

The financial report  
of the fiscal year ended  
31<sup>st</sup>, March 2019 (FY2019)

---



Mitsui-Soko group

May, 15<sup>th</sup> 2019



- ▶ The financial report of the FY2019
- The forecast of the FY2020
- The progress of the Medium-term management plan 2017



# (1) Overview

(Unit: Millions of JPY)

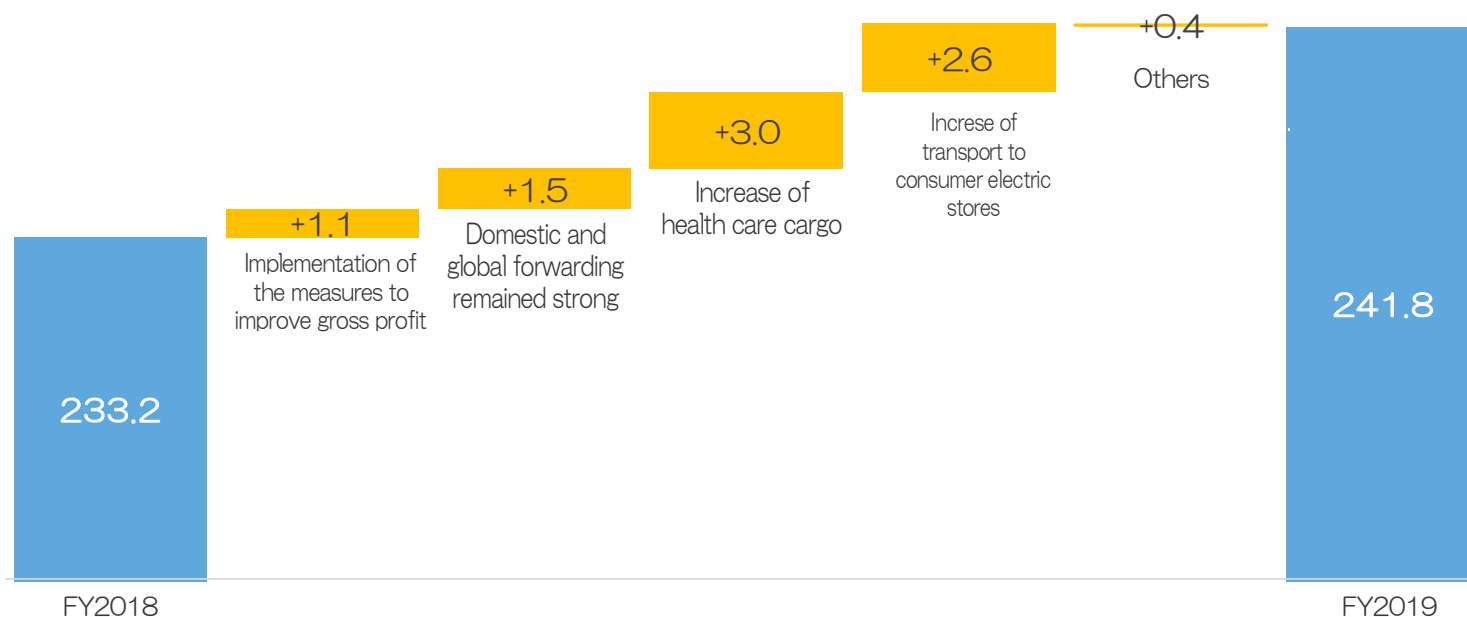
Consolidated amount		FY2018 (Apr.1, 2017~ Mar.31, 2018)	FY2019 (Apr.1, 2018~ Mar.31, 2019)	Changes	Changes(%)
P L	Sales	233,243	241,852	+ 8,609	+3.7%
	Operating Profit	6,996	11,986	+ 4,990	+71.3%
	Ordinary profit	6,521	11,087	+ 4,566	+70.0%
	Profit attributed to owners of parent	4,406	5,190	+ 783	+17.8%
C F	Cash flows from operating activities	12,207	18,498	+ 6,290	+51.5%
	Cash flows from investing activities	(5,806)	(4,043)	+ 1,762	—
	Cash flows from financing activities	(12,180)	(16,618)	(4,437)	—
Consolidated amount		Balance at Mar.31, 2018	Balance at Mar.31, 2019	Changes	Changes(%)
B S	Shareholders' equity	44,017	47,404	+ 3,387	+7.7%
	Total assets	262,735	252,078	(10,656)	(4.1%)
	Shareholders' equity ratio	16.8%	18.8%	+ 2.1	—



## (2) Sales (Compared to the same period of FY2018)

3

(Unit: Billions of JPY)



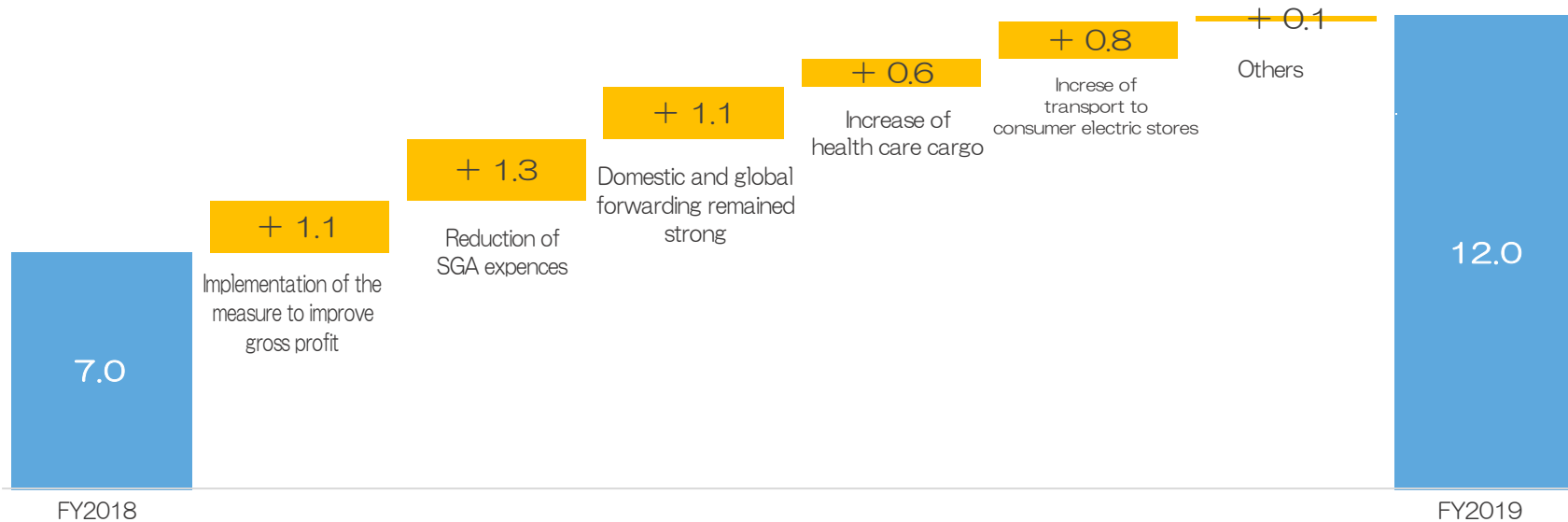
(Unit: Millions of JPY)

Segment	FY2018 (Apr.1, 2017~ Mar.31, 2018)	FY2019 (Apr.1, 2018~ Mar.31, 2019)	Changes	Changes(%)
Logistics business	224,842	233,404	+8,561	+3.8%
Real estate business	9,155	9,170	+14	+0.2%
Eliminate/Corporate	(755)	(721)	+33	—
<b>Total of sales</b>	<b>233,243</b>	<b>241,852</b>	<b>+8,609</b>	<b>+3.7%</b>



### (3) Operating profit (Compared to the same period of FY2018)

(Unit: Billions of JPY)



(Unit: Millions of JPY)

Segment	FY2018 (Apr.1, 2017~ Mar.31, 2018)	FY2019 (Apr.1, 2018~ Mar.31, 2019)	Changes	Changes(%)
Logistics business	5,855	9,844	+3,988	+68.1%
Real estate business	5,045	5,114	+69	+1.4%
Eliminate/Corporate	(3,904)	(2,972)	+932	—
Total of operating profit	6,996	11,986	+4,990	+71.3%



## (4) Extraordinary gains/losses (Compared to the same period of FY2018)

(Unit: Millions of JPY)

Consolidated amount	FY2018 (Apr.1 2017~ Mar.31 2018)	FY2019 (Apr.1 2018~ Mar.31 2019)	Changes	Details of change
Operating profit	6,996	11,986	+4,990	
Non-operating profit (loss)	(475)	(899)	(423)	<ul style="list-style-type: none"> <li>• Foreign exchange losses: (515)million yen FY2018: Foreign exchange profit 490 million yen FY2019: Foreign exchange loss 25 million yen</li> <li>• Improvement of financial profit/loss: 142million yen</li> <li>• Others: (50) million yen</li> </ul>
Financial profit/loss	(858)	(716)	+142	Decrease of interest payment by reducing interest-bearing debt
Ordinary profit	6,521	11,087	+4,566	Increase of operating profit 4,989 million yen Decrease of non-operating profit (loss) (423)million yen
Extraordinary gains	1,844	365	(1,479)	FY2018: <ul style="list-style-type: none"> <li>• Sales of fixed assets 651 million yen</li> <li>• Sales of securities 722 million yen</li> <li>• Compensation income: 470 million yen</li> </ul> FY2019: <ul style="list-style-type: none"> <li>• Insurance income related to disasters 291 million yen</li> </ul>
Extraordinary losses	223	1,604	+1,381	FY2018: <ul style="list-style-type: none"> <li>• Loss on disposal of fixed assets 223 million yen</li> </ul> FY2019: <ul style="list-style-type: none"> <li>• Loss related to disasters 292 million yen</li> <li>• Impairment loss on goodwill 1,227 million yen</li> </ul>
Profit attributed to owners of parent	4,406	5,190	+783	Increase by growing ordinary profit



## (5) Cash flow and Balance sheet

(Unit: Millions of JPY)

Consolidated amount	FY2018 (Apr.1 2017~ Mar.31 2018)	FY2019 (Apr.1 2018~ Mar.31 2019)	Changes	Changes(%)
Cash flows from operating activities	12,207	<b>18,498</b>	+6,290	+51.5%
( Depreciation and amortization of goodwill	9,932	<b>9,482</b>	(449)	(4.5%)
Cash flows from investing activities	(5,806)	<b>(4,043)</b>	+1,762	—
( Capital investment & Acquisition of shares	(8,499)	<b>(4,206)</b>	+4,292	—
Cash flows from financing activities	(12,180)	<b>(16,618)</b>	(4,437)	—

Consolidated amount	Balance at Mar. 31 2018	Balance at Mar. 31 2019	Changes	Changes(%)
Cash and cash equivalents	25,798	<b>23,643</b>	(2,154)	(8.4%)
Bonds and borrowings	157,604	<b>142,471</b>	(15,133)	(9.6%)
Net-debt	131,806	<b>118,827</b>	(12,978)	(9.8%)
Shareholder's equity	44,017	<b>47,404</b>	+3,387	+7.7%
Total assets	262,735	<b>252,078</b>	(10,656)	(4.1%)
Shareholder's equity ratio	16.8%	<b>18.8%</b>	+2.1	—
Net D/E ratio	3.0	<b>2.5</b>	(0.5)	—
ROE	10.8%	<b>11.4%</b>	+0.6	—



- The financial report of the FY2019
- ▶ The forecast of the FY2020
- The progress of the Medium-term management plan 2017





# (1) Forecast overview of FY2020

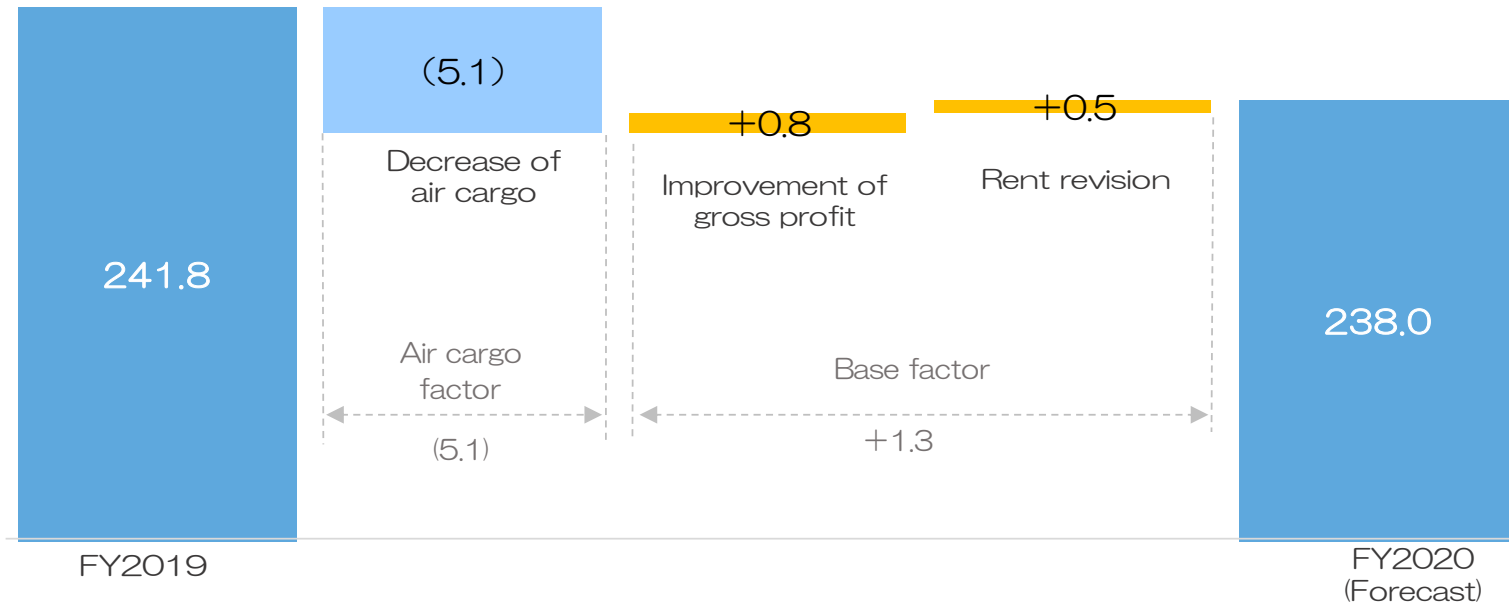
(Unit: Millions of JPY)

Consolidated amount		FY2019 (Apr.1, 2018~ Mar.31, 2019)	FY2020 (Apr.1, 2019~ Mar.31, 2020)	Changes	Changes(%)
P L	Sales	241,852	<b>238,000</b>	(3,852)	(1.6%)
	Operating Profit	11,986	<b>10,000</b>	(1,986)	(16.6%)
	Ordinary profit	11,087	<b>8,900</b>	(2,187)	(19.7%)
	Profit attributed to owners of parent	5,190	<b>5,700</b>	+509	+9.8%
C F	Cash flows from operating activities	18,498	<b>15,500</b>	(2,998)	(16.2%)
	Cash flows from investing activities	(4,043)	<b>(6,500)</b>	(2,456)	—
	Cash flows from financing activities	(16,618)	<b>(10,000)</b>	+6,618	—
Consolidated amount		Balance at Mar.31, 2019	Balance at Mar.31, 2020	Compared with the balance at Mar.31, 2019	Changes(%)
B S	Shareholders' equity	47,404	<b>52,500</b>	+5,095	+10.7%
	Total assets	252,078	<b>247,000</b>	(5,078)	(2.0%)
	Shareholders' equity ratio	18.8%	<b>21.3%</b>	+2.4	—



## (2) Sales forecast FY2020

(Unit: Billions of JPY)



(Unit: Millions of JPY)

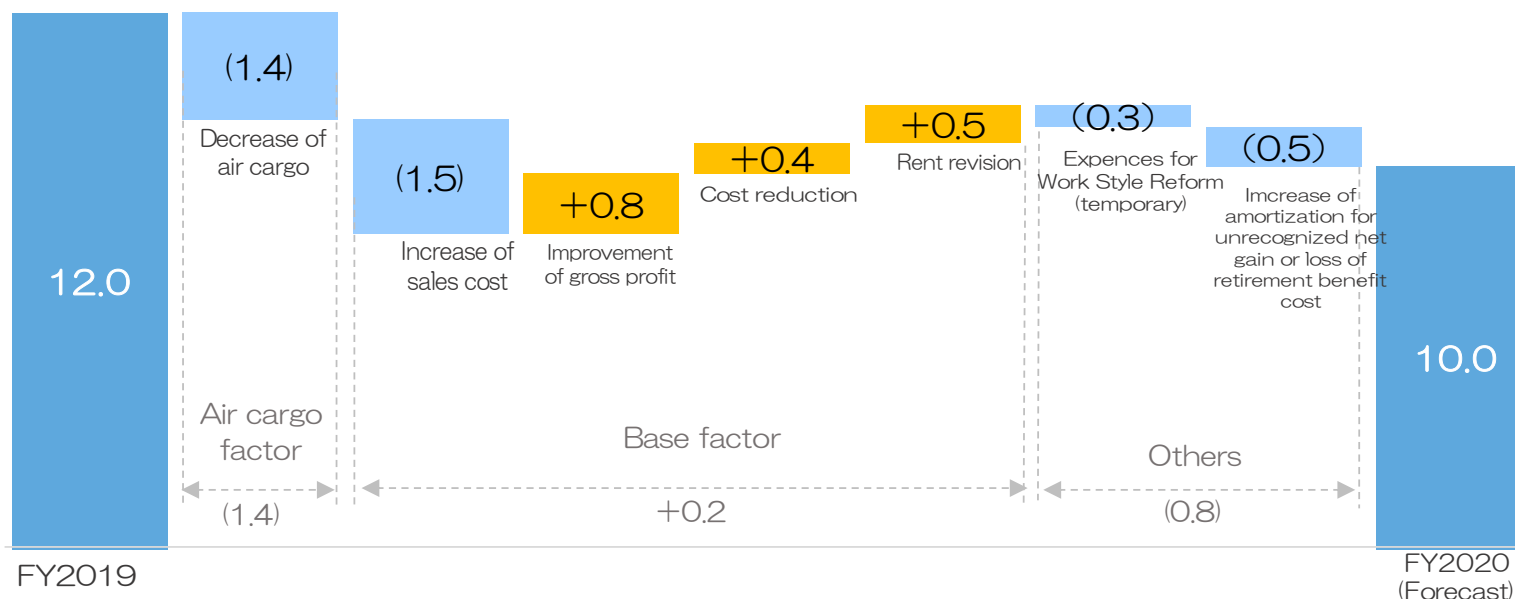
Segment	FY2019 (Apr.1, 2018~ Mar.31, 2019)	FY2020 (Apr.1, 2019 ~ Mar.31, 2020)	Compared to the same period of FY2019	Changes(%)
Logistics business	233,404	229,000	(4,404)	(1.9%)
Real estate business	9,170	9,700	+529	+5.8%
Eliminate/Corporate	(721)	(700)	+21	—
Total of sales	241,853	238,000	(3,853)	(1.6%)



## (2) Operating profit forecast of FY2020

10

(Unit: Billions of JPY)



(Unit: Millions of JPY)

Segment	FY2019 (Apr.1, 2018~ Mar.31, 2019)	FY2020 (Apr.1, 2019~ Mar.31, 2020)	Compared to the same period of FY2019	Changes(%)
Logistics business	9,844	8,100	(1,744)	(17.7%)
Real estate business	5,114	5,700	+585	+11.4%
Eliminate/Corporate	(2,972)	(3,800)	(827)	—
Total of operating prof	11,986	10,000	(1,986)	(16.6%)



### (3) Extraordinary gains/losses forecast for FY2020

11

(Unit: Millions of JPY)

Consolidated amount	FY2019 (Apr.1 2018~ Mar.31 2019)	FY2020 (Apr.1 2019~ Mar.31 2020)	Changes	Changes(%)
Operating profit	11,986	10,000	(1,986)	(16.6%)
Non-operating profit (loss)	(899)	(1,100)	(200)	—
( Financial profit/loss	(716)	(700)	+16	—
Ordinary profit	11,087	8,900	(2,187)	(19.7%)
Extraordinary gains	365	600	+234	+64.2%
Extraordinary losses	1,604	120	(1,484)	(92.5%)
Profit attributed to owners of parent	5,190	5,700	+509	+9.8%



## (4) Cash flow and Balance sheet forecast

12

(Unit: Millions of JPY)

Consolidated amount	FY2019 (Apr.1 2018~ Mar.31 2019)	FY2020 (Apr.1 2019~ Mar.31 2020)	Change	Changes(%)
Cash flows from operating activities	18,498	15,500	(2,998)	(16.2%)
Depreciation and amortization of goodwill	9,482	9,600	+117	+1.2%
Cash flows from investing activities	(4,043)	(6,500)	(2,456)	—
Cash flows from financing activities	(16,618)	(10,000)	+6,618	—

Consolidated amount	Balance at Mar. 31 2019	Balance at Mar. 31 2020	Compared with the balance at Mar.31, 2019	Changes(%)
Cash and cash equivalents	23,643	22,600	(1,043)	(4.4%)
Bonds and borrowings	142,471	133,000	(9,471)	(6.6%)
Net-debt	118,827	110,400	(8,427)	(7.1%)
Shareholder's equity	47,404	52,500	+5,095	+10.7%
Total assets	252,078	247,000	(5,078)	(2.0%)
Shareholder's equity ratio	18.8%	21.3%	+2.4	—
Net D/E ratio	2.5	2.1	(0.4)	—
ROE	11.4%	11.4%	—	—



- The financial report of the FY2019
- The forecast of the FY2020
- ▶ The progress of the Medium-term management plan 2017



✓ “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)>

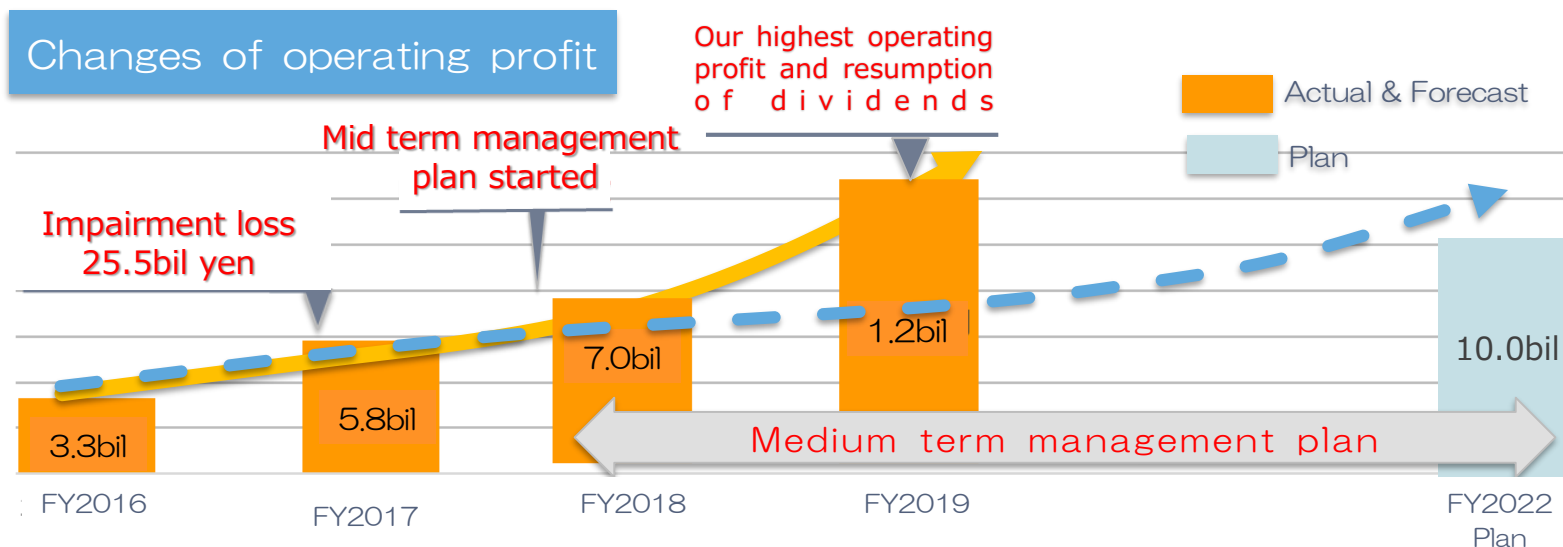
Operating profit	10.0billion yen
Balance of interest-bearing debt	130.0billion yen
Net D/E ratio	Less than 2.0x
ROE	Over 9.0%

◆ Dividend Policy

Swift return to a stable dividend by generating sustained business revenue



✓ We have recorded our highest operating profit in FY2019 and achieved the target on the Medium-term management plan. For other targets, we have also been steadily performing our business.



(Unit: Billions of yen)

	References FY2017	The 1st year FY2018	The 2nd year FY2019	The 3rd year FY2020	The final year FY2022
Interest-bearing debt	168.8	157.6	142.5	133.0	130.0
Net D/E ratio	3.6x	3.0x	2.5x	2.1x	Less than 2.0x
ROE	-	10.8%	11.4%	11.4%	Over 9%





✓ Our goal

Becoming a first-call company trusted by our customers

Exploring our global and influential customers who have strong relationships with us.

Muscularity

Challenge 20

Organizational reform

Shifting to focus on quality rather than quantity

Focusing on operating margin

Strengthening group affiliation

Establishing group-wide division

Workplace with full of motivation and vitality

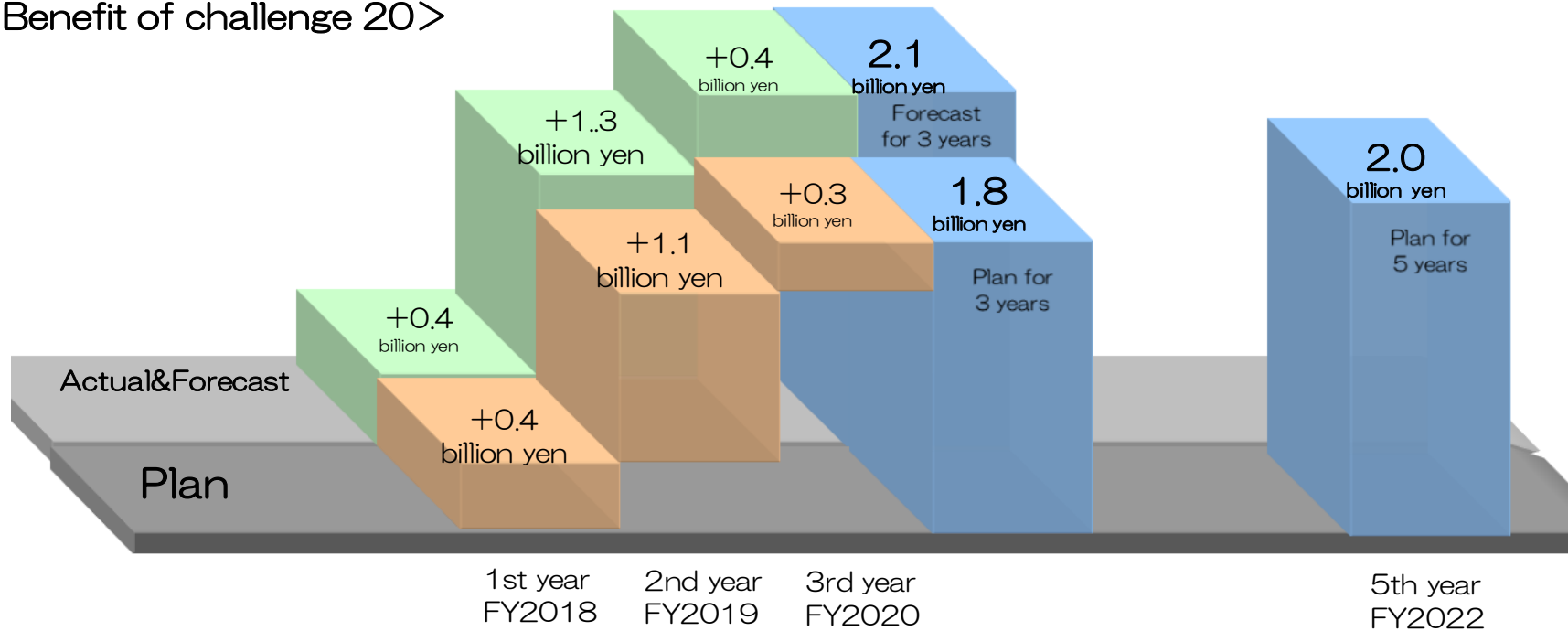
Awareness reforms

HR reforms



- ✓ We will achieve the target of cost reduction project “Challenge 20” in FY2020 (2 billion yen in total for 5 years)

<Benefit of challenge 20>

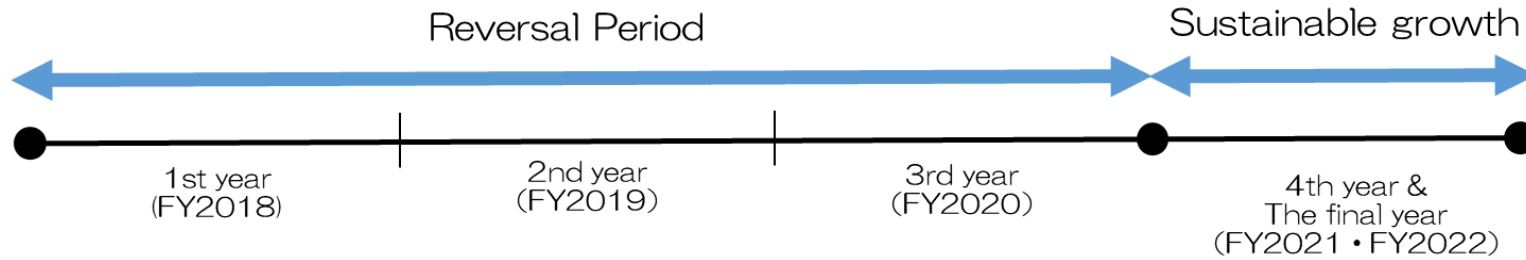


◆ Main activities for Challenge 20

- Reviewing the size and the arrangement of branches office and improving the space efficiency.
- Promoting group buying and reviewing all costs.
- Thorough management of expenses such as travel and entertainment fee.



✓ We have been implementing each strategy and started new strategies for a sustainable growth.

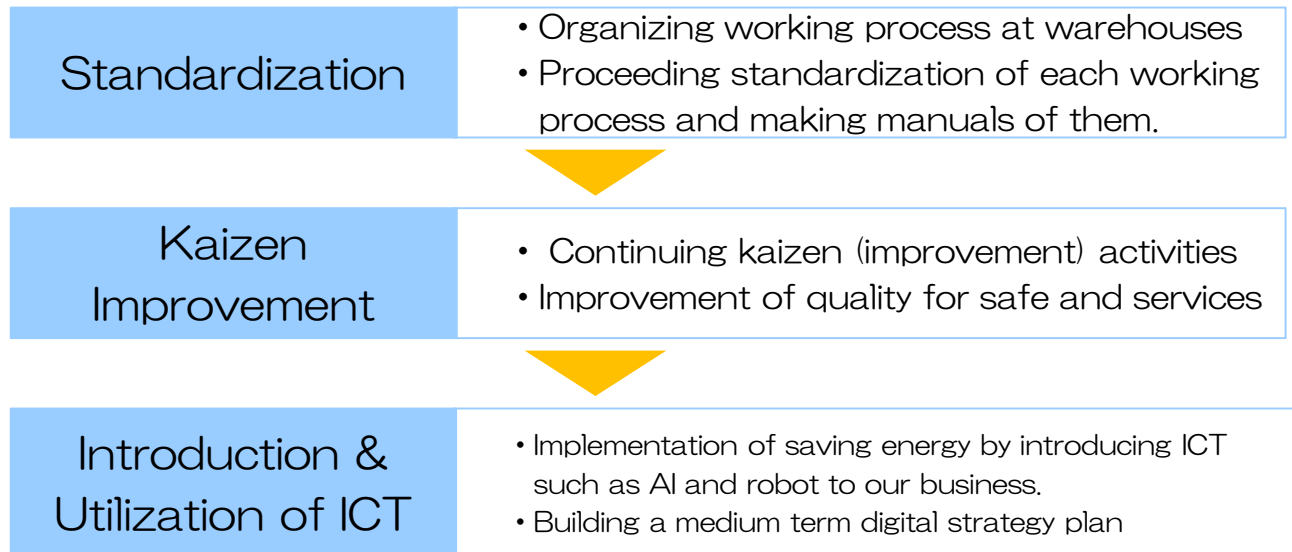


<p>Muscularity</p>	<p>“Challenge 20” Benefit through project will be 2.1 billion yen until FY2020</p> <p>“Organizational reforms”</p> <ul style="list-style-type: none"> <li>• Integrating domestic and international sales function to a customer contact team</li> </ul>
<p>Shifting to focus on quality</p>	<p>Improving operating profit margin</p> <ul style="list-style-type: none"> <li>• Managing income and expenditure balance for each business</li> <li>• Shifting to provide high value added services</li> </ul> <p>Operating profit margin: FY2017 2.6% → FY2019 5.0%</p>
<p>Strengthening group affiliation</p>	<p>Establishment of group-wide division</p> <ul style="list-style-type: none"> <li>• Strategic sales division was established.</li> <li>• Expanding new businesses by taking “Gyogiwa”</li> </ul>
<p>Workplace with full of challenge and vitality</p>	<p>Awareness reforms and HR reforms</p> <ul style="list-style-type: none"> <li>• New personal evaluation system was introduced to the management from April, 2018 and to the non-management from April, 2019.</li> <li>• “Free address” system was introduced to the headquarter, and will be applied to branches accordingly.</li> </ul>



## (2) New project for sustainable growth

- ✓ Building effective and high-quality *Gemba* as compilation of the reversal period
- ◆ Establishing Operating management division to manage companies consistently



### Background of establishment

- More severe business environment such as increase of sales cost and new competitors is expected.
- In order to survive under this situation, a key solution is to standardize working processes and to improve our business quality.



- ✓ Regarding dividends payment in FY2020, we plan to distribute 25.00 yen per share.
  - FY2020 is the final reversal year of the medium-term management plan and we are moving on to a sustainable growth for future.
  - Our business results have been remaining strong, however, the financial status still has to be improved.
  - Therefore, we regard reducing interest-bearing loan as our most prioritized assignment as the last fiscal year.

(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	12.50

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