

Reliable Logistics Services That Transcend Borders

ANNUAL REPORT 2010

Year ended March 31, 2010



The Nippon Express Group, which fully utilizes its global network reach and optimal transportation modes, will continue to develop systems as a general logistics corporation that tailors its services to meet customer needs.



The Nippon Express Group, Looking to the World —

Earned Trust,

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Caution Regarding Forward-Looking Statements

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

Will Broaden Its New Sphere of Trust

Demonstrated Globally



President **Masanori Kawai**

Pivoting towards the Global Market, Targeting New Growth

In April 2010, the Nippon Express Group launched its Corporate Strategy 2012—Towards New Growth management plan. There are four key strategies under the plan. Along with the two main elements, “growth as a global logistics company” and “promotion of strategic environmental management,” are “enhancement of management infrastructure” and “promotion of corporate social responsibility (CSR) management.”

Our corporate customers’ businesses are becoming increasingly globalized, and this globalization is being accompanied by the increasingly vigorous cross-border movement of goods. At the same time, an increasing number of overseas companies have moved into Japan.

International business expansion is essential to the future growth of the Nippon Express Group.

Q

When the Nippon Express Group Corporate Strategy 2012 was launched in April 2010, what approach did you believe would make best use of the FY2009 Nippon Express Group Business Infrastructure Consolidation Policy results?

A

By developing a low-cost structure, we made progress in creating a system that will be sure to generate profits even in a demanding business environment. Moving forward, our main emphasis will be on growth. Our management approach emphasizes promoting new growth by maintaining infrastructure capable of efficient delivery, even at times of higher logistics demand than now.

Due to the economic slowdown caused by the Lehman Shock, freight business volumes declined sharply from January to March 2009, with the volume of air freight forwarding in particular plummeting to less than half of what it had been in the corresponding period of the previous year. Impacted by this sudden turn of events, we adopted a wait-and-see attitude with regard to formulating our next management plan. Instead, we launched a single-year plan, the FY2009 Nippon Express Group Business Infrastructure Consolidation Policy.

Under this Policy, we set a target of “creating a system that will be sure to generate profits even in a demanding business environment.” Our efforts involved narrowing down our focus to the building of a low-cost structure while maintaining high-quality services and operations, even under current

conditions. Based on a fundamental review of front-line operations, we were able to cut non-consolidated outside contractor costs by ¥92 billion year on year in the fiscal year ended March 31, 2010 (fiscal 2009). This was the result of thoroughly controlling variable costs in such areas as vehicle chartering and subcontracting.

In another area, we strengthened sales capabilities to facilitate sales growth even when demand is stagnant. Along with reinforcing integrated sales centered on our third-party logistics (3PL) business and to gain an edge in our specialized businesses, we introduced a customer relationship management (CRM) system for the use of our approximately 6,000 sales representatives dealing with corporate customers and worked to ensure sales development based on shared customer information.

Through these initiatives, we have built an infrastructure capable of efficient delivery even at times of higher logistics demand than now. Despite current market conditions, significant signs of recovery have been appearing since January 2010. According to Nittsu Research Institute and Consulting, due to a recovery of goods exports to Asia the volume of freight handled by marine and harbor transportation in

Japan in the fiscal year ending March 31 and 2011, is expected to reach a level comparable to that handled at its peak in 2007. Over the same time frame, air freight forwarding is also predicted to recover, achieving close to 90% of its 2006 peak. Imports via marine and harbor transportation are expected to increase 9.8% compared with the previous fiscal year, and imports via air freight forwarding by 11.4%.

Q

What is your assessment of the Group's performance in fiscal 2009? What is your performance outlook for fiscal 2010?

A

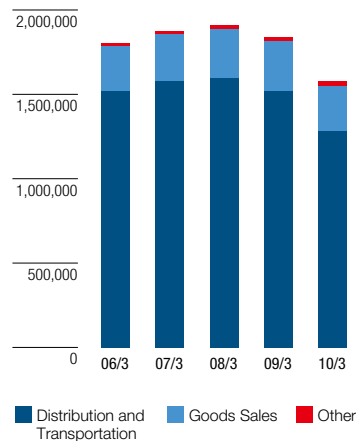
In fiscal 2009, net sales continued their decline from the previous fiscal year. Added to the reduction in freight handled due to the impact of economic conditions was the transfer of the parcel delivery business. In terms of operating income, we proceeded to reduce costs centered on vehicle chartering and subcontracting as well as human resource expenses, thereby securing profits. As international freight forwarding is forecast to grow in fiscal 2010, and economic recovery is expected to drive expansion in all types of handling, the outlook is for increased revenues and income.

In fiscal 2009, although net sales decreased 14.2% year on year to ¥1,569.6 billion, the earlier mentioned activities designed to develop a low-cost structure proved effective, securing an increase in operating income of 12.0%, or ¥37.5 billion, over the period. As a result, the operating income ratio improved from 1.8% to 2.4%. However, as equity in losses of affiliates amounting to ¥7.9 billion and a loss on valuation of investment securities of ¥5.8 billion were recorded, net income fell 17.2% year on year to ¥12.6 billion.

As international freight forwarding is expected to trend upward while domestic logistics demand continues to stagnate, revised fiscal 2010 performance forecasts announced on July 30, 2010 call for net sales to edge up only 2.3% to ¥1,606.0 billion, although operating income should increase 2.6% to ¥38.5 billion. The operating income ratio is projected to be 2.4%. Moreover, as the aforementioned losses affecting net income were one-time events, net income is forecast to rise 35.3% year on year to ¥17.0 billion.

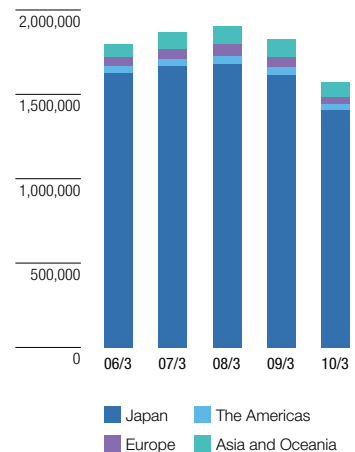
**Revenues by business segment
(Consolidated)**

(Millions of yen)



**Revenues by geographical segment
(Consolidated)**

(Millions of yen)



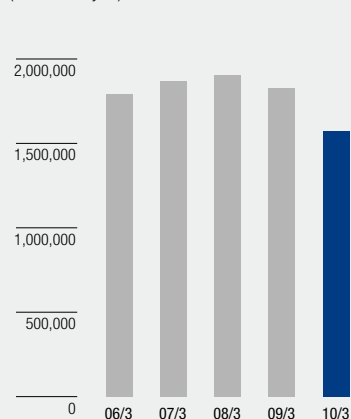
■ Financial Highlights

		Millions of yen			Thousands of U.S. dollars*
		2010/3	2009/3	2008/3	2010/3
For the year:	Revenues	¥ 1,569,633	¥ 1,828,946	¥ 1,901,433	\$ 16,870,520
	Operating income	37,535	33,513	48,502	403,429
	Net income	12,566	15,172	36,439	135,061
At year-end:	Total net assets	495,883	484,337	520,823	5,329,790
	Total assets	1,201,801	1,172,074	1,297,406	12,917,045
Ratios: (%)	Return on equity	2.6	3.1	7.2	—
	Return on assets	1.1	1.2	2.7	—
	Operating income ratio	2.4	1.8	2.6	—
Per share: (yen)	Net income	12.05	14.55	34.94	0.12
	Equity per share	464.38	454.03	489.26	4.99
	Dividend	10.00	10.00	10.00	0.10
Consolidated Sales: (Per Operation)**	Distribution and Transportation business	1,284,772	1,524,639	1,597,284	13,808,823
	Goods Sales business	266,211	291,084	291,923	2,861,255
	Other business	18,649	13,222	12,225	200,442
Non-Consolidated Sales : (Per Operation)	Railway utilization transportation	86,009	93,538	97,766	924,435
	Motor transportation	383,611	499,489	525,867	4,123,082
	Marine and harbor transportation	106,979	135,457	143,376	1,149,817
	Warehousing	95,113	96,040	74,975	1,022,290
	Air transportation	146,431	174,469	206,865	1,573,860
	Heavy haulage and construction	49,823	60,639	51,218	535,510
	Incidental operations and others	179,580	186,840	212,055	1,930,138
	Total	1,047,549	1,246,476	1,312,125	11,259,134
Consolidated Sales: (Per Region)**	Japan	1,412,630	1,616,285	1,682,699	15,183,041
	The Americas	29,794	45,447	48,009	320,236
	Europe	40,006	62,227	69,146	429,995
	Asia and Oceania	87,201	104,986	101,578	937,248

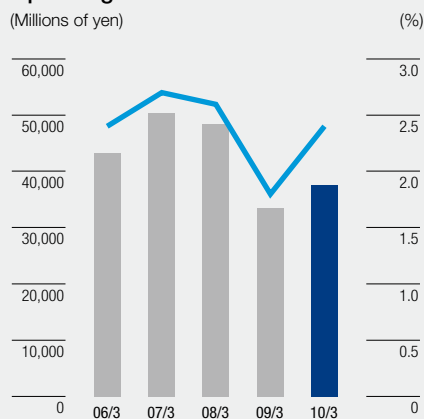
* U.S. dollar amounts presented in financial statements are included solely for convenience. The rate of US\$1.00 = ¥93.04 prevailing on March 31, 2010, has been used for translation into U.S. dollar amounts. Amounts less than one thousand U.S. dollars are rounded down to the nearest thousand.

** The above figures for revenues by business segment and by geographical segment do not include internal revenues or money transfers between the segments.

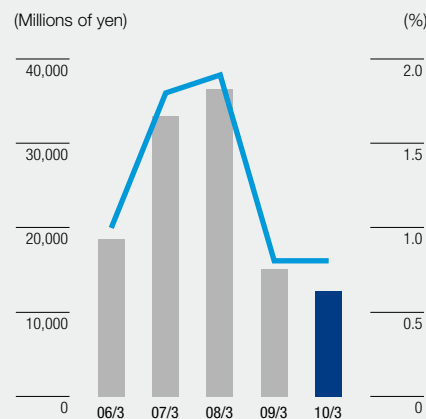
Revenues
(Millions of yen)



**Operating income and
Operating income ratio**



**Net income and
Net income ratio**



■ Operating income (Left) — Operating income ratio (Right)

■ Net income (Left) — Net income ratio (Right)



Q

What opportunities for growth will the changes that are now taking place in the logistics industry offer the Nippon Express Group and what challenges will those changes present?

A

Amid the changes in logistics demand caused by growth in emerging economies, the increasing need to build the optimal supply chain infrastructure sought by clients presents Nippon Express with both opportunities for growth and challenging issues that will have to be addressed.

Growth in emerging economies, including in Asia, is driving evolution from such economies' traditional role as sites of production to sites of consumption, further accelerating global market multipolarity. Any manufacturer that aims to tap into consumer demand in these Asian and emerging economies will come up against the issue of having to choose between the optimal site for production or the ideal site for sales—the narrow approach, focusing on a limited region considered in isolation, is no longer sufficient. Indeed, in addition to existing Asian freight consignments bound for Japan, Europe and North America, logistics demand within the Asian region is rapidly expanding.

Given these changes, there are few logistics companies capable of offering, in total cost terms, the optimal supply chain infrastructure demanded by clients. There's a natural limit to how much the cost of transporting one parcel can be cut; however, if we were able to control costs along the entire supply chain, there would be opportunities for the Nippon Express Group to utilize its prowess and to grow. To accurately grasp these opportunities for growth, we must be able to create a system capable of responding flexibly to conditions specific to emerging

economies. Nippon Express will move forward with activities aimed at forming business alliances with local companies and will keep an even keener eye out for M&A activities.

In Japan, a key Nippon Express Group business domain, against the backdrop of a falling birthrate and demographic aging, total transportation volume is decreasing with each passing year and has fallen to a level last seen in the late 1960s. Connected with this trend, Nippon Express' motor transportation business is seeing intensifying competitiveness, and a shakeout appears to be occurring in the market.

In the meantime, Japan also is witnessing movement in an increasingly borderless market in which even small-and medium-sized enterprises are seeking new opportunities overseas and steadily expanding. Demand for detailed support with overseas development is increasing from such clients.

The overseas-related business on which Nippon Express focuses is highly profitable, and it goes without saying that its expansion would help improve the operating income ratio, an area of particular concern.

Nippon Express Group Corporate Strategy 2012 —Towards New Growth—

Implementation Period: April 1, 2010 to March 31, 2013

Vision

- **A Global Logistics Company** —Supports customers worldwide through logistics services
- **A Company that Fulfills its Responsibilities to the Earth**
—Cares for the environment and works to realize a low-carbon society
- **A People-friendly Company** —Values its employees and helps them to achieve job satisfaction

Key Strategies and Principal Measures

Growth as a Global Logistics Company

Expand our domestic and overseas global business and increase the proportion of sales from overseas-related business to 50%

A Develop business in global markets

- Secure a competitive edge in Asian markets
- Expand business in markets of emerging economies
- Develop businesses suited to North America and Europe
- Develop global businesses within Japan
- Actively recruit and utilize of overseas management personnel

B Promote one-stop sales

- Provide integrated logistics proposals and services via domestic and overseas networks
- Enhance system of single account service team per customer

C Strengthen logistics sales

- Foster integrated sales centered on third party logistics (3PL)
- Strengthen solutions capabilities

D Develop new business areas

- Develop products and services for sectors expecting growth and establish respective businesses

E Develop small-lot cargo business structures

F Strengthen regional sales and specialized businesses

- Provide products and services specially geared to each region
- Promote specialized-business sales
- Strengthen moving services business

Promotion of Strategic Environmental Management

Strategically develop environmental management and achieve sustainable growth

A Achieve growth through environmentally friendly business development

B Implement consistent CO₂ reduction measures

C Strengthen efforts to develop a recycling-based society

D Spread and foster environmental consciousness

Key Strategies and Principal Measures

Enhancement of Management Infrastructure

Boost competitiveness and promote group management

A Provide outstanding quality

- Implement “customer first” principle thoroughly
- Improve efficiency of on-site operations
- Strive to reduce costs
- Pass on high level skills

B Strengthen financial foundation

C Implement strategic investment through selection and focus

D Streamline infrastructure to improve management of business categories

- Clarify the market position of each business

E Strengthen group management further

- Unify management of consolidated companies

F Train and utilize personnel effectively

G Streamline global IT infrastructure

Promotion of Corporate Social Responsibility (CSR) Management

Strengthen governance of business activities in general and fulfill our social responsibilities

A Fulfill our social responsibilities

- Promote compliance management
- Undertake challenge of eliminating traffic and work-related accidents
- Establish risk management systems
- Enhance communication with the broader society

B Improve level of job satisfaction and employee satisfaction

Financial targets (Achievement goal for final year of plan)

	FY2012 (consolidated)	Actual results for FY2009 (consolidated)
Revenue	¥1.8 trillion	¥1.6 trillion
Operating income	¥58 billion	¥37.5 billion
Net income	¥35 billion	¥12.6 billion
Return on equity (ROE)	7.0%	2.6%
Capital expenditures	¥192 billion (FY2010 – FY2012 total)	¥56.3 billion

Environmental targets

With respect to CO₂ emissions, the Nippon Express Group will reduce emissions by an annual average of at least 1% per basic unit in the three-year period up to the end of FY2012, using the FY2009 output as the benchmark.



Q

What priority measures will you be implementing in line with the recently launched Nippon Express Group Corporate Strategy 2012?

A

We are targeting new growth under two key strategies: “growth as a global logistics company” and the “promotion of strategic environmental management.”

In light of the results achieved by strengthening our foundation under the single-year FY2009 Nippon Express Group Business Infrastructure Consolidation Policy, we made “Towards New Growth” the theme of the current three-year medium-term management plan. Placing an even greater emphasis on growth, this management plan is positioned as a step toward the achievement of our vision announced in 2009 of becoming a “global logistics company that fulfills its responsibilities to the Earth and that is a people-friendly company.” This plan is the starting point for renewed growth.

Two key strategies under the new management plan are “growth as a global logistics company” and “promotion of strategic environmental management.” I would now like to discuss where the Company is headed and how we propose to get there. Regarding the global logistics domain in particular, by “growth as a global logistics company,” we don’t simply mean targeting overseas business activities, but rather growing our overseas-related business, making efforts to broaden our involvement to encompass both overseas-related operations of businesses in Japan and to leverage our connections with the Japanese

subsidiaries of foreign-capitalized companies to expand business with their parent companies. We are aiming to ultimately increase the ratio of overseas-related business revenues to 50% compared with the current 27%, the planned target for the final year of the plan being a 33% increase.

Going beyond furnishing land, sea and air transportation, our sales system provides customers with one-stop support and has the infrastructure to handle corporate logistics. As you would expect, the focus of our sales activities is the fast-growing Asian region. To attract logistics demand in what is an expanding site of consumption it is necessary for us to make progress in developing corporate customers in the region.



Q

Another key strategy is the “promotion of strategic environmental management.” Please tell us how that is progressing and a little about what is planned for when the growth from the two key strategies has been realized.

A

We are endeavoring to promote global “strategic environmental management,” and at the same time are addressing such matters as the training and utilization of human resources as a way to reinforce business infrastructure.

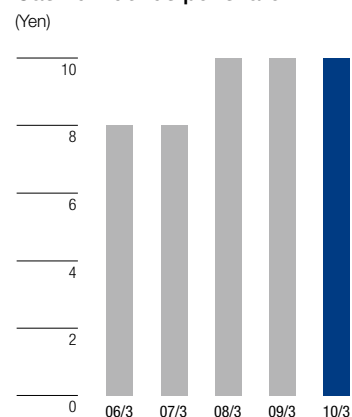
Strategic environmental management means that, as a group that uses fossil fuels and emits greenhouse effect gases in the course of its business operations, Nippon Express will treat its environmental response as neither burden nor constraint; rather, the Company will create and embrace mechanisms that will raise its corporate competitiveness. Services that contribute to reducing CO₂ levels are being proactively developed. Specifically, these include reducing exhaust gases by improving truck load-carrying efficiency and promoting the modal shift to rail forwarding and coastal shipping. Nippon Express is also making meaningful contributions to the global environment by transporting and delivering large items of heavy equipment related to wind and solar power generation. Moving forward, at overseas locations great efforts will be made to foster and deepen environmental awareness within the Group, undertaking development that draws on technologies and know-how accumulated in Japan.

As we progress toward becoming a global logistics company, it will be increasingly important to

retain and train human resources. To maintain the same high quality of service and operations the world over we have to ensure that the “Nippon Express Way”—based on the “Nippon Express Group Corporate Philosophy” and “Vision”—first of all permeates the executive manager level and then the entire organization. Thus far, our efforts have led to the establishment of the in-house Nittsu Group University and Nippon Express Training & Education Center (NEX-TEC) Shibaura, our human resource development center completed in May 2010, and we intend to globally expand such activities.

Allied to strengthening the governance of business activities, the Group revamped the business segmentation used for disclosure from the first quarter of the current fiscal year. Previously consisting of Distribution and Transportation, Goods Sales and Other, specifically, the Distribution and Transportation classification is now divided into five domestic and four overseas segments, the former subdivided by business activity, the latter by geographical location. We firmly believe that this

Cash dividends per share



change in disclosure, by which we declare the detailed revenues and income of each business segment, will facilitate a better understanding of the

content of each business in the Nippon Express Group as well as a fuller picture of the Group overall.

Q

In closing, do you have a message you would like to convey to shareholders and investors?

A

With a view to providing stable dividends, we will endeavor to enhance the return of profits to shareholders.

This is one of our most important priorities as we focus on stable dividends and work to enhance shareholder returns. For fiscal 2009, ended March 31, 2010, we paid out a ¥10 per share annual dividend, the same amount distributed in the previous fiscal year. We aim to ensure the stable distribution of dividends.

We expect that the logistics industry will see continued expansion in demand in the international freight forwarding field, especially in Asia, while in Japan the overall volume of freight forwarding is predicted to decline for the 11th consecutive year. Amid such circumstances, the Nippon Express Group will respond rapidly to sudden changes in its operating environment while assuredly putting into effect its Corporate Strategy 2012 and making its financial position more resilient, thereby fully meeting the expectations of the capital markets.

We gratefully look forward to the continuing support of our shareholders and investors.

Masanori Kawai

President, Chief Executive Officer

Driving Forward Based on a Portfolio of Trusted Capabilities

Exerting multiple capabilities through its infrastructure, information and international expertise, the Nippon Express Group provides a variety of services that satisfy client needs. It uses an array of transportation modes and service-driven logistics and has built solid bonds of trust with customers worldwide. By establishing its own overseas network, first with Nippon Express U.S.A., Inc. in 1962, the Group has underpinned the internationalization of rapidly expanding Japanese-owned companies while firmly adhering to its high quality standards. Moving forward, to realize “New Growth” through its medium-term management plan, the Group needs to make a quantum leap as a global logistics company. In other words, it will be essential to deploy global logistics of the kind that transcends traditional frameworks to encompass the entirety of international corporate logistics. Taking as its examples China-centric Asian area expansion, as well as the upgrading of services that utilize information and infrastructure, this special feature section showcases the growth potential of the Nippon Express Group.



1 Global strategy

The Nippon Express Group operates 383 business bases in 36 countries. From May 2010, the Asia-Oceania regional organization has been divided into the East Asia and South Asia/Oceania regions, which, along with Japan, the Americas and Europe, form a five-hub global system.

(As of 30 June, 2010)

The Americas

Eleven local subsidiaries are located in four countries: the United States, Canada, Mexico and Brazil. Nippon Express is building an integrated forwarding system between the first three countries, which signed the North American Free Trade Agreement (NAFTA), centered on Mexico as a site of production. In burgeoning Brazil, Nippon Express is focusing on system upgrades to keep pace with the market penetration of Japanese-owned companies.

Europe

Nippon Express has 15 subsidiaries in a total of 18 countries, covering 15 EU member states as well as Russia, Switzerland, and the United Arab Emirates. Progress is being made with expanding the Nippon Express network in Central and Eastern Europe, while preparations are advancing to establish a local subsidiary in Turkey, where economic growth is continuing.

Note: Nippon Express operations in Africa and the Middle East are overseen by the European Regional Office.

East Asia

The overall management of this region is handled from Hong Kong. Nippon Express operates 18 local subsidiaries in a close-knit economic region that includes primarily China, together with Taiwan and South Korea. Having built up a distribution network closely linked with its local subsidiaries, Nippon Express is addressing transport mode diversification mainly in China, to expand within China and the region.

South Asia/Oceania

Nippon Express has deployed 18 local subsidiaries, under overall control from Singapore, in India, Australia, New Zealand and six member states of the Association of Southeast Asian Nations (ASEAN). In addition to building logistics systems to respond to domestic demand in India, the region's economic powerhouse, Nippon Express is focusing on improving its presence in the ASEAN economic bloc.

International

Infrastructure

Information

2

General Logistics

IT System

Nippon Express is building an IT system to assist in bringing about global alliances. The core of the system is to develop logistics solutions that encompass everything from production and procurement to sales in response to such diverse needs as ever-shorter customer lead times, transport quality assurance and cost reductions.

Infrastructure

To leverage its overall strengths to the fullest, the Nippon Express Group is endeavoring to establish systems—driven by sea, air and truck transportation modes and functions—capable of responding flexibly to regional characteristics and customer needs. Nippon Express is actively working to make alliances with local companies and to conduct M&A activities to build up transportation infrastructure as a global logistics company.



- Securing competitive advantage in Asian markets
- Providing domestic/overseas network-driven general logistics proposals and services
- Expanding into new business areas, including regional logistics

1 Global strategy — Nippon Express Group Development in China

■ Nippon Express Group Network in China



■ Timeline of Nippon Express Group Development in China

1970s to 1980s

In an era of a Chinese state monopoly in forwarding, Nippon Express sets up representative offices in Beijing, Shanghai and Dalian.

Early 1990s

Establishes joint ventures to develop international forwarding operations in Beijing, Shanghai and Dalian

Mid-1990s

Commences warehousing (free trade zones, general areas) and logistics operations in Shenzhen and Zhuhai

Building a Network That Stretches from China across the Globe

To grow as a global logistics company, it will be essential to adhere to Group quality standards while responding flexibly in terms of regional characteristics and customer needs. In Asia, and particularly in China, where there is burgeoning logistics demand, more than just providing painstaking support for supply chain management (SCM) that offers connections to the world, it is becoming ever more important to respond to intraregional demand, such as within Asia and between neighboring countries.

After starting with Nippon Express (H.K.) Co., Ltd. in 1979, the Nippon Express Group's presence in China from the 1980s involved the establishment of offices in major cities on the coast and along the Yangtze River, developing forwarding operations to accompany Japanese-owned companies that had shifted their production bases there.

From the 1990s, however, amid an accelerating shift to Chinese production among Japanese electronic set makers,

Nippon Express became involved in the warehousing and logistics business in free trade zones. After China's accession to the World Trade Organization in 2001, the Nippon Express Group expanded its transportation infrastructure even further by, for example, developing the *Shanghai Super Express* (SSE) high-speed shipping service and building up a regular consolidated truck network. As of June 2010, Nippon Express had set up 19 local subsidiaries, with 102 offices in 32 cities. Forming the basis of this system are warehousing operations that utilize just-in-time (JIT) delivery and vendor-managed inventory (VMI) and the offering of such services as milk runs and the global inventory management system, REWARDS. Nippon Express will strategically implement alliances with local companies and M&A activity, developing general logistics services in the Asian region with China as the hub.

■ SS7000 / Shanghai Super Express (SSE) / Wing Dragon Express SHANGHAI



Building a Network That Stretches from China across the Globe

Building a Business Alliance-Driven Network

In addition to all-out efforts geared to investing its management resources, the Nippon Express Group is making use of alliances and M&A and actively expanding its transportation infrastructure and services to respond to the rapidly expanding demand for logistics in Asia.

In the case of land transportation, Nippon Express established a joint venture company with Mitsubishi Corporation in 2007, building up a delivery network covering all of China's regions. Continuing these efforts in 2008, the roughly 7,000km-long SS7000 route between Shanghai, Thailand and Singapore was completed, providing regular consolidated services connecting Vietnam and Thailand, where Japanese and other manufacturers are busy establishing their presence in the Indochina area, centered along the Mekong River.

Moving into 2010, a complex integrated forwarding service was developed linking Kuala Lumpur in Malaysia with Chennai in India by extending the SS7000 route used between Thailand and Malaysia to overseas locations. This move was made in response to increased logistic demand from the ASEAN-India Free Trade Agreement (AIFTA).

In 2009, two events at Nippon Express gave added impetus to the modal shift away from truck-centered transportation: the development of transportation services utilizing the high-speed rail links between Shanghai and Shenzhen as well as Shanghai and Beijing, and the start of integrated rail forwarding services combined with the SSE high-

speed, roll-on, roll-off (RORO) cargo ship that plies the route between Hakata and Shanghai. In addition to the SSE's speed benefits, Nippon Express commenced its *Wing Dragon Express* SHANGHAI consolidated service, which shortens all lead times before and after the ship's arrival and departure, and set up a high-speed transportation service offering small parcel shipments in both directions between Japan and China. Capable of rapidly sending small-lot products from Japan to the Chinese market, this transportation service has acquired an excellent reputation.

Launched in 2003 as a shuttle service linking Shanghai and Hakata, the SSE connects all economic regions in Japan with Shanghai and Huadong, providing lead times on par with those of air freight forwarding. Furthermore, in 2007, the transportation industry in Shanghai was witness to Nippon Express establishing CNJ World Logistics Co., Ltd. in partnership with China Shipping Container Japan Co., Ltd., a Japanese subsidiary of China Shipping (Group) Company that possesses a regular maritime line network that ranks among the best in the world. CNJ World Logistics regularly transports components for major automakers from Japan to Europe via China and expedites shipments from Wuhan, Chongqing and Chengdu in the Yangtze Basin via Shanghai to sites throughout the world. It also handles services that, far from being confined solely to Chinese arrivals and departures, integrate forwarding operations across the globe.

With regard to air freight forwarding, Nippon Express is enhancing its Shanghai- and Hong Kong-centered services. Furthermore, in anticipation of increased international traffic to and from Tokyo's Haneda Airport in 2010, the Company is also involved in the building up of high-quality transportation services centered on the Asian region. This move comes in response to needs for cost reductions and shortened lead times triggered by the benefits of having an airport situated close to the Tokyo metropolitan area.

The *Shanghai Super Express* (SSE) high-speed cargo ship plies the Shanghai-Hakata route, completing the one-way voyage in approximately 26 hours.



Logistics Center Expansion

Utilizing the expertise it has built up in logistics center management in Japan, the Nippon Express Group operates warehousing facilities with logistics capabilities in major Chinese cities, including Beijing, Shanghai, Hong Kong, Shenzhen and Guangzhou. China is not serving merely as a global production center. Today it is becoming ever more attractive as a site of consumption, and logistics centers are thus playing an increasingly important role in support of domestic and intraregional transportation. The Nippon Express Group is providing high-quality services linked to REWARDS, its proprietary global inventory management system.

For example, the Guangzhou Multi-Logistics Center, which came into operation as a multi-functional hub facility in south China's Guangzhou Economic and Technological Development Zone in 2008, serves as a distribution center for components used in automobile production. As such, the center contributes to improving transportation dependability, shortening lead times and reducing inventories.



The Guangzhou Multi-Logistics Center was established in south China's Guangzhou Economic and Technological Development Zone (Yonghe Zone).

Strengthening Logistics Sales

As a global logistics company looking to make its next leap forward, it will be essential for Nippon Express to strengthen its domestic/overseas network-driven, one-stop operations.

Consequently, the Group intends to expand its 3PL-centered logistics business. Enhancing its one-stop sales structure to this end, the Group has established a Global Logistics Solutions Department and is implementing information-sharing within the Group by means of a customer information management system. In the Asia and Oceania regions in particular, Nippon Express will make comprehensive proposals that address procurement and reverse logistics by having dedicated sales employees verify customers' overall supply chains.

In addition, Nippon Express will intensify marketing approaches to local Chinese companies and foreign-capitalized companies with business locations in China. Proactively addressing logistics within the Asian region will necessitate further localization, and the hiring of local staff. For that reason, the Nippon Express Group will be giving added impetus to business alliances and M&A activity as well as training and appointing local staff.

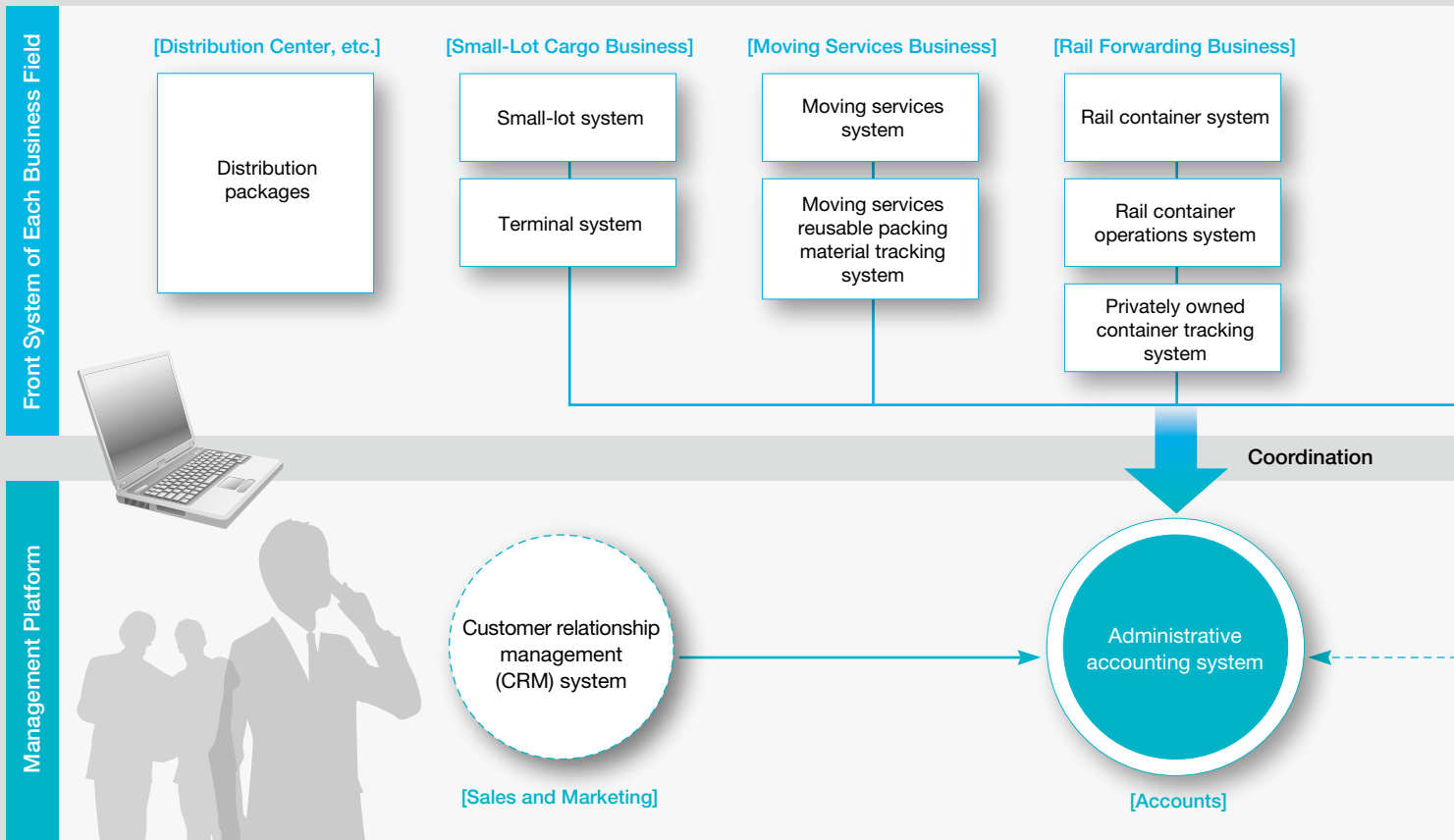


Nippon Express (China) Co., Ltd.'s Qingdao Branch logistics center



2 General Logistics — Seizing Opportunities to Create Added Value

■ Schematic Diagram of Logistics Information System

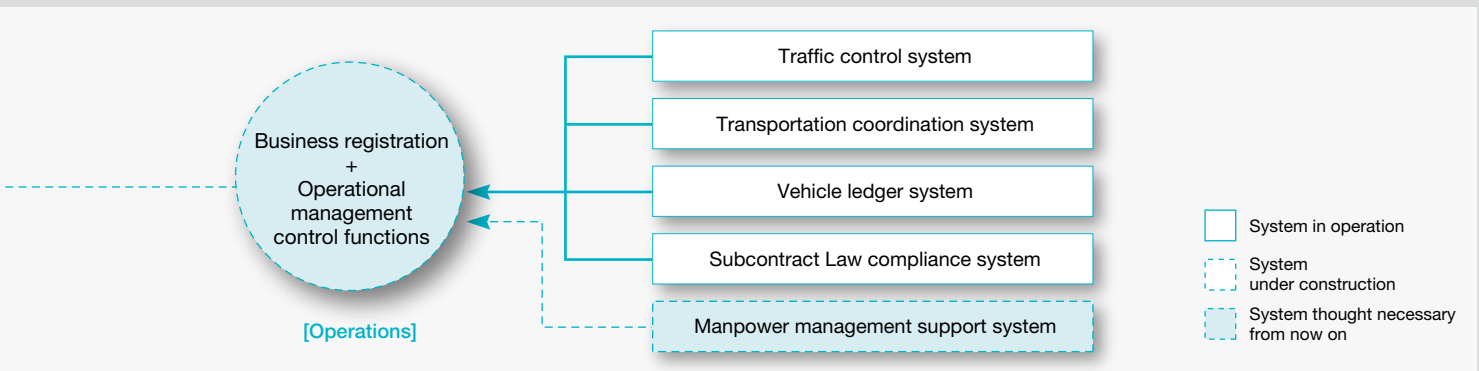
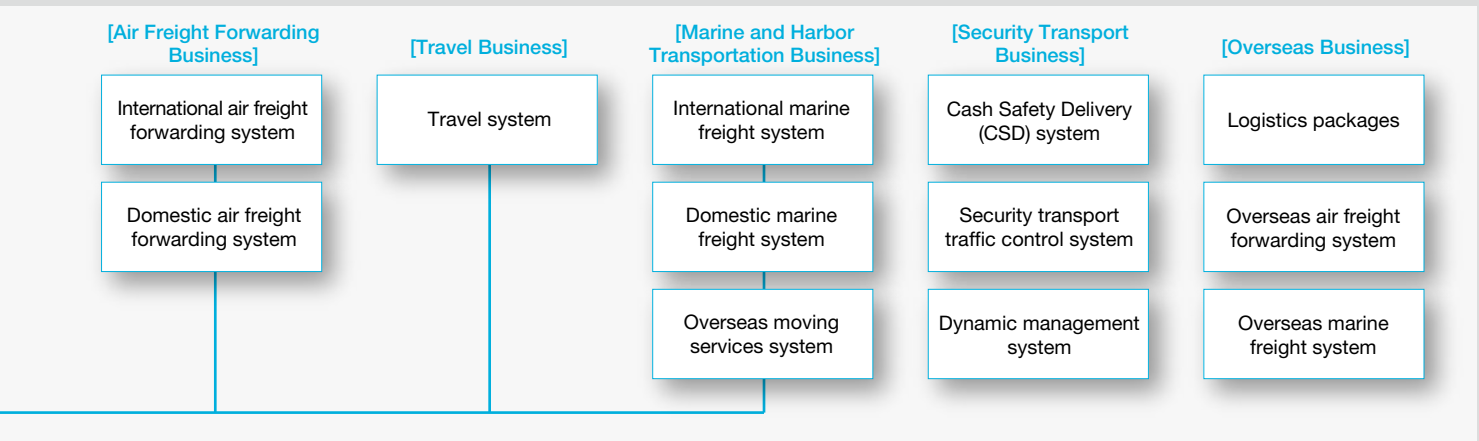


Expanding Business Opportunities by Optimizing Logistics

The key to the global optimization of supply chain management lies in utilizing warehousing-centered logistics and IT systems. A leader in the global evolution of the logistics business, the Nippon Express Group has continued to invest in logistics facilities and IT systems from the long-term perspective to further enhance the solutions business it provides to its customers. By offering distribution processing functions, such as proxy services that handle the issue and receipt of orders, the real-time management of shipping and inventory status, inspections, price ticketing and packaging, the traditionally storage-focused warehousing business is undergoing a transformation into a comprehensive logistics control center. In providing services that include just-in-time (JIT) delivery and vendor-

managed inventory (VMI), which utilize these functions, Nippon Express has taken the first step on the way to SCM optimization.

The Nippon Express Group has taken quick action to upgrade the IT systems that form the backbone of these services, moving forward on the development of freight tracking and analysis systems, nurturing IT personnel and forming partnerships with outside contractors. All of these initiatives have assisted in the creation of the new services.



Expanding Business Opportunities by Optimizing Logistics



Fully utilizing its major advantage—speed—air freight forwarding enables a global response for various types of cargo.

Infrastructure in Keeping with Being a Global Logistics Company

The Nippon Express Group is building up a communications network that exchanges logistics information data across the globe, connecting data centers in the Americas, Europe, East and South Asia and Oceania with its base in Japan by high-speed data links. At the heart of this network and encompassing an array of logistics-related operations is NEWINS, an operational overseas information system that performs as a merged logistics package, developed and maintained based on Nippon Express' long years of logistics business experience. Part of NEWINS uses a network to connect warehousing data throughout the world to realize consolidated inventory management of such services as the REWARDS global warehouse management system.

Furthermore, from August 2009, the Nippon Express Group commenced introduction of a customer relationship management (CRM) system that brings together around 6,000 people, mainly corporate sales representatives. By also revamping its sales structure, which previously had dealt separately with sales in two areas—warehousing storage and forwarding as well as proposal sales—Nippon Express is sharing information and working to advance customer-centered, one-stop sales.

The Nippon Express is currently accelerating the standardization and streamlining of its network of servers situated at locations worldwide, and implementing infrastructure-rebuilding projects that will enable the Group to respond swiftly to new logistics needs and drastically reduce system management costs. Furthermore, to address the accelerating trend toward B2C, while maintaining its support of B2B operations, the Group is at the same time moving forward with a Web services enhancement project centered on its SHUTTLE integrated Internet site. Upgrading and utilizing these IT systems raises the level of logistics quality, focuses efforts on the development of new services by combining information and supports Nippon Express' growth as a global logistics company.

REWARDS: A System That Evolves According to Customer's Corporate Demand

The Nippon Express Group's global warehouse management system, REWARDS, first began its development in Europe from 1991, as trends toward European economic integration arose, and was deployed to Company warehouses across Europe a year later. Featuring the ability to manage multiple scattered warehoused inventories, including those in transit by sea, the system has been rapidly adopted by client companies in need of such services. Subsequently introduced and deployed in Japan and other parts of Asia as well as in the Americas, REWARDS has become an indispensable tool in Nippon Express' global logistics operations, and even now, it continues to be upgraded in response to changing client company needs.

The REWARDS system features such functions as the Job Management System (JMS), which precisely displays information to workers at their posts performing shipping as well as cargo receiving and storage tasks; the Perfect Shaped Stock Allocation & Picking Bay Control (PSSA/PBC), which raises the efficiency of the piece pick task, in which boxes are opened and the required number of pieces extracted; and the kitting/ assembling function, for combining multiple product shipments. Furthermore, the REWARDS system boasts multiple functions to, for example, simplify inter-warehouse inventory replenishment and conduct timely searches with inventory tracing via a web site. Through the use of REWARDS, the Nippon Express Group offers JIT, VMI and other SCM services.

To further utilize REWARDS, the Nippon Express Group is very active in setting up new warehousing facilities in emerging markets, including BRICs, and is further expanding and bolstering its foundations as a global logistics company.

Vigorous Logistics Business Expansion in Vietnam

There is an increase in the number of companies that are moving their production bases out of China, and Vietnam is a strong candidate location as a new production site. The country is experiencing a successive stream of Japanese corporations setting up sales companies to take advantage of the deregulation of foreign-owned enterprises that took place in 2009. In view of the difficulties in local material procurement compared with China, there is a pressing need for JIT and VMI in Vietnam. Under these circumstances, the Nippon Express Group is devising ways to strengthen its logistics business there.

The Nippon Express logistics center in Hanoi's Quang Minh Industrial Park, which is a licensed container freight station (CFS), has been in operation since December 2009. Capable of consolidating CFS, bonded and general warehousing at one site, the logistics center has put into place an integrated Nippon Express system that can respond to all types of needs, from these of processing companies that export to these of companies that sell products in Vietnam. Having introduced the REWARDS system, Nippon Express is also providing services compatible with advanced SCM systems, such as JIT and VMI.

Meanwhile, Nippon Express has been providing its full range of in-factory logistics—cargo receiving and storage, distribution of materials to production lines, and shipping of finished products—at a cosmetics company production facility at the Amata Industrial Park in Ho Chi Minh City since March 2010. The support system includes the dispatching of Hong Kong-based Nippon Express staff well-versed in the REWARDS system. In addition, a multifunctional logistics center is to be inaugurated in the Song Than area of Binh Duong province in November 2010. The center will feature general and bonded warehouses, both with air conditioning and refrigeration facilities, as well as a hazardous goods warehouse, allowing great flexibility in addressing the diverse logistics needs of its customers.

Milk-Run Operations for Automaker in India Commenced

In May 2010, the Nippon Express Group commenced milk-run operations in support of component procurement for a “global compact car” at an automobile plant located on the outskirts of Chennai.

Already engaged in milk-run operations for the procurement of automobiles and electric equipment in China, Nippon Express will undertake the horizontal development of its broad expertise for this new operation. These operations will entail collecting parts from about 50 scattered parts suppliers on a regular daily schedule for just-in-time distribution to the plant. Managing an integrated system supplements the local infrastructure environment and supports efficient production activities with a robust structure. In conjunction with these measures, Nippon Express is also developing a third-party logistics (3PL) system to meet such needs as securing new warehouse space near the plant and storing/distributing parts from suppliers inside and outside the country.

Nippon Express is committed to making continual improvements to its high-quality logistics services in emerging markets such as India, an increasingly important production site and consumer market.

Business Alliance with Brazilian General Warehousing Company, Aurora

In January 2010, Nippon Express concluded a basic business collaboration agreement with the major Sao Paulo state-based general warehousing company Aurora Terminais e Servicos Ltda. (“Aurora”). Obtaining a permit for bonded facilities in Brazil requires completing the federal tax bureau's tendering process, making it no easy matter to construct new facilities. This tie-up will enable the Nippon Express Group to utilize Aurora's hybrid bonded warehouse and CFS to offer sophisticated and flexible logistics services combining bonded warehouse and air/ocean cargo forwarding functions.



Efficient logistics center operations utilize wireless barcode scanners.



Nippon Express is responding to rising distribution needs in India by developing service centers that cover major cities throughout the country.



Distribution and Transportation Business

The Distribution and Transportation segment of the Nippon Express Group consists of 228 companies, including Nippon Express Co., Ltd. and Nippon Truck Co., Ltd. in Japan, and 62 companies in other countries, including Nippon Express U.S.A., Inc. in the United States.

In Japan, the Group's businesses in this segment are as follows: rail forwarding; motor transportation; marine and harbor transportation; air freight forwarding; warehousing; and other transport operations. Overseas air freight forwarding, marine and

harbor transportation as well as warehousing operations are handled by subsidiaries and affiliates in a host of cities in countries worldwide. These include Nippon Express U.S.A., Inc. which operates nationwide in the United States, Nippon Express (U.K.) Ltd., Nippon Express (Nederland) B.V., Nippon Express (Deutschland) GmbH, Nippon Express (H.K.) Co., Ltd. and Nippon Express (Singapore) Pte. Ltd., all of which conduct business in a network that extends to other countries and regions across the globe. Nippon Express Travel USA, Inc. and Nippon



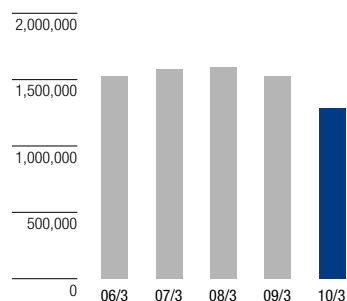


Express Tours (Nederland) B.V. are among those companies involved in the travel business in cities around the world.

In Japan, although international air freight forwarding had suffered significant declines in the first half of the fiscal year ended March 31, 2010, there was a modest rally seen in the second half. Overseas, handling volumes were down in every region. Also, the impact of currency exchanges associated with

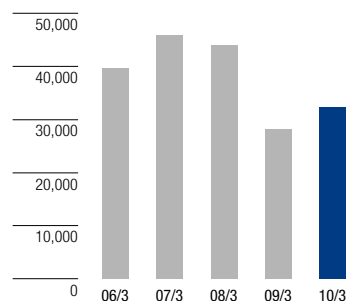
the strong yen resulted in revenues (including intersegment revenues or money transfers) that declined ¥240.3 billion, or 15.7%, from the previous fiscal year's level to ¥1,288.4 billion. In contrast, operating income increased ¥4.3 billion, or 15.2%, year on year to ¥32.4 billion due to a decrease in fuel unit costs and reductions in expenses.

Revenues*
(Millions of yen)



* Revenues from external customers

Operating Income
(Millions of yen)



Distribution and Transportation Business
(Millions of yen)

2010		
Revenues	Revenues from external customers	1,284,772
	Intersegment revenues or money transfers	3,600
Total		1,288,373
Operating expenses		1,256,001
Operating income		32,371

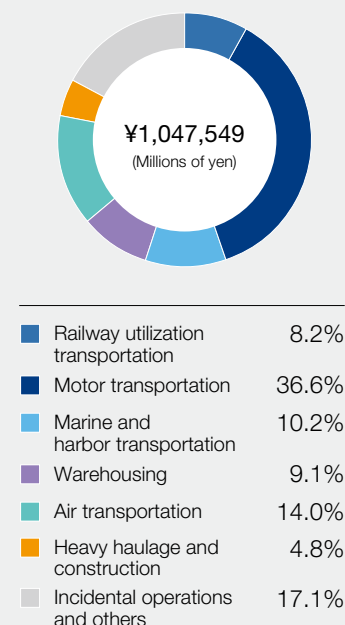
■ Nippon Express Co., Ltd. Non-consolidated Performance for the Fiscal Year Ended March 31, 2010

We would like to take this opportunity to report on the non-consolidated performance of Nippon Express Co., Ltd., which accounts for a high proportion of the consolidated Distribution and Transportation segment business revenues. The Company consists of the divisions listed below. In fiscal 2009, all divisions recorded year-on-year reductions in revenues due to the impact of the consumer spending slowdown.

■ Details of Non-consolidated Sales

Year Ended March 31		Millions of yen	%
		2010	Increase/Decrease
Railway utilization transportation		86,009	-8.0
Motor transportation	Combined delivery services	112,837	-45.4
	Chartered truck services	270,773	-7.5
	Subtotal	383,611	-23.2
Marine and harbor transportation	Marine transportation	51,878	-26.6
	Harbor transportation	55,100	-15.0
	Subtotal	106,979	-21.0
Warehousing		95,113	-1.0
Air transportation	Air freight forwarding (International air freight)	97,994	-16.8
	Air freight forwarding (Domestic air freight)	43,363	-12.6
	Subtotal	141,358	-15.6
	Travel	5,073	-28.2
	Total	146,431	-16.1
Heavy haulage and construction		49,823	-17.8
Incidental operations and others		179,580	-3.9
Total		1,047,549	-16.0

■ Sales Composition Ratio



■ Nippon Express Group Overseas Businesses in Fiscal 2009

The Americas

- Nippon Express USA de Tijuana, S.A. de C.V. of Mexico renamed NEX Global Logistics de Mexico, S.A. de C.V.
- Concluded a basic business collaboration agreement with major Brazilian general warehousing company, Aurora Terminais e Servicos Ltda.

Europe

- Opened new Crystal Park Warehouse in Nippon Express Torun Logistics Center within the Crystal Park industrial complex on the outskirts of Torun, Poland
- Began operations at new Moscow Distribution Center (DC) constructed in the Rogachevsky Logistics Park on northern outskirts of city
- Actively undertook efforts to acquire Authorized Economic Operator (AEO) certification in Europe (Germany, Austria, Hungary, Czech Republic, Poland, Finland, Spain, the United Kingdom and Belgium), such licensed operators being entitled to preferential customs clearance procedures

Asia / Oceania

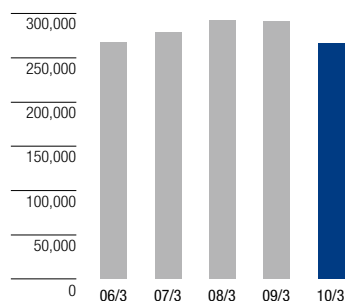
- Commenced cargo services utilizing high-speed rail links to and from key cities in China
- Opened Shanghai liaison office of CNJ World Logistics Co., Ltd., a company established jointly with China Shipping Container Japan Co., Ltd.
- Completed high-quality logistics function warehouse at Neemrana Industrial Zone in Rajasthan, India
- Opened one of industry's largest terminal offices at Bengaluru Airport in Bangalore, India
- Opened Nippon Express Vietnam Co., Ltd.'s Hanoi Branch Quang Minh Warehouse, a facility with container freight station (CFS) functions situated in the city's Quang Minh Industrial Park

Goods Sales Business

The Goods Sales business is handled by a corporate group comprised of 27 companies in Japan, including Nittsu Shoji Co., Ltd., as well as six overseas companies that include Nittsu Shoji U.S.A., Inc. Businesses include: the sale and lease of logistics equipment, wrapping and packaging materials, vehicles, petroleum and liquefied petroleum (LP) gas; vehicle maintenance; and the insurance agency business. In addition, Dalian Nittsu Container Manufacturing Co., Ltd. engages in the manufacture and sale of containers in China.

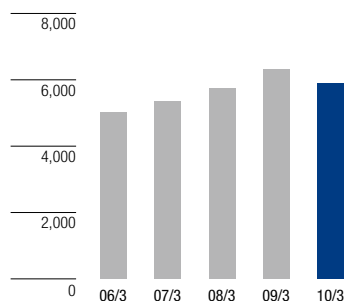
In the fiscal year ended March 31, 2010, revenues (including intersegment revenues or money transfers) from the Goods Sales business declined by ¥43.3 billion, or 11.7% from the previous fiscal year's level, to ¥326.3 billion. This deterioration was brought about by such factors as a decrease in the unit sales prices of petroleum and stagnation in export packaging handling for automakers due to the effects of the recessionary environment. Operating income amounted to ¥5.9 billion, a year-on-year decrease of 6.7%, or ¥0.4 billion.

Revenues*
(Millions of yen)



* Revenues from external customers

Operating Income
(Millions of yen)



Goods Sales Business
(Millions of yen)

		2010
Revenues	Revenues from external customers	266,211
	Intersegment revenues or money transfers	60,126
Total		326,337
Operating expenses		320,446
Operating income		5,890

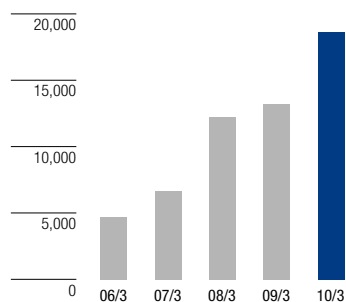
Other Business

The Nippon Express Group's Other business activities are handled by 20 companies in Japan, including Nittsu Real Estate Co., Ltd., and by two overseas companies, including Shanghai e-Technology Co., Ltd. In addition to subsidiaries and affiliates such as Nittsu Real Estate, which is engaged in real estate rentals, brokerage and appraisals as well as building and warehouse design and management, this business segment conducts surveys and research through Nittsu Research Institute and Consulting, Inc., offers financing through Nippon Express Capital Co., Ltd., and provides driver training courses for the general public through Nittsu Driving School Co., Ltd. Meanwhile,

Careerroad Inc. operates a worker dispatch business, and Shanghai e-Technology is engaged in logistics software development in China.

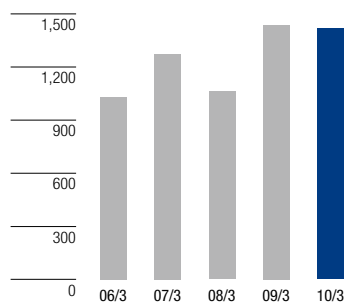
In the fiscal year under review, Nippon Express Capital's payment service performed favorably and its logistics and finance business expanded. As a result, Other business revenues (including intersegment revenues or money transfers) increased by ¥2.9 billion, or 9.4% from the previous fiscal year's level, to ¥33.9 billion. Operating income amounted to ¥1.4 billion, edging down 1.5%, or ¥21 million.

Revenues*
(Millions of yen)



* Revenues from external customers

Operating Income
(Millions of yen)



Other Business
(Millions of yen)

		2010
Revenues	Revenues from external customers	18,649
	Intersegment revenues or money transfers	15,270
Total		33,919
Operating expenses		32,500
Operating income		1,418



- 27 Our CSR Targets and Achievements
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- 31 Environmental Conservation Activities
- 32 Social Contribution Programs

Ecoliner 31

As the most environment-friendly and energy-efficient transportation mode, rail transport is once again garnering attention. Rail's "clean" credentials include a CO₂ emissions volume that is one-sixth and energy consumption that is a quarter of that of truck transportation. In addition, cargo that has been carried over long distances by container truck can be shifted "as is" onto rail. As Nippon Express' Ecoliner 31 possesses roughly the same carrying capacity as a 10-ton truck, it enables a modal shift from truck to rail that negates the need to change the shipment system or transport lot.

Our CSR Targets and Achievements

To ensure sustainable business development in harmony with society, the Nippon Express Group places high priority on metrics based on two perspectives: “important topics for the sustainable development of society” and “important topics for the development of the Nippon Express Group’s corporate value.” These high-priority metrics cover three fields—materiality, management and communication—and, based on results, the Company endeavors to pinpoint potential risks and opportunities. With regard to overall CSR targets and achievements, issues that come to light as a result of these metrics helped define our fiscal 2010 policy.

■ Overall Fiscal 2009 CSR Activity Achievements and Fiscal 2010 Directions—Based on Materiality Analysis

Items based on materiality analysis	Item	FY2009 Directions	FY2009 Achievements	FY2010 Directions
The Field of Materiality	Development of activities based on corporate philosophy	<ul style="list-style-type: none"> Spread corporate philosophy and vision within Company by means of personnel training 	<ul style="list-style-type: none"> Disseminated knowledge through all types of position-oriented training sessions held at headquarters 	<ul style="list-style-type: none"> Promote new business plans based on corporate philosophy
	Promotion of compliance	<ul style="list-style-type: none"> Educate employees Ensure full compliance through inspection training 	<ul style="list-style-type: none"> Put into effect Japanese Antimonopoly Act training at all-Japan branch manager meetings Conducted employee training sessions (produce and disseminate Japanese Antimonopoly Act handbook, held all types of e-learning sessions) Headquarters inspected and offered guidance to branches, conducted improvement study groups based on inspection results Conducted compliance surveys targeting the entire workforce 	<ul style="list-style-type: none"> Conduct employee training sessions Hold compliance promotion meetings Ensure full compliance Support the holding of training sessions at all Group companies
	Promote risk management	<ul style="list-style-type: none"> Submit internal control report 	<ul style="list-style-type: none"> Upgraded Business Continuity Plan (BCP) 	<ul style="list-style-type: none"> Reformulate BCP to address new risks
	Responses to customer satisfaction	<ul style="list-style-type: none"> Ongoing management of customer opinion through VOCS (Voice Of Customer Solution) framework 	<ul style="list-style-type: none"> Implemented VOCS responses through 65 of 79 contact points via homepage 	<ul style="list-style-type: none"> Promote VOCS responses to all contact points and the detailed analysis of cumulative data
	Provide environment- and society-friendly products and services	<ul style="list-style-type: none"> Plan environmental certification upgrade efforts Introduce 3,600 eco-friendly vehicles Better fuel economy, achieve a 1% improvement in diesel fuel costs compared with previous year, modal shift rate of 50% 	<ul style="list-style-type: none"> ISO 14001: Newly acquired by Nippon Express (South China) Co., Ltd. Green Management Certifications: Fewer certifications due to, for example, branch consolidation Eco-friendly vehicles 4,485 (Note: Fleet as at March 31, 2010) Improved fuel costs 1.6% compared with previous year Modal shift 50.7% (fiscal 2008) <p>Note: Change in scope of eco-friendly vehicles</p>	<ul style="list-style-type: none"> Enterprisingly develop an environment-friendly business model > Establish environment-friendly business locations > Proactively develop environment-friendly products and services > Expand modal shift, centered on rail forwarding and domestic marine transportation Fleet of 4,580 eco-friendly vehicles
	Safety initiatives	<ul style="list-style-type: none"> Continue transport safety management 	<ul style="list-style-type: none"> Implement internal inspection: No non-compliant items 	<ul style="list-style-type: none"> Continue transport safety management
The Field of Management	Promote environmental management	<ul style="list-style-type: none"> On a group-wide basis, reduce CO₂ emissions 1.5% from fiscal 2008 Encourage green purchasing, improve rate of green purchasing to more than 50% 	<ul style="list-style-type: none"> CO₂ emissions down 3.3% from fiscal 2008 Rate of green purchasing: more than 41.1% 	<ul style="list-style-type: none"> On a group-wide basis, lower CO₂ emissions by 1.0% from fiscal 2009 Encourage green purchasing, improve green purchasing rate to more than 60%
	Personnel training	<ul style="list-style-type: none"> Childcare leave: Men—more than four; women with newborns—more than 80% Continued employment rate: 77.5% 	<ul style="list-style-type: none"> Recipients of childcare leave: 36 people (70.6% of women with newborns) Continued employment rate 77.5% 	<ul style="list-style-type: none"> Childcare leave receipt rate: more than 80% Percentage of those who continue their employment more than a year after having taken childcare leave: 78%
	Promotion of workforce diversity	<ul style="list-style-type: none"> Continuous achievement of legal employment rate with regard to hiring people with disabilities Active recruitment of women 	<ul style="list-style-type: none"> Actual employment rate of people with disabilities Nippon Express worked to maintain in 2009: 2.05% Actual result of having actively sought to hire women in 2009: 27.5% 	<ul style="list-style-type: none"> Ongoing promotion of hiring people with disabilities Active hiring and employment of women
	Communication with society	<ul style="list-style-type: none"> Consolidate and build on relationships with external stakeholders 	<ul style="list-style-type: none"> Consolidated associations with suppliers 	<ul style="list-style-type: none"> Deepen relationships with all stakeholders
The Field of Communication	Personal data protection initiatives	<ul style="list-style-type: none"> Provide training to all employees Ensure full compliance through inspection training Obtain Privacy Mark 	<ul style="list-style-type: none"> Provided training to all employees Conduct workplace exchange inspections Retained Privacy Mark 	<ul style="list-style-type: none"> Provide training to all employees Ensure full compliance through inspection training Obtain Privacy Mark
	Development of social contribution activities	<ul style="list-style-type: none"> Forest cultivation activity held in Iide Town two times a year Commence new forest cultivation project Ongoing community beautification activities Distribute revised educational materials on the environment 	<ul style="list-style-type: none"> Forest cultivation activity held in Iide Town twice a year Western Japan region: Commenced forest cultivation project in Nichinan Town, Tottori Prefecture Continued community beautification activities Distributed revised educational materials 	<ul style="list-style-type: none"> Hold forest cultivation activities twice in both eastern and western Japan, making a total of four Distribute revised educational materials on the environment and increase number of lectures Develop company visits that enable children and students to gain hands-on experience

Corporate Governance

Our Thinking on Corporate Governance

Nippon Express' fundamental thinking regarding corporate governance involves the "realization of speedy management through quick decision making" and "establishment of a clear division of responsibility." Specifically, in June 2001 the Board of Directors was reduced in size from 25 members or less to 15 members or less. Furthermore, a director's term in office was shortened from two years to one year. This resulted in revitalizing the Board of Directors and speeding up decision making, and we also worked to clarify each director's management responsibilities for each business year. At the same time, the Company has introduced an executive officer system with the goal of ensuring rapid execution of operations.

As of March 31, 2010, we had 14 directors and 28 executive officers (13 of whom also acted as directors). In addition, our auditors attend Board meetings and other important conferences, review key documents, visit our main facilities for audits, perform reviews at subsidiaries, and report all results at meetings of the Board of Auditors and the Board of Directors. The Board of Auditors functions as a supervisory institution that operates from an objective point of view. As of March 31, 2010, we had four auditors (three of whom were outside auditors).

Internal Control Systems in Place

In order to conduct business fairly and efficiently, it is vital to implement firm internal control systems. Having established an effective control system geared toward proper business conduct, Nippon Express has in place internal control systems covering, for example, compliance, risk management and internal audits as well as a system that ensures fair business operations in all Group companies.

In addition, with the enforcement of the Corporate Law in May 2006, Nippon Express adopted and instituted the Basic Policy Relating to the Establishment of an Internal Control System at the Board of Directors' meeting.

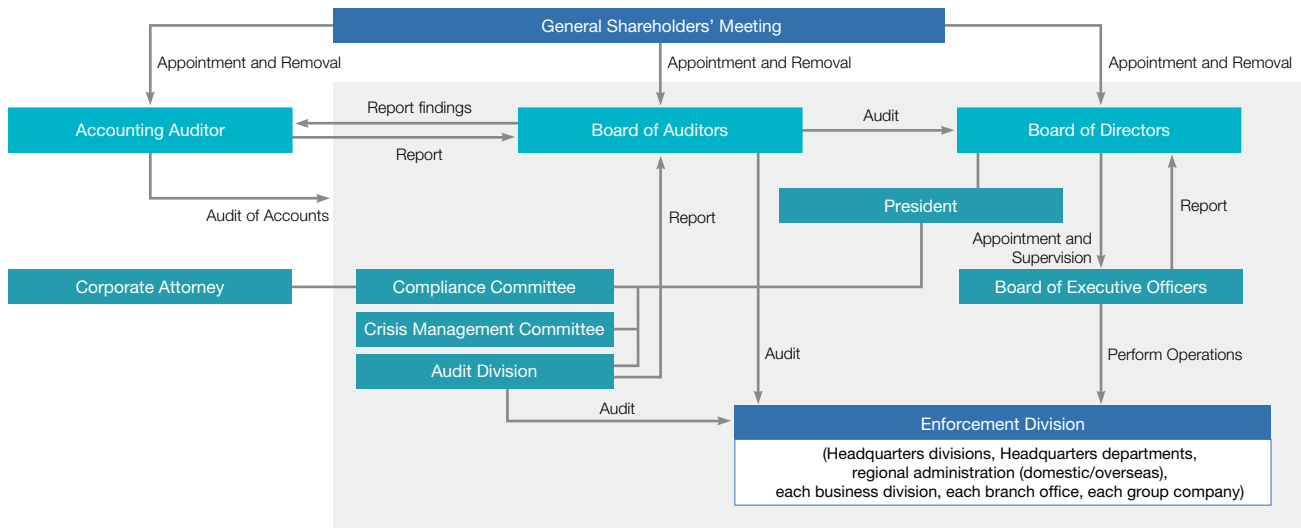
In accordance with the partial revision of the Securities Listing Regulations at the Tokyo Stock Exchange, the Basic Policy for the Exclusion of Antisocial Forces was adopted and instituted at the Board of Directors' meeting in April 2008, providing a response to the need for regulations to prevent the intervention of antisocial forces in our corporate activities.

Crisis Management System in Place

Nippon Express has an established crisis management system based on its Crisis Management Code, The Natural Disaster Management Code and The Management Code for New Strains of Influenza. The system defines responses to widespread disaster, new strain influenza outbreaks, information system risk and acts of terrorism.

As a designated public agency under the Disaster Measures Basic Law, Nippon Express provides emergency

■ Corporate Governance Organization Chart



transportation in accordance with requests from the national or prefectural governments in the event of large-scale earthquake disasters, such as the Hanshin-Awaji (Kobe) Earthquake in 1995 and the Niigata Prefecture Chuetsu-oki Earthquake in 2007.

Concerning natural disasters, the Nippon Express Group Disaster Measures Regulations, through which we are strengthening our cooperative efforts within the Group, were adopted in October 2001. In-house, we have started up a Disaster Management System site on the intranet and established thorough Reporting Procedures for Disasters, and so on. This site explains the criteria for determining whether a report is required when a disaster occurs—for example, in the case of an earthquake registering four or above on the Japanese seismic scale—and provides an information sharing system between branches and headquarters that will enable staff to rapidly build up a picture of disaster status.

Moreover, we have introduced satellite phones and installed them in related divisions at headquarters and major branches to enable us to respond when power failures occur or when mobile phone or other telephone networks are disconnected.

Under its measures to combat influenza outbreaks, Nippon Express has promoted the stockpiling of hygiene products, such as masks, gloves and goggles. In response to the outbreak of new-strain influenza in April 2009, the Company took steps to have its employees wear masks and urged those who contracted the virus or lived with an infected family member to take time off.

About Nippon Express' Business Continuity Plan

In addition to the heightened risk of being struck by a natural disaster, such as a high-magnitude earthquake or typhoon, or should other emergency situations arise—like the occurrence of a new threat such as the recent outbreak of a new strain of influenza—Nippon Express has put in place action and contingency plans and taken the necessary steps demanded by society. These steps will enable the Company to continue performing its essential activities as a forwarding company or to enable its prompt recovery.

In its capacity as a designated public agency under the Disaster Measures Basic Law, Nippon Express has always responded when disasters have struck and will continue to do so.

Recently, perceiving growing calls for it to conduct comprehensive and systematic approach activities, Nippon Express formulated its Business Continuity Management (BCM) system and Business Continuity Plan (BCP), not only as a company that responds to an emergency but also as one that, under emergency circumstances, is capable of continuing business.

While prioritizing the lives and health of employees and their families with respect to any emergency that arises, such as natural disasters, industrial accidents and man-made disasters, all the Nippon Express Group companies will fulfill the responsibilities demanded of them as designated public agencies under the Disaster Measures Basic Law, as maintainers of critical societal functions, and continue operations to the fullest extent possible. In addition, based on the BCP, each company will work on preparedness, first response measures and recovery activities to be able to recover as quickly as possible.

Legal Compliance Management System

Recognizing the importance of legally compliant business management, Nippon Express created the Compliance Division in June 2003. In October of that year, along with the adoption of Compliance Regulations, we established the Compliance Committee, chaired by the President at the head office, as well as the "Nittsu Speak Up" whistle-blower system, one of several measures to encourage honest and fair company activities.

Personal Data Protection Management System

In addition to establishing the Personal Data Protection Division in February 2005, Nippon Express formulated its Personal Data Protection Policy and Personal Data Protection Regulations to display its willingness to address personal data management. To raise awareness within the Company, follow-up refresher training sessions that make use of e-learning and DVDs are held for all employees. Furthermore, having obtained Privacy Mark certification from the Japan Information Processing Development Corporation in March 2007, the certification was renewed in March 2009.

Directors, Officers & Corporate Auditors

(As of March 31, 2010)

Chairman



Masahiko Okabe

President, Chief Executive Officer



Masanori Kawai

Executive Vice Presidents, Executive Officers



Kenji Watanabe



Yasuo Ito

Directors, Managing Officers



Jiro Nakamura



Keiji Hagio



Masao Hosokoshi



Keiichiro Yokoyama



Yoichiro Tsuru

Directors, Managing Officers



Minoru Miida



Sakae Uematsu



Shotaro Moriya



Akira Ohinata



Takahiro Ideno

Directors, Officers

Managing Officers

Satoshi Miyahara

Kenryo Senda

Yukio Nagata

Yoshiaki Ishii

Masatoshi Nakano

Kenichiro Nanri

Shuji Kojima

Officers

Kagehiro Kajihara

Shigeru Uchida

Masahito Watanabe

Noboru Shibusawa

Kiyofumi Miyachika

Mitsuru Saito

Takumi Shimauchi

Takashi Wada

Full-Time Corporate Auditors

Shinichi Miyazaki

Zenjiro Watanabe*

Masami Yamashita*

Corporate Auditor

Yuzuru Fujita*

*Outside auditor

Environmental Conservation Activities

As “a company that fulfills its responsibilities to the Earth,” Nippon Express has formulated a vision (the Nippon Express Group ideal) that includes caring for the environment and working to realize a low-carbon society. In tandem with this, we amended the Nippon Express Environmental Charter to implement the key strategy of “promoting strategic environmental management” in April 2010 and revised our objectives to respond to changes in the content of the environmental activities demanded of a company. Taking this opportunity to review and also to strengthen the framework of our environmental activities, we have established the Environmental Management Promotion Committee, chaired by the president.

Making Progress with Modal Shift

As one way of addressing environmental issues in the course of its business operations, the Nippon Express Group has been promoting modal shift—switching from a truck-centered form of transport to one that makes more use of railways and ships. In keeping with the objective of the Green Logistics Partnership Conference, Nippon Express promotes collaboration and cooperation between sender companies and freight companies, and in fiscal 2009, it successfully implemented numerous instances of modal shift. While utilizing the special features of railroad, truck and ship modes of transport, Nippon Express selects the best combination to formulate the transportation route that is most reliable and has the smallest environmental footprint.

In its overseas operations, Nippon Express has also been accelerating a shift away from conventional truck transportation to the utilization of railways in China and Europe, promoting its environmental activities from a global perspective.



Rail transport represents the most environment-friendly and energy-efficient transportation mode.



A container on a container chassis being loaded on board the roll-on, roll-off (RORO) cargo ship, *Himawari*.

Contributing to Reduced Carbon Dioxide Emissions by Joint Collection and Delivery

The Nippon Express Group promotes activities that reduce its environmental footprint by improving its transportation system, as exemplified by joint collection and delivery. In urban areas, where transportation is predominantly by truck, air pollution generated during distribution in the form of carbon dioxide, nitrogen oxides and particulate matter (PM) emissions, as well as the traffic congestion involved, are major problems. Aiming to quickly solve a number of problems—including the increasing frequency of deliveries brought about by small parcel delivery services, the rising incidences of on-street parking due to collection and delivery as well as the lack of dedicated facilities for loading and unloading—Nippon Express is advocating the establishment of joint collection and delivery centers to centralize the pick-up and delivery operations of sender companies and logistics companies, thereby improving truck utilization rates.

Introduction of Eco-Friendly (Low-Emission) Vehicles

The Nippon Express Group is actively introducing eco-friendly vehicles, including newly developed models. Based on its introduction policy focusing on large vehicles with low-emissions, compressed natural gas (CNG), hybrid and liquid petroleum gas (LPG) vehicles as well as those conforming to long-term regulations (2005 emission regulations) have entered service with Nippon Express throughout Japan. Nippon Express is also promoting activities with regard to Eco-Drive, which includes the two meanings of Ecology Drive and Economy Drive. We are thus enhancing the training given to those employees who play a key role in training drivers. By improving both the vehicles and driving expertise, we are addressing environmental conservation in truck delivery operations.



Compressed natural gas (CNG)-powered truck



Compressed natural gas (CNG) bi-fuel-powered truck



Hybrid truck



LPG truck

Social Contribution Programs

The Nippon Express Group's activities are rooted in the utilization of public infrastructure, such as roads, railroads, ports and airports. Thus the Group is inextricably linked with society and must therefore occupy a position of trust. Consequently, with "Our Pride, Inspiring Trust Every Step of the Way" enshrined in the Nippon Express Group Corporate Philosophy, we plan to communicate actively and, as a trusted entity, develop in unison with society.

Forest Cultivation Project

To curb global warming and conserve biodiversity—not to mention fostering environmental awareness among the employees and their families who take part—Nippon Express has been running its Forest Cultivation project in the Nittsu Forest in Iide Town in Yamagata Prefecture since October 2007. On two occasions, in July and October 2009, a total of 80 people participated in such activities as tree planting.

Furthermore, since November 2009, a Nittsu Forest has been set up in Nichinan Town, Tottori Prefecture, in western Japan. Around 30 people took part in the first activities, which included forest development and mushroom planting. Nippon Express will continue to undertake environmental conservation activities.



Forest cultivation activities under way at the Nittsu Forest in Iide Town, Yamagata Prefecture, in October 2009

Supporting Cultural Exchange and Social Contribution Programs through the Nippon Express Foundation

In 1992, Nippon Express U.S.A., Inc. founded the Nippon Express Foundation as one way of commemorating its 30th anniversary and to promote its social contributions to the region. Since that time, the foundation has made donations to social and cultural activities across the United States. In addition to, for example, supporting a variety of educational organizations and promoting Japanese culture, the foundation has donated money for disaster relief and, in February 2010, donated funds via the American Red Cross to assist earthquake-stricken Haiti.

Activities Geared toward Active Communication with Local Society

Employees at the Nippon Express branch in Nagano, Japan, took it upon themselves to make the on-site game court for the "Tokai/Hoku-Shinetsu Block, First Special Olympics Floor Hockey Competition," which was held in April 2009. The Special Olympics is an international sports organization that provides competitions throughout the year for people with impaired intellectual development, with these competitions acting as forums for presenting the results of their sports training. Worldwide, around 2.5 million athletes participate in these non-profit activities, which are managed by volunteers and funded by donations. Many Nippon Express branches participate in and sponsor a host of regional events.

Sponsoring Next-Generation Environmental Education

Since 2008, Nippon Express has been creating and providing *kids X change* learning materials for Japanese elementary school children. These materials are based on those compiled for the *youth X change* environmental education program promoted by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United Nations Environment Program (UNEP). An English version was posted on the UNEP website in June 2010, making the materials accessible across the world.



English-language version of *kids X change* environmental learning materials

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Ten-Year Summary

(Consolidated)

For the years ended March 31

Millions of yen

		2010	2009	2008	2007
For the year:	Revenues ¹	¥ 1,569,633	¥ 1,828,946	¥ 1,901,433	¥ 1,866,267
	Revenues by business segment ²				
	Distribution and Transportation	1,284,772	1,524,639	1,597,284	1,580,546
	Goods Sales	266,211	291,084	291,923	279,080
	Other	18,649	13,222	12,225	6,640
	Revenues by geographical segment ²				
	Japan	1,412,630	1,616,285	1,682,699	1,666,887
	The Americas	29,794	45,447	48,009	45,126
	Europe	40,006	62,227	69,146	59,422
	Asia & Oceania	87,201	104,986	101,578	94,831
	Operating income	37,535	33,513	48,502	50,325
	Net income	12,566	15,172	36,439	33,208
At year-end:	Total net assets ³	495,883	484,337	520,823	517,516
	Total assets	1,201,801	1,172,074	1,297,406	1,360,694
	Net cash provided by operating activities	82,198	64,080	90,096	123,058
	Cash and cash equivalents at end of year	121,187	93,031	144,639	170,109
Per share: (yen)	Equity per share	¥ 464.38	¥ 454.03	¥ 489.26	¥ 486.94
	Net income per share	12.05	14.55	34.94	31.84
Ratios: (%)	Equity ratio	40.29%	40.40%	39.33%	37.33%
	Return on equity	2.62	3.08	7.16	6.67
Other:	Employees	65,916	71,352	69,177	67,773
	(Average temporary employees)	19,406	22,801	24,434	23,796

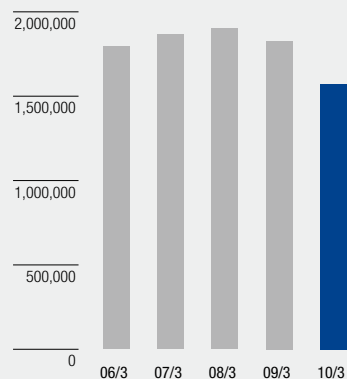
1. Revenue figures do not include consumption taxes.

2. The above figures for revenues by business segment and by geographical segment do not include internal revenues or money transfers between the segments.

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

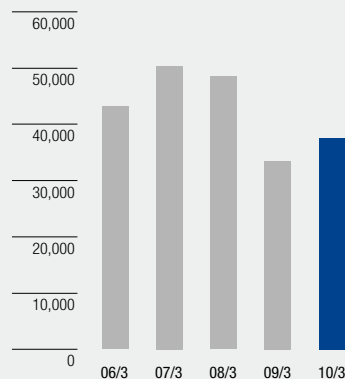
Revenues

(Millions of yen)



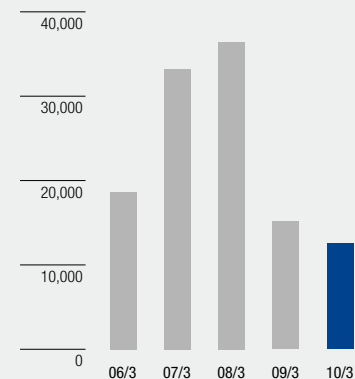
Operating income

(Millions of yen)



Net income

(Millions of yen)

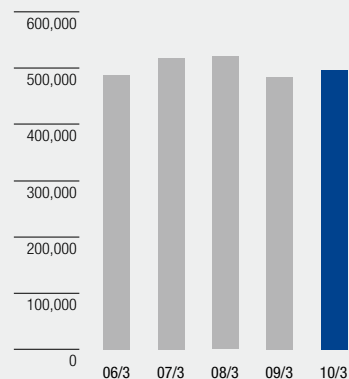


Millions of yen

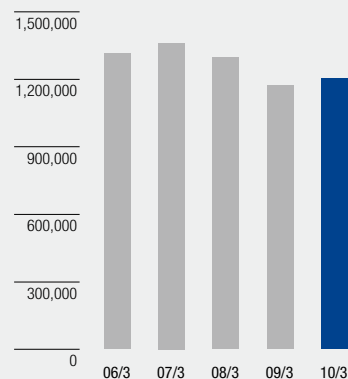
2006	2005	2004	2003	2002	2001
¥ 1,793,925	¥ 1,753,306	¥ 1,666,945	¥ 1,676,918	¥ 1,708,140	¥ 1,760,687
1,522,325	1,485,266	1,419,156	1,429,489	1,454,133	1,491,528
266,908	263,216	243,084	242,988	248,898	263,898
4,690	4,823	4,703	4,440	5,108	5,259
1,631,402	1,605,602	1,556,828	1,566,037	1,590,309	1,652,365
38,495	33,722	31,297	36,055	45,944	42,520
49,333	45,525	38,688	37,406	33,997	28,626
74,693	68,455	40,130	37,419	37,889	37,174
43,187	43,025	46,156	42,802	33,370	35,283
18,663	32,190	27,263	23,330	21,180	(26,589)
488,205	444,940	421,128	367,551	375,390	335,730
1,315,599	1,287,351	1,262,383	1,205,103	1,248,205	1,230,342
63,966	83,139	83,108	48,315	113,752	89,057
150,615	145,983	138,236	136,149	165,625	140,674
¥ 467.80	¥ 426.24	¥ 403.38	¥ 352.02	¥ 353.99	¥ 313.76
17.71	30.64	25.93	22.08	19.97	(24.78)
37.11%	34.56%	33.36%	30.50%	30.07%	27.29%
4.00	7.43	6.91	6.28	5.96	—
65,562	65,321	64,699	65,160	66,716	66,219
24,190	24,400	25,321	25,701	27,263	27,075

Total net assets

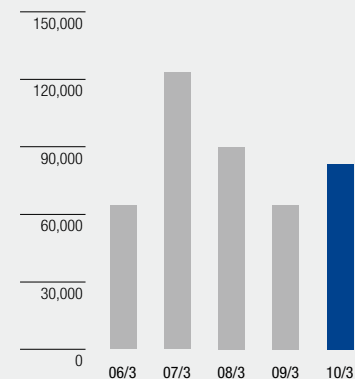
(Millions of yen)

**Total assets**

(Millions of yen)

**Net cash provided by operating activities**

(Millions of yen)



Management Discussion and Analysis

Corporate Overview

The Nippon Express Group consists of Nippon Express Co., Ltd. and its 282 subsidiaries, including 257 consolidated subsidiaries and one equity-method subsidiary, as well as 63 affiliates, of which 20 are equity-method affiliates. Of the total 346 companies in the Group, 276 are based in Japan and 70 in other countries. The Group's core business is its Distribution and Transportation segment, which includes motor transportation, rail forwarding, marine and harbor transportation, air freight forwarding and warehousing operations. The Goods Sales segment conducts business related to these core operations, the Other segment being involved in such activities as real estate operations.

Performance Overview

Business Environment and Activities during the Period

During the first half of the fiscal year under review, the Japanese economy continued to suffer the effects of the severe worldwide recession that followed the Lehman Shock in 2008. In the second half, however, the economy seemed to be bottoming out as export and consumer spending started to show signs of a recovery, albeit muted, thanks partly to the effects of a raft of economic policies implemented both at home and abroad.

In the field of logistics, under the aforementioned economic conditions, signs were seen of a recovery in demand for international freight transportation, mainly in the form of exports to Asian countries such as China. Nevertheless, in Japan, the overriding sense was of an overall weak recovery in domestic business, with the gross volume of domestic freight transportation showing negative growth for the 10th consecutive year, due primarily to restraint in public-sector investment and shrinking private capital investment.

In such a tough business environment, the Nippon Express Group made all-out efforts to achieve the objectives raised in its single-year management policy entitled, "FY2009 Nippon Express

Group Business Infrastructure Consolidation Policy—Toward a New Leap Ahead."

Specifically, in addition to working to enhance services and operational quality in an effort to adapt to the drastically changing business environment, we devoted ourselves to reinforcing business infrastructure for a new phase of growth. This process involved top-to-bottom cost cutting guided by careful reviews of local operations, improving capital efficiency, effective asset utilization and enhancing the Group's financial position by eliminating bad debt.

In the meantime, with the aim of reinforcing our sales capabilities, we promoted proposal-based sales activities that anticipate customer needs. These activities were implemented in concert with the efforts the Group has made in the enterprising development of global logistics business that takes advantage of its strengths, in gaining a market share edge in specialized businesses that are backed up by its wealth of experience and technologies and in providing wide-ranging services that are tailored to fit local needs.

Furthermore, to fulfill our corporate social responsibility (CSR), we vigorously promoted CSR activities. These included reducing CO₂ emissions through energy conservation, which is one of our efforts to help create a low-carbon society, and practicing the 3Rs (Reduce, Reuse and Recycle), along with thorough compliance in all applicable areas.

Business Results

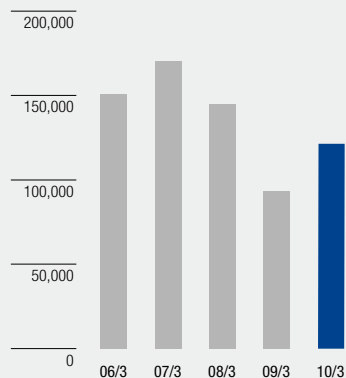
Revenues and Operating Costs

As a result of the above, consolidated revenues decreased ¥259.3 billion, or 14.2%, compared with the previous fiscal year, to ¥1,569.6 billion.

Revenue results by geographic segment showed across-the-board declines: Japan fell by 12.7%, and the Americas, Europe and Asia & Oceania by 33.6%, 35.2% and 16.7%, respectively.

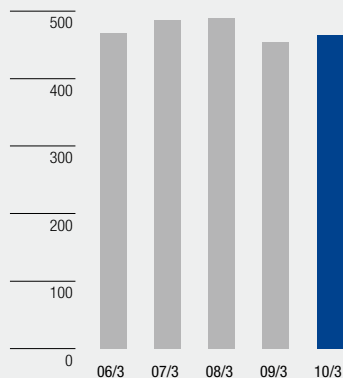
Cash and cash equivalents at end of year

(Millions of yen)



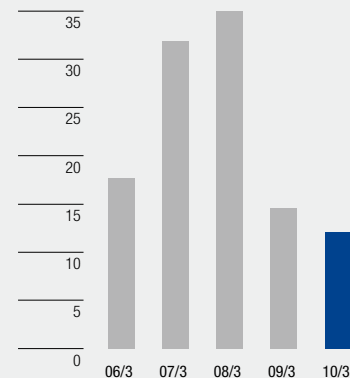
Equity per share

(Yen)



Net income per share

(Yen)



These revenue declines resulted mainly from the impact of the global recession on our Distribution and Transportation segment, which suffered a major reduction in the volume of international air freight forwarding. Another factor was the rising value of the yen against other currencies. In the Goods Sales segment, the effects of the economic recession prompted a slump in its export packaging operations.

Operating costs came to ¥1,457.9 billion, a decrease of ¥256.7 billion, or 15.0%, from the previous fiscal year. Gross profit declined by ¥2.6 billion, or 2.3%, year on year to ¥111.8 billion and the ratio of gross profit to revenues was 0.8 of a percentage point higher at 7.1%.

The decline in operating costs was largely attributable to the decline in revenues in the Distribution and Transportation segment. This decline, however, was reflected in lower forwarding costs and costs of vehicle chartering and subcontracting, which, along with the effects of a lower fuel unit costs and wide-ranging cost-reduction measures, brought about a higher ratio of gross profits to revenues.

Selling, General and Administrative Expenses and Operating Income

Selling, general and administrative expenses fell by ¥6.6 billion, or 8.2%, to ¥74.2 billion year on year, the main cause of the lower figure being a reduction in human resource expenses.

As a result of the above, operating income stood at ¥37.5 billion, which was ¥4.0 billion, or 12.0%, above the previous fiscal year's level. The operating income ratio edged up 0.6 percentage point to 2.4%.

Other Income and Expenses and Net Income

Extraordinary income was ¥5.4 billion, an increase of ¥3.8 billion, or 238.0%, compared with the previous fiscal year, with extraordinary loss increasing by ¥6.5 billion, or 59.0%, to ¥17.4

billion. The main reason for the increase in extraordinary income was the recording of a gain on change of equity for the period. The main reason for the increase in extraordinary loss was the recording of ¥3.4 billion as cost of car painting renewal.

Income before income taxes and minority interests amounted to ¥25.8 billion. After adjusting for current income taxes, inhabitants' tax as well as minority interests, net income came to ¥12.6 billion, a decline of ¥2.6 billion, or 17.2%, from the previous fiscal year.

Net income per share was ¥2.50 lower year on year at ¥12.05, while the return on equity ratio edged down 0.5 percentage point to 2.6%.

Results by Business Segment

Results by business segment are set out below. For more details, please refer to pages 22–25.

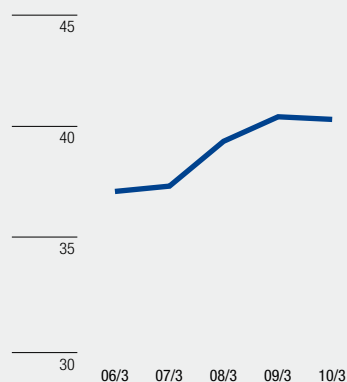
Years ended March 31	Millions of yen		%	
	2009	2010	Increase/ (decrease)	Increase/ (decrease)
Revenues				
Distribution and Transportation	1,528,695	1,288,373	(240,322)	(15.7)
Goods Sales	369,661	326,337	(43,323)	(11.7)
Other	31,002	33,919	2,916	9.4
Total	1,929,359	1,648,630	(280,729)	(14.6)

*Including intersegment revenues or money transfers

Years ended March 31	Millions of yen		%	
	2009	2010	Increase/ (decrease)	Increase/ (decrease)
Operating Income				
Distribution and Transportation	28,109	32,371	4,261	15.2
Goods Sales	6,316	5,890	(425)	(6.7)
Other	1,439	1,418	(20)	(1.5)
Total	35,865	39,680	3,815	10.6

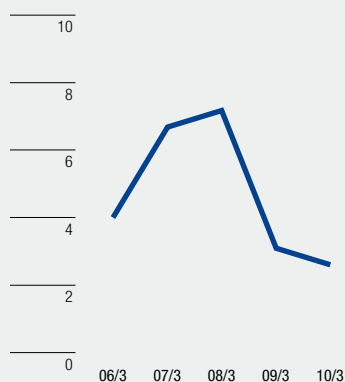
Net assets to total assets

(%)

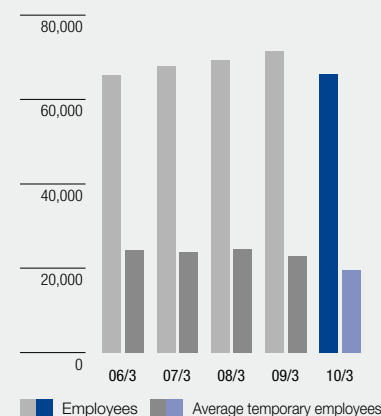


Return on equity

(%)



Employees and Average temporary employees



Results by geographical segment are as follows.

Japan

In the second half of the fiscal year under review, the Distribution and Transportation segment began to see signs of a muted recovery in terms of, for example, the amount of international air freight forwarding. Nevertheless, total revenues in Japan declined ¥206.7 billion, or 12.7% year on year, to ¥1,418.9 billion, due to the significant decline in transportation demand in the first half and, in the Goods Sales segment, a decrease in the unit price of petroleum and the slump in export packaging operations. In contrast, operating income was ¥8.2 billion, or 30.6%, higher at ¥34.8 billion, due to the decrease in the fuel costs and the wide-ranging cost-reduction measures taken.

The Americas

In the Americas, handling volumes in the air freight forwarding and marine and harbor transportation as well as other operations were sluggish due to such factors as the significant decline in both imports and exports. Revenues plummeted to ¥37.7 billion, a year-on-year decline of ¥19.1 billion, or 33.6%. Operating income was ¥2.1 billion, or 90.8%, lower at ¥0.2 billion.

Europe

Due to excessive declines in import and export air freight forwarding, including in Germany and the United Kingdom, revenues declined by ¥24.3 billion, or 35.2%, to ¥44.7 billion year on year. Operating income amounted to ¥0.4 billion, a year-on-year decline of ¥1.3 billion, or 75.4%.

Asia and Oceania

Import and export air freight forwarding and import and export marine and harbor transportation traffic saw excessive declines due to reduced production—associated with the economic downturn—by household goods and electronic components makers. Revenues in Asia and Oceania were ¥18.8 billion, or 16.7%, lower year-on-year at ¥93.8 billion. Operating income declined ¥1.1 billion, or 26.3%, to ¥3.1 billion.

Note: The amounts shown do not include consumption taxes.

Cash Flows

At the consolidated level, cash and cash equivalents (“cash”) amounted to ¥121.2 billion as of March 31, 2010. This represented a year-on-year increase of ¥28.2 billion.

Cash Flows from Operating Activities

Cash flows from operating activities resulted in a net inflow of ¥82.2 billion, an improvement of ¥18.1 billion on the previous fiscal year. This was mainly due to income before income taxes and minority interests of ¥25.8 billion, depreciation and amortization of ¥52.4 billion as well as a decrease in income taxes paid to ¥3.7 billion.

Cash Flows from Investing Activities

Cash flows from investing activities resulted in a net outflow of ¥54.3 billion, a year-on-year decrease in expenditures of ¥21.2 billion. This was mainly due to the decrease, to ¥63.7 billion, in payment for purchase of property and equipment, including distribution centers, commercial warehouse upgrades and vehicle acquisitions, as well as growth in proceeds from sale of property and equipment to ¥3.9 billion.

Cash Flows from Financing Activities

Cash flows from financing activities resulted in a net outflow of ¥0.6 billion, a year-on-year decrease in expenditure of ¥31.3 billion. This was mainly due to a fall in proceeds from long-term debt of ¥48.7 billion, payment of long-term debt of ¥47.4 billion and cash dividends of ¥10.4 billion.

Financial Position

Assets

Total assets as of March 31, 2010 amounted to ¥1,201.8 billion, an increase of ¥29.7 billion, or 2.5%, compared with the previous fiscal year-end.

Current assets increased by ¥41.4 billion, or 8.6%, to ¥522.0 billion, while noncurrent assets decreased ¥11.7 billion, or 1.7%, to ¥679.8 billion. The main factor contributing to the increase in current assets was a decrease in new investment.

Liabilities and Net Assets

Total liabilities amounted to ¥705.9 billion as of March 31, 2010, an increase of ¥18.2 billion, or 2.6%, compared with the previous fiscal year-end.

Total current liabilities increased by ¥40.1 billion, or 10.2%, to ¥434.3 billion, mainly as a result of an increase in the current portion of long term debt. Total long-term liabilities decreased ¥21.9 billion, or 7.5%, to ¥271.7 billion, primarily due to a fall in long-term debt, less current portion.

Net assets increased by ¥11.5 billion, or 2.4%, to ¥495.9 billion as of March 31, 2010. The main contributory factors in this increase were higher retained earnings and the net unrealized gains on securities.

Equity per share amounted to ¥464.38, an increase of ¥10.35 compared with the position at the previous fiscal year-end. The equity ratio edged down 0.1 of a percentage point to 40.3%.

Capital Investment

Total capital investment by the Nippon Express Group in fiscal 2009 amounted to ¥56.3 billion. Major items included changes to logistics systems and the improvement of distribution depots to support international freight operations. Other investments included the development of commercial warehouses and the replacement of vehicles and transportation equipment.

Capital investment by segment was as follows.

Year ended March 31	Millions of yen	%
	2010	Increase/ (Decrease)
Capital Investment		
Distribution and Transportation	47,522	(30.0)
Goods Sales	6,827	8.7
Other	1,995	21.3
Subtotal	56,346	(25.7)
Elimination	(66)	—
Total	56,279	(25.6)

Dividend Policy

Nippon Express regards the return of profits to shareholders as one of its most important priorities. We aim to maximize returns and maintain dividend stability, while also expanding our business operations, strengthening our financial position, expanding shareholders' equity and improving profit ratios.

Nippon Express' basic policy is to pay dividends from retained earnings twice a year in the form of interim and year-end

dividends. The Board of Directors is responsible for decisions concerning the interim dividend, while decisions on the year-end dividend are taken at the General Shareholders' Meeting held following each fiscal year-end.

At the 104th General Shareholders' Meeting on June 29, 2010, we proposed and received approval to set the year-end dividend for fiscal 2009 at ¥5 per share. Together with the interim dividend of ¥5, this brought the annual dividend to ¥10 per share.

The earnings retained within Nippon Express will be used for investments mainly in the development of logistics bases and the replacement of vehicles, to expand sales of our distribution and transportation services and improve our transportation efficiency. We will also utilize the retained earnings to strengthen our financial position as well as our corporate foundation.

Small-Parcel Delivery Business Integration

With regard to the integration of the small package businesses of the Company and Japan Post Service Co., Ltd., despite the preparations that had been made to integrate the small package business under JPEXpress Co. Ltd., which was established through a joint equity investment by the two companies, the Ministry of Internal Affairs and Communications refused to approve the changes to the business plan submitted by Japan Post Service and, consequently the integration has been cancelled. Subsequently, the business integration plan was revised at the suggestion of Japan Post Service. As a result of this revision, the parcel delivery business of JPEXpress was taken over by Japan Post Service Co., Ltd. on July 1, 2010.

Consolidated Balance Sheets

Nippon Express Co., Ltd. and consolidated subsidiaries
As of March 31, 2010 and 2009

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current assets:			
Cash and cash in banks (Notes 2, 4, 10 and 17)	¥ 129,217	¥ 97,167	\$ 1,388,835
Trade receivables (Notes 2, 17 and 22)			
Notes and accounts	238,930	242,340	2,568,038
Less: allowance for doubtful accounts	(1,084)	(1,250)	(11,660)
Inventories (Notes 2 and 5)	4,985	6,675	53,583
Deferred tax assets (Notes 2 and 19)	15,281	12,476	164,244
Lease investment assets (Notes 2, 10, 13 and 17)	89,978	83,385	967,095
Other current assets (Note 6)	44,706	39,833	480,513
Total current assets	522,014	480,627	5,610,650
Property and equipment (Notes 2, 9, 10 and 13):			
Land	167,448	169,042	1,799,750
Vehicles	181,553	246,649	1,951,353
Buildings and structures	586,354	584,358	6,302,171
Machinery and tools	174,318	274,034	1,873,583
Leased assets	5,394	3,819	57,978
Construction in progress	5,170	3,696	55,567
Less: accumulated depreciation	(613,170)	(755,390)	(6,590,394)
Net property and equipment	507,069	526,209	5,450,011
Investments and other assets:			
Investments in securities (Notes 2, 7 and 17)	94,881	92,851	1,019,794
Investments in subsidiaries and affiliates (Notes 2 and 8)	11,896	12,512	127,867
Loans to employees	1,655	2,168	17,788
Others (Note 2)	59,721	57,705	641,893
Total investments and other assets	172,717	165,237	1,856,383
Total assets	¥ 1,201,801	¥ 1,172,074	\$ 12,917,045

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY)	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current liabilities:			
Short-term bank loans (Notes 10 and 17)	¥ 6,834	¥ 21,289	\$ 73,455
Current portion of long-term debt (Note 10)	104,667	47,298	1,124,972
Accounts payable (Note 17)	135,690	133,228	1,458,408
Deposits from employees	29,932	30,595	321,720
Income taxes payable (Note 19)	7,680	2,138	82,547
Other current liabilities (Notes 2 and 10)	149,453	159,617	1,606,332
Total current liabilities	434,258	394,167	4,667,436
Long-term liabilities:			
Long-term debt, less current portion (Notes 10 and 17)	195,127	221,198	2,097,238
Retirement benefits obligation (Notes 2 and 11)	39,686	45,065	426,548
Deferred tax liabilities (Notes 2 and 19)	21,108	7,365	226,877
Other long-term liabilities	15,738	19,939	169,154
Total long-term liabilities	271,659	293,569	2,919,818
Total liabilities	705,918	687,736	7,587,255
Contingent liabilities (Note 22)			
Net assets:			
Shareholders' equity:			
Common stock	70,175	70,175	754,248
Additional paid-in capital	26,908	26,908	289,211
Retained earnings	377,675	373,749	4,059,277
Less: treasury stock (Note 12)	(11,524)	(11,507)	(123,866)
Total shareholders' equity	463,234	459,326	4,978,870
Valuation and translation adjustments:			
Net unrealized gains on securities (Note 2)	33,248	28,271	357,353
Net unrealized gains (losses) on hedge transactions	12	(0)	138
Foreign currency translation adjustment	(12,241)	(14,106)	(131,570)
Total valuation and translation adjustments	21,019	14,164	225,922
Minority interests	11,629	10,846	124,997
Total net assets	495,883	484,337	5,329,790
Total liabilities and net assets	¥ 1,201,801	¥ 1,172,074	\$ 12,917,045

Consolidated Statements of Changes in Net Assets

Nippon Express Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Shareholders' equity			
Common stock			
Balance at beginning of the year	¥ 70,175	¥ 70,175	\$ 754,248
Total changes during the year	—	—	—
Balance at end of the year	70,175	70,175	754,248
Additional paid-in capital			
Balance at beginning of the year	26,908	26,909	289,211
Changes during the year:			
Decrease in treasury stock	—	(1)	—
Total changes during the year	—	(1)	—
Balance at end of the year	26,908	26,908	289,211
Retained earnings			
Balance at beginning of the year	373,749	369,264	4,017,089
Adjustment due to accounting changes of foreign subsidiaries	—	(231)	—
Changes during the year:			
Cash dividends	(10,428)	(10,428)	(112,085)
Net income	12,566	15,172	135,061
Decrease in treasury stock	(5)	(25)	(59)
Increase of affiliated company	1,793	—	19,271
Total changes during the year	3,925	4,717	42,188
Balance at end of the year	377,675	373,749	4,059,277
Treasury stock			
Balance at beginning of the year	(11,507)	(11,504)	(123,680)
Changes during the year:			
Increase in treasury stock	(32)	(90)	(347)
Decrease in treasury stock	15	88	161
Total changes during the year	(17)	(2)	(186)
Balance at end of the year	(11,524)	(11,507)	(123,866)
Total shareholders' equity			
Balance at beginning of the year	459,326	454,844	4,936,868
Adjustment due to accounting changes of foreign subsidiaries	—	(231)	—
Changes during the year:			
Cash dividends	(10,428)	(10,428)	(112,085)
Net income	12,566	15,172	135,061
Increase in treasury stock	(32)	(90)	(347)
Decrease in treasury stock	9	60	102
Increase of affiliated company	1,793	—	19,271
Total changes during the year	3,907	4,713	42,001
Balance at end of the year	¥ 463,234	¥ 459,326	\$ 4,978,870

See accompanying notes to consolidated financial statements.

(Continues on p.44)

Consolidated Statements of Changes in Net Assets

Nippon Express Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Valuation and translation adjustments			
Unrealized gain on securities			
Balance at beginning of the year	¥ 28,271	¥ 50,194	\$ 303,864
Net changes in items other than shareholders' equity	4,976	(21,922)	53,489
Balance at end of the year	33,248	28,271	357,353
Unrealized gains (losses) for deferred hedges			
Balance at beginning of the year	(0)	(7)	0
Net changes in items other than shareholders' equity	12	7	138
Balance at end of the year	12	(0)	138
Foreign currency translation adjustment			
Balance at beginning of the year	(14,106)	5,221	(151,621)
Net changes in items other than shareholders' equity	1,865	(19,328)	20,051
Balance at end of the year	(12,241)	(14,106)	(131,570)
Total valuation and translation adjustment			
Balance at beginning of the year	14,164	55,408	152,243
Net changes in items other than shareholders' equity	6,855	(41,243)	73,678
Balance at end of the year	21,019	14,164	225,922
Minority interests			
Balance at beginning of the year	10,846	10,569	116,581
Net changes in items other than shareholders' equity	782	276	8,415
Balance at end of the year	11,629	10,846	124,997
Total net assets			
Balance at beginning of the year	484,337	520,823	5,205,693
Adjustment due to accounting changes of foreign subsidiaries	—	(231)	—
Changes during the year:			
Cash dividends	(10,428)	(10,428)	(112,085)
Net income	12,566	15,172	135,061
Increase in treasury stock	(32)	(90)	(347)
Decrease in treasury stock	9	60	102
Increase of affiliated company	1,793	—	19,271
Net changes in items other than shareholders' equity	7,638	(40,966)	82,094
Total changes during the year	11,545	(36,253)	124,096
Balance at end of the year	¥ 495,883	¥ 484,337	\$ 5,329,790

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Express Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 25,764	¥ 32,678	\$ 276,921
Depreciation and amortization	52,446	63,085	563,696
Provision for allowance for doubtful accounts, net	(561)	132	(6,036)
Provision for retirement benefits, net	(5,388)	(8,697)	(57,913)
Loss on sale or disposal of property and equipment, net	3,488	3,056	37,497
Expense of consolidation for small-package delivery business	518	930	5,575
Japan Fair Trade Commission Surcharge	—	2,495	—
Gain on sale or write-down of securities, net	6,553	2,387	70,442
Equity in earnings of unconsolidated subsidiaries and affiliates	7,869	(729)	84,584
Increase (decrease) in trade receivables	(753)	33,996	(8,097)
Decrease (increase) in inventories	1,694	(473)	18,210
Increase in other current assets	(5,244)	(3,299)	(56,370)
Decrease in accounts payable	(657)	(40,095)	(7,061)
Increase in other current liabilities	8,132	7,401	87,403
Other	970	(7,992)	10,430
Sub-total	94,833	84,877	1,019,281
Interest and dividends received	3,071	3,898	33,014
Interest paid	(3,509)	(4,316)	(37,715)
Cash paid for the shifting to DC pension plan	(3,937)	(4,050)	(42,324)
Payment for promotional expenses on the combination of small package delivery business	(1,407)	(977)	(15,126)
Payment for Japan Fair Trade Commission surcharge	(2,495)	—	(26,816)
Payment for changes of vehicles painting design	(668)	—	(7,186)
Income taxes paid	(3,688)	(15,351)	(39,648)
Net cash provided by operating activities	82,198	64,080	883,477
Cash flows from investing activities:			
Payment for purchase of property and equipment	(63,673)	(67,657)	(684,372)
Proceeds from sale of property and equipment	3,906	2,117	41,982
Payment for purchase of securities	(252)	(3,597)	(2,715)
Proceeds from sale of securities	5,310	24	57,080
Payment for acquisition of shares in consolidated subsidiaries	—	(850)	—
Other	384	(5,652)	4,128
Net cash used in investing activities	(54,325)	(75,614)	(583,896)
Cash flows from financing activities:			
Change in short-term bank loans	(14,493)	16,718	(155,774)
Change in commercial paper	(4,700)	3,700	(50,515)
Net increase in securitized lease receivables	(1,400)	(1,384)	(15,055)
Proceeds from long-term debt	48,724	74,548	523,690
Payment of long-term debt	(47,427)	(73,985)	(509,748)
Proceeds from issuance of bonds	30,000	—	322,441
Redemption of bonds	—	(40,100)	—
Cash dividends	(10,428)	(10,428)	(112,085)
Other	(923)	(996)	(9,921)
Net cash used in financing activities	(648)	(31,927)	(6,969)
Effect of exchange rate changes on cash	931	(8,144)	10,007
Net increase in cash and cash equivalents	28,155	(51,607)	302,618
Cash and cash equivalents at beginning of year	93,031	144,639	999,911
Cash and cash equivalents at end of year (Notes 2 and 4)	¥ 121,187	¥ 93,031	\$ 1,302,530

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Nippon Express Co., Ltd. and consolidated subsidiaries

1. Basis of presenting financial statements

The accompanying consolidated financial statements of Nippon Express Co., Ltd. ("the Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Financial Instruments and Exchange Law of Japan.

In order to facilitate the understanding of readers outside Japan, certain reclassifications are made to the consolidated financial statements prepared for domestic reporting purposes. In addition, the notes to the consolidated financial statements include information that is not required under accounting principles

generally accepted in Japan, but is presented herein as additional information.

The yen amounts are rounded off in millions. Therefore, total or subtotal amounts do not correspond with the aggregation of such account balance.

U.S. dollar amounts presented in the financial statements are included solely for convenience. The rate of ¥93.04 to US\$1.00, prevailing on March 31, 2010, has been used for translation into U.S. dollar amounts in the financial statements. The U.S. dollar amounts are then rounded off in thousands. The inclusion of such amounts should not be construed as a representation that Japanese yen amounts have been or could in the future be converted into U.S. dollars at that rate.

2. Summary of significant accounting policies

(a) Consolidation

Companies to which full consolidation method is applied:

The consolidated subsidiaries included 199 domestic and 58 foreign majority-owned subsidiaries for the year ended March 31, 2010, and 207 domestic and 57 foreign majority-owned subsidiaries for the year ended March 31, 2009.

21 (20 in 2009) subsidiaries, including Nippon Express Travel U.S.A., Inc., sub-consolidated by 10 overseas consolidated subsidiaries, including Nippon Express U.S.A., Inc., are included in the scope of the consolidation.

The excess cost of the Company's investments in consolidated subsidiaries over the fair value of the net assets of these companies at the dates of acquisition, consolidation goodwill, is amortized on the straight-line method over five years.

Companies to which the equity method is applied:

Investments in an unconsolidated subsidiary (Awa Godo Tuun Co., Ltd.) and 20 (21 in 2009) affiliates, including Nippon Vopack Co., Ltd., are stated at cost plus equity in undistributed income (the "equity method") as of March 31, 2010 and 2009. Effective the year ended March 31, 2010, All Express Co., Ltd. was excluded from the scope of affiliates accounted for by the equity method, since the ownerships of the Group decreased due to the merger with an external company. In addition, JP Express Co., Ltd. was included in the scope of affiliates accounted for by the equity method in the first quarter ended June 30, 2009 due to the increased materiality, but eventually excluded from the scope of affiliates accounted for by the equity method because certain shares were sold during the third quarter ended December 31, 2009.

24 subsidiaries, including Himawari Oil Co., Ltd., and 43 (45 in 2009) affiliates, including Nippon Freight Liner Co., Ltd., other than the above 21 companies are excluded from the scope of subsidiaries or affiliates accounted for by the equity method, but carried at cost, since the impact of these companies on the consolidated financial statements on net income and retained earnings corresponding to the interest is considered to be immaterial as a whole.

Balance sheet dates of consolidated subsidiaries:

58 (57 in 2009) overseas consolidated subsidiaries, including Nippon Express U.S.A., Inc., have the balance sheet date of December 31. In preparing the accompanying consolidated financial statements, the financial statements as of December 31 and for the year then ended are used for consolidation after making necessary adjustments for significant transactions incurred during the period from January 1 through March 31.

One company and seven companies which are accounted for by the equity method have the balance sheet dates of August 31 and December 31, respectively. Significant transactions between these dates and March 31 are reflected in computing the equity earnings attributable to the Group.

Unification of accounting policies applied to the affiliates accounted for by the equity method

A domestic subsidiary and 16 (17 in 2009) affiliates accounted for by the equity method adopt the same accounting policies in principle as the Company and 5 overseas affiliates are complying with the respective generally accepted accounting policies in those countries, which are not significantly different from those adopted by the Company.

(b) Cash and cash equivalents

Cash and cash equivalents presented in the accompanying consolidated statements of cash flows represent cash on hand, bank deposits, which are payable on demand, and short-term investments with original maturities of three months or less which are easily convertible into cash and present insignificant risk of changes in value.

(c) Securities

Based on the intent of holding, securities are classified into (1) securities held for trading purposes (trading securities), (2) debt securities held to maturity (held-to-maturity debt securities), (3) equity securities issued by unconsolidated subsidiaries and affiliates and (4) other securities that are not classified in any of the above categories (other securities). The Company and its consolidated subsidiaries hold no trading securities nor held-to-maturity securities.

Other securities with market value are stated at market value on the balance sheet date. Cost of sold securities is stated using the moving average method. The differences between the acquisition costs and the carrying values of securities are recognized in unrealized gain (loss) on securities. Unrealized gain (loss) on securities, net of applicable income taxes, is charged to net assets. Other securities without market value are stated at cost determined by the moving average method.

(d) Inventories

Inventories are principally stated at the lower of cost determined by the moving average method or net selling value.

(e) Allowance for doubtful accounts

General provision for doubtful receivables is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. When considered necessary, specific reserve is provided based on the assessment of individual receivables.

Allowance for doubtful receivables for non-current assets, which was included in "Others" in "Investments and other assets," was ¥1,959 million (\$21,055 thousand) and ¥2,220 million as of March 31, 2010 and 2009, respectively.

(f) Property and equipment except for leased assets

Property and equipment is stated at cost.

Depreciation of property and equipment, except for buildings, is mainly computed by the declining-balance method over the applicable useful lives. Buildings are depreciated by the straight-line method over the estimated lives.

Under the Japanese tax law, capital gains arising from disposals by the expropriation of assets and other similar transactions are deducted from the cost of property and equipment acquired in substitution. Such capital gains amounted to ¥1,933 million (\$20,785 thousand) and ¥1,304 million for the years ended March 31, 2010 and 2009, respectively.

(g) Intangible fixed assets except for leased assets.

The amortization of intangible fixed assets is computed by the straight-line method over the estimated useful lives. Software costs for internal use are amortized using the straight-line method over the available period (five years).

(h) Leases

As a lessee, all finance lease transactions are capitalized to recognize leased assets and lease obligations in the balance sheet. As a lessor, all finance leases which transfer ownership of the leased assets to the lessee are recognized as lease receivables and other finance leases that do not transfer ownership of the leased assets to the lessee are recognized as lease investment assets. Finance lease revenue and related cost of revenue are recorded when the lease payment is received.

(i) Deferred charges

Bond issuance cost which can be deferred under the Corporation Law is charge to income as expended.

(j) Construction contracts

On December 27, 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts." Effective the year ended March 31, 2010, the Company adopted this new accounting standard for construction contracts which started in the year ended March 31, 2010 and the percentage-of-completion method has been applied to the contracts if the outcome of the construction activity is deemed certain for the percentage of performance of the contractor's obligation at; the balance sheet date; otherwise, the completed-contract method is applied. The percentage of completion is determined using the cost incurred to the estimated total cost. The effect of adoption of this new standard on net income is immaterial.

(k) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enacted date.

(l) Reserve for bonuses

Reserve for bonuses is provided in an estimated amount to be paid to the employees by the Company and its consolidated subsidiaries based on their services for the current fiscal period. Reserve for bonuses is recorded under "Other current liabilities" in the accompanying consolidated balance sheets.

(m) Reserve for directors' bonuses

Reserve for directors' bonuses is provided in an estimated amount to be paid to the directors by the Company and its consolidated subsidiaries based on their services for the current fiscal period. Reserve for directors' bonuses is recorded under "Other current liabilities" in the accompanying consolidated balance sheets.

(n) Reserve for warranties and repairs

Reserve for warranties and repairs is provided in an estimated

amount based on the past experience of certain consolidated subsidiaries to maintain the quality at the inception of use related to the sales of new cars. Reserve for warranties and repairs is recorded under "Other current liabilities" in the accompanying consolidated balance sheets.

(o) Reserve for special repairs

Reserve for special repairs is provided in an estimated amount for the future repairs of vessels based on the past experience of certain consolidated subsidiaries. Reserve for special repairs is recorded under "Other current liabilities" in the accompanying consolidated balance sheets.

(p) Retirement benefits obligation and pension plan

Substantially all of the employees are entitled to lump-sum payments upon retirement or severance of employment. Accrual for the lump-sum payments is stated at the present value of the estimated future obligations arising from services performed to the end of the fiscal year.

Certain consolidated subsidiaries have instead implemented the Qualified Corporate Pension Plan, which is a private non-contributory plan funded by the subsidiaries on the basis of an accepted actuarial method, and amortization of prior service cost has been charged to income.

The retirement benefits obligation is attributed to each period using the straight-line method over the years of service. The net retirement benefits obligation at transition was charged to operations as incurred.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over the period of the average remaining years of service of the employees.

Certain consolidated subsidiaries have separately provided an allowance for lump-sum retirement benefits to directors and corporate auditors, of which actual payments of such benefits are subject to the approval of the shareholders. Provision has been made for annual increases of such liability estimated systematically by management.

(q) Derivatives and hedging activities

The Company and its certain consolidated subsidiaries (collectively, the "Companies") use foreign currency forward contracts to manage their exposure to fluctuation in foreign exchange rates. The Companies utilize derivatives only for hedging purpose to manage the exposure of assets and liabilities to the market fluctuation risk. The Companies do not enter into derivatives for speculative or trading purposes.

For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of the high correlation between and effectiveness of the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the underlying transactions are completed.

Receivables and payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge foreign currency fluctuation risk are translated at the contracted rate.

The effectiveness of hedging is assessed using internally available management data.

(r) Per share data

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share for the years ended March 31, 2010 and 2009 is not disclosed since there has been no potential dilution for the periods.

(s) Consumption taxes

Consumption taxes with respect to the Company and its domestic subsidiaries are excluded from respective transaction amounts.

3. Business divestiture

On April 1, 2009, the Company transferred the rights and obligations related to the whole small-package delivery business (all the necessary operations from acceptance through delivery) conducted based on Pelican delivery transportation contracts in accordance with an absorption-type company split agreement with

JPEXpress Co., Ltd. This company split was conducted in order to develop competitive products and services and provide customers with them by making best use of the brands, customer bases, network, know-how and others which had been developed between the Company and Japan Post Service Co., Ltd.

Summary of accounting treatment:

Retained earnings transferred was ¥2,478 million (\$26,640 thousand) including earnings from the change in interest resulting from the capital increase by third party allotments.

A major breakdown of the assets and liabilities transferred as of March 31, 2010 is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 192	\$ 2,065
Tangible fixed assets	10,773	115,795
Intangible fixed assets	1,736	18,668
Investments and other assets	536	5,770
Total assets	¥ 13,239	\$ 142,299
Current liabilities	¥ (0)	\$ (3)
Long-term liabilities	(0)	(3)
Total liabilities	¥ (0)	\$ (7)

4. Cash and cash equivalents

The reconciliation between cash and cash in banks in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2010 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and cash in banks in the consolidated balance sheets	¥ 129,217	¥ 97,167	\$ 1,388,835
Time deposits with maturities of over three months	(7,872)	(3,973)	(84,617)
Time deposits pledged as collateral for debts	(157)	(161)	(1,688)
Cash and cash equivalents at end of year in the statements of cash flows	¥ 121,187	¥ 93,031	\$ 1,302,530

5. Inventories

Inventories as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise and finished goods	¥ 2,454	¥ 2,989	\$ 26,384
Raw materials and stores	2,213	2,328	23,786
Work in process	317	1,357	3,413
Total	¥ 4,985	¥ 6,675	\$ 53,583

6. Other current assets

Other current assets as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Advance payments	¥ 1,330	¥ 2,290	\$ 14,297
Prepaid expenses	8,197	8,173	88,107
Other	35,179	29,369	378,109
Total	¥ 44,706	¥ 39,833	\$ 480,513

Note: "Other current assets" include reserved payment resulting from sales of notes receivable issued for the purpose of securitization of assets in the amount of ¥4,212 million (\$45,278 thousand) and ¥4,191 million as of March 31, 2010 and 2009, respectively.

7. Securities

The carrying values and costs of other securities at March 31, 2010 and 2009 were as follows:

At March 31, 2010	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Cost	Unrealized gain (loss)	Carrying value	Cost	Unrealized gain (loss)
Carrying value exceeds cost:						
Equity securities	¥ 77,028	¥ 20,512	¥ 56,516	\$ 827,911	\$ 220,471	\$ 607,439
Other	—	—	—	—	—	—
Sub-total	77,028	20,512	56,516	827,911	220,471	607,439
Cost exceeds carrying value:						
Equity securities	¥ 1,709	¥ 1,921	¥ (212)	\$ 18,370	\$ 20,649	\$ (2,279)
Other	—	—	—	—	—	—
Sub-total	1,709	1,921	(212)	18,370	20,649	(2,279)
Total	¥ 78,738	¥ 22,433	¥ 56,304	\$ 846,281	\$ 241,121	\$ 605,160

At March 31, 2009	Millions of yen		
	Carrying value	Cost	Unrealized gain (loss)
Carrying value exceeds cost:			
Equity securities	¥ 67,918	¥ 19,446	¥ 48,471
Other	—	—	—
Sub-total	67,918	19,446	48,471
Cost exceeds carrying value:			
Equity securities	¥ 4,682	¥ 5,321	¥ (639)
Other	—	—	—
Sub-total	4,682	5,321	(639)
Total	¥ 72,600	¥ 24,768	¥ 47,832

The above costs are stated after deducting impairment loss. Impairment loss on other securities with fair value amounted to ¥68 million (\$741 thousand) and ¥1,851 million for the years ended March 31, 2010 and 2009, respectively.

The Company recognizes impairment loss when the fair value declines more than 50% of its acquisition cost and determines if it is necessary to recognize impairment loss after considering the movements of the individual fair value when the fair value declines

to between 30% and 50% of the acquisition cost.

Proceeds from sales of other securities for the years ended March 31, 2010 and 2009 were ¥726 million (\$7,810 thousand) and ¥5 million, respectively. Gross realized gain and loss on these sales were ¥20 million (\$219 thousand) and ¥1,761 million (\$18,934 thousand) for the year ended March 31, 2010 and ¥3 million and ¥0 million for the year ended March 31, 2009.

8. Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Equity securities	¥ 9,703	¥ 10,149	\$ 104,293
Investments in capital or partnerships	2,193	2,362	23,574
Total	¥ 11,896	¥ 12,512	\$ 127,867

9. Investment and rental property

On November 28, 2008, the ASBJ issued ASBJ Statement No. 20 "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" and issued ASBJ Guidance No. 23 "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property." The Company and consolidated subsidiaries (the "Group") applied the new accounting standard and guidance effective the year ended March 31, 2010.

The Company and certain consolidated subsidiaries hold some rental properties such as office buildings, parking lots and land throughout the nation. Net rental profit (rental income included in net sales less rental expenses included in cost of sales) and other losses on investment and rental property for the year ended March 31, 2010 were ¥5,475 million (\$58,854 thousand) and ¥595 million (\$6,399 thousand), respectively.

The carrying amounts, changes in balances and market prices of such properties are as follows:

	Millions of yen		Fair value March 31, 2010
	Carrying amount Increase (Decrease)	March 31, 2010	
March 31, 2009	¥ 34,996	¥ 34,095	¥ 101,591

Thousands of U.S. dollars

Carrying amount			Fair value
March 31, 2009	Increase (Decrease)	March 31, 2010	March 31, 2010
\$ 376,140	\$ (9,683)	\$ 366,457	\$ 1,091,916

Notes:

1. Carrying amount recognized in the balance sheet is stated at acquisition cost less accumulated depreciation.
2. Decrease during the year ended March 31, 2010 primarily consists of depreciation and disposal of properties.
3. Fair value of properties as of March 31, 2010 is measured by the real estate appraisal reports from the real estate appraisers for significant properties.

10. Short-term bank loans, commercial paper and long-term debt

(a) Short-term bank loans

Short-term bank loans are mostly unsecured and represented by short-term notes.

(b) Commercial paper

Commercial paper, due within one year, is ¥7,000 million (\$75,236 thousand) and ¥11,700 million as of March 31, 2010 and 2009, respectively, which is unsecured and included in other current liabilities.

(c) Long-term debt

Long-term debt as of March 31, 2010 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
1.59% ¥20 billion bonds due 2018	¥ 20,000	¥ 20,000	\$ 214,961
1.12% ¥15 billion bonds due 2014	15,000	—	161,220
1.82% ¥15 billion bonds due 2019	15,000	—	161,220
0.064%–5.157% loans from financial institutions due 2019	249,794	248,497	2,684,807
Total	299,794	268,497	3,222,210
Less: amount due within one year	(104,667)	(47,298)	(1,124,972)
	¥ 195,127	¥ 221,198	\$ 2,097,238

The annual maturities of long-term debt outstanding as of March 31, 2010 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 41,350	\$ 444,434
2013	57,080	613,501
2014	28,040	301,384
2015	1,863	20,027
2016 and thereafter	16,792	180,487

(d) Pledged assets

A summary of assets pledged as collateral for long-term and short-term bank loans and for other purposes as of March 31, 2010 is as follows:

	Millions of yen	Thousands of U.S. dollars
Property and equipment	¥ 10,411	\$ 111,908
Time deposits	157	1,688
Lease investment assets	463	4,986
Investment in securities	628	6,759

11. Retirement benefits obligation and pension plan

Retirement benefits obligation as of March 31, 2010 and 2009 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefits obligation	¥ (169,239)	¥ (142,554)	\$ (1,819,000)
Plan assets at fair market value	46,300	38,577	497,639
Unrecognized actuarial net loss	85,874	62,237	922,980
Unrecognized prior service cost	(2,202)	(2,751)	(23,676)
Retirement benefits obligation at end of year	¥ (39,268)	¥ (44,490)	\$ (422,056)

Pension expense for the years ended March 31, 2010 and 2009 included the following components:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥ 5,947	¥ 6,173	\$ 63,927
Interest cost on projected benefits obligation	3,501	3,655	37,630
Expected return on plan assets	(467)	(657)	(5,027)
Amortization of unrecognized actuarial net loss	5,880	3,989	63,201
Prior service cost recognized	(548)	(548)	(5,895)
Net periodic pension cost	14,312	12,613	153,836
Other	6,802	6,704	73,116
Total	¥ 21,115	¥ 19,317	\$ 226,953

Actuarial assumptions used to determine costs and obligations for retirement benefits are as follows:

	2010	2009
Discount rate	mainly 1.9%	mainly 2.5%
Expected rate of return on plan assets	mainly 2.5%	mainly 2.5%
Recognition period of prior service cost	15 years	15 years
Amortization period of actuarial net loss (gain)	12–15 years	12–15 years

On July 31, 2008, the ASBJ issued ASBJ Statement No. 19 “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3),” which requires the companies to use the discount rate determined by reference to market yields at the end of the fiscal year on high quality bonds such as long-term Japanese government bonds, government agency bonds and high-quality corporate bonds. Effective the year ended March 31, 2010, the Company adopted this amendment. There is no effect of the change on net income for the year ended March 31, 2010, since an actuarial

difference will be amortized from the following year. Unamortized actuarial difference on projected benefit obligations resulting from this change amounted to ¥8,503 million (\$91,398 thousand) as of March 31, 2010.

The total liabilities in connection with the retirement benefits to directors and corporate auditors, which are included in “Retirement benefits obligation,” are ¥417 million (\$4,492 thousand) and ¥575 million as of March 31, 2010 and 2009, respectively.

12. Treasury stock

The Company held 19,500 thousand shares of treasury stock as of March 31, 2010 based on approval by the annual shareholders’ meeting.

13. Leases

a. Finance leases

As a lessee:

The Company capitalized all finance leases, recognizing leased assets and lease obligation as if they were purchased in the ordinary purchase transactions in the accompanying balance sheets at March 31, 2010 and 2009.

As a lessor:

In accordance with the revised accounting standard for lease transactions, the Company recognized the finance leases which transfer ownership to the lessee as lease receivables and other finance leases which do not transfer ownership of the leased assets to the lessee as lease investment assets.

Lease investment assets at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gross lease receivables	¥ 92,310	¥ 85,728	\$ 992,159
Estimated residual values	1,076	933	11,566
Unearned interest income	(3,408)	(3,276)	(36,630)
Lease investment assets	¥ 89,978	¥ 83,385	\$ 967,095

Maturities of lease receivables and lease investment assets at March 31, 2010 are as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
	Lease receivables	Investments in leased assets	Lease receivables	Investments in leased assets
2011	¥ 2,948	¥ 31,034	\$ 31,693	\$ 333,565
2012	2,656	24,686	28,551	265,333
2013	2,217	17,610	23,830	189,276
2014	1,270	10,830	13,659	116,409
2015	562	4,353	6,043	46,795
2016 and thereafter	577	3,794	6,212	40,779

b. Operating leases

Future payment obligations under non-cancellable operating leases as of March 31, 2010 and 2009 are as follows:

As a lessee:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Portion due within one year	¥ 19,188	¥ 18,848	\$ 206,235
Thereafter	124,138	127,429	1,334,252
Total	¥ 143,327	¥ 146,277	\$ 1,540,488

14. Provisions for various reserves

Provisions for various reserves recorded under "Operating costs" and "Selling, general and administrative expenses" for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
	Operating costs	SGA	Operating costs	SGA	Operating costs	SGA
Reserve for bonuses	¥ 16,536	¥ 2,623	¥ 16,727	¥ 2,613	\$ 177,734	\$ 28,193
Reserve for directors' bonuses	—	154	—	151	—	1,664
Reserve for warranties and repairs	—	2	—	3	—	29
Retirement benefit obligation	12,750	1,562	11,510	1,102	137,045	16,790
Reserve for directors' retirement allowances	—	159	—	186	—	1,719
Reserve for special repairs	70	—	62	—	762	—

15. Gain or loss on sales or disposal of property and equipment, net

Gain or loss on sales or disposal of property and equipment for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gain:			
Gain on sales of vehicles	¥ 214	¥ 265	\$ 2,300
Gain on sales of other fixed assets:			
Land	1,442	1,012	15,500
Buildings	59	2	638
Intangible assets, etc.	102	288	1,103
Loss:			
Loss on disposal of vehicles	(271)	(378)	(2,923)
Loss on disposal of fixed assets:			
Buildings	(2,802)	(1,897)	(30,120)
Structures	(598)	(404)	(6,430)
Machinery and equipment	(213)	(526)	(2,292)
Tools, furniture and fixtures	(270)	(231)	(2,904)
Land	(158)	(303)	(1,707)
Intangible assets, etc.	(955)	(818)	(10,269)
Total net	¥ (3,452)	¥ (2,992)	\$ (37,105)

16. Gain or loss on sales of securities, net

Gain or loss on sales of securities for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gain:			
Gain on sales of equities in subsidiaries and affiliates	¥ 912	¥ 6	\$ 9,802
Gain on sales of other securities	20	3	219
Loss:			
Loss on sales of other securities	(1,761)	0	(18,934)
Total net	¥ (829)	¥ 9	\$ (8,912)

In addition, loss on revaluation of golf membership which is recorded under "Others, net" of "Other income and expenses," for the years ended March 31, 2010 and 2009 was ¥39 million (\$423 thousand) and ¥77 million, respectively.

Lease investment assets:

Fair values of lease investment assets are computed by discounting the aggregate values of the principal and interest using an interest rate assumed if the same lease agreement were entered.

Investment securities:

Fair values of equity securities are determined by the quoted price of the stock exchange.

Trade payables—account and short-term bank loans:

Fair values approximate carrying values because of their short maturities. Short-term bank loans are stated excluding the current portion of long-term debt.

Long-term debt:

Fair values of long-term debt are computed by discounting the aggregate values of the principal and interest of long-term debt classified by certain period using an interest rate assumed if the same loan were made. Long-term debt is stated including the current portion of long-term debt.

Derivatives:

Information on the fair value of derivatives is included in Note 18.

- Unlisted equity securities whose carrying amount is ¥25,847 million (\$277,805 thousand) are not included in above investment securities—other securities, since there is no quoted market price and it is very difficult to identify fair values by estimating future cash flows.
- The redemption schedule for monetary receivables and other securities with contractual maturities

At March 31, 2010	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and cash in banks	¥ 129,217	¥ —	¥ —
Trade receivables—account	226,907	—	—
Lease investment assets	30,661	57,704	1,611
Investment securities	—	—	—
Other securities with contractual maturities	—	—	—

At March 31, 2010	Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and cash in banks	\$ 1,388,835	\$ —	\$ —
Trade receivables—account	2,438,811	—	—
Lease investment assets	329,556	620,214	17,324
Investment securities	—	—	—
Other securities with contractual maturities	—	—	—

4. Repayment schedule for bonds, long-term debt, lease obligation and other interest bearing liabilities

At March 31, 2010	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Short-term bank loans	¥ 6,834	¥ —	¥ —
Commercial paper	7,000	—	—
Bonds	—	15,000	35,000
Long-term debt	104,667	128,334	16,792
Lease obligation	842	1,961	1,775
Liabilities on transfer of long-term receivables	675	54	—

At March 31, 2010	Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Short-term bank loans	\$ 73,455	\$ —	\$ —
Commercial paper	75,236	—	—
Bonds	—	161,220	376,182
Long-term debt	1,124,972	1,379,347	180,487
Lease obligation	9,051	21,084	19,082
Liabilities on transfer of long-term receivables	7,265	581	—

18. Derivatives

Derivative transactions to which hedge accounting is not applied at March 31, 2010.

Currency related:	Millions of yen			
	Contract amount	Contract amount due after one year	Fair value*	Unrealized gain (loss)
Transactions other than market transactions				
Currency swap contracts:				
U.S. \$ receipt, JPY payment	¥ 315	¥ 135	¥ (42)	¥ (42)

Currency related:	Thousands of U.S. dollars			
	Contract amount	Contract amount due after one year	Fair value*1	Unrealized gain (loss)
Transactions other than market transactions				
Currency swap contracts:				
U.S. dollar receipt, Japanese yen payment	\$ 3,385	\$ 1,450	\$ (458)	\$ (458)

* Fair value is based on the amount obtained from the financial institution.

Derivative transactions to which hedge accounting is applied at March 31, 2010.

			Millions of yen		
Currency related: Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value**
Normal method	Forward foreign currency contracts: Buying US\$, etc.	Forecasted transaction on payables in foreign currencies	¥ 1,280	¥ —	¥ 21
Hedged items translated using contract rates	Forward foreign currency contracts: Selling US\$, etc.	Trade receivables – account	59	—	***
	Forward foreign currency contracts: Buying US\$, etc.	Trade receivables – account	1,450	—	

			Thousands of U.S. dollars		
Currency related: Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value**
Normal method	Forward foreign currency contracts: Buying US\$, etc.	Forecasted transaction on payables in foreign currencies	\$ 13,767	¥ —	\$ 234
Hedged items translated using contract rates	Forward foreign currency contracts: Selling US\$, etc.	Trade receivables – account	639	—	***
	Forward foreign currency contracts: Buying US\$, etc.	Trade receivables – account	15,594	—	

** Fair value is based on the amount obtained from the financial institution.

*** Fair values of derivatives are included in the fair values of the related trade receivables-account and trade payables-account, since they are accounted for in translating the hedged items.

19. Income taxes

Income taxes applicable to the Company and consolidated subsidiaries comprise (1) corporation tax, (2) enterprise tax, and (3) inhabitant tax. While the normal statutory tax rates were

approximately 40.7 percent both in 2010 and 2009, these income taxes resulted in effective tax rates of approximately 48.2 percent and 51.1 percent in 2010 and 2009, respectively.

The following table reconciles the above statutory tax rate to the Company's effective tax rate for the years ended March 31, 2010 and 2009.

	2010	2009
Statutory rate	40.7%	40.7%
Non-deductible items	3.8	6.8
Non-taxable items	(4.8)	(3.0)
Inhabitants' minimum taxes	5.2	4.2
Loss on investments under equity method	12.4	—
Profit on a change in interest in an affiliate	(3.9)	—
Adjustment due to sales of shares in an affiliate	(6.8)	—
Other, net	1.6	2.4
Effective tax rate	48.2%	51.1%

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Current:			
Allowance for doubtful accounts	¥ 140	¥ 214	\$ 1,505
Accrued bonuses	7,538	7,459	81,025
Enterprise tax payable	663	101	7,126
Lease transaction	1,096	1,730	11,783
Other	9,860	15,273	105,982
Total deferred tax assets – current	19,298	24,780	207,422
Non-current:			
Allowance for doubtful accounts	600	712	6,451
Retirement benefits	42,941	44,369	461,535
Unrealized gain	2,005	2,025	21,552
Impairment loss	3,389	5,587	36,435
Other	7,355	8,484	79,054
Total deferred tax assets-non-current	56,291	61,179	605,629
Sub-total	75,590	85,959	812,451
Valuation allowance	(9,475)	(7,372)	(101,840)
Total deferred tax assets	¥ 66,115	¥ 78,587	\$ 710,611

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax liabilities:			
Current:			
Reserve for deferred gains on fixed assets	¥ 836	¥ 836	\$ 8,989
Other	2,650	11,412	28,483
Total deferred tax liabilities – current	3,486	12,249	37,473
Non-current:			
Reserve for deferred gains on fixed assets	17,294	18,208	185,885
Gain on securities contribution to employees' retirement benefits trust	20,960	20,653	225,284
Unrealized gain on securities	22,915	19,467	246,300
Other	2,031	2,897	21,829
Total deferred tax liabilities – non-current	63,202	61,227	679,300
Total deferred tax liabilities	¥ 66,688	¥ 73,476	\$ 716,773
Total net deferred tax assets:			
Current	¥ 15,234	¥ 12,476	\$ 163,745
Total net deferred tax liabilities:			
Non-current	(15,808)	(7,365)	(169,907)
Total	¥ (573)	¥ 5,110	\$ (6,162)

20. Segment Information

(a) Industry segment information

Operations of the Company and its consolidated subsidiaries have been classified into three industry segments: Distribution and Transportation, Goods Sales and Other. The Distribution and Transportation segment includes railway forwarding, motor transport, marine and harbor transportation, air freight and travel,

warehousing, heavy haulage and construction, in-factory work and other transport operations. The Goods Sales segment includes the sale of vehicles, supplies for transportation, petroleum, LP gas, etc., as well as lease and maintenance operations.

The Other segment includes mediation, planning and design, and management of real estate and a driving school.

Summarized financial information by industry segment for the years ended and as of March 31, 2010 and 2009 is as follows:

	Millions of yen					Total
	Distribution & Transportation	Goods Sales	Other	Sub-total	Adjustment & eliminations	
2010:						
Revenues	¥ 1,288,373	¥ 326,337	¥ 33,919	¥ 1,648,630	¥ (78,996)	¥ 1,569,633
Operating income	32,371	5,890	1,418	39,680	(2,145)	37,535
Identifiable assets	999,776	232,881	43,743	1,276,401	(74,599)	1,201,801
Depreciation & amortization	45,880	6,366	764	53,011	(565)	52,446
Loss on impairment	96	207	160	464	—	464
Capital expenditure	47,522	6,827	1,995	56,346	(66)	56,279

	Thousands of U.S. dollars					Total
	Distribution & Transportation	Goods Sales	Other	Sub-total	Adjustment & eliminations	
2010:						
Revenues	\$ 13,847,519	\$ 3,507,498	\$ 364,566	\$ 17,719,585	\$ (849,064)	\$ 16,870,520
Operating income	347,929	63,313	15,247	426,490	(23,061)	403,429
Identifiable assets	10,745,665	2,503,023	470,158	13,718,846	(801,801)	12,917,045
Depreciation & amortization	493,129	68,425	8,216	569,771	(6,074)	563,696
Loss on impairment	1,032	2,230	1,724	4,987	—	4,987
Capital expenditure	510,774	73,386	21,451	605,613	(715)	604,897

	Millions of yen					Total
	Distribution & Transportation	Goods Sales	Other	Sub-total	Adjustment & eliminations	
2009:						
Revenues	¥ 1,528,695	¥ 369,661	¥ 31,002	¥ 1,929,359	¥ (100,412)	¥ 1,828,946
Operating income	28,109	6,316	1,439	35,865	(2,351)	33,513
Identifiable assets	970,561	231,689	54,887	1,257,138	(85,063)	1,172,074
Depreciation & amortization	52,518	10,163	641	63,322	(236)	63,085
Loss on impairment	—	—	340	340	—	340
Capital expenditure	67,930	6,280	1,645	75,856	(233)	75,622

(b) Foreign operations

Summarized financial information on foreign operations for the years ended 2010 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Revenue from foreign operations	¥ 281,918	¥ 364,423	\$ 3,030,080
Ratio to total revenue	18.0%	19.9%	18.0%

21. Related party information

a. Related party transactions

Transactions with unconsolidated subsidiaries and affiliates

Type of related party	Affiliate (Note 1)
Name of the company	JPEXpress Co., Ltd.
Location	Minato-ku, Tokyo
Capital	¥25,000 million (\$268,701 thousand)
Business	Small-package delivery business and its related services
Ownership of voting rights	14% directly owned (Note 1)
Nature of transactions	Transfer of business (Note 2)
Amounts of transactions:	
Total assets transferred	¥ 13,239 million (\$142,299 thousand)
Total liabilities transferred	¥ 0 million (\$0 thousand)
Consideration	¥ 13,238 million (\$142,291 thousand)
Earnings from a change in interest	¥ 2,478 million (\$ 26,640 thousand)

Notes:

- The company is not considered to be a related party at March 31, 2010 because certain shares were transferred on October 23, 2009. The ownership at March 31, 2010 is presented above.
- This transaction was conducted in accordance with the absorption-type company split agreement on the small-package delivery business and determined based on the appraisal value and book value of the business.

b. Summary of financial information of JP Express Co., Ltd., which is a significant affiliate

	Millions of yen	Thousands of U.S. dollars
Total current assets	¥ 32,347	\$ 347,668
Total non-current assets	29,064	312,381
Total current liabilities	¥ 33,814	\$ 363,439
Total non-current liabilities	3,420	36,765
Total net assets	¥ 24,176	\$ 259,846
Net sales	¥ 57,114	\$ 613,874
Loss before income taxes	(24,417)	(262,438)
Net loss	(24,609)	(264,506)

Because certain shares were sold on October 23, 2009 and accordingly, the company was excluded from the scope of affiliates in the third quarter of the fiscal year ended March 31, 2010, above information is based on the financial data at September 30, 2009.

22. Contingent liabilities

As of March 31, 2010, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
Notes discounted with banks	¥ 56	\$ 603
Guarantees of loans, primarily of unconsolidated subsidiaries and affiliates	1,653	17,770

23. Subsequent events

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2010 was approved at the Company's shareholders' meeting held on June 29, 2010:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥5.0 (\$0.0537) per share	¥ 5,213	\$ 56,040

Report of Independent Auditors



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Report of Independent Auditors

The Board of Directors
Nippon Express Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nippon Express Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Express Co., Ltd. and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 29, 2010

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95702 Roissy Aeroport Charles De Gaulle, France

NIPPON EXPRESS (ITALIA) S.R.L.

Via Londra 12, 20090 Segrate (Mi), Italy

NIPPON EXPRESS (SCHWEIZ) AG

Grindel Strasse 19, 8303 Bassersdorf, Switzerland

NIPPON EXPRESS DE ESPAÑA, S.A.

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

NIPPON EXPRESS PORTUGAL S.A.

Aeroporto De Lisboa, Edificio 125, Piso 3
Gab 6, 1700 Lisbon, Portugal

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

Lob21, Room No. 31, P.O. Box 17341, Jebel Ali, Dubai
United Arab Emirates

East Asia

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

1101 Chinachem Golden Plaza
77 Mody Road, Tsim Sha Tsui East
Kowloon, Hong Kong

NIPPON EXPRESS (SHENZHEN) CO., LTD.

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

NIPPON EXPRESS (ZHUHAI) CO., LTD.

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

NIPPON EXPRESS (ZHUHAI F.T.Z.) CO., LTD.

No. 27-1-1, Zhuhai Free Trade Zone
Hong Wan, Zhuhai, Guangdong 519060, P.R.C.

NIPPON EXPRESS (SOUTH CHINA) CO., LTD.

Room1312, Hongchang Plaza, Shennan East Road
Luohu, Shenzhen 518002, P.R.C

NIPPON EXPRESS (CHINA) CO., LTD.

Room 301, Bja Building, Beijing Tianzhu Airport Industrial Zone
10 Tianzhu Road, Shunyi District
Beijing 101312, P.R.C.

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

2F, West Side, Nippon Express Warehouse
Yantain Port Free Trade Zone
Shenzhen 518083, P.R.C.

**NIPPON EXPRESS GLOBAL LOGISTICS
(SHANGHAI) CO., LTD.**

11, De Bao Lu, Wai Gao Qiao Free Trade Zone
Shanghai 200131, P.R.C.

NIPPON EXPRESS (XIAMEN) CO., LTD.

No.23-1B, Xiangxing 1Road, Xiangyu Free Trade Zone
Xiamen 361006, P.R.C.

NIPPON EXPRESS (JIAXIHG) CO., LTD.

Rm, 415, BoYuang Bldg, No.6 DongFang Road
ZhaPu Development Zone,
Jiaxing, Zhejiang, 314201, P.R.C.

SHANGHAI NITTSU PULING LOGISTICS CO., LTD.

No.333 Ke Yuan Road, Pudong New Area, Shanghai 201203
P.R.C.

NIPPON EXPRESS (SUZHOU) CO., LTD

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

SHANGHAI E-TECHNOLOGY CO., LTD.

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

NITTSU SINOTRANS LOGISTIC DALIAN LTD.

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

NIPPON EXPRESS (SHANGHAI) CO., LTD.

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

NEX GLOBAL LOGISTICS KOREA CO., LTD.

11F Kyobo Securities B/D
26-4 Yeouido-Dong
Yeoungdeungpo-Gu, Seoul
150-737, Republic of Korea

NIPPON EXPRESS (TAIWAN) CO., LTD.

14Fl., No.285, Sec. 4, Chung Hsiao E. Road, Da-an District
Taipei City 10692, Taiwan, R.O.C.

BEACON INTERNATIONAL EXPRESS CORP.

406F, No.18, Sec.1, Chang-an E. Road, Jhongshan District
Taipei City 10446, Taiwan, R.O.C.

South Asia/Oceania

NIPPON EXPRESS (SINGAPORE) PTE., LTD.

40 Alps Avenue, Singapore 498781

NIPPON EXPRESS (AUSTRALIA) PTY., LTD.

Airgate Business Park, 291 Coward Street
Mascot, N.S.W. 2020, Australia

NIPPON EXPRESS (NEW ZEALAND) LTD.

37 Andrew Baxter Drive, Airport Oaks, Mangere
(P.O. Box 73035, Auckland Int'l Airport) New Zealand

NEX LOGISTICS (MALAYSIA) SDN, BHD.

Mezzanine Floor, 8A Jalan Sri Semantan 1, Damansara Heights
Kuala Lumpur, Malaysia

NIPPON EXPRESS (MALAYSIA) SDN, BHD.

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Selangor Darul Ehsan, Malaysia

NITTSU TRANSPORT SERVICE (M) SDN, BHD.

Lot 4286, Batu 12, Jalan Balakong, 43300 Sri Kembangan
Selangor Darul Ehsan, Malaysia

NIPPON EXPRESS (PHILIPPINES) CORPORATION

No.8 Johann St., Bo. Ibayo, Pascor Drive, Paranaque City
Metro Manila, Philippines

NEP LOGISTICS, INC.

Unit 1 Lot 10 Phase 4, East Science Ave.
Laguna Technopark, Inc. Binan
Laguna, Philippines

NEP DISTRIBUTORS SYSTEM, INC.

Unit 1 Lot 10 Phase 4, East Science Ave.
Laguna Technopark, Inc. Binan
Laguna, Philippines

HI-TECH NITTSU (THAILAND) CO., LTD.

Lake Rajada Office Complex, 193/88
21st Fl., Rachadapisek Road, Klong-Toey, Bangkok, 10110
Thailand

NEX LOGISTICS THAILAND CO., LTD.

3195/16 11th Floor, Vibulthani Tower 1, Rama 4 Road
Klong Ton, Klong Toey Bangkok, 10110, Thailand

NIPPON EXPRESS (THAILAND) CO., LTD.

3195/16 11th Floor, Vibulthani Tower 1, Rama 4 Road
Klong Ton, Klong Toey Bangkok, 10110, Thailand

NIPPON EXPRESS ENGINEERING (THAILAND) CO., LTD.

3195/16 11th Floor, Vibulthani Tower 1, Rama 4 Road
Klong Ton, Klong Toey Bangkok, 10110, Thailand

TBSC LOGISTICS CO., LTD

14/3 Phaholyothin Road, Tambol Klongnung, Amphur Kongluang
Pathumthani 12120, Thailand

PT. NIPPON EXPRESS INDONESIA

Soewarna Business Park Block J lot 12
Bandara International Soekarno-Hatta
Jakarta, 19110, Republic of Indonesia

P.T. NITTSU LEMO INDONESIA LOGISTIK

Jl. Raya Cakung Cilincing Kav. 14
Cakung-Timur, Cakung, Jakarta
13910, Republic of Indonesia

NIPPON EXPRESS (INDIA) PTE., LTD

'Logistics Park', Plot No.7, Road No.10
Export Promotion Indl. Park
Whitefield. Bangalore-560066, Republic of India

NIPPON EXPRESS (VIETNAM) CO., LTD.

R. 5.2-5.3 e. town, 364 Cong Hoa Street, Tan Binh District
Ho Chi Minh City,
Socialist Republic of Vietnam

Major Representative Offices

Moscow Representative Office

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

Johannesburg Representative Office

11 Pomona Road, Cnr. Hawthorne Road
Kempton Park 1619, South Africa

Seoul Representative Office

c/o The Korea Express Co., Ltd.
58-12, Seosomun-Dong, Chung-Ku Seoul, 100-110, Republic of Korea

Pusan Representative Office

Korea Express Bldg., Room No.909
1211-1, Choryang-Dong, Dong-Ku, Pusan, 601-714, Republic of Korea

(As of March 31, 2010)

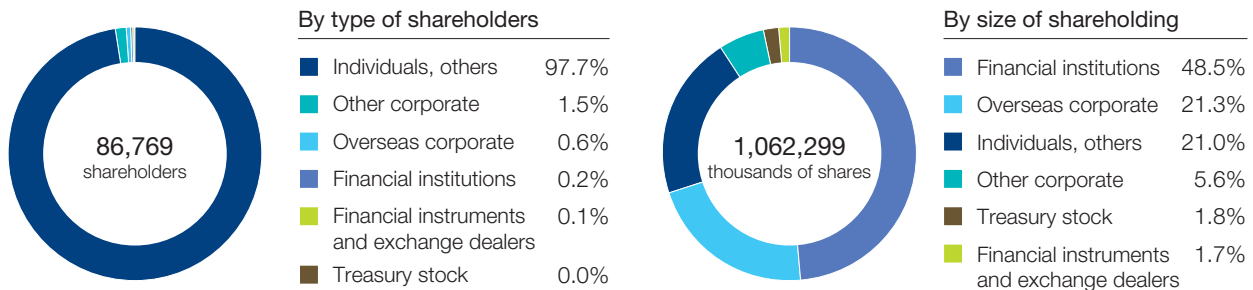
Name	Nippon Express Co., Ltd.
Headquarters	1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322, Japan Tel: +81 (3) 6251-1111
Formal establishment	October 1, 1937
Paid-in capital	¥70,175 million
Employees	35,174
URL	(Japanese) http://www.nittsu.co.jp/ (English) http://nipponexpress.com/

Areas of operations

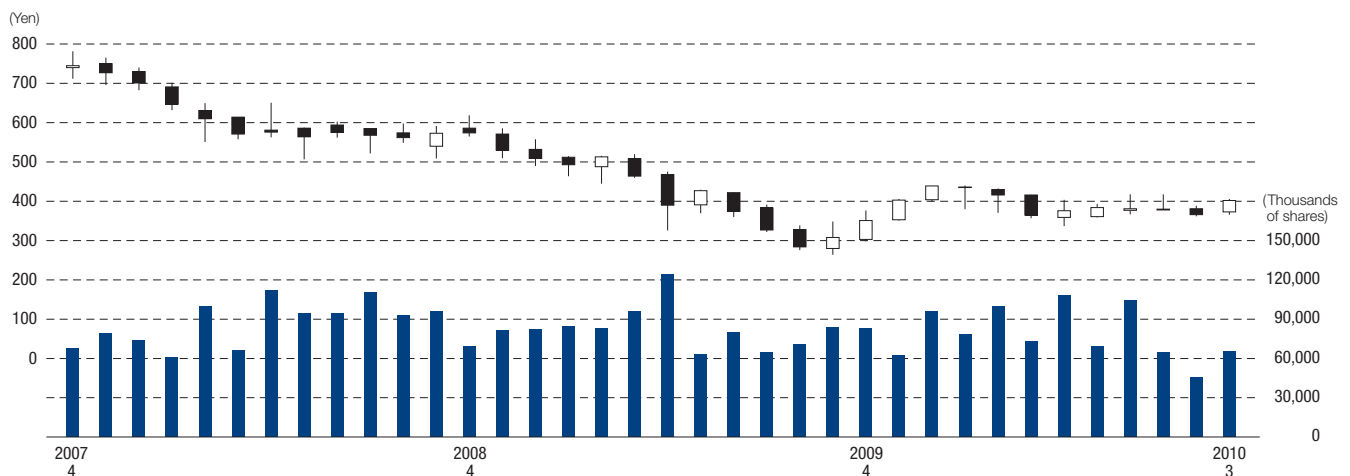
- | | |
|--|---|
| 1 Railway utilization transportation business | 16 Damage insurance agency business |
| 2 Motor cargo transportation business | 17 Packing and packaging business |
| 3 Motor vehicle utilization transportation business | 18 Packing, display and storage business of pharmaceuticals, quasi-pharmaceuticals, cosmetics and medical equipment |
| 4 Marine transportation business | 19 Travel business |
| 5 Coastal shipping business | 20 Transportation, erection and installation of heavy cargoes, and business activities incidental thereto |
| 6 Harbor transportation business | 21 Sales and purchases, leasing and letting of immovables and business activities incidental thereto |
| 7 Vessel utilization transportation business | 22 Guarding business |
| 8 Air freight forwarding business | 23 Employees dispatching business |
| 9 Cargo transportation business and freight utilization business other than those mentioned in the foregoing items | 24 Industrial wastes disposal service |
| 10 Cargo transportation agency business | 25 Special correspondence delivery service |
| 11 Warehousing business | 26 Collection and disposition of physical distribution information and incidental business thereto |
| 12 Construction business | 27 Business incidental to all items mentioned above |
| 13 Customs brokerage business | 28 Investments in and loans for all items mentioned above |
| 14 Express clearing business | |
| 15 Air transportation agency business | |

(As of March 31, 2010)

Stock listing	Tokyo, Osaka	
Number of shares	Total number of shares authorized	3,988,000,000
	Total number of shares issued	1,062,299,281
Number of shareholders	86,769	
Stock transfer agent	Mitsubishi UFJ Trust and Banking Corporation	

Distribution of shares**Major shareholders**

	Number of shares held (Thousands of shares)	Investment ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	98,256	9.4
Japan Trustee Services Bank, Ltd. (Account in Trust)	65,672	6.2
Asahi Mutual Life Insurance Company	65,464	6.2
Nipponkoa Insurance Co., Ltd.	50,294	4.7
Mizuho Corporate Bank, Ltd.	41,477	3.9
Nippon Express Employees' Shareholding Association	29,076	2.7
Japan Trustee Services Bank, Ltd. (Account in Trust No. 4)	21,190	2.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,554	1.9
Japan Trustee Services Bank, Ltd. (Account in Trust No. 9)	14,229	1.3
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	14,199	1.3

Stock price movement



1-9-3, Higashi-Shimbashi, Minato-ku, Tokyo 105-8322, Japan

Phone: +81 (3) 6251-1111

URL: (Japanese) <http://www.nittsu.co.jp/>

(English) <http://www.nipponexpress.com/>

