dollars
	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)	2013 (From April 1, 2012 to March 31, 2013)
A. Service cost	6,819	7,976	84,810
B. Interest cost on projected benefit obligation	2,947	2,664	28,326
C. Expected return on plan assets	(520)	(545)	(5,802)
D. Amortization of unrecognized actuarial net loss	9,097	9,192	97,738
E. Prior service cost recognized	(554)	(563)	(5,992)
F. Net periodic pension cost (A+B+C+D+E)	17,788	18,723	199,080
G. Other	3,200	4,346	46,210
Total	20,989	23,069	245,290

(Note) Net periodic pension cost of consolidated subsidiaries using the simplified method is included in “A. Service cost.” “G. Other” is the extraordinary additional retirement benefits paid to early retirees and the premium paid to a defined contribution pension plan.

(4) Actuarial assumptions used to determine costs and obligations for retirement benefits

	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
A. Allocation of projected benefit obligation	Straight-line method	Same as previous year
B. Discount rate	Mainly 1.50%	Mainly 1.00%
C. Expected rate of return on plan assets	Mainly 2.5%	Same as previous year
D. Recognition period of prior service cost	15 years (Past service obligations are recognized evenly over fifteen years (a period not exceeding the expected average remaining working lives of employees) from the time of occurrence).	Same as previous year
E. Amortization period of actuarial net loss (gain)	12–15 years (Actuarial losses are recognized evenly over twelve to fifteen years (a period not exceeding the expected average remaining working lives of employees) following the respective fiscal years when such losses are recognized).	Same as previous year

15. Income taxes

(1) The significant components of the Company's deferred tax assets and liabilities as of March 31, 2012 and 2013 are as follows:

	2012 (As of March 31, 2012) (Millions of yen)	2013 (As of March 31, 2013) (Millions of yen)	2013 (As of March 31, 2013) (Thousands of U.S. dollars)
Deferred tax assets:			
(Current)			
Allowance for doubtful accounts	95	228	2,426
Accrued bonuses	7,148	6,672	70,943
Enterprise tax payable	1,177	568	6,042
Lease transactions	342	167	1,785
Other	6,500	5,118	54,426
Total	15,264	12,755	135,625
(Noncurrent)			
Allowance for doubtful accounts	441	364	3,873
Retirement benefits	36,791	39,341	418,307
Unrealized gains	3,278	3,247	34,524
Impairment losses	3,025	3,022	32,140
Asset retirement obligations	2,764	2,601	27,662
Other	8,678	7,377	78,438
Total	54,978	55,954	594,946
Sub-total	70,243	68,710	730,572
Valuation allowance	(12,224)	(11,874)	(126,256)
Total deferred tax assets	58,019	56,835	604,316
Deferred tax liabilities:			
(Current)			
Reserve for deferred gains on fixed assets	(992)	(1,037)	(11,034)
Other	(2,579)	(1,920)	(20,416)
Total	(3,571)	(2,957)	(31,451)
(Noncurrent)			
Reserve for deferred gains on fixed assets	(16,450)	(16,040)	(170,552)
Gain on securities contribution to employees' retirement benefits trust	(18,333)	(18,333)	(194,938)
Valuation differences on available-for-sale securities	(15,288)	(19,301)	(205,223)
Other	(2,763)	(1,977)	(21,021)
Total	(52,836)	(55,652)	(591,736)
Total deferred tax liabilities	(56,408)	(58,610)	(623,187)
Total net deferred tax assets—current	11,371	9,556	101,612
Total net deferred tax liabilities—current	(54)	(101)	(1,075)
Total net deferred tax assets—noncurrent	4,348	4,008	42,623
Total net deferred tax liabilities—noncurrent	(14,054)	(15,239)	(162,032)

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

	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)
Statutory rate	40.7%	—
(Adjustment)		
Non-deductible items	3.8%	—
Non-taxable items	(3.7)%	—
Per capita inhabitants' tax	2.6%	—
Changes in valuation allowance	(4.8)%	—
Difference in tax rate applicable to foreign subsidiaries	(2.9)%	—
Reduction of year-end deferred tax assets due to the change of tax rate	2.2%	—
Other, net	5.9%	—
Effective tax rates	43.9%	—

(Note) For the year ended March 31, 2013, notes have been omitted as the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting was less than 5% of the statutory tax rate.

16. Business combinations

Common control transactions and others

(1) Outline of business combination

1) Name and business description of the companies involved in the business combination

Acquiring company (wholly owning parent company in share exchange)
Name: Nippon Express Co., Ltd.
Business description: Logistics business in general and related services, including truck transportation, railway forwarding, marine transportation, coastal shipping, air freight forwarding, warehousing, customs-clearance, transportation and construction of heavy haulage and plant, specialized transportation, and collection and processing of logistics information and any incidental business thereto

Acquired company (wholly owned subsidiary in share exchange)
Name: Nittsu Shoji Co., Ltd.
Business description: General merchandise, distribution equipment, sales of packing materials, sales of petroleum and others, and leasing

2) Date of business combination

March 19, 2013

3) Legal form of business combination

Share acquisition through share exchange

4) Name of company after business combination

Nittsu Shoji Co., Ltd.

5) Other matters

The Company, in its final year of its medium-term management plan, "Nippon Express Group Corporate Strategy 2012 – Towards New Growth," decided to conduct this share exchange and make the Group's largest consolidated subsidiary Nittsu Shoji Co., Ltd., a wholly owned subsidiary, for the purpose of accelerating decision-making and the execution of management strategies, further promoting group management and pursuing the effects of synergy, enhancing its competitiveness, and solidifying its management infrastructure.

By combining logistics functions of the Company with trading functions of Nittsu Shoji Co., Ltd., the Company intends to take steps toward growing as a global logistics company through further reinforcing its logistics business.

(2) Outline of the accounting treatment

The business combination was accounted for primarily as a common control transaction, in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

(3) Additional acquisition of the subsidiary shares

1) Acquisition cost and breakdown of acquisition cost

Consideration for acquisition (Common stock of the Company)	¥10,622 million (US$112,944 thousand)
Costs directly associated with acquisition	¥20 million (US$212 thousand)
Acquisition cost	¥10,642 million (US$113,157 thousand)

2) Share exchange ratio, calculation method and the number of allotted shares based on the type of stocks

a. Share exchange ratio based on the type of stocks

Twenty one shares of the Company's common stock were allotted for each share of common stock of Nittsu Shoji Co., Ltd. However, the Company will not allot shares in exchange for the 7,374,947 shares of common stock of Nittsu Shoji Co., Ltd. it already holds.

b. Calculation method of the share exchange ratio

In order to ensure the fairness and appropriateness of the ratio of this share exchange, the Company and Nittsu Shoji Co., Ltd. selected and requested a third-party valuation institution to calculate the ratio. The Company and Nittsu Shoji Co., Ltd. comprehensively considered the validity for the shareholders of both companies by referring to the results of such calculations by the third-party valuation institution, and concluded that the above share exchange ratio was appropriate.

The third-party valuation institution is not a related party of the Company or of Nittsu Shoji Co., Ltd.

c. Number of allotted shares

Common stock: 29,922,396 shares (out of which the number of treasury stock allotted: 29,922,396 shares)

(4) Goodwill incurred

1) Amount of goodwill incurred: ¥1,597 million (US$16,986 thousand)

2) Reason for goodwill

Goodwill was incurred due to the difference between the acquisition cost associated with the additional acquisition of the subsidiary shares and the amount of decrease in minority interests accompanying the additional acquisition.

3) Amortization method and period of amortization

Amortized equally over 5 years.

17. Asset retirement obligations

2012 (From April 1, 2011 to March 31, 2012)

Asset retirement obligations that are stated in consolidated balance sheets

1) Description of the asset retirement obligations

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

2) Method for calculating the asset retirement obligations

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

3) Changes in total asset retirement obligations during 2012

	Millions of yen
Balance at beginning of the year	11,331
Increase due to acquisition of property and equipment	321
Accretion adjustment	169
Decrease due to settlement	(441)
Other	(30)
Balance at end of the year	11,351

2013 (From April 1, 2012 to March 31, 2013)

Asset retirement obligations that are stated in consolidated balance sheets

1) Description of the asset retirement obligations

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

2) Method for calculating the asset retirement obligations

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

3) Changes in total asset retirement obligations during 2013

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the year	11,351	120,695
Increase due to acquisition of property and equipment	71	765
Accretion adjustment	162	1,724
Decrease due to settlement	(591)	(6,289)
Other	(235)	(2,502)
Balance at end of the year	10,758	114,392

18. Investment and rental property

2012 (From April 1, 2011 to March 31, 2012)

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings, parking lots and land throughout Japan. Net rental profit (rental income included in net sales less rental expenses included in cost of sales) and other losses (included in loss on disposal of noncurrent assets) on investment and rental property for the year ended March 31, 2012 were ¥5,457 million and ¥1,163 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, 2012
April 1, 2011	Increase (decrease)	March 31, 2012	
42,450	1,153	43,603	123,973

(Notes) 1. Carrying amount recognized in the balance sheet is stated at acquisition cost less accumulated depreciation.
2. Increase during the year ended March 31, 2012 primarily consists of an increase in the number of properties.
3. Fair value of properties as of March 31, 2012 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.

2013 (From April 1, 2012 to March 31, 2013)

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings, parking lots and land throughout Japan. Net rental profit (rental income included in net sales less rental expenses included in cost of sales) and other losses (included in loss on disposal of noncurrent assets) on investment and rental property for the year ended March 31, 2013 were ¥5,435 million (US$57,790 thousand) and ¥6 million (US$74 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, 2013
April 1, 2012	Increase (decrease)	March 31, 2013	
43,603	857	44,461	118,572

Thousands of U.S. dollars			
Carrying amount			Fair value as of March 31, 2013
April 1, 2012	Increase (decrease)	March 31, 2013	
463,620	9,117	472,738	1,260,737

(Notes) 1.Carrying amount recognized in the balance sheet is stated at acquisition cost less accumulated depreciation.
2.Increase during the year ended March 31, 2013 primarily consists of an increase in the number of properties.
3.Fair value of properties as of March 31, 2013 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.

19. Segment information

(1) Outline of the reportable segments

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

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

Under this principle, the Company has developed a segment structure in the form of matrix comprising segments by geographical region along with segments by products and services as classified based on mode of transportation such as air or marine, in which the domestic Distribution & Transportation business comprises five reportable segments, including Combined Business, Security Transportation, Heavy Haulage & Construction, Air Freight Forwarding, and Marine & Harbor Transportation, while overseas

Distribution & Transportation operations comprises four reportable segments, including the Americas, Europe, East Asia, and South Asia & Oceania, besides the two reportable segments outside Distribution & Transportation operations that are Goods Sales and Other.

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

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

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

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

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

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

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

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

2012 (From April 1, 2011 to March 31, 2012)

	Millions of yen						
	Distribution & Transportation						
	Domestic companies					Overseas companies	
	Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe
Revenues							
Revenues from external customers	698,476	58,738	39,530	203,824	116,843	31,959	41,781
Intersegment	6,240	26	517	1,583	8,811	11,004	4,671
Total	704,717	58,764	40,048	205,407	125,654	42,963	46,453
Segment income	6,941	1,899	3,817	6,579	5,100	1,682	1,895
Segment assets	473,389	77,631	14,418	96,806	90,881	30,488	28,817
Other items							
Depreciation and amortization	24,106	2,674	806	4,157	4,606	757	855
Amortization of goodwill	—	—	—	—	—	—	—
Investment in affiliates accounted for by the equity method	5,121	—	—	1,003	1,100	—	—
Increase in property and equipment and intangible assets	22,665	2,068	1,608	1,726	3,630	663	620

	Millions of yen						
	Distribution & Transportation		Goods Sales	Other	Sub-total	Adjustment (Note 1)	Total (Note 2)
	Overseas companies						
	East Asia	South Asia & Oceania					
Revenues							
Revenues from external customers	67,238	42,191	308,033	19,409	1,628,027	—	1,628,027
Intersegment	5,728	2,620	66,042	20,959	128,206	(128,206)	—
Total	72,967	44,811	374,076	40,368	1,756,234	(128,206)	1,628,027
Segment income	2,344	1,651	6,961	1,942	40,817	(3,320)	37,497
Segment assets	35,745	27,720	236,615	84,340	1,196,855	34,109	1,230,964
Other items							
Depreciation and amortization	410	749	5,517	658	45,299	3,090	48,390
Amortization of goodwill	278	227	275	—	781	—	781
Investment in affiliates accounted for by the equity method	1,298	1,356	—	1	9,882	—	9,882
Increase in property and equipment and intangible assets	537	1,111	6,171	385	41,188	4,701	45,890

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

(1) The segment income adjustment of ¥(3,320) million includes ¥(2,041) million elimination of intersegment income, and ¥(1,347) million in 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 ¥34,109 million includes ¥(143,033) million elimination of intersegment income, and ¥180,020 million corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, securities and noncurrent assets held by head office not attributable to each reportable segment.

(3) The depreciation and amortization adjustment represents the depreciation and amortization at 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 head office not attributable to each reportable segment.

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

2013 (From April 1, 2012 to March 31, 2013)

	Millions of yen						
	Distribution & Transportation						
	Domestic companies					Overseas companies	
	Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe
Revenues							
Revenues from external customers	692,222	58,815	36,921	179,403	116,308	43,589	39,916
Intersegment	7,065	26	264	2,740	7,899	10,439	4,314
Total	699,287	58,842	37,186	182,143	124,207	54,028	44,230
Segment income	7,084	1,793	2,935	3,982	4,665	2,091	1,544
Segment assets	467,012	108,802	13,398	87,581	94,643	30,844	37,816
Other items							
Depreciation and amortization	22,547	2,396	782	4,046	4,273	861	782
Amortization of goodwill	—	—	—	—	—	311	9
Investment in affiliates accounted for by the equity method	5,301	—	—	1,023	1,165	39	—
Increase in property and equipment and intangible assets	18,699	1,859	302	3,365	7,779	3,518	389

	Millions of yen						
	Distribution & Transportation		Goods Sales	Other	Sub-total	Adjustment (Note 1)	Total (Note 2)
	Overseas companies						
	East Asia	South Asia & Oceania					
Revenues							
Revenues from external customers	63,373	41,446	320,198	21,133	1,613,327	—	1,613,327
Intersegment	5,439	2,844	63,540	20,668	125,242	(125,242)	—
Total	68,812	44,291	383,738	41,802	1,738,570	(125,242)	1,613,327
Segment income	1,328	1,698	5,825	1,713	34,664	(1,458)	33,206
Segment assets	44,011	30,653	238,950	47,564	1,201,279	46,333	1,247,612
Other items							
Depreciation and amortization	503	836	5,339	651	43,022	3,078	46,101
Amortization of goodwill	227	264	304	—	1,116	—	1,116
Investment in affiliates accounted for by the equity method	1,457	1,390	—	1	10,379	—	10,379
Increase in property and equipment and intangible assets	6,251	3,183	9,169	573	55,095	3,846	58,941

	Thousands of U.S. dollars						
	Distribution & Transportation						
	Domestic companies					Overseas companies	
	Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe
Revenues							
Revenues from external customers	7,360,152	625,363	392,575	1,907,529	1,236,662	463,467	424,417
Intersegment	75,123	282	2,813	29,138	83,987	110,998	45,872
Total	7,435,276	625,646	395,389	1,936,667	1,320,649	574,466	470,289
Segment income	75,328	19,073	31,213	42,347	49,609	22,240	16,419
Segment assets	4,965,574	1,156,861	142,461	931,227	1,006,308	327,958	402,088
Other items							
Depreciation and amortization	239,742	25,477	8,323	43,025	45,443	9,158	8,316
Amortization of goodwill	—	—	—	—	—	3,309	100
Investment in affiliates accounted for by the equity method	56,370	—	—	10,877	12,394	419	—
Increase in property and equipment and intangible assets	198,827	19,772	3,221	35,787	82,720	37,412	4,144

	Thousands of U.S. dollars						
	Distribution & Transportation		Goods Sales	Other	Sub-total	Adjustment (Note 1)	Total (Note 2)
	Overseas companies						
	East Asia	South Asia & Oceania					
Revenues							
Revenues from external customers	673,822	440,687	3,404,551	224,708	17,153,937	—	17,153,937
Intersegment	57,835	30,247	675,601	219,757	1,331,658	(1,331,658)	—
Total	731,657	470,934	4,080,152	444,466	18,485,596	(1,331,658)	17,153,937
Segment income	14,122	18,060	61,940	18,219	368,576	(15,505)	353,070
Segment assets	467,955	325,922	2,540,678	505,735	12,772,773	492,649	13,265,422
Other items							
Depreciation and amortization	5,355	8,895	56,770	6,928	457,439	32,737	490,176
Amortization of goodwill	2,418	2,808	3,234	—	11,872	—	11,872
Investment in affiliates accounted for by the equity method	15,494	14,789	—	17	110,363	—	110,363
Increase in property and equipment and intangible assets	66,470	33,853	97,498	6,096	585,806	40,896	626,703

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

(1) The segment income adjustment of ¥(1,458) million (US$(15,505) thousand) includes ¥(106) million (US$(1,131) thousand) for the elimination of intersegment income, and ¥(1,390) million (US$(14,779) 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 ¥46,333 million (US$492,649 thousand) includes ¥(117,038) million (US$(1,244,428) thousand) for the elimination of intersegment income, and ¥165,394 million (US$1,758,578 thousand) of corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, securities and noncurrent assets held by head office not attributable to each reportable segment.

(3) The depreciation and amortization adjustment represents the depreciation and amortization at 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 head office not attributable to each reportable segment.

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

3. From the consolidated fiscal year under review, the segment name of the "Air Freight Forwarding & Travel" has been changed to "Air Freight Forwarding." Accordingly, segment information for the fiscal year ended March 31, 2012 uses the name after the change.

The change was made to the segment name only; the classification of the business segment remains unchanged.

[Related information]

2012 (From April 1, 2011 to March 31, 2012)

1. Information by products and services

	Millions of yen									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & harbor transportation
Revenues from external customers	78,989	60,099	223,343	64,291	162,541	43,079	12,901	284,844	5,661	180,070

	Millions of yen								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Lease	Sales of petroleum, etc.	Sales of others	Other	Total
Revenues from external customers	3,000	75,069	51,798	51,080	46,576	183,065	81,502	20,111	1,628,027

2. Information by region

(1) Revenues

Millions of yen				
Japan	The Americas	Europe	Asia & Oceania	Total
1,274,823	82,583	74,625	195,995	1,628,027

(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) Asia & Oceania……..China, Singapore, Australia and other 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 which revenue exceeds 10% of revenues stated on the consolidated statements of income.

2013 (From April 1, 2012 to March 31, 2013)
1. Information by products and services

	Millions of yen									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & harbor transportation
Revenues from external customers	78,859	56,824	222,874	66,189	166,145	42,870	11,894	256,766	5,475	179,906

	Millions of yen								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Lease	Sales of petroleum, etc.	Sales of others	Other	Total
Revenues from external customers	2,987	75,464	49,101	52,742	47,549	200,200	75,721	21,754	1,613,327

	Thousands of U.S. dollars									
	Railway utilization transportation	Combined delivery services	Chartered truck services	Moving & relocation	Warehousing & distribution processing	In-factory work	Real estate rental	Air freight forwarding	Travel	Marine & harbor transportation
Revenues from external customers	838,480	604,192	2,369,739	703,767	1,766,565	455,823	126,470	2,730,111	58,215	1,912,880

	Thousands of U.S. dollars								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Lease	Sales of petroleum, etc.	Sales of others	Other	Total
Revenues from external customers	31,766	802,387	522,078	560,793	505,573	2,128,662	805,123	231,306	17,153,937

2. Information by region
(1) Revenues

Millions of yen				
Japan	The Americas	Europe	Asia & Oceania	Total
1,276,621	87,525	60,693	188,486	1,613,327

Thousands of U.S. dollars				
Japan	The Americas	Europe	Asia & Oceania	Total
13,573,864	930,631	645,327	2,004,114	17,153,937

(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) Asia & Oceania……..China, Singapore, Australia and other Asian and Oceanian countries

(2) Property and equipment

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

3. Information about major customers

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

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

2012 (From April 1, 2011 to March 31, 2012)
A description is omitted because the amount is immaterial.

2013 (From April 1, 2012 to March 31, 2013)
Not applicable.

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

2012 (From April 1, 2011 to March 31, 2012)

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

	Millions of yen				
	Distribution & Transportation		Goods Sales	Other	Total
	Overseas companies				
	East Asia	South Asia & Oceania			
Balance at end of the year	234	210	381	—	826

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

2013 (From April 1, 2012 to March 31, 2013)

	Millions of yen						
	Distribution & Transportation						
	Domestic companies					Overseas companies	
	Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe
Balance at end of the year	—	—	—	—	—	1,245	—

	Millions of yen				
	Distribution & Transportation		Goods Sales	Other	Total
	Overseas companies				
	East Asia	South Asia & Oceania			
Balance at end of the year	3,741	598	1,517	—	7,102

	Thousands of U.S. dollars						
	Distribution and transportation						
	Domestic companies					Overseas companies	
	Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe
Balance at end of the year	—	—	—	—	—	13,238	—

	Thousands of U.S. dollars				
	Distribution & Transportation		Goods Sales	Other	Total
	Overseas companies				
	East Asia	South Asia & Oceania			
Balance at end of the year	39,778	6,366	16,136	—	75,520

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

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

2012 (From April 1, 2011 to March 31, 2012)
Not applicable.

2013 (From April 1, 2012 to March 31, 2013)
A description is omitted because the amount is immaterial.

20. Related party information

2012 (From April 1, 2011 to March 31, 2012)
Not applicable.

2013 (From April 1, 2012 to March 31, 2013)
Not applicable.

21. Per share information

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

	Yen		U.S. dollars
	2012 (March 31, 2012)	2013 (March 31, 2013)	2013 (March 31, 2013)
(1) Net assets per share	461.63	489.39	5.20
	Millions of yen		Thousands of U.S. dollars
	2012 (March 31, 2012)	2013 (March 31, 2013)	2013 (March 31, 2013)
(Basis for calculation)			
Total net assets on consolidated balance sheets	494,205	518,409	5,512,058
Net assets related to common stock	481,347	513,683	5,461,813
Breakdown of difference: Minority interests	12,858	4,725	50,245
Number of common stock issued (1,000 shares)	1,062,299	1,062,299	—
Treasury stock of common stock (1,000 shares)	19,588	12,657	—
Number of common stock used to calculate net assets per share (1,000 shares)	1,042,711	1,049,641	—

	Yen		U.S. dollars
	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)	2013 (From April 1, 2012 to March 31, 2013)
(2) Net income per share	25.85	22.89	0.24
	Millions of yen		Thousands of U.S. dollars
	2012 (From April 1, 2011 to March 31, 2012)	2013 (From April 1, 2012 to March 31, 2013)	2013 (From April 1, 2012 to March 31, 2013)
Net income	26,949	23,831	253,391
Net income related to common stock	26,949	23,831	253,391
Weighted average number of common stock during the year (1,000 shares)	1,042,724	1,040,944	—

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

22. Significant subsequent events

Not applicable.

23. Supplementary schedule

[Schedule of bonds]

			Millions of yen		Thousands of U.S. dollars			
Issuer	Name of bond	Issuance date	Balance as of April 1, 2012	Balance as of March 31, 2013	Balance as of March 31, 2013	Interest rate (%)	Collateral	Maturity
NIPPON EXPRESS CO., LTD.	3rd Unsecured Straight Bonds	January 30, 2008	20,000	20,000	212,652	1.59	Unsecured	January 30, 2018
	4th Unsecured Straight Bonds	June 1, 2009	15,000	15,000	159,489	1.12	Unsecured	May 30, 2014
	5th Unsecured Straight Bonds	June 1, 2009	15,000	15,000	159,489	1.82	Unsecured	May 31, 2019
	6th Unsecured Straight Bonds	October 20, 2011	20,000	20,000	212,652	0.46	Unsecured	October 20, 2016
	7th Unsecured Straight Bonds	October 20, 2011	10,000	10,000	106,326	1.09	Unsecured	October 20, 2021
Total	—	—	80,000	80,000	850,611	—	—	—

(Note) The repayment schedule of bonds for five years subsequent to March 31, 2013 is summarized as follows:

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

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
—	159,489	—	212,652	212,652

[Schedule of loans]

Category	Balance as of April 1, 2012 (Millions of yen)	Balance as of March 31, 2013 (Millions of yen)	Balance as of March 31, 2013 (Thousands of U.S. dollars)	Average interest rate (%)	Due date
Short-term loans payable	3,133	6,125	65,129	0.821	—
Current portion of long-term loans payable	75,422	57,881	615,436	1.016	—
Current portion of lease obligation	675	617	6,565	—	—
Long-term loans payable (excluding current portion)	160,541	156,038	1,659,101	0.976	Final due date: September 17, 2029
Lease obligation (excluding current portion)	2,659	2,529	26,899	—	Final due date: August 2, 2029
Other interest-bearing debt					
Commercial paper (current portion)	2,000	4,500	47,846	0.109	—
In-house savings deposits by employees	29,486	29,472	313,370	0.625	—
Total	273,918	257,165	2,734,346	—	—

(Notes) 1. Average interest rates are stated at weighted average interest rates on the average balance of borrowings for the year. However, average interest rates are not stated for either the current portion of lease obligations or lease obligations (excluding current portion), since the interest portion in the total lease payment has been allocated to each fiscal year by the straight line method.

2. The repayment schedule of long-term loans payable and lease obligation (excluding current portion) per year for five years subsequent to March 31, 2013, 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	37,494	53,222	11,661	1,407
Lease obligation	517	1,030	173	112

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	398,660	565,898	123,992	14,963
Lease obligation	5,506	10,952	1,849	1,193

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

[Schedule of asset retirement obligations]

A description is omitted because the amounts of asset retirement obligations at the beginning of the year ended March 31, 2013 and the end of the year ended March 31, 2013 are both less than one percent of the total of liabilities and net assets of the respective fiscal years.

(2) Other

Quarterly information in 2013

	Millions of yen			
	Three months ended Jun. 30, 2012 From April 1, 2012 to June 30, 2012	Six months ended Sep. 30, 2012 From April 1, 2012 to September 30, 2012	Nine months ended Dec. 31, 2012 From April 1, 2012 to December 31, 2012	2013 From April 1, 2012 to March 31, 2013
Revenues	399,034	798,742	1,206,020	1,613,327
Income before income taxes and minority interests	10,429	20,547	29,442	39,847
Net income	5,102	11,315	16,082	23,831
Net income per share (yen)	4.89	10.85	15.43	22.89

	Thousands of U.S. dollars			
	Three months ended Jun. 30, 2012 From April 1, 2012 to June 30, 2012	Six months ended Sep. 30, 2012 From April 1, 2012 to September 30, 2012	Nine months ended Dec. 31, 2012 From April 1, 2012 to December 31, 2012	2013 From April 1, 2012 to March 31, 2013
Revenues	4,242,792	8,492,738	12,823,182	17,153,937
Income before income taxes and minority interests	110,894	218,470	313,048	423,687
Net income	54,248	120,317	170,996	253,391
Net income per share (U.S. dollars)	0.05	0.11	0.16	0.24

	1Q From April 1, 2012 to June 30, 2012	2Q From July 1, 2012 to September 30, 2012	3Q From October 1, 2012 to December 31, 2012	4Q From January 1, 2013 to March 31, 2013
Net income per share (yen)	4.89	5.96	4.57	7.48

	1Q From April 1, 2012 to June 30, 2012	2Q From July 1, 2012 to September 30, 2012	3Q From October 1, 2012 to December 31, 2012	4Q From January 1, 2013 to March 31, 2013
Net income per share (U.S. dollars)	0.05	0.06	0.04	0.07

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Independent Auditor's Report

The Board of Directors
Nippon Express Co., Ltd.

We have audited the accompanying consolidated financial statements of Nippon Express Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, 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, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 27, 2013
Tokyo, Japan

The Americas

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Dhaka Representative Office
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Company Information

(As of March 31, 2013)

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	34,312
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

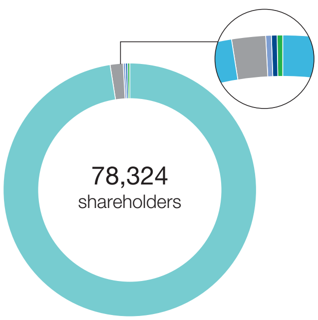
29 Investments in and financing of business listed in the above items

Share Information

(As of March 31, 2013)

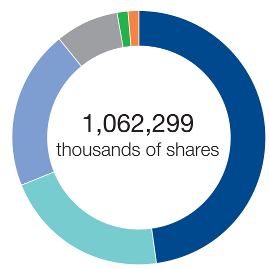
Stock listing	Tokyo*, Osaka* *These cash equity markets merged on July 16, 2013.
Number of shares	Total number of shares authorized 3,988,000,000 Total number of shares issued 1,062,299,281
Number of shareholders	78,324
Stock transfer agent	Mitsubishi UFJ Trust and Banking Corporation

Distribution of shares



By type of shareholder

Individuals, others	97.7%
Other corporate	1.5%
Overseas corporate	0.5%
Financial institutions	0.2%
Financial instruments and exchange dealers	0.1%
Treasury stock	0.0%



Proportion of shares held

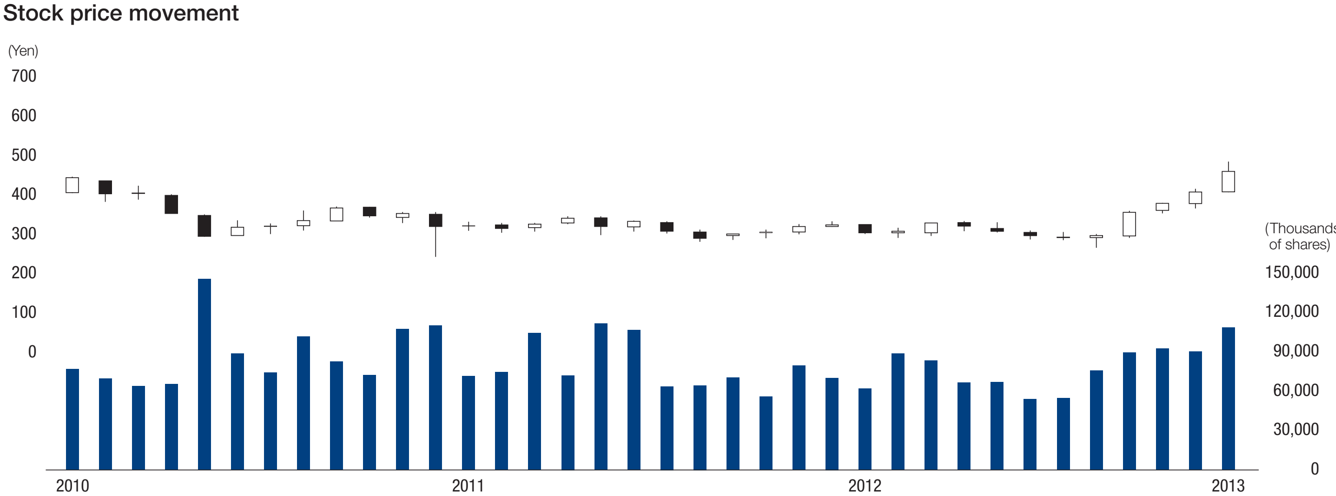
Financial institutions	48.0%
Individuals, others	21.1%
Overseas corporate	20.1%
Other corporate	8.2%
Financial instruments and exchange dealers	1.4%
Treasury stock	1.2%

Major shareholders

	Number of shares held (Thousands of shares)	Investment ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	89,797	8.6
Japan Trustee Services Bank, Ltd. (Account in Trust)	84,236	8.0
Asahi Mutual Life Insurance Company	65,905	6.3
Nipponkoa Insurance Co., Ltd.	50,967	4.9
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	4.0
Nippon Express Employees' Shareholding Association	38,257	3.6
Japan Trustee Services Bank, Ltd. (Account in Trust No. 4)	21,592	2.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	21,316	2.0
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	18,623	1.8
Japan Trustee Services Bank, Ltd. (Account in Trust No. 9)	12,181	1.2

* Nippon Express holds 12,657 thousand shares of treasury stock, although these are excluded from the above list of major shareholders.

Stock price movement



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