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Matters Disclosed on the Internet Concerning Notice of Convening the 174th Ordinary General Meeting of Shareholders

Notes to the Consolidated Financial Statements
Notes to the Non-Consolidated Financial Statements
(From April 1, 2021 to March 31, 2022)

MITSUI-SOKO HOLDINGS Co., Ltd.

The Notes to the Consolidated Financial Statements and the Notes to the Non-Consolidated Financial Statements are made available to shareholders on the Company's website (https://msh.mitsui-soko.com/ir/stock/stockholders_meeting) pursuant to applicable laws and regulations and Article 15 of the Company's Articles of Incorporation.

Notes to the Consolidated Financial Statements

Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 79

Names of major consolidated subsidiaries

MITSUI-SOKO Co., Ltd. (warehousing business, harbor transportation business, and overseas logistics services)

MITSUI-SOKO EXPRESS Co., Ltd. (air cargo transportation business)

MITSUI-SOKO LOGISTICS Co., Ltd. (third-party logistics business)

MITSUI-SOKO Supply Chain Solutions, Inc. (supply chain management support business)

MITSUI-SOKO TRANSPORT Co., Ltd. (land cargo transportation business)

Changes in scope of consolidation

The following company was excluded from the scope of consolidation for the fiscal year ended March 31, 2022, due to its liquidation.

Mitsui-Soko (Philippines), Inc.

(2) Names, etc. of major non-consolidated subsidiaries

Fukumitsu-Shouji Co., Ltd.

The non-consolidated subsidiary is excluded from the scope of consolidation, because it is small in its business scale, and any amount in terms of its total assets, operating revenue and profit or loss (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others does not significantly affect the consolidated financial statements.

2. Application of equity method

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

Names of major associates accounted for using equity method

Shanghai Jinjiang Mitsui-Soko International Logistics Co., Ltd., Nantong Sinavico International Logistics Co., Ltd.

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

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

Of consolidated subsidiaries, 30 companies have fiscal year-ends different from the consolidated balance sheet date, or accounting periods different from the consolidated accounting period. Therefore, they are consolidated based on the financial statements provisionally prepared in accordance with regular year-end closing procedures as of the consolidated balance sheet date. Other consolidated subsidiaries' fiscal year-end is the same as the consolidated balance sheet date.

4. Accounting policies

(1) Valuation basis and methods for significant assets

(i) Securities

Available-for-sale securities

・Securities other than shares with no market value, etc.

Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

・Shares with no market value, etc.

Stated at cost determined by the moving average method

(ii) Derivatives

Stated at fair value

(iii) Inventories

Stated at cost determined by the moving average method (method of lowering book value based on a decline in profitability)

(2) Accounting methods for depreciation of significant depreciable assets

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

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

Major useful lives are as follows:

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

(ii) Intangible assets (excluding leased assets)

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

(iii) Leased assets

Leased assets related to finance lease transactions that transfer ownership

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

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

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

(3) Accounting methods for significant deferred assets

Bond issuance costs

Bond issuance costs are fully charged to expenses when incurred.

(4) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

(5) Accounting methods for retirement benefits

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

(i) Method of attributing expected retirement benefits to periods

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

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

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

Past service cost is amortized using the straight-line method over the average remaining service years (11 years) of employees when incurred.

(6) Accounting policy for significant revenues and expenses

The Group recognizes revenue based on the following five step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to separate performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group provides comprehensive logistics services, such as warehousing, cargo handling, port-related work, inland transport and international transport, and real estate leasing services centered on building leases. In determining a contract with a customer, the Group recognizes that existence of characteristics that contracts should have and economic substance are reflected in the contract, and at the same time, identifies goods or services promised to be transferred to the customer under the contract as well as performance obligations to be accounted for individually.

In calculating a transaction price, the Group measures it at an amount of consideration to which the entity expects to be entitled in exchange for the transfer of promised goods or services to the customer. Contracts with customers do not include any significant financial component.

For contracts of which the transaction price needs to be allocated to each performance obligation, revenue is recognized by allocating goods or services constituting each performance obligation based on the proportion of the standalone selling price.

As for revenue recognition, control over the underlying goods or services is recognized at a point in time or over a certain period of time, only if performance obligations meet the qualifications.

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

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

(8) Accounting method and period for amortization of goodwill

Goodwill is amortized in equal amounts over the period in which its effects will be realized within 20 years.

(9) Accounting methods for hedging

In principle, the deferral hedge accounting is applied. Exceptional accounting method is applied to interest rate swaps that meet the requirements.

(10) Methods for recognizing impairment of securities

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

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the fiscal year under review were accounted for based on the contractual terms after all contract modifications were reflected.

Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the fiscal year under review.

Notes and operation accounts receivable trade, which was presented under current assets on the consolidated balance sheet for the previous fiscal year, has been included in notes and operation accounts receivable trade, and contract assets from the fiscal year under review.

The effect of this change on the consolidated financial statements for the fiscal year ended March 31, 2022 was immaterial. In addition, because the cumulative effect was reflected in net assets as of the beginning of the fiscal year under review, the opening balance of retained earnings in the consolidated statement of changes in equity decreased by ¥35 million.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements for the fiscal year ended March 31, 2022.

Changes in Presentation

Consolidated balance sheet

"Lease liabilities," which was previously presented as "other" (previous fiscal year: ¥17,843 million) under current liabilities and "other" (previous fiscal year: ¥5,790 million) under non-current liabilities, has been presented as "lease liabilities" (¥1,223 million) under current liabilities and "lease liabilities" (¥4,174 million) under non-current liabilities from the current fiscal year due to an increase in the monetary significance. In the previous fiscal year, "lease liabilities" under current liabilities was ¥779 million and "lease liabilities" under non-current liabilities was ¥1,033 million.

Accounting Estimates

Impairment of non-current assets

In the consolidated balance sheet as of March 31, 2022, property, plant and equipment of ¥139,493 million and intangible assets of ¥8,700 million were recorded.

The Group classifies assets or groups of assets by cash generating unit for management accounting whose receipts and disbursements are monitored on an ongoing basis and which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When there is any indication of impairment due to a fall in fair value of non-current assets, a decline in profitability, etc., the Group is required to determine whether or not an impairment loss needs to be recognized, by comparing the total amount of undiscounted future cash flows gained from the asset group with the book value. If an impairment loss needs to be recognized as a result of the determination, the Group is to reduce the book value to the recoverable amount and record the reduction of the book value as an impairment loss.

Major assumptions used to calculate undiscounted future cash flows are forecasts of operating revenue and expenses, which incorporate data on past results, status of businesses, trends of major customers and others. Forecasts of operating revenue and expenses over remaining economic useful lives are determined in consideration of budget approved by the Board of Directors, and growth for a period beyond the period for which the budget has been developed. The forecasts are based on the assumption that the effects of COVID-19 will gradually move toward normalization, and no significant impact is expected on the estimates.

There are uncertainties in the above estimates and assumptions. If any change is made to conditions or assumptions that serve as the premises for the estimates due to changes in the status of businesses of each asset or asset group, consolidated financial statements for the following fiscal years may be significantly affected.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Buildings and structures	¥2,581 million
Land	¥0 million
Total	¥2,582 million

The maximum amount of revolving mortgages on the above assets was ¥3,000 million.

(2) Secured liabilities

Short-term borrowings	¥– million
Current portion of long-term borrowings	¥176 million
Long-term borrowings	¥2,504 million
Total	¥2,681 million

2. Accumulated depreciation of property, plant and equipment ¥174,089 million

Accumulated depreciation includes accumulated impairment losses.

3. Contingent liabilities (Guarantee obligations)

(1) Guarantee obligations for bank borrowings by other companies, etc.¥– million

(2) Guarantee obligations for housing loans of employees ¥20 million

4. Notes receivable endorsed and transferred ¥16 million

Notes to Consolidated Statement of Changes in Equity

1. Class and total number of issued shares at the end of the fiscal year

Common shares 24,883,002 shares

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividend per share	Record date	Effective date
Board of Directors meeting held on May 11, 2021	Common shares	¥745 million	¥30.00	March 31, 2021	June 4, 2021
Board of Directors meeting held on November 4, 2021	Common shares	¥869 million	¥35.00	September 30, 2021	December 2, 2021
Total	–	¥1,614 million	–	–	–

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

At the Company's Board of Directors meeting held on May 10, 2022, matters concerning dividends on common shares were resolved as follows.

(i) Total dividends ¥2,334 million
(ii) Dividend per share ¥94.00
(iii) Record date March 31, 2022
(iv) Effective date June 3, 2022
(v) Source of dividends Retained earnings

Financial Instruments

1. Status of financial instruments

(1) Policy on financial instruments

The Group limits its investment activities to short-term deposits, etc., and procures funds through borrowings from financial institutions such as banks and issuance of bonds.

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

For customers' credit risks with respect to notes and operation accounts receivable trade, the Group works to mitigate the risks by managing relevant due dates and credit balances for each counterparty. Investment securities are principally shares and the Group assesses fair value on a quarterly basis for listed shares.

Borrowings are used for working capital (mainly short-term) and capital investment funds (long-term). Borrowings are exposed to the risk of fluctuations in market interest rates, and foreign currency borrowings are exposed to the risk of fluctuations in market interest rates and currency exchange rates. For certain long-term borrowings of them, interest rate swaps are used as hedging instruments to avoid these risks.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair values and the differences between them as of March 31, 2022 were as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	8,194	8,194	–
Total assets	8,194	8,194	–
(2) Long-term borrowings (including current portion)	66,947	66,376	(571)
(3) Bonds payable (including current portion)	25,000	24,896	(103)
Total liabilities	91,947	91,272	(675)

(*) Since unlisted shares (carrying amount on the consolidated balance sheet: ¥1,592 million) and investments in investment business limited partnership (carrying amount on the consolidated balance sheet: ¥96 million) fall under the category of shares with no market value, etc., they are not included in "(1) Investment securities." In addition, notes on "cash and deposits," "trade notes and accounts receivable and contract assets," "trade notes and accounts payable," and "short-term borrowings" are omitted from the current fiscal year, because these accounts are settled in a short period of time and the fair value is nearly equal to the book value.

3. Components of fair values of financial instruments by level, etc.

Fair values of financial instruments are classified into the following three levels, depending on observability and significance of inputs for determining fair values.

Fair values of Level 1: Fair values determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Fair values of Level 2: Fair values determined based on inputs other than Level 1 inputs that are observable, either directly or indirectly

Fair values of Level 3: Fair values determined based on significant unobservable inputs

If multiple inputs that have a significant influence on determination of fair value, the fair value is classified as the lowest priority level of fair value measurement of levels in which each input belongs.

(1) Financial assets and financial liabilities that are recorded at fair value on the consolidated balance sheet

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	8,194	–	–	8,194
Total assets	8,194	–	–	8,194
Total liabilities	–	–	–	–

(2) Financial assets and financial liabilities that are not recorded at fair value on the consolidated balance sheet

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Total assets	–	–	–	–
Long-term borrowings (including current portion)	–	66,376	–	66,376
Bonds payable (including current portion)	–	24,896	–	24,896
Total liabilities	–	91,272	–	91,272

Investment securities

Listed shares are measured using the quoted market price. Since listed shares are traded in an active market, their fair value is classified as Level 1 fair value.

Long-term borrowings

Fair value of long-term borrowings is determined based on the total of principal and interest as well as the interest rate taking into account the remaining period and credit risk of the borrowings, using the discounted cash flow method, and is classified as Level 2 fair value.

The fair value of interest rate swaps that are accounted for using exceptional accounting, is included in that of corresponding long-term borrowings, since those interest rate swaps are treated as an adjustment to the long-term borrowings as hedged items.

Bonds payable

Fair value of bonds payable issued by the Company is determined based on the total of principal and interest as well as the interest rate taking into account the remaining period and credit risk of the bonds payable, using the discounted cash flow method, and is classified as Level 2 fair value.

Rental and Other Investment Properties

1. Status of rental and other investment properties

The Company and certain subsidiaries have office buildings and other properties (including land) for lease in Tokyo and other regions.

2. Fair values of rental and other investment properties

Carrying amount	Fair value
¥30,430 million	¥151,936 million

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

(Note 2) The fair value as of March 31, 2022 represents the amount based on real estate appraisal by external real estate appraisers for major properties, and the amount internally calculated by the income approach for other properties.

Revenue Recognition

1. Information on disaggregation of revenue from contracts with customers

Revenue of the Group is mainly revenue recognized from contracts with customers. The breakdown of its revenue disaggregated by type of services is as follows.

	Operating revenue (Millions of yen)
Logistics Business	
(Warehousing)	35,037
(Cargo handling)	31,603
(Port-related work)	17,019
(Transport)	164,367
(Other)	44,185
Revenue from contracts with customers	292,213
Other income	8,808
Operating revenue from external customers	301,022

2. Information forming the basis for understanding revenue

The Group provides comprehensive logistics services, such as warehousing, stevedoring, port-related work, inland transport and international transport, and real estate leasing services centered on building leases.

(1) Logistics Business

(i) Warehousing
The Group conducts operations for storing goods in warehouses for deposited goods, and principally employs the three-term system. Therefore, the Group recognizes revenue, considering that performance obligations are satisfied at the end of each term of the three-term system (10, 20 and month-end), or at the time of dispatching from warehouse, from the time of offering a storage compartment for use.
(ii) Cargo handling

The Group conducts loading and unloading, and cargo handling operations for deposited goods. The Group considers that performing obligations are satisfied when the cargo handling is completed, and recognizes revenue at this point in time.

(iii) Port-related work

The Group operates container terminals that connect logistics at sea and on land, and mainly conducts operations such as shipment and discharge of cargoes and disposal of them. In addition, the Group conducts ship agency business including sole agency operations for overseas shipping companies and sub-agency business such as clearance inward and outward at each port of call and issuance of bills of landing, and recognizes revenue upon completion of providing services in each business.

(iv) Transport and (v) Other

Transportation operation consists of inland transport, inland land transportation, international transport NVOCC, airfreight forwarding, 3PL and supply chain management support. For inland transport and inland land transportation, because the period from shipment to delivery of cargo is a normal term, revenue is recognized at the time of shipment. For foreign land transportation, revenue is recognized at the time of arrival of cargo in principle. For international transport NVOCC and airfreight forwarding, the Group mainly makes arrangements for marine and air transport. Considering that performance obligations are satisfied at the time of arrival of cargo at the port of destination, the Group recognizes revenue at this point in time. For 3PL and supply chain management support, the Group provides logistics services including procurement logistics for procuring raw materials and manufacturing components, factory logistics such as cargo handling within a factory and transportation between factories, sales logistics that connect product centers and distributors, and furthermore logistics related product repair including repair parts, and recognizes revenue at the time when the provision of each service is completed. For certain transactions that the Group conducts as an agent, the transaction price is determined as the net amount calculated by deducting, from the amount of contribution received from the customer, the amount paid to other parties.

(2) Real Estate Business

In real estate leasing, the Group provides real estate leasing services centered on building leases, and recognizes revenue for administrative services at the time when the provision of services is completed. Leasing services are not subject to revenue from contracts with customers.

3. Information about contract balances

Of revenue recognized during the current fiscal year, the amount included in the balance of contract liabilities as at the beginning of the year was not significant. In addition, the amount of revenue recognized from performance obligations that were satisfied (or partially satisfied) in past periods was not significant in the current fiscal year.

For contracts of which the transaction price is allocated to each performance obligation, contract liabilities are recorded in the case where the payment term is prepayment, and contract assets are recorded in the case of deferred payment.

4. Transaction price allocated to remaining performance obligations

Since there are no significant transactions with the individual expected contract period of over one year, information about remaining performance obligations is omitted.

Per Share Information

Net assets per share	¥3,199.28
Basic earnings per share	¥583.98

Significant Subsequent Events

Introduction of restricted share-based remuneration plan

The Company has decided, at the Board of Directors meeting held on May 10, 2022, to submit a proposal for the introduction of a restricted share-based remuneration plan (the "Plan") to the 174th Ordinary General Meeting of Shareholders to be held on June 23, 2022.

(1) Overview of the Plan

Monetary compensation claims to deliver restricted shares shall be provided as remuneration (the "Monetary Compensation") to Directors (excluding Outside Directors, "Eligible Directors"), and Eligible Directors shall receive allotted restricted shares by paying all the monetary compensation claims by means of contribution in kind. In the allotment of restricted shares, the Company and an Eligible Director shall enter into a restricted share allotment agreement providing that the Eligible Director may not conduct transfer to any third party, establishment of the right of pledge or assignment by way of security on, advancement, bequest or any other disposal of restricted shares allotted to the Eligible Director for 50 years from the day when the restricted shares are allotted under this allotment agreement, and setting forth other matters. The amount to be paid in for restricted shares shall be determined by the Board of Directors within a range which will not be particularly favorable to the Director who accept the restricted shares.

(2) Total amount of monetary remuneration

The amount shall be no more than ¥48 million per year, and be set separately from the amount of no more than ¥40 million per month that was resolved as remuneration for Directors at the 158th Ordinary General Meeting of Shareholders held on June 29, 2006.

(3) Total number of restricted shares: Maximum of 120,000 shares per annum

(Note) The indicated amounts stated in these notes to the consolidated financial statements are all rounded off to the nearest whole unit.

Notes to the Non-Consolidated Financial Statements

Significant Accounting Policies

1. Valuation basis and methods for securities

(i) Shares of subsidiaries and associates

Stated at cost determined by the moving average method

(ii) Available-for-sale securities

1) Securities other than shares with no market value, etc.

Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

2) Shares with no market value, etc.

Stated at cost determined by the moving average method

2. Valuation basis and methods for derivatives

Derivatives

Stated at fair value

3. Accounting methods for depreciation of non-current assets

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

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

Major useful lives are as follows:

Buildings: 3 to 50 years
Machinery, equipment and vehicles: 2 to 15 years
Tools, furniture and fixtures: 2 to 20 years

(ii) Intangible assets (excluding leased assets)

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

(iii) Leased assets

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

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

4. Accounting methods for deferred assets

Bond issuance costs

Bond issuance costs are fully charged to expenses when incurred.

5. Accounting policy for significant provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

(iii) Provision for retirement benefits (prepaid pension costs)

To prepare for payment of retirement benefits payable to employees, projected retirement benefit obligations and plan assets at the end of the relevant fiscal year are recorded in provision for retirement benefits or prepaid pension costs based on deemed either accrued or realized amount at the end of the fiscal year.

1) Method of attributing expected retirement benefits to periods

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

2) Method of amortizing actuarial gains and losses

Actuarial gains and losses are amortized using the straight-line method over the average remaining service years (13 to 15 years) of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

6. Accounting for retirement benefits

The method of accounting for unsettled amounts of unrecognized actuarial gains and losses and the amount of unrecognized past service cost for retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

7. Accounting policy for significant revenues and expenses

The Company provides system utilization services for consolidated subsidiaries and real estate leasing services centered on building leases. Performance obligations are satisfied at the time of completion of the provision of services, or according to the elapse of a period.

8. Accounting methods for hedging

In principle, the deferral hedge accounting is applied. Exceptional accounting method is applied to interest rate swaps that meet the requirements.

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, but there is no effect on the opening balance of retained earnings. In addition, there is also no impact on profit or loss for the current fiscal year.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This does not affect the non-consolidated financial statements for the fiscal year ended March 31, 2022.

Accounting Estimates

Valuation of shares of subsidiaries

For unlisted shares, impairment is recognized if the net asset value has decreased by 50% or more and the recovery cannot be expected.

In the non-consolidated balance sheet as of March 31, 2022, shares of subsidiaries and associates of ¥46,814 million were recorded, of which ¥2,604 million is an investment in MITSUI-SOKO Supply Chain Solutions, Inc.

In the valuation of shares in the said subsidiary, the Company reflects excess earnings power in assessment of the net asset value, and the examination of whether or not the net asset value has declined significantly based on a decrease in excess earnings power is an important factor for the valuation of shares. As a result of comparing the calculated net asset value with the book value, the Company has judged that it is unnecessary to recognize an impairment loss.

While future cash flows used to determine the net asset value is estimated based on the business plan for the following fiscal year approved by the management and profit planning in subsequent periods, estimates of the handling volume with respect to the business partners in the business plan and of growth rate applied in the profit planning involve high uncertainty, and these judgments made by the management have significant impact on the estimate of future cash flows. In addition, if the future cash flows decrease, valuation for the following fiscal year may be reviewed.

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral

Buildings and structures	¥2,581 million
Land	¥0 million
Total	¥2,582 million

The assets have been pledged as collateral for borrowings of MITSUI-SOKO Co., Ltd. (balance at the end of the fiscal year ended March 31, 2022: ¥2,681 million).

2. Accumulated depreciation of property, plant and equipment ¥124,555 million

Accumulated depreciation includes accumulated impairment losses.

3. Contingent liabilities (Guarantee obligations)

(i)	Guarantee obligations for bank borrowings by other companies, etc.	¥4,867 million
(ii)	Guarantee obligations for housing loans of employees	¥20 million

4. Monetary claims and liabilities to subsidiaries and associates

Short-term monetary claims	¥5,031 million
Short-term monetary liabilities	¥39,777 million
Long-term monetary claims	¥12,552 million
Long-term monetary liabilities	¥224 million

Notes to Non-consolidated Statement of Income

1. In light of the Company's holding company functions, system usage fees received from subsidiaries and associates and facility charges received from subsidiaries and associates, which were recorded as group management income, and dividend income received from subsidiaries and associates, which was recorded as dividends from subsidiaries and associates, were included in operating revenue.

2. Transactions with subsidiaries and associates

(i) Amount of operating transactions	
Operating revenue	¥7,375 million
Operating expenses	¥412 million
(ii) Amount of non-operating transactions	¥226 million

Notes to Non-consolidated Statement of Changes in Equity

Class and number of treasury shares at the end of the fiscal year

Common shares 46,684 shares

Tax Effect Accounting

1. Major components of deferred tax assets and liabilities

(Deferred tax assets)	
Provision for retirement benefits	¥1,851 million
Provision for bonuses	¥319 million
Property, plant and equipment	¥223 million
Shares of subsidiaries and associates	¥8,914 million
Investment securities	¥74 million
Other	¥283 million
Subtotal	¥11,666 million
Valuation allowance	¥(9,262) million
Total	¥2,404 million
(Deferred tax liabilities)	
Valuation difference on available-for-sale securities	¥(1,213) million
Gain on contribution of securities to retirement benefit trust	¥(1,012) million
Reserve for tax purpose reduction entry of non-current assets	¥(3,351) million
Other	¥(41) million
Total	¥(5,619) million
Net deferred tax liabilities	¥(3,214) million

2. Major components of difference between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

Statutory effective tax rate	30.6%
(Adjustments)	
Expenses not deductible permanently, such as entertainment expenses	0.1%
Income not taxable permanently, such as dividend income	(23.2)%
Inhabitant per capita taxes	0.1%
Valuation allowance	–%
Other	(0.2)%
Effective rate of income taxes after application of deferred tax accounting	7.4%

Transactions with Related Party

Subsidiaries and associates, etc.

Category	Name of company	Percentage of voting rights holding (held)	Relationship with the related party	Transactions	Transaction amount (Millions of yen)	Accounts	Balance at end of period (Millions of yen)
Subsidiary	MITSUI-SOKO Co., Ltd.	100% (–)	Leasing of real state Provision of collateral Support of funds Procurement of funds Interlocking of officers	Leasing of warehouses	4,679	Trade accounts receivable	93
				Provision of collateral	2,681	–	–
				Lending of funds	1,931	Long-term loans receivable	5,685
						Short-term loans receivable	370
				Reception of interest	49	Other current assets (accrued interest)	42
				Borrowing of funds	6,569 (*)	Short-term borrowings	7,968
				Payment of interest	0		
Subsidiary	MITSUI-SOKO EXPRESS Co., Ltd.	64% (–)	Procurement of funds Interlocking of officers	Borrowing of funds	13,740 (*)	Short-term borrowings	18,001
				Payment of interest	9	Other current liabilities (accrued interest expenses)	2
Subsidiary	MITSUI-SOKO LOGISTICS Co., Ltd.	100% (–)	Procurement of funds Interlocking of officers	Borrowing of funds	1,582 (*)	Short-term borrowings	4,392
				Payment of interest	0		
Subsidiary	MITSUI-SOKO Supply Chain Solutions, Inc.	66% (–)	Support of funds Interlocking of officers	Lending of funds	1,725 (*)	Long-term loans receivable	4,976
						Short-term loans receivable	2,500
				Reception of interest	87	Other current assets (accrued interest)	38
Subsidiary	MITS LOGISTICS (THAILAND) CO., LTD	100% (–)	Guarantee of obligation	Guarantee of obligation	2,042	–	–

(*) The transaction amount is based on the average balance during the period.

(Notes) Transaction terms and policy for determination thereof, etc.

For lending and borrowing of funds, transaction terms are determined in view of market interest rates.
For leasing of warehouses, transaction terms are determined in view of actual expenses of depreciation, property tax, insurance premiums, etc.
Guarantee of obligation is for borrowings from financial institutions, etc.
For provision of collateral, the year-end balance of obligation on the collateral is shown in the transaction amount.

Revenue Recognition

Information forming the basis for understanding revenue is as stated in Revenue Recognition 2. Information forming the basis for understanding revenue (2) Real Estate Business in the Notes to the Consolidated Financial Statements.

Per Share Information

Net assets per share	¥1,780.89
Basic earnings per share	¥227.25

Significant Subsequent Events

Introduction of restricted share-based remuneration plan

The Company has decided, at the Board of Directors meeting held on May 10, 2022, to submit a proposal for the introduction of a restricted share-based remuneration plan (the "Plan") to the 174th Ordinary General Meeting of Shareholders to be held on June 23, 2022.

(1) Overview of the Plan

Monetary compensation claims to deliver restricted shares shall be provided as remuneration (the "Monetary Compensation") to Directors (excluding Outside Directors, "Eligible Directors"), and Eligible Directors shall receive allotted restricted shares by paying all the monetary compensation claims by means of contribution in kind. Monetary compensation claims to deliver restricted shares shall be provided as remuneration (the "Monetary Compensation") to Directors (excluding Outside Directors, "Eligible Directors"), and Eligible Directors shall receive allotted restricted shares by paying all the monetary compensation claims by means of contribution in kind. In the allotment of restricted shares, the Company and an Eligible Director shall enter into a restricted share allotment agreement providing that the Eligible Director may not conduct transfer to any third party, establishment of the right of pledge or assignment by way of security on, advancement, bequest or any other disposal of restricted shares allotted to the Eligible Director for 50 years from the day when the restricted shares are allotted under this allotment agreement, and setting forth other matters. The amount to be paid in for restricted shares shall be determined by the Board of Directors within a range which will not be particularly favorable to the Director who accept the restricted shares.

(2) Total amount of monetary remuneration

The amount shall be no more than ¥48 million per year, and be set separately from the amount of no more than ¥40 million per month that was resolved as remuneration for Directors at the 158th Ordinary General Meeting of Shareholders held on June 29, 2006.

(3) Total number of restricted shares: Maximum of 120,000 shares per annum

(Note) The indicated amounts stated in these notes to the non-consolidated financial statements are all rounded off to the nearest whole unit.