

02 CEO MESSAGE

Message from the President and Group CEO

Empower society, encourage progress.

For the very reason that these are times in which it is difficult to clearly anticipate what lies ahead, we will lead the future of logistics by bringing together knowledge from both inside and outside the Group.

Awareness of the environment surrounding logistics and the direction in which the Mitsui-Soko Group is proceeding

Including the COVID-19 pandemic, the increasing severity of natural disasters, and the Ukraine conflict, the global situation has been changing rapidly over the past few years. We live in an age of uncertainty, and predicting what the world will be like 10 or 20 years hence is beset with difficulties. However, regardless of the era in which we are living, one thing we can say is that logistics are here to stay. As long as things are not dispensed with, the act of delivering them will not be dispensed with either. In the meantime, the ways in which things are delivered will need to change with the times.

Triggered by the supply chain disruptions being brought about by a variety of environmental changes, at the present time many companies are recognizing the importance of stable supply chains and are drastically changing their attitude toward logistics. I think that the key word from now on will be "dispersal." Take into account, for example, the risks from geopolitics, infectious diseases, and natural disasters in advance, and disperse import/export partner countries, logistics bases, delivery routes, and other elements. If this becomes the norm for companies, the variations in terms of logistics will continue to increase. For our

Group, which possesses a comprehensive lineup of logistics service functions for land, sea, and air as well as logistics know-how that has been responsible for a wide range of value chains, from upstream to downstream, and can propose total packages, the advent of such an era represents an opportunity for further advancement. In fact, up to now, many customers viewed logistics as a cost and chose logistics companies based on price alone. In recent years, however, there has been an increasing tendency for logistics providers to be judged comprehensively based on various factors, such as BCP compliance, operational quality, and CO₂ emission reductions.

Even amid these uncertain changes in the environment, it is my belief that we will continue to demonstrate our ability to make proposals that offer more with no stop in physical distribution. I also believe that improving our customers' corporate value and leading to more abundant lifestyles for consumers in the future will embody our Group's PURPOSE: "Empower society, encourage progress." Taking advantage of these changing times, I would like us to demonstrate the Group's comprehensive strengths, which have been refined, while co-creating and collaborating with a variety of companies, expanding the fields in which we are active and raising our presence by means of an aggressive business stance.

Hirobumi Koga

President and Group CEO
MITSUI-SOKO HOLDINGS Co., Ltd.

Message from the President and Group CEO



Taking advantage of these changing times, we will demonstrate the Group's comprehensive strengths, which have been refined, while raising our presence through co-creation with a variety of companies.

Progress of Medium-term Management Plan 2022 toward realization of “the co-creative logistics solutions partner. For every day, emergency, and always will be.”

To seize the opportunity to make a leap forward and achieve further growth, the Group launched Medium-term Management Plan 2022 last year. This five-year plan was formulated to realize our medium- to long-term vision of becoming “the co-creative logistics solutions partner. For every day, emergency, and always will be.” As I mentioned earlier, for us to keep society moving from now on and to connect that with our evolution will necessitate us not only having to store and transport goods but also to provide logistics services that optimize entire customer supply chains. By increasing our solution capabilities and remaining a presence that can solve customers' management issues while co-creating with all stakeholders, I would like us to achieve Medium-term Management Plan 2022 and for it to lead to the growth of our customers and the development of society.

In the Plan's first year, the fiscal year ended March 31, 2023, we were able to achieve record-high profits for the third consecutive year and managed to pull off results that were more robust than expected. Please see the following pages for specific details of the progress made so far, but I would like to pick up on a few points here.

➔ P.32-34 Message from the CFO
P.35-36 Medium-term Management Plan 2022

Development of Growth Areas to Expand Integrated Solution Services

In “enhancement of integrated solution services,” one of our growth strategy initiatives, we are focusing on the mobility, healthcare, and B2B2C markets, which are expected to expand in the future, and in which our Group's strengths can be demonstrated as focus areas.

With regard to the mobility focus area, we entered into a strategic partnership with NRS CORPORATION, an expert in hazardous goods logistics, in October 2022. In accordance with the evolution of EVs and electronic control technology, in the case of mobility demand for components such as semiconductors and lithium-ion batteries is expected to increase further, but many of these items are classified as dangerous goods and require specialized handling know-how. On the one hand, having been handling hazardous materials in the upstream supply chain for many years, NRS has accumulated specialized logistics know-how. On the other hand, our Group has a broad customer base and provides logistics solutions that help optimize entire supply chains. By leveraging each other's strengths and combining the global networks of our two companies, we plan to expand the range of proposals we make to existing customers and implement joint proposals for their entire supply chains, including hazardous materials logistics.

In the healthcare field, we entered into a strategic partnership with P-J-D Network Co., Ltd., which operates a nationwide joint transportation and delivery network exclusively for pharmaceuticals, in July 2022. In the healthcare field, which requires strict quality control, the Group has provided highly functional healthcare logistics facilities and high-quality operations. By entering into this partnership, however, we will combine our respective storage and transportation know-how, promote the creation of a pharmaceutical logistics platform, and aim to expand profits.

In the B2B2C area, we have been handling high-value-added pet health supplements for many years from our base in eastern Japan. However, we recently established a new e-commerce logistics center in Takatsuki City, Osaka Prefecture, which will serve as our base in western Japan, to respond to the increase in handling volume as our customers shift their businesses to e-commerce. We are operating this facility by making use of the know-how we have cultivated at our stores and at an e-commerce logistics base for home electronics retailers, which has been in operation since the year before last.

From now on, we will leverage the Group's comprehensive strengths and help improve the corporate value of our Group and build optimal supply chains for our customers through co-creation both inside and outside the Company.

➔ P.39-44 Medium-term Management Plan 2022 Focus Areas

Underpinning the Sustainability of Customers and Society: SustainaLink

The Mitsui-Soko Group is also heavily promoting sustainability-oriented businesses. As disasters become more severe, corporate sustainability has become an urgent issue. Our Group, however, has been providing its SustainaLink service, which supports the sustainability of customers' supply chains through logistics, since 2021. Among the various issues surrounding society, SustainaLink is a service that identifies the issues that need to be addressed from three risk perspectives—environmental, labor force, and disaster risks—and builds a stable supply chain for customers through the three steps of know, visualize, and improve.

In particular, we have received high praise for our response to environmental risks, and the number of projects is steadily increasing. A response to reducing environmental impact represents a major issue for all companies, an increasing number of which are now working not only to reduce their own CO₂ emissions but also to reduce Scope 3 emissions. Even within Scope 3, however, the tracking of CO₂ emissions in visual form is considered difficult in the case of logistics. This is because during the time a single item gets from point A to point B, multiple logistics companies have performed a variety of transportation tasks, including storage and land, sea, and air transportation. Our Group has a major advantage in that we have built systems and mechanisms that allow us to visualize CO₂ emissions not only in Japan but also in international logistics. On an increasing number of occasions we are receiving calls from companies with which we had previously not done business, saying, “We would definitely like to hear from you.” In November 2022, we participated in the international trade platform demonstration experiment that was featured at the APEC Summit and, utilizing the MS CO₂ Analyzer function, one of the SustainaLink services, calculated the CO₂ emissions during maritime transportation between Japan and Thailand. The major contributory factors in our adoption for this demonstration experiment were that our Group has already put in place an international standards-based system for calculating CO₂ emissions, and the reliability of that system had been evaluated and recognized. The strength of our Group is that we are able to not only carry out visualization but also carry out actual operations to reduce CO₂ emissions. Based on the logistics data we receive from our customers, we conduct logistics diagnoses and analyses, which leads to operational improvements. We are proud that we are able to perform this service for the very reason that we are a comprehensive logistics company that possesses a comprehensive lineup of logistics service functions and can provide end-to-end integrated logistic solution services, from upstream to downstream. In the fiscal year ended March 31, 2023, we received high acclaim from many quarters, which included receiving the Grand Prize for the Excellent Business Entities Working on Modal Shift Awards 2022, sponsored by the Japan

Association for Logistics and Transport.

We will continue to develop SustainaLink, by which sustainable logistics networks are built, so that customers will choose the Group as their partner, and will lead to the further growth of our Group and the resolution of social issues.

➔ P.46-48 Medium-term Management Plan 2022 Expansion of Sustainability-oriented Business

DX to Support the Deepening and ESG Promotion

Due to the increasing severity of natural disasters and the additional labor shortages that will be caused by the placing of limits on crew overtime (the 2024 problem), the stable delivery of goods is no longer something that we can take for granted. At our Group, we are promoting DX- and ESG-related initiatives to provide our customers and society with stable supply chains whatever the circumstances.

First, with regard to DX, we are proceeding with initiatives based on our DX strategy in collaboration with our customers. It has long been my belief that it would be difficult for companies to realize DX without logistics DX. In today's world, where the risk of supply chain disruption is increasing, it is extremely important to be able to visualize the entire process of a company's product distribution, including where inventory is currently located and how it is being transported. Furthermore, as there are concerns about a labor shortage in logistics, improving the efficiency of logistics operations is also an urgent issue. We are promoting “aggressive DX,” which builds an SCM platform and connects it to new services for customers, and “defensive DX,” which aims to optimize logistics, such as by the installation of robotics and the digitization of paperwork. When working on DX, it is important to first practice and accumulate know-how through repeated trial and error, since even if a company introduces excellent tools, DX will not be possible without the individual capabilities of the people to make use of them. Based on the idea that “it's not about the tools, it's more about the people,” we are promoting initiatives by means of a process to establish competitive advantage by combining people's individual capabilities with technological capabilities.

➔ P.54-56 DX Strategy

Now that the era of dispersal has arrived, we will promote the building of sustainable logistics networks so that our customers will choose the Group as their partner.

Message from the President and Group CEO

Next, with regard to ESG, we have identified materiality and are promoting management that incorporates sustainability into the core of our business strategy. A prerequisite for our Group itself to achieve sustainable growth is that society and the earth remain sustainable. Without social sustainability, economic growth cannot be achieved. The promotion of SustainaLink forms part of this effort, but we are also accelerating measures within our Group. In particular, we are strengthening our efforts to decarbonize and are moving forward with measures geared to the achievement of medium- to long-term reduction targets for CO₂ emissions (Scope 1 + 2).^{*} Up to and including last year, the scope of reduction targets was the legally compliant portion of Group companies, but the scope has now been expanded to all MITSUI-SOKO HOLDINGS and major Group companies. So far, we have been promoting environmental measures that have included those designed to save energy, such as switching to LEDs and installing solar panels. Following the expansion in terms of scope, however, we are formulating a medium- to long-term reduction roadmap that includes annual reductions so that the entire Group can act more effectively, and we are putting in place a system to steadily achieve our goals. We are also promoting society-related measures such as safety, which forms the core of our business activities, and efforts to respect human rights. Falling under the Board of Directors' purview, these activities are discussed at the meetings of, for example, the Sustainability Committee and the Management Council and are operated under appropriate governance.

^{*} 2031/3: 50% reduction compared to 2014/3
2051/3: Carbon neutral

➔ P.30 Materiality Promotion System,
P.57-76 Foundation for Supporting Co-creation

Strengthening of human capital for medium- to long-term value creation

For me, steadily implementing Medium-term Management Plan 2022 and raising the Company's presence are goals that must be achieved. More than those, however, I believe that what we need to be doing as managers is creating a Mitsui-Soko Group with an eye toward the future, for the next 10, 20, and even 100 years. Among these, the most important thing is to create a company where employees can maximize their

value. Competitiveness in logistics boils down to people. Unlike manufacturers, who have product brands and technological assets, we rely on people's know-how and technology. The source of value creation for our Group is people. By working earnestly to strengthen our human capital and maximizing the capabilities of individuals and organizations by investing in human resources, we will achieve sustainable growth for our Group.

When it comes to strengthening human resources, the most important initiative is to spread the Group's philosophy, including our PURPOSE. In May 2022, our Group established a new Group Philosophy consisting of PURPOSE, VISION, and 4 VALUES.

➔ P.1-2 Mitsui-Soko Group Philosophy

It has been about a year since we established our Group Philosophy, and I believe that a certain level of common understanding has been gained through the sending out of messages and internal publicity. It cannot be said, however, that this has been enough in terms of instilling our philosophy, and I view this as a task for the future. The important thing is not just to spread the word, but to foster a culture in which everyone, from management to new employees, shares a sense of values and works from the same perspective with a sense of unity. For example, even if the phrase "Encouraging progress" is included in our PURPOSE, this can be put into practice throughout the Company, but providing visual evidence is difficult as it will form part and parcel of each and every person's work. It is for that very reason that I think it important to have employees recognize that their work is connected to the evolution of customers and society, and to have them feel rewarded and proud of their work. Once our Group Philosophy has been instilled and firmly established as part of our corporate culture, the human resources suited to that philosophy will be developed, leading to improvements in human capital. By unifying the values within an organization, you can expect higher engagement and performance. Spreading our Group Philosophy cannot be achieved overnight and will require effort over a long period of time, but I believe that this is a first-class initiative that supports the sustainable growth of the Group. Our policy is to focus our efforts on a raft of measures, such as philosophy briefings by management and in-house training.

In April 2023, based on our Group Philosophy and Medium-term Management Plan 2022, we also formulated a "profile of the human resources we seek" to serve as a basic policy for the recruitment and training of the human resources who will be responsible for the future of our Group. The profile of the human resources that our Group is looking for is people to "design the new story and lead everyone." The idea that we want to encapsulate is for each and every employee to design the story of their own futures, as well as the futures of customers, logistics, and society, to act independently in line with their stories, and to keep those around them constantly moving. The accumulation of these efforts will lead to the achievement of the vision, but put another

way, this is also an area in which we are currently lacking. Since our original business, the warehousing industry, is if anything seen as more of a "waiting business," for better or worse our Group has a deeply rooted culture of "stillness," but in terms of its negative aspects it is my belief that we must transform for the future. Hence, the search for people who "lead everyone." It is a message and an expression of determination intended for both internal and external consumption. Going forward, we will implement measures based on a human resources strategy centered on the profile of the human resources we are seeking.

➔ P.51-53 Human Resources Strategy

Aiming to improve corporate value together with the market through active communication and dialogue

I would now like to mention some thoughts on improving capital efficiency. Positioning ROE as an important management indicator, in the fiscal year ended March 31, 2023, our Group maintained 18.1%, a high level compared with other companies in the same industry. Also, our PBR is trending at around 1x. What our Group will do to further improve PBR in the future is actively invest in growth, not only in business but also in human capital, while steadily implementing our growth strategy and returning the profits we have earned to our shareholders. I also feel that it will be necessary to actively communicate through IR and PR so that people are able to gain a better understanding of our Group's growth potential.

I believe that there are many people who still think of our Group as a traditional "warehousing company." In actual fact, although there are base revenues derived from warehousing and port transportation businesses centered on port areas, there are also flow revenues associated with inland distribution-type logistics center operations and air, sea, and land transportation obtained through SCM consulting and solution proposals. I believe that through the collective efforts of the Group over the past few years, we are beginning to build a balanced business portfolio as a comprehensive logistics company. While improving our earnings power and firmly communicating our Group's strengths and growth potential, I hope to raise expectations for the Company through dialogue with shareholders and investors.

In response to broader society's expectations, becoming "an even better company" of which we can be justly proud

Ever since I became president, I have held on to the desire to make our Group an even better company. This is a strong determination that has not changed since the



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day I assumed the role of president in 2017.

When it comes to what makes a good company even better, there may well be many different answers. Depending on their position, the demands of each stakeholder will be different. What I am doing to make our company an even better company is to pursue and put into practice our PURPOSE: "Empower society, encourage progress."

As a form of social infrastructure, we will naturally keep logistics moving and constantly refine logistics to match the ever-changing times. By doing so, we will achieve sustainable growth for our Group and meet the expectations of all our shareholders and investors as well as of our customers and society. To achieve these goals, the active participation of everyone working for the Mitsui-Soko Group is essential. I want this to remain a company in which employees feel that their work is fun and rewarding, and that they are glad they joined this company. Our top priority is to be there for our employees at all times, so that everyone has an affection for the Company and work energetically with a healthy mind and body. Leading an organization that works together to achieve goals is what I keep in mind as my role.

Continuing to engage in dialogue with our stakeholders and building up these kinds of initiatives will lead to improvements in our corporate value over the medium- to long-term. We look forward to your continuing and unwavering support of the Mitsui-Soko Group.

Competitiveness in logistics boils down to people.
We will work earnestly to strengthen our human capital and achieve sustainable growth for the Group.