SEINO

Annual Report 2017

Year Ended March 31,2017

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, 70 consolidated subsidiaries and 21 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, 2017, Seino offers efficient transportation services throughout Japan via its 667 domestic terminals, a fleet of 24,214 trucks and a trucking network that averages 4,000 routes daily. In addition, making Kanto Transportation Co., Ltd. a consolidated subsidiary, a logistics network using ordinary, chilled, and freezing temperatures is available.

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 28, 2017)

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 Meyumi Yamada
Outside Statutory Auditors	Fumio Kato Eiji Kasamatsu

Seino Holdings Co., Ltd.

Financial Highlights

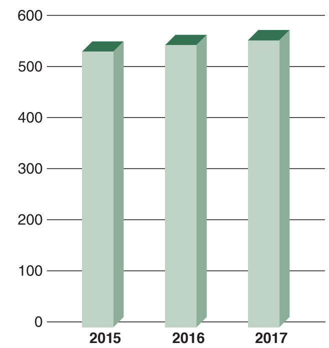
For the Years Ended March 31, 2017, 2016 and 2015

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2017	2016	2015	**2017**
CONSOLIDATED BASIS:				
Operating revenue	**¥ 567,539**	¥ 555,457	¥ 542,452	**$ 5,067,313**
Operating income	**27,117**	26,186	21,386	**242,117**
Profit before income taxes	**28,690**	27,957	23,262	**256,161**
Net income	**18,206**	18,864	14,456	**162,554**
Net income per share (yen)	**92.09**	94.87	72.67	**0.82**

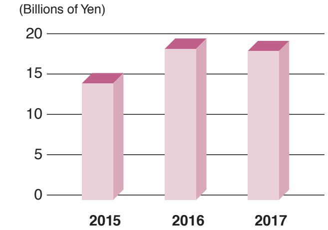
	Millions of Yen			Thousands of U.S. Dollars (Note)
	2017	2016	2015	**2017**
CONSOLIDATED BASIS:				
Cash and cash equivalents, and short-term investments	**¥ 98,011**	¥ 91,444	¥ 91,998	**$ 875,277**
Property and equipment, net of accumulated depreciation	**290,151**	290,151	275,034	**2,595,589**
Total assets	**594,264**	579,565	548,525	**5,305,929**
Long-term debt and other long-term liabilities	**106,486**	104,351	83,382	**905,769**
Net assets	**381,299**	371,007	363,314	**3,404,455**
Net assets per share (yen)	**1,912.12**	1,835.78	1,778.29	**16.39**

(Note) U.S. dollar amounts are translated at ¥112 = U.S. $1, only for the convenience of readers.

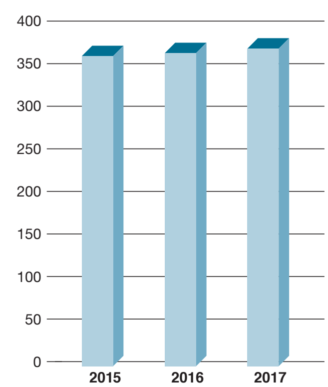
Operating revenue



Net income
(Billions of Yen)



Net assets
(Billions of Yen)



Corporate Data

(As of March 31, 2017)

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, 2017 (April 1, 2016 to March 31, 2017) are presented herein.

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, 2017, our 96th term (from April 1, 2016 to March 31, 2017).

In the fiscal year under review, Japan's economy continued to recover moderately with employment and income conditions still benefiting from various government policy measures. Despite this improvement, however, the economy appears stuck at its current pace, and its prospects remain unclear amid various concerns such as fears for global economic slowdown, especially China, the issue of Brexit, and the policy directions following the US Presidential elections.

In the transportation industry, the Seino Group's mainstay business, although the trend of decline in freight volume appears to have ended, we faced problems such as rising outsourcing costs and increasing personnel expenses.

In this environment, we pushed forward together to enhance the Company's corporate value. We steadily implemented the various measures in our medium-term management plan "JUMP UP 70: Change for the Future," which is now in its final year, and worked to establish a strong business foundation through initiatives to expand business fields.

In addition, in March 1, 2017, Unicla Jiko Co., Ltd. (headquarters: Nagoya City) was made a subsidiary of the Company. By expanding our business operations in the field of automobile maintenance through establishing a hold in markets outside the Kanto region, we are developing a management structure for the Vehicle Sales Business that is centered on a maintenance business and not reliant on new car sales.

As a result, operating revenue for the fiscal year ended March 31, 2017 was ¥567,539 million (up 2.2% year on year), operating profit was ¥27,117 million (up 3.6% year on year), ordinary profit was ¥28,909 million (up 2.2% year on year), and profit attributable to owners of parent was ¥18,206 million (down 3.5% year on year).

New Medium-term Management Plan "Value-Up Challenge 2020" 2017/4-2020-3

In our outlook for the Japanese economy, we expect that the moderate tone of recovery will continue amid the ongoing improvement in the employment and income environments, with positive effects also expected from various policy measures. Nevertheless, there are lingering uncertainties reflecting concerns such as the impact of various problems in overseas countries and fluctuation in the financial and capital markets.

In the transportation industry, the primary industry of the Seino Group, although there are positive signs of consumer-related freight, we expect the business environment to continue as it has for the previous fiscal year due to increases in personnel expenses and outsourcing costs, as well as higher fuel prices. Facing such circumstances, the Seino Group has formulated a new three-year medium-term management plan "Value-Up Challenge 2020: Take Off Toward Growth," which commenced in the fiscal year ending March 31, 2018. While seeking to stretch our "strengths" accrued up until now, we will pursue maximization of value, and accelerate our reforms and bold initiatives to create new value.

In our mainstay Transportation Services Business, our primary policies are to stabilize, maintain and expand our transportation network; expand our logistics business operations with storage and distribution processing that uses digital tracking and with a global network of third-party logistics providers; and address globalization such as providing support for overseas logistics for Japanese corporations.

At Seino Transportation Co., Ltd., our core company, aiming to maximize the full potential of our personnel, we will move ahead with working style reform geared up to alleviate the effects of future labor force decline through initiatives including streamlining operations with systems such as further promotion of EDI, introducing automatic-transmission trucks, and employing a combination of various methods of transportation through the promotion of modal shifts and introduction of full trailers.

In addition, in the Vehicle Sales Business, we are working to enhance and expand the business base to enable more sales offices to be number one dealer in their local region, while striving to enhance the vehicle maintenance network in the Kanto area.

Striving to achieve our new medium-term management plan, we will take further steps to select and concentrate our business resources and move forward with a keen focus on business expansion and growth.

As this year's slogan "Handing down" suggests, we aim to achieve further growth by creating new value as we go about our work with our "customer viewpoint" that we have worked to hand down to next generations since our founding.

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

June 2017

Yoshitaka Taguchi,
President and Chief Operating Officer

Special Feature

Expanding Our Operations Scope and Creating New Value

2017 marked the first year of our new three-year medium-term management plan "Increased Value Challenge 2020: Takeoff Toward Growth." As we pursue the maximization of our value, using the strength we have cultivated until now, we will swiftly set forth reform and the spirit of challenge to create new values.

Main Topics for 2017

2,800 Guests Attended the Memorial Service and Farewell Ceremony for President and Chief Operating Officer Yoshikazu Taguchi in Remembrance of His Virtue and Achievements

Yoshikazu Taguchi, president and chief operating officer, passed away from pneumonia at 1 a.m., September 22, 2016. The memorial service and farewell ceremony were held for him on November 29 at Gifu Memorial Center's Deai Dome and Fureai Dome. A total of 2,800 guests attended, remembering Mr. Taguchi's splendid achievements and personality, offering flowers, and saying their goodbyes.

The memorial service was attended by 1,500 guests from different areas of society including the mayor of Gifu Prefecture, Hajime Furuta, and mayor of Ogaki City, Bin Ogawa. With the presentation of a large bouquet of flowers, President Yoshitaka Taguchi expressed his gratitude to the row boat enthusiast, Mr. Taguchi, as follows: "Mr. [Yoshikazu] Taguchi continued the corporate legacy of founder and Honorary Chairman Rihachi Taguchi. He managed the business together with then-President and Chief Operating Officer Toshio Taguchi, and when Toshio Taguchi passed away, Mr. [Yoshikazu] Taguchi devoted all of his energy to every business endeavor with incredible effort. When he unfortunately took ill, he was surrounded by the warmth of his loving family as they watched over him. Mr. Taguchi rowed over the waters of a fantastic 78-year life. We are so thankful for everyone's kindness."

At the farewell ceremony held by Seino Holdings, which followed the memorial service, photograph panels showing different years in Mr. Taguchi's life, a replica of his treasured Black Lion Flag from victory at The Intercity Baseball Tournament, boat oars, and other items were displayed, allowing guests to view as well as look back on and remember President and Chief Operating Officer Yoshikazu Taguchi's active life.

Linked Business Capital with Hankyu Hanshin Holdings

Seino Holdings (President Yoshitaka Taguchi, headquarters in Taguchi-cho, Ogaki City) concluded its basic agreement with Hankyu Hanshin Holdings (President Kazuo Sumi, headquarters in Kita-ku, Osaka City), and discussions began regarding cooperative business with one another as well as linked capital.

The goal of this cooperation was to create and provide distinguished services different from other companies through the synergy, networks, and management resources of both groups. Both organizations have joined their capitals through mutual shareholding with a projected aggregate amount of up to one billion yen.

Seino Holdings plans to expand and strengthen its business through the logistics needs of the different areas of business developed by Hankyu Hanshin Holdings. In addition, with a connection to Seino's strong logistics services throughout Japan, Hankyu Hanshin will expand its value by strengthening its current logistics business and activating sales channels and distribution along rail lines.

Acceptance of the Minister of Land, Infrastructure, Transport and Tourism Award for Economization and Safety

Seino Transportation was given the Minister of Land, Infrastructure, Transport and Tourism Award, the highest award among business divisions, at the Economical Driving Activity Contest held by the Economical Driving Promotion Conference Association and Foundation for Promoting Personal Mobility and Ecological Transportation.

High praise was received and the award was accepted for the system of incorporating instructors in-house and executing concrete driving instruction by area, as well as improving fuel consumption by 20% in large-sized trucks and the reduction in accidents among vehicles by 70%.

Establishment of the New Company Nanacoco

Coconet (President Shuji Kawai, headquarters in Chuo-ku, Tokyo) established its 100% subsidiary company Nanacoco in accordance with its vision of expanding business with client 7-Eleven Japan.

Due to a decline in births and an aging population, women entering more and more into society, problems like limited access among some to shopping establishments, and other such issues concerning the sense of inconvenience among customers surrounding shopping, Nanacoco's home food delivery service, which delivers food products, is growing throughout Japan.

In 7-Eleven Japan's second business venture of "omnichannel strategy," things like door-to-door deliveries from the store to the customer's home or other destinations as well as reception of orders are carried out by Coconet in select areas (100 stores).

Coconet has received high praise from 7-Eleven Japan regarding this operation, and Nanacoco was established exclusively to quickly expand this service to all 7-Eleven stores.

Open Innovation Promotion Office

Seino Holdings fuses together assets and knowledge held by the group as well as innovative technology and more from other companies, and with the goal of delivering a higher level of service to clients as well as building new business models, the Open Innovation Promotion Office was newly established.

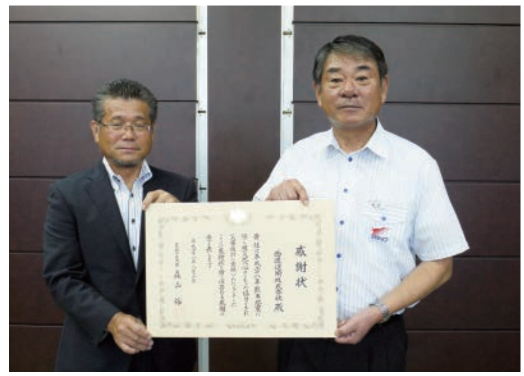
This office is moving forward and taking form through different projects like cooperation with other companies, venture businesses, entrepreneurs, etc. as well as efficient use of new technologies like IoT and drones.

Letter of Gratitude from the Minister of Agriculture, Forestry and Fisheries

Seino Transportation Co., Ltd. received a letter of gratitude from the Minister of Agriculture, Forestry and Fisheries for its cooperation in the transport of emergency supplies to affected areas by the Kumamoto Earthquake in April 2016.

Seino Transportation delivered emergency supplies after being named by the prime minister as a designated public institution to act in accordance with the Disaster Countermeasures Basic Act. The request from the government was from the 16th to the end of April 2016, and during that time, approximately 280 tons of blankets and food were delivered.

We received words of thanks from Gifu Prefecture's Councilor Ryoichi Hara of the Tokai Regional Agricultural Administration Office saying, "Thanks to your swift aid following the disaster, a day's worth of food was put into the bellies of the people affected."



Ogaki City Children's Company Tour

Ogaki City Cultural Foundation's "Science Lessons for the PhDs of Tomorrow" event was held at Seino Transportation's Ogaki branch (supervised by Manager Hidenori Masuda in Higashimae, Ogaki City).

Approximately 50 elementary school students and their parents came to the Ogaki branch for part of the event titled "Learn About the Transportation and Distribution of Things!" Participants were captivated, learning about trailer beds rising and lowering through hydraulics as well as trucks whose trailers can change their height.

Expanding Our Operations Scope and Creating New Value

Transportation Services Business

In the Transportation Services Business, we worked on expanding revenue and securing profit by steadily implementing primary policies based on our medium-term management plan such as stabilization of the transportation network, and expansion of the logistics business.

With respect to office expansion efforts, Tokai Seino Transportation Co., Ltd. newly established the Nakatsugawa branch (Nakatsugawa City, Gifu Prefecture) to strengthen the transportation network. In addition, Nohi Seino Transportation Co., Ltd. established the Kakamigahara Logistics Center (Kakamigahara City, Gifu Prefecture) with temperature control storage to expand and enhance the logistics business.

At Seino Transportation Co., Ltd., the core company of the Transportation Services Business group, we continued proactive negotiations to receive reasonable transport fees and charges, and fuel surcharges, as a measure to improve profits, and we worked on increasing customers through improving services utilizing data sharing with customers through EDI (electronic data interchange). We also worked to properly manage operation capabilities and costs, improve load efficiency in consolidated deliveries, etc. to ensure revenue and profit.

In addition, we earned our customers' trust in our transportation services by further improving stable, fixed-time fixed-route deliveries with the virtuous transportation cycle and by striving to train truly professional drivers by adopting a safety promotion system to fulfill social responsibility.

As a result of the above, operating revenue for this segment was ¥422,870 million, up 1.6% year on year, and operating profit was ¥20,020 million, up 4.7% year on year.

Vehicle Sales Business

In passenger vehicle sales, the number of new car sales significantly increased year on year through various efforts including sales operations conducted at the local level, and campaigns taking full advantage of the effects of new vehicle model launches.

Meanwhile in used vehicle sales, although retail sales dropped due to a shortage of quality trade-in vehicles, the number of wholesale vehicles sold for auctions rose, thereby securing the same level of used vehicle revenue as the previous fiscal year.

Also, 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 and oil, etc.

In truck sales, the number of new vehicles sold increased year on year, particularly those in the heavy truck classes, due partly to a robust increase in demand for cargo-use trucks. Although conditions were difficult in the used truck market due to a shortage of quality vehicles, we concentrated on capturing demand for vehicle maintenance, such as for vehicle inspections, and sales of used-parts.

In office expansion efforts, Netz Toyota Gifu Co., Ltd. carried out a full refurbishment of the Hozumi branch (Mizuho City, Gifu Prefecture).

As a result of the above, operating revenue for this segment was ¥100,237 million, up 6.1% year on year, and operating profit was ¥5,055 million, up 2.6% year on year.

Merchandise Sales Business

The Merchandise Sales Business engages in the sale of fuel, paper and paper products, and other products. Operating revenue for this segment was ¥27,749 million, down 1.0% year on year, partly due to the impact of a fall in sales unit prices for fuel sales. Sales of domestic tissue papers were firm, and operating profit was ¥766 million, down 0.8% year on year.

Leasing for Real Estate Services Business

In the Leasing for Real Estate Services Business, we strive to effectively utilize business resources by leasing the former truck terminal and store sites, which had been replaced mainly due to the impact of urban development and increasingly cramped conditions.

Operating revenue for this segment was ¥1,543 million, up 4.8% year on year, and operating profit was ¥1,279 million, up 4.2% 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.

Operating revenue for this segment was ¥15,140 million, down 1.7% year on year, and operating profit was ¥728 million, down 34.3% year on year.

Operating Revenue by Business Segment

(Millions of yen)

	FY3/17		FY3/16		
	Results	Composition	Results	Composition	Year-on-Year
Transportation Services	422,870	74.5%	416,113	74.9%	1.6%
Vehicle Sales	100,237	17.6%	94,441	17.0%	6.1%
Merchandise Sales	27,749	4.9%	28,029	5.0%	(1.0%)
Leasing for Real Estate Services	1,543	0.3%	1,472	0.3%	4.8%
Other	15,140	2.7%	15,402	2.8%	(1.7%)
Total	567,539	100.0%	555,457	100.0%	2.2%

Operating Income by Business Segment

(Millions of yen)

	FY3/17		FY3/16		
	Results	Composition	Results	Composition	Year-on-Year
Transportation Services	20,020	73.8%	19,113	73.0%	4.7%
Vehicle Sales	5,055	18.7%	4,926	18.8%	2.6%
Merchandise Sales	766	2.8%	772	3.0%	(0.8%)
Leasing for Real Estate Services	1,279	4.7%	1,228	4.7%	4.2%
Other	728	2.7%	1,107	4.2%	(34.3%)
Total	27,848	102.7%	27,146	103.7%	2.6%
Elimination	(731)	(2.7%)	(960)	(3.7%)	—
Consolidated	27,117	100.0%	26,186	100.0%	3.6%

Financial Review

Operating Results

The consolidated operating revenue of Seino Holdings for the fiscal year ending March, 2017 was ¥567,539 million (a 2.2% increase from the previous fiscal year). This was due to a rise in individual shipping charge prices as well as increases in transportation effectiveness and the number of new vehicle sales.

The operating revenue's operating costs amounted to ¥502,639 million (US$4,487,848 thousand), which was a 0.2% increase from the previous fiscal year. The operating cost rate to the operating revenue was 88.7%, the same as the previous fiscal year.

Selling expenses and general administrative expenses came to ¥37,783 million (a 3.6% increase from the same period of the previous year), operating revenue came to ¥27,117 million (US$242,117 thousand), and other expenses amounted to ¥1,876 million (US$16,750 thousand).

As a result, this term's net income before income taxes and minority interests was 2.6% more than the previous fiscal year, coming to ¥28,689 million (US$256,151 thousand). The net income for this term came to 3.5% less than the previous fiscal year at ¥18,206 million (US$162,554 thousand).

Net income per share was ¥92.09 (US$0.82), and return on equity was 4.9%. The annual cash dividend per share was maintained at ¥27.00 (US$0.24), which was 96.4% of that from the previous fiscal year.

Financial Position

Total assets at the end of the current consolidated fiscal year totaled ¥594,264 million (US$5,305,928 thousand), which was an increase of ¥14,699 million (US$131,241 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 ¥212,965 million (US$1,901,474 thousand), which was a ¥4,406 million (US$39,339 thousand) increase from the end of the previous consolidated fiscal year. The primary reason for this was severance pay, etc. Lastly, net assets grew ¥10,292 million (US$91,893 thousand) from the end of the previous consolidated fiscal year, amounting to ¥381,299 million (US$3,404,455 thousand). Retained earnings, etc. were the main factor in the increase.

Cash Flows

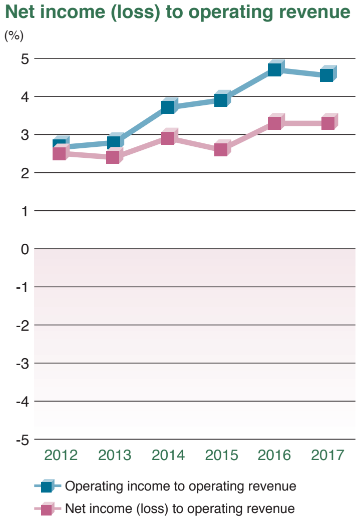
Cash flow from operating activities amounted to ¥34,871 million (US$311,348 thousand), ¥4,226 million (US$37,732 thousand) up from the previous consolidated fiscal year, due to an increase in this term's net income before taxes and minority interests and a decrease in things like corporate taxes.

Cash flow from investment activities came to –¥17,840 million (US$159,286 thousand), which was a ¥23,058 million (US$205,875 thousand) decrease from the previous consolidated fiscal year, resulting from a decrease in expenditures from negotiable certificates of deposit being deposited, and a decrease in expenditures in the purchase of investments in subsidiaries resulting in change in scope of consolidation.

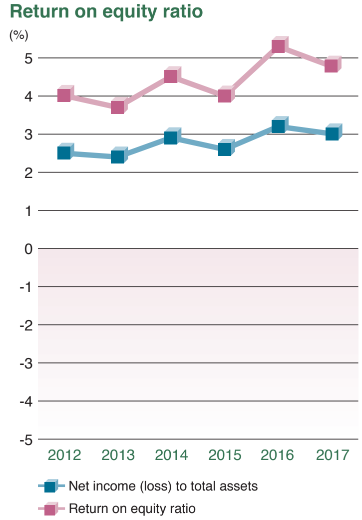
Cash flow from financial activities fell ¥15,842 million (US$141,446 thousand) from the previous consolidated fiscal year, coming to –¥8,484 million (US$75,750 thousand) because of an increase in income from things like long-term loans.

As a result, cash and cash equivalents in the current consolidated fiscal year decreased ¥2,939 million (US$26,241 thousand) from the previous consolidated fiscal year, totaling ¥63,839 million (US$569,991 thousand).

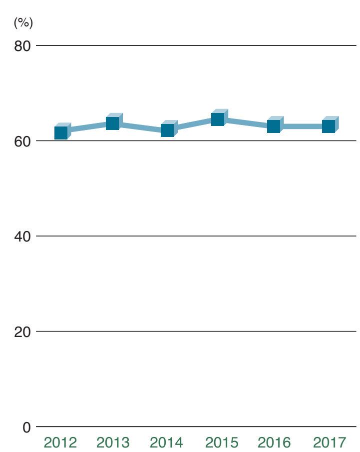
Operating income to operating revenue
Net income (loss) to operating revenue



Net income (loss) to total assets
Return on equity ratio



Shareholders' equity ratio



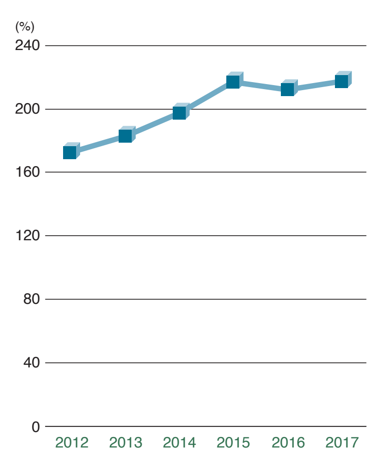
SEINO HOLDINGS CO., LTD. and Consolidated Subsidiaries

Six-year Summary

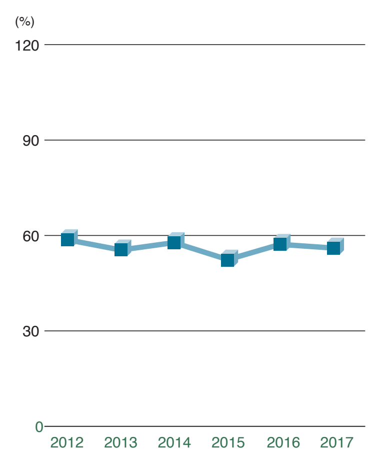
For the Years Ended March 31, 2017, 2016, 2015, 2014, 2013 and 2012

	Millions of Yen					
	2017	2016	2015	2014	2013	2012
For the year:						
Operating revenue:	¥ 567,539	¥ 555,457	¥ 542,452	¥ 543,407	¥ 516,185	¥ 504,277
Transportation services	422,870	416,113	398,972	393,320	371,546	370,592
Vehicle sales	100,237	94,441	95,351	100,569	96,148	87,755
Merchandise sales	27,749	28,029	32,699	33,306	32,457	30,144
Leasing for real estate services	1,543	1,472	1,401	1,421	1,438	1,416
Other	15,140	15,402	14,029	14,791	14,596	14,370
Operating costs	502,639	492,802	487,664	490,002	467,596	457,512
Selling, general and administrative expenses	37,783	36,469	33,402	33,216	34,243	32,898
Operating income	27,117	26,186	21,386	20,189	14,346	13,867
Net income (loss)	18,206	18,864	14,456	15,490	12,151	12,542
At year-end:						
Current assets	232,792	221,278	221,338	221,873	196,803	186,255
Total assets	594,264	579,565	548,525	542,411	510,467	500,963
Current liabilities	106,479	104,207	101,829	112,396	107,171	108,219
Short-term borrowings	2,704	2,768	2,519	2,465	2,473	2,475
Long-term debt, including current maturities	26,468	25,293	10,125	10,214	314	565
Net assets	381,299	371,007	363,314	346,339	331,702	318,650
	Yen					
Per share data:						
Net (loss) income:						
-Basic	¥ 92.09	¥ 94.87	¥ 72.67	¥ 77.85	¥ 61.05	¥ 63.02
Cash dividends	27.00	28.00	21.00	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	4.8	4.7	3.9	3.7	2.8	2.7
Net income (loss) to operating revenue	3.2	3.3	2.7	2.9	2.4	2.5
Net income (loss) to total assets	3.0	3.2	2.6	2.9	2.4	2.5
Return on equity ratio	4.9	5.3	4.2	4.7	3.8	4.0
Shareholders' equity ratio	63.1	63.0	64.5	62.2	63.4	62.0
Current ratio	218.6	212.3	217.4	197.4	183.6	172.1
Debt equity ratio	56.8	57.2	52.4	58.3	55.3	58.7
Payout ratio	29.3	29.5	28.9	14.1	18.0	17.5

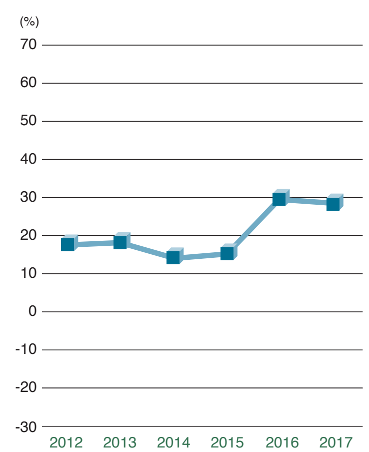
Current ratio



Debt equity ratio



Payout ratio



SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Balance Sheets

March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Assets:			
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 72,366**	¥ 63,839	**$ 646,125**
Short-term investments (Notes 3 and 5)	**25,665**	27,605	**229,152**
Trade receivables (Note 3)	**112,651**	109,269	**1,005,812**
Inventories (Note 4)	**12,546**	10,758	**112,018**
Deferred tax assets (Note 17)	**5,209**	5,697	**46,509**
Other current assets	**4,564**	4,325	**40,750**
Allowance for doubtful accounts	**(209)**	(215)	**(1,866)**
Total current assets	**232,792**	221,278	**2,078,500**
Property and equipment (Notes 6, 7 and 9):			
At cost	**589,383**	581,804	**5,262,348**
Accumulated depreciation	**(298,677)**	(291,653)	**(2,666,759)**
Net property and equipment	**290,706**	290,151	**2,595,589**
Investments and other assets:			
Investment securities (Notes 3 and 5)	**33,115**	28,349	**295,670**
Investments in and long-term loans to affiliates (Note 5)	**4,119**	4,071	**36,777**
Goodwill	**14,699**	15,804	**131,241**
Deferred tax assets (Note 17)	**9,984**	9,370	**89,143**
Employee retirement benefit asset (Note 12)	**235**	1,899	**2,098**
Other assets	**8,614**	8,643	**76,911**
Total investments and other assets	**70,766**	68,136	**631,840**
Total assets	**¥ 594,264**	¥ 579,565	**$ 5,305,929**
Current liabilities:			
Short-term borrowings (Notes 3, 9, 10 and 11)	**¥ 2,704**	¥ 2,768	**$ 24,143**
Current portion of long-term debt (Notes 3, 9 and 11)	**1,481**	1,226	**13,223**
Trade payables (Note 3)	**44,960**	43,148	**401,428**
Accrued expenses	**14,896**	14,997	**133,000**
Income taxes payable	**4,079**	6,171	**36,420**
Other current liabilities	**38,359**	35,897	**342,491**
Total current liabilities	**106,479**	104,207	**950,705**
Long-term debt (Notes 3, 9 and 11)	**24,987**	24,067	**223,098**
Employee retirement benefit liability (Note 12)	**73,739**	72,279	**658,384**
Asset retirement obligations (Note 8)	**2,550**	2,581	**22,768**
Accrued severance indemnities for directors and corporate auditors	**1,643**	1,635	**14,670**
Deferred tax liabilities (Note 17)	**2,797**	2,985	**24,974**
Other long-term liabilities	**770**	804	**6,875**
Total liabilities	**212,965**	208,558	**1,901,474**
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	**379,304**
Capital surplus	**80,631**	80,585	**719,920**
Retained earnings	**260,275**	247,617	**2,323,884**
Less treasury stock at cost: 11,459,026 shares in 2017 and 8,926,862 shares in 2016	**(12,554)**	(9,667)	**(112,090)**
Total shareholders' equity	**370,834**	361,017	**3,311,018**
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities	**11,574**	10,618	**103,339**
Land revaluation decrement	**(114)**	(114)	**(1,018)**
Retirement benefit adjustment	**(6,785)**	(6,423)	**(60,580)**
Foreign currency translation adjustments	**(311)**	(230)	**(2,777)**
Total accumulated other comprehensive income	**4,364**	3,851	**38,964**
Non-controlling interests	**6,101**	6,139	**54,473**
Total net assets	**381,299**	371,007	**3,404,455**
Total liabilities and net assets	**¥ 594,264**	¥ 579,565	**$ 5,305,929**

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Income

For the Years Ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	2017
Operating revenue (Note 21)	¥ **567,539**	¥ 555,457	¥ 542,452	$ **5,067,313**
Operating costs and expenses (Note 12):				
Operating costs	**502,639**	492,802	487,664	**4,487,848**
Selling, general and administrative expenses	**37,783**	36,469	33,402	**337,348**
	540,422	529,271	521,066	**4,825,196**
Operating income	**27,117**	26,186	21,386	**242,117**
Other income (expenses):				
Interest and dividend income	**610**	647	596	**5,446**
Interest expense	**(235)**	(199)	(26)	**(2,098)**
Commission for syndicate loan	**—**	(121)	—	**—**
Loss on investments in partnerships	**(54)**	—	—	**(482)**
Loss on cancellation of leasehold contracts	**(82)**	—	—	**(732)**
(Loss) gain on sale or disposal of property and equipment	**(13)**	210	(41)	**(116)**
Gain (loss) on sale of investment securities	**84**	(106)	2	**750**
Share of profit of entities accounted for using equity method	**296**	606	401	**2,642**
Amortization of negative goodwill (Note 21)	**—**	—	3	**—**
Impairment loss on fixed assets (Notes 2(i) and 21)	**(221)**	(446)	(127)	**(1,973)**
Loss on write-down of investment securities	**—**	—	(3)	**—**
Compensation received for the exercise of eminent domain	**—**	—	236	**—**
Expenses related to change of business name	**—**	—	(255)	**—**
Gain on negative goodwill (Note 21)	**—**	25	—	**—**
Miscellaneous, net	**1,188**	1,155	1,090	**10,607**
	1,573	1,771	1,876	**14,044**
Profit before income taxes	**28,690**	27,957	23,262	**256,161**
Income taxes (Note 17):				
Current	**10,809**	11,336	8,526	**96,509**
Deferred	**(423)**	(2,049)	(241)	**(3,777)**
Total income taxes	**10,386**	9,287	8,285	**92,732**
Profit	**18,304**	18,670	14,977	**163,429**
Profit (loss) attributable to non-controlling interests	**98**	(194)	521	**875**
Profit attributable to owners of parent	¥ **18,206**	¥ 18,864	¥ 14,456	$ **162,554**
	Yen			U.S. dollars
Per share:				
Profit attributable to owners of parent				
-Basic	¥ **92.09**	¥ 94.87	¥ 72.67	$ **0.82**
-Diluted	**89.01**	91.77	70.30	**0.79**
Cash dividends	**27.00**	28.00	21.00	**0.24**

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	**2017**
Profit	**¥ 18,304**	¥ 18,670	¥ 14,977	**$ 163,429**
Other comprehensive income (Note 18):				
Net unrealized gains on available-for-sale securities	**947**	(1,324)	4,030	**8,455**
Remeasurements of defined benefit plans, net of tax	**(63)**	(5,278)	82	**(563)**
Foreign currency translation adjustments	**(394)**	(139)	61	**(3,518)**
Share of other comprehensive income of affiliates accounted for using equity method	**(50)**	(18)	43	**(446)**
Total other comprehensive income	**440**	(6,759)	4,216	**3,928**
Comprehensive income	**¥ 18,744**	¥ 11,911	¥ 19,193	**$ 167,357**
Comprehensive income attributable to:				
Owners of the parent	**¥ 18,719**	¥ 12,126	¥ 18,469	**$ 167,134**
Non-controlling interests	**25**	(215)	724	**223**

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2017, 2016 and 2015

		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, 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
Profit attributable to owners of parent	—	—	—	18,206	—	18,206	—	—	—	—	—	—	18,206
Cash dividends	—	—	—	(5,548)	—	(5,548)	—	—	—	—	—	—	(5,548)
Reversal of land revaluation decrement	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchases of treasury stock and fractional shares, net	—	—	4	—	(2,887)	(2,883)	—	—	—	—	—	—	(2,883)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	42	—	—	42	—	—	—	—	—	—	42
Net changes in items other than shareholders' equity	—	—	—	—	—	—	956	—	(362)	(81)	513	(38)	475
Balance at March 31, 2017	207,679,783	¥ 42,482	¥ 80,631	¥ 260,275	¥ (12,554)	¥ 370,834	¥ 11,574	¥ (114)	¥ (6,785)	¥ (311)	¥ 4,364	¥ 6,101	¥ 381,299
		Thousands of U.S. dollars											
Balance at March 31, 2016		$ 379,304	$ 719,509	$2,210,866	$ (86,313)	$ 3,223,366	$ 94,804	$ (1,018)	$ (57,348)	$ (2,054)	$ 34,384	$ 54,812	$ 3,312,562
Profit attributable to owners of parent		—	—	162,554	—	162,554	—	—	—	—	—	—	162,554
Cash dividends		—	—	(49,536)	—	(49,536)	—	—	—	—	—	—	(49,536)
Reversal of land revaluation decrement		—	—	—	—	—	—	—	—	—	—	—	—
Purchases of treasury stock and fractional shares, net		—	36	—	(25,777)	(25,741)	—	—	—	—	—	—	(25,741)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		—	375	—	—	375	—	—	—	—	—	—	375
Net changes in items other than shareholders' equity		—	—	—	—	—	8,535	—	(3,232)	(723)	4,580	(339)	4,241
Balance at March 31, 2017		$ 379,304	$ 719,920	$2,323,884	$ (112,090)	$ 3,311,018	$ 103,339	$ (1,018)	$ (60,580)	$ (2,777)	$ 38,964	$ 54,473	$ 3,404,455

See accompanying Notes to Consolidated Financial Statements.

SEINO HOLDINGS CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	**2017**
Cash flows from operating activities:				
Profit before income taxes	¥ **28,690**	¥ 27,957	¥ 23,262	$ **256,161**
Adjustments for:				
Depreciation	**16,977**	16,039	14,841	**151,580**
Impairment loss on fixed assets	**221**	446	127	**1,973**
Amortization of negative goodwill	**—**	—	(3)	**—**
Amortization of goodwill	**1,109**	837	6	**9,902**
Gain on negative goodwill	**—**	(25)	—	**—**
Net increase in employee retirement benefit liability	**2,515**	1,577	1,157	**22,455**
Loss (gain) on sale or disposal of property and equipment	**13**	(210)	41	**116**
Share of profit of entities accounted for using equity method	**(296)**	(606)	(401)	**(2,642)**
Loss on write-down of investment securities	**—**	—	3	**—**
Loss on investments in partnership	**54**	—	—	**482**
(Gain) loss on sale of investment securities	**(84)**	106	(2)	**(750)**
Net provision for accrued severance indemnities for directors and corporate auditors	**8**	92	50	**71**
(Increase) decrease in trade receivables	**(3,589)**	(1,752)	1,516	**(32,045)**
Increase in inventories	**(3,254)**	(769)	(2,078)	**(29,053)**
Increase (decrease) in trade payables	**1,873**	(3,046)	(13,507)	**16,723**
Other, net	**2,731**	(2,150)	4,487	**24,384**
Subtotal	**46,968**	38,496	29,499	**419,357**
Interest and dividend received	**1,081**	938	933	**9,652**
Interest paid	**(242)**	(199)	(26)	**(2,161)**
Income taxes paid	**(12,936)**	(8,591)	(11,910)	**(115,500)**
Net cash provided by operating activities	**34,871**	30,644	18,496	**311,348**
Cash flows from investing activities:				
Increase in property and equipment	**(16,138)**	(23,878)	(17,808)	**(144,089)**
Increase in long-term investments and loans	**(4,636)**	(484)	(493)	**(41,393)**
Decrease in property and long-term investments	**1,000**	755	1,048	**8,929**
Decrease (increase) in short-term investments	**1,941**	(2,387)	17,252	**17,330**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 16)	**(7)**	(14,905)	—	**(63)**
Net cash used in investing activities	**(17,840)**	(40,899)	(1)	**(159,286)**
Cash flows from financing activities:				
Increase in long-term debt	**1,360**	11,900	—	**12,143**
Repayment of long-term debt	**(484)**	(5,382)	(76)	**(4,321)**
Net (decrease) increase in short-term borrowings	**(149)**	156	54	**(1,330)**
Proceeds from share issuance to non-controlling shareholders	**43**	4,917	5	**384**
Dividends paid to shareholders	**(5,548)**	(6,364)	(2,188)	**(49,536)**
Dividends paid to non-controlling interests	**(46)**	(66)	(60)	**(411)**
Purchases of treasury stock, net of disposals	**(2,925)**	(2)	(17)	**(26,116)**
Proceeds from maturity of trust account for acquisition of treasury stock	**—**	2,011	—	**—**
Payments made to trust account for acquisition of treasury stock	**—**	—	(5,000)	**—**
Other, net	**(735)**	189	(2)	**(6,563)**
Net cash provided (used in) by financing activities	**(8,484)**	7,359	(7,284)	**(75,750)**
Effect of exchange rate changes on cash and cash equivalents	**(20)**	(43)	10	**(178)**
Net increase (decrease) in cash and cash equivalents	**8,527**	(2,939)	11,221	**76,134**
Cash and cash equivalents at beginning of year	**63,839**	66,778	55,557	**569,991**
Cash and cash equivalents at end of year	¥ **72,366**	¥ 63,839	¥ 66,778	$ **646,125**

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.

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, 2017, which was ¥112 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, 2017, 2016 and 2015, 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, 2017, 2016 and 2015 was as follows:

	2017	2016	2015
Subsidiaries:			
Domestic	64	65	59
Overseas	6	6	2
Affiliates accounted for by the equity method	6	5	4
Affiliates stated at cost	15	13	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. Investments in partnerships are stated at the amount of net assets attributed to the ownership percentage of the Company.

(d) Accounting for derivatives

As of March 31, 2017 and 2016, 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, property held for lease and facilities attached to buildings and structures acquired on and after April 1, 2016. Buildings acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016 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, capitalizes 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 contract 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.

(Changes in accounting policies)

Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (Practice Issue Task Force No. 32, June 17, 2016 for application from the current fiscal year and changed the depreciation method for buildings, facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining balance method to the straight line method. The effects of these changes in the current fiscal year were not material..

(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, 2017, 2016 and 2015, recoverable amounts of assets were measured based on value in use using discounted future cash flows at interest rates principally of 6.6%, 6.8% and 7.8%, 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
	2017	2016	2015	**2017**
Property subject to impairment:	3 business branches and 1 idle property	6 business branches and 5 idle properties	2 business branches and 8 idle properties	
Impairment loss recorded for:				
land	¥ **163**	¥ 380	¥ 69	$ **1,455**
buildings and structures	**57**	65	58	**509**
other property	**1**	1	—	**9**
	¥ **221**	¥ 446	¥ 127	$ **1,973**

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.

(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 charges 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.

(Additional Information)

The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No. 26) for application from the current fiscal year.

(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 have adopted and apply "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 prior 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." In addition, certain amounts in comparative information for the year ended March 31, 2015 were reclassified to conform to changes in the prior 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 year ended March 31, 2016 prospectively. As a result, operating income decreased by ¥133 million, profit before income taxes for the year ended March 31, 2016 decreased by ¥5,605 million, goodwill and capital surplus as of the end of the March 31, 2016 decreased and increased by ¥97 million and ¥5,508 million, 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 March 31, 2016 in the consolidated statement of changes in net assets increased by ¥5,508 million. Net assets per share, earnings per share and diluted earnings per share for the year ended March 31, 2016 decreased by ¥0.48, ¥28.19 and ¥27.28, respectively.

(t) Additional information

Employee Shareholding Incentive Plan (E-Ship®)

The Company has introduced an Employee Shareholding Incentive Plan (E-Ship®) for the welfare of its employees. The plan is an incentive plan that covers all employees participating in the Shareholding Association.

Under the plan, the Company, as the trustor, entered into a specified trust cash funding agreement (the "E-Ship Agreement") with a trust bank, as a trustee to set up the trust (the "E-Ship Trust"). The E-Ship Trust purchases the number of shares of the Company that the Shareholding Association rationally expects to purchase over the next three years and subsequently sells them periodically to the Shareholding Association in accordance with certain conditions and methods stipulated in the E-Ship Agreement over the three-year period. At the end of the trust period, the E-Ship Trust's retained earnings, the accumulation of net gain on sales of its shares of the Company, are distributed to the eligible employees in accordance with the E-Ship Agreement. For its part, the Company will guarantee retained loss, accumulation of net loss on sales of its shares of the Company and will pay off the amount of outstanding debt at the end of the trust period, as it shall guarantee the debt of E-Ship Trust.

The shares of the Company held by the E-Ship Trust were accounted for as treasury stock under net assets. The assets, liabilities, income and expenses of the E-Ship Trust were consolidated in the accompanying consolidated financial statements. The book value and number of shares held by the E-Ship Trust at March 31, 2017 were ¥1,358 million ($12,125 thousand) and 1,019 thousand shares, respectively. The book value of bank loans of the E-Ship Trust recorded in the consolidated balance sheet as of March 31, 2017 was ¥1,360 million ($12,143 thousand).

3. Financial Instruments

(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, 2017 and 2016, 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, 2017:			
Cash and cash equivalents	¥ 72,366	¥ 72,366	¥ —
Short-term investments	25,665	25,665	—
Trade receivables	112,651	112,651	—
Investment securities	30,735	30,735	—
Total assets	¥ 241,417	¥ 241,417	¥ —
Short-term borrowings	¥ 2,704	¥ 2,704	¥ —
Trade payables	44,960	44,960	—
Convertible bonds	10,015	10,475	460
Current portion of long-term bank loans	677	677	—
Long-term bank loans	12,192	12,104	(88)
Total liabilities	¥ 70,548	¥ 70,920	¥ 372

	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
	Thousands of U.S. dollars		
At March 31, 2017:			
Cash and cash equivalents	$ 646,125	$ 646,125	$ —
Short-term investments	229,152	229,152	—
Trade receivables	1,005,812	1,005,812	—
Investment securities	274,420	274,420	—
Total assets	$ 2,155,509	$ 2,155,509	$ —
Short-term borrowings	$ 24,143	$ 24,143	$ —
Trade payables	401,428	401,428	—
Convertible bonds	89,420	93,527	4,107
Current portion of long-term bank loans	6,045	6,045	—
Long-term bank loans	108,857	108,071	(786)
Total liabilities	$ 629,893	$ 633,214	$ 3,321

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 and 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
Carrying value:	**2017**	2016	**2017**
Unlisted equity securities, other than those of affiliates	**¥ 1,399**	¥ 1,401	**$ 12,491**
Investments in partnership	**981**	—	**8,759**
Preferred equity securities	**—**	500	**—**
	¥ 2,380	1,901	**$ 21,250**

iii) The redemption schedule for financial assets with maturities at March 31, 2017 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, 2017:				
Cash and cash equivalents	¥ 72,366	¥ —	¥ —	¥ —
Short-term investments	25,665	—	—	—
Trade receivables	84,570	27,247	834	—
Investment securities – bonds and other	—	118	—	—
	¥ 182,601	¥ 27,365	¥ 834	¥ —

	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, 2017:				
Cash and cash equivalents	$ 646,125	$ —	$ —	$ —
Short-term investments	229,152	—	—	—
Trade receivables	755,088	243,278	7,446	—
Investment securities – bonds and other	—	1,054	—	—
	$1,630,365	$244,332	$ 7,446	$ —

iv) For the repayment schedule for convertible bonds and long-term bank loans at March 31, 2017, see Note 9, "Short-term Borrowings and Long-term Debt."

4. Inventories

Inventories at March 31, 2017 and 2016 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Merchandise and finished products	¥ 10,731	¥ 9,140	$ 95,813
Work in process	1,116	971	9,964
Raw materials and supplies	699	647	6,241
	¥ 12,546	¥ 10,758	$ 112,018

5. Investments

At March 31, 2017 and 2016, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Marketable securities:			
Bonds and other	¥ 12,100	¥ 14,300	$ 108,036
Total marketable securities	12,100	14,300	108,036
Time deposits with an original maturity of more than three months	13,565	13,305	121,116
	¥ 25,665	¥ 27,605	$ 229,152

At March 31, 2017 and 2016, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Marketable securities:			
Equity securities	¥ 30,566	¥ 26,232	$ 272,911
Bonds	108	111	964
Other	61	105	545
Total marketable securities	30,735	26,448	274,420
Other non-marketable securities	2,380	1,901	21,250
	¥ 33,115	¥ 28,349	$ 295,670

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, 2017 and 2016, 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, 2017:				
Equity securities	¥ 12,959	¥ 17,776	¥ (169)	¥ 30,566
Bonds	118	—	(10)	108
Other	12,128	33	—	12,161
	¥ 25,205	¥ 17,809	¥ (179)	¥ 42,835
At March 31, 2016:				
Equity securities	¥ 9,911	¥ 16,436	¥ (115)	¥ 26,232
onds	118	—	(7)	111
Other	14,354	52	(1)	14,405
	¥ 24,383	¥ 16,488	¥ (123)	¥ 40,748
	Thousands of U.S. dollars			
At March 31, 2017:				
Equity securities	$115,705	$158,715	$ (1,509)	$272,911
Bonds	1,054	—	(90)	964
Other	108,286	294	—	108,580
	$225,045	$159,009	$ (1,599)	$382,455

At March 31, 2017 and 2016 investments in and long-term loans to affiliates consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Investments accounted for by the equity method for significant affiliates and at cost for others	¥ 4,119	¥ 4,071	$ 36,777

6. Property and Equipment

At March 31, 2017 and 2016, property and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Property and equipment, at cost:			
Land	¥173,281	¥ 171,455	$ 1,547,151
Buildings and structures	263,608	261,283	2,353,643
Vehicles	106,237	104,524	948,545
Machinery and equipment	38,369	37,443	342,580
Construction in progress	1,294	914	11,554
Other	6,594	6,185	58,875
	589,383	581,804	5,262,348
Less accumulated depreciation	(298,677)	(291,653)	(2,666,759)
Total property and equipment	¥290,706	¥ 290,151	$ 2,595,589

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, 2017 and 2016, 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 ¥1,792 million ($16,000 thousand) and ¥1,779 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, 2017 and 2016 and the fair values of the rental properties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Carrying value at the beginning of year	¥ 14,031	¥ 13,388	$125,277
Net changes during the year	65	643	580
Carrying value at the end of year	¥ 14,096	¥ 14,031	$125,857
Fair value at the end of year *	¥ 19,243	¥ 18,107	$171,813

*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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Operating revenue	¥ 1,543	¥ 1,472	$ 13,777
Operating costs	292	265	2,607
Income from rental operations	1,251	1,207	11,170
Loss on disposal of rental property and other	¥ (243)	¥ (394)	$ (2,170)

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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
At the beginning of year	¥ 2,586	¥ 2,548	$ 23,089
New consolidations	—	25	—
New obligations	18	—	161
Changes in estimated obligations and accretion	46	46	411
Settlement payments	(23)	(37)	(206)
Other	—	4	—
At the end of year	¥ 2,627	¥ 2,586	$ 23,455

9. Short-term Borrowings and Long-term Debt

At March 31, 2017 and 2016, short-term borrowings consisted of the following::

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unsecured bank overdrafts with interest rates of 1.475% per annum at March 31, 2017	¥ 110	¥ 135	$ 982
Short-term bank loans, secured with interest rates ranging from 1.300% to 2.775% per annum at March 31, 2017	117	200	1,045
Short-term bank loans, unsecured with interest rates ranging from 0.130% to 3.100% per annum at March 31, 2017	2,477	2,433	22,116
	¥ 2,704	¥ 2,768	$ 24,143

At March 31, 2017, the Company and certain subsidiaries had unsecured overdraft agreements with 13 banks. Under the agreements, the Company and the subsidiaries were entitled to withdraw up to ¥43,910 million ($392,054 thousand). The Company and the subsidiaries were not obligated to pay commitment fees on the unused portions of the overdraft facilities.

At March 31, 2017 and 2016, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Zero coupon convertible bonds due October 2018, including unamortized premium (¥15 million ($134 thousand) at March 31, 2017)	¥ 10,015	¥ 10,025	$ 89,419
Loans from government agencies and banks, repayable due through 2022, with interest rates ranging from 0.810% to 3.100% per annum at March 31, 2017:			
Secured	11,344	11,756	101,286
Unsecured	1,525	49	13,616
Capitalized lease obligations	3,584	3,463	32,000
	26,468	25,293	236,321
Less current portion	(1,481)	(1,226)	(13,223)
	¥ 24,987	¥ 24,067	$ 223,098

At March 31, 2017, the current conversion price of zero coupon convertible bonds due in 2018 was ¥1,463 ($13) per share and was subject to adjustment in certain circumstances, including in the event of a stock split. At March 31, 2017, the number of shares of common stock necessary for conversion of all convertible bonds outstanding was approximately 7 million.

At March 31, 2017 and 2016, respectively, the following assets were pledged as collateral for certain long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Land	¥ 5,169	¥ 4,875	$ 46,152
Buildings and structures	1,778	1,692	15,875
Cash and deposits	1,611	1,063	14,384
Shares of subsidiaries and associates	1,133	1,133	10,116
Long-term loans receivable from subsidiaries and associates	10	10	89

The aggregate annual maturities of long-term debt as of March 31, 2017 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 1,481	$ 13,223
2019	11,507	102,741
2020	2,979	26,598
2021	1,378	12,304
2022	1,216	10,857
Thereafter	7,892	70,465
	¥ 26,453	$ 236,188

10. Commitment line Agreement

Consolidated subsidiary Kanto Transportation Co., Ltd. had a commitment line agreement of ¥ 1,000 million ($ 8,929 thousand) as of March 31, 2017 to ensure its access to financing. At March 31, 2017, there were no borrowings under this agreement.

11. Financial Covenants

Consolidated subsidiary Kanto Transportation Co., Ltd. is a party to a syndicated loan agreement that includes the following financial covenants.

1.The 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
	2017	2016	2017
Short-term borrowings	¥ —	¥ 200	$ —
Current portion of long-term debt	650	475	5,804
Long-term debt	10,625	11,275	94,866
	¥ 11,275	¥ 11,950	$ 100,670

12. Employee Retirement Benefits

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

Other subsidiaries have funded defined benefit plans. One company belongs to a comprehensive employees' pension fund for the defined benefit corporate pension plan. One company has 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 method as permitted by the accounting standard for employee retirement benefits.

As of and for the year ended March 31, 2017 and 2016, 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
	2017	2016	2017
At the beginning of year	¥ 78,425	¥ 70,354	$ 700,223
Service cost	4,293	3,822	38,330
Interest cost	180	627	1,607
Actuarial differences	73	6,105	652
Benefits paid	(3,320)	(3,265)	(29,642)
Past service cost	270	84	2,411
New consolidations	—	698	—
Others	(1)	—	(9)
At the end of year	¥ 79,920	¥ 78,425	$ 713,572

ii) Movements in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
At the beginning of year	¥ 8,044	¥ 10,287	$ 71,821
Actuarial differences	(1,492)	(2,247)	(13,321)
Contributions paid by the employer	3	5	27
Benefits paid	(139)	(1)	(1,241)
At the end of year	¥ 6,416	¥ 8,044	$ 57,286

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded retirement benefit obligation	¥ 6,412	¥ 6,373	$ 57,250
Plan assets	(6,416)	(8,044)	(57,286)
	(4)	(1,671)	(36)
Unfunded retirement benefit obligation	73,508	72,051	656,322
Net employee retirement benefit liability	¥ 73,504	¥ 70,380	$ 656,286
Employee retirement benefit liability	73,739	72,279	658,384
Employee retirement benefit asset	(235)	(1,899)	(2,098)
Net employee retirement benefit liability	¥ 73,504	¥ 70,380	$ 656,286

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 4,293	¥ 3,822	$ 38,330
Interest cost	180	627	1,607
Amortization of actuarial differences	1,242	344	11,089
Amortization of past service cost	(17)	31	(151)
Net periodic retirement benefit expenses	¥ 5,698	¥ 4,824	$ 50,875

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Past service cost	¥ 287	¥ 53	$ 2,563
Actual differences	323	8,007	2,884
Total balance	¥ 610	¥ 8,060	$ 5,447

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Past service cost yet to be recognized	¥ 272	¥ (14)	$ 2,429
Actuarial differences yet to be recognized	9,569	9,246	85,437
Total balance	¥ 9,841	¥ 9,232	$ 87,866

vii) Plan assets

1. Plan assets comprise:

	Percent	
	2017	2016
Cash and cash equivalents	1%	1%
Bonds	1%	1%
Equity securities	98%	98%
Total*	100%	100%

*99% of total plan assets consisted of assets 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):

	2017	2016
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 plans, which are accounted for by the same method as defined contribution pension plans, to welfare pension funds that used for were ¥ 51 million ($ 455 thousand) and ¥ 47 million for the year ended March 31, 2017 and 2016, respectively

The funded status of multi-employer pension plans as of March 31, 2016 and 2015

	Millions of yen	
	2016	2015
Plan assets	¥ 20,733	¥ 22,153
Projected benefit obligation in pension financing	20,571	21,799
Difference	¥ 162	¥ 354

The ratio of contributions of the Company and its consolidated subsidiaries to total contributions of multi-employer pension plans as of March 2017 and 2016 were 16.9% and 16.2%, respectively.

13. Contingent Liabilities

At March 31, 2017 and 2016, 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 ¥1,256 million ($11,223 thousand) and ¥1,233 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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Operating leases:			
Due within one year	¥ 682	¥ 528	$ 6,089
Due after one year	1,204	864	10,750
	¥ 1,886	¥ 1,392	$ 16,839

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, 2017 and 2016, 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
	2017	2016	2017
Operating leases:			
Due within one year	¥ 230	¥ 236	$ 2,053
Due after one year	410	427	3,661
	¥ 640	¥ 663	$ 5,714

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, 2017 and 2016, 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 ($38,054 thousand) at March 31, 2017 and 2016.

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, 2017, the shareholders approved cash dividends of ¥16 per share, amounting to ¥3,155 million ($28,170 thousand). The appropriation had not been accrued in the consolidated financial statements as of March 31, 2017 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 assumed 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
Current assets	¥ 5,648
Noncurrent assets	8,524
Goodwill	16,636
Current liabilities	(4,652)
Noncurrent liabilities	(8,289)
Acquisition cost	¥ 17,867
Cash and cash equivalents of newly consolidated subsidiaries	(2,962)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 14,905

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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Employee retirement benefit liability	**¥ 25,629**	¥ 25,076	**$ 228,830**
Enterprise tax accruals	**473**	632	**4,223**
Accrued bonuses	**3,754**	3,820	**33,518**
Intercompany capital gains	**1,173**	1,171	**10,473**
Operating loss carryforwards	**352**	501	**3,143**
Loss on assets transferred	**1,376**	1,585	**12,286**
Impairment loss on fixed assets	**14,035**	13,993	**125,313**
Allowance for doubtful accounts	**224**	196	**2,000**
Other	**2,896**	3,068	**25,857**
	49,912	50,042	**445,643**
Less valuation allowance	**(15,510)**	(15,611)	**(138,482)**
	34,402	34,431	**307,161**
Deferred tax liabilities:			
Deferred capital gains	**5,218**	5,276	**46,590**
Unrealized gains on available-for-sale securities	**4,995**	4,677	**44,598**
Valuation adjustments for consolidation	**11,179**	11,184	**99,813**
Employee retirement benefit asset	**81**	657	**723**
Other	**533**	555	**4,759**
	22,006	22,349	**196,483**
Net deferred tax assets	**¥ 12,396**	¥ 12,082	**$ 110,678**

At March 31, 2017 and 2016, deferred tax assets and liabilities were recorded as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Current	**¥ 5,209**	¥ 5,697	**$ 46,509**
Noncurrent	**9,984**	9,370	**89,143**
Deferred tax liabilities:			
Noncurrent	**2,797**	2,985	**24,974**

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, 2017 and 2016, 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 and 2015 was not disclosed because the difference was not material. The reconciliation for the year ended March 31, 2017 was as follows:

	Percentage of pretax income
Japanese statutory tax rate	30.2%
Increase (decrease) due to:	
Permanently nondeductible expenses	0.4
Tax exempt income	(0.1)
Local minimum taxes - per capita levy	2.3
Amortization of goodwill	1.5
Equity in net income of affiliates	(0.3)
Changes in valuation allowance	(0.4)
Different tax rates applied to the consolidated subsidiaries	4.3
Tax credit for salary growth	(2.3)
Other	0.6
Effective income tax rate	36.2%

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 as of March 31, 2016, deferred income tax expense recognized for the fiscal year ended March 31, 2016 increased by ¥276 million, evaluation differences of other securities increased by ¥211 million and accumulated adjustments for employee retirement benefits decreased by ¥72 million.

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.

Since amendment to the Japanese tax regulations were enacted into law on November 18, 2016, the statutory tax rate utilized for the measurement of deferred tax assets and liabilities in the current fiscal year changed from the previous year. The effects of these changes in the current fiscal year were not material.

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, 2017, 2016 and 2015 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	**2017**
Net unrealized gains on available-for-sale securities:				
Increase during the year	**¥ 1,305**	¥(2,032)	¥ 5,162	**$ 11,652**
Reclassification adjustments	**(34)**	(1)	(1)	**(304)**
Subtotal, before tax	**1,271**	(2,033)	5,161	**11,348**
Tax effect	**(324)**	709	(1,131)	**(2,893)**
Subtotal, net of tax	**947**	(1,324)	4,030	**8,455**
Foreign currency translation adjustments:				
Increase during the year	**(63)**	(139)	61	**(563)**
Reclassification adjustments	**—**	—	—	**—**
Subtotal, before tax	**(63)**	(139)	61	**(563)**
Tax effect	**—**	—	—	**—**
Subtotal, net of tax	**(63)**	(139)	61	**(563)**
Retirement benefit adjustment:				
(Decrease) during the year	**(1,826)**	(8,425)	(131)	**(16,304)**
Reclassification adjustments	**1,216**	365	358	**10,857**
Subtotal, before tax	**(610)**	(8,060)	227	**(5,447)**
Tax effect	**216**	2,782	(145)	**1,929**
Subtotal, net of tax	**(394)**	(5,278)	82	**(3,518)**
Shares of other comprehensive income of affiliates accounted for using equity method:				
(Decrease) increase during the year	**(44)**	(13)	45	**(393)**
Reclassification adjustments	**(6)**	(5)	(2)	**(53)**
Subtotal	**(50)**	(18)	43	**(446)**
Total other comprehensive income	**¥ 440**	¥(6,759)	¥ 4,216	**$ 3,928**

19. Business Combinations

For the year ended March 31, 2017

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 increase the Company's equity share in the subsidiary 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.

For the year ended March 31, 2016

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 increase the Company's equity shares in the subsidiaries 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.

(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 reason 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

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 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 ¥ 4,911 million
② Kanto Transportation Co., Ltd. and its five subsidiaries
Consideration paid for acquisition: Cash ¥ 17,867 million

(7) Main acquisition related costs
Fees paid : 47 million

(8) Amount of goodwill and amortization method and period
① Amount of goodwill: 16,636 million
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
Current assets	¥ 5,649
Noncurrent assets	8,525
Total assets	¥ 14,174
Current liabilities	¥ 4,652
Noncurrent liabilities	8,289
Total liabilities	¥ 12,941

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

Disposal of Treasury Stocks as Restricted Shares-based Remuneration

On July 7, 2017, the Company determined to dispose of treasury stock as restricted share-based remuneration and executed the disposal on August 4, 2017 as follows.

1. Overview of the Disposal of Treasury Stocks

(1)Disposal date	August 4, 2017
(2)Class and number of shares to be disposed	Ordinary shares of the Company; 240,000 shares
(3)Disposal value	¥ 1,492 per share
(4)Total disposal value	¥ 358,080,000 ($3,197 thousand)
(5)Method of offer or disposal	Allotment of specified restricted shares
(6)Method of contribution	In-kind contribution of monetary compensation receivables
(7)Acquirers of disposed shares and number of such acquirers, and number of shares to be disposed	Seino Holdings' Members of the Board (including Members of the Board (Outside)): 9 person 222,000 sharesSeino Holdings' subsidiary Members of the Board:4 person 18,000 shares
(8)Other	Disposal of Treasury Stocks was filed in accordance with the Financial Instruments and Exchange Act.

2. Purpose of and Reasons for the Disposal

The Company resolved, at a meeting of its Board of Directors held on May 12, 2017, to introduce a new restricted share-based remuneration plan (the "Remuneration Plan") in order to provide an incentive for the Members of the Board, including outside board members("Eligible Board Members"), of the Company and its subsidiary to sustainably increase corporate value and in order to further promote shared values with shareholders as a new remuneration plan for Eligible Board Members of the Company and its subsidiary.

At the 96th Ordinary General Meeting of Shareholders held on June 28, 2017, it was approved that monetary compensation not exceeding 600 million yen ($5,357 thousand) per year , including 100 million yen ($892 thousand) per year to outside board members and excluding the amount of employee's salary paid to a Member of the Board who concurrently holds an employee post, shall be paid to Eligible Board Members as monetary compensation to serve as the property to be contributed for the acquisition of shares with transfer and other restrictions ("restricted shares") pursuant to the Remuneration Plan and that the transfer restriction period for restricted shares shall be the period specified by the Board of Directors of the Company and its subsidiary, which shall be a period between three to six years from the day on which such shares are allotted.

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, 2017, 2016 and 2015 is summarized as follows:

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other (*4)	Total	Adjustments (*1)	Consolidated
	Millions of yen							
For the year 2017:								
Operating revenue:								
External customers	**¥ 422,870**	**¥ 100,237**	**¥ 27,749**	**¥ 1,543**	**¥ 15,140**	**¥ 567,539**	**¥ —**	**¥ 567,539**
Intersegment sales or transfers	**1,975**	**8,665**	**19,621**	**—**	**10,093**	**40,354**	**(40,354)**	**—**
Total operating revenue	**424,845**	**108,902**	**47,370**	**1,543**	**25,233**	**607,893**	**(40,354)**	**567,539**
Segment income (*2)	**¥ 20,020**	**¥ 5,055**	**¥ 766**	**¥ 1,279**	**¥ 728**	**¥ 27,848**	**(731)**	**¥ 27,117**
Segment assets (*3)	**¥ 447,153**	**¥ 110,482**	**¥ 14,490**	**¥ 13,153**	**¥ 41,506**	**¥ 626,784**	**¥ (32,520)**	**¥ 594,264**
Depreciation	**14,993**	**1,861**	**42**	**54**	**363**	**17,313**	**(336)**	**16,977**
Amortization of goodwill	**1,109**	**—**	**—**	**—**	**—**	**1,109**	**—**	**1,109**
Investments in affiliates accounted for using the equity method	**3,962**	**—**	**—**	**—**	**—**	**3,962**	**(2)**	**3,960**
Increase in tangible and intangible fixed assets	**14,304**	**4,200**	**17**	**257**	**441**	**19,219**	**(343)**	**18,876**
For the year 2016:								
Operating revenue:								
External customers	¥ 416,113	¥ 94,441	¥ 28,029	¥ 1,472	¥ 15,402	¥ 555,457	¥ —	¥ 555,457
Intersegment sales or transfers	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 transfers	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 2017:	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	**$ 3,775,625**	**$ 894,973**	**$ 247,759**	**$ 13,777**	**$ 135,179**	**$ 5,067,313**	**$ —**	**$ 5,067,313**
Intersegment sales or transfers	**17,634**	**77,366**	**175,187**	**—**	**90,116**	**360,303**	**(360,303)**	**—**
Total operating revenue	**3,793,259**	**972,339**	**422,946**	**13,777**	**225,295**	**5,427,616**	**(360,303)**	**5,067,313**
Segment income (*2)	**$ 178,750**	**$ 45,134**	**$ 6,839**	**$ 11,420**	**$ 6,500**	**$ 248,643**	**$ (6,526)**	**$ 242,117**
Segment assets (*3)	**$ 3,992,438**	**$ 986,446**	**$ 129,375**	**$ 117,438**	**$ 370,589**	**$ 5,596,286**	**$ (290,357)**	**$ 5,305,929**
Depreciation	**133,866**	**16,616**	**375**	**482**	**3,241**	**154,580**	**(3,000)**	**151,580**
Amortization of goodwill	**9,902**	**—**	**—**	**—**	**—**	**9,902**	**—**	**9,902**
Investments in affiliates accounted for using the equity method	**35,375**	**—**	**—**	**—**	**—**	**35,375**	**(18)**	**35,357**
Increase in tangible and intangible fixed assets	**127,714**	**37,500**	**152**	**2,294**	**3,938**	**171,598**	**(3,062)**	**168,536**

*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, including items 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 here 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 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 2017	¥ 19	¥ 202	¥ —	¥ —	¥ —	¥ 221
For the year 2016	39	35	—	372	—	446
For the year 2015	39	61	—	27	—	127
	Thousands of U.S. dollars					
Impairment loss:						
For the year 2017	$ 170	$ 1,803	$ —	$ —	$ —	$ 1,973

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 2017:						
Amortization of goodwill	¥ 1,109	¥ —	¥ —	¥ —	¥ —	¥ 1,109
As of March 31, 2017:						
Balance of goodwill	14,695	4	—	—	—	14,699
For the year 2016:						
Amortization of goodwill	¥ 837	¥ —	¥ —	¥ —	¥ —	¥ 837
As of March 31, 2016:						
Balance of goodwill	15,804	—	—	—	—	15,804
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	—	—	—	—	—	—

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Thousands of U.S. dollars					
For the year 2017:						
Amortization of goodwill	$ 9,902	$ —	$ —	$ —	$ —	$ 9,902
As of March 31, 2017:						
Balance of goodwill	131,205	36	—	—	—	131,241

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 2017	—	—	—	—	—	—
For the year 2016	¥ 1	¥ 24	¥ —	¥ —	¥ —	¥ 25
For the year 2015	—	—	—	—	—	—

	Transportation services	Vehicle sales	Merchandise sales	Real estate leasing services	Other	Total
	Thousands of U.S. dollars					
Gain on negative goodwill:						
For the year 2017	$ —	$ —	$ —	$ —	$ —	$ —

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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and their financial performance and cash flows for each of the years in the three-year period ended March 31, 2017, in conformity with accounting principles generally accepted in Japan.

Convenience Translation

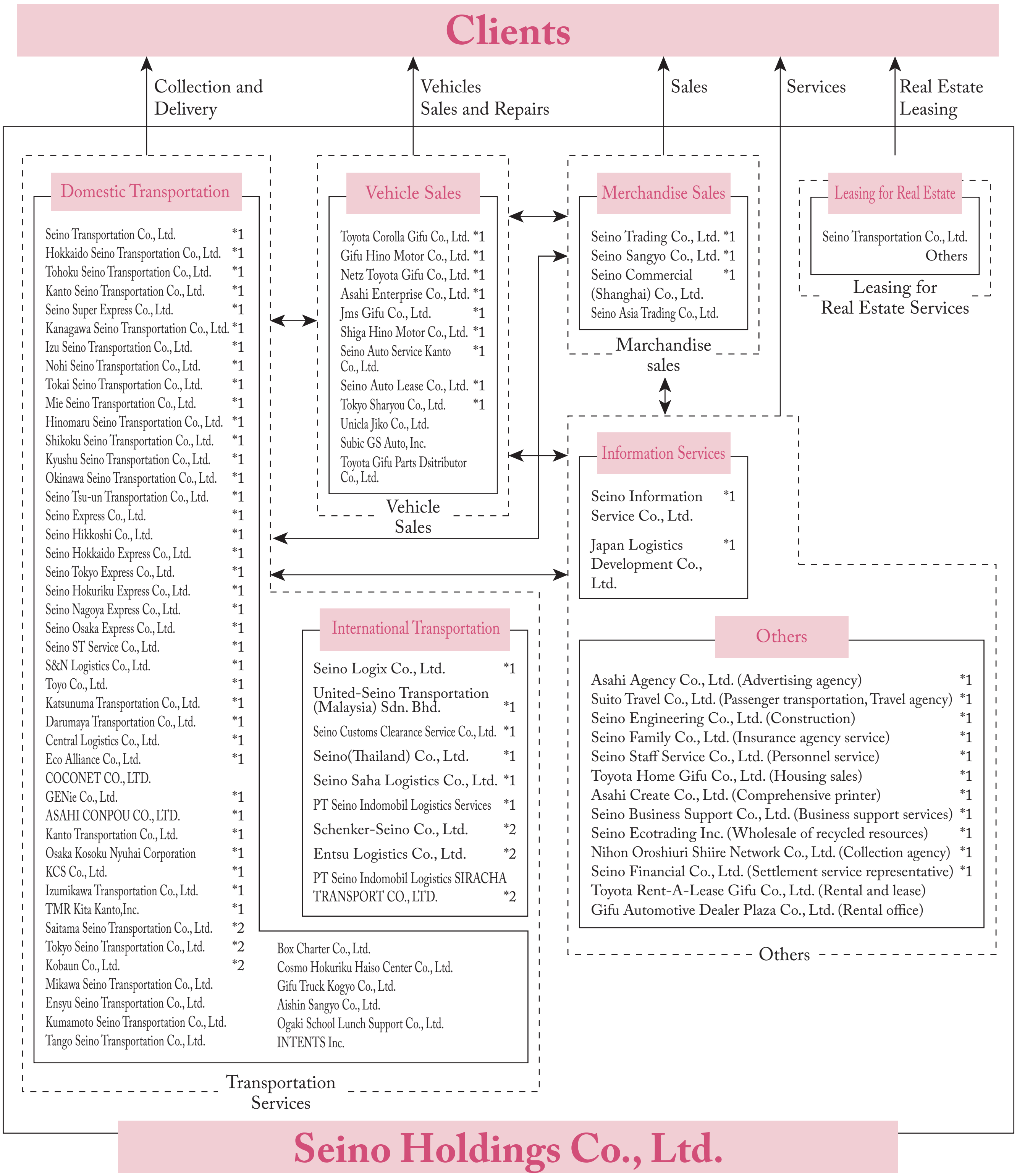
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

KPMG AZSA LLC

October 12, 2017
Nagoya, Japan

Seino Group

The Seino Group consists of Seino Holdings Co., Ltd. and 70 consolidated subsidiaries and 21 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	70
	*2: Affiliates (under the equity method)	6
	Companies except those mentioned above are affiliates under the cost method.	15

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