



# 03

## Value Creation Story through PURPOSE Management

For more than 110 years, we have been responding to changes in the business environment and customer needs while supporting the development of logistics and of society as well as people's abundant lifestyles. Going forward, we will continue to realize the Group's growth and development of a sustainable society by leveraging our unique strengths, co-creating with various stakeholders, and creating new value from logistics based on our PURPOSE of "Empower society, encourage progress."

## Value Creation of the Mitsui-Soko Group Toward the Realization of the Society We Are Aiming For

Since the time of our founding, the Mitsui-Soko Group has kept society moving forward and connected with our evolution through the logistics business.

For the Group to steadfastly continue realizing our PURPOSE, we must carry out our management strategy based on a medium- to long-term perspective and pursue a balance between the sustainability of companies and society. Even amid an uncertain and increasingly complex age, to implement medium- to long-term management, we have designed a new story for our future vision for 2050, identified our vision for society for 2035 as well as customer trends, and established a clear direction for the Group.

Toward our ideal future, we have established our Group Vision of "The co-creative logistics solutions partner. For every day, emergency, and always will be." By carrying out initiatives for our materiality and Medium-term Management Plan, we will strengthen our business model and realize the sustainable development of both the Group and society.

### Desired future vision in 2050

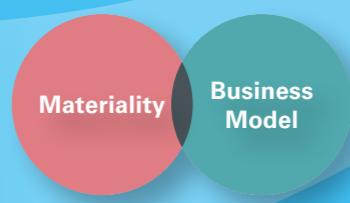


A frictionless and pleasant world where creativity and diversity are respected

#### Society in 2035

- Vision for society**
  - Increased and more complicated constraints on environmental and social issues
  - Spread of AI and XR in society
  - Progress in modularization, etc.
- Customer trends**
  - Pursuit of supply chain optimization and resilience
  - Pursuit of core operations (planning and development)
  - Addressing increasingly diverse and complicated consumer needs and social issues, etc.

- Present**
- Heightened environmental and social regulations on a global scale
  - Promoting DX in society
  - Shift from tangible to intangible value, etc.



Medium-term Management Plan 2022

**PURPOSE**  
Empower society, encourage progress

## Reviewing Materiality and Redefining the Business Model

In 2020, the Group identified our materiality from the triple bottom line of the economy, environment, and society based on the standpoints of resolving social issues (creating opportunities) and reducing risk through our corporate activities.

Amid significant changes in society and in the Group starting in 2020, we recognized that it was essential to consider the nature of management from a more medium- to long-term perspective, and in 2024 we revised our materiality. Furthermore, in the current evaluation, we also discussed and redefined our

existing business model. In the process of updating our materiality and redefining our business model, we are including the opinions of outside experts, considering risks and opportunities based on the timeline, and incorporating the perspective of contributing to the integration of improving social value and corporate value.

These contents were finalized through several rounds of discussions at the Board of Directors following discussions at the Sustainability Committee and Management Council.

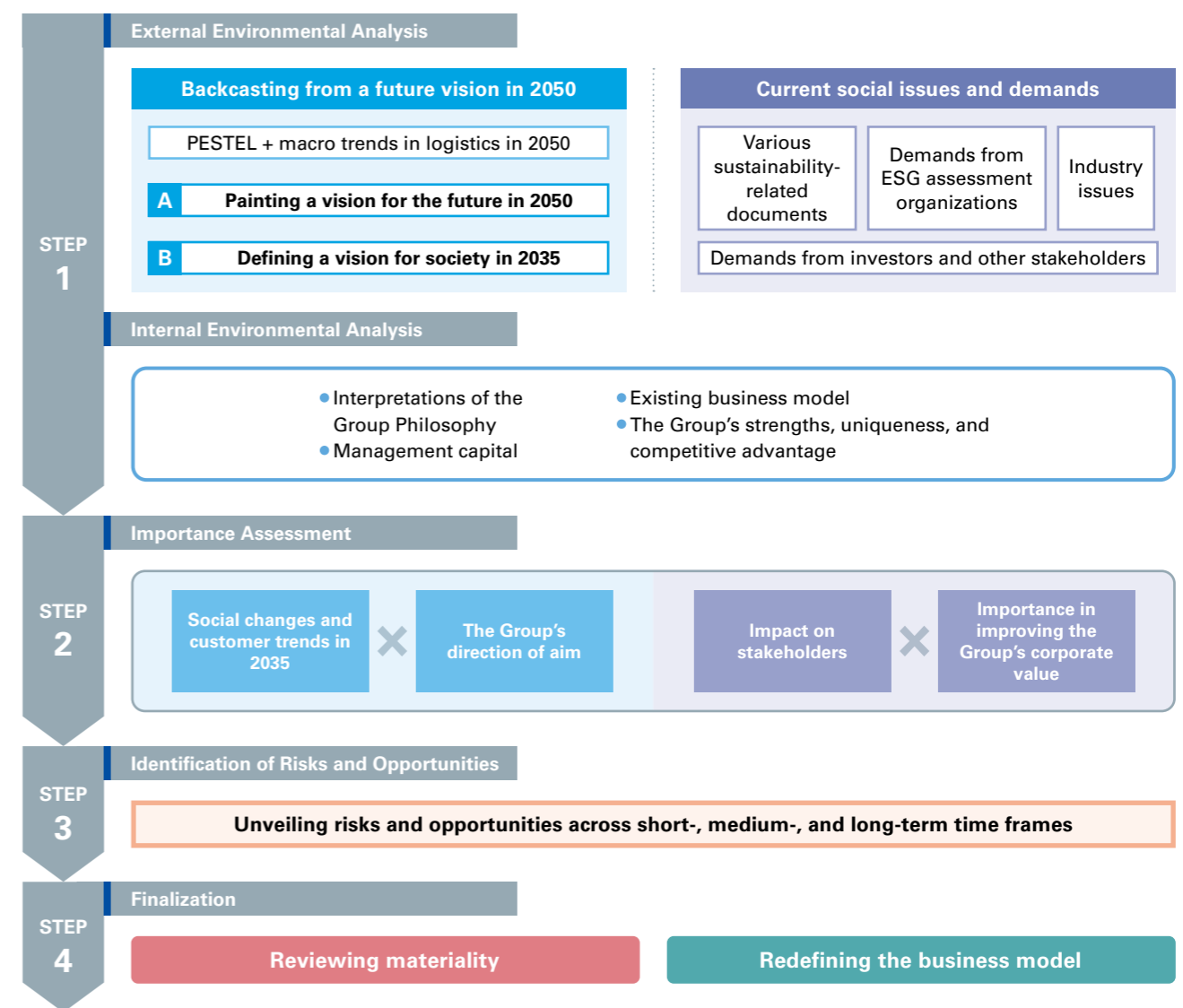
#### Requirements for materiality

- Fulfilling the Group Philosophy
- Integrating corporate value enhancement with social value enhancement
- Risks and opportunities anticipated from the perspective of the ideal state
- Risks and opportunities anticipated from current social needs

#### Requirements for the business model

- Fulfilling PURPOSE and VISION
- Integrating corporate value enhancement with social value enhancement
- Group's uniqueness and competitive advantage

### Identification process for reviewing materiality and redefining the business model

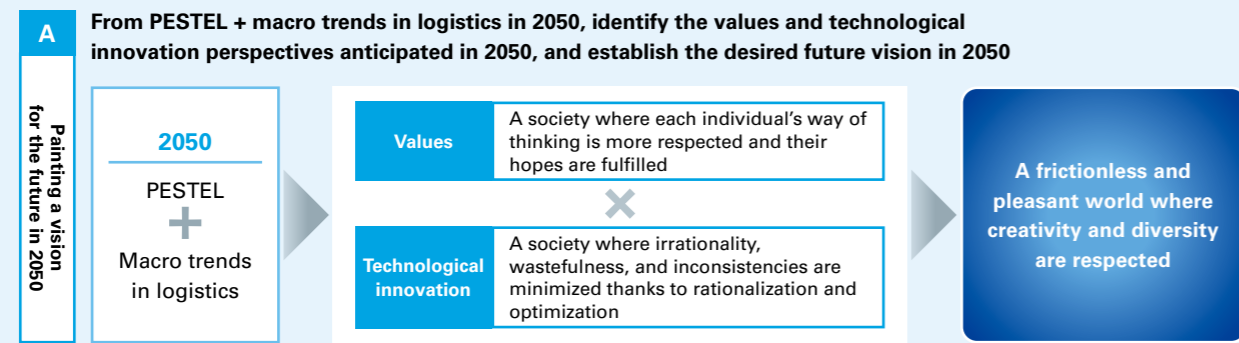


## Reviewing Materiality and Redefining the Business Model

### Details of the process for reviewing materiality and redefining the business model

#### STEP 1-1: External Environmental Analysis

#### Backcasting from a future vision in 2050



#### B Backcasting from a desired future vision in 2050, and mapping the vision for society in 2035 onto the value chain

	Planning and development	Raw material and parts procurement	Manufacture	Distribution	Sales and consumption
Vision for society in 2035	Increased and more complicated constraints on environmental and social issues				
	Supply chain data coordination and use of AI and XR				
	Progress in modularization			Pursuit of intangible value and novelty	
Social change	<ul style="list-style-type: none"> <li>Separation of planning and development from manufacturing</li> <li>Optimization of planning and development processes and improved services using digital technology</li> </ul>	<ul style="list-style-type: none"> <li>Increased value of procurement of essential parts</li> <li>Progress in the optimization of entire supply chain based on data</li> <li>Advancements in recycling, reuse, and utilization of new materials and alternative resources</li> </ul>	<ul style="list-style-type: none"> <li>Separation of planning and development from manufacturing</li> <li>Growing need for high-mix, low-volume products and customization</li> </ul>	<ul style="list-style-type: none"> <li>Progress in optimizing a distribution</li> <li>Advancement in demand and supply forecasting due to the consolidation of wholesalers and digitization</li> <li>Rise of wholesaling in niche areas due to high-mix, low-volume products</li> </ul>	<ul style="list-style-type: none"> <li>Realization of a painless and productive purchasing experience</li> <li>Customized products and services tailored to customer needs and provision of intangible value</li> </ul>
Customer trends	Pursuit of supply chain optimization and resilience				
	Concentration of management resources through outsourcing of non-core operations				
	Addressing increasingly diverse and complicated consumer needs and social issues				

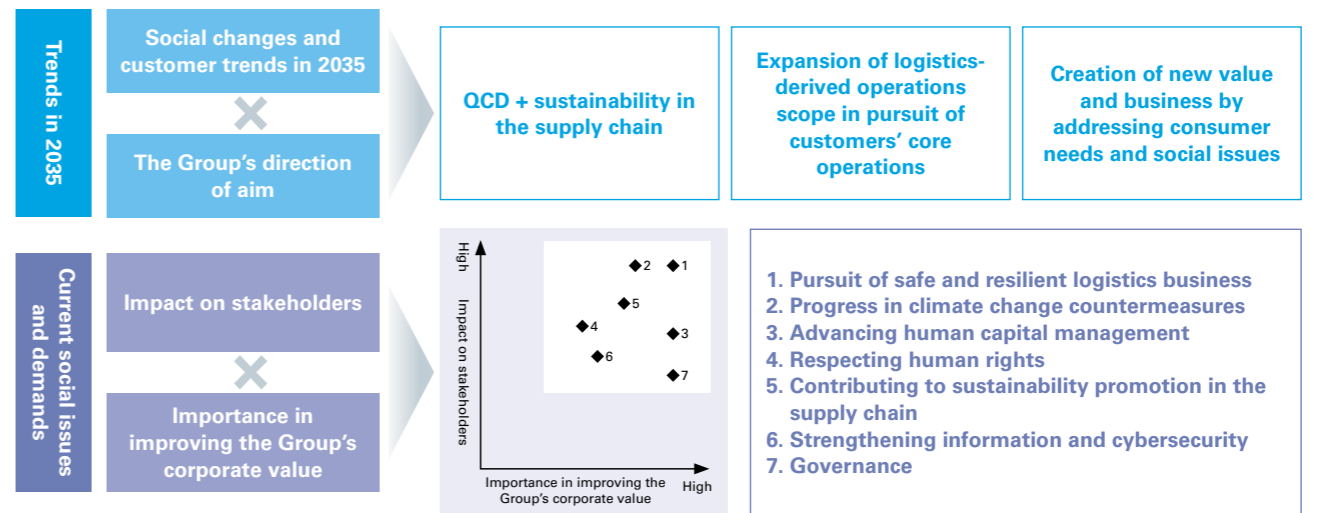
#### Current social issues and demands

In addition to sustainability-related indicators and demands from ESG evaluation institutions and stakeholders, identify current social issues and demands taking into account industry issues.  
Examples: Various sustainability-related documents such as GRI and SASB, stakeholder demands, IR and SR interviews, industry-specific issues, etc.

#### STEP 1-2: Internal Environmental Analysis

- Interpretations of the Group Philosophy
- Existing business model
- Management capital
- The Group's strengths, uniqueness, and competitive advantage

#### STEP 2: Importance Assessment



#### STEP 3: Identification of Risks and Opportunities

	Item	Risk	Opportunity	
Trends in 2035	QCD + sustainability in the supply chain	Decreased competitiveness due to being stuck using traditional warehousing and transportation methods	<ul style="list-style-type: none"> <li>Improved competitiveness based on proposal and field capabilities based on specialized know-how</li> <li>Expanding need of high-value-added logistics services that lead to solving social issues and creating customer innovation</li> <li>Potential for co-creation and development of creative businesses utilizing DX, etc., with logistics as the starting point</li> </ul>	Long, medium
	Expansion of logistics-derived operations scope in pursuit of customers' core operations			
	Creation of new value and business by addressing consumer needs and social issues			
Current social issues and demands	Pursuit of safe and resilient logistics business	Customer and employee attrition due to inability to address issues	Increased trust from our customers and improved business continuity for the Company through driven initiatives and results	Long, medium, short
	Progress in climate change countermeasures	Diminished competitiveness and damage to our reputation due to inability to address issues	<ul style="list-style-type: none"> <li>Improved resilience of the supply chain including the Company</li> <li>Improved ability to provide environmentally responsible logistics services</li> </ul>	Long, medium, short
	Advancing human capital management	Reduced employee hiring and motivation	Improving service quality by securing talented personnel and through strong organizational capabilities	Long, medium
	Respecting human rights	Damage to our reputation and increased cost of responding due to insufficient response to laws and regulations and customer requests	Improved resilience of the supply chain including the Company	Medium, short
	Contributing to sustainability promotion in the supply chain	Diminished competitiveness and damage to our reputation due to inability to address issues	Growing needs for sustainability promotion services	Long, medium, short
	Strengthening information and cybersecurity	Lost trust and competitiveness due to delayed customer response or security incidents	Differentiating ourselves from competitors through new service development and improved productivity	Medium, short
	Governance	Damage to our reputation, increased cost of responding, and damage to our corporate value due to insufficient addressing of issues	Maintaining and improving trust from customers and stakeholders and enhancing corporate value by promoting Group management	Medium, short

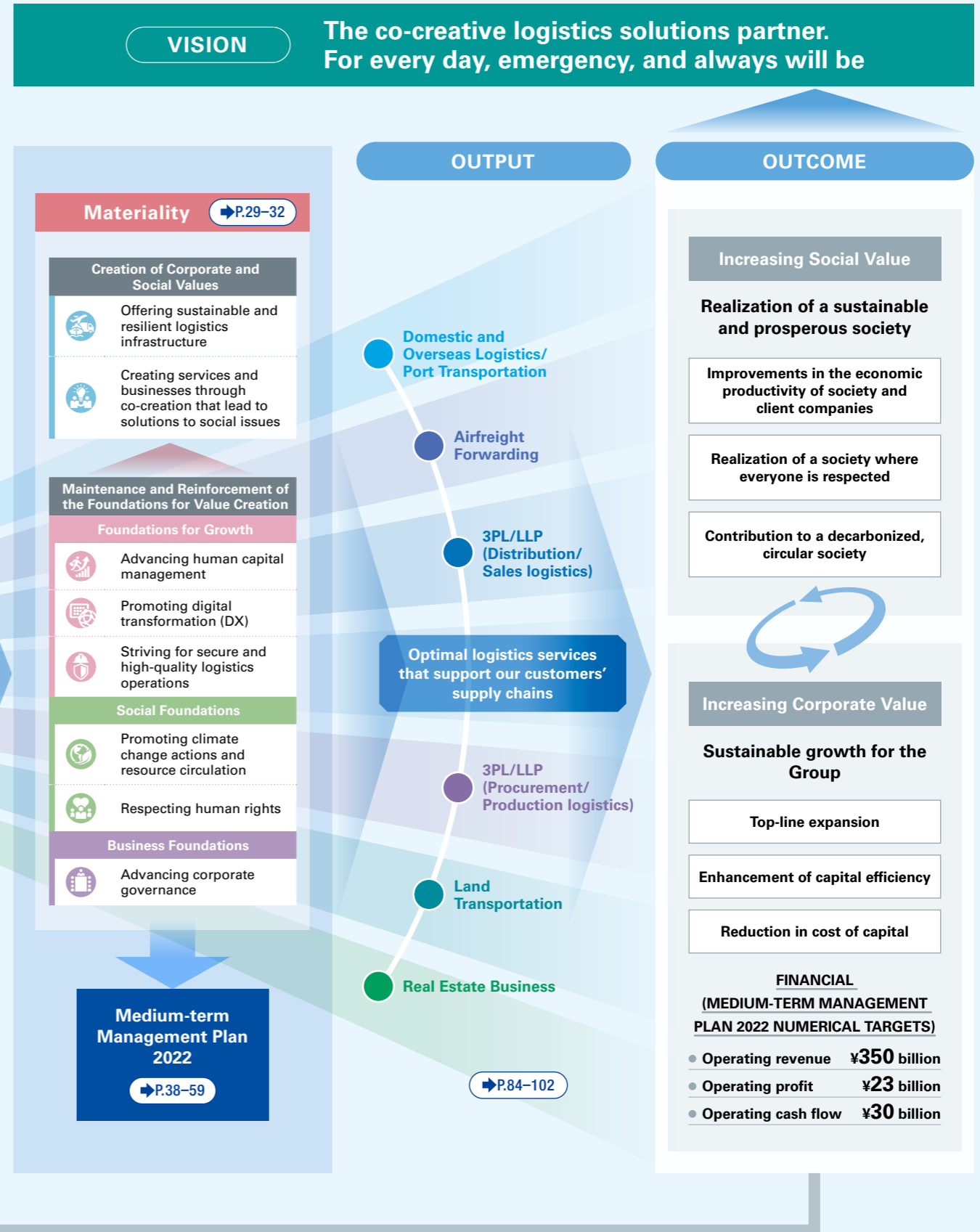
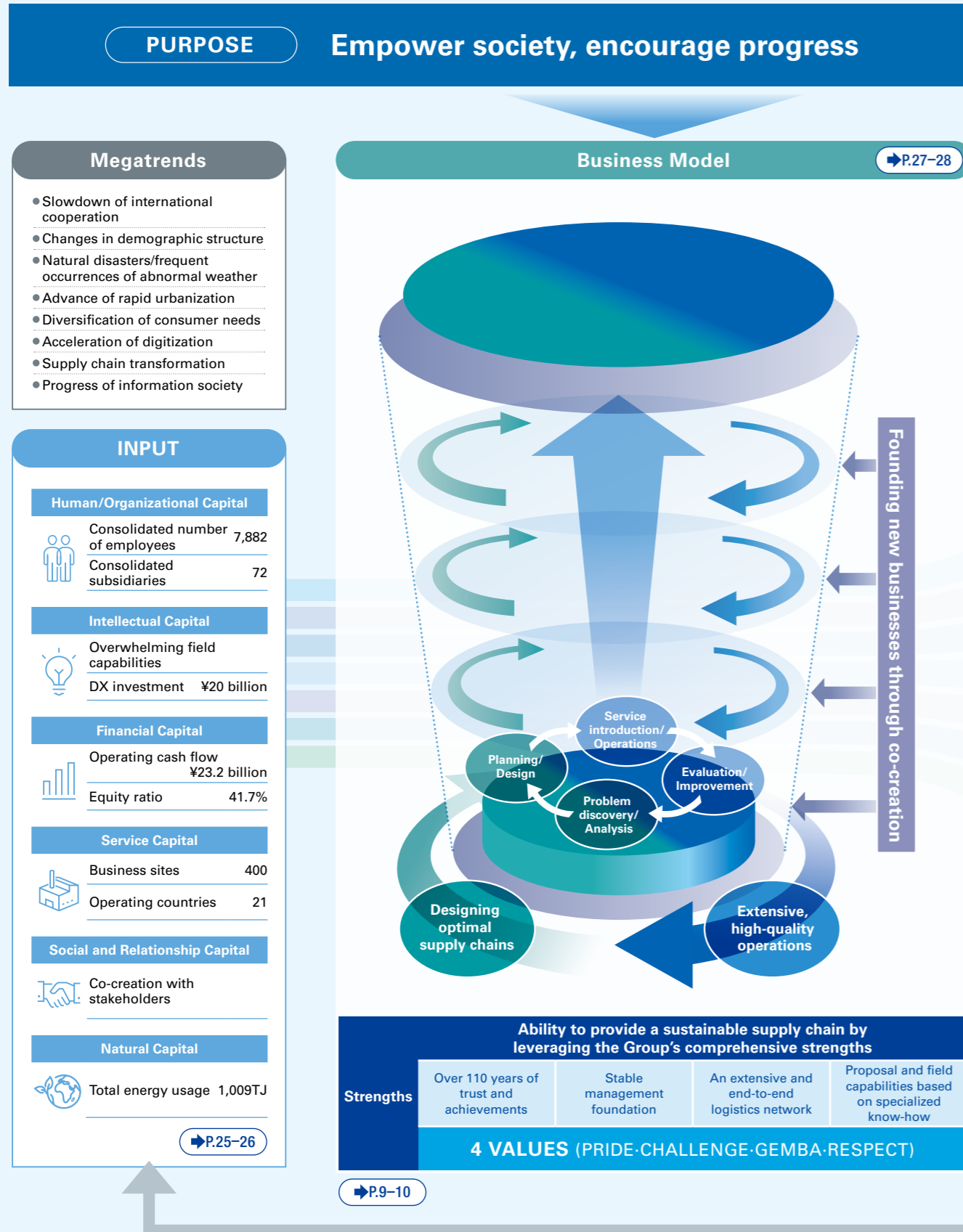
Notes: 1. Because "short-term" trends have been included in our current management, they have been excluded from our 2035 trends.  
2. Timelines—short term: 3–5 years, medium term: approx. 10 years, long term: 30+ years

#### STEP 4: Finalization







Materiality P.29–32	Business Model P.27–28
<ul style="list-style-type: none"> <li>• Offering sustainable and resilient logistics infrastructure</li> <li>• Creating services and businesses through co-creation that lead to solutions to social issues</li> <li>• Advancing human capital management</li> <li>• Promoting digital transformation (DX)</li> <li>• Striving for secure and high-quality logistics operations</li> <li>• Promoting climate change actions and resource circulation</li> <li>• Respecting human rights</li> <li>• Advancing corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Designing optimal supply chains</li> <li>• Extensive, high-quality operations</li> <li>• Founding new businesses through co-creation</li> </ul>

# Value Creation Process

Based on its PURPOSE of “Empower society, encourage progress,” the Mitsui-Soko Group will continue to grow to become a logistics solutions partner that supports the development of a sustainable society by creating new value through co-creation—For every day, emergency, and always will be.



## Management Capital

	 <b>Human/ Organizational Capital</b> <small>→ P.54-56</small>	 <b>Intellectual Capital</b> <small>→ P.52 P.57-59</small>	 <b>Financial Capital</b> <small>→ P.39-42 P.103</small>	 <b>Service Capital</b> <small>→ P.6</small>	 <b>Social and Relationship Capital</b> <small>→ P.83</small>	 <b>Natural Capital</b> <small>→ P.62-64</small>
	Advancing human capital management to maximize the organization by enabling each and every employee to demonstrate their abilities to the fullest extent	Continuous development of new businesses and competitive services by enhancing logistics design capabilities and logistics quality that combine people's individual capabilities with technological capabilities	Improve the ability to generate cash and build a sound financial base to invest in growth and realize stable returns to shareholders	Expand into a wide range of regions to realize a stable logistics service and develop facilities and transportation networks that are suited to the characteristics of the handled cargo	Value co-creation with stakeholders based on relationships of trust	Effective utilization of energy such as electricity and light oil, and contribution to a circular economy
<b>Ideal state</b>	To provide a sustainable supply chain as a logistics company, it is necessary to accurately identify social issues and customer needs, and then propose and implement solutions. While being accepting of diverse values and the ideas of each individual and fostering a spirit to take on challenges, we will work to improve the environment and enhance the system to promote the creation of rewarding work environments and strengthen the organization to realize these goals.	To further improve logistics quality, the Group is incorporating manufacturer-standard improvement methods into the logistics know-how accumulated over more than 110 years. In addition, by promoting digital transformation (DX), we are building an SCM digital platform to deepen our integrated solution service.	The Group is committed to strategic financial operations and management to establish a business structure that is efficient and can secure healthy profits even in an increasingly uncertain business environment.	To realize a stable logistics service that can withstand changes in social conditions and the environment, the Group has developed a global presence. The Group also has facilities that are suited to the characteristics of the handled cargo, such as dedicated healthcare facilities, and state-of-the-art facilities equipped with robotics, to support the provision of optimal supply chains for our customers.	To be a company that continues to create long-term value through sound and transparent management activities, we will build strong relationships of trust and enhance the sustainability of value through proactive and constructive communication, as well as co-creation, with our shareholders, customers, and other stakeholders.	To operate a logistics business, various energy resources are one of the Group's raw materials. Based on the idea that conservation of the global environment will lead to sustainable growth of society and companies, we will efficiently utilize energy and realize reductions in CO <sub>2</sub> and waste emissions.
<b>Management capital indicators</b>	<p><b>Consolidated number of employees</b></p> <p><b>7,882</b></p> <p><b>Consolidated subsidiaries</b></p> <p><b>Domestic 35 Overseas 37</b></p> <p><b>Personnel with expertise</b></p> <ul style="list-style-type: none"> <li>SCM solution sales personnel</li> <li>Operational personnel to strengthen field capabilities</li> <li>Specialized personnel (IT professionals, pharmacists, etc.)</li> </ul>	<p><b>Overwhelming field capabilities</b></p> <ul style="list-style-type: none"> <li>Standardization method established by transforming know-how accumulated over many years into explicit knowledge</li> <li>High-quality logistics based on manufacturer standards</li> </ul> <p><b>DX strategic investment</b></p> <ul style="list-style-type: none"> <li>DX strategic investment: ¥20 billion (Medium-term Management Plan 2022 period)</li> <li>SCM digital platform</li> </ul>	<p><b>Operating cash flow</b></p> <p><b>¥23.2 billion</b></p> <p><b>Equity ratio</b></p> <p><b>41.7%</b></p> <p><b>ROE</b></p> <p><b>12%</b></p>	<p><b>Operating countries</b></p> <p><b>21</b></p> <p><b>Number of business sites</b></p> <p><b>Domestic 296 sites Overseas 133 sites</b></p>	<p><b>Engagement with stakeholders</b></p> <ul style="list-style-type: none"> <li>Dialogue with investors                             <ul style="list-style-type: none"> <li>Financial results briefings: Four times (195 companies in total)</li> <li>Individual IR coverage: 102 times</li> <li>SR interviews: 13 companies</li> <li>Board of Directors' feedback: Three times</li> </ul> </li> <li>Cooperation with customers and business partners</li> </ul>	<p><b>Total energy usage</b></p> <p><b>1,009 TJ</b></p> <p><b>Renewable energy usage</b></p> <p><b>11,041 MWh</b></p>
<b>Strategies to strengthen capital</b>	Organizational growth through the growth of each and every diverse employee, and realization of the Group's collective strengths <ul style="list-style-type: none"> <li>Instill our Group Philosophy</li> <li>Recruit, train, and retain in line with "profile of human resources we seek"</li> <li>Enhance employee engagement</li> <li>Promote Diversity &amp; Inclusion to improve organizational capabilities</li> <li>Personnel training to raise SCM solutions and field capabilities</li> </ul>	Enhance field capabilities through improvements and increase high-value-added services by promoting digital transformation (DX) <ul style="list-style-type: none"> <li>Company-wide penetration of standardization methods</li> <li>Promote supply chain management using digital methods</li> <li>Promote smart logistics (robotics, etc.)</li> </ul>	Investment in growth strategies, management with an awareness for capital efficiency <ul style="list-style-type: none"> <li>Medium-term Management Plan 2022 financial strategy execution                             <ul style="list-style-type: none"> <li>Investments: ¥130 billion</li> <li>Payout ratio: 30%</li> <li>D/E ratio: 1.0 times</li> <li>ROE: Over 12%</li> </ul> </li> </ul>	Maintain and reinforce logistics foundation <ul style="list-style-type: none"> <li>Build resilient distribution networks and logistics facilities</li> <li>Strengthen logistics services in focus areas</li> <li>Build logistics facilities in competitive areas</li> </ul>	Strengthen dialogue and relations with all stakeholders <ul style="list-style-type: none"> <li>Effective communication with investors and shareholders</li> <li>Increase customer satisfaction</li> <li>Build responsible supply chains</li> </ul>	Effective use of limited resources <ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions</li> <li>Reduce waste emissions</li> </ul>

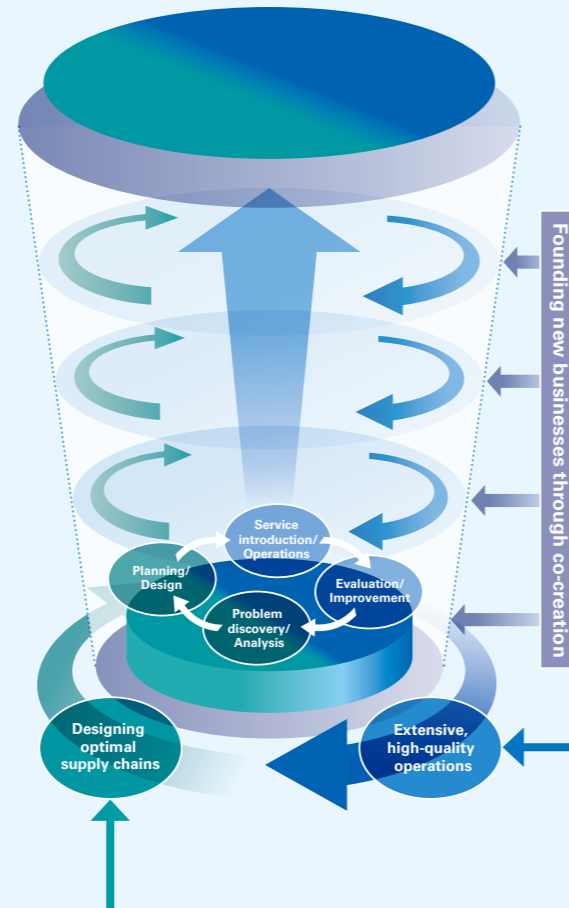
The figures are as of March 31, 2024.

## A Business Model that Leverages Strengths

Amid dramatically changing global turning points, how to build robust and sustainable supply chains remains one of the most important themes for society and customers. Making full use of the strengths built up through the utilization of its management capital, the Mitsui-Soko Group contributes to the development of its customers and society by “designing optimal supply chains” for problem-solving, “extensive, high-quality operations” to realize these goals, and “founding new businesses through co-creation” to raise the sustainability of the industry and society as a whole.

If a customer’s industry, business model, or product line change, the content and quality of logistics required will naturally differ. We have accumulated different forms of capital including “over 110 years of trust and achievements,” “stable management foundation,” “an extensive and end-to-end logistics network,” and “proposal and field capabilities based on specialized know-how.” Through these forms of capital and our corporate culture represented by our 4 VALUES, we have developed our sustainable supply chain proposal capabilities utilizing the Group’s collective strengths. Capitalizing on these strengths, we will establish optimal supply chains for our customers, realize extensive, high-quality operations, and constantly work to improve the quality of our services.

Meanwhile, changes in social conditions such as the transition to a decarbonized society, the spread of work-style reforms, and the appearance of new technologies and services are changing the very assumptions on which logistics are founded. Amid these changes, not limited to the framework of the Group, through co-creation with partner companies that possess various technologies, know-how, and ideas, we will evolve and develop our business model.



### Founding new businesses through co-creation

#### Creating new services and businesses that lead to solutions to social issues

Through co-creation with our partners that goes beyond the confines of our own industry, we will drive innovation that leads to solutions for increasingly complex social issues. By expanding into cutting-edge fields, building logistics ecosystems, and creating new services and businesses, we will help to build a society in which our customers and the consumers one step beyond them can live comfortably.

### Extensive, high-quality operations

#### Service introduction/Operation

#### Provision of comprehensive end-to-end, sustainable, and resilient logistics services from upstream to downstream

The Group has a large number of warehouses in Japan and overseas and a comprehensive lineup of logistics functions that cater to land, sea, and air forwarding. By combining these various logistics functions and executing optimal and efficient operations, we provide a wide range of flexible logistics services from upstream to downstream.

Procurement Logistics → Production Logistics → Sales Logistics

Points of Origin: Suppliers (Materials supply), Warehouses (Parts inventory), Factories (Production), Warehouses (Production inventory), Airports/Ports (Exports)

Destinations: Airports/Ports (Imports), Warehouses (Inspection inventory), Warehouses (Sales inventory), Stores

#### Contracting derivative capabilities from logistics

The Group provides after-sales services, including logistics processing such as assembly and inspection, as well as the installation, maintenance, and detailed examination of equipment. Furthermore, in addition to document management and back-office BPO services, we provide BPO services for the value chain including procurement representation and sales management that allow our customers to focus on their core operations.

Value Chain	Procurement	Manufacturing			Sales	After-Sales Service		
Operation	Purchase of materials	Assembly and processing	Forming	Inspection and testing	Marketing	Installation	Maintenance	Detailed examination
Inventory management	Inventory, supply-demand, and shipment adjustment					Repair		

#### Evaluation/Improvement

#### Enhancing logistics quality through continuous improvement activities

We verify the effectiveness of services after their introduction and carry out continuous improvement activities. By sharing information and providing education on cases of improvement within the Group, we are also aiming to further enhance efficiency, and improve productivity and quality.

### Designing optimal supply chains

#### Problem discovery/Analysis

#### Identification and analysis of logistics issues faced by customers

We identify logistics issues with an eye on not only the management environment of our customers but also the changes, such as social issues, in the external environment behind them. After collecting logistics data and on-site interviews, we visualize and analyze the current logistics operations and clarify the processes that are under strain and the items necessary for improving productivity and quality.

#### Planning/Design

#### Planning and design of logistics business processes

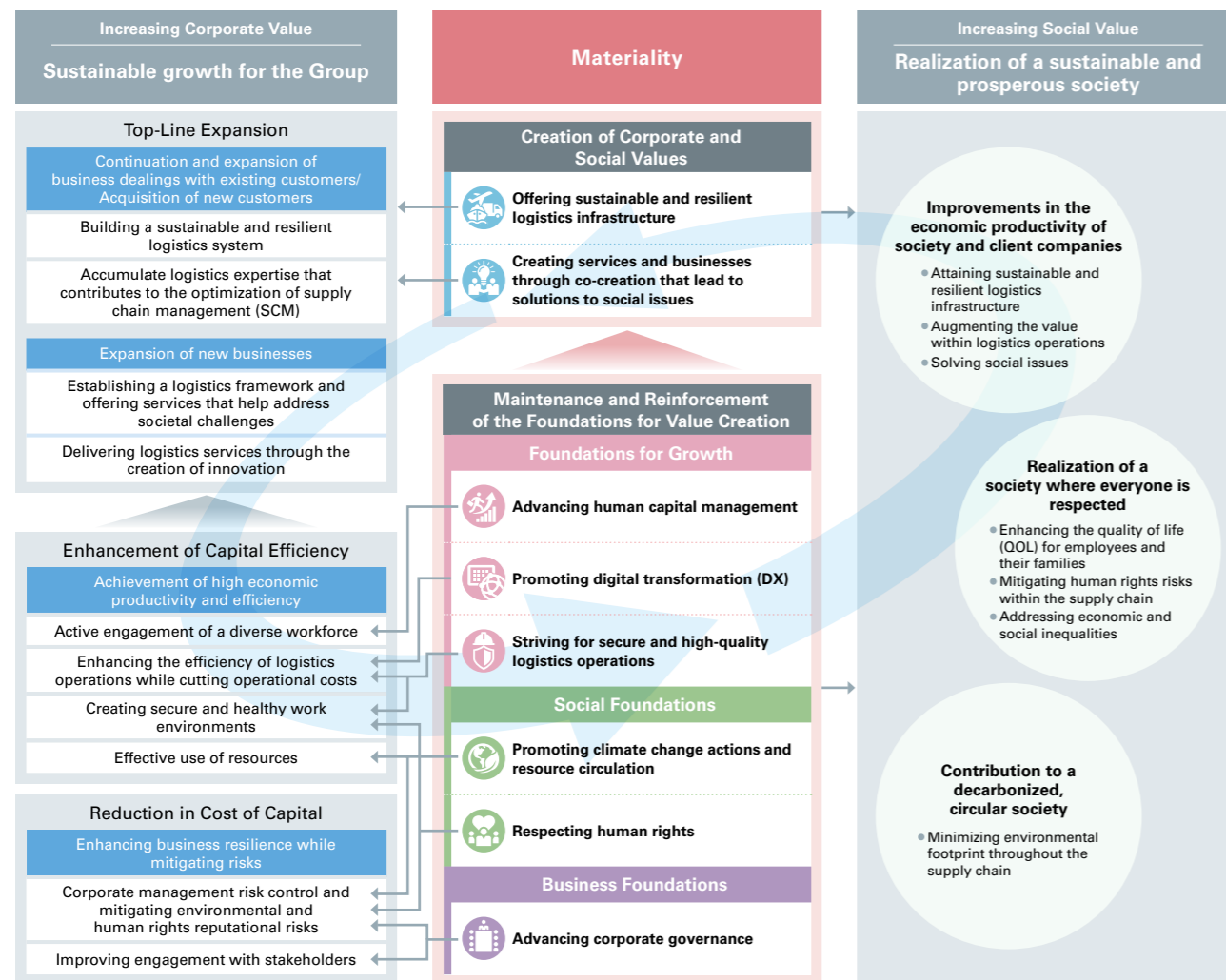
- Solution design**  
 To realize our customers’ business strategies, we plan and design logistics solutions that contribute to building the optimal supply chain. In addition to planning and designing logistics strategies that also utilize digital technology, such as logistics strategy and business process construction, we also undertake the overall management of projects, such as IT implementation and change management, to devise ways to firmly establish logistics measures.
- Warehouse operations**  
 Based on the data on work hours, we strive to reduce costs and improve productivity by designing optimal warehouse layouts and operations by automating warehouse equipment and mechanizing cargo handling operations according to the characteristics of the business.
- Construction of transportation networks**  
 Utilizing our various transportation modes and joint delivery networks that we have established over many years, we are building optimal transportation networks in terms of lead time transportation costs, etc.
- Base locations**  
 In addition to reducing distribution costs and improving lead times based on storage and transportation volumes, we are proposing base locations that also take into account disaster risk and employment conditions.

# Materiality

The Mitsui-Soko Group seeks to realize our PURPOSE of “Empower society, encourage progress” even amid uncertain and increasingly complex times. To do so, we recognize the need to promote management based on a medium- to long-term perspective and have recently revised our materiality accordingly.

Our revised materiality is composed of eight materiality items, including six based on “Maintenance and Reinforcement of the Foundations for Value Creation” and two based on realizing the “Creation of Corporate and Social Values” through the first six. The materiality identified are represented in the Group’s business activities themselves. Pursuing materiality leads to improvement in the Group’s corporate value, growth in our customers’ businesses, and helps realize the sustainable growth of society.

▶ Please see P.19–22 for the materiality identification process.



## Promotion Initiatives toward Materiality Throughout the Group

For materiality, it is necessary to promote activities throughout the Group based on appropriate governance. The Group considers materiality as an important component that contributes to management. We set KPIs for each revised materiality and promote measures in each organization under the supervision of the Board of Directors.

Our Sustainability Committee evaluates the validity of our materiality. Materiality related to the “Creation of Corporate and Social Values” and “Promoting digital transformation (DX)” are reflected in our sales policies and DX promotion policies and

discussed at the Management Council. For materiality related to “human capital,” “safety and quality,” and the “environment,” we have positioned each subcommittee, which are Group-wide organizations, under the Sustainability Committee to formulate and implement measures. Regarding “human rights,” led by the Compliance Committee, we carry out initiatives to implement human rights due diligence.

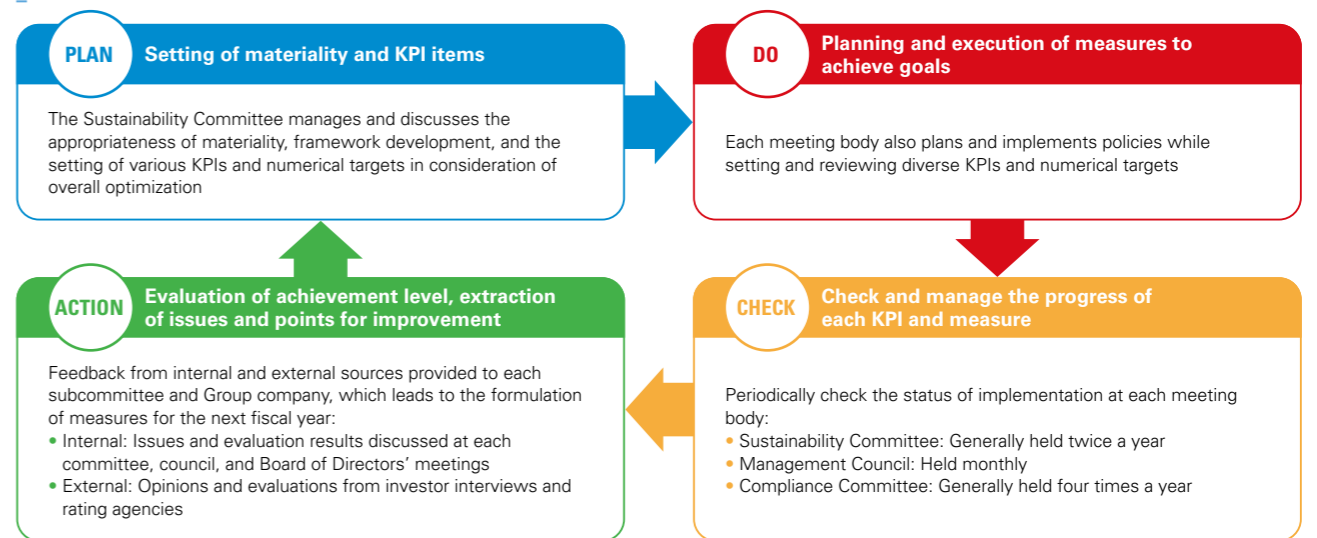
We will work to further enhance corporate value through the integration of sustainability promotion and management.

## Materiality Promotion System

	Materiality						
	All	Creation of Corporate and Social Values	Maintenance and Reinforcement of the Foundations for Value Creation				
Supervision/Approval	Board of Directors						
Meeting body	<b>Sustainability Committee</b> Chair: MSH President & CEO Members: MSH internal directors; MSH Managing Executive Officer; Presidents from each operating company; others	<b>Management Council</b> Chair: MSH President & CEO Members: MSH internal directors; Managing Executive Officers; Presidents from each operating company; others	<b>Sustainability Committee</b> <b>Human Resource Subcommittee</b> MSH Human Resource Division; Department in charge from each operating company	<b>Management Council</b>	<b>Sustainability Committee</b> <b>Safety Subcommittee</b> MSH Operation Management Division; Department in charge from each operating company	<b>Environmental Subcommittee</b> MSH Risk Management Division; Department in charge from each operating company	<b>Compliance Committee</b> Chair: MSH President & CEO Members: MSH Executive Officers in charge of HR, finance, legal, general affairs, risk management; others

MSH: MITSUI-SOKO HOLDINGS

## Materiality Promotion PDCA Cycle



## Reference: Former Materiality KPIs (2024/3 Results)




























We are steadily improving our materiality KPIs for “Economy,” “Social,” and “Environment,” based on the development of various measures. Key indicators have been passed on to newly identified materiality, and we will continue to promote initiatives.

Materiality (Former)	KPIs (Former)	2024/3 Results	Link to Current Materiality
<b>Economy</b>	Provision of sustainable, resilient logistics services through co-creation	<ul style="list-style-type: none"> <li>Expansion of businesses arising from social issues</li> <li>Achievement of high economic productivity and efficiency through DX promotion and innovation</li> <li>Expansion of partnerships toward sustainable logistics</li> </ul>	<ul style="list-style-type: none"> <li>Progress of SustainaLink</li> <li>- Number of CO<sub>2</sub> calculations of customers (cumulative total): Approx. 10 million</li> <li>- Compliance with ISO 14083:2023</li> <li>Launch of a large-scale center using robotics</li> <li>Investments in building next-generation logistics systems</li> </ul>
<b>Social</b>	Realization of safe, diverse, and rewarding work environments	<ul style="list-style-type: none"> <li>Improvement of employee engagement</li> <li>Maintain zero occupational accidents</li> <li>Achieve ratio of paid leave taken of 70%*</li> <li>Improvement of absentee rate over previous fiscal year’s level</li> <li>Achieve health checkup take-up rate of 100%*</li> <li>Achieve male childcare leave acquisition rate of 30%*</li> <li>Achieve female manager ratio of 15%*</li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement: 66 (up one point)</li> <li>Number of occupational accidents: 0</li> <li>Ratio of paid leave taken: 66.82%</li> <li>Absentee rate: 0.15% (up 0.02 points)</li> <li>Health checkup take-up rate: 99.58%</li> <li>Male childcare leave acquisition rate: 78.05%</li> <li>Female manager ratio: 10.11%</li> </ul>
<b>Environment</b>	Contribution to a decarbonized, circular economy by actively reducing environmental impact	<ul style="list-style-type: none"> <li>Total CO<sub>2</sub> emissions (Scope 1 + 2): 50% reduction by 2031/3 (Compared to 2014/3)</li> <li>Net zero by 2051/3</li> <li>Volume of waste emissions: reduced from the previous fiscal year’s level</li> </ul>	<ul style="list-style-type: none"> <li>Total CO<sub>2</sub> emissions (Scope 1 + 2): 54,161 t-CO<sub>2</sub> (23% reduction compared to 2014/3)</li> <li>Waste emissions: 7,977t (542t reduction)</li> </ul>

\*Achievement deadline is end of March 2026

## List of Materiality

The Mitsui-Soko Group identifies materiality with the aim of creating new value and achieving sustainable growth for the Group and for society through its business activities. We will promote initiatives for these materialities and thereby contribute to achieving the goals of the SDGs related to our business, while realizing the sustainable enhancement of the Group's corporate value.

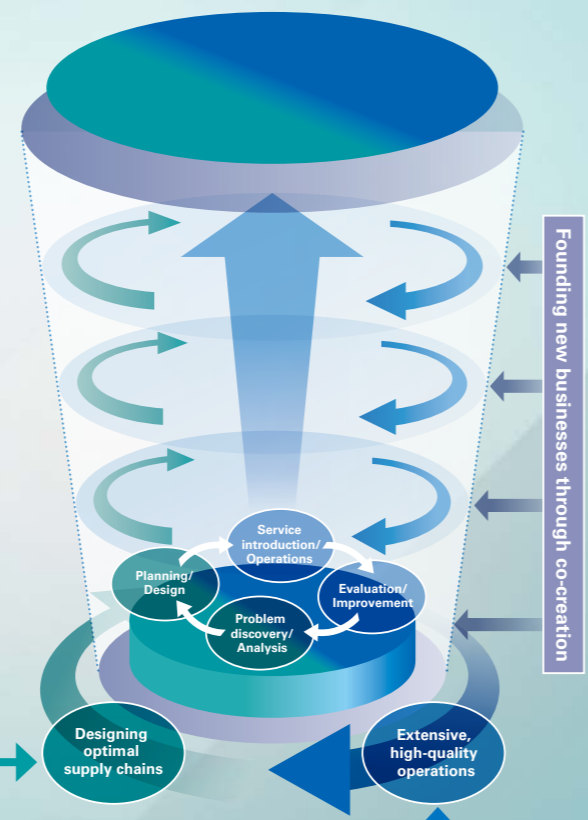
Materiality		Promotion System	KPIs	Scope	Major Business Impact	Major Social Impact	Contribution to the SDGs
Creation of Corporate and Social Values	 <b>Offering sustainable and resilient logistics infrastructure</b>	Management Council	<ul style="list-style-type: none"> <li>Medium-term Management Plan 2022 Targets for operating revenue and operating profit</li> </ul>	<ul style="list-style-type: none"> <li>Group (consolidated)</li> </ul>	<b>[Top-Line Expansion]</b> <ul style="list-style-type: none"> <li>Establishing a logistics framework that contributes to the optimization of supply chain management (SCM)</li> <li>Accumulating logistics expertise to meet customers' QCD + sustainability needs</li> </ul>	<ul style="list-style-type: none"> <li>Attaining sustainable and resilient logistics infrastructure</li> </ul>	 
	 <b>Creating services and businesses through co-creation that lead to solutions to social issues</b>	Management Council	<ul style="list-style-type: none"> <li>Medium-term Management Plan 2022 Targets for operating revenue and operating profit</li> <li>Driving efforts to create and expand new services and businesses</li> </ul>	<ul style="list-style-type: none"> <li>Group (consolidated)</li> </ul>	<b>[Top-Line Expansion]</b> <ul style="list-style-type: none"> <li>Establishing a logistics framework and offering services that help address societal challenges</li> <li>Delivering logistics services through the creation of innovation</li> </ul>	<ul style="list-style-type: none"> <li>Attaining sustainable and resilient logistics infrastructure</li> <li>Augmenting the value within logistics operations</li> <li>Solving social issues</li> </ul>	  
Foundations for Growth	 <b>Advancing human capital management</b>	Sustainability Committee (Human Resource Subcommittee)	<ul style="list-style-type: none"> <li>Visualizing the human resources portfolio</li> <li>Average annual training hours per person: 20 hours</li> <li>Average annual training cost per person: ¥70,000</li> <li>Ratio of female managers: 15%</li> <li>Male childcare leave acquisition rate: 100%</li> <li>Facilitating interactions among Group companies</li> <li>Philosophy penetration score: 71 or higher</li> <li>Engagement score: 71 or higher</li> <li>Ratio of paid leave taken: 70%</li> </ul> <small>*Achievement deadline is end of March 2031.</small>	<ul style="list-style-type: none"> <li>MSH</li> <li>Major operating companies</li> </ul>	<b>[Top-Line Expansion]</b> <ul style="list-style-type: none"> <li>Delivering optimal services through active engagement of a diverse workforce</li> </ul> <b>[Enhancement of Capital Efficiency]</b> <ul style="list-style-type: none"> <li>Strengthening organizational capabilities and increasing profit per capita through improved engagement</li> <li>Promoting labor productivity through enhanced health and productivity management</li> </ul>	<ul style="list-style-type: none"> <li>Attaining sustainable and resilient logistics infrastructure</li> <li>Enhancing the quality of life (QOL) for employees and their families</li> <li>Addressing economic and social inequalities</li> </ul>	  
	 <b>Promoting digital transformation (DX)</b>	Management Council	<ul style="list-style-type: none"> <li>Number of systems compatible with digital transformation (DX)</li> <li>Number of locations implementing robotic process automation (RPA) and robotics</li> <li>Number of DX projects originating from GEMBA (front lines)</li> <li>Number of participants in DX talents training</li> </ul>	<ul style="list-style-type: none"> <li>MSH</li> <li>Major operating companies</li> </ul>	<b>[Top-Line Expansion]</b> <ul style="list-style-type: none"> <li>Sophisticating services through the use of digital technology</li> </ul> <b>[Enhancement of Capital Efficiency]</b> <ul style="list-style-type: none"> <li>Improving operational efficiency and implementing business transformation through the introduction of robotics and digital technology</li> </ul>	<ul style="list-style-type: none"> <li>Augmenting the value within logistics operations</li> <li>Enhancing the quality of life (QOL) for employees and their families</li> </ul>	
	 <b>Striving for secure and high-quality logistics operations</b>	Sustainability Committee (Safety Subcommittee)	<ul style="list-style-type: none"> <li>Lost time injury frequency rate: improved from the previous fiscal year's level</li> <li>Encouraging initiatives to reduce the parts per million (PPM) defective rate and prevent quality incidents</li> </ul>	<ul style="list-style-type: none"> <li>MSH</li> <li>Major operating companies</li> </ul>	<b>[Top-Line Expansion]</b> <ul style="list-style-type: none"> <li>Achieving a competitive edge by enhancing the quality of logistics services</li> </ul> <b>[Enhancement of Capital Efficiency]</b> <ul style="list-style-type: none"> <li>Promoting labor productivity by creating secure and healthy work environments</li> <li>Enhancing the efficiency of logistics operations while cutting operational costs</li> </ul>	<ul style="list-style-type: none"> <li>Attaining sustainable and resilient logistics infrastructure</li> <li>Enhancing the quality of life (QOL) for employees and their families</li> </ul>	 
	 <b>Promoting climate change actions and resource circulation</b>	Sustainability Committee (Environmental Subcommittee)	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions: Scope 1 + 2 (compared to 2014/3) 2026/3: 29% reduction 2031/3: 50% reduction 2051/3: Achieving net zero</li> <li>CO<sub>2</sub> emissions: Scope 3</li> <li>Leading initiatives to decrease emissions across both our own and our customers' supply chains</li> <li>Waste recycling rate: To be increased by one point compared to the previous fiscal year</li> </ul>	<ul style="list-style-type: none"> <li>MSH</li> <li>Major operating companies</li> <li>Marukyo Logistics (Osaka/Ehime)</li> </ul>	<b>[Enhancement of Capital Efficiency]</b> <ul style="list-style-type: none"> <li>Reducing insurance premiums and repair costs by implementing climate change mitigation strategies</li> <li>Reducing costs through enhanced resource efficiency</li> </ul> <b>[Reduction in Cost of Capital]</b> <ul style="list-style-type: none"> <li>Enhancing business resilience by reducing disaster risks</li> </ul>	<ul style="list-style-type: none"> <li>Minimizing environmental footprint throughout the supply chain</li> </ul>	  
Social Foundations	 <b>Respecting human rights</b>	Compliance Committee	<ul style="list-style-type: none"> <li>Implementation rate of human rights due diligence (DD) in the Group: 100%</li> <li>Improvement of human rights education and training implementation rate</li> </ul>	<ul style="list-style-type: none"> <li>Group (consolidated)</li> </ul>	<b>[Enhancement of Capital Efficiency]</b> <ul style="list-style-type: none"> <li>Promoting labor productivity by creating secure and healthy work environments</li> </ul> <b>[Reduction in Cost of Capital]</b> <ul style="list-style-type: none"> <li>Enhancing business resilience by addressing human rights risks</li> </ul>	<ul style="list-style-type: none"> <li>Mitigating human rights risks within the supply chain</li> <li>Addressing economic and social inequalities</li> </ul>	 
	 <b>Advancing corporate governance</b>	—	—	—	<b>[Reduction in Cost of Capital]</b> <ul style="list-style-type: none"> <li>Enhancing business resilience through effective risk control</li> <li>Improving engagement with stakeholders</li> </ul>	—	
Business Foundations	 <b>Advancing corporate governance</b>	—	—	—	<b>[Reduction in Cost of Capital]</b> <ul style="list-style-type: none"> <li>Enhancing business resilience through effective risk control</li> <li>Improving engagement with stakeholders</li> </ul>	—	



**SPECIAL FEATURE**

# The B2B2C Business Model

This section introduces our B2B2C business model, one of the Group's focus areas. In the B2B2C field, in addition to implementing logistics design and operations that contribute to the optimization of supply chains, we promote the creation of next-generation logistics that lead to the resolution of social issues such as the 2024 problem and environmental issues.



## Founding New Businesses through Co-creation

### Promoting initiatives related to relay transportation

#### Participating in DENSO CORPORATION's trunk relay transport services, "SLOC"

The Group participated in the trunk relay transport service project, "SLOC," conducting joint demonstration experiments with multiple companies. SLOC, an acronym for "shuttle line of communication," is a trunk relay transport service that utilizes a "swap body system" in which containers can be disconnected and attached to different trucks. Because relay transport is achieved by disconnecting containers, it reduces both long-distance transportation and the burden of cargo handling. To establish the SLOC system in society, frameworks are being evolved that facilitate stable operations including the standardization of processes and rules, and further evaluations are underway to apply the SLOC system to facilitate mixed loading and joint transportation.

#### Co-creation with NTT DATA, Inc. aimed at optimizing relay transport

We are participating in desktop evaluations of optimization models for NTT DATA's "relay transport optimization platform" concept. This concept involves optimizing transportation by building transport networks centered on warehouses acting as reloading centers to conduct matching in relay transport. Specifically, the platform, which includes warehouse providers and shipping companies, aims to introduce dynamic pricing based on cargo volume data and shipping conditions, to improve the multi-layer

subcontracting structure that poses a significant issue for shipping vendors, and to maximize loading rates.

### Investing in T2 Inc., which aims to realize self-driving trucks

The Group has invested in T2 Inc. which aims to commercialize trunk transport services using self-driving trucks to create new logistics services. Since T2 was founded, the Group has provided development centers and supported test runs, aiding in the development of self-driving technology. By integrating the Group's logistics know-how with new technologies, we are accelerating initiatives to optimize transportation and delivery and automate cargo handling, aiming to build logistics networks that incorporate flexibility, immediacy, and business continuity.

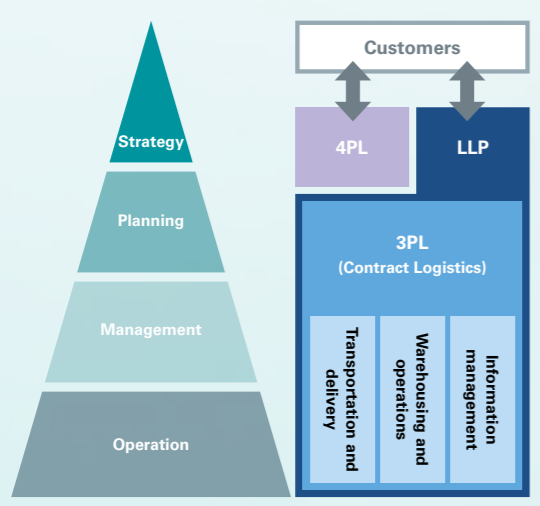
#### Value Provided

- Optimizing relay transport\*1
- Building logistics platforms that optimize storage and transport
- Reducing the risk of being unable to transport cargo because of labor shortages
- Improving long-distance transport and labor conditions for drivers
- Reducing CO<sub>2</sub> emissions by optimizing transport and improving loading rates
- Creating new logistics services

\*1 Relay transport: transport method in which drivers are switched at relay points in long-distance, long-duration transport

## Designing Optimal Supply Chains

In the B2B2C field, we offer an LLP service model capable of providing integrated logistics services including every step from strategy formulation to planning, management, and operations for our customers' supply chains. We design optimal supply chains that not only cut costs, but also contribute to expanding our customers' businesses.



#### Value Provided

- Building logistics strategies that contribute to expanding business
- Optimizing in-store logistics operations and delivery networks
- Designing supply chains that contribute to growing revenue in both the store and EC sales channels
- Designing state-of-the-art logistics centers including the introduction of automation and robotics

## Extensive, High-Quality Operations



### Joint Logistics Platform

#### Joint logistics platform management

We are building a joint logistics platform that shares inventory from multiple manufacturers and mass retailers at the same distribution center. Through the platform, shipments from manufacturers to mass retailers are completed by transferring inventory within the distribution center, and shipments to stores are optimized through joint delivery.

#### Value Provided

- Inventory optimization and reduction of lead times through visualization (information sharing) of manufacturing and sales inventory
- Reduction of transportation costs and CO<sub>2</sub> emissions through warehouse transportation and joint deliveries
- Resource optimization by sharing of infrastructure and human resources

### Store and e-commerce logistics warehouse operations

We operate OMO-compliant\*2 logistics centers that create synergistic effects between stores and e-commerce sales channels. By introducing logistics operations processes that utilize state-of-the-art material handling equipment and AI and creating overwhelming field capabilities that combine the power of people with the power of technology, we provide highly efficient logistics services.

#### Value Provided

- Optimizing inventory and improving manufacturing efficiency through the integrated management of store inventory and e-commerce inventory
- Reducing the risk of lost sales opportunities through highly efficient operations
- Improving working environment and labor productivity through the promotion of DX

\*2 Short for Online Merges with Offline. Sales promotion measures by integrating online and offline channels with the aim of improving customer experiences.

### Technical Logistics Platform

We are building a technical logistics platform to subcontract everything from transport to after-sales services. The platform provides a one-stop solution to customers by acting as a control tower for the integrated management of diverse capabilities including everything from order receiving and sales management to delivery, installation, and maintenance. Through remote monitoring using IoT, we provide preventive maintenance for equipment and services to replenish consumable goods.

#### Value Provided

- Concentration of resources in core operations through the contracting of derivative operations
- Increased productivity and improved customer services through comprehensive services covering everything from shipping to installation
- Improving quality through feedback related to maintenance and product returns



## DIALOGUE

## Co-creative Logistics Solutions Partner

In the spring of 2022, the Kansai Ibaraki Logistics Center was born through a joint project made possible through the cooperation of Joshin Denki Co., Ltd. and MITSUI-SOKO LOGISTICS (MSL). The Kansai Ibaraki Logistics Center, which will focus on the logistics reforms being advanced by Joshin Denki is a 35,000 tsubo (approx. 116,000 m<sup>2</sup>) large-scale facility established to realize seamless logistics through the mutual complementation of real stores and EC sales by combining the strengths of personnel and technology. We spoke to two key people about this project aimed at realizing the Mitsui-Soko Group's VISION of becoming "the co-creative logistics solutions partner."

## Etsuo Ide

Deputy Director, Logistics Management Department and Director of the Center, Kansai Ibaraki Logistics Center  
Joshin Denki Co., Ltd.



## Dai Yaegashi

General Manager, Appliance Retail Logistics Sales Division,  
Strategic Sales Headquarters, Sales Branch  
MITSUI-SOKO LOGISTICS Co., Ltd.

## Project Launch

**Ide:** The Group is developing a unique dominant strategy. A typical dominant strategy is a management method that involves concentrating new store openings in specific areas to secure competitive superiority. However, rather than relying on new store openings, through the strengthening of the sales capabilities of existing stores, the scrap-and-build method, and synergistic effects with our EC business, we aim to expand our market share by improving

service quality, including logistics and service infrastructure systems. Logistics represents an important platform that supports the diversification strategy of the Group.

In addition to technological innovation, in recent years the home appliances industry is undergoing significant volatility caused by diverse changes in both lifestyles and consumer needs. One of these changes is the dramatic expansion of the EC market, which has created the urgent need to build efficient, sustainable logistics

systems. As it is clear that the EC business is poised for further growth, we needed a core logistics center to provide customers with attractive shopping experiences and to ensure stable product supply using the synergistic effects between real stores and the EC business. Trends are incredibly hard to read in the EC business, and as the logistics center that was in operation at the time was reaching its processing capacity, we launched a project aimed at opening a new logistics center.



The goal of all logistics reform initiatives is to ensure that purchased products are delivered safely to the customer. MSL is an extremely important like-minded co-creative partner accompanying us on our journey.

— Etsuo Ide —



**Yaegashi:** MSL has supported Joshin Denki since 2005, and this relationship led to Joshin Denki contacting us about the project. We began working to create a proposal in December 2018. Around once a month, we traveled from Tokyo to Joshin Denki's Osaka headquarters to discuss the project. During this process, we took time to identify and organize the issues faced by Joshin Denki and to consider the optimal logistics center operations to accommodate their requests down to the smallest detail.

**Ide:** In terms of the site location, we had hoped to open the logistics center in the Kansai area, where we enjoy the highest volume of net sales. This is part of our dominant strategy. Another project goal was to consolidate our logistics centers into a single center. By consolidating our dispersed logistics centers into a single location, we hoped to streamline our operations and to increase our processing capabilities. An important point was our business continuity plan (BCP). Having been impacted by wind and flood damage caused by a typhoon in the summer of 2018, we wanted to properly hedge against the increasing risk of natural disasters. Another important issue was streamlining and labor-saving with the expansion in the EC business, and being able to relocate our logistics center without halting operations was another prerequisite.

**Yaegashi:** To be able to consolidate our logistics center into one location, we needed a very large site. We narrowed down a list of candidate sites based on their suitability for stores and EC delivery, their resilience against natural disasters, and the work environment that they would provide for our employees. In terms of streamlining and labor-saving, we proposed an operations plan that included the introduction of large material handling equipment and that was suited to the unique demands of both stores and EC sales. Our logistics centers at the time performed

operations that mostly did not include machinery, meaning that the installation of material handling equipment represented a significant change. By moving forward with the mechanization of optimized logistics processes expected to produce the maximum results in line with our current business model and by integrating IT system development and the introduction of material handling equipment, we took a bird's-eye view in formulating the overall design for the logistics of Joshin Denki.

**Ide:** Having received numerous proposals from different companies, MSL was the company that took the various issues and requirements of our Group the most seriously and that provided the most convincing information and clearest solution proposal. We also feel comfortable working with MSL given our business relationship of close to 20 years. MSL was a partner in the truest sense of the word in their involvement with our Group's logistics reforms.

## The Challenge of Integrating People and Technology

**Yaegashi:** The Kansai Ibaraki Logistics Center began real operations in the spring of 2022, but this was not before an initial process of continued trial and error. Partly because of the nature of the site as a large-scale, multi-story facility, and despite careful prior preparations, during the initial operations, the logistics processes including the material handling equipment did not function according to design. Every day was spent troubleshooting the many issues with the initial design.

**Ide:** Because we were not well-versed in frontline logistics, I thought that if we simply installed the material handling equipment, we could easily achieve streamlining and labor-saving. However, this was not the case, and I realized the importance of "people" in connecting our various material handling processes.

**Yaegashi:** People are required for newly designed logistics processes including

## Business Model to Accelerate Co-creation

## Designing Optimal Supply Chains

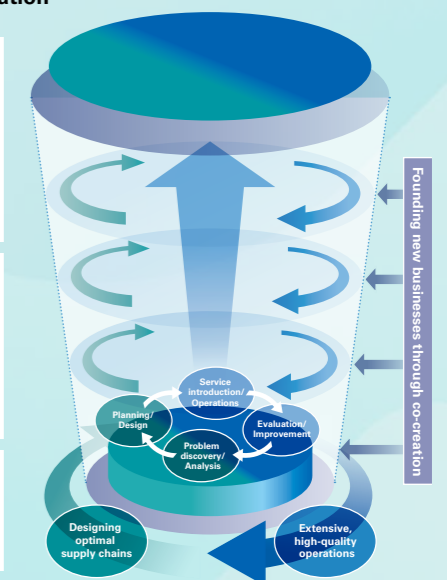
- Building base locations and transportation networks optimized for both stores and EC deliveries
- Base location focused on mitigating natural disasters and securing our labor force
- Designing highly efficient warehouse operations by introducing optimal material handling

## Extensive, high-quality operations

- Promoting labor-saving by introducing material handling equipment
- Transitioning to paperless ledger sheets and pay slips using blockchain technology
- Improving logistics efficiency through regular personnel education

## Founding new businesses through co-creation

- Evaluating next-generation logistics systems to resolve Japan's 2024 problem
- Using the SustainaLink service





**While holding dear the spirit of “co-creation” that forms part of the Mitsui-Soko Group’s VISION, I hope to continue to tackle challenges head on, to strive for even better service quality, and to support the business growth of our customers.**

— Dai Yaegashi —



material handling equipment to function. If information is not shared properly, when the busy season comes, even immediate improvements require time to take hold in a large-scale center at which hundreds of people are working at a time. Because such centers not only have many employees, but also many other involved parties, we dedicated ourselves to frontline management including thinking creatively of simple language to communicate common processes, thoroughly enforcing rules and providing education, and ensuring that the process did not impact Joshin Denki’s business.

**Ide:** Even during this continued process of trial and error, we valued and trusted MSL’s operations capabilities. If a mistake was made today, we were sure that it would be fixed tomorrow. If a new issue developed, a solution would be found. I observed this approach with my own two eyes, and even though we were faced with many challenges, we overcame all of them together as a team.

### Logistics Reforms Are a Constant Process

**Yaegashi:** Although we faced continued struggles at the start, we began EC shipments in July 2022. In September, we succeeded in completing high-volume shipments of a hit product rarely seen in recent years, and in December, we achieved the upper limit for EC shipment numbers set forth in our design targets. This represents the successful completion of an important milestone for the project. However, we did not allow this success to go to our heads and have carried out continuous activities to improve our operations in the two years that have passed since the center began operations. For example, although we already introduced a berth management system

designed to alleviate congestion with truck shipments, we are continuing to work to optimize logistics together with our logistics affiliates, including transitioning to paperless delivery statements to reduce the burden placed on delivery drivers, one of the main issues in Japan’s 2024 problem.

**Ide:** Prior to this project, I did not understand how to go about logistics reforms. However, through the project, it became clear to me both what I wanted to do and what I should do. Presently at the Group, we are moving into the phase of “considering the perspective of logistics” in deciding what kind of new services to provide to our customers.

**Yaegashi:** Many new logistics initiatives are now underway. Recently, I have been involved in an initiative to develop a framework to support service improvement policies for the end users of products purchased through EC sites. Although this support is indirect, it was a new experience to be involved in an initiative covering every step from designing logistics frameworks to supporting increased sales for our customers (“Online order, in-store pickup service”). Furthermore, from the standpoint of resolving social issues, we are testing swap transportation that changes out shipping containers during product transportation using intermediary locations and promoting initiatives to reduce the burden placed on delivery drivers, including transitioning to paperless delivery statements. Furthermore, we are working with T2 Inc. to provide long-distance hauling services using self-driving trucks with the goal of building next-generation logistics.

**Ide:** As one initiative to address climate change, we are working to visualize our CO<sub>2</sub> emissions using MSL’s SustainaLink service.

Using the know-how developed in this project, we are now in the process of expanding our logistics systems in the

Kanto region. With the core logistics center now stably operating, we have created a virtuous cycle that allows us to move confidently to the next step.

### Valuing “Co-creation” While Continuing to Be a True Partner

**Yaegashi:** This project also represented an unprecedented challenge for MSL. We gained both significant knowledge and results in creating project plans, advancing and implementing those plans, selecting members to form better teams, managing operations, and relocating inventory. I would like us to share this knowledge and these results among our Group companies to further improve the quality of our work.

**Ide:** Our goals are to have more customers who depend on Joshin Denki and to achieve sustainable growth. Although logistics are more of a behind-the-scenes service, they are the final, key piece that completes our vision. Ensuring that purchased products are delivered safely to the customer—this is truly important. If products are not delivered, it could result in a serious complaint, and the customer may never buy from our Group again. It is important to implement the fundamentals steadily and continuously. This is the goal of all logistics reform initiatives. MSL is an extremely important and like-minded co-creative partner accompanying us on our journey, and we will continue to rely on you into the future.

**Yaegashi:** Thank you very much. While holding dear the spirit of “co-creation” that forms part of the Mitsui-Soko Group’s VISION, I hope to be an even closer partner to Joshin Denki than ever before, to continue to tackle challenges head-on, and to pursue comprehensive logistics quality to support Joshin Denki’s business growth.