



MITSUI-SOKO  
GROUP

# Medium-term Management Plan 2022

“Going on the Aggressive by Deepening”

*Be the First-Call Company*

May 10, 2022

MITSUI-SOKO HOLDINGS Co., Ltd.



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## Summary of the Plan

### [Basic Guidelines for Business Operations]

Medium-term Management Plan 2017:  
From Reversal to Sustainable Growth

1. Reinforcement of the fundamental earnings power of our businesses



2. Rebuilding of our financial base



3. Development of comprehensive solution services based on customers by strengthening Group management



### [Dividend Policy]

Early return to stable dividends through steady accumulation of earnings

### [Numerical Targets] (FY2022)

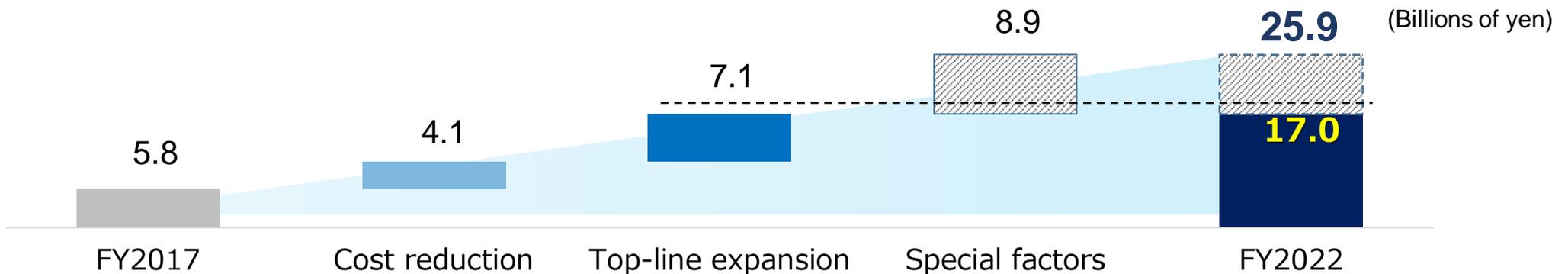
Operating profit	¥10.0 billion
Balance of interest-bearing debt	¥130.0 billion or less
Net D/E ratio	2.0 times or less
ROE	More than 9.0%

## Status of Achievement

### Results of Final Year

Indicator	Target Figures	FY2022 Result
Operating profit	¥10.0 billion	¥25.9 billion
Balance of interest-bearing debt	¥130.0 billion or less	¥94 billion
Net D/E ratio	2.0 times or less	0.9 times
ROE	More than 9.0%	20.4%

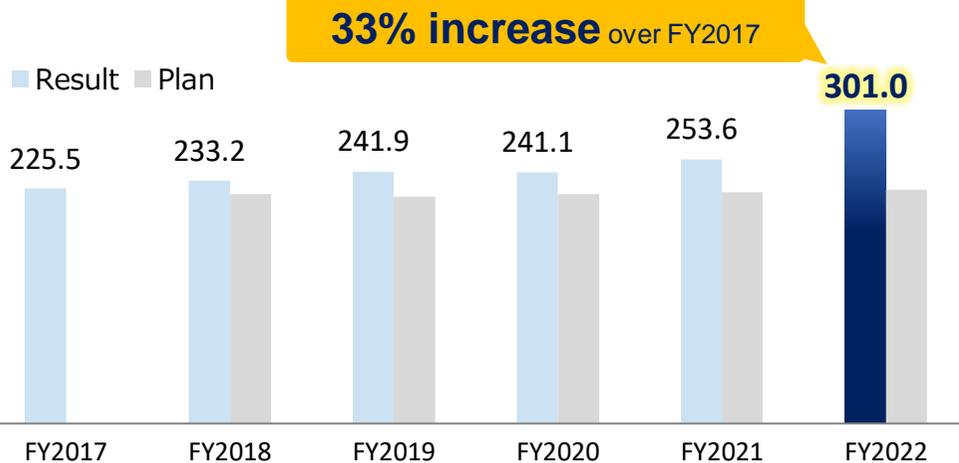
### Increase/Decrease Factors



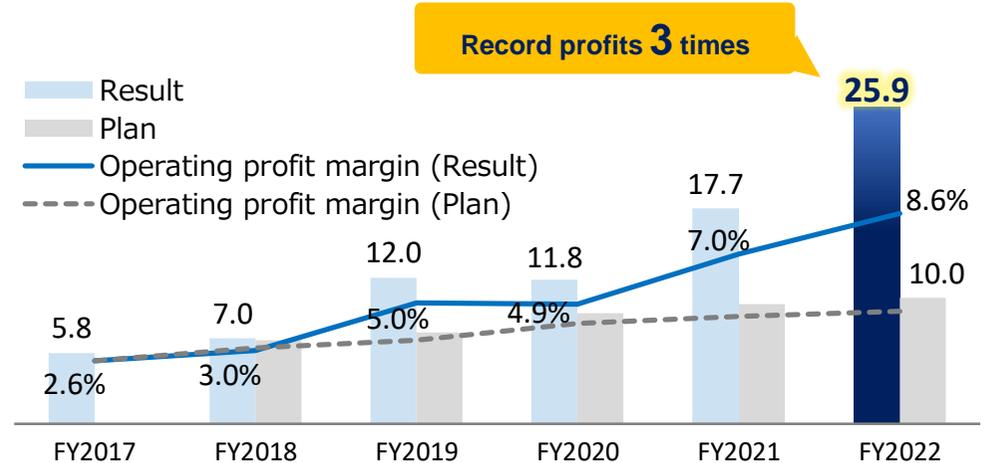
✓ **The actual value of operating profit reached ¥17 billion**, even excluding special factors caused by the pandemic.

## Changes in Individual Figures

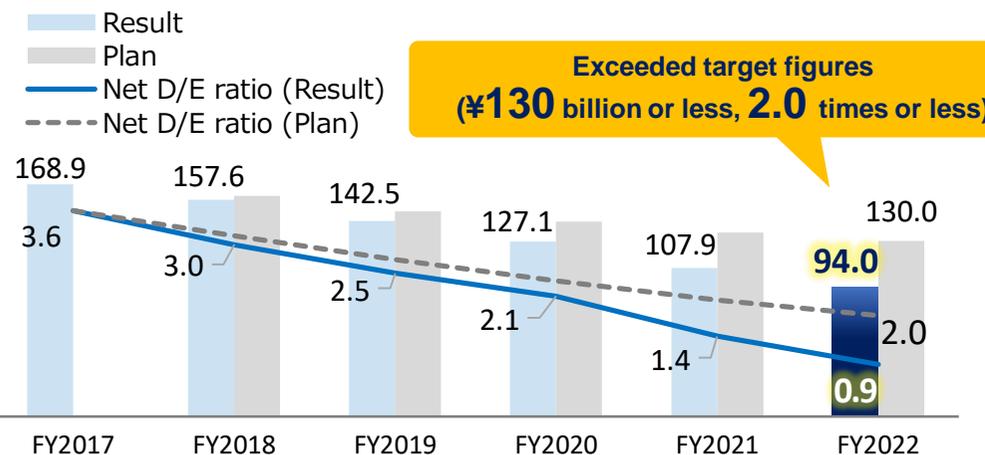
### Operating revenue (Billions of yen)



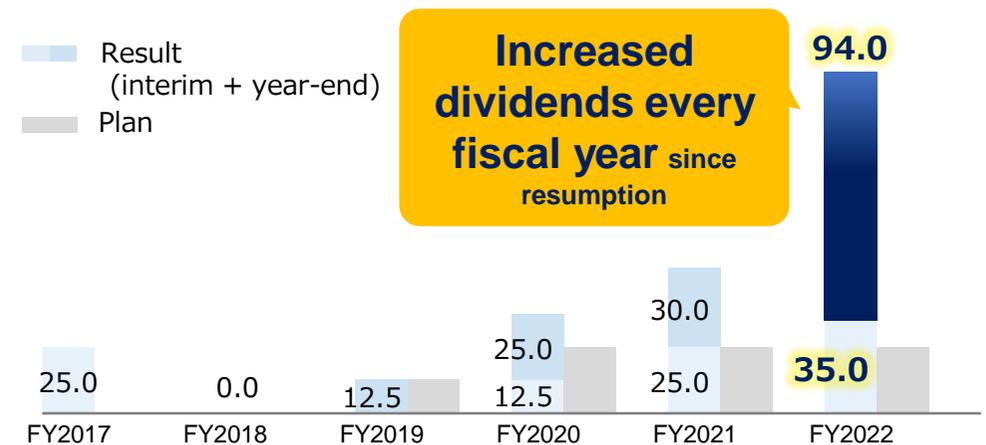
### Operating profit (Billions of yen) / Operating profit margin (%)



### Balance of interest-bearing debt (Billions of yen) / Net D/E ratio (times)



### Dividend per share (yen)



## Specific Measures and Summary

### Important Measures in the Medium-term Management Plan 2017

#### Completion of Reversal

##### Reinforcement of the Fundamental Earnings Power of Our Businesses

- Reduced costs by ¥2.1 billion over 3 years from FY2018 via Challenge 20, full-scale cost reduction measures that left no stone unturned.
- Improved profit margins through thorough income and expenditure management by project.
- Operating profit margin FY2017: 2.6% ⇒ **FY2022: 8.6%**

##### Rebuilding of Our Financial Base

- **Reduced** interest-bearing debt by approx. **¥75 billion** over 5 years by curbing nonessential and non-urgent investments and selling inefficient assets and non-core businesses.
- Early resumption of dividends in FY2019 and **continued dividend increases** thereafter.

##### Strengthening of Group Management

- **Consolidated customer contact points** through the integration of domestic and international sales functions.
- **Established new cross-group functional** departments.
- Streamlined the organization.

#### Measures for Sustainable Growth

##### Construction of Overwhelming Field Capabilities

- Created the Operation Management Division to promote initiatives across businesses and regions.
- Developed standard operating procedures (SOPs) as a basis for standardization and enhanced the knowledge base.
- Established methodology through standardization efforts at model offices.

##### Establishment of Integrated Solution Service

- Strengthened integrated solution sales transcending the boundaries of group companies.

##### Promotion of ESG Management

- Established the ESG Team.
- Identified Materiality and established non-financial information KPIs.
- Elected to the FTSE Blossom Japan Sector Relative Index constituents (as of March 30, 2022).

##### Reform of Corporate Culture

- Reformed personnel system / Changed mindset / Improved employee engagement.
- Promoted personnel exchange at the management level.
- Fostered a sense of group unity as One MITSUI-SOKO.

✓ Completed laying the groundwork for a reversal and sustainable growth, and is on the starting line to go on the Aggressive.



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## Positioning of the Medium-term Management Plan

✓ New plan to further deepen measures for sustainable growth and establish our unique business model

**MOVE2015**

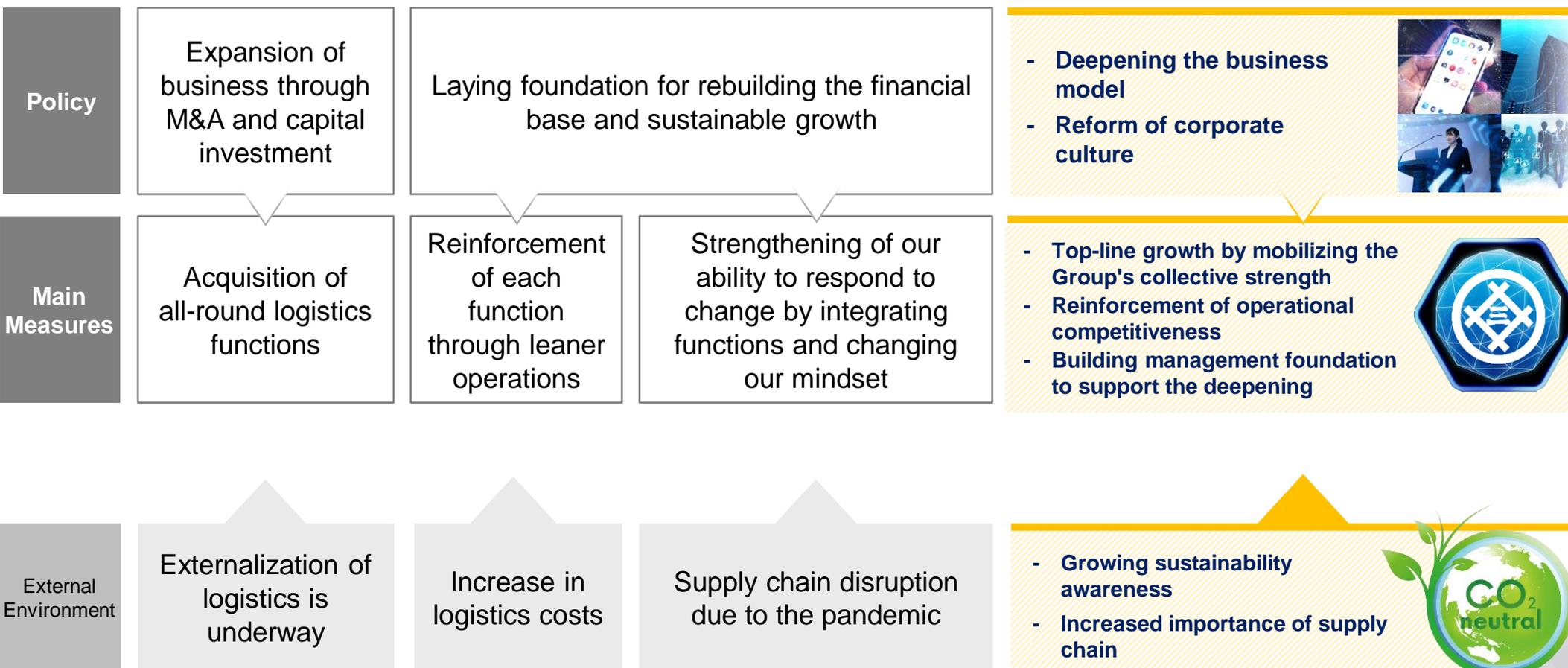
Medium-term Management Plan 2017

Medium-term Management Plan 2022

Reversal Period

Sustainable Growth Period

Going on the Aggressive by Deepening



## Recognized Environment

✓ The social climate, in which supply chains are becoming increasingly important, is a strong tailwind for us.

### Current of the Times

Growing **need for supply chain transformation** due to environmental changes and increased awareness of sustainability

**Industry especially with drastic changes**

- ① **Mobility related:**  
Industrial structural reforms due to progress of EV, etc.
- ② **Healthcare related:**  
Increasing sophistication of medical care and aging population
- ③ **B2B2C related (Consumer goods) :**  
Changes in consumer behavior due to expansion of e-commerce and subscriptions

### Our Core Competence

- **All-round logistics capabilities and diverse human resources** to handle the supply chain from upstream to downstream
- **Domestic and international network** of approximately 400 locations worldwide
- **Logistics design know-how** cultivated through provision of 4PL services
- **Ability to respond to changes** that kept customers' trust in the pandemic

- Customers' supply chain transformation is a **major business opportunity** to leverage our core competence.
- We recognize that industries with drastic environmental changes are areas where we have special strengths.

- ① **Mobility** → Expertise in handling automotive/electronic components/home appliances
- ② **Healthcare** → Knowledge of advanced and regenerative medicine, experience and quality in handling healthcare cargo with permits and licenses
- ③ **B2B2C** → Experience in technical logistics covering everything from home appliance distribution center management, joint delivery, last one-mile delivery, installation, and maintenance to repair

# 1. Overall View of the Plan

## Funding and Fund Allocation

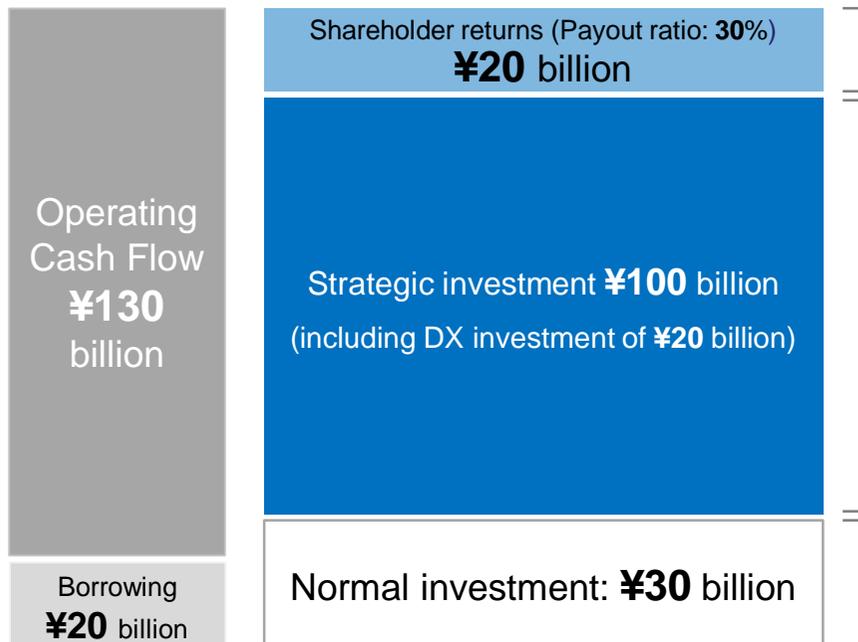
- ✓ **Achieve both proactive investment and enhanced shareholder returns based on the financial base and profitability established in the previous medium-term management plan.**

### Fund Allocation Policy

- Achieve further growth through **strategic investments totaling ¥100 billion**, including ¥20 billion yen in DX investment.
- Aim for flexible shareholder returns linked to business performance, **based on a payout ratio of 30%**.

### Image of Funding and Allocation

(5-year cumulative total)



- Continue to strengthen shareholder returns by **increasing dividends** in line with profit growth.
  - Consider **share buybacks** as a further measure to return profits to shareholders.
  - Substantially expand **investment in growing areas** such as DX and new capital investment.
  - Actively consider disciplined **strategic M&A and capital alliances** to realize co-creation.
  - Expand investment in existing facilities from the perspective of increasing asset value and improving the work environment.
  - Set **optimal D/E ratio at 1.0x** and utilize external loans.
- Note: Interest-bearing debt includes lease obligations and does not deduct cash and cash equivalents on hand.

**Cash In**

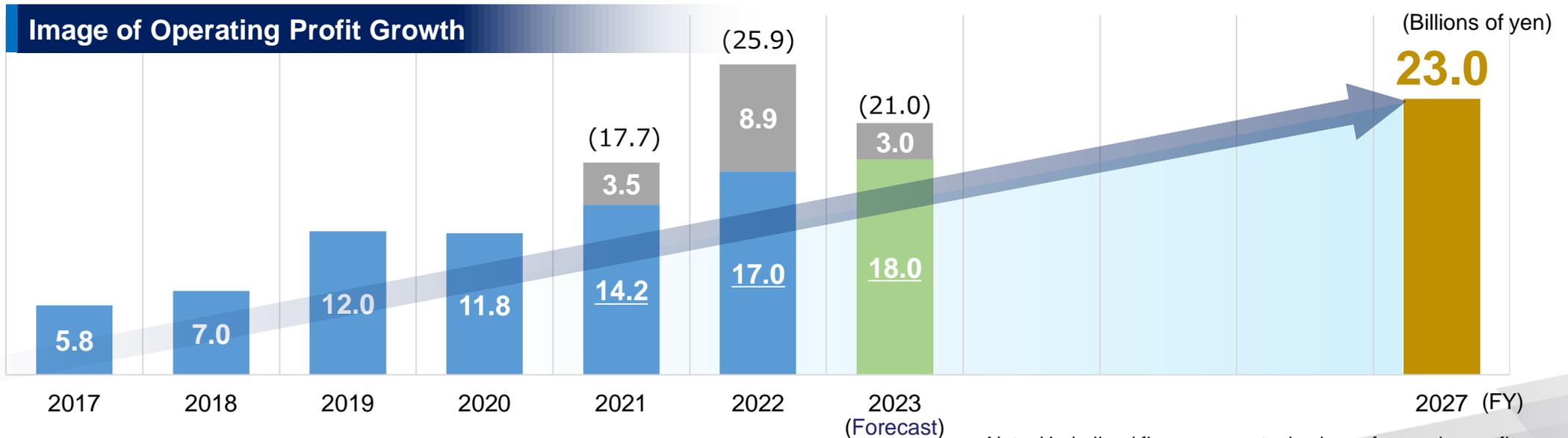
**Cash Out**

## Numerical Targets

✓ Continue high level of profit growth while accelerating business scale expansion by aggressive investment.

(Billions of yen)

	MOVE 2015 (FY2017)	Medium-term Management Plan 2017 (FY2022)		Growth Rate	Medium-term Management Plan 2022 (FY2027)
		Result	Actual value		
Operating Revenue	225.5	301.0	260.0	6% growth/year	350.0
Operating Profit	5.8	25.9	17.0	6% growth/year	23.0
Operating Cash Flow	12.3	23.1	21.0	7% growth/year	30.0



Note: Underlined figures are actual values of operating profit.

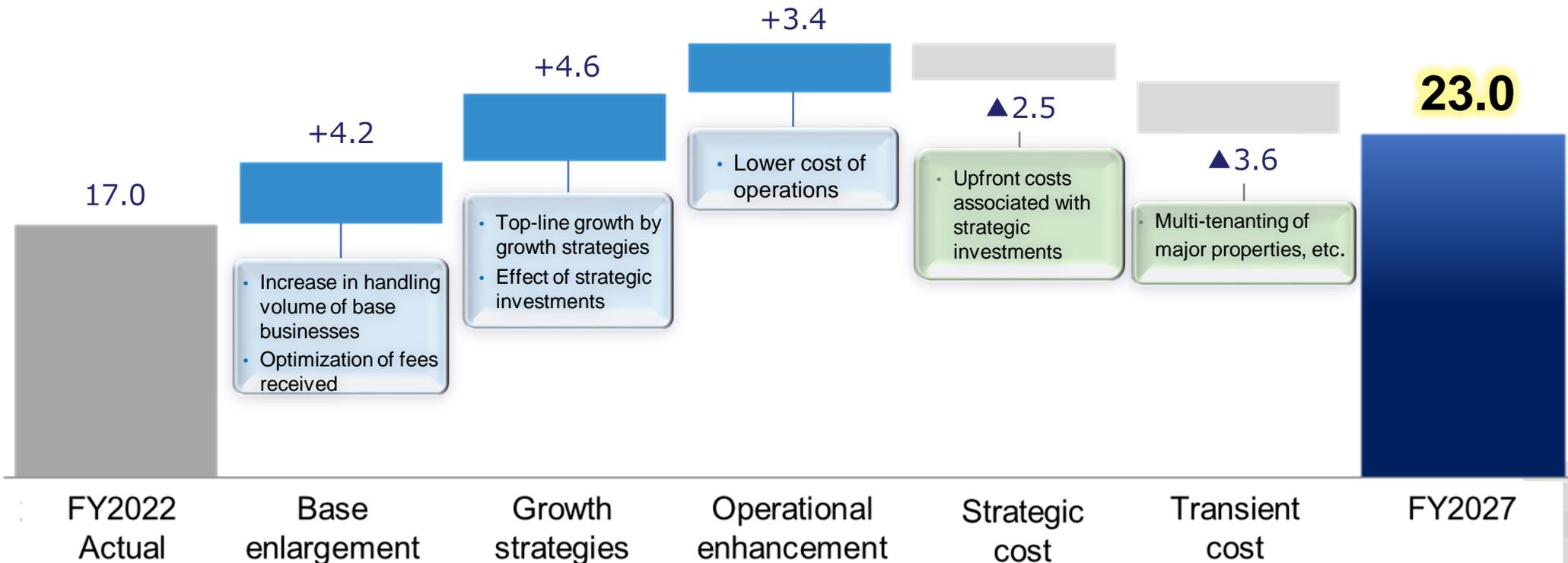
# 1. Overall View of the Plan

## Increase/Decrease Factors of Operating Profit

Operating Profit by Segment (Billions of yen)

	FY2022 Actual		FY2027	Change (%)
Logistics Business	14.8	10% growth/year	24.5	+9.7
Real Estate Business	5.8		2.5	▲3.3
Overall Eliminations	▲3.6		▲4.0	▲0.4
<b>Consolidated Total</b>	<b>17.0</b>	<b>6% growth/year</b>	<b>23.0</b>	<b>+6.0</b>

Main Increase/Decrease Factors of Operating Profit (Billions of yen)

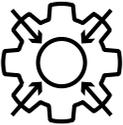


## Overall View of Growth Strategies

# Medium-term Management Plan 2022

“Going on the Aggressive by Deepening”

**Top-line Growth by Mobilizing the Group's Collective Strength**



- ① Enhancement of integrated solution service
- ② Expansion of sustainability-oriented business
- ③ Deep digging in the inter-industry

**Reinforcement of Operational Competitiveness**

- ① Company-wide penetration of standardization
- ② Improvement of operational quality
- ③ Lower cost of operations



## Building Management Foundation to Support the Deepening

**1 DX** 

- Transformation of business model
- Reform of corporate culture

**2 Co-creation** 

- Creation of mechanism for innovation
- Active partnerships and M&A with various platformers

**3 Business Assets** 

- Development of new office buildings and logistics facilities
- Increase in asset value of existing facilities
- Improvement of work environment

**4 ESG** 

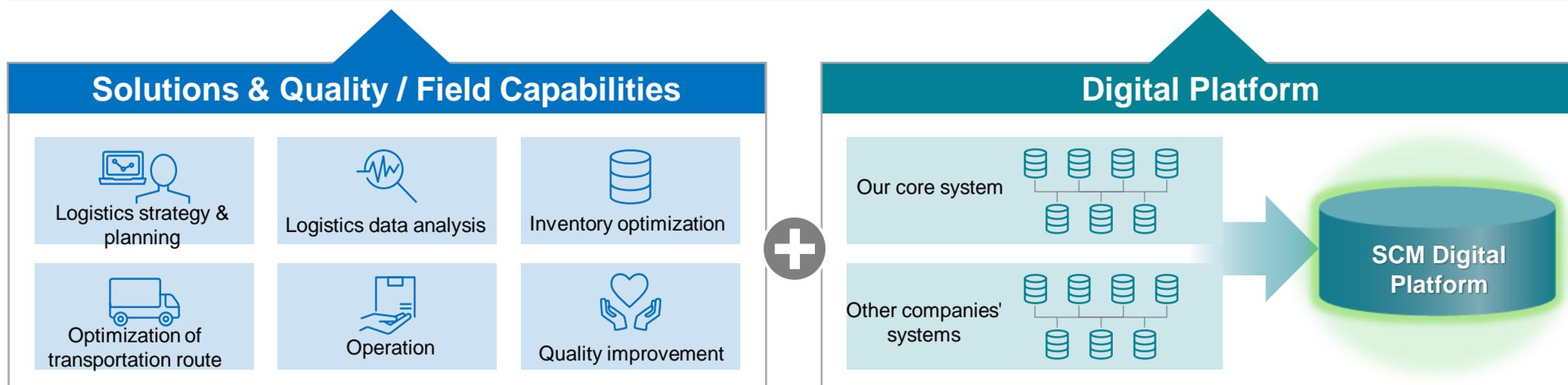
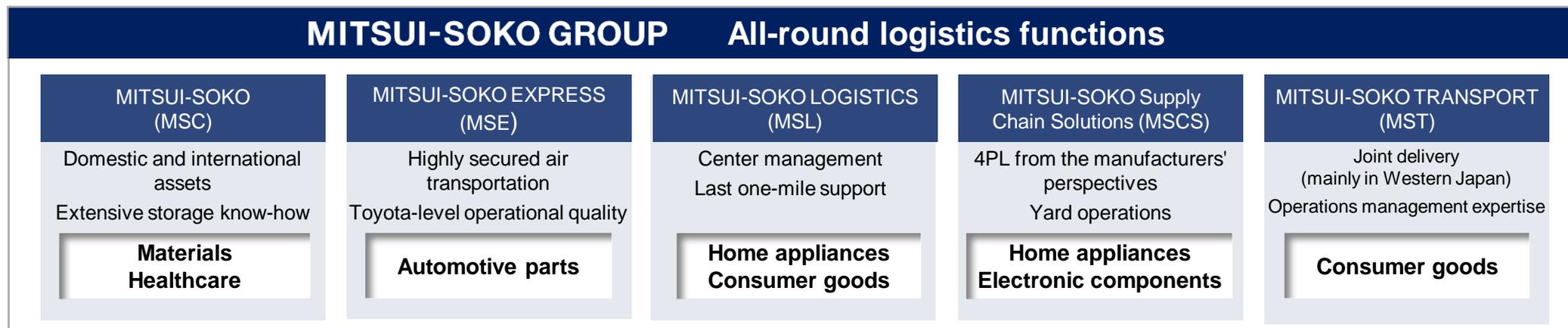
- Reinforcement of efforts to realize a decarbonized society
- Expansion of investment in human capital
- Enhancement of governance



### ① Enhancement of integrated solution service



✓ Deepening our unique business model of Integrated Solution Services



Build and utilize a digital platform infrastructure that supports the visualization of SCM information, incorporating the quality that has supported the logistics of Toyota and Sony and logistics design know-how from manufacturers' perspectives into its all-round logistics functions.

### ① Enhancement of integrated solution service

✓ Meet the growing need for supply chain transformation with services that achieve total optimization.

#### Value provided to customers

- With a supply chain that overviews its entirety, eliminating the need for individual optimization by each department and enabling customers to expand their business from a logistics standpoint.



#### Expected Effects

- Achieve both inventory compression and reduction of shortage rate by introducing criteria that allow each department from procurement to sales to make decisions flexibly.
- Shorten lead time by reducing the size of order lots without raising procurement costs. Improve cash flow significantly thanks to shrinking safety stock.



**Focus areas:** Areas where our "strengths" can be utilized in particular

#### 1 Mobility

**[Strengths]** Extensive experience in handling automotive parts, electronic devices/components, and home appliances for Toyota, Sony, and other companies

**\*Target:** EV and connected car key components

#### 2 Healthcare

**[Strengths]** Knowledge and advanced quality management systems and operational experience in the manufacturing and regenerative medicine fields

**\*Target:** Regenerative medical products and high-molecular pharmaceuticals

#### 3 B2B2C

**[Strengths]** Experience in operating distribution centers for home appliances, joint delivery, and providing integrated services from delivery, installation, and maintenance to repair

**\*Target:** Home improvement centers, furniture stores, and apparel industry

**Focus regions:** Japan, China, and Southeast Asia

## ② Expansion of sustainability-oriented business

✓ **Establish specialized services ahead of the growing demand for sustainability due to rapid environmental changes (diversification, legalization, and globalization).**

### Challenges Faced by Companies

#### Environmental risks



- Environmental regulations in both "software" and "hardware" aspects
- CO<sub>2</sub> reduction requests from customers
- Increasing number of ethical consumers

#### Labor force risks



- Expansion of the e-commerce market, etc., leading to a greater variety of products in smaller quantities
- Declining working-age population, labor shortages due to working hour regulations

#### Disaster risks



- Loss of or damage to cargo, suspension of shipments and transportation, and loss of sales opportunities due to earthquakes, tsunamis, floods, and other disasters
- Stagnation of cargo and international transportation due to lockdown
- Delivery delays and logistics outages due to surging stay-at-home demand

**Innovative service that does not stop customers' businesses by visualizing and addressing the risks that logistics face**

## SustainaLink

Helping **customers achieve supply chain sustainability** with SustainaLink

**SustainaLink**  
Supply-chain Sustainability  
MITSUI-SOKO GROUP

Special Website URL:

<https://www.mitsui-soko.com/sustainalink/>

QR code for smartphones ▶



※ This website will be in Japanese

### ② Expansion of sustainability-oriented business

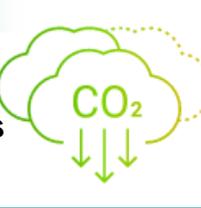
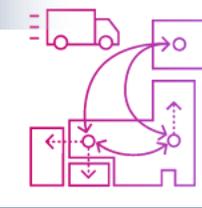
✓ Try to expand business by leveraging our core competencies and ability to make proposals and execute them.



**SustainaLink**  
Supply-chain Sustainability

### Competitive Advantages of Our Services

**Ability to propose and implement solutions** to sustainability issues based on **our core competence** (all-round logistics functions, diverse human resources, domestic and international networks, logistics design know-how, and ability to adapt to change)

	<b>Response to environmental risks</b> <small>Disclose and reduce CO<sub>2</sub>/waste</small>	<b>Response to labor force risks</b> <small>Establish logistics that do not rely on manpower and secure necessary workforce</small>	<b>Response to disaster risks</b> <small>Support for building a robust logistics system</small>
<b>Step 1</b>	<p><b>1) Know</b></p> <p>Know the current system and future trends of CO<sub>2</sub>/waste</p> 	<p><b>1) Know</b></p> <p>Know the status and future trends of the labor force risks</p> 	<p><b>1) Know</b></p> <p>Know the logistics risks due to disasters, etc.</p> 
<b>Step 2</b>	<p><b>2) Visualize</b></p> <p>Visualize CO<sub>2</sub>/waste emissions*</p> 	<p><b>2) Visualize</b></p> <p>Visualize work, transportation, office manpower, and man-hours</p> 	<p><b>2) Visualize</b></p> <p>Assume and visualize logistics risks such as disasters</p> 
<b>Step 3</b>	<p><b>3) Improve</b></p> <p>Reduce and offset CO<sub>2</sub>/waste emissions</p> 	<p><b>3) Improve</b></p> <p>Streamline and automate work and transportation to save manpower</p> 	<p><b>3) Improve</b></p> <p>Build a disaster-resistant logistics system</p> 

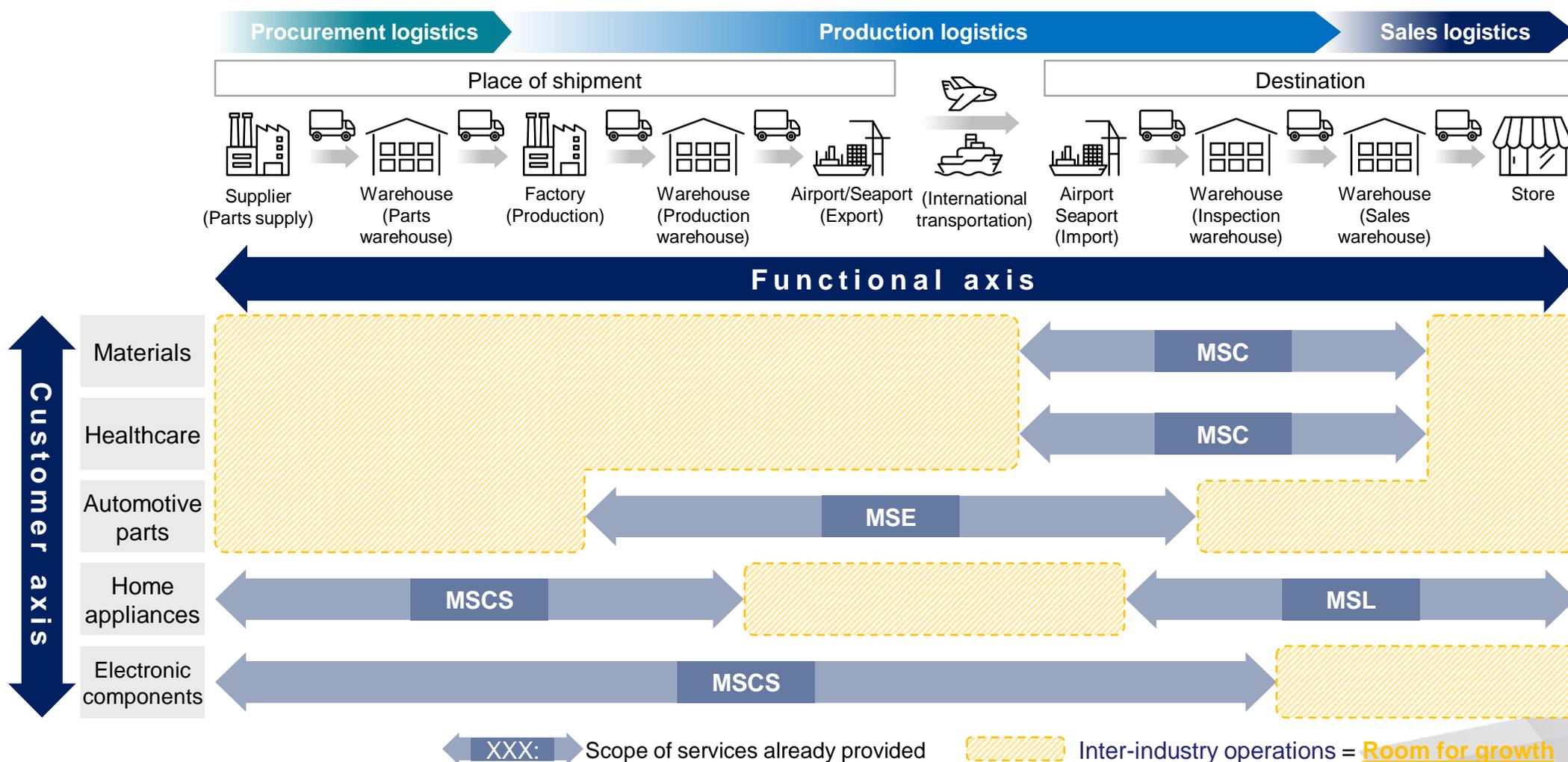
\*Our CO<sub>2</sub> emissions calculation method has already been validated by a third-party certification body.

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### ③ Deep digging in the inter-industry

✓ Dig deep into inter-industry by fully utilizing the Group's broad customer base and various logistics features.

#### Image of inter-industry Operations in the Customer's Supply Chain



### Aims and Specific Measures



✓ Secure competitive advantage through "overwhelming field capabilities" based on thorough standardization efforts.

#### Standardization

##### Establishment of Methodology

- Visualize current status by checking work processes and quantifying man-hours.
- Develop standard operating procedures (SOPs) as a basis for standardization.
- Enhance knowledge base to accumulate know-how as an organization.

##### Company-wide Penetration

- Roll out measures at model offices to other locations.
- Standardize in the Group at a high quality level based on manufacturer standards.

#### “Overwhelming Field Capabilities”

##### Improvement of Operational Quality

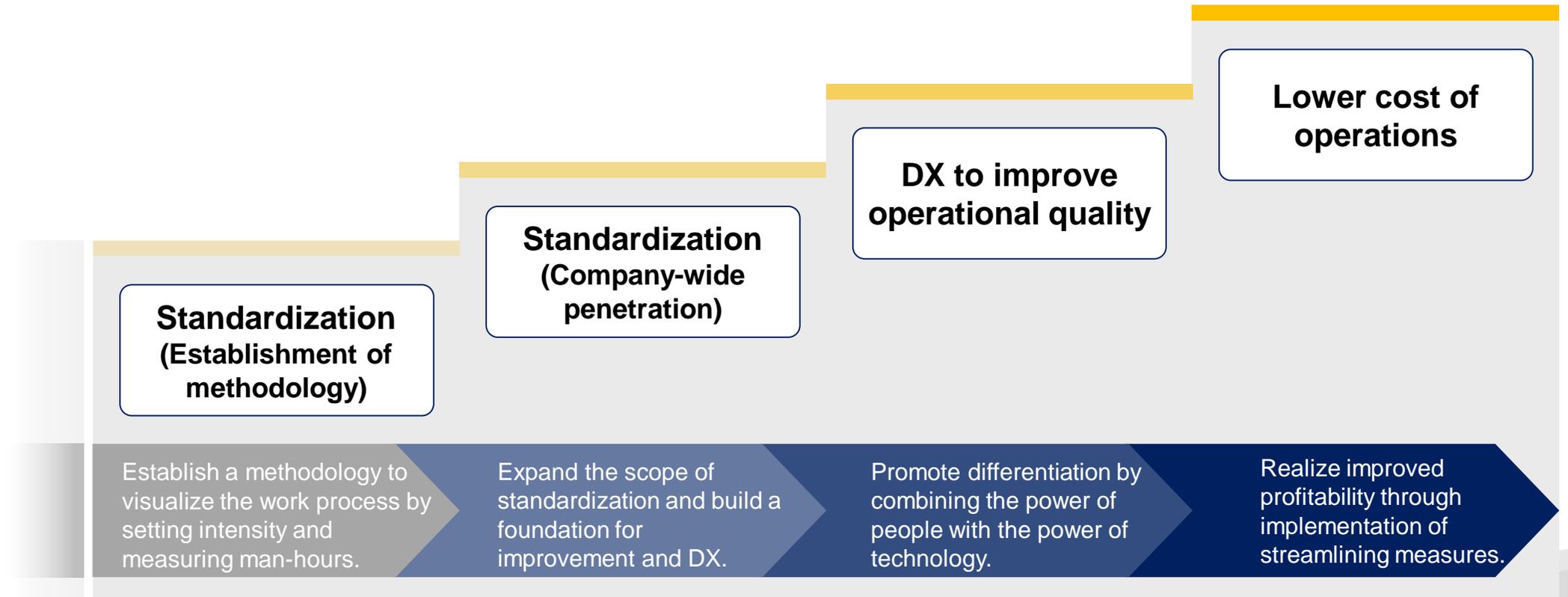
- Accumulate improvement steadily through power of people.
- DX of operations using the power of technology.
- ▶ Realize **differentiation from competitors by combining the two powers.**

##### Lower Cost of Operations

- Implement various measures such as integration of bases, reorganization of functions, and shift of fixed costs to variable costs by utilizing group-wide standardization.
- ▶ **Improve profitability with effective streamlining measures.**

### Steps to be Taken

✓ Deepen standardization efforts promoted while incorporating the improvement methods of Toyota, our joint venture partner, and achieve overwhelming field capabilities by combining the power of people with the power of technology.



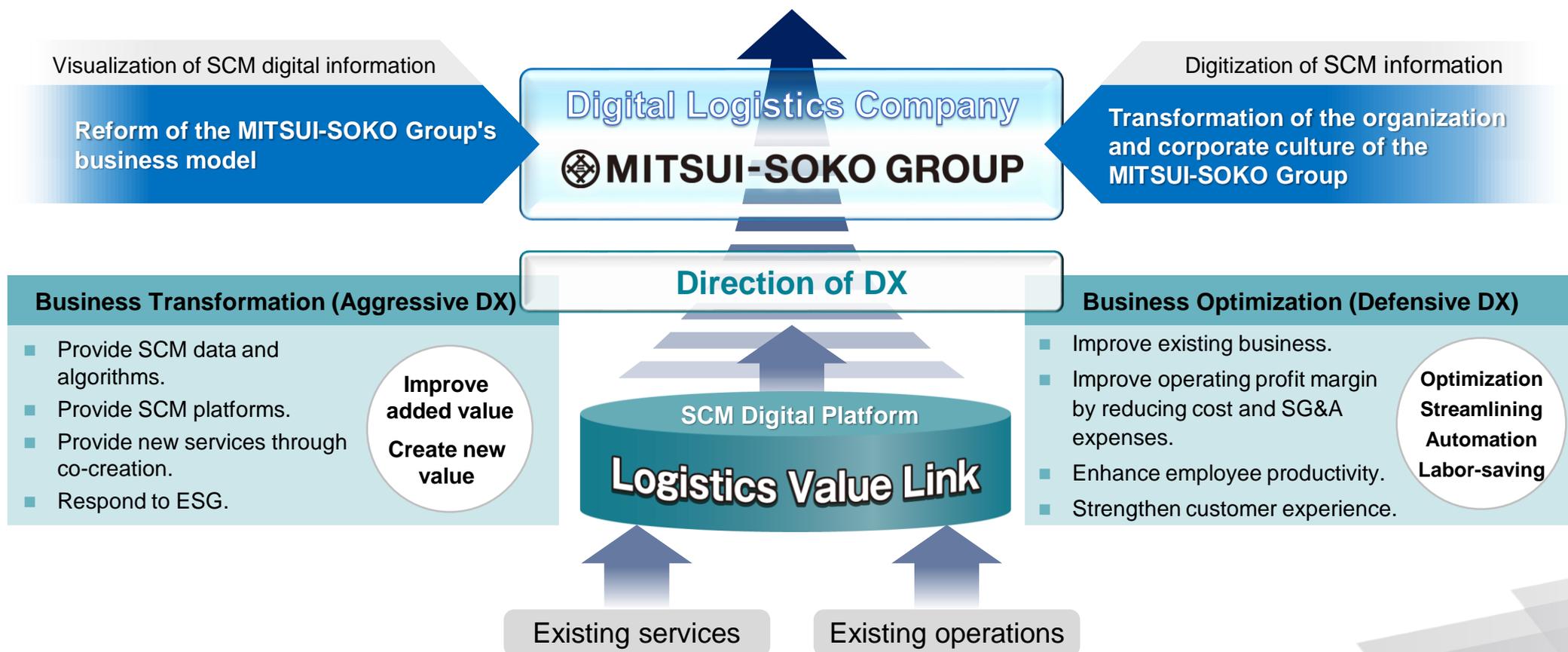
### ① DX Strategy Framework

✓ Create social value by transforming the business model and corporate culture and evolving into a digital logistics company.

Drastic Changes in the Business Environment

Customers and Society "Digital Enterprise World"

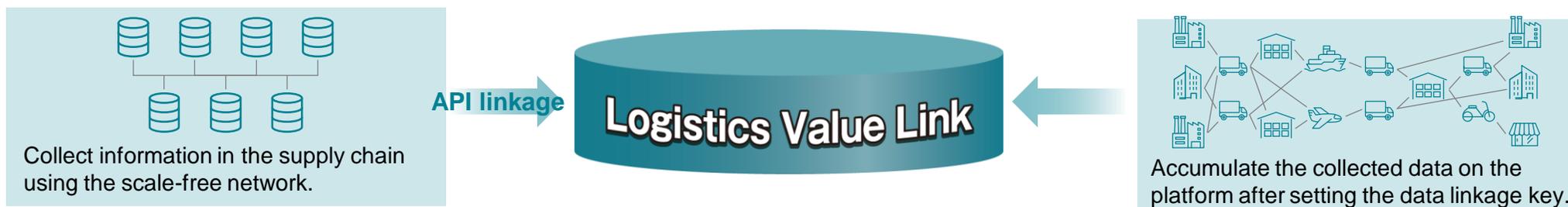
Social Value Creation



### ① DX "Aggressive DX"

✓ Aggressive DX to develop new services for customers by utilizing SCM information on the platform

#### Building Platform



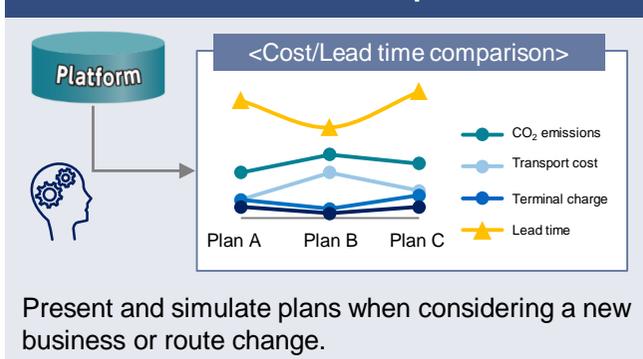
#### Analysis, streamlining, and optimization

#### New Services for Customers (Examples)

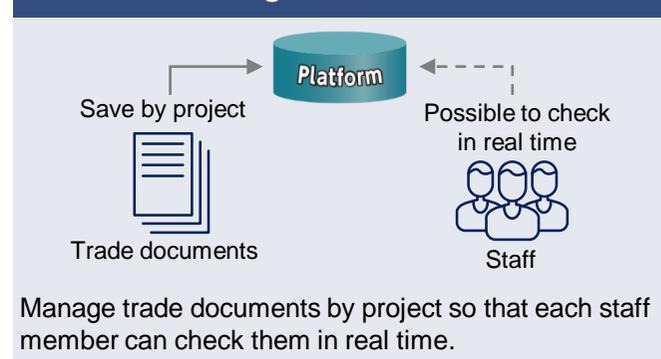
##### Visualization of Inventory at Multiple Locations



##### Scenario Plan Comparison



##### Centralized Management of Trade Documents

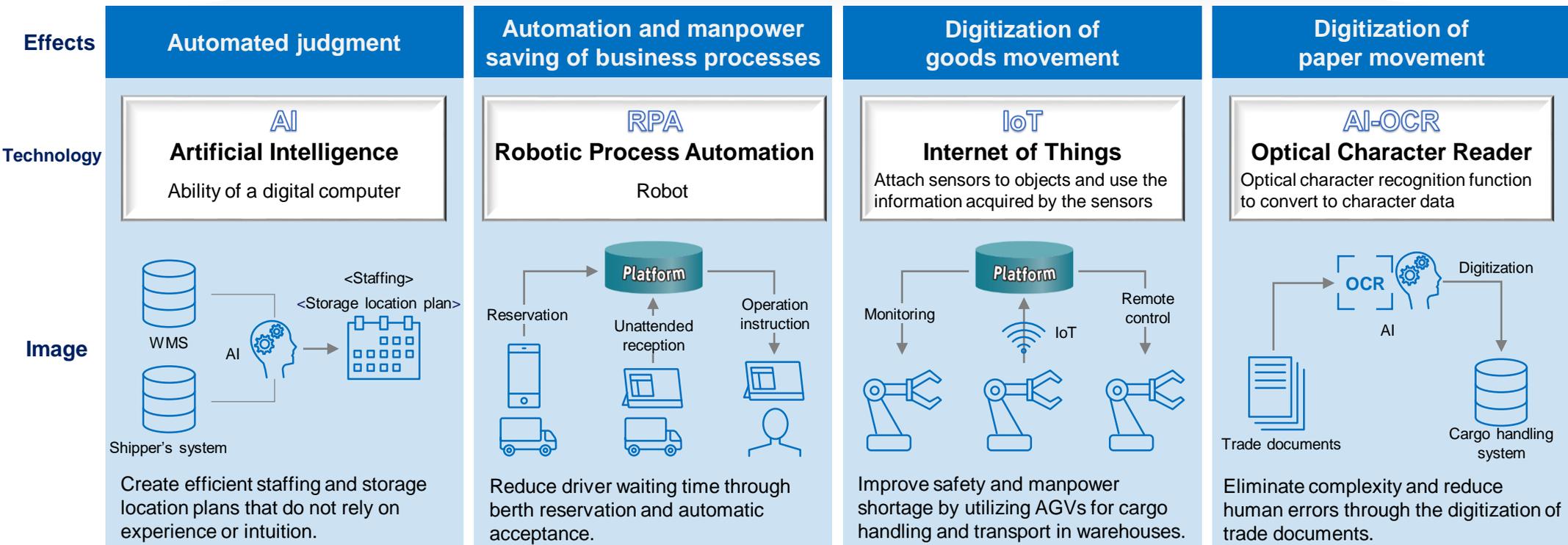


### ① DX "Defensive DX"

✓ Defensive DX to aim to accelerate smart logistics support by leveraging the latest digital technologies



### Utilization



## ① DX Promotion Structure

✓ Complete structure development to further promote DX and speed up the process.

### Organizing DX Promotion System

- **Promoted the Digital Strategy Team to Digital Strategy Division** in the holding company as of April 2022.
- **Introduced IT specialist system** to strengthen mid-career/new graduate recruitment of DX specialists who play an important role in DX promotion.

### Functions of the Digital Strategy Division

#### Digital Strategy Division

#### Business Solution Function

- Proposes IT solutions in collaboration with the sales division.
- Designs operations using IT systems.

#### DX Promotion Function

- Promote digital strategy and build DX system.
- Promote smart logistics,

### Strengthening DX Human Resources

#### DX Specialist (DX Promotion Division)

- Captures customer issues and needs.
- Embodies services, designs systems, and manages projects.

#### DX Generalist (All Employees)

- Improves productivity through the use of IT technology/business systems.
- Plans and proposes on creation/expansion of business opportunities through IT technology.

### Completion of DX Certification

- Having completed the development of the DX strategy and structure, we were certified by the Ministry of Economy, Trade and Industry as of April 1, 2022.



## ② Co-creation

✓ **Accelerate co-creation efforts internally and externally to originate new business and value.**

### Promotion of Co-creation

- Promote **internal co-creation** aiming to effectively utilize diverse human resources, our core competence, and create a system that generates innovation.
- Proactively consider M&A, alliances, and other **external co-creation** opportunities to meet diversifying customer needs and achieve further growth.

### Co-Creation Initiatives

#### Internal Co-creation

##### Measures for Human Resources

- Renew and penetrate the "Value" in accordance with the revised corporate philosophy.
- Reform the organizational culture through personnel system reforms and cross-organizational personnel exchanges.

##### Tool

- Revitalize communication and information sharing by expanding the functions of the Group Portal website and knowledge sharing platform.
- Consolidate offices and develop spaces for employee interaction.



#### External Co-creation

- Proactively partner with various platforms based on the SCM digital platform and develop new services through these partnerships.
- Consider and implement strategic M&A and partnerships to achieve discontinuous value creation.

## ③ Business Assets



- ✓ Focus on effective use and value enhancement of owned assets and capital investment with market competitiveness in mind.

### Active investment in Business Assets

- **Promote CRE measures** to enhance corporate value by effectively utilizing assets held.
- Implement strategic investments in **next-generation logistics centers and dedicated facilities** utilizing IoT and robotics.
- **Scrap and build existing assets and invest in maintenance and renewal**, including ESG compliance.

### Invest in New Logistics Facilities in Competitive Areas for Top-line Growth

- A new warehouse to cope with expansion of handling volume in the mobility/healthcare-related market expected to grow steadily
- A next-generation logistics center that achieves compatibility for both e-commerce and brick-and-mortar stores, including the introduction of the latest technology

### Active Investment in Existing Assets

- Extensively consider investment in real estate for rent and logistics facilities, including replacement of asset portfolio.

#### Real Estate for Rent

- Effective use of assets held in accordance with location
- Construction to enhance value, including reduction of environmental impact
- Renewal work to reform the profit structure

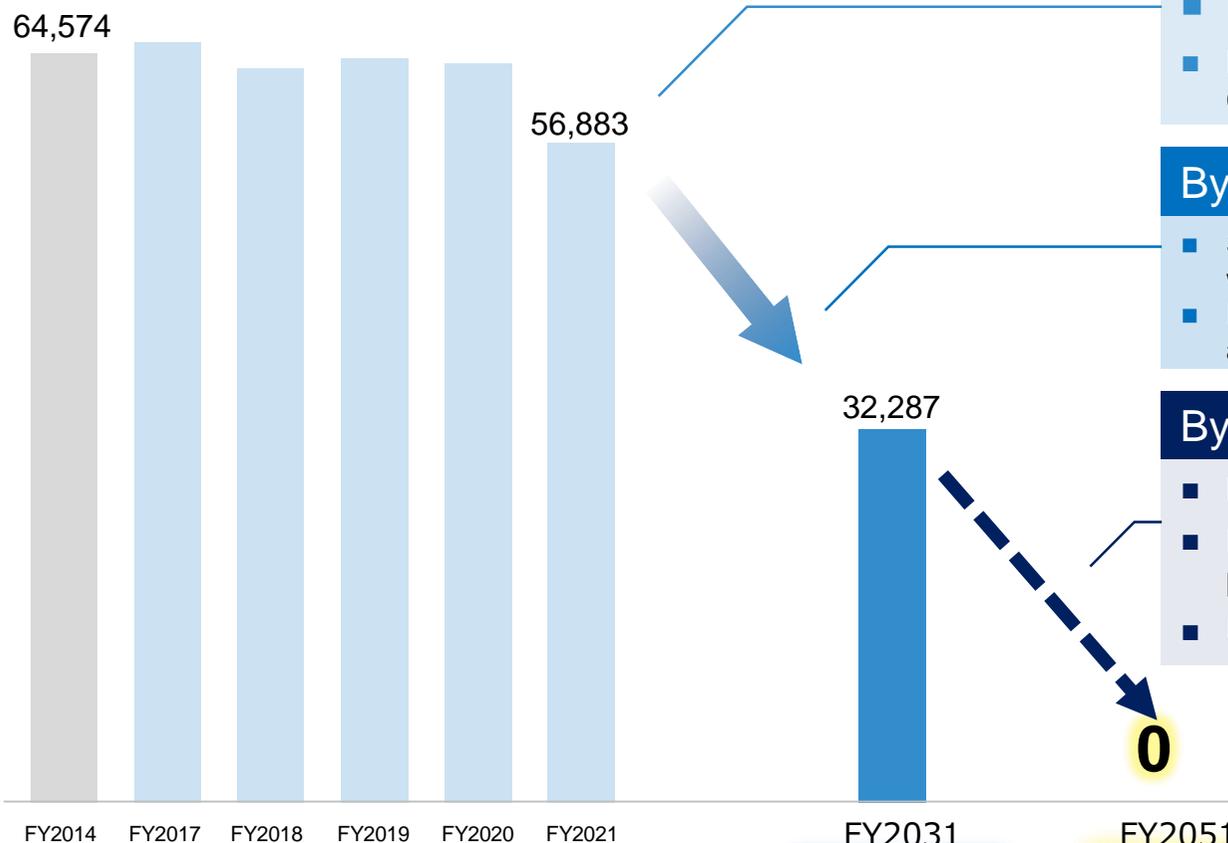
#### Logistics Facilities & Offices

- Addressing aging logistics facilities to achieve sustainable logistics
- Developing a safe and comfortable work environment



✓ For E (Environment), strongly promote reductions in our CO<sub>2</sub> emissions while providing services to reduce CO<sub>2</sub> emissions of customers.

### CO<sub>2</sub> Emission Trends (t-CO<sub>2</sub>)



### Our measures taken so far

- Endorsement of TCFD
- Establishment of the medium- to long-term targets for CO<sub>2</sub> emissions (compared to FY2013)

### By FY2031: **50% reduction (-32,287 tons)**

- Switchover of air conditioning and lighting equipment in warehouses
- Expanded use of in-house solar power generation systems and renewable energy sources

### By FY2051: **Net zero achieved**

- Further acceleration of existing initiatives
- Introduction of ZEV trucks as technological innovation progresses
- Utilization of carbon offsets

Base year

Reduced by 50%

Net zero

Note:  
Scope of coverage: Holding company and core operating companies



✓ For S (Social), actively invest resources to strengthen human capital, the most important management foundation.

### Measures to Strengthen Human Capital

#### Personnel System Reform

Establish a human resource system that takes advantage of the diversity, expertise, and fluidity of human resources and work styles.

#### Creating Job Satisfaction

Understand organizational issues and promote mutual understanding through dialogue between the company and its employees.

#### Improvement of Work Environment

Pursuit of employee safety and work comfort through investment in both hardware and software.

### Improvement of Employee Engagement

■ Set KPI items and target values that lead to employee engagement as follows, and thoroughly manage progress.

• Rate of paid leave taken

**70 %**

• Ratio of female managers

**15 %**

• No. of occupational accidents

**0**

• Health checkup take-up rate

**100 %**

• Male childcare leave acquisition rate

**30 %**

• Absentee rate

**Better than previous fiscal year's level**



✓ For G (Governance), establish structures, systems, and indicators to enhance corporate value over medium to long term.

### Sustainability Promotion System

#### Board of Directors

- The Sustainability Committee is established under the Board of Directors to ensure strong governance.

Supervise ↓ ↑ Report

#### Sustainability Committee

Chairperson: President  
Members: Representatives of each operating company, etc.

- The Committee is chaired by the President and consists mainly of representatives of each operating company that plays a central role in business activities.
- The Committee thoroughly examines sustainability strategies and policies, and manages the implementation of initiatives.

#### Subcommittee

A cross-group task force in accordance with each initiative

- A cross-group subcommittee for each field is established with the holding company's responsible department in charge of each field.
- They develop a roadmap to achieve target KPIs, plan and implement specific measures, and collaborate with companies in the Group.

### Management with Capital Efficiency in Mind

#### Focus on ROE

Aim to maintain the high level of capital efficiency achieved in the previous medium-term management plan by setting the target ROE at over 12%.

#### Stock-based Compensation Plan

Introduce stock compensation as part of the executive compensation system to increase corporate value over the medium to long term.

## Medium-term Management Plan 2022 “Going on the Aggressive by Deepening”

### Growth Strategies

- ✓ Top-line Growth by Mobilizing the Group's Collective Strength
- ✓ Reinforcement of Operational Competitiveness
- ✓ Building Management Foundation to Support the Deepening  
*< DX, Co-creation, Business Assets, and ESG >*

### Financial Strategies

- ✓ Investments in a total of **¥130 billion**
  - Strategic investments such as DX investment / new capital investment (logistics & real estate) / investment in growing areas such as M&A: **¥100 billion**
  - Normal investment (maintaining existing facilities / renewal investment): **¥30 billion**
- ✓ Strengthening shareholder returns based on a payout ratio of **30%**
- ✓ Procurement and operation based on the optimal D/E ratio of **1.0**
- ✓ Setting a target of ROE of over **12%**, aiming to maintain a high level of capital efficiency

### Numerical Targets (FY2027)

Operating Revenue	<b>¥350</b> billion
Operating Profit	<b>¥23</b> billion
Operating Cash Flow	<b>¥30</b> billion

Empower society, encourage progress



**MITSUMI-SOKO GROUP**