2015
Annual Report
For the year ended March 31, 2015

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, 2015 and 2014

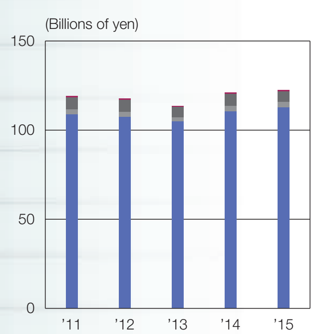
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
FOR THE YEAR:			
Operating revenues:	¥122,547	¥121,129	$1,019,785
Logistics	112,720	110,692	938,012
Information processing	3,015	3,059	25,095
Sales	6,105	6,616	50,808
Others	705	762	5,870
Operating income	4,752	3,240	39,549
Net income	3,238	2,370	26,946
Comprehensive income	5,296	2,582	44,078
PER SHARE (Yen and U.S. dollars):			
Net income, basic	¥ 35.69	¥ 26.13	$ 0.2970
Net income, diluted	—	—	—
Cash dividends	6.00	4.50	0.0499
AT YEAR-END:			
Total assets	¥120,887	¥117,149	$1,005,974
Total net assets	54,647	49,292	454,754

Notes: 1. U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥120.17 = U.S.$1, prevailing on March 31, 2015, 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 fiscal year.

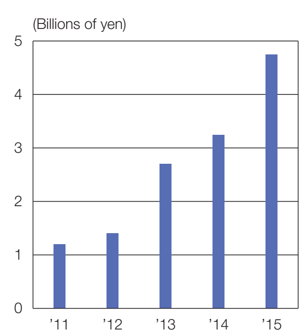
3. Diluted net income per share is not presented for the years ended March 31, 2015 and 2014, since there were no residual securities.

Operating Revenues by Business Segment

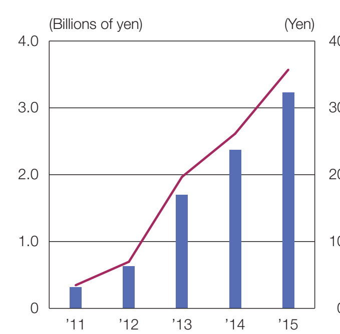


Logistics
Information processing
Sales
Others

Operating Income



Net Income and
Net Income per Share, Basic



Net Income (Left scale)
Net Income per Share, Basic (Right scale)

To Our Shareholders and Investors

President, Katsusuke Watanuki

I welcome this opportunity to report to our shareholders and investors on our operating environment and business results for the year ended March 31, 2015.

For the fiscal year ended March 31, 2015, record-high profits surpassing those of the fiscal year ended March 31, 2014 are expected at listed companies in the manufacturing and other industries against the backdrop of the recovery trend in domestic demand and overseas business expansion propelled by the weaker yen.

Under these circumstances, the Group started its 20th Three-year Medium-Term Business Plan in April 2015. We will pursue sustainable growth by moving forward with management issues such as continuing structural reform of our business, promoting capital investment and strengthening recruitment and development of human resources, with a view to securing an even more stable base in the increasingly competitive logistics industry.

In order to achieve this, it is essential to build a stronger and more flexible management structure with maneuverability, adhering to the fundamental spirit set forth in our corporate philosophy and corporate vision while casting off conventional ideas and practices. We recognize the importance of a management strategy aimed at record-high performance that makes high-quality management backed up by compliance and corporate governance its primary focus.

Continuing from the 19th Three-year Medium-Term Business Plan, "The Road to Self-Innovation! Innovation Plan 19," we will strive to improve corporate value by working to achieve the performance targets of the 20th Three-year Medium-Term Business Plan under the slogan "Leading step up 2017 — Aiming for even higher-quality management!"

In view of the robust financial performance, we increased the year-end ordinary dividend by ¥1 to ¥3.50 per share. With an interim dividend of ¥2.50 per share, total annual dividends for the year ended March 2015 amounted to ¥6 per share.

Overview of Operations

In the logistics industry, despite signs of a moderate recovery trend in logistics demand, the business climate remains severe as we must deal with a rapidly changing environment that includes rising outsourcing costs associated with an increasingly serious shortage of truck drivers, and intensifying competition among operators for orders.

In these circumstances, the Group pushed forward with the implementation of the growth strategy and strove to achieve the performance targets of the 19th Three-year Medium-Term Business Plan in its final year.

As a result, operating revenues amounted to ¥122,547 million, an increase of 1.2% from the previous year.

With regard to profits, the Group worked to absorb cost increases from high subcontractor fees and rising raw materials costs by reinforcing profitability through the progress of the structural reform of the business in accordance with the Three-year Medium-term Business Plan and revisions to freight charges and unit rates. As a result, operating income increased 46.7% to ¥4,752 million. Net income increased 36.6% to ¥3,238 million.

Results by Segment

Despite little growth in freight volumes in the aftermath of the last-minute demand before the consumption tax increase in the previous year, operating revenues from the logistics-related business increased 1.8% from the previous year to ¥112,720 million and segment income increased 57.4% to ¥3,923 million, owing to promotion of measures to maintain freight charges and fees at a reasonable level in road haulage, freight forwarding, and 3PL services.

Operating revenues from the information processing business decreased 1.4% to ¥3,015 million. Segment income was ¥253 million, an increase of 1.3%.

Operating revenues from the sales business, which includes merchandising, consignment sales, and a non-life insurance agency, amounted to ¥6,105 million, a decrease of 7.7%. Segment income was ¥394 million, a decrease of 8.7%.

Operating revenues from other businesses, which include automobile repair and direct mail service, amounted to ¥705 million, a decrease of 7.4%. Segment income increased 39.2% to ¥119 million.

Outlook for the Year ending March 31, 2016

Although improvement in personal consumption is anticipated owing to an increase in real wages and other factors, recovery of the Japanese economy is expected to be moderate, affected by rising prices of raw materials and other items owing to the weaker yen.

In view of this trend, the logistics industry is likely to experience a recovery of freight volumes, but the business environment is expected to remain challenging in view of persisting negative factors, including worsening labor shortages and rising outsourcing costs.

Under the 19th Three-year Medium-Term Business Plan, the Group sought to achieve innovation in transportation technology, operational efficiency, product development, and sales activities to create new value through structural reform of the Group. Building on the achievements of the 19th plan, the Group launched the 20th Three-year Medium-Term Business Plan covering the period from April 1, 2015 to March 31, 2018. Positioning these three years as a period for further growth as a company indispensable to society, we will strive to achieve the performance targets for the final year.

Going forward, it is crucially important to have closer communication with our customers as their logistics partner and achieve mutual growth and profit. We are committed to enhancing the quality and comprehensive strength of the Group as a whole in order to provide high-value-added services and support customers' development.

For this purpose, we have formulated six basic policies: 1) reinforcement of earnings capacity, 2) enhancement of business base, 3) promotion of business strategy, 4) development of human resources, 5) top-level logistics quality, and 6) reinforcement of compliance system. By implementing measures based on these policies, we are working to secure stable earnings and cash flows over the long term and maximize corporate value.

With regard to the IT systems that underpin our growth stagey, we are promoting the shift to an open environment. We will support and strengthen the enhancement of productivity, cost performance and high quality logistics through realization of a flexible business administration system that can respond immediately to changes in the environment.

Forecast of business results on a consolidated basis

Operating revenues	¥126,400 million	(an increase of 3.1% year on year)
Operating income	¥4,900 million	(an increase of 3.1% year on year)
Net income	¥3,400 million	(an increase of 5.0% year on year)

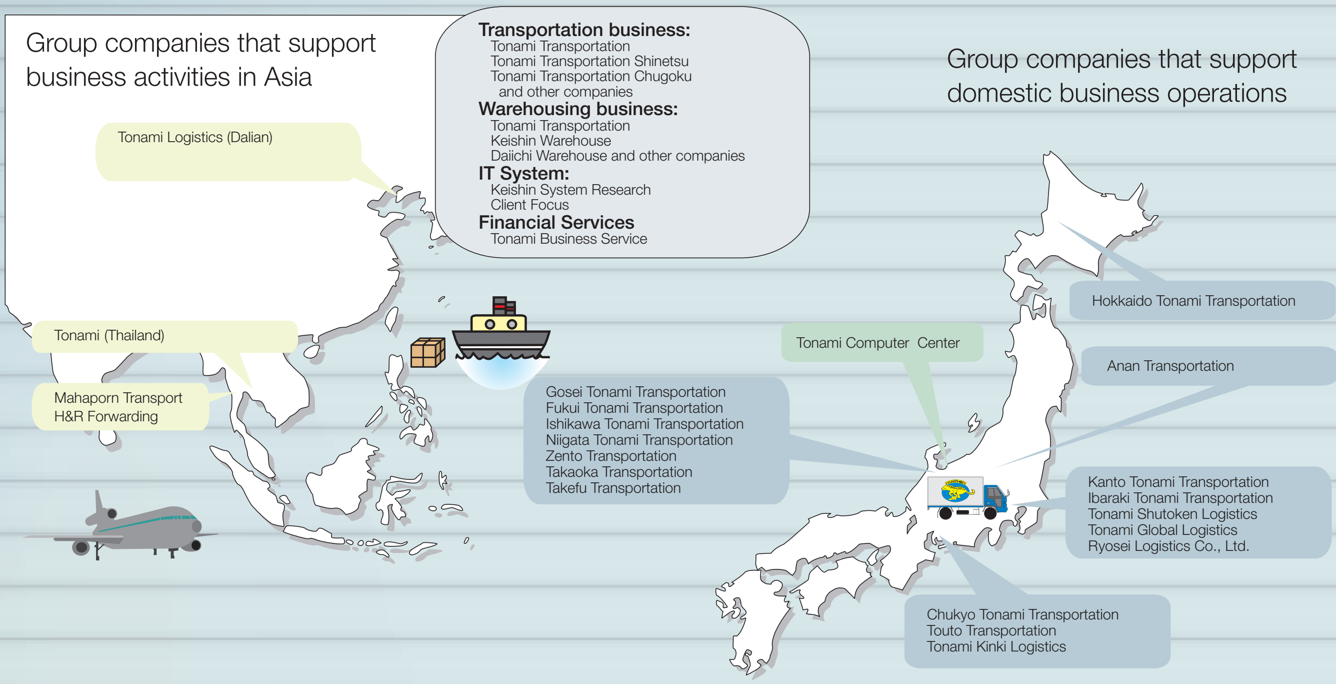
We will continue making a concerted effort to raise business performance so as to meet the expectations of our shareholders. In all our endeavors, we will be grateful for your continued support.

June 2015

K. Watanuki

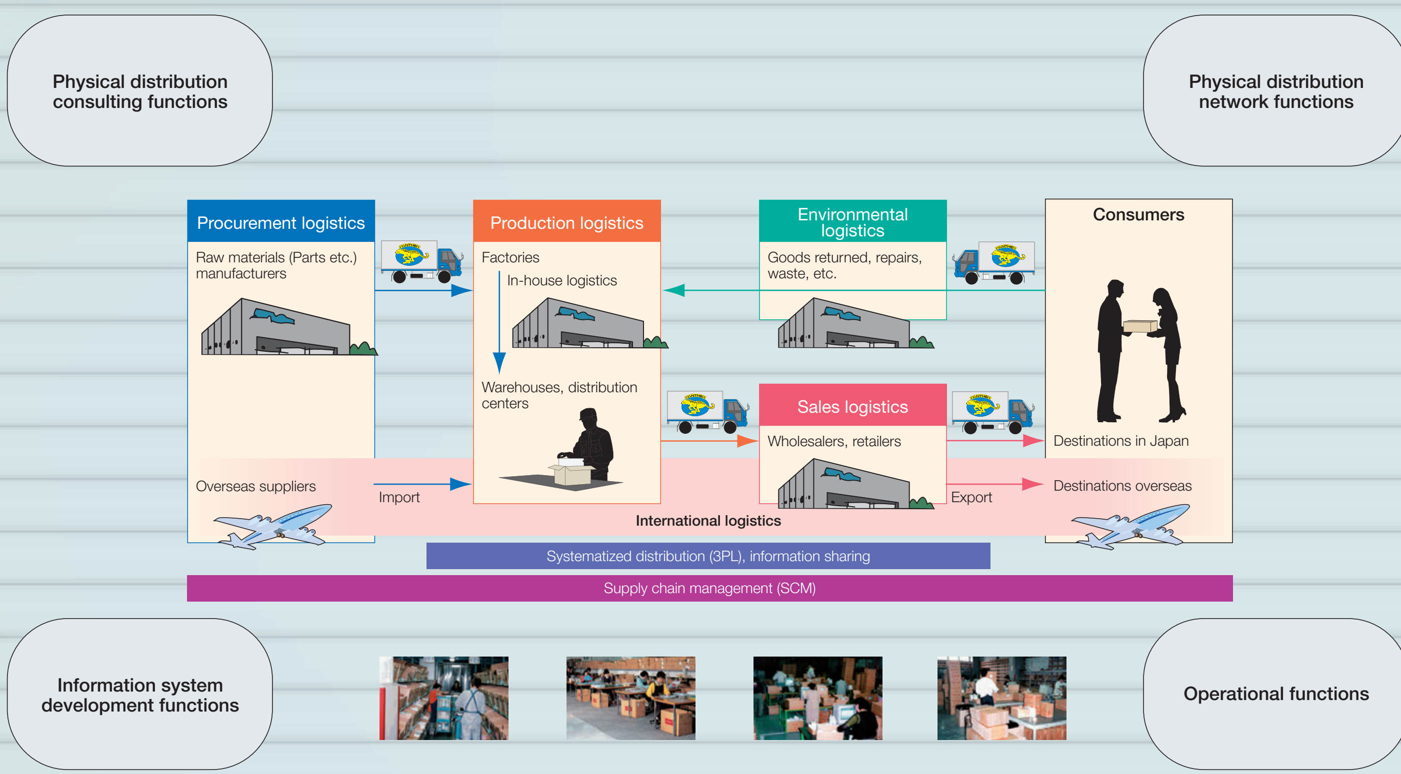
Katsusuke Watanuki
President and Representative Director

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 four corporate auditors (two standing corporate auditors and two 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.

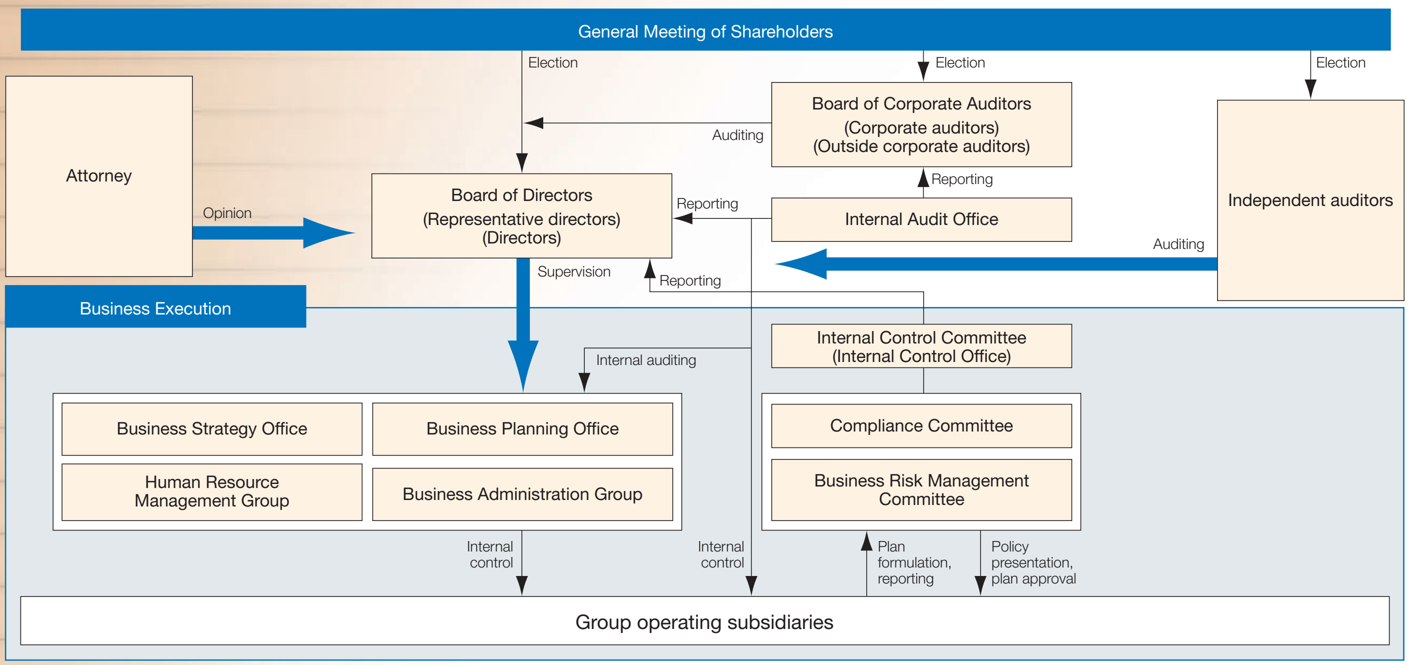
Moreover, the Company has established the Tonami Group Employee Code of Conduct as the foundation of the Group's compliance system and the Internal Control Committee, chaired by the president, as the decision-making body. The Company's effort to enhance its internal control systems is led by an officer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

The Company has appointed one outside director. Director Mr. Shinichiro Inushima has no capital or business relationships with the Company or other interests in the Company.

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 the Company's overall management based on excellent insight to be suitable for election as outside directors.

The Company has appointed two outside corporate auditors. Although Corporate Auditor Mr. Yohji Ishiguro owns shares of the Company, the capital relationship between him and the Company is negligible and he has no business relationships with the Company or other interests in the Company. Outside Corporate Auditor Mr. Toshio Kaido has no capital or business relationships with the Company or other interests in the Company.

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.

Neither of the two outside corporate auditors have any of the above-mentioned relationships with the Company. The Company appointed one of the outside corporate auditors as an independent officer as required by the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange accordingly.

Linkage among auditing by corporate auditors, including outside corporate auditors, internal auditing, and accounting auditing as well as relationships with the internal control unit are described in 4) State of Internal Auditing and Auditing by Corporate Auditors. Through reporting and exchange of opinions at meetings of the Board of Directors, the Company strives to strengthen collaboration among supervision by the outside director, auditing by corporate auditors, internal auditing, and accounting auditing and establish fruitful relationships between the outside director and the internal control unit.

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts with the outside director and outside corporate auditors that limit their liability under Article 423, Paragraph 1. The liability for damages pursuant to these contracts is limited to the liability amount prescribed by laws and regulations. The limitation of liability stated above is only applicable if the outside director or outside corporate auditor is without knowledge and is not grossly negligent in performing his duties causing such liability.

(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 prohibits disadvantageous treatment of the Company's directors or employees who made such reports to the Group's corporate auditors on the grounds that they made such reports and ensures that the Group's directors and employees are thoroughly aware of this policy.

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

The Tonami Holdings Group views management that emphasizes fulfillment of social responsibility based on compliance as the foundation for creation of corporate value and aspires to contribute to society continuously from an increasingly global perspective.

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

In addition, we are working to bolster systems to ensure compliance based on appropriate operation of business processes by inspecting premises and issuing guidance to them through the business process improvement projects and periodic auditing of business processes by the Internal Audit Office.

As a logistics enterprise, we must ensure transportation safety, accord consideration to the environment, ensure legal compliance and compliance with other rules, respect human rights, and contribute to local communities. We are committed to further strengthening corporate governance and promoting compliance management.

Transportation is an aspect of social infrastructure. Through our initiatives to improve logistics efficiency, encourage fuel-efficient driving by using digital tachographs, and promote joint delivery, we aim to make our business activities environmentally friendly with minimal waste of energy so as to contribute to environmental protection.

In view of the frequent occurrence of unprecedented disasters, we will review our role and functions for business continuity planning (BCP) on a continuous basis (Large-scale Disaster Response Regulations) and will endeavor to maintain effective logistics support in the event of a disaster by swiftly obtaining information on core business processes.

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 far into the future.

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 General Incorporated Association "Tonami Holdings 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
	2011	2012	2013	2014	2015	2015
RESULTS OF OPERATIONS:						
Operating revenues	¥118,979	¥117,710	¥115,864	¥121,129	¥122,547	$1,019,785
Operating cost	111,355	110,069	106,908	111,651	111,775	930,147
Selling, general and administrative expenses	6,425	6,237	6,188	6,237	6,019	50,089
Operating income	1,199	1,404	2,767	3,240	4,752	39,549
Net income	315	633	1,785	2,370	3,238	26,946
Depreciation expenses	3,504	3,882	4,286	4,361	4,365	36,325
PER SHARE (yen and U.S. dollars):						
Net income	¥ 3.47	¥ 6.97	¥ 19.67	¥ 26.13	¥ 35.69	$ 0.2970
Cash dividends	4.00	4.00	5.00	4.50	6.00	0.0499
YEAR-END FINANCIAL POSITION:						
Total current assets	¥ 35,723	¥ 33,045	¥ 33,538	¥ 34,204	¥ 36,076	$ 300,212
Net property and equipment	70,037	71,597	71,856	70,837	71,168	592,233
Total assets	117,412	116,085	117,189	117,149	120,887	1,005,974
Total current liabilities	33,989	34,222	36,279	37,480	39,333	327,313
Long-term liabilities, excluding of current portion thereof	38,478	35,817	33,266	30,376	26,906	223,907
Total net assets	44,945	46,046	47,643	49,292	54,647	454,754
OTHER YEAR-END DATA:						
Number of employees	7,025	6,762	6,561	6,492	6,447	

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

Operating revenues increased 1.2% or ¥1,417 million year on year to ¥122,547 million, owing to improved demand for 3PL services and other logistics services.

Composition of Operating Revenues

	Composition	Percentage point change from the previous year
Logistics:	92.0%	+0.6
Road haulage operations and freight forwarding operations	70.2	−0.1
Warehousing operations	17.1	+0.4
Harbor transport operations	4.7	+0.3
Information processing business	2.4	−0.1
Sales businesses	5.0	−0.5
Other businesses	0.6	−0.0

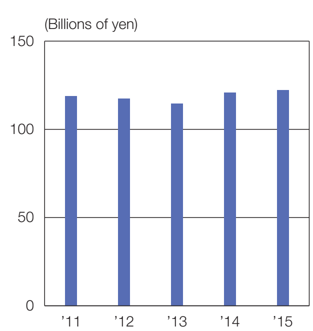
Operating income

Operating income amounted to ¥4,752 million, an increase of 46.7% or ¥1,511 million year on year. Revisions to freight charges and unit rates and progress in the structural reform of the business contributed to earnings while improved profitability in the logistics-related business offset factors adversely affecting profitability of the sales businesses.

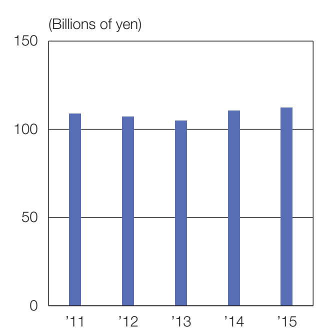
Net income

Net income amounted to ¥3,238 million, an increase of 36.6% or ¥867 million year on year. This increase was partly attributable to the recording of temporary other expenses in the previous fiscal year.

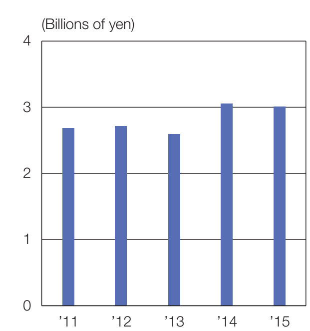
Operating Revenues



Sales of Logistics



Sales of Information Processing Business



Analysis of Cash Flows

Cash and cash equivalents on a consolidated basis for the year under review increased ¥2,946 million from the previous year to ¥12,185 million as a result of net cash provided by operating activities amounting to ¥9,286 million, net cash used in investing activities amounting to ¥1,881 million, and net cash used in financing activities amounting to ¥4,459 million.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥9,286 million, an increase of ¥3,263 million from the previous year. Principal items were income before income taxes and minority interests amounting to ¥5,269 million and depreciation and amortization amounting to ¥4,365 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,881 million, a decrease of ¥636 million from the previous year. The principal item was payments of ¥2,619 million for the purchase of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥4,459 million, an increase of ¥547 million from the previous year. Cash outflows included repayment of short-term loans amounting to ¥2,170 million and repayment of long-term debt amounting to ¥3,786 million, and repayment of lease obligations amounting to ¥2,105 million, whereas proceeds from long-term debt amounted to ¥4,070 million.

Analysis of the Financial Position

Assets

Current assets were ¥36,076 million, an increase of 5.5% from the previous fiscal year-end. This increase was mainly attributable to a ¥2,954 million increase in cash and time deposits and a ¥766 million decrease in trade accounts receivable.

Non-current assets amounted to ¥84,811 million, an increase of 2.3% from the previous fiscal year-end. This increase was mainly attributable to an ¥864 million increase in leased assets and a ¥1,542 million increase in investments in securities.

As a result, total assets amounted to ¥120,887 million, an increase of 3.2% or ¥3,737 million from the previous fiscal year-end.

Liabilities

Current liabilities were ¥39,333 million, an increase of 4.9% from the previous fiscal year-end. This increase was mainly due to a ¥5,000 million increase in current portion of bonds, a ¥2,170 million decrease in short-term bank loans, and a ¥2,513 million decrease in current portion of long-term debt.

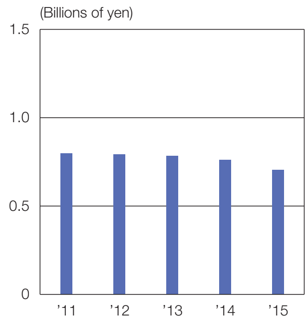
Long-term liabilities were ¥26,906 million, a decrease of 11.4% from the previous fiscal year-end. This decrease was mainly attributable to a ¥5,000 million decrease in bonds, whereas long-term debt increased ¥2,797 million.

As a result, total liabilities amounted to ¥66,240 million, a decrease of 2.4% or ¥1,616 million from the previous fiscal year-end.

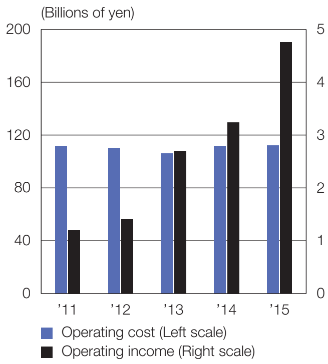
Net assets

Net assets amounted to ¥54,647 million, an increase of 10.9% from the previous fiscal year-end. The main factor was a ¥3,600 million increase in retained earnings as a result of recording net income of ¥3,238 million.

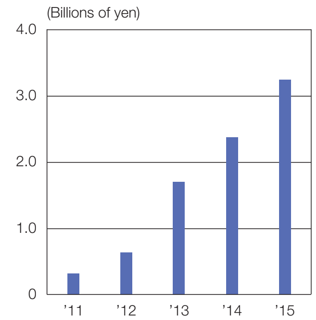
Sales of Other Business



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 expected to remain on a moderate recovery track. Although improvement of personal consumption is in prospect owing to an increase in real wages, rises in prices of raw materials and commodities owing to the weak yen will have an adverse impact on the Japanese economy.

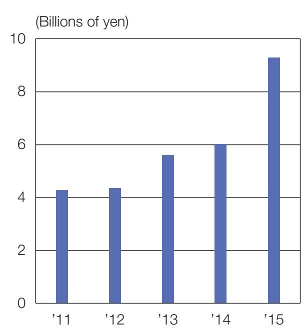
In these circumstances, freight volumes are expected to recover. However, the business environment of the logistics industry is likely to remain challenging owing to persisting negative factors, such as increasingly pronounced manpower shortages and sharp increases in subcontractor fees.

In the Medium-Term Business Plan for the period from April 1, 2012 to March 31, 2015, the Tonami Holdings Group emphasized innovation in transportation technology, operational efficiency, product development, and sales & marketing activities to realize structural reform of the Group's business so as to create new value.

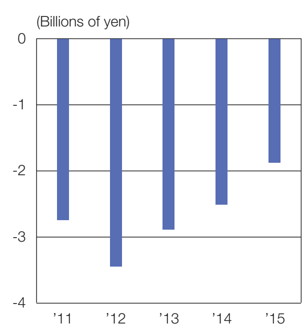
As a result, in the rapidly changing business environment, the Group managed to achieve the profit goal for the final year of the plan while contributing to the safety and security of society.

Having launched a new Medium-Term Business Plan for the period from April 1, 2015 to March 31, 2018, which is positioned as three years of further growth, we are striving toward the achievement of the performance targets in the final year of the plan.

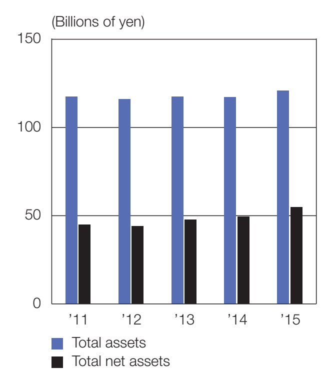
Net Cash Provided by Operating Activities



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, 2015 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current assets:			
Cash and time deposits (Notes 10 and 12)	¥ 12,252	¥ 9,297	$ 101,959
Trade receivables:			
Notes and accounts (Notes 5 and 12)	20,530	21,313	170,845
Less: allowance for doubtful accounts	(58)	(75)	(487)
Investments in lease assets	55	117	465
Inventories	574	613	4,780
Deferred tax assets (Note 17)	714	567	5,942
Other current assets	2,007	2,370	16,707
Total current assets	36,076	34,204	300,212
Property and equipment (Notes 3, 4 and 6):			
Land	40,294	40,686	335,314
Buildings and structures	21,273	21,061	177,027
Machinery and vehicles	2,196	2,134	18,278
Leased assets	6,657	5,792	55,399
Construction in progress	—	373	—
Other	746	789	6,215
Total property and equipment	71,168	70,837	592,233
Investments and other assets:			
Investments in securities (Note 13)	8,453	6,911	70,344
Goodwill	10	14	91
Other	5,178	5,182	43,094
Total investments and other assets	13,642	12,108	113,529
Total assets	¥120,887	¥117,149	$1,005,974

The accompanying Notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Short-term bank loans (Notes 7 and 12)	¥ 10,770	¥ 12,940	$ 89,623
Current portion of long-term debt (Notes 4, 7, 12 and 14)	1,055	3,568	8,785
Current portion of bonds (Note 4)	5,000	—	41,608
Trade notes and accounts payable (Note 12)	11,367	11,773	94,594
Lease obligations (Note 12)	2,140	1,919	17,814
Income taxes payable	1,225	870	10,195
Other current liabilities	7,774	6,408	64,694
Total current liabilities	39,333	37,480	327,313
Long-term liabilities:			
Long-term debt, less current portion thereof (Notes 4, 7, 12 and 14)	5,908	8,111	49,170
Lease obligations (Note 12)	5,201	4,445	43,281
Deferred tax liability (Note 17)	2,119	631	17,639
Deferred tax liabilities from revaluation reserve for land (Note 6)	3,977	4,534	33,103
Retirement benefits for directors and corporate auditors	130	113	1,086
Net defined benefit liability (Note 15)	6,747	9,030	56,152
Negative goodwill	—	76	—
Other long-term liabilities	2,821	3,432	23,476
Total long-term liabilities	26,906	30,376	223,907
Total liabilities	66,240	67,857	551,220
Net assets			
Shareholders' equity (Note 16):			
Common stock:			
Authorized: 299,200,000 shares in 2015			
299,200,000 shares in 2014			
Issued: 97,610,118 shares in 2015			
97,610,118 shares in 2014	14,182	14,182	118,022
Capital surplus	11,682	11,682	97,214
Retained earnings	22,324	18,724	185,776
Treasury stock, at cost: 6,896,199 shares in 2015			
6,872,859 shares in 2014	(2,028)	(2,021)	(16,883)
Total shareholders' equity	46,160	42,567	384,129
Other comprehensive income			
Unrealized gain on other securities	1,957	1,040	16,286
Revaluation reserve for land	6,182	6,035	51,449
Remeasurements of defined benefit plans (Note 15)	256	(461)	2,133
Accumulated other comprehensive income (Note 9)	8,395	6,614	69,867
Minority interests:			
Minority interests	91	110	758
Total net assets	54,647	49,292	454,754
Total liabilities and net assets	¥120,887	¥117,149	$1,005,974

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

TONAMI HOLDINGS CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Operating revenues (Note 20):			
Operating revenues	¥122,547	¥121,129	$1,019,785
	122,547	121,129	1,019,785
Operating costs and selling, general and administrative expenses:			
Operating cost (Note 18)	111,775	111,651	930,147
Selling, general and administrative expenses (Note 18)	6,019	6,237	50,089
	117,794	117,889	980,236
Operating income (Note 20)	4,752	3,240	39,549
Other income and expenses:			
Interest and dividend income	325	296	2,711
Equity in earnings of unconsolidated subsidiaries and affiliates	78	68	649
Loss on sale of property and equipment, net	44	101	367
Interest expenses	(283)	(361)	(2,357)
Impairment losses (Note 8)	—	(449)	—
Gain on negative goodwill	110	—	919
Gain on transfer to a defined contribution pension plan (Note 15)	—	792	—
Other, net	241	208	2,011
	516	655	4,301
Income before income taxes and minority interests	5,269	3,896	43,850
Income taxes (Note 17):			
Current	1,819	1,243	15,140
Deferred	199	264	1,658
	2,018	1,507	16,798
Net income before minority interests	3,250	2,388	27,052
Minority interests	12	17	106
Net income	¥ 3,238	¥ 2,370	$ 26,946
Minority interests	12	17	106
Net income before minority interests	3,250	2,388	27,052
Other comprehensive income (Note 9):			
Valuation difference on other securities	913	194	7,598
Revaluation reserve for land	411	—	3,428
Remeasurement of defined benefit plans	717	—	5,972
Share of other comprehensive income (loss) of associates accounting for using the equity method	3	0	28
Total other comprehensive income	2,046	194	17,026
Total comprehensive income for the year	¥ 5,296	¥ 2,582	$ 44,078
Total comprehensive income attributable to:			
Owners of the parent	¥ 5,284	¥ 2,565	$ 43,972
Minority interests	12	17	106

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, 2015 and 2014

		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, 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
Balance as at April 1, 2014	97,610	¥14,182	¥11,682	¥18,724	¥(2,021)	¥42,567	¥1,040	¥6,035	¥(461)	¥6,614	¥110	¥49,292
Cumulative effects of changes in accounting policies				551		551						551
Restated balance as at April 1, 2014		14,182	11,682	19,275	(2,021)	43,118	1,040	6,035	(461)	6,614	110	49,844
Cash dividends applicable to the year (¥5.00 per share)				(453)		(453)						(453)
Net income				3,238		3,238						3,238
Reversal of Revaluation reserve for land				264		264						264
Treasury stock					(7)	(7)						(7)
Net changes in items other than shareholders' equity						—	916	147	717	1,781	(19)	1,761
Balance as at March 31, 2015	97,610	¥14,182	¥11,682	¥22,324	¥(2,028)	¥46,160	¥1,957	¥6,182	¥256	¥8,395	¥91	¥54,647

	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, 2014	$118,022	$97,214	$155,815	$(16,822)	$354,229	$8,660	$50,225	$(3,840)	$55,046	$919	$410,193
Cumulative effects of changes in accounting policies			4,587		4,587						4,587
Restated balance as at April 1, 2014	118,022	97,214	160,402	(16,822)	358,815	8,660	50,225	(3,840)	55,046	919	414,780
Cash dividends applicable to the year ($0.0416 per share)			(3,776)		(3,776)						(3,776)
Net income			26,946		26,946						26,946
Reversal of Revaluation reserve for land			2,205		2,205						2,205
Treasury stock				(61)	(61)						(61)
Net changes in items other than shareholders' equity					—	7,626	1,223	5,972	14,822	(161)	14,661
Balance as at March 31, 2015	$118,022	$97,214	$185,776	$(16,883)	$384,129	$16,286	$51,449	$2,133	$69,867	$758	$454,754

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 5,269	¥ 3,896	$ 43,850
Depreciation and amortization	4,365	4,361	36,325
Impairment losses	—	449	—
Gain on disposal of property and equipment	(44)	(101)	(367)
Loss on devaluation of investments in securities	0	4	6
Loss on devaluation of golf club memberships	2	18	17
Gain on transfer to a defined contribution pension plan	—	(792)	—
Amortization of goodwill	(72)	(58)	(607)
Gain on negative goodwill	(110)	—	(919)
Equity in earnings of unconsolidated subsidiaries and affiliates	(78)	(68)	(649)
(Decrease) increase in allowance for doubtful accounts	(22)	149	(185)
Decrease in net defined benefit liability	(332)	(562)	(2,765)
Increase (decrease) in directors' and corporate auditors' retirement benefits	6	(3)	53
Increase in accrued bonuses to employees	171	109	1,430
Interest and dividend income	(325)	(296)	(2,711)
Interest expenses	283	361	2,357
Decrease (increase) in trade receivables	916	(1,074)	7,629
Decrease (increase) in inventories	42	(66)	353
(Decrease) increase in accounts payable	(468)	387	(3,902)
Increase in accrued consumption taxes	1,286	3	10,702
Other, net	(166)	353	(1,389)
Subtotal	10,722	7,071	89,228
Interest and dividends received	324	297	2,704
Interest paid	(276)	(358)	(2,301)
Income taxes paid	(1,483)	(987)	(12,349)
Net cash provided by operating activities	9,286	6,023	77,282
Cash flows from investing activities:			
Purchase of time deposits	(62)	(42)	(523)
Proceeds from redemption of time deposits	68	40	569
Purchase of property and equipment	(2,619)	(2,602)	(21,797)
Proceeds from sales of property and equipment	1,188	262	9,890
Purchase of investments in securities	(245)	(167)	(2,045)
Proceeds from redemption of investments in securities	50	—	416
Purchase of investments in subsidiaries	(19)	(11)	(161)
(Payment for) proceeds from purchase of investments in consolidated subsidiaries	(141)	6	(1,176)
Investments in loans receivable	(298)	(209)	(2,484)
Proceeds from collection of loans receivable	238	191	1,984
Other, net	(39)	14	(330)
Net cash used in investing activities	(1,881)	(2,517)	(15,657)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	(2,170)	2,550	(18,058)
Proceeds from long-term debt	4,070	2,200	33,869
Repayment of long-term debt	(3,786)	(3,104)	(31,507)
Redemption of bonds	—	(3,000)	—
Repayments of lease obligations	(2,105)	(2,096)	(17,520)
Purchase of treasury stock	(7)	(3)	(61)
Dividends paid	(453)	(453)	(3,776)
Dividends paid to minority interests	(6)	(4)	(55)
Net cash used in financing activities	(4,459)	(3,912)	(37,108)
Net increase (decrease) in cash and cash equivalents	2,946	(406)	24,518
Cash and cash equivalents at beginning of year	9,238	9,645	76,882
Cash and cash equivalents at end of year (Note 10)	¥12,185	¥ 9,238	$101,400

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 2014 financial statements to conform to the classifications used in 2015.

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 ¥120.17 to U.S.$1, the approximate rate of exchange at March 31, 2015. 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, 2015 include the accounts of the Company and its 25 (25 in 2014) consolidated subsidiaries and 7 (7 in 2014) 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 two affiliates 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 benefit formula 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.

(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 fiscal year ended March 31, 2015, the Company has applied the provisions in Paragraph 35 of ASBJ Statement No. 26 Accounting Standard for Retirement Benefits issued in May 2012 and the provisions in Paragraph 67 of ASBJ Guidance No. 25 Guidance on Accounting Standard for Retirement Benefits issued in March 2015. Accordingly, the Company has revised the calculation methods for retirement benefit obligation and service cost and changed the method of determining the amount of the expected retirement benefits attributed to periods of service from the straight-line basis to the benefit formula basis. In addition, the method for determining the discount rate has been changed from the method using the estimated average remaining service years of employees to the method using a single-weighted average discount rate which reflects the estimated payment periods of retirement benefits and the amounts for the respective estimated payment periods.

For application of the standard, the Company followed the transitional treatment specified in Paragraph 37 of the Accounting Standard for Retirement Benefits and the effects of changes of the calculation methods for retirement benefit obligation and service cost were added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, at the beginning of the fiscal year ended March 31, 2015, net defined benefit liability decreased by ¥854 million and retained earnings increased by ¥551 million. In addition, the effects of this change on income or loss were immaterial. The effects on per share information are described in the respective section.

Unapplied accounting standards

The Company is scheduled to apply ASBJ Statement No. 21 Revised Accounting Standard for Business Combinations, ASBJ Statement No. 22 Revised Accounting Standard for Consolidated Financial Statements, ASBJ Statement No. 7 Revised Accounting Standard for Business Divestitures, ASBJ Statement No. 2 Revised Accounting Standard for Earnings Per Share, ASBJ Guidance No. 10 Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures, and ASBJ Guidance No. 4 Revised Guidance on Accounting Standard for Earnings Per Share, all issued in September 2013, from the beginning of the fiscal year ending March 31, 2016.

The effects of this application have yet to be determined.

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 ¥56,362 million ($469,021 thousand) and ¥55,544 million on March 31, 2015 and 2014, 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 ($1,499 thousand) and ¥180 million on March 31, 2015 and 2014, respectively.

4 Short-term bank loans and long-term debt

(a) Short-term bank loans

Short-term bank loans as at March 31, 2015 and 2014 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Secured	¥ 2,820	¥ 2,920	$ 23,467
Unsecured	7,950	10,020	66,156

Interest rates range from 0.671% to 1.500%.

(b) Long-term debt

Long-term debt as at March 31, 2015 and 2014 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
1.01% ¥5.0 billion unsecured straight bonds due 2016	¥ 5,000	¥ 5,000	$ 41,608
1.000%-2.490% loans from financial institutions due 2015 to 2019 and thereafter:			
Secured	711	954	5,918
Unsecured	6,253	5,726	52,037
Total	11,964	11,680	99,563
Less: amount due within one year	6,055	3,568	50,393
	¥ 5,908	¥ 8,111	$ 49,170

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, 2015 are as follows:—

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 6,055	$ 50,393
2017	2,591	21,563
2018	583	4,857
2019	531	4,423
2020	2,202	18,327

(c) Pledged assets

Property and equipment having a net value of ¥13,276 million ($110,482 thousand) was pledged as collateral for short-term bank loans and long-term debt as at March 31, 2015.

5 Contingent liabilities

As at March 31, 2015, the Company was contingently liable as follows:—

	Millions of yen	Thousands of U.S. dollars
Notes endorsed	¥ 19	$ 161
Others	163	1,362

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, 2015 and the revalued book value	¥12,334	$102,640

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, 2015, was as follows:—

	Millions of yen	Thousands of U.S. dollars
Maximum credit line of overdraft facility and commitment agreement	¥3,000	$24,965
Used credit	—	—
Total	¥3,000	$24,965

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, 2015: ¥2,200 million ($18,307 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, 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 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.

Fiscal year ended March 31, 2015

Not applicable

9 Consolidated statement of comprehensive income

Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation difference on other securities:			
Amount arising during the year	¥ 1,277	¥ 298	$ 10,632
Reclassification adjustment	—	—	—
Before tax-effect adjustment	1,277	298	10,632
Tax effect	(364)	(104)	(3,034)
Valuation difference on other securities	913	194	7,598
Revaluation reserve for land:			
Tax effect	411	—	3,428
Remeasurements of defined benefit plans:			
Amount arising during the year	900	—	7,496
Reclassification adjustment	194	—	1,619
Before tax-effect adjustment	1,095	—	9,115
Tax effect	(377)	—	(3,143)
Remeasurements of defined benefit plans	717	—	5,972
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the year	3	0	28
Total other comprehensive income	¥ 2,046	¥ 194	$ 17,026

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, 2015 and 2014 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits	¥12,252	¥9,297	$101,959
Time deposits with maturities exceeding three months	(67)	(58)	(559)
Cash and cash equivalents	¥12,185	¥9,238	$101,400

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, 2015 and 2014 for finance leases accounted for as operating leases:—

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Acquisition costs:			
Machinery and tools	¥ —	¥ 16	$ —
Buildings	5,833	5,833	48,547
	¥ 5,833	¥ 5,850	$ 48,547
Accumulated depreciation:			
Machinery and tools	¥ —	¥ 15	$ —
Buildings	2,967	2,720	24,690
	¥ 2,967	¥ 2,735	$ 24,690
Accumulated impairment losses:			
Machinery and tools	¥ —	¥ —	$ —
Buildings	756	756	6,292
	¥ 756	¥ 756	$ 6,292
Net book value:			
Machinery and tools	¥ —	¥ 1	$ —
Buildings	2,110	2,357	17,564
	¥ 2,110	¥ 2,358	$ 17,564

Amounts of depreciation expense equivalents and interest expense equivalents for the years ended March 31, 2015 and 2014 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Depreciation expense	¥246	¥246	$2,052
Interest expense	84	92	707

Lease payments relating to finance leases accounted for as operating leases amounted to ¥427 million ($3,554 thousand) and ¥427 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, 2015 and 2014, 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, 2015 and 2014, amounted to ¥42 million ($349 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, 2015 and 2014 for finance leases accounted for as operating leases were summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 291	¥ 283	$ 2,427
Due over one year	2,486	2,778	20,694
Total	¥2,778	¥3,062	$23,120
Impairment losses on leased assets	¥ 336	¥ 378	$ 2,797

(c) Operating leases

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 322	¥ 269	$ 2,680
Due over one year	2,917	2,493	24,277
Total	¥3,239	¥2,762	$26,958

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, 2015 and 2014 were 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, 2015	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
Cash and time deposits	¥12,252	¥12,252	¥ —
Trade receivables – notes	3,367	3,367	—
Trade receivables – accounts	17,162	17,162	—
Investments in securities (other securities)	5,659	5,659	—
Total assets	¥38,442	¥38,442	¥ —
Liabilities:			
Trade notes payable	¥ 858	¥ 858	¥ —
Trade accounts payable	10,508	10,508	—
Short-term bank loans	10,770	10,770	—
Bonds	5,000	5,026	26
Long-term debt	6,964	7,044	79
Lease obligations	7,341	7,527	185
Total liabilities	¥41,443	¥41,734	¥291
Derivatives	—	—	—

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, 2015	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Assets:			
Cash and time deposits	$101,959	$101,959	$ —
Trade receivables – notes	28,024	28,024	—
Trade receivables – accounts	142,821	142,821	—
Investments in securities (other securities)	47,096	47,096	—
Total assets	$319,900	$319,900	$ —
Liabilities:			
Trade notes payable	$ 7,145	$ 7,145	$ —
Trade accounts payable	87,448	87,448	—
Short-term bank loans	89,623	89,623	—
Bonds	41,608	41,828	220
Long-term debt	57,955	58,618	663
Lease obligations	61,095	62,637	1,542
Total liabilities	$344,875	$347,300	$2,425
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 ¥2,803 million ($23,331 thousand) are not included in the above table. The unlisted equity securities were restated at fair value and related loss on impairment amounting to ¥39 million ($332 thousand) was charged to income for the year ended March 31, 2015.

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, 2015 and 2014 were as follows:

For the year ended March 31, 2015

	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	¥12,232	¥—	¥—	¥—
Trade notes receivable	3,367	—	—	—
Trade accounts receivable	17,162	—	—	—
Investments in securities (other securities with contractual maturities)	10	—	—	—
Total	¥32,772	¥—	¥—	¥—

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, 2015

	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	$101,791	$—	$—	$—
Trade notes receivable	28,024	—	—	—
Trade accounts receivable	142,821	—	—	—
Investments in securities (other securities with contractual maturities)	83	—	—	—
Total	$272,719	$—	$—	$—

Annual maturities of bonds, long-term debt, lease obligations, and other interest-bearing debts as of March 31, 2015 and 2014 are as follows:

For the year ended March 31, 2015

	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	¥10,770	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	5,000	—	—	—	—	—
Long-term debt	1,055	2,591	583	531	2,202	—
Lease obligations	2,140	1,870	1,504	1,063	482	279
Total	¥18,966	¥4,462	¥2,088	¥1,594	¥2,684	¥279

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, 2015

	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	$ 89,623	$ —	$ —	$ —	$ —	$ —
Bonds	41,608	—	—	—	—	—
Long-term debt	8,785	21,563	4,857	4,423	18,327	—
Lease obligations	17,814	15,568	12,520	8,849	4,016	2,327
Total	$157,830	$37,131	$17,378	$13,272	$22,343	$2,327

13 Marketable securities and investments in securities

No trading securities or held-to-maturity securities were held at March 31, 2015 or 2014. 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, 2015 and 2014 are summarized as follows:—

At March 31, 2015	Millions of yen		
	2015		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥5,176	¥2,337	¥2,838
Bonds	—	—	—
Other	—	—	—
Unrealized loss:			
Stocks	473	508	(34)
Bonds	—	—	—
Other	9	10	(0)
Total	¥5,659	¥2,855	¥2,804

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, 2015	Thousands of U.S. dollars		
	2015		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Unrealized gain:			
Stocks	$43,073	$19,450	$23,623
Bonds	—	—	—
Other	—	—	—
Unrealized loss:			
Stocks	3,940	4,228	(288)
Bonds	—	—	—
Other	83	83	(0)
Total	$47,096	$23,761	$23,334

With regard to equity securities with fair value, classified as other securities, there was no impairment for the years ended March 31, 2014 and 2015.

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.

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
	2015	2014	2015
Contract amount	¥2,200	¥3,660	$18,307
Contract amount due after one year	1,400	400	11,650
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

(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 pension 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
	2015	2014	2015
Retirement benefit obligation at beginning of year	¥13,918	¥18,376	$115,823
Cumulative effects of changes in accounting policies	(854)	—	(7,112)
Restated balance at beginning of year	13,063	18,376	108,710
Service cost	697	817	5,807
Interest cost	104	238	869
Actuarial loss	(205)	(103)	(1,707)
Payment of retirement benefits	(974)	(1,350)	(8,110)
Decrease due to transfer part of the lump-sum payment plans to the defined contribution pension plan	—	(4,061)	—
Retirement benefit obligation at end of year	¥12,686	¥13,918	$105,570

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
	2015	2014	2015
Plan assets at beginning of year	¥5,737	¥4,954	$47,748
Expected return on plan assets	143	123	1,194
Actuarial gain or loss	695	206	5,789
Contributions by the Company	586	839	4,879
Employee contributions	68	69	572
Payment of retirement benefits	(416)	(457)	(3,469)
Plan assets at end of year	¥6,815	¥5,737	$56,713

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
	2015	2014	2015
Net defined benefit liability at beginning of year	¥849	¥840	$7,071
Retirement benefit costs	90	90	754
Payment of retirement benefits	(60)	(72)	(500)
Contributions to the plan	(14)	(9)	(120)
Increase resulting from change in scope of consolidation	10	—	91
Net defined benefit liability at end of year	¥876	¥849	$7,295

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
	2015	2014	2015
Funded retirement benefit obligation	¥ 7,690	¥ 7,596	$ 63,998
Pension assets	(6,958)	(5,877)	(57,903)
	732	1,719	6,095
Unfunded retirement benefit obligation	6,015	7,311	50,057
Net amount of liability (asset) on consolidated balance sheet	6,747	9,030	56,153
Net defined benefit liability	6,747	9,030	56,153
Net defined benefit asset	—	—	—
Net amount of liability (asset) on consolidated balance sheet	¥ 6,747	¥ 9,030	$ 56,153

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

Retirement benefit costs and breakdown

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost (Note 1)	¥ 629	¥ 747	$ 5,235
Interest cost	104	238	869
Expected return on plan assets	(143)	(123)	(1,194)
Amortization of actuarial gain or loss	194	410	1,619
Amortization of past service cost	—	(112)	—
Retirement benefit costs calculated by the simplified method	90	90	754
Retirement benefit costs for defined benefit plans	875	1,251	7,284
Loss due to transfer to defined contribution plan (Note 2)	¥ —	(¥ 792)	$ —

(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
	2015	2014	2015
Actuarial gain or loss	¥1,095	—	$9,115
Total	¥1,095	—	$9,115

Items recorded in accumulated 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
	2015	2014	2015
Unrecognized actuarial gain or loss	(¥379)	¥716	($3,155)
Total	(¥379)	¥716	($3,155)

Plan assets

Plan asset components as a percentage of total plan assets

	2015	2014
Bonds	42.3%	48.6%
Stocks	32.3	26.8
Insurance company general accounts	10.8	12.5
Cash and time deposits	3.9	2.9
Other	10.7	9.2
Total	100.0%	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

	2015	2014
Discount rate	0.8%	1.3%
Long-term expected return on plan assets	2.5%	2.5%

(c) Defined contribution plan

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Required contributions to the defined contribution pension plan	¥335	¥96	$2,792

(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
	2015	2014	2015
Decrease in retirement benefit obligation	¥—	¥4,061	$—
Unrecognized actuarial gain or loss	—	119	—

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, 2014	Increase	Decrease	At March 31, 2015
Common stock (shares)	6,872,859	23,340	—	6,896,199

Reason for the change:

The increase attributable to the purchase of shares less than one unit: 23,340 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
	2015	2014	2015
Deferred tax assets:			
Provision for bonuses	¥ 454	¥ 424	$ 3,782
Net defined benefit liability	2,215	2,991	18,440
Accounts payable upon transfer to defined contribution pension plan	823	1,120	6,850
Accumulated loss on impairment of property and equipment	2,343	2,637	19,502
Accumulated loss on impairment of leased assets	108	133	899
Other	791	1,182	6,587
Gross deferred tax assets	6,736	8,489	56,060
Valuation allowance	(3,336)	(3,806)	(27,766)
Total deferred tax assets	3,400	4,683	28,294
Deferred tax liabilities:			
Unrealized gain on other securities	(845)	(483)	(7,037)
Reserve under Special Taxation Measures Law	(3,809)	(4,263)	(31,703)
Undistributed earnings	(150)	—	(1,251)
Total deferred tax liabilities	(4,805)	(4,746)	(39,991)
Net deferred tax assets	¥(1,405)	¥ (63)	$(11,697)

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, 2015 and 2014 were as follows:—

	2015	2014
Statutory tax rate:	35.38%	37.75%
Increase (reduction) in tax resulting from:		
Nondeductible expenses including entertainment, etc.	1.08	1.74
Nontaxable income including dividends received deduction, etc.	(4.12)	(3.86)
Per capita portion of inhabitant taxes	4.34	6.11
Equity in earnings of affiliates	(0.52)	(0.66)
Elimination of dividends received from consolidated subsidiaries, etc.	3.75	3.43
Change in valuation allowance related to deferred tax assets	(2.91)	(6.15)
Adjustment of deferred tax assets following a change in statutory tax rates	(1.03)	1.81
Other	2.34	(1.48)
Effective tax rate	38.31%	38.69%

18 Supplementary income information

Supplementary income information for the years ended March 31, 2015 and 2014 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Depreciation expenses	¥4,365	¥4,361	$36,325
Lease and rental	5,292	5,093	44,040

19 Amounts per share

Amounts per share of common stock for the years ended March 31, 2015 and 2014 were as follows:—

	Yen		U.S. dollars
	2015	2014	2015
Net income per share:			
Basic	¥ 35.69	¥ 26.13	$0.2970
Diluted	—	—	—
Cash dividends	6.00	4.50	0.0499
Net assets per share:	¥601.41	¥542.03	$5.0047

(Note) As described in "Changes in accounting policies," the Company has applied the Accounting Standard for Retirement Benefits, etc. and followed the transitional treatment specified in Paragraph 37 of the Accounting Standard for Retirement Benefits.
As a result, net assets per share at March 31, 2015 increased by ¥6.08 ($0.0506).
The effect of this change on net income per share was immaterial.

Basis for the calculation of net assets per share for the years ended March 31, 2015 and 2014 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Total net assets as reported on the consolidated balance sheets	¥54,647	¥49,292	$454,754
Deduction from total net assets:			
Minority interests	91	110	758
Adjusted net assets allocated in common stock	¥54,556	¥49,182	$453,996
Number of shares of common stock outstanding at the end of year on which net assets per share is calculated	90,713,919	90,737,259	

Basis for the calculation of basic and diluted net income per share for the years ended March 31, 2015 and 2014 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net income	¥3,238	¥2,370	$26,946
Net income not available to shareholders of common stock	—	—	—
Net income available to shareholders of common stock	¥3,238	¥2,370	$26,946
Weighted-average number of shares of common stock outstanding (shares)	90,729,769	90,748,092	

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.

As described in "Changes in accounting policies," the Company has revised the calculation methods for retirement benefit obligation and service cost, and accordingly revised those applied to the reported operating segments in the same manner.

The effect of this change on segment income was immaterial.

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

For the year ended March 31, 2015 — 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	¥112,720	¥3,015	¥ 6,105	¥121,842	¥ 705	¥122,547	¥ —	¥122,547
Intersegment revenues or transfers	30	293	4,631	4,955	297	5,253	(5,253)	—
Total	112,751	3,309	10,737	126,797	1,002	127,800	(5,253)	122,547
Segment income	¥ 3,923	¥ 253	¥ 394	¥ 4,571	¥ 119	¥ 4,691	¥ 61	¥ 4,752
Segment assets	¥105,409	¥2,470	¥ 9,393	¥117,273	¥10,918	¥128,192	¥(7,304)	¥120,887
Other items:								
Depreciation	¥ 3,931	¥ 351	¥ 46	¥ 4,329	¥ 22	¥ 4,351	¥ 13	¥ 4,365
Amortization of goodwill	¥ —	¥ 3	¥ —	¥ 3	¥ —	¥ 3	¥ —	¥ 3
Gain on negative goodwill	¥ 110	¥ —	¥ —	¥ 110	¥ —	¥ 110	¥ —	¥ 110
Increases in property and equipment and intangible fixed assets	¥ 4,756	¥1,097	¥ 16	¥ 5,870	¥ 5	¥ 5,875	¥ 8	¥ 5,884

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
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, 2015 — Thousands of U.S. dollars

	Reportable segment: Logistics	Reportable segment: Information processing	Reportable segment: Sales	Reportable segment: Total	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:								
Revenues from outside customers	$938,012	$25,095	$50,808	$1,013,916	$ 5,870	$1,019,785	$ —	$1,019,785
Intersegment revenues or transfers	252	2,445	38,542	41,238	2,477	43,715	(43,715)	—
Total	938,264	27,540	89,350	1,055,154	8,346	1,063,500	(43,715)	1,019,785
Segment income	$ 32,647	$ 2,113	$ 3,284	$ 38,044	$ 993	$ 39,037	$ 512	$ 39,549
Segment assets	$877,174	$20,560	$78,165	$ 975,898	$90,862	$1,066,760	$(60,786)	$1,005,974
Other items:								
Depreciation	$ 32,713	$ 2,925	$ 388	$ 36,026	$ 185	$ 36,211	$ 113	$ 36,325
Amortization of goodwill	$ —	$ 31	$ —	$ 31	$ —	$ 31	$ —	$ 31
Gain on negative goodwill	$ 919	$ —	$ —	$ 919	$ —	$ 919	$ —	$ 919
Increases in property and equipment and intangible fixed assets	$ 39,580	$ 9,130	$ 139	$ 48,848	$ 47	$ 48,895	$ 69	$ 48,964

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, 2015 and 2014, adjustments of segment income amounted to ¥(61) million ($(512) thousand) and ¥(21) million, respectively. Adjustments include intersegment eliminations and corporate expenses not allocated to any reportable segments.

For the fiscal year ended March 31, 2015 and 2014, the above-mentioned intersegment eliminations amounted to ¥798 million ($6,647 thousand) and ¥711 million, respectively, and corporate expenses not allocated to any reportable segments amounted to ¥(737) million ($(6,135) thousand) and ¥(732) 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, 2015 and 2014, adjustments of segment assets amounted to ¥(7,304) million ($(60,786) thousand) and ¥(10,293) million, respectively. Adjustments include intersegment eliminations and corporate assets not allocated to any reportable segments.

For the fiscal year ended March 31, 2015 and 2014, the above-mentioned intersegment eliminations amounted to ¥(23,607) million ($(196,450) thousand) and ¥(20,511) million, respectively, and corporate assets not allocated to any reportable segments amounted to ¥16,302 million ($135,664 thousand) and ¥10,217 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, 2015 and 2014, adjustments of increases in property and equipment and intangible fixed assets amounted to ¥8 million ($69 thousand) and ¥5 million, respectively. Adjustments include intersegment eliminations and corporate assets not allocated to any reportable segments.

For the fiscal year ended March 31, 2015 and 2014, the above-mentioned intersegment eliminations amounted to ¥0 million ($0 thousand) and ¥(8) million, respectively, and corporate assets not allocated to any reportable segments amounted to ¥8 million ($69 thousand) and ¥13 million, respectively.

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

(4) Related information

For the year ended March 31, 2015

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
   Information about operating revenues by geographical area is omitted because operating revenues from outside customers in Japan exceeded 90% of operating revenues in the consolidated financial statements.
   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, 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.

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

For the year ended March 31, 2015

Not applicable

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.

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

For the year ended March 31, 2015

	Millions of yen						
	Reportable segment						
	Logistics	Information processing	Sales	Total	Others	Adjustment	Total
Goodwill:							
Amortization	¥ —	¥ 3	¥ —	¥ 3	¥ —	¥ —	¥ 3
Balance at end of year	¥ —	¥ 10	¥ —	¥ 10	¥ —	¥ —	¥ 10
Negative goodwill:							
Amortization	¥ 76	¥ —	¥ —	¥ 76	¥ —	¥ —	¥ 76
Balance at end of year	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

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, 2015

	Thousands of U.S. dollars						
	Reportable segment						
	Logistics	Information processing	Sales	Total	Others	Adjustment	Total
Goodwill:							
Amortization	$ —	$ 31	$ —	$ 31	$ —	$ —	$ 31
Balance at end of year	$ —	$ 91	$ —	$ 91	$ —	$ —	$ 91
Negative goodwill:							
Amortization	$ 638	$ —	$ —	$ 638	$ —	$ —	$ 638
Balance at end of year	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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

For the year ended March 31, 2015

In the Logistics Segment, consolidated subsidiary Zento Transportation Co., Ltd. became a wholly owned subsidiary as a result of additional acquisition of its shares by the Company. In addition, also in the Logistics Segment, Ryosei Logistics Co., Ltd. became a subsidiary as a result of new acquisition of its shares by the Company.

Accordingly, a gain on negative goodwill amounting to ¥110 million ($919 thousand) was recorded in the fiscal year ended March 31, 2015.

For the year ended March 31, 2014

Not applicable

21 Subsequent events

Cash dividends

The annual shareholders' meeting of the Company, which was held on June 26, 2015, duly approved the payment of dividends as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3.50 per share)	¥317	$2,643

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
Ryosei Logistics 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 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
Yoshimi Nagahara
Kazuo Takata
Shinichi Izumi
Takeshi Akamatsu
Mitsuharu Wadachi
Shinichiro Inushima

Standing Corporate Auditors
Mitsuo Matsuda
Masafumi Takebe

Corporate Auditors
Yohji Ishiguro
Toshio Kaido

(As of June 26, 2015)

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Date of Established
June 1943

Common Stock
¥14,183 million

Issued and Outstanding Shares
97,610,118 shares

Shareholders
6,326

Employees
66

(As of March 31, 2015)

TONAMI

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