2014
Annual Report

For the year ended March 31, 2014

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, 2014 and 2013

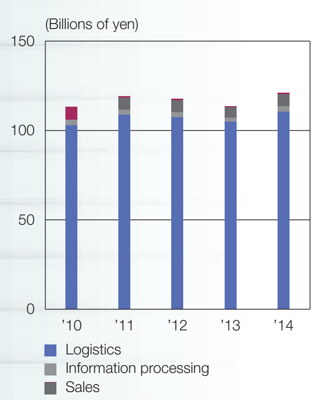
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
FOR THE YEAR:			
Operating revenues:	¥121,129	¥115,864	$1,176,932
Logistics	110,692	105,728	1,075,517
Information processing	3,059	2,633	29,723
Sales	6,616	6,717	64,287
Others	762	785	7,405
Operating income	3,240	2,767	31,488
Net income	2,370	1,785	23,037
Comprehensive income	2,582	2,215	25,097
PER SHARE (Yen and U.S. dollars):			
Net income, basic	¥ 26.13	¥ 19.67	$ 0.2539
Net income, diluted	—	—	—
Cash dividends	4.50	5.00	0.0437
AT YEAR-END:			
Total assets	¥117,149	¥117,189	$1,138,262
Total net assets	49,292	47,643	478,944

Notes: 1. U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥102.92 = U.S.$1, prevailing on March 31, 2014, has been used for the translation into U.S. dollar amounts.

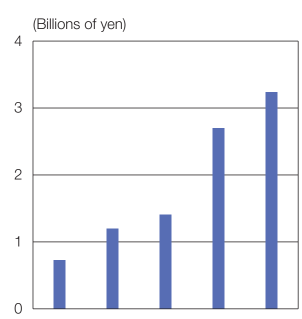
2. The computation of net income per share of common stock is based on the weighted average number of shares outstanding (which represents the number of issued shares less treasury stock.) during each financial year.

3. Diluted net income per share is not presented for the years ended March 31, 2014 and 2013, since there were no residual securities.

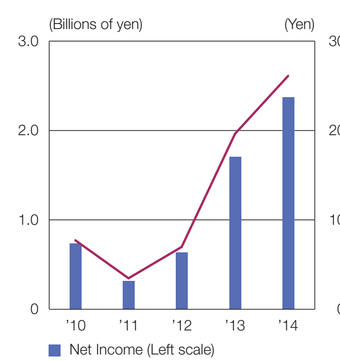
Operating Revenues by Business Segment



Operating Income



Net Income and
Net Income per Share, Basic



President, Katsusuke Watanuki

During the fiscal year ended March 31, 2014, the Japanese economy was on a modest recovery track in line with the weakening of the yen and the rise in stock prices resulting from the Japanese government's economic policies and the Bank of Japan's monetary easing policy, as well as reflecting improvement in certain aspects of personal consumption and recovery of the export environment.

On the other hand, in addition to concerns about the downward pressure on overseas economies, notably the slowing pace of China's economy and other emerging economies, there is anxiety about deceleration of the Japanese economy owing to the growing costs of imported raw materials because of the weaker yen, rising oil prices, higher electricity costs, and a decline in consumption following the consumption tax increase in April 2014. As a result, prospects remain unclear.

In the distribution industry, consumption-related freight volumes increased thanks to robust personal consumption and construction-related freight volumes were buoyant, reflecting the last-minute demand before the consumption tax increase and an expansion of public investment. However, the business environment for the distribution industry remained challenging as fuel costs remained high and subcontractor fees are rising in line with the worsening shortage of truck drivers and trucks.

In these circumstances, the Tonami Holdings Group strove to secure stable revenues from truck transport and freight forwarding and to expand related businesses, including third-party logistics (3PL), the Group's priority. As a result, operating revenues amounted to ¥121,129 million, an increase of 4.5% or ¥5,265 million from the previous year.

With regard to profits, the progress of the structural reform of the business in accordance with the Three-year Medium-term Business Plan launched in April 2012 and revisions to freight charges and unit rates contributed to improved profitability. Meanwhile, benefitting from robust operating revenues from the third quarter onward, we worked to absorb higher fuel prices and an increase in expenses for improving the business structure and for initiatives to maintain and improve transportation quality in order to respond to increasing freight volumes. As a result, operating income increased 17.1% or ¥472 million from the previous year to ¥3,240 million.

Net income increased 32.8% or ¥585 million to ¥2,370 million.

In view of the robust financial performance, we increased the year-end ordinary dividend by ¥0.5 to ¥2.5 per share. With an interim dividend of ¥2 per share, total annual dividends for the year ended March 2014 amounted to ¥4.5 per share.

Results by Segment

The Group promoted proposal-driven marketing in road haulage, freight forwarding, and 3PL services to meet customers' needs for rationalization of logistics and for procurement logistics. Owing to the expansion of demand reflected in freight volumes from the third quarter onward, operating revenues from the logistics-related business increased 4.7% or ¥4,963 million from the previous year to ¥110,692 million. Increased operating revenues and progress in structural reform of the business contributed to segment income. Business expansion from the third quarter onward absorbed the factors pushing costs higher, such as the increased burden of fuel costs and increases in subcontractor fees due to manpower shortages. As a result, segment income increased 21.1% or ¥435 million to ¥2,493 million;

Operating revenues from the information processing business increased 16.2% or ¥425 million from the previous year to ¥3,059 million, partly due to expansion of business with new and existing customers. Segment income was ¥250 million, an increase of 17.8% or ¥37 million.

Operating revenues from the sales business, which includes merchandising, consignment sales, and a non-life insurance agency, amounted to ¥6,616 million, a decrease of 1.5% or ¥101 million from the previous year. Segment income increased 49.8% or ¥143 million to ¥432 million.

Operating revenues from other businesses, which include automobile repair and direct mail service, amounted to ¥762 million, a decrease of 3.0% or ¥23 million from the previous year. Segment income decreased 24.1% or ¥27 million to ¥85 million.

Outlook for the Year ending March 31, 2015

The Japanese economy is on a moderate recovery track, underpinned by a boost from last minute demand in the run-up to the consumption tax hike, domestic demand with public investment and private-sector capital investment to the fore.

Although the business environment is expected to remain unclear in view of concerns about slowing economy from April onward following the consumption tax increase and hikes in prices of oil etc., the moderate recovery of the Japanese economy is expected to continue, supported by the Japanese government's economic policies as the dip in demand in the aftermath of the last-minute spike in demand prior to the consumption tax increase fades away.

In these circumstances, the Group is working to achieve further progress in the structural reform of the business, a key theme of the plan, to wrap up the second year of the Three-year Medium-Term Business Plan. We are also eyeing M&A and capital and business alliances with the aim of achieving the financial performance targets for the final year of the plan.

We are striving to enhance our proposal-driven business capabilities in order to respond to customer needs for logistics cost reduction centering on the key 3PL services and actively conducting promotional activities aimed at winning new orders. Furthermore, we are working to enhance operational efficiency of our existing distribution centers.

We aim to maximize corporate value by securing stable revenues and cash flows over the long term.

In light of ongoing vigorous execution of the above-mentioned initiatives, the forecast of the Group's business results for the year ending March 31, 2015, is as follows:

Operating revenues	¥123,000 million	(an increase of 1.5% year on year)
Operating income	¥3,700 million	(an increase of 14.2% year on year)
Net income	¥2,600 million	(an increase of 9.7% 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.

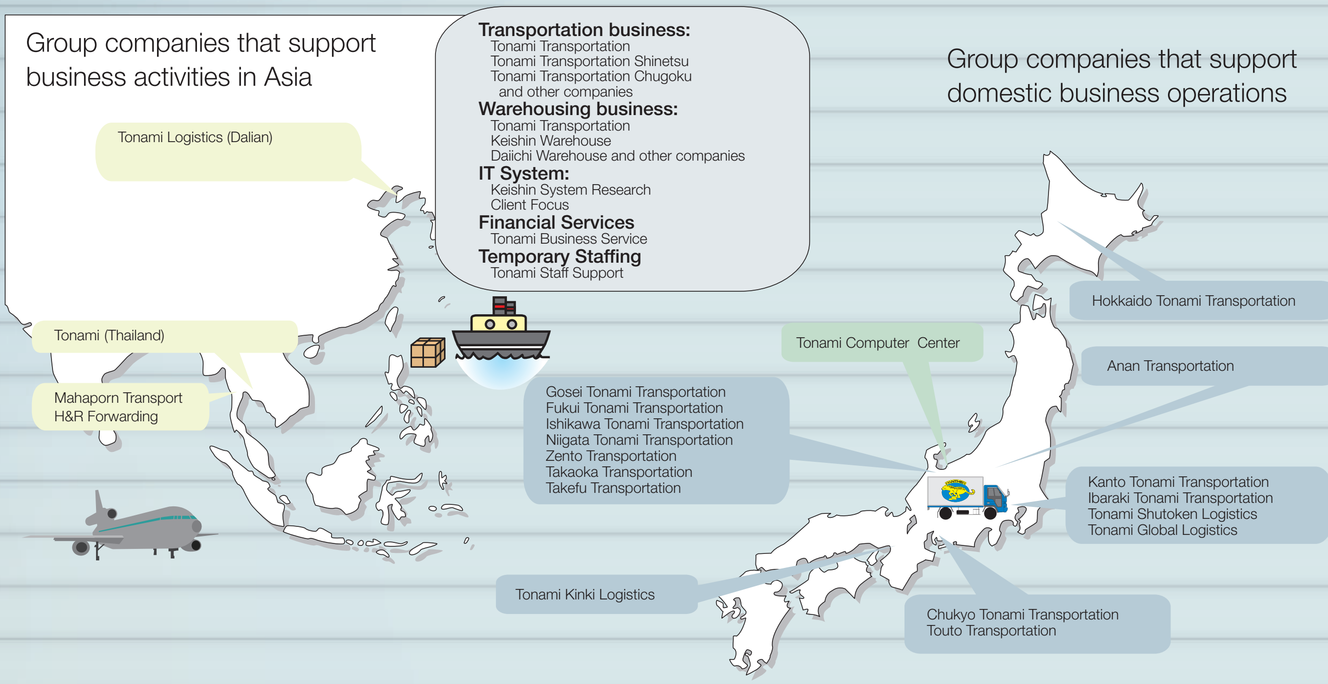
We will continue making a concerted effort to raise business performance so as to meet the expectations of our shareholders. In all our endeavors, we will be grateful for your continued support.

June 2014

K. Watanuki

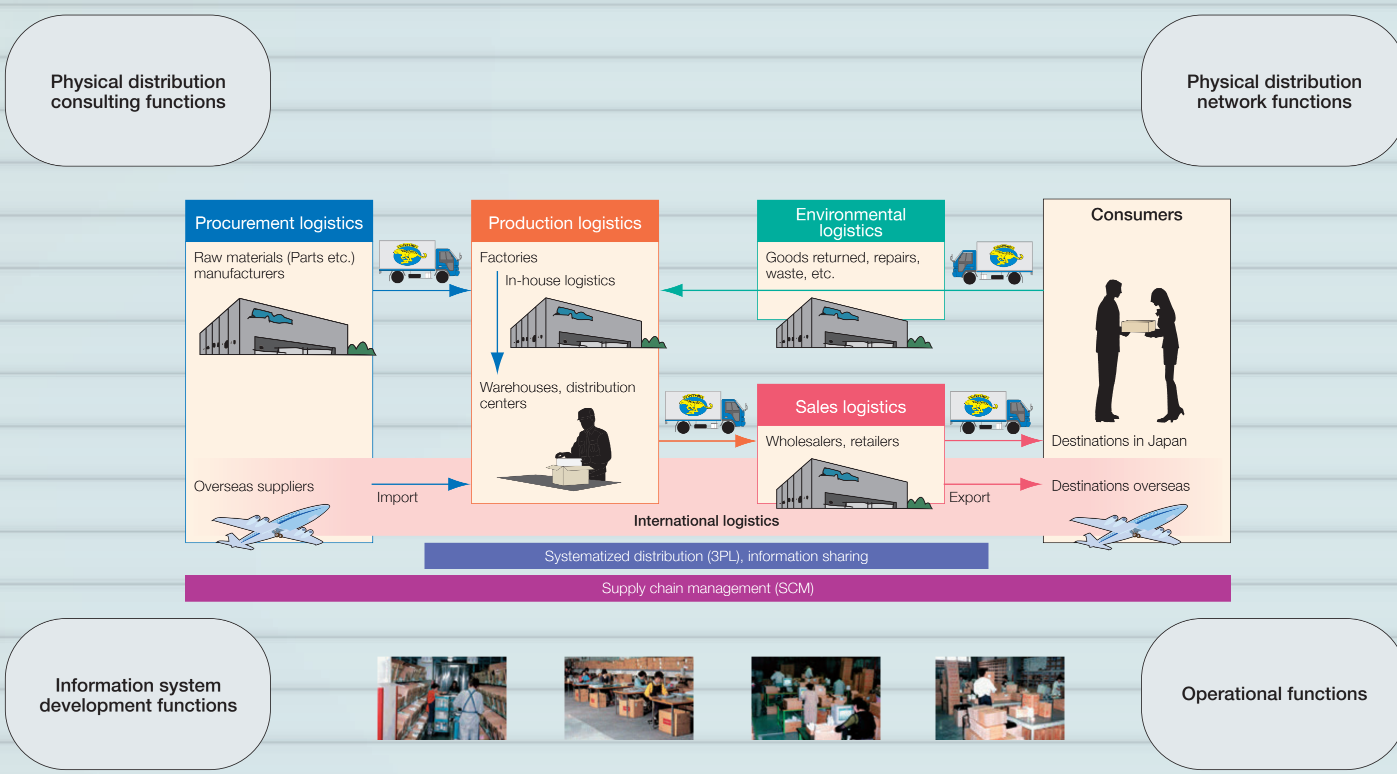
Katsusuke Watanuki
President and Representative Director

Operating Subsidiaries and Affiliates



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

Tonami Logistics Solutions



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) Corporate Governance System

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

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.

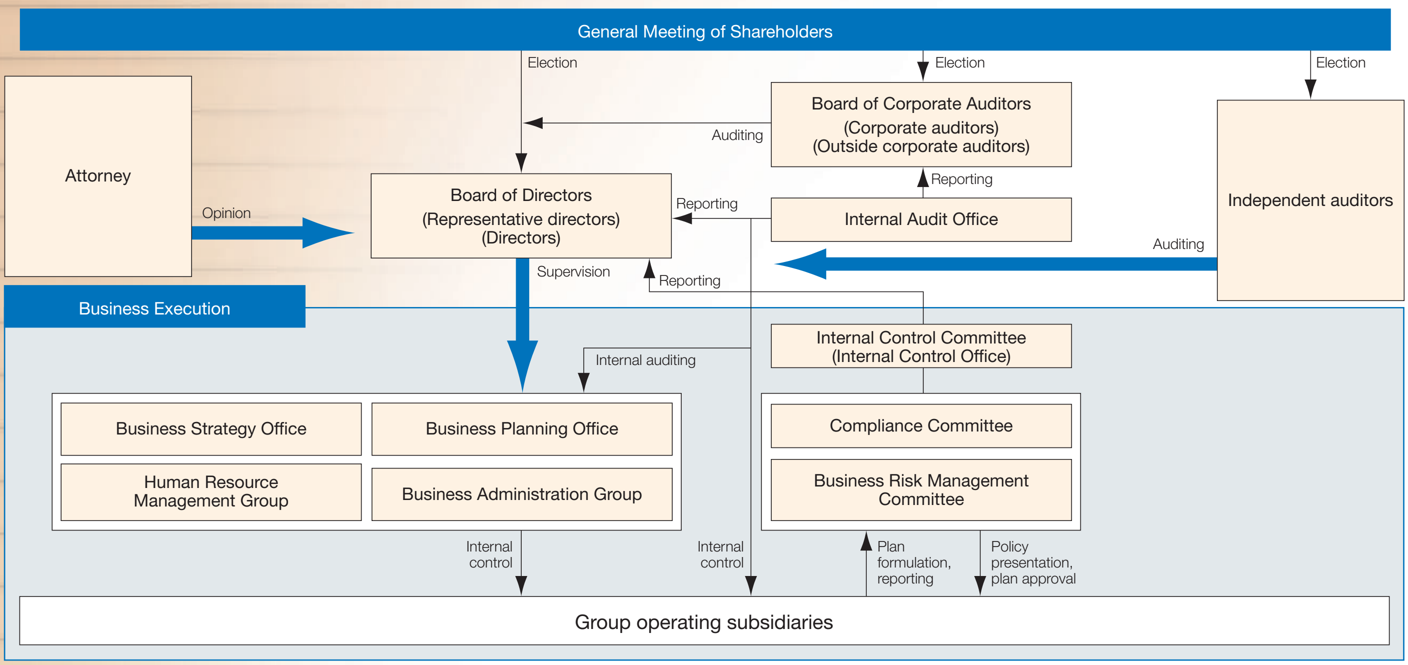
Moreover, the Company has established the Tonami Group Employee Code of Conduct as the foundation of the Group's compliance system and the Internal Control Committee, chaired by the president, as the decision-making body. The Company's effort to enhance its internal control systems is led by an officer 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 (five 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 Auditors Mr. Shinichiro Inushima and Mr. Toshio Kaido have no capital or business 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.

This truck runs on natural gas

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.


Encouraging local people to take up badminton

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 General Incorporated Association “Tonami Shozyukai.”

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


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
	2010	2011	2012	2013	2014	2014
RESULTS OF OPERATIONS:						
Operating revenues	¥113,601	¥118,979	¥117,710	¥115,864	¥121,129	$1,176,932
Operating cost	106,522	111,355	110,069	106,908	111,651	1,084,841
Selling, general and administrative expenses	6,345	6,425	6,237	6,188	6,237	60,603
Operating income	734	1,199	1,404	2,767	3,240	31,488
Net income	702	315	633	1,785	2,370	23,037
Depreciation expenses	3,157	3,504	3,882	4,286	4,361	42,378
PER SHARE (yen and U.S. dollars):						
Net income	¥ 7.73	¥ 3.47	¥ 6.97	¥ 19.67	¥ 26.13	$ 0.2539
Cash dividends	4.00	4.00	4.00	5.00	4.50	0.0437
YEAR-END FINANCIAL POSITION:						
Total current assets	¥ 33,860	¥ 35,723	¥ 33,045	¥ 33,538	¥ 34,204	$ 332,340
Net property and equipment	69,447	70,037	71,597	71,856	70,837	688,277
Total assets	115,502	117,412	116,085	117,189	117,149	1,138,262
Total current liabilities	32,617	33,989	34,222	36,279	37,480	364,172
Long-term liabilities, excluding of current portion thereof	37,656	38,478	35,817	33,266	30,376	295,146
Total net assets	45,229	44,945	46,046	47,643	49,292	478,944
OTHER YEAR-END DATA:						
Number of employees	7,235	7,025	6,762	6,561	6,492	

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, net defined benefit liability, 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, 2014, operating revenues increased 4.5% year on year to ¥121,129 million. This result also reflected the Group's efforts to ensure an appropriate level of freight charges and unit rates for the mainstay road haulage and freight forwarding operations and for the 3PL services. The last-minute increase in demand before the consumption tax increase also had a positive effect on operating revenues.

Composition of Operating Revenues

	Composition	Percentage point change from the previous year
Logistics:	91.4%	+0.2
Road haulage operations and freight forwarding operations	70.3	+0.7
Warehousing operations	16.7	+0.2
Harbor transport operations	4.4	−0.7
Information processing business	2.5	+0.2
Sales businesses	5.5	−0.3
Other businesses	0.6	−0.1

Operating Cost

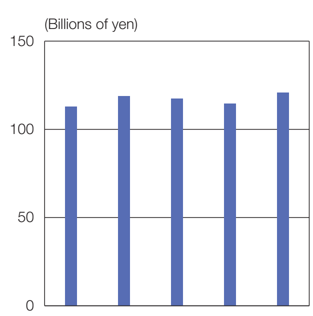
Operating cost increased 4.4% year on year to ¥111,651 million. As a result, the ratio of operating cost to operating revenues decreased 0.1 percentage points from the previous year to 92.2%. Although there were factors increasing costs, such as rising prices of diesel oil and raw materials, the Group's efforts to improve operational efficiency and reduce facilities costs resulted in enhanced profitability.

Selling, General and Administrative Expenses

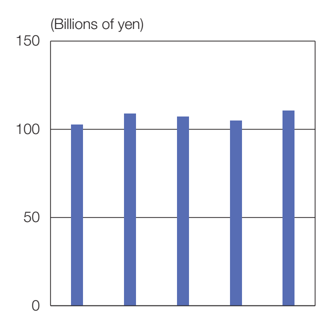
Selling, general and administrative expenses increased 0.8% year on year to ¥6,237 million. The ratio of selling, general and administrative expenses to operating revenues decreased 0.2 percentage points from the previous year.

As a result, operating income increased 17.1% year on year to ¥3,240 million. The ratio of operating income to operating revenues was 2.7%, an increase of 0.3 percentage points from the previous year.

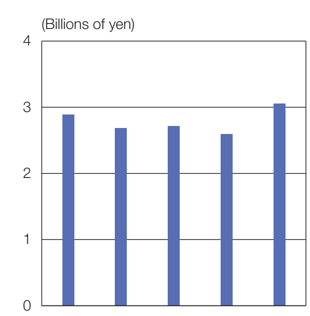
Operating Revenues



Sales of Logistics



Sales of Information Processing Business



Net Income
Income before income taxes and minority interests was ¥3,896 million, up 25.1% year on year. Net income rose 32.8% year on year to ¥2,370 million.

Analysis of Cash Flows
Cash and cash equivalents on a consolidated basis for the year under review decreased ¥406 million from the previous year to ¥9,238 million as a result of net cash provided by operating activities amounting to ¥6,023 million, net cash used in investing activities amounting to ¥2,517 million, and net cash used in financing activities amounting to ¥3,912 million.

Cash Flows from Operating Activities
Net cash provided by operating activities totaled ¥6,023 million, an increase of ¥386 million from the previous year.

Principal items were income before income taxes and minority interests amounting to ¥3,896 million and depreciation and amortization amounting to ¥4,361 million.

Cash Flows from Investing Activities
Net cash used in investing activities totaled ¥2,517 million, a decrease of ¥393 million from the previous year.

The principal item was payments of ¥2,602 million for the purchase of property and equipment.

Cash Flows from Financing Activities
Net cash used in financing activities totaled ¥3,912 million, an increase of ¥2,240 million from the previous year.

Cash outflows included repayment of long-term debt amounting to ¥3,104 million and redemption of bonds amounting to ¥3,000 million, and repayment of lease obligations amounting to ¥2,096 million, whereas an increase in short-term bank loans amounted to ¥2,550 million and proceeds from long-term debt amounted to ¥2,200 million.

Analysis of the Financial Position
Assets
Current assets were ¥34,204 million, an increase of 2.0% from the previous fiscal year-end. This increase was mainly attributable to a ¥1,011 million increase in trade accounts receivable despite a ¥404 million decrease in cash and time deposits.

Non-current assets amounted to ¥82,945 million, a decrease of 0.8% from the previous fiscal year-end. This decrease was mainly attributable to a ¥622 million decrease in buildings and structures and a ¥399 million decrease in land.

As a result, total assets amounted to ¥117,149 million, virtually unchanged from the previous fiscal year-end.

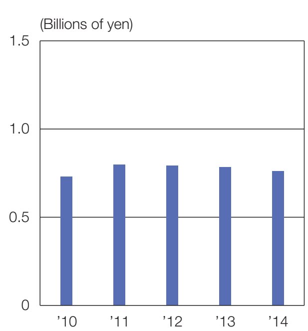
Liabilities
Current liabilities were ¥37,480 million, an increase of 3.3% from the previous fiscal year-end. This increase was mainly due to a ¥409 million increase in trade accounts payable, a ¥2,550 million increase in short-term bank loans, and a ¥464 million increase in current portion of long-term debt, whereas current portion of bonds decreased ¥3,000 million.

Long-term liabilities were ¥30,376 million, a decrease of 8.7% from the previous fiscal year-end. This decrease was mainly attributable to a ¥1,368 million decrease in long-term debt.

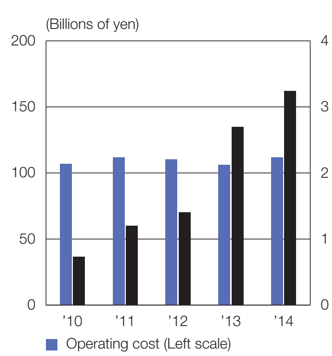
As a result, total liabilities amounted to ¥67,857 million, a decrease of 2.4% from the previous fiscal year-end.

Net assets
Net assets amounted to ¥49,292 million, an increase of 3.5% from the previous fiscal year-end. The main factors were a ¥2,207 million increase in retained earnings as a result of recording net income of ¥2,370 million.

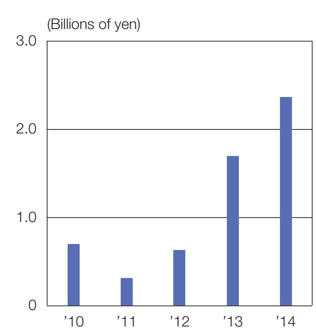
Sales of Other Business



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 burden may have an adverse impact on the Group's business results and financial condition.

In the event of the 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 on a moderate recovery track, underpinned by a boost from last-minute demand in the run-up to the consumption tax hike, domestic demand with public investment and private-sector capital investment to the fore.

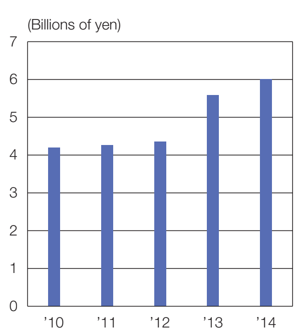
Although the business environment is expected to remain unclear in view of concerns about the slowing economy owing to the dip in demand in the aftermath of the last-minute spike in demand prior to the consumption tax increase and hikes in prices of oil etc., the moderate recovery of the Japanese economy is expected to continue, supported by the Japanese government's economic policies.

In these circumstances, the Group is working to achieve further progress in the structural reform of the business, a key theme of the plan, to wrap up the second year of the Three-year Medium-Term Business Plan as the Group approaches the final year. We are also eyeing M&A and capital and business alliances with the aim of achieving the financial performance targets for the final year of the plan.

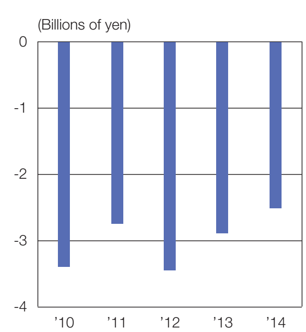
We are striving to enhance our proposal-driven business capabilities in order to respond to customer needs for logistics cost reduction centering on the key 3PL services and actively conducting promotional activities aimed at winning new orders. Furthermore, we are working to enhance operational efficiency of our existing distribution centers.

We aim to maximize corporate value by securing stable revenues and cash flows over the long term.

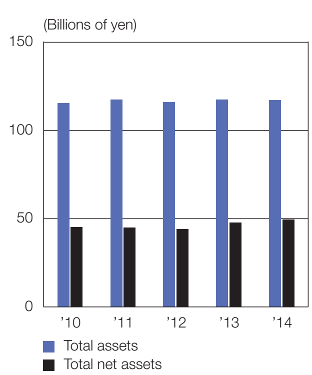
Net Cash Provided by Operating Activities



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, 2014 and 2013

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current assets:			
Cash and time deposits (Notes 10 and 12)	¥ 9,297	¥ 9,701	$ 90,338
Trade receivables:			
Notes and accounts (Notes 5 and 12)	21,313	20,191	207,084
Less: allowance for doubtful accounts	(75)	(65)	(729)
Investments in lease assets	117	241	1,145
Inventories	613	546	5,956
Deferred tax assets (Note 17)	567	527	5,518
Other current assets	2,370	2,394	23,028
Total current assets	34,204	33,538	332,340
Property and equipment (Notes 3, 4 and 6):			
Land	40,686	41,085	395,324
Buildings and structures	21,061	21,684	204,641
Machinery and vehicles	2,134	2,130	20,735
Leased assets	5,792	6,095	56,284
Construction in progress	373	72	3,624
Other	789	787	7,669
Total property and equipment	70,837	71,856	688,277
Investments and other assets:			
Investments in securities (Note 13)	6,911	6,551	67,149
Good will	14	19	143
Other	5,182	5,224	50,353
Total investments and other assets	12,108	11,795	117,645
Total assets	¥117,149	¥117,189	$1,138,262

The accompanying Notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current liabilities:			
Short-term bank loans (Notes 7 and 12)	¥ 12,940	¥ 10,390	$ 125,729
Current portion of long-term debt (Notes 4, 7, 12 and 14)	3,568	3,104	34,677
Current portion of bonds (Note 4)	—	3,000	—
Trade notes and accounts payable (Note 12)	11,773	11,341	114,399
Lease obligations (Note 12)	1,919	2,137	18,646
Income taxes payable	870	607	8,457
Other current liabilities	6,408	5,698	62,264
Total current liabilities	37,480	36,279	364,172
Long-term liabilities:			
Long-term debt, less current portion thereof (Notes 4, 7, 12 and 14)	8,111	9,480	78,815
Lease obligations (Note 12)	4,445	4,793	43,190
Deferred tax liability (Note 17)	631	317	6,134
Deferred tax liabilities from revaluation reserve for land (Note 6)	4,534	4,694	44,063
Employees' severance and retirement benefits (Note 15)	—	12,817	—
Retirement benefits for directors and corporate auditors	113	117	1,104
Net defined benefit liability (Note 15)	9,030	—	87,740
Negative goodwill	76	153	745
Other long-term liabilities	3,432	892	33,354
Total long-term liabilities	30,376	33,266	295,146
Total liabilities	67,857	69,546	659,318
Net assets			
Shareholders' equity (Note 16):			
Common stock:			
Authorized: 299,200,000 shares in 2014			
299,200,000 shares in 2013			
Issued: 97,610,118 shares in 2014			
97,610,118 shares in 2013	14,182	14,182	137,803
Capital surplus	11,682	11,682	113,507
Retained earnings	18,724	16,516	181,931
Treasury stock, at cost: 6,872,859 shares in 2014			
6,857,237 shares in 2013	(2,021)	(2,018)	(19,641)
Total shareholders' equity	42,567	40,363	413,599
Other comprehensive income			
Unrealized gain on other securities	1,040	846	10,111
Revaluation reserve for land	6,035	6,326	58,643
Remeasurements of defined benefit plans (Notes 2 and 15)	(461)	—	(4,483)
Accumulated other comprehensive income (Note 9)	6,614	7,172	64,272
Minority interests:			
Minority interests	110	107	1,073
Total net assets	49,292	47,643	478,944
Total liabilities and net assets	¥117,149	¥117,189	$1,138,262

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

TONAMI HOLDINGS CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating revenues (Note 20):			
Operating revenues	¥121,129	¥115,864	$1,176,932
	121,129	115,864	1,176,932
Operating costs and selling, general and administrative expenses:			
Operating cost (Note 18)	111,651	106,908	1,084,841
Selling, general and administrative expenses (Note 18)	6,237	6,188	60,603
	117,889	113,096	1,145,444
Operating income (Note 20)	3,240	2,767	31,488
Other income and expenses:			
Interest and dividend income	296	326	2,884
Equity in earnings of unconsolidated subsidiaries and affiliates	68	59	665
Loss on sale of property and equipment, net	101	70	983
Interest expenses	(361)	(487)	(3,513)
Impairment losses (Note 8)	(449)	(61)	(4,368)
Gain on negative goodwill	—	117	—
Settlement package	—	(113)	—
Gain on transfer to a defined contribution pension plan (Notes 2 and 15)	792	—	7,697
Other, net	208	436	2,021
	655	347	6,370
Income before income taxes and minority interests	3,896	3,115	37,858
Income taxes (Note 17):			
Current	1,243	985	12,082
Deferred	264	334	2,567
	1,507	1,319	14,648
Net income before minority interests	2,388	1,794	23,210
Minority interests	17	9	173
Net income	¥ 2,370	¥ 1,785	$ 23,037
Minority interests	17	9	173
Net income before minority interests	2,388	1,794	23,210
Other comprehensive income (Note 9):			
Valuation difference on other securities	194	416	1,885
Share of other comprehensive income (loss) of associates accounting for using the equity method	0	3	2
Total other comprehensive income	194	420	1,887
Total comprehensive income for the year	¥ 2,582	¥ 2,215	$ 25,097
Total comprehensive income attributable to:			
Owners of the parent	¥ 2,565	¥ 2,205	$ 24,923
Minority interests	17	10	173

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, 2014 and 2013

		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	Remeasurements of defined benefit plans	Accumulated other comprehensive income	Minority interests	Total net assets
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
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
Balance as at April 1, 2013	97,610	¥14,182	¥11,682	¥16,516	¥(2,018)	¥40,363	¥846	¥6,326	¥ —	¥7,172	¥107	¥47,643
Cash dividends applicable to the year (¥5.00 per share)				(453)		(453)						(453)
Net income				2,370		2,370						2,370
Reversal of Revaluation reserve for land				290		290						290
Treasury stock					(3)	(3)						(3)
Net changes in items other than shareholders' equity						—	194	(290)	(461)	(557)	2	(554)
Balance as at March 31, 2014	97,610	¥14,182	¥11,682	¥18,724	¥(2,021)	¥42,567	¥1,040	¥6,035	¥(461)	¥6,614	¥110	¥49,292

	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	Remeasurements of defined benefit plans	Accumulated other comprehensive income	Minority interests	Total net assets
Balance as at April 1, 2013	$137,803	$113,507	$160,481	$(19,610)	$392,181	$ 8,225	$61,466	$ —	$69,691	$1,046	$462,918
Cash dividends applicable to the year ($0.0486 per share)			(4,410)		(4,410)						(4,410)
Net income			23,037		23,037						23,037
Reversal of Revaluation reserve for land			2,823		2,823						2,823
Treasury stock				(32)	(32)						(32)
Net changes in items other than shareholders' equity					—	1,886	(2,823)	(4,483)	(5,420)	27	(5,392)
Balance as at March 31, 2014	$137,803	$113,507	$181,931	$(19,641)	$413,599	$10,111	$58,643	$(4,483)	$64,272	$1,073	$478,944

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, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,896	¥ 3,115	$37,858
Depreciation and amortization	4,361	4,286	42,378
Impairment losses	449	61	4,368
Gain on disposal of property and equipment	(101)	(70)	(983)
Gain on sales of investments in securities	—	(0)	—
Loss on devaluation of investments in securities	4	5	39
Loss on devaluation of golf club memberships	18	3	177
Gain on transfer to a defined contribution pension plan	(792)	—	(7,697)
Amortization of goodwill	(58)	4	(565)
Gain on negative goodwill	—	(117)	—
Equity in earnings of unconsolidated subsidiaries and affiliates	(68)	(59)	(665)
Increase in allowance for doubtful accounts	149	54	1,449
Decrease in net defined benefit liability	(562)	—	(5,465)
Decrease in employees' severance and retirement benefits	—	(1,261)	—
Decrease in directors' and corporate auditors' retirement benefits	(3)	(37)	(37)
Increase (decrease) in accrued bonuses to employees	109	(9)	1,067
Interest and dividend income	(296)	(326)	(2,884)
Interest expenses	361	487	3,513
Increase in trade receivables	(1,074)	(172)	(10,439)
Decrease (increase) in inventories	(66)	59	(647)
Increase in accounts payable	387	413	3,770
Increase in accrued consumption taxes	3	287	32
Other, net	353	(85)	3,437
Subtotal	7,071	6,638	68,707
Interest and dividends received	297	326	2,892
Interest paid	(358)	(516)	(3,480)
Income taxes paid	(987)	(811)	(9,593)
Net cash provided by operating activities	6,023	5,637	58,526
Cash flows from investing activities:			
Purchase of time deposits	(42)	(34)	(414)
Proceeds from redemption of time deposits	40	22	389
Purchase of property and equipment	(2,602)	(3,310)	(25,288)
Proceeds from sales of property and equipment	262	717	2,554
Purchase of investments in securities	(167)	(173)	(1,631)
Proceeds from sales of investments in securities	—	1	—
Purchase of investments in subsidiaries	(11)	(201)	(107)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	6	—	66
Investments in loans receivable	(209)	(199)	(2,035)
Proceeds from collection of loans receivable	191	240	1,860
Other, net	14	25	143
Net cash used in investing activities	(2,517)	(2,911)	(24,465)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	2,550	(3,100)	24,777
Proceeds from long-term debt	2,200	165	21,376
Repayment of long-term debt	(3,104)	(1,240)	(30,162)
Proceeds from bond issuance	—	5,000	—
Redemption of bonds	(3,000)	—	(29,149)
Repayments of lease obligations	(2,096)	(2,127)	(20,369)
Purchase of treasury stock	(3)	(2)	(32)
Dividends paid	(453)	(363)	(4,410)
Dividends paid to minority interests	(4)	(3)	(43)
Net cash used in financing activities	(3,912)	(1,671)	(38,012)
Net (decrease) increase in cash and cash equivalents	(406)	1,053	(3,951)
Cash and cash equivalents at beginning of year	9,645	8,591	93,719
Cash and cash equivalents at end of year (Note 10)	¥ 9,238	¥ 9,645	$89,768

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 2013 financial statements to conform to the classifications used in 2014.

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 ¥102.92 to U.S.$1, the approximate rate of exchange at March 31, 2014. 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, 2014 include the accounts of the Company and its 25 (27 in 2013) consolidated subsidiaries and 7 (7 in 2013) 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. Four subsidiaries and one affiliate 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.

(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) 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.

(h) Accounting method for 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 record a net defined benefit liability, 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. In calculating the retirement benefit obligations, the straight-line basis is used in determining the amount of the expected retirement benefit obligation attributed to service performed up to the end of the current fiscal year.

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.

Certain consolidated subsidiaries use the simplified method whereby the amount that would be required to be paid if all their eligible employees voluntarily terminated their employment as of the balance sheet date is treated as projected benefit obligation for the calculation of net defined benefit liability and retirement benefit cost.

Additional information

The Company and certain consolidated subsidiaries transferred part of the lump-sum payment plans to defined contribution pension plans. ASBJ Guidance No. 1 Guidance on Accounting for Transfer between Retirement Benefit Plans issued by ASBJ in January 2002 is applied for this transfer. The impact of this change amounting to ¥792 million is recorded as "Gain on transfer to defined contribution pension plan" in non-operating expenses.

(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.

Changes in accounting policies
Effective from the end of the fiscal year ended March 31, 2014, the Company has applied ASBJ Statement No. 26 Accounting Standard for Retirement Benefits and ASBJ Guidance No. 25 Guidance on Accounting Standard for Retirement Benefits issued in May 2012 (excluding the provisions in Paragraph 35 of the Accounting Standard for Retirement Benefits and in Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits). The Company adopted the method of deducting the amount of plan assets from the retirement benefit obligation and recording the difference as net defined benefit liability and recorded unrecognized actuarial gain or loss in net defined benefit liability.

For application of the standard, the Company followed the transitional treatment specified in Paragraph 37 of the Accounting Standard for Retirement Benefits and recorded the effect of the change as remeasurement of defined benefit plans in accumulated other comprehensive income for the fiscal year ended March 31, 2014.

As a result, at the end of the fiscal year ended March 31, 2014, ¥9,030 million was recorded in net defined benefit liability and accumulated other comprehensive income decreased by ¥461 million. Net assets per share decreased by ¥5.09.

Additional information
Regarding ASBJ Statement No. 26 Accounting Standard for Retirement Benefits issued in May 2012 and ASBJ Guidance No. 25 Guidance on Accounting Standard for Retirement Benefits, 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 ending March 31, 2015.

Due to application of this accounting standard, the amount of retained earnings at the beginning of the fiscal year ending March 31, 2015 is expected to increase by ¥551 million, and both operating income and income before income taxes are expected to decrease by ¥45 million.

3 Property and equipment
Property and equipment are stated at the net book value in the consolidated balance sheets. The amounts of accumulated depreciation were ¥55,544 million ($539,683 thousand) and ¥55,043 million on March 31, 2014 and 2013, 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 ($1,750 thousand) and ¥180 million on March 31, 2014 and 2013, respectively.

4 Short-term bank loans and long-term debt
(a) Short-term bank loans
Short-term bank loans as at March 31, 2014 and 2013 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Secured	¥ 2,920	¥ 3,020	$ 28,372
Unsecured	10,020	7,370	97,357

Interest rates range from 0.928% to 1.165%.

(b) Long-term debt

Long-term debt as at March 31, 2014 and 2013 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
2.11% ¥3.0 billion unsecured straight bonds due 2013	¥ —	¥ 3,000	$ —
1.01% ¥5.0 billion unsecured straight bonds due 2016	5,000	5,000	48,581
0.600%-2.520% loans from financial institutions due 2014 to 2018 and thereafter:			
Secured	954	1,052	9,272
Unsecured	5,726	6,532	55,639
Total	11,680	15,584	113,492
Less: amount due within one year	3,568	6,104	34,677
	¥ 8,111	¥ 9,480	$ 78,815

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, 2014 are as follows:—

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 3,568	$ 34,677
2016	5,647	54,871
2017	2,177	21,155
2018	169	1,649
2019	117	1,141

(c) Pledged assets

Property and equipment having a net value of ¥13,317 million ($129,399 thousand) was pledged as collateral for short-term bank loans and long-term debt as at March 31, 2014.

5 Contingent liabilities

As at March 31, 2014, the Company was contingently liable as follows:—

	Millions of yen	Thousands of U.S. dollars
Notes endorsed	¥ 17	$ 175
Others	195	1,898

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, 2014 and the revalued book value	¥11,989	$116,495

7 Restrictive financial covenants

(1) The Company has entered into overdraft facility and credit line commitment agreements (term of contract of three years) 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, 2014, was as follows:

	Millions of yen	Thousands of U.S. dollars
Maximum credit line of overdraft facility and commitment agreement	¥3,000	$29,149
Used credit	2,000	19,433
Total	¥1,000	$ 9,716

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, 2014: ¥3,660 million ($35,562 thousand)) include restrictive financial covenants requiring assets at a fiscal year-end to exceed the predetermined amount.

8 Impairment losses

The Group recorded impairment losses on the asset groups stated below.

Fiscal year ended March 31, 2013

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 was recognized as impairment losses and reported under other expenses.

The amounts of impairment losses for land and buildings were ¥11 million and ¥50 million, 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.

Fiscal year ended March 31, 2014

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.

On the other hand, each idle asset constitutes an asset group.

During the year ended March 31, 2014, the book value of the idle assets was reduced to the recoverable amount and the decreased amount was recognized as an impairment loss for land amounting to ¥449 million ($4,368 thousand) and reported under other expenses.

The recoverable amount is measured by means of the net sale value, which is assessed principally based on the appraisal value quoted by a real-estate appraiser and the estimated sales amount.

9 Consolidated statement of comprehensive income

Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Valuation difference on other securities:			
Amount arising during the year	¥ 298	¥ 628	$ 2,904
Reclassification adjustment	—	5	—
Before tax-effect adjustment	298	633	2,904
Tax effect	(104)	(216)	(1,019)
Valuation difference on other securities	194	416	1,885
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the year	0	3	2
Total other comprehensive income	¥ 194	¥ 420	$ 1,887

10 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, 2014 and 2013 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and time deposits	¥9,297	¥9,701	$90,338
Time deposits with maturities exceeding three months	(58)	(56)	(569)
Cash and cash equivalents	¥9,238	¥9,645	$89,768

11 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, 2014 and 2013 for finance leases accounted for as operating leases:—

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Acquisition costs:			
Machinery and tools	¥ 16	¥ 2,473	$ 163
Buildings	5,833	5,833	56,684
	¥ 5,850	¥ 8,307	$ 56,847
Accumulated depreciation:			
Machinery and tools	¥ 15	¥ 2,249	$ 147
Buildings	2,720	2,473	26,433
	¥ 2,735	¥ 4,723	$ 26,580
Accumulated impairment losses:			
Machinery and tools	¥ —	¥ —	$ —
Buildings	756	756	7,347
	¥ 756	¥ 756	$ 7,347

Net book value:			
Machinery and tools	¥ 1	¥ 223	$ 16
Buildings	2,357	2,603	22,904
	¥ 2,358	¥ 2,827	$ 22,920

Amounts of depreciation expense equivalents and interest expense equivalents for the years ended March 31, 2014 and 2013 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Depreciation expense	¥246	¥521	$2,396
Interest expense	92	106	902

Lease payments relating to finance leases accounted for as operating leases amounted to ¥427 million ($4,149 thousands) and ¥735 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, 2014 and 2013, 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, 2014 and 2013, amounted to ¥42 million ($408 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, 2014 and 2013 for finance leases accounted for as operating leases are summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 283	¥ 283	$ 2,756
Due over one year	2,778	3,053	26,995
Total	¥3,062	¥3,337	$29,752
Impairment losses on leased assets	¥ 378	¥ 420	$ 3,674

(c) Operating leases

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 269	¥ 273	$ 2,615
Due over one year	2,493	2,753	24,223
Total	¥2,762	¥3,026	$26,838

12 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, 2014 and 2013 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, 2014	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
Cash and time deposits	¥ 9,297	¥ 9,297	¥ —
Trade receivables – notes	3,458	3,458	—
Trade receivables – accounts	17,854	17,854	—
Investments in securities (other securities)	4,416	4,416	—
Total assets	¥35,027	¥35,027	¥ —
Liabilities:			
Trade notes payable	¥ 958	¥ 958	¥ —
Trade accounts payable	10,815	10,815	—
Short-term bank loans	12,940	12,940	—
Bonds	5,000	5,000	0
Long-term debt	6,680	6,737	57
Lease obligations	6,364	6,595	230
Total liabilities	¥42,758	¥43,046	¥288
Derivatives	—	—	—

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	(10)
Long-term debt	7,584	7,663	79
Lease obligations	6,930	7,317	386
Total liabilities	¥44,247	¥44,702	¥455
Derivatives	—	—	—

For the year ended March 31, 2014	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Assets:			
Cash and time deposits	$ 90,338	$ 90,338	$ —
Trade receivables – notes	33,606	33,606	—
Trade receivables – accounts	173,478	173,478	—
Investments in securities (other securities)	42,913	42,913	—
Total assets	$340,335	$340,335	$ —
Liabilities:			
Trade notes payable	$ 9,314	$ 9,314	$ —
Trade accounts payable	105,085	105,085	—
Short-term bank loans	125,729	125,729	—
Bonds	48,581	48,581	0
Long-term debt	64,911	65,466	555
Lease obligations	61,836	64,079	2,243
Total liabilities	$415,456	$418,255	$2,799
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 ¥2,545 million ($24,728 thousand) are not included in the above table. The unlisted equity securities were restated at fair value and related loss on impairment amounting to ¥104 million ($1,019 thousand) was charged to income for the year ended March 31, 2014.

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 14 “Derivative transactions”.

(c) Information about maturities of financial instruments

Annual maturities of monetary receivables and other securities with contractual maturities as of March 31, 2014 and 2013 are as follows:

For the year ended March 31, 2014	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	¥ 9,272	¥—	¥—	¥—
Trade notes receivable	3,458	—	—	—
Trade accounts receivable	17,854	—	—	—
Investments in securities (other securities with contractual maturities)	50	10	—	—
Total	¥30,635	¥10	¥—	¥—

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, 2014	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	$ 90,096	$—	$—	$—
Trade notes receivable	33,606	—	—	—
Trade accounts receivable	173,478	—	—	—
Investments in securities (other securities with contractual maturities)	486	97	—	—
Total	$297,666	$97	$—	$—

Annual maturities of bonds, long-term debt, lease obligations, and other interest-bearing debts as of March 31, 2014 and 2013 are as follows:

For the year ended March 31, 2014	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	¥12,940	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	5,000	—	—	—	—
Long-term debt	3,568	647	2,177	169	117	—
Lease obligations	1,919	1,554	1,256	888	444	300
Total	¥18,427	¥7,202	¥3,434	¥1,057	¥562	¥300

For the year ended March 31, 2013	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	3,104	3,508	626	98	53	193
Lease obligations	2,137	1,461	1,124	781	398	1,026
Total	¥18,631	¥4,969	¥6,750	¥880	¥452	¥1,219

For the year ended March 31, 2014	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	$125,729	$ —	$ —	$ —	$ —	$ —
Bonds	—	48,581	—	—	—	—
Long-term debt	34,677	6,289	21,155	1,649	1,141	—
Lease obligations	18,646	15,108	12,213	8,630	4,320	2,920
Total	$179,051	$ 69,978	$ 33,368	$ 10,279	$ 5,461	$ 2,920

13 Marketable securities and investments in securities

No trading securities or held-to-maturity securities were held at March 31, 2014 or 2013. 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, 2014 and 2013 are summarized as follows:—

At March 31, 2014	Millions of yen		
	2014		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥3,784	¥2,126	¥1,658
Bonds	—	—	—
Other	50	50	0
Unrealized loss:			
Stocks	571	704	(132)
Bonds	—	—	—
Other	9	10	(0)
Total	¥4,416	¥2,890	¥1,526

At March 31, 2013

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

At March 31, 2014

	Thousands of U.S. dollars		
	2014		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Unrealized gain:			
Stocks	$36,771	$20,659	$16,112
Bonds	—	—	—
Other	492	486	6
Unrealized loss:			
Stocks	5,554	6,841	(1,286)
Bonds	—	—	—
Other	96	97	(1)
Total	$42,913	$28,082	$14,831

Equity securities with fair value, classified as other securities, were restated at the fair value and related loss on impairment in an amount of ¥5 million was charged to income for the year ended March 31, 2013. There was no impairment for the year ended March 31, 2014.

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 amounted to ¥1 million, of which a gain on sales amounted to ¥0 million. There were no such securities during the year ended March 31, 2014.

14 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
		2014	2013	2014
Contract amount:				
Contract amount	Total	¥3,660	¥6,400	$35,562
	Due after one year	400	3,660	3,887
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).

15 Employees' severance and retirement benefits

For the year ended March 31, 2014

(a) Outline of retirement benefit plans

In order to provide for the employees' severance and retirement benefits, the Company and its consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans.

Under the defined benefit corporate pension plans (all of which are funded plans), a lump sum or a pension based on the salary and the service years are paid. However, the Company and certain consolidated subsidiaries have introduced cash balance plans for the defined benefit corporate pension plans. In these plans, hypothetical individual employee accounts correspond to the funded amount and the principal of the pension amount for each participant. In each hypothetical individual employee account, the contributions based on the salary standard and interest amount based principally on the market interest rates are accumulated.

Under the lump-sum payment plans (all of which are unfunded plans), a lump sum based on the salary and service years are paid as retirement benefits. The Company and certain consolidated subsidiaries transferred part of the lump-sum payment plans to the defined contribution plans.

In the defined benefit corporate pension plans and lump-sum payment plans of certain consolidated subsidiaries, net defined benefit liability and retirement benefit cost are calculated by the simplified method.

(b) Defined benefit plans

Reconciliation of beginning and ending balances of retirement benefit obligation (excluding the plan for which the simplified method is applied)

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligation at beginning of year	¥18,376	$178,551
Service cost	817	7,944
Interest cost	238	2,321
Actuarial gain or loss	(103)	(1,003)
Payment of retirement benefits	(1,350)	(13,118)
Decrease due to transfer of to defined contribution pension plan	(4,061)	(39,459)
Retirement benefit obligation at end of year	¥13,918	$135,235

Reconciliation of beginning and ending balances of plan assets (excluding the plan for which the simplified method is applied)

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at beginning of year	¥4,954	$48,143
Expected return on plan assets	123	1,204
Actuarial gain or loss	206	2,009
Contributions by the Company	839	8,156
Employee contributions	69	680
Payment of retirement benefits	(457)	(4,441)
Plan assets at end of year	¥5,737	$55,751

Reconciliation of beginning and ending balances of net defined benefit liability for which the simplified method is applied

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Net defined benefit liability at beginning of year	¥840	$8,168
Retirement benefit costs	90	881
Payment of retirement benefits	(72)	(702)
Contributions to the plan	(9)	(91)
Net defined benefit liability at end of year	¥849	$8,256

Reconciliation of ending balances of retirement benefit obligation and plan assets and the net defined benefit liability/asset on consolidated balance sheet

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligation	¥ 7,596	$ 73,809
Pension assets	(5,877)	(57,106)
	1,719	16,704
Unfunded retirement benefit obligation	7,311	71,037
Net amount of liability (asset) on consolidated balance sheet	9,030	87,740
Net defined benefit liability	9,030	87,740
Net defined benefit asset	—	—
Net amount of liability (asset) on consolidated balance sheet	¥ 9,030	$ 87,740

Note: Including the plans for which the simplified method is applied

Retirement benefit costs and breakdown

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost (Note 1)	¥ 747	$ 7,264
Interest cost	238	2,321
Expected return on plan assets	(123)	(1,204)
Amortization of actuarial gain or loss	410	3,993
Amortization of prior service cost	(112)	(1,093)
Retirement benefit costs calculated by the simplified method	90	881
Retirement benefit costs for defined benefit plans	1,251	12,163
Loss due to transfer to defined contribution plan (Note 2)	(¥ 792)	($ 7,697)

(Note 1) Employee contributions to the corporate pension fund are not included in the amounts shown.
(Note 2) Recorded in non-operating expenses

Items recorded in other comprehensive income

Breakdown of items recorded in remeasurements of defined benefit plans (before tax effect deduction)

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial gain or loss	¥716	$6,959
Total	¥716	$6,959

Plan assets

Plan asset components as a percentage of total plan assets

	2014
Bonds	48.6%
Stocks	26.8
Insurance company general accounts	12.5
Cash and time deposits	2.9
Other	9.2
Total	100.0%

Long-term expected rate of return on plan assets is determined considering the pension asset allocation and long-term expected return on plan assets composed of various types of assets, at the present and in the future.

Basis of actuarial calculation

	2014
Discount rate	1.3%
Long-term expected return on plan assets	2.5%

(c) Defined contribution plan

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Required contributions to the defined contribution pension plan	¥96	$939

(d) Other items related to retirement benefits

The impact of the partial transfer from the lump-sum payment plan to the defined contribution plan (before tax effect deduction) was as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Decrease in retirement benefit obligation	¥4,061	$39,459
Unrecognized actuarial gain or loss	119	1,165

The amount of assets to be transferred to the defined contribution pension plan is ¥3,149 million ($30,597 thousand), which is to be transferred in eight years.

The assets that have not been transferred to the defined contribution pension plan at March 31, 2014 amounting to ¥3,149 million ($30,597 thousand) were recorded as accounts payable-other (other current liabilities) and long-term accounts payable (other long-term liabilities).

For the year ended March 31, 2013

(a) Outline of retirement benefit plans

In order to provide for the employees' severance and retirement benefits, the Company and its consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans.

Under the defined benefit corporate pension plans (all of which are funded plans), a lump sum or a pension based on the salary and the service years are paid. However, the Company and certain consolidated subsidiaries have introduced cash balance plans for the defined benefit corporate pension plans. In these plans, hypothetical individual employee accounts correspond to the funded amount and the principal of the pension amount for each participant. In each hypothetical individual employee account, the contributions based on the salary standard and interest amount based principally on the market interest rates are accumulated.

Under the lump-sum payment plans (all of which are unfunded plans), a lump sum based on the salary and service years are paid as retirement benefits.

In the defined benefit corporate pension plans and lump-sum payment plans of certain consolidated subsidiaries, net defined benefit liability and retirement benefit cost are calculated by the simplified method.

(b) Projected benefit obligation and the funded status of the plans

	Millions of yen
	2013
Projected benefit obligation	¥(19,355)
Plan assets	5,093
Net unrecognized amount	1,444
Employees' severance and retirement benefits	¥(12,817)

(Note) Including the plans for which the simplified method is applied

The net unrecognized amounts were as follows:—

	Millions of yen
	2013
Unrecognized benefit obligation:	
Adjustment for actuarial assumptions	¥1,557
Past service cost	(112)
Net unrecognized amounts	¥1,444

(c) Components of net periodic pension and severance costs excluding the employees' contributory portion

	Millions of yen
	2013
Service cost	¥856
Interest cost on projected benefit obligation	241
Expected return on plan assets	(96)
Amortization of adjustment for actuarial assumptions	256
Amortization of past service cost	(674)
Net periodic pension and severance costs	¥582

(Note 1) Employee contributions to the corporate pension fund are not included in the amounts shown.
(Note 2) Retirement benefit expenses of consolidated subsidiaries that use the simplified method are recorded in "service cost."

(d) Assumptions used

	2013
Discount rate	1.3%
Expected rate of return on plan assets	2.5%

16 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, 2013	Increase	Decrease	At March 31, 2014
Common stock (shares)	6,857,237	15,622	—	6,872,859

Reason for the change:
The increase attributable to the purchase of shares less than one unit: 15,622 shares

17 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
	2014	2013	2014
Deferred tax assets:			
Provision for bonuses	¥ 424	¥ 411	$ 4,122
Provision for retirement benefits	—	4,618	—
Net defined benefit liability	2,991	—	29,067
Accounts payable upon transfer to defined contribution pension	1,120	—	10,885
Accumulated loss on impairment of property and equipment	2,637	2,692	25,624
Accumulated loss on impairment of leased assets	133	150	1,300
Other	1,182	1,171	11,486
Gross deferred tax assets	8,489	9,043	82,485
Valuation allowance	(3,806)	(4,114)	(36,981)
Total deferred tax assets	4,683	4,929	45,504
Deferred tax liabilities:			
Unrealized gain on other securities	(483)	(378)	(4,694)
Reserve under Special Taxation Measures Law	(4,263)	(4,341)	(41,426)
Total deferred tax liabilities	(4,746)	(4,719)	(46,120)
Net deferred tax assets	¥(63)	¥ 209	$(616)

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, 2014 and 2013 were as follows:—

	2014	2013
Statutory tax rate:	37.75%	37.75%
Increase (reduction) in tax resulting from:		
Nondeductible expenses including entertainment, etc.	1.74	1.95
Nontaxable income including dividends received deduction, etc.	(3.86)	(3.93)
Per capita portion of inhabitant taxes	6.11	7.45
Equity in earnings of affiliates	(0.66)	(0.72)
Elimination of dividends received from consolidated subsidiaries, etc.	3.43	3.52
Gain on negative goodwill	—	(1.42)
Change in valuation allowance related to deferred tax assets	(6.15)	(1.63)
Adjustment of deferred tax assets following a change in statutory tax rates	1.81	—
Other	(1.48)	(0.57)
Effective tax rate	38.69%	42.40%

18 Supplementary income information

Supplementary income information for the years ended March 31, 2014 and 2013 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Depreciation expenses	¥4,361	¥4,286	$42,378
Lease and rental	5,093	4,911	49,486

19 Amounts per share

Amounts per share of common stock for the years ended March 31, 2014 and 2013 were as follows:—

	Yen		U.S. dollars
	2014	2013	2014
Net income per share:			
Basic	¥ 26.13	¥ 19.67	0.2539
Diluted	—	—	—
Cash dividends	4.50	5.00	0.0437
Net assets per share:	¥542.03	¥523.80	$ 5.2665

Basis for the calculation of net assets per share for the years ended March 31, 2014 and 2013 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total net assets as reported on the consolidated balance sheets	¥49,292	¥47,643	$478,944
Deduction from total net assets:			
Minority interests	110	107	1,073
Adjusted net assets allocated in common stock	¥49,182	¥47,535	$477,871
Number of shares of common stock outstanding at the end of year on which net assets per share is calculated (shares)	90,737,259	90,752,881	

Basis for the calculation of basic and diluted net income per share for the years ended March 31, 2014 and 2013 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net income	¥2,370	¥1,785	$23,037
Net income not available to shareholders of common stock	—	—	—
Net income available to shareholders of common stock	¥2,370	¥1,785	$23,037
Weighted-average number of shares of common stock outstanding (shares)	90,748,092	90,759,737	

20 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, 2014 — Millions of yen

	Reportable segment							
	Logistics	Information processing	Sales	Total	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:								
Revenues from outside customers	¥110,692	¥3,059	¥ 6,616	¥120,367	¥ 762	¥121,129	¥ —	¥121,129
Intersegment revenues or transfers	32	283	5,261	5,577	719	6,297	(6,297)	—
Total	110,724	3,342	11,878	125,945	1,481	127,427	(6,297)	121,129
Segment income	¥ 2,493	¥ 250	¥ 432	¥ 3,176	¥ 85	¥ 3,261	¥ (21)	¥ 3,240
Segment assets	¥104,991	¥2,002	¥ 9,480	¥116,474	¥10,969	¥127,443	¥(10,293)	¥117,149
Other items:								
Depreciation	¥ 3,896	¥ 386	¥ 43	¥ 4,326	¥ 23	¥ 4,350	¥ 11	¥ 4,361
Amortization of goodwill	¥ 0	¥ 18	¥ —	¥ 18	¥ —	¥ 18	¥ —	¥ 18
Impairment losses	¥ 449	¥ —	¥ —	¥ 449	¥ —	¥ 449	¥ —	¥ 449

	Logistics	Information processing	Sales	Total	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Increases in property and equipment and intangible fixed assets	¥ 4,267	¥ 387	¥ 161	¥ 4,816	¥ 33	¥ 4,850	¥ 5	¥ 4,855

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 outside customers	¥105,728	¥ 2,633	¥ 6,717	¥115,079	¥ 785	¥115,864	¥ —	¥115,864
Intersegment revenues 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, 2014 — 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	$1,075,517	$29,723	$ 64,287	$1,169,528	$ 7,405	$1,176,932	$ —	$1,176,932
Intersegment revenues or transfers	316	2,754	51,125	54,195	6,993	61,188	(61,188)	—
Total	1,075,833	32,478	115,412	1,223,723	14,398	1,238,120	(61,188)	1,176,932
Segment income	$ 24,225	$ 2,434	$ 4,201	$ 30,860	$ 833	$ 31,694	$ (205)	$ 31,488
Segment assets	$1,020,128	$19,457	$ 92,115	$1,131,700	$106,581	$1,238,281	$(100,019)	$1,138,262
Other items:								
Depreciation	$ 37,863	$ 3,755	$ 422	$ 42,040	$ 230	$ 42,270	$ 108	$ 42,378
Amortization of goodwill	$ 4	$ 176	$ —	$ 180	$ —	$ 180	$ —	$ 180
Impairment losses	$ 4,368	$ —	$ —	$ 4,368	$ —	$ 4,368	$ —	$ 4,368
Increases in property and equipment and intangible fixed assets	$ 41,460	$ 3,769	$ 1,570	$ 46,799	$ 327	$ 47,126	$ 54	$ 47,180

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, 2014 and 2013, adjustments of segment income amounted to ¥(21) million ($(205) thousand) and ¥95 million, respectively. Adjustments include intersegment eliminations and corporate expenses not allocated to any reportable segments.
   For the fiscal year ended March 31, 2014 and 2013, the above-mentioned intersegment eliminations amounted to ¥711 million ($6,909 thousand) and ¥720 million, respectively, and corporate expenses not allocated to any reportable segments amounted to ¥(732) million ($(7,114) thousand) and ¥(625) 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, 2014 and 2013, adjustments of segment assets amounted to

¥(10,293) million ($(100,019) thousand) and ¥(10,176) million, respectively. Adjustments include intersegment eliminations and corporate assets not allocated to any reportable segments.

For the fiscal year ended March 31, 2014 and 2013, the above-mentioned intersegment eliminations amounted to ¥(20,511) million ($(199,293) thousand) and ¥(19,960) million, respectively, and corporate assets not allocated to any reportable segments amounted to ¥10,217 million ($99,274 thousand) and ¥9,783 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, 2014 and 2013, adjustments of increases in property and equipment and intangible fixed assets amounted to ¥5 million ($54 thousand) and ¥9 million, respectively. Adjustments include intersegment eliminations and corporate assets not allocated to any reportable segments.

For the fiscal year ended March 31, 2014 and 2013, the above-mentioned intersegment eliminations amounted to ¥(8) million ($(79) thousand) and ¥(3) million, respectively, and corporate assets not allocated to any reportable segments amounted to ¥13 million ($133 thousand) and ¥12 million, respectively.

3. Segment income is adjusted to operating income in the consolidated financial statements.

(4) Related information

For the year ended March 31, 2014:

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, 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.

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

For the year ended March 31, 2014:

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, 2013:

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

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

For the year ended March 31, 2014 — Millions of yen

	Reportable segment						
	Logistics	Information processing	Sales	Total	Others	Adjustment	Total
Goodwill:							
Amortization	¥ 0	¥ 18	¥ —	¥ 18	¥ —	¥ —	¥ 18
Balance at end of year	¥ —	¥ 14	¥ —	¥ 14	¥ —	¥ —	¥ 14
Negative goodwill:							
Amortization	¥ 76	¥ —	¥ —	¥ 76	¥ —	¥ —	¥ 76
Balance at end of year	¥ 76	¥ —	¥ —	¥ 76	¥ —	¥ —	¥ 76

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, 2014 — Thousands of U.S. dollars

	Reportable segment						
	Logistics	Information processing	Sales	Total	Others	Adjustment	Total
Goodwill:							
Amortization	$ 4	$ 176	$ —	$ 180	$ —	$ —	$ 180
Balance at end of year	$ —	$ 143	$ —	$ 143	$ —	$ —	$ 143
Negative goodwill:							
Amortization	$ 745	$ —	$ —	$ 745	$ —	$ —	$ 745
Balance at end of year	$ 745	$ —	$ —	$ 745	$ —	$ —	$ 745

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

For the year ended March 31, 2014:

Not applicable

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 was recorded in the fiscal year ended March 31, 2013.

21 Subsequent events

Cash dividends

The annual shareholders' meeting of the Company, which was held on June 27, 2014, duly approved the payment of dividends as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥2.50 per share)	¥226	$2,204

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
Tonami Kinki Logistics Co., Ltd.	Road haulage
Zento Transportation Co., Ltd.	Road haulage
Ishikawa Tonami Transportation Co., Ltd.	Road haulage
Ibaraki 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
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
Client Focus Co., Ltd.	Development and sale of software
Tonami Business Service Co., Ltd.	Financial service
Tonami Staff Support Co., Ltd.	Temporary Staffing
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, 2014)

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Date of Established
June 1943

Common Stock
¥14,183 million

Issued and Outstanding Shares
97,610,118 shares

Shareholders
6,772

Employees
66

(As of March 31, 2014)

TONAMI

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