Annual Report 2012
Year ended March 31, 2012

MITSUI-SOKO
ANNUAL REPORT 2012

モノを動かす。心で動かす。

MITSUI-SOKO

Profile

During the more than 100 years since being founded in 1909, Mitsui-Soko Co., Ltd. ("the Company") has steadily expanded its bases in major cities across Japan while expanding its mainstay warehouse business. Today, the Company provides a diverse range of logistics businesses, including port terminal business, domestic transport business and international transport business, as well as a domestic real estate business that specializes in building leasing.

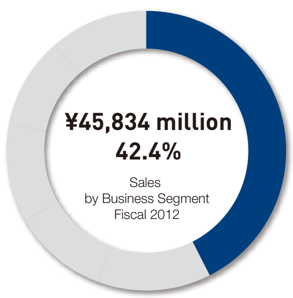
At present, Mitsui-Soko and its consolidated subsidiaries (hereafter "the Group") utilize logistics bases in Japan and overseas to carry out business globally. The Group not only provides traditional services but also offers new services based on its corporate vision of a "company which offers optimal logistics solutions." These new services include the provision of management integration for actual logistics and information at all stages of customers' business operations, from production to sales.

The Group endeavors to maintain sustainable growth through the logistics business during its next phase of growth. The Group also seeks to strengthen its business based on new concepts and technologies, in addition to rebuilding its global network and developing new businesses overseas. Furthermore, the Group continues to promote business management that places a high priority upon key issues including corporate value and cost of capital, and responds quickly to changes in the corporate environment and fundamental business factors, while fulfilling its corporate social responsibility through its businesses.

Business Lines

Domestic Logistics Segment

Providing warehousing, transportation, distribution processing and other logistics services to companies in Japan.



Domestic Port Terminal Segment

Providing port-related work and services to shipping companies who are our primary customers in this business.

Global Network Segment

Providing logistics services to Japanese affiliated and local companies overseas through the network of overseas group subsidiaries.

Note: The Company changed business segments from the year ended March 31, 2012. Sales include intersegment sales or transfers.

Air Cargo Segment

Providing consolidated air cargo services and related logistics services.

Other Logistics Segment

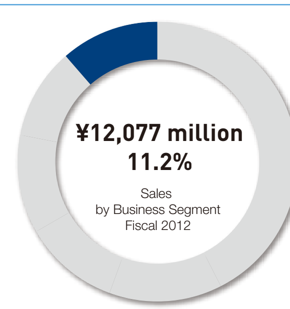
Consisting of business process outsourcing (BPO)*1 business for operations and management on a consigned basis for all or a portion of the business processes conducted by customers and the logistics systems business that provides support services for supply chain management (SCM) through third party logistics (3PL)*2 and offers combined transport services.

*1 A more advanced form of outsourcing that provides consultation and services covering all business processes

*2 Comprehensive services including the establishment, management and operation of logistics to support customers' SCM

Real Estate Segment

Managing and operating large office buildings equipped with advanced information technology.



The Evolution of Mitsui-Soko

		Domestic Logistics Segment	Domestic Port Terminal Segment	Global Network Segment	Other Logistics Segment	Air Cargo Segment	Real Estate Segment
1909	Founded as Toshin Soko Co., Ltd. when the warehouse division was separated from Mitsui Bank.	Launched the warehousing business.					
1942	Renamed Mitsui-Soko Co., Ltd.						
1917			Launched the port transport business.				
1950	Listed on the Tokyo Stock Exchange.						
1966		Launched the cargo vehicle transport business.					
1968			Launched the handling of marine containers and the operation of container terminals in Japan.				
1977				Launched full-scale international transport services.			
1982						Launched full-scale air cargo transport services.	
1986					Launched “Big Bag” services (trunk room storage, moving, etc. services for non-commercial goods).		
1989							Launched full-scale real estate leasing business.
2005		Established a new high-efficiency, multifunctional logistics facility and began redevelopment of existing facilities in the Tokyo metropolitan area.					
2008					Launched full-scale 3PL service.		
2009	Celebrated the Company’s centennial.						
2011					Inaugurated FLEXPRESS logistics package service within Asia.	Acquired all shares of a subsidiary of JTB Corp., renamed this company Mitsui-Soko Air Cargo Inc., and thereby expanded and strengthened international cargo transport business, including air cargo transport services.	
2012					Acquired all shares of SANYO Electric Logistics Co., Ltd. and renamed this company Mitsui-Soko Logistics Co., Ltd. to fortify 3PL business.	Acquired partial shares of TAS Express Co., Ltd. to be merged with Mitsui-Soko Air Cargo Inc. and started as Mitsui-Soko Express Co., Ltd.	

Forward-looking Statements

Forward-looking statements made in this annual report concerning performance or business strategies have been determined according to assumptions and beliefs based on information available to the Company at the time, and contain elements of risk and uncertainty.

Contents

Mitsui-Soko Highlights in Fiscal 2012

The Mitsui-Soko Group formulated a medium-term management plan called “New Growth Strategy @2010” (covering the fiscal year ended March 31, 2011 to fiscal year ending March 31, 2013), and is striving to strengthen competitiveness of its existing logistics business and secure additional earning sources via the creation of new logistics business. As part of the Group’s efforts, Mitsui-Soko Air Cargo Inc. was launched through the acquisition of all of JTB Air Cargo Inc.’s shares in March 2011 and contributed to earnings of the Air Cargo Segment on a full year basis.

During the fiscal year ended March 31, 2012, contributions from the expansion of the Air Cargo Segment, recovery in the volume of freight handled in the Domestic Logistics Segment, and acquisition of a new shipping company and new routes in the Domestic Port Terminal Segment led net sales to rise by 10.9% year-over-year to ¥107,345 million. Operating income benefitted from a recovery in operations of logistics segments, excluding the Global Network Segment, and rose by 2.8% year-over-year to ¥6,732 million. At the same time, increased tax burden due to reversals of deferred tax assets accompanying reduction in corporate tax rate resulted in a 15.1% year-over-year decline in net income to ¥2,151 million.

TOPICS

Mitsui-Soko has implemented diverse measures for “developing businesses that can be sources of our future growth” as one of the basic policies of the “New Growth Strategy@2010”

International Logistics Package Service “FLEXPRESS” Started

“FLEXPRESS” package service between China and Japan was launched in April 2011 with the goal of providing the same level of logistics services that are provided within Japan throughout the Asia region.

The services of goods storage and inspection, and other distributive processing functions that have been traditionally provided within Japan will be transferred to the operations in China as a means of reducing the total cost of logistics. Furthermore, the operation of nearly daily sea transport service between China and Japan will also help to realize reductions in lead times for customers.

Moreover, the Company has begun providing its FLEXPRESS Chinese mail order platform service to support the logistics and commercial distribution functions of e-commerce businesses in China. Despite the various barriers to the mail order business in China, our service enables smooth business operations by forming alliances with optimal business partners in each process of mail order businesses including marketing, sales, logistics, settlements and other processes, and by offering other various functions necessary to conduct mail order business in China.

Facility Specializing in Pharmaceutical Products Being Constructed in the Kansai Area

Mitsui-Soko started construction on a facility specializing in pharmaceutical products in Kobe City, Hyogo Prefecture in February 2012. This facility boasts of storage spaces with strict temperature controls and has been equipped with various leading edge security and in-house power generating facilities. It also uses LED lighting throughout the entire facilities to help preserve the environment. In the future, we will consistently provide high quality logistics services ranging from pharmaceutical product center operations to shipping and handling of products.

(Artist’s concept)

Kobe Office (Tentative name)

Location:Kobe City, Hyogo Prefecture
Construction:4-story building with a steel reinforced concrete and seismically isolated structure
Total floor space:17,892 m^2
Anticipated Completion: November 2012

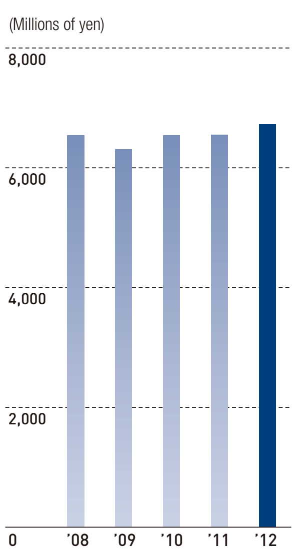
Consolidated Financial Highlights

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

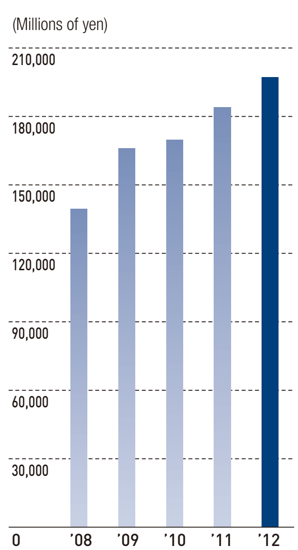
	Millions of Yen					Thousands of U.S. Dollars
	2012	2011	2010	2009	2008	2012
For the year:						
Net sales	**¥ 107,345**	¥ 96,766	¥ 88,728	¥ 99,827	¥ 104,371	**$ 1,306,057**
Operating income	**6,732**	6,549	6,543	6,308	6,660	**81,907**
Net income	**2,151**	2,534	1,859	1,732	1,788	**26,177**
Net cash provided by operating activities	**9,682**	8,104	10,227	7,556	8,179	**117,807**
At year-end:						
Total assets	**¥ 197,338**	¥ 184,035	¥ 169,644	¥ 166,000	¥ 139,458	**$ 2,401,001**
Equity	**50,853**	49,967	50,292	51,816	55,127	**618,722**
Per share of common stock (in yen and U.S. dollars):						
Basic net income	**¥ 17.32**	¥ 20.40	¥ 14.38	¥ 13.03	¥ 13.33	**$ 0.21**
Equity	**403.70**	396.61	394.37	380.26	403.17	**4.91**
Cash dividends applicable to the year	**9.00**	9.00	9.00	9.00	8.00	**0.11**
Ratios:						
Equity ratio (%)	**25.4**	26.8	28.9	30.4	38.4	
Return on equity (%)	**4.3**	5.2	3.7	3.3	3.2	
Interest coverage ratio (times)	**6.7**	5.3	6.7	6.6	9.2	
Price/Earnings ratio (times)	**20.4**	15.9	24.3	29.4	43.0	

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥82.19 to $1, the approximate rate of exchange at March 31, 2012. (See Note 1 of the Notes to Consolidated Financial Statements)

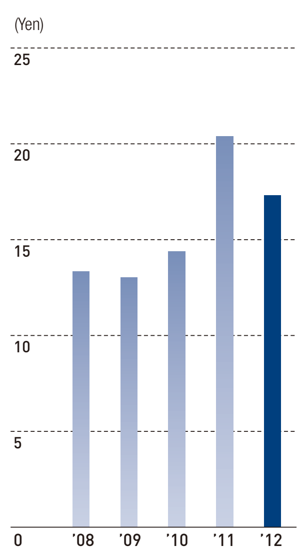
Operating Income



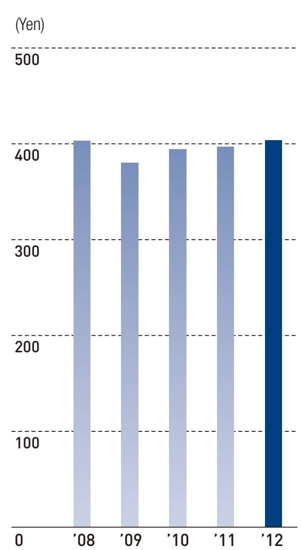
Total Assets



Basic Net Income per Share



Equity per Share



An Interview with the President

Kei Fujioka
President

I am pleased to have this opportunity to thank our shareholders and investors for their continued support. Our Group maintains a goal of pursuing sustainable growth while at the same time contributing to society through the provision of our main business of logistics.

Could you describe business conditions during the fiscal year ended March 31, 2012?

Since the beginning of the fiscal year, the Japanese economy suffered from negative trends in industrial production index due to the impact of the Great East Japan Earthquake that occurred at the end of the previous fiscal year, and delays in a full scale economic recovery. However, amidst the disaster recovery and restoration efforts, signs of a gradual recovery especially in capital investments began to appear.

In the logistics industry, although there were favorable trends in export volume to China and other parts of Asia in the previous fiscal year, this year, the generally difficult operating conditions for the export volume still continues because of the negative impact of slowing economies in Europe, the stronger yen, and stagnant production activities from flooding in Thailand. Nevertheless, the storage balance of type 1-3 warehouses of 21 main warehousing companies, which had trended negatively on a year-over-year basis, turned positive in November along with other signs of recovery.

In such economic backdrop, the Mitsui-Soko Group recorded growth in both sales and operating income in the Domestic Logistics Segment on the back of recoveries with storage balance and cargo transport volume, and as well as in the Domestic Port Terminal Segment owing to acquisition of a new shipping company in the previous fiscal year. The Global Network Segment saw declines in both sales and operating income due to drops in handling volume in North America and North East Asia. The full year contribution of Mitsui-Soko Air Cargo Inc., of which was acquired all of the shares in the previous fiscal year, allowed the Air Cargo Segment to see large increases in both sales and operating income. With regards to the Real Estate Segment, the sales of leasing buildings to improve assets efficiency led to declines in both sales and operating income.

Consequently, net sales and operating income rose by 10.9% and 2.8% year-over-year to ¥107,345 million and ¥6,732 million respectively. Increased tax burden due to reversals of deferred tax assets accompanying reduction in corporate tax rate led to a 15.1% decline in net income to ¥2,151 million.

Could you tell us about performance by business segment?

In the Domestic Logistics Segment, where various logistics services including warehousing, transportation, and distribution processing are provided to companies in Japan, sales grew by 3.6% to ¥45,834 million. This owes to a large year-over-year increases in storage balance, growth in regular freight transportation and container transportation transactions.

Within the Domestic Port Terminal Segment that provides port-related work and services to shipping companies—our primary customers in this business, we recorded rise in sales by 7.5% to ¥14,219 million over the previous fiscal year. This increase was fueled by growth in handling volume with existing shipping companies, and strong container terminal related work arising from acquisition of a new shipping company in China sea routes, and from the establishment of new sea routes of an existing shipping company.

In the Global Network Segment, where logistics services are provided to Japanese affiliated and local companies overseas through our network of overseas group subsidiaries, sales fell by 8.7% year-over-year to ¥11,923 million. This was due in part to declines in consumer electronic product handling volume in North America and decrease in handling volume in general in North East Asia.

Within the Air Cargo Segment, where consolidated air cargo services and related logistics services are provided, the acquisition to form Mitsui-Soko Air Cargo in March 2011 contributed on a full year basis to a strong increase in sales of 348.6% year-over-year to ¥12,230 million.

The Other Logistics Segment is comprised of the BPO (business process outsourcing) business that provides operations and management on a consigned basis for all or a portion of the business processes conducted by customers and of the logistics systems business that provides support services for SCM (supply chain management) through 3PL (third party logistics) and offers combined transport services. The expansion of BPO business through the acquisition of new customers contributed sales to grow. While combined transport service handling volume arriving to and departing from Japan declined in the earthquake affected Kanto region, increases in handling volume in the Chubu and Kansai regions, 3PL services, and storage and delivery services for investigational medical products allowed sales to increase in the logistics systems business. As a result, sales in the Other Logistics Segment grew by 4.6% year-over-year to ¥11,439 million.

In the Real Estate Segment, where large office buildings equipped with advanced information technology are managed and operated, the sales of leasing buildings in the previous fiscal year led to a 3.7% year-over-year decline in sales to ¥12,077 million.

Could you explain about your strategies for the future business growth?

In order to strengthen and cultivate the 3PL business, which will lead our Group's growth in the future, we acquired all of the shares of SANYO Electric Logistics Co., Ltd. in April 2012 and re-launched its operations under the name of Mitsui-Soko Logistics Co., Ltd. This company has a firmly established position within the 3PL business mainly for the consumer electronics field and boasts of 27 distribution centers located throughout Japan, from Hokkaido to Kyushu providing distribution center type 3PL business.

Mitsui-Soko Logistics is contributing greatly to the logistics business efficiency of consumer electronics manufacturers and consumer electronics stores. Furthermore, it responds to the outsourcing needs of consumer electronics stores by providing home delivery services from its distribution centers and installation services for customers who purchased consumer electronic products at their stores.

In the future, we expect to cultivate the 3PL business to become an important growth driver of our Group by optimizing the logistics functions for both consumer electronics manufacturers and consumer electronics stores, and by leveraging our knowhow in other industries and through overseas applications.

Moreover, in March 2011, we acquired all of the shares of JTB Air Cargo Inc. and restarted operations under the new company name of Mitsui-Soko Air Cargo. Also, in order to further expand and fortify the air cargo business, we signed an agreement with Toyota Motor Corporation at the end of March, 2012 to merge the Toyota Group company, TAS Express Co., Ltd. with Mitsui-Soko Air Cargo, maintaining a 64.2% shareholding of the newly merged company as our consolidated subsidiary.

In addition to the main customer of the Toyota Group, TAS Express serves various customers through its 22 offices in 10 overseas countries operated by 8 local subsidiaries. By welcoming TAS Express to our Group, we will benefit directly from both doubled scale of our sales and reductions in our costs.

We also expect to expand our air cargo handling volume largely in the future by acquiring new customers accelerated through the extensive network and high service quality levels of TAS Express.

With this expansion in our business in mind, we implemented changes in our organizational structure in April 2012. As a result of these changes, we have separated the logistics systems business and the BPO business as independent segments from the Other Logistics Segment. We also have combined the air cargo business and the marine cargo business into the "International Transportation Segment" to offer consolidated air and marine cargo transportation services.

What is your outlook for fiscal year ending March, 2013?

Primarily, the full year contribution from Mitsui-Soko Logistics and the 9-month contribution from the merger of TAS Express are expected to bring year-over-year increases in sales, operating income and net income to ¥158,000 million (increased by 47.2%), ¥7,400 million (increased by 9.9%), and ¥3,200 million (increased by 48.7%) respectively.

Finally, do you have any message for shareholders?

The Mitsui-Soko Group maintains a fundamental management policy of expanding corporate value through the consistent expansion in operating income along with the scale of business. In the pursuit of this policy, we believe that balanced growth among our businesses is very important, and we have taken steps to fortify the air cargo business and the logistics systems business, which had been relatively slow in growth development, as key areas of our earnings. In the future, we will continue to maintain balance in the growth of our various businesses and extract synergies among them in the process of expanding our overall business.

Concerning dividends, we have a policy of maintaining a stable level of dividends in order to ensure that they are not unduly affected by short-term fluctuations in our business results with due consideration of our medium- and long-term profit levels and financial condition. In keeping with this policy, we decided to pay ¥4.50 per share as an interim and a yearend dividend for full year dividends of ¥9.00 per share. With regards to distributions of profits in the coming term, we also anticipate ¥9.00 per share dividends over the full year (¥4.50 per share at the end of the interim period), which is the same as this fiscal year.

In closing, I would like to ask shareholders for their understanding and further support of the management policies I have explained in this report.

Corporate Governance

Basic Policy

Cognizant of Mitsui-Soko's social mission, the Company's directors, corporate auditors and employees are dedicated to performing their responsibilities faithfully in order to protect shareholders' interests. In addition to establishing various organizational entities for decision-making and oversight, the Company introduced an Executive Officer System that separates business execution and oversight functions and clarifies responsibilities and authority for business execution by directors and executive officers as part of our initiatives for strengthening corporate governance.

Key Entities and Their Responsibilities

The Board of Directors, chaired by the Chairman, meets monthly to make important decisions as stipulated by applicable laws, the Company's articles of incorporation and internal rules and regulations. It also oversees the performance of company operations under the supervision of the executive directors.

The Board of Corporate Auditors is composed of four corporate auditors: two full-time corporate auditors (one is an outside corporate auditor) and two part-time outside corporate auditors. An auditing staff supports the Board of Corporate Auditors in fulfilling its responsibilities.

The Managing Directors' Council meets weekly to discuss and render decisions regarding matters entrusted to it by the Board of Directors and important operational matters as defined by company rules and regulations.

Establishment of an Internal Control System

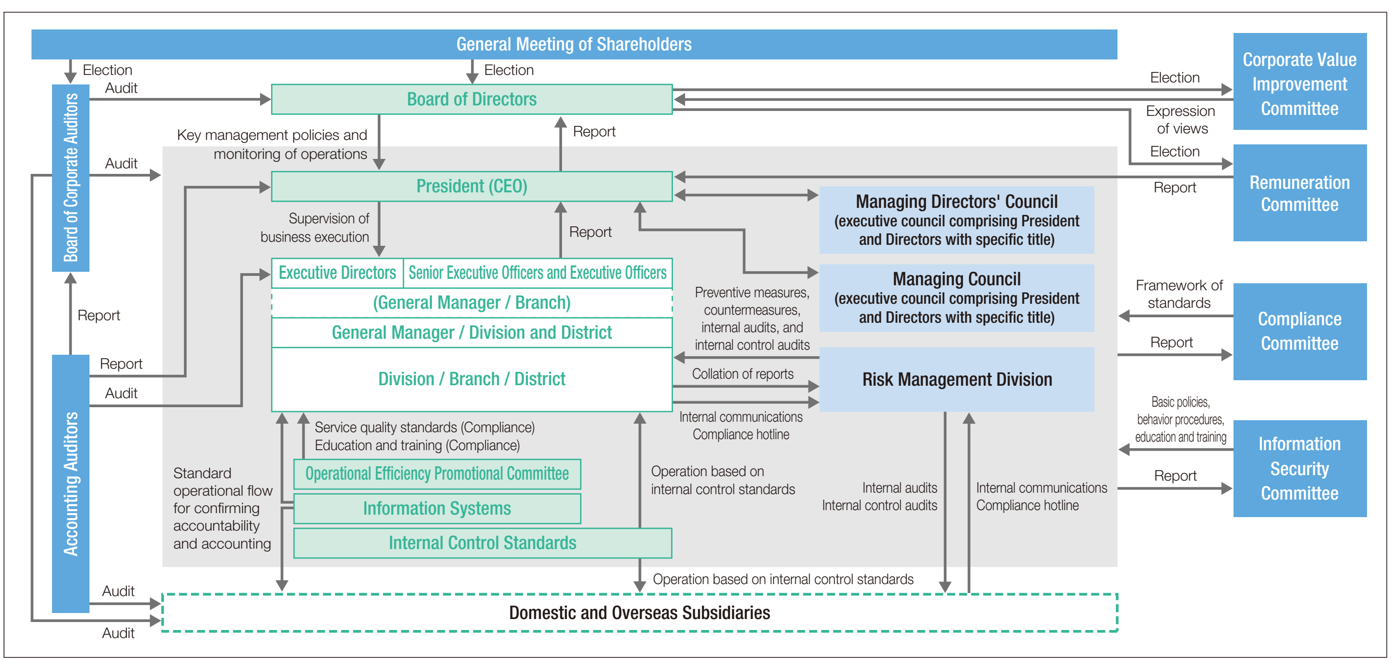
The Company has put in place internal controls to ensure that the execution of duties by directors conforms with laws and the Company's articles of incorporation as well as to ensure the appropriateness of other operations carried out by the Company. We have also established rules and regulations associated with our compliance structures, for example, Corporate Ethical Standards, to serve as a code of conduct to help directors and employees ensure that their actions are consistent with applicable law such as the Company's articles of incorporation and social norms. To ensure that these rules and regulations are properly observed, the Risk Management Division exercises cross-sectional control of compliance initiatives and carries out education and training activities, and the internal auditing department monitors compliance. The results of these activities are reported regularly to the Board of Directors and to the Board of Corporate Auditors.

The Company also maintains a compliance hotline that is available for all Group employees to directly provide information on possible illegal conduct.

Risk Management Structure and Internal Auditing

Under the supervision of the Chief Compliance Officer, who is responsible for the Corporate Administrative Headquarters, the Risk Management Division strives to reduce corporate risk by preventing potential risk, preparing and revising countermeasure manuals, and conducting internal audits.

In addition to working with associated operational headquarters to develop countermeasure manuals for high-priority risks, verifying the implementation of preventive measures and sharing results throughout the Company, the division orchestrates a continuous review process. Other responsibilities include conducting internal audits to assess whether the Company's operations are carried out in keeping with the established procedures and rules, verifying results, examining and implementing improvement plans, and reviewing procedures. The division then provides the results of these activities to the Board of Corporate Auditors and accounting auditors as appropriate.



Mitsui-Soko Group Network

As of March 31, 2012

Company Name	Location	Main Business
Hokkaimitsui-Soko Co., Ltd.	Hokkaido	Warehousing / Cargo forwarding
Mitsui-Soko Air Freight Co., Ltd.	Tokyo	Air cargo transport and handling services
Mitsui-Soko Air Cargo Inc.	Tokyo	International air cargo consolidation services
MS Air Cargo Inc.	Tokyo	Customs clearance services
Sun Capital and Accounting Co., Ltd.	Tokyo	Financial and accounting services
Logistics Systems and Solutions Co., Ltd.	Tokyo	Information systems designing and development
Mitsui-Soko Business Partners Co., Ltd.	Tokyo	BPO business / Data managemet services / Insurance
Tokyo Sanshin Service K.K.	Tokyo	Insurance
Sanso K.K.	Tokyo	Warehouse cargo handling
IM Express Co., Ltd.	Tokyo	Overland cargo transport / Cargo forwarding
MSC Logistics East, Inc.	Tokyo	Warehousing / Overland cargo transport
Toko Maruraku Transportation Co., Ltd.	Kanagawa	Seaport operations / Cargo forwarding
M·S Logistics Co., Ltd.	Saitama	Warehouse management and operations
Sanso Kouun Co., Ltd.	Aichi	Warehouse cargo handling / Seaport operations
Sanko Trucking Co., Ltd.	Aichi	Warehouse cargo handling / Overland cargo transport / Cargo forwarding
Sanei K.K.	Mie	Warehouse cargo handling / Seaport operations
Mitsui Warehouse Terminal Service Co., Ltd.	Osaka	Seaport operations / Overland cargo transport / Cargo forwarding
Sanyu Service Co., Ltd.	Osaka	Warehouse cargo handling
Mitsunori Corporation	Fukui	Warehousing / Overland cargo transport / Cargo forwarding
Kobe Sunso Koun Co., Ltd.	Hyogo	Warehouse cargo handling / Seaport operations
MK Services Co., Ltd.	Hyogo	Distribution processing
Sun Transport Co., Ltd.	Hyogo	Overland cargo transport / Cargo forwarding
Mitsui-Soko Kyushu Co., Ltd.	Fukuoka	Warehousing / Seaport operations / Cargo forwarding
Seiyu Koun Co., Ltd.	Fukuoka	Warehouse cargo handling / Seaport operations
Hakata Sanso-Butsuryu Co., Ltd.	Fukuoka	Warehouse cargo handling / Overland cargo transport
Itabashi-Shouji Co., Ltd. *	Kanagawa	Overland cargo transport / Cargo forwarding
Morikichi Tsuun Co., Ltd. *	Aichi	Overland cargo transport / Cargo forwarding
Mitsui-Soko (U.S.A.) Inc.	U.S.A.	International combined transport / Warehousing / Cargo forwarding
Mitsui-Soko (Europe) B.V.	Netherlands	International combined transport / Warehousing / Cargo forwarding
Mitsui-Soko (Europe) B.V. <Branch>	Germany/Czech Republic/Poland	International combined transport / Warehousing / Cargo forwarding
Mitsui-Soko (Europe) s.r.o.	Czech Republic	International combined transport / Warehousing / Cargo forwarding
Mitsui-Soko International Pte. Ltd.	Singapore	Overall management of subsidiaries in the Southeast Asia region / Warehouse leasing
Mitsui-Soko (Singapore) Pte. Ltd.	Singapore	International combined transport / Warehousing / Cargo forwarding
Mitsui-Soko Air Services(S) Pte. Ltd.	Singapore	Air cargo transport and handling services
Mitsui-Soko (Malaysia) Sdn. Bhd.	Malaysia	International combined transport / Warehousing / Cargo forwarding
Mitsui-Soko Agencies (Malaysia) Sdn. Bhd.	Malaysia	Customs clearance services
Integrated Mits Sdn. Bhd.	Malaysia	Warehousing
Mitsui-Soko (Thailand) Co., Ltd.	Thailand	International combined transport / Warehousing / Cargo forwarding
Mitsui-Soko (Chiangmai) Co., Ltd.	Thailand	International combined transport / Warehousing / Cargo forwarding
MITS Logistics (Thailand) Co., Ltd.	Thailand	Warehousing
MITS Transport (Thailand) Co., Ltd.	Thailand	Cargo forwarding
PT Mitsui-Soko Indonesia	Indonesia	Warehousing / Seaport operations / Cargo forwarding
Mitsui-Soko (Philippines), Inc.	Philippines	International combined transport / Warehousing / Cargo forwarding
Mitex Logistics (Shanghai) Co., Ltd.	China	International combined transport / Warehousing/ Cargo forwarding / Distribution processing
Mitex Shenzhen Logistics Co., Ltd.	China	International combined transport / Warehousing/ Distribution processing
Nantong Sinavico International Logistics Co., Ltd.	China	Warehousing / Cargo forwarding
MSC Trading (Shanghai) Co., Ltd.	China	Trading agency
Mitex International (Hong Kong) Ltd.	Hong Kong	International combined transport / Warehousing / Cargo forwarding
Mitex Multimodal Express Ltd.	Hong Kong	Cargo forwarding
Noble Business International Ltd.	Hong Kong	Cargo forwarding
Mitsui-Soko (Taiwan) Co., Ltd.	Taiwan	International combined transport/ Warehousing
Mitsui-Soko (Korea) Co., Ltd.	Korea	International combined transport / Warehousing
AW Rostamani Logistics LLC *	U.A.E.	International combined transport / Warehousing / Cargo forwarding
Joint Venture Sunrise Logistics Co., Ltd. *	Vietnam	International combined transport / Warehousing / Cargo forwarding
Syarikat Rtnz Sdn. Bhd. *	Malaysia	Bonded warehouse operations
Shanghai Hua He International Logistics Co., Ltd. *	China	Warehousing / Cargo forwarding / Distribution processing

*Equity-method affiliates

Management's Discussion and Analysis

Business Results

Net Sales

Despite the uncertainties over the future of the economy, a gradual economic recovery and favorable demand for services offered in our Domestic Logistics Segment, Domestic Port Terminal Segment, and Air Cargo Segment resulted in net sales to grow by ¥10,579 million (10.9%) year-over-year to ¥107,345 million.

Looking at each of our business segments year-over-year, sales of the Domestic Logistics Segment rose by ¥1,574 million (3.6%) to ¥45,834 million and the Domestic Port Terminal Segment rose by ¥990 million (7.5%) to ¥14,219 million, while the Global Network Segment declined by ¥1,143 million (8.7%) to ¥11,923 million. At the same time, sales of the Air Cargo Segment recorded a ¥9,504 million increase (348.6%) to ¥12,230 million and the Other Logistics Segment rose by ¥508 million (4.6%) to ¥11,439 million, while the Real Estate Segment posted a ¥461 million decline (3.7%) to ¥12,077 million.

Cost of Sales and SG&A Expenses

Cost of sales rose by ¥8,982 million (10.8%) year-over-year to ¥92,324 million on the back of the growth in net sales. Consequently, cost of sales margin declined by 0.1 percentage point from the previous fiscal year to 86.0%. Selling, general and administrative (SG&A) expenses increased by ¥1,413 million (20.6%) to ¥8,289 million.

Operating Income

A recovery in logistics operations of the logistics segments, excluding the Global Network Segment, contributed to an increase in operating income of ¥183 million (2.8%) to ¥6,732 million from the previous fiscal year.

By segment, segment profit of the Domestic Logistics Segment rose year-over-year by ¥660 million (23.5%) to ¥3,473 million, and the Domestic Port Terminal Segment increased by ¥82 million (9.2%) to ¥979 million. The Global Network Segment decreased by ¥268 million to an segment loss of ¥149 million, and the Air Cargo Segment rose by ¥398 million to an segment profit of ¥366 million. The Other Logistics Segment rose by ¥314 million to ¥18 million, and the Real Estate Segment posted a ¥249 million (3.3%) decline to ¥7,273 million.

Other Income (Expenses)

Other expenses—net decreased by ¥234 million year-over-year to ¥2,457 million due to a decline in loss on disposals of property, plant and equipment, and to the disappearance of loss on business restructuring of subsidiaries and affiliates in the previous fiscal year, which offset the moving expenses of our headquarters in September 2011.

Net Income

Income before income taxes and minority interests increased by ¥418 million (10.8%) year-over-year to ¥4,275 million.

Net income declined by ¥383 million (15.1%) to ¥2,151 million. Subsequently, earnings per share also fell by ¥3.08 from ¥20.40 in the previous fiscal year to ¥17.32.

Financial Position

Assets and Equity

Total assets at the end of the fiscal year increased by ¥13,303 million from the end of previous fiscal year to ¥197,338 million. This is a result that increasing in cash and cash equivalents for acquisition of companies and preparation for financial crisis from Europe overcame decreasing in amount of fixed assets due to sales of real estates in order to improve assets efficiency.

Equity also rose by ¥886 million from the end of the previous fiscal year to ¥50,853 million.

Cash Flows

Cash flow from operating activities saw an increase of ¥1,578 million from the previous fiscal year to a net inflow of ¥9,682 million due in part to an increase in income before income taxes and minority interests and declines in income taxes—paid. Cash flow from investing activities increased by ¥33,299 million from the net outflow in the previous fiscal year to a net inflow of ¥15,389 million on the back of real estate sales. Cash flow from financing activities fell by ¥1,548 million from the previous fiscal year due primarily to the disappearance of bonds issuance, to a net inflow of ¥9,606 million as a result of long-term borrowings.

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MITSUI-SOKO Co., Ltd.:

We have audited the accompanying consolidated balance sheet of MITSUI-SOKO Co., Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity 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 audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we 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 the auditor's judgment, 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, the auditor considers 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, but 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 referred to above present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2012, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 17 to the consolidated financial statements, at the Board of Directors meeting held on February 27, 2012, the Company decided to acquire all shares of SANYO Electric Logistics Co., Ltd. in order to make it a subsidiary. The Company entered into a share purchase agreement on February 27, 2012, and acquired all the shares on April 2, 2012. Our opinion is not qualified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Balance Sheet

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2012**	2011	**2012**
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	**¥ 51,935**	¥ 17,362	**$ 631,886**
Time deposits other than cash equivalents (Note 13)	**329**	219	**4,005**
Marketable securities (Notes 3,5 and 13)	**15**		**183**
Receivables (Note 13):			
Trade notes and accounts	**15,110**	14,761	**183,838**
Unconsolidated subsidiaries and associated companies	**64**	90	**782**
Other	**1,109**	1,869	**13,490**
Deferred tax assets (Note 11)	**799**	873	**9,716**
Other current assets	**2,421**	2,401	**29,460**
Allowance for doubtful accounts	**(48)**	(35)	**(580)**
Total current assets	**71,734**	37,540	**872,780**
PROPERTY, PLANT AND EQUIPMENT (Notes 4 and 5):			
Land	**43,063**	51,292	**523,943**
Buildings and structures	**138,355**	150,741	**1,683,357**
Machinery and equipment	**15,581**	15,769	**189,566**
Other	**8,873**	8,401	**107,962**
Construction in progress	**880**	39	**10,706**
Total	**206,752**	226,242	**2,515,534**
Accumulated depreciation	**(106,760)**	(104,882)	**(1,298,937)**
Net property, plant and equipment	**99,992**	121,360	**1,216,597**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 5 and 13)	**9,919**	10,165	**120,690**
Investments in unconsolidated subsidiaries and associated companies (Note 13)	**1,004**	999	**12,218**
Long-term loans	**491**	432	**5,974**
Goodwill	**2,637**	2,932	**32,081**
Intangible assets	**5,435**	5,417	**66,126**
Prepaid pension cost (Note 7)	**1,288**	1,225	**15,677**
Deferred tax assets (Note 11)	**1,359**	1,606	**16,532**
Other assets	**3,524**	2,454	**42,872**
Allowance for doubtful accounts	**(45)**	(95)	**(546)**
Total investments and other assets	**25,612**	25,135	**311,624**
TOTAL	**¥ 197,338**	¥ 184,035	**$ 2,401,001**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Payables (Note 13):			
Trade notes and accounts	¥ 7,296	¥ 7,412	$ 88,773
Unconsolidated subsidiaries and associated companies	239	227	2,903
Other	1,422	1,430	17,297
Short-term borrowings (Notes 5 and 13)	12,999	966	158,154
Current portion of long-term debt (Notes 5 and 13)	16,129	22,705	196,246
Deposits received	4,882	3,529	59,394
Income taxes payable	904	1,657	11,001
Accrued expenses	2,413	2,343	29,361
Other current liabilities	1,305	1,039	15,883
Total current liabilities	47,589	41,308	579,012
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5 and 13)	90,229	84,834	1,097,806
Liability for retirement benefits (Note 7)	2,288	2,290	27,840
Deferred tax liabilities (Note 11)	1,578	1,311	19,199
Other long-term liabilities	4,801	4,325	58,422
Total long-term liabilities	98,896	92,760	1,203,267
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 6, 12 and 14)			
EQUITY (Notes 8 and 16):			
Common stock—authorized: 400,000,000 shares, issued: 124,415,013 shares in 2012 and 2011	11,101	11,101	135,062
Capital surplus	5,563	5,563	67,685
Retained earnings	34,003	32,969	413,708
Treasury stock—at cost: 222,698 shares in 2012 and 221,654 in 2011	(99)	(99)	(1,206)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	2,101	2,002	25,568
Foreign currency translation adjustments	(2,533)	(2,280)	(30,813)
Total	50,136	49,256	610,004
Minority interests	717	711	8,718
Total equity	50,853	49,967	618,722
TOTAL	¥ 197,338	¥ 184,035	$ 2,401,001

Consolidated Statement of Income

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET SALES	¥ 107,345	¥ 96,766	$ 1,306,057
COST OF SALES	92,324	83,341	1,123,292
Gross profit	15,021	13,425	182,765
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	8,289	6,876	100,858
Operating income	6,732	6,549	81,907
OTHER INCOME (EXPENSES):			
Interest and dividend income	260	247	3,163
Interest expense	(1,462)	(1,555)	(17,785)
Foreign exchange gain (loss)—net	17	(43)	202
Head office relocation expense	(405)		(4,927)
Loss on write-down of securities (Note 3)	(129)	(201)	(1,568)
Loss on disposals of property, plant and equipment	(67)	(374)	(815)
(Loss) gain on sales of property, plant and equipment—net	(166)	34	(2,022)
Gain on negative goodwill		473	
Losses from a natural disaster (Note 9)	(116)	(396)	(1,415)
Other—net (Note 10)	(389)	(877)	(4,726)
Other expenses—net	(2,457)	(2,692)	(29,893)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,275	3,857	52,014
INCOME TAXES (Note 11):			
Current	1,277	826	15,538
Deferred	806	507	9,811
Total income taxes	2,083	1,333	25,349
NET INCOME BEFORE MINORITY INTERESTS	2,192	2,524	26,665
MINORITY INTERESTS IN NET INCOME	41	(10)	488
NET INCOME	¥ 2,151	¥ 2,534	$ 26,177

	Yen		U.S. Dollars (Note 1)
	2012	2011	2012
PER SHARE OF COMMON STOCK (Notes 2.q and 16):			
Basic net income	¥ 17.32	¥ 20.40	$ 0.21
Cash dividends applicable to the year	9.00	9.00	0.11

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET INCOME BEFORE MINORITY INTERESTS	¥ 2,192	¥ 2,524	$ 26,665
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized gain (loss) on available-for-sale securities	99	(702)	1,205
Foreign currency translation adjustments	(266)	(431)	(3,238)
Share of other comprehensive income in associates	(17)	(39)	(203)
Total other comprehensive income	(184)	(1,172)	(2,236)
COMPREHENSIVE INCOME (Note 15)	¥ 2,008	¥ 1,352	$ 24,429
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 15):			
Owners of the parent	¥ 1,999	¥ 1,396	$ 24,315
Minority interests	9	(44)	114

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

			Millions of Yen								
							Accumulated Other Comprehensive Income (Loss)				
	Number of Common Stock	*Number of Treasury Stock*	*Common Stock*	*Capital Surplus*	*Retained Earnings*	*Treasury Stock*	*Unrealized Gain on Available-for-sale Securities*	*Foreign Currency Translation Adjustments*	*Total*	*Minority Interests*	*Total Equity*
BALANCE, APRIL 1, 2010	124,415,013	(220,684)	¥ 11,101	¥ 5,563	¥ 31,552	¥ (98)	¥ 2,706	¥ (1,846)	¥ 48,978	¥ 1,314	¥ 50,292
Net income					2,534				2,534		2,534
Cash dividends, ¥9.0 per share					(1,117)				(1,117)		(1,117)
Repurchase of treasury stock		(970)				(1)			(1)		(1)
Net change in the year							(704)	(434)	(1,138)	(603)	(1,741)
BALANCE, APRIL 1, 2011	124,415,013	(221,654)	11,101	5,563	32,969	(99)	2,002	(2,280)	49,256	711	49,967
Net income					2,151				2,151		2,151
Cash dividends, ¥9.0 per share					(1,117)				(1,117)		(1,117)
Repurchase of treasury stock		(1,044)				(0)			(0)		(0)
Net change in the year							99	(253)	(154)	6	(148)
BALANCE, MARCH 31, 2012	124,415,013	(222,698)	¥ 11,101	¥ 5,563	¥ 34,003	¥ (99)	¥ 2,101	¥ (2,533)	¥ 50,136	¥ 717	¥ 50,853

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income (Loss)				
	Common Stock	*Capital Surplus*	*Retained Earnings*	*Treasury Stock*	*Unrealized Gain on Available-for-sale Securities*	*Foreign Currency Translation Adjustments*	*Total*	*Minority Interests*	*Total Equity*
BALANCE, APRIL 1, 2011	$ 135,062	$ 67,685	$ 401,131	$ (1,203)	$ 24,364	$ (27,747)	$ 599,292	$ 8,654	$ 607,946
Net income			26,177				26,177		26,177
Cash dividends, $0.11 per share			(13,600)				(13,600)		(13,600)
Repurchase of treasury stock				(3)			(3)		(3)
Net change in the year					1,204	(3,066)	(1,862)	64	(1,798)
BALANCE, MARCH 31, 2012	$ 135,062	$ 67,685	$ 413,708	$ (1,206)	$ 25,568	$ (30,813)	$ 610,004	$ 8,718	$ 618,722

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,275	¥ 3,857	$ 52,014
Adjustments for:			
Income taxes—paid	(1,549)	(2,047)	(18,838)
Depreciation and amortization	6,884	6,908	83,756
Amortization of goodwill	295	25	3,598
Loss (gain) on sales of property, plant and equipment—net	134	(61)	1,624
Loss on disposals of property, plant and equipment	123	118	1,496
Loss on write-down of securities	129	201	1,568
Changes in assets and liabilities:			
(Decrease) increase in allowance for doubtful accounts	(38)	29	(464)
Increase (decrease) in liability for retirement benefits	1	(138)	14
Increase in notes and accounts receivable—trade	(482)	(810)	(5,867)
(Decrease) increase in notes and accounts payable—trade	(5)	585	(61)
Other—net	(85)	(563)	(1,033)
Total adjustments	5,407	4,247	65,793
Net cash provided by operating activities	9,682	8,104	117,807
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(4,914)	(19,327)	(59,788)
Proceeds from sales of property, plant and equipment	21,353	6,538	259,805
Purchases of intangible assets	(893)	(1,168)	(10,863)
Purchases of investment securities	(46)	(9)	(564)
Payments for acquisition of shares in consolidated subsidiaries—net of cash acquired		(155)	
Proceeds from collection of loans	124	93	1,507
Payments for acquisition of shares affecting scope of consolidation—net of cash acquired		(3,861)	
Other—net	(235)	(21)	(2,865)
Net cash provided by (used in) investing activities	15,389	(17,910)	187,232
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings—net	12,054	(72)	146,670
Proceeds from long-term debt	21,500	30,367	261,589
Repayments of long-term debt	(22,681)	(17,941)	(275,960)
Dividends paid	(1,117)	(1,117)	(13,600)
Repurchase of treasury stock	(0)	(1)	(3)
Other—net	(150)	(82)	(1,816)
Net cash provided by financing activities	9,606	11,154	116,880
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(104)	(190)	(1,269)
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,573	1,158	420,650
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY		88	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,362	16,116	211,236
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 51,935	¥ 17,362	$ 631,886

See notes to consolidated financial statements.

ADDITIONAL INFOMRATION:

MITSUI-SOKO AIR CARGO INC. was included in the scope of consolidation for the year ended March 31, 2011 through the acquisition of shares. The acquisition cost and payments for the acquisition were as follows:

	Millions of Yen
	2011
Current assets	¥ 2,904
Investments and other assets	1,445
Current liabilities	(2,347)
Long-term liabilities	(259)
Net assets acquired	1,743
Goodwill	2,957
Cash acquired	(839)
Net of cash acquired	¥ 3,861

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MITSUI-SOKO Co., Ltd. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.19 to $1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation*—The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 49 significant (49 in 2011) subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 6 (6 in 2011) associated companies are accounted for by the equity method.

Investments in the unconsolidated subsidiaries and the remaining associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period not exceeding 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—In May 2006, the Accounting Standards Board of Japan (the ASBJ) issued ASBJ Practical Issues Task Force (PITF) No18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” PITF No18, prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances that should in principle be unified for the preparation of the consolidated financial statements (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with accounting principles generally accepted in Japan unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if included in net income.

c. *Business Combinations*—In October 2003, the Business Accounting Council issued a statement of opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required R&D costs to be charged to income as incurred. Under the revised standard, in-process R&D costs (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. The revised standard is applicable to business combinations undertaken on or after April 1, 2010.

d. *Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

e. *Marketable and Investment Securities*—Marketable and investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities, which are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. *Allowance for Doubtful Accounts*—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. *Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998; leased assets of the Company and its consolidated domestic subsidiaries; and all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 15 years for machinery and equipment. The useful lives for leased assets are the terms of the respective leases.

h. *Long-Lived Assets*—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. *Intangible Assets*—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 years for software. The useful lives for leased assets are the terms of the respective lease.

j. *Bond Issue Costs*—Bond issue costs are charged to income as incurred.

k. *Retirement and Pension Plans*—The Company and certain consolidated domestic subsidiaries have noncontributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. The Company also has a defined contribution pension plan. Other consolidated domestic subsidiaries have unfunded retirement benefit plans. Certain consolidated foreign subsidiaries have defined contribution pension plans.

The Group accounts for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date.

l. *Asset Retirement Obligations*—In March 2008, the ASBJ published ASBJ Statement No 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

m. *Leases*—In March 2007, the ASBJ issued ASBJ Statement No13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease.

All other leases are accounted for as operating leases.

n. *Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. *Foreign Currency Transactions*—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

p. *Foreign Currency Financial Statements*—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

q. *Per Share Information*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

r. *Accounting Changes and Error Corrections*—In December 2009, the ASBJ issued ASBJ Statement No 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies
When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentation
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors
When an error in prior-period financial statements is discovered, the statement is restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

s. *Reclassification of the Consolidated Statement of Cash Flows*—"Amortization of Goodwill" which was included in "Other—net" among the Operating Activities section in the year ended March 31, 2011, is presented separately in the year ended March 31, 2012 as the amount became material. In previous year, "Amortization of goodwill" included in "Other—net" was ¥25 million.

The figures for the year ended March 31, 2011 have been reclassified for comparison in the consolidated statement of cash flows.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Current—Government and corporate bonds	**¥ 15**	¥	**$ 183**
Noncurrent:			
Equity securities	**¥ 9,899**	¥ 10,129	**$ 120,441**
Government and corporate bonds	**20**	36	**249**
Total	**¥ 9,919**	¥ 10,165	**$ 120,690**

The costs and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2012				
Securities classified as available for sale:				
Equity securities	**¥ 4,563**	**¥ 3,463**	**¥ (179)**	**¥ 7,847**
Debt securities	**35**	**1**		**36**
March 31, 2011				
Securities classified as available for sale:				
Equity securities	¥ 4,686	¥ 3,611	¥ (214)	¥ 8,083
Debt securities	35	1		36

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2012				
Securities classified as available for sale:				
Equity securities	**$ 55,517**	**$ 42,134**	**$ (2,175)**	**$ 95,476**
Debt securities	**426**	**6**		**432**

The information for sale of available-for-sale securities which were sold during the year ended March 31, 2012 was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
March 31, 2012						
Securities classified as available for sale:						
Equity securities	**¥ 23**	**¥**	**¥ (11)**	**$ 276**	**$**	**$ (135)**

The loss on write-down of available-for-sale equity securities for the years ended March 31, 2012 and 2011 were ¥129 million ($1,568 thousand) and ¥201million, respectively.

4. INVESTMENT PROPERTY

In November, 2008 the ASBJ issued ASBJ Statement No 20, "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures."

The Group holds some rental properties such as office buildings and land in Tokyo and other areas. Net of rental income and operating expenses for those rental properties was ¥7,426 million ($90,355 thousand) for the fiscal year ended March 31, 2012.

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

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2011	Increase/ Decrease	**March 31, 2012**	**March 31, 2012**
¥ 55,323	¥ (17,359)	**¥ 37,964**	**¥ 145,869**

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2010	Increase/ Decrease	March 31, 2011	March 31, 2011
¥ 45,701	¥ 9,622	¥ 55,323	¥ 168,518

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2011	Increase/ Decrease	**March 31, 2012**	**March 31, 2012**
$ 673,109	$ (211,205)	**$ 461,904**	**$ 1,774,772**

Notes: 1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation, if any.
2. Decrease during the fiscal year ended March 31, 2012 primarily represents the sale of the Misato Logistics Center in the amount of ¥15,369 million ($186,995 thousand).
3. Fair value of properties as of March 31, 2012 is measured by the Company in accordance with its income approach.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2012 and 2011 mainly consisted of notes to banks. The annual interest rates applicable to the short-term borrowings as of March 31, 2012 and 2011 ranged from 0.57% to 7.35% and from 0.69% to 7.05%, respectively.

Long-term debt as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
1.53% unsecured bonds due 2012	¥	¥ 5,000	$
1.45% unsecured bonds due 2014	**6,000**	6,000	**73,001**
1.66% unsecured bonds due 2016	**4,000**	4,000	**48,668**
1.35% unsecured bonds due 2015	**6,000**	6,000	**73,001**
1.27% unsecured bonds due 2018	**7,000**	7,000	**85,169**
0.91% unsecured bonds due 2016	**3,000**	3,000	**36,501**
0.82% unsecured bonds due 2017	**10,000**	10,000	**121,669**
Subtotal	**36,000**	41,000	**438,009**
Loans from banks and other financial institutions, due serially to 2021 with interest rates ranging from 0.49% to 4.50% in 2012 and from 0.65% to 6.25% in 2011			
Collateralized	**1,892**	2,469	**23,019**
Unsecured	**68,466**	64,070	**833,024**
Total	**106,358**	107,539	**1,294,052**
Less current portion	**(16,129)**	(22,705)	**(196,246)**
Long-term debt, less current portion	**¥ 90,229**	¥ 84,834	**$ 1,097,806**

Annual maturities of long-term debt at March 31, 2012 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 16,129	$ 196,246
2014	22,530	274,119
2015	17,616	214,337
2016	16,935	206,042
2017	17,849	217,168
2018 and thereafter	15,299	186,140
Total	¥ 106,358	$ 1,294,052

As of March 31, 2012, assets of ¥13,470 million ($163,886 thousand) were pledged as collateral for long-term debt as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures—net of accumulated depreciation	¥ 12,536	$ 152,527
Land	934	11,359
Total	¥ 13,470	$ 163,886

The amount of marketable and investment securities pledged as collateral for sales of beneficiary right of trust as of March 31, 2012 was ¥15 million ($183 thousand) and ¥20 million ($249 thousand), respectively.

6. OVERDRAFTS AND LOAN COMMITMENTS

The Company has concluded overdraft agreements with 4 banks and loan commitment contracts with 6 banks for efficient procurement of working capital. The portion of the credit line that had not been exercised under these agreements and contracts as of March 31, 2012 and 2011 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Total overdraft limits	¥ 12,500	¥ 500	$ 152,086
Loan executions	12,000		146,003
	¥ 500	¥ 500	$ 6,083

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Total loan commitment limits	¥ 8,000	¥ 8,000	$ 97,335
Loan executions			
	¥ 8,000	¥ 8,000	$ 97,335

7. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees.

The Company and certain consolidated domestic subsidiaries have noncontributory funded defined benefit pension plans and unfunded retirement benefit plans for employees.The Company also has a defined contribution pension plan. Other consolidated domestic subsidiaries have unfunded retirement benefit plans. Certain consolidated foreign subsidiaries have defined contribution pension plans.

The liability for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Projected benefit obligation	**¥ 7,213**	¥ 7,471	**$ 87,760**
Fair value of plan assets	**(5,434)**	(5,817)	**(66,111)**
Unrecognized prior service benefits	**363**	424	**4,411**
Unrecognized actuarial gain	**(1,142)**	(1,013)	**(13,897)**
Net obligations	**1,000**	1,065	**12,163**
Prepaid pension cost	**1,288**	1,225	**15,677**
Liability for employees' retirement benefits	**¥ 2,288**	¥ 2,290	**$ 27,840**

The components of net periodic retirement benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥ 470**	¥ 460	**$ 5,727**
Interest cost	**102**	107	**1,236**
Expected return on plan assets	**(32)**	(37)	**(387)**
Recognized actuarial gain	**(13)**	(57)	**(159)**
Amortization of prior service benefits	**(61)**	(61)	**(747)**
Other	**74**	81	**903**
Net periodic retirement benefit costs	**¥ 540**	¥ 493	**$ 6,573**

“Other” includes contributions for defined contribution pension plan.

Assumptions used for the years ended March 31, 2012 and 2011 were set forth as follows:

	2012	2011
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%
Recognition period of actuarial gain/loss	**13-15 years**	13-15 years
Amortization period of prior service benefits	**13 years**	13 years

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act").The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of corporate auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors.The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. LOSSES FROM A NATURAL DISASTER

Losses from a natural disaster for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	*2011*	***2012***
Maintenance and repairs	**¥ 116**	¥ 279	**$ 1,415**
Direct operations		67	
Salaries and allowances		22	
Donations		22	
Other		6	
Total	**¥ 116**	¥ 396	**$ 1,415**

10. OTHER INCOME (EXPENSES)

Other income (expenses)—net for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Loss on disposals of software	**¥ (13)**	¥ (16)	**$ (156)**
Equity in earnings of associated companies	**32**	61	**391**
Taxes and dues	**(180)**	(154)	**(2,187)**
Compensation income	**73**		**884**
Loss on business restructuring of subsidiaries and affiliates		(334)	
Other	**(301)**	(434)	**(3,658)**
Other income (expenses)—net	**¥ (389)**	¥ (877)	**$ (4,726)**

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets:			
Liability for employees' retirement benefits	**¥ 2,317**	¥ 2,657	**$ 28,195**
Accrued bonuses	**576**	599	**7,004**
Property, plant and equipment	**463**	531	**5,635**
Tax loss carryforwards	**1,091**	1,059	**13,281**
Golf club memberships	**69**	98	**842**
Loss on write-down of securities	**103**	197	**1,251**
Goodwill	**839**	1,142	**10,215**
Other	**983**	916	**11,955**
Less valuation allowance	**(1,378)**	(1,413)	**(16,772)**
Total	**5,063**	5,786	**61,606**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(1,170)**	(1,383)	**(14,242)**
Gain on contribution of securities to the employee retirement benefit trust	**(1,546)**	(1,766)	**(18,811)**
Property, plant and equipment	**(1,182)**	(942)	**(14,380)**
Other	**(588)**	(527)	**(7,156)**
Total	**(4,486)**	(4,618)	**(54,589)**
Net deferred tax assets	**¥ 577**	¥ 1,168	**$ 7,017**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Normal effective statutory tax rate	**40.7%**	40.7%
Expenses not deductible for income tax purposes	**1.4**	1.4
Income not taxable for income tax purposes	**(7.1)**	(2.6)
Per capita portion of inhabitant tax	**1.4**	1.5
Effect of elimination of dividend income from subsidiaries for consolidation purpose	**7.5**	1.8
Lower income tax rates applicable to income in certain foreign countries	**(3.5)**	(4.6)
Valuation allowance	**2.2**	(2.5)
Effect of consolidation adjustments	**2.8**	(0.7)
Adjustment on deferred tax assets due to change in income tax rate	**3.3**	
Other—net	**0.0**	(0.4)
Actual effective tax rate	**48.7%**	34.6%

On December 2, 2011, new tax reform laws were promulgated in Japan which changed the normal effective statutory tax rate from 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards. The effect of this change was to decrease deferred tax assets by ¥524 million ($6,380 thousand), decrease deferred tax liabilities by ¥549 million ($6,681 thousand), increase income taxes-deferred by ¥141 million ($1,721 thousand), and increase unrealized gain on available-for-sale securities by ¥166 million ($2,022 thousand) in the consolidated financial statements for the year ended March 31, 2012.

At March 31, 2012, certain subsidiaries have tax loss carryforwards aggregating approximately ¥2,798 million ($34,039 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	**¥ 50**	**$ 602**
2014	**16**	**200**
2015	**133**	**1,615**
2016	**75**	**909**
2017	**87**	**1,063**
2018 and thereafter	**2,437**	**29,650**
Total	**¥ 2,798**	**$ 34,039**

12. LEASES

The Group leases certain buildings, structures, computer equipment, machinery and other assets.

Total rental expenses for the years ended March 31, 2012 and 2011 were ¥6,836 million ($83,178 thousand) and ¥6,605 million, respectively.

The minimum rental commitments under noncancelable operating leases as a lessee at March 31, 2012 and 2011 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	*2011*	***2012***
Due within one year	**¥ 1,925**	¥ 578	**$ 23,419**
Due after one year	**8,522**	739	**103,691**
Total	**¥ 10,447**	¥ 1,317	**$ 127,110**

The Group, as a lessor, leases office space and others.

Total lease revenue for the years ended March 31, 2012 and 2011 was ¥11,884 million ($144,595 thousand) and ¥12,286 million, respectively.

The minimum rental commitments under noncancelable operating leases as a lessor at March 31, 2012 and 2011, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2012	*2011*	***2012***
Due within one year	**¥ 7,167**	¥ 5,771	**$ 87,196**
Due after one year	**6,614**	2,043	**80,477**
Total	**¥ 13,781**	¥ 7,814	**$ 167,673**

13. FINANCIAL INSTRUMENTS

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly bank loans and bond issuances. Cash surpluses, if any, are invested in low-risk financial assets.

(2) Nature and Extent of Risks Arising from Financial Instruments

Trade receivables such as trade notes and trade accounts are exposed to customer credit risk. The Group manages its credit risk from receivables by monitoring the payment terms and balances of each customer to reduce default risk.

Marketable and investment securities, mainly equity securities, are exposed to the risk of market price fluctuations. The Group manages its market risk by monitoring market value every quarter.

Payment terms of trade payables, such as trade notes and trade accounts, are less than one year.

Short-term borrowings are used to fund the Group's ongoing operations and long-term debt is used to fund its capital financing plan. The Group does not have any loans with market risk from changes in interest rates.

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by reviewing its financial planning every month.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on the quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2012	*Carrying Amount*	*Fair Value*	*Unrealized Gain/Loss*
Cash and cash equivalents	**¥ 51,935**	**¥ 51,935**	**¥**
Time deposits other than cash equivalents	**329**	**329**	
Trade receivables	**15,174**	**15,174**	
Marketable and investment securities	**7,883**	**7,883**	
Total	**¥ 75,321**	**¥ 75,321**	**¥**
Trade payables	**¥ 7,532**	**¥ 7,532**	**¥**
Short-term debt	**12,999**	**12,999**	
Long-term debt	**106,358**	**107,922**	**1,564**
Total	**¥ 126,889**	**¥ 128,453**	**¥ 1,564**

	Millions of Yen		
March 31, 2011	*Carrying Amount*	*Fair Value*	*Unrealized Gain/Loss*
Cash and cash equivalents	¥ 17,362	¥ 17,362	¥
Time deposits other than cash equivalents	219	219	
Trade receivables	14,851	14,851	
Marketable and investment securities	8,119	8,119	
Total	¥ 40,551	¥ 40,551	¥
Trade payables	¥ 7,633	¥ 7,633	¥
Short-term debt	966	966	
Long-term debt	107,539	108,934	1,395
Total	¥ 116,138	¥ 117,533	¥ 1,395

	Thousands of U.S. Dollars		
March 31, 2012	*Carrying Amount*	*Fair Value*	*Unrealized Gain/Loss*
Cash and cash equivalents	**$ 631,886**	**$ 631,886**	**$**
Time deposits other than cash equivalents	**4,005**	**4,005**	
Trade receivables	**184,620**	**184,620**	
Marketable and investment securities	**95,909**	**95,909**	
Total	**$ 916,420**	**$ 916,420**	**$**
Trade payables	**$ 91,644**	**$ 91,644**	**$**
Short-term debt	**158,154**	**158,154**	
Long-term debt	**1,294,052**	**1,313,082**	**19,030**
Total	**$ 1,543,850**	**$ 1,562,880**	**$ 19,030**

Cash and Cash Equivalents
The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Time Deposits Other than Cash Equivalents
The carrying values of time deposits other than cash equivalents approximate fair value because of their short maturities.

Marketable and Investment Securities
The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Information on the fair value of the marketable and investment securities by classification is included in Note 3.

Trade Receivables and Payables
The carrying values of trade receivables and payables approximate fair value because of their short maturities.

Short-term Debt and Long-term Debt
The carrying values of short-term loans approximate fair values because of their short maturities. The fair values of long-term loans are determined by discounting the cash flows related to the loan at the Group's assumed corporate borrowing rate. The fair values of bonds are measured at the quoted market price of the stock exchange for the equity instruments.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investments in equity instruments that do not have a quoted market price in an active market	¥ 3,055	¥ 3,045	$ 37,183

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2012	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 51,935	¥	¥	¥
Time deposits other than cash equivalents	329			
Trade receivables	15,174			
Investment securities:				
Available-for-sale securities with contractual maturities	15	20		
Total	¥ 67,453	¥ 20	¥	¥

	Thousands of U.S. Dollars			
March 31, 2012	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 631,886	$	$	$
Time deposits other than cash equivalents	4,005			
Trade receivables	184,620			
Investment securities:				
Available-for-sale securities with contractual maturities	183	249		
Total	$ 820,694	$ 249	$	$

Please see Note 5 for annual maturities of long-term loans and long-term bonds.

14. CONTINGENT LIABILITIES

At March 31, 2012, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of loans	¥ 1,537	$ 18,706
Trade notes endorsed	27	333

15. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ (242)	$ (2,946)
Reclassification adjustments to loss	129	1,568
Amount before income tax effect	(113)	(1,378)
Income tax effective	212	2,583
Total	99	1,205
Foreign currency translation adjustments:		
Gains arising during the year	(266)	(3,238)
Share of other comprehensive income in associates:		
Gains arising during the year	(17)	(203)
Total other comprehensive income	¥ (184)	$ (2,236)

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

16. NET INCOME PER SHARE

Basic net income per share (EPS) for the years ended March 31, 2012 and 2011, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2012	Net Income	Weighted-average Shares	EPS	
Basic EPS:				
Net income	¥ 2,151			
Net income available to common shareholders	¥ 2,151	124,192	¥ 17.32	$ 0.21

	Millions of Yen	Thousands of Shares	Yen
Year Ended March 31, 2011	Net Income	Weighted-average Shares	EPS
Basic EPS:			
Net income	¥ 2,534		
Net income available to common shareholders	¥ 2,534	124,193	¥ 20.40

17. SUBSEQUENT EVENTS

For the year ended March 31, 2012

a. Appropriations of Retained Earnings

At the Board of Directors meeting held on May 8, 2012, the following appropriation of retained earnings at March 31, 2012 was approved:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥4.50 ($0.06) per share	¥ 558	$ 6,788

b. Acquisition through Purchase of Shares

At the Board of Directors meeting held on February 27, 2012, the Company decided to acquire all shares of SANYO Electric Logistics Co., Ltd, in order to make it a subsidiary. The Company entered into a share purchase agreement on February 27, 2012 and acquired all the shares on April 2, 2012.

1. (1) Details of acquired company

Name: SANYO Electric Logistics Co., Ltd.

Main business: Cargo forwarding business, overland cargo transport business, forwarding agency business and warehousing business

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Net sales	¥ 34,162	$ 415,646
Net income	507	6,164
Equity	10,686	130,013
Total assets	30,385	369,693

(2) Overview of the objectives

In 2010, the Company initiated a medium-term management plan called the “New Growth Strategy @2010” aimed at expanding earnings. Based on this plan, the Company develops businesses with the potential for future growth, such as Third Party Logistics (3PL), and introduces attractive services to expand its customer base by way of a fundamental shift away from conventional methods in its existing domestic logistics. SANYO Electric Logistics Co., Ltd., as a leading 3PL provider mainly in the consumer product field and with its information technology systems connecting to customer needs and logistics networks across Japan, will significantly contribute towards establishing the logistics platform that the Company intends. Also, SANYO Electric Logistics Co., Ltd. will contribute to the Company’s growth by expanding the services and customer base, especially in areas such as the consumer logistics which SANYO Electric Logistics Co., Ltd. provides for end users of the consumer electrics and electronics products that it handles.

(3) Date of business combination

April 2, 2012

(4) Legal form of the business combination

Acquisition of all the shares

(5) Name of the acquired company after reorganization

Mitsui-Soko Logistics Co., Ltd.

(6) Acquired voting right ratios

Voting right ratio immediately before acquisition: 0%

Additional voting right ratio secured upon acquisition date: 100%

Total voting right ratio following acquisition: 100%

(7) Main basis behind the determination of the acquiring company

The Company acquired the shares of SANYO Electric Logistics Co., Ltd. by cash.

2. Cost of acquisition and form of consideration

The provisional acquisition cost was ¥ 24,473 million ($297,771 thousand) and the consideration with the payment to be made in cash. The final acquisition cost, however, will be determined after adjusting the equity transfer price.

3. Sources and methods of the Payment Fund

Internally generated funds and borrowings

c. Issuance of bonds

With the approval at the Board of Directors meeting held on April 23, 2012, the Company issued the 12th unsecured bond on June 7, 2012. Details of the issuance are as follows:

1) Issue price: ¥100 per face value of ¥100
2) Total amount of bond issue: ¥10,000 million
3) Interest rate: 0.67% per annum
4) Redemption date: June 7, 2018
5) Redemption price: 100% of the principal amount
6) Redemption method: Bonds are redeemed at maturity or retired by purchase
7) Purpose: Acquisition of shares and repayment to short-term loan
8) Covenants: Negative pledge clause

18. SEGMENT INFORMATION

For the years ended March 31, 2012 and 2011

Under the ASBJ Statement No 17, “Accounting Standard for Segment Information Disclosures” and ASBJ Guidance No 20, “Guidance on Accounting Standard for Segment Information Disclosures, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group’s reportable segments are those for which separately financial information is available and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of Domestic Logistics, Domestic Port Terminal, Global Network, Air Cargo, Other Logistics and Real Estate. Domestic Logistics consists of the services such as warehousing, transportation and distribution processing to companies in Japan. Domestic Port Terminal consists of port-related work and operations to shipping companies. Global Network consists of logistics services provided by overseas group companies. Air Cargo consists of air cargo consolidation services and corresponding logistics services. Other Logistics consists of BPO business and logistics systems business including 3PL. Real Estate consists substantially of leases of real estate.

Effective April 1, 2011, the Group changed its reportable segments from Domestic Logistics, Domestic Port Terminal, Global Network, Other Logistics and Real Estate to Domestic Logistics, Domestic Port Terminal, Global Network, Air Cargo, Other Logistics and Real Estate as the amount of Air Cargo became material.

The segment information for the year ended March 31, 2011 is also disclosed using the new reportable segments.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.”

Segment profit (loss) is operating income before amortization of goodwill.

Intersegment sales or transfers are based on market prices.

(3) Information about Sales, Profit (Loss), Assets and Other Items is as follows:

	Millions of Yen									
	2012									
	Reportable segment									
	Domestic Logistics	*Domestic Port Terminal*	*Global Network*	*Air Cargo*	*Other Logistics*	*Real Estate*	*Others*	*Total*	*Eliminations/ Corporate*	*Consolidated*
Sales:										
Sales to external customers	¥ 45,710	¥ 14,219	¥ 11,923	¥ 11,953	¥ 11,403	¥ 11,884	¥ 253	¥107,345	¥	¥107,345
Intersegment sales or transfers	124			277	36	193	156	786	(786)	
Total	45,834	14,219	11,923	12,230	11,439	12,077	409	108,131	(786)	107,345
Segment profit	3,473	979	(149)	366	18	7,273	(980)	10,980	(4,248)	6,732
Segment assets	59,019	4,704	10,001	4,362	16,844	37,932	8,375	141,237	56,101	197,338
Other:										
Depreciation	1,869	151	261	59	1,042	2,551	783	6,716	168	6,884
Investments in associates accounted for using equity method	664		266					930		930
Increase in property, plant and equipment and intangible assets	3,166	140	229	10	741	904	1,351	6,541	391	6,932

	Millions of Yen									
	2011									
	Reportable segment									
	Domestic Logistics	*Domestic Port Terminal*	*Global Network*	*Air Cargo*	*Other Logistics*	*Real Estate*	*Others*	*Total*	*Eliminations/ Corporate*	*Consoli- dated*
Sales:										
Sales to external customers	¥ 44,233	¥ 13,229	¥ 13,066	¥ 2,688	¥ 10,921	¥ 12,286	¥ 343	¥ 96,766	¥	¥ 96,766
Intersegment sales or transfers	27			38	10	253	130	458	(458)	
Total	44,260	13,229	13,066	2,726	10,931	12,539	473	97,224	(458)	96,766
Segment profit	2,813	896	119	(31)	(296)	7,522	(932)	10,091	(3,542)	6,549
Segment assets	56,209	4,459	9,980	5,014	20,548	55,703	7,661	159,574	24,461	184,035
Other:										
Depreciation	2,058	105	287	6	936	2,683	704	6,779	129	6,908
Investments in associates accounted for using equity method	641		281					922		922
Increase in property, plant and equipment and intangible assets	2,397	75	303	5	1,996	14,784	1,537	21,097	2,973	24,070

	Thousands of U.S. Dollars									
	2012									
	Reportable segment									
	Domestic Logistics	*Domestic Port Terminal*	*Global Network*	*Air Cargo*	*Other Logistics*	*Real Estate*	*Others*	*Total*	*Eliminations/ Corporate*	*Consoli- dated*
Sales:										
Sales to external customers	**$ 556,146**	**$ 172,999**	**$ 145,071**	**$ 145,433**	**$ 138,740**	**$ 144,595**	**$ 3,073**	**$ 1,306,057**	**$**	**$ 1,306,057**
Intersegment sales or transfers	**1,513**			**3,370**	**438**	**2,347**	**1,901**	**9,569**	**(9,569)**	
Total	**557,659**	**172,999**	**145,071**	**148,803**	**139,178**	**146,942**	**4,974**	**1,315,626**	**(9,569)**	**1,306,057**
Segment profit	**42,251**	**11,912**	**(1,813)**	**4,454**	**219**	**88,493**	**(11,918)**	**133,598**	**(51,691)**	**81,907**
Segment assets	**718,085**	**57,238**	**121,676**	**53,077**	**204,941**	**461,518**	**101,892**	**1,718,427**	**682,574**	**2,401,001**
Other:										
Depreciation	**22,741**	**1,842**	**3,169**	**714**	**12,683**	**31,040**	**9,529**	**81,718**	**2,038**	**83,756**
Investments in associates accounted for using equity method	**8,081**		**3,229**					**11,310**		**11,310**
Increase in property, plant and equipment and intangible assets	**38,525**	**1,708**	**2,783**	**122**	**9,015**	**10,995**	**16,436**	**79,584**	**4,754**	**84,338**

Notes: 1. "Others" consists of services such as financial and accounting, building management and information systems operated by subsidiaries.
2. "Eliminations/Corporate" consists of the following:
1) Segment profit of ¥4,248 million ($51,691 thousand) in 2012 and ¥3,542 million in 2011, which are included in "Eliminations/Corporate," consist of expenses of ¥3,952 million ($48,093 thousand) and ¥3,517 million incurred by the administrative section of the Company and amortization of goodwill of ¥295 million ($3,598 thousand) and ¥25 million.
2) Total assets of ¥56,101 million ($682,574 thousand) in 2012 and ¥24,461 million in 2011, which are included in "Eliminations/Corporate," consist of assets of ¥53,464 million ($650,493 thousand) and ¥21,528 million of the administrative section of the Company and goodwill of ¥2,637 million ($32,081 thousand) and ¥2,932 million.
3) The increase in tangible and intangible fixed assets of ¥391 million ($4,754 thousand) in 2012, which is included in Eliminations/Corporate," consists of ¥391 million ($4,754 thousand) of the administrative section of the Company. The increase in tangible and intangible fixed assets of ¥2,973 in 2011, which is included in "Eliminations/Corporate," consists of increases of ¥16 million of the administrative section of the Company and ¥2,957 million of goodwill.
3. Segment profit is adjusted to operating income in the consolidated statement of income.

(4) Information about Geographical Areas

Sales

Millions of Yen			*Millions of Yen*			*Thousands of U.S. Dollars*		
2012			2011			**2012**		
Japan	*Others*	*Total*	*Japan*	*Others*	*Total*	*Japan*	*Others*	*Total*
¥ 94,471	**¥ 12,874**	**¥ 107,345**	¥ 84,328	¥ 12,438	¥ 96,766	**$ 1,149,425**	**$ 156,632**	**$ 1,306,057**

Notes: 1. Sales are classified in countries or regions based on the location of customers.
2. Sales classified in each country or region that are not enough to disclose separately are included in "Others."
3. "Others" consists primarily of the United States of America, Hong Kong, China, Singapore, Taiwan and Europe.

(5) Information about Goodwill by Segments

	Domestic Logistics	Domestic Port Terminal	Global Network	Air Cargo	Other Logistics	Real Estate	Total
Millions of Yen							
2012							
Amortization of goodwill	**¥**	**¥**	**¥**	**¥ 295**	**¥**	**¥**	**¥ 295**
Goodwill at March 31, 2012				**2,637**			**2,637**

	Domestic Logistics	Domestic Port Terminal	Global Network	Air Cargo	Other Logistics	Real Estate	Total
Millions of Yen							
2011							
Amortization of goodwill	¥	¥	¥	¥ 25	¥	¥	¥ 25
Goodwill at March 31, 2011				2,932			2,932

	Domestic Logistics	Domestic Port Terminal	Global Network	Air Cargo	Other Logistics	Real Estate	Total
Thousands of U.S. Dollars							
2012							
Amortization of goodwill	**$**	**$**	**$**	**$ 3,598**	**$**	**$**	**$ 3,598**
Goodwill at March 31, 2012				**32,081**			**32,081**

(6) Information about Negative Goodwill by Segment

¥398 million of amortization of negative goodwill for the year ended March 31, 2011 is recognized within the “Domestic Logistics” segment. Additional acquisition of subsidiary shares affected this.

¥75 million of amortization of negative goodwill for the year ended March 31, 2011 is recognized within the “Air Cargo” segment. A newly consolidated subsidiary affected this.

Corporate Information / Investor Information

As of March 31, 2012

Company Name	MITSUI-SOKO Co., Ltd.
Date of Establishment	October 11, 1909
Head Office	20-1, Nishi-shimbashi 3-chome, Minato-ku, Tokyo, 105-0003 Japan Phone: +81 (0)3-6400-8000 Fax: +81 (0)3-6880-9900
Paid-in Capital	¥11,100,714,274
Number of Employees	3,392 (consolidated base) 787(non-consolidated base)
URL	http://www.mitsui-soko.co.jp/en/
Common Stock	Authorized-400,000,000 shares Issued-124,415,013 shares
Stock Exchange Listings	Tokyo, Osaka (#9302)
Trading Unit	1,000 shares
Shresholder Register Agent	The Chuo Mitsui Trust and Banking Co., Ltd. Stock Transfer Office (The company's Stock Transfer Agency Department) 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063 Note: Shareholder Register Agent has become as follows from April 1, 2012 due to the merger of the Chuo Mitsui Trust and Banking Company, Limited and the Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited (The address of the Stock Transfer Office remains the same)

Major Shareholders	Thousands of Shares	Percentage of Shares Held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	12,236	9.8
Mitsui Life Insurance Company, Ltd.	9,546	7.7
Mitsui Sumitomo Insurance Company, Ltd.	7,697	6.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,597	5.3
Credit Suisse Securities (Europe) Limited Pb Sec Int Non-Tr Client	3,748	3.0
Sumitomo Mitsui Banking Corporation	3,484	2.8
MITSUI-SOKO Employees' Shareholding Society	2,826	2.3
Northern Trust Co Avfc Re Northern Trust Guernsey Irish Clients	2,792	2.2
Juniper	2,616	2.1
Takenaka Corporation	2,484	2.0

Note: Shares of less than 1,000 are rounded down.

Directors, Corporate Auditors, Corporate Officers and Executive Officers

As of June 28, 2012

Directors

Chairman	Kazuo Tamura
President *	Kei Fujioka
Executive Vice President	Jiro Kaeriyama
Managing Director *	Makoto Ikari
Managing Director *	Yukihiro Nakaya
Managing Director	Soji Takekuma
Managing Director	Makoto Tawaraguchi
Director	Eiji Michise
Director	Motome Ikeda
Director	Koji Yagawa
Outside Director	Yasuhiko Fukatsu
Outside Director	Kazunari Uchida

Representative *

Corporate Auditors

Senior Corporate Auditor(full-time)	Shinichiro Sasao
Outside Corporate Auditor(full-time)	Keiichi Okubo
Outside Corporate Auditor(part-time)	Tetsuo Takeyama
Outside Corporate Auditor(part-time)	Osamu Sudoh

Corporate Officers and Executive Officers

Chief Executive Officer	Kei Fujioka
Chief Financial Officer, Responsible for Corporate Management Headquarters	Makoto Ikari
Chief Compliance Officer, Responsible for Corporate Administrative Headquarters	Yukihiro Nakaya
Senior Executive Officer, China & Asia Business Headquarters	Soji Takekuma
Senior Executive Officer, Port Business Headquarters	Makoto Tawaraguchi
Senior Executive Officer, Kansai Branch	Eiji Michise
Senior Executive Officer, BPO Business Headquarters	Motome Ikeda
Senior Executive Officer, Kanto Branch	Koji Yagawa
Senior Executive Officer, Chubu Branch	Shunichi Igarashi
Executive Officer, Europe & America Business Headquarters	Kenji Takatoh
Executive Officer, Kyushu Branch	Akira Ogasawara
Executive Officer, International Transportation Headquarters	Daisuke Goto
Executive Officer, Logistics Systems Business Headquarters	Ryoji Ogawa
Executive Officer, Logistics Business Headquarters	Yoshiaki Miyajima
Executive Officer, Americas Region	Ryuji Ikeda

MITSUI-SOKO CO., LTD.

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