2016
Annual Report
For the year ended March 31, 2016

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, 2016 and 2015

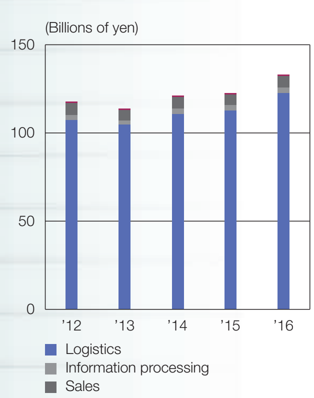
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
FOR THE YEAR:			
Operating revenues:	¥122,959	¥122,547	$1,091,227
Logistics	122,777	112,720	1,000,862
Information processing	2,897	3,015	25,714
Sales	6,624	6,105	58,794
Others	659	705	5,857
Operating income	5,239	4,752	39,549
Net income	3,526	3,238	26,946
Comprehensive income	3,177	5,296	44,078
PER SHARE (Yen and U.S. dollars):			
Net income, basic	¥ 38.88	¥ 35.69	$ 0.3450
Net income, diluted	—	—	—
Cash dividends	6.50	6.00	0.0577
AT YEAR-END:			
Total assets	¥121,212	¥120,887	$1,075,720
Total net assets	57,169	54,647	507,365

Notes: 1. U.S. dollar amounts presented herein are included solely for convenience. The rate of ¥112.68 = U.S.$1, prevailing on March 31, 2016, has been used for the translation into U.S. dollar amounts.

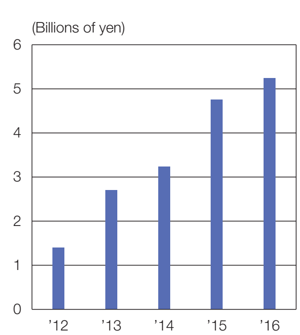
2. The computation of net income per share of common stock is based on the weighted average number of shares outstanding (which represents the number of issued shares less treasury stock.) during each fiscal year.

3. Diluted net income per share is not presented for the years ended March 31, 2016 and 2015, since there were no residual securities.

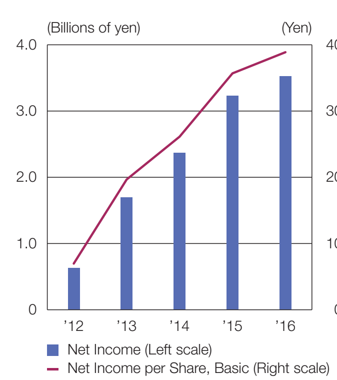
Operating Revenues by Business Segment



Operating Income



Net Income and Net Income per Share, Basic



President, Katsusuke Watanuki

I welcome this opportunity to report to our shareholders and investors on the Group's operating environment and business results for the fiscal year ended March 31, 2016.

Profits of listed companies are expected to be robust for the fiscal year ended March 31, 2016, reflecting the continuing economic recovery trend. However, the outlook of the Japanese economy will likely remain uncertain owing to the impacts of the strong yen and weak stock prices on both private-sector capital investment and the labor market, as well as in light of concerns about the slowing tempo of the global economy.

Under these circumstances, the Group implemented measures to boost profitability in line with the growth strategy of the 20th Three-year Medium-Term Business Plan, including strengthening of sales & marketing activities emphasizing profitability and expansion of the business scale, and is striving to achieve high-quality management by further reinforcing risk management and compliance.

In order to achieve this, we will work to expand the business scale by strengthening growth potential of the Group's businesses and enhancing existing businesses while promoting differentiation strategies by further reinforcing cooperation with business partners.

We are also promoting the shift to an open environment for the proactive use of ICT functions underpinning our growth strategy. Based on an accurate grasp of logistics costs, the transportation environment, demand fluctuations and other information, we will concentrate on maintaining and enhancing our services to ensure our customers benefit from the optimum logistics.

In view of the robust financial performance, we increased the year-end ordinary dividend by ¥0.50 to ¥3.50 per share. With an interim dividend of ¥3.00 per share, total annual dividends for the year ended March 31, 2016 amounted to ¥6.50 per share.

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.

Overview of Operations

In the logistics industry, while there were signs of recovery in demand for freight related to personal consumption, demand for freight related to production and construction was lackluster, and did not result in a full-fledged recovery. The business climate remained severe in view of rising outsourcing costs associated with an increasingly serious shortage of truck drivers and the continuing consolidation of the industry as companies seek to prevail, including through business and capital alliances and M&As.

In these circumstances, the Group implemented measures to boost profitability in line with the growth strategy of the 20th Three-year Medium-Term Business Plan, including strengthening of sales & marketing activities emphasizing profitability and expansion of the business scale, and is striving to achieve high-quality management by further reinforcing risk management and compliance.

As a result, the Group's operating revenues amounted to ¥122,959 million, an increase of 0.3% from the previous year.

With regard to profits, amid cost increases reflecting soaring subcontractor fees and rising raw materials costs, operating income increased 10.2% to ¥5,239 million owing to thorough cost management corresponding to the volume of work, continual revisions to freight charges and unit rates, and declining fuel prices. Net income attributable to owners of the parent increased 8.9% to ¥3,526 million.

Results by Segment

Regarding the logistics-related business, despite steady demand for freight related to personal consumption in the first half of the fiscal year under review, demand for construction-related freight was weak owing to declining public investment. As a result of a continuing trend toward a moderate recovery in transportation demand, operating revenues from the logistics-related business amounted to ¥112,720 million, an increase of 0.1% from the previous year, and segment income was ¥4,634 million, an increase of 18.1%.

Operating revenues from the information processing business were ¥2,897 million, a decrease of 3.9%. Segment income was ¥189 million, a decrease of 25.5%.

Operating revenues from the sales business, which includes merchandising, consignment sales, and a non-life insurance agency, amounted to ¥6,624 million, an increase of 8.5%. Segment income was ¥300 million, a decrease of 23.9%.

Operating revenues from other businesses, which include automobile repair and direct mail service, amounted to ¥659 million, a decrease of 6.4%. Segment income was ¥115 million, a decrease of 3.1%.

Outlook for the Year ending March 31, 2017

The outlook of the Japanese economy is expected to remain uncertain in view of the risk posed by the slowing tempo of the Chinese economy and other emerging economies, as well as concerns about a possible deterioration in the profitability of export-oriented companies owing to appreciation of the yen.

In these circumstances, the Group will push forward with the implementation of the growth strategy to achieve the performance targets of the Three-year Medium-Term Business Plan covering the period from April 1, 2015 to March 31, 2018.

In particular, we will strengthen the growth potential of the Group's businesses (promotion of proposal-driven sales & marketing, improvement of actual forwarding capabilities, consolidation and restructuring of the Group's businesses, etc.) and enhance existing businesses (development of logistics bases, business and capital alliances, M&As, etc.) to expand the business scale and will further reinforce cooperation with business partners to promote differentiation strategies.

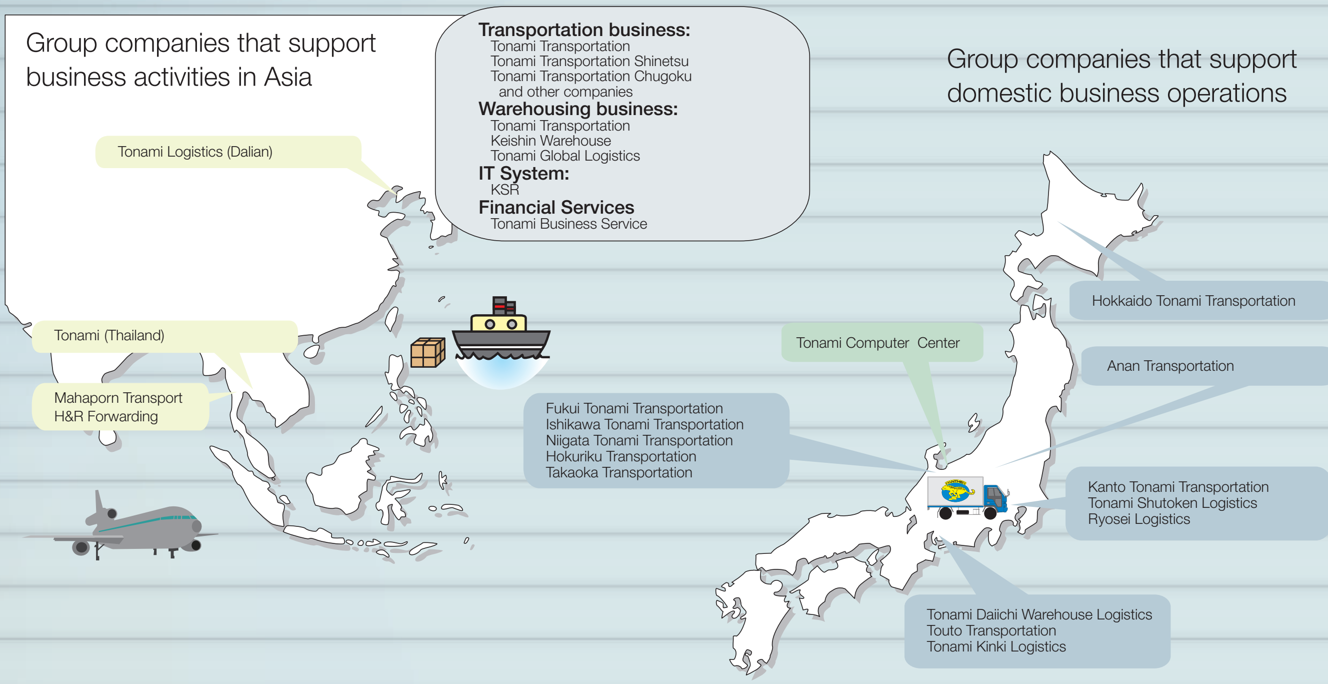
By promoting the shift to an open environment for the proactive use of ICT functions underpinning the growth strategy, the Group will continue with the implementation of measures to maintain freight charges and fees at reasonable levels so as to offer logistics services of consistently high quality.

June 2016

K. Watanuki

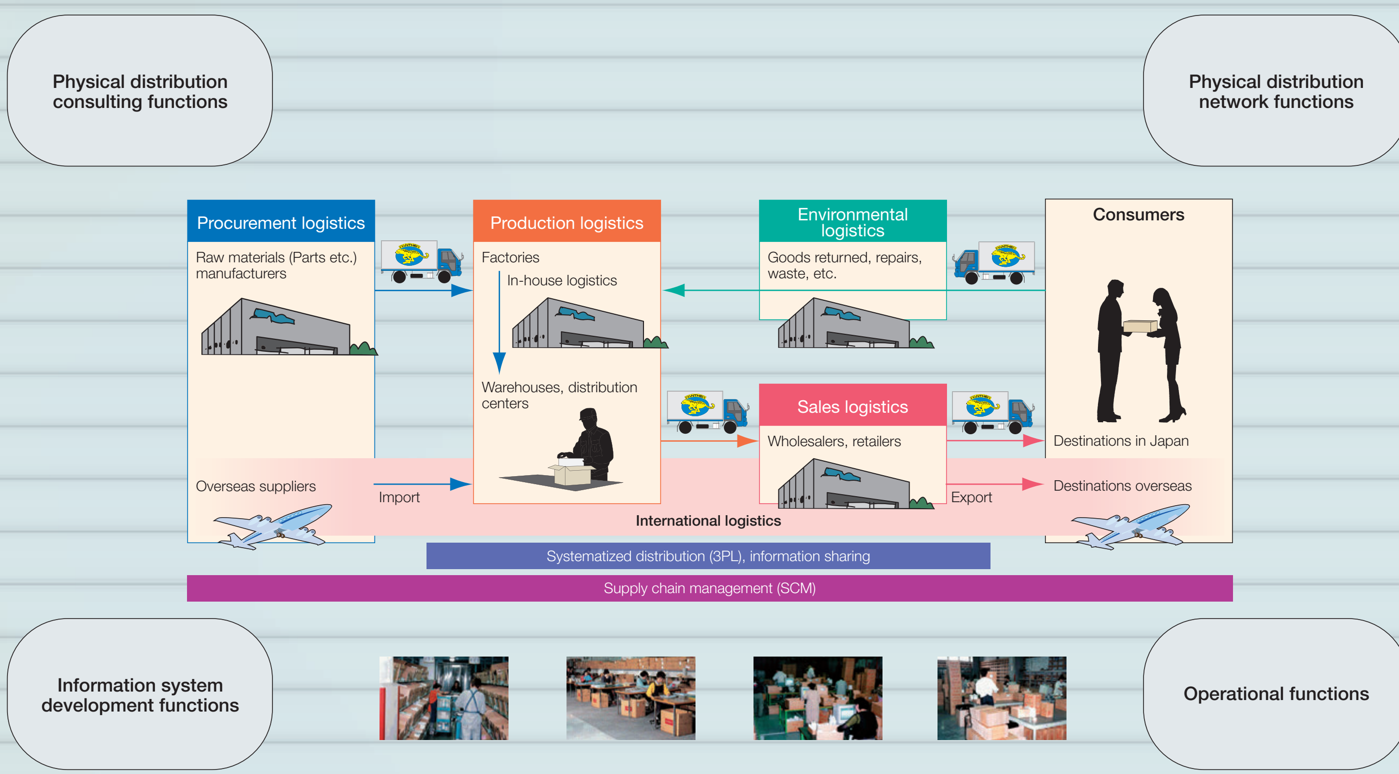
Katsusuke Watanuki
President and Representative Director

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 the corporate governance. 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.

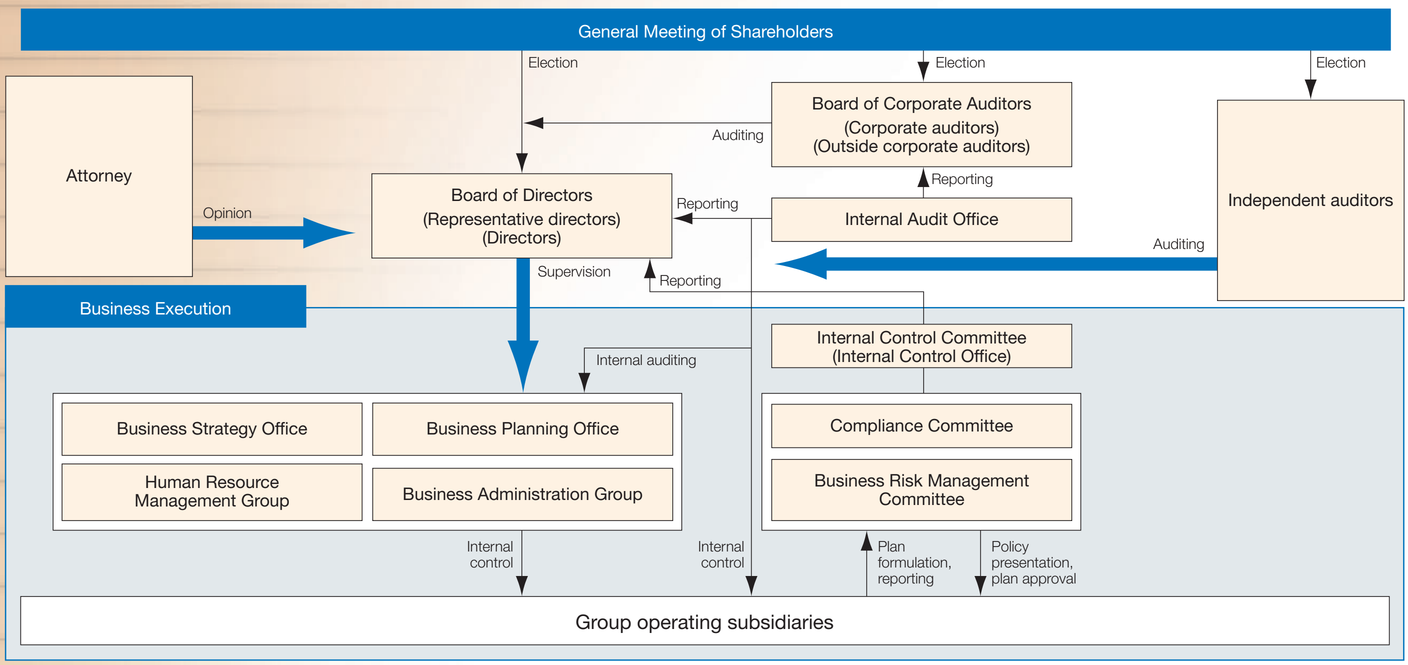
Moreover, the Company has established the Tonami Group Employee Code of Conduct as the foundation of the Group's compliance system and the Internal Control Committee, chaired by the president, as the decision-making body. The Company's effort to enhance its internal control systems is led by an officer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

Specifically, a system is in place for subsidiaries to report to the Company on matters concerning performance of duties of subsidiaries' directors, executive officers, employees with executive functions, etc., whereby subsidiaries make a monthly report to the Company's Affiliated Company Management Division on the statuses of execution of businesses by subsidiaries' directors and details of their businesses as well as a quarterly report to the Company's Board of Directors on the details of their businesses.

In addition, as a system for ensuring efficient performance of duties by subsidiaries' directors etc., the Company assigns part-time directors and part-time corporate auditors to subsidiaries for supervision and auditing of appropriateness of decision-making and execution of business.

Important matters concerning management of Group companies require prior deliberation by the Company and approval at the Company's Board of Directors. Regarding execution of business based on the decision made by the Board of Directors, persons responsible for execution, details of responsibilities, and execution procedures are stipulated in the Organizational Regulations and the Regulations for Segregation of Duties to ensure efficient performance of duties.

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 two outside directors. Directors Mr. Shinichiro Inushima and Mr. Ichiro Tanaka have 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.

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

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.

The status of operation of systems for ensuring appropriateness of business operations of the Company in the fiscal year ended March 31, 2016 is as follows. Periodic meetings of the Company's Board of Directors were held 11 times during the year under review. In addition to regular reporting and confirmation of matters, the Board of Directors deliberated and made decisions on important matters stipulated in the Board of Directors Regulations. Also, the results of monitoring of the statuses of directors' performance of duties were reported to the Board of Directors.

The Compliance Committee consisting of the president, directors in charge of compliance, and other members met every month and reported the statuses of compliance and operational risk management to subsidiaries' boards of directors and the Company's Board of Directors. Regarding retention and management of information concerning directors' performance of duties, documents pertaining to the Board of Directors meetings and other documents concerning directors' performance of duties were retained in chronological order in accordance with the Document Handling Regulations and the Document Retention Regulations.

To manage risks of loss, the Company received periodic reporting on major risks to which the Group's operating subsidiaries are exposed from the president of each operating subsidiary or its officer in charge via the Compliance Committee and checked the statuses of risk management.

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
	2012	2013	2014	2015	2016	2016
RESULTS OF OPERATIONS:						
Operating revenues	¥117,710	¥115,864	¥121,129	¥122,547	¥122,959	$1,091,227
Operating cost	110,069	106,908	111,651	111,775	111,666	991,002
Selling, general and administrative expenses	6,237	6,188	6,237	6,019	6,053	53,725
Operating income	1,404	2,767	3,240	4,752	5,239	46,500
Net income	633	1,785	2,370	3,238	3,526	31,299
Depreciation expenses	3,882	4,286	4,361	4,365	4,687	41,601
PER SHARE (yen and U.S. dollars):						
Net income	¥ 6.97	¥ 19.67	¥ 26.13	¥ 35.69	¥ 38.88	$ 0.3450
Cash dividends	4.00	5.00	4.50	6.00	6.50	0.0577
YEAR-END FINANCIAL POSITION:						
Total current assets	¥ 33,045	¥ 33,538	¥ 34,204	¥ 36,076	¥ 37,418	$ 332,076
Net property and equipment	71,597	71,856	70,837	71,168	70,857	628,837
Total assets	116,085	117,189	117,149	120,887	121,212	1,075,720
Total current liabilities	34,222	36,279	37,480	39,333	34,761	308,501
Long-term liabilities, excluding of current portion thereof	35,817	33,266	30,376	26,906	29,280	259,854
Total net assets	46,046	47,643	49,292	54,647	57,169	507,365
OTHER YEAR-END DATA:						
Number of employees	6,762	6,561	6,492	6,447	6,431	

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 slightly by 0.3% or ¥411 million year on year to ¥122,959 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:	91.7%	0.0%
Road haulage operations and freight forwarding operations	69.8	−0.1
Warehousing operations	17.5	+2.4
Harbor transport operations	4.4	−5.9
Information processing business	2.4	−3.9
Sales businesses	5.4	+8.5
Other businesses	0.5	−6.4

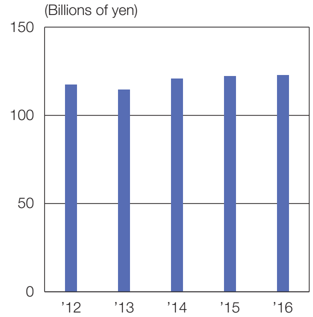
Operating income

Operating income amounted to ¥5,239 million, an increase of 10.2% or ¥487 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.

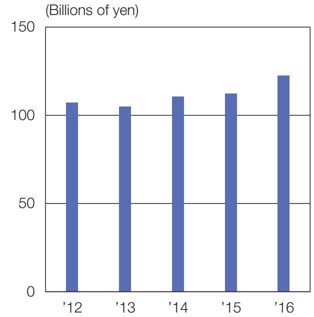
Net income attributable to owners of the parent

Net income attributable to owners of the parent amounted to ¥3,526 million, an increase of 8.9% or ¥288 million year on year.

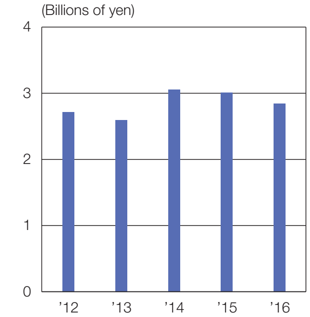
Operating Revenues



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 ¥1,174 million from the previous year to ¥13,359 million as a result of net cash provided by operating activities amounting to ¥6,428 million, net cash used in investing activities amounting to ¥1,469 million, and net cash used in financing activities amounting to ¥3,784 million.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥6,428 million, a decrease of ¥2,858 million from the previous year. Principal items were income before income taxes amounting to ¥5,530 million and a ¥1,224 million decrease in other current liabilities, despite the recording of ¥4,687 million as depreciation and amortization.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,469 million, a decrease of ¥412 million from the previous year. The principal item was payments of ¥1,918 million for the purchase of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥3,784 million, a decrease of ¥674 million from the previous year. Cash outflows included repayment of long-term debt amounting to ¥1,065 million and repayment of lease obligations amounting to ¥2,083 million.

Analysis of the Financial Position

Assets

Current assets were ¥37,418 million, an increase of 3.7% from the previous fiscal year-end. This increase was mainly attributable to a ¥1,128 million increase in cash and time deposits.

Non-current assets amounted to ¥83,793 million, a decrease of 1.2% from the previous fiscal year-end. This increase was mainly attributable to an ¥899 million decrease in buildings and structures and a ¥586 million decrease in investments in securities, despite a ¥938 million increase in leased assets.

As a result, total assets amounted to ¥121,212 million, an increase of 0.3% or ¥324 million from the previous fiscal year-end.

Liabilities

Current liabilities were ¥34,761 million, a decrease of 11.6% from the previous fiscal year-end. This decrease was mainly attributable to a ¥5,000 million decrease in current portion of bonds, whereas current portion of long-term debt increased ¥1,589 million.

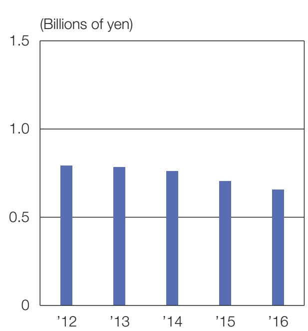
Long-term liabilities were ¥29,280 million, an increase of 8.8% from the previous fiscal year-end. This increase was mainly attributable to a ¥5,000 million increase in bonds, whereas long-term debt decreased ¥2,455 million.

As a result, total liabilities amounted to ¥64,042 million, a decrease of 3.3% or ¥2,197 million from the previous fiscal year-end.

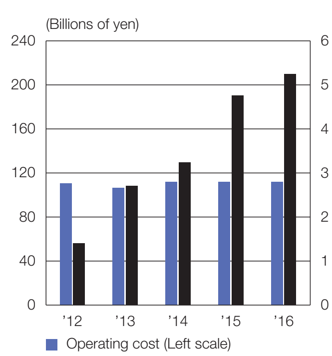
Net assets

Net assets amounted to ¥57,169 million, an increase of 4.6% from the previous fiscal year-end. The main factor was a ¥2,938 million increase in retained earnings as a result of recording net income attributable to owners of the parent of ¥3,526 million.

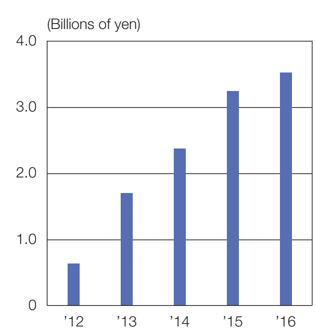
Sales of Other Business



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

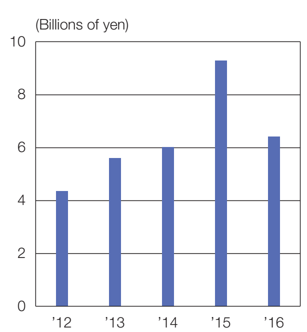
The outlook of the Japanese economy is expected to remain uncertain in view of the risk posed by the slowing tempo of the Chinese economy and other emerging economies, as well as concerns about a possible deterioration in the profitability of export-oriented companies owing to appreciation of the yen.

In these circumstances, the Group will push forward with the implementation of the growth strategy to achieve the performance targets of the Three-year Medium-Term Business Plan covering the period from April 1, 2015 to March 31, 2018.

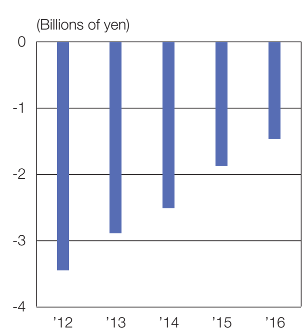
In particular, we will strengthen the growth potential of the Group's businesses (promotion of proposal-driven sales & marketing, improvement of actual forwarding capabilities, consolidation and restructuring of the Group's businesses, etc.) and enhance existing businesses (development of logistics bases, business and capital alliances, M&As, etc.) to expand the business scale and will further reinforce cooperation with business partners to promote differentiation strategies.

By promoting the shift to an open environment for the proactive use of ICT functions underpinning the growth strategy, the Group will continue with the implementation of measures to maintain freight charges and fees at reasonable levels so as to offer logistics services of consistently high quality.

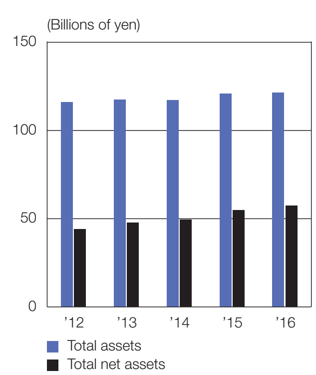
Net Cash Provided by Operating Activities



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, 2016 and 2015

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Current assets:			
Cash and time deposits (Notes 10 and 12)	¥ 13,380	¥ 12,252	$ 118,751
Trade receivables:			
Notes and accounts (Notes 5 and 12)	20,587	20,530	182,709
Less: allowance for doubtful accounts	(32)	(58)	(291)
Investments in lease assets	38	55	345
Inventories	528	574	4,689
Deferred tax assets (Note 17)	752	714	6,678
Other current assets	2,162	2,007	19,194
Total current assets	37,418	36,076	332,076
Property and equipment (Notes 3, 4 and 6):			
Land	40,024	40,294	355,205
Buildings and structures	20,373	21,273	180,810
Machinery and vehicles	2,202	2,196	19,545
Leased assets	7,595	6,657	67,411
Construction in progress	—	—	—
Other	660	746	5,866
Total property and equipment	70,857	71,168	628,837
Investments and other assets:			
Investments in securities (Note 13)	7,866	8,453	69,812
Goodwill	7	10	64
Other	5,062	5,178	44,932
Total investments and other assets	12,936	13,642	114,808
Total assets	¥121,212	¥120,887	$1,075,720

The accompanying Notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Current liabilities:			
Short-term bank loans (Notes 7 and 12)	¥ 10,590	¥ 10,770	$ 93,983
Current portion of long-term debt (Notes 4, 7, 12 and 14)	2,645	1,055	23,476
Current portion of bonds (Note 4)	—	5,000	—
Trade notes and accounts payable (Note 12)	11,254	11,367	99,877
Lease obligations (Note 12)	2,511	2,140	22,287
Income taxes payable	1,211	1,225	10,747
Other current liabilities	6,550	7,774	58,131
Total current liabilities	34,761	39,333	308,501
Long-term liabilities:			
Long-term debt, less current portion thereof (Notes 4, 7, 12 and 14)	8,453	5,908	75,022
Lease obligations (Note 12)	5,911	5,201	52,465
Deferred tax liability (Note 17)	1,691	2,119	15,015
Deferred tax liabilities from revaluation reserve for land (Note 6)	3,777	3,977	33,527
Retirement benefits for directors and corporate auditors	113	130	1,005
Net defined benefit liability (Note 15)	7,093	6,747	62,955
Other long-term liabilities	2,238	2,821	19,866
Total long-term liabilities	29,280	26,906	259,854
Total liabilities	64,042	66,240	568,355
Net assets			
Shareholders' equity (Note 16):			
Common stock:			
Authorized: 299,200,000 shares in 2016			
299,200,000 shares in 2015			
Issued: 97,610,118 shares in 2016			
97,610,118 shares in 2015	14,182	14,182	125,867
Capital surplus	11,699	11,682	103,827
Retained earnings	25,262	22,324	224,199
Treasury stock, at cost: 6,913,952 shares in 2016			
6,896,199 shares in 2015	(2,035)	(2,028)	(18,066)
Total shareholders' equity	49,109	46,160	435,827
Other comprehensive income			
Unrealized gain on other securities	1,532	1,957	13,597
Revaluation reserve for land	6,381	6,182	56,633
Remeasurements of defined benefit plans (Note 15)	119	256	1,059
Accumulated other comprehensive income (Note 9)	8,032	8,395	71,288
Minority interests:			
Minority interests	28	91	250
Total net assets	57,169	54,647	507,365
Total liabilities and net assets	¥121,212	¥120,887	$1,075,720

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

TONAMI HOLDINGS CO., LTD.
AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2016 and 2015

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 1) 2016
Operating revenues (Note 20):			
Operating revenues	¥122,959	¥122,547	$1,091,227
	122,959	122,547	1,091,227
Operating costs and selling, general and administrative expenses:			
Operating cost (Note 18)	111,666	111,775	991,002
Selling, general and administrative expenses (Note 18)	6,053	6,019	53,725
	117,719	117,794	1,044,727
Operating income (Note 20)	5,239	4,752	46,500
Other income and expenses:			
Interest and dividend income	343	325	3,049
Equity in earnings of unconsolidated subsidiaries and affiliates	87	78	779
Loss on sale of property and equipment, net	47	44	423
Interest expenses	(279)	(283)	(2,478)
Impairment losses (Note 8)	(36)	—	(327)
Gain on negative goodwill	—	110	—
Other, net	128	241	1,137
	291	516	2,583
Income before income taxes and minority interests	5,530	5,269	49,084
Income taxes (Note 17):			
Current	2,149	1,819	19,080
Deferred	(158)	199	(1,408)
	1,991	2,018	17,672
Net income before minority interests	3,539	3,250	31,412
Minority interests	12	12	113
Net income	¥ 3,526	¥ 3,238	$ 31,299
Minority interests	12	12	113
Net income before minority interests	3,539	3,250	31,412
Other comprehensive income (Note 9):			
Valuation difference on other securities	(420)	913	(3,728)
Revaluation reserve for land	199	411	1,773
Remeasurement of defined benefit plans	(136)	717	(1,215)
Share of other comprehensive income (loss) of associates accounting for using the equity method	(4)	3	(43)
Total other comprehensive income	(362)	2,046	3,214
Total comprehensive income for the year	¥ 3,177	¥ 5,296	$ 28,198
Total comprehensive income attributable to:			
Owners of the parent	¥ 3,164	¥ 5,284	$ 28,085
Minority interests	12	12	113

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, 2016 and 2015

	Shares of common stock (thousands)	Millions of yen 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	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 (¥6.00 per share)				(453)		(453)						(453)
Increase in surplus												
Bonuses for directors and corporate auditors												
Net income				3,238		3,238						3,238
Transfer from capital surplus												
Change in ownership interests of the parent arising from transactions with non-controlling shareholders												
Reversal of Revaluation reserve for land				264		264						264
Treasury stock					(7)	(7)						(7)
Disposal of treasury stock												
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
Balance as at April 1, 2015	97,610	¥14,182	¥11,682	¥22,324	¥(2,028)	¥46,160	¥1,957	¥6,182	¥256	¥8,395	¥91	¥54,647
Cumulative effects of changes in accounting policies												
Restated balance as at April 1, 2015		14,182	11,682	22,324	(2,028)	46,160	1,957	6,182	256	8,395	91	54,647
Cash dividends applicable to the year (¥6.50 per share)				(589)		(589)						(589)
Increase in surplus												
Bonuses for directors and corporate auditors												
Net income				3,526		3,526						3,526
Transfer from capital surplus												
Change in ownership interests of the parent arising from transactions with non-controlling shareholders			17			17						17
Reversal of Revaluation reserve for land												
Treasury stock					(6)	(6)						(6)
Disposal of treasury stock												
Net changes in items other than shareholders' equity							(424)	198	(136)	(363)	(62)	(426)
Balance as at March 31, 2016	97,610	¥14,182	¥11,699	¥25,262	¥(2,035)	¥49,109	¥1,532	¥6,381	¥119	¥8,032	¥28	¥57,169

	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, 2015	$125,867	$103,676	$198,125	$(18,005)	$409,662	$17,369	$54,869	$2,274	$74,512	$809	$484,982
Cumulative effects of changes in accounting policies					—				—		—
Restated balance as at April 1, 2015	125,867	103,676	198,125	(18,005)	409,662	17,369	54,869	2,274	74,512	809	484,982
Cash dividends applicable to the year ($0.0577 per share)			(5,234)		(5,234)				—		(5,234)
Increase in surplus					—				—		—
Bonuses for directors and corporate auditors					—				—		—
Net income			31,299		31,299				—		31,299
Transfer from capital surplus					—				—		—
Change in ownership interests of the parent arising from transactions with non-controlling shareholders		151			151				—		151
Reversal of Revaluation reserve for land			9		9				—		9
Treasury stock				(60)	(60)				—		(60)
The Company's equity portion of treasury stock owned by a newly consolidated subsidiary					—				—		—
Disposal of treasury stock					—				—		—
Net changes in items other than shareholders' equity						(3,772)	1,764	(1,215)	(3,223)	(559)	(3,782)
Balance as at March 31, 2016	$125,867	$103,827	$224,199	$(18,066)	$435,827	$13,597	$56,633	$1,059	$71,288	$250	$507,365

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 5,530	¥ 5,269	$ 49,084
Depreciation and amortization	4,687	4,365	41,601
Impairment losses	36	—	327
Gain on disposal of property and equipment	(47)	(44)	(423)
Loss on devaluation of investments in securities	9	0	86
Loss on devaluation of golf club memberships	14	2	125
Amortization of goodwill	3	(72)	33
Gain on negative goodwill	—	(110)	—
Equity in earnings of unconsolidated subsidiaries and affiliates	(87)	(78)	(779)
(Decrease) increase in allowance for doubtful accounts	19	(22)	171
Decrease in net defined benefit liability	145	(332)	1,295
Increase (decrease) in directors' and corporate auditors' retirement benefits	(17)	6	(153)
Increase in accrued bonuses to employees	17	171	159
Interest and dividend income	(343)	(325)	(3,049)
Interest expenses	279	283	2,478
Decrease (increase) in trade receivables	(57)	916	(508)
Decrease (increase) in inventories	46	42	409
(Decrease) increase in accounts payable	(113)	(468)	(1,004)
Increase in accrued consumption taxes	(990)	1,286	(8,793)
Other, net	(561)	(166)	(4,981)
Subtotal	8,572	10,722	76,078
Interest and dividends received	343	324	3,049
Interest paid	(279)	(276)	(2,477)
Income taxes paid	(2,208)	(1,483)	(19,602)
Net cash provided by operating activities	6,428	9,286	57,048
Cash flows from investing activities:			
Purchase of time deposits	(32)	(62)	(286)
Proceeds from redemption of time deposits	77	68	690
Purchase of property and equipment	(1,918)	(2,619)	(17,026)
Proceeds from sales of property and equipment	423	1,188	3,757
Purchase of investments in securities	(36)	(245)	(321)
Proceeds from redemption of investments in securities	10	50	89
Purchase of investments in subsidiaries	—	(19)	—
(Payment for) proceeds from purchase of investments in consolidated subsidiaries	—	(141)	—
Investments in loans receivable	(244)	(298)	(2,173)
Proceeds from collection of loans receivable	241	238	2,145
Other, net	9	(39)	84
Net cash used in investing activities	(1,469)	(1,881)	(13,040)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	(180)	(2,170)	(1,597)
Proceeds from long-term debt	200	4,070	1,775
Repayment of long-term debt	(1,065)	(3,786)	(9,458)
Proceeds from issuance of bonds	5,000	—	44,373
Redemption of bonds	(5,000)	—	(44,373)
Repayments of lease obligations	(2,083)	(2,105)	(18,494)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(56)	—	(500)
Purchase of treasury stock	(6)	(7)	(60)
Dividends paid	(589)	(453)	(5,234)
Dividends paid to minority interests	(2)	(6)	(21)
Net cash used in financing activities	(3,784)	(4,459)	(33,589)
Net increase (decrease) in cash and cash equivalents	1,174	2,946	10,420
Cash and cash equivalents at beginning of year	12,185	9,238	108,140
Cash and cash equivalents at end of year (Note 10)	¥ 13,359	¥ 12,185	$118,560

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 2015 financial statements to conform to the classifications used in 2016.

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 ¥112.68 to U.S.$1, the approximate rate of exchange at March 31, 2016. 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, 2016 include the accounts of the Company and its 20 (25 in 2015) consolidated subsidiaries and 7 (7 in 2015) affiliates accounted for by the equity method.

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

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

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

(b) Marketable securities and investments in securities

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

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

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

(c) Inventories

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

(d) Derivatives

Derivative financial instruments are stated at fair value.

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

(e) Property and equipment and intangible assets

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

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

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

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

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

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

(f) Allowance for doubtful accounts

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

(g) Retirement benefits for directors and corporate auditors

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

(h) Accounting method for retirement benefits

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

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, 2016, the Company has applied ASBJ Statement No. 21 Revised Accounting Standard for Business Combinations, ASBJ Statement No. 22 Revised Accounting Standard for Consolidated Financial Statements, and ASBJ Statement No. 7 Revised Accounting Standard for Business Divestitures, all of which were issued in September 2013. Accordingly, the accounting methods have been changed to record the difference arising from a change in the Company's ownership interest in a subsidiary over which the Company retains control as capital surplus and to record acquisition-related costs as expenses for the consolidated fiscal year of incurrence. Furthermore, the method is changed to reflect an adjustment to the provisional amount arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost in the consolidated financial statements for the fiscal year to which the date of business combination belongs.

In the consolidated statements of cash flows, cash flows associated with changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are presented under "Cash flows from financing activities," while cash flows associated with the costs related to the purchase of investments in subsidiaries resulting in change in scope of consolidation or expenses incurred associated with changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are presented under "Cash flows from operating activities."

These standards have been applied prospectively from the beginning of the fiscal year ended March 31, 2016. The effects of these changes on the consolidated financial statements and per share information for the fiscal year ended March 31, 2016 are immaterial.

Unapplied accounting standards

The Company is scheduled to apply ASBJ Guidance No. 26 Revised Implementation Guidance on Recoverability of Deferred Tax Assets issued in March 2016 from the beginning of the fiscal year ending March 31, 2017.

The application of this accounting standard does not have any effect on the Company.

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 ¥56,056 million ($497,466 thousand) and ¥56,632 million on March 31, 2016 and 2015, 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 ($1,599 thousand) and ¥180 million on March 31, 2016 and 2015, respectively.

4 Short-term bank loans and long-term debt

(a) Short-term bank loans

Short-term bank loans as at March 31, 2016 and 2015 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Secured	¥ 2,720	¥ 2,820	$ 24,139
Unsecured	7,870	7,950	69,844

Interest rates range from 0.715% to 1.500%.

(b) Long-term debt

Long-term debt as at March 31, 2016 and 2015 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
0.48% ¥5.0 billion unsecured straight bonds due 2021	¥ 5,000	¥ 5,000	$ 44,373
1.000%-2.490% loans from financial institutions due 2016 to 2020 and thereafter:			
Secured	554	711	4,920
Unsecured	5,544	6,253	49,204
Total	11,098	11,964	98,498
Less: amount due within one year	2,645	6,055	23,476
	¥ 8,453	¥ 5,908	$ 75,022

The maturity date of the ¥5.0 billion 0.48% unsecured straight bonds, issued in February 2016, is February 4, 2021.

The annual maturities of long-term debt outstanding as at March 31, 2016 are as follows:—

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 2,645	$ 23,476
2018	637	5,659
2019	583	5,178
2020	2,222	19,723
2021	5,010	44,462

(c) Pledged assets

Property and equipment having a net value of ¥12,751 million ($113,168 thousand) was pledged as collateral for short-term bank loans and long-term debt as at March 31, 2016.

5 Contingent liabilities

As at March 31, 2016, the Company was contingently liable as follows:—

	Millions of yen	Thousands of U.S. dollars
Notes endorsed	¥ 2	$ 23
Others	128	1,139

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, 2016 and the revalued book value	¥12,298	$109,141

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, 2016, was as follows:

	Millions of yen	Thousands of U.S. dollars
Maximum credit line of overdraft facility and commitment agreement	¥3,000	$26,624
Used credit	—	—
Total	¥3,000	$26,624

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, 2016: ¥1,400 million ($12,425 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, 2015

Not applicable

Fiscal year ended March 31, 2016

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.

With regard to an asset group for which the Company recognized impairment loss, the future cash flow is expected to be insufficient due to factors such as increases in personnel expenses and subcontractor fees. Accordingly, the book value of the asset group was reduced to the recoverable amount and ¥36 million ($327 thousand) was recognized as an impairment loss.

The impairment loss comprised ¥5 million ($46 thousand) for land and ¥31 million ($280 thousand) for buildings.

The recoverable amounts for land and buildings of the impaired asset group are measured by net sales value. Net sales value is assessed principally based on the appraisal value quoted by a real-estate appraiser and immaterial assets are assessed based on the residual book value.

9 Consolidated statement of comprehensive income

Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Valuation difference on other securities:			
Amount arising during the year	¥ (674)	¥ 1,277	$ (5,983)
Reclassification adjustment	9	—	80
Before tax-effect adjustment	(665)	1,277	(5,903)
Tax effect	244	(364)	2,174
Valuation difference on other securities	(420)	913	(3,728)
Revaluation reserve for land:			
Tax effect	199	411	1,773
Remeasurements of defined benefit plans:			
Amount arising during the year	(354)	900	(3,142)
Reclassification adjustment	154	194	1,368
Before tax-effect adjustment	(199)	1,095	(1,774)
Tax effect	62	(377)	559
Remeasurements of defined benefit plans	(136)	717	(1,215)
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount arising during the year	(4)	3	(43)
Total other comprehensive income	¥ (362)	¥ 2,046	$ (3,214)

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, 2016 and 2015 are as follows:—

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and time deposits	¥13,380	¥12,252	$118,751
Time deposits with maturities exceeding three months	(21)	(67)	(192)
Cash and cash equivalents	¥13,359	¥12,185	$118,560

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, 2016 and 2015 for finance leases accounted for as operating leases:—

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Acquisition costs:			
Machinery and tools	¥ —	¥ —	$ —
Buildings	5,833	5,833	51,774
	¥ 5,833	¥ 5,833	$ 51,774
Accumulated depreciation:			
Machinery and tools	¥ —	¥ —	$ —
Buildings	3,213	2,967	28,519
	¥ 3,213	¥ 2,967	$ 28,519
Accumulated impairment losses:			
Machinery and tools	¥ —	¥ —	$ —
Buildings	756	756	6,711
	¥ 756	¥ 756	$ 6,711
Net book value:			
Machinery and tools	¥ —	¥ —	$ —
Buildings	1,864	2,110	16,544
	¥ 1,864	¥ 2,110	$ 16,544

Amounts of depreciation expense equivalents and interest expense equivalents for the years ended March 31, 2016 and 2015 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Depreciation expense	¥246	¥246	$2,188
Interest expense	76	84	683

Lease payments relating to finance leases accounted for as operating leases amounted to ¥427 million ($3,790 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, 2016 and 2015, 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 are realized over the lease term. Reversal of impairment losses on leased assets recorded in the fiscal year ended March 31, 2016 and 2015, amounted to ¥42 million ($372 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, 2016 and 2015 for finance leases accounted for as operating leases were summarized as follows:—

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	¥ 299	¥ 291	$ 2,661
Due over one year	2,186	2,486	19,409
Total	¥2,486	¥2,778	$22,069
Impairment losses on leased assets	¥ 294	¥ 336	$ 2,610

(c) Operating leases

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	¥ 322	¥ 322	$ 2,859
Due over one year	2,595	2,917	23,032
Total	¥2,917	¥3,239	$25,891

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, 2016 and 2015 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, 2016	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
Cash and time deposits	¥13,380	¥13,380	¥ —
Trade receivables – notes	3,123	3,123	—
Trade receivables – accounts	17,464	17,464	—
Investments in securities (other securities)	5,131	5,131	—
Total assets	¥39,099	¥39,099	¥ —
Liabilities:			
Trade notes payable	¥ 750	¥ 750	¥ —
Trade accounts payable	10,503	10,503	—
Short-term bank loans	10,590	10,590	—
Bonds	5,000	5,034	34
Long-term debt	6,098	6,178	80
Lease obligations	8,423	8,563	140
Total liabilities	¥41,365	¥41,620	¥254
Derivatives	—	—	—

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, 2016	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Assets:			
Cash and time deposits	$118,751	$118,751	$ —
Trade receivables – notes	27,719	27,719	—
Trade receivables – accounts	154,990	154,990	—
Investments in securities (other securities)	45,539	45,539	—
Total assets	$347,000	$347,000	$ —
Liabilities:			
Trade notes payable	$ 6,664	$ 6,664	$ —
Trade accounts payable	93,213	93,213	—
Short-term bank loans	93,983	93,983	—
Bonds	44,373	44,679	305
Long-term debt	54,124	54,836	712
Lease obligations	74,752	75,996	1,244
Total liabilities	$367,110	$369,371	$2,261
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 ¥2,735 million ($24,273 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 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, 2016 and 2015 were as follows:

For the year ended March 31, 2016	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	¥13,363	¥—	¥—	¥—
Trade notes receivable	3,123	—	—	—
Trade accounts receivable	17,464	—	—	—
Investments in securities (other securities with contractual maturities)	—	—	—	—
Total	¥33,951	¥—	¥—	¥—

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, 2016	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	$118,598	$—	$—	$—
Trade notes receivable	27,719	—	—	—
Trade accounts receivable	154,990	—	—	—
Investments in securities (other securities with contractual maturities)	—	—	—	—
Total	$301,307	$—	$—	$—

Annual maturities of bonds, long-term debt, lease obligations, and other interest-bearing debts as of March 31, 2016 and 2015 are as follows:

For the year ended March 31, 2016	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	¥10,590	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	—	5,000	—
Long-term debt	2,645	637	583	2,222	10	—
Lease obligations	2,511	2,159	1,724	1,156	595	275
Total	¥15,746	¥2,797	¥2,307	¥3,379	¥5,605	¥275

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, 2016	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	$ 93,983	$ —	$ —	$ —	$ —	$ —
Bonds	—	—	—	—	44,373	—
Long-term debt	23,476	5,659	5,178	19,723	89	—
Lease obligations	22,287	19,166	15,304	10,265	5,287	2,443
Total	$139,746	$24,825	$20,482	$29,988	$49,749	$2,443

13 Marketable securities and investments in securities

No trading securities or held-to-maturity securities were held at March 31, 2016 or 2015. 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, 2016 and 2015 are summarized as follows:—

At March 31, 2016	Millions of yen		
	2016		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥4,165	¥1,801	¥2,364
Bonds	—	—	—
Other	—	—	—
Unrealized loss:			
Stocks	965	1,191	(226)
Bonds	—	—	—
Other	—	—	—
Total	¥5,131	¥2,993	¥2,138

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, 2016	Thousands of U.S. dollars		
	2016		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Unrealized gain:			
Stocks	$36,969	$15,985	$20,984
Bonds	—	—	—
Other	—	—	—
Unrealized loss:			
Stocks	8,570	10,578	(2,007)
Bonds	—	—	—
Other	—	—	—
Total	$45,539	$26,563	$18,977

Equity securities with fair value, classified as other securities, were restated at fair value and related loss on impairment amounting to ¥9 million ($80 thousand) was charged to income for the year ended March 31, 2016.

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
	2016	2015	2016
Contract amount	¥1,400	¥2,200	$12,425
Contract amount due after one year	1,000	1,400	8,875
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
	2016	2015	2016
Retirement benefit obligation at beginning of year	¥12,686	¥13,918	$112,587
Cumulative effects of changes in accounting policies	—	(854)	—
Restated balance at beginning of year	12,686	13,063	112,587
Service cost	665	697	5,904
Interest cost	101	104	901
Actuarial gain or loss	14	(205)	131
Payment of retirement benefits	(856)	(974)	(7,601)
Retirement benefit obligation at end of year	¥12,611	¥12,686	$111,922

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
	2016	2015	2016
Plan assets at beginning of year	¥6,815	¥5,737	$60,483
Expected return on plan assets	170	143	1,512
Actuarial gain or loss	(339)	695	(3,011)
Contributions by the Company	82	586	728
Employee contributions	67	68	602
Payment of retirement benefits	(356)	(416)	(3,161)
Plan assets at end of year	¥6,440	¥6,815	$57,153

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
	2016	2015	2016
Net defined benefit liability at beginning of year	¥876	¥849	$7,780
Retirement benefit costs	122	90	1,084
Payment of retirement benefits	(60)	(60)	(533)
Contributions to the plan	(16)	(14)	(146)
Increase resulting from change in scope of consolidation	—	10	—
Net defined benefit liability at end of year	¥922	¥876	$8,185

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligation	¥ 7,705	¥ 7,690	$ 68,380
Plan assets	(6,588)	(6,958)	(58,472)
	1,116	732	9,908
Unfunded retirement benefit obligation	5,977	6,015	53,046
Net amount of liability (asset) on the consolidated balance sheets	7,093	6,747	62,955
Net defined benefit liability	7,093	6,747	62,955
Net defined benefit asset	—	—	—
Net amount of liability (asset) on the consolidated balance sheets	¥ 7,093	¥ 6,747	$ 62,955

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

Retirement benefit costs and breakdown

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost (Note 1)	¥ 597	¥ 629	$ 5,302
Interest cost	101	104	901
Expected return on plan assets	(170)	(143)	(1,512)
Amortization of actuarial gain or loss	154	194	1,368
Retirement benefit costs calculated by the simplified method	122	90	1,084
Retirement benefit costs for defined benefit plans	¥ 804	¥ 875	$ 7,142

(Note 1) Employee contributions to the corporate pension fund are not included in the amounts shown.

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
	2016	2015	2016
Actuarial gain or loss	¥(199)	¥1,095	$(1,774)
Total	¥(199)	¥1,095	$(1,774)

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
	2016	2015	2016
Unrecognized actuarial gain or loss	¥(179)	¥(379)	$(1,591)
Total	¥(179)	¥(379)	$(1,591)

Plan assets

Plan asset components as a percentage of total plan assets

	2016	2015
Bonds	47.5%	42.3%
Stocks	21.6	32.3
Insurance company general accounts	11.7	10.8
Cash and time deposits	1.4	3.9
Other	17.8	10.7
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

	2016	2015
Discount rate	0.8%	0.8%
Long-term expected return on plan assets	2.5%	2.5%

(c) Defined contribution plan

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Required contributions to the defined contribution pension plan	¥331	¥335	$2,941

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, 2015	Increase	Decrease	At March 31, 2016
Common stock (shares)	6,896,199	17,753	—	6,913,952

Reason for the change:

The increase attributable to the purchase of shares less than one unit: 17,753 shares

17 Income taxes

As described in Note 2(j), 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.

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Provision for bonuses	¥ 432	¥ 454	$ 3,839
Net defined benefit liability	2,204	2,215	19,566
Accounts payable upon transfer to defined contribution pension plan	609	823	5,406
Accumulated loss on impairment of property and equipment	2,183	2,343	19,382
Accumulated loss on impairment of leased assets	89	108	796
Other	868	791	7,704
Gross deferred tax assets	6,388	6,736	56,693
Valuation allowance	(3,017)	(3,336)	(26,777)
Total deferred tax assets	3,370	3,400	29,916
Deferred tax liabilities:			
Unrealized gain on other securities	(602)	(845)	(5,349)
Reserve under Special Taxation Measures Law	(3,554)	(3,809)	(31,549)
Undistributed earnings	(152)	(150)	(1,355)
Total deferred tax liabilities	(4,310)	(4,805)	(38,253)
Net deferred tax assets	¥ (939)	¥(1,405)	$ (8,337)

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, 2016 and 2015 were as follows:—

	2016	2015
Statutory tax rate:	32.82%	35.38%
Increase (reduction) in tax resulting from:		
Nondeductible expenses including entertainment, etc.	0.87	1.08
Nontaxable income including dividends received deduction, etc.	(4.83)	(4.12)
Per capita portion of inhabitant taxes	4.19	4.34
Equity in earnings of affiliates	(0.52)	(0.52)
Elimination of dividends received from consolidated subsidiaries, etc.	4.71	3.75
Change in valuation allowance related to deferred tax assets	(4.29)	(2.91)
Adjustment of deferred tax assets following a change in statutory tax rates	(0.52)	(1.03)
Other	3.57	2.34
Effective tax rate	36.00%	38.31%

18 Supplementary income information

Supplementary income information for the years ended March 31, 2016 and 2015 is as follows:—

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Depreciation expenses	¥4,687	¥4,365	$41,601
Lease and rental	5,409	5,292	48,003

19 Amounts per share

Amounts per share of common stock for the years ended March 31, 2016 and 2015 were as follows:—

	Yen		U.S. dollars
	2016	2015	2016
Net income per share:			
Basic	¥ 38.88	¥ 35.69	$0.2970
Diluted	—	—	—
Cash dividends	6.50	6.00	0.0499
Net assets per share	630.04	601.41	5.0047

Basis for the calculation of net assets per share for the years ended March 31, 2016 and 2015 were as follows:—

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total net assets as reported on the consolidated balance sheets	¥57,169	¥54,647	$507,365
Deduction from total net assets:			
Non-controlling interests	28	91	250
Adjusted net assets allocated in common stock	57,141	54,556	507,166
Number of shares of common stock outstanding at the end of year on which net assets per share is calculated	90,696,166	90,713,919	

Basis for the calculation of basic and diluted net income per share for the years ended March 31, 2016 and 2015 was as follows:—

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net income attributable to owners of the parent	¥3,526	¥3,238	$31,299
Amounts not attributable to shareholders of common stock	—	—	—
Net income attributable to common shareholders of the parent	3,526	3,238	31,299
Weighted-average number of shares of common stock outstanding (shares)	90,704,626	90,729,769	

20 Segment information

(1) Overview of reportable segments

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

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

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

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

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

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

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

For the year ended March 31, 2016

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	¥112,777	¥2,897	¥ 6,624	¥122,299	¥ 659	¥122,959	¥ —	¥122,959
Intersegment revenues or transfers	32	357	3,657	4,047	284	4,331	(4,331)	—
Total	¥ 12,809	¥3,254	¥10,282	¥126,346	¥ 944	¥127,291	¥(4,331)	¥122,959
Segment income	¥ 4,634	¥ 189	¥ 300	¥ 5,123	¥ 115	¥ 5,239	¥ 0	¥ 5,239
Segment assets	¥105,861	¥2,695	¥10,213	118,770	¥11,077	¥129,847	¥(8,635)	¥121,212
Other items:								
Depreciation	¥ 4,099	¥ 507	¥ 43	¥ 4,650	¥ 22	¥ 4,673	¥ 14	¥ 4,687
Amortization of goodwill	¥ —	¥ 3	¥ —	¥ 3	¥ —	¥ 3	¥ —	¥ 3
Impairment losses	¥ 36	¥ —	¥ —	¥ 36	¥ —	¥ 36	¥ —	¥ 36
Increases in property and equipment and intangible fixed assets	¥ 4,142	¥ 730	¥ 16	¥ 4,889	¥ 18	¥ 5,875	¥ 0	¥ 4,908

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, 2016

	Thousands of U.S. dollars							
	Reportable segment							
	Logistics	Information processing	Sales	Total	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:								
Revenues from outside customers	$1,000,862	$25,714	$58,794	$1,085,370	$ 5,857	$1,091,227	$ —	$1,091,227
Intersegment revenues or transfers	291	3,170	32,456	35,917	2,526	38,443	(38,443)	—
Total	$1,001,153	$28,884	$91,250	$1,121,288	$ 8,383	$1,129,670	$(38,443)	$1,091,227
Segment income	$ 41,127	$ 1,678	$ 2,665	$ 45,470	$ 1,027	$ 46,496	$ 4	$ 46,500
Segment assets	$ 939,485	$23,921	$90,643	$1,054,049	$98,308	$1,152,357	$(76,637)	$1,075,720
Other items:								
Depreciation	$ 36,381	$ 4,505	$ 388	$ 41,274	$ 199	$ 41,473	$ 128	$ 41,601
Amortization of goodwill	$ —	$ 33	$ —	$ 33	$ —	$ 33	$ —	$ 33
Impairment losses	$ 327	$ —	$ —	$ 327	$ —	$ 327	$ —	$ 327
Increases in property and equipment and intangible fixed assets	$ 36,767	$ 6,481	$ 150	$ 43,397	$ 168	$ 43,565	$ 1	$ 43,566

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, 2016 and 2015, adjustments of segment income amounted to ¥0 million ($4 thousand) and ¥61 million, respectively. Adjustments include intersegment eliminations and corporate expenses not allocated to any reportable segments.
   For the fiscal year ended March 31, 2016 and 2015, the above-mentioned intersegment eliminations amounted to ¥770 million ($6,839 thousand) and ¥798 million, respectively, and corporate expenses not allocated to any reportable segments amounted to ¥(770) million ($(6,835) thousand) and ¥(737) 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, 2016 and 2015, adjustments of segment assets amounted to ¥(8,635) million ($(76,637) thousand) and ¥(7,304) million, respectively. Adjustments include intersegment eliminations and corporate assets not allocated to any reportable segments.
   For the fiscal year ended March 31, 2016 and 2015, the above-mentioned intersegment eliminations amounted to ¥(25,863) million ($(229,527) thousand) and ¥(23,607) million, respectively, and corporate assets not allocated to any reportable segments amounted to ¥17,227 million ($152,891 thousand) and ¥16,302 million, respectively. Corporate assets are mainly cash and time deposits and investments in securities of the head office that do 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, 2016 and 2015, adjustments of increases in property and equipment and intangible fixed assets amounted to ¥0 million ($1 thousand) and ¥8 million, respectively. Adjustments include intersegment eliminations and corporate assets not allocated to any reportable segments.
   For the fiscal year ended March 31, 2016 and 2015, the above-mentioned intersegment eliminations amounted to ¥(3) million ($(30) thousand) and ¥0 million, respectively, and corporate assets not allocated to any reportable segments amounted to ¥3 million ($31 thousand) and ¥8 million, respectively.
3. Segment income is adjusted to operating income in the consolidated financial statements.

(4) Related information

For the year ended March 31, 2016

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, 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

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, 2016

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

For the year ended March 31, 2015

Not applicable

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

For the year ended March 31, 2016 — Millions of yen

	Reportable segment						
	Logistics	Information processing	Sales	Total	Others	Adjustment	Total
Goodwill:							
Amortization	¥ —	¥ 3	¥ —	¥ 3	¥ —	¥ —	¥ 3
Balance at end of year	¥ —	¥ 7	¥ —	¥ 7	¥ —	¥ —	¥ 7
Negative goodwill:							
Amortization	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Balance at end of year	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

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, 2016 — Thousands of U.S. dollars

	Reportable segment						
	Logistics	Information processing	Sales	Total	Others	Adjustment	Total
Goodwill:							
Amortization	$ —	$ 33	$ —	$ 33	$ —	$ —	$ 33
Balance at end of year	$ —	$ 64	$ —	$ 64	$ —	$ —	$ 64
Negative goodwill:							
Amortization	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Balance at end of year	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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

For the year ended March 31, 2016

Not applicable

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 was recorded in the fiscal year ended March 31, 2015.

21 Subsequent events

Cash dividends

The annual shareholders' meeting of the Company, which was held on June 29, 2016, duly approved the payment of dividends as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3.50 per share)	¥317	$2,818

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
Hokuriku Tonami Transportation Co., Ltd.	Road haulage
Tonami Shutoken Logistics Co., Ltd.	Road haulage
Tonami Kinki Logistics Co., Ltd.	Road haulage
Ishikawa Tonami Transportation Co., Ltd.	Road haulage
Tonami Daiichi Warehouse Logistics Co., Ltd.	Road haulage / Warehousing
Fukui Tonami Transportation Co., Ltd.	Road haulage
Niigata Tonami 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

Information Processing and Others

Company Name	Business Line
Tonami Trading Co., Ltd.	Trading Company
Toyo Gomu Hokuriku Hanbai Co., Ltd.	Sale of tires
KSR 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
Ichiro Tanaka

Standing Corporate Auditors
Mitsuo Matsuda
Masafumi Takebe

Corporate Auditors
Yohji Ishiguro
Toshio Kaido

(As of June 29, 2016)

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Date of Established
June 1943

Common Stock
¥14,183 million

Issued and Outstanding Shares
97,610,118 shares

Shareholders
6,148

Employees
68

(As of March 31, 2016)

TONAMI

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