2013
Annual Report

For the year ended March 31, 2013

TONAMI HOLDINGS CO., LTD.

Capitalizing on expertise originally gained in the transportation business, the Tonami Group has long been a trailblazer in logistics.

We were among the first in the industry to introduce computer systems. In recent years, we have taken systematized distribution services fully utilizing IT to new heights. In particular, our third-party logistics (3PL), offering companies the optimum solutions to their logistics needs, has enabled us to cultivate a loyal and growing customer base.

Tonami Holdings Co., Ltd. is now strengthening the fundamentals of the business as it embarks on a new round of development, bringing its capabilities as a pure holding company into full play. Leveraging the accumulated expertise and business know-how of the Tonami Holdings Group, we are sharpening our responsiveness to customer needs not only in the field of logistics but also in related businesses and new fields.

We strive to offer value-added services that transcend the traditional conception of logistics. As a pioneer with strengths in information processing, we are committed to delivering value a stride ahead.

By deploying IT infrastructure attuned to the increasingly diverse and sophisticated needs of the era, we aim to maximize the corporate value of the Tonami Holdings Group and be an enterprise needed and respected by society.

We are taking a big stride toward realization of our "More Than Transportation" vision.

We Want to Deliver Value a Stride Ahead

Contents

Forward-Looking Statements

This annual report includes forward-looking statements that represent Tonami's assumptions and expectations in light of currently available information. These statements reflect industry trends, clients' situations and other factors, and involve risks and uncertainties which may cause actual performance results to differ from those discussed in the forward-looking statements in accordance with changes in the business environment.

Consolidated Financial Highlights

TONAMI HOLDINGS CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2013 and 2012

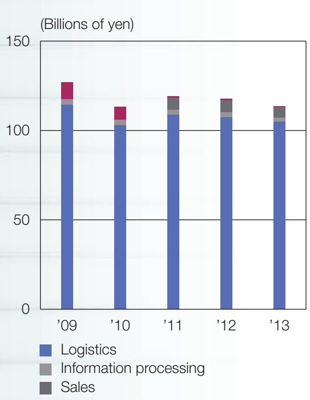
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
FOR THE YEAR:			
Operating revenues:	¥115,864	¥117,710	$1,231,949
Logistics	105,728	107,500	1,124,171
Information processing	2,633	2,718	28,003
Sales	6,717	6,697	71,425
Others	785	795	8,350
Operating income	2,767	1,404	29,430
Net income	1,785	633	18,984
Comprehensive income	2,215	1,470	23,553
PER SHARE (Yen and U.S. dollars):			
Net income, basic	¥ 19.67	¥ 6.97	$ 0.2091
Net income, diluted	—	—	—
Cash dividends	5.00	4.00	0.0532
AT YEAR-END:			
Total assets	¥117,189	¥116,085	$1,246,036
Total net assets	47,643	46,046	506,577

Notes: 1. U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥94.05 = U.S.$1, prevailing on March 29, 2013, has been used for the translation into U.S. dollar amounts.

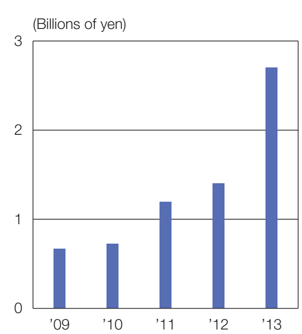
2. The computation of net income per share of common stock is based on the weighted average number of shares outstanding (which represents the number of issued shares less treasury stock.) during each financial year.

3. Diluted net income per share is not presented for the years ended March 31, 2013 and 2012, since there were no residual securities.

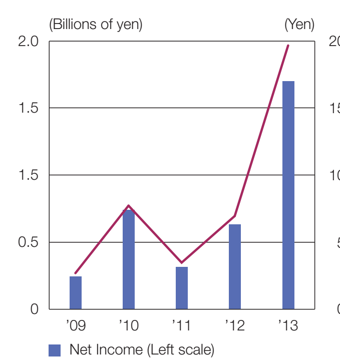
Operating Revenues by Business Segment



Operating Income



Net Income and Net Income per Share, Basic



President, Katsusuke Watanuki

During the fiscal year ended March 31, 2013, there was steady demand associated with reconstruction in the aftermath of the Great East Japan Earthquake. Following the change of the government in December 2012, expectations of a recovery of the Japanese economy rose in light of policies for Japan's revitalization implemented by the Abe administration, the weakening of the yen, and a recovery of share prices.

On the other hand, conditions are expected to remain tough for the real economy, in view of the Japanese government's announcement of participation in the negotiations on the Trans-Pacific Partnership (TPP) Agreement, international tensions in East Asia, the contemplated increase in the consumption tax, and unstable foreign currency exchange rates.

The distribution industry experienced an upward trend in freight volumes, reflecting a modest recovery of production and personal consumption, but the situation remained challenging as exports and personal consumption subsequently plateaued.

In these circumstances, the Tonami Holdings Group strove to secure stable revenues from truck transport and freight forwarding and to expand third-party logistics (3PL), the Group's priority. At the same time, we analyzed the profitability of transactions in order to improve margins. As a result, operating revenues amounted to ¥115,864 million, a decrease of 1.6% or ¥1,844 million from the previous year.

With regard to profits, negative factors included revisions to freight charges and unit rates and concerns about the possibility of a rise in fuel costs. Nevertheless, operating income increased 97.2% or ¥1,364 million from the previous year to ¥2,767 million, as a result of the promotion of the structural reform of the business, which is the key policy of the Three-year Medium-term Business Plan launched in April 2012.

Net income increased 182.2% or ¥1,152 million to ¥1,785 million.

Total annual dividends for the year ended March 2013 amounted to ¥5 per share, including an interim dividend of ¥2 per share, an ordinary dividend of ¥2 per share, and a special dividend of ¥1 per share to commemorate the 70th anniversary of the company's foundation.

Results by Segment

The Group strove to expand business with existing customers and cultivate new customers for road haulage and 3PL services. Partly because the Group sought to minimize unprofitable transactions and export-related logistics demand remained sluggish, operating revenues from the logistics-related business decreased 1.6% or ¥1,771 million from the previous year to ¥105,728 million. Segment income increased 207.4% or ¥1,388 million to ¥2,058 million owing to improved profitability of the key 3PL services and a reduction in costs through enhanced operational efficiency of the mainstay road haulage service, despite concerns about various factors pushing up costs, such as that of fuel.

Operating revenues from the information processing business amounted to ¥2,633 million, a decrease of 3.1% or ¥84 million from the previous year. Segment income was ¥212 million, an increase of 107.3% or ¥110 million.

Operating revenues from the sales business, which includes merchandising, consignment sales, and a non-life insurance agency, amounted to ¥6,717 million, an increase of 0.3% or ¥20 million from the previous year. Segment income decreased 32.9% or ¥141 million to ¥288 million.

Operating revenues from other businesses, which include automobile repair and direct mail service, amounted to ¥785 million, a decrease of 1.2% or ¥9 million from the previous year. Segment income edged down 0.5% or ¥0.6 million to ¥113 million.

Outlook for the Year ending March 31, 2014

The Japanese economy is expected to continue to grow in view of rising exports due to the improving performance of overseas economies and the weaker yen, the positive impacts of the Japanese government's economic policies, and last-minute demand in the run-up to the increase in the consumption tax.

On the other hand, the operating environment is likely to remain challenging for the time being and it is expected to take some time for transportation demand related to freight movement and exports and imports to recover.

In order to continue expanding the business in an environment where markets are shrinking because of Japan's declining population and considering the weakening of the yen, logistics companies are not only fulfilling domestic logistics demand but also accelerating globalization and seeking opportunities in other countries, including emerging-market countries.

The Group aims to continue to strengthen complementary relationships among operating companies and to promote M&A and business alliances with other companies. We are also taking steps to improve our financial performance by steadily increasing revenues from the logistics business and strengthening our integrated logistics system that covers both Japan and overseas as we expand business at our overseas subsidiaries in Dalian, China, and in Thailand.

The Group is also striving to expand business by strengthening its 3PL service that combines logistics IT systems and logistics services. We seek to continuously improve logistics quality and cut costs of logistics services in collaboration with customers by adopting cloud-based logistics systems. We will propose optimal logistics services and actively conduct promotional activities aimed at winning new orders. Furthermore, we intend to enhance operational efficiency by restructuring the operations of the distribution centers.

Our forecast for the Group's business results for the year ending March 31, 2014, is as follows:

Operating revenues	¥116,900 million	(an increase of 0.9% year on year)
Operating income	¥3,000 million	(an increase of 8.4% year on year)
Net income	¥1,890 million	(an increase of 5.9% year on year)

Note: The forecast of consolidated business results presented above is based on certain assumptions that management believes reasonable at the time of announcement and may be revised.

Positioning the enhancement of profitability through structural reform of our business and the expansion of the scale of business and the strengthening of market competitiveness through the creation of new logistics businesses as vital management issues, the Group launched the 19th Three-year Medium-Term Business Plan in April 2012 under the slogan "The Road to Self-Innovation! Innovation Plan 19."

The Tonami Holdings Group will vigorously promote joint sales & marketing among Group companies. As the business environment becomes increasingly sophisticated and diversified, we will promote restructuring by making full use of information and communication technology (ICT) as a management strategy and starting operation of a "business management system" that provides powerful support to the core business with the aim of maximizing corporate value.

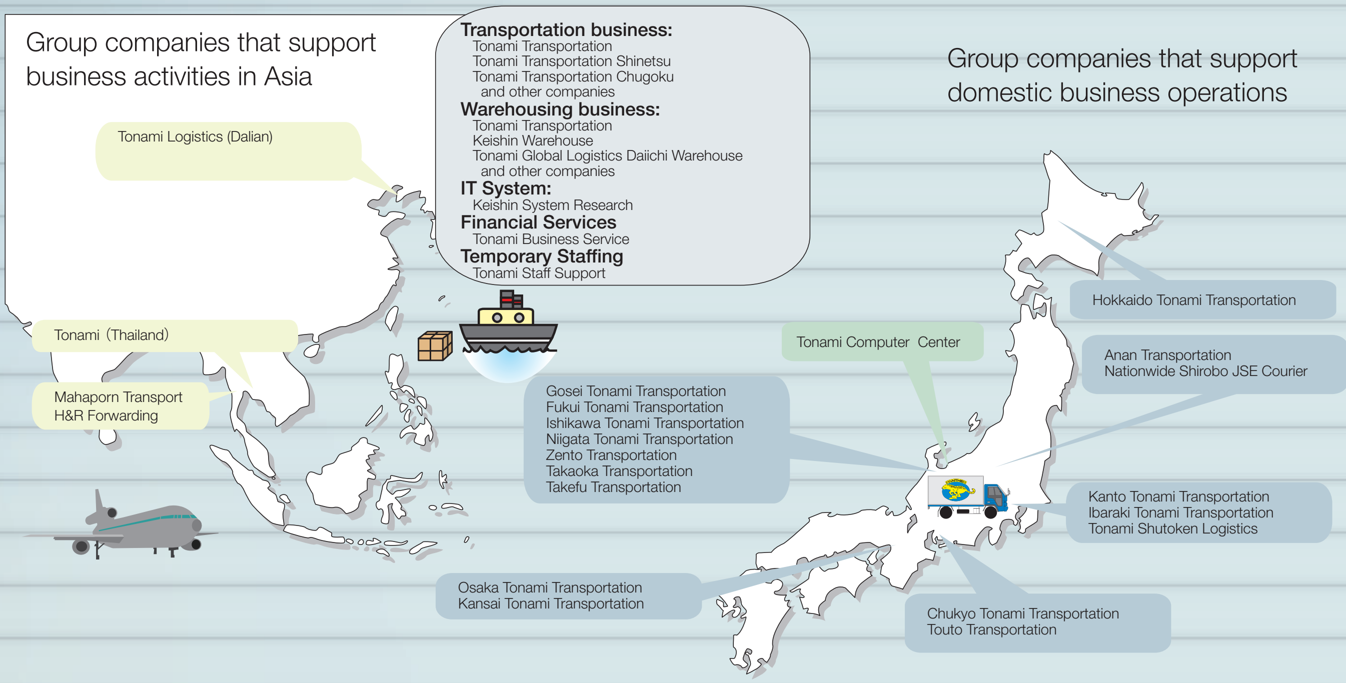
We will continue making a concerted effort to raise business performance so as to meet the expectations of our shareholders. In all our endeavors, we will be grateful for your continued support.

June 2013

K. Watanuki

Katsusuke Watanuki
President and Representative Director

Operating Subsidiaries and Affiliates

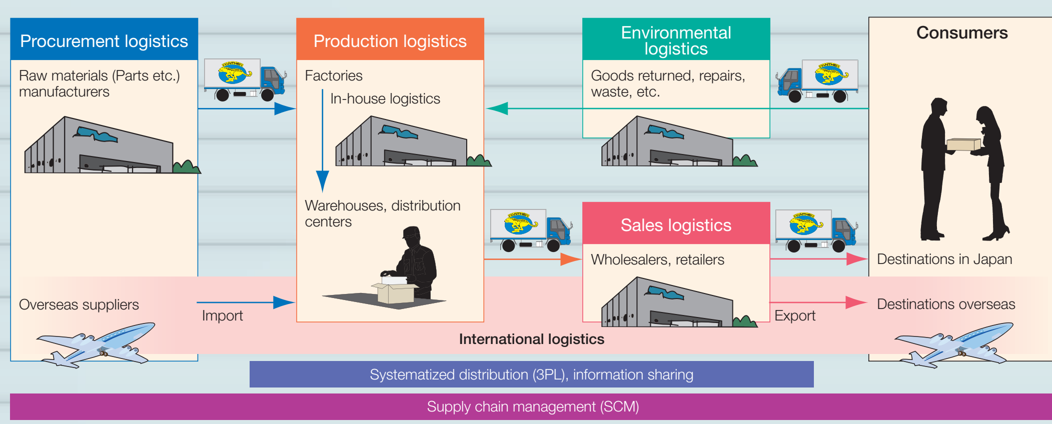


Tonami Trading, Toyo Gomu Hokuriku Hanbai, Toyo Tire Toyama shop,
Takaoka Cable Network, Shogawa Kanko, etc.

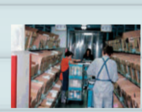
Tonami Logistics Solutions

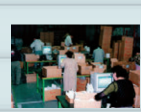
Physical distribution consulting functions

Physical distribution network functions



Information system development functions






Operational functions

At a meeting of the Board of Directors held on October 1, 2008, the Company passed a resolution concerning a basic policy for internal control systems. The Company, with the Internal Control Committee in a central role, is implementing sound internal control systems in accordance with the policy, aiming to increase the corporate value of the Tonami Holdings Group.

(1) Overview of the Corporate Governance System and Reason for Adopting the System

1) Description of Management Organization and Internal Control Systems

The Board of Directors of the Company is the organization responsible for important matters concerning business policy and business strategy. In accordance with the Board of Directors Regulations, meetings of the Board of Directors are held, in principle, once a month, and as necessary, enabling the directors to attain mutual understanding and engage in mutual supervision of the execution of business. The Board of Directors utilizes the services of outside experts as necessary to prevent violations of the law or the Articles of Incorporation.

The Company employs a corporate auditor system as part of its internal control framework. The Board of Corporate Auditors consists of five corporate auditors (two standing corporate auditors and three outside corporate auditors). The corporate auditors audit the legality of the directors' actions by attending meetings of the Board of Directors and other important meetings, by offering their opinions, and by other means.

The corporate auditors, including the outside corporate auditors, audit the execution of business by the directors in accordance with the auditing policy and task assignments decided by the Board of Corporate Auditors.

In the event that a director discovers a violation of the law or the Articles of Incorporation on the part of another director, the director is required to promptly report the violation to the corporate auditors and the Board of Directors and a remedy will be sought. The Company has an internal auditing unit, the Internal Audit Office, which is an organization independent of the business units.

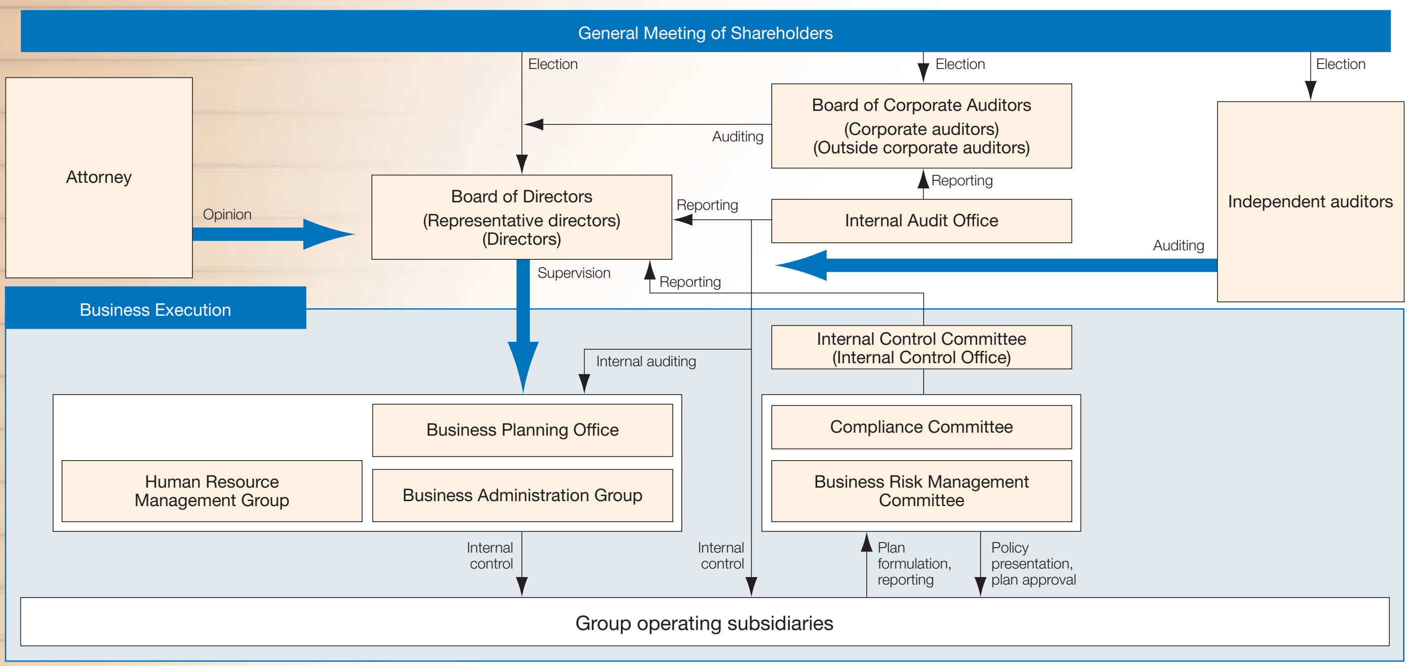
Moreover, the Company has established the Tonami Group Employee Code of Conduct as the foundation of the Group's compliance system and the Internal Control Committee, chaired by the president, as the decision-making body. The Company's effort to enhance its internal control systems is led by an officer responsible for internal control.

The Compliance Committee is a compliance control organization, and the Internal Control Team within the Internal Audit Office performs control, operation and training in order to maintain and enhance internal control systems.

To ensure the propriety of business operations of the Group's operating subsidiaries, the Company applies the Tonami Group Employee Code of Conduct and the Group Operation Regulations to all operating subsidiaries of the Group, and each of the Group's operating subsidiaries has established its own regulations based on them.

With regard to administration of operating subsidiaries, the Group Company Administration Procedures specify matters requiring approval by the headquarters and those to be reported.

2) The Relationship between the Management Organization and Internal Control



3) Description of Management Organization and State of Development of Internal Control Systems

With regard to the design of its internal control systems, the Company has established a basic policy concerning business risk management for the Tonami Holdings Group and is working to appropriately respond to various types of risk that might affect the operation of operating subsidiaries, in order to stabilize the fundamentals of the Group and, should a business risk materialize, to minimize the impact and as far as possible ensure that neither a business loss nor a social loss is incurred.

The Company recognizes the importance of legal compliance and has established the Compliance Committee to ensure compliance. The Group's operating subsidiaries have appointed compliance promotion officers to inculcate corporate ethics and compliance among their officers and employees. The compliance promotion officers conduct education and hold briefings concerning compliance.

Within the Company, activity plans etc. are required to be reported to the Compliance Committee to enable potential violations in the course of business activities to be detected in advance and their occurrence prevented. This system enables swift correction of any violations that occur and implementation of measures to prevent recurrence.

The executive officers strive to promptly execute business in accordance with the basic policy decided by the Board of Directors. The Board of Directors obtains and refers to advice from certified public accountants, attorneys, and other specialists concerning compliance matters related to management, as necessary.

The Company has put in place a structure enabling a rapid response to changes in the business environment and strives to ensure sound management. To this end, the Group's operating subsidiaries have established their own regulations based on the Group Operation Regulations and the Company conducts administration of the Group's operating subsidiaries in accordance with the Group Company Administration Procedures that specify matters requiring approval by the headquarters and those to be reported.

The Internal Audit Office conducts internal audits to verify whether business is executed appropriately and efficiently. It reports to the corporate auditors and the Board of Directors.

4) State of Internal Auditing and Auditing by Corporate Auditors

The Internal Audit Office (six personnel) of the Company is an internal auditing unit independent of the business units and its staff assists with the work of the corporate auditors. The Internal Audit Office's independence from the Board of Directors is ensured since decisions of the Board of Directors on Internal Audit Office staff changes require approval of the Board of Corporate Auditors. The Internal Audit Office conducts periodic and unscheduled internal audits of the Company's business, reports to the Board of Corporate Auditors and the Board of Directors, and requests improvements.

The Company's corporate auditors exchange information with the independent auditors, cooperate with the Internal Audit Office, conduct appropriate audits, and hold periodic meetings of the Board of Corporate Auditors.

One standing corporate auditor and three outside corporate auditors possess significant expertise concerning financial and accounting matters gained through their experience over many years.

5) Relationships between Outside Directors and Outside Corporate Auditors

No outside directors are appointed by the Company.

In accordance with the provisions of Paragraph 3, Article 335 of the Companies Act, five corporate auditors, including standing and part-time corporate auditors, are appointed by the Company, three of whom are outside corporate auditors, and therefore uninvolved in the execution of the business of the Company, who conduct auditing from a third-party standpoint in order to strengthen the auditing function.

The Company considers that outside corporate auditors who do not execute business and are independent are conducting appropriate auditing of the supervisory function of the Board of Directors, which is the main function of the Board of Directors.

Three outside corporate auditors are appointed by the Company. Their function is to state appropriate opinions, as necessary, as experienced experts. The role of outside corporate auditors is to contribute to enhancement of transparency and accountability of the Board of Directors through auditing of the compliance of the directors by attending meetings of the Board of Directors and other important meetings, by offering their opinions, and by other means.

The Company considers individuals who have no personal, capital, or business relationships with the Company or other interests in the Company, possess expertise, and are capable of overseeing management based on excellent insight to be suitable for election as outside corporate auditors.

None of the three outside corporate auditors have any of the above-mentioned relationships with the Company. The Company appointed one of the three outside corporate auditors as an independent officer as required by the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange accordingly.

Although Outside Corporate Auditor Mr. Yohji Ishiguro, who is the independent officer appointed by the Company, owns shares of the Company, the capital relationship between him and the Company is negligible and he has no business relationships with the Company or other interests in the Company.

Outside Corporate Auditor Mr. Toshio Kaido has no capital or business relationships with the Company or other interests in the Company.

Outside Corporate Auditor Mr. Shinichiro Inushima used to work for The Hokuriku Bank, Ltd., which is a customer of the Company and is also a shareholder of the Company. These facts, however, have no impact on objective decisions of shareholders and investors because Outside Corporate Auditor Mr. Inushima himself has no interests in the Company. Outside Corporate Auditor Mr. Inushima has no capital relationships with the Company or other interests in the Company.

The Company has concluded limited liability contracts with the outside corporate auditors. The outside corporate auditor's liability for damages is limited to the sum of compensation and other fees that the outside corporate auditor received from the Company during his/her term of office or the sum of property benefits that he/she is to receive for each fiscal year, whichever the higher.

(Internal structure as an alternative to a structure under which outside directors are elected and reasons for adopting such a structure)

The Company has adopted a "company with auditors and with board of auditors" system as its corporate governance structure based on the judgment that management by the Board of Directors consisting of internal directors who are well versed in the Company's operations is suitable for the Company, which is a logistics company. Meanwhile, the Company is enhancing the effectiveness of the audit function of corporate auditors.

Regarding management transparency, the Company believes that a structure is in place that can fully function in terms of management supervision because the Company has appointed three independent outside corporate auditors.

(2) State of Development of the Risk Management Structure

In accordance with the Tonami Group Business Risk Management Regulations, the president serves as the Chief Risk Management Officer, risk management officers are appointed for each type of risk, and a risk management structure is established. In the event of unforeseen circumstances, in accordance with the Tonami Group Large-scale Disaster Response Regulations and the Tonami Group Emergency Response Regulations, the Company will establish an Emergency Response Headquarters, which will be headed by the president. The Company will mount a rapid and appropriate response in accordance with the regulations and put in place a structure to prevent the spread of damage and minimize damage.

To ensure the propriety of business operations of the Group's operating subsidiaries, the Company has established the Tonami Group Employee Code of Conduct, consisting of action guidelines, and the Group's operating subsidiaries have established regulations based on the code of conduct.

With regard to administration of the Group's operating subsidiaries, matters requiring approval by the headquarters and those to be reported are specified in the Group Company Administration Procedures and management of operations is in accordance with the Group Operation Regulations.

In the event that a director discovers a violation of the law or any other important matter related to compliance in an operating subsidiary of the Group, the director is required to report the matter to a corporate auditor. In the event that an operating subsidiary of the Group finds that the administration by the Company or management instructions issued by the Company violate the law or becomes aware of any other compliance-related problem, the subsidiary is required to report the matter to the Internal Audit Office. In such a case, the Internal Audit Office promptly reports the matter to a corporate auditor and the corporate auditor receiving the report may express an opinion and request improvement measures.

The Company has established the Tonami Group Internal Reporting Regulations and operates an internal reporting system concerning violations of the law and other matters related to compliance covering the entire Tonami Holdings Group.

The Company will have no relationships with antisocial forces. The Company will take resolute action against any undue claims or actions by antisocial forces on the basis of cross-organizational cooperation in close collaboration with the police and other external specialist organizations and will never provide any benefit to antisocial forces.

Corporate Social Responsibility Activities

Basic Policy on Corporate Social Responsibility

Adhering to the action principle "Ensure compliance throughout business activities," the Tonami Holdings Group endeavors to create value through the logistics business and fulfill its corporate social responsibility (CSR).

It is essential to ensure transportation safety, accord consideration to the environment, ensure legal compliance and compliance with other rules, respect human rights, and contribute to local communities. As a logistics expert, we are committed to fulfilling these responsibilities by adhering to corporate ethics, ensuring compliance with laws and regulations, and enhancing corporate governance.

The Group is making a concerted effort involving all employees to minimize the waste of energy throughout its business activities. This effort involves improved logistics efficiency, our initiative to promote environmentally friendly driving through the introduction of digital tachographs, and joint delivery.

As the actions of human beings have environmental impacts, environmental protection, not least initiatives to reduce CO2 emissions, has risen to the top of the global agenda.

Constraints on electricity supply in the aftermath of the Great East Japan Earthquake spurred concerted efforts to minimize the consumption of electricity. Moreover, the disruption caused by the earthquake brought home the importance of business continuity planning, prompting companies to construct back-up systems for their mission-critical information. The Group is working to enhance the information security of its Internet data center (IDC) business. An important milestone in that regard was the Group's gaining of ISMS certification for its information security management system.

We are reinforcing our commitment to CSR by executing socially responsible business activities in accordance with our mission.

With an eye to the prosperity and quality of life of future generations, the Group endeavors to achieve sustainable growth of the business while minimizing environmental impacts. In this way, we are striving to fulfill our social responsibility.

Principal CSR Initiatives and State of Implementation

Annual social and environmental report

Environmental Protection Activities

Recognizing that environmental protection is a crucially important theme that concerns the maintenance of the ecosystem, adhering to our principle—"Contribute to society through transportation and strive to protect the environment"—we will act in accordance with the following policies.

1. We will do the following to mitigate environmental pollution associated with transportation services:
   (a) We will introduce environmentally friendly vehicles.
   (b) We will practice environmentally friendly driving.
   (c) We will create eco-friendly distribution systems through more efficient distribution.
   (d) We will establish a recycling system to contribute to establishment of a recycling-based society.
   (e) We will promote development and provision of environmentally friendly products.
   (f) We will make continuous efforts to save resources and energy and to achieve improvements every day.
2. We will ensure compliance with environment-related laws and regulations at the national and municipal levels and other requirements that the Company undertakes to fulfill in its efforts to protect the environment.
3. We will set specific environmental objectives and environmental goals, conduct periodic reviews, and work to achieve continuous improvement of environmental management systems.
4. We will communicate these policies to all employees through internal environmental education and awareness-raising initiatives, and we will disclose these policies to the public. We will also vigorously participate in environmental protection activities in local communities.

This truck runs on natural gas

Social Contributions

We are eager to contribute to local communities through various activities as a corporate citizen.

Our social contribution activities include participation in voluntary clean-up campaigns, such as "neighborhood adoption" programs promoted by local government, and the donation of vehicles to social welfare facilities through the establishment of the Tonami Shozyukai Foundation.

We transport relief supplies when natural disasters occur. The Tonami Transportation Badminton Club offers badminton coaching as a local sports promotion activity.

Encouraging local people to take up badminton

A clean-up in progress

Financial Section

Consolidated Five-Year Summary

TONAMI HOLDINGS CO., LTD
AND CONSOLIDATED SUBSIDIARIES

Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2009	2010	2011	2012	2013	2013
RESULTS OF OPERATIONS:						
Operating revenues	¥126,930	¥113,601	¥118,979	¥117,710	¥115,864	$1,231,949
Operating cost	119,596	106,522	111,355	110,069	106,908	1,136,721
Selling, general and administrative expenses	6,664	6,345	6,425	6,237	6,188	65,798
Operating income	670	734	1,199	1,404	2,767	29,430
Net income	244	702	315	633	1,785	18,984
Depreciation expenses	2,848	3,157	3,504	3,882	4,286	45,575
PER SHARE (yen and U.S. dollars):						
Net income	¥ 2.69	¥ 7.73	¥ 3.47	¥ 6.97	¥ 19.67	$ 0.2091
Cash dividends	5.00	4.00	4.00	4.00	5.00	0.0532
YEAR-END FINANCIAL POSITION:						
Total current assets	¥ 34,702	¥ 33,860	¥ 35,723	¥ 33,045	¥ 33,538	$ 356,599
Net property and equipment	66,633	69,447	70,037	71,597	71,856	764,022
Total assets	113,141	115,502	117,412	116,085	117,189	1,246,036
Total current liabilities	34,248	32,617	33,989	34,222	36,279	385,752
Long-term liabilities, excluding of current portion thereof	34,011	37,656	38,478	35,817	33,266	353,707
Total net assets	44,882	45,229	44,945	46,046	47,643	506,577
OTHER YEAR-END DATA:						
Number of employees	7,361	7,235	7,025	6,762	6,561	

Forward-looking statements in the discussion below represent the best judgment of the Tonami Holdings Group as of the end of the fiscal year under review.

Significant Accounting Policies and Estimates

The consolidated financial statements of the Tonami Holdings Group have been prepared in accordance with accounting principles generally accepted in Japan. Estimates used in the preparation of the consolidated financial statements that may affect the reported amounts of assets and liabilities on the closing date and the reported revenues and expenses for the reporting period are principally deferred tax assets, the allowance for doubtful accounts, the severance and retirement benefits, and income taxes. These estimates are subject to continuous, reasonable assessment.

Estimates, judgments, and assessments are made on the basis of factors that are deemed reasonable in light of past performance and conditions. However, since estimates invariably involve uncertainties, actual results may differ from the estimates.

Analysis of Consolidated Operating Results

Operating Revenues

During the fiscal year ended March 31, 2013, operating revenues decreased 1.6% year on year to ¥115,864 million, partly due to sluggish export-related logistics demand. This result also reflected the Group's efforts to minimize unprofitable transactions in its growing mainstay business, namely the road haulage operations and freight forwarding operations, as well as in the 3PL services.

Composition of Operating Revenues

	Composition	Percentage point change from the previous year
Logistics:	91.2%	−0.1
Road haulage operations and freight forwarding operations	69.6	+0.1
Warehousing operations	16.5	−0.2
Harbor transport operations	5.1	−0.0
Information processing business	2.3	−0.0
Sales businesses	5.8	+0.1
Other businesses	0.7	−0.0

Operating Cost

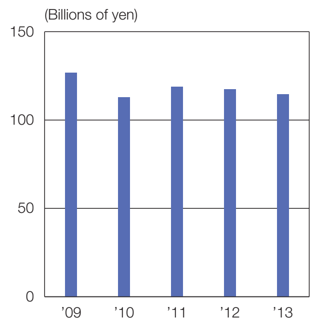
Operating cost decreased 2.9% year on year to ¥106,908 million. Although there were factors increasing costs, such as rising prices of diesel oil and raw materials, the Group's efforts to improve operational efficiency and reduce facilities costs as well as the drive to minimize unprofitable transactions resulted in enhanced profitability. As a result, the ratio of operating cost to operating revenues decreased 1.2 percentage points from the previous year to 92.3%.

Selling, General and Administrative Expenses

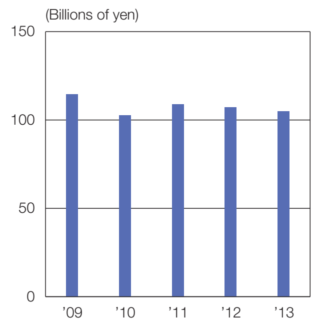
Selling, general and administrative expenses decreased 0.8% year on year to ¥6,188 million. The main reason was management integration of subsidiaries included in the scope of consolidation. The ratio of selling, general and administrative expenses to operating revenues was unchanged from the previous year at 5.3%.

As a result, operating income increased 97.2% year on year to ¥2,767 million. The ratio of operating income to operating revenues was 2.4%, an increase of 1.2 percentage points from the previous year.

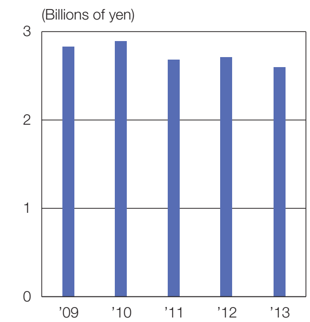
Operating Revenues



Sales of Logistics



Sales of Information Processing Business



Net Income

Income before income taxes and minority interests was ¥3,115 million, up 66.5% year on year. Net income soared 182.2% year on year to ¥1,785 million.

Analysis of Cash Flows

Cash and cash equivalents on a consolidated basis for the year under review increased ¥1,053 million from the previous year to ¥9,645 million as a result of net cash provided by operating activities amounting to ¥5,637 million, net cash used in investing activities amounting to ¥2,911 million, and net cash used in financing activities amounting to ¥1,671 million.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥5,637 million, an increase of ¥1,273 million from the previous year.

Principal items were income before income taxes and minority interests amounting to ¥3,115 million and depreciation and amortization amounting to ¥4,286 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥2,911 million, a decrease of ¥539 million from the previous year.

The principal item was payments of ¥3,310 million for the purchase of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥1,671 million, a decrease of ¥1,789 million from the previous year.

Cash outflows included a net decrease in short-term loans amounting to ¥3,100 million and repayment of lease obligations amounting to ¥2,127 million, whereas proceeds from issuance of bonds amounted to ¥5,000 million.

Analysis of the Financial Position

Assets

Current assets were ¥33,538 million, an increase of 1.5% from the previous fiscal year-end. This increase was mainly attributable to a ¥1,065 million increase in cash and time deposits.

Property and equipment amounted to ¥71,856 million, an increase of 0.4% from the previous fiscal year-end. This increase was attributable to a ¥343 million increase in buildings and structures.

Investments and other assets were ¥11,795 million, an increase of 3.0% from the previous fiscal year-end, mainly owing to a ¥920 million increase in investments in securities.

As a result, total assets amounted to ¥117,189 million, an increase of 1.0% from the previous fiscal year-end.

Liabilities

Current liabilities were ¥36,279 million, an increase of 6.0% from the previous fiscal year-end. This increase was mainly due to a ¥1,896 million increase in current portion of long-term debt and a ¥3,000 million increase in current portion of bonds, whereas short-term bank loans decreased ¥3,100 million.

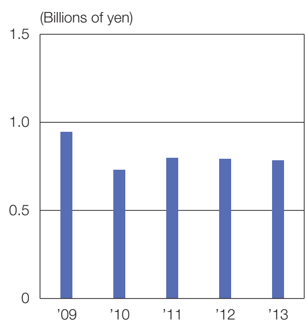
Long-term liabilities were ¥33,266 million, a decrease of 7.1% from the previous fiscal year-end. This decrease was mainly attributable to a ¥972 million decrease in long-term debt including corporate bonds and a ¥1,261 million decrease in employees' severance and retirement benefits.

As a result, total liabilities amounted to ¥69,546 million, a decrease of 0.7% from the previous fiscal year-end.

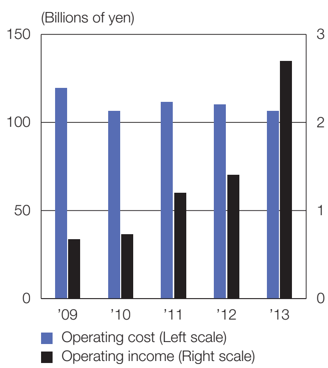
Net assets

Net assets amounted to ¥47,643 million, an increase of 3.5% from the previous fiscal year-end. Main factors were a ¥1,509 million increase in retained earnings as a result of booking of net income of ¥1,785 million and a ¥419 million increase in unrealized gain on other securities.

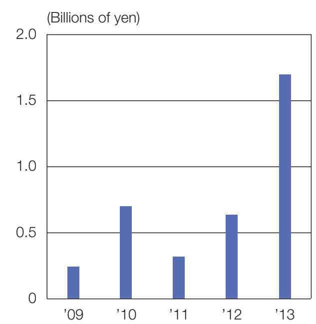
Sales of Other Business



Operating Cost and Operating Income



Net Income



Risk Factors

The principal business of the Tonami Holdings Group is the logistics-related business centering on road haulage operations and freight forwarding operations. The Group's business is subject to impacts of fluctuation of the Japanese economy and the world economy, customers' streamlining of logistics, restructuring, and deterioration of business results, and suspension of business transactions with customers. The business environment in which the Group operates entails the risk of difficulty in absorbing cost increases due to such factors as sharp increases in the price of crude oil and interest rate increases that exceed expectations.

In the event of the occurrence of a major disaster, such as an earthquake, in the regions where the Group operates, there is a risk that damage to facilities may greatly affect the Group's business operations.

In the event that the retention, development and recruitment of human resources indispensable for business expansion do not progress as envisaged in the plan, strategic tie-ups including acquisitions and capital partnerships do not develop as planned, or that social risks materialize with respect to the Group's overseas business expansion, there may be an adverse impact on the Group's business activities and business results.

The Group handles a huge amount of customer information and strives to appropriately manage such information. However, in the event of leakage of information owing to trouble concerning safekeeping, the credibility of the Group may be undermined and claims may be made for damages against the Group. In the event of trouble concerning IT systems caused by a natural disaster, computer virus infection, etc., there may be an adverse impact on the Group's business results and financial condition.

There is also a possibility of cost increases due to the strengthening of environmental regulations and for ensuring compliance with stricter safety regulations, and the increased cost burden may have an adverse impact on the Group's business results and financial condition.

In the event of occurrence of a serious problem, such as a vehicle accident, there is a risk of loss of customer confidence and public trust that could have an adverse impact on the Group's business results and financial position.

In the event that impairment becomes necessary in accordance with the impairment accounting applicable to fixed assets for business use or there is a great change in the estimates of future taxable income and reversal of deferred tax assets is required, there may be an adverse impact on the Group's business results and financial position.

Strategic Position and Outlook

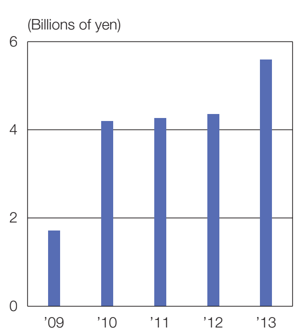
The Japanese economy is expected to continue to grow in view of rising exports due to the improving performance of overseas economies and the weaker yen, the positive impacts of the Japanese government's economic policies, and last-minute demand in the run-up to the increase in the consumption tax.

On the other hand, the operating environment is likely to remain challenging for the time being and it is expected to take some time for transportation demand related to freight movement and exports and imports to recover.

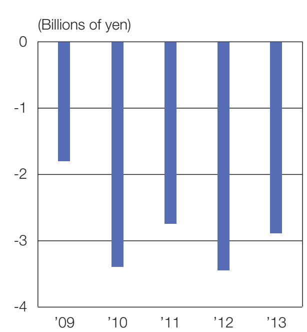
In these circumstances, the Group is implementing a growth strategy in accordance with its Three-year Medium-Term Business Plan launched in April 2012. Positioning the enhancement of profitability through structural reform of our business and the expansion of the scale of business and the strengthening of market competitiveness through the creation of new logistics businesses as vital management issues, the Group is pursuing initiatives to enhance the quality and added value of logistics attuned to customer needs.

We are also upgrading our IT infrastructure, including computer networks , and are striving to enhance our capabilities for providing customer service and proposing solutions. By promoting international multimodal transport through collaboration with overseas bases, we aim to secure and expand the freight volume we handle. By deploying the business management system to maximum effect, we will sharpen our focus on enhancement of productivity and strengthening of the business foundation.

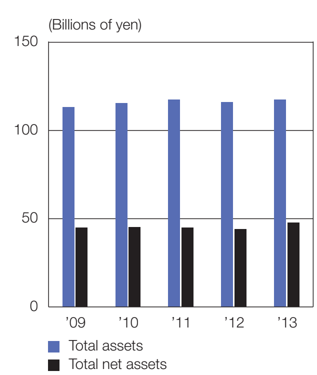
Net Cash Provided by Operating Activities



Net Cash Used in Investing Activities



Total Assets and Total Net Assets



Consolidated Balance Sheets

TONAMI HOLDINGS CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

As of March 31, 2013 and 2012

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Current assets:			
Cash and time deposits (Notes 11 and 13)	¥ 9,701	¥ 8,636	$ 103,154
Marketable securities			
Trade receivables:			
Notes and accounts (Notes 5, 8 and 13)	20,191	20,019	214,694
Less: allowance for doubtful accounts	(65)	(45)	(696)
Investments in lease assets	241	376	2,572
Inventories	546	606	5,810
Deferred tax assets (Note 18)	527	511	5,607
Other current assets	2,394	2,942	25,458
Total current assets	33,538	33,045	356,599
Property and equipment (Notes 3, 4 and 6):			
Land	41,085	41,304	436,850
Buildings and structures	21,684	21,341	230,562
Machinery and vehicles	2,130	2,050	22,653
Leased assets	6,095	6,057	64,810
Construction in progress	72	92	776
Other	787	753	8,371
Total property and equipment	71,856	71,597	764,022
Investments and other assets:			
Investments in securities (Note 14)	6,551	5,631	69,655
Deferred tax assets (Note 18)	—	298	—
Good will	19	95	212
Other	5,224	5,419	55,548
Total investments and other assets	11,795	11,443	125,414
Total assets	¥117,189	¥116,085	$1,246,036

The accompanying Notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Current liabilities:			
Short-term bank loans (Notes 4 and 12)	¥ 10,390	¥ 13,490	$ 110,473
Current portion of long-term debt (Notes 4, 7, 12 and 14)	3,104	1,208	33,006
Current portion of bonds (Note 6)	3,000	—	31,898
Trade notes and accounts payable (Notes 8 and 12)	11,341	10,928	120,591
Lease obligations (Note 12)	2,137	1,930	22,730
Income taxes payable	607	416	6,464
Other current liabilities	5,698	6,250	60,591
Total current liabilities	36,279	34,222	385,752
Long-term liabilities:			
Long-term debt, less current portion thereof (Notes 4, 7, 12 and 14)	9,480	10,453	100,804
Lease obligations (Note 12)	4,793	5,083	50,965
Deferred tax liability	317	—	3,375
Deferred tax liabilities from revaluation reserve for land (Note 6)	4,694	4,742	49,910
Employees' severance and retirement benefits (Note 15)	12,817	14,079	136,286
Retirement benefits for directors and corporate auditors	117	154	1,248
Negative goodwill	153	230	1,630
Other long-term liabilities	892	1,076	9,489
Total long-term liabilities	33,266	35,817	353,707
Total liabilities	69,546	70,039	739,459
Net assets			
Shareholders' equity (Note 16):			
Common stock:			
Authorized: 299,200,000 shares in 2013			
299,200,000 shares in 2012			
Issued: 97,610,118 shares in 2013			
97,610,118 shares in 2012	14,183	14,183	150,799
Capital surplus	11,682	11,682	124,213
Retained earnings	16,516	15,007	175,616
Treasury stock, at cost: 6,857,237 shares in 2013			
6,845,870 shares in 2012	(2,018)	(2,016)	(21,459)
Total shareholders' equity	40,363	38,856	429,169
Other comprehensive income			
Unrealized gain on other securities (Note 13)	846	427	9,001
Revaluation reserve for land (Note 6)	6,326	6,413	67,263
Accumulated other comprehensive income	7,172	6,840	76,264
Minority interests:			
Minority interests	107	350	1,144
Total net assets	47,643	46,046	506,577
Total liabilities and net assets	¥117,189	¥116,085	$1,246,036

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

TONAMI HOLDINGS CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Operating revenues (Note 21):			
Operating revenues	¥115,864	¥117,710	$1,231,949
	115,864	117,710	1,231,949
Operating costs and selling, general and administrative expenses:			
Operating cost (Note 19)	106,908	110,069	1,136,721
Selling, general and administrative expenses (Note 19)	6,188	6,237	65,798
	113,096	116,306	1,202,519
Operating income (Note 21)	2,767	1,404	29,430
Other income and expenses:			
Interest and dividend income	326	292	3,470
Equity in earnings of unconsolidated subsidiaries and affiliates	59	53	632
Loss on sale of property and equipment, net	70	304	749
Interest expenses	(487)	(500)	(5,187)
Impairment losses	(61)	—	(653)
Gain on negative goodwill	117	—	1,244
Settlement package	(113)	—	(1,207)
Other, net	436	318	4,646
	347	467	3,695
Income before income taxes and minority interests	3,115	1,871	33,125
Income taxes (Note 18):			
Current	985	701	10,482
Deferred	334	548	3,562
	1,319	1,249	14,044
Net income before minority interests	1,794	622	19,081
Minority interests	9	(11)	97
Net income	¥ 1,785	¥ 633	$ 18,984
Minority interests	9	(11)	97
Net income before minority interests	1,794	622	19,081
Other comprehensive income (Note 10)			
Valuation difference on other securities	416	175	4,433
Revaluation reserve for land	—	678	—
Share of other comprehensive income (loss) of associates accounting for using the equity method	3	(5)	39
Total other comprehensive income	420	848	4,472
Total comprehensive income for the year	¥ 2,215	¥ 1,470	$ 23,553
Total comprehensive income attributable to:			
Owners of the parent	¥ 2,205	¥ 1,481	$ 23,446
Minority interests	10	(11)	107

The accompanying Notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

TONAMI HOLDINGS CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2013 and 2012

		Millions of yen									
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Revaluation reserve for land	Accumulated other com-prehensive income	Minority interests	Total net assets
Balance as at April 1, 2011	97,610	¥14,182	¥11,682	¥14,685	¥(2,014)	¥38,535	¥257	¥5,787	¥6,044	¥365	¥44,945
Cash dividends applicable to the year (¥4.00 per share)				(363)		(363)					(363)
Net income				632		632					632
Reversal of Revaluation reserve for land				51		51					51
Treasury stock					(1)	(1)					(1)
Net changes in items other than shareholders' equity							169	626	796	(15)	780
Balance as at March 31, 2012	97,610	¥14,182	¥11,682	¥15,007	¥(2,016)	¥38,855	¥426	¥6,413	¥6,840	¥349	¥46,045
Balance as at April 1, 2012	97,610	¥14,182	¥11,682	¥15,007	¥(2,016)	¥38,855	¥426	¥6,413	¥6,840	¥349	¥46,045
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Revaluation reserve for land	Accumulated other com-prehensive income	Minority interests	Total net assets
Cash dividends applicable to the year (¥4.00 per share)				(363)		(363)					(363)
Net income				1,785		1,785					1,785
Reversal of Revaluation reserve for land				87		87					87
Treasury stock					(2)	(2)					(2)
Net changes in items other than shareholders' equity							419	(87)	332	(242)	90
Balance as at March 31, 2013	**97,610**	**¥14,182**	**¥11,682**	**¥16,516**	**¥(2,018)**	**¥40,363**	**¥846**	**¥6,326**	**¥7,172**	**¥107**	**¥47,643**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Revaluation reserve for land	Accumulated other com-prehensive income	Minority interests	Total net assets
Balance as at April 1, 2012	$150,799	$124,213	$159,565	$(21,437)	$413,140	$4,539	$68,191	$72,730	$3,720	$489,590
Cash dividends applicable to the year ($0.0425 per share)			(3,861)		(3,861)					(3,861)
Net income			18,984		18,984					18,984
Reversal of Revaluation reserve for land			928		928					928
Treasury stock				(22)	(22)					(22)
Net changes in items other than shareholders' equity					—	4,462	(928)	3,534	(2,576)	958
Balance as at March 31, 2013	**$150,799**	**$124,213**	**$175,616**	**$(21,459)**	**$429,169**	**$9,001**	**$67,263**	**$76,264**	**$1,144**	**$506,577**

The accompanying Notes are an integral part of these statements.

Consolidated Statements of Cash Flows

TONAMI HOLDINGS CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash flows from operating activities:			
Net income before income taxes and minority interests	¥ 3,115	¥ 1,871	$33,125
Depreciation and amortization	4,286	3,882	45,575
Impairment losses	61	—	653
Gain on disposal of property and equipment	(70)	(304)	(749)
(Gain) loss on sales of investments in securities	(0)	0	(3)
Loss on devaluation of investments in securities	5	13	55
Loss on devaluation of golf club memberships	3	2	35
Amortization of goodwill	4	26	45
Gain on negative goodwill	(117)	—	(1,244)
Equity in earnings of unconsolidated subsidiaries and affiliates	(59)	(53)	(632)
Increase (decrease) in allowance for doubtful accounts	54	(3)	584
Decrease in employees' severance and retirement benefits	(1,261)	(575)	(13,415)
Decrease in directors' and corporate auditors' retirement benefits	(37)	(41)	(394)
Increase (decrease) in accrued bonuses to employees	(9)	0	(100)
Interest and dividend income	(326)	(291)	(3,470)
Interest expenses	487	500	5,187
Decrease (increase) in trade receivables	(172)	417	(1,834)
Decrease in inventories	59	69	630
Increase (decrease) in accounts payable	413	(32)	4,399
Increase (decrease) in accrued consumption taxes	287	(222)	3,053
Other, net	(85)	153	(912)
Subtotal	6,638	5,412	70,584
Interest and dividends received	326	292	3,470
Interest paid	(516)	(502)	(5,487)
Income taxes paid	(811)	(838)	(8,626)
Net cash provided by operating activities	5,637	4,364	59,941
Cash flows from investing activities:			
Purchase of time deposits	(34)	(34)	(362)
Proceeds from redemption of time deposits	22	22	234
Purchase of property and equipment	(3,310)	(3,609)	(35,200)
Proceeds from sales of property and equipment	717	439	7,632
Purchase of investments in securities	(173)	(20)	(1,847)
Proceeds from sales of investments in securities	1	3	13
Purchase of investments in subsidiaries	(201)	(0)	(2,143)
Investments in loans receivable	(199)	(251)	(2,124)
Proceeds from collection of loans receivable	240	42	2,560
Other, net	25	(44)	275
Net cash used in investing activities	(2,911)	(3,452)	(30,961)
Cash flows from financing activities:			
Net decrease in short-term loans	(3,100)	(100)	(32,961)
Proceeds from long-term debt	165	—	1,754
Repayment of long-term debt	(1,240)	(1,354)	(13,189)
Proceeds from bond issuance	5,000	—	53,163
Repayments of lease obligations	(2,127)	(1,638)	(22,617)
Purchase of treasury stock	(2)	(1)	(22)
Dividends paid	(363)	(363)	(3,861)
Dividends paid to minority interests	(3)	(5)	(41)
Net cash used in financing activities	(1,671)	(3,461)	(17,773)
Net increase (decrease) in cash and cash equivalents	1,053	(2,549)	11,207
Cash and cash equivalents at beginning of year	8,591	11,140	91,352
Cash and cash equivalents at end of year (Note 11)	¥ 9,645	¥ 8,591	$102,558

The accompanying Notes are an integral part of these statements.

1 Basis of presenting financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Tonami Holdings Co., Ltd. (the "Company") and consolidated subsidiaries in accordance with accounting principles generally accepted in Japan, which differ in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.05 to U.S.$1, the approximate rate of exchange at March 29, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 Summary of significant accounting policies

(a) Consolidation

The accompanying consolidated financial statements as of March 31, 2013 include the accounts of the Company and its 27 (27 in 2012) consolidated subsidiaries and 7 (6 in 2012) affiliates accounted for by the equity method.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. Three subsidiaries considered insignificant in view of total assets, operating revenues, net income and retained earnings are excluded from the scope of consolidation and not accounted for by the equity method.

The difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition is being equally amortized over a period of 5 years after incurred. However, if the amount is immaterial, it is fully charged to income at the date of acquisition.

All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Marketable securities and investments in securities

Securities, except for investments in unconsolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of net assets, net of taxes.

Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

Cost of securities sold is determined principally by the moving average method.

(c) Inventories

Inventories are stated at the lower of cost, determined principally by the last purchase price method or partially by the specific identification method, or net selling value.

(d) Derivatives

Derivative financial instruments are stated at fair value.

Interest-rate swaps which meet specific matching criteria and qualify for hedge accounting treatment are not re-measured at market value; however, the differentials paid or received under the respective swap agreements are recognized and included as interest expense or income.

(e) Property and equipment and intangible assets

Property and equipment are stated at cost. However, under Japanese tax law, capital gains arisen from disposals and other similar transactions are deducted from the cost of the property and equipment acquired in substitution.

Depreciation of property and equipment, except for leased assets, is computed by the declining balance method over the useful life of the assets as determined by law, except for buildings and structures, which are depreciated by the straight-line method.

The ranges of useful lives of principal property and equipment are as follows:

Buildings and structures	2–67 years
Machinery and vehicles	2–17 years

Leased assets under the finance lease arrangements which do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the respective lease periods without residual values.

However, if the guaranteed salvage value is specified in the lease contracts, they are depreciated by the straight-line method considering such salvage value.

Finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased assets are accounted for as operating lease transactions as before.

Amortization of intangible assets is principally computed using the straight-line method on the presumption of having no salvage value.

(f) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection. Said amount is computed by applying the rate of actual losses on collection experienced in the past with respect to general trade receivables and by individually reviewing their collectibility with respect to certain doubtful receivables.

(g) Employees' severance and retirement benefits

Full-time employees of the Company and its consolidated subsidiaries are entitled to a lump-sum payment upon retirement or severance of employment. In order to provide for the employees' severance and retirement benefits, the Company and its consolidated subsidiaries assume a liability for severance and retirement benefits, which is included in the liability section of the consolidated balance sheet, based on the estimated amounts of projected benefit obligation and plan assets at the balance sheet dates.

Past service costs are recognized in expenses using the straight-line method over 9 years (a period not exceeding the employees average remaining service years) commencing with the year incurred.

Actuarial gains and losses are recognized in expenses using the straight-line method over 9 years (a period not exceeding the employees' average remaining service years) commencing with the year following their occurrence.

(h) Retirement benefits for directors and corporate auditors

Some consolidated subsidiaries provide necessary payments to directors and corporate auditors at the end of the fiscal year determined according to internal company rules to a reserve for retirement benefits for directors and corporate auditors.

(i) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the current exchange rates at the balance sheet date, and any gain or loss on translation is credited or charged to income.

(j) Income taxes

Income taxes consist of corporate income tax, inhabitant taxes and enterprise tax.

The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

(k) Cash equivalents

Cash equivalents include deposits placed with banks on demand and highly liquid investments with insignificant risk of changes in value which have maturities of three months or less when purchased.

(l) Net income per share

Basic income per share is computed using the weighted-average number of shares of common stock outstanding, which represents the number of issued shares less treasury stock, during each year.

Additional information

The Company intends to apply the ASBJ Statement No. 26 Accounting Standard for Retirement Benefits issued in May 2012 effective from the end of the fiscal year beginning April 1, 2013. However, the Company intends to apply the amendments relating to determination of retirement benefit obligations and current service costs effective from the beginning of the fiscal year beginning April 1, 2014. The impact of application of this accounting standard is currently being evaluated.

3 Property and equipment

Property and equipment is stated at the net book value in the consolidated balance sheets. The amounts of accumulated depreciation were ¥55,043 ($585,261 thousand) million and ¥52,541 million on March 31, 2013 and 2012, respectively.

Capital gains resulting from disposals and other similar transactions are deducted from the cost of property and equipment acquired in substitution. The amounts deducted from the cost of property and equipment were ¥180 million ($1,915 thousand) and ¥180 million on March 31, 2013 and 2012, respectively.

4 Short-term bank loans and long-term debt

(a) Short-term bank loans

Short-term bank loans as at March 31, 2013 and 2012 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Secured	¥ 3,020	¥ 3,120	$ 32,111
Unsecured	7,370	10,370	78,362

Interest rates range from 0.580% to 1.550%.

(b) Long-term debt

Long-term debt as at March 31, 2013 and 2012 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
2.11% ¥3.0 billion unsecured straight bonds due 2013	¥ 3,000	¥ 3,000	$ 31,898
1.01% ¥5.0 billion unsecured straight bonds due 2016	5,000	—	53,163
0.580%-2.520% loans from financial institutions due 2013 to 2017 and thereafter:			
Secured	1,052	1,053	11,192
Unsecured	6,532	6,400	69,455
Total	15,584	10,453	165,708
Less: amount due within one year	6,104	1,208	64,904
	¥ 9,480	¥ 9,245	$100,804

The maturity date of the ¥3.0 billion 2.11% unsecured straight bonds, issued in June 2008 was June 5, 2013.

The maturity date of the ¥5.0 billion 1.01% unsecured straight bonds, issued in March 2013 is March 22, 2016.

The annual maturities of long-term debt outstanding as at March 31, 2013 are as follows:—

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 6,104	$ 64,904
2015	3,508	37,301
2016	5,626	59,825
2017	98	1,052
2018 and thereafter	247	2,627

(c) Pledged assets

Property and equipment having a net value of ¥13,415 million ($143,537 thousand) was pledged as collateral for short-term bank loans and long-term debt as at March 31, 2013.

5 Contingent liabilities

As at March 31, 2013, the Company was contingently liable as follows:—

	Millions of yen	Thousands of U.S. dollars
Notes endorsed	¥ 10	$ 113
Others	235	2,507

6 Revaluation reserve for land

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998, the Company has revaluated its owned land used for business operations as at March 31, 2000 and reported a revaluation reserve for land under "Net assets."

The revaluated book value of land was determined based on the value of land registered on the cadastres or their supplementary records, which are provided by the Local Tax Law under the Law Concerning Revaluation of Land, after making reasonable adjustments.

	Millions of yen	Thousands of U.S. dollars
Difference between the fair market value of revalued land at March 31, 2013 and the revalued book value	¥12,193	$129,646

7 Restrictive financial covenants

(1) The Company has entered into overdraft facility and credit line commitment agreements with ten banks for the purpose of efficient procurement of working capital.

Outstanding balance of unused credit concerning overdraft facility and credit line commitment agreements at March 31, 2013, was as follows:

	Millions of yen	Thousands of U.S. dollars
Maximum credit line of overdraft facility and commitment agreement	¥3,000	$31,898
Used credit	—	—
Total	¥3,000	$31,898

The agreements include restrictive financial covenants requiring net assets as of the fiscal year end to exceed predetermined amount.

(2) Of borrowings of the Company and certain subsidiaries, syndicated loan agreements (outstanding balance at March 31, 2013: ¥6,400 million ($68,049 thousand)) include restrictive financial covenants requiring assets at a fiscal year-end to exceed the predetermined amount.

8 Notes due at the end of the fiscal year

Notes due at the end of the fiscal year are treated as if they were settled on the due date.

Since the last day of the fiscal year, March 31, 2012, was a holiday for financial institutions, the following notes due at the end of the fiscal year were treated as if they were settled on the due date.

	Millions of yen	Thousands of U.S. dollars
Notes receivable	¥403	$4,289
Notes payable	198	2,114

9 Impairment losses

During the fiscal year ended March 31, 2013, the Group recorded an impairment loss on land and buildings (in Fukui-shi, Fukui Prefecture).

As a comprehensive logistics enterprise, the Group employs management accounting at offices that belong to road haulage business or other business groups.

The Group's business sites nationwide are the Group's bases for offering services as a comprehensive logistics enterprise to customers and, in many cases, offices of two or more business groups are located at a business site to respond to customers.

Offices of business groups complement one another and a business site is a unit that generates cash flows. Thus, the aggregate of assets of business groups' offices located at a business site constitutes an asset group.

Regarding the asset group for which an impairment loss was recorded, the sum of estimated future cash flows from the asset group in question is less than its book value owing to an increase in payables to subcontractors and a rise of fuel costs because of increasing crude oil prices. Thus, the book value of the asset group was reduced to the recoverable amount and the difference amounting to ¥61 million ($653 thousand) was recognized as impairment losses and reported under other expenses.

The amounts of impairment losses for land and buildings were ¥11 million ($119 thousand) and ¥50 million ($533 thousand), respectively.

For the land and buildings in the asset group in question, the recoverable amount is measured by means of the net sale value. The net sale value is assessed principally based on the appraisal value quoted by a real-estate appraiser. For immaterial assets, the net sale value is assessed based on the residual book value.

10 Consolidated statement of comprehensive income

Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Valuation difference on other securities:			
Amount arising during the year	¥628	¥233	$6,678
Reclassification adjustment	5	9	54
Before tax-effect adjustment	633	242	6,732
Tax effect	(216)	(67)	(2,299)
Valuation difference on other securities	416	175	4,433
Revaluation reserve for land:			
Tax effect	—	678	—
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the year	3	(5)	39
Total other comprehensive income	420	848	4,472

11 Cash flow statements

Reconciliation of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as at March 31, 2013 and 2012 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and time deposits	¥9,701	¥8,636	$103,154
Time deposits with maturities exceeding three months	(56)	(45)	(595)
Cash and cash equivalents	¥9,645	¥8,591	$102,558

12 Leases

(a) Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessee

- Contents of leased assets:
  Tangible fixed assets (mainly, machinery, equipment and vehicles for distribution related business)
- Depreciation method:
  Leased assets are depreciated by the straight-line method over the respective lease periods without residual values. However, if the guaranteed salvage value is specified in the lease contracts, they are depreciated by the straight-line method considering such salvage value.

(b) Finance lease transactions which commenced prior to April 1, 2008 and do not transfer ownership of the leased assets to the lessee are accounted for as operating lease transactions as before.

The following are pro forma amounts of the acquisition costs, accumulated depreciation, accumulated impairment losses and net book value of leased property if they were capitalized as of March 31, 2013 and 2012 for finance leases accounted for as operating leases:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Acquisition costs:			
Machinery and tools	¥2,473	¥ 5,345	$26,295
Other assets	5,833	5,834	62,020
	¥8,307	¥11,179	$88,325
Accumulated depreciation:			
Machinery and tools	¥2,249	¥ 4,648	$23,913
Other assets	2,473	2,227	26,295
	¥4,723	¥ 6,876	$50,218
Accumulated impairment losses:			
Machinery and tools	¥ —	¥ —	$ —
Other assets	756	756	8,038
	¥ 756	¥ 756	$ 8,038
Net book value:			
Machinery and tools	¥ 223	¥ 697	$ 2,371
Other assets	2,603	2,850	27,677
	¥2,827	¥ 3,547	$30,058

Amounts of depreciation expense equivalents and interest expense equivalents for the years ended March 31, 2013 and 2012 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Depreciation expense	¥521	¥979	$5,540
Interest expense	106	134	1,127

Lease payments relating to finance leases accounted for as operating leases amounted to ¥735 million ($7,818 thousands) and ¥1,230 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2013 and 2012, respectively.

In the year ended March 31, 2006, impairment losses on leased assets amounting to ¥756 million were recorded. Since these leased assets are off-balance-sheet, the equivalent amount is included in "Other long-term liabilities".

Impairment losses on leased assets is realized over the lease term. Reversal of impairment losses on leased assets recorded in the fiscal year ended March 31, 2013 and 2012, amounted to ¥42 million ($446 thousand) and ¥42 million, respectively.

Future minimum lease payments (including the interest portion thereon) and the balance of impairment losses on leased assets as at March 31, 2013 and 2012 for finance leases accounted for as operating leases are summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥ 283	¥ 796	$ 3,009
Due over one year	3,053	3,337	32,461
Total	¥3,337	¥4,133	$35,481
Impairment losses on leased assets	¥ 420	¥ 462	$ 4,466

(c) Operating leases

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥ 273	¥ 274	$ 2,903
Due over one year	2,753	3,027	29,272
Total	¥3,026	¥3,300	$32,174

13 Financial instruments and related disclosures

(a) Financial instruments

The Group invests cash surplus, if any, in low risk financial assets and raises funds for short-term working fund by bank borrowings. For capital investment, the Group raises necessary funds in light of capital investment plan by bank borrowings or issuance of corporate bonds. Derivatives are employed to mitigate the risk of fluctuations in interest rates, and not used for speculative purposes.

Trade receivables such as notes and accounts are exposed to customer credit risk. For such credit risk, the Group has established the risk management system to monitor and control payment term and balances of customers.

Investments in securities such as equity securities are exposed to the market risk of fluctuation in market prices, but major components are equity securities issued by the business partners and their fair values are periodically reported to the in-charge directors.

Almost all the trade payables such as notes and accounts payable are due within one year.

Of borrowings, short-term bank loans are used mainly to procure funds for operating transactions and long-term debt and corporate bonds are used to procure funds for capital investment. For floating-rate debt, derivative transactions (interest rate swaps) are used as hedges to avoid the risk of interest rate fluctuations and fix interest payments.

The Company executes and manages derivative transactions in accordance with internal rules that specify transaction authority, and since large borrowings are subject to the decision of the board of directors, the board of directors also decides whether to enter into a corresponding swap agreements. Moreover, the Company enters into derivative transactions only with financial institutions with high credit ratings to mitigate counterparty default risk.

Trade payables and loans are exposed to the liquidity risk, but the Group controls such liquidity risk by the monthly cash management plans prepared by each company.

(b) Fair value of financial instruments

The carrying amount, fair value and the related difference of the financial instruments as of March 31, 2013 and 2012 are as follows:

Financial instruments whose fair values are extremely difficult to determine are not included in the following tables.

For the year ended March 31, 2013	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
Cash and time deposits	¥ 9,701	¥ 9,701	¥ —
Trade receivables – notes	3,349	3,349	—
Trade receivables – accounts	16,842	16,842	—
Investments in securities (other securities)	4,102	4,102	—
Total assets	¥33,996	¥33,996	¥ —
Liabilities:			
Trade notes payable	¥ 936	¥ 936	¥ —
Trade accounts payable	10,405	10,405	—
Short-term bank loans	10,390	10,390	—
Bonds	8,000	7,989	(11)
Long-term debt	7,584	7,663	79
Lease obligations	6,930	7,317	387
Total liabilities	¥44,247	¥44,702	¥455
Derivatives:	—	—	—

For the year ended March 31, 2012	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
Cash and time deposits	¥ 8,636	¥ 8,636	¥ —
Trade receivables – notes	3,636	3,636	—
Trade receivables – accounts	16,383	16,383	—
Investments in securities (other securities)	3,330	3,330	—
Total assets	¥31,985	¥31,985	¥ —

Liabilities:			
Trade notes payable	¥ 787	¥ 787	¥ —
Trade accounts payable	10,141	10,141	—
Short-term bank loans	13,490	13,490	—
Bonds	3,000	3,042	42
Long-term debt	8,661	8,782	122
Lease obligations	7,013	7,087	74
Total liabilities	¥43,092	¥43,329	¥238
Derivatives:	—	—	—

For the year ended March 31, 2013	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Assets:			
Cash and time deposits	$103,154	$103,154	$ —
Trade receivables – notes	35,609	35,609	—
Trade receivables – accounts	179,085	179,085	—
Investments in securities (other securities)	43,620	43,620	—
Total assets	$361,468	$361,468	$ —
Liabilities:			
Trade notes payable	$ 9,954	$ 9,954	$ —
Trade accounts payable	110,637	110,637	—
Short-term bank loans	110,473	110,473	—
Bonds	85,061	84,948	(113)
Long-term debt	80,647	81,488	841
Lease obligations	73,695	77,806	4,111
Total liabilities	$470,467	$475,305	$4,839
Derivatives:	—	—	—

For cash and time deposits, trade notes receivable and trade accounts receivable, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because of the short maturity of these instruments.

For investments in securities, the fair value of equity securities is determined using the quoted price of the stock exchanges. Unlisted equity securities whose fair value is extremely difficult to identify in the carrying amount of ¥2,448 million ($26,035 thousand) are not included in the above table.

For trade notes payable, trade accounts payable and short-term bank loans, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because of the short maturity of these instruments.

For bonds, lease obligations and long-term debt, the fair value is determined using the present value of aggregated principal and interest discounted at a rate assumed if the new loans or lease arrangements were made.

For derivatives, please see Note 15 “Derivative transactions”.

(c) Information about maturities of financial instruments

Annual maturities of monetary receivables and other securities with contractual maturities as of March 31, 2013 and 2012 are as follows:

For the year ended March 31, 2013	Millions of yen			
	Due in one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Time deposits	¥ 9,680	¥—	¥—	¥—
Trade notes receivable	3,349	—	—	—
Trade accounts receivable	16,842	—	—	—
Investments in securities (other securities with contractual maturities)	—	61	—	—
Total	¥29,872	¥61	¥—	¥—

For the year ended March 31, 2012	Millions of yen			
	Due in one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Time deposits	¥ 8,612	¥—	¥—	¥—
Trade notes receivable	3,636	—	—	—
Trade accounts receivable	16,383	—	—	—
Investments in securities (other securities with contractual maturities)	—	59	—	—
Total	¥28,631	¥59	¥—	¥—

For the year ended March 31, 2013	Thousands of U.S. dollars			
	Due in one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Time deposits	$102,928	$ —	$—	$—
Trade notes receivable	35,609	—	—	—
Trade accounts receivable	179,085	—	—	—
Investments in securities (other securities with contractual maturities)	—	649	—	—
Total	$317,622	$649	$—	$—

Annual maturities of monetary payables as of March 31, 2013 are as follows:

	Millions of yen					
	Due in one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term debt	¥10,390	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	3,000	—	5,000	—	—	—
Long-term debt	2,137	1,461	1,124	781	398	1,026
Lease obligations	3,104	3,508	626	98	53	193
Total	¥18,631	¥4,969	¥6,750	¥880	¥452	¥1,219

	Thousands of U.S. dollars					
	Due in one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term debt	$110,473	$ —	$ —	$ —	$ —	$ —
Bonds	31,898	—	53,163	—	—	—
Long-term debt	22,730	15,543	11,955	8,314	4,240	10,913
Lease obligations	33,006	37,301	6,661	1,052	573	2,054
Total	$198,107	$52,844	$71,779	$9,366	$4,813	$12,967

14 Marketable securities and investments in securities

No trading securities or held-to-maturity securities were held at March 31, 2013 or 2012. Securities classified as other securities are included in "marketable securities" and "investments in securities" in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2013 and 2012 are summarized as follows:—

For the year ended March 31, 2013	Millions of yen		
	2013		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Unrealized gain:			
Stocks (Note)	¥3,209	¥1,856	¥1,352
Bonds	—	—	—
Other	51	50	1
Unrealized loss:			
Stocks (Note)	832	958	(125)
Bonds	—	—	—
Other	9	10	(0)
Total	¥4,102	¥2,874	¥1,227

For the year ended March 31, 2012	Millions of yen		
	2012		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥1,892	¥1,018	¥874
Bonds			
Other	50	50	0
Unrealized loss:			
Stocks	1,378	1,663	(285)
Bonds			
Other	10	10	0
Total	¥3,330	¥2,741	¥589

For the year ended March 31, 2013	Thousands of U.S. dollars		
	2013		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Unrealized gain:			
Stocks (Note)	$34,124	$19,744	$14,380
Bonds	—	—	—
Other	545	532	13
Unrealized loss:			
Stocks (Note)	8,848	10,187	(1,339)
Bonds	—	—	—
Other	104	106	(2)
Total	$43,620	$30,569	$13,052

Note: Equity securities with fair value, classified as other securities, are restated at the fair value and related loss on impairment in an amount of ¥5 million ($54 thousand) is charged to income for the year ended March 31, 2013.

Equity securities whose fair value is 50% or less than the acquisition cost are necessarily restated at fair value and those whose fair value is between 50% and 30% of the acquisition cost are restated at fair value, if they are judged to be unrecoverable considering the trend of the market value for the past certain period and performances of the issuers.

Other securities sold during the year ended March 31, 2013, and the year ended March 31, 2012, amounted to ¥1 million ($11 thousand) and ¥3 million, respectively, of which a gain on sales amounted to ¥0 million ($3 thousand) and a loss on sales amounted to ¥0 million, respectively.

15 Derivative transactions

(a) Derivative transactions to which hedge accounting is not applied

There is no applicable transaction.

(b) Derivative transactions to which hedge accounting is applied

Hedge accounting method: Special treatment for interest rate swaps

Type of transactions: Interest rate swaps:

Fixed rate payment/Floating rate receipt

Major hedged item: Long-term debt

		Millions of yen		Thousands of U.S. dollars
		2013	2012	2013
Contract amount	Total	¥6,400	¥7,140	$68,049
	Due after one year	3,660	6,400	38,915
Fair value		*	*	*

*The fair value is regarded to be included in the fair value of the long-term debt as hedged instruments, since the interest rate swaps which qualify for hedge accounting and meet specific criteria are not remeasured at market value, but the differentials paid or received under the swap agreements are recognized and included in interest expenses or income (special treatment).

16 Employees' severance and retirement benefits

Employees who terminate their service with the Company and consolidated subsidiaries are, in most cases, entitled to pension annuity payments or to a lump-sum severance payment determined by reference to the basic rate of pay, length of service and the conditions under which the termination occurs.

The Company and certain consolidated subsidiaries have defined benefit plans, including a lump-sum payment plan and a contributory welfare pension plan and an approved retirement annuity plan. The Company revised its pension plans and shifted them to a cash balance plan (money market-interest-rate linked type) on June 1, 2004.

The projected benefit obligation and the funded status of the plans summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥(19,355)	¥(19,527)	$(205,803)
Plan assets	5,093	4,005	54,158
Net unrecognized amount	1,444	1,443	15,359
Employees' severance and retirement benefits	¥(12,817)	¥(14,079)	$(136,286)

The net unrecognized amounts were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrecognized benefit obligation:			
Adjustment for actuarial assumptions	¥1,557	¥2,230	$16,555
Past service cost	(112)	(787)	(1,196)
Net unrecognized amounts	¥1,444	¥1,443	$15,359

The components of net periodic pension and severance costs excluding the employees' contributory portion were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥ 856	¥ 732	$ 9,103
Interest cost on projected benefit obligation	241	253	2,565
Expected return on plan assets	(96)	(50)	(1,030)
Amortization of adjustment for actuarial assumptions	256	1,075	2,726
Amortization of past service cost	(674)	(582)	(7,174)
Net periodic pension and severance costs	¥ 582	¥1,428	$ 6,190

The assumptions used were as follows:—

	2013	2012
Discount rates	1.3%	1.3%
Expected rates of return on plan assets	2.5%	2.5%

17 Net assets

The Company Law provides that an amount equal to at least 10% of the aggregate amount to be distributed as cash dividends or cash appropriations must be transferred to the legal reserve until the additional paid-in capital, which is part of the capital surplus account, and the legal reserve, which is part of retained earnings, equals 25% of the common stock account.

Transfers from the legal reserve to common stock, additional paid-in capital, and other reserves may be made by resolution of the shareholders.

Under the Company Law, distributions of reserves to shareholders may be made at any time by resolution of the shareholders.

The Company's Articles of Incorporation also provide that the Board of Directors may make distributions to shareholders based on a resolution of the Board of Directors, provided that such distributions are limited to once per fiscal year.

Information concerning changes in net assets

Treasury stock

Class of shares	At March 31, 2012	Increase	Decrease	At March 31, 2013
Common stock (shares)	6,845,870	11,367	—	6,857,237

Reason for the change:
The increase attributable to the purchase of shares less than one unit: 11,367 shares

18 Income taxes

As described in Note 2(j), the Company and its consolidated subsidiaries recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

Significant components of deferred tax assets and liabilities were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Excess bonuses accrued	¥ 411	¥ 417	$ 4,372
Excess employees' severance and retirement benefits accrued	4,618	5,018	49,102
Excess loss on impairment of tangible fixed assets (except for leased assets)	2,692	2,748	28,629
Accumulated loss on impairment of leased assets	150	163	1,601
Other	1,171	1,220	12,457
Gross deferred tax assets	9,043	9,566	96,161
Valuation allowance	(4,114)	(4,226)	(43,745)
Total deferred tax assets	4,929	5,340	52,416
Deferred tax liabilities:			
Unrealized gain on other securities	(378)	(161)	(4,022)
Reserve under Special Taxation Measures Law	(4,341)	(4,370)	(46,161)
Other	—	(0)	—
Total deferred tax liabilities	(4,719)	(4,531)	(50,184)
Net deferred tax assets	¥ 209	¥ 809	$ 2,232

Income taxes applicable to the Company consist of corporate income tax, inhabitant taxes and enterprise tax.

Significant differences between the statutory tax rate and the Company's effective tax rate after applying the deferred tax accounting for the years ended March 31, 2013 and 2012 were as follows:—

	2013	2012
Statutory tax rate:	37.75%	40.43%
Increase (reduction) in tax resulting from:		
Nondeductible expenses including entertainment, etc.	1.95	3.29
Nontaxable income including dividends received deduction, etc.	(3.93)	(7.14)
Per capita portion of inhabitant taxes	7.45	12.33
Equity in earnings of affiliates	(0.72)	(1.16)
Elimination of dividends received from consolidated subsidiaries, etc.	3.52	6.30
Gain on negative goodwill	(1.42)	—
Change in valuation allowance related to deferred tax assets	(1.63)	6.12
Adjustment of deferred tax assets following a change in statutory tax rates	—	4.75
Other	(0.57)	1.26
Effective tax rate	42.40%	66.18%

19 Supplementary income information

Supplementary income information for the years ended March 31, 2013 and 2012 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Depreciation expenses	¥4,286	¥3,882	$45,575
Lease and rental	4,911	4,928	52,220

20 Amounts per share

Amounts per share of common stock for the years ended March 31, 2013 and 2012 were as follows:—

	Yen		U.S. dollars
	2013	2012	2013
Net income per share:			
Basic	¥ 19.67	¥ 6.97	$0.2091
Diluted	—	—	—
Cash dividends	5.00	4.00	0.0532
Net assets per share:	¥523.80	¥503.46	$5.5694

Basis for the calculation of net assets per share for the years ended March 31, 2013 and 2012 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total net assets as reported on the consolidated balance sheets	¥47,643	¥46,046	$506,577
Deduction from total net assets:	107	350	1,144
Minority interests	107	350	1,144
Adjusted net assets allocated in common stock	47,535	45,696	505,432
Number of shares of common stock outstanding at the end of year on which net assets per share is calculated	90,752,881	90,764,248	

Basis for the calculation of basic and diluted net income per share for the years ended March 31, 2013 and 2012 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net income available to shareholders of common stock:			
Net income	¥1,785	¥633	$18,984
Net income not available to shareholders of common stock	—	—	—
Net income available to shareholders of common stock	1,785	633	18,984
Weighted-average number of shares of common stock outstanding (shares)	90,759,737	90,768,846	

21 Segment information

(1) Overview of reportable segments

The Company's segments are the Group's components for which discrete financial information is available and whose operating results are regularly reviewed by the Company's board of directors to make decisions on the allocation of resources to the segments and to assess their performance.

The Group, in doing business, classifies business models of operating companies, which are under the Company (pure holding company), according to the nature of services and formulates comprehensive strategies for individual business models.

Therefore, the Group consists of segments according to services based on these business models and the Group's reportable segments are: Logistics, Information Processing, and Sales.

Principal services of the Logistics segment are road haulage, freight forwarding, warehousing, and harbor transport. The principal service of the Information Processing segment is information processing. Principal services of the Sales segment are merchandising, consignment sales, and a non-life insurance agency.

(2) Methods of calculating operating revenues, income/loss, assets/liabilities, and other items by reportable segment

Accounting procedures applied to the reported operating segments are the same as those described in the "Basis of Presenting Consolidated Financial Statements." Income of reportable segments is on an operating income basis. Intersegment revenues and transfers are based on market prices.

(3) Information on operating revenues, income/loss, assets/liabilities, and other items by reportable segment

For the year ended March 31, 2013

Millions of yen

	Reportable segment							
	Logistics	Information processing	Sales	Total	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:								
Revenues from out-side customers	¥105,728	¥2,633	¥ 6,717	¥115,079	¥ 785	¥115,864	¥ —	¥115,864
Intersegment reve-nues or transfers	36	281	4,896	5,214	828	6,043	(6,043)	—
Total	105,764	2,915	11,614	120,294	1,613	121,907	(6,043)	115,864
Segment income	¥ 2,058	¥ 212	¥ 288	¥ 2,559	¥ 113	¥ 2,672	¥ 95	¥ 2,767
Segment assets	¥105,100	¥1,698	¥ 9,409	¥116,207	¥11,158	¥127,366	¥(10,176)	¥117,189
Other items:								
Depreciation	¥ 3,776	¥ 431	¥ 43	¥ 4,251	¥ 24	¥ 4,275	¥ 10	¥ 4,286
Amortization of goodwill	¥ 66	¥ 14	¥ —	¥ 80	¥ —	¥ 80	¥ —	¥ 80
Gain on negative goodwill	¥ —	¥ —	¥ 117	¥ 117	¥ —	¥ 117	¥ —	¥ 117
Impairment losses	¥ 61	¥ —	¥ —	¥ 61	¥ —	¥ 61	¥ —	¥ 61
Increases in property and equipment and intangible fixed assets	¥ 5,098	¥ 127	¥ 30	¥ 5,255	¥ 12	¥ 5,268	¥ 9	¥ 5,277

For the year ended March 31, 2012

Millions of yen

	Reportable segment							
	Logistics	Information processing	Sales	Total	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:								
Revenues from out-side customers	¥107,500	¥2,718	¥ 6,697	¥116,915	¥ 795	¥117,710	¥ —	¥117,710
Intersegment reve-nues or transfers	27	256	5,527	5,810	831	6,641	(6,641)	—
Total	107,527	2,974	12,224	122,725	1,626	124,351	(6,641)	117,710
Segment income	¥ 670	¥ 103	¥ 430	¥ 1,203	¥ 114	¥ 1,317	¥ 87	¥ 1,404
Segment assets	¥105,550	¥2,095	¥ 9,132	¥116,777	¥11,309	¥128,086	¥(12,001)	¥116,085
Other items:								
Depreciation	¥ 3,368	¥ 438	¥ 40	¥ 3,846	¥ 26	¥ 3,872	¥ 10	¥ 3,882
Amortization of goodwill	¥ 88	¥ 14	¥ —	¥ 102	¥ —	¥ 102	¥ —	¥ 102
Increases in property and equipment and intangible fixed assets	¥ 5,548	¥ 246	¥ 52	¥ 5,846	¥ 6	¥ 5,852	¥ 8	¥ 5,860

For the year ended March 31, 2013

Thousands of U.S. dollars

	Reportable segment							
	Logistics	Information processing	Sales	Total	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:								
Revenues from outside customers	$1,124,171	$28,003	$ 71,425	$1,223,599	$ 8,350	$1,231,949	$ —	$1,231,949
Intersegment revenues or transfers	385	2,997	52,063	55,445	8,810	64,254	(64,254)	—
Total	1,124,556	31,000	123,488	1,279,043	17,159	1,296,203	(64,254)	1,231,949
Segment income	$ 21,885	$ 2,261	$ 3,068	$ 27,214	$ 1,202	$ 28,416	$ 1,014	$ 29,430
Segment assets	$1,117,492	$18,058	$100,047	$1,235,597	$118,645	$1,354,242	$(108,207)	$1,246,036
Other items:								
Depreciation	$ 40,151	$ 4,587	$ 467	$ 45,204	$ 261	$ 45,465	$ 110	$ 45,575
Amortization of goodwill	$ 705	$ 155	$ —	$ 860	$ —	$ 860	$ —	$ 860
Gain on negative goodwill	$ —	$ —	$ 1,244	$ 1,244	$ —	$ 1,244	$ —	$ 1,244
Impairment losses	$ 653	$ —	$ —	$ 653	$ —	$ 653	$ —	$ 653
Increases in property and equipment and intangible fixed assets	$ 54,210	$ 1,350	$ 320	$ 55,881	$ 136	$ 56,017	$ 101	$ 56,118

Notes:

1. "Others" corresponds to operating segments that are not included in the reported operating segments and includes automobile repair and direct mail service.
2. Adjustments are as follows:
   (1) Adjustments of segment income

   For the fiscal year ended March 31, 2013 and 2012, adjustments of segment income amounted to ¥95 million ($1,014 thousand) and ¥87 million, respectively. Adjustments include intersegment eliminations and corporate expenses not allocated to any reportable segments.

   For the fiscal year ended March 31, 2013 and 2012, the above-mentioned intersegment eliminations amounted to ¥720 million ($7,665 thousand) and ¥733 million, respectively, and corporate expenses not allocated to any reportable segments amounted to ¥(625) million ($6,651 thousand) and ¥(646) million, respectively. Corporate expenses are mainly expenses of the Company's operations that do not belong to any reportable segments.

   (2) Adjustments of segment assets

   For the fiscal year ended March 31, 2013 and 2012, adjustments of segment assets amounted to ¥(10,176) million ($108,207 thousand) and ¥(12,000) million, respectively. Adjustments include intersegment eliminations and corporate assets not allocated to any reportable segments.

   For the fiscal year ended March 31, 2013 and 2012, the above-mentioned intersegment eliminations amounted to ¥(19,960) million ($212,232 thousand) and ¥(19,606) million, respectively, and corporate assets not allocated to any reportable segments amounted to ¥9,783 million ($104,025 thousand) and ¥7,606 million, respectively. Corporate assets are mainly cash and time deposits and investments in securities of the head office that does not belong to any reportable segments.

   (3) Adjustments of increases in property and equipment and intangible fixed assets

   For the fiscal year ended March 31, 2013 and 2012, adjustments of increases in property and equipment and intangible fixed assets amounted to ¥9 million ($101 thousand) and ¥8 million, respectively. Adjustments include intersegment eliminations and corporate assets not allocated to any reportable segments.

   For the fiscal year ended March 31, 2013 and 2012, the above-mentioned intersegment eliminations amounted to ¥(3) million ($34 thousand) and ¥(12) million, respectively, and corporate assets not allocated to any reportable segments amounted to ¥12 million ($135 thousand) and ¥20 million, respectively.
3. Segment income is adjusted to operating income in the consolidated financial statements.

(4) Related information

For the year ended March 31, 2013:

1) Information by product and service

Information by product and service is omitted because similar information is presented in the segment information.

2) Information by geographical area

Not applicable for operating revenues because there are no operating revenues from outside customers other than those in Japan.

Not applicable for property and equipment because there is no property and equipment located in places other than Japan.

3) Information by major customer

Not applicable because, concerning operating revenues from outside customers, no outside customer accounts for 10% or more of operating revenues in the consolidated financial statements.

For the year ended March 31, 2012:

1) Information by product and service

Information by product and service is omitted because similar information is presented in the segment information.

2) Information by geographical area

Not applicable for operating revenues because there are no operating revenues from outside customers other than those in Japan.

Not applicable for property and equipment because there is no property and equipment located in places other than Japan.

3) Information by major customer

Not applicable because, concerning operating revenues from outside customers, no outside customer accounts for 10% or more of operating revenues in the consolidated financial statements.

(5) Information on fixed asset impairment losses by reportable segment

For the year ended March 31, 2013:

Information on fixed asset impairment losses by reportable segment is omitted because similar information is presented in the segment information.

For the year ended March 31, 2012:

Not applicable

(6) Information on amortization of goodwill and unamortized balance by reportable segment

For the year ended March 31, 2013 — Millions of yen

	Reportable segment						
	Logistics	Information processing	Sales	Total	Others	Adjustment	Total
Goodwill:							
Amortization	¥ 66	¥ 14	¥ —	¥ 80	¥ —	¥ —	¥ 80
Balance at end of year	¥ —	¥ 19	¥ —	¥ 19	¥ —	¥ —	¥ 19
Negative goodwill:							
Amortization	¥ 76	¥ —	¥ —	¥ 76	¥ —	¥ —	¥ 76
Balance at end of year	¥153	¥ —	¥ —	¥153	¥ —	¥ —	¥153

For the year ended March 31, 2012 — Millions of yen

	Reportable segment						
	Logistics	Information processing	Sales	Total	Others	Adjustment	Total
Goodwill:							
Amortization	¥ 88	¥ 14	¥ —	¥103	¥ —	¥ —	¥103
Balance at end of year	¥ 66	¥ 29	¥ —	¥ 95	¥ —	¥ —	¥ 95
Negative goodwill:							
Amortization	¥ 76	¥ —	¥ —	¥ 76	¥ —	¥ —	¥ 76
Balance at end of year	¥230	¥ —	¥ —	¥230	¥ —	¥ —	¥230

For the year ended March 31, 2013 — Thousands of U.S. dollars

	Reportable segment						
	Logistics	Information processing	Sales	Total	Others	Adjustment	Total
Goodwill:							
Amortization	$ 705	$ 155	$ —	$ 860	$ —	$ —	$ 860
Balance at end of year	$ —	$ 212	$ —	$ 212	$ —	$ —	$ 212
Negative goodwill:							
Amortization	$ 815	$ —	$ —	$ 815	$ —	$ —	$ 815
Balance at end of year	$1,630	$ —	$ —	$1,630	$ —	$ —	$1,630

(7) Information on gain on negative goodwill by reportable segment

For the year ended March 31, 2013:

In the Sales Segment, consolidated subsidiary Toyo Gomu Hokuriku Hanbai Co., Ltd. became a wholly owned subsidiary as a result of additional acquisition of its shares by the Company.

Accordingly, a gain on negative goodwill amounting to ¥117 million ($1,244 thousand) was recorded in the fiscal year ended March 31, 2013.

For the year ended March 31, 2012:

Not applicable

22 Subsequent events

Cash dividends

The annual shareholders' meeting of the Company, which was held on June 27, 2013, duly approved the payment of dividends as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3.00 per share)	¥272	$2,895

Consolidated Subsidiaries

Logistics

Company Name	Business Line
Tonami Transportation Co., Ltd.	Road haulage
Tonami Transportation Shinetsu Co., Ltd.	Road haulage
Tonami Transportation Chugoku Co., Ltd.	Road haulage
Kanto Tonami Transportation Co., Ltd.	Road haulage
Gosei Tonami Transportation Co., Ltd.	Road haulage
Tonami Shutoken Logistics Co., Ltd.	Road haulage
Osaka Tonami Transportation Co., Ltd.	Road haulage
Zento Transportation Co., Ltd.	Road haulage
Ishikawa Tonami Transportation Co., Ltd.	Road haulage
Ibaraki Tonami Transportation Co., Ltd.	Road haulage
Kansai Tonami Transportation Co., Ltd.	Road haulage
Chukyo Tonami Transportation Co., Ltd.	Road haulage
Fukui Tonami Transportation Co., Ltd.	Road haulage
Niigata Tonami Transportation Co., Ltd.	Road haulage
Takefu Transportation Co., Ltd.	Road haulage
Anan Transportation Co., Ltd.	Road haulage
Nationwide Shirobo JSE Courier Co., Ltd.	Road haulage
Tonami Global Logistics Co., Ltd.	Harbor transport service
Keishin Warehouse Co., Ltd.	Warehousing
Daiichi Warehouse Co., Ltd.	Warehousing

Information Processing and Others

Company Name	Business Line
Tonami Trading Co., Ltd.	Trading Company
Toyo Gomu Hokuriku Hanbai Co., Ltd.	Sale of tires
Keishin System Research Co., Ltd.	Development and sale of software
Tonami Business Service Co., Ltd.	Financial service
Tonami Staff Support Co., Ltd.	Temporary Staffing
Toyo Tire Toyama shop Co., Ltd.	Sale of tires
Tonami Automobile Technology Research Institute Co., Ltd.	Automobile technology R&D

Board of Directors and Corporate Auditors

President and Representative Director
Katsusuke Watanuki

Managing Director
Yasuo Terabayashi

Directors
Shigeki Sakamoto
Shigeyuki Okada
Yoshimi Nagahara
Kazuo Takata
Shinichi Izumi
Mitsuharu Wadachi

Standing Corporate Auditors
Mitsuo Matsuda
Masafumi Takebe

Corporate Auditors
Shinichiro Inushima
Yohji Ishiguro
Toshio Kaido

(As of June 27, 2013)

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Date of Established
June 1943

Common Stock
¥14,183 million

Issued and Outstanding Shares
97,610,118 shares

Shareholders
6,930

Employees
55

(As of March 31, 2013)

TONAMI

TONAMI HOLDINGS CO., LTD.

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