Annual Report 2010

Year ended March 31, 2010

Leading-Edge Logistics Solutions Provider

MITSUI-SOKO CO., LTD.

Profile

Mitsui-Soko Co., Ltd. ("the Company") marked the 100th anniversary of its establishment in October 2009. During the past 100 years, Mitsui-Soko and its consolidated subsidiaries (hereafter "the Group") have steadily expanded their bases in principal cities across Japan while enlarging warehouse operations. Today, the Group provides a diverse range of logistics services in Japan and overseas, including port terminal operations and overland transportation, as well as a domestic real estate business that specializes in building leasing.

In addition to providing these traditional services, the Group also offers new services based on its corporate vision of a "company which offers optimal logistics solutions." The new services integrate management of actual logistics for every stage of each customer's business operations, from production to sales, including the accompanying information.

The Mitsui-Soko Group aims to maintain sustainable growth through the Logistics business during its next 100 years. The Group strengthens its business based on new concepts and technologies along with rebuilding its global network and developing new business overseas. The Group also continues to conduct business management in consideration of corporate value and capital cost and to respond quickly to changes in the corporate environment and business fundamentals, while fulfilling its corporate social responsibility through its business.

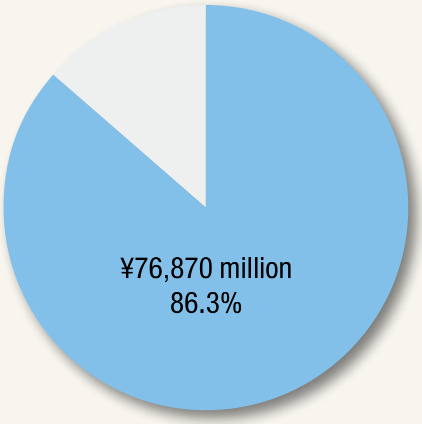
CONTENTS

Business Lines

Logistics Business

Utilizing Mitsui-Soko's proprietary know-how and information systems, the Company engages in a wide-ranging Logistics business that covers freight storage operations, port terminal operations, overland transportation, value-added operations, international combined transportation, international consolidated transport services and air cargo handling services. The freight storage operations include storage, sorting, customs clearance and delivery. The port terminal operations include loading and unloading container ships, loading freight onto conventional ships and sorting and storing freight at wharfs and warehouses. The overland transportation operations handle items ranging from general merchandise to specialized cargo. The value-added operations include inspection, price-tagging and sorting of delivered goods.

In addition, the Company offers logistics system services that integrate overseas operations, domestic transportation, customs clearance and domestic deliveries into a customized logistics flow. Mitsui-Soko also offers services such as business process outsourcing (BPO)*1 and third party logistics (3PL)*2 to support the enhancing of companies' corporate value.



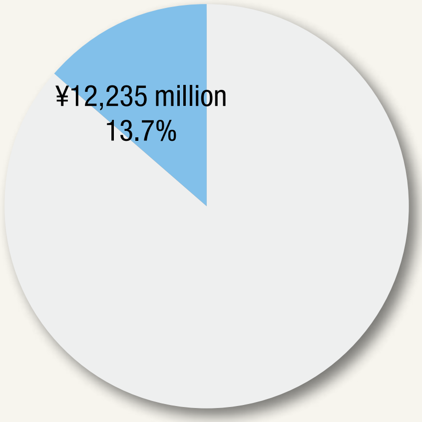
Net Sales by Business Segment
Fiscal 2010

*1 A more advanced form of outsourcing that provides consultation and services extending to all business processes
*2 Comprehensive services covering the establishment, management and operation of logistics to support customers' supply chain management

Real Estate Business

Applying Mitsui-Soko's extensive know-how about land use cultivated over long years, the Company engages in the redevelopment of urban real estate and presently manages and operates office buildings equipped with advanced information technology. Representative examples are the MSC Center Building located in the Tokyo bayside area and the Mitsui-Soko Hakozaki Building.

In addition to these facilities, the Company completed other new bases. These include the MSC Fukagawa Buildings, which incorporate a quake-absorbing structure and are equipped with emergency power generators. The Company also acquired the Misato Logistics Center, its largest logistics-based real estate facility in terms of floor space (70,600m^2), with excellent logistics access to Japan's capital and northern Kanto regions. Together with utilizing unique features as a logistics company, Mitsui-Soko possesses and operates several office buildings in the heart of Tokyo to strengthen its profit-earning capabilities through stable leasing income as well as to diversify its assets.



Net Sales by Business Segment
Fiscal 2010

Mitsui-Soko Highlights in Fiscal 2010

The Mitsui-Soko Group formulated "Medium-Term Plan 2009," a medium-term management plan running from the fiscal year ended March 2010 to the fiscal year ending March 2012. Under this plan, Mitsui-Soko is striving to undertake its operations realizing a balance between its dual imperatives of continually maximizing corporate value and ensuring financial soundness.

However, the adverse impact of the global economic downturn that began in the previous year continued throughout the entire fiscal year. As a result, the business environment was altered dramatically from the Company's initial outlook, and the recovery in the volume of freight handled lagged and competition intensified.

Looking at Mitsui-Soko's consolidated business results, the Logistics business posted lower sales owing to a worse-than-anticipated deterioration in freight movements and a decline in storage volume domestically and overseas. Conversely, the Real Estate business achieved growth mainly due to the full-year contribution of real estate acquired in the previous fiscal year and the revision of leasing fees of existing real estate properties. As a result, consolidated net sales declined 11.1% to ¥88,728 million, but operating income rose 3.7% to ¥6,543 million.

During the year, a gain on sales of investment securities was recorded. On the other hand, interest expense rose along with an increase in interest-bearing debt. Moreover, losses on disposals of property, plant and equipment and on business restructuring of subsidiaries and affiliates were recorded. As a result, net income rose 7.3% to ¥1,859 million.

TOPICS

Strengthening Business Development in the Kansai Region

In January 2010, we completed the Osaka Ibaraki Records Center and started full-scale operation of our BPO business in the Kansai region, which follows the business in the Tokyo metropolitan area. This new five-story storage center with a quake-absorbing structure features an excellent security environment that includes 24-hour security staff, IC-card authentication and surveillance cameras. Equipped with state-of-the-art document storage facilities, office space for lease and facilities for destruction of confidential documents using a dissolving method, the records center provides one-stop services concerning the management of customer documents and information assets. Moreover, it boasts outstanding environmental performance and received the special award of the Logistics Environmental Grand Prize from the Japan Federation of Freight Industries.

While striving to secure growth in our BPO business, we worked to strengthen the sales structure for our entire logistics business in the Kansai region by relocating the Kansai Branch headquarters to central Osaka and are working to achieve further business expansion.

Osaka Ibaraki Records Center
Location: Ibaraki City, Osaka
Total floor space: Approximately 19,200m^2

Commencement of Comprehensive IMP Logistics Services

With logistics companies being allowed to engage in the delivery of investigational medical products (IMP) following revisions to relevant ordinances of the Ministry of Health, Labour and Welfare in 2008, Mitsui-Soko has commenced providing total logistics outsourcing services including import customs clearance, allocation, storage, delivery and returned storage of IMP under standard operating procedure (SOP) and a manual conforming to good clinical practice (GCP).

In order to comply with strict temperature control standards for IMP, Mitsui-Soko has self-developed the "Medi Cube" transport container, which enables transporting IMP under a controlled temperature (5°C±3°C) for a 48-hour period and is also equipped with a remote monitoring and recording system for real-time information of temperature and position using a global positioning system (GPS). With global response capabilities required as a result of an increase in global clinical trials, the Company plans to provide this comprehensive IMP logistics service not only in Japan but also overseas.

"Medi Cube" enables delivery of IMP maintained at a constant temperature.
(L45 x W65 x H48 cm)
*Patent pending

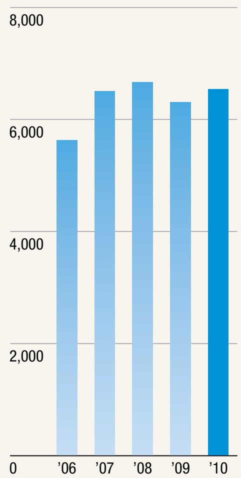
Consolidated Financial Highlights

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

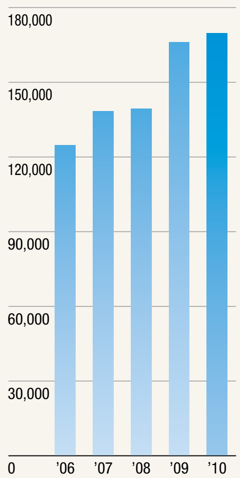
	Millions of Yen					Thousands of U.S. Dollars
	2010	2009	2008	2007	2006	**2010**
For the year:						
Net sales	**¥ 88,728**	¥ 99,827	¥ 104,371	¥ 102,036	¥ 98,843	**$ 953,657**
Operating income	**6,543**	6,308	6,660	6,504	5,635	**70,328**
Net income	**1,859**	1,732	1,788	3,289	3,234	**19,981**
Net cash provided by operating activities	**10,227**	7,556	8,179	7,641	7,303	**109,917**
At year-end:						
Total assets	**¥ 169,644**	¥ 166,000	¥ 139,458	¥ 138,279	¥ 124,632	**$ 1,823,341**
Equity	**50,292**	51,816	55,127	59,456	60,281	**540,539**
Per share of common stock (in yen and U.S. dollars):						
Basic net income	**¥ 14.38**	¥ 13.03	¥ 13.33	¥ 23.92	¥ 22.91	**$ 0.15**
Equity	**394.37**	380.26	403.17	429.32	432.23	**4.24**
Cash dividends applicable to the year	**9.00**	9.00	8.00	8.00	7.50	**0.10**
Ratios:						
Equity ratio (%)	**28.9**	30.4	38.4	41.9	48.4	
Return on equity (%)	**3.7**	3.3	3.2	5.6	5.7	
Interest coverage ratio (times)	**6.7**	6.6	9.2	14.5	12.7	
Price/Earnings ratio (times)	**24.3**	29.4	43.0	32.6	29.9	

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥93.04 to $1, the approximate rate of exchange at March 31, 2010. (See Note 1 of the Notes to Consolidated Financial Statements)

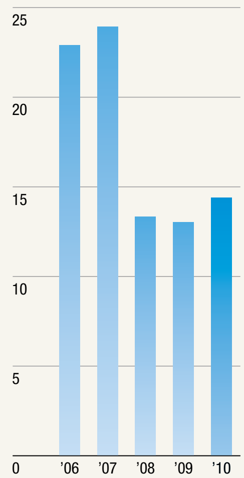
Operating Income
(Millions of yen)



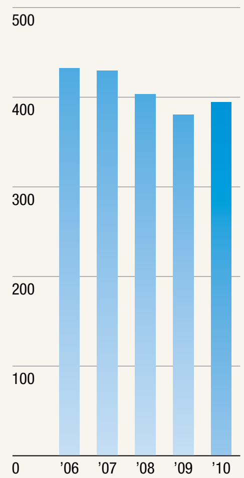
Total Assets
(Millions of yen)



Basic Net Income per Share
(Yen)



Equity per Share
(Yen)



An Interview with the President

Kazuo Tamura
President

Could you describe business conditions in the fiscal year ended March 31, 2010?

Despite some signs of an improvement, the Japanese economy was far from achieving a full-scale recovery. Capital investment remained sluggish and employment conditions continued to deteriorate. The industrial production index for February 2010 also declined for the first time in 12 months.

In the logistics industry, the total volume of international freight movements declined below the level of the previous fiscal year despite a rebound in the volume of international freight movements to several regions such as China on the back of recoveries of overseas economies. Severe conditions also continued for domestic freight due to the slow recovery of the Japanese economy.

Under these challenging economic circumstances, Mitsui-Soko marked the 100th anniversary of the Company's establishment in October 2009 and began moving toward the next 100 years. As our first step, we launched our "Medium-Term Plan 2009," which sets our targets up to the fiscal year ending March 2012. Under this management plan, we are maintaining our financial soundness while proactively making capital investments that can be expected to reliably yield solid returns. At the same time, we are working to raise the profitability, productivity and efficiency of each business. By taking these initiatives, we aim to achieve growth in the scale of our business and expand our operating income.

Facing a worse-than-anticipated business environment, Mitsui-Soko recorded consolidated net sales of ¥88,728 million, a decrease of 11.1%, and operating income of ¥6,543 million, an increase of 3.7%. These figures were below the initial-year targets of our "Medium-Term Plan 2009."

During the fiscal year, we recorded a gain on sales of investment securities. On the other hand, we recorded a rise in interest expense along with an increase in interest-bearing debt. Additionally, we posted a loss on disposals of property, plant and equipment and a loss on business restructuring of subsidiaries and affiliates. As a result of the preceding developments, net income increased 7.3% to ¥1,859 million.

Could you tell us about your business results by segment?

The severe business environment persisted in the Logistics business as freight movements worsened and storage volume declined both domestically and overseas owing to the impact of the global economic recession. On a brighter note, the Real Estate business achieved growth thanks to the full-year contribution of real estate acquired in the previous fiscal year and to the revision of leasing fees of existing real estate properties.

In our domestic logistics operations, which provide various logistics services to companies in Japan such as warehouse storage, domestic and international transportation and distribution processing, storage volume declined resulting from the lackluster economy and efforts by customers to reduce inventories. Meanwhile, the slow economic recovery resulted in ongoing sluggishness in freight movements in other businesses as well, including warehouse freight handling, overland transportation and international marine and air cargo handling. As a consequence, sales in our domestic logistics operations declined.

Turning to our domestic port terminal operations, which entail providing port-related work and transportation services to shipping companies—our main customers in this business—we achieved an improvement in business results from the second half of the year along with the recovery in export and import freight. Nonetheless, the volume of freight handled on a full-year basis declined.

In our overseas operations, in which we utilize our global network of subsidiaries to provide international combined transportation and other logistics services, business results improved in the second half along with the global economic recovery. However, net sales in this business declined on a full-year basis.

Due to the factors I have just described, net sales in the Logistics business declined 14.9% to ¥76,870 million.

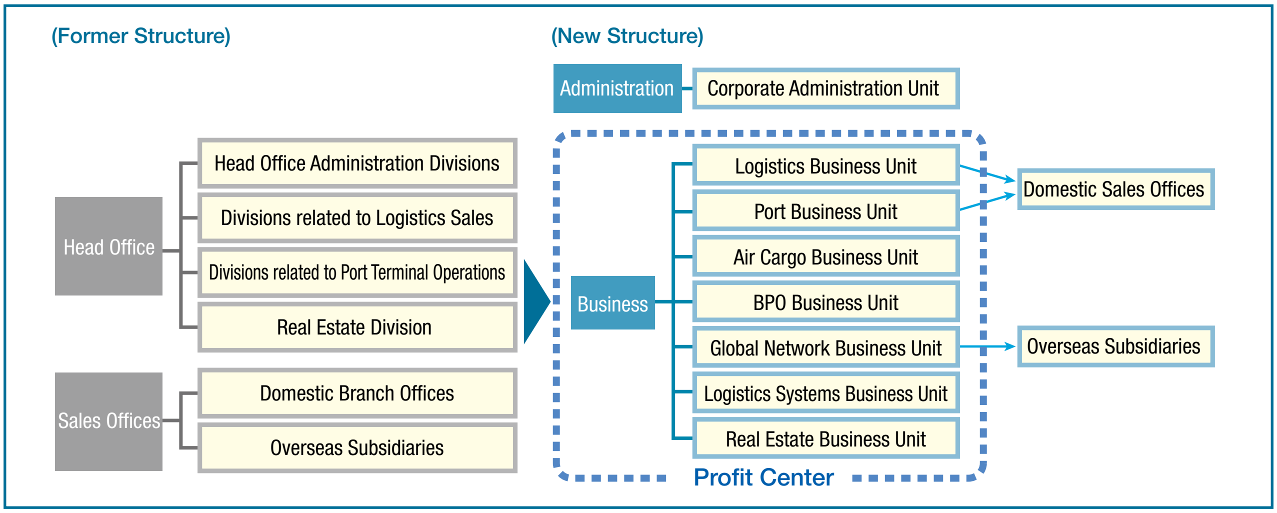
The Real Estate business achieved a 23.9% increase in net sales to ¥12,235 million owing to the full-year contributions made by three office buildings in central Tokyo acquired in the previous fiscal year and the MSC Fukagawa No.2 Building, and to the revision of leasing fees of existing real estate properties.

Could you explain how you are strengthening the Logistics business amid the severe economic environment?

With the prerequisites for our business management having been dramatically altered, I believe we must drastically reorient our business strategies to sustain growth. Acting on this conviction, we reorganized the internal business segments of the Logistics business into six business units.

The Logistics Systems Business, the BPO Business and the Global Network Business aim to contribute to sustainable growth by bolstering 3PL and BPO services and through new services overseas developed by rebuilding our global network.

Outline of New Structure



The new Logistics Business unit, serving as the nucleus in our Logistics business, will strengthen sales capabilities in each sales office and improve the quality of domestic logistics. The Air Cargo Business will engage in expanding its handling volume.

The Port Business will strive to expand its scope by adding a new distribution system service that incorporates inland transportation operations.

At the same time, the overall administrative functions are to be reinforced by the establishment of a company-wide administrative framework, which handles cross-sectional matters such as the formulation of policies for undertaking each service, management of assets, finance and personnel affairs, and human resource development, as well as monitoring internal controls and compliance.

To execute the aforementioned business strategies, we reformed our organizational structure by transitioning from our traditional head office/branch office-based structure to a business divisional structure and have also made each business unit an independent profit center.

What is the outlook for the fiscal year ending March 31, 2011?

The Japanese economy is showing a slight recovery with a moderate increase in exports spurred by the improvement in overseas economies. However, this recovery is not yet self-sustaining and more time will be needed to materialize a full-fledged recovery. The logistics industry is expected to face continuous difficulties caused by intensified competition and customers' efforts toward reducing costs resulting from the current economic slowdown.

Regarding our forecast of consolidated business results for the next fiscal year ending March 31, 2011, we expect the Logistics business to record increases in sales and profits that will be underpinned by a mild economic recovery. On the other hand, the Real Estate business is expected to record a decline in profits due to a rise in depreciation expenses. Based on this outlook, we forecast a 4.8% increase in consolidated net sales to ¥93,000 million, a 2.4% increase in operating income to ¥6,700 million and a 34.5% rise in net income to ¥2,500 million.

We plan to allocate ¥20,000 million for capital investments. As cash flow provided by operating activities is expected to reach ¥10,000 million, we plan to secure the funds for these capital expenditures with cash on hand and new borrowings, including corporate bond issuance.

Finally, do you have any message for shareholders?

Under our new business divisional structure, we are reallocating management resources to establish new sources of earnings through the Logistics Systems Business, the BPO Business and the Global Network Business alongside the stable earnings generated by existing businesses. We will focus on the expansion of our 3PL capabilities in the Logistics Systems Business, and investments in dedicated facilities and enhancement of the abilities of specialist staff in the BPO Business. In the Global Network Business, we will reinforce systems in logistics based or originating in Northeast Asia. Meanwhile, in the Logistics Business and Port Business, we will re-evaluate unprofitable operations and concentrate management resources on core operations. Specifically, we will promote the efficient use of management resources through a fundamental shift away from traditional facility structures and on-site work processes. We will also convert specific facilities into advanced specialized facilities. By taking these measures, we aim to improve our profitability.

Concerning the payment of dividends, to ensure that dividends are not unduly affected by short-term fluctuations in our business results, we maintain consistent and stable dividends with due consideration of our medium- and long-term profit levels and financial condition. In accordance with this dividend policy, we currently anticipate distributing in the next fiscal year cash dividends of ¥9.00 per share, including an interim dividend of ¥4.50 per share, which is the same as this fiscal year.

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

Corporate Governance

Basic Policy

Cognizant of the Company's social mission, Mitsui-Soko'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, Mitsui-Soko 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.

Establishment of an Internal Control System

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

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

Key Entities and Their Responsibilities

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

The Board of Corporate Auditors is composed of full-time corporate auditors and outside corporate auditors. An auditing staff supports the Board of Corporate Auditors in fulfilling its responsibilities.

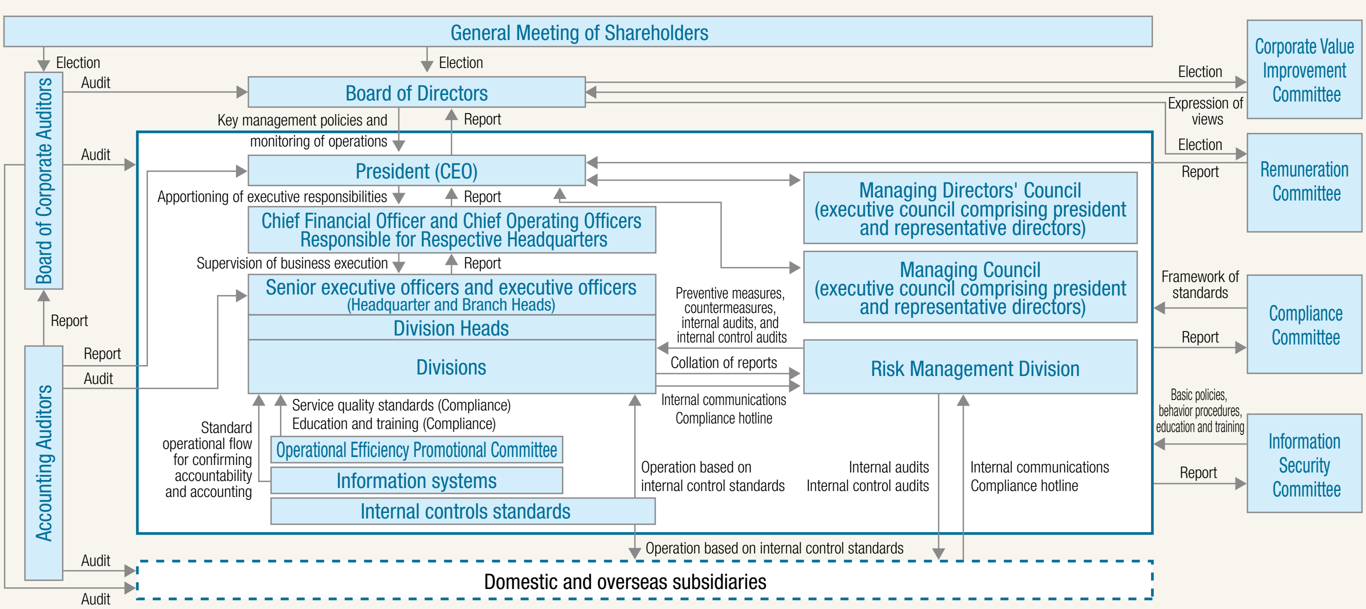
The Managing Directors' Council meets weekly to discuss and render decisions regarding matters entrusted to it by the Board of Directors and important operational matters as defined by company rules and regulations.

Under the Company's operational management structure, the president exercises overall control as the chief executive officer, while several directors play a subordinate role as the chief financial officer or the chief operating officers with control over respective headquarters.

Risk Management Structure and Internal Auditing

Working under the supervision of the chief operating officer, responsible for the Corporate Administrative Headquarters, the Risk Management Division strives to reduce corporate risk by preventing potential risk, preparing and revising countermeasure manuals, and conducting internal audits.

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



Directors, Corporate Auditors and Executive Officers

As of June 29, 2010

From left: Hiromi Sugimoto, Yoshimasa Hayashi, Kazuo Tamura, Jiro Kaeriyama, Shinichiro Sasao, Katsumi Namiki

Board of Directors

President	Kazuo Tamura*
Executive Vice President	Jiro Kaeriyama*
Senior Managing Director	Yoshimasa Hayashi*
Senior Managing Director	Shinichiro Sasao*
Managing Director	Hiromi Sugimoto*
Managing Director	Katsumi Namiki
Director	Gengo Kakimi
Director	Shigeru Shiraishi
Director	Soji Takekuma
Director	Eiji Michise
Outside Director	Seiichi Fujita
Outside Director	Yasuhiko Fukatsu

*Representative

Corporate Auditors

Corporate Auditor	Fujihiro Horiba
Corporate Auditor	Takeshi Namiki
Outside Corporate Auditor	Osamu Nakamoto
Outside Corporate Auditor	Hideki Nakagome
Outside Corporate Auditor	Tetsuo Takeyama

Executive Officers

Chief Executive Officer	Kazuo Tamura
Chief Financial Officer, Responsible for Corporate Planning Headquarters and Financial Headquarters	Jiro Kaeriyama
Chief Operating Officer, Responsible for Logistics Business Headquarters, Air Cargo Business Headquarters, Kanto Branch, Chubu Branch, Kansai Branch and Kyushu Branch	Yoshimasa Hayashi
Chief Operating Officer, Responsible for Compliance, Corporate Administrative Headquarters	Shinichiro Sasao
Chief Operating Officer, Responsible for Port Business Headquarters	Hiromi Sugimoto
Chief Operating Officer, Responsible for BPO Business Headquarters, Global Network Business Headquarters and Logistics Systems Business Headquarters	Katsumi Namiki
Senior Executive Officer, Air Cargo Business Headquarters	Gengo Kakimi
Senior Executive Officer, Kyushu Branch	Shigeru Shiraishi
Senior Executive Officer, Kanto Branch	Souji Takekuma
Senior Executive Officer, Chubu Branch	Eiji Michise
Senior Executive Officer, Corporate Planning Headquarters	Makoto Ikari
Senior Executive Officer, BPO Business Headquarters	Motome Ikeda
Senior Executive Officer, Kansai Branch	Koji Yagawa
Senior Executive Officer, Logistics Systems Business Headquarters	Kei Fujioka
Executive Officer, Kobe Main Office, Kansai Branch	Akimasa Noro
Executive Officer, Corporate Administrative Headquarters	Yukihiro Nakaya
Executive Officer, Logistics Business Headquarters	Shunichi Igarashi
Executive Officer, Port Business Headquarters	Makoto Tawaraguchi
Executive Officer, Global Network Business Headquarters	Kenji Takato
Executive Officer, Financial Headquarters	Akira Ogasawara

A Pictorial History

Mitsui-Soko's 100-Year Growth Path

2009 New Corporate Philosophy Established to Mark Our Centennial

Mitsui-Soko formulated "Medium-Term Plan 2009," a new medium-term management plan, and also established a new corporate philosophy for the next 100 years.

President Tamura announces the new medium-term management plan

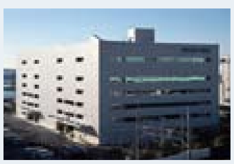
2004 Start of Construction of Strategic Facilities

In 2004, Mitsui-Soko opened the Machida Records Center as a dedicated facility for the storage and management of documents and data. The opening of this center marked the start of the successive launch of other strategic facilities, including the Misato Logistics Center, the MSC Fukagawa buildings and the Tatsumi Warehouse.

Machida Records Center

Misato Logistics Center

MSC Fukagawa Building No. 2



Tatsumi Warehouse

Osaka Ibaraki Records Center

1989 Completion of the Mitsui-Soko Hakozaki Building

Mitsui-Soko constructed a high-rise office building, the Mitsui-Soko Hakozaki Building, at the original site of the company's founding. With 25 above-ground floors and three underground floors, this building has approximately 135,000m^2 of total floor space. The Mitsui-Soko Hakozaki Building is a landmark symbolizing the growth and development of Mitsui-Soko and plays a key role in our Real Estate business.

Mitsui-Soko Hakozaki Building

1950 Listing on the Tokyo Stock Exchange

To develop new business, Mitsui-Soko listed on the Tokyo Stock Exchange and made a capital increase (¥120 million in new capital). The following year, Mitsui-Soko listed on the Osaka Securities Exchange. Mitsui-Soko subsequently made several additional capital increases for the purpose of upgrading and increasing facilities and expanding business, thereby raising total capital to ¥11,100 million at present.

A Company stock certificate at the time of listing

1942 Corporate Name Changed to Mitsui-Soko Co., Ltd.

Our corporate name was changed to Mitsui-Soko Co., Ltd. in the year following the outbreak of the Pacific War. With various controls being imposed due to the war, Mitsui-Soko's facilities and operations were handed over to a controlling company set up at that time. These were returned to Mitsui-Soko upon the conclusion of the war. After the dissolution of the *zaibatsu* (industrial and financial conglomerates) the following year in 1946, Mitsui-Soko continued to achieve steady growth in moving toward a stock market listing.


社名變更廣告
三井倉庫株式會社
東神倉庫株式會社

Public announcement of our corporate name change

1909 Establishment

Established under the name of Toshin Soko Co., Ltd., the Company began operations with ¥2 million in capital, 59 employees and three branch offices in Hakozaki, Kobe and Moji. Toshin Soko subsequently made inroads into the port transportation business, beginning with stevedoring operations at Kobe Port in 1917.

Headquarters at the time of establishment (Hakozaki, Tokyo)

Management's Discussion and Analysis

Business Results

Net Sales

During the fiscal year ended March 31, 2010, consolidated net sales in the Logistics business declined ¥13,477 million (14.9%) to ¥76,870 million due to worse-than-anticipated conditions that included a deterioration in freight movements and a decline in storage volume domestically and overseas resulting from the adverse impact of the global economic recession. On the other hand, net sales in the Real Estate business increased ¥2,356 million (23.9%) to ¥12,235 million mainly due to the full-year contribution of real estate acquired in the previous fiscal year and the revision of leasing fees of existing real estate properties.

By geographic region, despite an increase in sales in the Real Estate business, net sales in Japan declined ¥6,094 million (7.3%) to ¥77,448 million due to the sharp decrease in net sales in the Logistics business impacted by the lagging recovery in the Japanese economy. Net sales in other regions declined ¥5,853 million (29.9%) to ¥13,733 million due to the reduction in the volume of freight handled resulting from the global economic slowdown in addition to the impact of exchange rates.

Cost of Sales and SG&A Expenses

Cost of sales declined ¥11,086 million (12.8%) from the previous fiscal year to ¥75,591 million along with the decrease in net sales. Cost of sales as a percentage of net sales declined 1.6 percentage points to 85.2%. Selling, general and administrative (SG&A) expenses decreased ¥248 million (3.6%) to ¥6,594 million.

Operating Income

Operating income increased ¥235 million (3.7%) to ¥6,543 million due to the curbing of cost of sales and SG&A expenses. Operating income in the Logistics business decreased ¥1,870 million (49.7%) to ¥1,894 million, while operating income in the Real Estate business increased ¥2,068 million (37.4%) to ¥7,605 million.

Other Income (Expenses)

Other expenses—net increased ¥632 million (29.2%) from the previous year to ¥2,795 million. In addition to a rise in interest expense accompanying an increase in interest-bearing debt, a loss on disposals of property, plant and equipment and a loss on business restructuring of subsidiaries and affiliates were posted despite a gain on sales of investment securities.

Net Income

Income before income taxes and minority interests decreased ¥397 million (9.6%) to ¥3,748 million. Income taxes as a percentage of income before income taxes and minority interests declined 8.6 percentage points from 58.8% in the previous fiscal year to 50.2%, which is 9.5 percentage points higher than Japan's effective statutory tax rate of 40.7%. The decline in the tax burden was due to a decrease in valuation allowance. Net income increased ¥127 million (7.3%) to ¥1,859 million. Net income per share increased ¥1.35 to ¥14.38 from last year's ¥13.03.

Financial Position

Assets and Equity

Total assets at the end of the fiscal year increased ¥3,644 million from the previous fiscal year-end to ¥169,644 million due to a rise in cash and cash equivalents that resulted from a net increase in borrowings and a rise in net property, plant and equipment accompanying capital investments. Equity declined ¥1,524 million from the end of the previous fiscal year to ¥50,292 million as the acquisition of treasury stock and dividends paid exceeded net income and an increase in unrealized gains accompanying the rise in stock prices.

Cash Flows

Net cash provided by operating activities amounted to ¥10,227 million, an increase of ¥2,671 million from the previous year due to such factors as a decline in income taxes—paid and an increase in depreciation.

Net cash used in investing activities amounted to ¥8,538 million, a decline of ¥25,740 million from the previous fiscal year due to a large streamlining of capital investments in comparison with the previous fiscal year.

Net cash provided by financing activities amounted to ¥230 million, a decrease of ¥33,546 million from the previous fiscal year. Although net borrowings increased approximately ¥4,000 million, inflows and outflows were nearly equal because of the repurchase of treasury stock and dividends paid.

As a result of these activities, cash and cash equivalents, end of year increased ¥1,961 million to ¥16,116 million.

Consolidated Balance Sheets

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

ASSETS	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
CURRENT ASSETS:			
Cash and cash equivalents (Note 11)	**¥ 16,116**	¥ 14,155	**$ 173,212**
Time deposits other than cash equivalents (Note 11)	**240**	217	**2,579**
Receivables (Note 11):			
Trade notes and accounts	**12,523**	12,333	**134,598**
Unconsolidated subsidiaries and associated companies	**27**	71	**286**
Other	**822**	1,060	**8,835**
Deferred tax assets (Note 9)	**744**	784	**7,997**
Other current assets	**1,772**	2,554	**19,049**
Allowance for doubtful accounts	**(28)**	(45)	**(296)**
Total current assets	**32,216**	31,129	**346,260**
PROPERTY, PLANT AND EQUIPMENT (Notes 4 and 5):			
Land	**47,885**	46,883	**514,666**
Buildings and structures	**138,435**	136,372	**1,487,914**
Machinery and equipment	**15,466**	15,290	**166,226**
Other	**7,575**	7,669	**81,418**
Construction in progress	**5,616**	4,790	**60,365**
Total	**214,977**	211,004	**2,310,589**
Accumulated depreciation	**(100,137)**	(98,042)	**(1,076,282)**
Net property, plant and equipment	**114,840**	112,962	**1,234,307**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 5 and 11)	**11,545**	11,021	**124,086**
Investments in unconsolidated subsidiaries and associated companies (Note 11)	**1,497**	1,356	**16,090**
Long-term loans	**411**	322	**4,412**
Intangible assets	**4,871**	5,078	**52,356**
Prepaid pension cost (Note 6)	**1,112**	817	**11,953**
Deferred tax assets (Note 9)	**448**	582	**4,810**
Other assets	**2,735**	2,748	**29,398**
Allowance for doubtful accounts	**(31)**	(15)	**(331)**
Total investments and other assets	**22,588**	21,909	**242,774**
TOTAL	**¥169,644**	¥166,000	**$1,823,341**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2010	2009	Thousands of U.S. Dollars (Note 1) 2010
CURRENT LIABILITIES:			
Payables (Note 11):			
Trade notes and accounts	**¥ 6,146**	¥ 5,858	**$ 66,061**
Unconsolidated subsidiaries and associated companies	**248**	251	**2,667**
Other	**783**	1,024	**8,418**
Short-term bank loans (Notes 5 and 11)	**1,092**	1,161	**11,733**
Current portion of long-term debt (Notes 5 and 11)	**17,939**	15,260	**192,807**
Accrued expenses	**2,179**	2,238	**23,425**
Income taxes payable	**1,284**	451	**13,801**
Deposits received	**3,734**	3,306	**40,129**
Other current liabilities	**874**	1,023	**9,390**
Total current liabilities	**34,279**	30,572	**368,431**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 5 and 11)	**77,175**	75,725	**829,479**
Liability for retirement benefits (Note 6)	**2,203**	2,494	**23,678**
Deferred tax liabilities (Note 9)	**1,327**	1,274	**14,260**
Other long-term liabilities	**4,368**	4,119	**46,954**
Total long-term liabilities	**85,073**	83,612	**914,371**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10, 12 and 13)			
EQUITY (Notes 7 and 14):			
Common stock—authorized, 400,000,000 shares; issued, 124,415,013 shares in 2010 and 139,415,013 shares in 2009	**11,101**	11,101	**119,311**
Capital surplus	**5,563**	5,563	**59,792**
Retained earnings	**31,552**	37,590	**339,127**
Unrealized gain on available-for-sale securities	**2,706**	2,338	**29,082**
Foreign currency translation adjustments	**(1,846)**	(1,999)	**(19,836)**
Treasury stock—at cost, 220,684 shares in 2010 and 6,530,000 shares in 2009	**(98)**	(4,062)	**(1,058)**
Total	**48,978**	50,531	**526,418**
Minority interests	**1,314**	1,285	**14,121**
Total equity	**50,292**	51,816	**540,539**
TOTAL	**¥169,644**	¥166,000	**$1,823,341**

Consolidated Statements of Income

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
NET SALES	**¥ 88,728**	¥ 99,827	**$ 953,657**
COST OF SALES	**75,591**	86,677	**812,458**
Gross profit	**13,137**	13,150	**141,199**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**6,594**	6,842	**70,871**
Operating income	**6,543**	6,308	**70,328**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**222**	421	**2,384**
Interest expense	**(1,524)**	(1,205)	**(16,379)**
Foreign exchange gain (loss)—net	**7**	(4)	**72**
Gain on sales of investment securities—net	**213**	210	**2,290**
Loss on write-down of securities (Note 3)	**(42)**	(927)	**(453)**
Loss on disposals of property, plant and equipment	**(764)**	(136)	**(8,214)**
(Loss) gain on sales of property, plant and equipment—net	**(9)**	50	**(94)**
Other—net (Note 8)	**(898)**	(572)	**(9,652)**
Other expenses—net	**(2,795)**	(2,163)	**(30,046)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**3,748**	4,145	**40,282**
INCOME TAXES (Note 9):			
Current	**1,905**	1,469	**20,476**
Deferred	**(25)**	966	**(270)**
Total income taxes	**1,880**	2,435	**20,206**
MINORITY INTEREST IN NET INCOME	**9**	(22)	**95**
NET INCOME	**¥ 1,859**	¥ 1,732	**$ 19,981**

	Yen		U.S. Dollars (Note 1)
	2010	2009	2010
PER SHARE OF COMMON STOCK (Notes 2.p and 14):			
Basic net income	**¥ 14.38**	¥ 13.03	**$ 0.15**
Cash dividends applicable to the year	**9.00**	9.00	**0.10**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

			Millions of Yen								
	Number of Common Stock	*Number of Treasury Stock*	*Common Stock*	*Capital Surplus*	*Retained Earnings*	*Unrealized Gain (Loss) on Available-for-sale Securities*	*Foreign Currency Translation Adjustments*	*Treasury Stock*	*Total*	*Minority Interests*	*Total Equity*
BALANCE, APRIL 1, 2008	139,415,013	(6,524,043)	¥11,101	¥5,563	¥36,989	¥4,747	¥(763)	¥(4,060)	¥53,577	¥1,550	¥55,127
Net income					1,732				1,732		1,732
Cash dividends, ¥8.5 per share					(1,130)				(1,130)		(1,130)
Repurchase of treasury stock		(11,626)						(6)	(6)		(6)
Disposal of treasury stock		5,669			(1)			4	3		3
Net change in the year						(2,409)	(1,236)		(3,645)	(265)	(3,910)
BALANCE, APRIL 1, 2009	**139,415,013**	**(6,530,000)**	**11,101**	**5,563**	**37,590**	**2,338**	**(1,999)**	**(4,062)**	**50,531**	**1,285**	**51,816**
Net income					**1,859**				**1,859**		**1,859**
Cash dividends, ¥9.0 per share					**(1,196)**				**(1,196)**		**(1,196)**
Repurchase of treasury stock		**(8,690,684)**						**(2,737)**	**(2,737)**		**(2,737)**
Retirement of treasury stock	**(15,000,000)**	**15,000,000**			**(6,701)**			**6,701**			
Net change in the year						**368**	**153**		**521**	**29**	**550**
BALANCE, MARCH 31, 2010	**124,415,013**	**(220,684)**	**¥11,101**	**¥5,563**	**¥31,552**	**¥2,706**	**¥(1,846)**	**¥ (98)**	**¥48,978**	**¥1,314**	**¥50,292**

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	*Capital Surplus*	*Retained Earnings*	*Unrealized Gain (Loss) on Available-for-sale Securities*	*Foreign Currency Translation Adjustments*	*Treasury Stock*	*Total*	*Minority Interests*	*Total Equity*
BALANCE, APRIL 1, 2009	$ 119,311	$ 59,792	$ 404,024	$ 25,126	$ (21,488)	$ (43,658)	$ 543,107	$ 13,809	$ 556,916
Net income			19,981				19,981		19,981
Cash dividends, $0.10 per share			(12,854)				(12,854)		(12,854)
Repurchase of treasury stock						(29,424)	(29,424)		(29,424)
Retirement of treasury stock			(72,024)			72,024			
Net change in the year				3,956	1,652		5,608	312	5,920
BALANCE, MARCH 31, 2010	$ 119,311	$ 59,792	$ 339,127	$ 29,082	$ (19,836)	$ (1,058)	$ 526,418	$ 14,121	$ 540,539

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 3,748	¥ 4,145	$ 40,282
Adjustments for:			
Income taxes—paid	(1,008)	(2,163)	(10,838)
Depreciation and amortization	6,041	5,449	64,926
Gain on sales of property, plant and equipment—net	(6)	(71)	(63)
Gain on sales of investment securities—net	(213)	(210)	(2,290)
Loss on disposals of property, plant and equipment	592	57	6,370
Loss on disposals of intangible assets	57	58	612
Loss on write-down of securities	42	927	453
Changes in assets and liabilities:			
Decrease in allowance for doubtful accounts	(2)	(25)	(27)
Decrease in liability for retirement benefits	(295)	(412)	(3,171)
(Increase) decrease in notes and accounts receivable—trade	(40)	2,515	(431)
Increase (decrease) in notes and accounts payable—trade	205	(1,962)	2,206
Other—net	1,106	(752)	11,888
Total adjustments	6,479	3,411	69,635
Net cash provided by operating activities	10,227	7,556	109,917
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(8,242)	(34,156)	(88,590)
Proceeds from sales of property, plant and equipment	142	1,063	1,528
Purchases of intangible assets	(501)	(606)	(5,385)
Purchases of investment securities	(168)	(826)	(1,806)
Proceeds from sales of investment securities	336	308	3,621
Proceeds from collection of loans	109	123	1,169
Other—net	(214)	(184)	(2,302)
Net cash used in investing activities	(8,538)	(34,278)	(91,765)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net	(78)	(2,178)	(833)
Proceeds from long-term debt	19,500	44,930	209,587
Repayments of long-term debt	(15,371)	(7,961)	(165,207)
Dividends paid	(1,196)	(1,130)	(12,854)
Repurchase of treasury stock	(2,737)	(6)	(29,424)
Other—net	112	121	1,206
Net cash provided by financing activities	230	33,776	2,475
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	42	(579)	448
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,961	6,475	21,075
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,155	7,680	152,137
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 16,116	¥ 14,155	$ 173,212

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

MITSUI-SOKO Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MITSUI-SOKO Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to $1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassifications have been made in the 2009 consolidated financial statements to conform to the classifications used in 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation*—The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 51 significant (52 in 2009) subsidiaries (together, the "Group").

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

Investments in 6 (5 in 2009) associated companies are accounted for by the equity method.

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

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

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*
In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if included.

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

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

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

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

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

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

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

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

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

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

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

k. *Leases*—In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

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

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

All other leases are accounted for as operating leases.

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

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

n. *Foreign Currency Financial Statements*—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

o. *Derivatives and Hedging Activities*—The Company used derivative financial instruments, such as interest rate swaps, to manage its exposures to fluctuations in interest rates in 2009. Interest rate swaps are utilized by the Company to reduce interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, with gains and losses on derivative transactions recognized in the consolidated income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting, because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

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

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

q. *New Accounting Pronouncements*

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In December 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—In March, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

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

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

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

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

(4) Corrections of Prior Period Errors:
When an error in prior period financial statements is discovered, those statements are restated.

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

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. INVESTMENT SECURITIES

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

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	*2009*	*2010*
Non-current:			
Equity securities	**¥ 11,509**	¥ 10,985	**$ 123,699**
Government and corporate bonds	**36**	36	**387**
Total	**¥ 11,545**	¥ 11,021	**$ 124,086**

The costs and aggregate fair values of investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2010				
Securities classified as available-for-sale:				
Equity securities	**¥ 4,871**	**¥ 4,746**	**¥ (165)**	**¥ 9,452**
Debt securities	**35**	**1**		**36**
March 31, 2009				
Securities classified as available-for-sale:				
Equity securities	¥ 5,021	¥ 4,133	¥ (173)	¥ 8,981
Debt securities	35	1		36

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2010				
Securities classified as available-for-sale:				
Equity securities	**$ 52,356**	**$ 51,014**	**$ (1,779)**	**$ 101,591**
Debt securities	**376**	**11**		**387**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 11.

	Carrying Amount Millions of Yen
March 31, 2009	
Available-for-sale:	
Equity securities	¥ 2,005
Total	¥ 2,005

Proceeds from sales of available-for-sale securities for the year ended March 31, 2009 were ¥308 million. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥212 million and ¥2 million, respectively, for the year ended March 31, 2009.

The information of available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2010			
Available-for-sale:			
Equity securities	**¥ 336**	**¥ 213**	**¥**
Total	**¥ 336**	**¥ 213**	**¥**

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
March 31, 2010			
Available-for-sale:			
Equity securities	**$ 3,621**	**$ 2,290**	**$**
Total	**$ 3,621**	**$ 2,290**	**$**

The loss on write-down of available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥42 million ($453 thousand) and ¥927 million, respectively.

4. INVESTMENT PROPERTY

On November 28, 2008, the ASBJ issued ASBJ Statement No. 20 "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23 "Guidance on Accounting Standard for Investment Property and Related Disclosures". This accounting standard and the guidance are applicable to investment property and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the new accounting standard and guidance effective March 31, 2010.

The Group holds some rental properties such as office buildings and land in Tokyo and other areas. Net of rental income and operating expenses for those rental properties was ¥7,542 million ($81,066 thousand) for the fiscal year ended March 31, 2010.

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

Millions of Yen			
Carrying Amount			*Fair Value*
April 1, 2009	*Increase/Decrease*	*March 31, 2010*	*March 31, 2010*
¥ 45,005	¥ 696	¥ 45,701	¥ 160,631

Thousands of U.S. Dollars			
Carrying Amount			*Fair Value*
April 1, 2009	*Increase/Decrease*	*March 31, 2010*	*March 31, 2010*
$ 483,714	$ 7,478	$ 491,192	$ 1,726,468

Notes: 1) Carrying amount recognized in balance sheet is net of accumulated depreciation, if any.
2) Increase during the fiscal year ended March 31, 2010 primarily represents the acquisition of Fukuzumi Building of ¥1,295 million ($13,920 thousand), and decrease primarily represents the recognition of depreciation of ¥2,035 million ($21,872 thousand).
3) Fair value of properties as of March 31, 2010 is measured by the Group in accordance with its Income Approach.

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2010 and 2009 consisted of notes to banks. The annual interest rates applicable to the short-term bank loans at March 31, 2010 and 2009 ranged from 0.55% to 2.85% and from 0.84% to 7.50%, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	*2009*	*2010*
0.80% unsecured bonds due 2010	¥	¥ 5,000	$
1.53% unsecured bonds due 2012	**5,000**	5,000	**53,740**
1.38% unsecured bonds due 2011	**3,000**	3,000	**32,244**
1.45% unsecured bonds due 2014	**6,000**	6,000	**64,489**
1.66% unsecured bonds due 2016	**4,000**	4,000	**42,992**
1.35% unsecured bonds due 2015	**6,000**		**64,489**
Sub total	**24,000**	23,000	**257,954**
Loans from banks and other financial institutions, due serially to 2020 with interest rates ranging from 0.56% to 6.25 % in 2010 and from 0.50% to 6.25% in 2009			
Collateralized	**3,409**	3,975	**36,638**
Unsecured	**67,705**	64,010	**727,694**
Total	**95,114**	90,985	**1,022,286**
Less current portion	**(17,939)**	(15,260)	**(192,807)**
Long-term debt, less current portion	**¥ 77,175**	¥ 75,725	**$ 829,479**

Annual maturities of long-term debt at March 31, 2010 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 17,939	$ 192,807
2012	21,910	235,490
2013	12,986	139,568
2014	16,100	173,041
2015	11,196	120,338
2016 and thereafter	14,983	161,042
Total	¥ 95,114	$ 1,022,286

At March 31, 2010, assets of ¥13,020 million ($139,941 thousand) were pledged as collateral for long-term debt as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures—net of accumulated depreciation	¥ 12,067	$ 129,697
Land	953	10,244
Total	¥ 13,020	$ 139,941

The amount of investment securities pledged as collateral for sales of beneficiary right of trust at March 31, 2010 was ¥36 million ($387 thousand).

6. RETIREMENT AND PENSION PLANS

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

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

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥ 7,733	¥ 8,527	$ 83,113
Fair value of plan assets	(6,837)	(5,790)	(73,482)
Unrecognized prior service benefits	485	546	5,215
Unrecognized actuarial gain	(290)	(1,606)	(3,121)
Net obligations	1,091	1,677	11,725
Prepaid pension cost	1,112	817	11,953
Liability for employees' retirement benefits	¥ 2,203	¥ 2,494	$ 23,678

The components of net periodic retirement benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥ 452	¥ 464	$ 4,861
Interest cost	120	127	1,293
Expected return on plan assets	(40)	(47)	(428)
Recognized actuarial loss (gain)	34	(162)	367
Amortization of prior service benefits	(61)	(61)	(659)
Other	99	76	1,063
Net periodic retirement benefit costs	¥ 604	¥ 397	$ 6,497

"Other" in 2010 and 2009 includes contributions for defined contribution pension plan of ¥77 million ($824 thousand) and ¥75 million, respectively, and in 2010 includes expenses for early retirement of ¥22 million ($239 thousand).

Assumptions used for the years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%
Recognition period of actuarial gain/loss	**14 years**	14 years
Amortization period of prior service benefits	**14 years**	14 years

7. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

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

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

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

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

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

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

8. OTHER INCOME (EXPENSES)

Other income (expenses)—net for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2010	*2009*	*2010*
Loss on disposals of software	**¥ (49)**	¥ (50)	**$ (528)**
Equity in earnings of associated companies	**74**	49	**797**
Taxes and dues	**(89)**	(371)	**(959)**
Compensation income		342	
Loss on liquidation of subsidiary		(184)	
Loss on business restructuring of subsidiaries and affiliates	**(207)**		**(2,222)**
Other	**(627)**	(358)	**(6,740)**
Other (expenses) income—net	**¥ (898)**	¥ (572)	**$ (9,652)**

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets:			
Liability for employees' retirement benefits	**¥ 2,739**	¥ 2,847	**$ 29,437**
Accrued bonuses	**579**	584	**6,226**
Property, plant and equipment	**864**	604	**9,284**
Tax loss carryforwards	**1,609**	1,562	**17,291**
Golf club memberships	**87**	86	**931**
Loss on write-down of securities	**130**	159	**1,400**
Other	**802**	926	**8,620**
Less valuation allowance	**(2,044)**	(1,990)	**(21,968)**
Total	**4,766**	4,778	**51,221**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(1,865)**	(1,612)	**(20,043)**
Gain on contribution of securities to the employee retirement benefit trust	**(1,766)**	(1,765)	**(18,976)**
Property, plant and equipment	**(737)**	(783)	**(7,920)**
Other	**(533)**	(529)	**(5,734)**
Total	**(4,901)**	(4,689)	**(52,673)**
Net deferred tax (liabilities) assets	**¥ (135)**	¥ 89	**$ (1,452)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Normal effective statutory tax rate	**40.7%**	40.7%
Expenses not deductible for income tax purposes	**1.3**	1.2
Income not taxable for income tax purposes	**(1.5)**	(2.9)
Per capita portion of inhabitant tax	**1.6**	1.3
Effect of elimination of dividend income from subsidiaries for consolidation purpose	**3.9**	5.7
Lower income tax rates applicable to income in certain foreign countries	**(1.5)**	0.8
Valuation allowance	**8.8**	13.6
Effect of consolidation adjustments	**(3.1)**	
Other—net	**(0.0)**	(1.6)
Actual effective tax rate	**50.2%**	58.8%

At March 31, 2010, certain subsidiaries have tax loss carryforwards aggregating approximately ¥3,318 million ($35,663 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	**¥ 50**	**$ 536**
2012	**46**	**495**
2013	**122**	**1,317**
2014	**132**	**1,415**
2015	**498**	**5,350**
2016 and thereafter	**2,470**	**26,550**
Total	**¥ 3,318**	**$ 35,663**

10. LEASES

The Group, as a lessee, leases certain structures, computer equipment, machinery and other assets.

Total rental expenses for the years ended March 31, 2010 and 2009 were ¥7,064 million ($75,922 thousand) and ¥7,393 million, respectively, including ¥220 million ($2,368 thousand) and ¥315 million of lease payments under finance leases.

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Company applied the ASBJ Statement No.13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an " as if capitalized" basis was as follows.

	Millions of Yen								Thousands of U.S. Dollars			
	2010				2009				2010			
	Buildings and Structures	Machinery and Equipment	Other	Total	Buildings and Structures	Machinery and Equipment	Other	Total	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	¥ 249	¥ 245	¥ 605	¥ 1,099	¥ 249	¥ 439	¥ 1,008	¥ 1,696	$ 2,676	$ 2,628	$ 6,510	$ 11,814
Accumulated depreciation	(190)	(155)	(438)	(783)	(183)	(260)	(681)	(1,124)	(2,044)	(1,661)	(4,713)	(8,418)
Net leased property	¥ 59	¥ 90	¥ 167	¥ 316	¥ 66	¥ 179	¥ 327	¥ 572	$ 632	$ 967	$ 1,797	$ 3,396

The above acquisition cost included related interest expense.

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 147	¥ 240	$ 1,578
Due after one year	169	332	1,818
Total	¥ 316	¥ 572	$ 3,396

The above obligations under finance leases included related interest expense.

Depreciation expense of finance leases for the years ended March 31, 2010 and 2009, which was not reflected in the accompanying consolidated statement of income and was computed by the straight-line method, was ¥220 million ($2,368 thousand) and ¥315 million, respectively.

Total lease receipts, as lessor, for the years ended March 31, 2010 and 2009 were ¥32 million ($347 thousand) and ¥32 million.

As discussed in Note 2.k, the Company accounts for leases which existed at the transaction date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost and accumulated depreciation, receivables under finance leases, depreciation expense, and interest income, for the years ended March 31, 2010 and 2009 was as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
	Buildings and Structures	Buildings and Structures	Buildings and Structures
Acquisition cost	¥ 161	¥ 161	$ 1,732
Accumulated depreciation	(58)	(41)	(620)
Net leased property	¥ 103	¥ 120	$ 1,112

Receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 32	¥ 32	$ 347
Due after one year	56	88	595
Total	¥ 88	¥ 120	$ 942

The above receivables under finance leases included related interest income.

Depreciation expense for the years ended March 31, 2010 and 2009 were ¥17 million ($182 thousand) and ¥20 million, respectively.

The minimum rental commitments under noncancelable operating leases as a lessee at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 638	¥ 1,071	$ 6,856
Due after one year	1,086	1,016	11,677
Total	¥ 1,724	¥ 2,087	$ 18,533

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

Total lease revenue for the years ended March 31, 2010 and 2009 was ¥11,985 million ($128,818 thousand) and ¥9,632 million, respectively.

The minimum rental commitments under noncancelable operating leases as a lessor at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 7,473	¥ 478	$ 80,316
Due after one year	7,469	2,554	80,279
Total	¥ 14,942	¥ 3,032	$ 160,595

11. FINANCIAL INSTRUMENTS

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and issued ASBJ Guidance No. 19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures”. This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments
The Group uses financial instruments, mainly bank loan and bond issuance. Cash surpluses, if any, are invested in low risk financial assets.

(2) Nature, extent of risks and its management arising from financial instruments
Trade receivables such as trade notes and trade accounts are exposed to customer credit risk. The Group manages its credit risk from receivables by monitoring of payment term and balances of each customer to reduce the default risk.

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

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

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

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

(3) Fair values of financial instruments
Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead.

(a) Fair value of financial instruments

March 31, 2010	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 16,116	¥ 16,116	¥
Time deposits other than cash equivalents	240	240	
Trade receivables	12,550	12,550	
Investment securities	9,488	9,488	
Total	¥ 38,394	¥ 38,394	¥
Trade payables	¥ 6,388	¥ 6,388	¥
Short-term debt	1,092	1,092	
Long-term debt	95,114	95,993	879
Total	¥ 102,594	¥ 103,473	¥ 879

March 31, 2010	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 173,212	$ 173,212	$
Time deposits other than cash equivalents	2,579	2,579	
Trade receivables	134,884	134,884	
Investment securities	101,978	101,978	
Total	$ 412,653	$ 412,653	$
Trade payables	$ 68,663	$ 68,663	$
Short-term debt	11,733	11,733	
Long-term debt	1,022,286	1,031,738	9,452
Total	$ 1,102,682	$ 1,112,134	$ 9,452

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

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

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

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

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

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

	Carrying amount	
March 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥ 3,554	$ 38,198

(4) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2010	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 16,116	¥	¥	¥
Time deposits other than cash equivalents	240			
Trade receivables	12,550			
Investment securities				
Available-for-sale securities with contractual maturities		36		
Total	¥ 28,906	¥ 36	¥	¥

	Thousands of U.S.Dollars			
March 31, 2010	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 173,212	$	$	$
Time deposits other than cash equivalents	2,579			
Trade receivables	134,884			
Investment securities				
Available-for-sale securities with contractual maturities		387		
Total	$ 310,675	$ 387	$	$

Please see Note 5 for annual maturities of long-term loan and long-term bonds, respectively.

12. DERIVATIVES

The Company entered into interest rate swap contracts to manage its interest rate exposures on certain liabilities in 2009.

All derivative transactions are entered into hedge interest rate exposures incorporated within its business. Accordingly, interest rate risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The fair value of the Company's derivative financial instruments at March 31, 2009 is not disclosed because hedge accounting is applied to all derivative financial instruments entered into by the Company.

13. CONTINGENT LIABILITIES

At March 31, 2010, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of loans	¥ 3,213	$ 34,535
Trade notes endorsed	12	134

14. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2010 and 2009 was as follows:

	Millions of Yen	*Thousands of Shares*	*Yen*	*U.S. Dollars*
Year Ended March 31, 2010	*Net Income*	*Weighted-average Shares*	*EPS*	
Basic EPS:				
Net income	¥ 1,859			
Net income available to common shareholders	¥ 1,859	129,263	¥ 14.38	$ 0.15

	Millions of Yen	*Thousands of Shares*	*Yen*
Year Ended March 31, 2009	*Net Income*	*Weighted-average Shares*	*EPS*
Basic EPS:			
Net income	¥ 1,732		
Net income available to common shareholders	¥ 1,732	132,887	¥ 13.03

15. SUBSEQUENT EVENTS

a. *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2010, which was not reflected in the accompanying consolidation financial statements, was approved at the Board of Directors meeting held on May 7, 2010:

	Millions of Yen	*Thousands of U.S. Dollars*
Year-end cash dividends, ¥4.50 ($0.05) per share	¥ 559	$ 6,007

b. *Acquisition of Asset*

The Company decided to make a coutract for the aquisition of an entrusted properties security at the Board of Directors meeting held on April 26, 2010, and acquired it on April 30, 2010. Details of acquisition are as follows:

1) Purpose:	To strengthen foundation of real estate business
2) Details of entrusted property:	
i. Name	Misato Logistics Center
ii. Location	Soka City, Saitama Prefecture
iii. Lot	28,761m^2
iv. Total floor space	70,636m^2
3) Purchase price:	¥16,447 million
4) Financing method:	Purchase is financed by funds on hand, bank loan and bond issuance

c. *Issuance of bonds*

The Company issued the 9th and 10th unsecured bonds on April 19, 2010 in accordance with a resolution approved at a meeting of the Board of Directors held on March 23, 2010. Details of the issuance are as follows:

	9th unsecured bonds	10th unsecured bonds
1) Issue price:	¥100 per face value of ¥100	¥100 per face value of ¥100
2) Total amount of bond issue:	¥7 billion	¥3 billion
3) Interest rate:	1.27% per annum	0.91% per annum
4) Redemption date:	April 19, 2017	April 17, 2015
5) Redemption price:	100% of the principal amount	100% of the principal amount
6) Redemption method:	Bonds are redeemed at maturity or retired by purchase	Bonds are redeemed at maturity or retired by purchase
7) Purpose:	Redemption of bonds and capital expenditure	Redemption of bonds and capital expenditure
8) Covenants:	Negative pledge clause	Negative pledge clause

16. SEGMENT INFORMATION

Information about industry segments, geographic segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2010 and 2009 were as follows:

(1) Industry Segments

a. Sales and operating income:

	Millions of Yen								Thousands of U.S. Dollars			
	2010				2009				2010			
	Logistics	Real Estate	Eliminations/ Corporate	Consolidated	Logistics	Real Estate	Eliminations/ Corporate	Consolidated	Logistics	Real Estate	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 76,743	¥ 11,985	¥	¥ 88,728	¥ 90,195	¥ 9,632	¥	¥ 99,827	$ 824,839	$ 128,818	$	$ 953,657
Intersegment sales	127	250	(377)		152	247	(399)		1,369	2,688	(4,057)	
Total sales	76,870	12,235	(377)	88,728	90,347	9,879	(399)	99,827	826,208	131,506	(4,057)	953,657
Operating expenses	74,976	4,630	2,579	82,185	86,583	4,342	2,594	93,519	805,852	49,761	27,716	883,329
Operating income	¥ 1,894	¥ 7,605	¥ (2,956)	¥ 6,543	¥ 3,764	¥ 5,537	¥ (2,993)	¥ 6,308	$ 20,356	$ 81,745	$ (31,773)	$ 70,328

b. Total assets, depreciation and capital expenditures:

	Millions of Yen								Thousands of U.S. Dollars			
	2010				2009				2010			
	Logistics	Real Estate	Eliminations/ Corporate	Consolidated	Logistics	Real Estate	Eliminations/ Corporate	Consolidated	Logistics	Real Estate	Eliminations/ Corporate	Consolidated
Total assets	¥ 91,677	¥ 49,806	¥ 28,161	¥ 169,644	¥ 91,958	¥ 48,558	¥ 25,484	¥ 166,000	$ 985,344	$ 535,319	$ 302,678	$ 1,823,341
Depreciation	3,867	2,018	156	6,041	3,586	1,726	137	5,449	41,563	21,691	1,672	64,926
Capital expenditures	5,361	3,118	99	8,578	10,380	24,621	25	35,026	57,623	33,511	1,058	92,192

Notes: 1.“Logistics” consists of warehousing, port terminal operation, overland transportation and international combined transportation.
2.“Real estate” consists substantially of leases of real estate.
3.Operating expenses of ¥2,956 million ($31,773 thousand) in 2010 and ¥2,993 million in 2009, which are included in “Eliminations/Corporate,” consist of the expenses incurred by the administrative section of the Company.
4.Total assets of ¥28,230 million ($303,417 thousand) in 2010 and ¥25,489 million in 2009, which are included in “Eliminations/Corporate”, consist substantially of corporate cash and investment securities and the assets of the administrative section of the Company.

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2010				2009				2010			
	Japan	Others	Eliminations/ Corporate	Consolidated	Japan	Others	Eliminations/ Corporate	Consolidated	Japan	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 76,660	¥ 12,068	¥	¥ 88,728	¥ 82,511	¥17,316	¥	¥ 99,827	$ 823,946	$ 129,711	$	$ 953,657
Interarea transfer	788	1,665	(2,453)		1,031	2,270	(3,301)		8,470	17,894	(26,364)	
Total sales	77,448	13,733	(2,453)	88,728	83,542	19,586	(3,301)	99,827	832,416	147,605	(26,364)	953,657
Operating expenses	67,954	13,728	503	82,185	74,398	19,429	(308)	93,519	730,373	147,547	5,409	883,329
Operating income	¥ 9,494	¥ 5	¥ (2,956)	¥ 6,543	¥ 9,144	¥ 157	¥ (2,993)	¥ 6,308	$ 102,043	$ 58	$ (31,773)	$ 70,328
Total assets	¥ 136,365	¥ 8,736	¥ 24,543	¥ 169,644	¥ 135,695	¥ 8,683	¥ 21,622	¥ 166,000	$ 1,465,658	$ 93,898	$ 263,785	$ 1,823,341

Notes: 1.“Others” consists substantially of the United States of America, Hong Kong, China, Singapore, Taiwan and Europe in 2010 and the United States of America, Singapore, Malaysia, Hong Kong and Europe in 2009.
2.Operating expenses of ¥2,956 million ($31,773 thousand) in 2010 and ¥2,993 million in 2009, which are included in “Eliminations/Corporate,” consist of the expenses incurred by the administrative section of the Company.
3.Total assets of ¥28,230 million ($303,417 thousand) in 2010 and ¥25,489 million in 2009, which are included in “Eliminations/Corporate,” consist substantially of corporate cash and investment securities and the assets of the administrative section of the Company.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 amounted to ¥12,333 million ($132,556 thousand) and ¥18,691 million, respectively.

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of MITSUI-SOKO Co., Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

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

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

Deloitte Touche Tohmatsu LLC

June 29, 2010

Member of
Deloitte Touche Tohmatsu

Mitsui-Soko Group Network

As of March 31, 2010

*Equity-method affiliates

Domestic Branch

Kanto Branch

- Tokyo Main Office
  MSC Center Building, 3-22-23, Kaigan, Minato-ku, Tokyo 108-0022
  Phone:+81(0)3-6400-8300
  Fax:+81(0)3-6400-8349

- Yokohama Main Office
  3-56-1, Aioicho, Naka-ku, Yokohama-shi, Kanagawa 231-0012
  Phone:+81(0)45-201-6901
  Fax:+81(0)45-201-4866

Chubu Branch

- Nagoya Main Office
  Daikyo Hisaya Building 3-19-12, Marunouchi, Naka-ku, Nagoya-shi, Aichi 460-0002
  Phone:+81(0)52-972-0311
  Fax:+81(0)52-972-0408

Kansai Branch

- Osaka Main Office
  Aqua Dojima East, 1-4-4, Dojimahama, Kita-ku, Osaka-shi, Osaka 530-0004
  Phone: +81(0)6-4300-5555
  Fax: +81(0)6-4796-8831

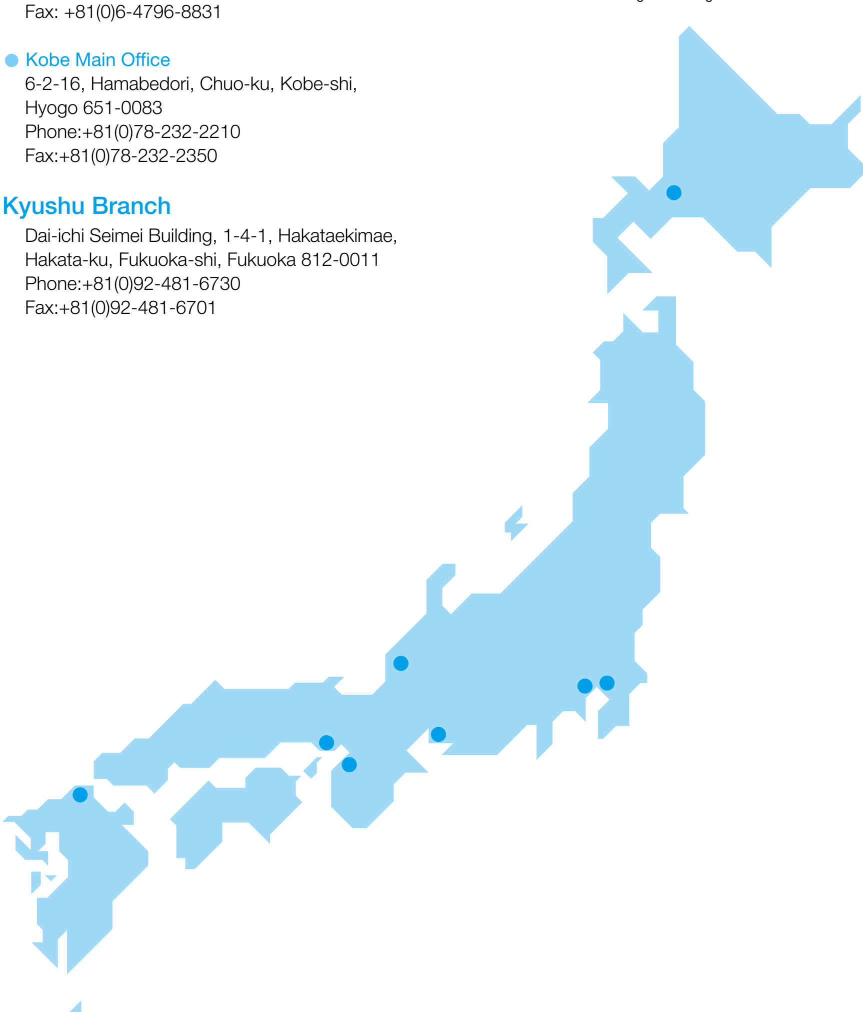
- Kobe Main Office
  6-2-16, Hamabedori, Chuo-ku, Kobe-shi, Hyogo 651-0083
  Phone:+81(0)78-232-2210
  Fax:+81(0)78-232-2350

Kyushu Branch

Dai-ichi Seimei Building, 1-4-1, Hakataekimae, Hakata-ku, Fukuoka-shi, Fukuoka 812-0011
Phone:+81(0)92-481-6730
Fax:+81(0)92-481-6701

Consolidated Subsidiaries and Affiliates

- Hokkaimitsui-Soko Co., Ltd.
  Hokkaido
  Warehousing / Cargo forwarding
- Mitsui-Soko Air Freight Co., Ltd.
  Tokyo
  Air cargo transport and handling services
- Mitsui-Soko Facilities Co., Ltd.
  Tokyo
  Insurance / Building management and operation
- Sun Capital and Accounting Co., Ltd.
  Tokyo
  Financial and accounting services
- Logistics Systems and Solutions Co., Ltd.
  Tokyo
  Information systems designing and development
- Mitsui-Soko Business Partners Co., Ltd.
  Tokyo
  BPO business / Data managemet services
- Tokyo Sanshin Service K.K.
  Tokyo
  Insurance
- Sanso K.K.
  Tokyo
  Warehouse cargo handling

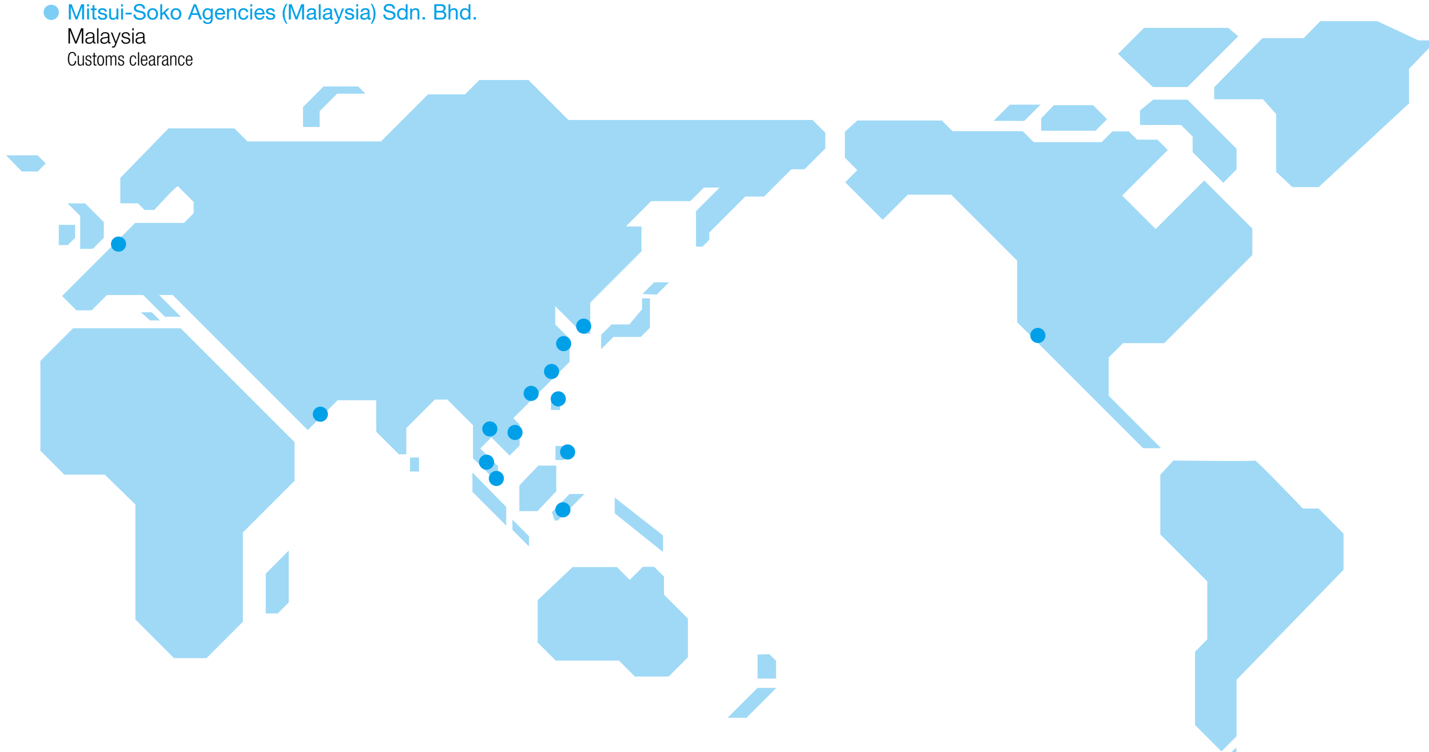


- IM Express Co., Ltd.
  Tokyo
  Overland cargo transport / Cargo forwarding
- M·S Logistics Co., Ltd.
  Saitama
  Warehouse management and operations
- Toko Maruraku Transportation Co., Ltd.
  Kanagawa
  Seaport operations / Cargo forwarding
- MSC Logistics East, Inc.
  Tokyo
  Overland cargo transport / Warehousing
- Sanso Kouun Co., Ltd.
  Aichi
  Warehouse cargo handling / Seaport operations
- Sanko Trucking Co., Ltd.
  Aichi
  Overland cargo transport / Cargo forwarding
- Meikyo Service Co., Ltd.
  Aichi
  Warehouse cargo handling
- Sanei K.K.
  Mie
  Warehouse cargo handling / Seaport operations
- Mitsui Warehouse Terminal Serivce Co., Ltd.
  Osaka
  Seaport operations / Overland cargo transport / Cargo forwarding
- Sanshin Co., Ltd.
  Osaka
  Warehouse cargo handling
- Sanyu Service Co., Ltd.
  Osaka
  Warehouse cargo handling
- Mitsunori Corporation
  Fukui
  Warehousing / Overland cargo transport / Cargo forwarding
- Kobe Sunso Koun Co., Ltd.
  Hyogo
  Warehouse cargo handling / Seaport operations
- MK Services Co., Ltd.
  Hyogo
  Distribution processing
- Sun Transport Co., Ltd.
  Hyogo
  Overland cargo transport / Cargo forwarding
- Mitsui Soko Kyushu Co., Ltd.
  Fukuoka
  Warehousing / Seaport operations / Cargo forwarding
- Seiyu Koun Co., Ltd.
  Fukuoka
  Warehouse cargo handling / Seaport operations
- Hakata Sanso-Butsuryu Co., Ltd.
  Fukuoka
  Warehouse cargo handling / Overland cargo transport
- Itabashi-Shouji Co., Ltd.*
  Kanagawa
  Overland cargo transport / Cargo forwarding
- Morikichi Tsuun Co., Ltd. *
  Aichi
  Overland cargo transport / Cargo forwarding

*Equity-method affiliates

Overseas Consolidated Subsidiaries and Affiliates

- **Mitsui-Soko (U.S.A.) Inc.**
  USA
  International combined transport / Warehousing / Cargo forwarding
- **Mitsui-Soko (Europe) B.V.**
  Netherlands
  International combined transport / Warehousing / Cargo forwarding
- **Mitsui-Soko (Europe) B.V. <Branch>**
  Germany
  International combined transport / Warehousing / Cargo forwarding
- **Mitsui-Soko (Europe) B.V. <Branch>**
  Czech Republic
  International combined transport / Warehousing / Cargo forwarding
- **Mitsui-Soko (Poland) Sp. z o.o.**
  Poland
  International combined transport / Warehousing
- **Mitsui-Soko International Pte. Ltd.**
  Singapore
  Overall management of subsidiaries in the Southeast Asia region / Warehouse leasing
- **Mitsui-Soko (Singapore) Pte. Ltd.**
  Singapore
  International combined transport / Warehousing / Cargo forwarding
- **Mitsui-Soko Air Services(S) Pte. Ltd.**
  Singapore
  Air cargo transport and handling services
- **Mitsui-Soko (Malaysia) Sdn. Bhd.**
  Malaysia
  International combined transport / Warehousing / Cargo forwarding
- **Mitsui-Soko Agencies (Malaysia) Sdn. Bhd.**
  Malaysia
  Customs clearance
- **Integrated Mits Sdn. Bhd.**
  Malaysia
  Warehousing
- **Mitsui-Soko (Thailand) Co., Ltd.**
  Thailand
  International combined transport / Warehousing / Cargo forwarding
- **Mitsui-Soko (Chiangmai) Co., Ltd.**
  Thailand
  International combined transport / Warehousing / Cargo forwarding
- **MITS Logistics (Thailand) Co., Ltd.**
  Thailand
  Warehousing
- **MITS Transport (Thailand) Co., Ltd.**
  Thailand
  Cargo forwarding
- **PT Mitsui-Soko Indonesia**
  Indonesia
  Warehousing / Seaport operations / Cargo forwarding
- **Mitex Logistics (Shanghai) Co., Ltd.**
  China
  Warehousing / Distribution processing
- **Fuzhou Mitex Logistics Co., Ltd.**
  China
  International combined transport / Warehousing / Cargo forwarding
- **Mitex Shenzhen Logistics Co., Ltd.**
  China
  International combined transport / Warehousing / Distribution processing
- **Nantong Sinavico International Logistics Co., Ltd.**
  China
  Warehousing / Distribution processing / Cargo forwarding
- **Mitex International (Hong Kong) Ltd.**
  Hong Kong
  International combined transport / Warehousing / Cargo forwarding
- **Mitex Multimodal Express Ltd.**
  Hong Kong
  Cargo forwarding
- **Noble Business International Ltd.**
  Hong Kong
  Cargo forwarding
- **Mitsui-Soko (Taiwan) Co., Ltd.**
  Taiwan
  International combined transport and handling services
- **Mitsui-Soko (Korea) Co., Ltd.**
  Korea
  International combined transport and handling services
- **Mitsui-Soko (Philippines), Inc.**
  Philippines
  International combined transport / Warehousing / Cargo forwarding
- **Syarikat Rtnz Sdn. Bhd.***
  Malaysia
  Bonded warehouse operations
- **AW Rostamani Logistics L.L.C.***
  UAE
  International combined transport / Warehousing / Overland cargo transport
- **Shanghai Hua He International Logistics Co., Ltd.***
  China
  Warehousing / Cargo forwarding / Distribution processing
- **Joint Venture Sunrise Logistics Co., Ltd.***
  Vietnam
  Warehousing / Cargo forwarding / Customs clearance



Corporate Information / Investor Information

As of March 31, 2010

Company name	MITSUI-SOKO CO., LTD.
Date of Establishment	October 11, 1909
Head Office	MSC Center Bldg., 22-23, Kaigan 3-chome, Minato-ku, Tokyo 108-0022 Phone: +81(0)3-6400-8000 Fax: +81(0)3-6400-8079
Paid-in Capital	¥11,100,714,274
Number of Employees	3,061 (consolidated base) 719 (non-consolidated base)
Common Stock	Authorized — 400,000,000 shares Issued — 124,415,013 shares
Stock Exchange Listings	Tokyo, Osaka (#9302)
Trading Unit	1,000 shares
Shareholder Register Agent	The Chuo Mitsui Trust and Banking Company, Limited Stock Transfer Office (The company's Stock Transfer Agency Department) 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063

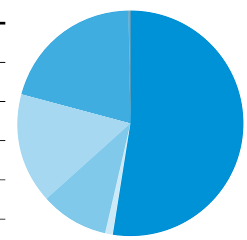
Major Shareholders

	Thousands of Shares	%
Mitsui Life Insurance Company, Ltd.	9,807	7.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,936	7.2
Japan Trustee Services Bank, Ltd. (Trust Account)	8,908	7.2
Mitsui Sumitomo Insurance Company, Ltd.	7,697	6.2
The Chuo Mitsui Trust and Banking Company, Ltd.	5,214	4.2
Sumitomo Mitsui Banking Corp.	3,484	2.8
Juniper	3,040	2.4
J.P. Morgan Clearing Corp-Sec	3,000	2.4
Credit Suisse Securities (Europe) Limited, PB Sec Int Non-Tr Clt	2,793	2.2
MITSUI-SOKO Employees' Shareholding Society	2,740	2.2

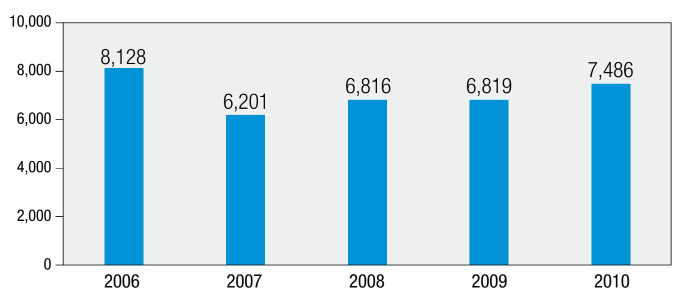
Note: Shares of less than 1,000 are rounded down.
Treasury stock have been excluded from investment ratio calculation.

Composition of MITSUI-SOKO's Shareholders

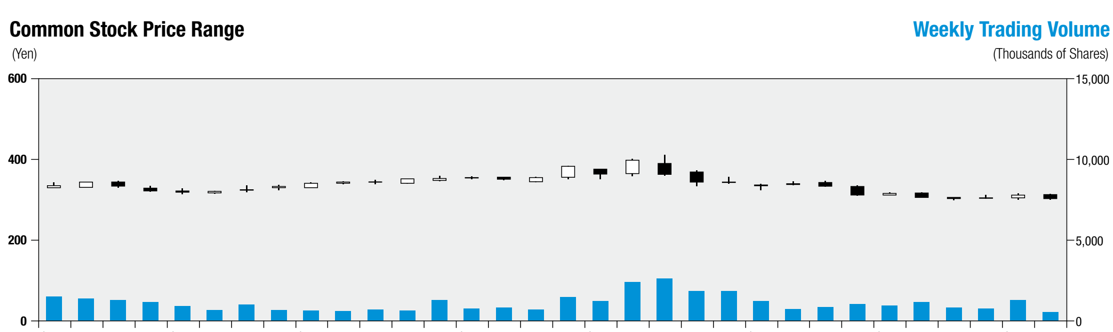
	Thousands of Shares	%
Financial Institutions	65,615	52.7
Securities Companies	1,259	1.0
Other Corporations	12,055	9.7
Foreign Companies	19,676	15.8
Individual and Others	25,588	20.6
The Company (Treasury Stock)	220	0.2



Number of Shareholders



Common Stock Price Range



Mitsui-Soko Group Strategic Facilities

Kita Osaka Warehouse
Settsu City, Osaka
(completed in December 2005)

Osaka Ibaraki Records Center
Ibaraki City, Osaka
(completed in January 2010)

Hokkai Mitsui-Soko Records Center
Kitahiroshima City, Hokkaido
(completed in November 2007)

Nishiharu Warehouse
Kita-Nagoya City, Aichi
(completed in June 2006)

Fukuoka Records Center
Fukuoka City, Fukuoka
(completed in June 2008)

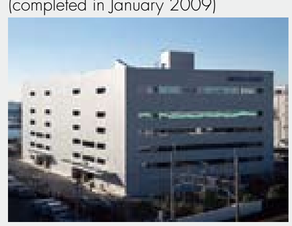
Atsugi Warehouse
Atsugi City, Kanagawa
(completed in August 2008)

Misato Logistics Center
Soka City, Saitama
(completed in April 2008)

MSC Fukagawa Building
Koto Ward, Tokyo
(completed in July 2006)

Machida Records Center
Machida City, Tokyo
(completed in November 2004)

Tatsumi Warehouse
Koto Ward, Tokyo
(completed in January 2009)



MSC Fukagawa Building No. 2
Koto Ward, Tokyo
(completed in December 2008)

MITSUI-SOKO CO., LTD.
22-23, Kaigan 3-chome, Minato-ku, Tokyo, Japan 108-0022

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