We Move Goods With Total Dedication

MITSUI-SOKO HOLDINGS Annual Report 2017

Year ended March 31, 2017

Profile

"A New Beginning"

Since its founding in 1909, the Mitsui-Soko Group has widely developed its port transportation business as well as its logistics business, including its international multimodal transportation business, both inside and outside Japan. The Group has placed particular focus on its warehousing operations, which includes the customers' cargo storage, distribution processing and transportation. Based on the corporate DNA, we have cultivated through warehousing business, which focuses on the rest assured handling of the many products and information assets supporting peoples' daily lives, we are constantly looking to evolve in response to the changing times and the more diverse needs of our customers. In recent years, we have acquired companies with varying services and solutions, which have enabled us to offer a comprehensive lineup of logistics services. Now, we have decided to revamp our management structure so that we can mark a new beginning with the aim of evolving into a truly global logistics company.

"Value beyond Logistics"

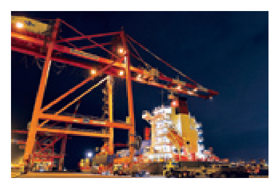
Our Group vision of "Value beyond Logistics" embodies our commitment to help create a brighter future through logistics. Logistics is an indispensable form of social infrastructure that represents a foundation for industry and life connecting the economic activities of production, distribution and consumption. With changes continuing to take place in the business environment exemplified by globalization and advancements in IT, making the role of logistics more advanced and diversified is the right choice. As a unified "One Mitsui-Soko," we aim to be an integrated logistics provider that always places its customers first, shares the "values" of its customers, addresses customer issues, and works to create a better tomorrow for society.

Overview of Segments and Main Businesses of the Group

We will realize our growth strategy using the centrifugal force that maximizes the "strengths" of each of our operating companies and the Group synergies achieved by combining the services and solutions of each

Warehousing, BPO and Port Transportation

Storage, transportation and outsourcing operations Container terminal operations



Land Transportation

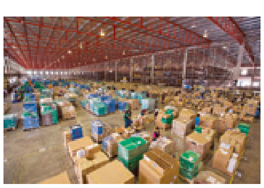
Provision of logistics network services focused on truck transportation function

Logistics Services Overseas

Provision of storage, transportation, customs, and other services by overseas group subsidiaries

Supply Chain Management Support

Development of supply chain taking production process into account



Airfreight Transportation and Multimodal Transportation

Airfreight transportation and marine multimodal transportation focused on auto parts

Third Party Logistics (3PL)

Operation and deliveries for logistics center focused on home appliance products

Note:Mitsui-Soko Business Trust Co., Ltd., which was an operating company that mainly provided business process outsourcing (BPO) services, merged with Mitsui-Soko Co., Ltd. as of April 1, 2017.

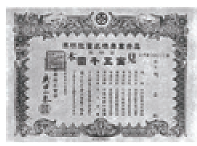
The Evolution of Mitsui-Soko Group

1909
- Founded as Toshin Soko Co., Ltd. when the warehouse division was spun off of Mitsui Bank.
- Launched the warehousing business.

1917
- Launched the port transportation business.

1942
- Renamed Mitsui-Soko Co., Ltd.

1950
- Listed on the Tokyo Stock Exchange.



1966
- Launched the cargo vehicle transportation business.

1968
- Launched the handling of marine containers and the operation of container terminals in Japan.

1972
- Established the first overseas subsidiary in Hong Kong.

1977
- Launched full-scale international transportation services.

1978
- Launched Non Vessel Operating Common Carrier (NVOCC) services.

1982
- Launched full-scale airfreight transportation 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 transportation business, including airfreight transportation 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 shares of TAS Express Co., Ltd. to be merged with Mitsui-Soko Air Cargo Inc. and started as Mitsui-Soko Express Co., Ltd.

2014
- Move to a Holding Company System.
- Global Network Segment and International Transportation Segment were merged into the new Global Flow Segment.

2015
- Acquired all shares of Prime Cargo A/S (Denmark and Hong Kong).
- Mitsui-Soko Supply Chain Solutions, Inc. Launched.
- Mitsui-Soko Transport Co., Ltd., was established and acquired a 100% equity stake in Marukyo Transportation 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

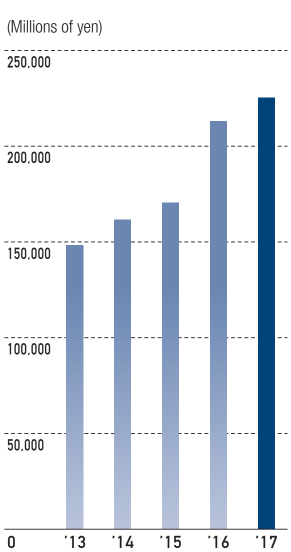
Consolidated Financial Highlights

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

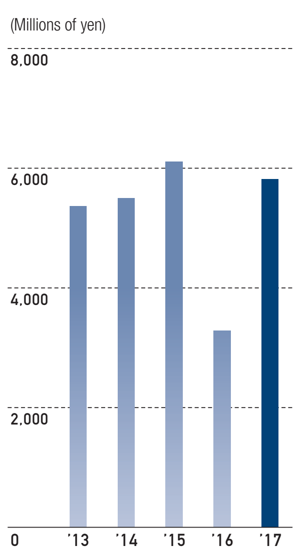
(Millions of Yen)

	2017	2016	2015	2014	2013	2012
For the year:						
Operating revenue	**225,503**	212,971	170,486	161,536	148,242	107,345
Operating profit	**5,823**	3,287	6,112	5,495	5,363	6,732
Profit (loss) attributable to owners of parent	**(23,427)**	211	1,212	4,492	3,166	2,151
Net cash flows from operating activities	**12,526**	11,101	8,047	13,639	7,142	9,682
At year-end:						
Total assets	**267,677**	285,939	245,213	220,728	232,873	197,338
Net assets	**41,820**	66,681	72,980	65,937	57,697	50,853
Per share of common stock (in yen):						
Profit (loss)	**(188.65)**	1.70	9.76	36.17	25.49	17.32
Net assets	**303.66**	496.63	549.53	504.22	440.99	403.70
Cash dividends applicable to the year	**5.00**	10.00	9.50	9.00	9.00	9.00
Ratios:						
Equity ratio (%)	**14.1**	21.6	27.8	28.4	23.5	25.4
Return (loss) on equity (%)	**(47.1)**	0.3	1.9	7.7	6.0	4.3
Interest coverage ratio (times)	**8.5**	8.8	7.2	10.4	4.9	6.7
Price/Earnings ratio (times)	**—**	176.1	41.4	11.4	22.7	20.4

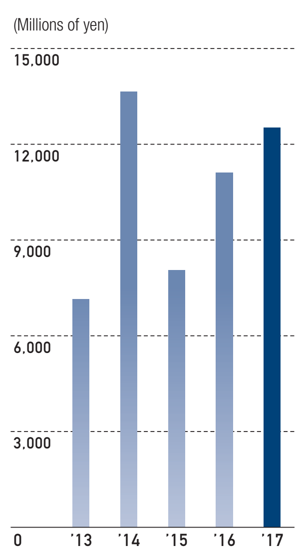
Operating revenue



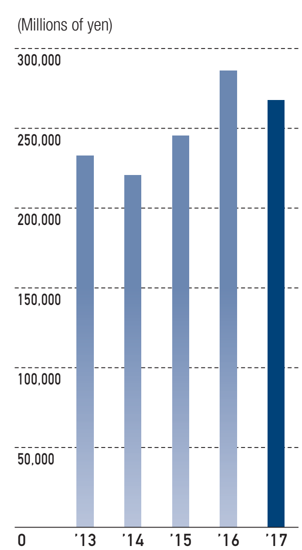
Operating profit



Net cash flows from operating activities



Total assets



Message from the President

President **Hirobumi Koga**

I wish to express my appreciation to all of our shareholders and investors for your consideration and support. Since its founding in 1909, the Mitsui-Soko Group has spent more than a century continually meeting the changing needs of customers and society. Today, we offer logistics services and solutions that meet every need from upstream to downstream and are regarded as a highly valued partner supporting our customers.
During fiscal 2017, our logistics business recorded an increase in both operating revenue and operating profit while the real estate business saw a drop in operating revenue but increase in operating profit. Unfortunately, however, we reported significant losses and were forced to cut our year-end dividend due to impairment losses. Looking forward, we will work to reinforce the earnings power of our businesses after making changes to the profit structure of our base operations and business portfolio. At the same time, we will exert our fullest efforts toward rebuilding our financial base, including early recovery of equity.

<Market Environment of Fiscal 2017>

The market environment has become even more uncertain following Brexit and the new administration in the United States.

During fiscal 2017, the Japanese economy continued to recover centered on the corporate sector, as corporate earnings continued to improve and the indices of industrial production shifted turned positive from negative. Nevertheless, vulnerabilities still can be seen as a result of weakness in personal consumption caused by stagnant disposable income. In addition, the external environment has become even more uncertain following Brexit and the election of a new administration in the United States.
Conditions in the logistics industry remained harsh. The monthly storage volume continues to decline over the previous year and the turnover ratio, an indicator for the movement of cargo, did not show a sustained recovery, despite slightly positive indications of an uptick year over year.

<Fiscal 2017 Consolidated Business Results>

The earnings of our base operations were robust, but impairment losses resulted in a major damage to equity.

Amidst this, the Mitsui-Soko Group in fiscal 2017 posted increases in both revenue and profits in the logistics business and a drop in revenue but increase in profits in the real estate business. The logistics business was affected by the business failure of Hanjin Shipping Co., Ltd., one of our customers in the port transportation business, at the end of August

2016 and subsequent declaration of bankruptcy made by the courts in February 2017, but other existing businesses recorded robust sales and we received a contribution to earnings from the companies of the Marukyo Transportation Group following its inclusion in the scope of consolidation starting from the end of the third quarter of the previous fiscal year.

As a result, consolidated operating revenue increased ¥12,532 million year-over-year to ¥225,503 million, operating profit rose ¥2,535 million to ¥5,823 million, and ordinary profit increased ¥2,756 million to ¥3,668 million. However, we recorded a loss attributable to owners of parent of ¥23,427 million (compared to profit of ¥211 million in the previous fiscal year). This loss was attributable to impairment losses of ¥25,478 million on goodwill and property, plant and equipment (land and buildings, etc.) as extraordinary losses following prudent changes made to the business plan of a subsidiary that we acquired through M&A.

<Segment Overview>

● Logistics

During the fiscal year under review, in the port transportation business, container terminal throughput decreased due to the effects of Hanjin Shipping Co., Ltd. applying for bankruptcy protection and a downturn in cargo on routes connecting Japan and China. Automobile related cargo transportation recorded strong sales, despite a drop off following a 15-month fiscal period caused by unifying the settlement date of 29 consolidated subsidiaries overseas in the previous fiscal year. The inclusion of the Marukyo Transportation Group of companies in the scope of consolidation from the end of the third quarter of the previous fiscal year also contributed to bottom line. As a result, operating revenue for the entire logistics business increased ¥12,884 million year-over-year to ¥216,757 million and operating profit also increased ¥2,359 million to ¥4,490 million.

● Real Estate

Operating revenue fell ¥207 million year-over-year to ¥9,407 million due to the sale of certain properties in the previous fiscal year, but operating profit increased ¥89 million year-over-year to ¥5,005 million because of higher occupancy rates at existing properties and other factors.

<Financial Position>

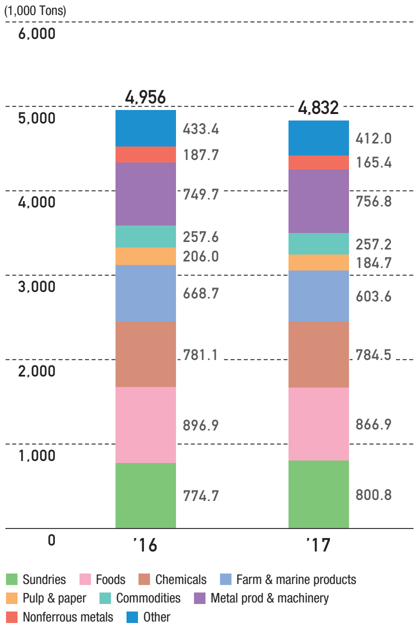
● Assets and Net Assets

Total assets at the end of the fiscal year amounted to ¥267,677 million, representing a ¥18,261 million year-over-year decrease. This decrease was mainly owing to an impairment loss on goodwill after prudently revising the business plan of a subsidiary acquired through M&A and to an impairment loss on certain property, plant and equipment with a low investment efficiency.

Net assets at the end of the fiscal year amounted to ¥41,820 million, representing a ¥24,860 million year-over-year decrease due to the recording of a loss attributable to owners of parent caused by impairment losses.

Storage Volume (Yearly Average Storage Balance, Tons)

21 main companies in Japan



Mitsui-Soko & Mitsui-Soko Kyushu

Cash Flows

Cash flow from operating activities amounted to ¥12,526 million of inflow. This represented an increase of ¥1,425 million, compared to the previous fiscal year. This was due to an increase in impairment losses not accompanied by cash expenditures, depreciation and amortization, amortization of goodwill, and income adjusted for the gain on bargain purchase compared to the previous fiscal year, while the increase in ordinary profit offset the loss before income taxes. Cash flow from investing activities amounted to ¥12,872 million of outflow due to the acquisition of shares in several logistics companies, the acquisition of warehouse facilities by the logistics business and repairs to rental buildings by the real estate business. This represented a ¥23,146 million decrease in net outflow compared to the previous fiscal year. Cash flow from financing activities amounted to ¥6,042 million of inflow due to raising funds in the fiscal year under view ahead of schedule to prepare for the redemption of ¥7,000 million in corporate bonds scheduled at the beginning of the next fiscal year. The overall inflow represented a ¥22,784 million decrease compared to the previous fiscal year when funds were raised for the acquisition of stock.

<Future Outlook>

We will strive to carry out the reinforcement of the fundamental earnings power of our businesses and the rebuilding our financial base.

Going forward, the Group will leverage its strength of being an integrated logistics provider that can deliver a diverse array of logistics services to focus on boosting earnings. In particular, we will make steady progress implementing measures that promote the "reinforcement of the fundamental earnings power of our businesses" and the "rebuilding of our financial base," with early recovery of equity a top priority.

In terms of the "reinforcement of the fundamental earnings power of our businesses," we will continue to make changes to the profit structure of base operations and business portfolio as part of a project to enhance competitiveness, while also working to further broaden and speed up this process. We plan to capitalize on our existing assets to their fullest.

As for the "rebuilding of our financial base," we will curtail investment and rethink non-efficient assets while focusing on lifting operating revenue, and then work for early recovery of equity and reduce interest-bearing debt.

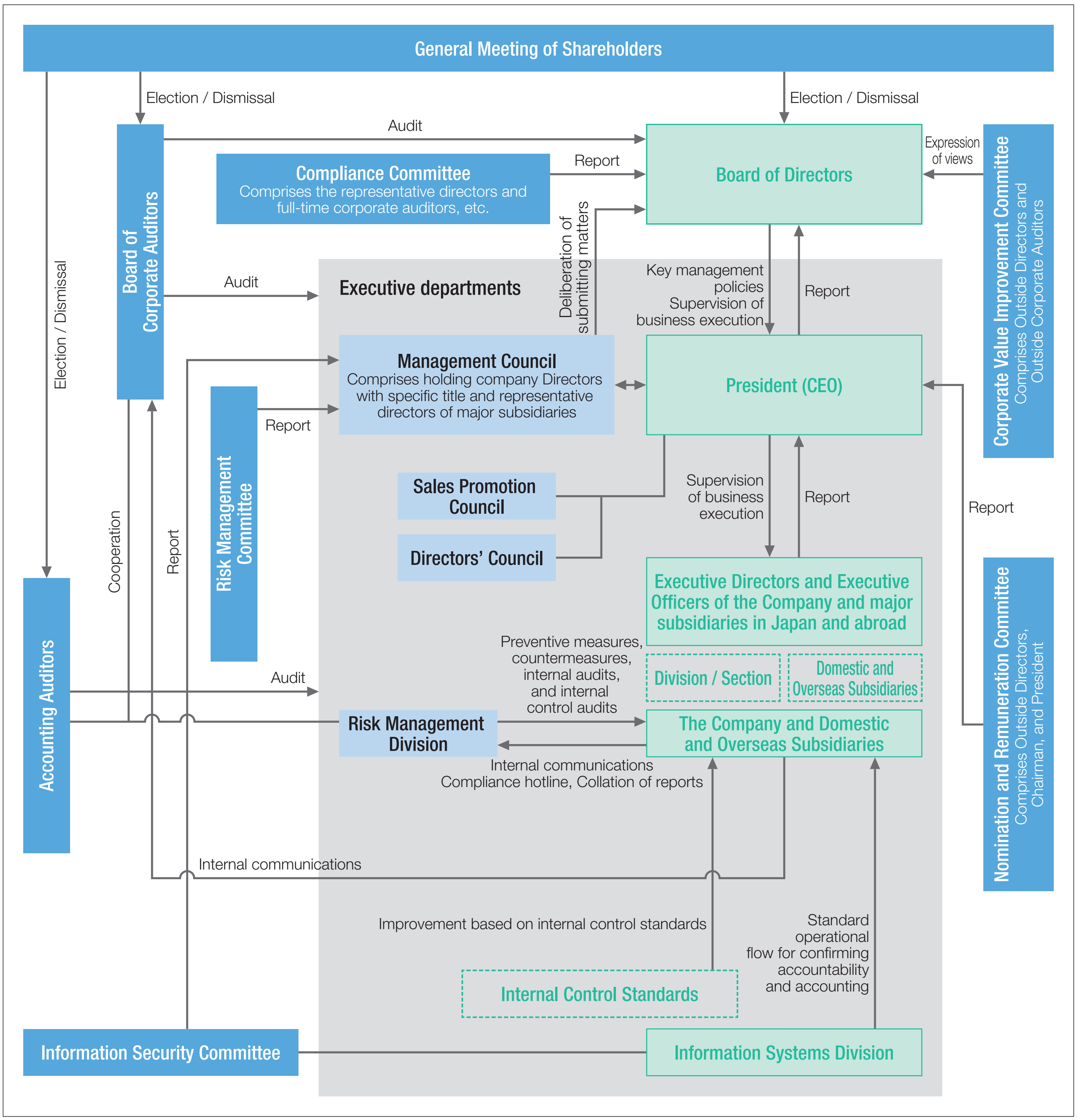
By steadily implementing these measures, our earnings forecast for the next fiscal year includes operating revenue of ¥225,000 million (down 0.2% year-over-year), operating profit of ¥6,500 million (up 11.6% year-over-year), and profit attributable to owners of parent of ¥3,100 million (compared to a loss of ¥23,427 million for fiscal 2017).

The Group will implement these measures collectively across the entire Group in order to achieve sustainable growth as an integrated logistics provider. We would like to extend our thanks to our shareholders and investors for understanding of our management policies, and ask for your continued support.

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 Responsibilities

The Board of Directors meeting: The meeting, chaired by the Chairman, is held 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: The Board 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.

Management Council meeting: The meeting, presided by the President, is held semimonthly to discuss and resolve related matters with aims of maximizing our corporate value.

Sales Promotion Council: This council consists of the president, directors designated by the president, and presidents (or those of equivalent rank) of the six operating companies designated by the president. The Council meets regularly once a month, and the members share information that helps to expand and promote sales and information on earnings.

Director's Council: The Council consists of directors, corporate auditors and presidents (or those of equivalent rank) of the six operating companies designated by the president. The Council meets four times a year and the members exchange information intended to ensure familiarity with important items covering the Group's management overall and to promote mutual understanding of the Group's conditions.

Nomination and Remuneration Committee: The Committee is made up of two outside directors, the president and the chairman, with one of the outside directors serving as committee chair. The Committee raises the objectivity and transparency of the process for selecting directors and enhances the objectivity and transparency of the director remuneration decision process, such as considering the validity and appropriateness of performance-linked compensation.

Risk Management Committee: The executive director in charge of risk management serves as committee chair. The Committee meets once every quarter with the objective of reducing the Group's risks. The Committee appropriately confirms risks in business activities, decides on measures to respond to relevant risks, manages the progress and results of these response policies, and prepares and updates manuals to prevent and prepare for risks.

Compliance Committee: The president serves as committee chair. The Committee meets once every quarter to discuss compliance violations affecting the Group's management and ways of responding, to establish corporate codes of conduct to serve as directors' and employees' behavior guidelines, to develop a compliance system, and to promote respect for compliance and prevent compliance violations.

Information Security Committee: The executive director in charge of information systems serves as chair. The Committee meets once every quarter and sets up a system related to the Group's information security management, promotes and reviews activities, and protects personal information and corporate information.

Corporate Value Improvement Committee: This Committee consists of outside directors, outside corporate auditors and external experts. This is an independent organization that makes objective decisions to protect shareholders' joint interests in the event that a proposal to buy a large percentage of shares is made that could potentially damage the Company's and the Group's corporate value or shareholders' joint interest, and excludes the arbitrary judgments of the board of directors and also gives necessary advice to the board of directors.

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 laws 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 Board of Corporate Auditors and Accounting Auditors with the results of these activities appropriately.

List of Directors and Corporate Auditors of the Group

MITSUI-SOKO HOLDINGS CO., LTD.

As of July 1, 2017

Directors

Chairman	Makoto Tawaraguchi
President *	Hirobumi Koga
Senior Executive Managing Director *	Osamu Odanaka
Senior Executive Managing Director *	Nobuo Nakayama
Director	Ryoji Ogawa
Director	Takayoshi Masuda
Director	Noboru Matsukawa
Director	Takeshi Gohara
Director	Yoshiaki Miyajima
Director	Hiroshi Kino
Outside Director (part-time)	Kazunari Uchida
Outside Director (part-time)	Mamoru Furuhashi

Representative *

Corporate Auditors

Senior Corporate Auditor (full-time)	Shinichiro Sasao
Corporate Auditor (full-time)	Norio Miyashita
Outside Corporate Auditor (full-time)	Maoko Kikuchi
Outside Corporate Auditor (part-time)	Osamu Sudoh
Outside Corporate Auditor (part-time)	Motohide Ozawa

Operating Companies

As of July 1, 2017

Mitsui-Soko Co.,Ltd	
Chairman	Makoto Tawaraguchi
President *	Hiroshi Kino
Executive Managing Director	Hideki Wakano
Director	Eisuke Tanaka
Director	Hiroyuki Tsubota
Director (part-time)	Osamu Odanaka
Mitsui-Soko International Pte Ltd	
Managing Director	Yoshiaki Miyajima
Director	Hiroshi Torii
Director	Masaji Hosoda
Director	CHIA LAY BENG
Director (part-time)	Ryoji Ogawa
Mitsui-Soko Express Co., Ltd.	
Chairman *	Hirobumi Koga
President *	Takanobu Kubo
Executive Managing Director	Nobushige Hiro
Executive Managing Director	Keiji Wada
Director	Isao Aramaki
Mitsui-Soko Logistics Co., Ltd.	
President *	Yukio Ishida
Executive Director	Hiroshi Etani
Director (part-time)	Nobuo Nakayama
Director (part-time)	Takeshi Gohara
Mitsui-Soko Supply Chain Solutions, Inc.	
President *	Seiichi Kawasaki
Director	Takayuki Sekitori
Director (part-time)	Osamu Odanaka
Director (part-time)	Takeshi Gohara
Director (part-time)	Keiichi Hashimoto
Mitsui-Soko Transport Co., Ltd.	
Chairman *	Atsushi Watanabe
President *	Koji Yagawa
Senior Vice President (part-time)	Ryoji Ogawa
Executive Managing Director	Hideto Shigeno
Director (part-time)	Takayoshi Masuda
Director (part-time)	Satoshi Watanabe

Representative *

Consolidated Financial Statements

Preparation this annual report and placement of the audit

The financial section of this annual report contains excerpts of the financial information, including consolidated financial statements, appearing in the annual securities report for the 169th fiscal period audited by KPMG AZSA LLC, with certain changes made to accommodate the page layout. Consideration has been made to provide this information so that it does not vary from the information appearing in the annual securities report. However, this annual report is not subject to auditing by KPMG AZSA LLC.

Consolidated balance sheet

As of March 31, 2016 and 2017

(Millions of yen)

	2016	2017
Assets		
Current assets		
Cash and deposits	26,402	**31,822**
Notes and operation accounts receivable trade	32,324	**32,407**
Deferred tax assets	1,336	**1,321**
Other	9,976	**8,703**
Allowance for doubtful accounts	(92)	**(393)**
Total current assets	69,946	**73,861**
Non-current assets		
Property, plant and equipment		
Buildings and structures	185,621	**191,202**
Accumulated depreciation	(109,246) *6	**(117,170) *6**
Buildings and structures, net	76,375 *2	**74,032 *2**
Machinery, equipment and vehicles	24,025	**24,714**
Accumulated depreciation	(18,714) *6	**(19,759) *6**
Machinery, equipment and vehicles, net	5,311	**4,955**
Land	56,803 *2	**56,397 *2**
Construction in progress	3,466	**7,182**
Other	12,301	**12,487**
Accumulated depreciation	(9,865) *6	**(10,143) *6**
Other, net	2,436	**2,343**
Total property, plant and equipment	144,393	**144,911**
Intangible assets		
Goodwill	34,965	**10,529**
Other	7,712	**6,620**
Total intangible assets	42,677	**17,149**
Investments and other assets		
Investment securities	13,275 *1	**15,397 *1**
Long-term loans receivable	474	**513**
Deferred tax assets	1,931	**2,198**
Net defined benefit asset	3,665	**4,267**
Other	9,806 *1	**9,599 *1**
Allowance for doubtful accounts	(232)	**(223)**
Total investments and other assets	28,920	**31,754**
Total non-current assets	215,992	**193,815**
Total assets	285,939	**267,677**

(Millions of yen)

	2016		2017	
Liabilities				
Current liabilities				
Notes and operating accounts payable – trade	17,850		**17,034**	
Short-term loans payable	7,395	*2	**6,058**	*2
Current portion of long-term loans payable	16,051	*2	**14,972**	*2
Current portion of bonds	10,000		**7,000**	
Income taxes payable	1,890		**1,737**	
Provision for bonuses	2,875		**2,835**	
Other	16,064		**16,243**	
Total current liabilities	72,128		**65,882**	
Non-current liabilities				
Bonds payable	47,000		**40,000**	
Long-term loans payable	80,334	*2	**100,847**	*2
Deferred tax liabilities	6,574		**7,017**	
Net defined benefit liability	6,695		**6,122**	
Other	6,523		**5,987**	
Total non-current liabilities	147,129		**159,974**	
Total liabilities	219,257		**225,856**	

	2016	2017
Net assets		
Shareholders' equity		
Capital stock	11,100	**11,100**
Capital surplus	5,563	**5,563**
Retained earnings	38,889	**14,219**
Treasury shares	(101)	**(101)**
Total shareholders' equity	55,451	**30,781**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,829	**6,151**
Deferred gains or losses on hedges	0	**0**
Foreign currency translation adjustment	1,108	**178**
Remeasurements of defined benefit plans	284	**597**
Total accumulated other comprehensive income	6,223	**6,928**
Non-controlling interests	5,006	**4,110**
Total net assets	66,681	**41,820**
Total liabilities and net assets	285,939	**267,677**

Consolidated statement of income

Fiscal years ended March 31, 2016 and 2017

(Millions of yen)

	2016	2017
Operating revenue		
Warehousing fee income	25,408	**26,614**
Stevedoring income	23,094	**24,831**
Port terminal fee income	20,349	**18,533**
Transportation income	91,397	**103,588**
Real estate income	8,970	**8,746**
Other	43,751	**43,189**
Total operating revenue	212,971	**225,503**
Operating cost		
Direct operation expenses	103,157	**107,742**
Rent expenses	16,211	**16,392**
Depreciation	7,048	**7,733**
Taxes and dues	1,894	**2,289**
Salaries and allowances	27,541	**30,956**
Provision for bonuses	1,360	**1,562**
Retirement benefit expenses	575	**447**
Other	30,027	**31,569**
Total operating cost	187,816	**198,694**
Operating gross profit	25,155	**26,809**
Selling, general and administrative expenses		
Compensations, salaries and allowances	5,898	**6,151**
Provision for bonuses	1,623	**1,559**
Retirement benefit expenses	261	**263**
Depreciation	1,197	**1,045**
Amortization of goodwill	2,969	**2,753**
Taxes and dues	441	**499**
Other	9,474	**8,713**
Total selling, general and administrative expenses	21,867	**20,986**
Operating profit	3,287	**5,823**
Non-operating income		
Interest income	218	**161**
Dividend income	545	**339**
Share of profit of entities accounted for using equity method	65	**89**
Compensation income	92	**207**
Other	506	**723**
Total non-operating income	1,428	**1,520**
Non-operating expenses		
Interest expenses	1,363	**1,444**
Commission fee	500 *1	**361** *1
Foreign exchange losses	691	**865**
Taxes and dues	548	**56**
Other	699	**946**
Total non-operating expenses	3,803	**3,675**
Ordinary profit	912	**3,668**

(Millions of yen)

	2016		2017	
Extraordinary income				
Gain on abolishment of retirement benefit plan	–		**218**	
Gain on sales of investment securities	951		**0**	
Gain on sales of non-current assets	1,177	*2	**–**	
Gain on bargain purchase	1,704		**–**	
Total extraordinary income	3,832		**218**	
Extraordinary losses				
Impairment loss	1,424	*3	**25,478**	*3
Expenses incurred upon acquisition	291	*4	**–**	
Other	214		**107**	
Total extraordinary losses	1,930		**25,585**	
Profit (loss) before income taxes	2,814		**(21,697)**	
Income taxes - current	2,758		**2,718**	
Income taxes - deferred	(108)		**(418)**	
Total income taxes	2,650		**2,299**	
Profit (loss)	164		**(23,997)**	
Loss attributable to non-controlling interests	(47)		**(569)**	
Profit (loss) attributable to owners of parent	211		**(23,427)**	

Consolidated statement of comprehensive income

Fiscal years ended March 31, 2016 and 2017

(Millions of yen)

	2016		2017	
Profit (loss)	164		**(23,997)**	
Other comprehensive income				
Valuation difference on available-for-sale securities	(1,522)		**1,321**	
Deferred gains or losses on hedges	0		**0**	
Foreign currency translation adjustment	(3,079)		**(711)**	
Remeasurements of defined benefit plans, net of tax	(1,065)		**399**	
Share of other comprehensive income of entities accounted for using equity method	(482)		**(240)**	
Total other comprehensive income	(6,148)	*	**769**	*
Comprehensive income	(5,984)		**(23,227)**	
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	(5,329)		**(22,722)**	
Comprehensive income attributable to non-controlling interests	(655)		**(505)**	

Consolidated statement of changes in net assets

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,100	5,563	39,919	(101)	56,482
Changes of items during period					
Dividends of surplus			(1,241)		(1,241)
Profit (loss) attributable to owners of parent			211		211
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	(1,029)	(0)	(1,030)
Balance at end of current period	11,100	5,563	38,889	(101)	55,451

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period	6,351	(0)	4,173	1,237	11,762	4,735	72,980
Changes of items during period							
Dividends of surplus							(1,241)
Profit (loss) attributable to owners of parent							211
Purchase of treasury shares							(0)
Net changes of items other than shareholders' equity	(1,522)	0	(3,065)	(952)	(5,539)	270	(5,269)
Total changes of items during period	(1,522)	0	(3,065)	(952)	(5,539)	270	(6,299)
Balance at end of current period	4,829	0	1,108	284	6,223	5,006	66,681

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	**11,100**	**5,563**	**38,889**	**(101)**	**55,451**
Changes of items during period					
Dividends of surplus			**(1,241)**		**(1,241)**
Profit (loss) attributable to owners of parent			**(23,427)**		**(23,427)**
Purchase of treasury shares				**(0)**	**(0)**
Net changes of items other than shareholders' equity					
Total changes of items during period	**–**	**–**	**(24,669)**	**(0)**	**(24,670)**
Balance at end of current period	**11,100**	**5,563**	**14,219**	**(101)**	**30,781**

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period	**4,829**	**0**	**1,108**	**284**	**6,223**	**5,006**	**66,681**
Changes of items during period							
Dividends of surplus							**(1,241)**
Profit (loss) attributable to owners of parent							**(23,427)**
Purchase of treasury shares							**(0)**
Net changes of items other than shareholders' equity	**1,321**	**0**	**(929)**	**312**	**704**	**(895)**	**(190)**
Total changes of items during period	**1,321**	**0**	**(929)**	**312**	**704**	**(895)**	**(24,860)**
Balance at end of current period	**6,151**	**0**	**178**	**597**	**6,928**	**4,110**	**41,820**

Consolidated statement of cash flows

Fiscal years ended March 31, 2016 and 2017

(Millions of yen)

	2016	2017
Cash flows from operating activities		
Profit (loss) before income taxes	2,814	**(21,697)**
Depreciation	8,246	**8,778**
Amortization of goodwill	2,969	**2,753**
Gain on bargain purchase	(1,704)	**–**
Impairment loss	1,424	**25,478**
Increase (decrease) in allowance for doubtful accounts	(32)	**303**
Increase (decrease) in provision for bonuses	88	**(31)**
Increase (decrease) in net defined benefit liability	562	**(577)**
Interest and dividend income	(763)	**(500)**
Interest expenses	1,363	**1,444**
Share of (profit) loss of entities accounted for using equity method	(65)	**(89)**
Loss (gain) on sales of property, plant and equipment	(1,236)	**(59)**
Loss on retirement of property, plant and equipment	119	**96**
Loss (gain) on sales of investment securities	(951)	**(0)**
Loss (gain) on valuation of investment securities	87	**–**
Decrease (increase) in notes and operation accounts receivable trade	3,748	**(497)**
Increase (decrease) in notes and operating accounts payable – trade	(2,703)	**(590)**
Other, net	265	**1,661**
Subtotal	14,234	**16,471**
Interest and dividend income received	830	**568**
Interest expenses paid	(1,267)	**(1,468)**
Income taxes paid	(2,695)	**(3,045)**
Net cash provided by (used in) operating activities	11,101	**12,526**
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,640)	**(12,611)**
Proceeds from sales of property, plant and equipment	5,559	**84**
Purchase of intangible assets	(795)	**(367)**
Proceeds from sales of intangible assets	11	**3**
Purchase of investment securities	(14)	**(355)**
Proceeds from sales of investment securities	2,400	**11**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(21,944) *2	**–**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	79	**–**
Payments of loans receivable	(71)	**(58)**
Collection of loans receivable	166	**24**
Payments into time deposits	(954)	**(1,210)**
Proceeds from withdrawal of time deposits	763	**1,606**
Payments for transfer of business	(7,577) *3	**–**
Net cash provided by (used in) investing activities	(36,019)	**(12,872)**
Cash flows from financing activities		
Increase in short-term loans payable	159,606	**37,977**
Decrease in short-term loans payable	(158,785)	**(39,237)**
Proceeds from long-term loans payable	52,184	**39,034**
Repayments of long-term loans payable	(15,360)	**(19,540)**
Redemption of bonds	(7,000)	**(10,000)**
Purchase of treasury shares	(0)	**(0)**
Cash dividends paid	(1,241)	**(1,241)**
Other, net	(576)	**(948)**
Net cash provided by (used in) financing activities	28,826	**6,042**
Effect of exchange rate change on cash and cash equivalents	(1,625)	**194**
Net increase (decrease) in cash and cash equivalents	2,283	**5,890**
Cash and cash equivalents at beginning of period	22,717	**25,000**
Cash and cash equivalents at end of period	25,000 *1	**30,891** *1

Notes to Consolidated Financial Statements

1. Significant Matters as Basis for Preparing Consolidated Financial Statements

1. Matters regarding scope of consolidation

(1) Number of consolidated subsidiaries: 89

Names of major consolidated subsidiaries

The information is provided in "Mitsui-Soko Group Network" on page 39.

The following company was newly established and included in the scope of consolidation in the fiscal year ended March 31, 2017.

Prime Cargo USA Inc.

The following company was excluded from the scope of consolidation in the fiscal year ended March 31, 2017 because it was liquidated.

Steamline A/S

(2) Names of major unconsolidated subsidiaries

Sanko Foods, Co. Ltd. (and one other company)

Unconsolidated subsidiaries are excluded from the scope of consolidation, because they are all small in scale, and any total amount in terms of their total assets, operating revenue and profit or loss (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others does not significantly affect the consolidated financial statements.

2. Matters regarding application of equity method

(1) Number of associates accounted for using equity method: 6

Names of major associates accounted for using equity method

The information is provided in "Mitsui-Soko Group Network" on page 39.

(2) Unconsolidated subsidiaries not accounted for using the equity method (Sanko Foods, Co. Ltd. and one other company) and associates not accounted for using the equity method (American Terminal Service Co., Ltd. and two other companies) are excluded from the scope of application of equity method, because they have only an immaterial effect on the consolidated financial statements in terms of profit or loss (amount corresponding to the Company's ownership interest) and retained earnings (amount corresponding to the Company's ownership interest) if they are excluded from the scope of application of equity method, and they have no significance as a whole.

3. Matters regarding fiscal year of consolidated subsidiaries

Of consolidated subsidiaries, 42 companies have fiscal year-ends different from the consolidated balance sheet date, or accounting periods different from the consolidated accounting period. Therefore, they are consolidated based on the financial statements provisionally prepared in accordance with regular year-end closing procedures as of the consolidated balance sheet date. Other consolidated subsidiaries' fiscal year-end is the same as the consolidated balance sheet date.

4. Matters regarding accounting policies

(1) Accounting methods for evaluating significant assets

(i) Securities

Available-for-sale securities

1) Securities with market value

Stated at fair value based on the market price on the consolidated balance sheet date (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

2) Securities without market value

Stated at cost determined by the moving average method

(ii) Derivatives: Stated at fair value

(2) Accounting methods for depreciation of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

The declining balance method is applied, while the straight-line method is applied for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings), facilities attached to buildings and structures acquired on or after April 1, 2016, and consolidated foreign subsidiaries.

Major useful lives are as follows:

Buildings and structures:	3 to 50 years
Machinery, equipment and vehicles:	2 to 15 years

(ii) Intangible assets (excluding leased assets)

The straight-line method is applied, while software (for internal use) is amortized using the straight-line method over its useful life as internally determined (five years).

(iii) Leased assets

Leased assets related to finance lease transactions that transfer ownership

The same depreciation method applied to non-current assets owned by the Company is applied.

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period as the useful life without residual value.

(3) Accounting method for significant deferred assets

Bond issuance cost

Bond issuance cost is fully expensed when incurred.

(4) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To prepare for credit losses on receivables, an estimated uncollectible amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectibility for specific receivables such as highly doubtful receivables.

(ii) Provision for bonuses

To provide for payment of bonuses to employees, of the estimated amount of bonuses to be paid in the future, the amount estimated to cover the bonus payment for services rendered by employees during the fiscal year is provided.

(5) Accounting methods for retirement benefits

To prepare for payment of retirement benefits for employees, projected retirement benefit obligations and plan assets at the end of the fiscal year are recorded based on deemed either accrued or realized amount at the end of the fiscal year.

(i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year on a benefit formula basis.

(ii) Method of amortizing actuarial gains and losses and past service cost

Actuarial gains and losses are amortized using the straight-line method over the average remaining service years (8 to 15 years) of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

Past service cost is amortized using the straight-line method over the average remaining service years (12 to 13 years) of employees when incurred.

(6) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are accounted for as profit or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and their revenue and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences are included in foreign currency translation adjustment and non-controlling interests under net assets.

(7) Accounting method and period for amortization of goodwill
Goodwill is amortized in equal amounts over the period in which its effects will be realized within 20 years.

(8) Scope of cash and cash equivalents in consolidated statement of cash flows
Cash and cash equivalents in the consolidated statement of cash flows are comprised of cash in hand, demand deposits and short-term investments with maturities of three months or less from the acquisition date that are highly liquid, readily convertible into cash and are exposed to only an insignificant risk of fluctuations in value.

(9) Accounting methods for hedging
In principle, the deferral hedge accounting is applied. Exceptional accounting method is applied to interest rate swaps that meet the requirements.

(10) Methods for recognizing impairment of securities
For listed shares, impairment is recognized if the share price at the end of the fiscal year has decreased by 30% or more against the historical cost. For unlisted shares, impairment is recognized if the net asset value of the issuer has decreased by 50% or more against the historical cost and the recovery cannot be expected.

(11) Other significant matters for preparing consolidated financial statements
Accounting for consumption taxes
Accounting for consumption taxes is based on the tax exclusion method.

2. Changes in Accounting Policies

Application of the Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the tax reform, the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016)" has been applied to the companies in Japan from the fiscal year ended March 31, 2017, and the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining balance method to the straight-line method.

The effect of this change on the consolidated financial statements for the fiscal year ended March 31, 2017 was immaterial.

3. Changes in Presentation

Consolidated statement of income

"Compensation income," which was included in "Other" under "Non-operating income" in the fiscal year ended March 31, 2016, has been separately presented from the fiscal year ended March 31, 2017, since the amount exceeded 10% of the total amount of non-operating income.

As a result, ¥598 million presented in "Other" under "Non-operating income" in the consolidated statement of income for the fiscal year ended March 31, 2016, has been reclassified as "Compensation income" of ¥92 million and "Other" of ¥506 million.

4. Additional Information

Application of the Implementation Guidance on Recoverability of Deferred Tax Assets

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) has been applied from the fiscal year ended March 31, 2017.

5. Consolidated Balance Sheet

*1. "Investment securities" and "Other" under "Investments and other assets" invested in unconsolidated subsidiaries and associates are as follows:

(Millions of yen)

As of March 31	2016	**2017**
Investment securities (shares)	394	**413**
Other (investments in capital)	3,820	**3,583**
Total	4,215	**3,996**

*2. Pledged assets and secured liabilities
Assets pledged as collateral are as follows:

(Millions of yen)

As of March 31	2016	**2017**
Buildings and structures	4,607	**3,814**
Land	6,618	**6,378**
Total	11,226	**10,192**

The maximum amount of revolving mortgages on the relevant assets was ¥11,836 million for the fiscal year ended March 31, 2016, and ¥15,786 million for the fiscal year ended March 31, 2017.

Secured liabilities are as follows:

(Millions of yen)

As of March 31	2016	**2017**
Short-term loans payable	1,006	**940**
Current portion of long-term loans payable	700	**1,172**
Long-term loans payable	3,504	**2,677**
Total	5,211	**4,790**

3. Contingent liabilities (Guarantee obligations)

The Company has provided guarantees for bank loans of companies other than consolidated subsidiaries as follows:

(Millions of yen)

As of March 31, 2016		**As of March 31, 2017**	
Nagoya United Container Terminal Co., Ltd.	600	Nagoya United Container Terminal Co., Ltd.	**187**
World Cargo Distribution Center Co., Ltd.	154	World Cargo Distribution Center Co., Ltd.	**44**
Osaka Port Distribution Center Co., Ltd.	12	Osaka Port Distribution Center Co., Ltd.	**–**
Aomi Distribution Center Co., Ltd.	4	Aomi Distribution Center Co., Ltd.	**–**
Total	770	Total	**232**

The Company has provided guarantees for housing loans from banks to its employees as follows:

(Millions of yen)

As of March 31, 2016		**As of March 31, 2017**	
Guarantees for housing loans from banks to employees	115	Guarantees for housing loans from banks to employees	**84**

4. Contingent liabilities (Trade notes receivable endorsed)

(Millions of yen)

As of March 31	2016	**2017**
Trade notes receivable endorsed	39	**39**

5. The Company has entered into overdraft agreements with four banks (four banks as of March 31, 2016) and loan commitment agreements with three banks (three banks as of March 31, 2016) to finance working capital efficiently. The balances of unused loans under these agreements at the fiscal year end are as follows:

(Millions of yen)

As of March 31	2016	**2017**
Maximum amount of overdraft	7,000	**7,000**
Outstanding balance of used loans	–	**–**
Net amount	7,000	**7,000**

As of March 31	2016	**2017**
Total loan commitments	5,000	**5,000**
Outstanding balance of used loans	–	**–**
Net amount	5,000	**5,000**

*6. Accumulated depreciation

Accumulated depreciation of property, plant and equipment includes accumulated impairment loss.

6. Consolidated Statement of Income

*1. Commission fee in the fiscal years ended March 31, 2016, and March 31, 2017, is fees associated with liquidation of receivables and expenses for external consulting services.

*2. Details of gain on sales of non-current assets are as follows:

(Millions of yen)

Fiscal year ended March 31	2016	**2017**
Buildings and structures	910	–
Land	266	–
Total	1,177	–

*3. Impairment loss

Fiscal year ended March 31, 2016

1. Amount of impairment loss by account

In the fiscal year, the Group recorded impairment loss on the following assets.

Used for	Type of assets	Amount (Millions of yen)
Warehouses	Buildings and structures	22
	Machinery and equipment, and vehicles	250
	Other	99
Other	Goodwill	1,052
	Total	1,424

2. Asset grouping method

The Group classifies assets or groups of assets by cash generating unit, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For goodwill, it is classified on a company basis.

3. Overview of asset groups on which impairment loss was recognized and background of impairment loss

(i) Overview of asset groups on which impairment loss was recognized

Location	Used for	Type of assets	Amount (Millions of yen)
Osaka, Japan	Document storage warehouses	Machinery and equipment	318
Singapore	Office for its own use	Buildings, and machinery and equipment	33
Saitama, Japan	Warehouses	Buildings, and machinery and equipment	20
–	Other	Goodwill	1,052

(ii) Background to the recognition of impairment loss

For the above assets, which are held by MITSUI-SOKO BUSINESS TRUST Co., Ltd. in Osaka, Japan, by MITSUI-SOKO INTERNATIONAL PTE LTD in Singapore and by MITSUI-SOKO LOGISTICS Co., Ltd. in Saitama, Japan, the carrying amount of assets related to the asset group was reduced to the recoverable amount because a decline in profitability from operating activities was observed and cannot be expected to recover in the short term. In addition, for goodwill attributable to Prime Cargo (H.K.), Ltd., the carrying amount was reduced to the recoverable amount since the excess earnings power is no longer expected. The recoverable amount of buildings, and machinery and equipment was measured with the value in use, and their value in use was considered to be zero, while the recoverable amount of goodwill was measured by discounting future cash flows at 21.33%. The difference between the recoverable amounts and the carrying amounts was recorded as "Impairment loss" under "Extraordinary losses."

Fiscal year ended March 31, 2017

1. Amount of impairment loss by account

In the fiscal year, the Group recognized impairment loss on the following assets.

Used for	Type of assets	Amount (Millions of yen)
Warehouses	Buildings and structures	**3,034**
	Machinery and equipment, and vehicles	**242**
	Land	**468**
	Other	**816**
Other	Goodwill (*)	**20,917**
Total		**25,478**

(*) The above impairment loss on goodwill of ¥20,917 million includes ¥5,027 million of amortization of goodwill under the provision in paragraph 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Accounting Practice Committee Statement No. 7, November 28, 2014).

2. Asset grouping method

The Group classifies assets or groups of assets by cash generating unit, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For goodwill, it is classified on a company basis.

3. Overview of asset groups on which impairment loss was recognized and background of impairment loss

(1) Impairment loss on business assets

(i) Overview of asset groups on which impairment loss was recognized

Location	Used for	Type of assets	Amount (Millions of yen)
Tokyo, Japan	Warehouses	Buildings, and machinery and equipment	**1,591**
Hyogo, Japan	Warehouses	Land, buildings, and machinery and equipment	**1,769**

(ii) Background to the recognition of impairment loss

Since it has turned out that future recovery cannot be expected for the distribution bases in which the investment efficiency is low, the carrying amount of assets related to the asset group was reduced to the value in use and the amount reduced was recorded as "Impairment loss" under "Extraordinary losses."

The value in use was calculated by discounting future cash flows at 7.7%.

(2) Impairment loss of goodwill related to MITSUI-SOKO LOGISTICS Co., Ltd.

(i) Overview of asset group on which impairment loss was recognized

Location	Used for	Type of assets	Amount (Millions of yen)
–	Other	Goodwill	**13,517**

(ii) Background to the recognition of impairment loss

MITSUI-SOKO LOGISTICS Co., Ltd., whose primary business is the operation of logistics centers for stores of volume retailers of consumer electronics, and home delivery and installation services for consumer electronics, has delivered firm results in terms of both operating revenue and profit due to expansion of areas handled, commencement of new business activities in sales and logistics. However, since the results have remained lower than the figures in the business plan at the time of the business acquisition, the future business plan was carefully reviewed and the amount of goodwill was reduced to the recoverable amount. The recoverable amount was measured based on the value in use and calculated by discounting future cash flows at 10.0%, and the difference between the recoverable amount and the carrying amount was recorded as "Impairment loss" under "Extraordinary losses."

The amount above includes amortization of goodwill under the provision in paragraph 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Accounting Practice Committee Statement No. 7, November 28, 2014).

(3) Impairment loss of goodwill related to MITSUI-SOKO Supply Chain Solutions, Inc.
(i) Overview of asset group on which impairment loss was recognized

Location	Used for	Type of assets	Amount (Millions of yen)
–	Other	Goodwill	**4,661**

(ii) Background to the recognition of impairment loss

MITSUI-SOKO Supply Chain Solutions, Inc., whose primary business is the in-plant logistics for consumer electronics manufacturers in Japan, transportation and delivery of merchandise in Japan and abroad, has delivered firm results in terms of both operating revenue and profit mainly in existing businesses, and synergies on the cost side from its effort for joint purchasing with the Group are beginning to contribute to operating results steadily. On the other hand, since sales expansion is expected to fall below initial expectations at the time of the business acquisition, amortization of goodwill was recorded as “Impairment loss” under “Extraordinary losses,” following a decline in the actual value of shares of the company, under the provision in paragraph 32 of the “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (JICPA Accounting Practice Committee Statement No. 7, November 28, 2014).

(4) Impairment loss of goodwill related to MS Supply Chain Solutions (Thailand) Ltd.
(i) Overview of asset group on which impairment loss was recognized

Location	Used for	Type of assets	Amount (Millions of yen)
–	Other	Goodwill	**1,565**

(ii) Background to the recognition of impairment loss

For MS Supply Chain Solutions (Thailand) Ltd., whose primary business is the in-plant logistics for consumer electronics manufacturers in Thailand, transportation and delivery of merchandise, in Thailand and abroad, since synergies with the Group are expected to fall below initial expectations at the time of the business acquisition, the future business plan was carefully reviewed and the amount of goodwill was reduced to the recoverable amount. The recoverable amount was measured based on the value in use and calculated by discounting future cash flows at 10.3%, and the difference between the recoverable amount and the carrying amount was recorded as “Impairment loss” under “Extraordinary losses.”

The amount above includes amortization of goodwill under the provision in paragraph 32 of the “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (JICPA Accounting Practice Committee Statement No. 7, November 28, 2014).

(5) Impairment loss of goodwill related to MS North Star Logistics Co., Ltd.
(i) Overview of asset group on which impairment loss was recognized

Location	Used for	Type of assets	Amount (Millions of yen)
–	Other	Goodwill	**941**

(ii) Background to the recognition of impairment loss

For MS North Star Logistics Co., Ltd., whose primary business is transportation and delivery for suppliers of daily commodities, operating revenue has remained mostly as envisioned in the business acquisition plan. However, since the level of personnel expenses and transportation costs in operating cost have been higher than expected, the future business plan was carefully reviewed and the amount of goodwill was reduced to the recoverable amount. The recoverable amount was measured based on the value in use and calculated by discounting future cash flows at 20.4%, and the difference between the recoverable amount and the carrying amount was recorded as “Impairment loss” under “Extraordinary losses.”

(6) Other
Other than the above, ¥231 million and ¥1,199 million were recorded as “Impairment loss of goodwill” and “Impairment loss of property, plant and equipment,” respectively, under “Extraordinary losses.”

*4. “Expenses incurred upon acquisition” in the fiscal year ended March 31, 2016, were expenses incurred in association with business acquisition.

7. Consolidated Statement of Comprehensive Income

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

Fiscal year ended March 31	2016	**2017**
Valuation difference on available-for-sale securities:		
Amount recorded during the period	(1,688)	**1,740**
Reclassification adjustments	(691)	**(0)**
Before tax effect adjustments	(2,380)	**1,740**
Tax effect	858	**(418)**
Valuation difference on available-for-sale securities	(1,522)	**1,321**
Deferred gains or losses on hedges:		
Amount recorded during the period	0	**0**
Tax effect	0	**0**
Deferred gains or losses on hedges:	0	**0**
Foreign currency translation adjustment:		
Amount recorded during the period	(3,079)	**(711)**
Remeasurements of defined benefit plans:		
Amount recorded during the period	(1,353)	**628**
Reclassification adjustments	(245)	**(56)**
Before tax effect adjustments	(1,599)	**571**
Tax effect	533	**(172)**
Remeasurements of defined benefit plans	(1,065)	**399**
Share of other comprehensive income of entities accounted for using equity method:		
Amount recorded during the period	(482)	**(240)**
Total other comprehensive income	(6,148)	**769**

8. Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2016

1. Items related to class and total number of issued shares, and class and number of treasury shares

(Shares)

	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Issued shares				
Common stock	124,415,013	–	–	124,415,013
Total	124,415,013	–	–	124,415,013
Treasury shares				
Common stock (Note)	226,925	316	–	227,241
Total	226,925	316	–	227,241

(Note) The increase in treasury shares in the fiscal year is due to purchase of shares less than one unit (316 shares).

2. Items related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
Board of Directors meeting held on May 11, 2015	Common stock	620	¥5.00	March 31, 2015	June 3, 2015
Board of Directors meeting held on November 4, 2015	Common stock	620	¥5.00	September 30, 2015	December 3, 2015

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors meeting held on May 13, 2016	Common stock	620	Retained earnings	¥5.00	March 31, 2016	June 7, 2016

Fiscal year ended March 31, 2017

1. Items related to class and total number of issued shares, and class and number of treasury shares

(Shares)

	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Issued shares				
Common stock	**124,415,013**	**–**	**–**	**124,415,013**
Total	**124,415,013**	**–**	**–**	**124,415,013**
Treasury shares				
Common stock (Note)	**227,241**	**2,783**	**–**	**230,024**
Total	**227,241**	**2,783**	**–**	**230,024**

(Note) The increase in treasury shares in the fiscal year is due to purchase of shares less than one unit (2,783 shares).

2. Items related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share	Record date	Effective date
Board of Directors meeting held on May 13, 2016	Common stock	**620**	**¥5.00**	March 31, 2016	June 7, 2016
Board of Directors meeting held on November 7, 2016	Common stock	**620**	**¥5.00**	September 30, 2016	December 6, 2016

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

Not applicable, because no year-end dividend is paid for the fiscal year ended March 31, 2017.

9. Consolidated Statement of Cash Flows

*1. Reconciliation of closing balance of cash and cash equivalents and the related account on the consolidated balance sheet

(Millions of yen)

Fiscal year ended March 31	2016	**2017**
Cash and deposits	26,402	**31,822**
Time deposits with maturity over 3 months	(1,401)	**(930)**
Cash and cash equivalents	25,000	**30,891**

*2. Major components of assets and liabilities of consolidated subsidiaries acquired by purchase of shares

Fiscal year ended March 31, 2016

The components of assets and liabilities of MITSUI-SOKO Supply Chain Solutions, Inc. and other 22 newly consolidated subsidiaries acquired by purchase of shares (hereinafter, “newly acquired consolidated subsidiaries”) at the start of their consolidation, and the relationship between the acquisition cost of their shares and the related payments (net amount) were as follows:

(Millions of yen)

Current assets	19,236
Non-current assets	19,308
Goodwill	13,435
Current liabilities	(12,743)
Non-current liabilities	(7,538)
Negative goodwill	(1,683)
Non-controlling interests	(1,193)
Acquisition cost of shares of newly acquired consolidated subsidiaries	28,822
Cash and cash equivalents of newly acquired consolidated subsidiaries	(6,877)
Net: Payments for the acquisition of newly acquired consolidated subsidiaries	21,944

*3. Major components of assets and liabilities increased as a result of acquisition of business
Fiscal year ended March 31, 2016

The components of assets and liabilities acquired by MS Supply Chain Solutions (Malaysia) Sdn. Bhd., the Company's subsidiary, due to the business acquisition, and the relationship between the acquisition cost of the business acquisition and the related payments (net amount) for the business acquisition were as follows:

(Millions of yen)

Current assets	89
Non-current assets	1,842
Goodwill	5,735
Acquisition cost of the business acquisition	7,667
Cash and cash equivalents acquired from the business acquisition	(89)
Net: Payments for the business acquisition	7,577

10. Leases

1. Finance lease transactions

As lessee:

Finance lease transactions that transfer ownership and those that do not transfer ownership

(i) Components of leased assets

Leased assets are principally facilities (machinery, equipment and vehicles) in the logistics business.

(ii) Accounting method for depreciation of leased assets

The accounting method for depreciation of leased assets is as described in "4. Matters regarding accounting policies, (2) Accounting methods for depreciation of significant depreciable assets" of "Significant Matters as Basis for Preparing Consolidated Financial Statements."

2. Operating lease transactions

As lessee:

Future lease payments under non-cancellable leases of operating lease transactions

(Millions of yen)

As of March 31	2016	**2017**
Due within one year	3,498	**4,979**
Due after one year	10,607	**17,956**
Total	14,106	**22,935**

As lessor:

Future lease payments under non-cancellable leases of operating lease transactions

(Millions of yen)

As of March 31	2016	**2017**
Due within one year	6,321	**6,620**
Due after one year	15,631	**13,821**
Total	21,952	**20,441**

11. Financial Instruments

1. Matters regarding status of financial instruments

(1) Policy on financial instruments

The Group limits its investment activities to short-term deposits and other low risk financial assets, and raises funds through loans from financial institutions such as banks and issuance of bonds.

(2) Description of financial instruments and their risks, and risk management system

For customers' credit risks related to notes and operation accounts receivable trade, the Group works to mitigate the risks by managing relevant due dates and balances for each counterparty.

While investment securities are principally shares and exposed to the risk of market share price fluctuations, the Group assesses fair value on a quarterly basis for listed shares.

All of notes and operating accounts payable – trade are due within one year.

Loans payable are used for working capital (mainly short-term) and capital investment funds (long-term). Loans payable are exposed to the risk of fluctuations in market interest rates, and foreign currency loans payable are exposed to the risk of fluctuations in market interest rates and currency exchange rates. For certain long-term loans payable of them, interest rate swaps are used as hedging instruments to avoid these risks. While these debts are exposed to the risk of failure to make a payment on the due date, or liquidity risk, the Group avoids the risk by reviewing the cash flow management plan appropriately each month.

2. Matters regarding fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair values and the difference between them were as follows. The figures do not include items whose fair value is deemed extremely difficult to determine (refer to Note 2).

Fiscal year ended March 31, 2016

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	26,402	26,402	–
(2) Notes and operation accounts receivable trade	32,324	32,324	–
(3) Investment securities			
Available-for-sale securities	11,935	11,935	–
Total assets	70,662	70,662	–
(4) Notes and operating accounts payable – trade	17,850	17,850	–
(5) Short-term loans payable	7,395	7,395	–
(6) Long-term loans payable (including current portion)	96,385	96,683	(298)
(7) Bonds payable (including current portion)	57,000	57,868	(868)
Total liabilities	178,631	179,798	(1,166)
Derivatives (*)	0	0	–

(*) Net receivables and payables arising from derivatives are presented on a net basis, and value of a net payable after totaling of receivables and payables is shown in parentheses. The fair value of interest rate swaps that are accounted for using exceptional accounting, of derivatives, is included in that of corresponding long-term loans payable, since those interest rate swaps are treated as an adjustment to the long-term loans payable as hedged items.

Fiscal year ended March 31, 2017

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	**31,822**	**31,822**	**–**
(2) Notes and operation accounts receivable trade	**32,407**		
Allowance for doubtful accounts (*1)	**(310)**		
Net	**32,097**	**32,097**	**–**
(3) Investment securities			
Available-for-sale securities	**13,722**	**13,722**	**–**
Total assets	**77,641**	**77,641**	**–**
(4) Notes and operating accounts payable – trade	**17,034**	**17,034**	**–**
(5) Short-term loans payable	**6,058**	**6,058**	**–**
(6) Long-term loans payable (including current portion)	**115,820**	**115,568**	**251**
(7) Bonds payable (including current portion)	**47,000**	**47,592**	**(592)**
Total liabilities	**185,913**	**186,254**	**(340)**
Derivatives (*2)	**2**	**2**	**–**

(*1) Allowance for doubtful accounts corresponding to notes and operation accounts receivable trade are deducted from the values.
(*2) Net receivables and payables arising from derivatives are presented on a net basis, and value of a net payable after totaling of receivables and payables is shown in parentheses. The fair value of interest rate swaps that are accounted for using exceptional accounting, of derivatives, is included in that of corresponding long-term loans payable, since those interest rate swaps are treated as an adjustment to the long-term loans payable as hedged items.

(Note 1) Methods for calculating fair values of financial instruments, and matters regarding securities and derivatives

(1) Cash and deposits, and (2) Notes and operation accounts receivable trade
Since these accounts are settled in a short period of time, the fair value is nearly equal to the carrying amount. Therefore, the carrying amount is used for their fair values.

(3) Investment securities
With regard to the fair value of investment securities, the fair value of shares is based on the prices quoted by stock exchanges.
Securities categorized by each holding purpose, are described in the notes on “Securities.”

(4) Notes and operating accounts payable – trade, and (5) Short-term loans payable
Since these accounts are settled in a short period of time, the fair value is nearly equal to the carrying amount. Therefore, the carrying amount is used for their fair values.

(6) Long-term loans payable
The fair value of long-term loans payable is calculated by discounting the total of principal and interest at an interest rate that would be charged for similar new loans. For long-term loans payable with floating interest rate that are subject to exceptional accounting of interest rate swaps, the fair value is calculated by discounting the total of principal and interest that were treated as a part of the interest rate swaps at a reasonably estimated interest rate that would be charged for a similar loan. Because other long-term loans payable with floating interest rate reflect market interest rates in a short period of time and the credit standing of the Company has not changed significantly since the loans were executed, the fair value is deemed nearly equal to the carrying amount. Therefore, the carrying amount is used for the fair value.

(7) Bonds payable
The fair value of bonds payable is determined based on the market price.

(8) Derivatives
The fair value of derivatives is determined based on the price provided by financial institutions.

(Note 2) Financial instruments whose fair value is deemed extremely difficult to determine

(Millions of yen)

Category	As of March 31, 2016	**As of March 31, 2017**
Unlisted shares	1,339	**1,675**

Since these financial instruments do not have market prices, and their future cash flows cannot be estimated, the fair value is deemed extremely difficult to determine. Therefore, they are not included in “(3) Investment securities.”

(Note 3) Expected redemption amounts of monetary receivables and securities with maturity after the consolidated balance sheet date
As of March 31, 2016

(Millions of yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Cash and deposits	26,402	–	–	–
Notes and operation accounts receivable trade	32,324	–	–	–
Total	58,726	–	–	–

As of March 31, 2017

(Millions of yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Cash and deposits	**31,822**	**–**	**–**	**–**
Notes and operation accounts receivable trade	**32,097**	**–**	**–**	**–**
Total	**63,919**	**–**	**–**	**–**

(Note) Notes and operation accounts receivable trade do not include any receivables of which the collection cannot be expected.

(Note 4) Scheduled amounts of repayment of loans payable and bonds payable after the consolidated balance sheet date
As of March 31, 2016

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years
Short-term loans payable	7,395	–	–	–	–	–
Bonds payable	10,000	7,000	10,000	10,000	10,000	10,000
Long-term loans payable	16,051	14,592	28,807	9,794	12,870	14,269
Total	33,446	21,592	38,807	19,794	22,870	24,269

As of March 31, 2017

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years
Short-term loans payable	**6,058**	**–**	**–**	**–**	**–**	**–**
Bonds payable	**7,000**	**10,000**	**10,000**	**10,000**	**–**	**10,000**
Long-term loans payable	**14,972**	**26,651**	**11,088**	**14,328**	**10,952**	**37,827**
Total	**28,030**	**36,651**	**21,088**	**24,328**	**10,952**	**47,827**

12. Securities

1. Available-for-sale securities
As of March 31, 2016

(Millions of yen)

Category	Carrying amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost			
Shares	11,361	4,350	7,011
Subtotal	11,361	4,350	7,011
Items whose carrying amount does not exceed acquisition cost			
Shares	574	626	(52)
Subtotal	574	626	(52)
Total	11,935	4,977	6,958

(Note) "Acquisition cost" in the above table represents the carrying amount after impairment.
Since unlisted shares (carrying amount in the consolidated balance sheet: ¥944 million) do not have market prices, and their future cash flows cannot be estimated, the fair value is deemed extremely difficult to determine. Therefore, they are not included in "Available-for-sale securities" in the above table.

As of March 31, 2017

(Millions of yen)

Category	Carrying amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost			
Shares	**13,633**	**4,889**	**8,744**
Subtotal	**13,633**	**4,889**	**8,744**
Items whose carrying amount does not exceed acquisition cost			
Shares	**89**	**91**	**(2)**
Subtotal	**89**	**91**	**(2)**
Total	**13,722**	**4,980**	**8,741**

(Note) "Acquisition cost" in the above table represents the carrying amount after impairment.
Since unlisted shares (carrying amount in the consolidated balance sheet: ¥1,262 million) do not have market prices, and their future cash flows cannot be estimated, the fair value is deemed extremely difficult to determine. Therefore, they are not included in "Available-for-sale securities" in the above table.

2. Available-for-sale securities sold

Fiscal year ended March 31, 2016

(Millions of yen)

Category	Sale proceeds	Total gain on sale	Total loss on sale
Shares	2,400	951	–
Total	2,400	951	–

Fiscal year ended March 31, 2017

(Millions of yen)

Category	Sale proceeds	Total gain on sale	Total loss on sale
Shares	**11**	**0**	**–**
Total	**11**	**0**	**–**

13. Derivatives

The information is omitted as it is immaterial.

14. Retirement Benefits

1. Overview of retirement benefit plans adopted

The Company has adopted a lump-sum retirement benefit plan, defined contribution pension plan, defined benefit corporate pension plan and prepaid retirement allowance plan. In addition, the Company has established a retirement benefit trust in the lump-sum retirement benefit plan and defined benefit corporate pension plan. Consolidated domestic subsidiaries have established lump-sum retirement benefit plans (27 companies), defined contribution pension plans (12 companies), defined benefit corporate pension plans (two companies) and a prepaid retirement allowance plan (one company). Certain foreign subsidiaries have adopted defined contribution pension plans. For lump-sum retirement benefit plans and defined contribution pension plans that certain consolidated subsidiaries have, net defined benefit liability and retirement benefit expenses are recorded by the simplified method.

2. Defined benefit plans

(1) Changes in retirement benefit obligations

(Millions of yen)

Fiscal year ended March 31	2016	**2017**
Balance of retirement benefit obligations at beginning of period	7,627	**12,139**
Service cost	931	**885**
Interest cost	63	**31**
Actuarial gains and losses accrued	479	**(59)**
Retirement benefits paid	(639)	**(702)**
Increase due to new consolidation	3,669	**–**
Decrease due to plan termination	–	**(2,867)**
Other	7	**(82)**
Balance of retirement benefit obligations at end of period	12,139	**9,344**

(Note) Include plans to which the simplified method was applied.

(2) Changes in plan assets

(Millions of yen)

Fiscal year ended March 31	2016	**2017**
Balance of plan assets at beginning of period	8,039	**9,109**
Expected return on plan assets	80	**21**
Actuarial gains and losses accrued	(873)	**572**
Contribution from employer	94	**15**
Retirement benefits paid	(165)	**(119)**
Increase due to new consolidation	1,934	**–**
Decrease due to plan termination	–	**(2,109)**
Balance of plan assets at end of period	9,109	**7,490**

(3) Reconciliation between ending balance of retirement benefit obligations and plan assets, and net defined benefit liability/asset recorded in the consolidated balance sheet

(Millions of yen)

As of March 31	2016	**2017**
Retirement benefit obligations of funded plans	6,256	**3,287**
Plan assets	(9,109)	**(7,490)**
	(2,852)	**(4,203)**
Retirement benefit obligations of unfunded plans	5,883	**6,057**
Net amount of liabilities and assets recorded in the consolidated balance sheet	3,030	**1,854**
Net defined benefit liability	6,695	**6,122**
Net defined benefit asset	(3,665)	**(4,267)**
Net amount of liabilities and assets recorded in the consolidated balance sheet	3,030	**1,854**

(Note) Include plans to which the simplified method was applied.

(4) Amounts of retirement benefit expenses and their components

(Millions of yen)

Fiscal year ended March 31	2016	**2017**
Service cost	931	**885**
Interest cost	63	**31**
Expected return on plan assets	(80)	**(21)**
Amortization of actuarial gains and losses	(169)	**(323)**
Amortization of past service cost	(98)	**(91)**
Retirement benefit expenses for lump-sum retirement benefit plans and defined benefit corporate pension plans	646	**480**

(Notes) 1. Other than the above retirement benefit expenses, the Company recorded additional retirement benefits of ¥4 million as non-operating expenses and contributions for dissolution of employees' pension fund of ¥57 million as extraordinary losses in the fiscal year ended March 31, 2016, and additional retirement benefits of ¥302 million as non-operating expenses and gain on termination of retirement benefit plan of ¥218 million as extraordinary losses in the fiscal year ended March 31, 2017.
2. Include plans to which the simplified method was applied.

(5) Remeasurements of defined benefit plans included in other comprehensive income
The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

(Millions of yen)

Fiscal year ended March 31	2016	**2017**
Past service cost	(45)	**(45)**
Actuarial gains and losses	(1,553)	**617**
Total	(1,599)	**571**

(6) Remeasurements of defined benefit plans included in accumulated other comprehensive income
The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

(Millions of yen)

As of March 31	2016	2017
Unrecognized past service cost	(39)	**(85)**
Unrecognized actuarial gains and losses	222	**839**
Total	182	**754**

(7) Items related to plan assets
(i) Major components of plan assets
The ratio of each major category to total plan assets is as follows:

As of March 31	2016	2017
Shares	68 %	**82** %
Debt investments	15	**7**
General account	4	**4**
Cash and deposits	4	**6**
Other	9	**1**
Total	100	**100**

(Note) The total plan assets include a retirement benefit trust established for defined benefit corporate pension plans constituting 26% as of March 31, 2016, and 35% as of March 31, 2017, and a retirement benefit trust established for lump-sum retirement benefit plans constituting 38% as of March 31, 2016, and 50% as of March 31, 2017. Other major components as of March 31, 2017, are funds such as commingled investment funds and hedge funds.

(ii) Method for setting the long-term expected rate of return on plan assets
To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(8) Items related to actuarial assumptions
Major actuarial assumptions

As of March 31	2016	2017
Discount rate	0.1 to 1.0 %	**0.0 to 1.0** %
Long-term expected rate of return	2.0 to 3.0 %	**2.0** %
Expected rate of salary increase	2.0 to 8.4 %	**2.0 to 8.4** %

3. Defined contribution plans

The amounts of required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were ¥191 million as of March 31, 2016 and ¥246 million as of March 31, 2017.

15. Deferred Tax Accounting

1. Major components of deferred tax assets and liabilities

(Millions of yen)

As of March 31	2016	**2017**
Deferred tax assets		
Net defined benefit liability	2,689	**2,289**
Provision for bonuses	788	**811**
Property, plant and equipment	1,224	**2,532**
Tax loss carryforwards	5,166	**5,019**
Other	1,329	**1,379**
Subtotal	11,199	**12,032**
Valuation allowance	(5,777)	**(6,499)**
Total	5,421	**5,532**
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(2,129)	**(2,604)**
Reserve for advanced depreciation of non-current assets	(3,612)	**(3,569)**
Gain on contribution of securities to retirement benefit trust	(1,386)	**(1,386)**
Other	(1,600)	**(1,470)**
Total	(8,728)	**(9,029)**
Net deferred tax liabilities	(3,307)	**(3,497)**

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

As of March 31	2016	**2017**
Statutory effective tax rate	33.1 %	The information is omitted since loss before income taxes was recorded.
(Adjustments)		
Items not deductible, such as entertainment expenses	2.7	
Items not recognized as taxable income, such as dividend income	(26.7)	
Inhabitant per capita taxes	4.8	
Effect of elimination of dividend income in consolidation	32.2	
Differences in tax rates of consolidated foreign subsidiaries	(7.8)	
Valuation allowance	9.7	
Effect of consolidation adjustments	38.0	
Effect of change in tax rates	(3.9)	
Amortization of goodwill	13.3	
Other	(1.2)	
Effective rate of income taxes after application of deferred tax accounting	94.2	

16. Investment and Rental Property

The Company and certain subsidiaries have office buildings for lease and others (including land) in Tokyo and other regions. Gains on lease related to the investment and rental property in the fiscal year ended March 31, 2016, were ¥5,349 million (accounted for in operating profit). Gains on lease related to the investment and rental property in the fiscal year ended March 31, 2017, were ¥5,305 million (accounted for in operating profit).

Carrying amounts in the consolidated balance sheet, increase or decrease and fair values of the investment and rental property are as follows:

(Millions of yen)

Fiscal year ended March 31	2016	**2017**
Carrying amount		
Beginning balance	40,260	**36,502**
Increase or decrease during the fiscal year	(3,758)	**1,698**
Ending balance	36,502	**38,200**
Fair value at end of period	140,466	**149,019**

(Notes) 1. The carrying amount represents the amount of acquisition cost less accumulated depreciation.

2. Of the increase or decrease during the fiscal year, major decreases for the fiscal year ended March 31, 2016, were due to the sale of Ginza Building and Fukuzumi Building, and a major increase for the fiscal year ended March 31, 2017, was due to the large-scale renovation work of Hakozaki Building.

3. The fair value as of March 31, 2017, represents the amount based on real estate appraisal by external real estate appraisers for major properties, and the amount internally calculated by the income approach for other properties.

17. Segment Information

[Segment information]

1. Overview of reportable segments

The reportable segments of the Group are components of the Group for which discrete financial information is available and regularly reviewed by the Board of Directors to make decisions about allocation of managerial resources and to assess their performance.

The Group consists of the "Logistics" business unit that provides organically and efficiently each function of logistics, such as warehousing, distribution processing, port terminal services, and domestic and international transportation services to customers, and the "Real estate" business unit mainly engaged in building lease. The Group's reportable segments are comprised of the following two segments:

- Logistics

  The segment provides various logistics services such as warehousing, port-related work and operations to shipping companies, logistics services/multimodal transportation provided by overseas group companies, airfreight transportation, Third Party Logistics (3PL), outsourcing services, supply chain management support services, and land transportation.

- Real estate

  The segment provides services centered on building lease.

2. Method for calculating amounts of operating revenue, profit or loss, assets and other items by reportable segment

The accounting method for the operating segments that are reportable is the same as described in "Significant Matters as Basis for Preparing Consolidated Financial Statements."

Profits of the reportable segments represent figures after amortization of goodwill.

Intersegment revenue or transfers are based on the arm's-length price.

Change in the depreciation method for property, plant and equipment

As described in "Changes in Accounting Policies," the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" has been applied to the companies in Japan from the fiscal year ended March 31, 2017, and the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, was changed from the declining balance method to the straight-line method.

The effect of this change on segment profit for the fiscal year ended March 31, 2017, was immaterial.

3. Information on amounts of operating revenue, profit or loss, assets and other items by reportable segment

Fiscal year ended March 31, 2016

(Millions of yen)

	Reportable segment		Total	Eliminations/ corporate (Note) 1	Carrying amount (Note) 2
	Logistics	Real estate			
Operating revenue					
(1) Revenues from external customers	203,872	9,099	212,971	–	212,971
(2) Intersegment revenue or transfers	–	515	515	(515)	–
Total	203,872	9,614	213,487	(515)	212,971
Segment operating profit (loss)	2,130	4,916	7,047	(3,759)	3,287
Segment assets	181,796	42,072	223,868	62,070	285,939
Other items					
Depreciation	3,402	2,342	5,745	2,500	8,246
Investments in entities accounted for using equity method	4,187	–	4,187	–	4,187
Increase in property, plant and equipment and intangible assets	23,210	4,695	27,906	4,072	31,978

(Notes) 1. Eliminations/corporate are as follows:
(1) Segment operating profit (loss) adjustment of ¥(3,759) million is expenses associated with the administrative department of the Company.
(2) Segment assets adjustment of ¥62,070 million is assets associated with the administrative department of the Company.
(3) Adjustment in increase in property, plant and equipment and intangible assets of ¥4,072 million is an increase associated with the administrative department of the Company.
2. Segment operating profit (loss) is adjusted to operating profit in the consolidated financial statements.

Fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segment		Total	Eliminations/ corporate (Note) 1	Carrying amount (Note) 2
	Logistics	Real estate			
Operating revenue					
(1) Revenues from external customers	**216,757**	**8,746**	**225,503**	**–**	**225,503**
(2) Intersegment revenue or transfers	**–**	**660**	**660**	**(660)**	**–**
Total	**216,757**	**9,407**	**226,164**	**(660)**	**225,503**
Segment operating profit (loss)	**4,490**	**5,005**	**9,496**	**(3,673)**	**5,823**
Segment assets	**153,759**	**43,138**	**196,898**	**70,779**	**267,677**
Other items					
Depreciation	**3,390**	**2,242**	**5,632**	**3,146**	**8,778**
Investments in entities accounted for using equity method	**3,969**	**–**	**3,969**	**–**	**3,969**
Increase in property, plant and equipment and intangible assets	**7,210**	**3,821**	**11,032**	**1,673**	**12,705**

(Notes) 1. Eliminations/corporate are as follows:
(1) Segment operating profit (loss) adjustment of ¥(3,673) million is expenses associated with the administrative department of the Company.
(2) Segment assets adjustment of ¥70,779 million is assets associated with the administrative department of the Company.
(3) Adjustment in increase in property, plant and equipment and intangible assets of ¥1,673 million is an increase associated with the administrative department of the Company.
2. Segment operating profit (loss) is adjusted to operating profit in the consolidated financial statements.

[Related information]

Fiscal year ended March 31, 2016

1. Information about products and services

The information is omitted because the same information is disclosed in "[Segment information]."

2. Information about geographical areas

(1) Operating revenue

(Millions of yen)

Japan	Other	Total
154,381	58,590	212,971

(Notes) 1. Operating revenue is classified by country/region based on customers' location.
2. Overseas revenue is not given by country or region but included in "Other," since the amount of operating revenue for each major country or region is insignificant.
3. Major countries or regions included in "Other":
U.S.A., Hong Kong, China, Singapore, Taiwan, Europe

(2) Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3. Information about main customers

The information is omitted, because external operating revenue from a specific customer accounted for less than 10% of total operating revenue in the consolidated statement of income.

Fiscal year ended March 31, 2017

1. Information about products and services

The information is omitted because the same information is disclosed in "[Segment information]."

2. Information about geographical areas

(1) Operating revenue

(Millions of yen)

Japan	Other	Total
173,823	**51,680**	**225,503**

(Notes) 1. Operating revenue is classified by country/region based on customers' location.
2. Overseas revenue is not given by country or region but included in "Other," since the amount of operating revenue for each major country or region is insignificant.
3. Major countries or regions included in "Other"
U.S.A., China, Europe, Thailand, Malaysia

(2) Property, plant and equipment

(Millions of yen)

Japan	Other	Total
129,633	**15,278**	**144,911**

(Notes) 1. Property, plant and equipment are classified by country/region based on customers' location.
2. Property, plant and equipment located overseas are not given by countries or regions but included in "Other," since the amount of property, plant and equipment located in each major country or region are insignificant.
3. Major countries or regions included in "Other"
U.S.A., China, Europe, Thailand, Indonesia, South Korea

3. Information about main customers

The information is omitted, because external operating revenue from a specific customer accounted for less than 10% of total operating revenue in the consolidated statement of income.

[Information about impairment loss of non-current assets by reportable segment]

Fiscal year ended March 31, 2016

In the Logistics segment, the Company recognized a total of ¥1,424 million of impairment loss, which consists of impairment loss of goodwill of ¥1,052 million and impairment loss of property, plant and equipment of ¥372 million.

Fiscal year ended March 31, 2017

In the Logistics segment, the Company recognized a total of ¥25,478 million of impairment loss, which consists of impairment loss of goodwill of ¥20,917 million and impairment loss of property, plant and equipment of ¥756 million as well as impairment loss of property, plant and equipment of ¥3,804 million in "Eliminations/corporate."

[Information about amortization and unamortized balance of goodwill by reportable segment]

Fiscal year ended March 31, 2016

(Millions of yen)

	Logistics	Real estate	Total
Amortization in the fiscal year	2,969	–	2,969
Unamortized balance at end of the fiscal year	34,965	–	34,965

Fiscal year ended March 31, 2017

(Millions of yen)

	Logistics	Real estate	Total
Amortization in the fiscal year	**2,753**	**–**	**2,753**
Unamortized balance at end of the fiscal year	**10,529**	**–**	**10,529**

[Information about gain on bargain purchase by reportable segment]

Fiscal year ended March 31, 2016
In the Logistics segment, negative goodwill arose since the Company acquired shares of Marukyo Transportation Co., Ltd. (Osaka), Marukyo Transportation Co., Ltd. (Ehime) and other five affiliated companies as well as 51% of shares of Naha International Container Terminal, Inc. The amount of gain on bargain purchase recorded due to these events was ¥1,704 million for the fiscal year.

Fiscal year ended March 31, 2017
Not applicable

18. Related Party Information

The information is omitted, because there were no related party transactions that exceeded the scope of disclosure standards in the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016) and the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017).

19. Per Share Information

(Yen)

Fiscal year ended March 31	2016	**2017**
Net assets per share	496.63	**303.66**
Basic earnings (loss) per share	1.70	**(188.65)**

(Notes) 1. The amount of diluted earnings per share in the fiscal years ended March 31, 2016, and March 31, 2017, is not provided because there are no potential shares.
2. The bases for calculating basic earnings (loss) per share are as follows:

Fiscal year ended March 31		2016	**2017**
Profit (loss) attributable to owners of parent	(Millions of yen)	211	**(23,427)**
Profit (loss) not attributable to common shareholders	(Millions of yen)	0	**0**
(of which, dividends on preferred shares)		(0)	**(0)**
Profit (loss) pertaining to common shares, attributable to owners of parent	(Millions of yen)	211	**(23,427)**
Average number of outstanding common shares during the period	(Shares)	124,187,992	**124,186,078**

20. Subsequent Events

Not applicable

21. Consolidated detailed schedule of corporate bonds

Company name	Issue name	Date of issuance	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Interest rate (%)	Pledge	Date of redemption
Mitsui-Soko Holdings Co., Ltd.	9th unsecured straight bonds	April 19, 2010	7,000	**7,000 (7,000)**	1.27	–	April 19, 2017
Mitsui-Soko Holdings Co., Ltd.	11th unsecured straight bonds	September 27, 2010	10,000 (10,000)	**–**	0.82	–	September 27, 2016
Mitsui-Soko Holdings Co., Ltd.	12th unsecured straight bonds	June 7, 2012	10,000	**10,000**	0.67	–	June 7, 2018
Mitsui-Soko Holdings Co., Ltd.	13th unsecured straight bonds	March 6, 2013	10,000	**10,000**	0.78	–	March 6, 2020
Mitsui-Soko Holdings Co., Ltd.	14th unsecured straight bonds	March 5, 2015	10,000	**10,000**	0.45	–	March 5, 2021
Mitsui-Soko Holdings Co., Ltd.	15th unsecured straight bonds	March 5, 2015	10,000	**10,000**	0.83	–	March 5, 2025
Total	–	–	57,000 (10,000)	**47,000 (7,000)**	–	–	–

(Notes) 1. The figures shown in parentheses represent the amount to be redeemed within one year.
2. The scheduled amount of redemption of bonds within five years after the consolidated balance sheet date on a yearly basis is as follows:

(Millions of yen)

Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
7,000	**10,000**	**10,000**	**10,000**	**–**

22. Consolidated detailed schedule of loans payable

Category	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Payment due
Short-term loans payable	7,395	**6,058**	1.07	–
Current portion of long-term loans payable	16,051	**14,972**	0.85	–
Current portion of lease obligations	1,027	**992**	3.55	–
Long-term loans payable (excluding current portion)	80,334	**100,847**	0.87	From April 2018 to February 2037
Lease obligations (excluding current portion)	1,226	**1,151**	3.41	From April 2018 to August 2024
Total	106,035	**124,022**	–	–

(Notes) 1. "Average interest rate" represents weighted average interest rate with respect to the ending balance of loans payable and lease obligations.
2. Of lease obligations, current portion of lease obligations is included in "Other" under current liabilities and lease obligations with a maturity of more than one year are included in "Other" under non-current liabilities in the consolidated balance sheet.
3. The scheduled amount of repayment of long-term loans payable and lease obligations (excluding current portion) within five years after the consolidated balance sheet date is as follows:

(Millions of yen)

Category	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Long-term loans payable	**26,651**	**11,088**	**14,328**	**10,952**
Lease obligations	**603**	**279**	**177**	**80**

23. Consolidated detailed schedule of asset retirement obligations

Pursuant to the provision of Article 92-2 of the Regulations on Consolidated Financial Statements, the information is omitted, because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2017 were less than 1% of the total of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2017, respectively.

24. Quarterly information

Fiscal year ended March 31, 2017

Cumulative period	Three months ended June 30, 2016	Six months ended September 30, 2016	Nine months ended December 31, 2016	Fiscal year ended March 31, 2017
Operating revenue (Millions of yen)	56,009	111,813	169,810	225,503
Profit (loss) before income taxes (Millions of yen)	1,869	1,546	2,773	(21,697)
Profit (loss) attributable to owners of parent (Millions of yen)	603	138	406	(23,427)
Basic earnings (loss) per share (Yen)	4.86	1.12	3.27	(188.65)

Accounting period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	4.86	(3.75)	2.15	(191.92)

Mitsui-Soko Group Network

As of March 31, 2017

Mitsui-Soko Co.,Ltd — Tokyo

Warehousing Business, BPO Port Transportation Business

Mitsui-Soko Kyushu Co., Ltd.	Fukuoka
IM Express Co., Ltd.	Tokyo
Sanso K.K.	Tokyo
Toko Maruraku Transportation Co., Ltd.	Kanagawa
Sanso Kouun Co., Ltd.	Aichi
Sanko Trucking Co., Ltd.	Aichi
Sanei K.K.	Mie
Mitsunori Corporation	Fukui
Mitsui Warehouse Terminal Service Co., Ltd.	Osaka
Sanyu Service Co., Ltd.	Osaka
Kobe Sunso Koun Co., Ltd.	Hyogo
Sun Transport Co., Ltd.	Hyogo
MK Services Co., Ltd.	Hyogo
Seiyu Koun Co., Ltd.	Fukuoka
Hakata Sanso-Butsuryu Co., Ltd.	Fukuoka
Naha International Container Terminal, Inc.	Okinawa

Mitsui-Soko International Pte Ltd — Singapore

Logistics Services Overseas Business

Mitsui-Soko International Japan Co., Ltd.	Tokyo
Mitsui-Soko NEA Co.,Ltd.	Tokyo
Mitsui-Soko (China) Investment Co., Ltd.	China
Mitex Logistics (Shanghai) Co., Ltd.	China
MSC Trading (Shanghai) Co., Ltd.	China
Shanghai MITS Commerce & Trade Co., Ltd.	China
Mitex Shenzhen Logistics Co., Ltd.	China
Nantong Sinavico International Logistics Co., Ltd.	China
Mitex International (Hong Kong) Ltd.	Hong Kong
Mitex Multimodal Express Ltd.	Hong Kong
Noble Business International Ltd.	Hong Kong
Mitex (Tianjin) Co., Ltd.	China
Mitsui-Soko (Taiwan) Co., Ltd.	Taiwan
Mitsui-Soko (Korea) Co., Ltd.	Korea
Mitsui-Soko (Singapore) Pte. Ltd.	Singapore
Mitsui-Soko Southeast Asia Pte.Ltd.	Singapore
Mitsui-Soko (Thailand) Co., Ltd.	Thailand
Mitsui-Soko (Chiangmai) Co., Ltd.	Thailand
Mits Logistics (Thailand) Co., Ltd.	Thailand
Mits Transport (Thailand) Co., Ltd.	Thailand
MS North Star Logistics Co., Ltd.	Thailand
Mitsui-Soko (Malaysia) Sdn. Bhd.	Malaysia
Mitsui-Soko Agencies (Malaysia) Sdn. Bhd.	Malaysia
Integrated Mits Sdn. Bhd.	Malaysia
PT Mitsui-Soko Indonesia	Indonesia
Mitsui-Soko (Philippines), Inc.	Philippines
Mitsui-Soko (U.S.A.) Inc.	U.S.A.
Mitsui-Soko (Americas) Inc.	U.S.A.
Mitsui-Soko (Mexico)S.A. de C.V.	Mexico
Mitsui-Soko (Europe) s.r.o.	Czech Republic
PST CLC, a.s.	Czech Republic
Prime Cargo A/S	Denmark
Prime Cargo (H.K.), Ltd.	Hong Kong
Prime Cargo Shanghai Ltd.	China
PC KH Aps	Denmark
Prime Cargo Poland	Poland
Prime Cargo USA Inc.	U.S.A.
PST Hungary Kft.	Hungary
Shanghai Jinjiang Mitsui-Soko International Logistics Co., Ltd. ★	China
Joint Venture Sunrise Logistics Co., Ltd. ★	Vietnam
AW Rostamani Logistics LLC ★	U.A.E.

Mitsui-Soko Express Co., Ltd. — Tokyo

Airfreight Transportation, Multimodal Transportation Business

MSE China (Guangzhou) Co., Ltd.	China
MSE Express America, Inc.	U.S.A.
MSE Express Mexico, S.A. DE C.V.	Mexico
MSE Do Brasil Logistica Ltda.	Brasil
MSE Express (Thailand) co., Ltd.	Thailand
N.V. MSE Europe S.A.	Belgium
MSE Europe Tasimacilik, Organizasyon, Lojistik Limited Sirketi	Turkey
MS Express South Africa (Pty) Ltd.	South Africa
MSE China (Beijing) Co.,Ltd. ★	China
PT. Puninar MSE Indonesia ★	Indonesia
MSE Forwarders India Pvt. Ltd. ★	India

Mitsui-Soko Logistics Co., Ltd. — Tokyo

3PL Business

Hokkaimitsui-Soko Logistics Co., Ltd.	Hokkaido
M·S Logistics Co., Ltd.	Osaka
Co-next Inc.	Tokyo

Mitsui-Soko Business Trust Co.,Ltd. — Tokyo

Outsourcing Business

Mitsui-Soko Business Partners Co., Ltd.	Tokyo

Mitsui-Soko Supply Chain Solutions, Inc. — Tokyo

Supply Chain Management Support Business

Logistics Operation Service Co., Ltd.	Tokyo
MS Supply Chain Solutions (Thailand) Ltd.	Thailand
MS Supply Chain Solutions (Malaysia) Sdn. Bhd.	Malaysia

Mitsui-Soko Transport Co., Ltd. — Osaka

Land Transportation Business

Marukyo Transportation Co., Ltd.(Osaka)	Osaka
Marukyo Transportation Co., Ltd.(Ehime)	Ehime
AMT Co., Ltd.	Ehime
Marukyo Transportation Co., Ltd.(Kyushu)	Fukuoka
Marukyo Transportation Co., Ltd.(Hiroshima)	Hiroshima
Marukyo Group Cooperative	Osaka
Swallow Logistics Co., Ltd.	Osaka
Fujimatsu Unyu Souko Co., Ltd.	Saitama
Marukyo Shokusan Co., Ltd.	Osaka
Kiwa General Service Co., Ltd.	Wakayama
Shanghai Marukyo Transportation Co., Ltd.	China
Zhangjiagang Bonded Area Marukyo Transportation & Trade Co., Ltd.	China

Mitsui-Soko Holdings Co., Ltd. — Tokyo

Holding company, Real Estate Leasing Business

Mitsui-Soko Bizport Co.,Ltd	Tokyo

Corporate Information / Investor Information

As of March 31, 2017

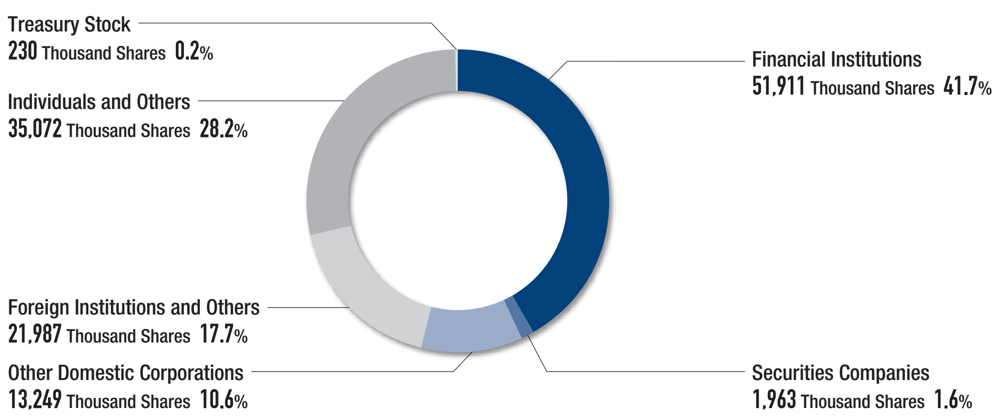
Company Name	MITSUI-SOKO HOLDINGS CO., LTD.
Date of Establishment	October 11, 1909
Head Office	20-1, Nishi-shimbashi 3-chome, Minato-ku, Tokyo 105-0003, Japan
Paid-in Capital	¥11,100,714,274
Number of Employees	9,016 (consolidated base) 842 (non-consolidated base)* *698 loaned personnel included
URL	http://msh.mitsui-soko.com
Common Stock	Authorized-400,000,000 shares Issued-124,415,013 shares
Stock Exchange Listings	Tokyo (Securities Code: 9302)
Trading Unit	1,000 shares
Shareholder Register Agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Major Shareholders

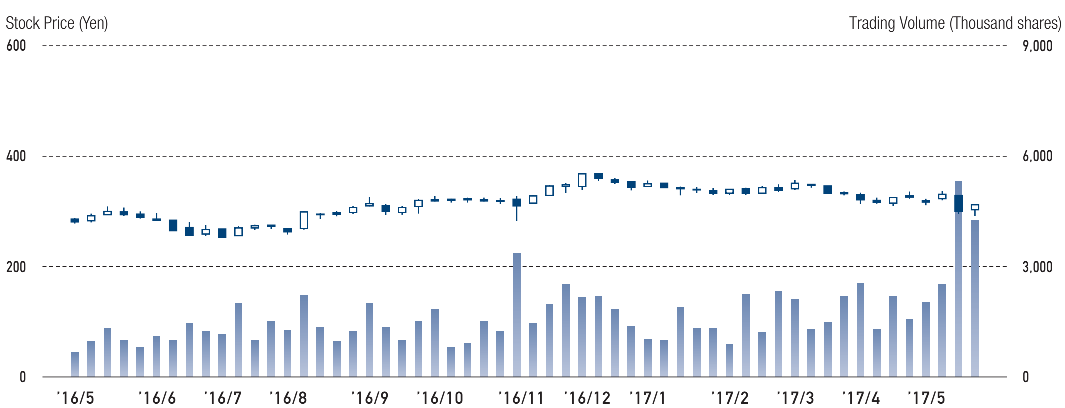
Major Shareholders	Number of Shares owned (Thousand shares)	Equity Stake (%)
MITSUI LIFE INSURANCE COMPANY LIMITED	7,846	6.3
Mitsui Sumitomo Insurance Company, Limited	7,005	5.6
Japan Trustee Services Bank, Ltd. (Trust Account)	6,831	5.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,582	2.9
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	3,512	2.8
Sumitomo Mitsui Banking Corporation	3,484	2.8
MITSUI-SOKO Group Employees' Shareholding Society	2,660	2.1
Takenaka Corporation	2,484	2.0
Sumitomo Mitsui Trust Bank, Limited	2,187	1.8
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,136	1.7

Note: The number of shares has been rounded down to the nearest thousand.
Equity stake is calculated after deducting treasury stock (230,024 shares).

Composition of Shareholders



Stock Price Range and Trading Volume (Tokyo Stock Exchange)



MITSUI-SOKO HOLDINGS

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