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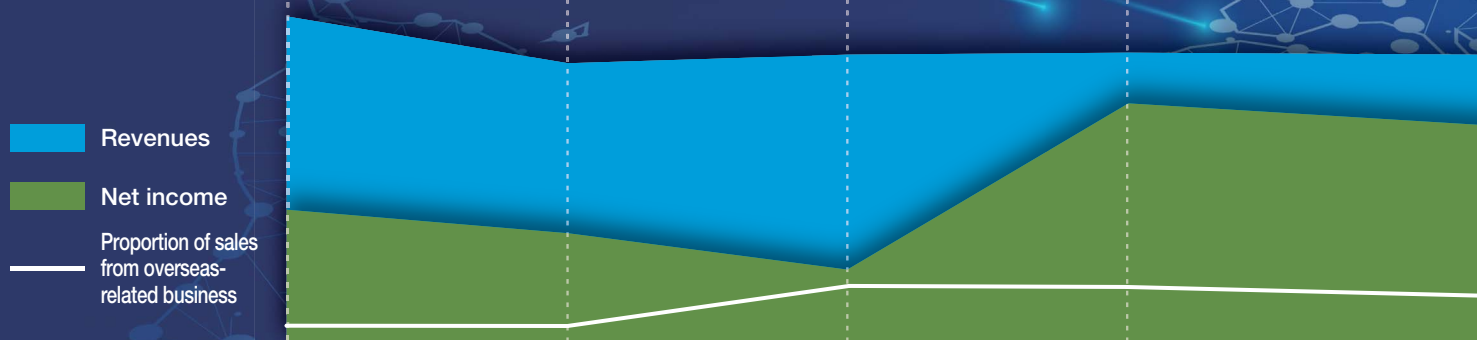


BECOMING A TRULY GLOBAL LOGISTICS COMPANY



The Nippon Express Group's Management Plans

	FY2009	FY2010	FY2011	FY2012
Revenues (Millions of yen)	1,569,633	1,617,185	1,628,027	1,613,327
Operating income (Millions of yen)	37,535	31,629	37,497	33,206
Net income (Millions of yen)	12,566	8,541	26,949	23,831
ROA (%)	1.1	0.7	2.3	1.9
Proportion of sales from overseas-related business (%)	27.0	30.9	30.8	29.7



April 1, 2009–
March 31, 2010

FY2009
Nippon Express Group
Business Infrastructure
Consolidation Policy

**Toward a New
Leap Ahead**

April 1, 2010–March 31, 2013

**Nippon Express Group Corporate Strategy 2012
—Towards New Growth—**

Key Strategies

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

Shift to a five-pronged global structure

Begin to consolidate business locations in Japan

- Acquired all shares of American logistics company Associated Global Systems, Inc.
- Acquired all shares of Hong Kong logistics company APC Asia Pacific Cargo (H.K.) Ltd.
- Acquired all shares of Italian logistics company Franco Vago S.p.A.

Revenues (As of March 31, 2016)

• Revenues by reportable segment

The Americas	5.0%
Europe	4.4%
East Asia	6.0%
South Asia & Oceania	3.7%
Goods Sales	19.2%
Other	9.1%



Combined Business	38.6%
Security Transportation	2.8%
Heavy Haulage & Construction	2.7%
Air Freight Forwarding	9.6%
Marine & Harbor Transportation	6.2%

*Ratios graphed exclude adjustments.

• Revenues by Domestic Companies

¥1,142,508 million

• Revenues of Overseas Companies by Region (¥ million)

The Americas	94,697
Europe	84,579
East Asia	115,068
South Asia & Oceania	70,225

FY2013	FY2014	FY2015
1,752,468	1,924,929	1,909,105
40,865	50,811	54,778
26,345	26,382	35,659
2.0	1.9	2.4
32.5	34.7	36.2

**Culminating in the
Start of a New,
Final Management
Plan**

Please refer to
pp 2-3 and 10-13

April 1, 2013–March 31, 2016

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

Key Strategies

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

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

- Established Nittsu NEC Logistics, Ltd. (made a consolidated subsidiary in 2014)
- Established Nittsu Panasonic Logistics Co., Ltd. and made it a consolidated subsidiary
- Reformed the business structure (Kyushu, Kansai, Chubu)
- Reformed the business structure (Kanto, Headquarters)
- Acquired all shares of Wanbishi Archives, Co., Ltd.
- Acquired shares of Meitetsu Transport Co., Ltd. (April 2016)

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Caution Regarding Forward-Looking Statements

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

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

New Management Plan

The Nippon Express Group launched the “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu” in April 2016. This three-year management plan is positioned as the final stage of the Group’s measures articulated in the two previous management plans, Corporate Strategy 2012 and its successor Corporate Strategy 2015. Over the next three years, the Group intends to demonstrate its medium- to long-term orientation, laying a foundation for sustainable development into the future. Under the preceding management plan, the Nippon Express Group aimed to transform to a more customer-centered structure. To that end, we forged ahead with internal reorganization, removing internal barriers to establish an integrated, one-stop model for land, sea and air transport. Building on these reforms, the Group aims to further enhance the profitability of its businesses in Japan and become a truly global logistics company.

New Management Plan

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

April 1, 2016–March 31, 2019

■ Numerical Targets

	FY2018 targets	Growth amount/rate
Revenues	¥2,150.0 billion	¥240.8 billion/12.6%
Operating income	¥75.0 billion	¥20.2 billion/36.9%
Net income	¥45.0 billion	¥9.3 billion/26.2%
Sales from overseas-related business	¥860.0 billion	—
Return on assets (ROA)	2.8%	0.4 points
Investment plan (three-year plan)	¥200.0 billion	—

Numerical targets by segment (FY2018 targets)		
Segment	Revenues*	Operating income*
Logistics		
Japan	¥1,300.0 billion	¥48.0 billion
The Americas	¥100.0 billion	¥5.6 billion
Europe	¥90.0 billion	¥3.8 billion
East Asia	¥135.0 billion	¥4.2 billion
South Asia & Oceania	¥105.0 billion	¥3.6 billion
Security Transportation	¥56.0 billion	¥1.7 billion
Heavy Haulage & Construction	¥53.0 billion	¥3.3 billion
Logistics Support	¥472.0 billion	¥10.4 billion

*Before elimination of intersegment transactions

Review of the Previous Management Plan

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

April 1, 2013–March 31, 2016

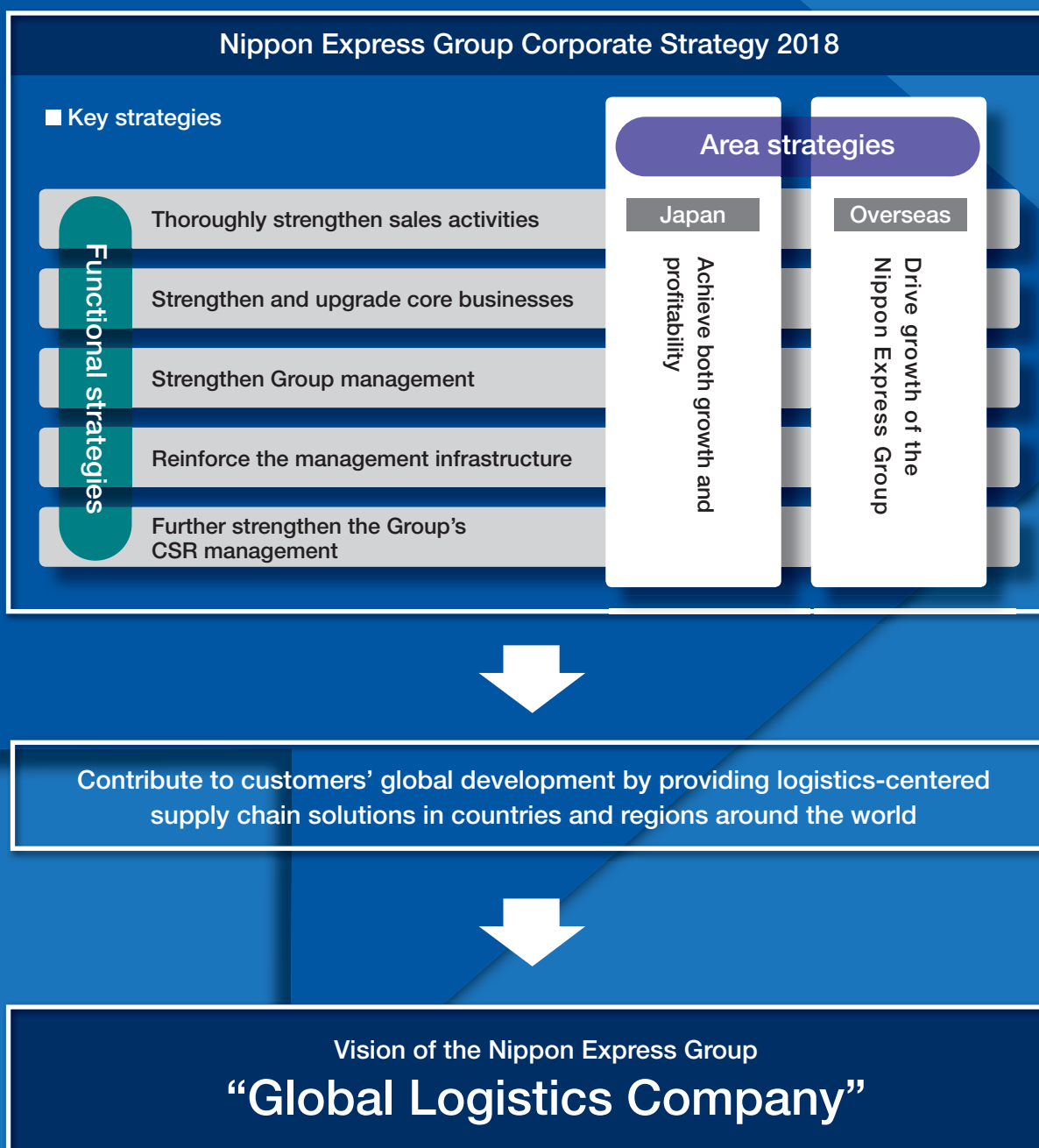
	FY2015 targets	FY2015 results
Revenues	¥1,800.0 billion	¥1,909.1 billion
Operating income	¥54.0 billion	¥54.7 billion
Net income	¥34.0 billion	¥35.6 billion
Return on assets (ROA)	2.5%	2.4%
Proportion of sales from overseas-related business	40%	36.2%
Operating income margin for domestic Combined Business	3%	3.1%
CO ₂ emissions	Reduce by an average of 1.0% or more per year*	Average reduction rate in FY 2013-15 4.1%

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

■ Basic Policy

The Nippon Express Group's new management plan aims at achieving the Group vision of becoming a global logistics company. The Group will build on the reforms implemented under Nippon Express Group Corporate Strategy 2015, ended fiscal 2015, to further enhance the profitability of its businesses in Japan. At the same time, to become a truly global logistics company, we will focus investment on B2B operations in priority business fields and growth regions and promote Group management emphasizing earnings. We will steadily advance our key strategies, which are divided into area strategies that define the ranges of activity and functional strategies that outline the targets for reinforcement and reform.

Please refer to pp 10–13 for more details.





“Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu,” the management plan launched in April 2016, is the culmination of the measures the Nippon Express Group implemented under its two previous management plans, Corporate Strategy 2012 and Corporate Strategy 2015. Under the new plan, we will demonstrate our medium- to long-term orientation, laying a foundation for sustainable development into the future.

Kenji Watanabe

Kenji Watanabe
President, Chief Executive Officer

Q1

Could you share your analysis of the global economy and the logistics industry?

In fiscal 2015, ended March 31, 2016, while the Japanese economy was driven by favorable corporate earnings, the outlook remained unclear due to such factors as economic slowdowns overseas, the appreciation of the yen and weak stock prices.

In fiscal 2016, we expect the global economy to be somewhat stagnant, with growth slowing, reflecting the possibility of Britain leaving the European Union and other risks, restrained capital investment in the United States, the continued presence of unstable elements in the Chinese economy and slackening recovery in other developing Asian countries.

Looking at the logistics industry, although we

foresee continued firm growth in capital investment in domestic freight, we expect consumer spending to be stagnant and anticipate neither public-sector demand nor foreign demand exerting a strong positive effect. As such, the rate of real economic growth is expected to remain low.

Furthermore, international freight transportation is expected to see a slight overall decline due to such factors as global economic deceleration through the first half of the fiscal year and forecasts of continued weakness in China, ASEAN nations and other developing countries.

Q2

As the logistics industry approaches an inflection point, what do you see as the role that the Nippon Express Group should play in society?

The importance of logistics as an aspect of the infrastructure that supports society, broadly impacting all industries and the lives of ordinary people, is growing.

First, the role of logistics is expanding from the mere transport of things from A to B. Going forward, the scope of the Nippon Express Group's business, including logistics-related information, will expand even further, taking on the role of building customer's overall supply chains.

Second, the industry must prepare logistics networks and systems so that they are able to serve society in times of natural disaster or other need. As a designated public institution under the Disaster Measures Basic Law, the Nippon Express Group cooperates with the national and local governments to secure the lives, physical well-being and property of

the public. Furthermore, we are taking measures to ensure the continuity or speedy recommencement of the businesses of the Nippon Express Group and its customers and to support the recovery of local communities in disaster-affected areas.

Third, because the Nippon Express Group is a leader in Japan's logistics industry, we feel it is our role to push the industry forward, taking on new initiatives to address the challenges the industry is facing. The logistics industry is exposed to the major changes occurring in business environments, and must adapt its structure to ensure a profitable business model going forward. The Nippon Express Group continues to take on new challenges in order to build a next-generation industry structure.

Q3

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

Since fiscal 2010, the Nippon Express Group has implemented two medium-term management plans, "Nippon Express Group Corporate Strategy 2012 – Towards New Growth" and "Nippon Express Group Corporate Strategy 2015 – Innovation and Moving Forward," aiming to become a global logistics company. Under these plans, in line with globalizing world markets and growing demand for more sophisticated

logistics solutions, the Group has sought to support the overseas expansion of Japanese companies using its global network. This has been the basis of our slogan *Sekai-Nittsu*, meaning "Global Nippon Express."

Going a step further, we have now hammered out a new, future-oriented vision of the Nippon Express Group, in which it supports the global activity of all customers, not just Japanese companies, in countries

and regions around the world. We formulated the new management plan, “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu” with the goal of working as a united Group to achieve this vision.

Going forward, we will continue to aim to be a truly global logistics company and achieve further growth under “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu.”

Q4

Please tell us about the fiscal 2015 results.

In fiscal 2015, we recorded revenues of ¥1,909.1 billion, down 0.8% year on year, but operating income came to ¥54.7 billion, up 7.8%, and net income reached ¥35.6 billion, up 35.2%. These figures reflect the enhancement of our transport network in Southeast Asia and the provision of many new transport services, such as halal logistics and integrated cold chain transport, as well as efforts to expand regional logistics and warehouse service sales. In addition, the Group pushed hard to control

variable costs in Japan to maximize profit. At the same time, to build new industry platforms, the Group acquired shares of Wanbishi Archives Co., Ltd., a leader in the information asset management industry, and formed a business alliance with Meitetsu Transport Co., Ltd. aimed at establishing more efficient operations. Through these and other efforts, we worked to generate synergies in order to achieve business expansion.

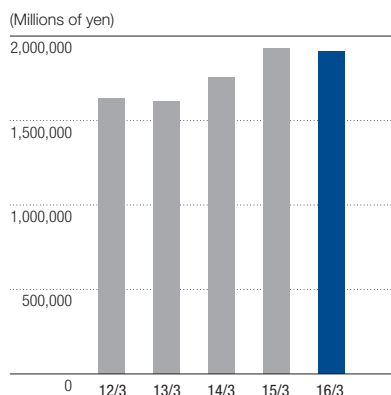
Q5

Now that the previous management plan, “Nippon Express Group Corporate Strategy 2015 – Innovation and Moving Forward,” has ended, how would you evaluate its results?

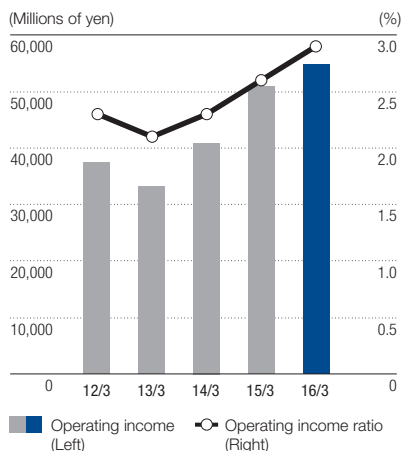
Under the previous management plan, we advanced four key strategies: Further expanding our global logistics business, strengthening management practices for our domestic businesses, expanding business by utilizing the diversity of Group companies and contributing to society through our businesses in accordance with corporate

social responsibility (CSR) management. We also implemented major internal reorganization, building a one-stop service structure for land, sea and air transport while revising headquarters functions; strengthening marketing to develop new businesses and products that will be future income drivers; and expanding divisions

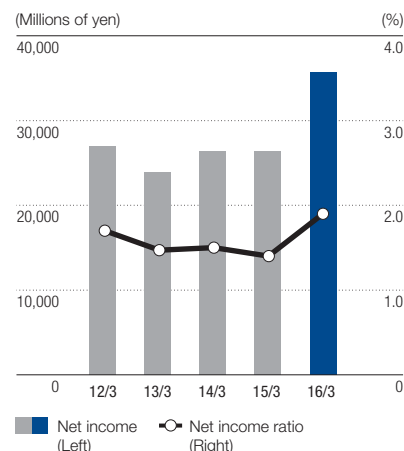
Revenues



Operating income and operating income ratio



Net income and net income ratio



related to global business. Through these efforts, we have addressed the management issues of reinforcing customer-oriented sales operations, selecting and concentrating management resources, and improving efficiency. Specifically, we have built an organizational structure that can provide one-stop services and advanced the establishment of a customer-oriented, account-based sales structure that is integrated from sales to front-line operations. In the region encompassing Japan's three largest metropolitan areas (Tokyo, Osaka and Nagoya), our one-stop service is already garnering favorable feedback from customers. These efforts are having an impact on our business outside this region,

including the invigoration of the marine and harbor transportation business in regional ports as cross-organizational coordination advances.

Looking at the plan's numerical targets, although we fell short with regard to ROA and the proportion of sales from overseas-related business, we did achieve our targets for revenues, operating income and net income, including a 3% operating income margin for the domestic Combined Business. This was thanks to Groupwide efforts to control costs and reinforce overseas businesses as well as the contributions of companies that newly joined the Nippon Express Group.

Q6

Please tell us about “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu,” launched in April 2016.

The new management plan is the final step in the business structure reforms we have been advancing. Under the plan, we aim to further enhance the profitability of domestic businesses. At the same time, to become a truly global logistics company, we will focus investment on B2B operations in priority business fields and growth regions and promote Group management emphasizing earnings. The goal we have set for operating income in the final year of the plan—¥75.0 billion—is an expression of our commitment to these policies.

We have established our key strategies under the two categories of area strategies and functional strategies. Under our area strategies, we position Japan as a key part of our global business, aiming to achieve both

growth and profitability. At the same time, we position overseas business as the area that will drive the growth of the Nippon Express Group.

The plan's functional strategies span the entire Group, regardless of region. The five key functional strategies are to thoroughly strengthen sales activities, strengthen and upgrade core businesses, strengthen Group management, reinforce the management infrastructure and further strengthen the Group's CSR management. With the area strategies defining the ranges of activity and the functional strategies outlining the targets for reinforcement and reform, we will steadily realize our key strategies to achieve the goals of the management plan.

Q7

Please tell us the key points of the area and functional strategies.

First, in terms of area strategies, we are positioning Japan as a key part of our global business. Our strategies in Japan are to develop businesses adapted to regional characteristics, strengthen domestic businesses and establish new core businesses to further promote business structure reforms, emphasize earnings, and establish a foundation that is capable of achieving both growth and profitability. Overseas, we will continue to reinforce the concentrated investment of resources in Asia, particularly South Asia. By establishing an overwhelmingly strong position in Asia and

increasing our handling of freight traffic to and from the region, we will realize growth on a global level, including in Europe and North America.

Looking at functional strategies, first, we will apply one-stop sales and account management globally to thoroughly strengthen customer-oriented sales capabilities. Furthermore, we will strengthen and upgrade our core global freight forwarding and logistics businesses to secure profitability.

For details about these strategies, please refer to the Special Feature (pp 10–13).



Q8

What is the Group's investment strategy?

Until now, the Nippon Express Group has invested an average of around ¥50 billion annually, establishing distribution centers in Japan and abroad and enhancing its foundation as a comprehensive logistics company. Under the new management plan, we will invest ¥200 billion over three years. This investment will be used to reinforce Group facilities in Japan, including Tokyo C-NEX, which is scheduled for completion in January 2017 and will be one of the Group's largest logistics centers, as well as to strengthen our overseas businesses, especially in South Asia.

Investment via M&As will be separate from the ¥200 billion mentioned above. The Group's basic policy for M&As is to target three types of investments. The first is companies that can enhance our air freight and ocean

freight forwarding network and regional or domestic transportation companies in emerging economies. Specifically, we are targeting companies that have strengths in countries where the Nippon Express Group has no presence or in areas where the Group does little business. Our second target is companies with the customers, functions, technologies, products and services necessary for the creation of new businesses. The third target is companies that can complement the Nippon Express Group in regions where the Group is weak and in terms of the customer base, aimed at achieving complementarity and expansion. Through these types of M&As, we will expand the global logistics business and work to enhance corporate value.

Q9

Please tell us about the Group's policy and orientation with regard to CSR management.

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

To further strengthen the Group's CSR management is one of the functional strategies of the new management plan, and we are implementing various measures in line with this strategy. We will continue to contribute to the ongoing development of society by providing various modes of transport with an emphasis on safety while also focusing on promoting environmental preservation. In addition, we work to fulfill our responsibility to

stakeholders by building strong relationships and driving sustainable growth toward the realization of our corporate philosophy. We will also continue to actively engage in activities that contribute to society, such as transporting emergency relief materials in times of disaster.

Furthermore, we are promoting Groupwide initiatives under Nippon Express' Global CSR, which outlines our priority issues as a global logistics company, including our responsibilities regarding the Earth's environment, sound corporate conduct and respect for human rights.

Q10

What are your performance forecasts for fiscal 2016?

We anticipate that cargo transport volumes in Japan will be stagnant, reflecting weak corporate earnings, while demand for freight transportation overseas will decline due to the slowing of economic growth in China and other developing countries. As a result of these factors and the impact of a stronger yen, we expect revenue to fall. However, in and outside Japan, we will develop business adapted to regional characteristics and apply one-stop sales and account management globally to, among other things, strengthen customer-oriented sales

activities while controlling costs, including those from forwarding and vehicle chartering and subcontracting. As a result of these efforts, we expect operating income, ordinary income and net income to all increase.

We feel that the structural reforms we have implemented over the past few years have enhanced the Group's responsiveness to changes in the external environment. In addition, we hope to increase our earnings power by further strengthening freight forwarding, one of our core businesses.

	Fiscal 2016 forecast	Year-on-year change
Revenues	¥1,844.0 billion	-3.4%
Operating income	¥57.0 billion	+4.1%
Ordinary income	¥63.0 billion	+1.0%
Net income	¥36.0 billion	+1.0%

(As of July 29, 2016)

Q11

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

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

Through fiscal 2014, we maintained annual dividends of ¥10 per share for several years, but for fiscal 2015 we increased the annual dividend to ¥11 per share. We are targeting a dividend payout ratio of around 30% to 40%. We continue to actively consider increases in treasury stock holdings as an option in light of future investment plans and capital requirements. Furthermore, the July 29, 2016 meeting of the Board of Directors reached a resolution regarding the purchase of treasury stock in order to improve capital efficiency and shareholder value. This increase will be carried out

between August 1, 2016 and February 28, 2017, with an upper acquisition limit of 40 million shares and an acquisition price limit of ¥30.0 billion. With regard to the form of shareholder returns, we will continue to listen to the opinions of shareholders and investors and are seeking to expand the range of available options.

At the same time, we are using internal reserves for capital investment, including the upgrading of logistics bases and replacement of vehicles, and to implement the various measures necessary to achieve the goals of the management plan with the aim of increasing corporate value. By achieving the goals of the new three-year management plan, we aim to reinforce our business infrastructure to enable dramatic future growth.

We gratefully look forward to your continued support.

Special Feature:

Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu – Key Strategies

Global markets are growing ever more interconnected, creating demand for more advanced logistics solutions. Accordingly, the Nippon Express Group is now going a step beyond its previous efforts to support the global expansion of Japanese companies under the slogan *Sekai-Nittsu* (“Global Nippon Express”). Aiming to contribute to the global expansion of all customers around the world, we have made “New Sekai-Nittsu – The Power to Grow Globally” the theme of Nippon Express Group Corporate Strategy 2018.

Our key strategies under this new management plan are divided into area strategies and functional strategies. By steadily implementing these strategies, we will increase our presence as a global logistics company, which is the vision of the Nippon Express Group.



Area Strategies

Under our area strategies, we position Japan as a key part of our global business, aiming to achieve both growth and profitability. Japan's overall economic growth is slowing, but the financial position of the transportation industry is regarded as relatively firm. We will therefore make maximum use of our business and customer base to steadily capture logistics demand and achieve growth and profitability.

At the same time, we have positioned the overseas business as the area that will drive the growth of the Nippon Express Group. By concentrating our investment of management resources in Asia, we will establish an overwhelmingly strong position in the region and realize growth on a global level, including in the Americas and Europe.

Japan

Achieve both growth and profitability

By positioning Japan as a key part of our global business, developing business adapted to regional characteristics and further promoting business reforms, we will steadily capture Japanese logistics demand and establish a foundation that is capable of achieving both growth and profitability.

We will expand transactions with global companies in metropolitan areas and provide the Nippon Express Group's logistics functions to the maximum extent in other regions to push forward with sales and marketing closely tailored to local communities.

To strengthen domestic businesses, we will reinforce the truck transportation business's network, reform the moving business, and strengthen the existing security transportation and real estate operations while developing them with an eye to creating new businesses. Furthermore, by leveraging the new core businesses we are building in Japan and our air freight forwarding and marine and harbor transportation platforms, we will aggressively expand our business overseas, particularly in Asia.

Further promote business structure reforms

Develop business adapted to regional characteristics

Expand transactions with global companies in metropolitan areas, namely Tokyo, Nagoya and Osaka

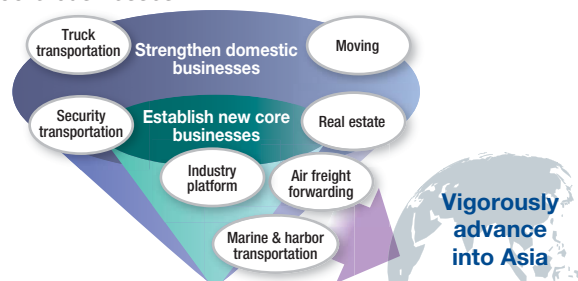
- Strengthen customer-oriented sales & marketing
- Promote selection & concentration of resources and streamlining

Provide logistics services attuned to regional customer needs

- Provide the Nippon Express Group's logistics functions to the maximum extent
- Push forward with sales & marketing closely tailored to local communities

Achieve both growth and profitability by capturing logistics demand in Japan

Strengthen domestic businesses and establish new core businesses



Strengthen domestic businesses and establish new core businesses to lay a foundation capable of achieving both growth and profitability



Overseas Drive the growth of the Nippon Express Group

Our growth overseas will center on the establishment of an overwhelmingly strong position in Asia. To this end, we will concentrate our investment of management resources in the region. In South Asia and Oceania, especially, we are looking to accelerate the strategic development of business bases and establishment of business. On the other hand, in the Americas, Europe and East Asia, where we have a long track record, our basic policy emphasizes both growth and improvement in profitability.

The Group will further strengthen initiatives in the automotive,

apparel, electric and precision equipment, medical and pharmaceutical, and other key industries. At the same time, we will expand business in the aircraft, railway, fresh produce and food products, and other new industrial fields where we can secure profitability.

In addition, we will advance the global development of our competitive heavy haulage & construction business, expand the business domain of the overseas moving & relocation business, and cultivate non-Japanese customers.

Concentrated investment of management resources in Asia

—Establish an overwhelmingly strong position in Asia—

Realize growth on a global level

Develop business adapted to regional characteristics

■ Enhance profitability in the Americas, Europe and East Asia

■ Growth in South Asia & Oceania

Strengthen overseas development of competitive businesses

■ Global development of the heavy haulage & construction business

- Strong investment needs in the infrastructure field, including electricity and transportation, in Asia
- Numerous growth opportunities for the heavy haulage & construction business

■ Expand the field of the overseas moving & relocation business and cultivate non-Japanese customers

Functional Strategies

We have established and are steadily implementing five function-oriented strategies across the entire Group, regardless of region. The functional strategies are to thoroughly strengthen sales activities, strengthen and upgrade core businesses, strengthen Group management, reinforce the management infrastructure, and further strengthen the Group's CSR management.

Thoroughly strengthen sales activities

Implement rigorous one-stop sales and account management globally to strengthen customer-oriented sales activities and win contracts for global logistics.

Strengthen customer-oriented sales activities

■ Thoroughly implement one-stop sales

- Broaden the area of contribution to customers' supply chains
- Win contracts for new projects of existing customers
- Expand the business domain as an LLP*
- Promote horizontal deployment of existing businesses

* LLP: Lead Logistics Provider: A logistics provider that provides comprehensive logistics management on behalf of the customer

■ Strengthen account management

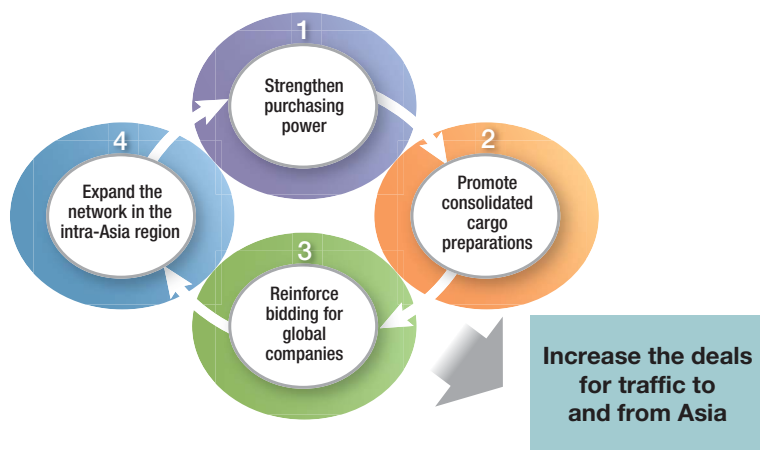
- Strengthen proposal capabilities of logistics services to key customers
- Promote sales & marketing by industry
- Expand sales & marketing targeting non-Japanese companies
- Strengthen management of revenues and profit by customer

Strengthen and upgrade core businesses

Enhance competitiveness and secure profitability of the global freight forwarding business and the logistics business by strengthening procurement, development and sales capabilities.

Enhance the competitiveness of the global freight forwarding business

Reduce costs through purchase negotiation based on global-level total quantities and increase efficiency using consolidated cargo to provide competitive sales prices, thus expanding handling volume and market share among business from global companies. Also, establish solid infrastructure for freight forwarding by expanding the network in the Asia region.



Enhance the profitability of the logistics business

Strengthen functionality of logistics solutions

- Establish the planning, development and sales systems for logistics solutions utilizing the functions of Group companies
- Strengthen R&D of logistics engineering and its practical application

Strengthen Group management

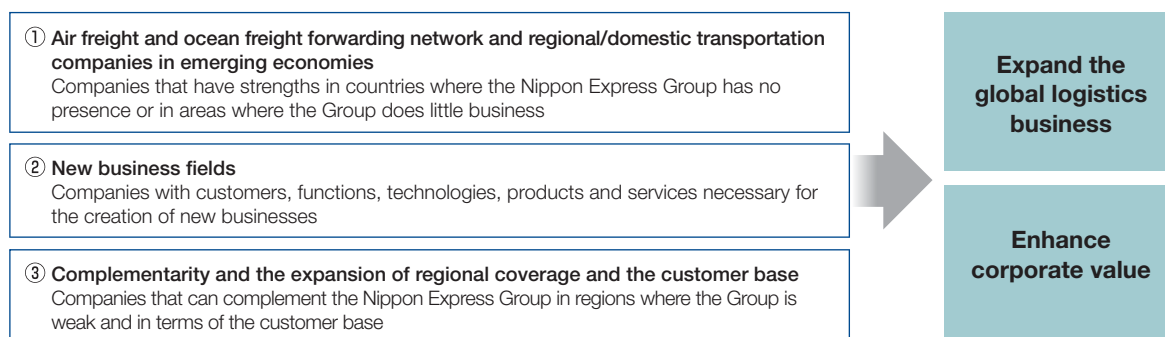
We will realize the optimal allocation of resources throughout the Group by promoting thorough Group management and selection and concentration. At the same time, we will implement measures, including the possibility of M&As, to increase strategic management resources. When considering M&As, the Group will focus on companies that have strengths in countries where the Nippon Express Group has no presence or in areas

where the Group does little business, companies with functions necessary for creation of new businesses, and companies that can complement the Nippon Express Group in regions where the Group is weak and in terms of the customer base. By doing so, we will aim to expand the global logistics business and enhance corporate value.

Achieve optimal allocation of the Group's resources

- Promote horizontal deployment and sharing of resources and know-how of Group companies throughout the Group
- Clarify the management goals of Group companies: Each company's budget and function within the Group
- Selection & concentration of businesses

Promote M&A that will contribute to the enhancement of the corporate value of the Nippon Express Group



Reinforce the management infrastructure

Reinforce the entire management infrastructure, including reforms to headquarters functions to increase management flexibility and speed, to enable the faster decision-making and stronger global competitiveness that are essential for a global company.

- Innovate management systems
- Strengthen cost competitiveness by enhancing operational productivity and quality
- Revise the performance management system
- Policy on shareholder returns
- Innovate HR management
- Restructure the Group's IT infrastructure

Further strengthen the Group's CSR management

Contribute to the resolution of social issues and development of a sustainable society by offering logistics services based on safety and security to people around the world in order to fulfill the Group's corporate social responsibility (CSR) as a global company.

- Safety first
- Reinforce compliance
- Strengthen initiatives for the creation of an employee-friendly workplace
- Establish businesses based on CSR

Corporate Governance

Basic Policy on Corporate Governance

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

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

Implementation of Corporate Governance

Corporate Governance Structure

Nippon Express is a company with Audit & Supervisory Board members. In addition to the Board of Directors and Audit & Supervisory Board, the Company has introduced a Board of

Executive Officers system with the goal of ensuring rapid decision making and business execution.

Organizational structure	Company with Audit & Supervisory Board members
Number of directors (number of outside directors)	15 (3)
Term of directors	1 year
Frequency of Board of Directors meetings	Once a month in principle or more as needed
	Meetings held in fiscal 2015: 20
Number of Audit & Supervisory Board members (number of outside members)	5 (3)
Frequency of Audit & Supervisory Board meetings	Once every three months in principle or more as needed
	Meetings held in fiscal 2015: 8
Board of executive officers in place [Yes/No]	Yes
Number of executive officers (number who concurrently serve as directors)	30 (11)
Term of executive officers	1 year
Frequency of Board of Executive Officers meetings	Once a month in principal or more as needed

(As of June 29, 2016)

Internal Audits and Audit & Supervisory Board Members

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

losses caused by management.

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

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

Outside Directors and Outside Audit & Supervisory Board Members

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

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

Outside directors	Reasons for appointment	Fiscal 2015 Board of Directors meeting attendance	
Masahiro Sugiyama	For his abundant experience, including many years of research in the areas of transport and freight as a university professor.	20 of 20	
Shigeo Nakayama	For his legal knowledge and abundant business experience acquired through many years of activities as a lawyer.	20 of 20	
Sadako Yasuoka	For her profound education and abundant experience, including such educational activities as the study of the Analects of Confucius, with people of various ages.	14 of 14*	
Outside Audit & Supervisory Board members	Reasons for appointment	Fiscal 2015 Board of Directors meeting attendance	Fiscal 2015 Audit & Supervisory Board meeting attendance
Hiromi Konno	For his many years of experience at financial institutions, including as an executive at the Mizuho Financial Group and elsewhere.	20 of 20	8 of 8
Toshiaki Nojiri	For his particularly thorough knowledge of logistics policy as an academic, expert knowledge of economics and track record as an organizational manager of educational institutions.	—**	—**
Yoshio Aoki	For his abundant experience as a certified public accountant and expert knowledge of finance and accounting.	—**	—**

* Sadako Yasuoka was newly appointed as an outside director at the 109th General Shareholders' Meeting held on June 26, 2015. The attendance record given above is for meetings of the Board of Directors from that date forward.

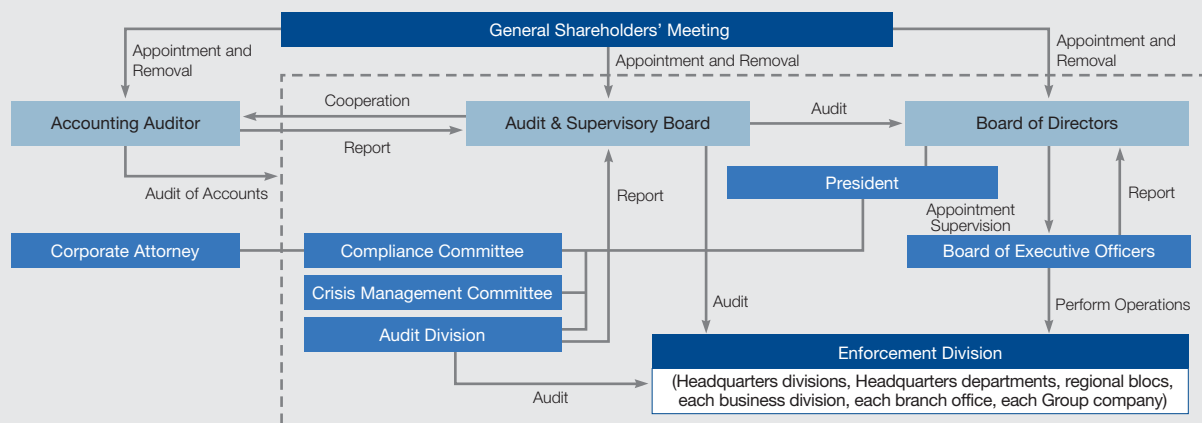
** Appointed June 29, 2016

Director and Audit & Supervisory Board Member Compensation

The Company has established guidelines for director and Audit & Supervisory Board member compensation. Based on such factors as individual duties and performance, compensation for directors is determined by the Board of Directors, and that for Auditor & Supervisory Board members is determined by deliberation among the Audit & Supervisory Board members. Specific amounts are set within the limits decided by resolution of the 100th General Shareholders' Meeting held on June 29, 2006, reflecting such considerations as corporate performance, indus-

try standards and employee salary levels. Furthermore, the 110th General Shareholders' Meeting held on June 29, 2016 passed a resolution to introduce a performance-based stock compensation plan for directors and executive officers (excluding outside directors, part-time directors and directors and executive officers who reside outside Japan), outside the compensation limits mentioned above, with the goal of increasing incentives to contribute to the Company's medium- to long-term results and raise corporate value.

Corporate Governance Structure



Internal Control System

Basic Policy Relating to the Establishment of an Internal Control System

The Company has established the Nippon Express Group Charter of Conduct, clarifying the division of roles and responsibilities to be carried out in the course of business activities. Furthermore, the Company has established a Basic Policy

Relating to the Establishment of an Internal Control System, striving to maintain an effective internal control system while increasing the transparency and efficiency of management.

Compliance Management Promotion System

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

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

Crisis Management System

Structure of the Crisis Management System

To reduce risks that could have a material effect on corporate management and to increase its ability to quickly and effectively deal with emergencies, the Company has constructed a crisis management system comprising four codes under the "Crisis Management Code": "the Disaster Management Code," "the Overseas Crisis Management Code," "the System Risk Management Code" and "the New Influenza Management Code." Furthermore, we have established the Crisis Management Committee at the Group headquarters as part of efforts to improve our risk management system. We have established steps to be taken against widespread disasters, new types of influenza, information system risks, emergencies overseas and various other risks. 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, the Company transports emergency supplies after major earthquakes, helping to promote the reconstruction and recovery of affected areas.

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

Business Continuity Framework (BCM and BCP)

The Company has established a basic policy on Business Continuity Management (BCM) as well as Business Continuity Plan (BCP) in order to continue operations even when faced with disasters or threats, such as the spread of a new strain of influenza. At the time of the Great East Japan Earthquake, we continued our business operations, starting with the transport of emergency relief materials, by swiftly invoking a BCP.

While each company of the Nippon Express Group places the health and lives of employees and their families first when

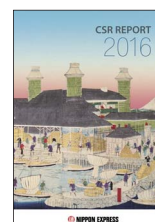
responding to emergencies caused by natural disasters, industrial disasters and man-made disasters, we also try to continue our business operations as much as possible in order to fulfill our social responsibility as a designated public institution under the Disaster Measures Basic Law, the Civil Protection Act and the Special Measures Act to Counter New Types of Influenza, and also as a maintainer of social function contributing to the operation of supply chains.

Nippon Express Group CSR Report

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

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

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



Directors, Executive Officers, Audit & Supervisory Board Members

(As of June 29, 2016)

Chairman and Representative Director



Masanori Kawai

President and Representative Director, Chief Executive Officer



Kenji Watanabe

Executive Vice Presidents and Representative Directors, Chief Operating Officers



Akira Ohinata



Mitsuru Saito



Yutaka Ito

Director and Senior Managing Executive Officer



Takaaki Ishii

Directors and Managing Executive Officers



Takumi Shimauchi



Hisao Taketsu



Katsuhiro Terai

Directors and Executive Officers



Fumihiko Sakuma



Susumu Akita



Naoya Hayashida

Directors



Masahiro Sugiyama*



Shigeo Nakayama*



Sadako Yasuoka*

Managing Executive Officers

Yasuhiro Goto
Hiroyuki Murakami
Yukio Yokoo
Yuji Kobuchi
Yasunori Takahashi
Akira Kondo
Norifumi Ide

Executive Officers

Kazushi Tanaka
Yoichi Aoyama
Tatsuo Sugiyama
Eiichi Nakamura
Koichi Kobayashi
Mitsuru Uematsu
Suguru Yoshioka
Toshiro Uchida
Satoshi Horikiri
Makoto Ikeda
Takeshi Sato
Ichiro Miyawaki

Full-time Audit and Supervisory Board Members

Takashi Wada
Hiromi Konno**
Tatsuya Suzuki

Audit and Supervisory Board Members

Toshiaki Nojiri**
Yoshio Aoki**

*Outside director
**Outside Audit and Supervisory Board Member

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April 1, 2015 – March 31, 2016 Corporate Overview

The Nippon Express Group consists of Nippon Express Co., Ltd. and its 293 subsidiaries, including 265 consolidated subsidiaries and 1 equity-method subsidiary, as well as 69 affiliates, of which 25 are equity-method affiliates, totaling 363 companies. In Japan, the Group's Distribution & Transportation segment encompasses domestic companies operating primarily in the following reportable segments: Combined Business (motor cargo transportation, railway forwarding), Air Freight Forwarding and Marine & Harbor Transportation. The Distribution & Transportation segment also operates companies overseas. The Group's remaining reportable segments comprise Goods Sales-related businesses as well as real estate and other operations that are classified as Other. The Group's business operations by industry and reportable segment are as follows.

■ Distribution & Transportation, domestic companies

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

Combined Business

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

Security Transportation

The Company operates security guard and related businesses throughout Japan.

Heavy Haulage & Construction

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

Air Freight Forwarding

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

Marine & Harbor Transportation

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

■ Distribution & Transportation, overseas companies

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

The Americas

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

Europe

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

East Asia

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

South Asia & Oceania

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

■ Goods Sales

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

■ Other

23 companies, including Nittsu Real Estate Co., Ltd.
Nittsu Real Estate Co., Ltd. and other subsidiaries and affiliates mainly engage in the real estate business. In addition, this business segment operates logistics businesses in certain industries through Nittsu Panasonic Logistics Co., Ltd. and Nittsu NEC Logistics, Ltd., conducts information asset management through Wanbishi Archives, Co., Ltd., conducts investigations and research through Nittsu Research Institute and Consulting, Inc., runs a logistics finance business through Nippon Express Capital Co., Ltd., provides automobile driving instruction through Nittsu Driving School Co., Ltd., and operates an employee dispatching business through Careerroad Inc.

Performance Overview

During the consolidated fiscal year ended March 31, 2016, conditions in the Japanese economy remained uncertain. This reflected the slowdown in China and other overseas economies and escalating geopolitical risks as well as the emergence since the beginning of 2016 of factors that put downward pressure on the economy, such as the yen appreciation and lower stock prices, despite expectations of improvement in wages and the employment environment driven by favorable corporate earnings.

Amid these economic conditions, in the field of logistics, domestic freight suffered from sluggish freight movement, reflecting signs of weakness in corporate production owing to shifts in economic currents as well as stagnant shipments. International freight was generally weak due to factors including a reduction in freight mainly to Asian countries and an ongoing decline in both exports and imports.

In this business environment, the Nippon Express Group made a united effort to implement the four key strategies of “Further Expanding Our Global Logistics Business,” “Strengthening Management Practices for Our Domestic Businesses,” “Expanding Business by Utilizing the Diversity of Group Companies” and “Contributing to Society through Our Businesses in Accordance with Corporate Social Responsibility (CSR) Management” in order to achieve the targets of its three-year medium-term management plan “Nippon Express Group Corporate Strategy 2015 – Innovation and Moving Forward,” which was in its final year.

By implementing large-scale organizational reform, the Group moved ahead to create an organization that can provide one-stop services and to establish a customer-oriented, account-based sales structure that handles processes from sales to operations in an integrated manner.

Specifically, in the global logistics business, the Group proceeded with the enhancement of its transport network in Southeast Asia and provided many new transport services, such as halal logistics and integrated cold chain transport. Through these

efforts, we endeavored to expand sales in regional logistics and warehouse services in each area.

In its domestic businesses, the Group thoroughly strengthened its sales capabilities in metropolitan areas while pushing hard to reinforce control of variable costs in order to create a high-quality, low-cost operating structure. By doing so, the group strived to maximize profit.

In addition, with respect to CSR management, the Group engaged in global environmental conservation efforts aimed at realizing a sustainable society, such as commencing operations of a CFC management system to prevent greenhouse gas leaks and enable proper and easy management.

Furthermore, the Group promoted business expansion through such measures as acquiring shares in Wanbishi Archives Co., Ltd., a leader in the information asset management industry, and forming a business alliance with Meitetsu Transport Co., Ltd. aimed at establishing more efficient operations.

Business Results

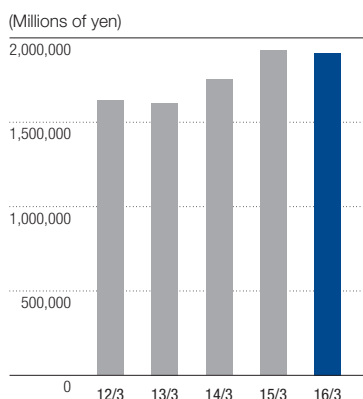
Revenues and Operating Costs

As a result of the above, consolidated revenues decreased by ¥15.8 billion, or 0.8%, year on year to ¥1,909.1 billion.

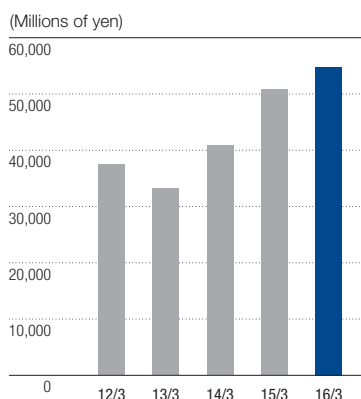
In Distribution & Transportation, domestic companies, Heavy Haulage & Construction revenues rose ¥4.5 billion, or 9.6%, year on year, but Combined Business revenues decreased ¥5.7 billion, or 0.8%, Security Transportation revenues fell ¥1.5 billion, or 2.9%, Marine and Harbor Transportation revenues declined ¥0.6 billion, or 0.5%, and Air Freight Forwarding revenues fell ¥28.2 billion, or 13.4%, due in part to a recoil following the effect of congestion in ports on the west coast of the United States in the previous fiscal year.

In Distribution & Transportation, overseas companies, due to firm transactions in air freight exports and imports, revenues in the Americas rose ¥15.5 billion, or 19.6%, revenues in Europe rose ¥0.9 billion, or 1.2%, revenues in East Asia rose ¥13.7 billion, or 13.6%, and revenues in South Asia & Oceania rose ¥5.6 billion, or 8.7%.

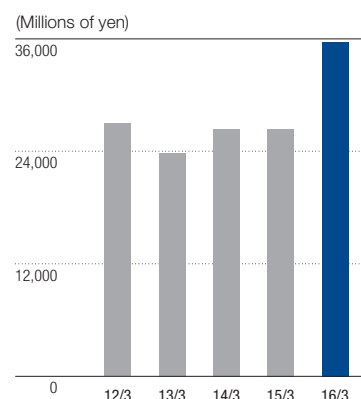
Revenues



Operating income



Net income attributable to shareholders of Nippon Express



In the Goods Sales segment, revenues fell ¥52.8 billion, or 12.6%, year on year due to a drop in unit selling prices for oil. In the Other segment, the effect of acquisitions contributed to a ¥30.0 billion, or 20.9%, increase in revenues.

Operating costs came to ¥1,755.4 billion, a decrease of ¥28.1 billion, or 1.6%, from the previous fiscal year. Gross profit increased ¥12.3 billion, or 8.7%, year on year to ¥153.6 billion, and the ratio of gross profit to revenues rose 0.7 of a percentage point to 8.0%. The decrease in operating costs was mainly due to the decreases in purchases of oil for sale and fuel oil costs as a result of the drop in crude oil prices.

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

Selling, general and administrative expenses grew ¥8.3 billion, or 9.2%, year on year to ¥98.8 billion, mainly due to the new consolidation of subsidiaries.

As a result of the above, operating income came to ¥54.7 billion, up ¥3.9 billion, or 7.8%, from the previous fiscal year. Ordinary income amounted to ¥62.3 billion, up ¥2.8 billion, or 4.8%.

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

Extraordinary income was ¥5.4 billion, a decrease of ¥3.2 billion, or 37.5%, compared with the previous fiscal year, while extraordinary loss fell ¥10.6 billion, or 55.2%, to ¥8.6 billion. The decrease in extraordinary income was mainly attributable to a ¥4.8 billion decrease in gain on sales of investment securities. The primary reason for the decline in extraordinary loss was a ¥5.0 billion reduction in impairment loss.

Income before income taxes and non-controlling interests amounted to ¥59.1 billion. After deducting current income taxes, inhabitants' tax, enterprise tax and other adjustments as well as non-controlling interests, net income attributable to shareholders of Nippon Express came to ¥35.6 billion, an increase of ¥9.2 million, or 35.2%, from the previous fiscal year.

Net income per share was ¥9.74 higher year on year at ¥35.61, while return on equity improved 1.62 percentage points to 6.77%.

■ Results by Reportable Segment

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

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

As a result of factors including a decrease in motor transportation, revenues were ¥736.5 billion, a year-on-year decline of ¥5.7 billion, or 0.8%, while segment income was ¥22.4 billion, a year-on-year increase of ¥4.2 billion, or 23.6%, due to a decrease in fuel expenses and the effect of price revisions.

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

Mainly owing to a decrease in logistics transactions, revenues were down ¥1.5 billion, or 2.9%, year on year to ¥53.8 billion, while segment income was up by ¥0.6 billion, or 76.5%, year on year to ¥1.5 billion.

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

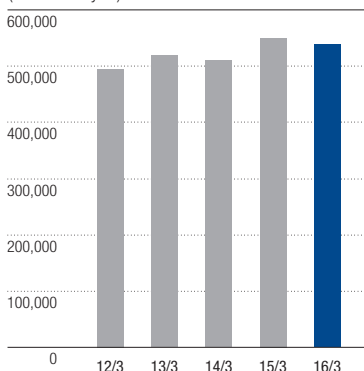
As a result of factors including an increase in various projects overseas, revenues were up ¥4.5 billion, or 9.6%, year on year to ¥51.3 billion, and segment income was up by ¥1.5 billion, or 70.9% year on year to ¥3.6 billion.

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

Owing to factors including recoil following the increase in export freight resulting from the impact of crowded ports on the west coast of the United States in the previous year, revenues were down ¥28.2 billion, or 13.4%, year on year to ¥182.5 billion, and segment income was down ¥2.7 billion, or 27.4%, year on year to ¥7.3 billion.

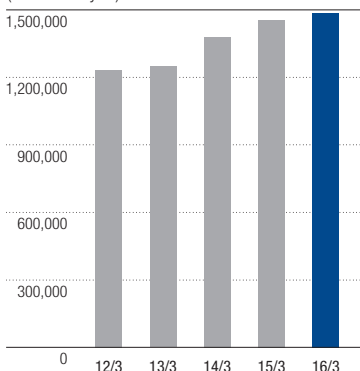
Total net assets

(Millions of yen)



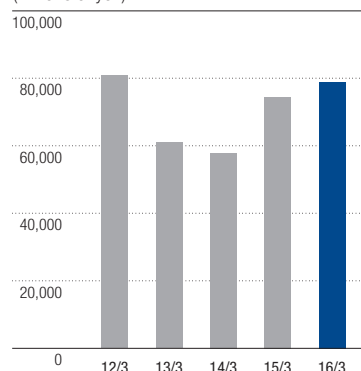
Total assets

(Millions of yen)



Net cash provided by operating activities

(Millions of yen)



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

Mainly owing to a decrease in domestic freight and import freight transactions, revenues were down ¥0.6 billion, or 0.5%, year on year to ¥118.2 billion, while segment income was up by ¥1.2 billion, or 24.6%, year on year to ¥6.1 billion.

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

As a result of factors including favorable air freight import transactions, revenues were up ¥15.5 billion, or 19.6%, year on year to ¥94.6 billion, and segment income was up ¥1.6 billion, or 49.5%, year on year to ¥5.0 billion.

7. Europe (Distribution & Transportation, overseas companies)

As a result of factors including firm air freight export transactions, revenues were up ¥0.9 billion, or 1.2%, year on year to ¥84.5 billion, while segment income was down by ¥0.8 billion, or 34.9%, year on year to ¥1.5 billion.

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

Mainly owing to firm air freight export transactions, revenues were up ¥13.7 billion, or 13.6%, year on year to ¥115.0 billion, while segment income was down by ¥0.2 billion, or 11.8%, year on year to ¥1.6 billion.

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

As a result of factors including favorable air freight export transactions, revenues were up ¥5.6 billion, or 8.7%, year on year to ¥70.2 billion, and segment income was up by ¥0.6 billion, or 68.5%, year on year to ¥1.5 billion.

10. Goods Sales

As a result of factors including a drop in the unit selling price of oil, revenues were down ¥52.8 billion, or 12.6%, year on year to ¥367.3 billion, and segment income was down by ¥0.3 billion, or 5.3%, year on year to ¥6.0 billion.

11. Other

As a result of factors including the acquisition of shares of Nittsu NEC Logistics, Ltd., revenues were up ¥30.0 billion, or 20.9%, year on year to ¥173.6 billion, and segment income was up by ¥0.1 billion, or 3.9%, year on year to ¥2.7 billion.

Cash Flows

Consolidated cash and cash equivalents amounted to ¥146.0 billion as of March 31, 2016. This represented a year-on-year net decrease of ¥2.9 billion.

■ Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥78.8 billion, a year-on-year increase of ¥4.3 billion. This was primarily due to a rise in proceeds from increases and decreases in such inflows as income before income taxes and non-controlling interests and trade receivables.

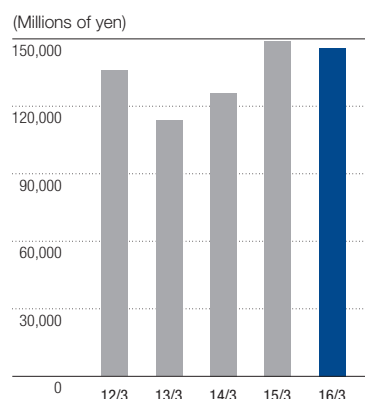
■ Cash Flows from Investing Activities

Net cash used in investment activities totaled ¥122.8 billion, a year-on-year increase of ¥100.4 billion. This was mainly due to payment for purchase of shares of subsidiaries resulting in change in the scope of consolidation.

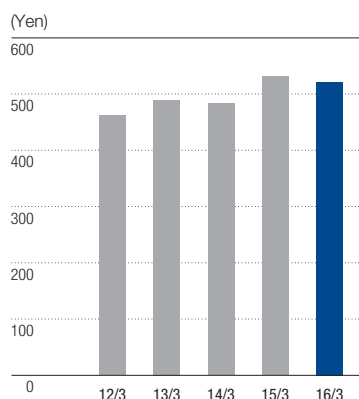
■ Cash Flows from Financing Activities

Net cash provided by financing activities amounted to ¥43.9 billion, a year-on-year increase of ¥77.5 billion. This was mainly due to an increase in proceeds from long-term loans payable.

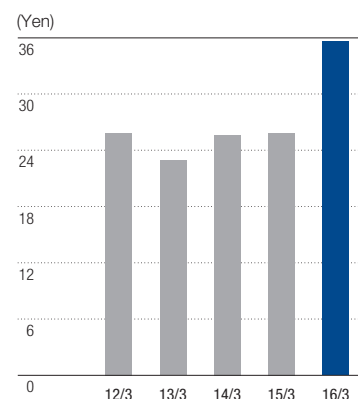
Cash and cash equivalents at end of year



Equity per share



Net income per share



Financial Position

■ Assets

Total assets as of March 31, 2016 amounted to ¥1,484.9 billion, an increase of ¥31.3 billion, or 2.2%, from the previous fiscal year-end.

Total current assets amounted to ¥682.3 billion, a decrease of ¥36.9 billion, or 5.1%, from the end of the previous fiscal year, primarily due to a decrease in accounts receivable—trade. Total non-current assets totaled ¥802.6 billion, an increase of ¥68.3 billion, or 9.3%, from the end of the previous fiscal year, mainly because of an increase in goodwill and other intangible assets.

■ Liabilities and Net Assets

Total liabilities as of March 31, 2016 were ¥946.9 billion, an increase of ¥43.4 billion, or 4.8%, from the end of the previous fiscal year.

Total current liabilities decreased ¥51.5 billion, or 10.5%, from the end of the previous fiscal year to ¥440.3 billion, primarily due to a decrease in short-term loans payable. Total non-current liabilities increased ¥95.0 billion, or 23.1%, to ¥506.5 billion from the previous fiscal year-end, mainly because of an increase in long-term loans payable.

Net assets as of March 31, 2016 amounted to ¥538.0 billion, a year-on-year decrease of ¥12.1 billion, or 2.2%. This was attributable largely to a decrease in valuation differences on available-for-sale securities.

Net assets per share amounted to ¥521.77, a decrease of ¥9.29 compared with the position at the previous fiscal year-end. The equity ratio decreased 1.42 percentage points to 35.17%.

Capital Investment

Total capital investment by the Nippon Express Group in fiscal 2015 amounted to ¥127.5 billion. Major items included investments aimed at future business development, including changes to logistics systems and improvements to such infrastructure as distribution depots for international freight operations and commercial warehouses, as well as the replacement of vehicles and transportation equipment. Capital investment also included the purchase of shares of Wanbishi Archives Co., Ltd. in the Other segment.

Dividend Policy

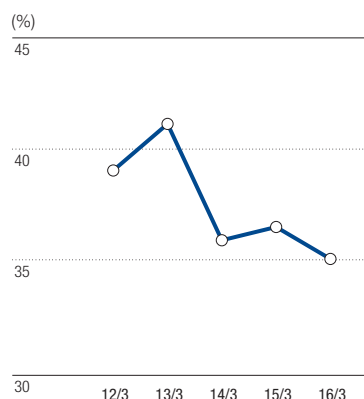
The Company regards the return of profits to shareholders as one of its most important priorities. We aim to enhance returns while expanding our business operations, strengthening our financial position, expanding shareholders' equity and improving profit ratios.

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

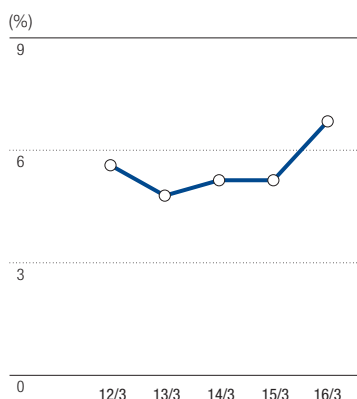
At the 110th General Shareholders' Meeting on June 29, 2016, we proposed and received approval to set the year-end dividend for fiscal 2015 at ¥6 per share. Together with the interim dividend of ¥5, this brought the annual dividend to ¥11 per share.

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

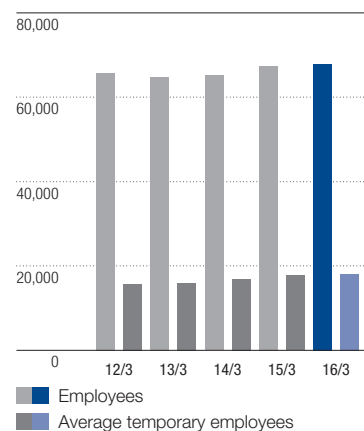
Equity ratio



Return on equity



Employees and Average temporary employees



11-Year Summary

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

		2016	2015	2014	2013
For the year:	Revenues ¹	1,909,105	1,924,929	1,752,468	1,613,327
(Millions of yen)	Revenues by industry segment up to the year ended March 31, 2010 ²				
	Distribution and Transportation	—	—	—	—
	Goods Sales	—	—	—	—
	Other	—	—	—	—
	Elimination	—	—	—	—
	Revenues by region segment up to the year ended March 31, 2010 ²				
	Japan	—	—	—	—
	The Americas	—	—	—	—
	Europe	—	—	—	—
	Asia & Oceania	—	—	—	—
	Elimination	—	—	—	—
	Revenues by reportable segment from the consolidated year ended March 31, 2011 onward ²				
	Distribution & Transportation				
	Domestic Companies				
	Combined Business	736,568	742,356	721,717	699,287
	Security Transportation	53,803	55,401	54,651	58,842
	Heavy Haulage & Construction	51,395	46,886	36,656	37,186
	Air Freight Forwarding	182,533	210,763	181,720	182,143
	Marine & Harbor Transportation	118,205	118,836	131,708	124,207
	Overseas Companies				
	The Americas	94,697	79,160	69,066	54,028
	Europe	84,579	83,609	72,788	44,230
	Asia & Oceania ³	—	—	—	—
	East Asia	115,068	101,321	92,156	68,812
	South Asia & Oceania	70,225	64,607	51,367	44,291
	Goods Sales	367,328	420,155	412,846	383,738
	Other	173,632	143,602	61,460	41,802
	Adjustment	(138,935)	(141,773)	(133,672)	(125,242)
	Operating income	54,778	50,811	40,865	33,206
	Net income ⁴	35,659	26,382	26,345	23,831
At year-end:	Total net assets ⁵	538,018	550,137	509,954	518,409
(Millions of yen)	Total assets	1,484,953	1,453,617	1,377,443	1,247,612
	Net cash provided by operating activities ⁶	78,844	74,519	57,892	60,937
	Cash and cash equivalents at end of year ⁶	146,007	148,942	125,900	113,689
Per share:	Equity per share	521.77	531.06	483.38	489.39
(Yen)	Net income per share	35.61	25.87	25.62	22.89
Ratios:	Equity ratio	35.17	36.59	36.00	41.17
(%)	Return on equity	6.77	5.14	5.22	4.79
Other:	Employees	67,909	67,347	65,162	64,834
	(Average temporary employees)	18,102	17,752	16,925	15,985

1. Revenue figures do not include consumption taxes.

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

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

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

2012	2011	2010	2009	2008	2007	2006
1,628,027	1,617,185	1,569,633	1,828,946	1,901,433	1,866,267	1,793,925
—	—	1,288,373	1,528,695	1,600,988	1,584,476	1,526,259
—	—	326,337	369,661	377,964	365,578	350,427
—	—	33,919	31,002	28,629	20,115	14,705
—	—	(78,996)	(100,412)	(106,148)	(103,904)	(97,467)
—	—	1,418,878	1,625,564	1,696,152	1,677,490	1,643,237
—	—	37,717	56,831	59,872	56,820	49,416
—	—	44,724	69,059	77,524	66,403	58,361
—	—	93,830	112,654	109,645	103,615	80,261
—	—	(25,517)	(35,162)	(41,761)	(38,062)	(37,351)
704,717	717,439	751,004	—	—	—	—
58,764	59,542	60,875	—	—	—	—
40,048	34,356	39,294	—	—	—	—
205,407	203,408	183,860	—	—	—	—
125,654	124,216	110,717	—	—	—	—
42,963	42,806	37,717	—	—	—	—
46,453	45,069	44,724	—	—	—	—
—	—	93,830	—	—	—	—
72,967	76,955	—	—	—	—	—
44,811	45,564	—	—	—	—	—
374,076	352,507	322,699	—	—	—	—
40,368	35,980	32,347	—	—	—	—
(128,206)	(120,662)	(107,437)	—	—	—	—
37,497	31,629	37,535	33,513	48,502	50,325	43,187
26,949	8,541	12,566	15,172	36,439	33,208	18,663
494,205	479,898	495,883	484,337	520,823	517,516	488,205
1,230,964	1,147,539	1,201,801	1,172,074	1,297,406	1,360,694	1,315,599
80,754	76,019	82,198	64,080	90,096	123,058	63,966
135,882	78,383	121,187	93,031	144,639	170,109	150,615
461.63	448.29	464.38	454.03	489.26	486.94	467.80
25.85	8.19	12.05	14.55	34.94	31.84	17.71
39.10	40.74	40.29	40.40	39.33	37.33	37.11
5.68	1.80	2.62	3.08	7.16	6.67	4.00
65,759	66,924	65,916	71,352	69,177	67,773	65,562
15,765	16,583	19,406	22,801	24,434	23,796	24,190

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

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

(1) Consolidated Financial Statements

Consolidated Balance Sheets

Nippon Express Co., Ltd. and consolidated subsidiaries
As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
ASSETS	2015	2016	2016
Current assets:			
Cash and cash in banks (Note 1)	¥ 207,112	¥ 189,323	\$ 1,680,183
Notes receivable—trade	13,471	22,280	197,732
Accounts receivable—trade	321,679	296,592	2,632,169
Inventories (Note 6)	6,020	6,368	56,514
Advance payments—trade	4,098	4,383	38,901
Prepaid expenses	12,670	13,028	115,626
Deferred tax assets	13,689	11,530	102,327
Lease investment assets (Note 1)	108,273	112,827	1,001,312
Other (Note 5)	33,602	27,163	241,070
Less: allowance for doubtful accounts	(1,304)	(1,182)	(10,493)
Total current assets	719,313	682,316	6,055,345
Non-current assets:			
Property and equipment			
Vehicles	171,508	173,132	1,536,493
Less: accumulated depreciation	(147,415)	(147,841)	(1,312,051)
Vehicles, net	24,092	25,290	224,441
Buildings	563,414	571,593	5,072,711
Less: accumulated depreciation	(328,977)	(343,905)	(3,052,053)
Buildings, net	234,437	227,687	2,020,657
Structures	64,403	64,656	573,805
Less: accumulated depreciation	(52,618)	(53,532)	(475,087)
Structures, net	11,784	11,123	98,718
Machinery and equipment	72,983	76,644	680,192
Less: accumulated depreciation	(59,051)	(63,017)	(559,259)
Machinery and equipment, net	13,932	13,626	120,932
Tools, furniture and fixtures	102,492	105,464	935,968
Less: accumulated depreciation	(80,774)	(84,256)	(747,748)
Tools, furniture and fixtures, net	21,718	21,208	188,220
Vessels	17,769	17,731	157,359
Less: accumulated depreciation	(12,382)	(13,042)	(115,747)
Vessels, net	5,387	4,688	41,612
Land	176,165	177,438	1,574,711
Leased assets	6,668	7,882	69,951
Less: accumulated depreciation	(2,711)	(3,794)	(33,679)
Leased assets, net	3,956	4,087	36,272
Construction in progress	1,071	17,170	152,381
Net property and equipment (Notes 1, 2)	492,545	502,321	4,457,948
Intangible assets			
Leasehold rights	7,527	8,103	71,919
Goodwill	14,821	47,411	420,759
Other	37,737	72,658	644,821
Total intangible assets	60,087	128,173	1,137,500
Investments and other assets			
Investment securities (Notes 1, 3)	133,577	112,130	995,124
Long-term loans receivable	2,513	1,905	16,910
Long-term loans to employees	139	104	925
Long-term prepaid expenses	4,643	4,406	39,107
Security deposits	21,245	20,905	185,526
Net retirement benefit asset	1,783	962	8,538
Deferred tax assets	6,607	19,342	171,661
Other (Note 3)	12,169	13,284	117,898
Less: allowance for doubtful accounts	(1,009)	(899)	(7,985)
Total investments and other assets	181,670	172,142	1,527,709
Total non-current assets	734,304	802,637	7,123,158
Total assets	¥1,453,617	¥1,484,953	\$13,178,503

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
LIABILITIES	2015	2016	2016
Current liabilities:			
Notes payable—trade	¥ 7,308	¥ 7,506	\$ 66,614
Accounts payable—trade (Note 1)	170,211	151,057	1,340,585
Short-term loans payable (Note 1)	83,397	62,291	552,821
Other payables	25,949	29,825	264,693
Income taxes payable	16,192	13,891	123,283
Consumption taxes payable	16,487	7,134	63,313
Unpaid expenses	21,127	20,399	181,037
Advances received	26,906	23,138	205,351
Deposits	61,165	46,583	413,409
Deposits from employees	27,764	28,036	248,815
Provision for bonuses	21,752	21,529	191,066
Provision for directors' bonuses	135	143	1,269
Allowance for warranties and repairs	62	—	—
Allowance for class action lawsuit filed in the United States	3,899	—	—
Allowance for business structure improvement expenses	1,050	—	—
Other	8,530	28,829	255,855
Total current liabilities	491,940	440,366	3,908,118
Non-current liabilities:			
Bonds payable	65,000	65,000	576,854
Long-term loans payable (Note 1)	180,969	240,955	2,138,401
Deferred tax liabilities	4,865	14,486	128,563
Provision for directors' retirement benefits	350	408	3,628
Provision for special repairs	202	224	1,991
Provision for loss on guarantees	829	829	7,357
Provision for loss on contracts	—	857	7,608
Other provisions	—	120	1,064
Net retirement benefit liability	135,678	160,168	1,421,447
Other (Note 1)	23,644	23,518	208,722
Total non-current liabilities	411,539	506,568	4,495,640
Total liabilities	903,480	946,935	8,403,758
NET ASSETS			
Shareholders' equity:			
Common stock	70,175	70,175	622,783
Additional paid-in capital	26,908	25,306	224,589
Retained earnings	419,851	445,495	3,953,629
Less: treasury stock	(19,444)	(19,818)	(175,884)
Total shareholders' equity	497,490	521,158	4,625,117
Accumulated other comprehensive income:			
Valuation differences on available-for-sale securities	61,900	47,118	418,163
Deferred gains (losses) on hedges	(7)	(214)	(1,899)
Foreign currency translation adjustments	14,901	8,085	71,760
Remeasurements of retirement benefit plans	(42,375)	(53,888)	(478,245)
Total accumulated other comprehensive income (loss)	34,419	1,101	9,778
Non-controlling interests	18,227	15,758	139,848
Total net assets	550,137	538,018	4,774,744
Total liabilities and net assets	¥1,453,617	¥1,484,953	\$13,178,503

Consolidated Statements of Income

Nippon Express Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2015 and 2016

	Millions of yen	Thousands of U.S. dollars	
	2015	2016	2016
Revenues	¥1,924,929	¥1,909,105	\$16,942,714
Operating costs (Note 1)	1,783,621	1,755,489	15,579,425
Gross profit	141,308	153,615	1,363,288
Selling, general and administrative expenses:			
Salaries, compensation, and welfare expenses	48,952	55,209	489,970
Depreciation and amortization	6,592	7,080	62,839
Advertising expenses	4,110	3,830	33,993
Provision for allowance for doubtful accounts	24	—	—
Other	30,816	32,716	290,347
Total selling, general and administrative expenses (Note 1)	90,497	98,837	877,150
Operating income	50,811	54,778	486,137
Non-operating income:			
Interest income	708	559	4,961
Dividend income	2,474	3,184	28,262
Gain on sales of vehicles	349	349	3,105
Equity in earnings of unconsolidated subsidiaries and affiliates	744	835	7,414
Gain on foreign exchange	2,840	1,874	16,637
Other	7,367	6,747	59,878
Total non-operating income	14,483	13,550	120,259
Non-operating expenses:			
Interest expenses	2,882	2,791	24,771
Other financial expenses	—	803	7,126
Loss on sale and retirement of vehicles	43	38	341
Other	2,805	2,301	20,424
Total non-operating expenses	5,731	5,934	52,663
Ordinary income	59,563	62,394	553,734
Extraordinary income:			
Gain on sales of non-current assets (Note 2)	2,875	4,862	43,150
Gain on sales of investment securities	5,205	363	3,223
Other	664	243	2,164
Total extraordinary income	8,745	5,469	48,538
Extraordinary loss:			
Loss on disposal of non-current assets (Note 3)	7,686	6,477	57,482
Loss on sales of investment securities	7	45	403
Loss on valuation of investment securities	606	62	554
Impairment loss (Note 4)	5,441	342	3,042
Provision of allowance for class action lawsuit filed in the United States	3,899	—	—
Provision of allowance for business structure improvement expenses (Note 5)	1,050	—	—
Provision of allowance for loss on contracts	—	949	8,428
Other	638	790	7,015
Total extraordinary loss	19,329	8,668	76,926
Income before income taxes and non-controlling interests	48,978	59,196	525,346
Income taxes:			
Current	26,346	22,770	202,083
Deferred	(3,429)	140	1,242
Total income taxes	22,916	22,910	203,325
Net income	26,062	36,285	322,021
Net income (loss) attributable to non-controlling interests	(319)	625	5,553
Net income attributable to shareholders of Nippon Express	¥ 26,382	¥ 35,659	\$ 316,467

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, 2015 and 2016

	Millions of yen	Thousands of U.S. dollars
	2015	2016
Net income	¥26,062	¥ 36,285
Other comprehensive income:		\$ 322,021
Valuation differences on available-for-sale securities	21,823	(14,787)
Deferred gains (losses) on hedges	(11)	(206)
Foreign currency translation adjustments	11,183	(7,030)
Remeasurements of retirement benefit plans	3,132	(11,764)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	448	(244)
Other comprehensive income (loss) (Note 1)	36,576	(34,033)
Comprehensive income	62,639	2,251
(Comprehensive income (loss) attributable to)		19,985
Shareholders of Nippon Express	62,518	2,342
Non-controlling interests	¥ 120	¥ (90)
		\$ (802)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Nippon Express Co., Ltd. and consolidated subsidiaries

For the year ended March 31, 2015

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

For the year ended March 31, 2016

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

For the year ended March 31, 2016

						Thousands of U.S. dollars						
	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of retirement benefit plans	Total accumulated other comprehensive income (loss)		
Balance at beginning of the year	\$622,783	\$238,801	\$3,726,049	\$(172,563)	\$4,415,071	\$ 549,347	\$ (67)	\$132,250	\$(376,070)	\$305,459	\$161,765	\$4,882,296
Cumulative effects of changes in accounting policies			—		—							—
Restated balance	622,783	238,801	3,726,049	(172,563)	4,415,071	549,347	(67)	132,250	(376,070)	305,459	161,765	4,882,296
Changes during the year												
Cash dividends			(88,887)		(88,887)							(88,887)
Net income attributable to shareholders of Nippon Express			316,467		316,467							316,467
Change in amounts due to change in scope of consolidation			—		—							—
Changes in equity of Nippon Express due to transactions with non-controlling shareholders		(14,212)			(14,212)							(14,212)
Increase in treasury stock				(3,322)	(3,322)							(3,322)
Decrease in treasury stock		0		1	1							1
Retirement of treasury stock		—	—	—	—							—
Net changes in items other than shareholders' equity						(131,184)	(1,831)	(60,489)	(102,175)	(295,680)	(21,916)	(317,597)
Total changes during the year	—	(14,212)	227,580	(3,321)	210,046	(131,184)	(1,831)	(60,489)	(102,175)	(295,680)	(21,916)	(107,551)
Balance at end of the year	\$622,783	\$224,589	\$3,953,629	\$(175,884)	\$4,625,117	\$ 418,163	\$ (1,899)	\$ 71,760	\$(478,245)	\$ 9,778	\$139,848	\$4,774,744

Consolidated Statements of Cash Flows

Nippon Express Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2015 and 2016

		Millions of yen	Thousands of U.S. dollars
	2015	2016	2016
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 48,978	¥ 59,196	\$ 525,346
Depreciation and amortization	51,005	51,333	455,565
Amortization of goodwill	2,453	2,764	24,536
Loss (gain) on sale or write-down of securities, net	(4,592)	(255)	(2,265)
Loss (gain) on sale or disposal of property and equipment, net	4,506	1,303	11,566
Impairment loss	5,441	342	3,042
Increase (decrease) in provision for bonuses	245	(481)	(4,273)
Increase (decrease) in allowance for class action lawsuit filed in the United States	3,899	(3,899)	(34,604)
Increase (decrease) in allowance for business structure improvement expenses	1,050	(1,050)	(9,318)
Increase (decrease) in net retirement benefit liability	8,349	9,801	86,984
Interest and dividend income	(3,182)	(3,743)	(33,224)
Interest expenses (Note 2)	2,882	2,791	24,771
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(744)	(835)	(7,414)
(Increase) decrease in trade receivables	(26,266)	11,350	100,729
(Increase) decrease in inventories	2,817	(342)	(3,039)
Increase (decrease) in accounts payable	1,915	(16,823)	(149,301)
Increase (decrease) in consumption taxes payable	11,050	(10,027)	(88,987)
Other	(5,074)	933	8,280
Sub-total	104,735	102,357	908,393
Interest and dividends received	3,954	4,082	36,227
Interest paid (Note 2)	(2,945)	(2,614)	(23,206)
Payment for deposits associated with class action lawsuit filed in the United States	(3,899)	—	—
Income taxes paid	(27,325)	(24,980)	(221,693)
Net cash provided by operating activities	74,519	78,844	699,720
Cash flows from investing activities:			
Payment for purchase of securities	(2,157)	(3,456)	(30,676)
Proceeds from sale of securities	8,012	2,224	19,746
Payment for purchase of property and equipment	(48,809)	(50,219)	(445,683)
Proceeds from sales of property and equipment	15,880	4,940	43,842
Payment for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	—	(77,167)	(684,838)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	4,164	—	—
Other	522	797	7,073
Net cash used in investing activities	(22,386)	(122,881)	(1,090,535)
Cash flows from financing activities:			
Change in short-term loans payable	5,179	(536)	(4,758)
Change in commercial paper	(6,000)	—	—
Proceeds from long-term loans payable	49,131	112,759	1,000,705
Payment for long-term loans payable	(40,710)	(72,810)	(646,167)
Proceeds from issuance of bonds	—	20,000	177,493
Redemption of bonds	(15,000)	—	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(3,330)	(29,554)
Cash dividends	(10,258)	(10,015)	(88,887)
Payment for purchase of treasury stock	(15,073)	(374)	(3,322)
Other	(906)	(1,755)	(15,583)
Net cash provided by (used in) financing activities	(33,636)	43,936	389,925
Effect of exchange rate changes on cash and cash equivalents	4,373	(2,835)	(25,164)
Net increase (decrease) in cash and cash equivalents	22,869	(2,935)	(26,054)
Cash and cash equivalents at beginning of year	125,900	148,942	1,321,822
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	172	—	—
Cash and cash equivalents at end of year (Note 1)	¥148,942	¥146,007	\$1,295,768

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Nippon Express Co., Ltd. and consolidated subsidiaries

1. Presentation of amounts in the consolidated financial statements

The yen amounts are truncated at millions and U.S. dollar amounts at thousands. The total Japanese yen and U.S. dollar amounts shown in the financial statements do not necessarily agree with the sum of the individual amounts. U.S. dollar amounts presented in the financial statements are included solely for convenience. The rate of ¥112.68 to US\$1.00, prevailing on March 31, 2016, has been used for translation into U.S. dollar amounts in the financial statements. The inclusion of such amounts should not be construed as a representation that Japanese yen amounts have been or could in the future be converted into U.S. dollars at that or any other rate.

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

(1) Scope of consolidation

- 1) There are 265 consolidated subsidiaries. The names of major subsidiaries are noted in "Management Discussion and Analysis."
Effective the year ended March 31, 2016, two companies, including Nittsu Logistics Myanmar Co., Ltd., have been included in the scope of consolidation due to new establishment, and Wanbishi Archives Co., Ltd. and its one group company have been included due to the purchase of shares.
Effective the year ended March 31, 2016, five subsidiaries, including Shanghai Super Express Co., Ltd., have been excluded from the scope of consolidation due to liquidation.
- 2) A total of 28 subsidiaries, including Nittsu Energy Kanto Co., Ltd., are excluded from the scope of consolidation as these companies are small, and their impact on the consolidated financial statements in terms of total assets, 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 54 subsidiaries, including Nippon Express Travel USA, Inc., held by 14 overseas consolidated subsidiaries, including Nippon Express U.S.A., Inc., are included in the scope of the consolidation.

(2) Application of equity method

- 1) Companies to which the equity method is applied:
 - a. Non-consolidated subsidiary: Awa Godo Tsuun Co., Ltd.
 - b. Affiliates: There are 25 equity-method affiliates, including Nippon Vopack Co., Ltd.
- 2) A total of 27 non-consolidated subsidiaries, including Nittsu Energy Kanto Co., Ltd., and 44 affiliates, including Tokyo Koun Co., Ltd., other than the above 26 companies are excluded from the scope of subsidiaries or affiliates accounted for by the equity method since their impact on the consolidated financial statements in terms of net income or loss and retained earnings corresponding to interest held by the Company is considered to be immaterial as a whole.

(3) Accounting period of the consolidated subsidiaries

A total of one domestic and 92 overseas consolidated subsidiaries, including Nippon Express U.S.A., Inc., have a balance sheet date of December 31. In preparing the accompanying consolidated financial statements, the financial statements as of December 31 and for the year then ended are used in consolidation after making necessary adjustments for significant transactions occurring from January 1 through March 31.

(4) Significant accounting policies

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

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

- b. Intangible assets, except for leased assets
Amortization of intangible assets is computed by the straight-line method over their estimated useful lives. Costs of software for internal use are amortized using the straight-line method over the available period (five years). Overseas consolidated subsidiaries mainly use straight-line method over the estimated lives of their assets.
 - c. Leased assets
Depreciation of leased assets is computed by the straight-line method with zero residual value, assuming the lease period as the useful life.
- 3) Allowances and provisions
- a. Allowance for doubtful accounts
Allowance to provide for potential loss on receivables is provided at the estimated amount of irrecoverable receivables. Allowances for ordinary debt are computed based on the historical rate of default. For certain debts, such as those where recovery is doubtful, the likelihood of recovery is considered on an individual basis.
The allowance for doubtful accounts is adjusted after offsetting receivables and payables between consolidated subsidiaries.
 - b. Provision for bonuses
Provision for bonuses is provided at an estimated amount to be paid to the employees by the Company and its consolidated subsidiaries based on services rendered during the fiscal year under review.
 - c. Provision for directors' bonuses
Provision for directors' bonuses is provided at an estimated amount to be paid to the directors by the Company and its consolidated subsidiaries based on services rendered during the fiscal year under review.
 - d. Allowance for warranties and repairs
An allowance for warranties and repairs is provided at an estimated amount based on the past experience of certain consolidated subsidiaries to provide quality assurance from initial purchase on sales of new cars.
 - e. Provision for directors' retirement benefits
Certain consolidated subsidiaries provide a reserve for the future payment of retirement benefits to directors based on the amounts required to be paid according to their internal rules.
 - f. Provision for special repairs
Certain consolidated subsidiaries provide a reserve for special repairs at an estimated amount for the future repairs of vessels based on past experience.
 - g. Provision for loss on guarantees
Certain consolidated subsidiaries provide a reserve for loss on guarantees at the estimated amount of loss based on the financial position and other factors of the guaranteed parties.
 - h. Provision for loss on contracts
Reserve for potential loss occurring during the execution of real estate lease contracts is provided at the estimated amount of loss.
- 4) Retirement benefits
- a. Allocation of projected retirement benefit obligation
In calculating the retirement benefit obligation, the straight-line method is used to allocate the projected retirement benefit obligation to the estimated years of service of the eligible employees.
 - b. Method for amortizing actuarial gain or loss and prior service cost
Prior service cost is amortized as incurred mainly by the straight-line method over a period not exceeding the estimated average remaining service years of employees (13–15 years) at the time of occurrence.
Actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized, mainly by the straight-line method over a period not exceeding the average remaining service years of the employees (5–15 years) at the time of occurrence.
 - c. Application of simplified method at smaller-sized companies, etc.
Certain consolidated subsidiaries apply the simplified method for calculating net retirement benefit liability and retirement benefit cost. Under this method, the payments for voluntary early retirement of all eligible employees at the end of the fiscal year are recognized as the retirement benefit obligation.
- 5) Revenue and expenses
- a. Finance lease revenue
Finance lease revenue and related cost of revenue are recorded when the lease payment is received.
 - b. Completed construction
For the percentage of the contractor's obligation performed at the balance sheet date, the percentage-of-completion method is applied to contracts where the outcome of the construction activity is deemed certain; otherwise, the completed-contract method is applied. The percentage of completion is determined using the ratio of cost incurred to the estimated total cost.
- 6) Hedge accounting
- a. Hedge accounting method
Deferred hedge accounting is adopted.
The designation method is applied for forward foreign currency contracts which meet the requirements and exceptional accounting is applied for interest rate swaps which meet the requirements.
 - b. Hedging instruments and hedged items

a) Hedging instruments	Forward foreign currency contracts
Hedged items	Receivables and payables denominated in foreign currencies and foreign currency-denominated forecasted transactions
b) Hedging instruments	Interest rate swaps
Hedged items	Loans payable
 - c. Hedging policy
The Company and its consolidated subsidiaries use derivatives only for the purpose of hedging the exposure of assets and

liabilities to market fluctuation risk.

d. Method for evaluating hedging effectiveness

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

e. Other

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

7) Amortization of goodwill

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

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

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

9) Accounting method for consumption taxes

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

This is not applicable to overseas consolidated subsidiaries.

10) Of the equity method affiliates, domestic subsidiaries and affiliates (15 companies) apply basically the same accounting standards as the Company while certain foreign subsidiaries (11 companies) apply accounting standards prevailing in the country in which they operate, none of which are materially different from the accounting standards applied by the Company.

3. Changes in accounting policies

Effective from the fiscal year ended March 31, 2016, the Company has applied the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued September 13, 2013; the "Business Combinations Standard"), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued September 13, 2013; the "Consolidated Financial Statements Standard"), the Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued September 13, 2013; the "Business Divestitures Standard") and others. Accordingly, the accounting methods have been changed to record the difference arising from a change in the Company's ownership interest in a subsidiary over which the Company continues to have control in additional paid-in capital and to record acquisition-related costs as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations performed from the beginning of the fiscal year ended March 31, 2016, the method has been changed to reflect adjustments arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost in the consolidated financial statements for the fiscal year in which the business combination occurs. In addition, the Company has changed the presentation of net income and other related items, and the presentation of "minority interests" to "non-controlling interests." The consolidated financial statements for the fiscal year ended March 31, 2015 have also been reclassified to reflect these changes in presentation.

The Business Combinations Standard and others have been adopted in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestitures Standard, and they have been adopted prospectively from the beginning of the fiscal year ended March 31, 2016.

As a result, additional paid-in capital at the end of the fiscal year ended March 31, 2016 decreased by ¥1,601 million (US\$14,212 thousand). The impact of these changes on operating income, ordinary income and income before income taxes and non-controlling interests was immaterial.

In the consolidated statements of cash flows for the fiscal year ended March 31, 2016, cash flows related to changes in ownership interests in subsidiaries that do not result in a change in the scope of consolidation are recorded under cash flows from financing activities, while cash flows related to expenses incurred in relation to the purchase of shares of subsidiaries resulting in a change in the scope of consolidation and expenses incurred in relation to changes in ownership interests in subsidiaries that do not result in a change in the scope of consolidation are recorded under cash flows from operating activities.

The balance of additional paid-in capital in the consolidated statements of changes in net assets at the end of the fiscal year ended March 31, 2016 decreased by ¥1,601 million (US\$14,212 thousand).

The effect of these changes on per share information was immaterial.

4. Unapplied accounting standards, etc.

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, issued on March 28, 2016)

(1) Overview

The treatment of recoverability of deferred tax assets basically follows the existing framework of the Auditing Treatment for Judgment of Recoverability of Deferred Assets outlined in the JICPA Industry Auditing Guidance No. 66. Under this framework, recorded amounts of deferred tax assets are estimated by classifying entities into five categories and calculating the amount according to said categories. However, the following necessary revisions have been made to this treatment.

a. Accounting treatment of entities that do not meet the criteria of any of the five categories.

b. The criteria of Category 2 and Category 3.

- c. Accounting treatment of deductible temporary differences that cannot be scheduled for entities in Category 2.
- d. Accounting treatment of periods that can be reasonably estimated for future taxable income before temporary differences of entities in Category 3.
- e. Accounting treatment for entities that satisfy the criteria of Category 4 and also fall into Category 2 or Category 3.

(2) Scheduled date of adoption

The above changes are scheduled for adoption from the beginning of the fiscal year ending March 31, 2017.

(3) Effects of adoption of the accounting standards

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

5. Notes to Consolidated Balance Sheets

(1) Assets pledged as collateral and secured payables

Assets pledged as collateral are as follows:

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Time deposits	539	259	2,298
Buildings	4,936	4,648	41,255
Structures	44	40	355
Machinery and equipment	3	2	23
Land	2,927	2,688	23,856
Investment securities	1,029	891	7,914
Lease investment assets	14	—	—
Total	9,496	8,530	75,704

The Company's secured payables are as follows:

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Accounts payable—trade	4,598	4,542	40,317
Long-term loans payable	558	491	4,365
Short-term loans payable and others	503	44	391
Total	5,660	5,078	45,074

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

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Buildings	9	284	2,522
Machinery and equipment	—	47	424
Vehicles	11	—	—
Land	—	8	76
Structures and others	47	76	678
Total	67	417	3,702

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

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Equity securities (included in investment securities)	13,915	16,369	145,278
Investments in capital or partnerships (included in Other under investments and other assets)	2,401	2,295	20,374

(4) Guarantees of loans

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

Guaranteed party	Guaranteed amount			Type
	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)	
World Cargo Distribution Center Co., Ltd.	254	148	1,316	Loan guarantee
Nagoya United Container Terminal Co., Ltd.	679	600	5,324	Loan guarantee
Portek International Pte. Ltd.	700	—	—	Loan guarantee
Nittsu Shoji Leasing (Thailand) Co., Ltd.	1,309	1,792	15,910	Loan guarantee
Other	428	895	7,951	Loan guarantee, others
Total	3,372	3,437	30,502	

(5) (2015)

“Other current assets” include a reserve payment resulting from sales of notes receivable as part of asset securitization in the amount of ¥3,134 million.

(2016)

Not applicable.

(6) Inventories

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Merchandise and finished goods	3,118	3,652	32,410
Work in process	465	492	4,368
Raw materials and stores	2,437	2,223	19,736

6. Notes to Consolidated Statements of Income

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

(2015)

	Operating costs (Millions of yen)	Selling, general, and administrative expenses (Millions of yen)
Provision for bonuses	18,856	2,835
Provision for directors' bonuses	—	135
Allowance for warranties and repairs	—	2
Retirement benefit cost	17,421	1,725
Provision for directors' retirement benefits	—	133
Provision for special repairs	112	—

(2016)

	Operating costs (Millions of yen)	Operating costs (Thousands of U.S. dollars)	Selling, general, and administrative expenses (Millions of yen)	Selling, general, and administrative expenses (Thousands of U.S. dollars)
Provision for bonuses	18,327	162,655	3,317	29,444
Provision for directors' bonuses	—	—	133	1,181
Allowance for warranties and repairs	—	—	—	—
Retirement benefit cost	16,756	148,711	1,738	15,430
Provision for directors' retirement benefits	—	—	138	1,227
Provision for special repairs	82	730	—	—

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

	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Thousands of U.S. dollars)
Land	2,670	4,541	40,304
Buildings	13	214	1,903
Intangible assets and others	190	106	942
Total	2,875	4,862	43,150

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

	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Thousands of U.S. dollars)
Buildings	6,216	3,655	32,442
Structures	316	153	1,363
Machinery and equipment	287	142	1,266
Tools, furniture and fixtures	160	90	805
Land	313	2,102	18,661
Intangible assets and others	392	331	2,942
Total	7,686	6,477	57,482

(4) Impairment loss

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

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

Purpose of use	Type	Location	Impairment loss (Millions of yen)
Assets for business use	Goodwill	—	3,715
	Other intangible assets	—	1,678
Idle assets	Land	Kagoshima prefecture, etc.	47
Total			5,441

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

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

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

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

A description is omitted because the amount is immaterial.

(5) Provision of allowance for business structure improvement expenses

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

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

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

Not applicable.

7. Notes to Consolidated Statements of Comprehensive Income

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

	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Thousands of U.S. dollars)
Valuation differences on available-for-sale securities			
Amount recognized during the year	34,215	(23,293)	(206,725)
Reclassification adjustments	(5,094)	(193)	(1,718)
Before tax effect adjustment	29,120	(23,487)	(208,444)
Tax effects	(7,297)	8,699	77,208
Valuation differences on available-for-sale securities	21,823	(14,787)	(131,235)
Deferred gains (losses) on hedges			
Amount recognized during the year	(16)	(298)	(2,647)
Tax effects	5	92	818
Deferred gains (losses) on hedges	(11)	(206)	(1,829)
Foreign currency translation adjustments			
Amount recognized during the year	11,183	(7,024)	(62,344)
Reclassification adjustments	—	(5)	(45)
Foreign currency translation adjustments	11,183	(7,030)	(62,389)
Remeasurements of retirement benefit plans			
Amount recognized during the year	(739)	(22,227)	(197,258)
Reclassification adjustments	8,525	8,425	74,769
Before tax effect adjustment	7,785	(13,802)	(122,489)
Tax effects	(4,652)	2,037	18,082
Remeasurements of retirement benefit plans	3,132	(11,764)	(104,407)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method			
Amount recognized during the year	448	(244)	(2,173)
Total other comprehensive income (loss)	36,576	(34,033)	(302,036)

8. Notes to Consolidated Statements of Changes in Net Assets

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

(1) Class and number of shares issued

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

Details of the changes are as follows:

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

(2) Class and number of treasury stock

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

Details of the changes are as follows:

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

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

(3) Dividends

1) Dividends paid

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

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

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

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

(1) Class and number of shares issued

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

(2) Class and number of treasury stock

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

Details of the changes are as follows:

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

The decrease in common stock in treasury is due to the transfer of 200 shares in quantities of less than one unit.

(3) Dividends

1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General Shareholders' Meeting held on June 26, 2015	Common stock	5,007	5.0	March 31, 2015	June 29, 2015
Board of Directors' Meeting held on October 30, 2015	Common stock	5,007	5.0	September 30, 2015	December 2, 2015

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 26, 2015	Common stock	44,444	0.04	March 31, 2015	June 29, 2015
Board of Directors' Meeting held on October 30, 2015	Common stock	44,443	0.04	September 30, 2015	December 2, 2015

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

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
General Shareholders' Meeting held on June 29, 2016	Common stock	Retained earnings	53,297	0.05	March 31, 2016	June 30, 2016

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

	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Thousands of U.S. dollars)
Cash and cash in banks	207,112	189,323	1,680,183
Cash related to CSD services	(27,981)	(14,971)	(132,865)
Cash related to exchange money delivery services	(21,021)	(20,469)	(181,658)
Time deposits with maturities of over three months	(8,627)	(7,616)	(67,592)
Time deposits pledged as collateral for debts	(539)	(259)	(2,298)
Cash and cash equivalents	148,942	146,007	1,295,768

(2) (2015)

"Interest expenses" as well as "Interest paid" in cash flows from operating activities are presented excluding ¥526 million in financing costs included in operating costs in the Goods Sales Business (leasing business, etc.).

(2016)

"Interest expenses" as well as "Interest paid" in cash flows from operating activities are presented excluding ¥494 million (US\$4,390 thousand) in financing costs included in operating costs in the Goods Sales Business (leasing business, etc.).

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

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

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	11,970	106,230
Non-current assets	54,166	480,706
Goodwill	35,724	317,044
Current liabilities	(2,878)	(25,550)
Non-current liabilities	(12,981)	(115,207)
Non-controlling interests	—	—
Share acquisition cost	86,000	763,223
Cash and cash equivalents	(8,832)	(78,384)
Net payment for acquisition	77,167	684,838

10. Leases

(1) Finance leases

(Lessee) —

(Lessor)

1) Breakdown of lease investment assets

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Gross lease receivables	107,904	111,084	985,839
Estimated residual values	2,108	3,231	28,674
Unearned interest income	(1,739)	(1,487)	(13,201)
Lease investment assets	108,273	112,827	1,001,312

2) Lease receivables and maturities of gross lease receivables corresponding to lease investment assets subsequent to March 31, 2015 and 2016 are as follows:

2015 (As of March 31, 2015)

	Lease receivables (Millions of yen)	Lease investment assets (Millions of yen)
Due in one year or less	2,743	34,443
Due after one year through two years	2,274	27,941
Due after two years through three years	1,863	20,779
Due after three years through four years	1,093	12,970
Due after four years through five years	442	5,289
Due after five years	338	6,479

2016 (As of March 31, 2016)

	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	2,944	26,133	35,946	319,016
Due after one year through two years	2,521	22,376	28,854	256,074
Due after two years through three years	1,711	15,192	20,916	185,625
Due after three years through four years	1,021	9,066	12,790	113,516
Due after four years through five years	504	4,479	5,809	51,557
Due after five years	375	3,328	6,766	60,048

(2) Operating leases

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

(Lessee)

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Portion due within one year	28,616	30,256	268,520
Thereafter	149,871	155,332	1,378,528
Total	178,487	185,589	1,647,048

(Lessor) —

11. Financial instruments

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

(1) Financial instruments and related disclosures

1) Group policy for financial instruments

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

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

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

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

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

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

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

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

3) Supplementary explanation about the fair values of financial instruments

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

(2) Fair value of financial instruments

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

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	207,112	207,112	—
2) Accounts receivable—trade	321,679	321,679	—
3) Lease investment assets	108,273	109,045	772
4) Investment securities			
Available-for-sale securities	112,044	112,044	—
5) Accounts payable—trade	(170,211)	(170,211)	—
6) Short-term loans payable	(11,100)	(11,100)	—
7) Deposits	(61,165)	(61,165)	—
8) Bonds	(65,000)	(67,370)	(2,370)
9) Long-term loans payable	(253,266)	(257,930)	(4,664)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(11)	(11)	—

(*1) Liabilities are presented in parentheses.

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

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

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

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

3) Lease investment assets:

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

4) Investment securities:

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

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

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

8) Bonds:

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

9) Long-term loans payable:

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

10) Derivatives:

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

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

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

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and cash in banks	207,112	—	—
Accounts receivable—trade	321,679	—	—
Lease investment assets	33,690	66,046	8,536

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

	Millions of yen		
	Due in one year or less	Due after one year through five years*	Due after five years
Short-term loans payable	11,100	—	—
Bonds payable	—	55,000	10,000
Long-term loans payable	72,296	114,597	66,371

*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.

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

(1) Financial instruments and related disclosures

1) Group policy for financial instruments

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

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

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

The payment terms of trade payables are almost all less than one year. Although some of them are denominated in foreign currencies and exposed to foreign currency fluctuation risk, they are partially hedged using forward foreign currency contracts. Short-term loans payable are mainly used for operations and the main objective of long-term loans and bonds is to raise necessary funds for capital investments. Maturities of bonds are within 10 years after the balance sheet date. Most long-term loans have fixed interest rates, although some long-term loans have floating interest rates and are thus exposed to interest rate fluctuation risk, but are hedged using derivative transactions (interest rate swaps).

Derivatives mainly include forward foreign currency contracts, which are used to hedge foreign exchange risk on trade receivables and payables denominated in foreign currencies, and interest rate swaps, which are used to hedge fluctuation risk of interest rates on loans payable. For information regarding hedging instruments, hedged items, hedging policy and the method for evaluating hedging

effectiveness relating to hedge accounting, please refer to “Basis of presentation of consolidated financial statements and summary of significant accounting policies (4) Significant accounting policies 6) Hedge accounting.”

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

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

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

3) Supplementary explanation about the fair values of financial instruments

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

(2) Fair value of financial instruments

The carrying amount, fair value and related unrealized gain (loss) on financial instruments at March 31, 2016 are as follows:

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

	Thousands of U.S. dollars		
	Carrying amount (*1)	Fair value (*1)	Unrealized gain (loss)
1) Cash and cash in banks	1,680,183	1,680,183	—
2) Accounts receivable—trade	2,632,169	2,632,169	—
3) Lease investment assets	1,001,312	1,013,335	12,023
4) Investment securities			
Available-for-sale securities	788,875	788,875	—
5) Accounts payable—trade	(1,340,585)	(1,340,585)	—
6) Short-term loans payable	(89,527)	(89,527)	—
7) Deposits	(413,409)	(413,409)	—
8) Bonds	(754,348)	(771,201)	(16,853)
9) Long-term loans payable	(2,601,695)	(2,647,328)	(45,633)
10) Derivatives (*2)			
a. To which hedge accounting is not applied	—	—	—
b. To which hedge accounting is applied	(2,736)	(2,736)	—

(*1) Liabilities are presented in parentheses.

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

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

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

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

3) Lease investment assets:

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

4) Investment securities:

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

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

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

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

8) Bonds:

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

9) Long-term loans payable:

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

10) Derivatives:

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

(Note 2) Unlisted equity securities with a carrying amount of ¥23,240 million (US\$206,249 thousand) are not included in (4) investment securities—available-for-sale securities, since there is no quoted market price and it is impossible to estimate future cash flows, making it very difficult to determine their fair values.

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

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and cash in banks	189,323	—	—	1,680,183	—	—
Accounts receivable—trade	296,592	—	—	2,632,169	—	—
Lease investment assets	35,282	67,571	9,974	313,116	599,678	88,516

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

	Millions of yen			Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years*	Due after five years	Due in one year or less	Due after one year through five years*	Due after five years
Short-term loans payable	10,087	—	—	89,527	—	—
Bonds payable	20,000	45,000	20,000	177,493	399,361	177,493
Long-term loans payable	52,204	143,349	97,605	463,294	1,272,186	866,214

*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

2015 (March 31, 2015)

(1) Available-for-sale securities

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

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

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

(3) Impairment loss on investment securities

The Company recorded impairment loss of ¥151 million on available-for-sale securities for the consolidated fiscal year under review.

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

2016 (March 31, 2016)

(1) Available-for-sale securities

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

Category	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Carrying value exceeds acquisition cost:			
1) Equity securities	773,980	166,369	607,611
2) Other	—	—	—
Sub-total	773,980	166,369	607,611
Carrying value does not exceed acquisition cost:			
1) Equity securities	14,913	22,351	(7,437)
2) Other	—	—	—
Sub-total	14,913	22,351	(7,437)
Total	788,894	188,720	600,173

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

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

Category	Thousands of U.S. dollars		
	Sales proceeds	Total gains on sales	Total losses on sales
1) Equity securities	17,852	3,223	403
2) Other	—	—	—
Total	17,852	3,223	403

(3) Impairment loss on investment securities

The Company recorded impairment loss of ¥47 million (US\$418 thousand) on available-for-sale securities for the consolidated fiscal year under review.

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

13. Derivatives

2015 (March 31, 2015)

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

Not applicable.

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

1) Interest rate-related derivatives

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

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

2) Currency-related derivatives

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

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

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

2016 (March 31, 2016)

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

Not applicable.

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

1) Interest rate-related derivatives

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

Hedge accounting method	Type of derivative transaction	Major hedged items	Thousands of U.S. dollars		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Exceptional accounting for interest rate swaps	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	88,746	88,746	(*2)
Deferral hedge	Interest rate swaps: Receiving on a floating interest rate Paying on a fixed interest rate	Long-term loans payable	443,734	443,734	(2,692)

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

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

2) Currency-related derivatives

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

Hedge accounting method	Type of derivative transaction	Major hedged items	Thousands of U.S. dollars		
			Contract amount (notional principal)	Contract amount due after one year	Fair value (*1)
Deferral hedge	Forward foreign currency contracts: Selling US\$ and other currencies	Forecasted transactions on receivables and payables in foreign currencies	12,366	—	208
	Forward foreign currency contracts: Buying US\$ and other currencies		9,715	—	(252)
Designation method	Forward foreign currency contracts: Selling US\$ and other currencies	Accounts receivable—trade	11,456	—	(*2)
	Forward foreign currency contracts: Buying US\$ and other currencies	Accounts payable—trade	18,084	—	

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

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

14. Retirement benefits

(1) Overview of retirement benefit plans

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

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

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

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

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

(2) Defined-benefit retirement plans

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

	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Thousands of U.S. dollars)
Balance of retirement benefit obligation at beginning of the year	183,372	200,394	1,778,439
Cumulative effect of change in accounting policies	2,825	—	—
Restated balance at beginning of the year	186,197	200,394	1,778,439
Service cost	9,076	8,650	76,773
Interest cost on projected benefit obligation	2,173	1,804	16,018
Actuarial gain or loss	3,995	17,648	156,627
Retirement benefits paid	(16,746)	(11,655)	(103,436)
Prior service cost	3,520	—	—
Effect of business combination	10,774	1,855	16,464
Other	1,403	(883)	(7,843)
Balance of retirement benefit obligation at end of the year	200,394	217,815	1,933,044

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

	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Thousands of U.S. dollars)
Plan assets at beginning of the year	63,518	72,336	641,964
Expected return on plan assets	1,259	1,256	11,147
Actuarial gain	7,158	(4,423)	(39,255)
Contribution from employer	2,057	2,038	18,091
Retirement benefits paid	(6,035)	(5,823)	(51,679)
Effect of business combination	3,352	—	—
Other	1,025	(719)	(6,388)
Plan assets at end of the year	72,336	64,664	573,880

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

	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Thousands of U.S. dollars)
Net retirement benefit liability and net retirement benefit asset at beginning of the year (net amount)	5,867	5,836	51,799
Benefit cost	519	870	7,728
Retirement benefits paid	(541)	(824)	(7,318)
Contribution to plan	(58)	(6)	(57)
Effect of business combination	6	—	—
Other	43	179	1,593
Net retirement benefit liability and net retirement benefit asset at end of the year (net amount)	5,836	6,056	53,746

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

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Retirement benefit obligation of funded plans	188,552	203,878	1,809,360
Plan assets	(72,865)	(65,432)	(580,697)
	115,686	138,445	1,228,663
Retirement benefit obligation of unfunded plans	18,208	20,760	184,246
Net retirement obligation and assets at end of the year	133,894	159,206	1,412,909
Net retirement benefit liability	135,678	160,168	1,421,448
Net retirement benefit asset	(1,783)	(962)	(8,538)
Net retirement liability and asset at end of the year	133,894	159,206	1,412,909

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

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

5) Retirement benefit cost

	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Thousands of U.S. dollars)
Service cost	9,076	8,650	76,773
Interest cost on projected retirement benefit obligation	2,173	1,804	16,018
Expected return on plan assets	(1,259)	(1,256)	(11,147)
Amortization of unrecognized actuarial loss	9,276	8,812	78,205
Amortization of prior service cost	(750)	(387)	(3,435)
Retirement benefit cost calculated by the simplified method	519	870	7,728
Other	111	—	—
Retirement benefit cost of defined-benefit plans	19,146	18,495	164,142

6) Remeasurements of retirement benefit plans in other comprehensive income

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

	2015 (From April 1, 2014 to March 31, 2015) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Millions of yen)	2016 (From April 1, 2015 to March 31, 2016) (Thousands of U.S. dollars)
Prior service cost	(3,596)	(387)	(3,434)
Actuarial gain or loss	11,382	(13,415)	(119,054)
Total	7,785	(13,802)	(122,489)

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

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

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Unrecognized prior service cost	3,431	3,818	33,887
Unrecognized actuarial gain or loss	59,465	72,881	646,796
Total	62,897	76,699	680,683

8) Plan assets

a. Main components of plan assets

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

	2015 (As of March 31, 2015)	2016 (As of March 31, 2016)
Bonds	18%	21%
Equity securities	66%	68%
Cash and cash in banks	6%	1%
Other	9%	10%
Total	100%	100%

(Note) 52.5% of plan assets in the year ended March 31, 2015, and 48.1% of plan assets in the year ended March 31, 2016 are held in the retirement allowance trust for retirement lump sum payment plans.

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

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

9) Actuarial assumptions
Principal actuarial assumptions

	2015 (From April 1, 2014 to March 31, 2015)	2016 (From April 1, 2015 to March 31, 2016)
Discount rates	0.6%–1.3%	0.1%–1.2%
Long-term expected rates of return on plan assets	0.0%–2.7%	0.0%–2.7%
Expected rates of pay raises	1.0%–7.7%	0.9%–7.9%

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

(3) Defined contribution plans

The amounts contributed to defined contribution plans of the Company and consolidated subsidiaries are ¥3,598 million for the year ended March 31, 2015 and ¥3,848 million (US\$34,151 thousand) for the year ended March 31, 2016.

(4) Multi-employer plans

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

15. Income Taxes

(1) The significant components of the Company's deferred tax assets and liabilities as of March 31, 2015 and 2016 are as follows:

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Deferred tax assets:			
(Current)			
Allowance for doubtful accounts	268	231	2,058
Accrued bonuses	7,979	7,419	65,841
Enterprise tax payable	1,223	979	8,688
Asset retirement obligations	1,225	1,358	12,055
Allowance for class action lawsuit filed in the United States	1,290	—	—
Other	3,015	2,753	24,436
Total	15,002	12,741	113,080
(Non-current)			
Allowance for doubtful accounts	312	266	2,364
Net retirement benefit liability	62,747	64,251	570,212
Unrealized gains	3,217	3,238	28,736
Impairment losses	2,756	2,661	23,617
Asset retirement obligations	2,438	2,176	19,316
Loss on valuation of investment securities, etc.	1,490	1,427	12,672
Loss carried forward	1,756	720	6,394
Other	4,908	7,642	67,820
Total	79,628	82,384	731,136
Sub-total	94,631	95,126	844,217
Valuation allowance	(9,344)	(8,570)	(76,063)
Total deferred tax assets	85,286	86,555	768,153

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Deferred tax liabilities:			
(Current)			
Loss on adjustment for transfer of leased assets	(813)	(811)	(7,204)
Other	(321)	(211)	(1,876)
Total	(1,135)	(1,023)	(9,081)
(Non-current)			
Reserve for deferred gains on fixed assets	(15,073)	(14,037)	(124,575)
Gain on securities contribution to employees' retirement benefits trust	(16,634)	(14,532)	(128,972)
Valuation differences on available-for-sale securities	(29,042)	(20,354)	(180,635)
Valuation differences on assets and liabilities of subsidiaries	(6,492)	(16,839)	(149,441)
Other	(1,725)	(3,519)	(31,237)
Total	(68,968)	(69,282)	(614,862)
Total deferred tax liabilities	(70,103)	(70,306)	(623,944)
(Note) Net deferred tax assets and liabilities as of March 31, 2015 and 2016 are included in the following items of the consolidated balance sheets.			

	2015 (As of March 31, 2015) (Millions of yen)	2016 (As of March 31, 2016) (Millions of yen)	2016 (As of March 31, 2016) (Thousands of U.S. dollars)
Deferred tax assets—current	13,689	11,530	102,327
Others (Deferred tax liabilities)—current	(249)	(137)	(1,216)
Deferred tax assets—non-current	6,607	19,342	171,661
Deferred tax liabilities—non-current	(4,865)	(14,486)	(128,563)

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

	2015 (As of March 31, 2015)	2016 (As of March 31, 2016)
Statutory tax rate	35.6%	33.1%
(Adjustment)		
Non-deductible items	2.1	1.6
Reduction of year-end deferred tax assets due to the change of tax rate	3.7	1.1
Per capita inhabitants' tax	2.4	2.1
Changes in valuation allowance	(2.8)	(0.5)
Difference in tax rate applicable to foreign subsidiaries	(1.8)	(0.8)
Elimination of dividends from consolidated subsidiaries	0.7	1.4
Amortization of goodwill	1.8	1.5
Impairment of goodwill	2.7	—
Difference in tax rate due to companies reporting losses	1.4	0.4
Other, net	1.0	(1.2)
Effective tax rate	46.8%	38.7%

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

In accordance with the Act for Partial Revision of the Income Tax Act, etc. and the Act for Partial Revision of the Local Tax Act, etc. passed by the Japanese Diet on March 29, 2016, the statutory tax rate used for the fiscal year ended March 31, 2016 to calculate deferred tax assets and deferred tax liabilities to be settled on or after April 1, 2016 has been revised, changing from 32.3% to 30.9% for temporary differences expected to be realized or settled from April 1, 2016 to March 31, 2018, and to 30.6% for temporary differences expected to be realized or settled on April 1, 2018 and thereafter.

As a result, deferred tax assets (less deferred tax liabilities) decreased by ¥822 million (US\$7,300 thousand) and deferred income taxes increased by ¥683 million (US\$6,065 thousand), valuation differences on available-for-sale securities increased by ¥1,137 million (US\$10,094 thousand), deferred gains (losses) on hedges increased by ¥5 million (US\$46 thousand) and remeasurements of retirement benefit plans decreased by ¥1,271 million (US\$11,283 thousand) as of and for the fiscal year ended March 31, 2016.

16. Business combinations

Business combinations by acquisition

The Company resolved at the October 30, 2015 Board of Directors meeting to acquire 330,000 issued shares of Wanbishi Archives Co., Ltd. ("Wanbishi Archives"), a wholly owned subsidiary of Toyota Industries Corporation, and concluded the share transfer agreement on the same day.

In accordance with said share transfer agreement, the Company acquired shares of Wanbishi Archives on December 15, 2015, making it a subsidiary.

(1) Overview of the business combination

1) Name and business of the acquired company

Name: Wanbishi Archives Co., Ltd.

Business: Information asset management and insurance agency business

2) Main reasons for the business combination

Under the corporate philosophy of being a driving force for social development through logistics, the Company has played a role in social infrastructure since its establishment.

Wanbishi Archives specializes in managing highly confidential, important documents and data of government authorities, financial institutions, medical institutions and other bodies. It operates in the business field of social infrastructure, handling trust and confidence, a lifeline of corporate clients. Wanbishi Archives has fostered a high level of confidence within society as a leader in the information asset management industry, in which further growth and expansion is expected.

Following the share acquisition, the Company believes that Wanbishi Archives' becoming a member of the Nippon Express Group will accelerate the building of the security and storage platforms as part of social infrastructure and allow the Group to provide new value to more customers in Japan and abroad.

3) Date of the business combination

December 15, 2015

4) Legal form of the business combination

Share acquisition

5) Name of the acquired company after the business combination

Wanbishi Archives Co., Ltd.

6) Ratio of voting rights acquired

100%

7) Primary basis for determining which is the acquiring company

The Company acquired shares in exchange for a cash payment.

(2) Period for which the acquired company's results were included in the consolidated financial statements

The results of Wanbishi Archives for the period from January 1, 2016 to March 31, 2016 were included in the consolidated financial statements.

(3) Amount and type of consideration paid for and acquisition cost of the acquired company

	Type	Millions of yen	Thousands of U.S. dollars
Consideration paid	Cash	86,000	763,223
Acquisition cost		86,000	763,223

(4) Main acquisition-related costs

Advisory fees, etc. ¥301 million (US\$2,677 thousand)

(5) Amount, cause and amortization of goodwill arising from the acquisition

1) Amount of goodwill

¥35,724 million (US\$317,044 thousand)

2) Cause of goodwill

Because the acquisition price exceeded the net assets of the acquired company, the difference was recorded as goodwill.

3) Amortization method and period

The goodwill arising from the acquisition will be amortized by the straight-line method over 20 years.

(6) Breakdown of assets acquired and liabilities assumed on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	11,970	106,230
Non-current assets	54,166	480,706
Total assets	66,136	586,936
Current liabilities	2,878	25,550
Non-current liabilities	12,981	115,207
Total liabilities	15,860	140,757

(7) Estimate and calculation method of the impact on the consolidated statements of income calculated on the assumption that the business combination had been concluded at the start of the consolidated fiscal year ended March 31, 2016

A description is omitted as the estimated amount of the impact is immaterial.

17. Asset retirement obligations

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

Asset retirement obligations that are stated in the consolidated balance sheets

(1) Description of the asset retirement obligations

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

(2) Method for calculating the asset retirement obligations

The asset retirement obligations are calculated using a 0.160%–2.315% periodic discount rate over 2 to 50 years duration of use in most cases, based on estimated useful life.

(3) Changes in total asset retirement obligations during 2015

	Millions of yen
Balance at beginning of the year	11,458
Increase due to acquisition of property and equipment	217
Accretion adjustment	152
Decrease due to settlement	(133)
Increase due to business combinations	6
Other	26
Balance at end of the year	11,726

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

Asset retirement obligations that are stated in the consolidated balance sheets

(1) Description of the asset retirement obligations

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

(2) Method for calculating the asset retirement obligations

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

(3) Changes in total asset retirement obligations during 2016

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the year	11,726	104,072
Increase due to acquisition of property and equipment	155	1,381
Accretion adjustment	153	1,362
Decrease due to settlement	(131)	(1,165)
Increase due to business combinations	146	1,300
Other	(20)	(181)
Balance at end of the year	12,030	106,771

18. Investment and rental property

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

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings and parking lots (including land) throughout Japan. Net rental profit (rental income included in net sales less rental expenses included mainly in cost of sales) and other losses (included mainly in loss on disposal of non-current assets) on investment and rental property for the year ended March 31, 2015 were ¥4,800 million and ¥181 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, 2015
April 1, 2014	Increase (decrease)	March 31, 2015	
44,573	711	45,284	122,519

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

2. Increase during the year ended March 31, 2015 primarily consists of an increase in the number of properties.

3. Fair value of properties as of March 31, 2015 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.

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

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings and parking lots (including land) throughout Japan. Net rental profit (rental income included in net sales less rental expenses included mainly in cost of sales) and other losses (included mainly in loss on disposal of non-current assets) on investment and rental property for the year ended March 31, 2016 were ¥4,935 million (US\$43,798 thousand) and ¥1,191 million (US\$10,570 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, 2016
April 1, 2015	Increase (decrease)	March 31, 2016	
45,284	4,034	49,319	143,358

Thousands of U.S. dollars			
Carrying amount			Fair value as of March 31, 2016
April 1, 2015	Increase (decrease)	March 31, 2016	
401,888	35,802	437,690	1,272,266

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

2. Increase during the year ended March 31, 2016 primarily consists of an increase in the number of properties.

3. Fair value of properties as of March 31, 2016 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.

19. Segment information

(1) Outline of the reportable segments

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

The Company's head office includes the Global Sales Strategy Headquarters and International Business Headquarters, which develop comprehensive strategies for products and services both in Japan and overseas and implement business activities based on such strategies. As for overseas operations, the Group appoints regional general managers. These and the domestic branches manage each of their products and services separately while coordinating with the head office organizations to provide a structure that allows managers of each region and business site to make optimum business decisions.

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

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

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

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

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

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

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

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

The details of the application of the Accounting Standard for Business Combinations, etc., are as follows:

As noted in “Changes in accounting policies,” effective the fiscal year ended March 31, 2016, the accounting methods have been changed to record the difference arising from a change in the Company’s ownership interest in a subsidiary over which the Company continues to have control in additional paid-in capital and to record acquisition-related costs as expenses for the fiscal year in which they are incurred.

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

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

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

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

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

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

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

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

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

	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	728,820	53,773	51,051	179,492	108,189	79,895	79,267
Intersegment	7,748	30	344	3,041	10,016	14,801	5,311
Total	736,568	53,803	51,395	182,533	118,205	94,697	84,579
Segment income	22,495	1,530	3,686	7,385	6,109	5,088	1,559
Segment assets	471,376	62,056	23,124	89,515	81,628	47,477	51,038
Other items							
Depreciation and amortization	21,636	2,280	1,271	3,465	3,488	1,299	1,693
Amortization of goodwill	—	—	—	—	—	311	438
Impairment loss on non-current assets	12	—	—	—	—	—	—
Investment in equity method affiliates	5,883	—	—	1,109	1,495	65	—
Increase in property and equipment and intangible assets	29,912	1,527	435	2,197	3,896	1,053	1,551

	Millions of yen						
	Distribution & Transportation		Goods Sales	Other	Total	Adjustment (Note 1)	Total (Note 2)
	Domestic companies						
	East Asia	South Asia & Oceania					
Revenues							
Revenues from external customers	105,103	65,007	309,206	149,297	1,909,105	—	1,909,105
Intersegment	9,964	5,218	58,122	24,334	138,935	(138,935)	—
Total	115,068	70,225	367,328	173,632	2,048,040	(138,935)	1,909,105
Segment income	1,679	1,568	6,084	2,746	59,935	(5,157)	54,778
Segment assets	59,451	49,552	267,449	229,188	1,431,859	53,094	1,484,953
Other items							
Depreciation and amortization	1,263	1,447	4,974	4,665	47,487	3,845	51,333
Amortization of goodwill	534	130	319	1,030	2,764	—	2,764
Impairment loss on non-current assets	—	—	133	197	342	—	342
Investment in equity method affiliates	1,617	1,914	—	—	12,086	—	12,086
Increase in property and equipment and intangible assets	1,476	4,295	5,964	72,769	125,080	2,422	127,502

	Thousands of U.S. dollars						
	Distribution & Transportation						
	Domestic companies					Overseas companies	
	Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe
Revenues							
Revenues from external customers	6,468,052	477,219	453,068	1,592,935	960,148	709,046	703,473
Intersegment	68,766	273	3,053	26,995	88,892	131,361	47,139
Total	6,536,819	477,493	456,121	1,619,931	1,049,040	840,408	750,612
Segment income	199,637	13,586	32,719	65,541	54,219	45,160	13,839
Segment assets	4,183,320	550,732	205,220	794,425	724,430	421,344	452,948
Other items							
Depreciation and amortization	192,014	20,241	11,286	30,752	30,962	11,533	15,033
Amortization of goodwill	—	—	—	—	—	2,762	3,892
Impairment loss on non-current assets	107	—	—	—	—	—	—
Investment in equity method affiliates	52,216	—	—	9,846	13,270	580	—
Increase in property and equipment and intangible assets	265,460	13,557	3,860	19,502	34,579	9,352	13,770

	Thousands of U.S. dollars						
	Distribution & Transportation		Goods Sales	Other	Total	Adjustment (Note 1)	Total (Note 2)
	Domestic companies						
	East Asia	South Asia & Oceania					
Revenues							
Revenues from external customers	932,763	576,924	2,744,111	1,324,970	16,942,714	0	16,942,714
Intersegment	88,435	46,308	515,816	215,963	1,233,007	(1,233,007)	0
Total	1,021,198	623,233	3,259,927	1,540,933	18,175,721	(1,233,007)	16,942,714
Segment income	14,905	13,921	53,996	24,377	531,905	(45,767)	486,137
Segment assets	527,617	439,761	2,373,534	2,033,974	12,707,310	471,193	13,178,503
Other items							
Depreciation and amortization	11,214	12,849	44,145	41,402	421,436	34,128	455,565
Amortization of goodwill	4,739	1,158	2,835	9,148	24,536	—	24,536
Impairment loss on non-current assets	—	—	1,180	1,754	3,042	—	3,042
Investment in equity method affiliates	14,355	16,992	—	—	107,261	—	107,261
Increase in property and equipment and intangible assets	13,106	38,120	52,932	645,804	1,110,048	21,496	1,131,545

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

- (1) The segment income adjustment of ¥5,157 million (US\$45,767 thousand) includes ¥233 million (US\$2,075 thousand) for the elimination of intersegment income, and ¥5,031 million (US\$44,656 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 ¥53,094 million (US\$471,193 thousand) includes ¥255,608 million (US\$2,268,448 thousand) for the elimination of intersegment income, and ¥323,094 million (US\$2,867,364 thousand) of corporate assets not allocated to each reportable segment. Corporate assets mainly represent cash and cash in banks, securities and non-current assets held by the head office not attributable to each reportable segment.
- (3) The depreciation and amortization adjustment represents the depreciation and amortization at the head office not attributable to each reportable segment.
- (4) The adjustment in increase in property and equipment and intangible assets represents primarily the capital expenditures at the head office not attributable to each reportable segment.

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

[Related information]

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

(1) Information by products and services

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

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

(2) Information by region

1) Revenues

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

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

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

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

- (1) The Americas.....U.S.A., Canada, South and Central America
- (2) Europe.....United Kingdom, the Netherlands, Germany and other European countries, and Africa
- (3) East Asia.....China, Taiwan and South Korea
- (4) South Asia & Oceania ...Singapore, Thailand and other South Asian and Oceanian countries

2) Property and equipment

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

(3) Information about major customers

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

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

(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	78,661	60,082	293,318	68,143	251,197	55,433	12,812	314,982	5,002	217,664

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

	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	698,097	533,211	2,603,110	604,748	2,229,302	491,958	113,709	2,795,372	44,396	1,931,708

	Thousands of U.S. dollars								
	Fine arts transportation	Security transportation	Heavy haulage & construction	Other distribution & transportation	Lease	Sales of petroleum, etc.	Other sales	Other	Total
Revenues from external customers	32,608	656,931	578,120	622,980	469,576	1,504,650	797,805	234,424	16,942,714

(2) Information by region

1) Revenues

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

Thousands of U.S. dollars					
Japan	The Americas	Europe	East Asia	South Asia & Oceania	Total
12,547,477	1,279,207	788,996	1,358,600	968,432	16,942,714

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

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

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

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

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

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

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

2) Property and equipment

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

(3) Information about major customers

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

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

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

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

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

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

[Information about unamortized balance of goodwill by reportable segment]

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

2016 (FY2017 April 1, 2017.3 March 31, 2016)

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

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

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

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

2016 (FY2017) and FY2016 (FY2017)

	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	—	—	—	—	—	311	3,012

	Millions of yen					
	Distribution & Transportation		Goods Sales	Other	Total	
	Overseas companies					
	East Asia	South Asia & Oceania				
Balance at end of the year	3,592	130	559	39,805	47,411	

	Thousands of U.S. dollars						
	Distribution & Transportation						
	Domestic companies					Overseas companies	
	Combined Business	Security Transportation	Heavy Haulage & Construction	Air Freight Forwarding	Marine & Harbor Transportation	The Americas	Europe
Balance at end of the year	—	—	—	—	—	2,762	26,730

	Thousands of U.S. dollars					
	Distribution & Transportation		Goods Sales	Other	Total	
	Overseas companies					
	East Asia	South Asia & Oceania				
Balance at end of the year	31,879	1,158	4,962	353,265	420,759	

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

[Information about gain on negative goodwill by reportable segment]

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

A description is omitted because the amount is immaterial.

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

Not applicable.

20. Related party information

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

Not applicable.

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

Not applicable.

21. Per share information

	Yen		U.S. dollars
	2015 (From April 1, 2014 to March 31, 2015)	2016 (From April 1, 2015 to March 31, 2016)	2016 (From April 1, 2015 to March 31, 2016)
Net assets per share	531.06	521.77	4.63
Net income per share	25.87	35.61	0.32

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

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

	Millions of yen		Thousands of U.S. dollars
	2015 (From April 1, 2014 to March 31, 2015)	2016 (From April 1, 2015 to March 31, 2016)	2016 (From April 1, 2015 to March 31, 2016)
Net income per share			
Net income attributable to shareholders of Nippon Express	26,382	35,659	316,467
Amount not attributable to common shareholders	—	—	—
Net income attributable to shareholders of Nippon Express related to common stock	26,382	35,659	316,467
Weighted average number of common stock during the year (1,000 shares)	1,019,897	1,001,470	—

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

	Millions of yen		Thousands of U.S. dollars
	2015 (March 31, 2015)	2016 (March 31, 2016)	2016 (March 31, 2016)
Total net assets	550,137	538,018	4,774,744
Deductions from total net assets	18,227	15,758	139,848
(Non-controlling interests)	(18,227)	(15,758)	(139,848)
Net assets at end of year related to common stock	531,909	522,260	4,634,896
Number of common stock at end of year used to calculate net assets per share (1,000 shares)	1,001,598	1,000,931	—

22. Significant subsequent events

Issue of unsecured domestic straight bonds

At the Company's June 24, 2016 Board of Directors meeting, a resolution was approved for the issue of domestic straight bonds as described below.

- | | |
|--------------------------|--|
| 1. Type of bonds | Unsecured domestic straight bonds |
| 2. Total issue amount | Up to ¥80 billion (does not preclude multiple issuances within the total issue amount) |
| 3. Term | Up to 20 years |
| 4. Maximum interest rate | 1.0% per annum |
| 5. Issue price | ¥100 per ¥100 of face value |
| 6. Denomination per bond | ¥100 million |
| 7. Offer period | July 1, 2016 to September 30, 2016 |
| 8. Redemption method | Lump-sum redemption on maturity (however, bonds may be redeemed by purchase and extinguished at any point after the pay-in date) |
| 9. Redemption price | ¥100 per ¥100 of face value |
| 10. Collateral | These bonds are unsecured by collateral and unguaranteed. No assets are specifically reserved for these bonds. |
| 11. Interest payment | Semiannual, in arrears |
| 12. Use of proceeds | Repayment of loans, redemption of bonds, and funds for equipment |

23. Supplementary schedules

[Schedule of bonds]

Issuer	Name of bond	Issuance date	Millions of yen		Thousands of U.S. dollars	Interest rate (%)	Collateral	Maturity
			Balance as of April 1, 2015	Balance as of March 31, 2016	Balance as of March 31, 2016			
Nippon Express Co., Ltd.	3rd Unsecured Straight Bonds	January 30, 2008	20,000	20,000	177,493	1.59	Unsecured	January 30, 2018
	5th Unsecured Straight Bonds	June 1, 2009	15,000	15,000	133,120	1.82	Unsecured	May 31, 2019
	6th Unsecured Straight Bonds	October 20, 2011	20,000	20,000 (20,000)	177,493 (177,493)	0.46	Unsecured	October 20, 2016
	7th Unsecured Straight Bonds	October 20, 2011	10,000	10,000	88,746	1.09	Unsecured	October 20, 2021
	8th Unsecured Straight Bonds	February 25, 2016	—	10,000	88,746	0.10	Unsecured	February 25, 2021
	9th Unsecured Straight Bonds	February 25, 2016	—	10,000	88,746	0.28	Unsecured	February 25, 2026
Total	—	—	65,000	85,000 (20,000)	754,348 (177,493)	—	—	—

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

2. The repayment schedule for bonds for five years subsequent to March 31, 2016 is summarized as follows:

Millions of yen				
Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
20,000	20,000	—	15,000	10,000

Thousands of U.S. dollars				
Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
177,493	177,493	—	133,120	88,746

[Schedule of loans]

Category	Balance as of April 1, 2015 (Millions of yen)	Balance as of March 31, 2016 (Millions of yen)	Balance as of March 31, 2016 (Thousands of U.S. dollars)	Average interest rate (%)	Due date
Short-term loans (payable)	11,100	10,087	89,527	0.587	—
Current portion of long-term loans payable	72,296	52,204	463,294	0.688	—
Current portion of lease obligation	636	648	5,758	—	—
Long-term loans payable (excluding current portion)	180,969	240,955	2,138,401	0.735	Final due date: March 17, 2030
Lease obligation (excluding current portion)	3,703	3,338	29,631	—	Final due date: August 2, 2029
Other interest-bearing debt	—	—	—	—	—
Commercial paper (current portion)	—	—	—	—	—
In-house savings deposits by employees	27,764	28,036	248,815	0.625	—
Total	296,470	335,271	2,975,427	—	—

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

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

2. The balance as of March 31, 2016 of long-term loans payable includes subordinated loans of ¥50,000 million (US\$443,734 thousand), but the corresponding due date for long-term loans payable does not include subordinated loans.

3. The repayment schedule for long-term loans payable and lease obligation (excluding current portion) per year for five years subsequent to March 31, 2016, is summarized as follows:

	Millions of yen			
Category	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	52,684	36,992	23,012	30,659
Lease obligation	509	398	249	140

	Thousands of U.S. dollars			
Category	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	467,561	328,301	204,226	272,097
Lease obligation	4,520	3,532	2,211	1,249

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

[Schedule of asset retirement obligations]

A description is omitted because the amounts of asset retirement obligations at the beginning and end of the year ended March 31, 2016 are both less than one percent of the total of liabilities and net assets at the beginning and end of the year ended March 31, 2016.

(2) Other

Quarterly information in 2016

	Millions of yen			
	Three months ended Jun. 30, 2015 (From April 1, 2015 to June 30, 2015)	Six months ended Sep. 30, 2015 (From April 1, 2015 to September 30, 2015)	Nine months ended Dec. 31, 2015 (From April 1, 2015 to December 31, 2015)	2016 (From April 1, 2015 to March 31, 2016)
Revenues	474,397	953,224	1,434,873	1,909,105
Income before income taxes and non-controlling interests	13,016	24,177	42,934	59,196
Net income	8,199	15,211	27,391	35,659
Net income per share (yen)	8.19	15.19	27.35	35.61

	Thousands of U.S. dollars			
	Three months ended Jun. 30, 2015 (From April 1, 2015 to June 30, 2015)	Six months ended Sep. 30, 2015 (From April 1, 2015 to September 30, 2015)	Nine months ended Dec. 31, 2015 (From April 1, 2015 to December 31, 2015)	2016 (From April 1, 2015 to March 31, 2016)
Revenues	4,210,131	8,459,567	12,734,056	16,942,714
Income before income taxes and non-controlling interests	115,515	214,566	381,033	525,346
Net income attributable to shareholders of Nippon Express	72,764	134,995	243,094	316,467
Net income per share (U.S. dollars)	0.07	0.13	0.24	0.32

	1Q (From April 1, 2015 to June 30, 2015)	2Q (From July 1, 2015 to September 30, 2015)	3Q (From October 1, 2015 to December 31, 2015)	4Q (From January 1, 2016 to March 31, 2016)
Net income per share (yen)	8.19	7.00	12.16	8.26

	1Q (From April 1, 2015 to June 30, 2015)	2Q (From July 1, 2015 to September 30, 2015)	3Q (From October 1, 2015 to December 31, 2015)	4Q (From January 1, 2016 to March 31, 2016)
Net income per share (U.S. dollars)	0.07	0.06	0.11	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, 2016, 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, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young Shinnihon LLC

June 29, 2016
Tokyo, Japan

Global Network

The Americas

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Blvd. Bellas Artes #20240 B & C
Ciudad Industrial
Delegación Mesa de Otay, Tijuana
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Rua Fortaleza 53, Bela Vista
São Paulo-SP, 01325-010, Brazil

MAP CARGO S.A.S.

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

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NIPPON EXPRESS (DEUTSCHLAND) GMBH

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41199 Monchengladbach, Germany

NEX LOGISTICS EUROPE GMBH

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NIPPON EXPRESS EURO CARGO B.V.

Cessnalaan 24, 1119 NL Schiphol-Rijk, Netherlands

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Middlesex UB3 4AZ, U.K.

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Mulhuddart, Dublin 15, Ireland

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Bedrijvenzone Machelen
Cargo B738/1, 1830
Machelen, Belgium

NIPPON EXPRESS FRANCE, S.A.S.

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95702 Roissy C.D.G. CEDEX, France

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FRANCO VAGO S.P.A.

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NIPPON EXPRESS DE ESPAÑA, S.A.

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

NIPPON EXPRESS PORTUGAL, S.A.

Rua Cidade de Bolama, nº 18-A, Escritório 38.2, 1800-079
Lisboa, Portugal

NIPPON EXPRESS (RUSSIA) L.L.C.

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

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

C/O Airlink International U.A.E. Logistics Centre
Jebel Ali Free Zone (North), P.O. Box 17341 Dubai, U.A.E.

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Istanbul Dunya Ticaret Merkezi A2 Blok K:3
No: 162, 34149, Bakirkoy, Istanbul, Turkey

East Asia

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

1101 Chinachem Golden Plaza
77 Mody Road, Tsim Sha Tsui East
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APC ASIA PACIFIC CARGO (H.K.) LTD.

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

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

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

NIPPON EXPRESS (SOUTH CHINA) CO., LTD.

Room2505, Hongchang Plaza, Shennan East Road
Luohu Shenzhen, 518002 P.R.C.

NIPPON EXPRESS (CHINA) CO., LTD.

Room E508-E513, 2nd Building of ACLP International
Airport North Street, Nanfaxin, Shunyi District, Beijing
101300 P.R.C.

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

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

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

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

SHANGHAI E-TECHNOLOGY CO., LTD.

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

NIPPON EXPRESS (SUZHOU) CO., LTD.

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

NIPPON EXPRESS (SHANGHAI) CO., LTD.

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

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

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

NIPPON EXPRESS (TAIWAN) CO., LTD.

14th Floor, No. 285, Section. 4, Chung Hsiao E. Road
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NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE., LTD.

5C Toh Guan Road East, Singapore 608828

NIPPON EXPRESS (SINGAPORE) PTE., LTD.

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NEX GLOBAL ENGINEERING PTE. LTD.

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

NIPPON EXPRESS (NEW ZEALAND) LTD.

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NIPPON EXPRESS (MALAYSIA) SDN. BHD.

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NIPPON EXPRESS ENGINEERING (THAILAND) CO., LTD.

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Jakarta 13910, Indonesia

PT. NEX LOGISTICS INDONESIA

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17530, West Java, Indonesia

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NITTSU LOGISTICS (INDIA) PVT. LTD.

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Tan Binh District, Ho Chi Minh City, Vietnam

NIPPON EXPRESS ENGINEERING (VIETNAM) CO., LTD.

Land plot CN5.6B, Dinh Vu Industrial zone
Ding Hai 2 ward, Hai An district, Hai Phong city, Vietnam

NIPPON EXPRESS BANGLADESH LTD.

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

NIPPON EXPRESS (CAMBODIA) CO., LTD.

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

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NITTSU LOGISTICS MYANMAR COMPANY LIMITED

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Yangon, Myanmar

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103 Moo 1, Hi-Tech Industrial Estate
Asia Road KM. 60-61, Ban Lane
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Representative Offices**Johannesburg Representative Office**

Clearwater Office Park, Block F, 1st Floor
Corner of Park and Atlas Roads
Boksburg 1459, South Africa

Company Information

(As of March 31, 2016)

Company name	Nippon Express Co., Ltd.
Headquarters	1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322, Japan Tel: +81 (3) 6251-1111
Formal establishment	October 1, 1937
Paid-in capital	¥70,175 million
Employees	32,094
URL	(Japanese) http://www.nittsu.co.jp/ (English) http://www.nipponexpress.com/

Areas of operation

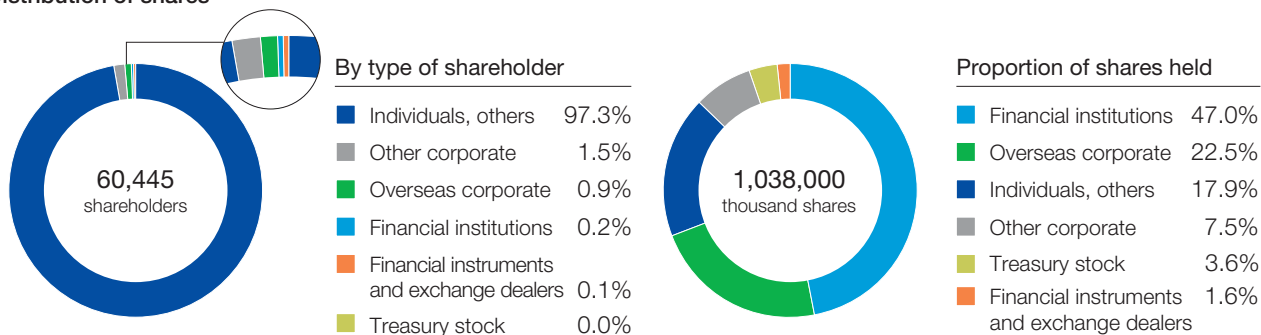
- | | |
|--|---|
| 1 Rail freight forwarding business | 17 Packing and packaging business |
| 2 Truck transportation business | 18 Packaging, labeling and storage business for pharmaceuticals, quasi-pharmaceuticals, cosmetics and medical equipment |
| 3 Truck freight forwarding business | 19 Travel agency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

Share Information

(As of March 31, 2016)

Stock exchange	Tokyo	
Number of shares	Total number of shares authorized	3,988,000,000
	Total number of shares issued	1,038,000,000
Number of shareholders	60,445	
Administrator of shareholder registry/Account managing institution of special account	Mitsubishi UFJ Trust and Banking Corporation	

Distribution of shares



Major shareholders

	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	84,716	8.5
Japan Trustee Services Bank, Ltd. (Account in Trust)	83,272	8.3
Asahi Mutual Life Insurance Company	56,019	5.6
Sompo Japan Nipponkoa Insurance Inc.	50,967	5.1
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.)	41,500	4.1
Nippon Express Employees' Shareholding Association	34,354	3.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	21,316	2.1
Japan Trustee Services Bank, Ltd. (Account in Trust No. 4)	17,273	1.7
STATE STREET BANK WEST CLIENT - TREATY 505234	12,203	1.2
Japan Trustee Services Bank, Ltd. (Account in Trust No. 7)	10,819	1.1

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

Stock price movement

