



**MITSUI-SOKO Group**

**“Medium-term Management Plan 2017”**

(FY 2018 to FY 2022)

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**- From Reversal to Sustainable Growth -**

**MITSUI-SOKO HOLDINGS Co., Ltd.**  
**November 13, 2017**



1. Assessment of current situation

2. Aspirations

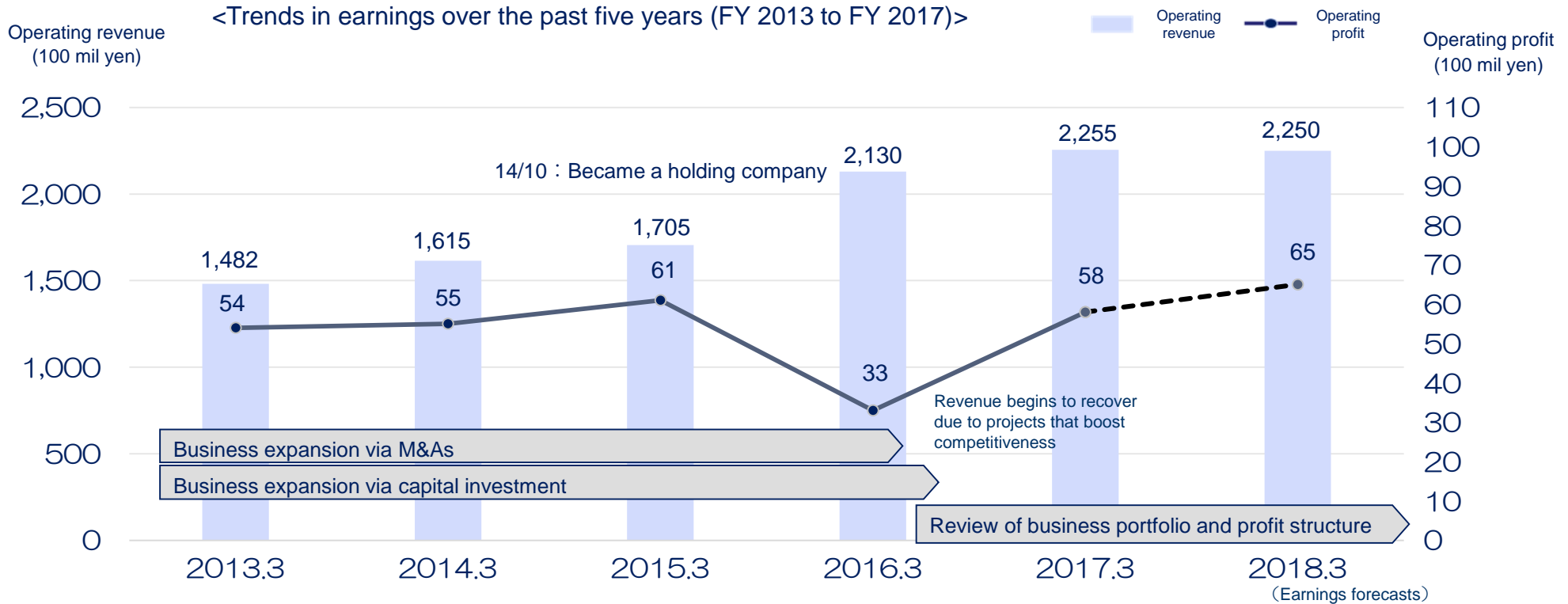
3. Medium-term Management Plan 2017



# 1. Assessment of current situation

## (1) Results to the present

- Expanded businesses through aggressive M&As and capital investment to break away from dependency on the real estate business



### Business expansions via M&A

- Apr. 2012: SANYO Electric Logistics
- Jul. 2012: TAS Express
- Apr. 2015: Sony Supply Chain Solutions
- Jul. 2015: Prime Cargo (Denmark and Hong Kong)
- Aug. 2015: North Star Logistics (Thailand)
- Dec. 2015: Marukyo Transportation

### Business expansions via capital investment

- Nov. 2012: Dedicated health care facility in Kansai area (West Kobe)
- Mar. 2014: New warehouse in Bangkok (Thailand)
- Jul. 2014: New warehouse in Busan (South Korea)
- Apr. 2015: New warehouse in Jakarta (Indonesia)
- Sep. 2015: Dedicated health care facility in Kanto area (Kisai)
- Oct. 2016: New warehouse in Surabaya (Indonesia), etc.

### Cumulative investments (FY 2013 to FY 2017)

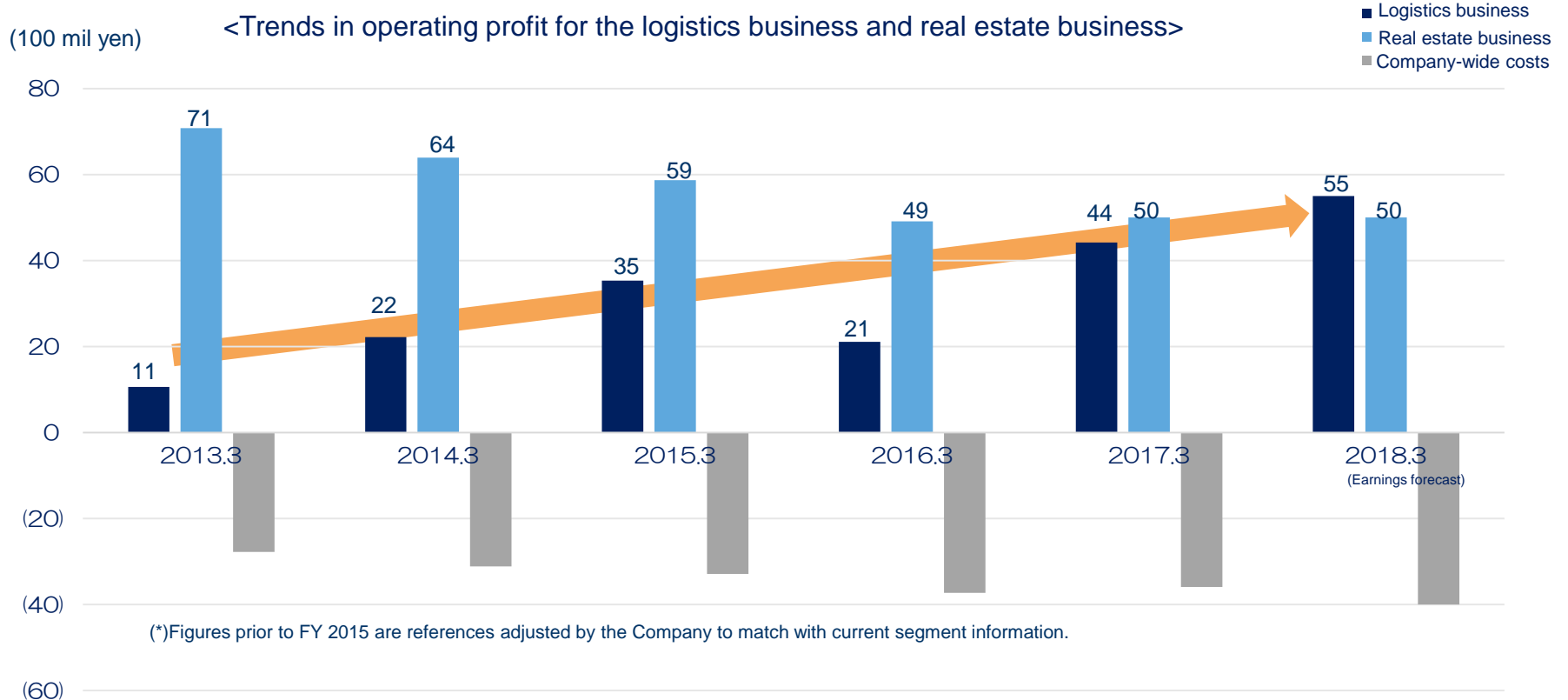
M&A	645
Investments to expand sales	267
<b>Total</b>	<b>912</b> (100 mil yen)



# 1. Assessment of current situation

## (1) Results to the present

- Promote breaking away from dependence on the real estate business by expanding the logistics business via focusing on M&As



<Operating margin>

Logistics business	0.8%	1.5%	2.2%	1.0%	2.0%	2.5%
Overall	3.6%	3.4%	3.6%	1.5%	2.6%	2.9%



# 1. Assessment of current situation

## (2) Looking back

- The previous medium-term management plan (MOVE 2015) focused on growing existing operations by acquiring new operations and raising productivity, as well as increasing new investments. Based on the 6.1 billion yen in operating profit recorded in FY 2015, the plan targeted 11.0 billion yen in operating profit in FY 2018. However, achieving this target became difficult due to significant changes to the assumptions made of the Group's operating environment, such as slower personal spending and production activity.

	<u>Base</u> FY 2015 (Actual)	<u>MOVE 2015</u> FY 2018 (Numerical targets)	<u>Current forecasts</u> FY 2018 (Earnings forecast)
Operating revenue	170.5 billion yen	280.0 billion yen	<b>225.0 billion yen</b>
Operating profit	6.1 billion yen	11.0 billion yen	<b>6.5 billion yen</b>
Operating cash flow	8.0 billion yen	20.0 billion yen	<b>13.5 billion yen</b>
Balance of interest-bearing debt	125.1 billion yen	160.0 billion yen	<b>158.0 billion yen</b>

<Issues to be addressed>

Stagnant profit ratio

Wait-and-see stance

Weak cost awareness

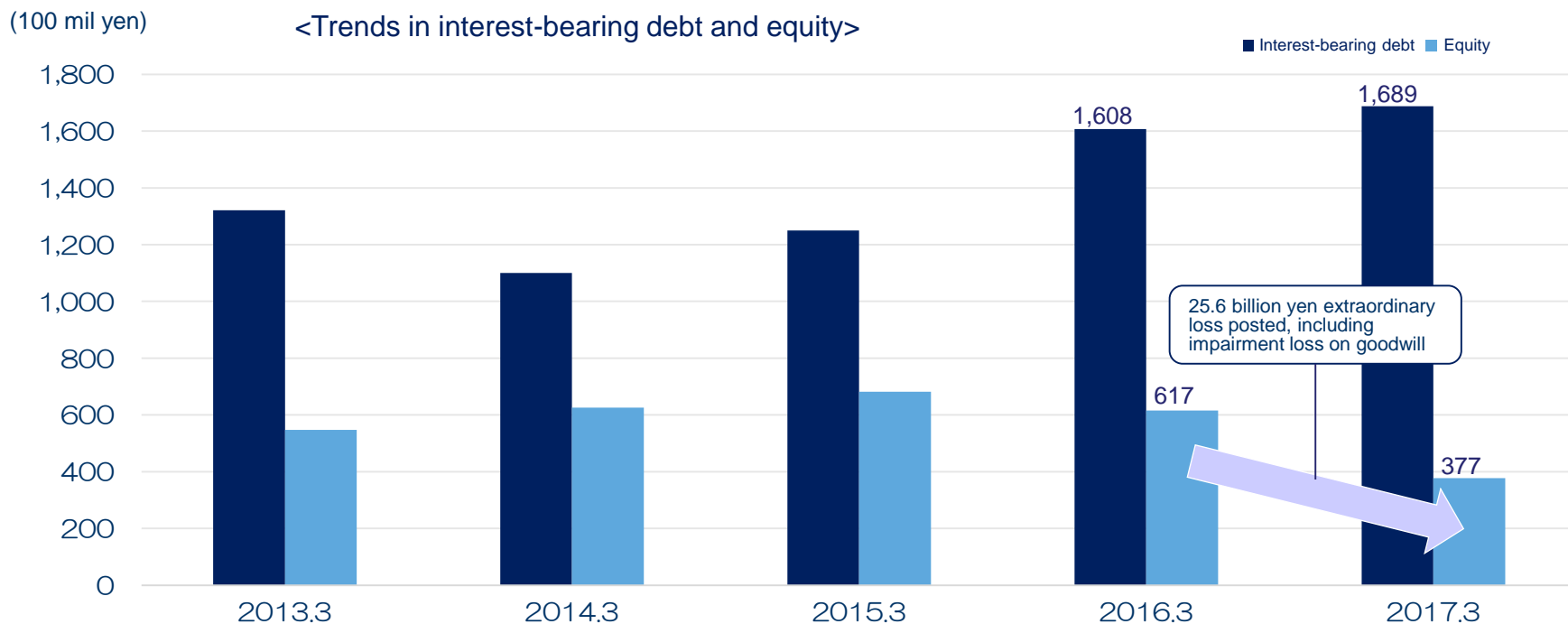
Lack of initiatives carried out as a Group



# 1. Assessment of current situation

## (2) Looking back

- Interest-bearing debt has increased due to aggressive M&As and capital investments
- Business plans for some companies acquired in M&As have been prudently reassessed, and impairment losses on goodwill were posted in FY 2017



### <Issues to be addressed>

Recover eroded equity

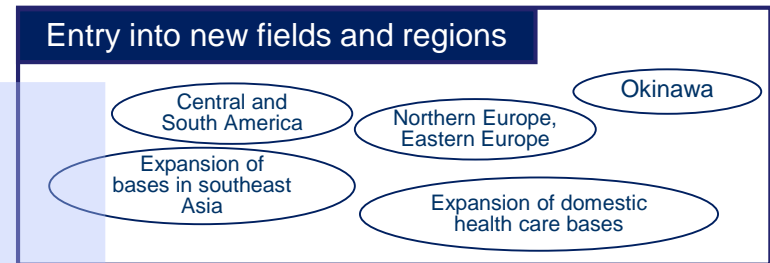
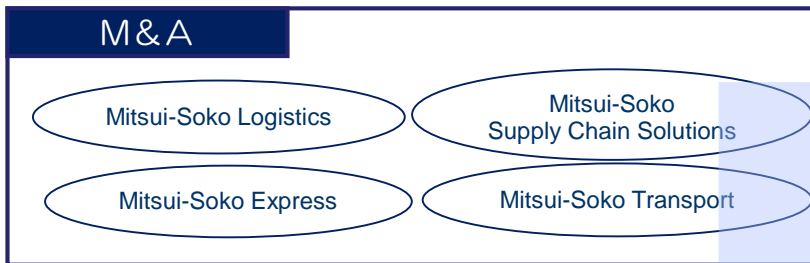
Reduce interest-bearing debt



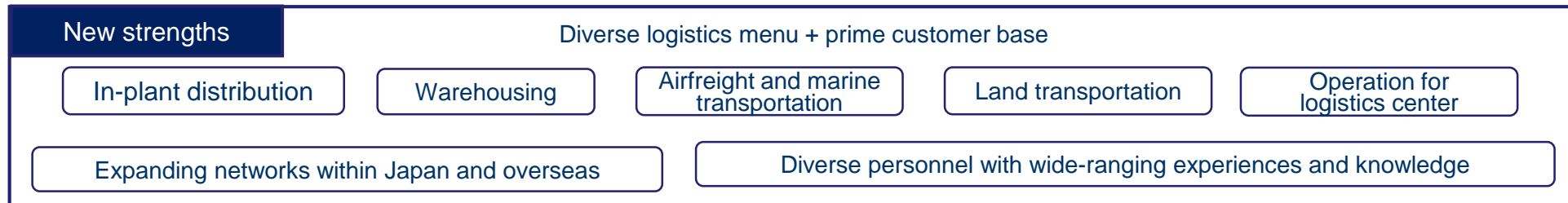
# 1. Assessment of current situation

## (3) Our strengths

- Acquiring new logistics functions and diverse personnel through aggressive M&As
- Expanding business into new fields and regions through aggressive capital investment
- In conjunction with previous strengths, establishing a comprehensive lineup of logistics services and expanding the foundation of prime customers



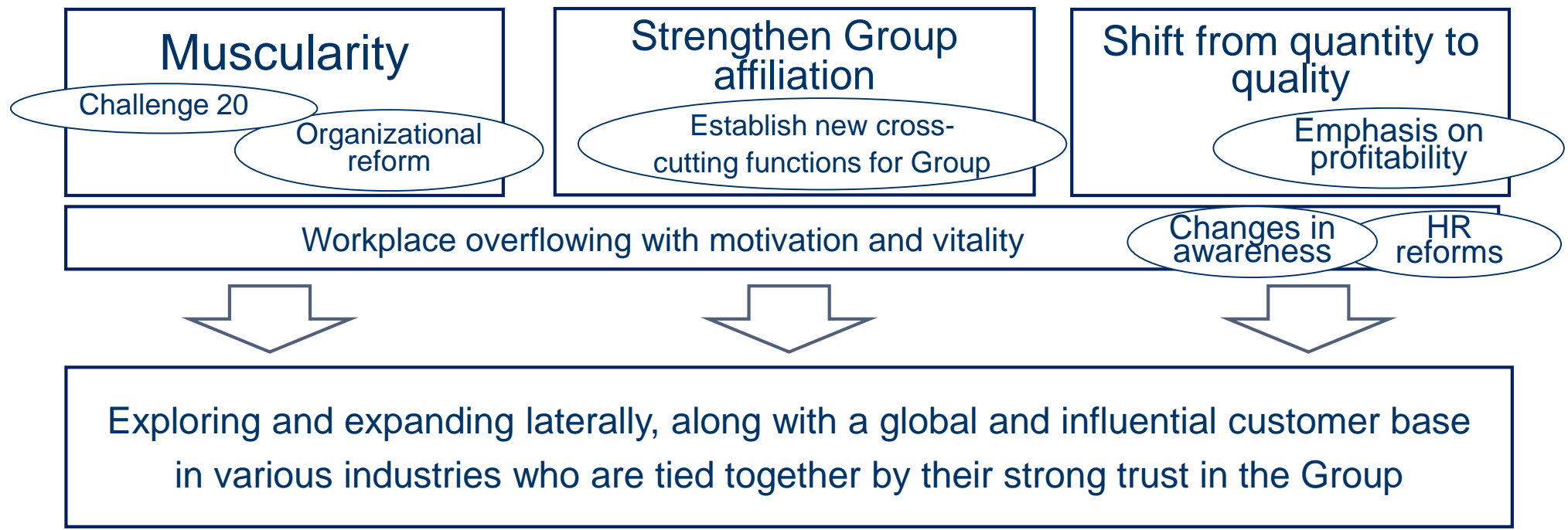
**Changes to the system**      (October 2014) Shift to holding company structure and strengthening the impetus of each business





## 2. Aspirations

- Become a corporate group that customers seek out first for help by utilizing our comprehensive lineup of logistics services as an “integrated logistics provider” and going beyond national, regional, and industrial borders to resolve customers issues



### Aspirations

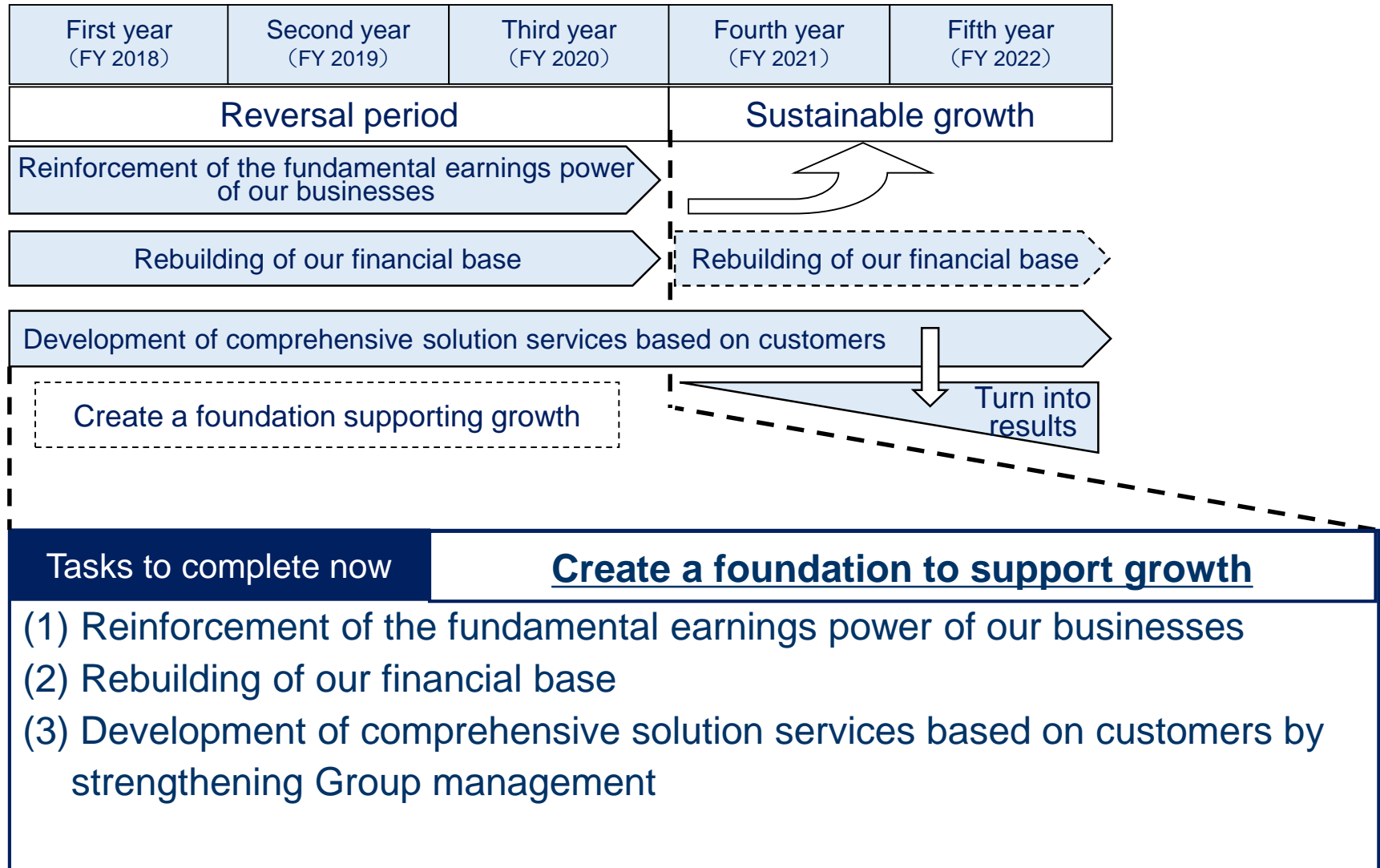
Become a first-call company trusted by customers





## 2. Aspirations

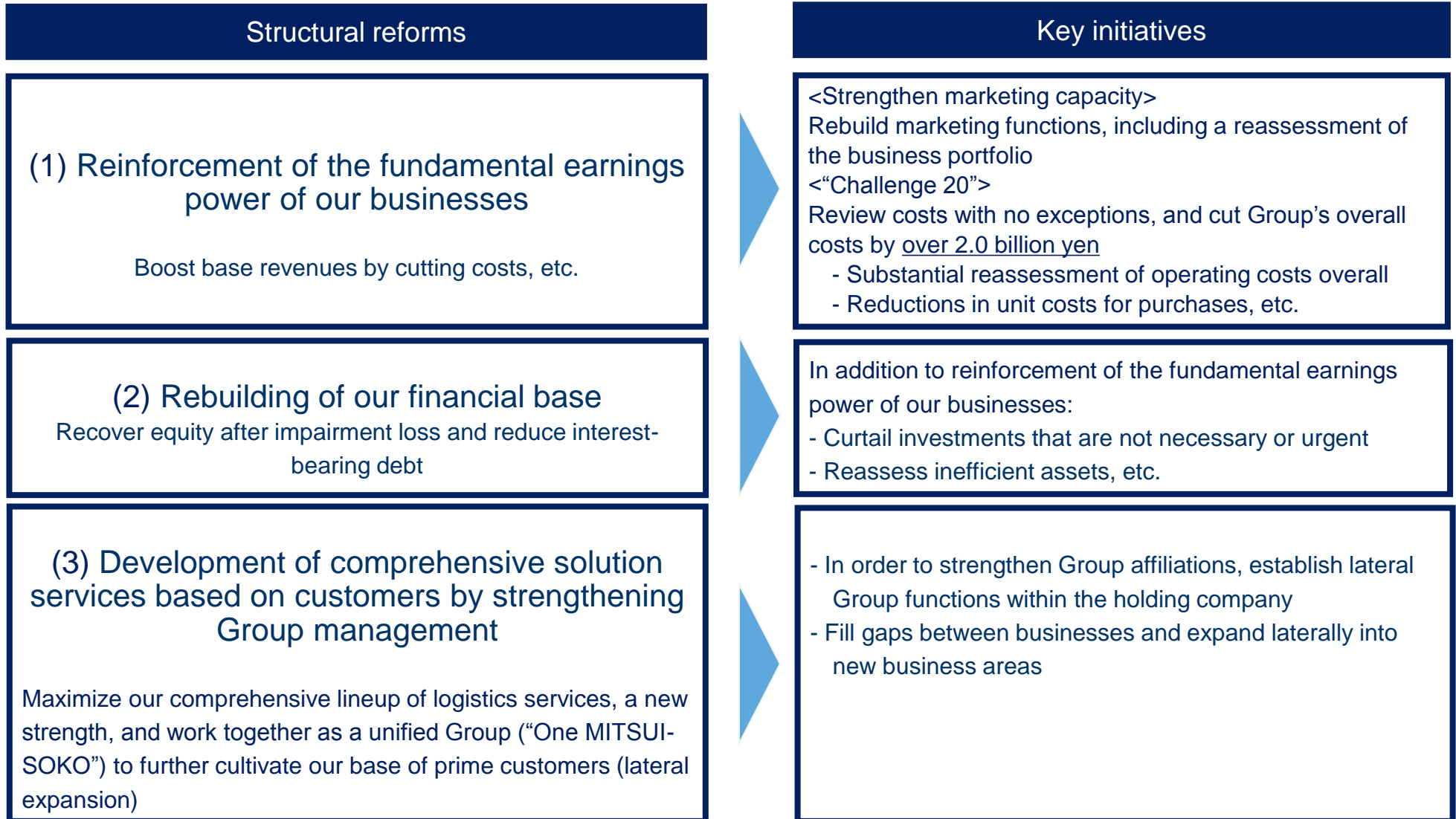
- The new medium-term plan spans at five years, with the first three years designated for a reversal and the last two for sustainable growth





## 2. Aspirations

- Carry out a wide range of structural reforms to build a foundation that supports growth





## 2. Aspirations

- The awareness of every individual employee must be increased to ensure that various structural reforms are carried out
- Carry out HR reforms that support increased in awareness, and create a cheerful, fun, and lively workplace

### Awareness reforms

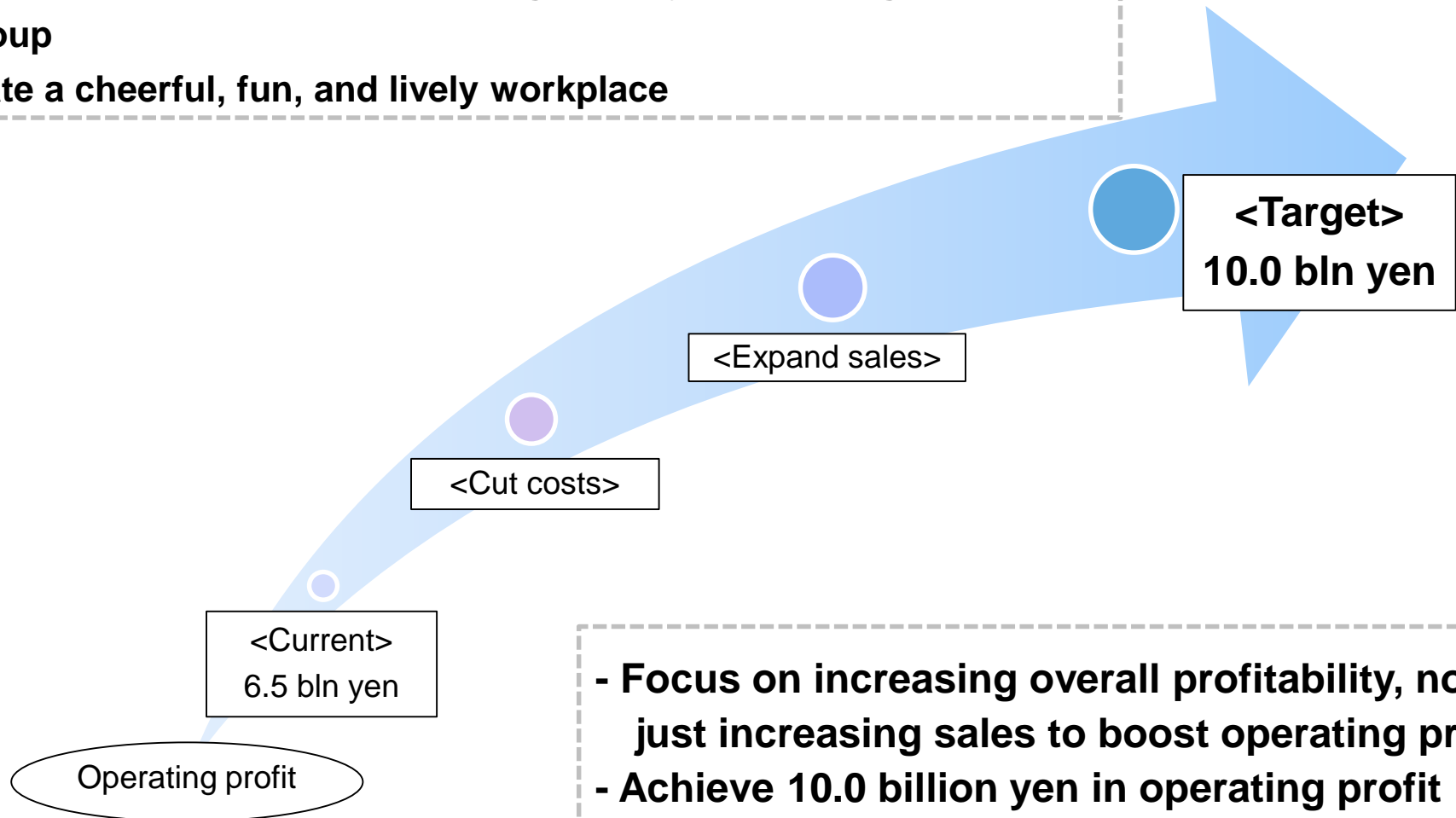
- Without being afraid of change, always ask whether the status quo is acceptable
- Have a deeper, more nuanced understanding of customers' businesses and operations.
- Regardless of the company to which the employee belongs, the Group works together to resolve customer issues
- Raise competitiveness with proactive proposals (objective proposals providing projections and added value)

### HR reforms

- Provide opportunities for growth equitably and ensure that employees are motivated to perform in a vibrant environment
- Pursue work style reforms with the aim of creating a vibrant workplace



- **Become a first-call company trusted by customers**
- **Exploring along with a global and influential customer base in various industries who are tied together by their strong trust in the Group**
- **Create a cheerful, fun, and lively workplace**



- **Focus on increasing overall profitability, not just increasing sales to boost operating profit**
- **Achieve 10.0 billion yen in operating profit**



◇ “Medium-term Management Plan 2017” - From Reversal to Sustainable Growth -

<Basic guidelines for business operations>

- Reinforcement of the fundamental earnings power of our businesses
- Rebuilding of our financial base
- Development of comprehensive solution services based on customers by strengthening Group management

<Medium-term plan numerical targets (end of FY 2022)>

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

◇ Dividend policy

Quickly return to stable dividend payments by consistently generating business revenue