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MITSUI-SOKO GROUP

MITSUI-SOKO HOLDINGS Co., Ltd.

Financial Results Briefing for the Nine Months Ended December 31, 2023

February 15, 2024

Event Summary

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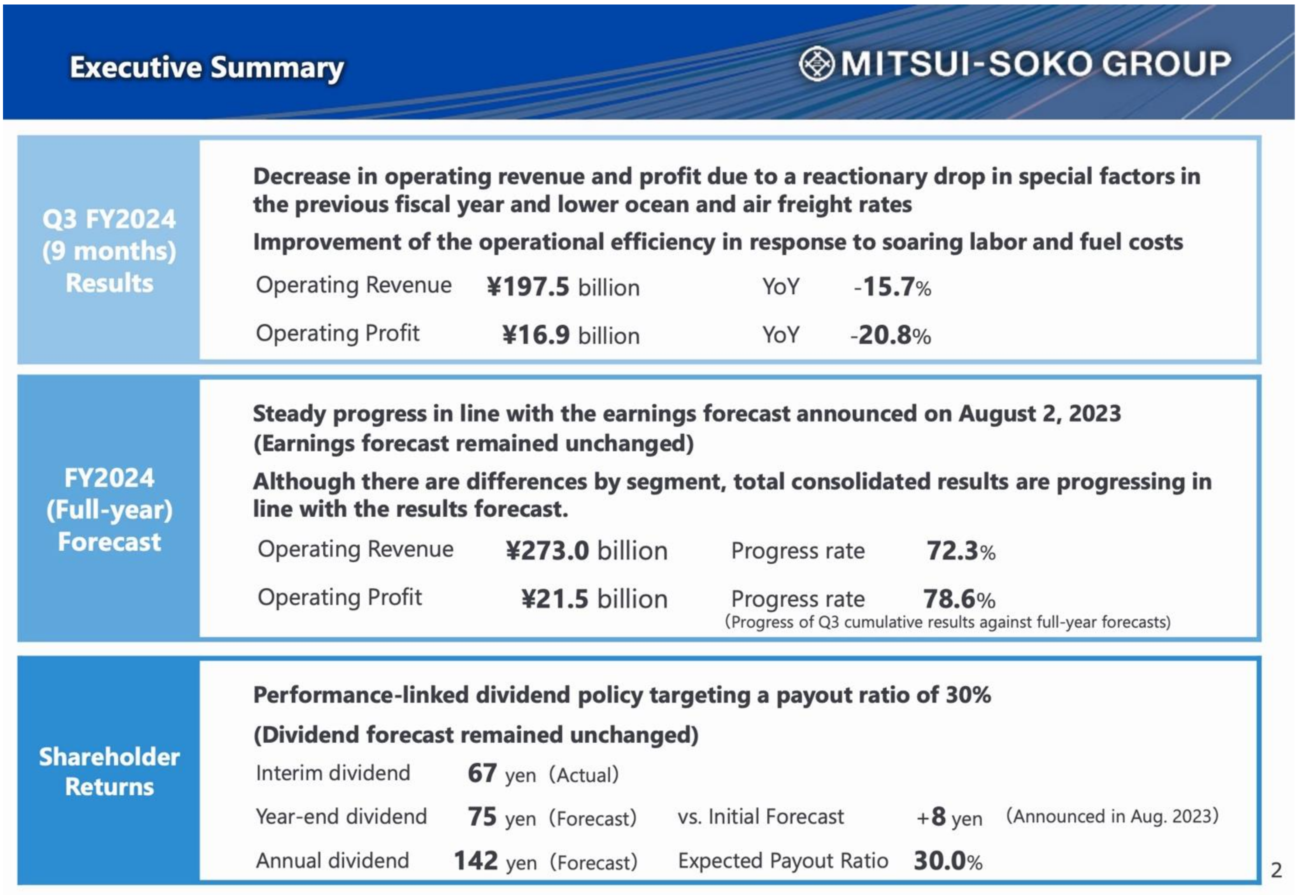
[Participants]	
[Number of Speakers]	1 Nobuo Nakayama — Representative Director, Senior Managing Director

Presentation

Moderator: Ladies and gentlemen, thank you for your very long patience. We would now like to begin the financial results briefing of MITSUI-SOKO HOLDINGS Co., Ltd. for Q3 of the fiscal year ending March 31, 2024. Today's materials are available on the website of MITSUI-SOKO HOLDINGS. Now then, Senior Managing Director Nakamura, please start your explanation.

Nakayama: I am Nakayama from MITSUI-SOKO HOLDINGS. Thank you very much for your time today. I will now explain the financial results for Q3 of FY2024, along with the explanatory materials.



First, I will talk about a summary of the Q3 results and the full-year forecast. Please turn to page two. As I will explain in detail later, the Q3 results showed a decrease in both revenue and profit due to a reactionary decline from the special factors of the previous fiscal year and lower ocean and air freight rates. Despite this environment, the Company promoted operational efficiency and secured profits as planned. As for the outlook for the full year, although there are differences by segment, the consolidated total is progressing in line with the earnings forecast announced in August last year.

Summary of Q3 FY2024 Financial Results

MITSUI-SOKO GROUP

- **Decrease in operating revenue and profit mainly due to a reactionary drop in special factors in the previous fiscal year, and lower ocean and air freight rates**
- **Promoted the operational efficiency and appropriate collection fees in response to increase in cost of sales in Japan amid a difficult business environment with sluggish international cargo movement**

(Unit: 100 mil. yen)

Total Consolidated	Q3 FY2023 (9 months)	Q3 FY2024 (9 months)	Change	Change(%)
Operating Revenue	2,343	**1,975**	-368	-15.7%
Operating Profit	213	**169**	-44	-20.8%
(Operating profit margin	9.1%	**8.6%**	-0.5pt	—)
Ordinary Profit	221	**174**	-47	-21.2%
Profit attributed to owners of parent	132	**100**	-32	-24.4%

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Please move on to page four. As for the Q3 results, operating revenue decreased by JPY36.8 billion YoY to JPY197.5 billion, and operating profit decreased by JPY4.4 billion to JPY16.9 billion. While the Company saw decreases in revenue and profit, it has been promoting operational efficiency and optimization of fees in response to rising cost of sales. Ordinary profit and profit attributed to owners of parent also decreased YoY. Profit attributed to owners of parent also saw a reactionary decrease from the extraordinary profit generated in the previous fiscal year.

Business Results by Segment

MITSUI-SOKO GROUP

(Unit: 100 mil. yen)

Segment	Q3 FY2023 (9 months)	Q3 FY2024 (9 months)	Change	Change(%)
Operating Revenue	2,343	**1,975**	-368	-15.7%
Logistics business	2,278	**1,910**	-368	-16.2%
Warehousing/Port transportation	1,076	**927**	-149	-13.9%
Airfreight forwarding(FWD)	453	**273**	-180	-39.8%
3PL/LLP	689	**581**	-108	-15.7%
Land transportation	214	**211**	-3	-1.4%
Elimination of intra-group transactions	-154	**-82**	+72	—
Real estate business	71	**71**	-0	-0.2%
Eliminate/Corporate	-6	**-6**	-0	—
Operating Profit	213	**169**	-44	-20.8%
Logistics business	196	**159**	-37	-19.0%
Warehousing/Port transportation	73	**60**	-13	-17.1%
Airfreight forwarding(FWD)	64	**40**	-24	-36.8%
3PL/LLP	51	**48**	-3	-6.9%
Land transportation	10	**12**	+2	+14.9%
Consolidation adjustment, etc.	-2	**-1**	+1	—
Real estate business	44	**44**	-0	-0.4%
Eliminate/Corporate	-27	**-34**	-7	—

- In addition to decrease in operating revenue due to lower ocean freight rates, cargo movements slowed down as a result of inventory adjustments
- Decrease in operating revenue and profit due to the absence of emergency transportation in the current fiscal year compared with the previous fiscal year when it had occurred mainly overseas due to supply chain disruptions

- Decrease in operating revenue due to the decline in freight rates per unit for ocean and air transportation of home appliances and precision equipment from producing countries to Japan

- Decrease in operating revenue and profit due to lower air freight rates (including the absence of "special factors" in the previous fiscal year)
- Sluggish cargo movement against a backdrop of inventory adjustment

- Domestic 3PL business remained steady
- Promoted efficiency improvement through introduction of material handling equipment

- Increase in operating profit due to the reduction in vehicle hiring costs by improving loading efficiency, and the promotion of efforts to collect appropriate fees

- Increase in upfront system-related expenses associated with DX investments

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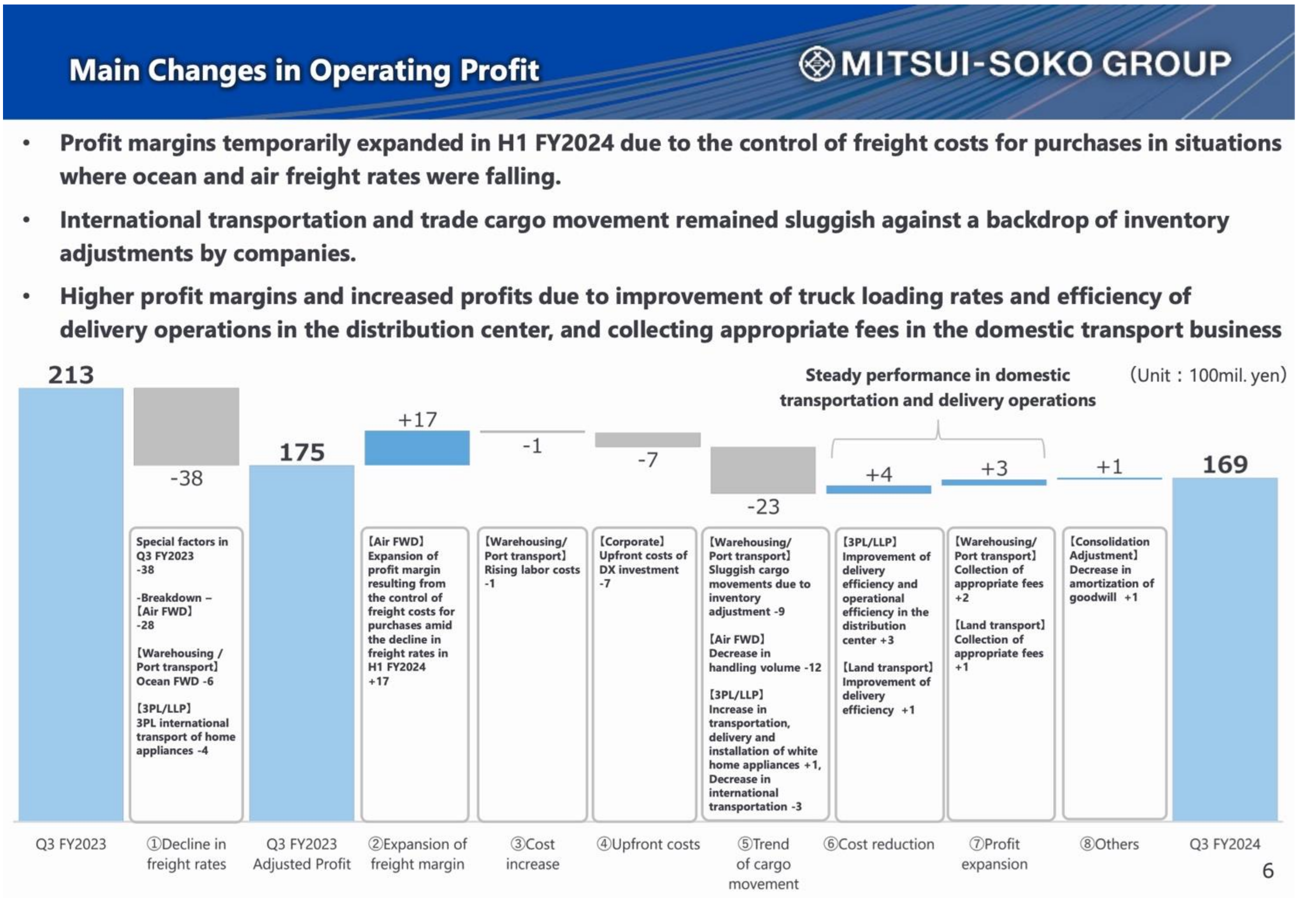
Please turn to page five. I would like to explain our business results by segment. As for operating revenue, the warehousing/port transportation, airfreight forwarding, and 3PL/LLP segments reported lower revenues due to lower ocean and air freight rates and weak cargo movements in international transportation.

Please refer to the operating profit below that. As for 3PL/LLP, weak cargo movement in international transportation was offset by steady cargo movement in domestic distribution to electronics retailers and improved efficiency of operations in distribution centers, resulting in lower revenue but flat profit.

In the land transportation segment, the profit margin improved, and profit increased as a result of cost reduction measures, such as improved truck loading efficiency and the optimization of fees received. Besides, the real estate business remained flat, while the eliminate/corporate segment incurred upfront costs associated with DX investments.

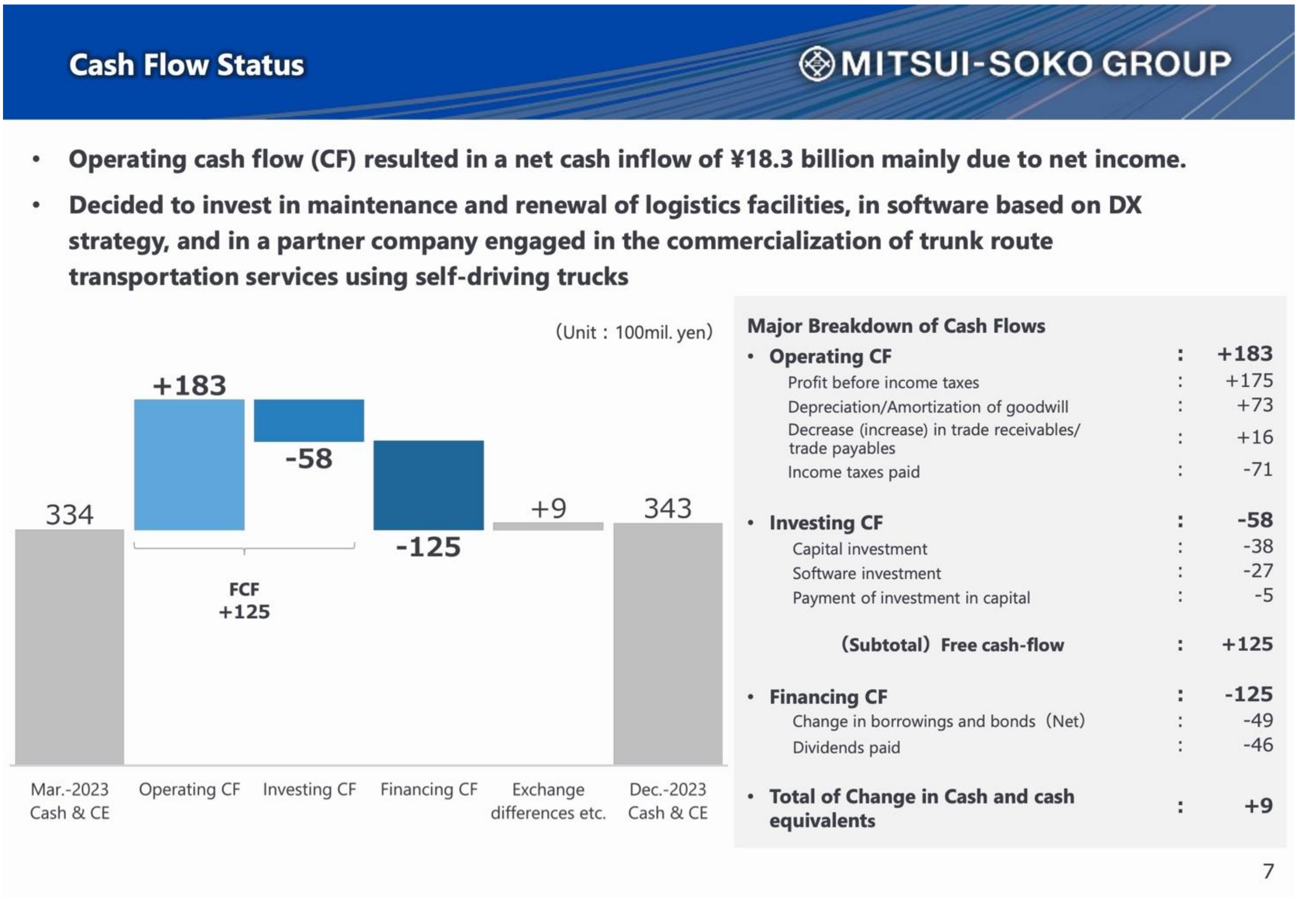


Next, I will explain the factors behind the changes in operating profit. Please take a look at the chart on page six. I will explain based on the actual value of JPY17.5 billion as a launching pad. This value was calculated by subtracting the special factors of JPY3.8 billion in the previous fiscal year from the actual result of JPY21.3 billion for Q3 of the previous fiscal year. The special factors are shown as the decline in freight rates in the encircled one. The expansion of freight margin in the encircled two was due to a temporary increase in margin as a result of flexible purchases during H1 when freight rates were declining. Current freight rates have remained generally flat.

In addition to the cost increase factors such as labor costs in the encircled three and upfront costs in the encircled four, as indicated by the trend of cargo movement in the encircled five, customers' inventory adjustments have still continued and international cargo movement slowed down, which were the main factors behind the decrease in profit.

On the other hand, as I mentioned earlier, domestic movement remained relatively strong. As a result, operating profit for Q3 was JPY16.9 billion, due in part to the cost reduction effects by efficiency improvements in the encircled six and efforts to collect appropriate fees in the encircled seven.

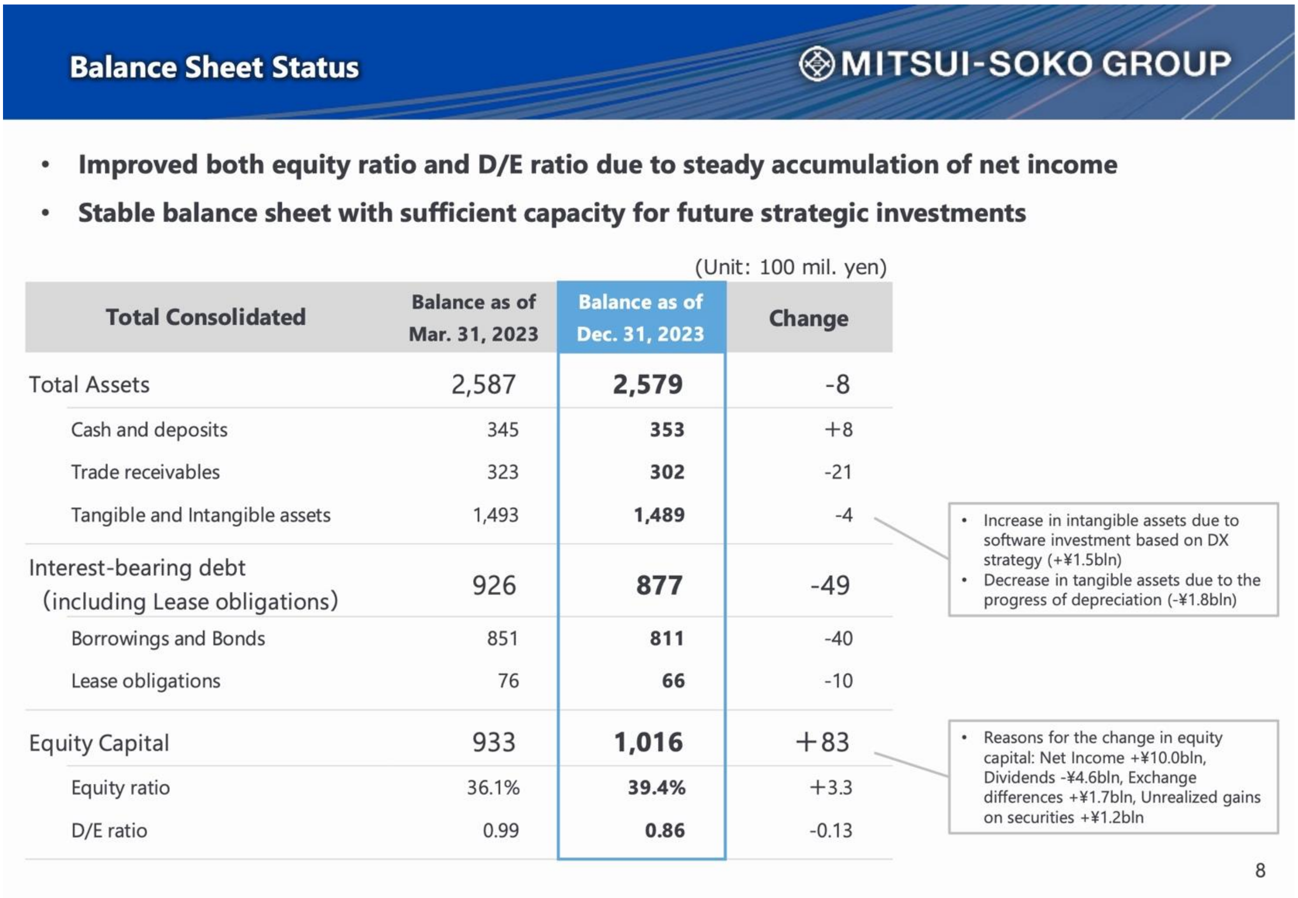
With the disappearance of the special factors that had been in place until the previous fiscal year, even in an environment of weak international cargo movement, domestic 3PL and land transportation have remained strong, securing stable earnings from a well-diversified business portfolio.



Please move on to page seven. Next is an explanation of the cash flow status. Operating cash flow resulted in a net cash inflow of JPY18.3 billion. This was mainly due to the recording of profit attributed to owners of parent and the collection of accounts receivable.

Investing cash flow resulted in a net cash outflow of JPY5.8 billion. The Company invested mainly in the maintenance and renewal of logistics facilities and in software based on its DX strategy, and also invested in a partner company that is working to commercialize trunk route transportation services using self-driving trucks.

As stated in the materials, financing cash flow was a net cash outflow of JPY12.5 billion, mainly due to repayment of borrowings and dividend payments. As a result, cash and deposits at the end of the period totaled JPY34.3 billion.



Total Consolidated	Balance as of Mar. 31, 2023	Balance as of Dec. 31, 2023	Change
Total Assets	2,587	**2,579**	-8
Cash and deposits	345	**353**	+8
Trade receivables	323	**302**	-21
Tangible and Intangible assets	1,493	**1,489**	-4
Interest-bearing debt (including Lease obligations)	926	**877**	-49
Borrowings and Bonds	851	**811**	-40
Lease obligations	76	**66**	-10
Equity Capital	933	**1,016**	+83
Equity ratio	36.1%	**39.4%**	+3.3
D/E ratio	0.99	**0.86**	-0.13

Please turn to page eight. I would like to explain the status of our balance sheet. Total assets decreased by JPY0.8 billion YoY to JPY257.9 billion, mainly due to a decrease in trade receivables. Interest-bearing debt, including lease obligations, decreased by JPY4.9 billion to JPY87.7 billion. Equity capital increased by JPY8.3 billion to JPY101.6 billion, mainly due to the accumulation of profit and an increase in foreign currency translation adjustments. As a result, the equity ratio improved to 39.4% and the D/E ratio to 0.86 times.

Summary of FY2024 Results Forecast

MITSUI-SOKO GROUP

- **Steady progress in line with the consolidated earnings forecast during the full year announced on August 2, 2023 (Earnings forecast remained unchanged)**
- **Although there are differences by segment, total consolidated operating profit is progressing in line with the earnings forecast announced on August 2, 2023 due to flexible cost controls in response to changes in the business environment.**

(Unit: 100 mil. yen)

Total Consolidated	FY2023 Results ('22.4-'23.3)	FY2024 Forecast ('23.4-'24.3)	Change	Change	Q3 FY2024 (9 months)	Progress rate
Operating Revenue	3,008	**2,730**	-278	-9.3%	1,975	72.3%
Operating Profit	260	**215**	-45	-17.2%	169	78.6%
Ordinary Profit	265	**207**	-58	-22.0%	174	84.2%
Profit attributed to owners of parent	156	**118**	-38	-24.4%	100	84.5%

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Please move on to page 10. I would like to explain our results forecast. The forecast for the full year remains unchanged from that announced last August, with operating revenue of JPY273 billion and operating profit of JPY21.5 billion. Although there are some differences among segments, the current performance of the consolidated total is progressing in line with the earnings forecast announced in August.

While the outlook for international cargo movement remains uncertain, we expect that the consolidated total will progress as planned based on the solid performance in Japan.

Business Results Forecast by Segment

MITSUI-SOKO GROUP

(Unit: 100 mil. yen)

Segment	FY2023 Results ('22.4-'23.3)	FY2024 Forecast ('23.4-'24.3)	Change	Change	Q3 FY2024 (9 months)	Progress rate
Operating Revenue	3,008	**2,730**	-278	-9.3%	1,975	72.3%
Logistics business	2,920	**2,640**	-280	-9.6%	1,910	72.3%
Warehousing/Port transportation	1,383	**1,320**	-63	-4.5%	927	70.2%
Airfreight forwarding(FWD)	568	**400**	-168	-29.6%	273	68.3%
3PL/LLP	879	**780**	-99	-11.2%	581	74.5%
Land transportation	279	**290**	+11	+3.9%	211	72.7%
Elimination of intra-group transactions	-189	**-150**	+39	—	-82	—
Real estate business	96	**96**	-0	-0.3%	71	74.2%
Eliminate/Corporate	-8	**-6**	+2	—	-6	—
Operating Profit	260	**215**	-45	-17.2%	169	78.6%
Logistics business	239	**211**	-28	-11.8%	159	75.4%
Warehousing/Port transportation	89	**83**	-6	-6.5%	60	72.8%
Airfreight forwarding(FWD)	78	**52**	-26	-33.6%	40	77.6%
3PL/LLP	62	**62**	+0	+0.6%	48	77.0%
Land transportation	13	**15**	+2	+19.5%	12	77.8%
Consolidation adjustment, etc.	-3	**-1**	+2	—	-1	118.3%
Real estate business	59	**57**	-2	-3.5%	44	76.8%
Eliminate/Corporate	-38	**-53**	-15	—	-34	63.8%

- International cargo handling remains sluggish mainly due to prolonged inventory adjustment by companies

- International cargo handling in warehousing and port transport and air forwarding are expected to remain sluggish against the backdrop of inventory adjustment.
- Domestic 3PL and land transport are expected to remain steady.

- Real estate business is generally progressing as planned.

- Flexible cost controls in our corporate division in response to changes in the business environment

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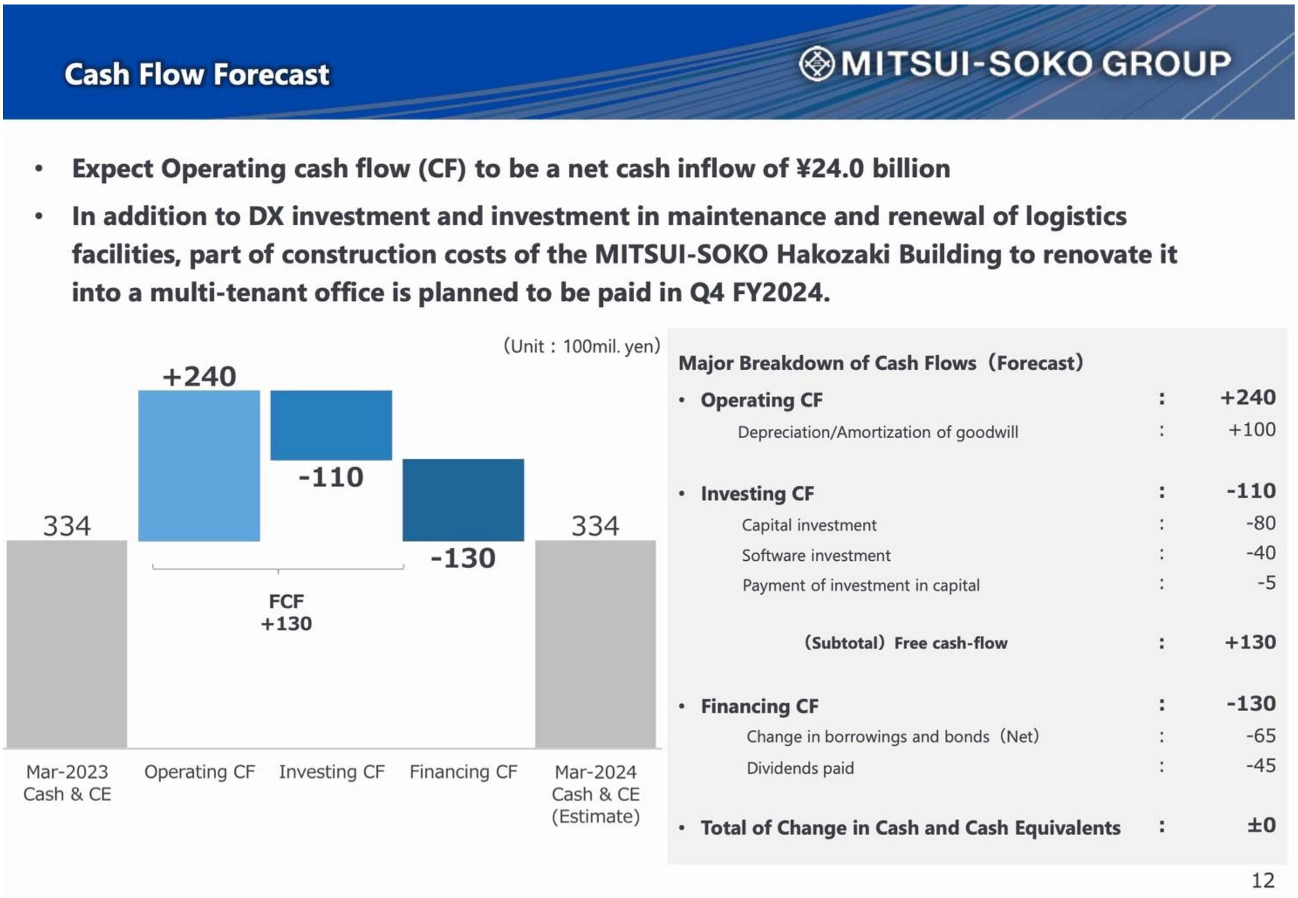
Please turn to page 11. This table shows the forecast of business results by segment. As explained in the slide of the Q3 results, the three segments of warehousing/port transportation, airfreight forwarding, and 3PL/LLP are expected to post YoY revenue declines due to weak trade cargo movement and falling unit prices of ocean and air freight rates.

On the other hand, we expect profit growth in the domestic 3PL/LLP and land transportation, as cargo movements remain relatively firm compared to overseas, and we aim to improve profit margins through cost reduction measures such as improved truck loading efficiency, as well as by optimizing fees collected.

The real estate business is expected to progress as planned and remain unchanged from the previous fiscal year. As for the eliminate/corporate, although DX investment and other expenses are expected to increase YoY, we intend to flexibly control costs in line with changes in the business environment.



Please turn to page 12. I would like to explain the cash flow forecast. Operating cash flow is expected to be a net cash inflow of JPY24 billion. Investment cash flow is expected to be a net cash outflow of JPY11 billion. The Company plans to continue to invest in the maintenance and renewal of facilities as well as in DX.

In addition, part of construction costs of the Hakozaki Building to renovate it into a multi-tenant office is scheduled to be paid in Q4. As for financing cash flow, we expect a net cash outflow of JPY13 billion due to repayment of borrowings and dividend payments.

Balance Sheet Forecast

MITSUI-SOKO GROUP

- **Expect to remain in D/E ratio less than 1.0x**
- **Sufficient investment capacity in preparation for the execution of strategic investments**

(Unit: 100 mil. yen)

Total Consolidated	Balance as of Mar. 31, 2023 (Actual)	Balance as of Mar. 31, 2024 (Forecast)	Change
Total Assets	2,587	**2,600**	+13
Cash and deposits	345	**345**	+0
Trade receivables	323	**300**	-23
Tangible and Intangible assets	1,493	**1,520**	+27
Interest-bearing debt (including Lease obligations)	926	**860**	-66
Borrowings and Bonds	851	**785**	-66
Lease obligations	76	**75**	-1
Equity Capital	933	**1,030**	+97
Equity ratio	36.1%	**39.6%**	+3.5
D/E ratio	0.99	**0.83**	-0.16

- Expectation of an increase in intangible assets due to software investment based on the DX strategy
- Expectation of an increase in tangible assets due to partial payment for construction costs of the Hakozaki Building to renovate it into a multi-tenant office

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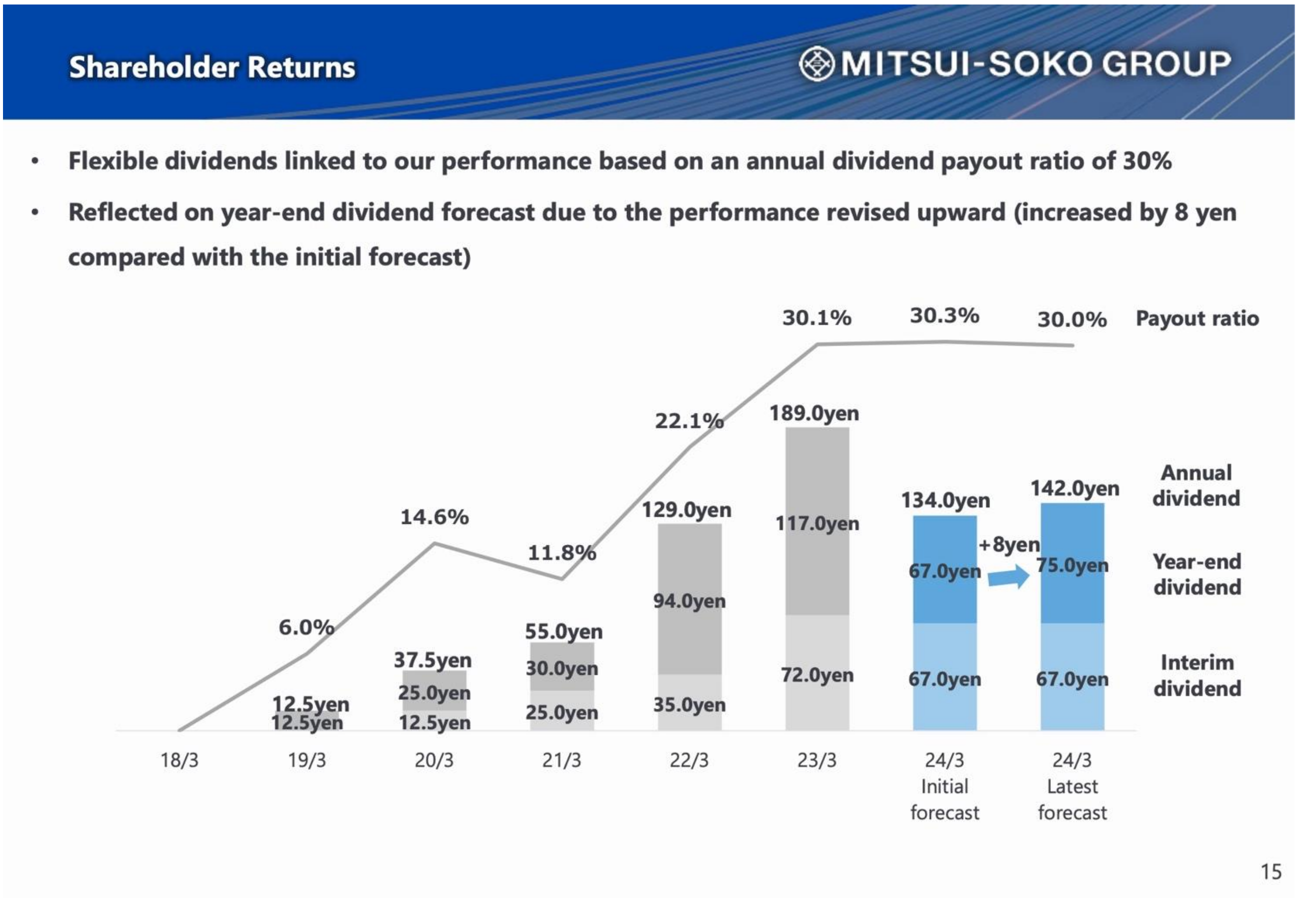
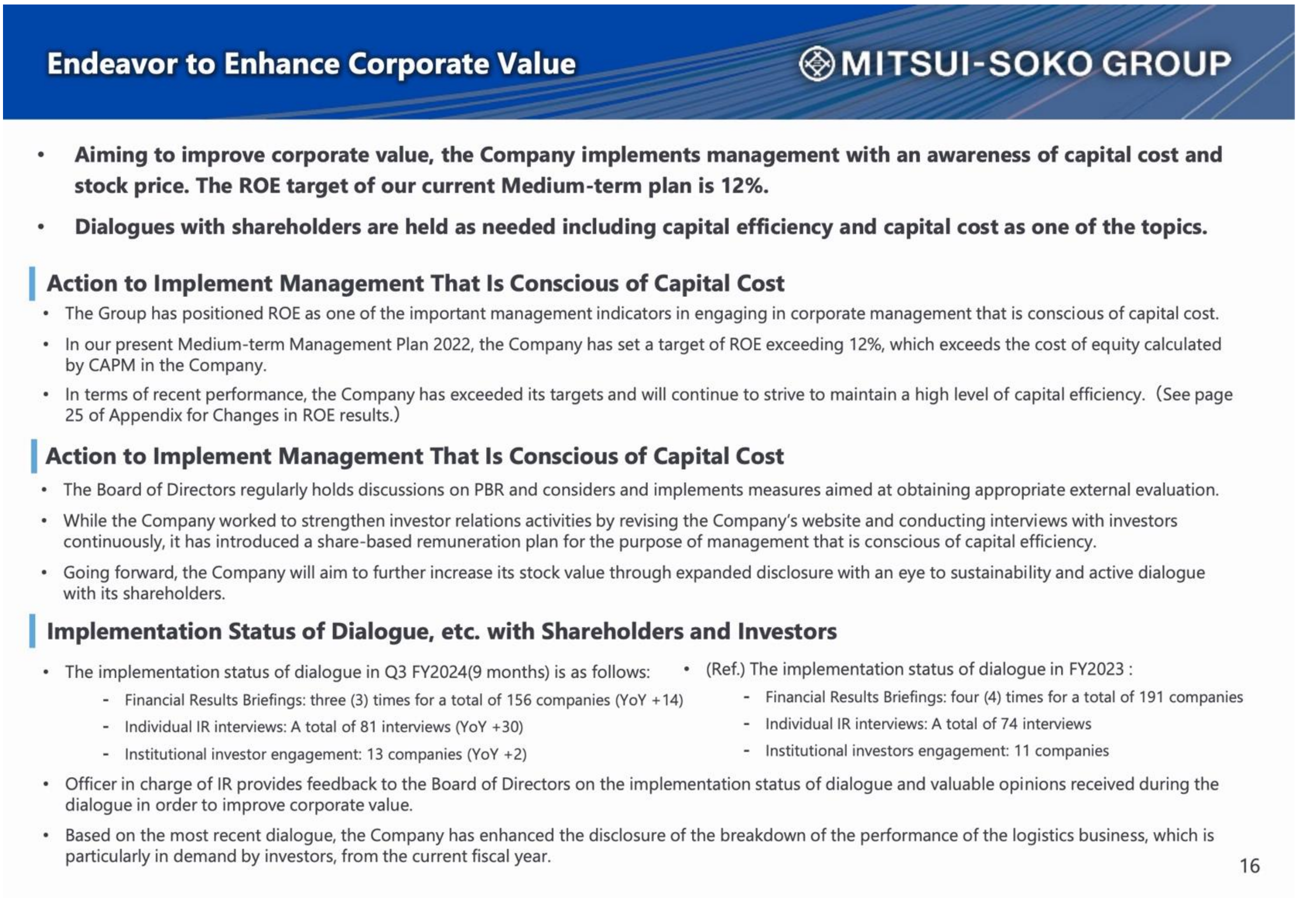
Please turn to page 13. I would like to explain the balance sheet forecast. The balance of interest-bearing debt at the end of FY2024 is expected to be JPY86 billion, a decrease of JPY6.6 billion from the end of the previous fiscal year. Since the equity capital is expected to increase by JPY9.7 billion from the end of the previous fiscal year to JPY103 billion, the equity ratio is expected to improve to 39.6% and the D/E ratio to 0.83 times.

The D/E ratio is expected to temporarily fall below the financial discipline target of 1 time in the medium-term management plan. This is due to the fact that the Company has ensured sufficient investment capacity in light of future investment plans, including the renovation of the Hakozaki Building into a multi-tenant office to be executed in the next fiscal year. We will continue to control our balance sheet based on a D/E ratio of 1 time from a medium- to long-term perspective toward the final fiscal year of the medium-term management plan.



Please turn to page 15. I would like to explain our shareholder return policy. The Company pays dividends flexibly linked to business performance based on an annual dividend payout ratio of 30% and plans to pay a full-year dividend of JPY142 for the current fiscal year. There is no change from the dividend forecast announced in August, but the dividend will be increased by JPY8 from the initial forecast announced in May.



Please move on to page 16. Lastly, I would like to introduce the current status of our endeavor to enhance our corporate value. The Company executes management with an awareness of capital cost and stock price in order to increase corporate value. In the current medium-term management plan, the ROE target for the final fiscal year is set at 12%, and we are working on various measures to achieve this target.

We recognize that the expanded disclosure of the breakdown of the logistics business results from this fiscal year has further deepened the content of our dialogue with investors. Currently, we hold dialogues with our shareholders and investors from time to time, with capital efficiency and capital cost as one of the themes in our dialogues.

This concludes my explanation. Thank you very much.

Question & Answer

Moderator [M]: Before we move on to the question-and-answer session, I would like to start with questions that we have received from many people before the financial results briefing. First question.

Participant [Q]: With regard to the Daihatsu and Toyota recalls, will they affect your emergency transportation business? Please answer.

Nakayama [A]: There is no direct impact of the recalls at this time. However, we are anticipating changes in the future, such as an extension of new car development period, a narrowing of car models to be introduced, and an increase in the ratio of actual vehicle inspections. We are determined to communicate with our customers, respond quickly, and follow up so as not to miss business opportunities. That is all.

Moderator [M]: Next question.

Participant [Q]: Regarding air and ocean freight rates, how long do you expect the unit price decline to continue? Please answer.

Nakayama [A]: This varies slightly from route to route, but both ocean and air freight rates have largely stopped falling. As we have already informed you, due to the deteriorating security situation on the voyage, the current situation is on a somewhat upward trend, although this also depends on the routes. There are still uncertainties related to the supply-demand relationship, so we will continue to operate the business while keeping a close eye on market trends and customer response. That is all.

Moderator [M]: I will now move on to the question-and-answer session. Please kindly understand that we may not be able to answer all questions due to time constraints. Thank you for your understanding. Let me now introduce the first question.

Participant [Q]: Regarding international transportation, mainly air forwarding, what is the future outlook for cargo movement and freight rates, and what are the trends for new 3PL projects in the next fiscal year? Please answer.

Nakayama [A]: You are asking about the cross-border forwarding situation, mainly international transportation. As I mentioned the market situation earlier, the international cargo movements also vary from region to region, but looking at cargo movements within Asia or from Asia to Europe and the United States, it seems that the market has not yet returned to the level before COVID-19.

We expect this situation to change by future measures for economic stimulation and interest-rate policies in various countries. We will continue to develop our business while keeping a close eye on the situation in each country and the stance of our clients in this regard.

On the other hand, as I mentioned earlier in my explanation, the 3PL business in Japan has been relatively robust compared to cross-border cargo movements.

It is true that overall domestic consumption, especially sales growth of durable consumer goods, has been sluggish due to rising prices, but we have been able to expand our business by following up with customers who are aggressively opening new stores and developing their businesses.

As for the outlook for the future, this is exactly the same as in the cross-border area. We are keeping a close eye on what form the domestic economic and consumption stimulus measures will take in the future and on trends in interest rate policy and other factors. That is all.

Moderator [M]: I will read out next question.

Participant [Q]: I have two questions. Can you give me some guidance on the Q4 outlook for international transportation? As a second question, when do you expect international transportation to bottom out? Please break it down into unit price and volume. Please answer.

Nakayama [A]: Your first question is about the status of international transportation in Q4. To begin with, Q4 is, in principle, the slack season for international transportation. One reason is that there are many New Year's holidays as well as the Chinese New Year in China, a major production base, so cargo movements are relatively weak compared to other periods of the year, even in a normal year.

On the other hand, as for other regions, consumption is very strong in the US, and cargo from China is moving to some extent. In the meantime, the ratio of China to the US importing countries is decreasing, and that of Vietnam and India is increasing. Looking at the contents, [inaudible] is also changing very much, and we expect that the logistics companies involved in this area will also be affected by changes in handling volume depending on customer trends. We need to follow up on this area carefully.

In terms of unit price, as I mentioned earlier, freight rate is rising in the route around the Cape of Good Hope due to security concerns, but we have not yet reached a situation where the supply of vessels cannot keep up with demand. We are not currently experiencing the conversion of ocean transportation to air transportation that we had experienced for the past two years, and we do not expect this conversion to occur in the near future. However, there are still uncertainties. The reduction in the number of vessels passing through the Panama Canal due to water shortages is gradually taking effect, so we need to take a close look at the situation.

As for when the freight rate and volume in the international transportation will bottom out, we have been discussing this issue with the companies involved, but there are both positive and negative factors. As far as I know, there is still no one who has made a clear analysis of when the bottom will be reached, and the market will turn around. They are watching the situation. I think that the current situation is highly uncertain. That is all.

Moderator [M]: Next question.

Participant [Q]: You said that 3PL and LLP are performing well. Is the weak demand the reason for lower revenue and flat profit in your full-year forecast? Please tell me how you see future domestic demand.

Nakayama [A]: As I mentioned earlier, compared to cross-border forwarding, we are firmly developing our business in Japan. In the meantime, as I mentioned earlier, from the perspective of a full-fledged recovery in domestic consumption, we cannot afford to be optimistic in the 3PL and LLP segment in which we are currently focusing our efforts.

We need to acquire a number of new customers who are shifting from in-store sales to e-commerce, and we are currently working on logistics design with several of them. Therefore, we expect these measures to bear fruit. We will continue to focus our efforts on expanding our business in this field, and we are determined to respond to the extremely strong needs of our customers who would like to review their commercial distribution and logistics. That is all.

Moderator [M]: Next question.

Participant [Q]: Please tell me about the impact of the Hakozaki's renovation into a multi-tenant office on profit and loss in the next fiscal year and beyond, the progress of leasing, and the response. Please answer.

Nakayama [A]: The current main tenant's contract will be changed, not end, in April of this year, and the leased space will be reduced to about half of what it was before. After this, we will start value-up work to welcome new tenants.

At the same time, we are promoting leasing sales activities. To date, we have received many inquiries. There is a new supply of office buildings in prime locations in Minato-ku and Chiyoda-ku, and rents are becoming considerably higher. We are keenly aware through our marketing activities that the Hakozaki building we own is in demand by other clients who do not go for such newly supplied buildings.

However, we also do not intend to sell at a discount, so we are having solid conversations with our clients here. If possible, we would like to have a variation in the portfolio with varying lease terms, while also hedging risk, as we are now proceeding with leasing activities.

It will take a certain amount of time, but we are confident that the location is where their space will be filled with no doubt and that the quality of the assets is very high, as judged by experts. That is all.

Moderator [M]: Next question.

Participant [Q]: You mentioned automobiles and consumer electronics in your materials and prior questions, but are there any notable movements including strength or weakness in other cargoes such as medicals? Please answer.

Nakayama [A]: In the medical field, which we call health care, we have expanded our facilities and filled them to capacity, developing a very profitable and efficient business. This is a major source of earnings for the warehousing segment.

At the same time, we are now promoting sales activities to expand the business with more advanced bio-medical customers, and we have already won some contracts. However, that volume has not yet be sufficient in this field. With approval from the relevant government agencies for insurance coverage and other items, the volume will dramatically increase. While most of our customers here are companies of foreign origin, we are steadily doing marketing activities and I believe that such efforts will be reflected in our P/L in the near future. That is all.

Moderator [M]: There is no one who has any questions. Senior Managing Director Nakayama, please.

Nakayama [M]: Thank you very much for joining us today. I would like to ask for your continued support.

Moderator [M]: That concludes the financial results briefing of MITSUI-SOKO HOLDINGS for Q3 of FY2024. Thank you very much for joining us today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*

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