

**The financial report
of the second quarter
of the fiscal year ended
31st, March 2020 (FY2020)**



Mitsui-Soko group

November, 13th 2019



- ▶ The financial report of the second quarter of the FY2020
- The forecast of the FY2020
- The progress of the Medium-term management plan 2017



(1) Overview

(Unit: Millions of JPY)

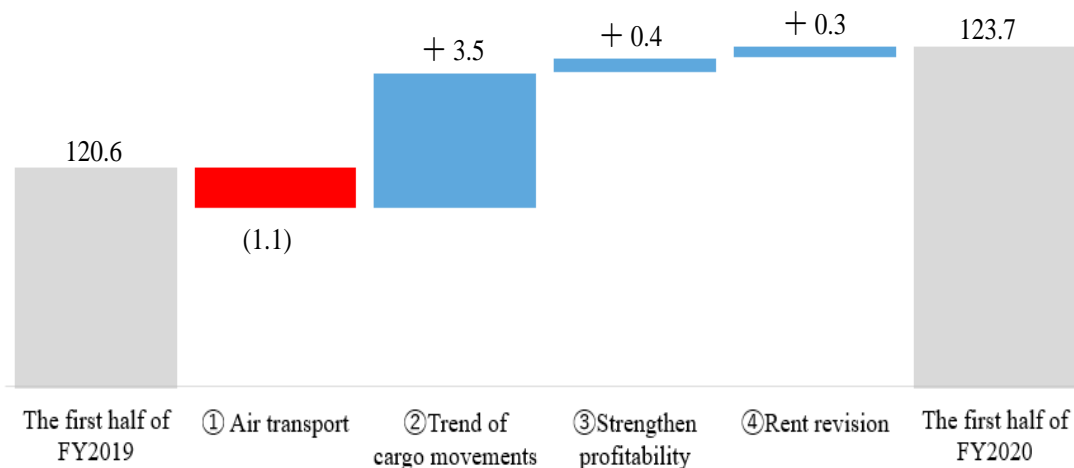
	Consolidated total amount	The first half of FY2019 (Apr.1, 2018~ Sep.30, 2018)	The first half of FY2020 (Apr.1, 2019~ Sep.30, 2019)	Changes	Changes(%)
	Sales	120,659	123,690	+ 3,030	+ 2.5%
P	Operating Profit	6,183	7,063	+ 880	+ 14.2%
L	Ordinary Profit	5,541	6,569	+ 1,028	+ 18.6%
	Profit attributed to owners of parent	3,111	3,500	+ 389	+ 12.5%
C	Cash flows from operating activities	8,621	6,827	(1,793)	(20.8%)
	Cash flows from investing activities	(2,400)	(2,333)	+ 66	—
F	Cash flows from financing activities	(10,583)	(2,362)	+ 8,220	—
	Consolidated total amount	Balance at Mar.31, 2019	Balance at Sep.30, 2019	Changes	Changes(%)
B	Shareholders' equity	47,404	49,041	+ 1,637	+ 3.5%
	Total assets	252,078	249,776	(2,302)	(0.9%)
S	Shareholders' equity ratio	18.8%	19.6%	+ 0.8	—



(2) Sales (Compared to the same period of FY2019)

[Key factors of change - Sales]

(Unit: Billions of JPY)



① Air transport

- ↓ : Decrease of air cargo handling including electronic parts and semiconductors : (1.5)
- ↑ : Transport of car-related projects : +0.4

② Trends of cargo movements

- ↑ : Increase of cargo handling including food material : + 0.8
- ↑ : Increase of the distribution for consumer electronics manufacturers : + 1.0
- ↑ : Increase in transaction volume for consumer electronics stores before the consumption tax hike : + 0.8
- ↑ : New transactions including pharmaceuticals, consumer electronics manufacturers : + 1.3
- ↓ : Others : (0.4)

③ Strengthen profitability

- ↑ : Appropriate charge collection as planned : + 0.4

④ Rent revision

- ↑ : Increase due to agreement revision in the real estate business : + 0.3

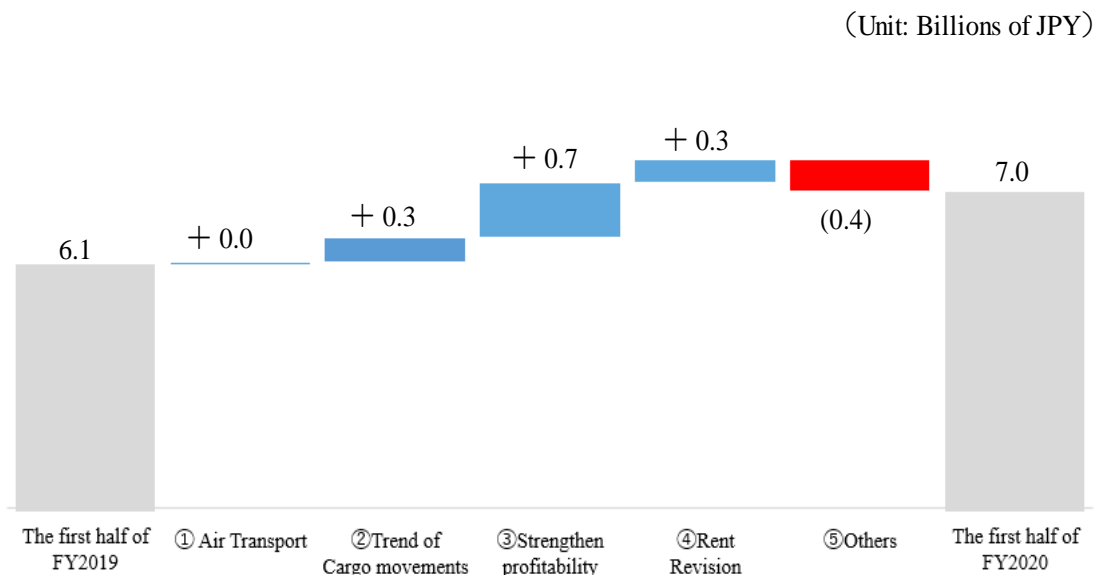
(Unit: Millions of JPY)

Segment	The first half of FY2019 (Apr.1 2018~ Sep.30 2018)	The first half of FY2020 (Apr.1 2019~ Sep.30 2019)	Changes	Changes(%)
Logistics business	116,425	119,196	+ 2,770	+ 2.4%
Real estate business	4,599	4,862	+ 263	+ 5.7%
Eliminate/Corporate	(364)	(368)	(3)	—
Total of sales	120,659	123,690	+ 3,030	+ 2.5%



(3) Operating profit (Compared to the same period of FY2019)

[Key factors of change - Operating profit]



① Air transport

- ↓ : Decrease of air cargo handling including electronic parts and semiconductors : (0.2)
- ↑ : Transport of car-related projects : + 0.2

② Trend of cargo movements

- ↑ : Increase of cargo handling including food material : + 0.4
- ↑ : Increase of the distribution for consumer electronics manufacturers : + 0.2
- ↑ : Increase in transaction volume for consumer electronics stores before the consumption tax hike : + 0.2
- ↑ : New transactions including pharmaceuticals, consumer electronics manufacturers : + 0.2
- ↓ : Increase in the cost such as personnel and transportation : (0.7)

③ Strengthen profitability

- ↑ : Appropriate charge collection as planned : + 0.4
- ↑ : Cost reduction as planned : + 0.3

④ Rent revision

- ↑ : Increase due to agreement revision in the real estate business : + 0.3

⑤ Others

- ↓ : Expenditures related to work-style reform and so forth : (0.3)
- ↓ : Retirement benefit obligation : (0.1)

(Unit: Millions of JPY)

Segment	The first half of FY2019 (Apr.1 2018~ Sep.30 2018)	The first half of FY2020 (Apr.1 2019~ Sep.30 2019)	Changes	Changes(%)
Logistics business	5,105	5,772	+ 667	+ 13.1%
Real estate business	2,577	2,866	+ 289	+ 11.2%
Eliminate/Corporate	(1,499)	(1,576)	(76)	—
Total of profit	6,183	7,063	+ 880	+ 14.2%



(4) Extraordinary gains/losses
(Compared to the same period of FY2019)

(Unit: Millions of JPY)

Consolidated total amount	The first half of FY2019 (Apr.1, 2018~ Sep.30, 2018)	The first half of FY2020 (Apr.1, 2019~ Sep.30, 2019)	Changes	Reason for changes
Operating profit	6,183	7,063	+ 880	
Non-operating profit (loss)	(642)	(493)	+ 148	Decrease of foreign exchange losses : +123 million yen FY2019: Foreign exchange loss 133 million yen FY2020: Foreign exchange loss 10 million yen Improvement of financial profit/loss : +150 million yen Others: (125) million yen
Financial profit/loss	(359)	(209)	+ 150	Decrease of interest payment due to the reduction of interest-bearing debt
Ordinary profit	5,541	6,569	+ 1,028	Increase of operating profit : +880 million yen Increase of non-operation profit (loss) : +148 million yen
Extraordinary gains	6	—	(6)	
Extraordinary losses	—	119	+ 119	Loss on disposal of fixed assets : +107 million yen
Profit attributed to owners of parent	3,111	3,500	+ 389	Mainly due to an increase of ordinary profit



(5) Cash flow and Balance sheet

(Unit: Millions of JPY)

Consolidated total amount	The first half of FY2019 (Apr.1, 2018~ Sep.30, 2018)	The first half of FY2020 (Apr.1, 2019~ Sep.30, 2019)	Changes	
			Changes	Changes(%)
Cash flows from operating activities	8,621	6,827	(1,793)	(20.8%)
(Depreciation and amortization of goodwill	4,685	4,566	(118)	(2.5%)
Cash flows from investing activities	(2,400)	(2,333)	+ 66	—
(Payment for PPE and obtain shares	(2,476)	(2,508)	(32)	—
Cash flows from financing activities	(10,583)	(2,362)	+ 8,220	—

Consolidated total amount	Balance at Mar. 31, 2019	Balance at Sep. 30, 2019	Changes	
			Changes	Changes(%)
Cash and cash equivalents	23,643	25,370	+ 1,726	+ 7.3%
Bonds and borrowings	142,471	141,084	(1,387)	(1.0%)
Net-debt	118,827	115,713	(3,113)	(2.6%)
Shareholder's equity	47,404	49,041	+ 1,637	+ 3.5%
Total assets	252,078	249,776	(2,302)	(0.9%)
Shareholder's equity ratio	18.8%	19.6%	+ 0.8	—
Net D/E ratio	2.5	2.4	(0.1)	—



- The financial report of the second quarter of FY2020
- ▶ **The forecast of the FY2020**
- The progress of the Medium-term management plan 2017



(1) Forecast overview of FY2020

(Unit: Millions of JPY)

Consolidated total amount		FY2019 (Apr.1, 2018~ Mar. 30, 2019)	The first half of FY2020 (Apr.1 2019~ Sep.30 2019)	FY2020 (Apr.1, 2019~ Mar. 30, 2020)	Compared to the same period of FY2019	Changes(%)
	Sales	241,852	123,690	240,000	(1,852)	(0.8%)
P	Operating Profit	11,986	7,063	12,000	+ 13	+ 0.1%
L	Ordinary Profit	11,087	6,569	11,200	+ 112	+ 1.0%
	Profit attributed to owners of parent	5,190	3,500	6,600	+ 1,409	+ 27.2%
C	Cash flows from operating activities	18,498	6,827	18,500	+ 1	+ 0.0%
F	Cash flows from investing activities	(4,043)	(2,333)	(6,000)	(1,956)	—
	Cash flows from financing activities	(16,618)	(2,362)	(15,000)	+ 1,618	—
Consolidated total amount		Balance at Mar. 31, 2019	(Balance at Sep.30, 2019)	Balance at March 31, 2020	Compared to the end of the FY2019 (Mar.31, 2019)	Changes(%)
B	Shareholders' equity	47,404	49,041	52,500	+ 5,095	+ 10.7%
	Total assets	252,078	249,776	242,000	(10,078)	(4.0%)
S	Shareholders' equity ratio	18.8%	19.6%	21.7%	+ 2.9	—



(2) Sales and Operating profit forecast of FY2020

〔Sales〕

(Unit: Millions of JPY)

Segment	FY2019 (Apr.1, 2018~ Mar. 30, 2019)	The first half of FY2020 (Apr.1, 2019~ Sep.30, 2019)	FY2020 (Apr.1, 2019~ Mar. 30, 2020)	Compared to the same period of FY2019	Changes(%)
Logistics business	233,404	119,196	230,900	(2,504)	(1.1%)
Real estate business	9,170	4,862	9,800	+ 629	+ 6.9%
Eliminate/Corporate	(721)	(368)	(700)	+ 21	—
Total of sales	241,852	123,690	240,000	(1,852)	(0.8%)

〔Operating profit〕

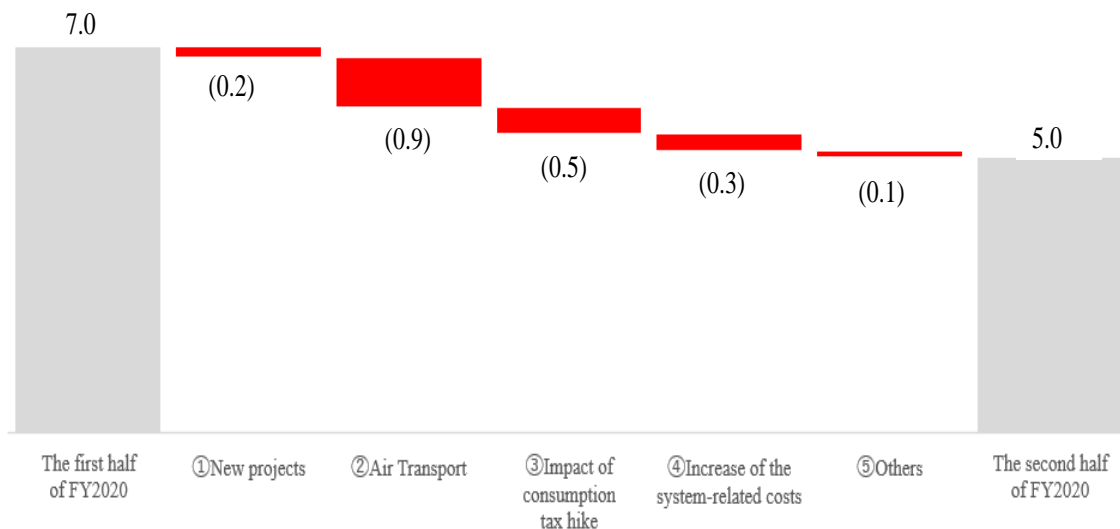
(Unit: Millions of JPY)

Segment	FY2019 (Apr.1, 2018~ Mar. 30, 2019)	The first half of FY2020 (Apr.1, 2019~ Sep.30, 2019)	FY2020 (Apr.1, 2019~ Mar. 30, 2020)	Compared to the same period of FY2019	Changes(%)
Logistics business	9,844	5,772	9,600	(244)	(2.5%)
Real estate business	5,114	2,866	5,800	+ 685	+ 13.4%
Eliminate/Corporate	(2,972)	(1,576)	(3,400)	(427)	—
Total of profit	11,986	7,063	12,000	+ 13	+ 0.1%



(Supplement) Operating profit : Change factors for the first half results and the second half forecast of FY2020

(Unit: Billions of JPY)



- ① New project
 ↓ : Temporary startup costs to launch new projects such as healthcare-related business : (0.2)
- ② Air Transport
 ↓ : Decrease of air cargo handling including electronic parts and semiconductors
 Nonoccurrence of transport of car-related projects : (0.9)
- ③ Impact of consumption tax hike
 ↓ : Decrease in transaction volume for consumer electronics stores after the consumption tax hike : (0.5)
- ④ Increase of the system-related costs
 ↓ : Introduction costs of the system related to improvement of business efficiency : (0.3)

[Operating profit]

(Unit: Millions of JPY)

Segment	The first half results of FY2020 (Apr.1, 2019~ Sep.30, 2019)	The second half forecast of FY2020 (Oct.1, 2019~ March.31, 2020)	FY2020 (Apr.1, 2019~ Mar. 30, 2020)	Changes
Logistics business	5,772	3,828	9,600	(1,944)
Real estate business	2,866	2,934	5,800	+ 68
Eliminate/Corporate	(1,576)	(1,824)	(3,400)	(248)
Total of profit	7,063	4,937	12,000	(2,126)



(3) Extraordinary gains/losses forecast for FY2020

(Unit: Millions of JPY)

Consolidated total amount	FY2019 (Apr.1, 2018~ Mar. 30, 2019)	The first half of FY2020 (Apr.1, 2019~ Sep.30, 2019)	FY2020 (Apr.1, 2019~ Mar. 30, 2020)	Compared to the same period of FY2019	Changes(%)
Operating profit	11,986	7,063	12,000	+ 13	+ 0.1%
Non-operating profit (loss)	(899)	(493)	(800)	+ 99	—
Financial profit/loss	(716)	(209)	(560)	+ 156	—
Ordinary profit	11,087	6,569	11,200	+ 112	+ 1.0%
Extraordinary gains	365	—	600	+ 234	+ 64.2%
Extraordinary losses	1,604	119	130	(1,474)	(91.9%)
Profit attributed to owners of parent	5,190	3,500	6,600	+ 1,409	+ 27.2%



(4) Cash flow and Balance sheet forecast

(Unit: Millions of JPY)

Consolidated total amount	FY2019 (Apr.1, 2018~ Mar. 30, 2019)	The first half of FY2020 (Apr.1, 2019~ Sep.30, 2019)	FY2020 (Apr.1, 2019~ Mar. 30, 2020)	Compared to the same period of FY2019	Changes(%)
Cash flows from operating activities	18,498	6,827	18,500	+ 1	+ 0.0%
Depreciation and amortization of goodwill	9,482	4,566	9,100	(382)	(4.0%)
Cash flows from investing activities	(4,043)	(2,333)	(6,000)	(1,956)	—
Cash flows from financing activities	(16,618)	(2,362)	(15,000)	+ 1,618	—

Consolidated total amount	Balance at Mar. 31 2019	(Balance at Sep.30, 2019)	Balance at Mar. 31 2020	Compared to the end of the FY2019 (Mar.31, 2019)	Changes(%)
Cash and cash equivalents	23,643	25,370	21,500	(2,143)	(9.1%)
Bonds and borrowings	142,471	141,084	128,000	(14,471)	(10.2%)
Net-debt	118,827	115,713	106,500	(12,327)	(10.4%)
Shareholder's equity	47,404	49,041	52,500	+ 5,095	+ 10.7%
Total assets	252,078	249,776	242,000	(10,078)	(4.0%)
Shareholder's equity ratio	18.8%	19.6%	21.7%	+ 2.9	—
Net D/E ratio	2.5	2.4	2.0	(0.5)	—



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(1) The progress of the Medium-term management plan

✓ “Medium-term Management Plan 2017” - From Reversal to Offense -

<Basic guidelines for business operations>

- **Reinforcing the fundamental power for profitability**
- **Rebuilding of our financial base**
- **Developing our solution services which are based on customers needs by strengthening group management**

<Medium-term plan targets (end at FY 2022)>

Operating profit	10.0billion yen
Balance of interest-bearing debt	130.0billion yen
Net D/E ratio	2.0x or less
ROE	Over 9.0%

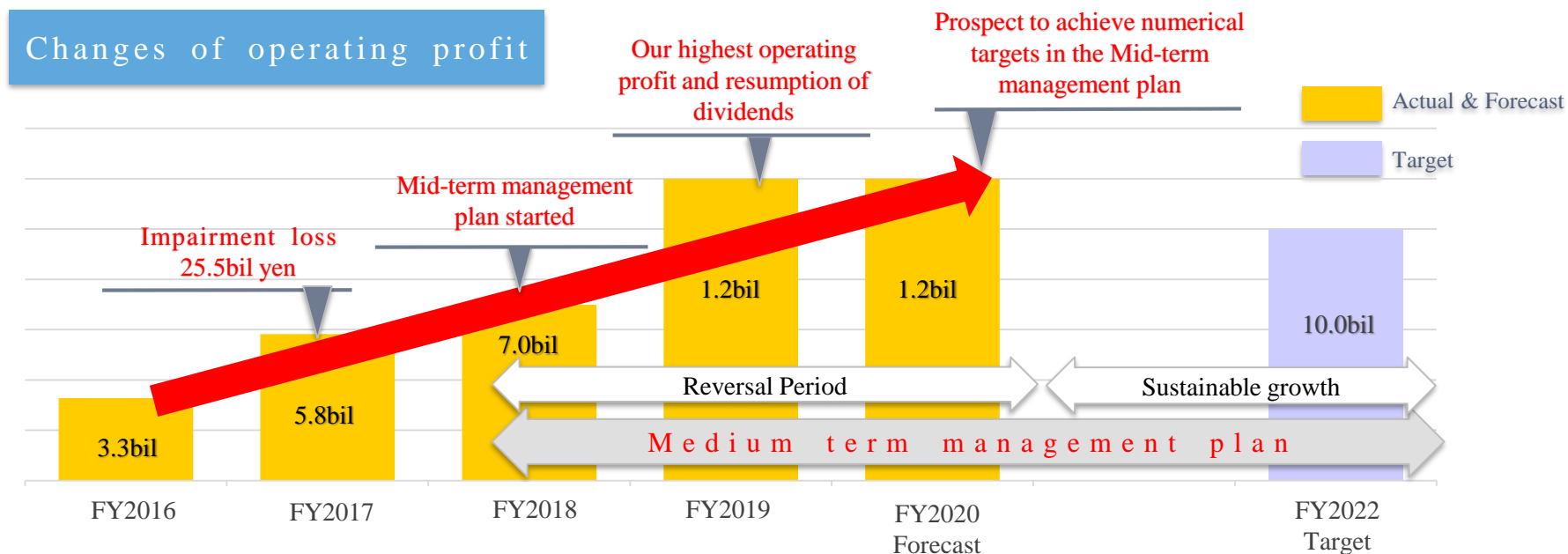
◆ Dividend Policy

Swift return to a stable dividend by generating sustained business revenue



(1) The progress of the Medium-term management plan

- ✓ We will achieve the target on the Medium-term management plan ahead of the schedule and have a good prospect of reversal.
For other targets, we have also been steadily performing our business for the two remaining years.



(Unit: Billions of yen)

	References FY2017	The 1st year FY2018	The 2nd year FY2019	The 3rd year FY2020	The target year FY2022
Interest-bearing debt	168.8	157.6	142.5	128.0	130.0
Net D/E ratio	3.6x	3.0x	2.5x	2.0x	2.0x or less
ROE	-	10.7%	11.4%	13.2%	Over 9.0%



(1) The progress of the Medium-term management plan

✓ Results of individual measures which were carried out during the 3 years of “Reversal Period”



Muscularity to thoroughly improve profitability

Cost-cutting measures “Challenge 20” Cost reduction until FY2022: 2.1bil yen

“Improving operating profit margin” Operating profit margin:
 • Managing profitability to each customer FY2017 2.6% → FY2019 5.0%

Reconstruction of Financial base

“Restraint of nonessential investment” Reduction of interest-bearing debt over 3 years: 40.0bil yen

Creation of customer-focused and integrated solutions due to strengthen of group affiliation

“Establishment of group-wide division”

- Strategic sales division was established.
- Expanding new businesses by taking “*Gyogiwa*”

“Organizational reforms”

- Integrating domestic and international sales function to a customer contact team

Workplace with full of Challenge and Vitality

“Mind renovation and HR reforms”

- New personal evaluation system was introduced
- “Free address” system was introduced to the headquarter and some branch.



- ✓ Our plans for the two remaining years to push toward sustainable growth

Business environment surrounding the Company

- Shortage of labor and rising costs due to the reduction of the work force
- Entry from different industries (i.e. IT company) into logistics field brings commoditization of logistics through labor-saving and automatic operation.
- Growing needs from consignors to optimize logistics globally
- Growing awareness toward sustainability

Three important measures to become “True first call company” with sustainable growth

① Establishment of “Operational Excellence ”

- Operating management division will work on standardizing the operations for the two remaining years and focus on operational improvement.
- ICT will be introduced toward standardized and improved operation process, which will make labor-saving and efficiency.
- Standardizing operations in some test offices will be finished this fiscal year and then we will proceed to share its operations firmwide.



- ✓ Our plans for the two remaining years to push toward sustainable growth

② Establishment of end-to-end “Integrated solution service”

- Progress towards the Company offering unprecedented levels of an integrated solution service as “One Mitsui-soko”
- There are no barriers among our operating companies at present, which makes a change in our mind and behavior such as service proposals throughout the entire Group.
- In order to accelerate this action, we intend to focus on reviewing the functions and strengthening networks among our operating companies.

③ “ESG Management”

- Fulfilling its social responsibility as a company responsible for important social infrastructure through logistics
- Giving consideration to reduce environmental impact such as CO2 reduction and recyclable energy sources
- Designing human resources systems and organizing workplace environments with consideration to diversification of the working style



(2) New project for sustainable growth

✓ Expansion of investment in growing business

New establishment of a facility specialized in the Health Care named "Kanto P&M Center II (provisional name)"

◆ Strengthening the foundation for Health Care business centered on pharmaceuticals and medical equipment which is growth area in the Group

- New establishment as a second plant within the same premises of "Kanto P&M Center" completed in September 2015
- Design in consideration of labor-saving of logistics operations and reduction of environmental impacts
- Offering high-quality operation to our customers due to know-how accumulated over a period of time based on distribution of pharmacists and a number of its business licenses granted



Address	Imoguki, Kazo-shi, Saitama
Total Floor Area	6,998 tsubo
Total Investment	approximately 5 billion yen
BCP system	Seismic isolated structure Backup power facilities etc.
Environmental Responses	Rooftop solar-power generation(350kw) Whole-building LED lighting etc.
Security	Automated security system using IC card throughout the building etc.
Completion Date	Scheduled for completion in June 2021



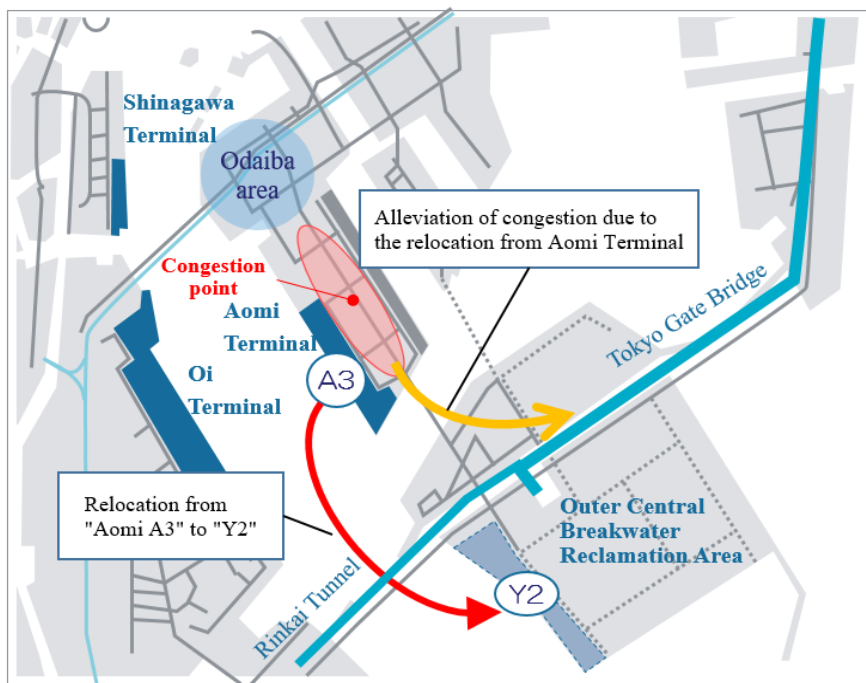
(2) New project for sustainable growth

✓ Expansion of investment in traditional business

Commencement of operation of the Foreign Trade Container Terminal Y2 located in Outer Central Breakwater at the Port of Tokyo in April 2020

◆ Contribution to a reduction in environmental impact on the Port of Tokyo which has the highest growth in major domestic ports

- Realization of efficient operations by high-standard Berth corresponding to port cargo handling for large vessels due to introduction of the latest equipment
- The relocation from Aomi Terminal, where the congestion has become serious problem, enables to alleviate it.
- Reduction of waiting times for ships and trailers and CO2 emissions



Container Handling Volumes available per year	Approximately 0.6 million TEU
Yard Area	148,000 m2
Berth Extension	400M
Water Depth	-16M
Gantry Cranes	(3 cranes) corresponding to 22 lines



※ Jointly operated by Mitsui-Soko Co., Ltd., Nippon Express Co.,Ltd, The Sumitomo Warehouse Co., Ltd., and Sankyu Inc.



(3) Returns to stockholders

- ✓ The year-end dividend is expected to be increased to 25 yen per share from the interim dividend of 12.5 yen per share, which is the same level as FY2017 interim.
 - We intend to increase the dividend owing to a good prospect of reversal.
 - Considering the level of profitability and financial performance, we aim to distribute the continuous and stable dividends while maintaining an annual dividend at least 50 yen.

(Reference) Change of dividend amount

	FY2017		FY2018		FY2019		FY2020(Forecast)	
	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end
Dividend per share (JPY)※	25.00	-	-	-	-	12.50	12.50	25.00

※ The numbers are reflected the reverse stock split on Oct.1 2018. (5 shares to 1share)

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