VALUE BEYOND LOGISTICS
MITSUI-SOKO HOLDINGS

# MITSUI-SOKO HOLDINGS Co., Ltd.

Financial Results Briefing for the Three Months Ended June 30, 2023

August 8, 2023

# Event Summary

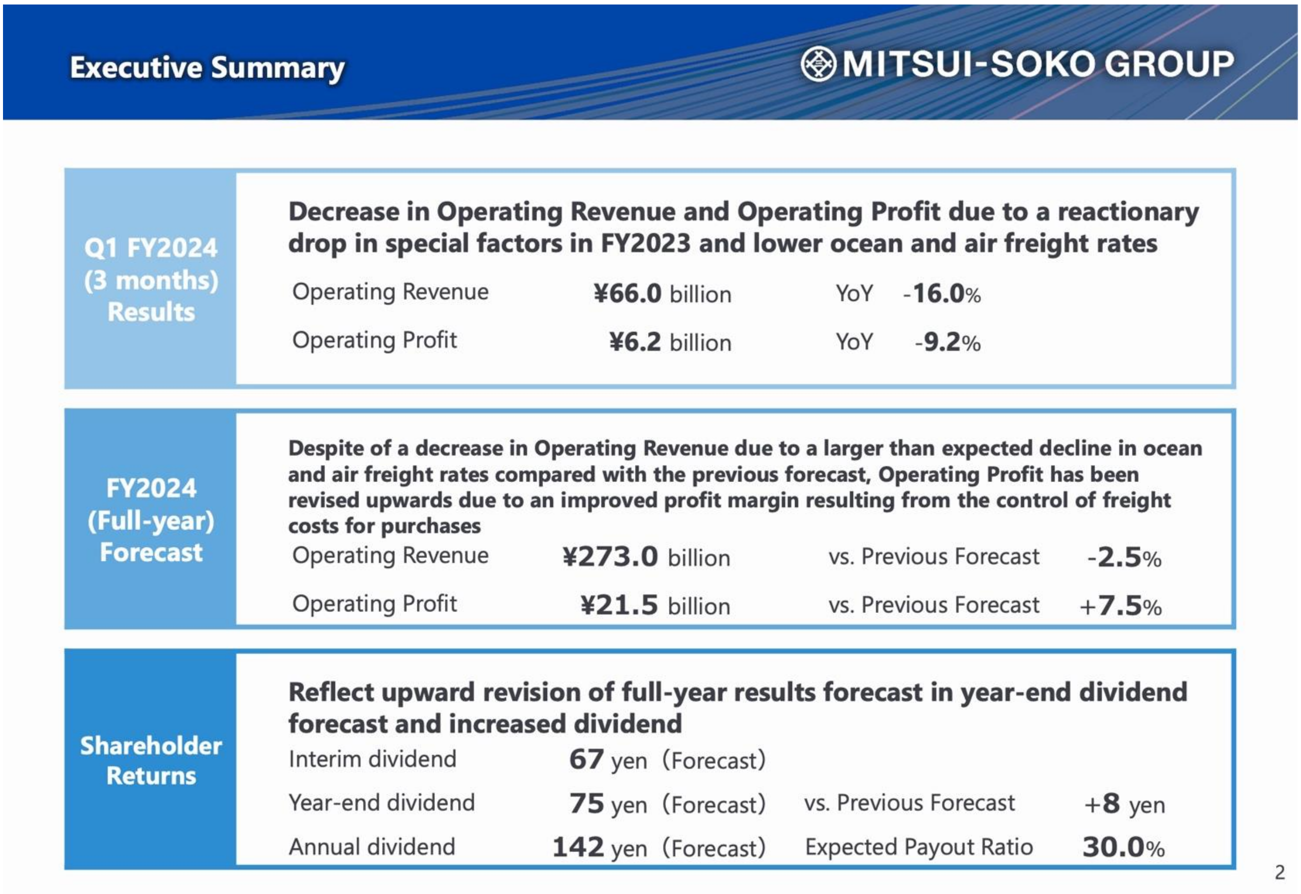
| | |
|---|---|
| **[Company Name]** | MITSUI-SOKO HOLDINGS Co., Ltd. |
| **[Company ID]** | 9302-QCODE |
| **[Event Language]** | JPN |
| **[Event Type]** | Earnings Announcement |
| **[Event Name]** | Financial Results Briefing for the Three Months Ended June 30, 2023 |
| **[Fiscal Period]** | FY2024 Q1 |
| **[Date]** | August 8, 2023 |
| **[Number of Pages]** | 18 |
| **[Time]** | 16:00 – 16:24<br>(Total: 24 minutes, Presentation: 16 minutes, Q&A: 8 minutes) |
| **[Venue]** | Webcast |
| **[Venue Size]** | |
| **[Participants]** | |
| **[Number of Speakers]** | 1<br>Nobuo Nakayama — Representative Director, Senior Managing Director |

## Presentation

**Moderator:** Ladies and gentlemen, thank you for your considerable patience. We would now like to begin the financial results briefing by MITSUI-SOKO HOLDINGS Co., Ltd. for Q1 of the fiscal year ending March 31, 2024.

Today's materials are available on the website of MITSUI-SOKO. You can also download the materials from the documents tab in the upper-righthand corner of your screen. If you have any questions, please contact us via the chat function. Please enter your questions in the chat field and click the submit button. We are also conducting a survey today. After the Q&A session, the chat field will switch to the survey screen. Please enter information into the screen that appears. Thank you in advance for your cooperation. Now, I would like to hand over to Executive Director Nakayama.

**Nakayama:** I am Nakayama from MITSUI-SOKO. Thank you very much for your participation today. I will now explain the financial results for Q1 of the fiscal year ending March 31, 2024, in line with the explanatory materials.




Please see page two. First, I will give a summary of the Q1 results and the full-year forecast. As I will explain in detail later, our Q1 results decreased in both revenue and profit due to a reactionary decline from the special factors of the previous fiscal year and a drop in ocean and air freight rates.

As for the outlook for the full year, we have revised operating income upward because of an improvement in profit margins due to control of purchase and freight costs, despite the expected decrease in revenues compared to the previous forecast due to lower-than-expected ocean and air freight rates.

In addition, the year-end dividend forecast has been revised upward due to the upward revision of the full-year forecast.

## Summary of Q1 FY2024 Financial Results

MITSUI-SOKO GROUP

- **Despite of a decrease in operating revenue and operating profit mainly due to lower ocean and air freight rates, the operating profit margin improved as a result of cost control efforts**
- **Decrease in net income for Q1 FY2024 due to a reactionary decline in extraordinary gains in the previous fiscal year**

(Unit: 100 mil. yen)

| Total Consolidated | Q1 FY2023 (3 months) | Q1 FY2024 (3 months) | Change | Change(%) |
|---|---|---|---|---|
| Operating Revenue | 786 | **660** | -126 | -16.0% |
| Operating Profit | 68 | **62** | -6 | -9.2% |
| (Operating profit margin | 8.6% | **9.3%** | +0.7pt | —) |
| Ordinary Profit | 71 | **65** | -6 | -8.6% |
| Profit attributed to owners of parent | 48 | **38** | -10 | -20.8% |

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Please see page four. For Q1, operating revenue decreased JPY12.6 billion from the previous quarter to JPY66 billion, and operating income decreased JPY0.6 billion to JPY6.2 billion. Despite the decrease in sales and income, the operating margin improved from 8.6% to 9.3% as a result of the cost control efforts that I mentioned.

Ordinary income and net income also decreased from the previous period. Net income also saw a reactionary decrease from the extraordinary income generated in the previous fiscal year.

## Business Results by Segment

MITSUI-SOKO GROUP

(Unit: 100 mil. yen)

| Segment | Q1 FY2023 (3 months) | Q1 FY2024 (3 months) | Change | Change(%) |
|---|---|---|---|---|
| Operating Revenue | 786 | **660** | -126 | -16.0% |
| Logistics business | 766 | **640** | -126 | -16.4% |
| Warehousing/Port transportation | 366 | **307** | -59 | -16.1% |
| Airfreight forwarding(FWD) | 156 | **105** | -51 | -33.1% |
| 3PL/LLP | 228 | **190** | -38 | -16.7% |
| Land transportation | 69 | **69** | -0 | -0.1% |
| Elimination of intra-group transactions | -53 | **-31** | +22 | — |
| Real estate business | 22 | **22** | +0 | +0.2% |
| Eliminate/Corporate | -2 | **-2** | -0 | — |
| Operating Profit | 68 | **62** | -6 | -9.2% |
| Logistics business | 63 | **59** | -4 | -5.8% |
| Warehousing/Port transportation | 24 | **20** | -4 | -17.6% |
| Airfreight forwarding(FWD) | 23 | **20** | -3 | -9.8% |
| 3PL/LLP | 15 | **15** | +0 | +2.4% |
| Land transportation | 2 | **4** | +2 | +85.7% |
| Consolidation adjustment, etc. | -1 | **-0** | +1 | — |
| Real estate business | 13 | **13** | +0 | +1.4% |
| Eliminate/Corporate | -8 | **-10** | -2 | — |

- Decrease in operating revenue due to lower ocean freight rates and sluggish cargo movements caused by inventory adjustments
- Decrease in operating revenue and operating profit due to the absence of emergency transportation operations in Q1 FY2024 caused by supply chain disruptions that had occurred mainly overseas in the Q1 FY2023

- 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

- Despite of a decrease in operating revenue and operating profit due to lower air freight rates (including the absence of "special factors" in Q1 FY2023), the operating profit margin improved due to flexible procurement

- Increase in operating profit due to the reduction of vehicle hiring costs as a result of improvement of the loading efficiency

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

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Please see page five. I will now explain our business performance by segment.

From the current fiscal year, the breakdown of the logistics business is further classified by business category and the figures are shown here. Please see the upper part of the table, the breakdown of the logistics business in the operating revenue section.

Starting from the top, I will give a brief overview of each segment. Warehousing and port transportation is a segment that handles trade cargo, and primarily warehouses in port areas. Airfreight forwarding is air forwarding of international cargoes such as automobile-related cargoes. 3PL & LLP business is mainly for manufacturers of electrical appliances, machinery, and electronic components, as well as for electronics retailers, and involves land transportation, mainly the trucking of daily consumer goods.

I will now explain the performance of each segment. As for operating revenues, they were lower as the warehousing & port transportation, airfreight forwarding, and 3PL & LLP segments were affected by the decline in ocean and air freight rates in international transportation.

On the other hand, looking at operating profit, as I mentioned at the beginning particularly about the airfreight forwarding segment, the profit margin has improved due to our efforts to control the cost of purchasing and freight. In land transportation, the Company is also working to improve profit margins by reducing chartered vehicle expenses through cost reduction measures such as improving truck loading rates. In other areas, the real estate business remained flat, while corporate expenses included upfront costs associated with the execution of DX investments.

## (Supplement) Business Results by Segment

MITSUI-SOKO GROUP

### Supplementary Explanation on Disclosure of Business Results by Segment

- **The following supplemental information is provided for a better understanding of the breakdown of the logistics business results disclosed from Q1 FY2024.**

| Disclosure items | Listed page |
| --- | --- |
| Main Customers and Main Cargoes by Segment | Listed on page 29 of this material |
| Operating companies belonging to each segment | Listed on page 25 of this material |
| Trends in Quarterly Business Performance by Segment | Listed on page 19 of this material |
| Trends in Long-term Business Performance by Segment | Listed on page 20 of this material |

- **Supplementary Explanation: Here are some important notes regarding the breakdown of the logistics business results as below.**
  - Ocean freight transportation (ocean freight forwarding) operations are mainly included in the Warehousing/Port Transportation segment.
  - However, we are also entrusted with air and ocean freight forwarding services as 3PL/LLP, and in such cases, we record those revenues in the 3PL/LLP segment.
  - Revenues in our focus area are mainly recorded in the following segments, respectively.
    Mobility : Air Freight Forwarding
    B2B2C : 3PL/LLP
    Healthcare : Warehousing/Port Transportation
    However, as our group promotes integrated solution services in which each operating company provides logistics services in cooperative activities, revenues in each focus area are not limited to a specific business segment, but are recorded across multiple segments.

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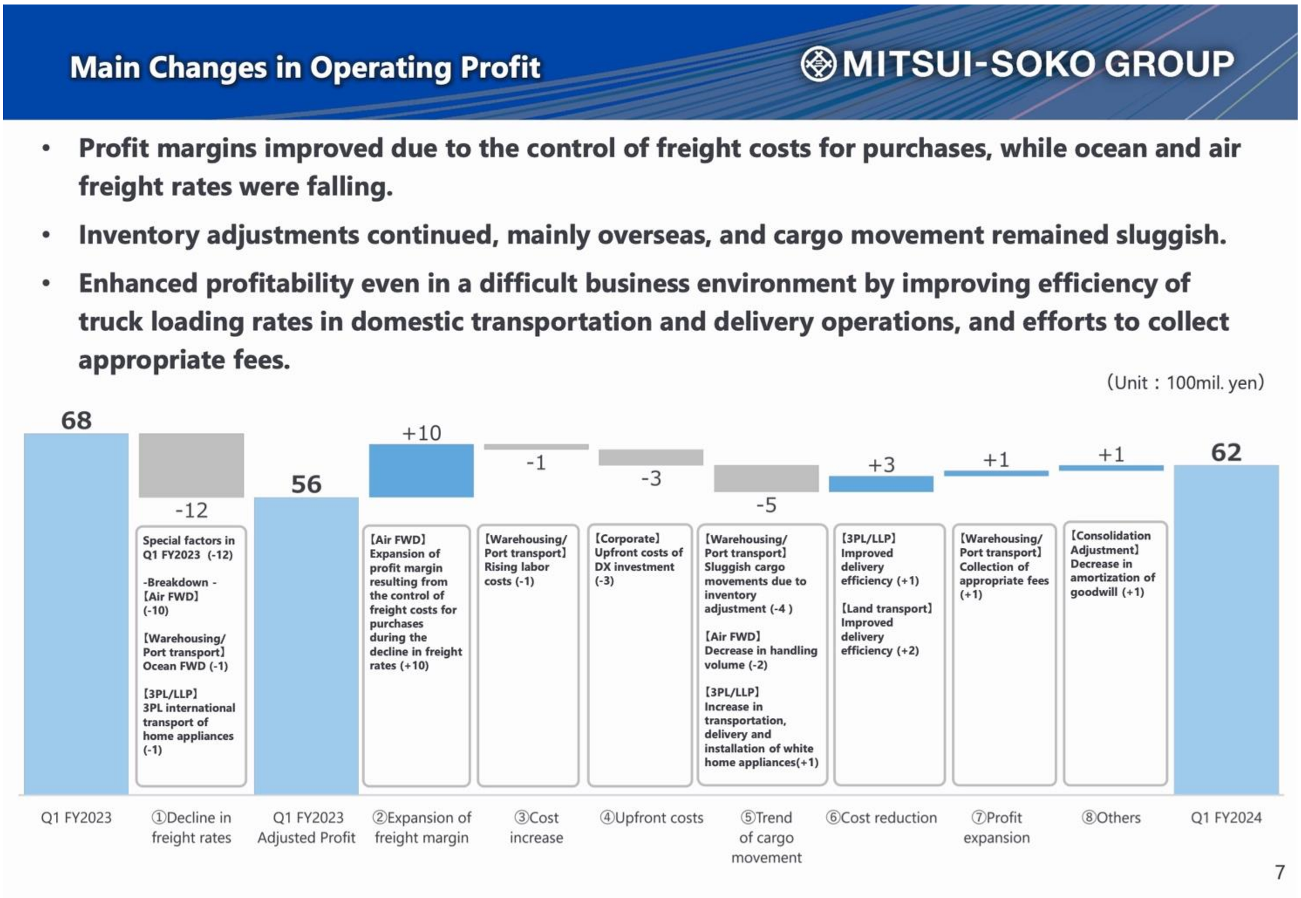
Please see page six. I will provide some supplementary explanation of business results by segment.

My earlier explanation was just a brief overview of the contents of each segment. The main customers and main cargoes handled in each segment, operating companies involved in each segment, and past performance trends for each segment are listed in the Appendix in the latter half of the presentation materials that you are currently viewing.

We have indicated in this table the numbers of the pages on which each section is listed, so please refer to that when you have a moment.




Please see the step chart on page seven. I will now explain the factors behind the increases and decreases in operating income.

I will explain by using the adjusted profit of JPY5.6 billion for Q1 of the previous fiscal year as a launching pad. That figure is the result of JPY6.8 billion for Q1 of the previous fiscal year, excluding the special factor of JPY1.2 billion due to one, the decline in freight rates. Regarding two, the expansion of freight margin, it is due to the increase in margin resulting from the purchasing cost controls that I mentioned earlier.

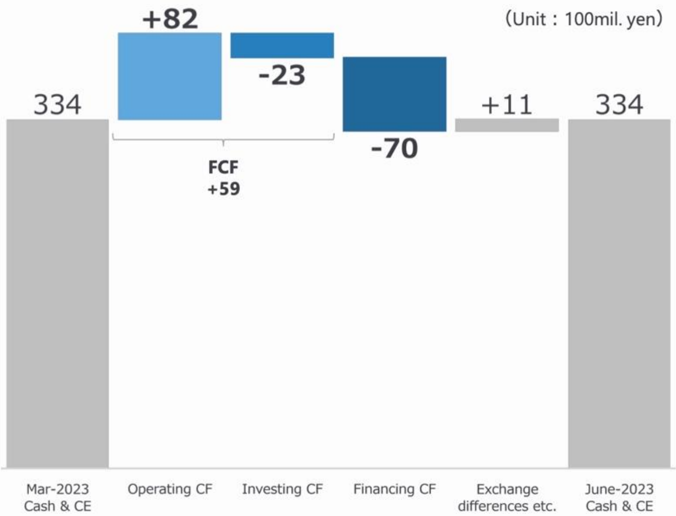
In addition to three, the cost increase in labor and other costs and four, upfront costs, as indicated in five, customers continued to adjust inventories, resulting in a slowdown in cargo movement, which was a factor in the decrease in profit.

On the other hand, operating income for Q1 was JPY6.2 billion, due in part to the cost reduction effect of six, improved efficiency in delivery and the effect of seven, efforts to collect appropriate fees.

## Cash Flow Status

MITSUI-SOKO GROUP

- **Operating cash flow (CF) resulted in a net cash inflow of ¥8.2 billion, mainly due to net income and collection of accounts receivable**
- **Carried out software investment based on DX strategy and investment in maintenance and renewal of logistics facilities**
- **Free cash-flow (FCF) was used for repayment of borrowings and shareholder returns**




**Major Breakdown of Cash Flows**

| | | |
|---|---|---|
| • **Operating CF** | : | **+82** |
| Profit before income taxes | : | +67 |
| Depreciation/Amortization of goodwill | : | +24 |
| Decrease (increase) in trade receivables/trade payables | : | +6 |
| Income taxes paid | : | -41 |
| • **Investing CF** | : | **-23** |
| Capital investment | : | -19 |
| Software investment | : | -8 |
| **(Subtotal) Free cash-flow** | : | **+59** |
| • **Financing CF** | : | **-70** |
| Change in borrowings and bonds (Net) | : | -14 |
| Dividends paid | : | -29 |
| • **Total of Change in Cash and cash equivalents** | : | **±0** |

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Please see page eight. The following is an explanation of the cash flow situation.

Operating cash flow was a net cash inflow of JPY8.2 billion. This is mainly due to the posting of net income. Investing cash flow was a cash outflow of JPY2.3 billion. The Company mainly invested in the maintenance and renewal of logistics facilities and executed software investments based on its DX strategy. Financing cash flow, as noted in the materials, was a cash outflow of JPY7 billion, mainly due to repayment of debt and dividend payments. As a result, cash and deposits at the end of the period totaled JPY33.4 billion.

## Balance Sheet Status

MITSUI-SOKO GROUP

- **Improved both equity ratio and D/E ratio due to steady accumulation of net income**

(Unit: 100 mil. yen)

| Total Consolidated | Balance as of Mar. 31, 2023 | Balance as of June 30, 2023 | Change |
|---|---|---|---|
| Total Assets | 2,587 | **2,610** | +23 |
| Cash and deposits | 345 | **341** | -4 |
| Trade receivables | 323 | **309** | -14 |
| Tangible and Intangible assets | 1,493 | **1,503** | +10 |
| Interest-bearing debt (including Lease obligations) | 926 | **911** | -15 |
| Borrowings and Bonds | 851 | **838** | -13 |
| Lease obligations | 76 | **73** | -3 |
| Equity Capital | 933 | **972** | +39 |
| Equity ratio | 36.1% | **37.2%** | +1.2 |
| D/E ratio | 0.99 | **0.94** | -0.05 |

- Increase in tangible and intangible assets due to investment in maintenance and renewal of existing facilities and in software based on DX strategy

- Reasons for the change in equity capital:
  Net Income (+¥3.8bln),
  Dividends (-¥2.9bln),
  Exchange differences (+¥2.2bln),
  Unrealized gains on securities (+¥0.8bln)

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Please see page nine. I will explain the status of our balance sheet.

Total assets increased by JPY2.3 billion from the previous period to JPY261 billion, mainly due to the acquisition of fixed assets. Interest-bearing debt, including lease obligations, decreased JPY1.5 billion to JPY91.1 billion. Equity capital increased by JPY3.9 billion to JPY97.2 billion, mainly due to the accumulation of profit and an increase in foreign currency translation differences. As a result, the equity ratio improved to 37.2% and the D/E ratio to 0.94 times.

## Summary of FY2024 Results Forecast

MITSUI-SOKO GROUP

- **Operating revenue is expected to decrease from the previous forecast due to a larger than expected decline in ocean and air freight rates.**
- **Revised upward operating profit in H1 FY2024 by improving profitability due to cost controls during the decline in freight rates (The first half revision is reflected in the full-year results forecast.)**

(Unit: 100 mil. yen)

| Total Consolidated | H1 FY2024 ('23.4-9) | Change from the previous forecast | H2 FY2024 ('23.10-'24.3) | Change from the previous forecast | FY2024 ('23.4-'24.3) | Change from the previous forecast |
|---|---|---|---|---|---|---|
| Operating Revenue | **1,330** | -70 | **1,400** | — | **2,730** | -70 |
| Operating Profit | **115** | +15 | **100** | — | **215** | +15 |
| Ordinary Profit | **112** | +15 | **95** | — | **207** | +15 |
| Profit attributed to owners of parent | **63** | +8 | **55** | — | **118** | +8 |

11

Please see page 11. I will explain our earnings outlook.

First, regarding the H1 forecast, operating revenue is now at JPY133 billion, down JPY7 billion from the previous forecast. Operating income is forecast to increase by JPY1.5 billion to JPY11.5 billion. Although unit prices for ocean and air freight rates fell more than expected, resulting in lower revenues, the Company has revised its operating income for H1 of the fiscal year upward due to improved profit margins resulting from efforts to control procurement costs in the face of falling freight rates.

The upward revision for H1 of the fiscal year is also reflected in the full-year forecast, with full-year operating income revised upward to JPY21.5 billion.

## Business Results Forecast by Segment

MITSUI-SOKO GROUP

(Unit: 100 mil. yen)

| Segment | H1 FY2024 ('23.4-9) | Change from the previous forecast | H2 FY2024 ('23.10-'24.3) | Change from the previous forecast | FY2024 ('23.4-'24.3) | Change from the previous forecast |
|---|---|---|---|---|---|---|
| Operating Revenue | 1,330 | -70 | 1,400 | — | 2,730 | -70 |
| Logistics business | 1,286 | -70 | 1,354 | — | 2,640 | -70 |
| Warehousing/Port transportation | 630 | -30 | 710 | — | 1,340 | -30 |
| Airfreight forwarding(FWD) | 205 | -26 | 204 | — | 409 | -26 |
| 3PL/LLP | 385 | -30 | 410 | — | 795 | -30 |
| Land transportation | 140 | -5 | 135 | — | 275 | -5 |
| Elimination of intra-group transactions | -74 | +21 | -105 | — | -179 | +21 |
| Real estate business | 47 | — | 49 | — | 96 | — |
| Eliminate/Corporate | -3 | — | -3 | — | -6 | — |
| Operating Profit | 115 | +15 | 100 | — | 215 | +15 |
| Logistics business | 112 | +13 | 99 | — | 211 | +13 |
| Warehousing/Port transportation | 40 | +1 | 41 | — | 81 | +1 |
| Airfreight forwarding(FWD) | 35 | +6 | 21 | — | 56 | +6 |
| 3PL/LLP | 30 | +5 | 30 | — | 60 | +5 |
| Land transportation | 8 | +1 | 7 | — | 15 | +1 |
| Consolidation adjustment, etc. | -1 | — | — | — | -1 | — |
| Real estate business | 27 | — | 30 | — | 57 | — |
| Eliminate/Corporate | -24 | +2 | -29 | — | -53 | +2 |

- Lower ocean and air freight rates than expected

- Expansion of margins as a result of being able to keep purchase prices relatively lower than selling prices amid declining airfreight rates

- Revenues from domestic transportation and delivery of white home appliances have been better than expected
- In addition, successful cost control by improving loading efficiency

- Efforts to collect appropriate fees in response to rising costs have been progressing better than expected.

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Please see page 12. The following is a comparison with the previous forecasts for each business segment.

As explained in the slide of the Q1 results, operating revenues of the logistics segment are expected to decrease from the previous forecast due to the decline in ocean and air freight rates. However, operating income is expected to increase in airfreight forwarding due to margin expansion.

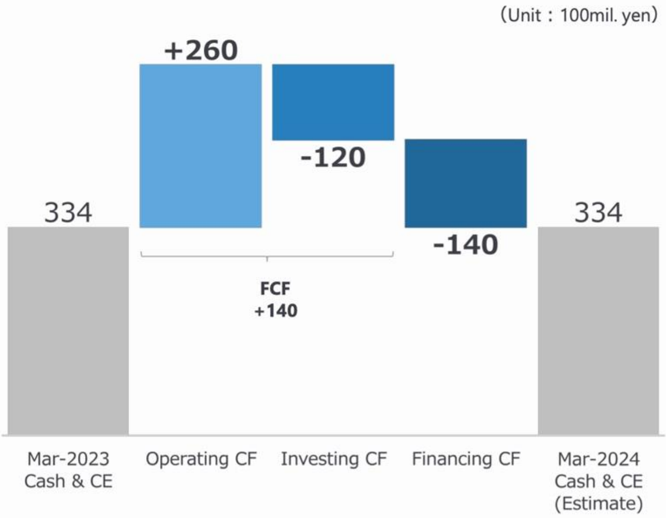
As for 3PL & LLP, domestic transportation and delivery operations for white goods were stronger than expected, and we also received an order for the start-up of a new logistics base for e-commerce in the Kanto area. We also received an order for logistics services for an electronics retailer opening several new large-scale stores in Kyushu.

In addition, the Company expects to see an increase in profit compared to the previous forecast due to cost reductions resulting from improved loading efficiency by combining several types of cargoes.

## Cash Flow Forecast

MITSUI-SOKO GROUP

- **Operating cash flow (CF) expects to be a net cash inflow of ¥26.0 billion**
- **Expect to carry out DX investment and investment in maintenance and renewal of logistics facilities**




**Major Breakdown of Cash Flows（Forecast）**

| | | |
|---|---|---|
| • **Operating CF** | : | **+260** |
| Depreciation/Amortization of goodwill | : | +100 |
| • **Investing CF** | : | **-120** |
| Capital investment | : | -75 |
| Software investment | : | -45 |
| **（Subtotal）Free cash-flow** | : | **+140** |
| • **Financing CF** | : | **-140** |
| Change in borrowings and bonds（Net） | : | -65 |
| Dividends paid | : | -45 |
| • **Total of Change in Cash and Cash Equivalents** | : | **±0** |

13

Please see page 13. I would like to explain the cash flow projection.

Operating cash flow is expected to be a cash inflow of JPY26 billion. Investment cash flow is expected to be a cash outflow of JPY12 billion. We plan to continue to invest in the maintenance and renewal of facilities, as well as in DX. Regarding financing cash flow, we expect a cash outflow of JPY14 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**
- **Secure 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 (Estimate) | Change |
|---|---|---|---|
| Total Assets | 2,587 | **2,625** | +38 |
| Cash and deposits | 345 | **345** | +0 |
| Trade receivables | 323 | **300** | -23 |
| Tangible and Intangible assets | 1,493 | **1,515** | +22 |
| Interest-bearing debt (including Lease obligations) | 926 | **860** | -66 |
| Borrowings and Bonds | 851 | **785** | -66 |
| Lease obligations | 76 | **75** | -1 |
| Equity Capital | 933 | **1,035** | +102 |
| Equity ratio | 36.1% | **39.4%** | +3.3 |
| D/E ratio | 0.99 | **0.83** | -0.16 |

- Expect to increase in intangible assets, executing software investment based on DX strategy

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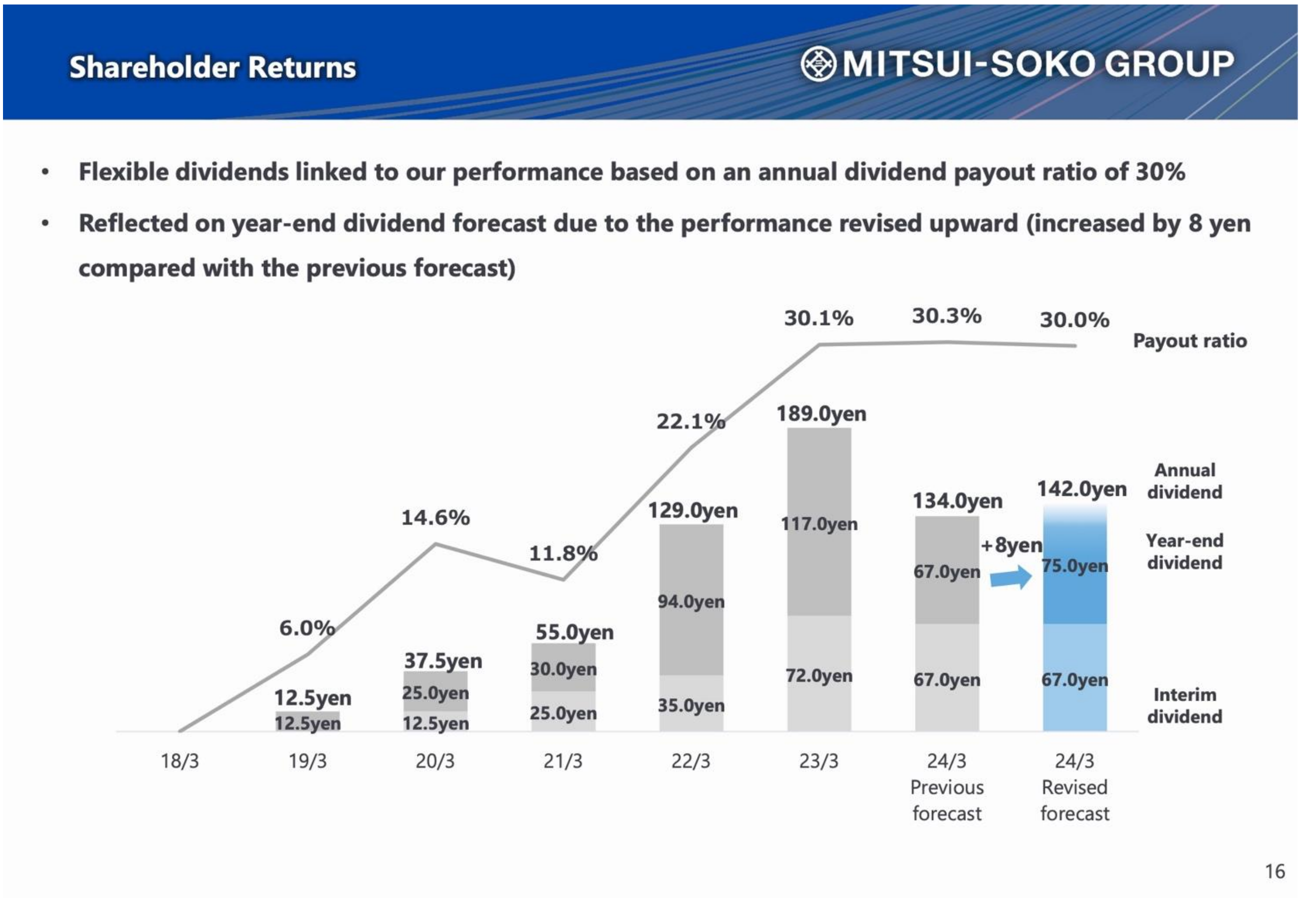
Please see page 14. I would like to explain the outlook for the balance sheet.

The balance of interest-bearing debt at the end of the fiscal year ending March 31, 2024, is expected to be JPY86 billion, a decrease of JPY6.6 billion from the end of the previous fiscal year. Since equity capital is expected to increase by JPY10.2 billion from the end of the previous fiscal year to JPY103.5 billion, the equity ratio is expected to improve to 39.4% 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 times set in the medium-term management plan, but the Company has sufficient investment capacity in light of future investment plans, including construction on the Hakozaki Building to make it multi-tenant, which is to be executed next fiscal year. We will continue to control our balance sheet based on a D/E ratio of 1 times from a medium- to long-term perspective toward the final year of the medium-term management plan.




Please see page 16. I would like to explain our shareholder return policy.

The Company determines the dividend amount so that the annual dividend payout ratio is 30%. The upward revision to the year-end dividend forecast reflects the upward revision to the financial results, and the dividend has been increased by JPY8 from the previous forecast.

## Endeavor to Enhance Corporate Value

MITSUI-SOKO GROUP

- **Aiming to improve corporate value, the Company implements management with an awareness of capital cost and stock price. The ROE target of our current Medium-term plan is 12%.**
- **Dialogues with shareholders are held as needed. Based on the status of dialogue, the Company has enhanced the disclosure of business performance from the current fiscal year.**

### Action to Implement Management That Is Conscious of Capital Cost

- The Group has positioned ROE as one of the important management indicators in engaging in corporate management that is conscious of capital cost.
- In our present Medium-term Management Plan 2022, the Company has set a target of ROE exceeding 12%, which exceeds the cost of equity calculated by CAPM in the Company.
- In terms of recent performance, the Company has exceeded its targets and will continue to strive to maintain a high level of capital efficiency. (See page 26 of Appendix for Changes in ROE results.)

### Action to Implement Management That Is Conscious of Stock Price

- The Board of Directors regularly holds discussions on PBR and considers and implements measures aimed at obtaining appropriate external evaluation.
- While the Company worked to strengthen investor relations activities by revising the Company's website and conducting interviews with investors continuously, it has introduced a share-based remuneration plan for the purpose of management that is conscious of capital efficiency.
- Going forward, the Company will aim to further increase its stock value through expanded disclosure with an eye to sustainability and active dialogue with its shareholders.

### Implementation Status of Dialogue, etc. with Shareholders and Investors

- The implementation status of dialogue in FY2022 is as follows:
  - Financial Results Briefings: four (4) times for a total of 191 companies
  - Individual IR interviews: A total of 74 interviews
  - Institutional investors engagement: 11 companies
- Officer in charge of IR provides feedback to the Board of Directors on the implementation status of dialogue and valuable opinions received during the dialogue in order to improve corporate value.
- Based on the status of the most recent dialogue, the Company has enhanced the disclosure of the breakdown of the performance of the logistics business, which is particularly in demand by investors, from the current fiscal year.

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Please see page 17. Finally, I would like to briefly introduce our efforts to enhance our corporate value.

The Company executes management with an awareness of cost of capital and stock price in order to increase corporate value. In the current medium-term management plan, the ROE target for the final year is set at 12%, and we are working on various measures to achieve this target.

We also engage in dialogue with shareholders and investors as needed. In our recent dialogue with investors, starting this fiscal year we have expanded our disclosure of the breakdown of the performance of our logistics business, which had been particularly requested by investors. We will continue to strive to further enhance our corporate value.

This concludes my explanation. Thank you very much.

# Question & Answer

**Moderator [M]:** We will now move on to the question and answer session. Questions can be submitted via the chat function. Please note that we may not be able to answer all questions due to time constraints. We appreciate your understanding. Here is the first question.

**Participant [Q]:** Could you please elaborate on the operational status of the semiconductor logistics base in Fukuoka and the small-lot EC logistics base in Takatsuki, Osaka, and the outlook for their contribution to earnings? Senior Managing Director Nakayama, please go ahead.

**Nakayama [A]:** Let me start by explaining about the new semiconductor base in Kyushu. This is the result of the integration of the previously dispersed operations of our customers' semiconductor distribution function centers. The integration process has already been completed.

One of the objectives of the merger is to capture semiconductor business in Kyushu, which is expected to expand in the future. Specifically, we expect to see the effects of increased revenues and profits next fiscal year and beyond.

However, as you mentioned, the world's largest semiconductor manufacturers have entered the Kyushu market, and Japanese semiconductor manufacturers are becoming very active in the Kyushu region. We plan to closely follow these developments.

Your second question is about the construction of an EC operations base in Takatsuki City, Osaka. This is in response to the change in sales channels of pet-related products by our customers, which is to further expand EC operations, which are currently conducted at one location in the Tokyo metropolitan area, by having one in eastern Japan and one in western Japan.

We started in the Greater Tokyo Metropolitan area first, and that business is going very well, and we are going to expand this in western Japan as well. The P&L impact of this for the western-Japan portion will be realized in Q4 of the current fiscal year or later and will be more fully realized next fiscal year. That is all.

**Participant [Q]:** We have received the following question. Could you tell us about the outlook for ocean and air freight rates, which are the premise for the revised plan, for Q2 and beyond? Please go ahead.

**Nakayama [A]:** The future outlook for ocean and air freight rates. As indicated, with respect to ocean freight rates, except for some lanes, prices for containers have come down almost to a pre-coronavirus basis.

However, the market for car carriers and tramper vessels carrying natural resources has been rising, and we wonder how shipping companies' supply will develop in the future. And how the demand for containerized cargo will change in the future. Many shipping companies are of the opinion that the situation will reverse around Q4, but the outlook is still uncertain.

The situation is almost the same for airfares, but a closer look shows that the price decline has not been as severe as it has been for shipping fares. It is almost like before the coronavirus pandemic, but if you look at the lanes in detail, especially in Europe, there are geopolitical risk factors, such as the inability to fly over Russia, and various other cost-increasing factors, and prices are moving at relatively high levels.

Regarding those price trends, we are viewing Q2 onward on the basis we had when we made the forecast. However, market trends are extremely volatile, and we would like to review our forecast for H2 of the fiscal year, and our forecast for the full fiscal year, after fully assessing customer and market trends at the end of H1. That is all.

**Moderator [M]:** If you have any questions, please type them in the chat box and click the submit button. No one has any questions. Please go ahead, Senior Managing Director Nakayama.

**Nakayama [M]:** Thank you very much for taking time out of your busy schedule to join us today.

**Moderator [M]:** Finally, we would like to ask for your cooperation in filling out the questionnaire. The chat field has been switched to the survey input screen. Please enter your information here.

This concludes the presentation of the financial results of MITSUI-SOKO for Q1 of the fiscal year ending March 31, 2024. Thank you for joining us today.

[END]

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***Document Notes***

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
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