MITSUI-SOKO 2014

WE MOVE GOODS WITH TOTAL DEDICATION.

Annual Report 2014
Year ended March 31, 2014

MITSUI-SOKO

Profile

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

At present, the Group is working actively to promote additional growth by further improving the logistics platform that it has established thus far and carrying out effective business strategies in each business.

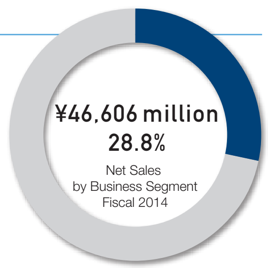
The Company's corporate mission is "Providing innovation and steadfast support universally." In addition to continuing to provide peace of mind based on the trust we have earned from our customers thus far through services such as our warehousing services, we aim to further contribute to our customers and to society by flexibly developing innovative logistics services that become necessary as a result of new economic and social developments and by expanding globally.

The Group plans to switch to the holding company system in October this year, after which companies will work with a good balance between their unique centrifugal forces and centripetal forces of the group in order to pursue further expansion of operations and sustained improvements in corporate value.

Business Lines

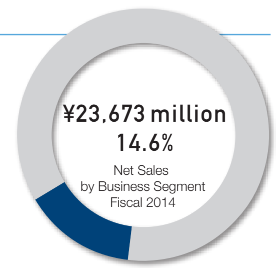
Warehouse Segment

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



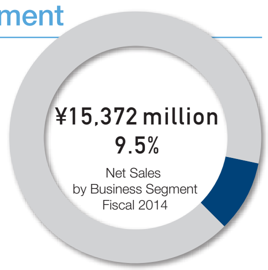
Air Cargo Segment

Providing consolidated air forwarding services, and related logistics services.



Domestic Port Terminal Segment

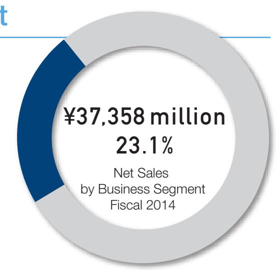
Providing port-related work and services to shipping companies that are our primary customers in this business.



Logistics Systems Segment

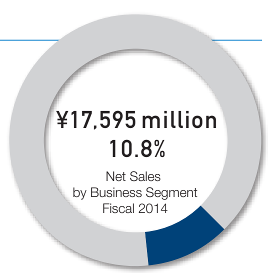
Providing services that support a supply chain management (SCM) through third-party logistics (3PL)*1.

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



Global Network Segment

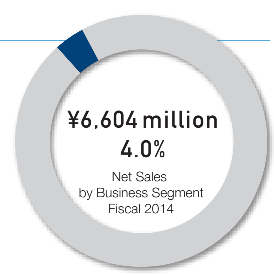
Providing logistics services to Japanese affiliated and local companies overseas through the network of overseas group subsidiaries.



BPO Segment

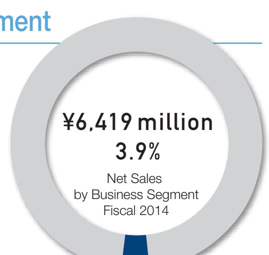
Providing business process outsourcing (BPO)*2 for operations and management, by taking over a portion or all of the work processes performed by customers.

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



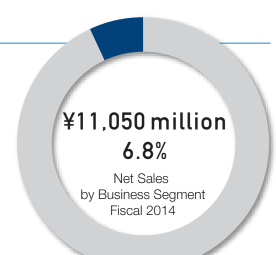
International Transportation Segment

Providing combined transport services and related logistics services.



Real Estate Segment

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



Note: The Company changed business segments from the year ended March 31, 2014. Net sales include intersegment sales or transfers.

The Evolution of Mitsui-Soko

Year		Warehouse Segment	Domestic Port Terminal Segment	Global Network Segment	International Transportation Segment	Air Cargo Segment	Logistics Systems Segment	BPO Segment	Real Estate Segment
1909	Founded as Toshin Soko Co., Ltd. when the warehouse division was spun off of Mitsui Bank.	Launched the warehousing business.							
1917			Launched the port transport business.						
1942	Renamed Mitsui-Soko Co., Ltd.								
1950	Listed on the Tokyo Stock Exchange.								
1966		Launched the cargo vehicle transport business.							
1968			Launched the handling of marine containers and the operation of container terminals in Japan.						
1972				Established the first overseas subsidiary in Hong Kong.					
1977				Launched full-scale international transport services.					
1978					Launched Non Vessel Operating Common Carrier (NVOCC) services.				
1982						Launched full-scale air cargo transport services.			
1986								Launched "Big Bag" services (trunk room storage, moving, etc. services for non-commercial goods).	
1989									Launched full-scale real estate leasing business.
2005		Established a new high-efficiency, multifunctional logistics facility and began redevelopment of existing facilities in the Tokyo metropolitan area.							
2008							Launched full-scale 3PL service.		
2009	Celebrated the Company's centennial.								
2011						Acquired all shares of a subsidiary of JTB Corp., renamed this company Mitsui-Soko Air Cargo Inc., and thereby expanded and strengthened international cargo transport business, including air cargo transport services.	Inaugurated FLEXPRESS logistics package service within Asia.		
2012						Acquired shares of TAS Express Co., Ltd. to be merged with Mitsui-Soko Air Cargo Inc. and started as Mitsui-Soko Express Co., Ltd.	Acquired all shares of SANYO Electric Logistics Co., Ltd. and renamed this company Mitsui-Soko Logistics Co., Ltd. to fortify 3PL business.		
2014	Move to a holding Company System (planned).								

Forward-looking Statements

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

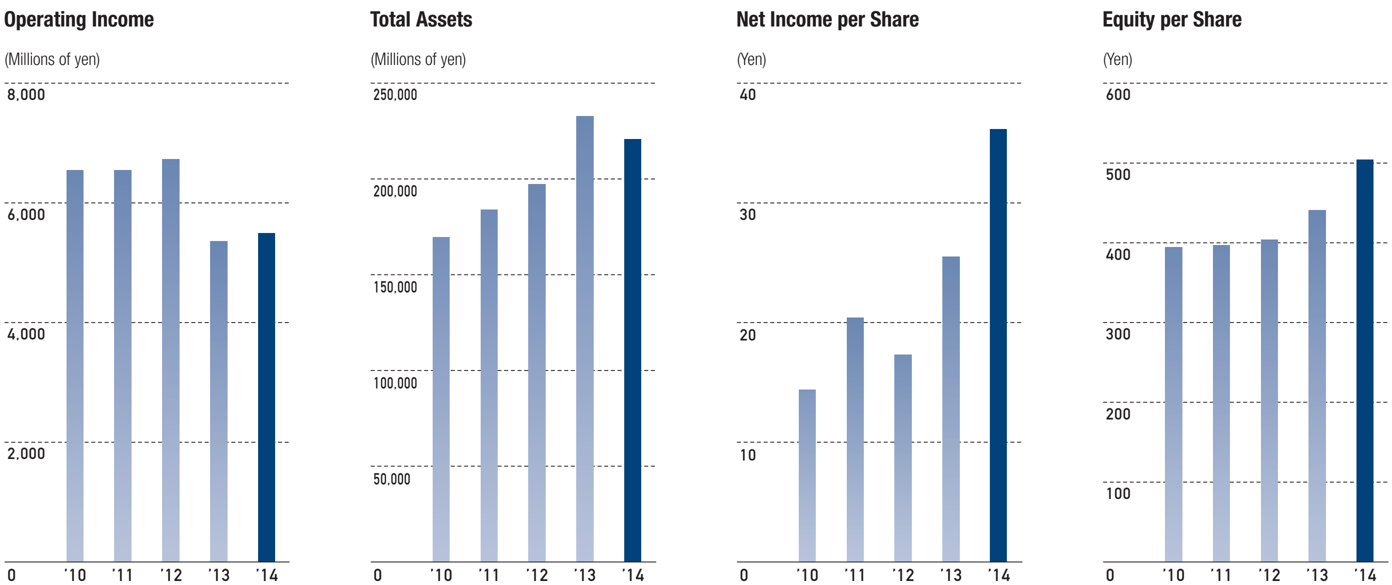
Contents

Consolidated Financial Highlights

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

	Millions of Yen					Thousands of U.S. Dollars
	2014	2013	2012	2011	2010	**2014**
For the year:						
Net sales	**¥ 161,536**	¥ 148,242	¥ 107,345	¥ 96,766	¥ 88,728	**$ 1,569,527**
Operating income	**5,495**	5,363	6,732	6,549	6,543	**53,391**
Net income	**4,492**	3,166	2,151	2,534	1,859	**43,645**
Net cash provided by operating activities	**13,639**	7,142	9,682	8,104	10,227	**132,522**
At year-end:						
Total assets	**¥ 220,728**	¥ 232,873	¥ 197,338	¥ 184,035	¥ 169,644	**$ 2,144,661**
Equity	**65,937**	57,697	50,853	49,967	50,292	**640,661**
Per share of common stock (in yen and U.S. dollars):						
Net income	**¥ 36.17**	¥ 25.49	¥ 17.32	¥ 20.40	¥ 14.38	**$ 0.35**
Equity	**504.22**	440.99	403.70	396.61	394.37	**4.90**
Cash dividends applicable to the year	**9.00**	9.00	9.00	9.00	9.00	**0.09**
Ratios:						
Equity ratio (%)	**28.4**	23.5	25.4	26.8	28.9	
Return on equity (%)	**7.7**	6.0	4.3	5.2	3.7	
Interest coverage ratio (times)	**10.4**	4.9	6.7	5.3	6.7	
Price/Earnings ratio (times)	**11.4**	22.7	20.4	15.9	24.3	

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 ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. (See Note 1 of the Notes to Consolidated Financial Statements)



Message from the President

Kei Fujioka
President

I wish to express my appreciation to all of our shareholders and investors for your consideration and support. Our Group accomplishes sustainable growth by contributing to society through our main business of logistics services.

In November 2012 we established our medium-term management plan, “MOVE2013,” and we are working on achieving more growth in all of the segments of the group with the aim of evolving into a global competitive logistics company. As economic conditions are starting to move in the direction of recovery, we decided to move to a holding company system in October this year in order to additionally accelerate growth after this medium-term management plan. Going forward we will continue working to further expand the scale of the business and continuously improve our corporate value.

<Market Environment of the fiscal year ended March 31, 2014 (Fiscal 2014)>

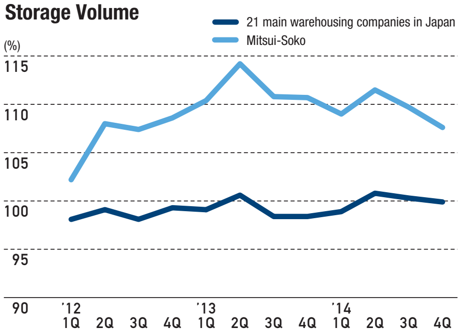
Handling volume has been growing steadily, particularly in Asia, and the market environment has begun moving along a recovery path.

Looking at the economy of Japan during the period of the fiscal 2014, exports continued to rise and fall from month to month but imports consistently increased with a background of a recovery in domestic demand and other factors. Since achieving a year-over-year increase in July last year the industrial production index has been gradually recovering, with the figures trending steadily.

In the logistics industry, the storage balances for type 1-3 warehouses of the 21 main warehousing companies are recovering gradually, and since July last year the cargo turnover ratio has also been higher every month compared to the same month in the previous year.

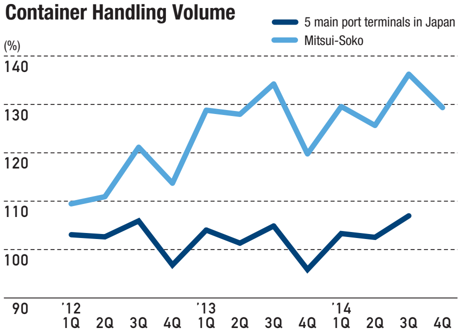
Further, we are closely monitoring the consumer movement over the raising of the consumption tax rate in April, TPP negotiation and others as those are strong influential factors for the logistic industry.

Storage Volume



*The average amount of fiscal 2011 is regarded as 100.

Container Handling Volume



*Statistics for 5 main port terminals in Japan are based on figures up to Dec. 2013.
*The average amount of fiscal 2011 is regarded as 100.

<Fiscal 2014 Consolidated Business Results>

Our Group experienced overall stable business results due to our promotion of the medium-term management plan.

In this economic environment, our Group experienced overall stable business results because we strove to accomplish the medium-term management plan.

Our Warehouse Segment, which offers warehousing, domestic transportation, distribution processing and other logistics services to companies in Japan, experienced increased net sales as storage, regular freight transport, and other services performed steadily. However, several factors including the temporary costs incurred as a result of cargo congestion resulted in a decline of operating income.

The Domestic Port Terminal Segment, which offers port-related work and services to shipping companies, experienced higher net sales and operating income due to strong handling volume in container terminal related work, its core operation, with existing customers that are operating shipping routes between Japan and China.

The Global Network Segment, which offers logistics services through our network of overseas group subsidiaries, saw increased net sales and operating income due to the integration of the subsidiaries in Europe and an increase in handling volume in each region of the North America, Northeast Asia, and Southeast Asia.

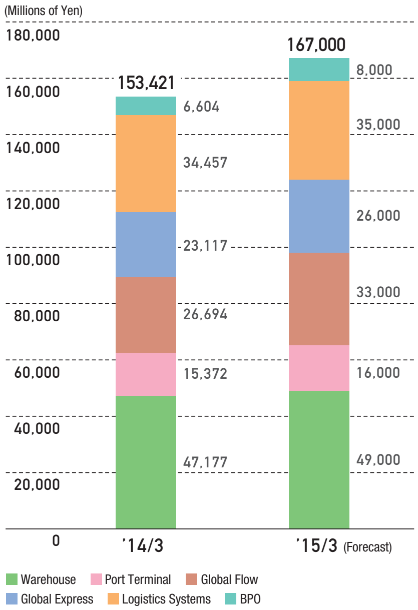
The International Transportation Segment, which provides combined transport services, and related logistics services experienced higher net sales and operating income due to a steady improvement in the volume of handling for the Asian region.

The Air Cargo Segment, which provides consolidated air forwarding services and related logistics services experienced higher net sales and operating income due to the contribution of Mitsui-Soko Express Co., Ltd. throughout the whole fiscal year.

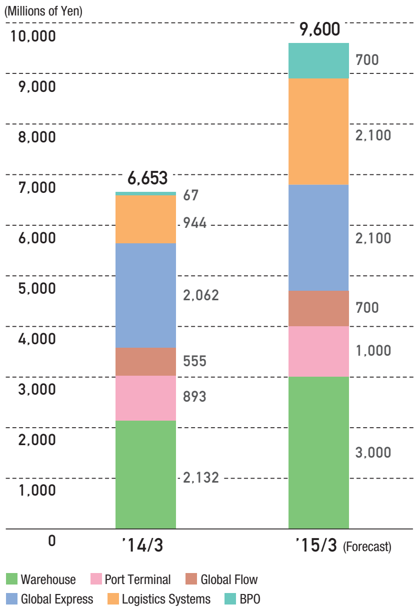
The Logistics Systems Segment, which provides SCM support services through third-party logistics (3PL), saw net sales and operating income rise owing to business contracts in the Tokyo Metropolitan Area for 3PL operations for a leading electronics retail store and in addition due to the increase in the amount of cargo handled resulting from the last-minute demand before the raising of the consumption tax rate.

The Business Process Outsourcing (BPO) Segment, offering BPO services that operate and manage on a consigned basis for some or all of the business processes of the customers, achieved increased net sales due to the steady performance of the operations consigned from its existing customers and the contribution of new customers acquired in the prior fiscal year. On the other hand, operating income declined in the end due to the temporary costs incurred as a result of the fact that we revised our storage locations on a nationwide scale as a part of our structural adjustment for the future.

Net Sales by Logistics Segment



Operating Income by Logistics Segment



Note: In April 2014, we combined the "Global Network" segment and the "International Transportation" segment to form the new "Global Flow" segment and changed the name of the "Air Cargo" segment to the "Global Express" segment.

Note: In the graph, the figures for fiscal 2014, net sales and operating income are adjusted in accordance with the new segment classifications.

The Real Estate Segment experienced decreased net sales and operating income after a sale of a leasing facility during the prior fiscal year from the standpoint of improving asset efficiency and financial balance.

As a result of the above, the consolidated business results for fiscal 2014 showed net sales of ¥161,536 million, a 9.0% year-over-year increase and operating income of ¥5,495 million, a 2.5% increase year-over-year. From a perspective of asset efficiency improvement, our Group sold some of its fixed assets, resulting in net income of ¥4,492 million, representing a 41.9% year-over-year increase.

<Future Outlook>

We will steadily accomplish the goals established for the second year of the new medium-term management plan.

We expect the recovery in business conditions to continue in the fiscal year ending March 31, 2015, reflecting the recovery in domestic demand, although there are concerns that there will be a downturn reaction from the last-minute demand that resulted from the raising of the consumption tax rate.

Given these conditions, our Group will steadily work towards achieving the goals established for the second year of "MOVE2013," the medium-term management plan. In addition, in order to further accelerate growth after the medium-term management plan and evolve into a global competitive logistics company, we will move to a holding company system from October this year. The holding company will aim for overall optimization from a medium-to long-term perspective while the operating companies will pursue growth independently and autonomously. With respect to our consolidated business results for the next fiscal year ending March 31, 2015, we forecast net sales of ¥175,000 million (8.3% year-over-year increase), with operating income of ¥7,300 million (32.8% year-over-year increase), and net income of ¥2,400 million (46.6% year-over-year decrease).

With respect to dividends, our policy is to maintain a stable level on dividend payout even if our business results worsen temporarily, considering our medium- and long-term profit levels and financial condition, so that the payout is not unduly affected by short-term fluctuations. Therefore, our Group has set year-end dividends at ¥4.50 per share, resulting in ¥9.00 per share full-year dividend when combined with the interim dividend payout. The Group intends to pay an annual dividend of ¥9.00 per share (interim dividend of ¥4.50 per share) for the next fiscal year as well.

We would like to extend our thanks to our shareholders and investors for understanding of our management policies, and ask for continued support.

MOVE2013 Medium-Term Management Plan (State of Progress)

M O V E

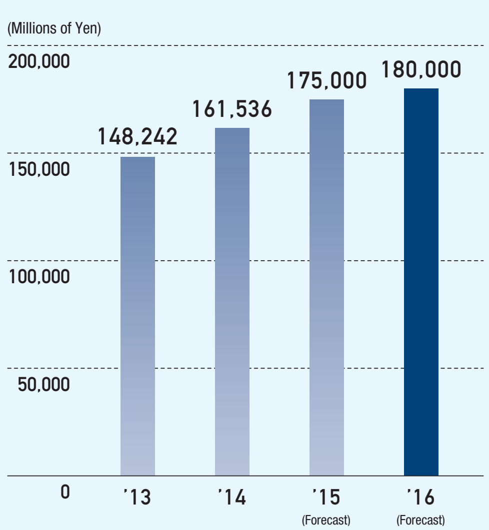
Mitsui Original Value & Evolution

MOVE is an abbreviation of Mitsui Original Value & Evolution. It reaffirms our corporate value to us, and represents our approach to policies that we believe will maximize our value from the viewpoint of customers. Therefore, it guides us to the unique evolution that can be achieved only by us.

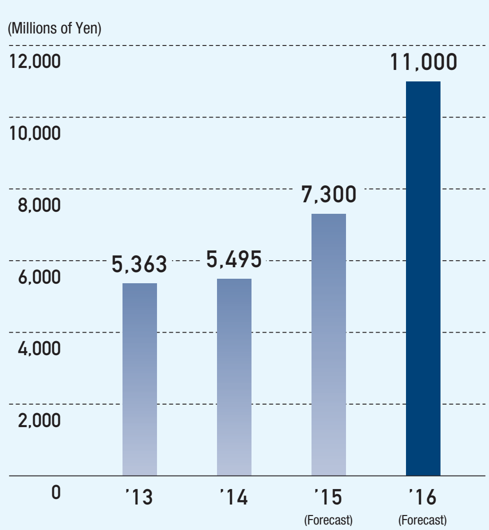
Our Group established the medium-term management plan "MOVE2013" in November 2012 and we have been developing our business activities with the goals of achieving net sales of ¥180.0 billion, operating income of ¥11.0 billion, and ROE in excess of 8.0% in the fiscal year ending March 31, 2016 (Fiscal 2016). In Fiscal 2014, the first year of the plan, we achieved net sales of ¥161.5 billion and operating income of ¥5.5 billion.

"MOVE2013" will particularly focus on industries and regions for which growth is expected going forward and will strengthen the development of new services and initiatives for the segments. By steadily accomplishing the goals of "MOVE2013" the overall Mitsui-Soko group will aim to evolve a strong company structure that will continue to grow in balance, while producing Group-wide synergies.

Net Sales



Operating Income



Growth industry strategy

"MOVE2013" is making concentrated investments in the growing field of healthcare, including pharmaceutical products, etc. Following on from this company's first facility specializing in healthcare that began operating in November 2012 in Kobe City in Hyogo Prefecture, in June 2015 we will complete the second such facility in the same neighborhood, and in August the same year we plan to complete a facility specializing in healthcare in Kazo City in Saitama Prefecture, the first such facility in the Kanto region. In this way we will put in place a two-base structure in Kanto and Kansai that also takes into account the requirements of our customers' business continuity plan (BCP). In the healthcare field we have begun offering solution services to medical institutions. We are also offering services including investigational drug logistics and clinical trial document management.

A facility specializing in healthcare products in Kazo City, Saitama Prefecture (conceptual drawing)

Growth region strategy

The Asia-Pacific region, in which the Group is making concentrated investments, is a region that demonstrates particularly notable growth and is a region in which we have delivered more than 30 years of successful performance in the logistics business. In Bangkok in Thailand, we completed construction of a logistics facility with a total floor space of 19,000m^2 in January 2014, and it is functioning as a logistics base for daily commodities and machinery components. Following on from this, in Indonesia we are currently constructing a logistics facility with a total floor space of 35,000m^2 in an industrial park in Jakarta, and completion is planned for March 2015. Indonesia is becoming more attractive both as a production region and as a consumer market so this facility will be used as a base for domestic and overseas logistics that is based in that country. In China we are currently constructing a logistics facility with a total floor space of 51,000m^2 equipped with controlled/low temperature functions that will handle consumer products, foods and other products for the affluent class and middle-income people of Shanghai, and completion is planned for October this year. When we have completed the facilities in four countries, including the logistics facility currently under construction in Korea (Busan), the scale of the logistics facilities of the Group in the Asia-Pacific region will increase by approximately 30% compared to before.

New logistics facility in Thailand

Structural expansion and new services

Regarding the structural expansion of the Mitsui-Soko Group, Mitsui-Soko Express Co., Ltd. has established local group subsidiaries in Brazil, the fourth largest automobile sales market in the world, and Mexico, which has a remarkable cluster of companies in the automobile and auto parts industries, and is strengthening its initiatives in the area of auto parts logistics globally.

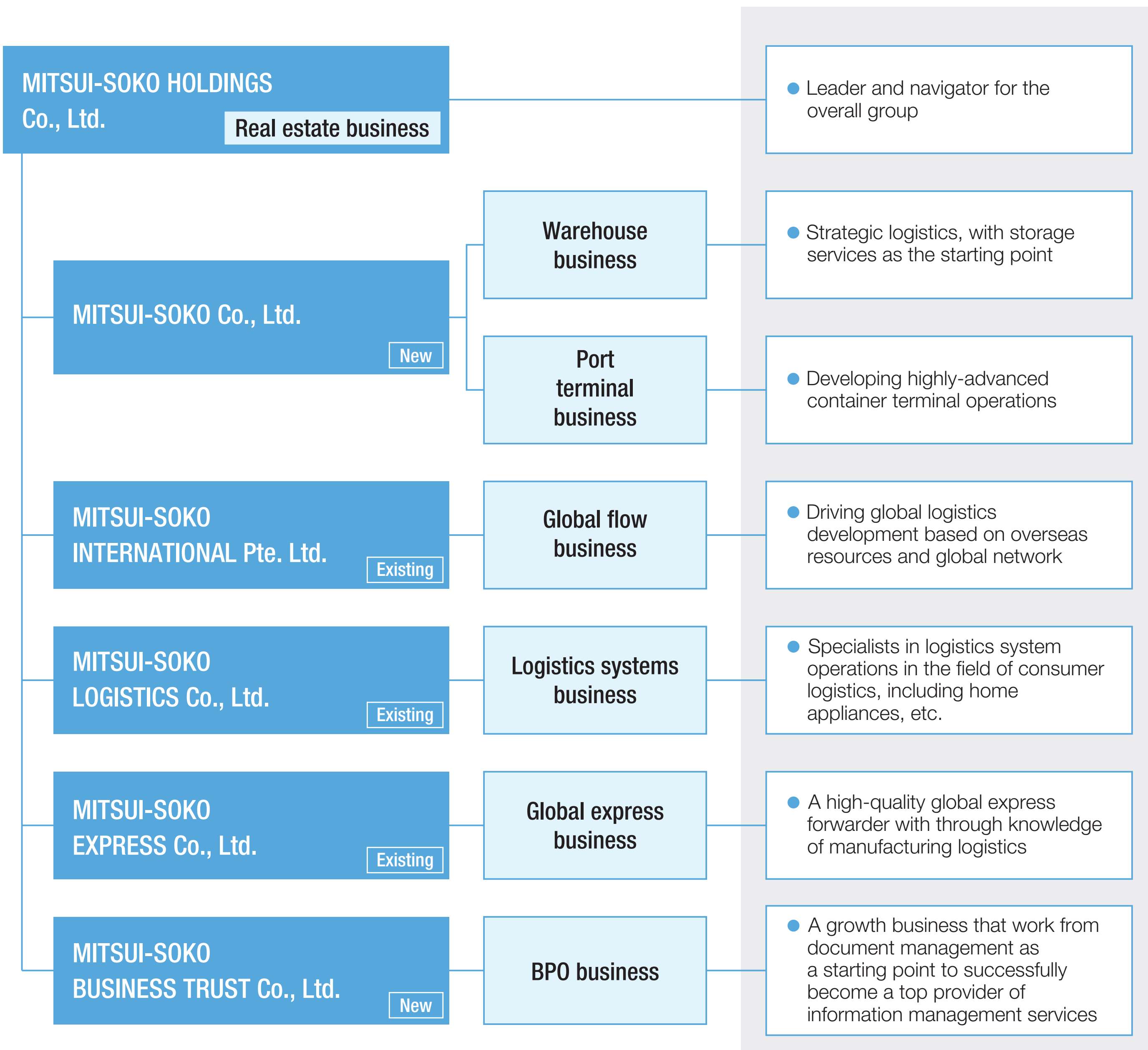
Furthermore, Mitsui-Soko Logistics Co., Ltd. has utilized the know-how it has cultivated in logistics for the operations of electronics retail stores to commence the delivery and installation of furniture and other large products in leading mail-order companies.

About the move to a holding company system

The Group will move to a holding company system on October 1, 2014 in order to consolidate the realization of its growth strategy. Under the holding company system we will evolve into a global competitive logistics company and thereby accomplish the goals of the medium-term management plan "MOVE2013," further accelerate growth after the end of the medium-term management plan, expand the scale of the segments, and realize continuous improvement of our corporate value.

After the move to a holding company system, the six segments will be developed into five operating companies and the Group will have a structure under which the holding company supports the operating companies. The five operating companies will freely implement rapid decision-making within the scope of the authority delegated to them, and utilize the support of the holding company while thoroughly pursuing growth opportunities in their own business areas, and aiming to accomplish their goals. The holding company will formulate strategies and allocate resources from the perspective of optimization of the overall group in the medium- to long-term and support the operating companies pursuing growth independently and autonomously, for example by consolidating and being in charge of functions in common for the entire group.

(Figure) New group structure



Corporate Governance

Basic Policy

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

Key Entities and Responsibilities

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

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

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

Establishment of an Internal Control System

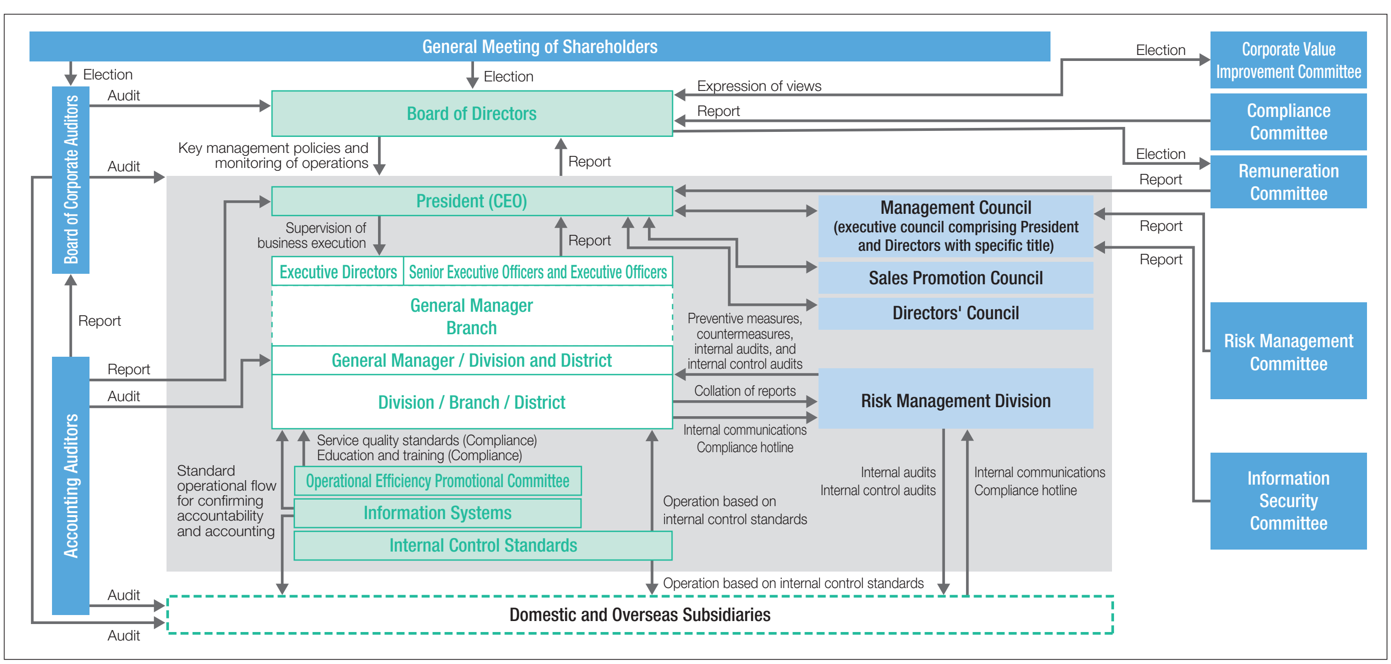
The Company has put in place internal controls to ensure that the execution of duties by directors conforms with laws and the Company's articles of incorporation as well as to ensure the appropriateness of other operations carried out by the Company. We have also established rules and regulations associated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

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

Risk Management Structure and Internal Auditing

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

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



Directors, Corporate Auditors, Corporate Officers and Executive Officers

As of June 27, 2014

Chairman
Kazuo Tamura

President
Kei Fujioka

Managing Director
Makoto Ikari

Managing Director
Yukihiro Nakaya

Managing Director
Makoto Tawaraguchi

Managing Director
Eiji Michise

Directors

Chairman	Kazuo Tamura
President *	Kei Fujioka
Managing Director *	Makoto Ikari
Managing Director *	Yukihiro Nakaya
Managing Director	Makoto Tawaraguchi
Managing Director	Eiji Michise
Director	Motome Ikeda
Director	Koji Yagawa
Director	Ryoji Ogawa
Director	Hirobumi Koga
Outside Director	Kazunari Uchida
Outside Director	Mamoru Furuhashi

Representative *

Corporate Auditors

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

Corporate Officers and Executive Officers

Chief Executive Officer, Responsible for Global Flow Headquarters	Kei Fujioka
Chief Financial Officer, Responsible for Finance Headquarters and Business Administrative Headquarters	Makoto Ikari
Chief Compliance Officer, Responsible for Corporate Administrative Headquarters	Yukihiro Nakaya
Senior Executive Officer, Port Business Headquarters	Makoto Tawaraguchi
Senior Executive Officer, Director of Warehouse Business Development of Warehouse Business Headquarters	Eiji Michise
Senior Executive Officer, BPO Business Headquarters	Motome Ikeda
Senior Executive Officer, Director of Operations of Warehouse Business Headquarters	Koji Yagawa
Senior Executive Officer, General Affairs Headquarters	Ryoji Ogawa
Director, Finance Headquarters	Hirobumi Koga
Senior Executive Officer, Director of Europe & America Business and International Transportation Business of Global Flow Headquarters	Kenji Takatoh
Senior Executive Officer, Director of Asia Pacific Business, Global Flow Headquarters	Yoshiaki Miyajima
Executive Officer in charge of designated assignment	Akira Ogasawara
Executive Officer, China Business Officer of Global Flow Headquarters	Daisuke Goto
Executive Officer, International Transportation Business Officer of Global Flow Headquarters	Ryuji Ikeda
Executive Officer, General Manager of Kanto Branch of Warehouse Business Headquarters	Osamu Odanaka
Executive Officer, General Manager of Kansai Branch of Warehouse Business Headquarters	Kiyoshi Obata
Executive Officer, Port Business Officer of Port Business Headquarters	Kyozo Nakamura
Executive Officer, Finance Officer of Finance Headquarters	Nobuo Nakayama
Executive Officer, Corporate Management Officer of Warehouse Business Headquarters	Noboru Matsukawa
Executive Officer, Officer of Planning, Development and Public Relations	Keiji Wada
Executive Officer, Vice Division Director of China Business, Global Flow Headquarters	Hiroshi Ito
Executive Officer, Director of Warehouse Business Development of Warehouse Business Headquarters	Hiroshi Kinoh
Executive Officer, General Manager of Chubu Branch of Warehouse Business Headquarters	Hiroyuki Tsubota

Mitsui-Soko Express Co., Ltd. President	Masanori Nakajima
Mitsui-Soko Logistics Co., Ltd. President	Yukio Ishida

Management's Discussion and Analysis

Business Results

Net Sales

Due to a rally in domestic demand and last-minute demand created by the increase in consumption tax during the fiscal year ending March 2014, business conditions began to gradually recover. Given these conditions, the Group recorded net sales of ¥161,536 million, representing a ¥13,294 million year-over-year gain (9.0%). This result was mainly due to favorable performance in the Global Network Segment, International Transportation Segment, Air Cargo Segment, Logistics Systems Segment and BPO Segment.

By segment, the Group recorded net sales of ¥46,606 million (¥1,028 million, 2.3% year-over-year increase) in the Warehouse Segment, ¥15,372 million (¥792 million, 5.4% increase) in the Domestic Port Terminal Segment, ¥17,595 million (¥3,899 million, 28.5% increase) in the Global Network Segment, ¥6,420 million (¥634 million, 11.0% increase) in the International Transportation Segment, ¥23,674 million (¥3,801 million, 19.1% increase) in the Air Cargo Segment, ¥37,358 million (¥4,287 million, 13.0% increase) in the Logistics Systems Segment, ¥6,605 million (¥681 million, 11.5% increase) in the BPO Segment, and ¥11,050 million (¥347 million, 3.0% decrease) in the Real Estate Segment.

Cost of Sales and SG&A Expenses

Together with the increase in net sales, cost of sales increased by ¥12,842 million (10.0%) compared to the prior fiscal year, amounting to ¥141,704 million. The ratio of cost of sales to net sales increased by 0.8 points to 87.7%. Selling, general and administrative (SG&A) expenses increased by ¥320 million (2.3%) year-over-year, reaching ¥14,337 million.

Operating Income

Despite temporary costs created by freight congestion in the Warehouse Segment, operating income increased by ¥132 million (2.5%) year-over-year to ¥5,495 million due to contributions from Mitsui-Soko Express Co.,Ltd. throughout the fiscal year.

Operating income results by segment showed the Warehouse Segment at ¥2,702 million (¥236 million, 8.0% decrease), the Domestic Port Terminal Segment at ¥905 million (¥322 million, 55.2% increase), and the Global Network Segment at ¥212 million (¥307 million increase). The International Transportation Segment recorded operating income of ¥218 million (¥24 million, 12.4% increase), with the Air Cargo Segment at ¥2,100 (¥557 million, 36.1% increase), the Logistics Systems Segment at ¥1,313 million (¥471 million, 56.0% increase), the BPO Segment at ¥149 million (¥90 million, 37.6 decrease), and the Real Estate Segment at ¥6,397 million (¥683 million, 9.6% decrease).

Other Income (Expenses)

Other income (expenses) increased by ¥1,751 million year-over-year, amounting to ¥2,582 million. This increase was mainly due to an increase in net financial revenue caused by a reduction of liabilities with interest and the absence of the impairment losses that occurred in the previous fiscal year.

Net Income

The Group recorded income before income taxes and minority interests of ¥8,077 million, increased by ¥1,883 million (30.4%) year-over-year.

Net income rose by ¥1,326 million (41.9%) year-over-year, reaching ¥4,492 million. Net income per share was ¥36.17, an increase of ¥10.68 compared to ¥25.49 in the previous fiscal year.

Financial Position

Assets and Equity

Total assets at the end of the fiscal year amounted to ¥220,728 million, representing a ¥12,145 million year-over-year decrease. This decrease was mainly owing to the reduction of interest-bearing debt such as corporate bonds and long-term loans, which was paid from cash reserves. Equity increased by ¥8,240 million compared to the prior fiscal year, reaching ¥65,937 million.

Cash Flows

Cash flow from operating activities amounted to ¥13,639 million of inflow, an increase of ¥6,497 million compared to the previous fiscal year. This increase was mainly due to a decrease in income taxes, consumption tax refunds, and capital reserves created by income before income taxes and minority interests as well as depreciation costs.

Cash flow from investing activities amounted to ¥5,340 million of outflow, a ¥30,405 million decrease in net outflow compared to the previous fiscal year, when a large outflow occurred due to purchases of shares in new consolidated subsidiaries. The result for this fiscal year was mainly due to income from the sale of fixed assets being offset by outflow for land acquisition for new warehouses overseas.

Cash flow from financing activities amounted to ¥24,013 million of outflow, a ¥27,152 million increase in outflow compared to the previous fiscal year, when corporate bonds were issued. The result for this fiscal year was mainly due to the maturing of corporate bonds, which was paid from cash reserves.

Consolidated Balance Sheet

MITSUI-SOKO Co., Ltd. and its Consolidated Subsidiaries
March 31, 2014

ASSETS	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 15,943	¥ 29,578	$ 154,911
Time deposits other than cash equivalents (Note 14)	559	557	5,433
Marketable securities (Notes 3 and 14)	20	20	194
Receivables (Note 14):			
Trade notes and accounts	22,014	22,217	213,898
Unconsolidated subsidiaries and associated companies	77	66	745
Other	1,765	2,088	17,150
Deferred tax assets (Note 12)	1,225	1,821	11,899
Other current assets	4,155	4,820	40,375
Allowance for doubtful accounts	(87)	(97)	(849)
Total current assets	45,671	61,070	443,756
PROPERTY, PLANT AND EQUIPMENT (Notes 4, 5 and 6):			
Land	50,324	47,616	488,955
Buildings and structures	157,458	155,707	1,529,905
Machinery and equipment	16,643	16,719	161,710
Other	10,878	10,684	105,695
Construction in progress	1,854	920	18,015
Total	237,157	231,646	2,304,280
Accumulated depreciation	(117,654)	(113,157)	(1,143,157)
Net property, plant and equipment	119,503	118,489	1,161,123
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	13,787	12,475	133,957
Investments in unconsolidated subsidiaries and associated companies	3,942	2,579	38,303
Long-term loans	358	341	3,479
Goodwill	22,910	24,656	222,601
Intangible assets	6,387	6,551	62,056
Assets for retirement benefits (Note 8)	2,823	1,506	27,426
Deferred tax assets (Note 12)	1,216	1,174	11,818
Other assets	4,371	4,239	42,474
Allowance for doubtful accounts	(240)	(207)	(2,332)
Total investments and other assets	55,554	53,314	539,782
TOTAL	¥ 220,728	¥ 232,873	$ 2,144,661

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Payables (Note 14):			
Trade notes and accounts	¥ 14,359	¥ 13,495	$ 139,521
Unconsolidated subsidiaries and associated companies	13	168	125
Other	3,167	4,794	30,775
Short-term borrowings (Notes 6 and 14)	7,241	5,804	70,351
Current portion of long-term debt (Notes 6 and 14)	20,852	23,847	202,602
Deposits received	6,031	6,002	58,603
Income taxes payable	718	507	6,972
Accrued expenses	3,546	3,259	34,453
Other current liabilities	1,390	1,660	13,511
Total current liabilities	57,317	59,536	556,913
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 14)	81,981	102,498	796,548
Liability for retirement benefits (Note 8)	4,476	3,828	43,493
Deferred tax liabilities (Note 12)	6,288	4,263	61,093
Other long-term liabilities	4,729	5,051	45,953
Total long-term liabilities	97,474	115,640	947,087
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 7, 13 and 15)			
EQUITY (Notes 9 and 17):			
Common stock—authorized, 400,000,000 shares; issued, 124,415,013 shares in 2014 and 2013	11,101	11,101	107,858
Capital surplus	5,563	5,563	54,052
Retained earnings	39,239	35,961	381,256
Treasury stock—at cost, 226,131 shares in 2014 and 223,591 shares in 2013	(101)	(99)	(978)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	4,412	3,555	42,865
Deferred gain on derivatives under hedge accounting		4	
Foreign currency translation adjustments	1,940	(1,318)	18,849
Defined retirement benefit plans	464		4,514
Total	62,618	54,767	608,416
Minority interests	3,319	2,930	32,245
Total equity	65,937	57,697	640,661
TOTAL	¥ 220,728	¥ 232,873	$ 2,144,661

Consolidated Statement of Income

MITSUI-SOKO Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES	¥ 161,536	¥ 148,242	$ 1,569,527
COST OF SALES	141,704	128,862	1,376,830
Gross profit	19,832	19,380	192,697
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	14,337	14,017	139,306
Operating income	5,495	5,363	53,391
OTHER INCOME (EXPENSES):			
Interest and dividend income	461	367	4,482
Interest expense	(1,274)	(1,461)	(12,378)
Foreign exchange (loss) gain—net	(405)	185	(3,933)
Gain on change in equity		530	
Gain on sales of property, plant and equipment—net	5,135	6,240	49,888
Impairment loss		(3,772)	
Other—net (Note 11)	(1,335)	(1,258)	(12,975)
Other income (expenses)—net	2,582	831	25,084
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	8,077	6,194	78,475
INCOME TAXES (Note 12):			
Current	1,450	1,057	14,088
Deferred	1,935	1,827	18,803
Total income taxes	3,385	2,884	32,891
NET INCOME BEFORE MINORITY INTERESTS	4,692	3,310	45,584
MINORITY INTERESTS IN NET INCOME	200	144	1,939
NET INCOME	¥ 4,492	¥ 3,166	$ 43,645

	Yen		U.S. Dollars (Note 1)
	2014	2013	2014
PER SHARE OF COMMON STOCK (Notes 2.q and 17):			
Basic net income	¥ 36.17	¥ 25.49	$ 0.35
Cash dividends applicable to the year	9.00	9.00	0.09

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

MITSUI-SOKO Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 4,692	¥ 3,310	$ 45,584
OTHER COMPREHENSIVE INCOME (Note 16):			
Unrealized gain on available-for-sale securities	856	1,437	8,324
Deferred (loss) gain on derivatives under hedge accounting	(4)	4	(41)
Foreign currency translation adjustments	2,855	1,162	27,740
Share of other comprehensive income in associates	520	117	5,051
Total other comprehensive income	4,227	2,720	41,074
COMPREHENSIVE INCOME (Note 16)	¥ 8,919	¥ 6,030	$ 86,658
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 16):			
Owners of the parent	¥ 8,602	¥ 5,838	$ 83,583
Minority interests	317	192	3,075

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MITSUI-SOKO Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2014

			Millions of Yen										
							Accumulated Other Comprehensive Income (Loss)						
	Number of Common Stock	Number of Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	124,415,013	(222,698)	¥11,101	¥ 5,563	¥34,003	¥ (99)	¥ 2,101	¥	¥ (2,533)		¥50,136	¥ 717	¥50,853
Net income					3,166						3,166		3,166
Cash dividends, ¥9.0 per share					(1,118)						(1,118)		(1,118)
Repurchase of treasury stock		(893)				(0)					(0)		(0)
Change in scope of equity method					(90)						(90)		(90)
Net change in the year							1,454	4	1,215		2,673	2,213	4,886
BALANCE, MARCH 31, 2013	124,415,013	(223,591)	11,101	5,563	35,961	(99)	3,555	4	(1,318)		54,767	2,930	57,697
Net income					4,492						4,492		4,492
Cash dividends, ¥9.0 per share					(1,118)						(1,118)		(1,118)
Repurchase of treasury stock		(2,540)				(2)					(2)		(2)
Change in scope of equity method					(96)						(96)		(96)
Net change in the year							857	(4)	3,258	464	4,575	389	4,964
BALANCE, MARCH 31, 2014	124,415,013	(226,131)	¥11,101	¥ 5,563	¥39,239	¥ (101)	¥ 4,412	¥	¥ 1,940	¥ 464	¥62,618	¥ 3,319	¥65,937

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income (Loss)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$107,858	$ 54,052	$349,410	$ (966)	$ 34,537	$ 41	$ (12,803)		$532,129	$ 28,465	$560,594
Net income			43,645						43,645		43,645
Cash dividends, $0.09 per share			(10,860)						(10,860)		(10,860)
Repurchase of treasury stock				(12)					(12)		(12)
Change in scope of equity method			(939)						(939)		(939)
Net change in the year					8,328	(41)	31,652	4,514	44,453	3,780	48,233
BALANCE, MARCH 31, 2014	$107,858	$ 54,052	$381,256	$ (978)	$ 42,865	$	$ 18,849	$ 4,514	$608,416	$ 32,245	$640,661

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MITSUI-SOKO Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 8,077	¥ 6,194	$ 78,475
Adjustments for:			
Income taxes—paid	(1,155)	(1,832)	(11,222)
Depreciation and amortization	7,259	6,862	70,536
Amortization of goodwill	1,811	1,656	17,597
Gain on sales of property, plant and equipment—net	(5,135)	(6,240)	(49,888)
Impairment loss		3,772	
Changes in assets and liabilities:			
Decrease in allowance for doubtful accounts	(2)	(12)	(22)
Increase (decrease) in liability for retirement benefits	633	(781)	6,146
Decrease in notes and accounts receivable—trade	1,116	1,971	10,847
Increase (decrease) in notes and accounts payable—trade	141	(2,087)	1,369
Other—net	894	(2,361)	8,684
Total adjustments	5,562	948	54,047
Net cash provided by operating activities	13,639	7,142	132,522
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(8,762)	(21,903)	(85,133)
Proceeds from sales of property, plant and equipment	5,297	13,219	51,473
Purchases of intangible assets	(706)	(1,441)	(6,862)
Purchases of investment securities	(90)	(110)	(873)
Payments for investment in affiliates	(1,294)	(1,347)	(12,570)
Proceeds from collection of loans	110	320	1,065
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(57)	(24,892)	(555)
Other—net	162	409	1,575
Net cash used in investing activities	(5,340)	(35,745)	(51,880)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings—net	1,174	(14,350)	11,401
Proceeds from long-term debt	950	35,540	9,230
Repayments of long-term debt	(24,462)	(16,313)	(237,682)
Dividends paid	(1,118)	(1,118)	(10,860)
Repurchase of treasury stock	(2)	(0)	(12)
Other—net	(555)	(620)	(5,394)
Net cash (used in) provided by financing activities	(24,013)	3,139	(233,317)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	¥ 2,079	¥ 712	$20,200
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,635)	(24,752)	(132,475)
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY		2,395	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,578	51,935	287,386
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 15,943	¥ 29,578	$ 154,911

See notes to consolidated financial statements.

ADDITIONAL INFORMATION:
1. Mitsui-Soko Logistics Co., Ltd. was included in the scope of consolidation for the year ended March 31, 2013, through the acquisition of shares. The acquisition cost and payments for the acquisition were as follows:

	Millions of Yen
	2013
Current assets	¥ 11,175
Investments and other assets	19,082
Current liabilities	(15,730)
Long-term liabilities	(2,754)
Net assets acquired	11,773
Goodwill	12,035
Cash acquired	(4,060)
Cash acquired in the previous year	(86)
Net of cash acquired	¥ 19,662

2. Mitsui-Soko Express Co., Ltd. was included in the scope of consolidation for the year ended March 31, 2013, through the absorption-type merger. The acquisition cost and payments for the merger were as follows:

	Millions of Yen
	2013
Current assets	¥ 2,750
Investments and other assets	3,239
Current liabilities	(1,263)
Long-term liabilities	(896)
Minority interest	(1,373)
Net assets acquired	2,457
Goodwill	4,993
Cost of acquisition paid by shares	(2,145)
Cash acquired	(1,127)
Cash acquired in the previous year	(40)
Net of cash acquired	¥ 4,138

3. The Company resolved at the Board of Directors' meeting held on November 12, 2013, to transition to a holding company system through a company split, effective from October 1, 2014. It also resolved at the Board of Directors' meeting held on May 26, 2014, on an incorporation-type company split plan for transitioning to a holding company system and amendments of the articles of incorporation (amendments for corporate name and business purpose).

1. Overview of business to be split from the Company
(1) Business to be split from the Company

The Company's business will be split into two, and "(new) Mitsui-Soko Co., Ltd." will succeed warehousing business and port terminal business and "Mitsui-Soko Business Trust Co., Ltd." will succeed BPO business.

(2) Items and amounts of dividing assets and liabilities (as of March 31, 2014)

<Warehouse business and Port Terminal business>

Assets			Liabilities		
	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*		*Millions of Yen*	*Thousands of U.S. Dollars (Note 1)*
Current assets	¥10,933	$106,224	Current liabilities	¥ 7,502	$ 72,894
Property, plant and equipment	¥ 2,732	$ 26,545	Long-term liabilities	¥ 157	$ 1,528
Total	¥13,665	$132,769	Total	¥ 7,659	$ 74,422

<BPO business>

Assets			Liabilities		
	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*		*Millions of Yen*	*Thousands of U.S. Dollars (Note 1)*
Current assets	¥ 525	$ 5,102	Current liabilities	¥ 261	$ 2,537
Property, plant and equipment	¥ 465	$ 4,522	Long-term liabilities	¥	$
Total	¥ 990	$ 9,624	Total	¥ 261	$ 2,537

2. Overview of incorporation-type company split (October 1, 2014, at establishment (planned))

(1) Company name	Mitsui-Soko Co., Ltd.	
(2) Main business	Warehousing and port-related business	
(3) Date of establishment	October 1, 2014 (planned)	
(4) Head office	20-1, Nishi-shimbashi 3-chome, Minato-ku, Tokyo, Japan 105-0003	
(5) Representative	President, Kei Fujioka	
	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
(6) Capital	¥ 5,000	$ 48,581
(7) No. of issued common stock	50,000 shares	
	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
(8) Equity	¥ 6,005	$ 58,348
(9) Total assets	¥ 13,665	$ 132,769
(10) Accounting period	March 31	

(1) Company name	Mitsui-Soko Business Trust Co., Ltd.	
(2) Main business	BPO business	
(3) Date of establishment	October 1, 2014 (planned)	
(4) Head office	22-23, Kaigan 3-chome, Minato-ku, Tokyo, Japan 108-0022	
(5) Representative	President, Motome Ikeda	
	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
(6) Capital	¥ 100	$ 972
(7) No. of issued common stock	1,000 shares	
	Millions of Yen	*Thousands of U.S. Dollars (Note 1)*
(8) Equity	¥ 729	$ 7,088
(9) Total assets	¥ 991	$ 9,625
(10) Accounting period	March 31	

Note: Total assets and net assets are calculated using the balance sheet as of March 31, 2014. The actual amount to be split will be determined by adjustment of increases and decreases accrued up to the effective date.

Notes to Consolidated Financial Statements

MITSUI-SOKO Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2014

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation*—The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 56 (59 in 2013) significant 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 seven (10 in 2013) associated companies are accounted for by the equity method.

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

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

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

b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that 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. However, 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, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

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

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

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

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

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

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

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

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

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

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

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

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 8).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, asset for retirement benefits of ¥2,823 million ($27,426 thousand) and liability for retirement benefits of ¥4,476 million ($43,493 thousand) were recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥465 million ($4,514 thousand). Net assets per share increased by ¥3.74 ($0.04).

The Company expects to apply (c) above from April 1, 2014, and measured the effect by increase asset for retirement benefits of ¥684 million ($6,646 thousand), decrease liability for retirement benefits of ¥355 million ($3,450 thousand) and increase retained earnings of ¥669 million ($6,498 thousand) as of the beginning of the fiscal year ending March 31, 2015.

Effects on operating income and net income before income taxes and minority interests for the fiscal year ending March 31, 2015, are minimal.

l. *Asset Retirement Obligations*—In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting

Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. *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.

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

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

All other leases are accounted for as operating leases.

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

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

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

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

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

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

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

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

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

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

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current—Government and corporate bonds	¥ 20	¥ 20	$ 194
Noncurrent:			
Equity securities	¥ 13,787	¥ 12,475	$ 133,957
Total	¥ 13,787	¥ 12,475	$ 133,957

The costs and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2014				
Securities classified as available-for-sale:				
Equity securities	¥ 5,049	¥ 6,931	¥ (117)	¥ 11,863
Debt securities	20			20
March 31, 2013				
Securities classified as available-for-sale:				
Equity securities	¥ 5,016	¥ 5,702	¥ (180)	¥ 10,538
Debt securities	20	0		20

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2014				
Securities classified as available-for-sale:				
Equity securities	$ 49,058	$ 67,347	$ (1,134)	$ 115,271
Debt securities	193			193

The information for sale of available-for-sale securities which were sold during the year ended March 31, 2014, was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
March 31, 2014						
Securities classified as available-for-sale:						
Equity securities	¥ 71	¥ 33	¥	$ 687	$ 320	$

The impairment loss on write-down of available-for-sale equity securities for the years ended March 31, 2014 and 2013, was ¥80 million ($774 thousand) and ¥0 million, respectively.

4. INVESTMENT PROPERTY

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

The Group owns some rental properties such as office buildings and land in Tokyo and other areas. The net of rental income and operating expenses for those rental properties was ¥6,642 million ($64,536 thousand) for the fiscal year ended March 31, 2014.

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, 2013	*Increase/Decrease*	***March 31, 2014***	***March 31, 2014***
¥ 38,324	¥ (516)	**¥ 37,808**	**¥ 143,000**

Millions of Yen			
Carrying Amount			*Fair Value*
April 1, 2012	*Increase/Decrease*	*March 31, 2013*	*March 31, 2013*
¥ 37,964	¥ 360	¥ 38,324	¥ 148,373

Thousands of U.S. Dollars			
Carrying Amount			*Fair Value*
April 1, 2013	*Increase/Decrease*	***March 31, 2014***	***March 31, 2014***
$ 372,362	$ (5,018)	**$ 367,344**	**$ 1,389,433**

Notes: 1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation, if any.
2. Decrease during the fiscal year ended March 31, 2014, primarily represents depreciation over time.
3. Fair value of major properties as of March 31, 2014, is measured by an outside real estate appraiser and fair value of other properties is measured by the Company in accordance with its Income Approach.

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2013. As a result, impairment loss of ¥3,772 million was recognized for 2013. The main components of the impairment loss on long-lived assets for the year ended March 31, 2013, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	*2013*	***2014***
Land	**¥**	¥ 3,733	**$**
Buildings and structures		39	
Total	**¥**	¥ 3,772	**$**

The recoverable amount of assets was measured at their net selling price determined by quotations from third parties.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2014 and 2013, mainly consisted of notes to banks. The annual interest rates applicable to the short-term borrowings ranged from 0.32% to 0.60% and from 0.37% to 0.79% at March 31, 2014 and 2013, respectively.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
1.45% unsecured bonds due 2014	**¥**	¥ 6,000	**$**
1.66% unsecured bonds due 2016	**4,000**	4,000	**38,865**
1.35% unsecured bonds due 2015	**6,000**	6,000	**58,298**
1.27% unsecured bonds due 2018	**7,000**	7,000	**68,013**
0.91% unsecured bonds due 2016	**3,000**	3,000	**29,149**
0.82% unsecured bonds due 2017	**10,000**	10,000	**97,163**
0.67% unsecured bonds due 2019	**10,000**	10,000	**97,163**
0.78% unsecured bonds due 2020	**10,000**	10,000	**97,163**
Subtotal	**¥ 50,000**	¥ 56,000	**$ 485,814**
Loans from banks and other financial institutions, due serially to 2023 with interest rates ranging from 0.405% to 2.1% in 2014 and from 0.405% to 3.3% in 2013			
Collateralized	**44**	137	**421**
Unsecured	**52,789**	70,208	**512,915**
Total	**102,833**	126,345	**999,150**
Less current portion	**(20,852)**	(23,847)	**(202,602)**
Long-term debt, less current portion	**¥ 81,981**	¥ 102,498	**$ 796,548**

Annual maturities of long-term debt at March 31, 2014, were as follows:

Years Ending March 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2015	**¥ 20,852**	**$ 202,602**
2016	**20,195**	**196,220**
2017	**21,157**	**205,569**
2018	**13,468**	**130,855**
2019	**13,843**	**134,503**
2020 and thereafter	**13,318**	**129,401**
Total	**¥ 102,833**	**$ 999,150**

Assets of ¥564 million ($5,479 thousand) pledged as collateral for debt as of March 31, 2014, were as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
Buildings and structures—net of accumulated depreciation	**¥ 291**	**$ 2,831**
Land	**273**	**2,648**
Total	**¥ 564**	**$ 5,479**

7. OVERDRAFTS AND LOAN COMMITMENTS

The Company has concluded overdraft agreements with four banks and loan commitment contracts with three banks for efficient procurement of working capital. The portion of the credit line that had not been exercised under these agreements and contracts as of March 31, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Total overdraft limits	**¥ 7,000**	¥ 4,000	**$ 68,014**
Loan executions	**1,000**		**9,716**
	¥ 6,000	¥ 4,000	**$ 58,298**

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Total loan commitment limits	**¥ 5,000**	¥ 8,000	**$ 48,581**
Loan executions			
	¥ 5,000	¥ 8,000	**$ 48,581**

8. RETIREMENT AND PENSION PLANS

1. Overview of retirement benefit plans

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

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

Certain consolidated foreign subsidiaries have defined contribution pension plans.

2. Retirement and pension plans

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 8,573	$ 83,297
Current service cost	682	6,624
Interest cost	112	1,088
Actuarial (gains) losses	80	776
Benefits paid	(1,088)	(10,568)
Others	260	2,535
Balance at end of year	¥ 8,619	$ 83,752

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 6,317	$ 61,373
Expected return on plan assets	28	269
Actuarial (gains) losses	851	8,264
Contributions from the employer	25	242
Benefits paid	(255)	(2,463)
Balance at end of year	¥ 6,966	$ 67,685

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 4,301	$ 41,799
Plan assets	(6,966)	(67,685)
	(2,665)	(25,886)
Unfunded defined benefit obligation	4,318	41,953
Net liability (asset) for defined benefit obligation	¥ 1,653	$ 16,067

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 4,476	$ 43,493
Asset for retirement benefits	(2,823)	(27,426)
Net liability (asset) for defined benefit obligation	¥ 1,653	$ 16,067

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 682	$ 6,624
Interest cost	112	1,088
Expected return on plan assets	(28)	(269)
Recognized actuarial (gains) losses	(80)	(773)
Amortization of prior service cost	(48)	(465)
Net periodic benefit costs	¥ 638	$ 6,205

Note: In addition to the net periodic benefit cost stated above, extra retirement benefits of ¥178 million ($1,727 thousand) and changing the accounting method to calculate retirement benefit obligation from the simplified method to the principle method by ¥261 million ($2,536 thousand) were recorded as expenses for the year ended March 31, 2014.

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ 51	$ 497
Unrecognized actuarial (gains) losses	671	6,518
Total	¥ 722	$ 7,015

(6) Plan assets as of March 31, 2014

a. Components of plan assets

Plan assets consisted of the following:

Equity investments	81%
Debt investments	9%
General accounts	6%
Cash and cash equivalents	3%
Others	1%
Total	100%

Note: The total of plan assets includes 33% of the assets contributed to a retirement benefit trust for the defined-benefit corporate pension plan and 47% of the assets contributed to a retirement benefit trust for retirement lump-sum payment plan.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.0-2.0%
Expected rate of return on plan assets	2.0%

3. Defined contribution system
Required contributions to the Company and certain consolidated subsidiaries defined contribution plans were ¥111 million ($1,079 thousand).

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

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

Certain consolidated foreign subsidiaries have defined contribution pension plans.

The liability for employees' retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
	2013
Projected benefit obligation	¥ 8,573
Fair value of plan assets	(6,317)
Unrecognized prior service benefits	99
Unrecognized actuarial gain	(33)
Net obligations	2,322
Prepaid pension cost	1,506
Liability for employees' retirement benefits	¥ 3,828

The components of net periodic retirement benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
	2013
Service cost	¥ 673
Interest cost	158
Expected return on plan assets	(86)
Recognized actuarial gain	(5)
Amortization of prior service benefits	(61)
Other	86
Net periodic retirement benefit costs	¥ 765

"Other" includes contributions for defined contribution pension plan.

Assumptions used for the years ended March 31, 2013, were set forth as follows:

	2013
Discount rate	1.6-2.0%
Expected rate of return on plan assets	2.0-3.2%
Recognition period of actuarial gain/loss	13-15 years
Amortization period of prior service benefits	13-15 years

9. EQUITY

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

(a) Dividends

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

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

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

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

10. AMORTIZATION OF GOODWILL

Amortization of goodwill included in selling, general, and administrative expenses was ¥1,811 million ($17,597 thousand) and ¥1,656 million for the years ended March 31, 2014 and 2013, respectively.

11. OTHER INCOME (EXPENSES)

Other expenses—net for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	*2013*	***2014***
Equity in earnings of associated companies	**¥ 166**	¥ 82	**$ 1,608**
Taxes and dues	**(205)**	(283)	**(1,996)**
Loss on business restructuring of subsidiaries and affiliates	**(187)**		**(1,819)**
Land inspection and removal expenses for underground obstacles	**(157)**		**(1,522)**
Loss on sales of investment securities	**(104)**	(188)	**(1,006)**
Retirement benefit cost	**(261)**		**(2,536)**
Commission fee	**(445)**	(467)	**(4,320)**
Other	**(142)**	(402)	**(1,384)**
Other expenses—net	**¥ (1,335)**	¥ (1,258)	**$ (12,975)**

12. 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 38.0% for the year ended March 31, 2014, and March 31, 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Deferred tax assets:			
Liability for employees' retirement benefits	**¥ 2,548**	¥ 2,835	**$ 24,757**
Accrued bonuses	**651**	667	**6,322**
Property, plant and equipment	**1,186**	1,170	**11,523**
Tax loss carryforwards	**1,466**	1,828	**14,248**
Golf club memberships	**51**	64	**494**
Loss on write-down of securities	**139**	94	**1,355**
Goodwill	**391**	622	**3,798**
Other	**1,033**	1,238	**10,036**
Less valuation allowance	**(1,521)**	(1,829)	**(14,781)**
Total	**5,944**	6,689	**57,752**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(2,412)**	(1,938)	**(23,432)**
Gain on contribution of securities to the employee retirement benefit trust	**(1,622)**	(1,622)	**(15,759)**
Property, plant and equipment	**(4,321)**	(2,955)	**(41,987)**
Other	**(1,436)**	(1,442)	**(13,950)**
Total	**(9,791)**	(7,957)	**(95,128)**
Net deferred tax (liabilities) assets	**¥ (3,847)**	¥ (1,268)	**$ (37,376)**

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, 2014 and 2013, was as follows:

	2014	2013
Normal effective statutory tax rate	**38.0%**	38.0%
Expenses not deductible for income tax purposes	**0.7**	1.3
Income not taxable for income tax purposes	**(6.7)**	(5.7)
Per capita portion of inhabitant tax	**1.0**	1.1
Effect of elimination of dividend income from subsidiaries for consolidation purpose	**7.2**	6.1
Lower income tax rates applicable to income in certain foreign countries	**(1.5)**	(3.9)
Valuation allowance	**(2.7)**	0.5
Effect of consolidation adjustments	**6.8**	7.9
Adjustment of deferred tax assets due to change in income tax rate	**0.5**	(1.7)
Amortization of goodwill	**1.7**	2.3
Other—net	**(3.1)**	0.7
Actual effective tax rate	**41.9%**	46.6%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38.0% to 35.6%. The effect of this change was to decrease deferred tax assets and deferred tax liabilities in the consolidated balance sheet as of March 31, 2014, by ¥100 million ($969 thousand) and ¥4 million ($36 thousand), respectively, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥96 million ($933 thousand).

At March 31, 2014, certain subsidiaries have tax loss carryforwards aggregating approximately ¥3,874 million ($37,637 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending March 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2015	¥ **53**	$ **512**
2016	**6**	**63**
2017	**14**	**133**
2018	**248**	**2,408**
2019	**284**	**2,760**
2020 and thereafter	**3,269**	**31,761**
Total	¥ **3,874**	$ **37,637**

13. LEASES

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

Total rental expenses for the years ended March 31, 2014 and 2013, were ¥13,141 million ($127,679 thousand) and ¥11,749 million, respectively.

The minimum rental commitments under noncancelable operating leases as a lessee at March 31, 2014 and 2013, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	*2013*	***2014***
Due within one year	¥ **2,332**	¥ 1,426	$ **22,658**
Due after one year	**6,789**	5,784	**65,964**
Total	¥ **9,121**	¥ 7,210	$ **88,622**

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

Total lease revenues for the years ended March 31, 2014, and 2013, were ¥10,877 million ($105,684 thousand) and ¥11,295 million, respectively.

The minimum rental commitments under noncancelable operating leases as a lessor at March 31, 2014 and 2013, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	*2013*	***2014***
Due within one year	¥ **5,644**	¥ 5,769	$ **54,841**
Due after one year	**3,486**	3,965	**33,868**
Total	¥ **9,130**	¥ 9,734	$ **88,709**

14. FINANCIAL INSTRUMENTS

(1) Group Policy for Financial Instruments
The Group uses financial instruments, mainly including bank loans and bond issuances. Cash surpluses, if any, are invested in low-risk financial assets.

(2) Nature and Extent of Risks Arising from Financial Instruments
Trade receivables, such as trade notes and trade accounts, are exposed to customer credit risk. The Group manages its credit risk from receivables by monitoring the payment terms and balances of each customer to reduce default risk.

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

Payment terms of trade payables, such as trade notes and trade accounts, are less than one year. Short-term borrowings are used to fund the Group's ongoing operations, and long-term debt is used to fund its capital financing plan. The Group does not have any loans exposed to market risk from changes in interest rates. Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by reviewing its financial planning every month.

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

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2014	*Carrying Amount*	*Fair Value*	*Unrealized Gain/Loss*
Cash and cash equivalents	**¥ 15,943**	**¥ 15,943**	**¥**
Time deposits other than cash equivalents	**559**	**559**	
Trade receivables	**22,091**	**22,091**	
Marketable and investment securities	**11,884**	**11,884**	
Total	**¥ 50,477**	**¥ 50,477**	**¥**
Trade payables	**¥ 14,372**	**¥ 14,372**	**¥**
Short-term debt	**7,241**	**7,241**	
Long-term debt	**102,833**	**104,109**	**1,276**
Total	**¥ 124,446**	**¥ 125,722**	**¥ 1,276**

	Millions of Yen		
March 31, 2013	*Carrying Amount*	*Fair Value*	*Unrealized Gain/Loss*
Cash and cash equivalents	¥ 29,578	¥ 29,578	¥
Time deposits other than cash equivalents	557	557	
Trade receivables	22,283	22,283	
Marketable and investment securities	10,558	10,558	
Total	¥ 62,976	¥ 62,976	¥
Trade payables	¥ 13,660	¥ 13,660	¥
Short-term debt	5,804	5,804	
Long-term debt	126,345	128,123	1,778
Total	¥ 145,809	¥ 147,587	¥ 1,778

	Thousands of U.S. Dollars		
March 31, 2014	*Carrying Amount*	*Fair Value*	*Unrealized Gain/Loss*
Cash and cash equivalents	**$ 154,911**	**$ 154,911**	**$**
Time deposits other than cash equivalents	**5,433**	**5,433**	
Trade receivables	**214,643**	**214,643**	
Marketable and investment securities	**115,464**	**115,464**	
Total	**$ 490,451**	**$ 490,451**	**$**
Trade payables	**$ 139,646**	**$ 139,646**	**$**
Short-term debt	**70,351**	**70,351**	
Long-term debt	**999,150**	**1,011,552**	**12,402**
Total	**$ 1,209,147**	**$ 1,221,549**	**$ 12,402**

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

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

Marketable and Investment Securities
The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Information on the fair value of the marketable and investment securities by classification is included in Note 4.

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

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

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 1,923**	¥ 1,937	**$ 18,687**

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

	Millions of Yen			
March 31, 2014	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	**¥ 15,943**	**¥**	**¥**	**¥**
Time deposits other than cash equivalents	**559**			
Trade receivables	**22,091**			
Investment securities:				
Available-for-sale securities with contractual maturities	**20**			
Total	**¥ 38,613**	**¥**	**¥**	**¥**

	Millions of Yen			
March 31, 2013	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	¥ 29,578	¥	¥	¥
Time deposits other than cash equivalents	557			
Trade receivables	22,283			
Investment securities:				
Available-for-sale securities with contractual maturities	20			
Total	¥ 52,438	¥	¥	¥

	Thousands of U.S. Dollars			
March 31, 2014	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	**$ 154,911**	**$**	**$**	**$**
Time deposits other than cash equivalents	**5,433**			
Trade receivables	**214,643**			
Investment securities:				
Available-for-sale securities with contractual maturities	**194**			
Total	**$ 375,181**	**$**	**$**	**$**

Please see Note 6 for annual maturities of long-term loans and long-term bonds.

15. CONTINGENT LIABILITIES

At March 31, 2014, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of loans	¥ 1,382	$ 13,430
Trade notes endorsed	21	206

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 1,266	¥ 2,242	$ 12,302
Reclassification adjustments to gain	27	(4)	264
Amount before income tax effect	1,293	2,238	12,566
Income tax effect	(437)	(801)	(4,242)
Total	856	1,437	8,324
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year		4	
Reclassification adjustments to loss	(4)		(41)
Amount before income tax effect	(4)	4	(41)
Income tax effect			
Total	(4)	4	(41)
Foreign currency translation adjustments:			
Gains arising during the year	2,849	1,162	27,686
Reclassification adjustments to gain	6		54
Total	2,855	1,162	27,740
Share of other comprehensive income in associates:			
Gains arising during the year	544	117	5,287
Reclassification adjustments to loss	(24)		(236)
Total	520	117	5,051
Total other comprehensive income	¥ 4,227	¥ 2,720	$ 41,074

17. NET INCOME PER SHARE

Basic net income per share (EPS) for the years ended March 31, 2014 and 2013, was as follows:

	Millions of Yen	*Thousands of Shares*	*Yen*	*U.S. Dollars*
Year Ended March 31, 2014	*Net Income*	*Weighted-average Shares*	*EPS*	
Basic EPS:				
Net income	**¥ 4,492**			
Net income available to common shareholders	**¥ 4,492**	**124,191**	**¥ 36.17**	**$ 0.35**

	Millions of Yen	*Thousands of Shares*	*Yen*
Year Ended March 31, 2013	*Net Income*	*Weighted-average Shares*	*EPS*
Basic EPS:			
Net income	¥ 3,166		
Net income available to common shareholders	¥ 3,166	124,191	¥ 25.49

Note: Diluted net income per share is not disclosed because there are no outstanding potentially dilutive securities.

18. SUBSEQUENT EVENTS

For the year ended March 31, 2014

Appropriations of Retained Earnings

At the Board of Directors' meeting held on May 7, 2014, the following appropriation of retained earnings at March 31, 2014, was approved:

	Millions of Yen	*Thousands of U.S. Dollars*
Year-end cash dividends, ¥4.50 ($0.04) per share	**¥ 559**	**$ 5,430**

19. SEGMENT INFORMATION

For the years ended March 31, 2014 and 2013

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

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of Warehouse, Domestic Port Terminal, Global Network, International Transportation, Air Cargo, Logistics Systems, BPO, and Real Estate. Warehouse consists of services such as warehousing, transportation, and distribution processing to companies in Japan. Domestic Port Terminal consists of port-related work and operations to shipping companies. Global Network consists of logistics services provided by overseas group companies. International Transportation provides consolidated marine cargo transportation and related logistics services. Air Cargo consists of consolidated air cargo services and related logistics services. Logistics Systems provides services for supply chain management through third-party logistics. BPO business provides services concerning business process outsourcing. Real Estate consists substantially of leases of real estate.

Effective April 1, 2013, the Group changed its reportable segments from Domestic Logistics, Domestic Port Terminal, Global Network, International Transportation, Logistics Systems, BPO, and Real Estate to Warehouse, Domestic Port Terminal, Global Network, International Transportation, Air Cargo, Logistics Systems, BPO, and Real Estate.

Under the medium-term management plan "MOVE 2013," aiming to expand logistics business, enhance competitiveness, improve service quality and develop our company group, reporting segments were changed from the year ended March 31, 2014. Domestics Logistics was renamed Warehouse, and air cargo business, which was included in International Transportation segment in the previous year, was separated and became Air Cargo segment as a core business.

The segment information for the year ended March 31, 2013, is also disclosed using the new reportable segments.

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

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

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

Intersegment sales or transfers are based on market prices.

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

	Millions of Yen											
	2014											
	Reportable segment											
	Warehouse	Domestic Port Terminal	Global Network	International Transportation	Air Cargo	Logistics Systems	BPO	Real Estate	Others	Total	Eliminations/ Corporate	Consoli-dated
Sales:												
Sales to external customers	¥ 45,561	¥ 15,372	¥ 17,484	¥ 6,142	¥ 23,392	¥ 36,098	¥ 6,538	¥ 10,451	¥ 498	¥ 161,536	¥	¥ 161,536
Intersegment sales or transfers	1,045		111	278	282	1,260	67	599	116	3,758	(3,758)	
Total	46,606	15,372	17,595	6,420	23,674	37,358	6,605	11,050	614	165,294	(3,758)	161,536
Segment profit	2,702	905	212	218	2,100	1,313	149	6,397	(1,957)	12,039	(6,544)	5,495
Segment assets	61,369	5,484	24,456	526	13,078	21,275	15,132	43,657	20,695	205,672	15,056	220,728
Other:												
Depreciation	2,261	143	430		79	298	653	2,289	889	7,042	218	7,260
Investments in associates accounted for using the equity method			3,393		474					3,867		3,867
Increase in property, plant and equipment and intangible assets	1,677	231	3,230		65	1,005	249	1,111	705	8,273	62	8,335

Millions of Yen

2013

	Reportable segment											
	Warehouse	*Domestic Port Terminal*	*Global Network*	*International Transportation*	*Air Cargo*	*Logistics Systems*	*BPO*	*Real Estate*	*Others*	*Total*	*Eliminations/ Corporate*	*Consoli-dated*
Sales:												
Sales to external customers	¥ 45,086	¥ 14,580	¥ 13,645	¥ 5,508	¥ 19,540	¥ 32,496	¥ 5,840	¥ 11,216	¥ 331	¥ 148,242	¥	¥ 148,242
Intersegment sales or transfers	492		51	278	333	575	84	181	196	2,190	(2,190)	
Total	45,578	14,580	13,696	5,786	19,873	33,071	5,924	11,397	527	150,432	(2,190)	148,242
Segment profit	2,938	583	(95)	194	1,543	842	239	7,080	(1,709)	11,615	(6,252)	5,363
Segment assets	60,953	4,721	18,226	649	12,185	20,592	15,781	44,854	16,886	194,847	38,026	232,873
Other:												
Depreciation	2,091	139	280	1	111	375	763	1,882	880	6,522	340	6,862
Investments in associates accounted for using the equity method	305		1,622		516					2,443		2,443
Increase in property, plant and equipment and intangible assets	5,841	218	1,077	1	77	101	130	17,209	781	25,435	23,726	49,161

Thousands of U.S. Dollars

2014

	Reportable segment											
	Warehouse	*Domestic Port Terminal*	*Global Network*	*International Transportation*	*Air Cargo*	*Logistics Systems*	*BPO*	*Real Estate*	*Others*	*Total*	*Eliminations/ Corporate*	*Consoli-dated*
Sales:												
Sales to external customers	**$ 442,688**	**$ 149,361**	**$ 169,876**	**$ 59,678**	**$ 227,278**	**$ 350,741**	**$ 63,519**	**$ 101,545**	**$ 4,841**	**$1,569,527**	**$**	**$1,569,527**
Intersegment sales or transfers	**10,153**		**1,083**	**2,700**	**2,745**	**12,241**	**649**	**5,821**	**1,127**	**36,519**	**(36,519)**	
Total	**452,841**	**149,361**	**170,959**	**62,378**	**230,023**	**362,982**	**64,168**	**107,366**	**5,968**	**1,606,046**	**(36,519)**	**1,569,527**
Segment profit	**26,258**	**8,793**	**2,062**	**2,117**	**20,399**	**12,761**	**1,451**	**62,157**	**(19,018)**	**116,980**	**(63,589)**	**53,391**
Segment assets	**596,283**	**53,282**	**237,617**	**5,114**	**127,074**	**206,710**	**147,027**	**424,189**	**201,076**	**1,998,372**	**146,289**	**2,144,661**
Other:												
Depreciation	**21,970**	**1,385**	**4,182**	**3**	**770**	**2,890**	**6,341**	**22,238**	**8,639**	**68,418**	**2,118**	**70,536**
Investments in associates accounted for using the equity method			**32,967**		**4,610**					**37,577**		**37,577**
Increase in property, plant and equipment and intangible assets	**16,292**	**2,246**	**31,380**		**630**	**9,765**	**2,419**	**10,797**	**6,851**	**80,380**	**605**	**80,985**

Notes: 1. "Others" consists of services such as financial and accounting and information systems operated by subsidiaries.

2. "Eliminations/Corporate" consists of the following:

1) Segment loss of ¥6,544 million ($63,589 thousand) in 2014 and ¥6,252 million in 2013, which are included in "Eliminations/Corporate," consists of expenses of ¥4,733 million ($45,992 thousand) and ¥4,596 million incurred by the administrative section of the Company and amortization of goodwill of ¥1,811 million ($17,597 thousand) and ¥1,656 million.

2) Total assets of ¥15,056 million ($146,289 thousand) in 2014 and ¥38,026 million in 2013, which are included in "Eliminations/Corporate," consist of assets of ¥20,848 million ($202,564 thousand), ¥31,220 million in the administrative section of the Company and goodwill of ¥22,910 million ($222,601 thousand) and ¥24,656 million and elimination of intersegment transaction of ¥28,702 million ($278,876 thousand) and ¥17,850 million.

3) The increase in tangible and intangible fixed assets of ¥62 million ($605 thousand) in 2014, which is included in Eliminations/Corporate," consists of ¥5 million ($52 thousand) of the administrative section of the Company and amortization of goodwill of ¥57 million ($553 thousand). The increase in tangible and intangible fixed assets of ¥23,726 in 2013, which is included in "Eliminations/Corporate," consists of increases of ¥51 million in the administrative section of the Company and amortization of goodwill of ¥23,675 million.

3. Segment profit is adjusted to operating income in the consolidated statements of income.

(4) Information about Geographical Areas
Sales

	Millions of Yen			Millions of Yen			Thousands of U.S. Dollars	
	2014			2013			**2014**	
Japan	Others	Total	Japan	Others	Total	Japan	Others	Total
¥ 138,606	**¥ 22,930**	**¥ 161,536**	¥ 131,405	¥ 16,837	¥ 148,242	**$ 1,346,729**	**$ 222,798**	**$ 1,569,527**

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

(5) Information about segment loss on impairment of fixed assets

	Millions of Yen								
	2014								
	Warehouse	Domestic Port Terminal	Global Network	International Transportation	Air Cargo	Logistics Systems	BPO	Real Estate	Total
Impairment losses of assets	**¥**	**¥**	**¥**	**¥**	**¥**	**¥**	**¥ 89**	**¥**	**¥ 89**

	Millions of Yen								
	2013								
	Warehouse	Domestic Port Terminal	Global Network	International Transportation	Air Cargo	Logistics Systems	BPO	Real Estate	Total
Impairment losses of assets	¥	¥	¥	¥	¥	¥	¥	¥ 3,772	¥ 3,772

	Thousands of U.S. Dollars								
	2014								
	Warehouse	Domestic Port Terminal	Global Network	International Transportation	Air Cargo	Logistics Systems	BPO	Real Estate	Total
Impairment losses of assets	**$**	**$**	**$**	**$**	**$**	**$**	**$ 868**	**$**	**$ 868**

Note: The impairment loss in BPO segment was incurred as a result of business restructuring of subsidiaries and affiliates and reported in loss on business restructuring of subsidiaries and affiliates.

(6) Information about Goodwill by Segment

	Millions of Yen								
	2014								
	Warehouse	Domestic Port Terminal	Global Network	International Transportation	Air Cargo	Logistics Systems	BPO	Real Estate	Total
Amortization of goodwill	**¥**	**¥**	**¥ 82**	**¥**	**¥ 689**	**¥ 1,035**	**¥ 5**	**¥**	**¥ 1,811**
Goodwill at March 31, 2014			**736**		**5,432**	**16,687**	**55**		**22,910**

	Millions of Yen								
	2013								
	Warehouse	Domestic Port Terminal	Global Network	International Transportation	Air Cargo	Logistics Systems	BPO	Real Estate	Total
Amortization of goodwill	¥	¥	¥ 28	¥	¥ 591	¥ 1,035	¥ 2	¥	¥ 1,656
Goodwill at March 31, 2013			720		6,121	17,722	93		24,656

	Thousands of U.S. Dollars								
	2014								
	Warehouse	Domestic Port Terminal	Global Network	International Transportation	Air Cargo	Logistics Systems	BPO	Real Estate	Total
Amortization of goodwill	**$**	**$**	**$ 794**	**$**	**$ 6,695**	**$ 10,059**	**$ 49**	**$**	**$ 17,597**
Goodwill at March 31, 2014			**7,153**		**52,775**	**162,134**	**539**		**222,601**

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of MITSUI-SOKO Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MITSUI-SOKO Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 27, 2014

Member of
Deloitte Touche Tohmatsu Limited

Mitsui-Soko Group Network

As of March 31, 2014

Company Name	Location	Main Business
Hokkaimitsui-Soko Logistics Co., Ltd.	Hokkaido	Warehousing / Cargo forwarding
Mitsui-Soko Logistics Co., Ltd.	Tokyo	Cargo forwarding / Warehousing
Mitsui-Soko Express Co., Ltd.	Tokyo	Air freight transport
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 management services / Insurance
Sanso K.K.	Tokyo	Warehouse cargo handling
IM Express Co., Ltd.	Tokyo	Overland cargo transport / Cargo forwarding
Toko Maruraku Transportation Co., Ltd.	Kanagawa	Seaport operations / Cargo forwarding
M·S Logistics Co., Ltd.	Saitama	Warehouse management and operations
Sanso Kouun Co., Ltd.	Aichi	Warehouse cargo handling / Seaport operations
Sanko Trucking Co., Ltd.	Aichi	Warehouse cargo handling / Overland cargo transport / Cargo forwarding
Sanei K.K.	Mie	Warehouse cargo handling / Seaport operations
MS Logitech Service Co., Ltd.	Osaka	Management operations / Warehouse loading for logistics centers
Mitsui Warehouse Terminal Service Co., Ltd.	Osaka	Seaport operations / Overland cargo transport / Cargo forwarding
Sanyu Service Co., Ltd.	Osaka	Warehouse cargo handling
Mitsunori Corporation	Fukui	Warehousing / Overland cargo transport / Cargo forwarding
Kobe Sunso Koun Co., Ltd.	Hyogo	Warehouse cargo handling / Seaport operations
MK Services Co., Ltd.	Hyogo	Distribution processing
Sun Transport Co., Ltd.	Hyogo	Overland cargo transport / Cargo forwarding
Mitsui-Soko Kyushu Co., Ltd.	Fukuoka	Warehousing / Seaport operations / Cargo forwarding
Seiyu Koun Co., Ltd.	Fukuoka	Warehouse cargo handling / Seaport operations
Hakata Sanso-Butsuryu Co., Ltd.	Fukuoka	Warehouse cargo handling / Overland cargo transport
MS Imaging Co., Ltd.	Tokyo	BPO business / Data processing services
Mitsui-Soko International Japan Co., Ltd.	Tokyo	Warehousing / Cargo forwarding
Mitsui-Soko (U.S.A.) Inc.	U.S.A.	International combined transport / Warehousing / Cargo forwarding
MSE Express America, Inc.	U.S.A.	Air cargo transport and handling services
Mitsui-Soko (Europe) s.r.o.	Czech Republic	Overall management of subsidiaries in Europe region
PST CLC, a.s.	Czech Republic	Customs clearance services / International combined transport / Warehousing / Cargo forwarding
N.V. MSE Europe S.A.	Belgium	Air cargo transport and handling services
Mitsui-Soko International Pte. Ltd.	Singapore	Overall management of subsidiaries in the Southeast Asia region / Warehouse leasing
Mitsui-Soko (Singapore) Pte. Ltd.	Singapore	International combined transport / Warehousing / Cargo forwarding
Mitsui-Soko Air Services(S) Pte. Ltd.	Singapore	Air cargo transport and handling services
Mitsui-Soko (Malaysia) Sdn. Bhd.	Malaysia	International combined transport / Warehousing / Cargo forwarding
Mitsui-Soko Agencies (Malaysia) Sdn. Bhd.	Malaysia	Customs clearance services
Integrated Mits Sdn. Bhd.	Malaysia	Warehousing
Mitsui-Soko (Thailand) Co., Ltd.	Thailand	International combined transport / Warehousing / Cargo forwarding
Mitsui-Soko (Chiangmai) Co., Ltd.	Thailand	International combined transport / Warehousing / Cargo forwarding
MITS Logistics (Thailand) Co., Ltd.	Thailand	Warehousing
MITS Transport (Thailand) Co., Ltd.	Thailand	Cargo forwarding
PT Mitsui-Soko Indonesia	Indonesia	Warehousing / Seaport operations / Cargo forwarding
Mitsui-Soko (Philippines), Inc.	Philippines	International combined transport / Warehousing / Cargo forwarding
Mitex Logistics (Shanghai) Co., Ltd.	China	International combined transport / Warehousing / Cargo forwarding / Distribution processing
Mitex Shenzhen Logistics Co., Ltd.	China	International combined transport / Warehousing / Cargo forwarding / Distribution processing
Nantong Sinavico International Logistics Co., Ltd.	China	Warehousing / Cargo forwarding
MSC Trading (Shanghai) Co., Ltd.	China	Trading agency
Shanghai MITS Commerce & Trade Co., Ltd.	China	Mail order platform service
Mitsui-Soko (China) Investment Co., Ltd.	China	Overall management and investment of subsidiaries in China
MSE China (Guangzhou) Co., Ltd.	China	Air cargo transport and handling services
Mitex International (Hong Kong) Ltd.	Hong Kong	International combined transport / Warehousing / Cargo forwarding
Mitex Multimodal Express Ltd.	Hong Kong	Cargo forwarding
Noble Business International Ltd.	Hong Kong	Cargo forwarding
Mitsui-Soko (Taiwan) Co., Ltd.	Taiwan	International combined transport / Warehousing
Mitsui-Soko (Korea) Co., Ltd.	Korea	International combined transport / Warehousing
MS Express South Africa (Pty) Ltd.	South Africa	Air cargo transport and handling services
MSE Express Do Brasil Participacoes Ltda.	Brazil	Air cargo transport and handling services
AW Rostamani Logistics LLC *	U.A.E.	International combined transport / Warehousing / Cargo forwarding
Joint Venture Sunrise Logistics Co., Ltd. *	Vietnam	International combined transport / Warehousing / Cargo forwarding
Shanghai Jinjiang Mitsui-Soko International Logistics Co., Ltd. *	China	Warehousing
MSE China (Beijing) Co., Ltd. *	China	Air cargo transport and handling services
MSE Express (Thailand) Co., Ltd. *	Thailand	Air cargo transport and handling services
PT. Puninar MSE Indonesia *	Indonesia	Air cargo transport and handling services
MSE Forwarders India Pvt. Ltd. *	India	Air cargo transport and handling services

*Equity-method affiliates

Corporate Information / Investor Information

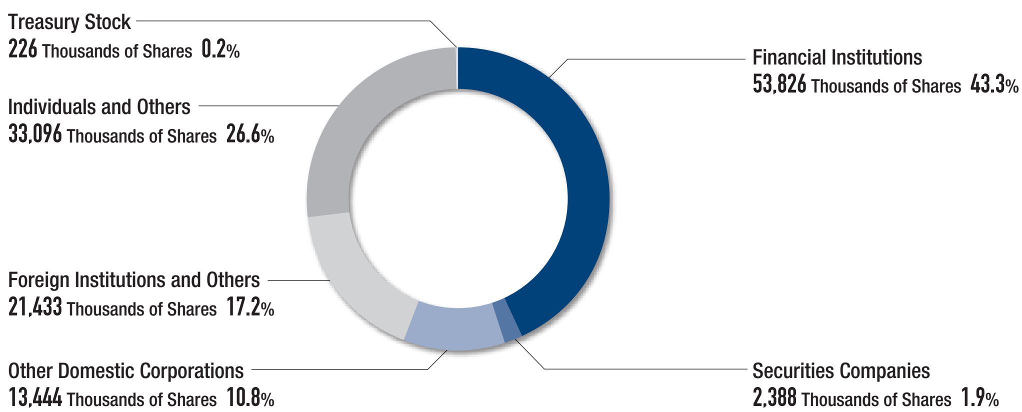
As of March 31, 2014

Company Name	MITSUI-SOKO CO., LTD.
Date of Establishment	October 11, 1909
Head Office	20-1, Nishi-shimbashi 3-chome, Minato-ku, Tokyo, 105-0003 Japan Phone: +81 (0)3-6400-8000 Fax: +81 (0)3-6880-9900
Paid-in Capital	¥11,100,714,274
Number of Employees	4,292 (consolidated base) 774 (non-consolidated base)
URL	http://www.mitsui-soko.co.jp/en/
Common Stock	Authorized-400,000,000 shares Issued-124,415,013 shares
Stock Exchange Listings	Tokyo (#9302)
Trading Unit	1,000 shares
Shareholder Register Agent	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Office (The company's Stock Transfer Agency Business Planning Department) 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063

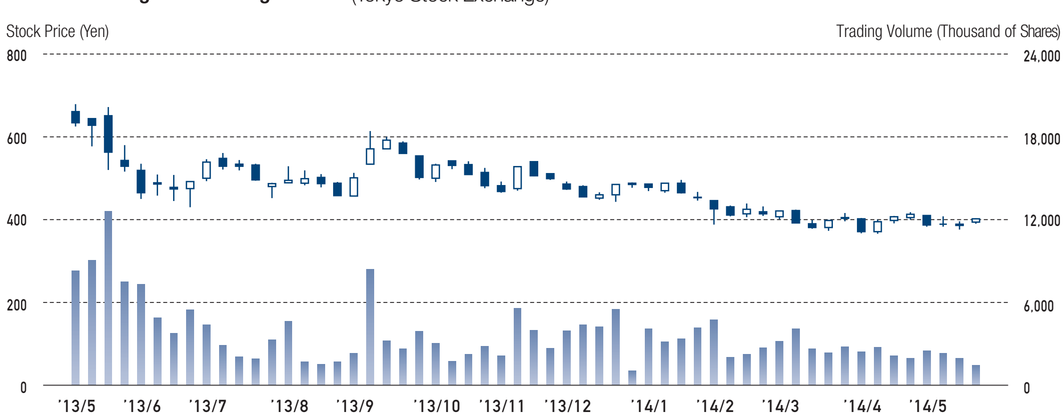
Major Shareholders	Thousands of Shares	Percentage of Shares Held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	8,551	6.9
MITSUI LIFE INSURANCE COMPANY LIMITED	7,846	6.3
Mitsui Sumitomo Insurance Company, Limited	7,005	5.6
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	5,901	4.8
Sumitomo Mitsui Banking Corporation	3,484	2.8
RBC ISB A/C DUB NON RESIDENT-TREATY RATE	3,150	2.5
CREDIT SUISSE SECURITIES (EUROPE) LIMITED PB OMNIBUS CLIENT ACCOUNT	3,017	2.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,992	2.4
Takenaka Corporation	2,484	2.0
MITSUI-SOKO Group Employees' Shareholding Society	2,336	1.9

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

Composition of Shareholders



Stock Price Range and Trading Volume (Tokyo Stock Exchange)



MITSUI-SOKO CO., LTD.

20-1, Nishi-shimbashi 3-chome, Minato-ku, Tokyo, Japan 105-0003

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