SEINO

Annual Report 2016

Year Ended March 31,2016

Profile

Seino Holdings Co., Ltd. ("the Company") began business as a trucking company in 1930 and was incorporated in 1946. Based in the city of Ogaki, Gifu Prefecture, we are a leading trucking company, expanding in step with the growth of the Japanese economy and the development of the nation's extensive expressway network. On October 1, 2005, the Company transferred its transportation business and other operations to a new company—which has taken the original name Seino Transportation Co., Ltd.—and was renamed Seino Holdings Co., Ltd., adopting a pure holding company structure.

The Seino Group currently consists of the pure holding company Seino Holdings, 71 consolidated subsidiaries and 18 affiliates engaged in transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services.

In its mainstay Transportation Services business, the Company has taken steps to build even more convenient logistics systems, all the while adhering to its "customer-first" principle.

As of March 31, 2016, Seino offers efficient transportation services throughout Japan via its 651 domestic terminals, a fleet of 24,789 trucks and a trucking network that averages 4,000 routes daily.

Overseas, Seino has transferred its international forwarding operations to Schenker-Seino Co., Ltd., a joint venture established with Schenker AG in Germany.

Through this alliance, the Company aims to bolster its competitiveness by optimizing the synergies of Seino's domestic transportation network and Schenker's global network and cutting-edge IT systems.

The Seino Group is committed to providing rapid services that deliver total customer satisfaction and will proceed down the "Road to Success" to become a highly profitable company through initiatives to develop a progressive business model that will become the standard for next-generation transportation business.

Forward-looking Statements:
In this annual report, statements other than historical facts are forward-looking statements that reflect the plans and expectations of the Company. These forward-looking statements involve risks, uncertainties and other factors that may cause the Company's actual results and achievements to differ materially from those anticipated in these statements.

Contents

Board of Directors

(As of June 26, 2016)

President	Yoshitaka Taguchi
Representative Director	Takao Taguchi
Directors	Shizutoshi Otsuka Masahiro Kamiya Hidemi Maruta Harumi Furuhashi
Outside Directors	Yuji Tanahashi Kenjiro Ueno
Standing Statutory Auditors	Takahiko Kumamoto Shingo Terada
Outside Statutory Auditors	Fumio Kato Eiji Kasamatsu

Seino Holdings Co., Ltd.

Financial Highlights

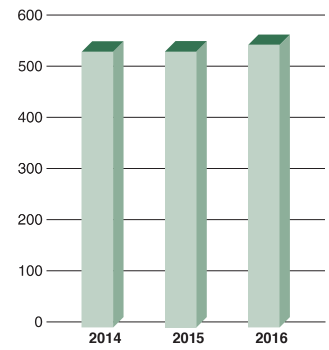
For the Years Ended March 31, 2016, 2015 and 2014

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2016	2015	2014	**2016**
CONSOLIDATED BASIS:				
Operating revenue	**¥ 555,457**	¥ 542,452	¥ 543,407	**$ 4,915,549**
Operating income	**26,186**	21,386	20,189	**231,735**
Income before income taxes	**27,957**	23,262	25,038	**247,407**
Net income	**18,864**	14,456	15,490	**166,938**
Net income per share (yen)	**94.87**	72.67	77.85	**0.84**

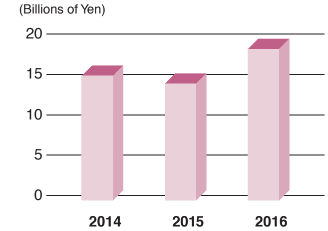
	Millions of Yen			Thousands of U.S. Dollars (Note)
	2016	2015	2014	**2016**
CONSOLIDATED BASIS:				
Cash and cash equivalents, and short-term investments	**¥ 91,444**	¥ 91,998	¥ 97,729	**$ 809,239**
Property and equipment, net of accumulated depreciation	**290,151**	275,034	270,888	**2,567,708**
Total assets	**579,565**	548,525	542,411	**5,128,894**
Long-term debt and other long-term liabilities	**104,351**	83,382	83,676	**923,460**
Net assets	**371,007**	363,314	346,339	**3,283,248**
Net assets per share (yen)	**1,835.78**	1,778.29	1,696.37	**15.30**

(Note) U.S. dollar amounts are translated at ¥113 = U.S. $1, only for the convenience of readers.

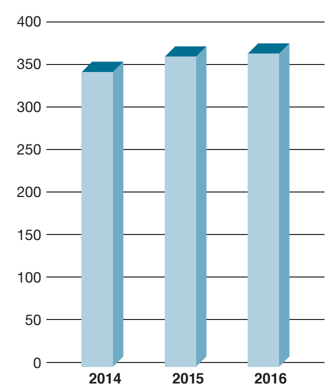
Operating revenue



Net income
(Billions of Yen)



Net assets
(Billions of Yen)



Corporate Data

(As of March 31, 2016)

Company Name	Seino Holdings Co., Ltd.
Head Office	1, Taguchi-cho, Ogaki, Gifu 503-8501, Japan Tel: 81-584-82-3881 Fax: 81-584-82-5040
Date of Establishment	November 1, 1946
Paid-in Capital	¥42,482 million
Number of Shares Issued	207,679,783
Stock Listings	The First Section of Tokyo Stock Exchange (code 9076) The First Section of Nagoya Stock Exchange (code 9076)
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Independent Auditors	KPMG AZSA LLC

To Our Shareholders, Customers and Friends

We would like to take this opportunity to express our appreciation to our stakeholders, including shareholders and other investors, for the consistent support you have shown us over the years. The results for the fiscal year ending March, 2016 (April 1, 2015 to March 31, 2016) are presented herein.

NEW Medium-term Management Plan "JUMP UP 70" 2014/4-2017/3

The following is a brief report on the performance of Seino Holdings Co., Ltd. for the fiscal year ended March 31, 2016, our 95th term (from April 1, 2015 to March 31, 2016).

In the fiscal year under review, Japan's economic prospects remained unclear despite signs of improvement in corporate earnings, improvement in employment and income conditions, and the continued moderate tone of economic recovery. In relation to personal consumption, there was no sign of momentum in the recovery of consumer sentiment. On the other hand, the effect of economic slowdown in emerging countries in Asia, such as the Chinese economy, and resource-rich countries, became a cause for concern.

In the transportation industry, the Seino Group's mainstay business, there was an ongoing trend of decline in freight volume. Amid this trend, rising outsourcing costs and increases in personnel expenses, both reflecting a shortage of labor, put pressure on businesses.

Initiatives and Results for the Fiscal Year under Review

In this environment, pushing forward together, we steadily implemented the various measures in our medium-term management plan "JUMP UP 70: Change for the Future," which is now in its second year, working toward its successful completion. By putting effort into strengthening business and expanding business fields, we worked to improve the Company's corporate value.

As a result, operating revenue for the fiscal year ended March 31, 2016 was ¥555,457 million (up 2.4% year on year), operating income was ¥26,186 million (up 22.4% year on year), ordinary income was ¥28,275 million (up 20.3% year on year), and profit attributable to owners of parent was ¥18,864 million (up 30.5% year on year).

Future Outlook

In our outlook for the Japanese economy, we expect that the moderate tone of recovery will continue amid ongoing improvement in employment and income conditions, and on the back of various policy measures. Nevertheless, there are lingering uncertainties reflecting concerns such as downswings in overseas economies, the effect of yen appreciation and weakness in stock markets.

In the transportation industry, the primary industry of the Seino Group, we don't expect freight volume to increase. Given this situation, we forecast that the operating environment will continue to be unpredictable because we expect an increase in personnel expenses and rising outsourcing costs, both reflecting a shortage of labor.

Against this background, we will aim to achieve the targets in our medium-term management plan, which will be in its final year, by steadily implementing the various measures in the plan. We are also putting effort into new business and will make all-out efforts to realize the expansion and development of our businesses.

In the Transportation Services Business, we will not only work to acquire new customers and expand our logistics business, but also actively promote the receipt of reasonable transport fees and charges. We will also work to properly manage our costs. In these ways we will endeavor to secure revenue and profit. Also, we will relocate and newly establish truck terminals to further strengthen our network, and work to further improve customer satisfaction with the virtuous transportation cycle.

In the Vehicle Sales Business, we will continue working to firmly maintain our profit structure not only with respect to sales of new vehicles but also with a stronger focus on sales of used vehicles, vehicle inspections, vehicle maintenance and garage services, and other operations, by accurately grasping changing consumer needs.

Furthermore, we made Toyota Home Gifu Co., Ltd., one of our consolidated subsidiaries, a wholly-owned subsidiary on April 1, 2016. We believe that this move will further strengthen the capital relationships across the whole Group and allow us to respond nimbly and flexibly to changes in the increasingly difficult business environment.

Amid the changing operating environment surrounding the Seino Group, we have chosen "Progress" to be this year's slogan. In accordance with this slogan, we are aiming to be a corporate group that can better contribute to society through the combined efforts of the Seino Group's 71 companies, and through self-regulation to adapt to the changing times.

To all shareholders, we sincerely ask for your ongoing encouragement and support into the future.

Corporate Governance

Seino employs a corporate auditor system. As of March 31, 2016, the Board of Directors consisted of 9 directors, including 2outside directors. In addition to making swift and appropriate decisions on such important matters as business restructuring and strategic investments, the Board of Directors is strengthening auditing functions and achieving greater management transparency.

The Company also has 4 corporate auditors, including 2 outside auditors. Auditors are committed to improving compliance and enhancing the trust that society has in the company through such activities as attending meetings of the Board of Directors, conferences of directors and other important gatherings, and auditing business execution.

To Our Shareholders

Our company considers its shareholders' profits as one of its core management policies.

Regarding profit allocation, while trying to enhance shareholders' equity and to improve the profitability from mid- and long-term perspectives, we endeavor to implement interim dividends and, in principle, set an annual cash dividend with a lower limit of ¥11 per share, and also aim for a consolidated dividend payout ratio of 30%.

We will continue to further mold the Seino Group to provide the best quality with its logistics services, and aim to become the top domestic commercial distributor by making solid management as a basic policy that "improves our company, and lives up to the trust and expectations of its customers, shareholders, business partners, and employees," together with enhancing the lives of Japanese citizens. In addition to working to exercise the "industry's most efficient group management," we will also work to improve corporate value and shareholder value.

June 2016

Yoshitaka Taguchi,
President

Special Feature

Expanding Our Operations Scope and Creating New Value

The Seino Group established "Change for the Future", a medium-term management plan beginning in the fiscal year of 2015, and vigorously promoted the forming of new systems which match group company functions and customers to provide a logistics service which "connects to the needs" of all customers. In addition, the Seino Group has strove to become a corporation where each of its individual companies is the one chosen by customers in their respective industries, thereby building an unshakeable business foundation.

The following outlines initiatives implemented by respective business groups in the fiscal year of 2016.

Business Group Initiatives

Transportation Services/Business Group

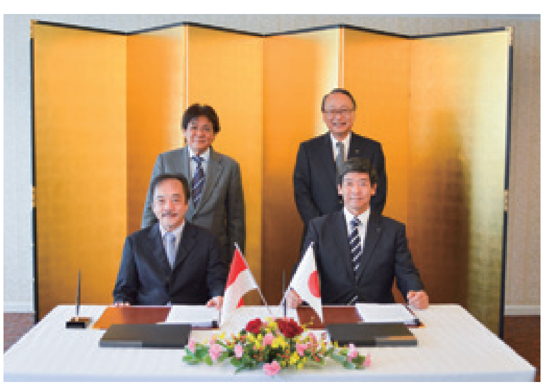
Cooperative Logistics Operations with Salim Group in Indonesia

Seino Holdings has agreed to work together with Salim Group in Indonesia in regard to logistics operations in Indonesia and other ASEAN countries.

The volume of cargo in Indonesia has heightened its status as a production base for major manufacturers around the world, and the amount of cargo aimed toward domestic retailers in Indonesia is likely to grow together with the development of Indonesia's major metropolitan areas.

Therefore, the unification of Salim Group's logistics platform and Seino Holdings' logistics know-how and technology will allow the provision of high quality services at low costs.

From now on, we will be establishing logistics and business support joint ventures in Indonesia, and then begin our logistics operations.



Commemoration of the Achievement of Zero Accidents Throughout the Company

Seino Transportation commemorated the achievement of an October in 2016 without any accidents involving any of its company vehicles, and held a tree planting ceremony in the courtyard of its headquarters on December 4th. President

Taguchi, President Otsuka, and Worker's Union President Kondo, along with board directors from 14 areas and board members thrust their shovels into the ground. The absence of accidents among company vehicles during the 49th Kangaroo Campaign in October marked the second accident-free year, starting last year.

Second Busan Logistics Center Completed

Construction of Seino Logix's (headquarters in Yokohama City) Second Busan Logistics Center, operated by its Korean partner MS Distripark, has been completed in the Busan Sinhang's Ung-dong area.

This center is equipped with the first freezer and refrigerated warehouse in the Busan Sinhang area, and there are expectations regarding a new demand for the foods, medical supplies, and precision machines previously handled by the Pusan Platform Project.

Adoption of Kanto Transportation as a Subsidiary

With the acquisition of Kanto Unyu's (headquarters in Maebashi City) stocks, Seino Holdings has adopted the company as one of its subsidiaries.

Kanto Unyu has an

affluence of technology and know-how in regard to refrigerated transport, and holds the area's top distribution network with refrigerated transportation in the northern Kanto area of Japan.

It also has a network capable of handling refrigerated distribution around Japan, and will now become an asset to expanding the Seino Group's full transportation network and the three room temperature, refrigerated, and frozen transport temperatures it handles, as well as strengthening its logistics services.

The Complete Adoption of 6 Subsidiary Companies

In an effort to optimize its capital, Seino Holdings is further strengthening the unification of its group and improving its profit ability, as well as further solidifying its capital relations throughout the group, and has completely adopted 6 consolidated subsidiaries through share exchanges.

The 6 companies adopted are the transportation companies, Seino Super Express and Seino Tuuun; automotive parts supplier, Seino Sangyo; insurance agency, Seino Family; taxi company/travel agency, Suito Travel; and construction contractor company, Seino Engineering.

Opening of Seino Logi Trans Shinkiba

Seino Logi Trans Shinkiba gained the Tokyo branch platform on the 1st floor, the Tokyo branch office on the 2nd floor, and the Fukagawa branch office and platform on the 3rd floor as its new residents. The size of the platforms is 153 m × 50 m for the Tokyo branch, and 142 m × 39 m for the Fukagawa branch. The Tokyo branch's platform is readily viewable from its office located just above.

On each platform is a rising/lowering ramp possible for forklifts to run on. The 1st floor Tokyo branch's platform also has an elevator making the raising and lowering of carts and units simpler and even contributes to more effective work to be done. In addition, the four-story terminal building has been granted better circulation with the installment of 3 cargo elevators.

Seino Logi Trans Shinkiba Tokyo Distribution Center

The Tokyo Distribution Center has been situated on the Seino Logi Trans's 5th and 6th floors. This distribution center was established in consideration of the TPP as a point of contact for domestic logistics (known as "domestics") and overseas logistics (known as "global"), and to provide 24-hour integrated service for transfer center and distribution center functions in Tokyo Bay.

Vehicle Sales & Other Businesses

Used Vehicle Auctions Thriving

"The 40th Hino Central Auction" for used vehicles was held at Gifu Hino Motor (headquarters in Anpachi County, Gifu Prefecture).

This auction was held by 7 of Hino Motor's distributors in Japan's Chubu region, and 289 compact to large-sized trucks and minibuses were put up for auction. Over 100 automobile companies from all over Japan convened at the auction, making 146 successful bids. We will be working to steadily provide used, quality vehicles for the demands of construction and export of older vehicles for things like the Tokyo Olympics.

Reception of an IBM Award

Seino Information Service (headquarters in Ogaki City) was bestowed the award of "Top Business Partner" at the IBM Choice Awards, a ceremony in which the U.S. IBM Headquarters awards its business partners active in 7 different locations around the world.

Expanding Our Operations Scope and Creating New Value

Transportation Services Business

In the Transportation Services Business, based on our medium-term management plan, we sought to expand revenue and secure profit by steadily implementing primary policies such as the achievement of stability in the transportation network, expansion of the logistics business and promotion of the receipt of reasonable transport fees.

With respect to office expansion efforts, Seino Transportation Co., Ltd. carried out the relocation of the Tokyo branch to a brand new building (Koto Ward), and the new establishment of the Tokyo Logistics Center, and newly began operation of Seino Logi-Trans Shinkiba. Seino Logi-Trans Shinkiba is Seino Group's largest facility. It combines the logistics functions of TC (transfer center) and DC (distribution center) and serving as the connecting point for domestic and international logistics on a 24 hour basis, it will contribute to further improving customer satisfaction.

Seino Super Express Co., Ltd. is working to strengthen its sales capabilities and enhance efficiency with efforts such as relocating the Oita Hiji sales office, which began operation as the North Oita sales office (Usa City, Oita Prefecture), as well as reorganizing multiple moving centers.

At Seino Transportation Co., Ltd., the core company of the Transportation Services Business group, we continued to promote proactive negotiations for receiving reasonable transport fees and charges, which are the sources of stable freight. In parallel with this, we worked to properly manage operation capabilities and costs, improve load efficiency in consolidated deliveries, etc., and strove to ensure revenue and profit. Also, we earned our customers' trust by working to further improve the virtuous transportation cycle.

As a result of the above, operating revenue for this segment was ¥416,113 million, up 4.3% year on year, and operating income was ¥19,113 million, up 30.0% year on year.

Vehicle Sales Business

In the passenger vehicle sales, we carried out sales activities centered on green vehicles, for which there are high customer needs, and sales operations taking advantage of the effects of new vehicle model launches. Despite these efforts, while orders were focused on new models and some popular models, there was slow growth for sales of volume retail models, and the number of new vehicles sold was down year on year.

The number of used vehicles sold also decreased year on year, reflecting a decrease in the number of wholesale vehicles due to a shortage of trade-in vehicles, despite an increase in the number of retail vehicles from carrying out campaigns and holding business conventions.

Furthermore, we worked to secure service revenue by promoting vehicle inspections focused on improving customer satisfaction, and vehicle maintenance and garage services, as well as the sale of tires, etc.

In truck sales, the number of new vehicles sold increased year on year due partly to demand for construction-use trucks and demand for trading in cargo trucks. Furthermore, operating income was up year on year as a result of efforts to capture demand for vehicle inspections and other forms of vehicle maintenance, and make sales of used vehicles and parts.

Our office expansion efforts consisted of the complete refurbishment of the Seki-higashi branch (Seki City, Gifu Prefecture) by Netz Toyota Gifu Co., Ltd.

As a result of the above, operating revenue for this segment was ¥94,441 million, down 1.0% year on year, but operating income was ¥4,926 million, up 0.7% year on year.

Merchandise Sales Business

The Merchandise Sales Business engages in the sale of fuel, paper and paper products and the direct delivery of locally made products.

Operating revenue for this segment was ¥28,029 million, down 14.3% year on year, due partly to the effect of a fall in sales unit prices for fuel sales. However, operating income was ¥772 million, up 2.3% year on year because sales for the direct delivery of locally made products, etc. were firm.

Leasing for Real Estate Services Business

In the Leasing for Real Estate Services Business, we strove to effectively utilize business resources by leasing the former truck terminals and the sites where there used to be stores, which had been replaced mainly due to the impact of urban development and current operating space becoming increasingly cramped.

Operating revenue for this segment was ¥1,472 million, up 5.1% year on year, and operating income was ¥1,228 million, up 2.4% year on year.

Other Business

Our Other Business segment includes the information services business, the housing sales business, the construction contract business, the passenger transportation business, and the personnel services business.

The number of sales for new construction and sales of land subdivisions increased in the housing sales business. Partly reflecting these factors, operating revenue for this segment was ¥15,402 million, up 9.8% year on year, and operating income was ¥1,107 million, up 102.7% year on year.

Operating Revenue by Business Segment

(Millions of yen)

	FY3/16		FY3/15		
	Results	Composition	Results	Composition	Year-on-Year
Transportation Services	416,113	74.9%	398,972	73.5%	4.3%
Vehicle Sales	94,441	17.0%	95,351	17.6%	(1.0%)
Merchandise Sales	28,029	5.0%	32,699	6.0%	(14.3%)
Leasing for Real Estate Services	1,472	0.3%	1,401	0.3%	5.1%
Other	15,402	2.8%	14,029	2.6%	9.8%
Total	555,457	100.0%	542,452	100.0%	2.4%

Operating Income by Business Segment

(Millions of yen)

	FY3/16		FY3/15		
	Results	Composition	Results	Composition	Year-on-Year
Transportation Services	19,113	73.0%	14,699	68.7%	30.0%
Vehicle Sales	4,926	18.8%	4,890	22.9%	0.7%
Merchandise Sales	772	3.0%	755	3.5%	2.3%
Leasing for Real Estate Services	1,228	4.7%	1,199	5.6%	2.4%
Other	1,107	4.2%	546	2.6%	102.7%
Total	27,146	103.7%	22,089	103.3%	22.9%
Elimination	(960)	(3.7%)	(703)	(3.3%)	—
Consolidated	26,186	100.0%	21,386	100.0%	22.4%

Financial Review

Operating Results

The consolidated operating revenue of Seino Holdings for the fiscal year ending March, 2016 was ¥555,457 million (a 2.4% increase from the previous fiscal year). This was due to receipt of appropriate shipping charges in our transportation operations and an increase in revenues from rentals in real estate leasing operations. The operating revenue's operating costs amounted to ¥492,802 million (US$4,361,080 thousand), which was a 1.5% increase from the previous fiscal year. The operating cost rate to the operating revenue was 88.7%, which was 1.1 points lower than the previous fiscal year's.

Selling expenses and general administrative expenses came to ¥36,469 million (a 9.1% increase from the same period of the previous year), and operating revenue came to ¥26,186 million (US$231,735 thousand).

Other revenues (expenses) amounted to ¥1,771 million (US$15,673 thousand).

As a result, this term's net income before income taxes and minority interests was 20.2% more than the previous fiscal year, coming to ¥27,957 million (US$247,407 thousand). The net income for this term came to 30.5% more than the previous fiscal year at ¥18,864 million (US$166,938 thousand).

Net income per share was ¥94.87 (US$0.84), and return on equity was 5.3%. The annual cash dividend per share grew to a dividend increase of ¥28.00 (US$0.25), which was a 33.3% increase from the previous fiscal year.

Financial Position

Total assets at the end of the current consolidated fiscal year totaled ¥579,564 million (US$5,128,885 thousand), which was an increase of ¥31,039 million (US$274,681 thousand) from the end of the previous consolidated fiscal year. The main factor in this was things like an increase in goodwill and tangible fixed assets. Liabilities totaled ¥208,558 million (US$1,845,646 thousand), which was a ¥23,347 million (US$206,611 thousand) increase from the end of the previous consolidated fiscal year. The primary reason for this was long-term loans, etc. Lastly, net assets grew ¥7,692 million (US$68,071 thousand) from the end of the previous consolidated fiscal year, amounting to ¥371,006 million (US$3,283,239 thousand). Retained earnings, etc. were the main factor in the increase.

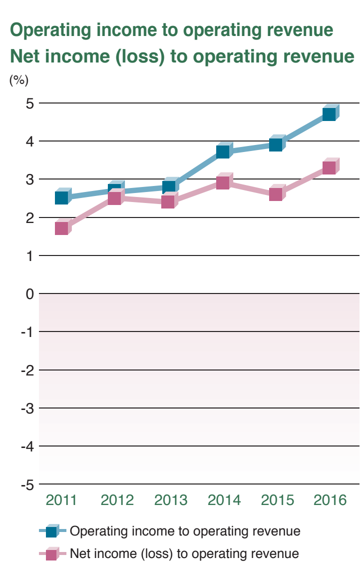
Cash Flows

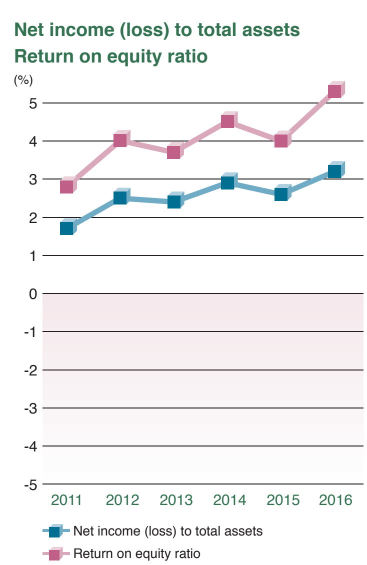
Cash flow from operating activities amounted to ¥30,644 million (US$271,186 thousand), ¥12,148 million (US$107,504 thousand) up from the previous consolidated fiscal year, due to an increase in this term's net income before taxes and minority interests and a decrease in things like corporate taxes.

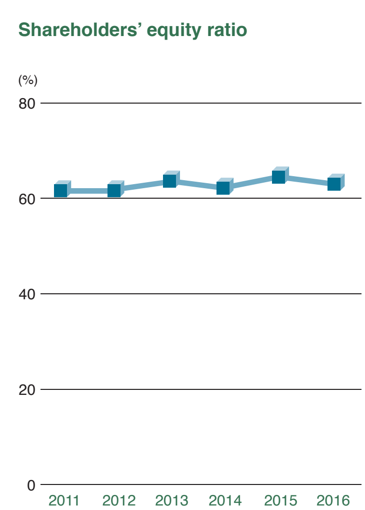
Cash flow from investment activities came to ¥40,899 million (US$361,938 thousand), which was a ¥40,898 million (US$361,929 thousand) increase from the previous consolidated fiscal year, resulting from a decrease in income from negotiable certificates of deposit cashed, but an increase in the purchase of investments in subsidiaries resulting in change in scope of consolidation.

Cash flow from financial activities grew ¥14,643 million (US$129,584 thousand) from the previous consolidated fiscal year, reaching ¥7,358 million (US$65,115 thousand) because of income from things like long-term loans.

As a result, cash and cash equivalents in the current consolidated fiscal year decreased ¥2,939 million (US$26,009 thousand) from the previous consolidated fiscal year, totaling ¥63,838 million (US$564,938 thousand).







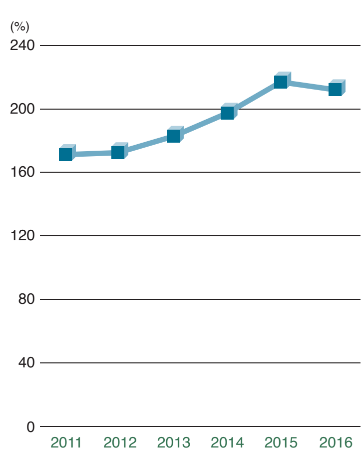
SEINO HOLDINGS CO., LTD. and Consolidated Subsidiaries

Six-year Summary

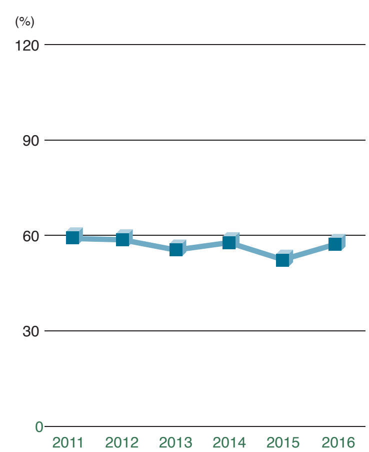
For the Years Ended March 31, 2016, 2015, 2014, 2013, 2012 and 2011

	Millions of Yen					
	2016	2015	2014	2013	2012	2011
For the year:						
Operating revenue:	¥ 555,457	¥ 542,452	¥ 543,407	¥ 516,185	¥ 504,277	¥ 497,612
Transportation services	416,113	398,972	393,320	371,546	370,592	368,771
Vehicle sales	94,441	95,351	100,569	96,148	87,755	87,075
Merchandise sales	28,029	32,699	33,306	32,457	30,144	27,104
Leasing for real estate services	1,472	1,401	1,421	1,438	1,416	1,429
Other	15,402	14,029	14,791	14,596	14,370	13,233
Operating costs	492,802	487,664	490,002	467,596	457,512	452,263
Selling, general and administrative expenses	36,469	33,402	33,218	34,243	32,898	33,023
Operating income	26,186	21,386	20,189	14,346	13,867	12,326
Net income (loss)	18,864	14,456	15,490	12,151	12,542	8,449
At year-end:						
Current assets	221,278	221,338	221,873	196,803	186,255	166,726
Total assets	579,565	548,525	542,411	510,467	500,963	487,701
Current liabilities	104,207	101,829	112,396	107,171	108,219	97,614
Short-term borrowings	2,768	2,519	2,465	2,473	2,475	2,515
Long-term debt, including current maturities	25,293	10,125	10,214	314	565	648
Net assets	371,007	363,314	346,339	331,702	318,650	307,806
	Yen					
Per share data:						
Net (loss) income:						
-Basic	¥ 94.87	¥ 72.67	¥ 77.85	¥ 61.05	¥ 63.02	¥ 42.44
Cash dividends	28.00	21.00	11.00	11.00	11.00	11.00
	Thousands					
Number of shares issued	207,679	207,679	207,679	207,679	207,679	207,679
	Percent					
Ratios:						
Operating income to operating revenue	4.7	3.9	3.7	2.8	2.7	2.5
Net income (loss) to operating revenue	3.3	2.7	2.9	2.4	2.5	1.7
Net income (loss) to total assets	3.2	2.6	2.9	2.4	2.5	1.7
Return on equity ratio	5.3	4.2	4.7	3.8	4.0	2.8
Shareholders' equity ratio	63.0	64.5	62.2	63.4	62.0	61.6
Current ratio	212.3	217.4	197.4	183.6	172.1	170.8
Debt equity ratio	57.2	52.4	58.3	55.3	58.7	59.9
Payout ratio	29.5	28.9	14.1	18.0	17.5	26.2

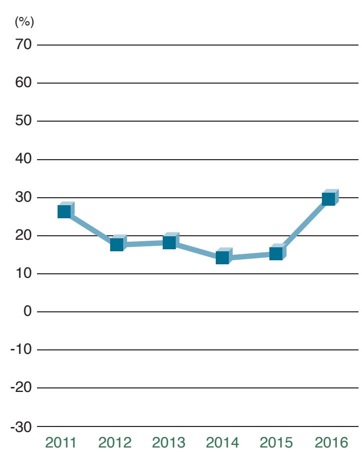
Current ratio



Debt equity ratio



Payout ratio



SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Balance Sheets

March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets:			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 63,839	¥ 66,778	$ 564,947
Short-term investments (Notes 3 and 5)	27,605	25,220	244,292
Trade receivables (Note 3)	109,269	105,257	966,982
Inventories (Note 4)	10,758	9,965	95,204
Deferred tax assets (Note 17)	5,697	4,951	50,416
Other current assets	4,325	9,379	38,274
Allowance for doubtful accounts	(215)	(212)	(1,903)
Total current assets	221,278	221,338	1,958,212
Property and equipment (Notes 6, 7 and 9):			
At cost	581,804	549,691	5,148,708
Accumulated depreciation	(291,653)	(274,657)	(2,581,000)
Net property and equipment	290,151	275,034	2,567,708
Investments and other assets:			
Investment securities (Notes 3 and 5)	28,349	30,335	250,876
Investments in and long-term loans to affiliates (Note 5)	4,071	3,419	36,027
Goodwill	15,804	5	139,859
Deferred tax assets (Note 17)	9,370	5,761	82,920
Employee retirement benefit asset (Note 12)	1,899	4,386	16,805
Other assets	8,643	8,247	76,487
Total investments and other assets	68,136	52,153	602,974
Total assets	¥ 579,565	¥ 548,525	$ 5,128,894
Current liabilities:			
Short-term borrowings (Notes 3, 9, 10 and 11)	¥ 2,768	¥ 2,519	$ 24,496
Current portion of long-term debt (Notes 3, 9 and 11)	1,226	34	10,850
Trade payables (Note 3)	43,148	44,082	381,841
Accrued expenses	14,997	13,624	132,717
Income taxes payable	6,171	3,300	54,610
Other current liabilities	35,897	38,270	317,672
Total current liabilities	104,207	101,829	922,186
Long-term debt (Notes 3, 9 and 11)	24,067	10,091	212,982
Employee retirement benefit liability (Note 12)	72,279	64,453	639,637
Asset retirement obligations (Note 8)	2,581	2,548	22,841
Accrued severance indemnities for directors and corporate auditors	1,635	1,543	14,469
Deferred tax liabilities (Note 17)	2,985	4,364	26,416
Other long-term liabilities	804	383	7,115
Total liabilities	208,558	185,211	1,845,646
Commitments and contingent liabilities (Notes 13 and 14)			
Net assets:			
Shareholders' equity (Note 15):			
Common stock: 794,524,668 shares authorized and 207,679,783 shares issued	42,482	42,482	713,142
Capital surplus	80,585	74,261	2,191,301
Retained earnings	247,617	235,133	(85,549)
Less treasury stock at cost: 8,926,862 shares in 2016 and 8,755,890 shares in 2015	(9,667)	(8,704)	3,194,841
Total shareholders' equity	361,017	343,172	2,859,767
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities	10,618	11,949	93,965
Land revaluation decrement	(114)	(131)	(1,009)
Retirement benefit adjustment	(6,423)	(1,143)	(56,841)
Foreign currency translation adjustments	(230)	(102)	(2,035)
Total accumulated other comprehensive income	3,851	10,573	34,080
Non-controlling interests	6,139	9,569	54,327
Total net assets	371,007	363,314	3,283,248
Total liabilities and net assets	¥ 579,565	¥ 548,525	$ 5,128,894

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Income

For the Years Ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	**2016**
Operating revenue (Note 21)	**¥ 555,457**	¥ 542,452	¥ 543,407	**$ 4,915,549**
Operating costs and expenses (Note 12):				
Operating costs	**492,802**	487,664	490,002	**4,361,080**
Selling, general and administrative expenses	**36,469**	33,402	33,216	**322,734**
	529,271	521,066	523,218	**4,683,814**
Operating income	**26,186**	21,386	20,189	**231,735**
Other income (expenses):				
Interest and dividend income	**647**	596	538	**5,726**
Interest expense	**(199)**	(26)	(24)	**(1,761)**
Commission for syndicate loan	**(121)**	—	—	**(1,071)**
Gain (loss) on sale or disposal of property and equipment	**210**	(41)	104	**1,858**
(Loss) gain on sale of investment securities	**(106)**	2	7	**(938)**
Share of profit of entities accounted for using equity method	**606**	401	435	**5,363**
Amortization of negative goodwill (Note 21)	**—**	3	3,042	**—**
Impairment loss on fixed assets (Notes 2(i) and 21)	**(446)**	(127)	(440)	**(3,947)**
Loss on write-down of investment securities		(3)	(20)	**—**
Compensation received for the exercise of eminent domain	**—**	236	—	**—**
Expenses related to change of business name	**—**	(255)	—	**—**
Bond issuance cost	**—**	—	(48)	**—**
Gain on negative goodwill (Note 21)	**25**		—	**221**
Miscellaneous, net	**1,155**	1,090	1,255	**10,221**
	1,771	1,876	4,849	**15,672**
Profit before income taxes	**27,957**	23,262	25,038	**247,407**
Income taxes (Note 17):				
Current	**11,336**	8,526	10,188	**100,319**
Deferred	**(2,049)**	(241)	(1,095)	**(18,133)**
Total income taxes	**9,287**	8,285	9,093	**82,186**
Profit	**18,670**	14,977	15,490	**165,221**
(Loss) profit attributable to non-controlling interests	**(194)**	521	455	**(1,717)**
Profit attributable to owners of parent	**¥ 18,864**	¥ 14,456	¥ 12,151	**$ 166,938**

	Yen			U.S. dollars
Per share:				
Profit attributable to owners of parent				
-Basic	**¥ 94.87**	¥ 72.67	¥ 77.85	**$ 0.84**
-Diluted	**91.77**	70.30	76.56	**0.81**
Cash dividends	**28.00**	21.00	11.00	**0.25**

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	**2016**
Profit	**¥ 18,670**	¥ 14,977	¥ 15,945	**$ 165,221**
Other comprehensive income (Note 18):				
Net unrealized gains on available-for-sale securities	**(1,324)**	4,030	1,767	**(11,717)**
Remeasurements of defined benefit plans, net of tax	**(5,278)**	82	—	**(46,708)**
Foreign currency translation adjustments	**(139)**	61	101	**(1,230)**
Share of other comprehensive income of affiliates accounted for using equity method	**(18)**	43	4	**(159)**
Total other comprehensive income	**(6,759)**	4,216	1,872	**(59,814)**
Comprehensive income	**¥ 11,911**	¥ 19,193	¥ 17,817	**$ 105,407**
Comprehensive income attributable to:				
Owners of the parent	**¥ 12,126**	¥ 18,469	¥ 17,340	**$ 107,310**
Non-controlling interests	**(215)**	724	477	**(1,903)**

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2016, 2015 and 2014

		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Land revaluation decrement	Retirement benefit adjustment	Foreign currency translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Millions of yen												
Balance at March 31, 2013	207,679,783	¥ 42,482	¥ 74,261	¥ 209,561	¥ (8,612)	¥ 317,692	¥ 6,172	¥ (133)	¥ —	¥ (264)	¥ 5,775	¥ 8,235	¥ 331,702
Profit attributable to owners of parent	—	—	—	15,490	—	15,490	—	—	—	—	—	—	15,490
Cash dividends	—	—	—	(2,189)	—	(2,189)	—	—	—	—	—	—	(2,189)
Reversal of land revaluation decrement	—	—	—	(1)	—	(1)	—	—	—	—	—	—	(1)
Purchases of treasury stock and fractional shares, net	—	—	—	—	(75)	(75)	—	—	—	—	—	—	(75)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	—	—	(1,068)	101	783	629	1,412
Balance at March 31, 2014	207,679,783	42,482	74,261	222,861	(8,687)	330,917	7,922	(133)	(1,068)	(163)	6,558	8,864	346,339
Profit attributable to owners of parent	—	—	—	14,456	—	14,456	—	—	—	—	—	—	14,456
Cash dividends	—	—	—	(2,188)	—	(2,188)	—	—	—	—	—	—	(2,188)
Reversal of land revaluation decrement	—	—	—	4	—	4	—	—	—	—	—	—	4
Purchases of treasury stock and fractional shares, net	—	—	—	—	(17)	(17)	—	—	—	—	—	—	(17)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	4,027	2	(75)	61	4,015	705	4,720
Balance at March 31, 2015	207,679,783	42,482	74,261	235,133	(8,704)	343,172	11,949	(131)	(1,143)	(102)	10,573	9,569	363,314
Profit attributable to owners of parent	—	—	—	18,864	—	18,864	—	—	—	—	—	—	18,864
Cash dividends	—	—	—	(6,364)	—	(6,364)	—	—	—	—	—	—	(6,364)
Reversal of land revaluation decrement	—	—	—	(16)	—	(16)	—	—	—	—	—	—	(16)
Purchases of treasury stock and fractional shares, net	—	—	816	—	(963)	(147)	—	—	—	—	—	—	(147)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	5,508	—	—	5,508	—	—	—	—	—	—	5,508
Net changes in items other than shareholders' equity	—	—	—	—	—	—	(1,331)	17	(5,280)	(128)	(6,722)	(3,430)	(10,152)
Balance at March 31, 2016	207,679,783	¥ 42,482	¥ 80,585	¥ 247,617	¥ (9,667)	¥ 361,017	¥ 10,618	¥ (114)	¥ (6,423)	¥ (230)	¥ 3,851	¥ 6,139	¥ 371,007
		Thousands of U.S. dollars											
Balance at March 31, 2015		$ 375,947	$ 657,177	$ 2,080,823	$ (77,027)	$ 3,036,920	$ 105,743	$ (1,159)	$ (10,115)	$ (902)	$ 93,567	$ 84,681	$ 3,215,168
Profit attributable to owners of parent		—	—	166,938	—	166,938	—	—	—	—	—	—	166,938
Cash dividends		—	—	(56,319)	—	(56,319)	—	—	—	—	—	—	(56,319)
Reversal of land revaluation decrement		—	—	(141)	—	(141)	—	—	—	—	—	—	(141)
Purchases of treasury stock and fractional shares, net		—	7,221	—	(8,522)	(1,301)	—	—	—	—	—	—	(1,301)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		—	48,744	—	—	48,744	—	—	—	—	—	—	48,744
Net changes in items other than shareholders' equity		—	—	—	—	—	(11,778)	150	(46,726)	(1,133)	(59,487)	(30,354)	(89,841)
Balance at March 31, 2016		$ 375,947	$ 713,142	$ 2,191,301	$ (85,549)	$ 3,194,841	$ 93,965	$ (1,009)	$ (56,841)	$ (2,035)	$ 34,080	$ 54,327	$ 3,283,248

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	**2016**
Cash flows from operating activities:				
Profit before income taxes	¥ **27,957**	¥ 23,262	¥ 25,038	$ **247,407**
Adjustments for:				
Depreciation	**16,039**	14,841	14,317	**141,938**
Impairment loss on fixed assets	**446**	127	440	**3,947**
Amortization of negative goodwill	**—**	(3)	(3,042)	**—**
Amortization of goodwill	**837**	6	67	**7,407**
Gain on negative goodwill	**(25)**	—	—	**(221)**
Bond issuance cost	**—**	—	48	**—**
Net increase in employee retirement benefit liability	**1,577**	1,157	1,148	**13,956**
(Gain) loss on sale or disposal of property and equipment	**(210)**	41	(104)	**(1,858)**
Share of profit of entities accounted for using equity method	**(606)**	(401)	(435)	**(5,363)**
Loss on write-down of investment securities	**—**	3	20	**—**
Loss (gain) on sale of investment securities	**106**	(2)	(7)	**938**
Net provision for accrued severance indemnities for directors and corporate auditors	**92**	50	3	**814**
(Increase) decrease in trade receivables	**(1,752)**	1,516	(4,265)	**(15,504)**
Increase in inventories	**(769)**	(2,078)	(205)	**(6,805)**
Decrease in trade payables	**(3,046)**	(13,507)	(184)	**(26,956)**
Other, net	**(2,150)**	4,487	(56)	**(19,027)**
Subtotal	**38,496**	29,499	32,783	**340,673**
Interest and dividend received	**938**	933	660	**8,301**
Interest paid	**(199)**	(26)	(24)	**(1,761)**
Income taxes paid	**(8,591)**	(11,910)	(5,919)	**(76,027)**
Net cash provided by operating activities	**30,644**	18,496	27,500	**271,186**
Cash flows from investing activities:				
Increase in property and equipment	**(23,878)**	(17,808)	(14,835)	**(211,310)**
Increase in long-term investments and loans	**(484)**	(493)	(1,162)	**(4,283)**
Decrease in property and long-term investments	**755**	1,048	1,722	**6,681**
(Increase) decrease in short-term investments	**(2,387)**	17,252	(19,292)	**(21,124)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 16)	**(14,905)**	—	—	**(131,902)**
Net cash used in investing activities	**(40,899)**	(1)	(33,567)	**(361,938)**
Cash flows from financing activities:				
Increase in long-term debt	**11,900**	—	10,002	**105,310**
Repayment of long-term debt	**(5,382)**	(76)	(120)	**(47,628)**
Net increase (decrease) in short-term borrowings	**156**	54	(8)	**1,381**
Proceeds from share issuance to non-controlling shareholders	**4,917**	5	—	**43,513**
Dividends paid to shareholders	**(6,364)**	(2,188)	(2,189)	**(56,319)**
Dividends paid to non-controlling interests	**(66)**	(60)	(37)	**(584)**
Purchases of treasury stock, net of disposals	**(2)**	(17)	(76)	**(18)**
Proceeds from maturity of trust account for acquisition of treasury stock	**2,011**	—	—	**17,796**
Payments made to trust account for acquisition of treasury stock	**—**	(5,000)	—	**—**
Other, net	**189**	(2)	(20)	**1,673**
Net cash provided (used in) by financing activities	**7,359**	(7,284)	7,552	**65,124**
Effect of exchange rate changes on cash and cash equivalents	**(43)**	10	17	**(381)**
Net (decrease) increase in cash and cash equivalents	**(2,939)**	11,221	1,502	**(26,009)**
Cash and cash equivalents at beginning of year	**66,778**	55,557	54,055	**590,956**
Cash and cash equivalents at end of year	¥ **63,839**	¥ 66,778	¥ 55,557	$ **564,947**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of SEINO HOLDINGS CO., LTD. (the "Company") and its subsidiaries (together with the Company, the "Seino Group") have been prepared in accordance with the provisions set forth in the Financial Instrument and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Certain comparative figures have been reclassified to conform to the current year's presentation.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the approximate exchange rate prevailing at March 31, 2016, which was ¥113 to U.S. $1.00. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in significant affiliates are accounted for by the equity method. Investments in affiliates not accounted for by the equity method are stated at cost. Differences between the acquisition cost of investments in subsidiaries and the underlying equity in their net assets, adjusted based on the fair value at the time of the acquisition, are deferred as goodwill and amortized over the estimated useful life, 5-15 years, on a straight-line basis. From April 1, 2010, negative goodwill resulting from business combinations, measured by the excess of the underlying equity in the net assets over the acquisition cost, is credited to income. Negative goodwill resulting from acquisitions incurred prior to April 1, 2010, however, is amortized over five years on a straight-line basis. All intercompany transactions and accounts have been eliminated on consolidation.

Under accounting standards for consolidation, a subsidiary is defined as an enterprise which is controlled by another enterprise and is a majority (more than 50%) owned enterprise or a 40% to 50% owned enterprise that meets certain criteria. An affiliated company is defined as an enterprise in which the investor has significant influence and is an enterprise other than a subsidiary that is a 20% or more owned enterprise or a 15% to less than 20% owned enterprise that meets certain criteria. For the years ended March 31, 2016, 2015 and 2014, there was one company that was not a more than 50% owned enterprise but was nevertheless classified as a subsidiary based on the judgment of the Company in accordance with the accounting standards.

The number of subsidiaries and affiliates for the years ended March 31, 2016, 2015 and 2014 was as follows:

	2016	2015	2014
Subsidiaries:			
Domestic	65	59	58
Overseas	6	2	1
Affiliates accounted for by the equity method	5	4	4
Affiliates stated at cost	13	10	10

The Company and most of its subsidiaries have a fiscal year that ends on March 31. The overseas subsidiary closes its books on December 31. The Company has consolidated the overseas subsidiary's financial statements as of its year-end because the difference between its fiscal year-end and that of the Company was not more than three months. Significant transactions for the period between the subsidiary's year-end and the Company's year-end were adjusted for on consolidation.

The consolidated financial statements include the accounts of the overseas subsidiary prepared under IFRS in accordance with Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements," issued by the Accounting Standards Board of Japan ("ASBJ").

(b) Cash and cash equivalents

The Seino Group considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(c) Investments and marketable securities

The Seino Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale." The classification determines the respective accounting method as stipulated by the accounting standard for financial instruments. Held-to-maturity securities are stated at amortized cost. Marketable securities with market quotations for available-for-sale securities are stated at fair value, and net unrealized gains and losses on these securities are reported as accumulated other comprehensive income in net assets, net of applicable income taxes. Gains and losses on the disposition of available-for-sale securities are computed based on the moving average method. Nonmarketable securities without available market quotations for available-for-sale securities are carried at cost determined by the moving average method. Adjustments in carrying values of individual securities are charged to income through write-downs when a decline in value is deemed other than temporary.

(d) Accounting for derivatives

As of March 31, 2016 and 2015, the Seino Group did not hold nor had it issued any derivative instruments.

(e) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for at the aggregate amount of estimated credit loss based on an individual financial review of certain doubtful or troubled receivables and a general reserve for other receivables based on the historical loss experience for a certain past period.

(f) Inventories

Inventories for merchandise, products, raw materials and supplies are stated principally at the lower of moving average cost or net realizable value, and inventories for vehicles and work-in-process are stated principally at the lower of specific identification cost or net realizable value.

(g) Property and equipment and depreciation

Property and equipment, including significant renewals and additions, are stated at cost. Property and equipment of the Company and certain subsidiaries are depreciated by the straight-line method for buildings and vehicles and by the declining balance method for other property.

Property and equipment of other subsidiaries have been depreciated principally by the declining balance method, except for buildings acquired on and after April 1, 1998 and property held for lease. Buildings acquired on and after April 1, 1998 by the domestic subsidiaries are depreciated by the straight-line method. Some of the subsidiaries capitalize property for which the cost was not less than ¥100,000 but below ¥200,000 and depreciate it over three years on a straight-line basis.

The Seino Group, as lessee, capitalize assets used under finance leases, except for certain immaterial or short-term finance leases accounted for as operating leases. Depreciation of leased assets capitalized in finance lease transactions as lessee is computed by the straight-line method over the lease term as the useful life with the assumption of no residual value. The leased property of a certain subsidiary engaged in leasing operations as lessor is recorded at cost in property and equipment in the accompanying consolidated balance sheets under operating lease accounting and is depreciated over the term of the lease contracts by the straight-line method to the amount equal to the estimated disposal value at the lease termination date.

Expenditures on maintenance and repairs are charged to operating income as incurred. Upon the disposal of the property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is recorded as income or expense.

(h) Intangible assets

Intangible assets are amortized on a straight-line basis. Software, which is included in intangible assets, is amortized using the straight-line method over the estimated useful life of five years.

(i) Accounting standard for impairment of fixed assets

The Company and its domestic subsidiaries have adopted the "Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council of Japan and the related practical guidance issued by ASBJ. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount to be measured as the higher of the asset's net selling price or value in use. Fixed assets include intangible assets as well as land, buildings and other forms of property and are to be grouped at the lowest level for which there are identifiable cash flows distinguishable from other groups of assets. For the purpose of recognition and measurement of impairment loss, fixed assets are grouped into cash-generating units such as operating business branches other than idle or unused property. From the year ended March 31, 2015, the Seino Group has changed the method used to group assets to measure impairment of fixed assets in the transportation services segment from a method that grouped assets by each operating business branch to a method that groups assets by entire segment. At March 31, 2016, 2015 and 2014, recoverable amounts of assets were measured based on value in use using discounted future cash flows at interest rates principally of 6.8%, 7.8% and 1.7%, respectively, or net selling prices using primarily appraisal valuations. As a result, the Seino Group recognized impairment loss as follows:

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	2016
Property subject to impairment:	6 business branches and 5 idle properties	2 business branches and 8 idle properties	20 business branches and 4 idle properties	
Impairment loss recorded:				
for land	¥ 380	¥ 69	¥ 396	$ 3,363
buildings and structures	65	58	44	575
other property	1	—	—	9
	¥ 446	¥ 127	¥ 440	$ 3,947

Accumulated impairment losses have been directly deducted from the applicable assets.

(j) Employee retirement benefits

Employees who terminate their service with the Seino Group are entitled to retirement benefits determined generally by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs.

The Seino Group has recognized retirement benefits for employees, including pension cost and related liability, based on the actuarial present value of retirement benefit obligation using the actuarial appraisal approach and the fair value of pension plan assets available for benefits at the fiscal year-end. In the calculation of the retirement benefit obligation, the expected retirement benefits are attributed to the period up to the end of the respective fiscal year based on the straight-line method. Actuarial differences arising from changes in the retirement benefit obligation or the value of pension plan assets resulting from actual outcomes different from that which were assumed and from changes in the assumptions themselves are amortized on a straight-line basis over principally ten years, a period within the average remaining service years of employees, from the year following the year in which they arise. Past service cost is amortized using the straight-line method over principally ten years, a period within the average remaining service years of employees from the year in which it occurs.

(Changes in accounting policies)

Effective from the year ended March 31, 2015, the Company and its consolidated domestic subsidiaries adopted Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015 (hereinafter, "Guidance No. 25")) from the current fiscal year and have changed the method used to determine retirement benefit obligation and current service cost. In addition, the Company and its consolidated domestic subsidiaries have changed the method used to determine the discount rate from a method based on the expected average remaining years of service of the eligible employees to a method using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. The effects of these changes in the retained earnings at the beginning of the current fiscal year and profit or loss for the current fiscal year were not material.

Effective from the year ended March 31, 2014, the Company and its domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, revised on May 17, 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on May 17, 2012 (hereinafter, "Guidance No. 25")), except Article 35 of Statement No. 26 and Article 67 of Guidance No. 25. Accordingly, actuarial differences and past service cost that had yet to be recognized in profit or loss have been recognized as retirement benefit adjustment of accumulated other comprehensive income within net assets after adjusting for tax effects, and the difference between retirement benefit obligation and plan assets has been recognized as employee retirement benefit asset or liability in the balance sheet. In accordance with Article 37 of Statement No. 26, this accounting change has not been retrospectively applied to the financial statements of prior years, and the effect of the change in accounting policies arising from the initial application has been recognized in retirement benefit adjustment in accumulated other comprehensive income.

As a result of the application, at March 31, 2014, the Seino Group recognized employee retirement benefit asset in the amount of ¥1,569 million and employee retirement benefit liability in the amount of ¥60,707 million. Also, accumulated other comprehensive income was ¥1,068 million less and minority interests ¥188 million more at March 31, 2014 than the amounts that would have been reported without the change.

(k) Severance indemnities for directors and corporate auditors

The Seino Group pays severance indemnities to directors and corporate auditors subject to the approval of the shareholders. The Company and certain subsidiaries provide for accrued severance indemnities for directors and corporate auditors at the amount that would have been payable if the directors and corporate auditors had retired at the end of the fiscal year based on internal rules, in accordance with the Japanese Institute of Certified Public Accountants ("JICPA") Audit and Assurance Committee Report No. 42, "Treatment for Auditing of Reserve Under Special Taxation Measures Law, Reserve Under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors."

(l) Revenue recognition for freight charges

The Seino Group recognizes freight charges as revenue when freight is received for shipment. In relation to its revenue recognition, the Seino Group records freight charges from customers and paid to interline carriers as operating revenue and operating costs and expenses, respectively.

(m) Income taxes

Income taxes are accounted for by the asset-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the 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 on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date and the promulgation date for the fiscal year ended March 31, 2016 and 2015, respectively.

(n) Enterprise taxes

The Seino Group records local corporate enterprise taxes based on the "added value" and "capital" amounts when levied as size-based corporate taxes for local government enterprise taxes, which are included in selling, general and administrative expenses.

(o) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year during which a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

(p) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries, are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains and losses are included in current earnings.

In respect to the financial statement items of overseas subsidiaries, all asset, liability, income and expense accounts are translated into yen by applying the exchange rates in effect at the fiscal year-end. Translation differences, after allocations of portions attributable to minority interests, are reported as foreign currency translation adjustments in a component of net assets on the accompanying consolidated balance sheets.

(q) Per share data

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective year, retroactively adjusted for stock splits. Unless there is an anti-dilutive effect, diluted net income per share is calculated to reflect the potential dilution assuming that all convertible bonds are converted at the time of issue.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

(r) Adoption of consolidated taxation system

The Company and some of its subsidiaries have adopted the consolidated taxation system, with the Company as the taxable parent company.

(s) Changes in accounting policies for business combinations

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Statement No. 7")) (together, the "Business Combination Accounting Standards") from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs were incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income, and the term "non-controlling interests" is used instead of "minority interests." Certain amounts comparative information for the prior year were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in Article 58-2 (4) of Statement No. 21, Article 44-5 (4) of Statement No. 22 and Article 57-4 (4) of Statement No. 7, with application from the beginning of the current fiscal year prospectively. As a result, operating income decreased by ¥133 million ($1,177 thousand), profit before income taxes for the current fiscal year decreased by ¥5,605 million ($49,602 thousand), goodwill and capital surplus as of the end of the current fiscal year decreased and increased by ¥97 million ($858 thousand) and ¥5,508 million ($48,743 thousand), respectively.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities," and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities."

Capital surplus as of the end of the current fiscal year in the consolidated statement of changes in net assets increased by ¥5,508 million ($48,743 thousand). Net assets per share, earnings per share and diluted earnings per share for the current fiscal year decreased by ¥0.48 ($0.004), ¥28.19 ($0.249) and ¥27.28 ($0.241), respectively.

(t) Accounting standards issued but not yet adopted

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No. 26")

(1) Overview

Following the framework in Auditing Committee Report No. 66, "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets," which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

(3) Effects of application of the Guidance

The effects on the consolidated financial statements of the application of the"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" is now being evaluated.

3. Financial Instruments

Information on financial instruments for the years ended March 31, 2016 and 2015 is set forth below.

(1) Qualitative information on financial instruments

(a) Policies on Financial Instruments

The Seino Group implements its Cash Management System for effective investments and funding. The Company invests in short-term, low-risk instruments in accordance with its internal fund management rules. The Company raises funds mainly through indirect financing such as bank loans for investments in facilities, taking immediate liquidity into consideration.

(b) Details of Financial Instruments and Risks

Trade receivables are exposed to the credit risk of customers. Some of the subsidiaries have receivables in foreign currency and are exposed to foreign currency fluctuation risk.

Marketable and investment securities, which consist of held-to-maturity securities and equity securities of business entities with which the Seino Group has business relationships, are exposed to stock market fluctuation risk.

Trade payables have general terms and conditions and are mostly due within one year. However, some of the subsidiaries have them denominated in foreign currency, which exposes them to foreign currency fluctuation risk.

Some bank loans and convertible bonds are used principally for capital investments and are partially exposed to interest rate fluctuation risk.

(c) Risk Management for Financial Instruments

(1) Monitoring of credit risk

In accordance with internal policies for credit risk management, each subsidiary monitors the creditworthiness of its customers and manages the terms and conditions of payment, due dates and remaining balances to reduce such risk. Regarding held-to-maturity securities, the Company invests in high credit-rating bonds in accordance with its internal fund management rules. As a result, the risk is insignificant.

(2) Monitoring market risk

The Board of the Directors regularly monitors market risk using management methods which comply with internal market risk management rules. For marketable securities, the Seino Group monitors market prices every quarter and reviews the market conditions and the financial position of and business relationship with the issuers.

(3) Monitoring liquidity risk

The Company has a Cash Management System with its subsidiaries and becomes the paying agent for the subsidiaries under the system. The subsidiaries report their cash flow projections to the Company. The Company has sufficient bank credit lines, including credit lines with overdrafts, enabling the Seino Group to manage liquidity risk.

(d) Supplemental information on fair values

The fair values of financial instruments are based on their market prices. The fair values of financial instruments with no available market prices are determined by using prices calculated in a reasonable manner. However, since certain assumptions are used in the computation of the reasonable estimates, the result may be different if alternative assumptions are used.

(2) Fair values of financial instruments

The fair and carrying values of the financial instruments included in the consolidated balance sheets at March 31, 2016 and 2015, other than those for which the fair value was extremely difficult to determine, are set forth in the table below.

	Carrying value	Fair value	Difference
	Millions of yen		
At March 31, 2016:			
Cash and cash equivalents	¥ 63,839	¥ 63,839	¥ —
Short-term investments	27,605	27,605	—
Trade receivables	109,269	109,269	—
Investment securities	26,448	26,448	—
Total assets	¥ 227,161	¥ 227,161	¥ —
Short-term borrowings	¥ 2,768	¥ 2,768	¥ —
Trade payables	43,148	43,148	—
Convertible bonds	10,025	10,615	590
Current portion of long-term bank loans	483	483	—
Long-term bank loans	11,321	11,213	(108)
Total liabilities	¥ 67,745	¥ 68,227	¥ 482

	Carrying value	Fair value	Difference
	Millions of yen		
At March 31, 2015:			
Cash and cash equivalents	¥ 66,778	¥ 66,778	¥ —
Short-term investments	25,220	25,220	—
Trade receivables	105,257	105,257	—
Investment securities	28,290	28,290	—
Total assets	¥ 225,545	¥ 225,545	¥ —
Short-term borrowings	¥ 2,519	¥ 2,519	¥ —
Trade payables	44,082	44,082	—
Convertible bonds	10,035	11,070	1,035
Current portion of long-term bank loans	32	32	—
Long-term bank loans	55	55	—
Total liabilities	¥ 56,723	¥ 57,758	¥ 1,035

	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
At March 31, 2016:			
Cash and cash equivalents	$ 564,947	$ 564,947	$ —
Short-term investments	244,292	244,292	—
Trade receivables	966,982	966,982	—
Investment securities	234,053	234,053	—
Total assets	$ 2,010,274	$ 2,010,274	$ —
Short-term borrowings	$ 24,496	$ 24,496	$ —
Trade payables	381,841	381,841	—
Convertible bonds	88,717	93,938	5,221
Current portion of long-term bank loans	4,274	4,274	—
Long-term bank loans	100,186	99,230	(956)
Total liabilities	$ 599,514	$ 603,779	$ 4,265

Notes:

i)Methods of measuring the fair value of financial instruments are as follows:

Assets:

(1) Cash and cash equivalents

As these instruments are settled within a short term, their fair value and carrying value are nearly identical, and their carrying values are assumed as their fair values.

(2) Trade receivables

The fair value of installment sales receivables is measured by the carrying amount, which is based on the present value of future cash flows through maturity discounted using an estimated credit risk adjusted interest rate. The carrying amounts of trade receivables other than installment sales receivables approximate fair value because of the short maturity of these instruments.

(3) Short-term investments and investment securities

The fair value of marketable securities equals the quoted market price, if available. The fair value of debt securities equals the quoted market price or the price provided by financial institutions. Marketable and investment securities classified according to the purpose for which they are held are described in Note 5.

Liabilities:

(1) Trade payables

As these instruments are settled within a short term, their fair values and carrying values are nearly identical, and, their carrying values are assumed as their fair values.

(2) Short-term borrowings, Current portion of long-term bank loans

As these instruments are settled within a short term, their fair values and carrying values are nearly identical, and their carrying values are assumed as their fair values.

(3) Convertible bonds
The fair value of convertible bonds is based on the price quoted by the correspondent financial institution.

(4) Long-term bank loans
The fair value of long-term debt is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of comparable maturity.

ii)The following were not included in the table above because the fair value was extremely difficult to determine:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Carrying value:			
Unlisted equity securities, other than those of affiliates	**¥ 1,401**	¥ 1,545	**$ 12,398**
Preferred equity securities	**500**	500	**4,425**
	¥ 1,901	¥ 2,045	**$ 16,823**

iii) The redemption schedule for financial assets with maturities at March 31, 2016 was as follows:

	Due within 1 year	Due after 1 years through 5 years	Due after 5 years through 10 years	Due after 10 years
	Millions of yen			
At March 31, 2016:				
Cash and cash equivalents	¥ 63,839	¥ —	¥ —	¥ —
Short-term investments	27,605	—	—	—
Trade receivables	82,812	25,550	907	—
Investment securities – bonds and other	—	118	—	—
	¥ 174,256	¥ 25,668	¥ 907	¥ —

	Due within 1 year	Due after 1 years through 5 years	Due after 5 years through 10 years	Due after 10 years
	Thousands of U.S. dollars			
At March 31, 2016:				
Cash and cash equivalents	$ 564,947	$ —	$ —	$ —
Short-term investments	244,292	—	—	—
Trade receivables	732,849	226,106	8,027	—
Investment securities – bonds and other	—	1,044	—	—
	$1,542,088	$ 227,150	$ 8,027	$ —

iv) For the repayment schedule for convertible bonds and long-term bank loans at March 31, 2016, see Note 9, "Short-term Borrowings and Long-term Debt."

4. Inventories

Inventories at March 31, 2016 and 2015 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Merchandise and finished products	**¥ 9,140**	¥ 8,333	**$ 80,885**
Work in process	**971**	937	**8,593**
Raw materials and supplies	**647**	695	**5,726**
	¥ 10,758	¥ 9,965	**$ 95,204**

5. Investments

At March 31, 2016 and 2015, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Marketable securities:			
Bonds and other	**¥ 14,300**	¥ 12,301	**$ 126,549**
Total marketable securities	**14,300**	12,301	**126,549**
Time deposits with an original maturity of more than three months	**13,305**	12,919	**117,743**
	¥ 27,605	¥ 25,220	**$ 244,292**

At March 31, 2016 and 2015, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Marketable securities:			
Equity securities	**¥ 26,232**	¥ 28,171	**$ 232,142**
Bonds	**111**	—	**982**
Other	**105**	119	**929**
Total marketable securities	**26,448**	28,290	**234,053**
Other non-marketable securities	**1,901**	2,045	**16,823**
	¥ 28,349	¥ 30,335	**$ 250,876**

Marketable securities classified as available-for-sale are stated at fair value with unrealized gains and losses excluded from current earnings and reported as a net amount within the net assets account until realized. At March 31, 2016 and 2015, gross unrealized gains and losses for marketable securities classified as available-for-sale were as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of yen			
At March 31, 2016:				
Equity securities	**¥ 9,911**	**¥ 16,436**	**¥ (115)**	**¥ 26,232**
Bonds	**118**	**—**	**(7)**	**111**
Other	**14,354**	**52**	**(1)**	**14,405**
	¥ 24,383	**¥ 16,488**	**¥ (123)**	**¥ 40,748**
At March 31, 2015:				
Equity securities	¥ 9,861	¥ 18,311	¥ (2)	¥ 28,170
Bonds	300	1	—	301
Other	12,054	66	(1)	12,119
	¥ 22,215	¥ 18,378	¥ (3)	¥ 40,590
	Thousands of U.S. dollars			
At March 31, 2016:				
Equity securities	**$ 87,708**	**$145,451**	**$ (1,017)**	**$232,142**
Bonds	**1,044**	**—**	**(62)**	**982**
Other	**127,027**	**460**	**(9)**	**127,478**
	$215,779	**$145,911**	**$ (1,088)**	**$360,602**

At March 31, 2016 and 2015 investments in and long-term loans to affiliates consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Investments accounted for by the equity method for significant affiliates and at cost for others	**¥ 4,071**	¥ 3,419	**$ 36,027**

6. Property and Equipment

At March 31, 2016 and 2015, property and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Property and equipment, at cost:			
Land	**¥ 171,455**	¥ 169,156	**$ 1,517,301**
Buildings and structures	**261,283**	239,071	**2,312,239**
Vehicles	**104,524**	100,770	**924,991**
Machinery and equipment	**37,443**	34,604	**331,354**
Construction in progress	**914**	5,812	**8,088**
Other	**6,185**	278	**54,735**
	581,804	549,691	**5,148,708**
Less accumulated depreciation	**(291,653)**	(274,657)	**(2,581,000)**
Total property and equipment	**¥ 290,151**	¥ 275,034	**$ 2,567,708**

One of the consolidated subsidiaries elected to carry out a one-time revaluation to restate the cost of land used for business operations at values reassessed on March 31, 2002, reflecting adjustments for land shape and other factors based on appraisal values issued by the Japanese National Tax Agency in accordance with the Law Concerning Revaluation of Land. According to the law, the excess of the original book value over reassessed value, net of the tax effect and minority interests portions, is recorded in net assets as land revaluation decrement account in the accompanying consolidated balance sheets. At March 31, 2016 and 2015, the difference between the carrying values of land used for business operations after revaluation over the current market values of the land at the fiscal year-end amounted to ¥1,779 million ($15,743 thousand) and ¥1,771 million, respectively.

7. Real Estate for Rent

Some of the Company's subsidiaries own land and facilities for rent at locations where the business branches were closed or redeployed branches used to be. The carrying values in the consolidated balance sheets, changes during the years ended March 31, 2016 and 2015 and the fair values of the rental properties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Carrying value at the beginning of year	¥ 13,388	¥ 13,654	$118,478
Net changes during the year	643	(266)	5,690
Carrying value at the end of year	¥ 14,031	¥ 13,388	$124,168
Fair value at the end of year *	¥ 18,107	¥ 17,857	$160,239

*Note: **
Fair value was measured at the reasonable estimated value based principally on a real estate appraisal or property tax bases.

Profit and loss recorded for rental properties for the fiscal years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Operating revenue	¥ 1,472	¥ 1,401	$ 13,027
Operating costs	265	226	2,345
Income from rental operations	1,207	1,175	10,682
Loss on disposal of rental property and other	¥ (394)	¥ (53)	$ (3,487)

8. Asset Retirement Obligations

Asset retirement obligations are based upon estimated future restoration obligations pursuant to office rental agreements. The asset retirement obligations are calculated based upon the useful life designated by law or the estimated office rental period and are discounted by the yield rate of government bonds.

Asset retirement obligations for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
At the beginning of year	¥ 2,548	¥ 2,537	$ 22,549
New consolidations	25	—	221
New obligations	—	20	—
Changes in estimated obligations and accretion	46	44	407
Settlement payments	(37)	(53)	(327)
Other	4	—	35
At the end of year	¥ 2,586	¥ 2,548	$ 22,885

9. Short-term Borrowings and Long-term Debt

At March 31, 2016 and 2015, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unsecured bank overdrafts with interest rates ranging from 1.3% to 1.475% per annum at March 31, 2016	¥ 135	¥ 79	$ 1,195
Short-term bank loans, secured with interest rates ranging from 0.774% to 0.957% per annum at March 31, 2016	200	—	1,770
Short-term bank loans, unsecured with interest rates ranging from 0.174% to 3.0% per annum at March 31, 2016	2,433	2,440	21,531
	¥ 2,768	¥ 2,519	$ 24,496

At March 31, 2016, the Company and certain subsidiaries had unsecured overdraft agreements with 13 banks. Under such agreements, the Company and these subsidiaries were entitled to withdraw up to ¥43,910 million ($388,584 thousand). The Company and the subsidiaries were not obligated to pay commitment fees on the unused portions of such overdraft facilities.

At March 31, 2016 and 2015, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Zero coupon convertible bonds due October 2018, including unamortized premium (¥25 million ($221 thousand) at March 31, 2016)	¥ 10,025	¥ 10,035	$ 88,717
Loans from government agencies and banks, repayable due through 2017, with interest rates ranging from 2.5% to 3.1% per annum at March 31, 2016:			
Secured	11,756	34	104,035
Unsecured	49	53	434
Capitalized lease obligations	3,463	3	30,646
	25,293	10,125	223,832
Less current portion	(1,226)	(34)	(10,850)
	¥ 24,067	¥ 10,091	$ 212,982

At March 31, 2016, the current conversion price of zero coupon convertible bonds due in 2018 were ¥1,482 ($13) per share and were subject to adjustment in certain circumstances, including in the event of a stock split. At March 31, 2016, the number of shares of common stock necessary for conversion of all convertible bonds outstanding was approximately 7 million.

At March 31, 2016 and 2015, respectively, the following assets were pledged as collateral for certain long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Land	¥ 4,875	¥ 2,959	$ 43,142
Buildings and structures	1,692	920	14,973
Cash and deposits	1,063	—	9,407
Shares of subsidiaries and associates	1,133	—	10,027
Long-term loans receivable from subsidiaries and associates	10	—	88

The aggregate annual maturities of long-term debt as of March 31, 2016 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 1,226	$ 10,850
2018	1,353	11,973
2019	11,359	100,522
2020	1,354	11,982
2021	1,245	11,018
Thereafter	8,730	77,257
	¥ 25,267	$ 223,602

10. Commitment line Agreement

Consolidated subsidiary "Kanto Transportation Co., Ltd." had a commitment line agreement of ¥ 1,000 million ($ 8,850 thousand) as March 31, 2016 to ensure its access to financing. The outstanding balance of borrowings under this agreement is ¥ 200 million ($ 1,770 thousand).

11. Financial Covenants

Consolidated subsidiary "Kanto Transportation Co., Ltd." entered into a syndicated loan agreement. It includes the following financial covenants.

1.Operating loss on a consolidated basis of "Kanto Transportation Co., Ltd." before amortization of goodwill is allowed on the profit and loss statement for the two consecutive years as of the previous fiscal year at March 31, 2017 or later.

2.The amount of equity (except Subscription rights to shares, Non-controlling interests and Deferred gains or losses on hedges) on the balance sheets on a consolidated basis of "Kanto Transportation Co., Ltd." is required to be equal to or greater than 80% of equity on the balance sheet as of the previous fiscal year at March 31, 2017 or later.

Remaining balances of debt were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Short-term borrowings	¥ 200	¥ —	$ 1,770
Current portion of long-term debt	475	—	4,203
Long-term debt	11,275	—	99,779
	¥ 11,950	¥ —	$ 105,752

12. Employee Retirement Benefits

The Company and its domestic subsidiaries had mainly unfunded defined benefit plans with rules and regulations determined by each subsidiary. In addition, some domestic subsidiaries had Smaller Enterprise Retirement Allowance Mutual

Aid or Specific Retirement Allowance Mutual Aid.

Other subsidiaries had funded defined benefit plans. One company belonged to a comprehensive employees' pension fund for the defined benefit corporate pension plan. One company had established a retirement benefit payment trust. Some of the consolidated subsidiaries have joined a multi-employer welfare pension fund plan. Those for which it is impossible to calculate in a rational manner the amount of the pension assets which corresponds to the amount of the contributions are accounted for in the same way as the defined contribution pension plan.

The retirement benefit obligation of certain subsidiaries was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits.

As of and for the year ended March 31, 2016 and 2015, defined benefit plans, including plans applying the simplified method were as follows:

i) Movement in retirement benefit obligation:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
At the beginning of year	¥ 70,354	¥ 65,254	$ 622,602
Service cost	3,822	3,631	33,823
Interest cost	627	583	5,549
Actuarial differences	6,105	4,015	54,027
Benefits paid	(3,265)	(3,407)	(28,894)
Past service cost	84	278	743
New consolidations	698	—	6,177
At the end of year	¥ 78,425	¥ 70,354	$ 694,027

ii) Movements in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
At the beginning of year	¥ 10,287	¥ 6,116	$ 91,035
Actuarial differences	(2,247)	4,166	(19,884)
Contributions paid by the employer	5	6	44
Benefits paid	(1)	(1)	(9)
At the end of year	¥ 8,044	¥ 10,287	$ 71,186

iii)Reconciliation from retirement benefit obligation and plan assets to employee retirement benefit asset or liability:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligation	¥ 6,373	¥ 6,113	$ 56,398
Plan assets	(8,044)	(10,287)	(71,186)
	(1,671)	(4,174)	(14,788)
Unfunded retirement benefit obligation	72,051	64,241	637,620
Net employee retirement benefit liability	¥ 70,380	¥ 60,067	$ 622,832
Employee retirement benefit liability	72,279	64,453	639,637
Employee retirement benefit asset	(1,899)	(4,386)	(16,805)
Net employee retirement benefit liability	¥ 70,380	¥ 60,067	$ 622,832

iv)Net periodic retirement benefit expenses, including plans applying the simplified method:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 3,822	¥ 3,631	$ 33,823
Interest cost	627	583	5,549
Amortization of actuarial differences	344	248	3,044
Amortization of past service cost	31	113	274
Net periodic retirement benefit expenses	¥ 4,824	¥ 4,575	$ 42,690

v)Retirement benefit adjustment included in other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service cost	¥ 53	¥ 165	$ 469
Actual differences	8,007	(392)	70,858
Total balance	¥ 8,060	¥ (227)	$ 71,327

vi)Retirement benefit adjustment in accumulated other comprehensive income, before tax effects:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service cost that yet to be recognized	¥ (14)	¥ (67)	$ (124)
Actuarial differences yet to be recognized	9,246	1,239	81,823
Total balance	¥ 9,232	¥ 1,172	$ 81,699

vii) Plan assets

1. Plan assets comprise:

	Percent	
	2016	2015
Cash and cash equivalents	1%	1%
Bonds	1%	—
Equity securities	98%	99%
Total*	100%	100%

**99% of total plan assets consisted of a retirement benefit payment trust.

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

viii) Actuarial assumptions

The principal actuarial assumptions (expressed as weighted averages):

	2016	2015
Discount rate	mainly 1.0%	mainly 1.0%
Long-term expected rate of return	0.0%	0.0%

ix) Multi-employer pension plans

Required contributions of multi-employer pension, which are accounted for by the same method as defined contribution pension plans, to welfare pension fund plans to welfare pension fund plan were ¥ 47 million ($ 416 thousand).

The funded status of multi-employer pension as of March 31, 2015

	Millions of yen	Thousands of U.S. dollars
Plan assets	¥ 22,153	$ 196,044
Projected benefit obligation in pension financing	21,799	192,911
Difference	¥ 354	$ 3,133

The ratio of contributions of the Company and its consolidated subsidiaries to total contributions of multi-employer pension plan as of March 2016 was 16.2%.

13. Contingent Liabilities

At March 31, 2016 and 2015, the Seino Group was contingently liable for trade notes endorsed to affiliates and third parties and for guarantees, including substantial guarantees, principally of indebtedness of third parties in the aggregate amount of ¥1,233 million ($10,912 thousand) and ¥1,604 million, respectively.

14. Lease Commitments

As lessee, the Seino Group has entered into various rental and lease agreements for land and buildings to be used for truck terminals and warehouses that are generally cancelable with a few months advance notice, except for certain operating lease agreements. The aggregate minimum future lease payments for such non-cancelable operating lease agreements, including the imputed interest portion, as lessee at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Operating leases:			
Due within one year	¥ 528	¥ 323	$ 4,673
Due after one year	864	982	7,646
	¥ 1,392	¥ 1,305	$ 12,319

A certain subsidiary engaged in leasing operations as lessor enters into various lease agreements with third parties principally for vehicles. The leases are categorized as operating leases. At March 31, 2016 and 2015, the aggregate future minimum lease commitments to be received for such non-cancelable lease agreements, including the imputed interest, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Operating leases:			
Due within one year	¥ 236	¥ 263	$ 2,088
Due after one year	427	427	3,779
	¥ 663	¥ 690	$ 5,867

15. Net Assets

(a) Under the Japanese Corporate Law (the "Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At March 31, 2016 and 2015, capital surplus consisted principally of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥4,262 million ($37,717 thousand) at March 31, 2016 and 2015.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

(b) At the annual shareholders' meeting held on June 28, 2016, the shareholders approved cash dividends of ¥17 per share, amounting to ¥3,379 million ($29,903 thousand). The appropriation had not been accrued in the consolidated financial statements as of March 31, 2016 as such appropriations are recognized in the period in which they are approved by the shareholders.

16 Consolidated Statements of Cash Flows

Assets and liabilities of newly consolidated subsidiaries by acquisition

The following is the summary of assets acquired and liabilities assured through the acquisition of shares Kanto Transportation Co., Ltd. and its five subsidiaries for the year ended March 31, 2016, related costs and net payment:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,648	$ **49,982**
Noncurrent assets	8,524	**75,434**
Goodwill	16,636	**147,221**
Current liabilities	(4,652)	**(41,168)**
Noncurrent liabilities	(8,289)	**(73,354)**
Acquisition cost	¥ 17,867	$ **158,115**
Cash and cash equivalents of newly consolidated subsidiaries	(2,962)	**(26,213)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 14,905	$ **131,902**

17. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Employee retirement benefit liability	¥ **25,076**	¥ 22,898	$ **221,911**
Enterprise tax accruals	**632**	459	**5,593**
Accrued bonuses	**3,820**	3,593	**33,805**
Intercompany capital gains	**1,171**	1,114	**10,363**
Operating loss carryforwards	**501**	356	**4,434**
Loss on assets transferred	**1,585**	1,561	**14,027**
Impairment loss on fixed assets	**13,993**	14,282	**123,832**
Allowance for doubtful accounts	**196**	115	**1,735**
Other	**3,068**	4,053	**27,150**
	50,042	48,431	**442,850**
Less valuation allowance	**(15,611)**	(17,672)	**(138,151)**
	34,431	30,759	**304,699**
Deferred tax liabilities:			
Deferred capital gains	**5,276**	5,445	**46,691**
Unrealized gains on available-for-sale securities	**4,677**	5,372	**41,389**
Valuation adjustments for consolidation	**11,184**	11,536	**98,973**
Employee retirement benefit asset	**657**	1,551	**5,814**
Other	**555**	507	**4,912**
	22,349	24,411	**197,779**
Net deferred tax assets	¥ **12,082**	¥ 6,348	$ **106,920**

At March 31, 2016 and 2015, deferred tax assets and liabilities were recorded as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Current	¥ **5,697**	¥ 4,951	$ **50,416**
Noncurrent	**9,370**	5,761	**82,920**
Deferred tax liabilities:			
Noncurrent	**2,985**	4,364	**26,416**

In assessing the realizability of deferred tax assets, management of the Seino Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2016 and 2015, a valuation allowance was provided to reduce deferred tax assets to the extent that the management believed that the amount of the deferred tax assets was not realizable.

A reconciliation of the differences between the Japanese statutory tax rate and the effective income tax rate on pretax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2016, 2015 and 2014 was not disclosed because the difference was not material.

On March 29, 2016, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the effective statutory tax rate used to measure deferred tax assets and liabilities (expected to be settled or realized on after April 1, 2016) in the fiscal year was changed from the previous rate of 31.5% to 30.2% for temporary differences excepted to be resolved during the period from April 1, 2016 to March 31, 2018 and to 30.2% for temporary differences excepted to be resolved on or after April 1, 2018. Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥137 million ($1,212 thousand) as of March 31, 2016, deferred income tax expense recognized for the fiscal year ended March 31, 2016 increased by ¥276 million ($2,442 thousand), evaluation differences of other securities increased by ¥211 million ($1,867 thousand) and accumulated adjustments for employee retirement benefits decreased by ¥72 million ($637 thousand).

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 were changed for the fiscal year ended March 31, 2015 from 34.8% to 32.3% and 31.5%, respectively, as of March 31, 2015. Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥97 million as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥476 million, evaluation differences of other securities increased by ¥461 million and accumulated adjustments for employee retirement benefits decreased by ¥82 million.

18. Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2016, 2015 and 2014 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	**2016**
Net unrealized gains on available-for-sale securities:				
Increase during the year	**¥(2,032)**	¥ 5,162	¥ 2,649	**$ (17,982)**
Reclassification adjustments	**(1)**	(1)	(4)	**(9)**
Subtotal, before tax	**(2,033)**	5,161	2,645	**(17,991)**
Tax effect	**709**	(1,131)	(878)	**6,274**
Subtotal, net of tax	**(1,324)**	4,030	1,767	**(11,717)**
Foreign currency translation adjustments:				
Increase during the year	**(139)**	61	101	**(1,230)**
Reclassification adjustments	-	-	-	-
Subtotal, before tax	**(139)**	61	101	**(1,230)**
Tax effect	-	-	-	-
Subtotal, net of tax	**(139)**	61	101	**(1,230)**
Retirement benefit adjustment:				
(Decrease) during the year	**(8,425)**	(131)	—	**(74,557)**
Reclassification adjustments	**365**	358	—	**3,230**
Subtotal, before tax	**(8,060)**	227	—	**(71,327)**
Tax effect	**2,782**	(145)	—	**24,619**
Subtotal, net of tax	**(5,278)**	82	—	**(46,708)**
Shares of other comprehensive income of affiliates accounted for using equity method:				
(Decrease) increase during the year	**(13)**	45	4	**(115)**
Reclassification adjustments	**(5)**	(2)	-	**(44)**
Subtotal	**(18)**	43	4	**(159)**
Total other comprehensive income	**¥(6,759)**	¥ 4,216	¥ 1,872	**$ (59,814)**

19. Business Combinations

Stock-for-stock exchange agreements with the subsidiaries

On February 17, 2015, the Company entered into stock-for-stock exchange agreements with six subsidiaries, "Seino Super Express Co., Ltd.," "Seino Sangyo Co., Ltd.," "Seino Family Co., Ltd.," "Seino Tsu-un Transportation Co., Ltd.," "Suito Travel Co., Ltd." and "Seino Engineering Co., Ltd.," in order to make the Company's equity share in such subsidiaries increase to 100%. In accordance with these agreements, on April 1, 2015 (the stock-for-stock exchange date), the Company reissued 2,457,806 shares of treasury stock at various exchange rates representing a certain number of shares of the Company's common stock (see below) for one share of common stock to the respective minority shareholders of each of the six subsidiaries. The acquisition cost of the acquired companies was ¥3,190 million ($28,230 thousand).

(1) Details of the stock-for-stock exchange transactions with the subsidiaries were as follows:

	Exchange rate representing the number of shares of common stock of the Company for one share of common stock of the subsidiaries
	(shares)
Seino Super Express Co., Ltd.	0.054
Seino Sangyo Co., Ltd.	2.020
Seino Family Co., Ltd.	2,662.580
Seino Tsu-un Transportation Co., Ltd.	56.970
Suito Travel Co., Ltd.	29.940
Seino Engineering Co., Ltd.	17.350

(2) Changes in the portion held by the Company in connection with the transactions with non-controlling interests
① Main reasons for changes in capital surplus
Additional acquisition of subsidiary's shares
② Increase in capital surplus due to transactions with non-controlling interests
¥5,508 million ($48,744 thousand)

The Company applied ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised on September 13, 2013 and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," revised on September 13, 2013, and treated them as business transactions under common control.

Acquisition for the shares of Kanto Transportation Co., Ltd.

On May 13, 2015, the Board of Directors determined that the Company purchase all of the shares of Kanto Transportation Co., Ltd. from a fund managed by Polaris Capital Group Co., Ltd. through a fifty-fifty joint venture for investment by the Company and a limited partnership for investment managed by Karita and Company, Inc. etc., of which Development Bank of Japan Inc. was the single limited partner, and with regard to which the Company signed a Share Purchase Agreement on the same date.

(1) General description of business combination
① Name of the absorbed business and its description
Name of business: KSK Holdings Co., Ltd.
Business description: Joint venture for purchasing shares of Kanto Transportation Co., Ltd.
② Name of the absorbed business and its description
Name of business: Kanto Transportation Co., Ltd. and its five subsidiaries.
Business description: Transportation services
(2) Main reason for business combination
To improve our company performance and increase enterprise value by acquiring a second general transportation business concern. The Company has added a cold chain for which the expansion rate is high and obtained a transportation network that utilizes ordinary, chilling and freezing temperatures, creating new value and advancing our transportation services.
(3) Date of business combination
June 30, 2015
(4) Legal form of business combination
Share acquisition
(5) Acquired voting rights
① KSK Holdings Co., Ltd.: 50%
② Kanto Transportation Co., Ltd. and its five subsidiaries: 50%
(6) Additional acquisition of shares in acquired company
Acquisition cost and consideration paid
① KSK Holdings Co., Ltd.
Consideration paid for acquisition: Cash ¥ 4,911million ($43,460 thousand)
② Kanto Transportation Co., Ltd. and its five subsidiaries
Consideration paid for acquisition: Cash ¥ 17,867 million ($158,115 thousand)
(7) Main acquisition related costs
Fee paid : 47 million ($416 thousand)
(8) Amount of goodwill and amortization method and period
① Amount of goodwill: 16,636 million ($147,221 thousand)
② Amortization method and period: Straight-line amortization over 15 years
(9) Asset acquired and liabilities assumed as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,649	$ **49,991**
Noncurrent assets	8,525	**75,443**
Total assets	¥ 14,174	$ **125,434**
Current liabilities	¥ 4,652	$ **41,168**
Noncurrent liabilities	8,289	**73,354**
Total liabilities	¥ 12,941	$ **114,522**

Common control transaction

On January 1, 2016, two consolidated subsidiaries "KSK Holdings Co., Ltd." and "Kanto Transportation Co., Ltd." merged.

(1) General description of business combination
① Combined Business
Name of business: KSK Holdings Co., Ltd.
Business description: Joint venture for purchasing shares of Kanto Transportation Co., Ltd.
② The Combined Business
Name of business: Kanto Transportation Co., Ltd. and its five subsidiaries.
Business description: Transportation services
(2) Date of business combination
January 1, 2016
(3) Legal form of business combination
Absorption-type merger
Surviving company: KSK Holdings Co., Ltd.
Merged company: Kanto Transportation Co., Ltd.
(4) Name after business combination
Kanto Transportation Co., Ltd. (January 1, 2016, change of trade name from "KSK Holdings Co., Ltd.")

The Company applied ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised on September 13, 2013, and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," revised on September 13, 2013, and treated them as business transactions under common control.

20. Subsequent Events

(1) Stock-for-stock exchange agreements with the subsidiaries

On March 4, 2016, the Company entered into stock-for-stock exchange agreements with a subsidiary, "Toyota Home Gifu Co., Ltd.," in order to make the Company's equity share in such a subsidiary increase to 100%. In accordance with this agreement, on April 1, 2016 (the stock-for-stock exchange date), the Company reissued 35,925 shares of treasury stock at various exchange rates representing a certain number of shares of the Company's common stock (see below) for one share of common stock to the respective minority shareholders of the subsidiary. The acquisition cost of the acquired companies was ¥41 million ($363 thousand).

Details of the stock-for-stock exchange transactions with the subsidiaries were as follows:

	Exchange rate representing the number of shares of common stock of the Company for one share of common stock of the subsidiary
	(shares)
Toyota Home Gifu Co., Ltd.	359.25

The Company applied ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised on September 13, 2013, and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," revised on September 13, 2013, and treated them as business transactions under common control.

(2) Share Repurchase

The Board of Directors of the Company resolved at its meeting held on July 1, 2016 matters concerning the Company's repurchase of its common stock pursuant to the provisions of the Articles of Incorporation as applied pursuant to Article 459, Paragraph 1, Item 1 of the Business Corporation Law, as detailed below.

(1) Reason for share repurchase
To improve capital efficiency and implement flexible capital policies in response to changes in the business environment
(2) Class of shares to be repurchased
Common stock
(3) Total number of shares that may be repurchased:
3,125,000 shares (maximum) (1.57% of issued shares (excluding treasury stock))
(4) Aggregate repurchase price
¥ 2,500 million ($ 22,124 thousand) (maximum)
(5) Period of repurchase
From July 7, 2016 to September 23, 2016

21. Segment Information

1. General information about reportable segments

The reportable segments are constituent business units of the Seino Group for which separate financial information is obtained and examined regularly by the Board of Directors to evaluate business performance. The Seino Group has established the "Business Promotion Department" as a holding company. Each subsidiary plans and operates each business under its control. In addition, some of the subsidiaries engage in real estate leasing services to make good use of their facilities. Therefore, the Seino Group consists of business segments that are based on the business conducted by each subsidiary. The Seino Group's reportable segments are "transportation services," "vehicle sales," "merchandise sales" and "real estate leasing services."

2. Basis of measurement about reportable segment profit or loss, segment assets and other material items

The principles of segment accounting are basically the same as those described in Note 2, "Summary of Significant Accounting Policies." Intersegment sales and transfer amounts are based on market prices.

3. Information about reportable segment profit or loss, segment assets and other material items

Information about reportable segment for the years ended March 31, 2016, 2015 and 2014 is summarized as follows:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other (*4)	Total	Adjustments (*1)	Consolidated
For the year 2016:				Millions of yen				
Operating revenue:								
External customers	¥ 416,113	¥ 94,441	¥ 28,029	¥ 1,472	¥ 15,402	¥ 555,457	¥ —	¥ 555,457
Intersegment sales or transfer	1,730	8,436	20,609	—	24,317	55,092	(55,092)	—
Total operating revenue	¥ 417,843	102,877	48,638	1,472	39,719	610,549	(55,092)	555,457
Segment income (*2)	19,113	¥ 4,926	¥ 772	¥ 1,228	¥ 1,107	¥ 27,146	¥ (960)	¥ 26,186
Segment assets (*3)	¥ 441,635	¥ 107,391	¥ 13,401	¥ 13,402	¥ 42,561	¥ 618,390	¥ (38,825)	¥ 579,565
Depreciation	14,121	1,830	38	38	335	16,362	(323)	16,039
Amortization of goodwill	837	—	—	—	—	837	—	837
Investments in affiliates accounted for using the equity method	3,675	—	—	297	—	3,972	(3)	3,969
Increase in tangible and intangible fixed assets	46,224	2,605	67	360	384	49,640	(387)	49,253
For the year 2015:								
Operating revenue:								
External customers	¥ 398,972	¥ 95,351	¥ 32,699	¥ 1,401	¥ 14,029	¥ 542,452	¥ —	¥ 542,452
Intersegment sales or transfer	1,494	7,868	24,776	—	13,691	47,829	(47,829)	—
Total operating revenue	400,466	103,219	57,475	1,401	27,720	590,281	(47,829)	542,452
Segment income (*2)	¥ 14,699	¥ 4,890	¥ 755	¥ 1,199	¥ 546	¥ 22,089	¥ (703)	¥ 21,386
Segment assets (*3)	¥ 405,415	¥ 104,153	¥ 13,840	¥ 12,477	¥ 39,916	¥ 575,801	¥ (27,276)	¥ 548,525
Depreciation	13,062	1,710	45	32	296	15,145	(304)	14,841
Amortization of goodwill	6	—	—	—	—	6	—	6
Investments in affiliates accounted for using the equity method	3,096	—	—	231	—	3,327	(4)	3,323
Increase in tangible and intangible fixed assets	17,244	2,536	9	189	595	20,573	(479)	20,094
For the year 2014:								
Operating revenue:								
External customers	¥ 393,320	¥ 100,569	¥ 33,306	¥ 1,421	14,791	543,407	¥ —	¥ 543,407
Intersegment sales or transfer	1,548	8,110	26,875	—	9,735	46,268	(46,268)	—
Total operating revenue	394,868	108,679	60,181	1,421	24,526	589,675	(46,268)	543,407
Segment income (*2)	¥ 12,779	¥ 5,352	¥ 731	¥ 1,222	¥ 544	¥ 20,628	¥ (439)	¥ 20,189
Segment assets (*3)	¥ 393,469	¥ 100,313	¥ 15,067	¥ 12,707	¥ 22,510	¥ 544,066	¥ (1,655)	¥ 542,411
Depreciation	12,569	1,680	51	33	253	14,586	(269)	14,317
Amortization of goodwill	6	59	—	—	2	67	—	67
Investments in affiliates accounted for using the equity method	3,036	—	—	168	—	3,204	(3)	3,201
Increase in tangible and intangible fixed assets	13,448	2,852	30	4	270	16,604	(461)	16,143

For the year 2016:	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other (*4)	Total	Adjustments (*1)	Consolidated
				Thousands of U.S. dollars				
Operating revenue:								
External customers	$ 3,682,416	$ 835,761	$ 248,044	$ 13,027	$ 136,301	$ 4,915,549	$ —	$ 4,915,549
Intersegment sales or transfer	15,309	74,655	182,381	—	215,195	487,540	(487,540)	—
Total operating revenue	3,697,725	910,416	430,425	13,027	351,496	5,403,089	(487,540)	4,915,549
Segment income (*2)	$ 169,141	$ 43,593	$ 6,832	$ 10,867	$ 9,797	$ 240,230	$ (8,495)	$ 231,735
Segment assets (*3)	$ 3,908,274	$ 950,363	$ 118,593	$ 118,602	$ 376,646	$ 5,472,478	$ (343,584)	$ 5,128,894
Depreciation	124,965	16,195	336	336	2,964	144,796	(2,858)	141,938
Amortization of goodwill	7,407	—	—	—	—	7,407	—	7,407
Investments in affiliates accounted for using the equity method	32,522	—	—	2,628	—	35,150	(27)	35,123
Increase in tangible and intangible fixed assets	409,062	23,053	593	3,186	3,398	439,292	(3,425)	435,867

*Note: *1) Adjustments column in the table above represents principally the elimination of intersegment transactions and balances, except for (*2) and (*3).*

**2) Segment income is reconciled to operating income in the accompanying consolidated statements of income. Segment income in the adjustments column represents unallocated general corporate expenses which were not assigned to specific reportable segments, net of intersegment transactions.*

**3) Segment assets in the adjustments column represent unallocated general corporate items which were not assigned to specific reportable segments such as cash, short-term and long-term investments in securities, net of intersegment balances.*

**4) Other segment represents the business segment not included in the reportable segments and includes the information services business, the housing sales business, the passenger transportation business and other business.*

(Related information)

1. Information about products and services
   The Company has not disclosed information about products and services because the Company has disclosed the same information above.
2. Information about geographic areas
   (1) Operating revenue
   The Company has omitted the disclosure of operating revenue by geographic area because operating revenue to external customers in Japan accounts for more than 90% of the amount of operating revenue reported in the consolidated statements of income.
   (2) Property and equipment
   The Company has omitted the disclosure of property and equipment by geographic area because property and equipment in Japan account for more than 90% of the amount of property and equipment reported in the consolidated balance sheets.
3. Information about major customers
   The Company has not disclosed information about major customers because no customer had contributed 10% or more to operating revenue in the consolidated statements of income.
4. Information on impairment loss by reportable segments:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Millions of yen					
Impairment loss:						
For the year 2016	¥ 39	¥ 35	¥ —	¥ 372	¥ —	¥ 446
For the year 2015	39	61	—	27	—	127
For the year 2014	154	69	—	217	—	440
	Thousands of U.S. dollars					
Impairment loss:						
For the year 2016	$ 345	$ 310	$ —	$ 3,292	$ —	$ 3,947

5. Information on goodwill and negative goodwill incurred due to business combinations before April, 2010 by reportable segments:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Millions of yen					
For the year 2016:						
Amortization of goodwill	¥ 837	¥ —	¥ —	¥ —	¥ —	¥ 837
Amortization of negative goodwill	—	—	—	—	—	—
As of March 31, 2016:						
Balance of goodwill	15,804	—	—	—	—	15,804
Balance of negative goodwill	—	—	—	—	—	—
For the year 2015:						
Amortization of goodwill	¥ 6	¥ —	¥ —	¥ —	¥ —	¥ 6
Amortization of negative goodwill	3	—	—	—	—	3
As of March 31, 2015:						
Balance of goodwill	5	—	—	—	—	5
Balance of negative goodwill	—	—	—	—	—	—
For the year 2014:						
Amortization of goodwill	¥ 6	¥ 59	¥ —	¥ —	¥ 2	¥ 67
Amortization of negative goodwill	2,972	—	9	—	61	3,042
As of March 31, 2014:						
Balance of goodwill	11	—	—	—	—	11
Balance of negative goodwill	3	—	—	—	—	3

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Thousands of U.S. dollars					
For the year 2016:						
Amortization of goodwill	$ 7,407	$ —	$ —	$ —	$ —	$ 7,407
Amortization of negative goodwill	—	—	—	—	—	—
As of March 31, 2016:						
Balance of goodwill	139,859	—	—	—	—	139,859
Balance of negative goodwill	—	—	—	—	—	—

6. Information on gain on negative goodwill by reportable segments:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Millions of yen					
Gain on negative goodwill:						
For the year 2016	¥ 1	¥ 24	¥ —	¥ —	¥ —	¥ 25
For the year 2015	—	—	—	—	—	—
For the year 2014	—	—	—	—	—	—

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Thousands of U.S. dollars					
Gain on negative goodwill:						
For the year 2016	$ 9	$ 212	$ —	$ —	$ —	$ 221

Report of Independent Auditors

Independent Auditor's Report

To the Board of Directors of
SEINO HOLDINGS CO., LTD.:

We have audited the accompanying consolidated financial statements of SEINO HOLDINGS CO., LTD. (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the years in the three-year period ended March 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for each of the years in the three-year period ended March 31, 2016, in conformity with accounting principles generally accepted in Japan.

Convenience Translation

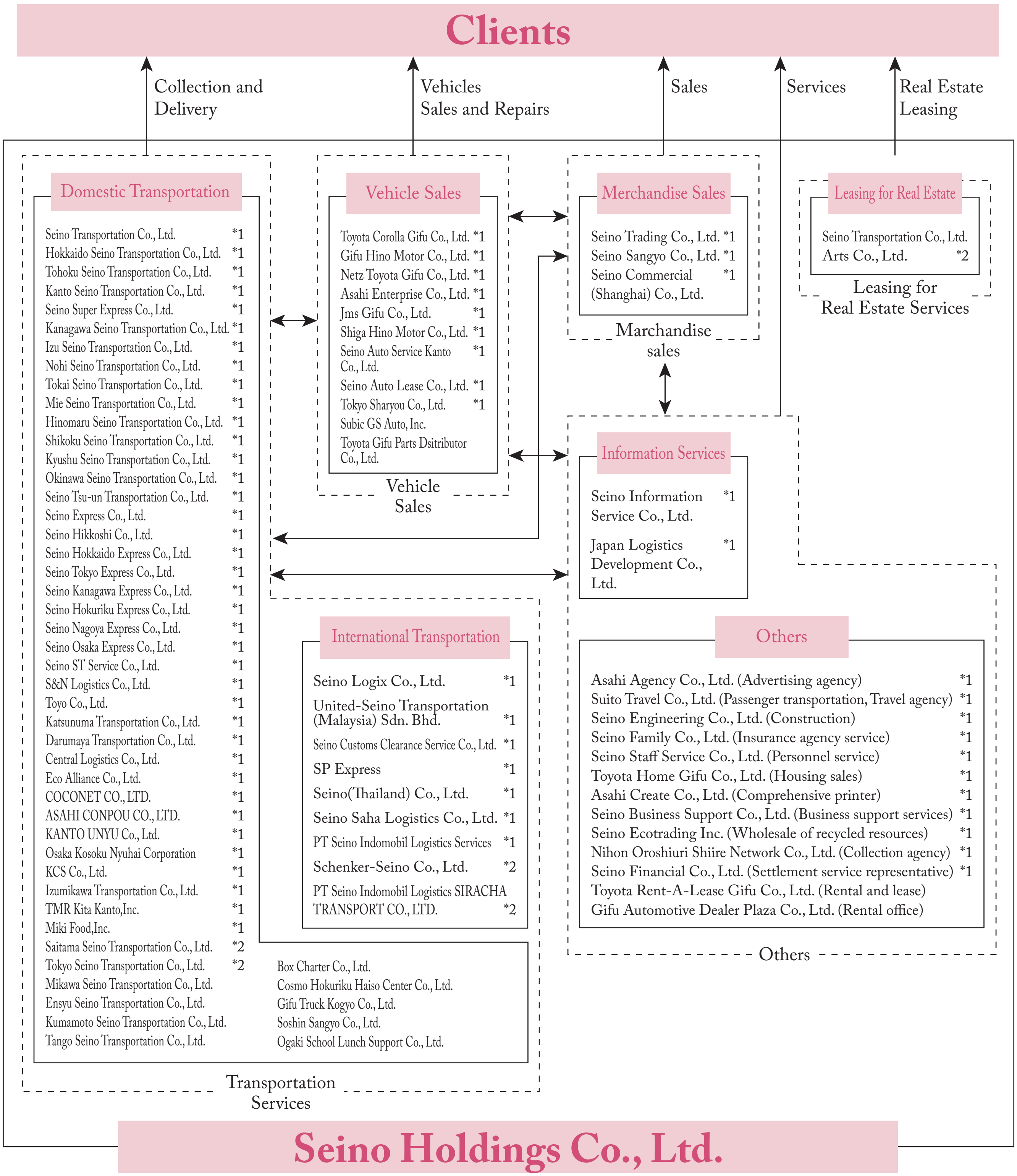
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

KPMG AZSA LLC

August 31, 2016
Nagoya, Japan

Seino Group

The Seino Group consists of Seino Holdings Co., Ltd. and 71 consolidated subsidiaries and 18 affiliates. The Seino Group operates in five business segments: transportation services, vehicle sales, merchandise sales, leasing for real estate services and other services. The business relationship in the Seino Group is as follows.



Note *1: Consolidated subsidiaries 71
*2: Affiliates (under the equity method) 5
Companies except those mentioned above are affiliates under the cost method. 13

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