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(Securities Code 9301)
June 6, 2018

To Shareholders with Voting Rights:

Masao Fujikura
President
Mitsubishi Logistics Corporation
19-1, Nihonbashi, 1-chome, Chuo-ku,
Tokyo, Japan

**NOTICE OF
THE 215TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 215th Annual General Meeting of Shareholders of Mitsubishi Logistics Corporation (the "Company"). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing by submitting the Voting Rights Exercise Form, or via the Internet, etc. Please review the Reference Documents for the General Meeting of Shareholders (pages 42 through 47), and return your form no later than 5 p.m. Japan time on Wednesday, June 27, 2018, or cast your vote via the Internet, etc., by 5 p.m. Japan time on Wednesday, June 27, 2018. (Please refer to the page 48 for the detailed procedures for exercising voting rights via the Internet, etc.)

- 1. Date and Time:** Thursday, June 28, 2018 at 10 a.m. Japan time
- 2. Place:** Nihonbashi Dia Building, Headquarters of the Company
19-1, Nihonbashi, 1-chome, Chuo-ku, Tokyo, Japan
- 3. Meeting Agenda:**
Matters to be reported:
 1. The Business Report, Consolidated Financial Statements for the Company's 215th Fiscal Year (April 1, 2017 - March 31, 2018) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company's 215th Fiscal Year (April 1, 2017 - March 31, 2018)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Fourteen (14) Directors
- Proposal No. 3:** Election of One (1) Corporate Auditor
- Proposal No. 4:** Payment of Bonuses to Directors

4. Information on Exercise of Voting Rights

(1) If you vote both in writing on the Voting Rights Exercise Form and via the Internet, only your vote placed via the Internet will be valid.

In addition, if you submit your vote multiple times via the Internet, only the last vote will be valid.

(2) If you are unable to attend the meeting, you can exercise your voting rights by proxy by appointing another shareholder with voting rights as proxy and submitting a document that attests the power of proxy.

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When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.

Any updates to the Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and Non-consolidated Financial Statements will be posted on the “Investor Relations” on the Company’s website (<http://www.mitsubishi-logistics.co.jp/english/ir/index.html>).

## **Business Report**

(April 1, 2017 - March 31, 2018)

### **I. Overview of the Company Group**

#### **1. Business Progress and Results**

##### **(1) Business Conditions**

During the fiscal year under review, in the global economy, steady economic recovery continued in the United States while the recovery in Europe remained moderate and recovery continued in China. Japan, meanwhile, recovered moderately with consistently improved employment environment, a sign of recovery in consumer spending and export, and a moderate increase in capital expenditure.

In these economic situations, the business environment surrounding the Group remained difficult. In the warehousing and harbor transportation business in the Logistics Segment, the competition with other companies has intensified despite an increase in freight volume. In the Real Estate Segment, the rising trend in rent, due to improvement in demand for rental office buildings, ceased partly.

Under these circumstances, Mitsubishi Logistics Corporation and its subsidiaries and affiliates (collectively, the "Group") promoted aggressive marketing activities. In the Logistics Segment, we made efforts including the expansion of distribution operations especially for pharmaceuticals, and expansion reinforcement of operational bases overseas. In the Real Estate Segment, we focused our efforts on securing tenants, and maintaining and improving rent levels. Meanwhile, we endeavored to improve business performance thorough cost management and further improvement of efficiency in business operations.

As a result, revenue for the fiscal year under review amounted to 215,407 million yen, an increase of 6,689 million yen, or 3.2% from the previous fiscal year. In the Logistics Segment, revenue increased due to an increase in freight handled in the warehousing & distribution, land transportation, harbor transportation and international transportation businesses. In the Real Estate Segment, despite an increase in orders for design and construction, revenue decreased due to cancellation of sublease contract on facilities in Osaka area and a decrease in condominiums sold. On the other hand, cost of services overall increased 7,019 million yen, or 3.8% from the previous fiscal year to 192,593 million yen. In the Logistics Segment, operational and transportation consignment costs and such increased as freight handled increased. In the Real Estate Segment, design and construction cost increased as orders for design and construction increased while real estate sales costs decreased in line with sales of condominiums decreased. Selling, general and administrative expenses amounted to 10,393 million yen, the same level as the previous fiscal year.

As a result, operating income decreased 327 million yen, or 2.6% year on year to 12,421 million yen, reflecting the rise in revenue in the Logistics Segment and the decline in revenue in the Real Estate Segment. Ordinary income increased 104 million yen, or 0.7% to 16,160 million yen due partially to increases in dividend income and equity in earnings of unconsolidated subsidiaries and affiliates despite an increase in foreign exchange losses. Profit attributable to owners of parent decreased 147 million yen, or 1.4% from the previous fiscal year to 10,517 million yen due partially to a decrease in compensation income and an increase in loss on disposal of non-current assets.

Performance by business segment of the Group was as follows.

##### **1) Logistics Segment**

In the warehousing & distribution business and land transportation business, transactions for automotive components and foods, etc. increased, resulting in revenue to rise 6.2% from the previous fiscal year to 52,637 million yen in the warehousing & distribution business, and revenue in the land transportation business increased by 7.2% from the previous fiscal year to 49,018 million yen. In the harbor transportation business, revenue increased by 2.9% from the previous fiscal year to 23,652 million yen due mainly to an increase in container freight handling volume. In the international transportation business, factors such as an increase in export and import freight handled contributed to a 13.3% rise in revenue from the previous fiscal year, to 50,000 million yen.

As a result, overall revenue in the Logistics Segment was 181,277 million yen, up 13,370 million yen, or 8.0% from the previous fiscal year. Additionally, operating expenses were up by 12,369 million yen, or 7.7%, from the previous fiscal year to 173,614 million yen due mainly to an increase in operational and transportation consignment costs as freight handled increased. Due to the above, operating income was 7,662

million yen, an increase of 1,001 million yen, or 15.0% from the previous fiscal year.

## 2) Real Estate Segment

In the mainstay real estate leasing business, revenue declined 3.6% from the previous fiscal year to 29,262 million yen due mainly to cancellation of sublease contract on facilities in Osaka area. Other revenue decreased by 46.1% from the previous fiscal year to 6,762 million yen due to a decrease in property sales in the condominium sales business despite an increase in orders in design and construction business.

As a result, overall revenue in the Real Estate Segment was 36,025 million yen, down 6,868 million yen, or 16.0% from the previous fiscal year. Additionally, operating expenses were down by 5,330 million yen, or 17.1% from the previous fiscal year to 25,844 million yen, primarily due to a decline in real estate sales costs as sales of condominiums decreased despite an increase in design and construction cost as orders for design and construction increased. Due to the above, operating income was 10,181 million yen, a decrease of 1,538 million yen, or 13.1% from the previous fiscal year.

### Revenue by segment

(Millions of yen unless otherwise stated)

| Categories                                   | Fiscal year<br>ended March<br>31, 2018 | Fiscal year<br>ended March<br>31, 2017 | Year-on-year change |                   |
|----------------------------------------------|----------------------------------------|----------------------------------------|---------------------|-------------------|
|                                              |                                        |                                        | Amount              | Percentage<br>(%) |
| Logistics Segment                            | 181,277                                | 167,907                                | 13,370              | 8.0               |
| [Warehousing & Distribution Business]        | [52,637]                               | [49,541]                               | [3,096]             | [6.2]             |
| [Land Transportation Business]               | [49,018]                               | [45,732]                               | [3,286]             | [7.2]             |
| [Harbor Transportation Business]             | [23,652]                               | [22,994]                               | [658]               | [2.9]             |
| [International Transportation Business]      | [50,000]                               | [44,146]                               | [5,854]             | [13.3]            |
| [Other]                                      | [5,968]                                | [5,493]                                | [474]               | [8.6]             |
| Real Estate Segment                          | 36,025                                 | 42,894                                 | (6,868)             | (16.0)            |
| [Real estate Leasing Business]               | [29,262]                               | [30,355]                               | [(1,092)]           | [(3.6)]           |
| [Other]                                      | [6,762]                                | [12,539]                               | [(5,776)]           | [(46.1)]          |
| Elimination of inter-segment<br>transactions | (1,895)                                | (2,083)                                | 187                 | —                 |
| Total                                        | 215,407                                | 208,718                                | 6,689               | 3.2               |

(Note) Elimination of inter-segment transactions refers to the elimination of inter-segment transactions included in the revenue of the Logistics Segment and Real Estate Segment.

**(2) Capital Investments**

The Group made capital investments in the total amount of 21,582 million yen for construction of warehouses and facilities for lease, etc.

The main investments made during the fiscal year under review were as follows.

1) Construction completed Warehouses

Indonesia: P.T. Mitsubishi Logistics Indonesia MM2100 [Completed in August 2017]

Distribution Center

Warehouses

(single story, total floor area of approx. 18,100 m<sup>2</sup>)

Kobe: Seishin Distribution Center [Completed in March 2018]

Warehouses

(four stories, total floor area of approx. 60,500 m<sup>2</sup>)

2) Warehouses under construction

Osaka: Ibaraki No.4 Distribution Center [Scheduled for completion in July 2018]

Warehouses

(five stories, total floor area of approx. 24,000 m<sup>2</sup>)

3) Facilities for lease under construction

Tokyo: S-GATE NIHONBASHI-HONCHO [Scheduled for completion in October 2018]

Offices and stores for lease

(eleven stories, floor area of approx. 8,500 m<sup>2</sup>)

Osaka: Staff quarters, National Cerebral and Cardiovascular Center [Scheduled for completion in March 2019]

Residential units for lease

(three stories, five stories and eight stories, floor area of approx. 10,600 m<sup>2</sup>)

**(3) Financing**

The Company issued bonds as shown below to use for capital investment and payment of loans.

1) 16th series of unsecured bonds 8,000 million yen (issued on December 8, 2017)

2) 17th series of unsecured bonds 8,000 million yen (issued on December 8, 2017)

The capital investments and operating capital of the Group were funded by cash on hand and proceeds from issuance of the said bonds.

#### **(4) Future Outlook and Issues**

With respect to the prospects of the world economy, despite concern for the trend of trade issue, the steady recovery is expected in the United States and Europe while the economy in China continuously moves toward recovery. Japanese economy is also expected to continue gradual recovery supported by continuous improvement of employment and income environment and implementation of various government policies.

In this economic climate, among the business environment surrounding the Group, harsh situations continue in the warehousing & distribution business and harbor transportation business due to the intensified competition and an increase in cost resulting from labor shortage and such despite a moderate increase in freight volume. Meanwhile, due to concern for decline in demand for rental office buildings, the recovery of rent levels will not lead to the improvement of the business condition in the real estate business.

Under these circumstances, in line with the newly formulated Medium-Term Management Plan [2016–2018] spanning three years beginning fiscal 2016, the Group will strive for sustainable growth mainly by further expanding its domestic and overseas integrated logistics business in response to changes in customers' global supply chains, and expanding the Real Estate Business with an emphasis on building leases.

Specifically, we will implement the following measures.

- 1) In the Logistics Segment, we will expand the domains of our domestic and international logistics services in tandem by thoroughly placing its first priority on customers. In addition, we will promote the improvement of the system through reorganization, etc. to reinforce the logistics business base and improve its service quality while strengthening cost competitiveness.
- 2) In the Real Estate Segment, we will maintain and improve features and functions of existing rental properties and expand business to other than building lease in order to secure long-term and stable profitability.
- 3) We will promote the reinforcement of Group management, and select and concenter management resources to enhance overall Group productivity. In addition, we will thoroughly implement risk management including disaster countermeasures, global environment measures, compliance and CSR as well as proper capital policy and secure financial soundness, thereby enhancing corporate value.

## 2. Trends in Assets and Income

Trends in assets and income of the Group and the Company for the fiscal year under review and the last three fiscal years are as follows.

(Millions of yen unless otherwise stated)

| Item        |                                            | The 212th fiscal year<br>(April 1, 2014 -<br>March 31, 2015) | The 213th fiscal year<br>(April 1, 2015 -<br>March 31, 2016) | The 214th fiscal year<br>(April 1, 2016 -<br>March 31, 2017) | Fiscal year<br>under review<br>(April 1, 2017 -<br>March 31, 2018) |
|-------------|--------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------|
| The Group   | Revenue                                    | 204,362                                                      | 206,831                                                      | 208,718                                                      | 215,407                                                            |
|             | Operating income                           | 11,449                                                       | 11,309                                                       | 12,748                                                       | 12,421                                                             |
|             | Ordinary income                            | 14,456                                                       | 14,025                                                       | 16,056                                                       | 16,160                                                             |
|             | Profit attributable to owners<br>of parent | 9,133                                                        | 9,350                                                        | 10,665                                                       | 10,517                                                             |
|             | Basic earnings per share<br>(yen)          | 104.25                                                       | 106.73                                                       | 121.75                                                       | 120.07                                                             |
|             | Total assets                               | 433,041                                                      | 413,264                                                      | 435,354                                                      | 463,174                                                            |
|             | Total net assets                           | 263,089                                                      | 257,524                                                      | 276,870                                                      | 294,550                                                            |
| The Company | Revenue                                    | 141,638                                                      | 144,391                                                      | 146,896                                                      | 148,610                                                            |
|             | Operating income                           | 8,025                                                        | 8,783                                                        | 10,284                                                       | 9,665                                                              |
|             | Ordinary income                            | 10,880                                                       | 11,492                                                       | 13,073                                                       | 15,382                                                             |
|             | Net income                                 | 7,369                                                        | 8,149                                                        | 9,074                                                        | 10,701                                                             |
|             | Basic earnings per share<br>(yen)          | 84.07                                                        | 92.99                                                        | 103.55                                                       | 122.12                                                             |
|             | Total assets                               | 381,937                                                      | 363,588                                                      | 383,730                                                      | 413,798                                                            |
|             | Total net assets                           | 240,665                                                      | 234,989                                                      | 252,899                                                      | 270,422                                                            |

(Notes)

1. Total assets and net assets of the Group and of the Company in the 213th fiscal year decreased due mainly to a decrease in the valuation amount of stocks.
2. As the Company carried out the reverse stock split at a ratio of one share for every two shares of common stock, with an effective date of October 1, 2017, basic earnings per share of the Group and the Company are calculated based on the assumption that the reverse stock split was conducted at the beginning of the 212th fiscal year.
3. Basic earnings per share of the Group and of the Company are calculated based on the weighted-average number of shares outstanding during the relevant period and are rounded off to the second decimal place.

### 3. Material Subsidiaries

| Company name                             | Capital<br>(Millions of yen) | The Company's<br>percentage of equity<br>participation (%) | Principal business                                                                        |
|------------------------------------------|------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Fuji Logistics Co., Ltd.                 | 2,979                        | 95.0                                                       | Warehousing & Distribution Business                                                       |
| Ryoso Transportation Co., Ltd.           | 360                          | 100                                                        | Land Transportation Business                                                              |
| Dia Buil-Tech, Co., Ltd.                 | 100                          | 100                                                        | Real Estate Managing Business                                                             |
| Shinryo Koun Co., Ltd.                   | 36                           | 86.0                                                       | Harbor Transportation Business                                                            |
| Mitsubishi Logistics China Co., Ltd.     | RMB250 million               | 100                                                        | Investment in Logistics Business in China and management of affiliate logistics companies |
| P.T. Mitsubishi Logistics Indonesia      | IDR211,665 million           | 99.9                                                       | Warehousing & Distribution Business                                                       |
| Mitsubishi Logistics America Corporation | USD10,000 thousand           | 100                                                        | International Transportation Business                                                     |
| Mitsubishi Logistics Europe B.V.         | EUR2,500 thousand            | 100                                                        | International Transportation Business                                                     |

The number of the consolidated subsidiaries subject to consolidated accounting is 51 (1 subsidiary less than the previous fiscal year) including 8 material subsidiaries shown above, while the number of affiliates subject to the equity method is 3. The majority of these companies are engaged in operations and transportation related to the logistics business and management of buildings related to the real estate business.

### 4. Principal Business

#### (1) Logistics Segment

##### 1) Warehousing & Distribution Business

Business conducting storage and handling of incoming and outgoing cargo, etc. at warehouses containing consigned items

##### 2) Land Transportation Business

Business conducting transport and usage transport, etc. by freight automobiles

##### 3) Harbor Transportation Business

Business conducting coastal cargo handling and onboard cargo handling, etc. at ports

##### 4) International Transportation Business

Business conducting handling of international product transport, etc. (including handling domestic marine cargo transport)

#### (2) Real Estate Segment

Business conducting consignment, design and oversight of purchase, leasing, management and construction of real estate



## 5. Principal Business Locations

### (1) The Company

Headquarters: Chuo-ku, Tokyo

Branches: Tokyo, Yokohama, Nagoya, Osaka, Kobe and Fukuoka

### (2) Subsidiaries

#### 1) Logistics Segment

Fuji Logistics Co., Ltd. (Minato-ku, Tokyo)

Ryoso Transportation Co., Ltd. (Koto-ku, Tokyo)

Shinryo Koun Co., Ltd. (Chuo-ku, Kobe)

Mitsubishi Logistics China Co., Ltd. (Shanghai, China)

P.T. Mitsubishi Logistics Indonesia (Jakarta, Indonesia)

Mitsubishi Logistics America Corporation (New York City, State of New York, U.S.A)

Mitsubishi Logistics Europe B.V. (Rotterdam, South Holland, The Netherlands)

#### 2) Real Estate Segment

Dia Buil-Tech, Co., Ltd. (Chuo-ku, Tokyo)

## 6. Employees

### (1) Employees of the Group

| Categories                                             | Number of employees<br>(Changes from March 31, 2017) |
|--------------------------------------------------------|------------------------------------------------------|
| Logistics Segment                                      | 4,096 (increased 48)                                 |
| Real Estate Segment                                    | 295 (decreased 3)                                    |
| Administrative segment,<br>Headquarters of the Company | 72 (decreased 1)                                     |
| Total                                                  | 4,463 (increased 44)                                 |

(Notes)

1. The figures in the above table do not include 51 persons on leave and seconded outside of the Group.
2. Separate from the above, there are 1,306 temporary employees and 1,198 seconded and contracted employees from outside the Group.

### (2) Employees of the Company

| Number of employees (Changes<br>from previous fiscal year-end) | Average age           | Average years of service |
|----------------------------------------------------------------|-----------------------|--------------------------|
| 891 (increased 28)                                             | 40 years,<br>0 months | 16 years, 9 months       |

(Notes)

1. The figures in the above table do not include 140 persons on leave and seconded outside of the Company.
2. Separate from the above, there are 122 temporary employees and 594 seconded and contracted employees from outside the Company.
3. Average ages and average years of service are rounded to the nearest month.

## 7. Material Lenders

| Lender                                       | Amount of borrowings<br>(Millions of yen) |
|----------------------------------------------|-------------------------------------------|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 14,852                                    |
| The Norinchukin Bank                         | 3,070                                     |
| Mitsubishi UFJ Trust and Banking Corporation | 2,225                                     |

(Notes)

1. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd., as of April 1, 2018.
2. Due to organizational restructuring of Mitsubishi UFJ Financial Group, Inc., borrowings from Mitsubishi UFJ Trust and Banking Corporation became borrowings from MUFG Bank, Ltd. as of April 16, 2018.

## II. Status of Shares

### 1. Matters concerning Shares

(1) Total number of shares authorized to be issued 220,000,000 shares

(2) Total number of shares outstanding, capital and number of shareholders

| Item                                        | Current fiscal year-end | Previous fiscal year-end | Changes from the previous fiscal year-end |
|---------------------------------------------|-------------------------|--------------------------|-------------------------------------------|
| Total number of shares outstanding (shares) | 87,960,739              | 175,921,478              | 87,960,739 (decreased)                    |
| Capital (yen)                               | 22,393,986,570          | 22,393,986,570           | 0                                         |
| Number of shareholders (persons)            | 8,045                   | 6,430                    | 1,615 (increased)                         |

- (Notes)
1. Total number of shares outstanding includes 332,982 shares of treasury shares.
  2. As the Company carried out the reverse stock split at a ratio of one share for every two shares of common stock, with an effective date of October 1, 2017, the total number of shares authorized to be issued was changed from 440,000,000 shares to 220,000,000 shares. In addition, the number of shares constituting one trading unit was changed from 1,000 shares to 100 shares on the same day.

(3) Major shareholders

| Shareholder name                                     | Number of shares | Shareholding ratio |
|------------------------------------------------------|------------------|--------------------|
|                                                      | Thousand shares  | %                  |
| The Master Trust Bank of Japan, Ltd. (trust account) | 10,687           | 12.2               |
| Japan Trustee Services Bank, Ltd. (trust account)    | 6,289            | 7.2                |
| Meiji Yasuda Life Insurance Company                  | 5,153            | 5.9                |
| MITSUBISHI ESTATE CO., LTD.                          | 3,665            | 4.2                |
| Kirin Holdings Company, Limited                      | 2,966            | 3.4                |
| Tokio Marine & Nichido Fire Insurance Co., Ltd.      | 2,915            | 3.3                |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.               | 1,864            | 2.1                |
| ASAHI GLASS CO., LTD.                                | 1,657            | 1.9                |
| Mitsubishi Corporation                               | 1,602            | 1.8                |
| Takenaka Corporation                                 | 1,505            | 1.7                |

- (Notes)
1. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has set 750 thousand shares of the Company as trust funds for retirement benefits for which voting rights are reserved, in addition to the shares stated in the table above.
  2. The Company's treasury shares (332,982 shares) were excluded in the calculation of the percentage of shares held.
  3. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd., as of April 1, 2018.

## 2. Company Officers

### (1) Directors and Corporate Auditors

| Position                             | Name                           | Areas of responsibility or significant concurrent positions                                        |
|--------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------|
| Chairman of the Board<br>President * | Tetsuro Okamoto<br>Akio Matsui |                                                                                                    |
| Managing Director                    | Takanori Miyazaki              | Responsible for Accounting & Financing, Information System, Technical and Real Estate Business     |
| Managing Director                    | Yoshiji Ohara                  | Responsible for Harbor Transportation Business                                                     |
| Managing Director                    | Noboru Hiraoka                 | Responsible for International Transportation Business                                              |
| Managing Director *                  | Fumihiko Shinohara             | Responsible for General Affairs, Corporate Communications, Personnel, Planning, and Internal Audit |
| Managing Director                    | Hitoshi Wakabayashi            | Responsible for Warehousing & Distribution Business                                                |
| Managing Director                    | Masao Fujikura                 | General Manager, Osaka Branch                                                                      |
| Director                             | Minoru Makihara                | Senior Corporate Advisor, Mitsubishi Corporation                                                   |
| Director                             | Shigemitsu Miki                | Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.                                             |
| Director                             | Koji Miyahara                  | Board Counselor, Nippon Yusen Kabushiki Kaisha                                                     |
| Director                             | Yasushi Saito                  | General Manager, Accounting & Financing Division                                                   |
| Director                             | Tomohiko Takami                | General Manager, International Transportation Business Division                                    |
| Director                             | Shinji Kimura                  | General Manager, General Affairs Division, Corporate Communications Chamber and Personnel Division |
| Standing Corporate Auditor           | Tohru Watanabe                 |                                                                                                    |
| Standing Corporate Auditor           | Yoshihito Yoshizawa            |                                                                                                    |
| Corporate Auditor                    | Yohnosuke Yamada               | Lawyer                                                                                             |
| Corporate Auditor                    | Kenji Sakurai                  | Certified Public Accountant                                                                        |
| Corporate Auditor                    | Hiroshi Imai                   | Standing Auditor, FUJI LOGISTICS CO., LTD.                                                         |

- (Notes)
1. Directors with an asterisk (\*) are representative directors.
  2. Of Directors, Mr. Minoru Makihara, Mr. Shigemitsu Miki and Mr. Koji Miyahara are Outside Directors as stipulated by Article 2, item 15 of the Companies Act. The Company designated them as independent officers as stipulated by Tokyo Stock Exchange, Inc. and registered them with the said Exchange.
  3. Of Corporate Auditors, Mr. Yoshihito Yoshizawa, Mr. Yohnosuke Yamada and Mr. Kenji Sakurai are Outside Corporate Auditors as stipulated by Article 2, item 16 of the Companies Act. The Company designated them as independent officers as stipulated by Tokyo Stock Exchange, Inc. and registered them with the said Exchange.
  4. Corporate Auditor Mr. Kenji Sakurai is a Certified Public Accountant and has a considerable knowledge regarding finance and accounting.
  5. In addition to the above, the significant concurrent positions of Outside Officers are stated in “(3) Matters concerning Outside Directors” and “(4) Matters concerning Outside Corporate Auditors” below.
  6. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd., on April 1, 2018.
  7. The Directors and Corporate Auditors who retired during the fiscal year under review were as follows (retired on June 29, 2017).

Director Kazuhiko Takayama

8. Of Directors shown above, positions and responsibilities were changed as follows on April 1, 2018. (Directors with an asterisk (\*) are Representative Directors.)

| (Old positions)       |                   | (New positions and responsibilities)                                                                                                  |
|-----------------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Chairman of the Board | Tetsuro Okamoto   | Director (Senior Corporate Advisor)                                                                                                   |
| President *           | Akio Matsui       | Chairman of the Board                                                                                                                 |
| Managing Director     | Takanori Miyazaki | Director ( — )                                                                                                                        |
| Managing Director     | Masao Fujikura    | President *                                                                                                                           |
| Director              | Yasushi Saito     | Managing Director (Responsible for Accounting & Financing and Information System, General Manager of Accounting & Financing Division) |
| Director              | Tomohiko Takami   | Director assisting the Managing Director (Responsible for International Transportation Business)                                      |
| Director              | Shinji Kimura     | Managing Director (Responsible for Technical and Real Estate Business)                                                                |

## (2) Compensation to Directors and Corporate Auditors for the Fiscal Year under Review

| Categories                             | Number of persons paid | Amount of payment<br>(Millions of yen) |
|----------------------------------------|------------------------|----------------------------------------|
| Directors                              | 15                     | 457                                    |
| (of which, Outside Directors)          | (3)                    | (28)                                   |
| Corporate Auditors                     | 5                      | 60                                     |
| (of which, Outside Corporate Auditors) | (3)                    | (35)                                   |

- (Notes)
1. Amount of payment above includes Directors' bonuses in the total amount of 45 million yen (including the amount of 4 million yen to Outside Directors) which will be paid subject to the approval and resolution of Proposal No. 4 “Payment of Bonuses to Directors” at the 215th Annual General Meeting of Shareholders to be held on June 28, 2018.
  2. In addition to the amounts in the above table, to Directors concurrently serving as employees (3 persons during the fiscal year under review), the portions of their remuneration as employees of 54 million yen were paid.
  3. The upper limit on total compensation for Directors is 38 million yen per month (of which, 3 million yen per month for Outside Directors; resolved at the 209th Annual General Meeting of Shareholders held on June 28, 2012; not including the portion of employees' salary for Directors who concurrently serve as employees), while 7 million yen per month for Corporate Auditors (resolved at the 203rd Annual General Meeting of Shareholders held on June 29, 2006).

### (3) Matters concerning Outside Directors

#### 1) Significant concurrent positions at other corporations, etc.

| Name            | Company name                                       | Title            |
|-----------------|----------------------------------------------------|------------------|
| Minoru Makihara | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | Outside Director |
| Koji Miyahara   | Toho GAS Co., Ltd.                                 | Outside Director |

(Note) The Company has transactions such as logistics operation consignment, etc. with Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

#### 2) Main activities

During the fiscal year under review, the Company held 12 meetings of the Board of Directors. Mr. Minoru Makihara participated in 11 meetings, Mr. Shigemitsu Miki in 11 meetings, and Mr. Koji Miyahara in 12 meetings. Outside Directors stated invaluable opinions based on their distinguished insight and broad perspectives.

### (4) Matters concerning Outside Corporate Auditors

#### 1) Significant concurrent positions at other corporations, etc.

| Name             | Company name             | Title                                       |
|------------------|--------------------------|---------------------------------------------|
| Yohnosuke Yamada | SANYO TRADING CO., LTD.  | Outside Director                            |
|                  | KANEMATSU CORPORATION    | Outside Audit & Supervisory Board Member    |
| Kenji Sakurai    | Japan Drilling Co., Ltd. | Audit & Supervisory Board Member (External) |

(Notes) 1. The Company has transactions such as logistics operation consignment, etc. with SANYO TRADING CO., LTD.  
2. The Company has transactions such as logistics operation consignment, etc. with KANEMATSU CORPORATION.  
3. The Company has transactions such as logistics operation consignment, etc. with Japan Drilling Co., Ltd.

#### 2) Main activities

During the fiscal year under review, the Company held 16 meetings of the Board of Corporate Auditors. Mr. Yoshihito Yoshizawa participated in 16 meetings, Mr. Yohnosuke Yamada in 16 meetings, and Mr. Kenji Sakurai in 16 meetings. During the fiscal year under review, the Company held 12 meetings of the Board of Directors. Mr. Yoshihito Yoshizawa participated in 12 meetings, Mr. Yohnosuke Yamada in 12 meetings, and Mr. Kenji Sakurai in 12 meetings. Each of Outside Corporate Auditors stated invaluable opinions from an objective and professional standpoint backed by their accumulated experiences as a manager at a trading firm, a lawyer, and a certified public accountant, respectively.

### **3. Accounting Auditor**

**(1) Accounting Auditor's Name**  
KPMG AZSA LLC

**(2) Compensation for Audit Service Set Forth in Article 2, Paragraph 1 of the Certified Public Accountants Act**

65 million yen

(Notes)

1. Upon confirming the content of the audit plan, the conditions of the execution status of the accounting audit, and the assumptions for calculating remuneration estimates, etc., of the Accounting Auditor, the Board of Corporate Auditors has given its approval under Article 399, Paragraph 1 of the Companies Act for the remuneration, etc., of the Accounting Auditor.
2. Under the audit agreement between the Company and its Accounting Auditor, compensation for audits pursuant to the Companies Act and audits pursuant to Financial Instruments and Exchange Law are not strictly separated, and otherwise cannot be separated. Consequently, the above amount reflects total compensation.

**(3) Non-Audit Services Other Than Audit Services Set Forth in Article 2, Paragraph 1 of the Certified Public Accountants Act**

The Company commissions the Accounting Auditor to issue comfort letters regarding the issuance of bonds, which is outside the scope of services set forth in Article 2, Paragraph 1 of the Certified Public Accountant Act (non-audit services).

**(4) Cash and other profits payable by the Company or its subsidiaries to Accounting Auditor**

81 million yen

(Note)

Of significant subsidiaries of the Company, Mitsubishi Logistics China Co., Ltd., P.T. Mitsubishi Logistics Indonesia, and Mitsubishi Logistics Europe B.V. receive audits (limited to stipulations of the Companies Act and the Financial Instruments and Exchange Act (including laws and regulations of other countries corresponding to these laws)) from accounting auditors (including entities possessing qualifications in other countries corresponding to these qualifications) separate from the Accounting Auditor of the Company.

**(5) Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditor**

Aside from termination of the Accounting Auditor by the Board of Corporate Auditors as defined in Article 340 of the Companies Act, should the Accounting Auditor be deemed unable to execute its duties properly and the replacement of the Accounting Auditor be deemed necessary, the Company shall submit the proposal to terminate or not reappoint the Accounting Auditor to the General Meeting of Shareholders, based on a resolution of the Board of Corporate Auditors.

### **III. Company's Systems and Policies**

#### **1. System to ensure that Directors execute their duties in compliance with laws and regulations and the Articles of Incorporation and other systems to ensure proper business execution**

As rules and a charter to be strictly followed by executives and employees during the course of executing duties, the Company has formulated a "Code of Conduct" as described below, and clearly states its position to actively work toward thorough compliance with related laws, in addition to environmental protection and social contribution, etc.

- 1) The Company will comply with laws and regulations and rules, and execute corporate activities sincerely and fairly so as not to disrupt societal norms.
- 2) The Company will disclose corporate information at appropriate times and in an appropriate way, and aim for broad communication with society.
- 3) The Company will continue to not have any relationships with anti-social forces that have a negative impact on the order and safety of civil society.
- 4) The Company will recognize the importance of environmental issues and cooperate with environmental protection activities.
- 5) While providing services that are safe, high quality, and socially effective, the Company will work toward societal contribution activities as a "good corporate citizen," placing harmony with regional societies and international society at the forefront.

Under this Code of Conduct, the Company has formulated "Basic Policy Regarding Implementation of Internal Control Systems" as described below, in order to ensure the appropriate execution of duties by executives and employees and appropriateness of corporate operations.

- (1) System to ensure that the Directors execute their duties in compliance with laws and regulations and the Articles of Incorporation

Important decision-making shall be deliberated upon and resolved at a meeting of the Board of Directors that is held once per month in principle in accordance with the Regulations on the Board of Directors, which clarifies agenda standards. Regarding execution of duties, responsibilities for Directors shall be defined, and each Director shall execute duties concerning their responsibilities, with accountability pursuant to laws and regulations and the Articles of Incorporation.

Corporate Auditors shall inspect important decision-making documents, attend meetings of the Board of Directors and General Managers' meetings, etc. to ascertain the status of important decision-making and the execution of duties, and shall provide opinions.

- (2) System to ensure that the employees execute their duties in compliance with laws and regulations and the Articles of Incorporation

While ensuring thorough recognition of the Company's "Code of Conduct" and internal regulations, the Internal Audit Department shall audit compliance with laws and regulations and the status of the execution of duties based on the annual audit plan, report the results to the responsible Executive Directors, and the division responsible for compliance shall evaluate the status of improvement of the audit results.

In order to prevent or promptly discover and correct actions that may infringe upon laws and regulations and the Articles of Incorporation, an Internal Reporting Hotline (Helpline) shall be established.

Furthermore, through establishment of the Internal Control Committee and the CSR and Compliance Committee, the implementation status of internal control functions and the compliance conditions shall be evaluated, aiming to enhance the internal controls and CSR compliance.

- (3) System for storage and management of information related to the execution of duties of the Directors

Minutes for meetings of the Board of Directors and important documents, etc. regarding the execution of duties by Directors shall be appropriately stored and managed in accordance with laws and regulations and internal regulations.

- (4) Regulations or any other systems for management of risk of loss

While aiming for thorough compliance with the Basic Risk Management Manual, etc., the Risk Management Committee shall be established, working toward advance prevention of business risk and risks related to finance and legal matters, alongside with strengthening measures against natural disasters. Additionally, if risks arise, "Countermeasure Headquarters" shall be established, and companywide support and countermeasures shall be thoroughly implemented, aiming for minimization of losses and early restoration of normal operations.

- (5) System to ensure that the execution of duties of the Directors is efficient  
Directors shall strictly maintain the efficiency and soundness of management while executing duties related to their responsibilities according to the management plan.  
In addition all Executive Directors shall deliberate regarding the execution of important duties based on adequate documentation at Executive Committee held about once per week, while making resolutions or reporting on execution status at meetings of the Board of Directors.
- (6) System to ensure proper business execution within the Company group consisting of the Company and its subsidiaries
- Executives shall be dispatched from the Company to subsidiaries. In addition to implementation of Codes of Conduct suited for the businesses of subsidiaries, they oversee the duties of Directors of subsidiaries to be executed efficiently in accordance with the management plan.
  - The execution of important duties at subsidiaries shall be deliberated in advance with the Company in accordance with the Regulations on Affiliate and Subsidiary Administration, and Executive Directors in charge shall receive reports regarding the status of the execution of duties at subsidiaries and financial conditions, etc. from the subsidiaries periodically or as needed.
  - A Group Management Meeting, comprised of the Company and significant subsidiaries, shall be held about twice per year, ensuring the appropriateness of operations of the overall Group.
  - The Internal Audit Department shall audit compliance with laws and regulations and the status of the execution of duties at subsidiaries. Executive Directors in charge shall receive the results, cooperate with Corporate Auditors and Internal Audit Department of the Company and Corporate Auditors of the subsidiaries, and express their opinions regarding the optimization of operations of the overall Group as necessary.
  - To prevent or promptly discover and correct actions that may infringe upon laws and regulations and the Articles of Incorporation, subsidiaries shall establish a common Internal Reporting Hotline (Helpline) jointly with the Company.
  - Regarding risk of losses at subsidiaries, in addition to management according to the Basic Risk Management Manual, etc., subsidiaries shall establish risk management structures according to their business types.
  - Appropriate structures for internal controls shall be implemented and operated in order to secure the reliability of financial reporting.
- (7) Employees to assist the duties of Corporate Auditors  
The Corporate Auditors' Chamber shall be established as a department to assist the duties of Corporate Auditors, and dedicated personnel shall be assigned.
- (8) Independence of employees to assist the duties of Corporate Auditors from Directors and matters concerning effectiveness of instructions toward said employees  
By the nature of their post, personnel dedicated to the Corporate Auditors' Chamber shall work directly for Corporate Auditors, and deliberation shall be made with the Board of Corporate Auditors in advance regarding the selection of such personnel, etc.
- (9) System for Directors and employees and executives and employees of subsidiaries (including parties receiving reports from these persons) to report to Corporate Auditors and other systems for reporting to Corporate Auditors  
Directors and employees as well as executives and employees of subsidiaries (including parties receiving reports from these persons) shall report periodically to Corporate Auditors regarding the status of the execution of duties and financial conditions, etc., and the Internal Audit Department shall report the results of internal audits to Corporate Auditors.  
Additionally, Directors and employees as well as executives and employees of subsidiaries (including parties receiving reports from these persons) shall report as required to Corporate Auditors regarding matters that will have a significant effect on management.
- (10) System to ensure that persons reporting to Corporate Auditors do not receive unfavorable treatment with said report as rationale  
Any unfavorable treatment shall not be incurred due to reporting to Corporate Auditors including internal reporting.
- (11) Policies for processing expenses or liabilities incurred regarding the execution of duties by Corporate Auditors  
Expenses or liabilities incurred regarding the execution of duties by Corporate Auditors shall be processed appropriately in accordance with laws and regulations.



- (12) Other systems to ensure the effectiveness of audits by Corporate Auditors  
Corporate Auditors shall receive periodic reports from the Accounting Auditor regarding the status of audits, and shall conduct effective audits through internal audits by the Internal Audit Department.  
During audits, Directors and employees shall cooperate with Corporate Auditors to provide required information at the appropriate time.

## 2. Summary of the operational status of the system in 1. above

Based on the above “Basic Policy Regarding Implementation of Internal Control Systems,” the Company has established and operated the internal control systems for the Company and subsidiaries.

A summary of the operational status of internal control systems for the fiscal year under review is as follows.

- (1) Status of the execution of duties by Directors and employees
- Meetings of the Board of Directors were held 12 times, and the Board of Directors deliberated important matters and made resolutions, and Directors in charge provided reports on the status of execution of important duties.
  - Executive Committee, comprised of all Executive Directors (Chairman of the Board, President, and Managing Directors) chaired by President, was held about once per week, and deliberated on important matters regarding management.
  - In light of deliberations at Executive Committee, each Executive Director executed duties responsibly, including measures based on the Medium-term Management Plan [2016-2018], according to the division of duties.
  - Aside from General Managers of Branches, the General Managers’ Meetings also comprised of Directors, Corporate Auditors and the General Managers of the Headquarters Department were held about once per month for a total of 11 times, and the status of the execution of duties were reported and confirmed.
  - The Internal Control Committee, CSR and Compliance Committee, and Risk Management Committee were each held once, and the status of execution of duties companywide was evaluated from the independent viewpoints of each committee.
  - To ensure thorough dissemination of the Code of Conduct and internal regulations of the Company, internal training has been conducted, and the status of compliance among executives and employees has been confirmed through surveys, etc.
  - Minutes for meetings of the Board of Directors and important documents, etc. regarding the execution of duties by Directors have been managed by each responsible department according to the number of years required as defined by laws and regulations and internal regulations.
- (2) Status of the Corporate Group, composed of the Company and subsidiaries
- To manage risk of losses arising at the Group, the Company has prepared a Basic Risk Management Manual, and worked to disseminate it.
  - Executives and employees of the Company are dispatched to subsidiaries and manage them by executing their duties and conducting audits and supervision at the subsidiaries.
  - A department to manage subsidiaries were established, and the department discusses the execution of important duties with subsidiaries, receives periodic reports from subsidiaries regarding financial conditions, etc., and reports to Executive Directors in charge and Corporate Auditors. Additionally, the Group Management Meeting, comprised of the Company and significant subsidiaries, was held twice, and business results and issues, etc. were reported and confirmed, including the progress status of measures based on the Medium-term Management Plan [2016 – 2018].
  - Concerning internal controls regarding financial reporting, effectiveness is evaluated based on the “Internal Control Evaluation Policy Book,” which defines the Group’s systems regarding operation and evaluation, and basic policies such as processes and methods.
- (3) Status of Corporate Auditors, internal audits, and internal reporting
- Aside from exchanging information with the Representative Director through periodic meetings, etc., Corporate Auditors attended important meetings such as meetings of the Board of Directors and General Managers’ Meetings. In addition to the examination of important documents, etc. regarding the execution of duties by Directors such as decision-making documents, Corporate Auditors have inspected the Company’s audit and subsidiaries, etc. based on the annual audit plan. Additionally, meetings of the Board of Corporate Auditors were held 16 times, and information on the status of the Company and audit results, etc. have been shared.
  - During the formulation and implementation, etc. of their respective annual audit plans, Corporate Auditors, the Internal Audit Department, Accounting Auditor and Corporate Auditors of subsidiaries have conducted periodic meetings and exchanged information as needed, executing duties effectively and efficiently.

- To support the execution of duties of Corporate Auditors, a Corporate Auditors' Chamber (one dedicated employee) was established at the headquarters. The dedicated staff member executed duties under the direction of Corporate Auditors, and matters concerning related personnel, etc. were deliberated with the Board of Corporate Auditors in advance.
- Expenses or liabilities that arose during the course of the execution of duties of Corporate Auditors were appropriately processed in accordance with laws and regulations upon request from Corporate Auditors.
- Aside from establishing an Internal Audit Division (seven dedicated employees) at the headquarters as the Internal Audit Department, audit support employees (two persons) were assigned, and auditors (one each) and audit support employees (two each) were assigned at each branch. Audits were conducted at the Company and Group companies based on the annual audit plan. Audit results were reported to Executive Directors in charge and Corporate Auditors, and the division responsible for compliance evaluated the status of improvement on a quarterly basis.
- Including the Corporate Auditors' Chamber, multiple common Internal Reporting Hotlines were established in the Group, and internal regulations stipulated the prohibition of unfavorable treatment to the person who made an internal report.

### 3. Basic policy regarding the Company's control

The Group's primary businesses are the Logistics Business with warehousing & distribution business at its core, and the Real Estate Business, which focuses on the leasing of buildings.

Regarding the Logistics Business, the Group aims to organically and comprehensively operate each of the land transportation, international transportation and harbor transportation businesses centered on the warehousing & distribution business by using information technologies. In the Real Estate Business, the Group aims to expand the leasing business primarily in office buildings and commercial facilities by effectively using the Group's proprietary lands. Through fair operations of these businesses, the Group aims to ensure appropriate profits and stable growth, and provide returns to shareholders and employees, making contribution to realizing a prosperous society.

Due to the nature of the both businesses that needs land, building and facilities, etc. in favorable locations, both businesses require significant investment; therefore, the Company invest its management resources including funds in a continuous and planned manner from a long-term standpoint with the aim of expanding and developing businesses.

Although the Company does not unconditionally deny all intension of large-scale acquisition of the Company's shares, the Company believes that purchases in conflict with the above that damage corporate value or common interests of shareholders are inappropriate.

Currently, the Company has not recognized any parties that are attempting large-scale acquisitions of the Company's share. However, the Company constantly monitors the trading status of the Company's shares, and in the event that a party attempting a large-scale acquisition of the Company's shares in conflict with these views appears, and if the purchase will not contribute to the Company's corporate value and common interests of shareholders, appropriate countermeasures will be considered, and the Company will prepare a system for the swift implementation of the countermeasures.

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 Unless otherwise stated, the content of the above report adheres to the following.

1. Monetary amounts and share numbers are rounded down.
2. Ratios are rounded to the first decimal place.
3. If the number of shares or ratio is zero, it is presented as "-."

Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	97,296	Current liabilities	57,861
Cash and deposits	38,329	Notes and accounts payable	23,837
Notes and accounts receivable	37,633	Short-term bank loans and current maturities of long-term debt	12,130
Marketable securities	2,000	Current portion of bonds	7,000
Real estate held for sale	11,712	Income taxes payable	2,264
Deferred income taxes	1,695	Provision for directors' bonuses	45
Other	5,972	Other	12,583
Allowance for doubtful accounts	(45)	Long-term liabilities	110,763
Non-current assets	365,878	Bonds payable	36,000
Property and equipment	215,408	Long-term loans payable	16,782
Buildings and structures	114,569	Deposits on long-term leases	21,947
Machinery and equipment	4,244	Deferred income taxes	24,610
Land	86,749	Provision for directors' retirement benefits	176
Construction in progress	3,539	Net defined benefit liability	10,982
Other	6,305	Other	264
Intangible assets	15,551	Total liabilities	168,624
Leasehold right	7,722	(Net assets)	
Goodwill	950	Shareholders' equity	229,770
Other	6,879	Common stock	22,393
Investments and other assets	134,917	Capital surplus	19,566
Investments in securities	126,739	Retained earnings	188,651
Long-term loans receivable	513	Treasury shares	(841)
Deferred income taxes	2,314	Accumulated other comprehensive income	61,976
Other	5,423	Net unrealized holding gains on securities	60,873
Allowance for doubtful accounts	(21)	Foreign currency translation adjustments	959
Allowance for investment loss	(52)	Remeasurements of defined benefit plans	142
		Non-controlling interests	2,803
		Total net assets	294,550
Total assets	463,174	Total liabilities and net assets	463,174

(Figures are rounded down to the nearest million yen.)

Consolidated Statement of Income

(April 1, 2017 - March 31, 2018)

(Millions of yen)

Description	Breakdown	Amount
Revenue		
Warehousing fee income	24,954	
Stevedoring income	17,846	
Land transportation income	49,017	
Harbor stevedoring income	18,498	
International transportation income	49,887	
Rent of real estate for investment	30,916	
Other	24,287	215,407
Cost of services		
Operational and transportation consignment costs	93,090	
Personnel expenses	36,813	
Facility rental expenses	9,170	
Depreciation and amortization	12,363	
Other	41,154	192,593
Gross profit		22,814
Selling, general and administrative expenses		10,393
Operating income		12,421
Non-operating income		
Interest and dividend income	2,874	
Equity in earnings of unconsolidated subsidiaries and affiliates	1,402	
Other	507	4,784
Non-operating expenses		
Interest expense	601	
Foreign exchange losses	266	
Other	176	1,044
Ordinary income		16,160
Extraordinary income		
Gain on disposal of non-current assets	42	
Gain on sale of marketable securities and investments in securities	369	
Reversal of allowance for investment loss	52	464
Extraordinary losses		
Loss on disposal of non-current assets	918	
Impairment loss	147	
Loss on cancellation of rental contracts	51	
Loss on valuation of marketable securities and investments in securities	44	
Compensation for damage	94	1,254
Profit before income taxes		15,370
Income taxes - current	4,843	
Income taxes - deferred	(145)	4,698
Profit		10,672
Profit attributable to non-controlling interests		154
Profit attributable to owners of parent		10,517

(Figures are rounded down to the nearest million yen.)

Consolidated Statement of Changes in Net Assets

(April 1, 2017 - March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2017	22,393	19,566	180,762	(832)	221,890
Changes of items during period					
Cash dividends			(2,628)		(2,628)
Profit attributable to owners of parent			10,517		10,517
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares		0		0	0
Changes other than to shareholders' equity, net					
Total changes of items during period	-	0	7,888	(9)	7,879
Balance as of March 31, 2018	22,393	19,566	188,651	(841)	229,770

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized holding gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plan	Total accumulated other comprehensive income		
Balance as of April 1, 2017	51,422	975	(64)	52,332	2,646	276,870
Changes of items during period						
Cash dividends						(2,628)
Profit attributable to owners of parent						10,517
Purchase of treasury shares						(9)
Disposal of treasury shares						0
Changes other than to shareholders' equity, net	9,451	(15)	207	9,643	156	9,800
Total changes of items during period	9,451	(15)	207	9,643	156	17,679
Balance as of March 31, 2018	60,873	959	142	61,976	2,803	294,550

(Figures are rounded down to the nearest million yen.)

Notes to the Consolidated Financial Statements

Notes to the Basis for Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries

Number of consolidated subsidiaries 51

Names of principal subsidiaries

Fuji Logistics Co., Ltd., Ryoso Transportation Co., Ltd., Dia Buil-Tech, Co., Ltd., Shinryo Koun Co., Ltd., Mitsubishi Logistics China Co., Ltd., P.T. Mitsubishi Logistics Indonesia, Mitsubishi Logistics America Corporation and Mitsubishi Logistics Europe B.V.

(2) Non-consolidated subsidiaries

Names of principal non-consolidated subsidiary

Dia Logistics (M) Sdn. Bhd.

Non-consolidated subsidiaries are respectively small in scale, and the totals of total assets, revenue, profit attributable to owners of parent (proportional amount of equity), and retained earnings (proportional amount of equity), etc., each do not have a significant effect on the consolidated financial statements, thus these subsidiaries are excluded from the scope of consolidation.

2. Application of the equity method

(1) Non-consolidated subsidiaries and affiliates accounted for by the equity method

There are no non-consolidated subsidiaries accounted for by the equity method.

Number of affiliates subject to the equity method 3

Name of principal affiliate

Kusatsu Soko Co., Ltd.

(2) Non-consolidated subsidiaries and affiliates not subject to the equity method

Name of principal non-consolidated subsidiary

Dia Logistics (M) Sdn. Bhd.

Name of principal affiliate

Nakatani Transportation Co., Ltd.

As non-consolidated subsidiaries and affiliates not subject to the equity method each of these companies has only an immaterial effect on profit attributable to owners of parent and retained earnings, etc. and is insignificant overall, these are excluded from application of the equity method.

3. Matters concerning the fiscal year, etc., of consolidated subsidiaries

All consolidated subsidiaries excluding 17 overseas subsidiaries such as Mitsubishi Logistics America Corporation end their fiscal years on the same day as the Company.

The last day of the fiscal year for 17 overseas subsidiaries such as Mitsubishi Logistics America Corporation is December 31. The financial statements as of December 31 are used in the consolidated financial statements, and if any material transactions incur during the period from December 31 to March 31, necessary adjustments are made on the consolidated financial statements.

4. Matters concerning accounting policies

(1) Standards and methods for valuation of important assets

A. Securities

Available-for-sale securities

Securities with market quotations

Stated at market based on the market price, etc. on the balance sheet date.

(Valuation difference is transferred directly to net assets. The cost of sales is calculated using the moving average method.)

Securities without market quotations

Stated at cost using the moving-average method.

B. Derivatives

Stated using the market value method.

C. Inventories (real estate held for sale)

Mainly stated at cost using the specific identification method.

(calculated by writing them down based on decline in profitability.)

(2) Depreciation and amortization method for important depreciable or amortizable assets

A. Property and equipment (excluding leased assets)

The declining-balance method is applied.

Warehouse facilities (actual buildings), commercial facilities for lease (actual buildings) and facilities and structures attached to buildings acquired on or after April 1, 2016 are calculated using the straight-line method.

Furthermore, useful lives are estimated according to stipulations of the Corporation Tax Act, and lives for commercial facilities for lease (actual buildings) are determined with a standard of 20 years, taking into account the lease agreement period, etc.

B. Intangible assets (excluding leased assets)

The straight-line method is applied.

Computer software for internal use is amortized over the estimated internal useful life (5 to 10 years) using the straight-line method.

C. Leased assets

(Leased assets relating to finance lease transactions without the transfer of ownership)

Leased assets are depreciated using the straight-line method with no residual value over the lease term of the leased assets.

(3) Important standards of accounting for reserves

A. Allowance for doubtful accounts

To provide for losses resulting from unrecoverable claims such as accounts and loans receivable, allowance for doubtful accounts is recorded based on the historical write-off rate for ordinary receivables, and based on expected uncollectable accounts individually for receivables.

B. Allowance for investment loss

To provide for losses resulting from a decline in the substantial price of stock and investment without market value, allowance is recorded taking into account the possibility of recovery if total net assets of the issuing company fall below the book value.

C. Provision for directors' bonuses

To provide for bonuses to Directors, of estimated payment amount, amounts to be borne during the fiscal year under review are recorded.

D. Provision for directors' retirement benefits

To provide for payments of retirement benefits for directors at certain consolidated subsidiaries, amounts to be paid at the end of the fiscal year under review are recorded, based on entity's rules.

(4) Accounting treatment of retirement benefits

A. Method of attributing the estimated benefit obligation to periods

Upon calculating the retirement benefit obligation, the estimated benefit obligation is attributed to the period up until the fiscal year under review on a benefit formula basis.

B. Amortization method of actuarial calculation differences and prior service costs

Actuarial calculation differences are amortized using the straight-line method over a certain period (5 to 15 years) within the average remaining years of service of employees, beginning from the fiscal year following the incurred year. Prior service costs are recognized using the straight-line method over a certain period (15 years) within the average remaining years of service of employees, beginning from the incurred year.

(5) Amortization method and amortization period of goodwill

Goodwill is amortized over 5 to 10 years on a straight-line basis. Any immaterial amounts are fully recognized as expenses as incurred.

(6) Accounting treatment of consumption taxes, etc.

For accounting treatment of consumption tax and local consumption tax, the tax exclusion method is applied.

Notes to Consolidated Balance Sheet

1. Accumulated depreciation of property and equipment	300,779 million yen
2. Accumulated deferred tax reserves for non-current assets	3,367 million yen
3. Collateral assets	
Assets pledged as collateral	
Buildings and structures	12 million yen
Land	1,085 million yen
Obligations related to the above	
Short-term bank loans	300 million yen
“Other” of current liabilities	224 million yen
Long-term loans payable	6,514 million yen
Deposits on long-term leases	1,000 million yen
4. Guarantee liability	
Liability guarantees for borrowings of other companies	1,101 million yen

Notes to Consolidated Statements of Income

Impairment loss

The Group recognized impairment loss in the following asset group for the fiscal year under review:

Location	Use	Type	Amount (million yen)
Kobe City, Hyogo	Warehouse facilities	Building and others	98
Fukuoka City, Fukuoka	Warehouse facilities	Building and others	11
The Netherlands	Warehouse facilities	Building, software and others	36

In calculating impairment loss, assets are grouped by the lowest level that generates a cash flow independent from other assets or asset groups.

The above asset groups have been recognized to have reduced profitability by operating activities, and as short-term recovery is not expected, book values for assets related to said asset groups have been reduced to the recoverable amounts, and the reduction amount of 147 million yen (110 million yen in buildings, 19 million yen in software, and 17 million yen in others) has been recorded as impairment loss in extraordinary losses.

The recoverable amounts are measured based on net sale prices or value in use. Net sale prices are derived from real estate appraisal evaluation amounts and value in use is considered to be 0 since future cash flow cannot be expected.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of outstanding shares

Total number of outstanding shares as of March 31, 2018: Common stock 87,960,739 shares

2. Dividends

(1) Dividend amount

Resolution	Type of stock	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 29, 2017	Common stock	1,402	8	March 31, 2017	June 30, 2017
Meeting of the Board of Directors on October 31, 2017	Common stock	1,226	7	September 30, 2017	December 1, 2017

(2) Dividends whose record date is during this fiscal year, but whose effective date is after the end of this fiscal year

The following items are proposed at the General Meeting of Shareholders to be held on June 28, 2018.

A. Total dividends	1,226 million yen
B. Source of dividends	Retained earnings
C. Dividend per share	14 yen
D. Record date	March 31, 2018
E. Effective date	June 29, 2018

(Note) Dividend per share whose record date is March 31, 2018 takes into consideration the reverse stock split at a ratio of one share for every two shares of common stock, with an effective date of October 1, 2017.

Notes to Financial Instruments

1. Status of Financial Instruments

The Group raises necessary funds mainly by bank loans or issuance of bonds. Temporary cash surplus, if any, are invested in highly secured deposits, public bonds and corporate bonds, etc.

Notes and accounts receivable are exposed to credit risk of customers. In order to reduce such credit risk, the Group controls on due date and balance for each customer in accordance with internal customer credit management rules.

Investments in securities are mainly stocks issued by companies with which the Group has business relations. The Group ascertains the fair values of such stocks at regular intervals.

Short-term loans are used mainly for operating capital, while long-term loans payable are used mainly for capital expenditure. Interest rate swap contracts are used as a hedging instrument for long-term loans payable with floating interest rates in order to avoid interest rate fluctuation risk. Derivatives are used based on actual demand only.

2. Current Value, etc. of Financial Instruments

The amounts posted on the consolidated balance sheet, the fair values, and the differences thereof as of March 31, 2018 are as follows. Items whose fair values are extremely difficult to measure are not included in the following table (please see (Note 2)).

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	38,329	38,329	-
(2) Notes and accounts receivable	37,633	37,633	-
(3) Marketable securities	2,000	2,000	-
(4) Investments in securities available for-sale securities	118,542	118,542	-
Total assets	196,505	196,505	-
(1) Notes and accounts payable	23,837	23,837	-
(2) Short-term bank loans	10,753	10,753	-
(3) Bonds payable(*1)	43,000	43,463	463
(4) Long-term loans payable (*2)	18,159	18,248	88
(5) Deposits on long-term leases	1,165	1,161	(3)
(6) Derivatives	-	-	-
Total liabilities	96,915	97,464	549

(*1) Including current portion of bonds.

(*2) Including current maturities of long-term debt.

(Note 1) Calculation method of the fair value of financial instruments and securities & derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable, (3) Marketable securities:

Relevant consolidated balance sheet amounts are used because the settlement term of the above items is short and their fair values approximate their book values.

(4) Available for-sale securities in investments in securities:

The fair values of stocks are determined using the quoted price at the stock exchange.

Liabilities

(1) Notes and accounts payable, (2) Short-term bank loans

Relevant consolidated balance sheet amounts are used because the settlement term of the above items is short and their fair values approximate their book values.

(3) Bonds payable

The fair values of bonds issued by the Company are calculated using the market price.

(4) Long-term loans payable

Long-term loans payable with floating interest rates require that the interest rates be amended at certain periods of time. Therefore, relevant book values are used because their fair values approximate their book values. Long-term loans payable with fixed interest rates are calculated using the present value of the amount of principal and interest discounted using the current borrowing rate for similar loans of comparable maturity. Certain long-term loans payable with floating interest rates are subject to special treatment of interest rate swaps (see (6) below). Therefore, the fair values of such long-term loans payable are calculated by discounting the total amount of principal and interest that have been recorded together with said interest rate swap by an interest rate that would reasonably be estimated to apply to a similar loan.

(5) Deposits on long-term leases

Deposits on long-term leases are calculated by the present value of future cash flows discounted using a risk-free rate.

(6) Derivatives:

As those resulting from special treatment of interest rate swaps are processed in unity with long-term loans payable to which the hedge applies, these are recorded by including their values in the market value of said long-term loans payable (see (4) above).

(Note 2) Unlisted securities and others (consolidated balance sheet amount of 8,196 million yen) are not included in “(4) Available for-sale securities in investment in securities,” because the identification of their fair values is deemed extremely difficult due to the absence of market values and inability to estimate future cash flows. Of deposits on long-term leases, those with future cash flows that cannot be estimated and with fair values which are extremely difficult to measure (consolidated balance sheet amount of 20,781 million yen) are not included in “(5) Deposits on long-term leases.”

Notes to Real Estates for Rent

The Company and some of its subsidiaries have some investments and rental property such as office buildings for rent (including land) in Tokyo and other regions.

(Millions of yen)

Amount on the consolidated balance sheet	Fair value
94,123	331,836

(Note 1) The amount on the consolidated balance sheet is the amount obtained by deducting accumulated depreciation from acquisition cost.

(Note 2) Fair value as of March 31, 2018 was the amount mainly based on appraisal by an external real estate appraiser.

Notes to Per Share Information

1. Net assets per share 3,330.71 yen

2. Basic earnings per share 120.07 yen

(Note) As the Company carried out the reverse stock split at a ratio of one share for every two shares of common stock, with an effective date of October 1, 2017, net assets per share and basic earnings per share are calculated based on the assumption that the reverse stock split was conducted at the beginning of the fiscal year under review.

Non-consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	58,214	Current liabilities	45,565
Cash and deposits	18,874	Accounts payable	14,814
Notes receivable	303	Short-term bank loans and current maturities of long-term debt	12,617
Accounts receivable	21,356	Current portion of bonds	7,000
Marketable securities	2,000	Accounts payable - other	4,533
Real estate held for sale	11,712	Income taxes payable	1,756
Prepaid expenses	600	Advances received	2,493
Short-term loans receivable	273	Deposits received	1,828
Deferred income taxes	1,105	Provision for directors' bonuses	45
Advances paid	1,595	Other	476
Other	409	Long-term liabilities	97,810
Allowance for doubtful accounts	(17)	Bonds payable	36,000
Non-current assets	355,584	Long-term loans payable	15,372
Property and equipment	188,307	Deposits on long-term leases	20,288
Buildings	100,604	Deferred income taxes	22,531
Structures	2,360	Retirement benefits	3,618
Machinery and equipment	2,767	Total liabilities	143,375
Transportation equipment	143	(Net assets)	
Tools, furniture and fixtures	1,675	Shareholders' equity	210,468
Land	73,951	Common stock	22,393
Leased assets	3,396	Capital surplus	19,387
Construction in progress	3,408	Legal capital surplus	19,383
Intangible assets	12,759	Other capital surplus	4
Leasehold right	7,673	Retained earnings	169,492
Software	4,920	Legal retained earnings	3,121
Other	165	Other retained earnings	166,371
Investments and other assets	154,517	Reserve for private insurance	7,528
Investments in securities	117,292	Reserve for reduction entry	15,590
Investments in capital of subsidiaries and affiliates	27,527	Reserve for special depreciation	367
Long-term loans receivable	7,436	General reserve	130,240
Guarantee deposits	3,529	Retained earnings brought forward	12,645
Other	419	Treasury shares	(805)
Allowance for doubtful accounts	(15)	Valuation and translation adjustments	59,954
Allowance for investment loss	(1,672)	Net unrealized holding gains on securities	59,954
Total assets	413,798	Total net assets	270,422
		Total liabilities and net assets	413,798

(Figures are rounded down to the nearest million yen.)

Non-consolidated Statement of Income

(April 1, 2017 - March 31, 2018)

(Millions of yen)

Description	Breakdown	Amount
Revenue		
Warehousing fee income	18,276	
Stevedoring income	10,061	
Land transportation income	25,226	
Harbor stevedoring income	16,897	
International transportation income	32,961	
Rent of real estate for investment	28,314	
Other	16,871	148,610
Cost of services		
Operational and transportation consignment costs	72,338	
Personnel expenses	12,501	
Facility rental expenses	5,415	
Depreciation and amortization	10,462	
Other	32,974	133,693
Gross profit		14,916
Selling, general and administrative expenses		5,250
Operating income		9,665
Non-operating income		
Interest and dividend income	6,022	
Other	451	6,473
Non-operating expenses		
Interest expense	533	
Other	223	756
Ordinary income		15,382
Extraordinary income		
Gain on sale of marketable securities and investments in securities	361	361
Extraordinary losses		
Loss on disposal of non-current assets	849	
Impairment loss	98	
Loss on valuation of marketable securities and investments in securities	43	
Provision of allowance for investment loss	595	
Compensation for damage	94	1,680
Income before income taxes		14,063
Income taxes - current	3,725	
Income taxes - deferred	(364)	3,361
Net income		10,701

(Figures are rounded down to the nearest million yen.)

Non-consolidated Statement of Changes in Net Assets

(April 1, 2017 - March 31, 2018)

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital surplus		Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus		Other retained earnings		
					Reserve for private insurance	Reserve for reduction entry	Reserve for special depreciation
Balance as of April 1, 2017	22,393	19,383	4	3,121	7,328	15,708	485
Changes of items during period							
Cash dividends							
Net income							
Provision of reserve for private insurance					200		
Reversal of reserve for reduction entry						(117)	
Reversal of reserve for special depreciation							(128)
Provision of reserve for special depreciation							9
Provision of general reserve							
Purchase of treasury shares							
Disposal of treasury shares			0				
Changes other than to shareholders' equity, net							
Total changes of items during the period	-	-	0	-	200	(117)	(118)
Balance as of March 31, 2018	22,393	19,383	4	3,121	7,528	15,590	367

(Figures are rounded down to the nearest million yen.)

	Shareholders' equity				Valuation and translation adjustments	Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity	Net unrealized holding gains on securities	
	Other retained earnings					
	General reserve	Retained earnings brought forward				
Balance as of April 1, 2017	123,740	11,036	(795)	202,405	50,494	252,899
Changes of items during period						
Cash dividends		(2,628)		(2,628)		(2,628)
Net income		10,701		10,701		10,701
Provision of reserve for private insurance		(200)		-		-
Reversal of reserve for reduction entry		117		-		-
Reversal of reserve for special depreciation		128		-		-
Provision of reserve for special depreciation		(9)		-		-
Provision of general reserve	6,500	(6,500)		-		-
Purchase of treasury shares			(9)	(9)		(9)
Disposal of treasury shares			0	0		0
Changes other than to shareholders' equity, net					9,460	9,460
Total changes of items during the period	6,500	1,608	(9)	8,063	9,460	17,523
Balance as of March 31, 2018	130,240	12,645	(805)	210,468	59,954	270,422

(Figures are rounded down to the nearest million yen.)

Notes to the Non-consolidated Financial Statements

Notes to Significant Accounting Policies

1. Standards and methods of valuation of securities

(1) Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method.

(2) Available-for-sale securities

Securities with market quotations

Stated at market based on the market price, etc. on the balance sheet date. (Valuation difference is transferred directly to net assets. The cost of sales is calculated using the moving average method.)

Securities without market quotations

Stated at cost using the moving-average method.

2. Standards and methods of valuation of derivatives

Stated using the market value method.

3. Standards and methods of valuation of inventories

Valuation for real estate held for sale is recorded using the cost accounting method (method to reduce book values based on declines in profitability) on an individual basis.

4. Depreciation and amortization method for non-current assets

(1) Property and equipment (excluding leased assets)

The declining-balance method is applied.

Warehouse facilities (actual buildings), commercial facilities for lease (actual buildings) and facilities and structures attached to buildings acquired on or after April 1, 2016 are calculated using the straight-line method.

Furthermore, useful lives are estimated according to stipulations of the Corporation Tax Act, and commercial facilities for lease (actual buildings) are determined with a standard of 20 years, with adjustments made for factors such as the lease agreement period, etc.

(2) Intangible assets (excluding leased assets)

The straight-line method is applied.

Computer software for internal use is amortized over the estimated internal useful life (5 to 10 years) using the straight-line method.

(3) Leased assets

Leased assets relating to finance lease transactions without the transfer of ownership.

Leased assets are depreciated using the straight-line method with no residual value over the lease term of the leased assets.

5. Standards of accounting for reserves

Allowance for doubtful accounts

To provide for losses resulting from unrecoverable claims such as accounts and loans receivable, allowance for doubtful accounts is recorded based on the historical write-off rate for ordinary receivables, and based on expected uncollectable amounts individually for receivables.

Allowance for investment loss

To provide for losses resulting from a decline in the substantial price of stock and investment without market value, allowance is recorded taking into account the possibility of recovery if total net assets of the issuing company fall below the book value.

Provision for directors' bonuses

To provide for bonuses to Directors, of estimated payment amount, amounts to be borne during the fiscal year under review are recorded.

Provision for retirement benefits

Provision for retirement benefits is provided based on the estimated benefit obligation and pension assets as of March 31, 2018.

1) Method of attributing the estimated benefit obligation to periods

Upon calculating the retirement benefit obligation, the estimated benefit obligation is attributed to the period up until the fiscal year under review on a benefit formula basis.

2) Amortization method of actuarial calculation differences

Actuarial calculation differences are amortized using the straight-line method over a certain period (5 years) within the average remaining years of service of employees, beginning from the fiscal year following the incurred year.

6. Accounting treatment of consumption taxes, etc.

For accounting treatment of consumption tax and local consumption tax, the tax exclusion method is applied.

Notes to Non-Consolidated Balance Sheet

1. Monetary receivables from and payables to affiliates				
Short-term monetary asset	1,374 million yen	Long-term monetary asset	7,520 million yen	
Short-term monetary liability	7,716 million yen	Long-term monetary liability	600 million yen	
2. Accumulated depreciation of property and equipment			266,270 million yen	
3. Accumulated deferred tax reserves for non-current assets			3,362 million yen	
4. Collateral assets				
Assets pledged as collateral				
Land	794 million yen			
Obligations related to the above				
Short-term bank loans	150 million yen	Advances received	224 million yen	
Long-term loans payable	6,514 million yen	Long-term deposits received	1,000 million yen	
5. Guarantee liability				
Liability guarantees for borrowings of other companies			1,166 million yen	

Notes to Non-consolidated Statement of Income

Transactions with affiliates

Operating transactions	Revenue	9,832 million yen	Cost	46,935 million yen
Transactions other than operating transactions		4,360 million yen		

Notes to Non-consolidated Statement of Changes in Net Assets

Number of treasury shares as of March 31, 2018

Common stock	332,982 shares
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Notes to Tax Effect Accounting

Major factors for deferred tax assets and liabilities

[Deferred income tax assets]

Enterprise taxes payable	148 million yen
Allowance for investment loss	511 million yen
Accrued bonuses	423 million yen
Retirement benefits	1,107 million yen
Depreciation	5,769 million yen
Impairment loss	2,354 million yen
Other	1,496 million yen
Total deferred income tax assets	<u>11,810 million yen</u>

[Deferred income tax liabilities]

Net unrealized holding gains on securities	(26,200) million yen
Reserve for reduction entry	(6,874) million yen
Reserve for special depreciation	(161) million yen
Total deferred income tax liabilities	<u>(33,236) million yen</u>
Net deferred income tax liabilities	<u>(21,426) million yen</u>

Notes to Related-party Transactions

Subsidiaries, etc.

(Millions of yen)

Type	Name of company, etc.	Percentage ownership of voting rights held	Relationship with related parties	Summary of transactions	Transaction amount	Item	Balance at period end
Subsidiary	P.T. Mitsubishi Logistics Indonesia	99.9% [-]	Funding assistance	Lending of funds	800	Long-term loans receivable	6,300

(Note) Interest is determined in consideration of market interest rates.

Notes to Per Share Information

1. Net assets per share 3,086.04 yen

2. Basic earnings per share 122.12 yen

(Note) As the Company carried out the reverse stock split at a ratio of one share for every two shares of common stock, with an effective date of October 1, 2017, net assets per share and basic earnings per share are calculated based on the assumption that the reverse stock split was conducted at the beginning of the fiscal year under review.

Independent Auditor's Report

April 27, 2018

The Board of Directors
Mitsubishi Logistics Corporation

KPMG AZSA LLC

Atsuki Kanazuka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yasuyuki Nagasaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Taro Nakamura
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Mitsubishi Logistics Corporation as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements based on our audit as independent auditor. 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 our 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, we consider 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, while the objective of the financial statement audit is 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 financial position and the results of operations of Mitsubishi Logistics Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Independent Auditor's Report

April 27, 2018

The Board of Directors
Mitsubishi Logistics Corporation

KPMG AZSA LLC

Atsuki Kanazuka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yasuyuki Nagasaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Taro Nakamura
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Mitsubishi Logistics Corporation as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. 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 financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is 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 financial statements and the

supplementary schedules.

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 financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Mitsubishi Logistics Corporation for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit Report

(English Translation)

Regarding the performance of duties by the Directors for the 215th fiscal year from April 1, 2017 to March 31, 2018, the Board of Corporate Auditors hereby submits its audit report, which has been prepared upon careful consideration based on the audit report prepared by each Corporate Auditor.

1. Summary of Auditing Methods by the Corporate Auditors and Board of Corporate Auditors

- (1) The Board of Corporate Auditors established auditing policies, allocation of duties, and other relevant matters, and received reports from each Corporate Auditor regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding performance of their duties, and sought explanations as necessary.
- (2) Each Corporate Auditor complied with the auditing standards of the Corporate Auditors established by the Board of Corporate Auditors, followed the auditing policies, allocation of duties, and other relevant matters, communicated with Directors, the Internal Audit Department, other employees, and any other relevant personnel, and made efforts to prepare the environment for information collection and audit, as well as conducted the audit through the methods described below.
 1. We participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the headquarters and principal business offices. With respect to subsidiaries, we communicated with, and collected information from, Directors and Corporate Auditors of subsidiaries as well as received reports from subsidiaries on their business as necessary.
 2. In addition, with respect to the system for ensuring that the performance of duties by the Directors as stated in the Business Report conforms to the related laws and regulations and the Articles of Incorporation, and the contents of the resolutions of the Board of Directors regarding preparation of other system to ensure the properness of operations of a group of enterprises consisting of a stock company and its subsidiaries as stipulated in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act and such other system prepared based on such resolutions (internal controls system), we received regular reports from Directors, employees and other relevant personnel regarding the development and the operation of the system, requested explanations as needed and expressed opinions.
 3. We examined the details of the basic policies pursuant to Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act set forth in the business report, based on the careful consideration that took place during meetings of the Board of Directors and others.
 4. Furthermore, we monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that “the system for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the Product Quality Management Standards Regarding Audits (issued by the Business Accounting Deliberation Council on October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and the supplementary schedules thereof, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and non-consolidated notes) and the supplementary schedules thereof, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and consolidated notes) related to the relevant fiscal year.

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

1. In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations, and the Articles of Incorporation, and fairly represent the Company's condition.
2. We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
3. In our opinion, the contents of the resolutions of the Board of Directors related to the internal control systems are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal control systems, as well as internal control over Financial Reporting.
4. We have found no matters to point out with respect to the basic policies regarding the Company's control as described in the Business Report.

(2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

In our opinion, the methods and results employed and rendered by Accounting Auditor KPMG AZSA LLC are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by Accounting Auditor KPMG AZSA LLC are fair and reasonable.

May 2, 2018

Board of Corporate Auditors, Mitsubishi Logistics Corporation

Standing Corporate Auditor	Tohru Watanabe
Standing Corporate Auditor (Outside Corporate Auditor)	Yoshihito Yoshizawa
Corporate Auditor (Outside Corporate Auditor)	Yohnosuke Yamada
Corporate Auditor (Outside Corporate Auditor)	Kenji Sakurai
Corporate Auditor	Hiroshi Imai

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

As to the appropriation of surplus, the Company adheres to a policy of maintaining stable dividend in consideration of the earning level while paying attention to the systematic development of the logistics business centered on the warehousing & distribution business, the Company's mainstay business, and of the real estate business centered on building leases, as well as to strengthening of its financial structure in preparation for changes in its business environment.

For the fiscal year ended March 31, 2018, we propose the year-end dividend of 14 yen per share, taking into account such factors as the above basic policies and operating results for the year, and also considering the reverse stock split the Company carried out at a ratio of one share for every two shares of common stock, with an effective date of October 1, 2017. As a result, reflecting the reverse stock split, the annual dividend, including the interim dividend of 14 yen, will be 28 yen per share, which will be the same amount as the previous fiscal year.

1. Matters regarding year-end dividends

(1) Type of dividend property

Cash

(2) Matters concerning the allotment of dividend property and its total amount

14 yen per share of common stock of the Company

The total amount: 1,226,788,598 yen

(3) Effective date of the dividend of surplus

June 29, 2018

2. Other matters regarding appropriation of surplus

(1) Item of surplus increased and its amount

Reserve for private insurance: 200,000,000 yen

General reserve: 8,000,000,000 yen

(2) Item of surplus decreased and its amount

Retained earnings brought forward: 8,200,000,000 yen

Proposal No. 2: Election of Fourteen (14) Directors

The terms of office of all fourteen (14) Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, we nominate the following fourteen (14) candidates for Directors:

No.	Name (Date of birth)	Past experience and significant concurrent positions	Number of shares of the Company held
1	Akio Matsui (June 20, 1954)	April 1977 Joined the Company June 2008 General Manager, Personnel Division June 2011 Director and General Manager, Personnel Division June 2012 Managing Director; and General Manager, Personnel Division April 2013 President April 2018 Chairman of the Board (current position) [Significant concurrent positions] President of Japan Warehousing Association Inc. (scheduled to assume office in June 2018)	18,285
		[Reason for nomination as candidate for Director] Mr. Akio Matsui had served as General Manager of Personnel Division, etc. After his term of office as Managing Director responsible for General Affairs, Corporate Communications, Personnel, and Planning, he had served as President and had overseen overall business operation as a chief executive of the Company from 2013 to 2018, and is currently serving as Chairman of the Board. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.	
2	Masao Fujikura (March 20, 1959)	April 1982 Joined the Company June 2012 General Manager, International Business Coordination Chamber April 2015 General Manager, Osaka Branch June 2016 Director and General Manager, Osaka Branch April 2017 Managing Director; and General Manager, Osaka Branch April 2018 President (current position)	6,100
		[Reason for nomination as candidate for Director] Mr. Masao Fujikura had served as General Manager of International Business Coordination Chamber, etc. After his term of office as Managing Director and General Manager of Osaka Branch, he is currently serving as President and oversees overall business operation as a chief executive of the Company. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.	
3	Yoshiji Ohara (August 5, 1954)	October 1977 Joined the Company June 2011 General Manager, Harbor Transportation Business Division June 2014 Director and General Manager, Harbor Transportation Business Division April 2016 Managing Director (current position)	4,700
		[Reason for nomination as candidate for Director] Mr. Yoshiji Ohara had long served in the Harbor Transportation Business division in addition to his term of office as General Manager of Harbor Transportation Business Division, etc. He is currently serving as Managing Director responsible for Harbor Transportation Business. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.	
4	Noboru Hiraoka (March 15, 1956)	April 1979 Joined the Company June 2010 General Manager, Fukuoka Branch June 2011 General Manager, Osaka Branch April 2015 General Manager, Warehousing & Distribution Business Division June 2015 Director and General Manager, Warehousing & Distribution Business Division April 2016 Managing Director (current position)	10,100
		[Reason for nomination as candidate for Director] Mr. Noboru Hiraoka had long served in the International Transportation Business division including overseas assignment in addition to his term of office as General Manager of Fukuoka Branch, General Manager of Osaka Branch and General Manager of Warehousing & Distribution Business Division. He is currently serving as Managing Director responsible for International Transportation Business. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.	

No.	Name (Date of birth)	Past experience and significant concurrent positions		Number of shares of the Company held
5	Fumihiko Shinohara (August 29, 1957)	April 1981	Joined the Company	6,300
		June 2009	General Manager, General Affairs Division and Corporate Communications Chamber	
		June 2015	Director and General Manager, General Affairs Division and Corporate Communications Chamber	
		April 2016	Managing Director (current position)	
[Reason for nomination as candidate for Director] Mr. Fumihiko Shinohara had long served in the General Affairs division in addition to his term of office as General Manager of General Affairs Division and Corporate Communications Chamber, etc. He is currently serving as Managing Director responsible for General Affairs, Corporate Communications, Personnel, Planning, and Internal Audit. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.				
6	Hitoshi Wakabayashi (January 22, 1960)	April 1982	Joined the Company	6,600
		June 2012	General Manager, Warehousing & Distribution Business Division	
		April 2015	Chairman of the Board of Mitsubishi Logistics China Co., Ltd.	
		April 2016	General Manager, Warehousing & Distribution Business Division of the Company	
		June 2016	Director and General Manager, Warehousing & Distribution Business Division	
		April 2017	Managing Director (current position)	
[Reason for nomination as candidate for Director] Mr. Hitoshi Wakabayashi had long served in the General Affairs division and the Warehousing & Distribution Business division in addition to his term of office as General Manager of Warehousing & Distribution Business Division and an officer in charge of an overseas subsidiary controlling the business in China, etc. He is currently serving as Managing Director responsible for Warehousing & Distribution Business Division. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.				
7	Yasushi Saito (October 16, 1958)	April 1982	Joined the Company	5,502
		June 2011	General Manager, Accounting & Financing Division	
		June 2016	Director and General Manager, Accounting & Financing Division	
		April 2018	Managing Director; and General Manager, Accounting & Financing Division (current position)	
[Reason for nomination as candidate for Director] Mr. Yasushi Saito had long served in the Accounting & Financing division in addition to his term of office as General Manager of Accounting & Financing Division, etc. He is currently serving as Managing Director responsible for Accounting & Financing and Information System. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.				
8	Shinji Kimura (July 18, 1958)	April 1982	Joined the Company	4,600
		April 2014	General Manager, Personnel Division	
		April 2016	General Manager, General Affairs Division, Corporate Communications Chamber and Personnel Division	
		June 2017	Director and General Manager, General Affairs Division, Corporate Communications Chamber and Personnel Division	
		April 2018	Managing Director (current position)	
[Reason for nomination as candidate for Director] Mr. Shinji Kimura had long served in the management division such as planning and Harbor Transportation Business Division, in addition to his term of office as General Manager of General Affairs Division, Corporate Communications Chamber and Personnel Division. He is currently serving as Managing Director responsible for Technical and Real Estate Business. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.				

No.	Name (Date of birth)	Past experience and significant concurrent positions	Number of shares of the Company held
9	Minoru Makihara (January 12, 1930)	<p>March 1956 Joined Mitsubishi Corporation</p> <p>June 1992 President of Mitsubishi Corporation</p> <p>April 1998 Chairman of the Board of Mitsubishi Corporation</p> <p>April 2004 Member of the Board, Senior Corporate Advisor (<i>Soudanyaku</i>) of Mitsubishi Corporation</p> <p>June 2004 Senior Corporate Advisor (<i>Soudanyaku</i>) of Mitsubishi Corporation</p> <p>June 2010 Senior Corporate Advisor of Mitsubishi Corporation (current position)</p> <p>June 1993 Director of the Company (current position)</p> <p>[Significant concurrent positions]</p> <p>Senior Corporate Advisor of Mitsubishi Corporation</p> <p>Outside Director of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.</p>	20,800
<p>[Reason for nomination as candidate for Outside Director]</p> <p>Mr. Minoru Makihara has long been engaged in corporate management of Mitsubishi Corporation. The Company nominated him as Director so that the Company's management may benefit from the broad insight and invaluable advice from him who represents the business community in Japan.</p>			
10	Shigemitsu Miki (April 4, 1935)	<p>April 1958 Joined The Mitsubishi Bank, Ltd.</p> <p>June 2000 President of The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>April 2001 President & CEO of Mitsubishi Tokyo Financial Group, Inc.</p> <p>June 2004 Chairman of The Bank of Tokyo-Mitsubishi, Ltd. Director of Mitsubishi Tokyo Financial Group, Inc.</p> <p>October 2005 Director of Mitsubishi UFJ Financial Group, Inc.</p> <p>January 2006 Chairman of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>June 2006 Retired from Director of Mitsubishi UFJ Financial Group, Inc.</p> <p>April 2008 Senior Advisor (<i>Soudanyaku</i>) of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>April 2010 Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) (current position)</p> <p>June 2009 Director of the Company (current position)</p> <p>[Significant concurrent positions]</p> <p>Honorary Advisor of MUFG Bank, Ltd. (scheduled to assume office in July 2018)</p>	0
<p>[Reason for nomination as candidate for Outside Director]</p> <p>Mr. Shigemitsu Miki has long been engaged in the corporate management of MUFG Bank, Ltd. The Company nominated him as Director so that the Company's management may benefit from the broad insight and invaluable advice from him who represents the business community in Japan.</p>			
11	Koji Miyahara (December 3, 1945)	<p>April 1970 Joined Nippon Yusen Kabushiki Kaisha</p> <p>April 2004 President and Corporate Officer of Nippon Yusen Kabushiki Kaisha</p> <p>April 2006 President, President Corporate Officer of Nippon Yusen Kabushiki Kaisha</p> <p>April 2009 Chairman, Chairman Corporate Officer of Nippon Yusen Kabushiki Kaisha</p> <p>April 2015 Director, Board Counselor of Nippon Yusen Kabushiki Kaisha</p> <p>June 2015 Board Counselor of Nippon Yusen Kabushiki Kaisha (current position)</p> <p>June 2014 Director of the Company (current position)</p> <p>[Significant concurrent positions]</p> <p>Board Counselor of Nippon Yusen Kabushiki Kaisha</p> <p>Outside Director of Toho GAS Co., Ltd.</p>	0
<p>[Reason for nomination as candidate for Outside Director]</p> <p>Mr. Koji Miyahara has long been engaged in the corporate management of Nippon Yusen Kabushiki Kaisha. The Company nominated him as Director so that the Company's management may benefit from the broad insight and invaluable advice from him who represents the business community in Japan.</p>			

No.	Name (Date of birth)	Past experience and significant concurrent positions		Number of shares of the Company held
12	Hiroshi Nishikawa (April 10, 1960) <u>New candidate</u>	April 1983 April 2015 April 2017	Joined the Company General Manager, Tokyo Branch General Manager, Warehousing & Distribution Business Division (current position)	4,300
	[Reason for nomination as candidate for Director] Mr. Hiroshi Nishikawa had long served in the International Transportation Business division including overseas assignment, in addition to Warehousing & Distribution Business division. He is currently serving as General Manager of Warehousing & Distribution Business Division. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.			
13	Saburo Naraba (October 17, 1958) <u>New candidate</u>	April 1982 April 2014 April 2017	Joined the Company General Manager, Nagoya Branch General Manager, Tokyo Branch (current position)	4,600
	[Reason for nomination as candidate for Director] Mr. Saburo Naraba had long served in the Harbor Transportation Business division, in addition to the management division such as personnel. He is currently serving as General Manager of Tokyo Branch. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.			
14	Tatsushi Nakashima (November 29, 1957) <u>New candidate</u>	April 1976 July 2012 April 2017	Joined the Company Deputy General Manager, Nagoya Branch General Manager, Nagoya Branch (current position)	500
	[Reason for nomination as candidate for Director] Mr. Tatsushi Nakashima had long served in the Warehousing & Distribution Business division. He is currently serving as General Manager of Nagoya Branch. He possesses a wealth of experience and professional knowledge for the Company's business operation, therefore, the Company nominated him as Director.			

(Notes)

1. There are no special interests between each candidate and the Company.
2. Responsibilities of the candidates at the Company who are incumbent Directors of the Company are as stated in the Business Report (pages 11 through 12).
Additionally, the three Directors, Mr. Minoru Makihara, Mr. Shigemitsu Miki and Mr. Koji Miyahara are incumbent Outside Directors of the Company.
3. Matters regarding the candidates for Outside Director are as follows.
 - (1) Three Directors, Mr. Minoru Makihara, Mr. Shigemitsu Miki and Mr. Koji Miyahara are candidates for Outside Director and satisfy the requirements for independent officers as stipulated by Tokyo Stock Exchange, Inc.
 - (2) Violation of laws and regulations, etc. at the companies where the candidates for Outside Director concurrently serve
 - 1) Mr. Shigemitsu Miki
At MITSUBISHI MOTORS CORPORATION, where Mr. Shigemitsu Miki served as Outside Audit & Supervisory Board Member, from April 2016 onward, subsequent to his retirement, it became apparent that improper methods were used to make fuel economy appear superior to actual measurements and methods differing from domestic regulations were utilized for measurement of running resistance for the acquisition of model approval for automobiles manufactured by said company. Although he did not have prior knowledge of any of these facts, he had been calling for caution from the viewpoint of compliance with laws and regulations on a daily basis in the Audit & Supervisory Board, and for facts that were discovered during his service, he instructed investigation and recurrence prevention measures, etc., and fulfilled his duties.
 - 2) Mr. Koji Miyahara
 - At Nippon Yusen Kabushiki Kaisha, where Mr. Koji Miyahara served as Director, said company received a cease and desist order and an order for payment of surcharge from the Fair Trade Commission in March 2014 due to actions in violation of the Antimonopoly Act for marine transport operations for automobiles, and concluded a judiciary transaction agreement with the U.S. Department of Justice for the payment of fines, etc. in December 2014. Judgements for payment of a fine were received respectively from the Australian Competition & Consumer Commission in August 2017, and from the European Commission in February 2018. Additionally, in December 2015, a judgment was received from The National Development and Reform Commission in China regarding said operations that it was in violation of the Antimonopoly Act of said country.
 - At Nippon Cargo Airlines, Co., Ltd., where Mr. Koji Miyahara served as Director, said company received an order for payment of surcharge from the Fair Trade Commission in Korea in November 2010 due to actions in the international air cargo transportation business that were in violation of the Fair Trade Law in Korea, and the orders were finalized for Japan-originating, South Korea-bound matters in May 2014, and South Korea-originating, worldwide-bound matters in September 2014, respectively.
 - (3) Mr. Shigemitsu Miki receives remuneration as Senior Advisor from MUFG Bank, Ltd., an entity that has a special relationship with the Company (a major business partner).
 - (4) Years of service as Outside Directors of the Company since their first appointment (until the conclusion of this year's Annual General Meeting of Shareholders)
Mr. Minoru Makihara: 25 years Mr. Shigemitsu Miki: 9 years Mr. Koji Miyahara: 4 years

Proposal No. 3: Election of One (1) Corporate Auditor

The term of office of Corporate Auditor Kenji Sakurai will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, we nominate the following one (1) candidate for Corporate Auditor.

Furthermore, the approval of the Board of Corporate Auditors has been obtained regarding the submission of this Proposal.

Name (Date of birth)	Past experience and significant concurrent positions	Number of shares of the Company held
Kenji Sakurai (October 28, 1948)	September 1978 Registered as Certified Public Accountant May 1997 Representative Partner of Asahi & Co. (currently KPMG AZSA LLC) June 2010 Chairman of Partners' Meeting of KPMG AZSA & Co. (currently KPMG AZSA LLC) May 2011 Retired from Chairman of Partners' Meeting of KPMG AZSA & Co. July 2011 Representative of Kenji Sakurai Certified Public Accountant Office (current position) June 2014 Corporate Auditor of the Company (current position) [Significant concurrent positions] Representative of Kenji Sakurai Certified Public Accountant Office External Audit & Supervisory Board Member of Japan Drilling Co., Ltd.	0
[Reason for nomination as candidate for Outside Corporate Auditor] The Company nominated Mr. Kenji Sakurai as a Corporate Auditor so that the Company's auditing may benefit from the wealth of knowledge and broad insight based on his long experience as a Certified Public Accountant.		

(Notes)

1. There are no special interests between the candidate and the Company.
2. Mr. Kenji Sakurai is a candidate for Outside Corporate Auditor and matters regarding him are as follows.
 - (1) He satisfies the requirements for independent officers as stipulated by Tokyo Stock Exchange, Inc.
 - (2) Although he has not participated in corporate management, the Company has judged that he will be able to appropriately execute his duties as Outside Corporate Auditor owing to the reason for nomination as candidate for Outside Corporate Auditor above.
 - (3) Years of service as Outside Corporate Auditor of the Company since his first appointment (until the conclusion of this year's Annual General Meeting of Shareholders): 4 years

Proposal No. 4: Payment of Bonuses to Directors

Taking into consideration the performance of the current term, among other factors, we propose to pay bonuses to Directors at the amount of 45,000,000 yen to fourteen (14) Directors (including the amount of 4,500,000 yen to three (3) Outside Directors) as of the end of the fiscal year under review.

End

Instructions for Voting via the Internet

If you exercise your voting rights via the Internet, please view “4. Information on Exercise of Voting Rights” on page 2 and the following matters before you exercise your rights by 5 p.m. on Wednesday, June 27, 2018.

1. About the voting rights exercise website

(1) For the exercise of voting rights via the Internet (available in Japanese only), please use the voting rights exercise website (<https://evote.tr.mufg.jp/>) designated by the Company from either a personal computer or smartphone. (However, the website will be inactive between 2 a.m. and 5 a.m. each day.)

(Note) Voting rights cannot be exercised by feature phone, PDA, or gaming devices, etc.

(2) If firewalls, etc., are in use for the Internet connection, antivirus software is in use, or proxy servers are in use, etc., it may not be possible to use the website depending upon the Internet environment of the shareholder.

(3) Although the exercise of voting rights via the Internet will be available until 5 p.m. on Wednesday, June 27, 2018, please exercise in advance in consideration of vote counting, and please contact our inquiry in 4. below with any questions, etc.

2. Exercise method for voting rights via the Internet

(1) Please use the “Login ID” and “Temporary password” on the enclosed Voting Rights Exercise Form on the above voting rights exercise website, and indicate your vote for or against the proposals by following the on-screen instructions.

(2) To prevent unauthorized access by non-shareholders (so-called “spoofing”) and falsification of the content of the exercise of voting rights, the Company requests the modification of the “Temporary password” via the voting rights exercise website.

3. Expenses arising due to accessing the voting rights exercise website

Please note that the shareholder is solely responsible for any expenses (Internet connection fees, etc.) incurred while accessing the voting website.

4. Inquiries

Stock Transfer Agency Department (Help Desk), Mitsubishi UFJ Trust and Banking Corporation

Telephone: 0120-173-027 (Toll-free)

Business Hours: 9 a.m. ~ 9 p.m. (Japan time)

< For institutional investors >

Institutional investors may exercise your voting right using the voting platform operated by ICJ, Inc.