

Message from the President and Group CEO

“Empower society, encourage progress.” Mobilizing our collective strengths for sustainable growth with society.

Thoughts encapsulated in the newly established Group Philosophy (PURPOSE, VALUES, VISION)

The environment surrounding society is changing at a pace that is exceeding expectations due to such factors as the spread of COVID-19 infections and destabilization in international affairs. The logistics industry is also undergoing a major transition, such as the advancement of digitization, labor shortages, and the growing need for supply chain reform. The Mitsui-Soko Group has rebuilt its financial base and laid the foundation for sustainable growth starting with its Medium-term Management Plan 2017, which in a sense was already focused on defensive measures. Under such circumstances, it is now the time to move on to an “offensive” phase.

In an era in which values that had previously been taken for granted are changing, we are reconsidering the role of a logistics company, and, as part of that, the things that only the Mitsui-Soko Group can do. Wanting to build a firm sense of values throughout the Group, the renewal of our Group Philosophy is due to the welling up of such strong thoughts in me.

Our previous Group VISION was “Value beyond Logistics.” As a result of having thoroughly considered what “value” means for us, we have newly established a Group Philosophy consisting of PURPOSE, VALUES, and VISION.

Encapsulated within PURPOSE, which is our *raison d'être*—“Empower society, encourage progress”—is that logistics, as a form of social infrastructure, must keep the world’s economic activity moving. Also, in line with the changing

times, I possess a strong desire to expand our business in linkage with the evolution of society. I think that a definition of why logistics exist would be to support people’s daily lives, enrich industries, and help to realize the sustainable growth of society while revitalizing the economy. Including the spread of COVID-19 infections and the crisis in Ukraine, geopolitical risks have disrupted supply chains around the world and placed in stark relief the risk that supplies of a variety of goods could be cut. Due to these changes in social conditions, I believe that the number of companies that recognize the importance of logistics has increased significantly in comparison with before. At the same time, from listening to companies, I am also gaining a real feeling for the diversification of their logistics needs. In times like this, our role is to “Empower society, encourage progress” no matter how the world changes. While we ourselves are evolving in keeping with the times, our Purpose shows our determination in supporting the workings of society from the ground up, in moving the world in a better direction, and in aiming to help realize a mindful and sustainable society.

Based on our PURPOSE, we have adopted four VALUES—PRIDE, CHALLENGE, GEMBA, and RESPECT—to serve as guidelines for action. Among other items, the Group transports pharmaceutical products and medical devices, which are directly related to people’s lives, and these are logistics that have to be kept moving with certainty. We also move things that are essential to people’s day-to-day lives, from food ingredients to finished products, such as consumer electronics. I would like our employees to always be aware of these four values and to work with pride as essential workers who support the front lines of our

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way of life and of the economy.

Under our PURPOSE, the future vision of the Group is expressed in the VISION—“The co-creative logistics solutions partner. For every day, emergency, and always will be”—based on the VALUES for each and every employee to maximize their potential. Today, the logistics industry is required not only to receive and transport goods, but also to stably connect customers’ supply chains. As an entity that connects our customers and the evolution of society at all times, the Mitsui-Soko Group would like to aim to be a logistics solutions partner that realizes improvements of its customers’ corporate value while co-creating with all its stakeholders. To attain that vision of what we want to become, we will promote the measures adopted under Medium-term Management Plan 2022.

Looking Back on Medium-term Management Plan 2017

In the previous Medium-term Management Plan 2017, the final fiscal year of which ended March 31, 2022, we positioned the first three years as a “reversal period,” focusing on strengthening our business profitability and rebuilding our financial base. In the last two years of the plan, which we positioned as the “sustainable growth period,” we primarily worked as a Group on three key areas: the construction of overwhelming field capabilities, the establishment of end-to-end integrated solution services, and ESG management.

Our most notable achievement over the past five years has been the establishment of a system capable of securing stable profits. Operating revenue was ¥301 billion (up 33% from the start of

the Medium-term Management Plan 2017), and operating profit reached a record high of ¥25.9 billion, greatly exceeding the target of ¥10 billion. Operating profit margin also improved significantly, from 2.6% before the start of Medium-term Management Plan 2017 to 8.6%. In addition, by reducing interest-bearing debt, the net debt-to-equity ratio was 0.9 times, and we were able to achieve all numerical targets that we had set. I thus believe that we reached a certain point in rebuilding our financial base.

I would like to take this opportunity to explain some of the initiatives we have taken over the past five years and their results. During the three years of the reversal period, we placed importance on the reinforcement of our earnings power and the rebuilding of our financial base, and put into effect a raft of initiatives. Above all, particular focus was placed on “strengthening Group management.” The launching of a Strategic Sales Division, enhancing cooperation between operating companies, and working to be able to propose comprehensive end-to-end logistics solutions to customers as One Mitsui-Soko led as a result to improved profitability in the logistics business. In addition, we thoroughly implemented cost reduction measures, named Challenge 20, on which the whole company worked together as one, and the visualization of income and expenditure for each project. As a result of implementing responses to unprofitable projects together with adjustments in the collection of fees, these measures led to an improvement in profit margins.

In the latter two years, based on the results of the reversal period, we promoted the strengthening of our business foundation for further growth to shift to sustainable growth. As each steady effort has borne fruit—for example, the promotion of efficiency by combing people’s individual capabilities with or technological capabilities, such as AI and robotics; the provision of high-quality services; and the strengthening of the Group network—a sense of group unity has been fostered, and I sense that changes have also occurred in the awareness and behavior of our employees.

In contrast, in terms of reforming our corporate culture, we have worked on reforming our personnel system and adopted an office system whereby employees are free to change desks, but are still halfway through our goal and thus will continue to work on the remaining issues.

Medium-term Management Plan 2022: “Going on the offensive by deepening”

To aim toward the Group’s VISION—“The co-creative logistics solutions partner. For every day, emergency, and always will be”—we have newly launched Medium-term Management Plan 2022 from the current fiscal year. We have positioned the next five years as a growth phase where we will go on the offensive with our unique business model by building on the initiatives of the last two years of the previous medium-term management plan and “deepening” them. The numerical targets for the fiscal year ending March 31, 2027, the final year of the plan, are operating revenue of ¥350 billion, operating profit of ¥23 billion, and operating cash flow of ¥30 billion. With regard to operating profit, as a launching pad we have set the actual value at ¥17 billion, excluding special factors such as the impact of COVID-19, from ¥25.9 billion in the fiscal year ended March 31, 2022, and aim to accumulate ¥6 billion over the next five years.

Adopted as the three pillars of our growth strategy are the following:

Establishing a system capable of securing profits, we will create the future ahead with our Medium-term Management Plan 2022

(1) Top-line growth by mobilizing the Group’s collective strengths

Concerning the enhancement of the Group’s collective strengths, as a result of having fortified Group management during the previous medium-term management plan, cooperation between operating companies and departments is currently expanding, leading to the provision of optimal services. In the years to come, given added impetus by the growing need for global supply chain reform, we will further refine our logistics solutions that can be handled from upstream to downstream, and realize “top-line growth by mobilizing the Group’s collective strengths.”

To achieve the foregoing, we will deploy three measures, centered on the enhancement of integrated solution services, expansion of

sustainability-oriented business, and deep digging in the inter-industry.

The first is the enhancement of “integrated solution services,” which form our unique business model. Leveraging a comprehensive lineup of logistics service functions for land, sea, and air, and logistics know-how, which has been responsible for a wide range of value chains from upstream to downstream, the Group provides integrated solution services that optimize customers’ entire supply chains. We will further strengthen these services and focus on the areas of mobility, healthcare, and B2B2C, which includes business-to-business transactions and even individuals. With regard to mobility, demand for electric and connected cars is expected in the future. In addition to having joint ventures with Toyota Motor Corporation and Sony Corporation, I believe that the Group will be able to leverage as a competitive advantage the know-how acquired through its extensive track record of dealing with customers in related industries, including these two companies. With regard to healthcare, in addition to specialized and high-quality operational management know-how in the manufacturing area, we possess knowledge in areas with high added value, such as regenerative medicine and macromolecular pharmaceuticals, where market growth is expected in the future, and we plan to further expand them. Based on the know-how gained from consumer electronics distribution center management and distribution design, in the case of B2B2C it is possible for us to consistently provide functions such as joint delivery/delivery, installation, and repair. We are aiming to expand to cover not only consumer electronics but also the consumer goods and apparel areas.

Secondly, we will expand our “sustainability-oriented business” to resolve corporate sustainability-related issues that are becoming increasingly diversified, subject to new laws and regulations, and globalized.

In October 2021, having organized the risks that companies face regarding the sustainability of logistics into three categories—the environment, labor force, and disasters—we started offering our new “SustainaLink” service that leads to problem-solving in three steps: Know, Visualize, and Improve. Not limited to mere diagnosis and analysis, this service is characterized by the fact that our Group can handle actual operations after having proposed specific improvement measures. In particular, as the visualization of CO₂ emissions in logistics requires specialized knowledge, there are many needs from customers, and currently the number of projects is steadily increasing.

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The third measure is deep digging in the inter-industry. By means of M&A and other business expansion, the Group has acquired an excellent, wide-ranging customer base and a comprehensive lineup of logistics service functions. In contrast, there are still many areas in the inter-industry that we have not dealt with in our existing operations. Digging deeper and designating this area as “room for growth,” alongside expansion in the areas covered by business contracts, and by covering the entire supply chain of our customers, we aim to expand our base operations by linking them to opportunities to provide integrated solution services.

(2) Reinforcement of operational competitiveness

Deepening our efforts to construct “overwhelming field capabilities” that we have been promoting since the previous medium-term management plan, we will work step by step to reinforce our operational competitiveness.

In a rapidly changing external environment, we will provide optimal logistics solutions and resolve our customers’ logistics issues.

For the very reason that, in today’s world, technological evolution is accelerating, the point of differentiation that we are particularly adhering to is “people’s individual capabilities.” For example, no matter how excellent the robots and machines installed in warehouses become, people’s individual capabilities will remain necessary to combine them and derive efficient and optimal operations as a single line. I think that digital technology and logistics robots will evolve further in the years to come but first, so that everyone can utilize them and create added value, we will thoroughly instill standardization throughout the Company. Based on these standardized business operations, we are considering the steps to establish a competitive advantage by improving the quality of work and realizing cost reductions by combining people’s individual capabilities and technological capabilities.

(3) Building management foundations to support the deepening

To support our efforts for (1) and (2), we will work on “building management foundations to support

the deepening” from four aspects: DX, co-creation, business assets, and ESG.

Concerning DX, please see the DX strategy pages (P. 41–43) for details, but I believe that without logistics DX the realization of DX will be difficult for each company. When companies think about the distribution of their products, it is essential that they visualize the entire supply chain, such as where the inventory is now, how to purchase, and how to transport that inventory. Now that the risk of supply chain disruption is constantly increasing, its importance as a corporate strategy is increasing. By digitizing and visualizing information in the supply chain, I would like us, who are responsible for our customers’ logistics operations, to not only optimize customers’ logistics, providing customers with that information, but also to utilize it for our own strategies.

With regard to co-creation, we will accelerate initiatives both inside and outside the Company to create new businesses and value. In internal co-creation, we will effectively utilize diverse human resources while promoting the creation of mechanisms to generate innovation. We will also actively consider external co-creation, such as collaboration and alliances with external parties, as well as strategic M&A and alliances. At the present time, we are collaborating with a variety of companies, while working on, for example, the automation of international trade operations, logistical support for EC operations, and the strengthening of healthcare logistics systems.

With regard to business assets, we will implement a wide range of commercial real estate (CRE) measures, such as scrapping and rebuilding existing facilities and value-enhancement work, to effectively utilize and increase the value of our assets. We will also consider investing in new logistics facilities that fully utilize IoT and robotics.

With regard to ESG, we will continue initiatives from the previous medium-term management plan with the aim of both resolving social issues and improving corporate value. In terms of environmental aspects, as a logistics company, we recognize that responding to climate change is our social mission and thus will also strongly promote the reduction of our own CO₂ emissions. As specific goals, we have set a 50% reduction compared with FY2013 by FY2030 and net zero by FY2050. In terms of social aspects, the ideas that we are working on involve actively investing resources in strengthening human capital, which is the most important management foundation, and improving employee engagement. To ensure that each employee can take pride in and find their work rewarding and demonstrate their full potential, we



are working on a number of initiatives. These include: personnel system reform based on the keywords of diversity, expertise, and fluidity; creation of job satisfaction through mutual understanding of issues and goals; and improving the working environment from both hard and soft aspects. In terms of governance, we deem the main issues to be the promotion of sustainability and management with an awareness of capital efficiency and will promote the creation of a system with the aim of improving corporate value over the medium to long term. In October 2021, we established the Sustainability Committee under the Board of Directors, with the intention of strengthening the system for promoting sustainability management. We have also introduced a stock-based remuneration system as part of our executive remuneration system with the aim of increasing the linkage between remuneration, company performance, and corporate value. In the years to come, we will continue to promote initiatives designed to strengthen governance and that contribute to improving corporate value.

Linking of New Medium-term Management Plan and Materiality

Aiming to create new value through its business activities and achieve the sustainable growth of society, the Mitsui-Soko Group has identified materiality (important issues) and set KPIs in the areas of economy, society, and the environment. In formulating our new Medium-term Management Plan, we remained strongly aware of the linkage with the activities of each materiality and are promoting initiatives while integrating them with

management. For example, the SustainLink service I mentioned earlier is an initiative that contributes to the “provision of sustainable, resilient logistics services through co-creation.” In addition, our ESG initiatives are linked to “contribution to a decarbonized, circular economy by actively reducing environmental impact” and “realization of safe, diverse, and rewarding work environments.”

Going forward, we will continue to strive to achieve the targets for each materiality, manage the state of progress of the KPIs and strengthen the PDCA cycle, while accelerating initiatives throughout the Group.

To All Our Stakeholders

For the more than 100 years since our founding, the Group has been developing logistics services that respond to changes in society. The logistics industry now finds itself in a period of transition. I believe that there will be a polarization between companies that will survive over the next three to five years and those that will not. The keywords that I am thinking of are “incident response” and “risk diversification.” In addition to beginning to search for ways to build supply chains that can respond to drastic changes in the external environment, customers are promoting responses to logistics risk diversification. It is important for us to accurately respond to these customer issues. I believe that we are capable of mobilizing the Group’s collective strength in providing logistics solutions that contribute to the optimization of our customers’ supply chains and support their business strategies.

Looking further ahead to changes in logistics, advances are being made in the so-called local production for local consumption trend, by which each country consumes what has been produced in that country, and thus the role demanded of logistics may also change. However, I believe that the foundation of logistics, which supports people’s lives, develops industries, and leads to the sustainable growth of society, will remain constant. Under our PURPOSE—“Empower society, encourage progress”—we will resolve our customers’ logistics problems and contribute to the development of an ever-changing society. I would also like these efforts to lead to the growth of the Mitsui-Soko Group and drive the logistics industry.

We look forward to the continued and unwavering support of all our stakeholders, including our shareholders, in the years ahead.