

04

Strategy for Becoming Co-creative Logistics Solutions Partner

Through improvements in human capital and the utilization of digital technology, along with providing more efficient logistics services and creating new value, we will implement the three growth strategies adopted under Medium-Term Management Plan 2022—top-line growth by mobilizing the Group's comprehensive strengths; reinforcement of operational competitiveness; and building management foundation to support the deepening—while aiming to realize the Group's VISION of becoming “the co-creative logistics solutions partner.”

Message from the CFO



Nobuo Nakayama

Representative Director and Senior Managing Director
Chief Financial Officer

In these times of drastic change, we are promoting Medium-term Management Plan 2022, which started in April 2022, with the aim of achieving the next stage in our growth.

Aiming to be “The co-creative logistics solutions partner. For every day, emergency, and always will be,” we will integrate our management and financial strategies to achieve further improvement in corporate value and sustainable growth.

Medium-term Management Plan 2022

Looking Back on the First Fiscal Year (Ended March 31, 2023)

In the fiscal year ended March 31, 2023, the launch year of Medium-term Management Plan 2022, we were able to achieve operating profit of ¥26.0 billion, a record high for the third consecutive year, due to the strong performance in our logistics business. While the effects of the shift from sea shipments to air transportation, persistently high airfares, and other special factors decreased, we gained new customers and expanded the scope of contracts for existing customers by proactively proposing solutions, and our handling of forwarding operations and overseas logistics increased. In addition, profits from newly launched warehouses dedicated to healthcare logistics and distribution centers for home electronics retailers and e-commerce contributed to full-year results, and our actual profitability, excluding special demand, steadily grew.

Although we expect sales and revenue to decrease due to the resolution of the special factors, for the fiscal year ending March 31, 2024, we will steadily increase our actual value through top-line growth and operational efficiency in

aiming to achieve our numerical targets for the final year of the Medium-term Management Plan.

Having had a devastating impact on society and the economy, the chaos wrought by the COVID-19 pandemic is finally tapering off after more than three years. Looking back again on this period, I think it can be said that it was one in which all of our employees could realize for themselves the Group's PURPOSE—“Empower society, encourage progress”—on a daily basis. Logistics services, the transportation and delivery of goods, had previously been taken for granted, but along with the chaos wrought by the COVID-19 pandemic, this became no longer the norm. Under such circumstances, we strengthened our proposals of alternative transportation and logistics streamlining solutions for compatibility with our customers' BCPs and supported them in difficult situations in their global supply chains with a raft of countermeasures. As awareness grew that logistics represents an essential presence for society, I gained the feeling that, as an infrastructure provider, each and every employee developed even more of a sense of pride and self-awareness as well as a stronger sense of mission to support customers and society.

Financial Strategies under Medium-term Management Plan 2022

Under Medium-term Management Plan 2022, we adopted a financial strategy policy of balancing proactive investment and enhancing shareholder returns based on the financial base and profitability that we had established up to that time. Going forward, I will conduct management with a greater awareness of capital costs while recognizing the need to achieve a return on capital that exceeds the capital costs.

Positioning ROE as an important management indicator, I will strive to maintain a high level of capital efficiency, with an ROE target of more than 12% during the period of Medium-term Management Plan 2022. Based on profitability, efficiency, and financial leverage in our growth strategy, the numerical value of more than 12% is set at a level that exceeds the cost of capital.

Based on the growth strategy set out in the Plan, we will aim for top-line growth and strive to improve profitability by steadily implementing each of its measures, such as expanding our integrated solution services, growing our sustainability-compatible business, and digging deeper into our inter-industry

Message from the CFO

operations. We will also work to improve productivity by streamlining operations by building overwhelming field capabilities. In terms of financial leverage, assuming financial discipline while maintaining a D/E ratio of 1.0x, we will work with the aim of expanding and growing our business while using appropriate leverage.

We anticipate a cumulative cash inflow of ¥150 billion over the five years, including operating cash flow of ¥130 billion and borrowings of ¥20 billion. Over the same period, we plan to invest a total of ¥130 billion, comprising ¥100 billion in strategic investments in growth areas such as DX, new capital investment, and M&A, and ¥30 billion to invest in existing assets, including logistics warehouse renovations. In addition, we will continue to strengthen shareholder returns, to which we plan to allocate ¥20 billion.

There is no growth strategy without financial discipline, and you cannot just spend money recklessly. However, it is also true that corporate value cannot be improved without growth investment, and thus we will actively consider implementing highly effective measures looking 10 or 20 years ahead and promote appropriate and flexible financial strategies.

It is my belief that results will be arrived at naturally by steadily

implementing each measure adopted under Medium-term Management Plan 2022. Five years is, however, a surprisingly short period of time, so I will be aware of the need to remain ahead of schedule, especially as far as investments are concerned. At the same time, I will also focus on increasing cash flow, which is the source of support for a variety of strategic investments.

Progress Made with Strategic Investments

I would like to tell you about specific initiatives for the total investment of ¥130 billion that I mentioned earlier.

On DX, our focus for the ¥100 billion strategic investment, we plan to invest a total of ¥20 billion. With customers' SCM optimization in mind, we will utilize the cloud for our company's core systems, install robotics in warehouses, and promote the enhancement of and upgrades to Logistics Value Link (LVL) SCM digital platform infrastructure functions that present supply chain information in visual form.

We are also proceeding with the establishment of new logistics bases as growth investment in our focus areas. In June 2023, we began operations at a large base (Asakura City, Fukuoka

Prefecture) with the aim of further expanding our semiconductor business, and at an e-commerce logistics base in the B2B2C area (Takatsuki City, Osaka Prefecture). Since both are financed through operating leases, there will be no temporary cash out, but in effect they are equivalent to investments totaling ¥6.3 billion in lease payments. We are deciding whether to build a new facility ourselves or lease one long term from an external developer, taking into account a variety of factors, including location, profitability, and the speed at which our customers' businesses are expanding.

As one option for the future, to respond to market changes, we are considering capital alliances and M&A with partners that have strengths in more specialized fields, such as logistics and DX-related fields. By sharing the technology and know-how of companies with strengths in specific fields and businesses it will be possible to shorten the time to market entry and increase profits that cannot be achieved by our Group alone, and we would carry out investments from a long-term perspective, not just during the period of a medium-term management plan.

From a medium- to long-term perspective, our policy is to increase investment in human capital. Keeping in

Image of Funding and Allocation (5-year cumulative total)



mind that human resources are the source of value creation for our Group, and that our current efforts will directly lead to the strengthening of our Group's future profitability, we will work to strengthen our human capital in line with the established profile of the human resources we seek: "Design the new story and lead everyone." Employees with diverse personalities respect each other, promote co-creation in an environment that supports challenges, and work positively and happily toward realizing goals. I would like to promote the cultivation of such an organizational culture, which will lead to future financial results.

Concerning Shareholder Returns

The return of profits accumulated as a result of our growth strategies to our shareholders being deemed our basic dividend policy, we have set a policy of implementing flexible dividends linked to performance, with an annual dividend payout ratio of 30% as our standard. With regard to shareholder returns, we will continue to monitor cash flow trends while considering a wide range of options, including stock buybacks, by comprehensively deciding on the following three perspectives: 1. The progress and schedule of investments based on the medium-term management plan's growth strategy; 2. Financial soundness; and

3. The level of return expected by shareholders. Total shareholder return (TSR)* was 257% as of the end of the fiscal year ended March 31, 2023, maintaining a higher level than the average value of 154% for the warehousing and harbor transportation sector. I will continue to strive to increase shareholder value while devising ways to simultaneously execute our growth strategy and maintain financial soundness.

* Calculated using TSR for the most recent five years

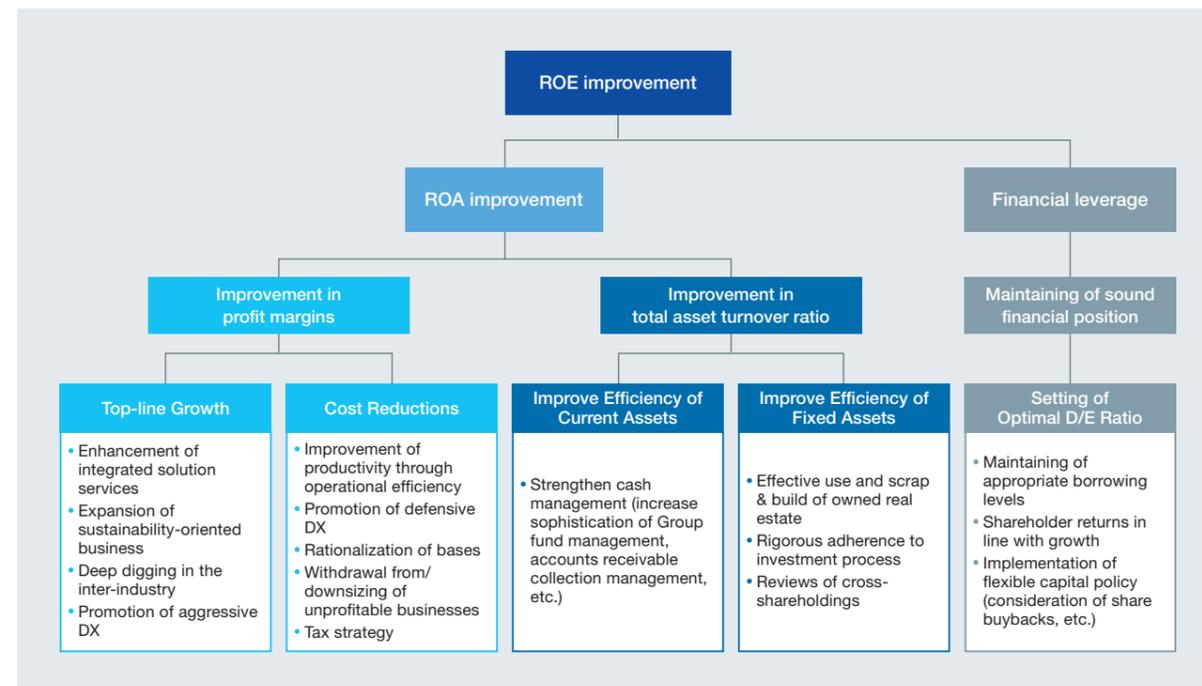
Dialogue and Co-creation Toward Further Improvements in Corporate Value

To improve corporate value over the medium to long term, I believe that it is necessary for investors to evaluate our growth potential in addition to achieving a return on capital that exceeds the cost of capital. We are therefore discussing our price-book value ratio (PBR) at Board of Directors' meetings and considering measures designed to obtain appropriate external evaluations. In the fiscal year ended March 31, 2023, we introduced a stock compensation system with the aim of managing our business from a shareholder perspective, and worked to strengthen our IR and SR activities, including updating our website and continuing to hold interviews with investors. In addition, beginning with the

fiscal year ending March 31, 2024, we are disclosing operating revenue and operating profit for each segment of the logistics business. We disclose the earnings structure of the logistics business to help investors better understand the Group's strengths and growth potential. As of September 2023, our PBR is hovering around 1x, and we will aim to further improve PBR and conduct management with an awareness of stock price levels.

I believe that "dialogue and co-creation" will be an important theme in our future financial strategies. Through active dialogue with investors, we will communicate our Group's growth strategy and shareholder return policy to increase their understanding, expand disclosure based on their opinions, and provide feedback to management, which will be utilized in strategies. It is my belief that such a cycle will increase engagement on both sides and lead to a sustainable increase in corporate value. This applies not only to investors but also to all stakeholders, including employees. To maximize corporate and shareholder value through "dialogue and co-creation." In the years to come, I will continue to do my utmost to meet the expectations of all our stakeholders, including domestic and international investors.

Major Initiatives in Improving ROE



Medium-term Management Plan 2022

Transitional Changes in Logistics

The growing importance of supply chain management

In an era of increasing complexity, customer supply chains are evolving day by day, and the importance of SCM optimization is increasing. Due to shifting business models, as exemplified by the shift to EVs in the automotive industry, and to the diversification of supply sources brought about by the rise of the e-commerce market, the structure of industry is changing, and the structure of supply chains is also undergoing major change. Including responses to natural disasters of ever increasing severity and geopolitical risks, reducing environmental impact, and labor shortages, social issues are becoming more serious, and new ways of thinking, such as collaboration with competitors, are also being demanded. To respond to these changes, the Mitsui-Soko Group is promoting its Medium-term Management Plan 2022 and will improve the corporate value of its customers and of the Group as well as help to realize a sustainable society by providing logistics services that optimize entire supply chains.



Medium-term Management Plan 2022 > Previous Iterations and Medium-term Management Plan 2022

Medium-term Management Plan 2013–2015
MOVE2013/MOVE2015

Medium-term Management Plan 2017
From Reversal to Sustainable Growth

Medium-term Management Plan 2022
Be the First-Call Company
“Going on the Aggressive by Deepening”

Medium-term Management Plan 2013–2015
MOVE2013/MOVE2015
2014/3 to 2017/3

External Environment	Externalization of logistics underway			
Important Strategies	<ul style="list-style-type: none"> Optimization of asset portfolio Creation of group synergy and enhancement of productivity Concentrated investment in growth areas in the Asia-Pacific region 			
Targets and Results		Status	Results	Targets
Operating revenue	X	✓	¥225.5 billion	¥280.0 billion
Operating profit	X	✓	¥5.8 billion	¥11.0 billion
Operating cash flow	X	✓	¥12.5 billion	¥20.0 billion
Balance of interest-bearing debt	X	✓	¥168.9 billion	¥160.0 billion
Measures	<p>[Expansion of business through M&A]</p> <ul style="list-style-type: none"> Mitsui-Soko Supply Chain Solutions, which possesses strengths in manufacturer logistics, joined the Group Marukyo Logistics joined the Group for the purpose of reinforcing our transportation function <p>[Expansion of business through capital investment]</p> <ul style="list-style-type: none"> Established new warehouses in Bangkok and Jakarta to strengthen the Asian region Established dedicated facility for healthcare, a growing field, in Kazo, Kanto region <p>To break away from a dependence on the real estate business, we actively conducted M&A and made capital investments in growth fields to expand our business. While functions as a comprehensive logistics company were established, interest-bearing debt increased as a result of those investments. In addition, profit level was sluggish, brought about by a slowdown in consumer activity and a lack of Group-wide measures. Following a review of the business plan, we posted goodwill impairment loss in the fiscal year ended March 31, 2017.</p>			
Challenges	<ul style="list-style-type: none"> Promoting PMI Review of project-specific income and expense management and business portfolio Early return to stable dividend 			

Medium-term Management Plan 2017
From Reversal to Sustainable Growth
2018/3 to 2022/3

External Environment	Increase in logistics costs Supply chain rebuilding due to the COVID-19 pandemic			
Important Strategies	<p>[Reversal Period] 2018/3 to 2020/3</p> <ul style="list-style-type: none"> Reinforcement of the fundamental earnings power of our businesses Rebuilding of our financial base Strengthening of Group management <p>[Sustainable Growth Period] 2021/3 to 2022/3</p> <ul style="list-style-type: none"> Construction of overwhelming field capabilities Establishment of integrated solution service Promotion of ESG management Reform of corporate culture 			
Targets and Results		Status	Results	Targets
Operating profit	✓	✓	¥25.9 billion	¥10.0 billion
Balance of interest-bearing debt*	✓	✓	¥94.0 billion	¥130.0 billion or less
Net D/E ratio	✓	✓	0.9 times	2.0 times or less
ROE	✓	✓	20.4%	Over 9.0%
Measures	<p>[Reversal Period]</p> <ul style="list-style-type: none"> Implement “Challenge 20,” which is to review costs with no exception and cut the Group’s overall costs Curtail investments that are not necessary or urgent, and quickly return to stable dividend payments Establishment of a new sales department with lateral group functions within the holding company <p>[Sustainable Growth Period]</p> <ul style="list-style-type: none"> Establishment of Operation Management Division to drive initiatives across businesses/regions Strengthening sales of integrated solutions Establish a new department to drive ESG issues, and identify materiality HR system reforms/Changes in awareness/Improving employee engagement <p>In the first half, the Reversal Period, operating profit increased due to group-wide cost reduction efforts and the optimization of collection fees. In the second half, the Sustainable Growth Period, we built a system that can ensure steady earnings by improving our field capabilities and strengthening sales of our end-to-end integrated solution service. Aiming to be a company that can create value over the medium to long term, we achieved all numerical targets even in a harsh business environment as a result of having promoted ESG management and corporate culture reforms.</p>			
Challenges	<ul style="list-style-type: none"> Continued profit growth Improvement of market capitalization Response to rapid environmental changes Acceleration of ESG management Construction of overwhelming field capabilities 			

In order to realize our VISION, “The co-creative logistics solutions partner. For every day, emergency, and always will be,” we are progressing with Medium-term Management Plan 2022. Under the slogan, Be the First-Call Company “Going on the Aggressive by Deepening,” we will regard “top-line growth by mobilizing the Group’s collective strength,” “reinforcement of operational competitiveness,” and “building management foundation to support the deepening” as the three pillars of our growth strategy, while going on the aggressive with proactive investment.

2023/3 to 2027/3

VISION The co-creative logistics solutions partner. For every day, emergency, and always will be

Growth Strategy

1 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

2 Reinforcement of Operational Competitiveness

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

3 Building Management Foundation to Support the Deepening

1. DX	2. Co-creation	3. Business assets	4. ESG
<ul style="list-style-type: none"> Transformation of business model Reform of corporate culture 	<ul style="list-style-type: none"> Creation of mechanism for innovation Active partnerships and M&A with various platformers 	<ul style="list-style-type: none"> Development of new office buildings and logistics facilities Enhancement of the asset value of existing facilities Improvement of work environment 	<ul style="list-style-type: none"> Reinforcement of efforts to realize a decarbonized society Expansion of investment in human capital Enhancement of governance

Human Resources

Numerical Targets			Financial Strategies			
Operating Revenue	Operating Profit	Operating CF	Investments	Payout Ratio	D/E Ratio	ROE
¥350 billion	¥23 billion	¥30 billion	¥130 billion	30%	1.0 times	Over 12%
(6% growth/year)	(6% growth/year)	(7% growth/year)				

Progress of Medium-term Management Plan 2022

	2022/3 Results Previous medium-term management plan	2023/3 Results Medium-term Management Plan 2022: Year 1	2024/3 Forecast Medium-term Management Plan 2022: Year 2	2027/3 Targets Medium-term Management Plan 2022: Year 5
Numerical Targets				
Operating revenue	¥301.0 billion	¥300.8 billion	¥273.0 billion	¥350.0 billion
Operating profit	¥25.9 billion	¥26.0 billion	¥21.5 billion	¥23.0 billion
Actual value	¥17.0 billion	¥21.4 billion	¥21.5 billion	¥23.0 billion
Operating CF	¥23.1 billion	¥32.3 billion	¥26.0 billion	¥30.0 billion
Financial Strategies				
Investments*	—	¥5.7 billion	¥17.7 billion	¥130.0 billion
Payout Ratio	22.1%	30.1%	30.0%	30.0%
D/E Ratio	1.25 times	0.99 times	0.83 times	1.00 times
ROE	20.4%	18.1%	12.0%	Over 12.0%

*Cumulative amounts shown for investments

In the fiscal year ended March 31, 2023, the logistics business performed well, and operating profit reached a record high for the third consecutive year. In the fiscal year ending March 31, 2024, we are expecting a decline in both revenue and profit due to the resolution of special factors but will advance the measures set forth in our growth strategy and steadily build up our actual value by means of active investment. The strategic investments recorded in the balance sheet are listed, but these do not include investments relating to human capital, DX/ capital investments procured through operating leases, etc., which are recorded as expenses under profit and loss.

Medium-term Management Plan 2022 > **1** Top-line Growth by Mobilizing the Group's Collective Strength

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

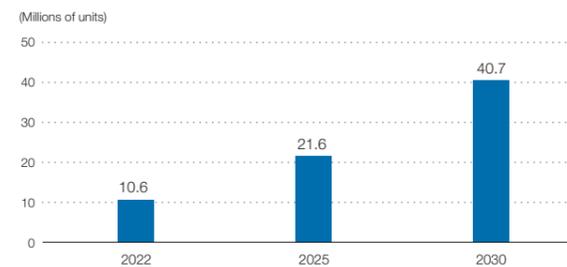


1. Enhancement of integrated solution service
Mobility

Market Trends/Background

As many passenger cars and trucks run on petroleum-based fuel, they are said to be linked to global warming and the depletion of natural resources. Due to these circumstances, CO₂ emission regulations for automobiles have become more stringent in countries around the world, and EVs that do not emit CO₂ when being driven are attracting attention. Due to the expansion of the EV market against this backdrop, the number of EV-specific parts and equipment, such as LiBs and semiconductors, is expected to increase. Amid the growing uncertainties in global affairs, the procurement of raw materials and components necessitates the provision of logistics services that enable their stable supply at any time.

Trend Forecast for Global EV Unit Sales (2022–2030)
(See Notes 1, 2)

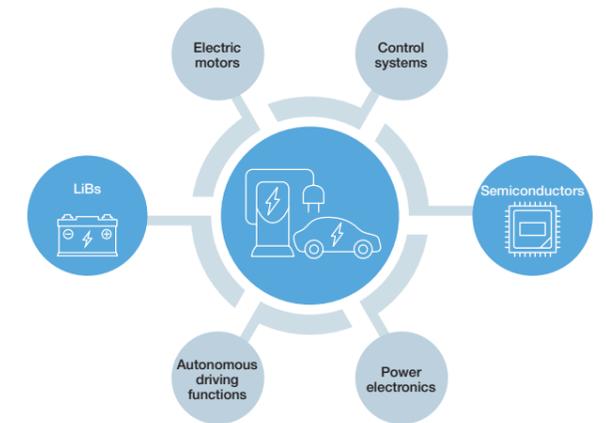


Notes: 1. Estimates based on announced policy scenarios (scenarios that incorporate current plans of each country's government)
2. Passenger cars and small commercial vehicles (excluding large vehicles, motorcycles, tricycles, etc.)
Compiled by the Company based on IEA 2023; Global EV Outlook, <https://www.iea.org/reports/global-evoutlook-2023/prospects-for-electric-vehicle-deployment>, CC BY 4.0

Approach

Due to its Toyota and Sony lineage, the Mitsui-Soko Group specializes in logistics relating to automobiles and electrical appliances. In contrast, in addition to LiBs, some semiconductors are classified as dangerous goods, and their storage and transportation requires strict compliance with laws and regulations and specialist knowledge.

Our Group is strengthening its responsiveness in entire mobility-related supply chains by collaborating with partners who have excellent expertise in this field and by obtaining certifications and approvals from domestic and international regulatory authorities. Following the trend of attracting semiconductor manufacturing bases to Japan, we are also working to cater to demand by establishing new logistics networks such as by building new warehouses.



Examples of specific initiatives

Building an international air transportation scheme that anticipates EV market expansion

With the goal of building a transportation scheme for EV core components, international forwarding demand for which is expected to grow in the years to come, we are working in collaboration with our customers and related government ministries and agencies.

Leveraging our Group's automotive industry transportation know-how will lead to the making of proposals for international air transportation that will be in compliance with air transport laws and regulations.

As the direction of technological progress in the automotive market remains fluid, and the laws and regulations covering the switch to EVs are still undeveloped in a number of countries around the world, we will monitor market trends, accumulate logistics know-how, and expand and upgrade our automotive-related logistics operations in the years ahead.

Agreement to form strategic partnership with NRS CORPORATION

Our Group agreed to enter into a strategic partnership with NRS CORPORATION, an expert in hazardous materials logistics, in the field of chemical raw materials.

By combining NRS' hazardous materials logistics expertise in the upstream supply chain in the field of chemical raw materials with what the Mitsui-Soko Group has to offer—our broad customer base, including those in the mobility and semiconductor fields, logistics know-how from a manufacturer's perspective that provides a bird's-eye view of the supply chain in the non-hazardous materials field—and the global networks of both companies, we will in particular provide excellent solutions to a range of issues in the areas of procurement and production.



Base newly established in the Kyushu region to expand and upgrade semiconductor business operations

Although the semiconductor market is predicted to expand in the years to come due to the acceleration of digitalization, including the shift to electric vehicles, securing a stable supply has become an urgent issue due to the emergence of geopolitical risks.

Against this backdrop, there are intensifying moves to attract semiconductor manufacturing bases to Japan as a growing national strategy, and the inroads that semiconductor-related companies are making in Kyushu are continuing unabated. As an increase in semiconductor-related logistics demand can be expected, our Group has newly established a large-scale warehouse in Fukuoka, which has been in operation since June 2023. Going forward, we will establish a semiconductor distribution network and aim to further expand the semiconductor field, which represents a growing market.



Medium-term Management Plan 2022 > **1** Top-line Growth by Mobilizing the Group's Collective Strength



1. Enhancement of integrated solution service
Healthcare

Market Trends/Background

In the ethical pharmaceuticals market, the common means of treatment methods are categorized into product fields that include small molecule pharmaceutical products, medium- and high-molecular pharmaceutical products as well as gene therapy and regenerative medicine. There is a certain market scale for small molecule and medium- to high-molecular pharmaceutical products, but whereas the scale of the market for gene therapy and regenerative medicine products is currently small, high growth rates are expected in the years to come. Pharmaceutical logistics requires a high level of expertise, as temperature control and operational quality control standards differ depending on each field.

	Logistics needs	Market scale forecast*
Gene therapy/regenerative medicine products	Developing new services to meet customer needs	¥0.6 trillion → ¥7.2 trillion
Medium- and high-molecular pharmaceutical products	Services that provide bird's-eye view of supply chains and that ensure a high level of quality	¥26.0 trillion → ¥39.8 trillion
Small molecule pharmaceutical products	Storage and transportation services that maintain operational quality in terms of volume zones	¥48.0 trillion → ¥55.0 trillion

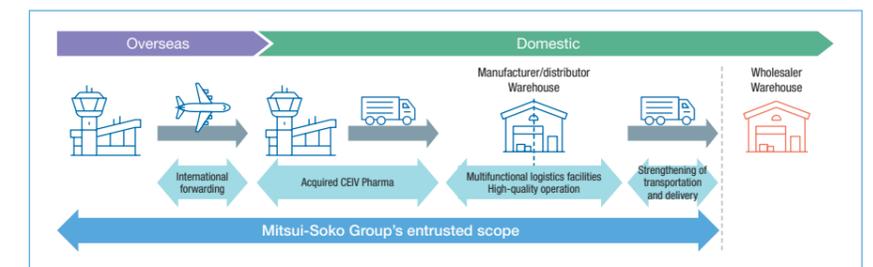
○ 2020 forecast value ● 2030 forecast value

* Created by the Company based on Arthur D. Little Japan Co., Ltd. "Survey Report on Issues for Industrialization Related to Pharmaceuticals, Regenerative Medicine, Cell Therapy, and Gene Therapy and Efforts Necessary to Solve Issues for fiscal year ended March, 2021," project commissioned by Health and Medical Strategy Office, Cabinet Secretariat (2021)

Approach

Having established a system in accordance with GMP*1 and obtained business licenses (pharmaceutical manufacturing license, medical device manufacturing license, etc.) in-house under the Pharmaceutical and Medical Devices Act, the Mitsui-Soko Group is able to provide high-value-added logistics services that can handle everything in the logistics of pharmaceuticals, medical devices, investigational new drugs, etc., from manufacturing to sales. Equipped for the "high-quality operations" required for the handling of pharmaceuticals and medical devices under the supervision of large numbers of managing pharmacists, and with GDP-*2 and BCP-compatible "highly functional facilities," we provide logistics services that meet the various needs of our customers. We will leverage these kinds of Group strengths to further expand our healthcare logistics business.

We have also established logistics systems for the storage and transportation of products such as cells and regenerative medicine, the market for which is expected to expand in the years to come, and are working to incorporate cutting-edge medical fields.



*1 Good manufacturing practice: standards for the manufacture and quality control of pharmaceuticals, etc.
*2 Good distribution practice: appropriate distribution standards for pharmaceuticals

Examples of specific initiatives

Mitsui-Soko Group's Pharmaceutical Logistics

In pharmaceutical logistics, stable and sustainable logistics are of the utmost importance due to the characteristics of the products. Having strengthened our supply chain network by, for example, launching international forwarding operations and expanding partnerships in domestic transportation, the Group is working to incorporate the entire logistics of pharmaceuticals by building a high-quality end-to-end logistics system.

Quality Improvement through Acquisition of CEIV Pharma*

Aiming to further improve the quality of international air forwarding in pharmaceuticals and strengthen our quality control system in line with global standards, we acquired the CEIV Pharma pharmaceutical air transport quality certification from the International Air Transport Association (IATA) at Kansai International Airport and Narita International Airport.

Strengthening of Transportation and Delivery Networks in Domestic Logistics

The Group has formed an agreement with P-J-D Network Co., Ltd. for a strategic partnership covering the distribution of ethical pharmaceuticals. We will strengthen domestic pharmaceutical logistics by utilizing P-J-D Network's GDP-compliant management system—covering temperature controls during transportation and its distribution routes—and its nationwide joint transportation and delivery network dedicated to pharmaceuticals.



* CEIV Pharma
The abbreviation for the Center of Excellence for Independent Validators in Pharmaceutical Logistics. A quality certification program for pharmaceutical air transport developed by the IATA. A common global standard for pharmaceutical air transportation, CEIV Pharma comprehensively covers GDP (Good Distribution Practice: quality control in the distribution process of pharmaceuticals) in countries around the world.

Advanced medical field logistics initiatives for regenerative medicine products

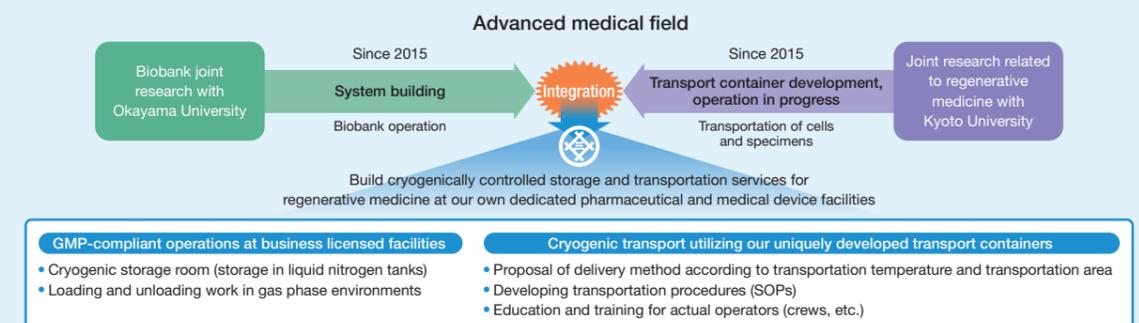
Regenerative medicine products must be handled in various temperature ranges, including extremely low temperatures (minus 150°C and lower), and require a high level of expertise in storage and transportation.

Since 2015, our Group has been promoting industry-academia collaboration with Kyoto University and Okayama University, conducting research on biobanks and developing specialized transport containers. Subsequently, in 2021, we began providing a "high-quality, cryogenically controlled one-package service for storage and transportation that complies with GCTP*." Having secured a dedicated space in a highly functional facility owned by our Group and equipped that space with cryogenic storage equipment, this facility has also obtained a "regenerative medicine

product manufacturing license," which is necessary to handle regenerative medicine products manufactured at overseas factories and imported. Carrying out cryogenic transportation using our own independently developed transport containers, we also offer international forwarding services in partnership with air transport companies.

In the years to come, while working to expand this service, we will also consider developing fields where we can utilize our know-how in product logistics, such as cold chain and regenerative medicine.

* Short for Good Gene, Cellular, and Tissue-based Products Manufacturing Practice: Standards for manufacturing control and quality control of regenerative medicine products.



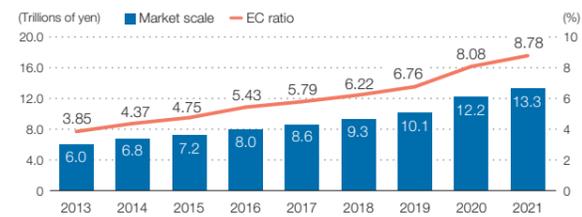
Medium-term Management Plan 2022 > 1 Top-line Growth by Mobilizing the Group's Collective Strength

Focus Area
1. Enhancement of integrated solution service
B2B2C

Market Trends/Background

The sales methods of manufacturers and retailers are changing due to the progress made with digitalization and changes in consumer preferences. Companies are strengthening sales strategies aimed at capturing synergies between store and e-commerce (EC) sales, and logistics optimization is important for these strategies. The issue of a shortage of drivers brought about by an increase in small-lot deliveries due to the spread of EC and a domestic labor shortage is also becoming more serious, and thus building a stable logistics network is becoming an issue. In the B2B2C field, it is necessary to provide logistics services from the perspectives of both capturing opportunities and reducing risks.

Changes in BtoC EC market scale and EC ratio over time in product sales field (Japan)



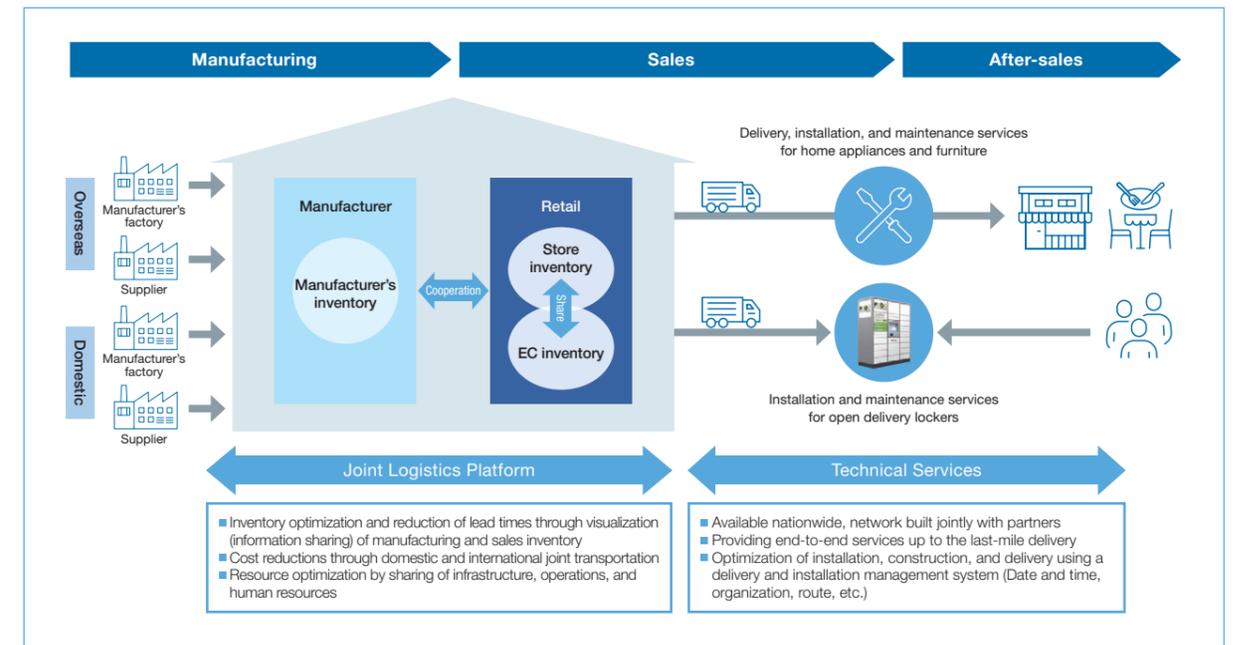
Compiled based on Market Research Report on Electronic Commerce for Fiscal 2021, Digital Economy Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry

Approach

Centered on our logistics design capabilities, which have been proposed to a wide variety of customers, and our experience in operating home appliance distribution centers, the Mitsui-Soko Group has been providing optimal logistics solutions that connect manufacturers, retailers, and consumers.

Providing a joint logistics platform that shares inventory from multiple manufacturers and mass retailers at the same distribution center reduces the risk of opportunity loss for customers, leads to lower logistics costs due to reduced transportation, and lessens the risk of damage to cargo. In response to the increase in EC sales in recent years, we have been strengthening the operation of EC logistics bases and working to optimize the logistics operations of stores and EC by installing material handling equipment and building a support system that responds to logistics trends. To serve as a link between retailers and consumers, we are providing technical services that include the delivery, installation, and maintenance of home appliances and furniture nationwide, based on the network we have built with partners at more than 150 bases.

Utilizing their know-how, we are working to deepen our home appliance logistics business while aiming to expand our handling of furniture and daily necessities that is highly compatible with home appliances.



Examples of specific initiatives

Further optimization of supply chains by responding to EC logistics

Operating OMO*-compatible logistics centers

The home appliance retail industry is strengthening strategies aimed at creating synergies by linking stores and EC sales channels, and building the optimal logistics systems essential for these operations.

Having started the Logistics Center Opening Project in collaboration with home appliance retailers, the Mitsui-Soko Group is operating an OMO-compatible logistics center in Ibaraki City, Osaka Prefecture, that covers all stores in the Kansai area and EC sales nationwide. At this logistics center, we have introduced logistics business processes that utilize cutting-edge material handling equipment and AI, providing highly efficient logistics services that support our customers' OMO businesses. From now on, we will advance initiatives that anticipate the utilization of new technologies. For example, we will utilize blockchain technology to go paperless and expand the scope of automation not only inside but also outside warehouses as well as for transportation.



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

Establishment of new center to expand and upgrade EC business in western Japan

The pet food market in Japan is increasing year by year due to the growing trend for a pet to become part of a family and pet owners becoming more aware about pet health, and thus steady growth is expected in the years to come.

Our Group has been handling the logistics of high-value-added pet health supplements for many years. Adding to our existing East Japan base, in Osaka we recently opened our new West Japan base, covering an area of approximately 6.7 acres (2.7 hectares), to respond to the increase in transaction volume due to the expansion of customers' EC sales. In response to the small-lot nature of EC logistics, and in anticipation of the need for improved efficiency and service quality through labor savings and the equalizing of operations, at this base, which has been in operation since June 2023, we have installed material handling equipment. From now on, we will conduct operational tests and worker training and, in addition to working toward stable operations, will consider further automation and efficiency improvements to improve shipping capacity and shorten lead times in the years to come.

Deployment of technical services through co-creation with partners

Utilizing our know-how in the delivery, installation, and maintenance of home appliances, we are developing and deploying new logistics services through co-creation with partners.

We entered into a domestic distributor agreement with the FRANKE Group, which has a worldwide sales track record in coffee machines. In addition to regular technical services, such as machine installation and maintenance, we also conduct commercial distribution business, such as sales, menu design, and a call center. The machines are now equipped with IoT functions, which are useful for preventive maintenance of equipment and replenishment services for materials, including the coffee beans. In addition to the home appliance field, where after-sales service for products equipped with IoT functions is increasing, in anticipation of expansion we will be providing high-value-added services to, for example, the medical care, nursing care, and education fields.

In addition, in cooperation with Packcity Japan Co., Ltd., we are also providing installation and maintenance services for PUDO Station open delivery lockers. The concept being that anyone can use them at any time, these lockers have been installed at train stations, convenience stores, and other locations across Japan, thereby contributing to improved customer convenience and reducing CO₂ emissions by decreasing the number of redeliveries by home delivery drivers.

Medium-term Management Plan 2022 > 1 Top-line Growth by Mobilizing the Group's Collective Strength



1. Enhancement of integrated solution service
Japan, China, and Southeast Asia

Providing logistics services primarily to Japanese companies, the Mitsui-Soko Group has built a global network that supports its customers' global strategies.

Interest in logistics has grown in recent years due to the supply chain disruptions caused by the COVID-19 pandemic. The need to review supply chains is also expected to rise due to geopolitical risks and the increasing severity of natural disasters. Having networks in place around the world, our Group has built a logistics network that can flexibly respond to changes in and optimizations of supply chains.

In addition to Japan, as focus regions in the years to come we will work to expand our business with China and Southeast Asia, where many Japanese-affiliated companies have entered the market and our Group has a number of bases. By leveraging our global network and collaborating with Group companies, we will bring about a deeper understanding of SCM logistics, which will optimize entire supply chains in conjunction with production planning and sales planning.



Southeast Asia	Japan	China
<p>Promotion measures</p> <ul style="list-style-type: none"> • Further expansion of transactions in specialty areas (raw materials and products such as food and chemicals) • Expand handling of electronic components, automotive parts, etc. • Promoting proposals for one-stop logistics (storage, land, sea, and air transportation) through collaboration with Group companies • Development of cross-border truck transportation services within Asia • Office integration and functional reorganization • Promote initiatives to reduce environmental impact, such as installing solar power generation equipment at logistics bases 	<p>Promotion measures</p> <ul style="list-style-type: none"> • Deepening of focus areas of mobility, healthcare, and B2B2C logistics • Promotion of SustainaLink service • Promote DX by building logistics platforms and installing robotics, etc. • Promote initiatives to reduce environmental impact, such as installing solar power generation equipment at logistics bases • Response to driver shortages, including the 2024 problem of limits on crew overtime 	<p>Promotion measures</p> <ul style="list-style-type: none"> • Further expansion of transactions in specialty areas (raw materials and products such as food and chemicals) • Promoting proposals for one-stop logistics (storage, land, sea, and air transportation) through collaboration with Group companies • Promotion of buyers' consolidation* • Promoting rail transport services between Europe and China • Considering rationalization of bases • Strengthening collaboration with local partner companies <p><small>* Buyers' consolidation: A process by which retailers and other parties consolidate products purchased from multiple production bases into one location, consolidate them into containers, and transport them to their destinations.</small></p>



2. Expansion of sustainability-oriented business

Background/Approach

In recent years, sustainability-related issues have become more diverse, subject to laws and regulations, as well as globalized, requiring companies to take comprehensive measures. In logistics, due to frequent and severe natural disasters as well as the disruption to distribution networks brought about by COVID-19, the building of stable supply chains has become beset with difficulties.

The Group offers SustainaLink as a new service that supports the sustainability of logistics. As a comprehensive logistics company that can deploy one-stop logistics services from upstream to downstream, we will realize stable supply chains for our customers not only by consulting with them, such as on logistics diagnostics and analysis, but also by proposing specific improvement measures that extend to executing actual operations. We will also aim to expand our handling of sustainability products, which are expected to increase in demand in the future. By continuing to expand services arising from social issues in the years to come, we will create new value while contributing to a sustainable society.

Expansion of SustainaLink Service

SustainaLink identifies risks surrounding logistics in social issues from the three perspectives of the environment, labor force, and disaster. The service supports customers in achieving stable supply chains by establishing measures to deal with these risks by following the three steps of "Know," "Visualize," and "Improve." Going forward, we will work to further deepen the SustainaLink service to achieve the sustainability of our customers' logistics and expand our Group's business.

Risks Surrounding Logistics

Growing social trend toward carbon neutrality	Labor risk	Increasing severity and frequency of natural disasters and spread of infectious diseases
<ul style="list-style-type: none"> • Increasing importance of climate change-related disclosure and response measures • Significant cost increase due to carbon tax introduction • CO₂ emission reduction requests in the supply chain 	<ul style="list-style-type: none"> • Growing labor shortages in the logistics industry • Compliance with new laws and regulations • Soaring logistics labor costs 	<ul style="list-style-type: none"> • Losses due to distribution network outages • Loss of sales opportunities due to pauses in production • Increasing reputation risk

SustainaLink Service

Environmental Risk	Labor Force Risk	Disaster Risk
<p>CO₂ emitted and waste generated by logistics</p> <p>STEP 1 [Know] Know the current system and future trends of CO₂ and waste</p> <p>STEP 2 [Visualize] Visualize CO₂ and waste emissions</p> <p>STEP 3 [Improve] Reduce and offset CO₂ and waste emissions</p>	<p>Shortages of logistics personnel</p> <p>STEP 1 [Know] Know the status and future trends of the logistics labor force</p> <p>STEP 2 [Visualize] Visualize work, transportation, and office personnel and work hours</p> <p>STEP 3 [Improve] Streamline and automate work, transportation, and office tasks to reduce number of personnel</p>	<p>Concerns that logistics operations may stop in the event of a disaster</p> <p>STEP 1 [Know] Know the logistics risks due to disasters, etc.</p> <p>STEP 2 [Visualize] Assume and visualize logistics risks such as disasters</p> <p>STEP 3 [Improve] Build a disaster-resilient logistics system</p>

Medium-term Management Plan 2022 > 1 Top-line Growth by Mobilizing the Group's Collective Strength



2. Expansion of sustainability-oriented business

Examples of specific initiatives

Logistics CO₂ Visualization Services: MS CO₂ Navigator and MS CO₂ Analyzer

We have developed and provide two types of visualization services for the calculation of CO₂ emitted from customers' logistics activities (Scope 3 categories 4 and 9): MS CO₂ Navigator, which enables simple calculations, and MS CO₂ Analyzer, which enables more detailed calculations. Having been evaluated as advanced technologies that contribute to reducing environmental impact, in 2023 these two CO₂ visualization systems received the Advanced Technology Award at the 24th Logistics Environment Awards, organized by the Japan Association for Logistics and Transport.

Also compatible with both domestic and international forwarding, MS CO₂ Analyzer can calculate in batches the CO₂ emissions from multiple/multimodal transportation modes for logistics data in the global supply chain. We are also conducting the supply of solutions for reducing CO₂ emissions by combining calculation results and logistics data. Utilizing this function, we participated in the international trade platform demonstration test that was performed at the APEC Summit in November 2022, at which we calculated CO₂ emissions during marine forwarding between Japan and Thailand. This service has been provided to dozens of customers so far, and the amount of analyzed data had reached approximately 4 million pieces of transportation data points as of the end of August 2023. In the case of CO₂ emissions calculation services that utilize the MS CO₂ Analyzer, the methods and procedures were appropriately designed based on guidelines that are widely recognized both in Japan and internationally, such as the Joint Guidelines*1 and the GLEC Framework*2, and underwent validity evaluations by a third-party evaluation organization*3 based on ISO 14064-3*4 in April 2022. At the end of September 2023, we also complied with ISO 14083:2023*5, which had been issued in March of the same year, and obtained a validity evaluation from a third-party evaluation organization that covered this standard.

*1 Joint Guidelines on the Method for Calculating CO₂ Emissions by the Logistics Sector (Ver. 3.1) (Ministry of Economy, Trade and Industry/Ministry of Land, Infrastructure, Transport and Tourism, 2016)
 *2 Global Logistics Emissions Council (GLEC) Framework for Logistics Emissions Accounting and Reporting Version 2.0 (Smart Freight Centre, 2019)
 *3 DNV Business Assurance Japan K.K.
 *4 ISO 14064-3: Specification with guidance that defines rules for validating and verifying GHG calculations stipulated by the International Organization for Standardization (ISO)
 *5 ISO 14083:2023: Standard for quantification of GHG emissions arising from transport chain operations area stipulated by the ISO

MS CO₂ Navigator (Simple calculation website)

- Simple CO₂ calculations
- Easily calculates CO₂ emissions per transport record by inputting departure/arrival points, transport weight, etc.
- Easily gives emission comparisons of multiple transportation modes in visual form

When you want to consider detailed route point settings and loading rates, etc.

MS CO₂ Analyzer (Batch calculation/analysis service)

- Bulk calculation and analysis of logistics CO₂
- Compatible with domestic/international forwarding
- Calculate batch CO₂ emissions of multiple/multimodal transport modes based on customers' past logistics data
- Compatible with GLEC Framework (Ver 2.0). Disclosure in accordance with international standards (CDP/SBT) possible
- Proposes simulation and decarbonized logistics based on analysis results

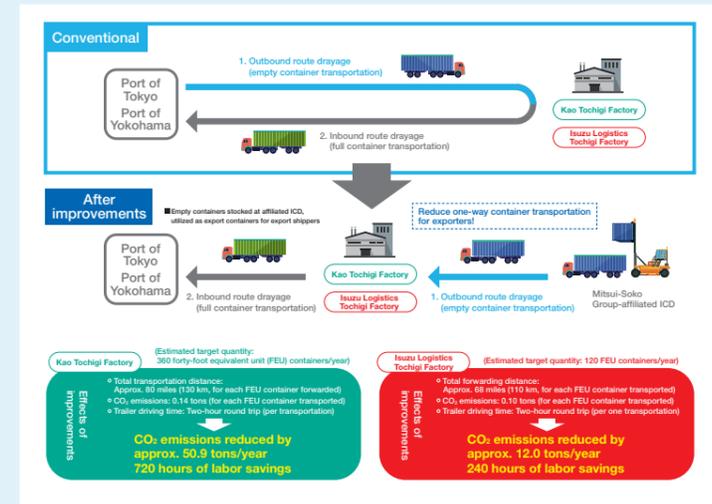
Promoting container round-use initiatives

With regard to maritime container forwarding, it is necessary to return the containers to the port after transporting import/export cargo, which poses issues such as the decrease in transportation efficiency and an increase in CO₂ emissions when transporting surplus empty containers. Our Group is promoting container round-use initiatives that utilize ICD*, contributing to more efficient forwarding and reduced environmental impact.

* ICD: Short for Inland Container Depot: Container cargo collection point located at the connection/collection/delivery points of inland transportation routes

Solution example

Customers	Kao Corporation, Isuzu Logistics Co., Ltd.
Task assignments	<ul style="list-style-type: none"> • Reduction of CO₂ generated in international logistics • Supply of stable drayage services • Reduction of truck driver workloads
Solution method	Container round-use utilizing affiliated ICD
Remarks	Received Special Award at 24th Logistics Environment Awards in 2023

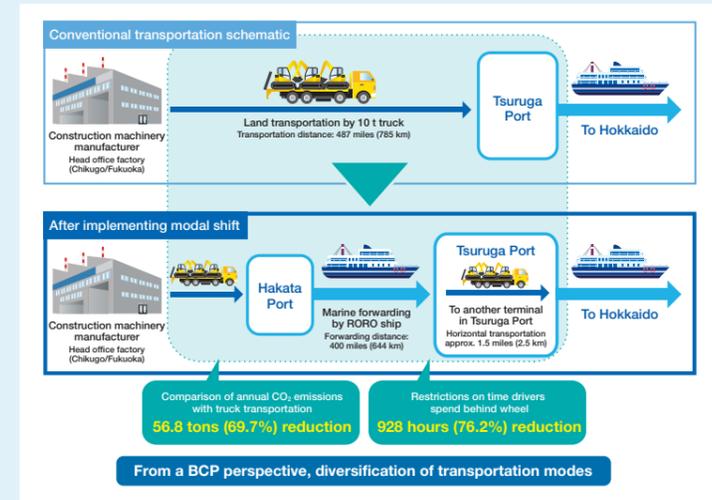


Modal shift by switching from truck transportation to marine forwarding

In addition to the environmental impact caused by CO₂ emissions, truck transportation in Japan faces social issues such as a driver labor shortage. Our Group is collaborating with customers and promoting a modal shift to switch between modes of transportation.

Solution example

Customers	Construction machinery manufacturer
Task assignments	<ul style="list-style-type: none"> • Continuation of stable transportation services for long-distance transportation from the Fukuoka factory to Hokkaido, etc. • Increase in CO₂ emissions from truck transportation • Limited number of truck types and drivers suitable for construction machinery transportation
Solution method	<ul style="list-style-type: none"> • Switching from truck transportation to roll-on/roll-off (RORO) ships • Adjustment of transportation scheme for construction machinery, cargo with special characteristics in terms of weight and shape • Carrying out of lashing (securing) of cargo according to type of construction machinery
Remarks	Received the Grand Prize for the Excellent Business Entities Working on Modal Shift Awards 2022



Medium-term Management Plan 2022 > **1 Top-line Growth by Mobilizing the Group's Collective Strength**
2 Reinforcement of Operational Competitiveness

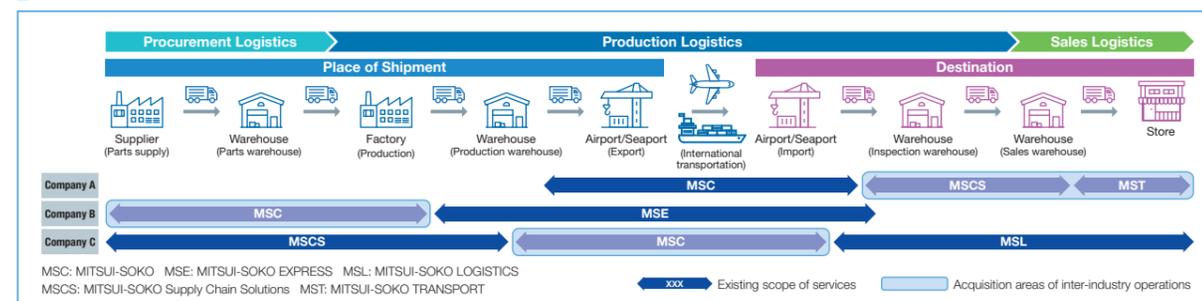
(3) Deep digging in the inter-industry

Through M&A and other business expansion, the Group possesses a wide and excellent customer base and a full range of logistics functions. Each Group company offers different advantages in terms of its logistics functions and customer industry. Going forward, we will aim to improve the profit of our base operations by utilizing the Group's comprehensive strengths to capture the inter-industry areas where we have been unable to provide business services.

> **Results for the Fiscal Year Ended March 31, 2023 and Future Initiatives**

In the fiscal year ended March 31, 2023, we attracted orders for storage, international transportation, and import/export operations from customers in healthcare and materials companies, and these led to top-line growth. While striving to attract untapped business by making proposals that leverage the Group's collective strengths, we will continue to expand our base operations in the years to come.

Acquisition of Inter-industry Operations (Illustration)



2 Reinforcement of Operational Competitiveness

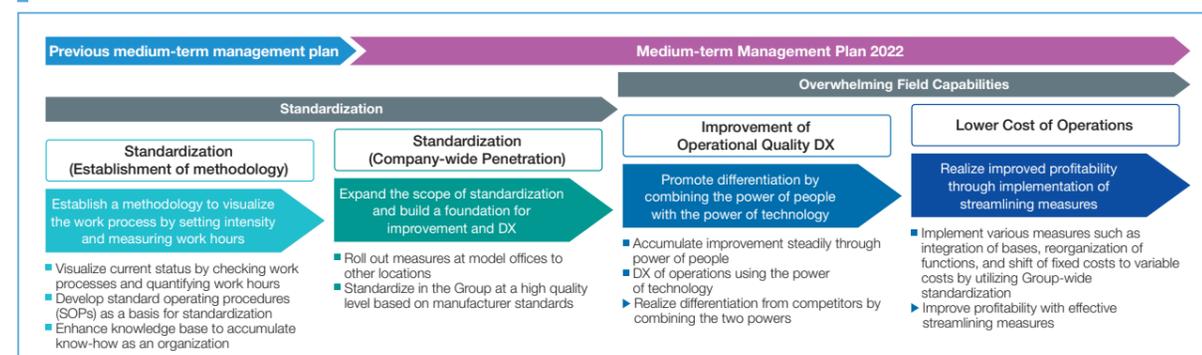
By deepening our efforts toward thorough standardization, we will realize our overwhelming field capabilities that combine the power of people with the power of technology. We also aim to secure a competitive advantage by improving the quality of our operations, and furthermore, to improve profitability by lowering the cost of operations.

> **Results for the Fiscal Year Ended March 31, 2023 and Future Initiatives**

In the fiscal year ended March 31, 2023, having promoted the firm establishment of standardized operations for paperwork and cargo handling operations at warehouse locations and import/export operations, we deployed them throughout the Company.

We also continued to promote "4S" activities, which form the basis for improving operational quality, and accident reduction activities. Going forward, in addition to deploying the standardization of high quality according to manufacturer standards throughout the Company on an ongoing basis, we will promote initiatives designed to improve productivity by systematizing work plans and standard methods of on-site work established through model office activities. Through the abovementioned initiatives, we will also build a foundation for the DX phase, realize low-cost operations through functional reorganization and human resource mobility, and set in stone the Group's competitive advantage.

Steps to Be Taken



Medium-term Management Plan 2022 > **3 Building Management Foundation to Support the Deepening**

3 Building Management Foundation to Support the Deepening

To underpin top-line growth by mobilizing the Group's collective strength and the reinforcement of operational competitiveness, we will work on building management foundations to support the deepening from the four aspects of DX, co-creation, business assets, and ESG. Furthermore, we will position human resources as the foundation of management and promote system reforms and personnel exchanges.

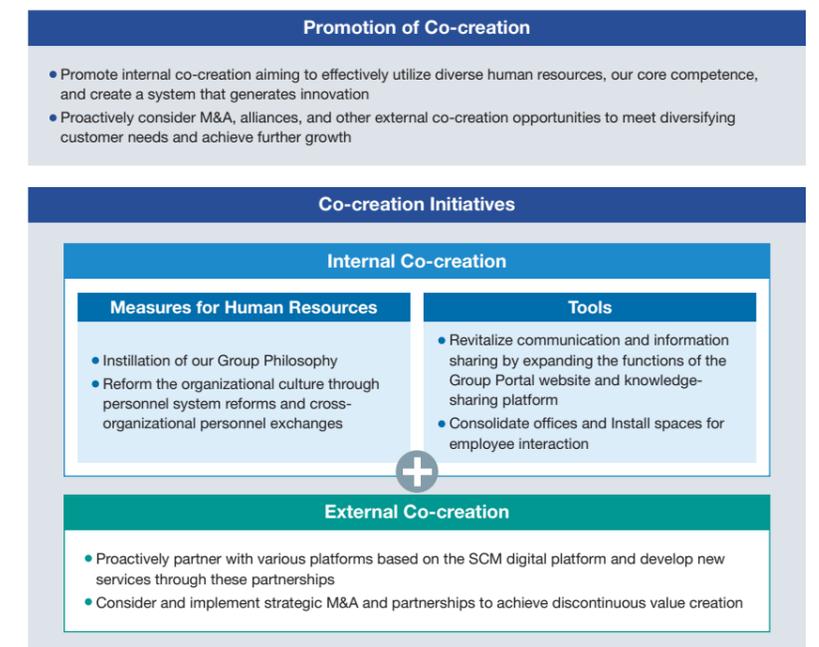
1. DX

➔ P.54-56

Based on the recognition that customers' DX cannot be achieved without logistics DX, we will create new value through a variety of measures that are in line with the Mitsui-Soko Group DX Strategy. Utilizing digital technologies and providing new logistics solutions by building the Logistics Value Link (LVL) SCM digital platform, which connects the supply chain from upstream to downstream, we will contribute to the optimization of logistics for customers and society. We will also achieve improvements in the Group's productivity through the installation of hardware, such as robotics and IoT.

2. Co-creation

To promote innovation and continue to originate new value, we will not only promote internal co-creation within the Group but also promote co-creation with external companies, including those in other industries. In addition to improving the quality of internal co-creation and creating an organization where diverse human resources can play active roles by expanding personnel exchanges and communication measures, we will actively promote co-creation with external parties in anticipation of further strengthening our focus areas, such as DX promotion and healthcare.



3. Business assets

➔ P.84

The implementation of a wide range of corporate real estate measures, including investment in new logistics facilities utilizing IoT and robotics, scrap and build of existing assets, and investment in maintenance and renewal, will lead to the effective utilization and value enhancement of assets held.

4. ESG

➔ P.58-76

Having established the Sustainability Committee, we are promoting company-wide ESG-related activities. In relation to the environment, we will contribute to the realization of a decarbonized society by promoting information disclosure in line with the TCFD recommendations and working on measures to achieve medium- to long-term targets for reducing CO₂ emissions. In terms of social aspects, we will implement measures to improve employee engagement, which will contribute to the strengthening of human capital, as well as business and human rights responses in an effort to realize a safe and satisfying work environment for everyone.

Human Resources Strategy

Strengthening “human capital,” the most important management base that forms the link between management strategies and human resources strategies

Hiroshi Kino

Executive Managing Director,
Responsible for Personnel and HR



People are what support and run companies, and it is people who create the future for companies. To draw out human resource value to the maximum extent, we will actively invest resources in strengthening human capital while implementing management practices that will lead to improvements in corporate value over the medium to long term.

Mitsui-Soko Group's Human Capital Management

The power within each and every employee is the source of corporate growth and of improvement of corporate value, and without the active participation of all our employees we will not be able to realize our PURPOSE, our VISION, or achieve the targets of Medium-term Management Plan 2022. Currently being rolled out, Medium-term Management Plan 2022 is underpinned by the three pillars of our growth strategy, and in “building management foundation to support the deepening” it can be said that human resources form the basis of that pillar. Based on this thinking, the Mitsui-Soko Group will engage in human capital management to draw out the power within people to the maximum extent.

The Mitsui-Soko Group is bringing together human resources to be proud of and who are well formed with qualities that include sincerity, humility, and a spirit of cooperation. We also possess a deeply rooted culture of customer orientation, and the trust we gain by sincerely dealing with our customers forms the bedrock of our business development. I would like to aim for the creation of an environment—the kind in which each and every

employee recognizes their own strengths, works energetically with a sense of pride and responsibility, and is able to grow personally as the Company grows—and for the fostering of a corporate culture.

Profile of the human resources we seek encapsulated in “Design the new story and lead everyone”

In April 2023, we newly formulated a “profile of the human resources we seek” as a basic policy for the recruitment and training of the human resources who will be responsible for the Mitsui-Soko Group from now on. In recent years, as the business environment has changed rapidly, our Group's business strategy has also changed. It was inevitable that the profile of the human resources we seek would change accordingly. Last year, we formulated our Group Philosophy and the Medium-term Management Plan 2022, and thus I had thought that we should redefine our “profile of the human resources we seek” at that time.

The type of human resources we are seeking is encapsulated in “Design the new story and lead everyone.” “Design the new story” means the future of our customers, the future of our Group, and

even as far as the future of the world in which we live. Even in uncertain times when the future is unclear, they will interact with our customers as logistics specialists, identify issues, and deduce optimal solutions. Not only will they possess the intellectual curiosity to incorporate new technologies and ways of thinking, but they will also have a high level of specialized knowledge and deep thinking ability, and will be able to envisage the future of our customers' businesses. The Group is putting thought into its desire to continue to have that kind of presence.

“People who keep moving” not only means the obvious of those who are capable of operating independently but also those who get others involved and keep things moving. Moving their colleagues while they are moving logistics. This is an expression of our determination in aiming to become a human resources group that exceeds our customers' expectations and even moves them emotionally.

The three pillars of our human resources strategy: Recruitment, development, and retention

The three key themes adopted under our

medium-term human resources strategy are: Recruitment, the active recruitment of human resources that match the profile; development, strengthening the development of active human resources; and retention, creating environments in which it is comfortable and satisfying to work.

With regard to recruitment, we would like to clarify the human resource requirements required by our Group and hire people who empathize with our corporate values, direction, and with our future ideal. And not forgetting that at the same time that we are selecting people, job seekers are also in the position to select companies. Therefore, I am also careful to be respectful in job interviews. In addition to recruitment activities, I think that recruitment branding that will make people want to join a company and a company's ability to inform are needed more than ever before.

In terms of development, we will define the human resources who can play active roles in our major operating companies and develop those who will be able to play active roles in a wide variety of fields through each training program. Implementing systematic personnel

rotations across the Group, broadening the range of experience, skills, and knowledge as well as bringing about improvements in individual abilities will lead to the strengthening of organizational capabilities and of the Group's capabilities.

Concerning retention, we will create environments in which all employees will be highly motivated and able to contribute to the organization by making the most of their individual strengths. For example, by fostering a culture that is accepting of diverse human resources, promoting flexible work styles that are not restricted by time or place, and operating a fair evaluation system commensurate with results, we aim to create environments that are comfortable and satisfying for everyone. At the same time, we will emphasize the health of our employees and their families and actively promote health and productivity management. At the present time, we are aiming to gain recognition as a Certified Health and Productivity Management Outstanding Organization. Employees are the Company's most important assets, and it is necessary to put in place environments in which everyone, including employees' families, can continue to work in good

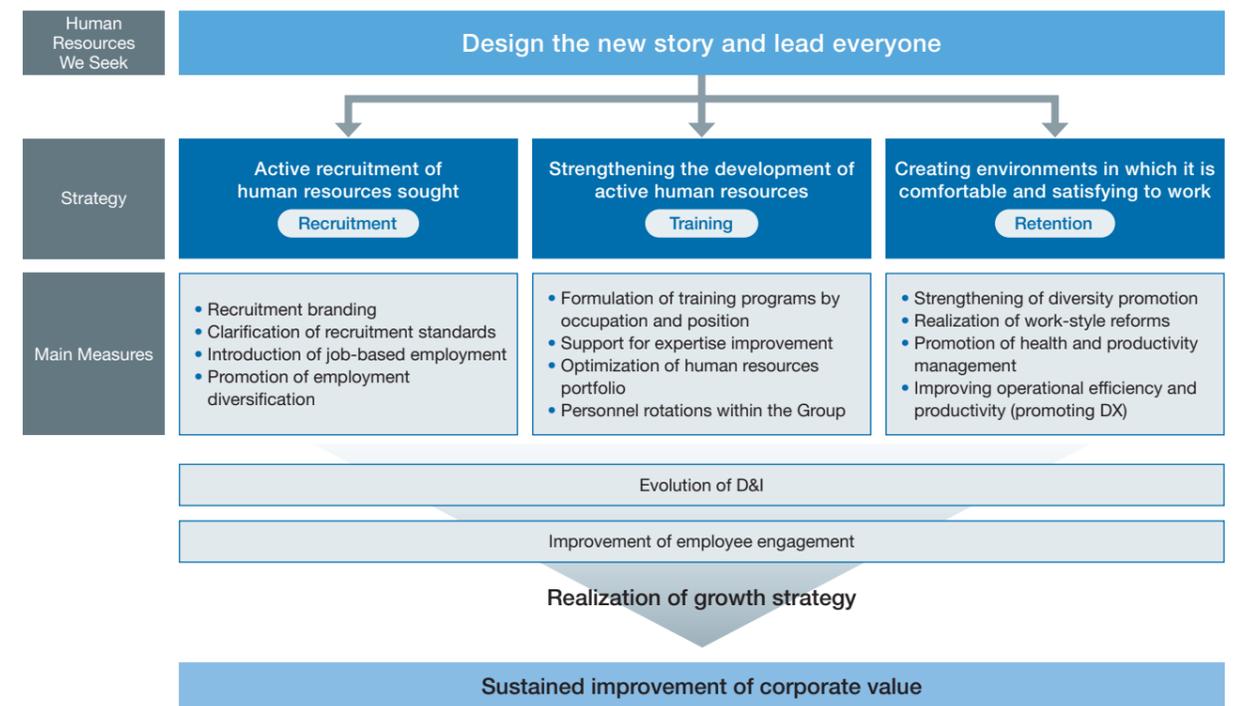
health for a long time. I want their lives to be that much richer for having carried on working with a healthy mind and body while feeling rewarded.

Promoting Diversity & Inclusion: Converting the power of diverse human resources into Group strength

Today, in what is being referred to as the era of diversity, it is becoming increasingly important to embrace diverse human resources and to include them regardless of their attributes or values. Based on the Mitsui-Soko Group Diversity & Inclusion Policy, which was established in June 2021, we respect diversity and promote the development of environments and mechanisms that allow diverse human resources to play active roles.

As the Group has evolved into a comprehensive logistics company, we have been joined by companies that possess their own networks, such as Toyota and Sony. By actively promoting exchanges between personnel who embraced different cultures we revitalized the organization, which has been leading to the creation of innovation and Group

Overview of Human Resources Strategy



Human Resources Strategy

synergies. Not only differing in terms of gender, generation, and nationality, employees with different corporate cultures coming together and fulfilling their respective roles and responsibilities with one mindset will represent a highly potent force able to support the sustainable growth of a company. For that reason, we will invest even more aggressively in reforming our corporate culture, building an organization that makes the most of individual strengths, and supporting the growth of individuals.

Deepening the company-employee relationship, working to improve engagement

Improving employee engagement is not something that can be achieved overnight but is important to build up on a day-by-day basis. This necessitates the management team and managers themselves interacting with employees sincerely, building relationships of trust, conveying gratitude and expectations to employees, fairly evaluating results, working hard, and clarifying the directions in which they should go. Specifically, we are planning to take immediate measures to improve the "culture of taking on challenges" and "recognition of achievements," which were issues highlighted in the most recent employee engagement survey results. Management from managerial positions is essential in

addressing these issues. We will promote initiatives geared toward the organization's key people, such as support training aimed at changing the mindset of managers and fostering leadership, dialogue with management, and the clarification of responsibilities. It is also essential to strengthen the relationships between superiors and subordinates, so in addition to the 360-degree evaluations that have been implemented up to now, we have introduced one-on-one meetings to encourage dialogue between superiors and subordinates. In addition to deepening mutual understanding, by conducting interviews with one subordinate on an ongoing basis, supervisors actively support the growth of those working under them. For people to grow, it is necessary for them to have a cycle of thinking for themselves through various experiences, gaining awareness by looking back, and putting what they have learned into practice. It is my belief that one-on-one meetings, in which a supervisor supports reflection and introspection, function effectively.

For each and every employee to put in their best performance

I recognize that my role as the director in charge of personnel and HR is to formulate and execute personnel measures in line with our corporate philosophy and business strategy. In

addition, I believe that it is an important mission for me to create an environment and foster a culture in which each and every employee can continue to work with responsibility and pride while maintaining or increasing motivation.

When I was a student, I was a keen baseball player. Ours was not a particularly strong team, and there were variations in the skill levels of its members, but because there was one person with strong leadership skills in my year, everyone rallied around him and a very good team was put together. As a result of each of us working hard with an awareness of our role, we were also finally able to win the league title. From this experience, I am of the firm belief that putting in your best performance necessitates recognizing your own role within the team (organization) and moving toward the same goal. As the person whose function it is to connect management and the workplace front lines and who demonstrates leadership so that the Group can carry out such organizational activities, while communicating with more people from inside and outside the Company than ever before, I will do my best to create environments in which diverse human resources are given opportunities to show their brilliance.

Profile of Human Resources We Seek



DX Strategy



Focusing on driving DX initiatives to support business transformation and optimization, all aimed at creating new value

Yuji Ito

Director, Senior Executive Officer
Responsible for Information Systems
(Digital Strategy Division & Information Systems Division)

DX is more than just digitization; it involves initiatives that lead to a competitive advantage through business transformation. We aim to achieve DX by digitizing and visualizing information in the supply chain to create new value.

An essential DX Strategy for Mitsui-Soko Group's PURPOSE: "Empower Society, Encourage Progress"

The Mitsui-Soko Group formulated a DX strategy in 2021 and, as part of Medium-term Management Plan 2022, we established the new Digital Strategy Division in April 2022 to drive DX efforts.

The advancement of digitization has led to a shift from hardware to software, significantly expanding the possibilities within businesses. However, in some industries, the existence of the sector is being questioned. Nevertheless, no matter how far digitization progresses, physical objects will never disappear, and the logistics industry, which is responsible for delivering goods, is unlikely to vanish. On the other hand, in the logistics industry, social issues such as climate change and the 2024 problem are growing increasingly serious. The construction of efficient and resilient supply chains is being emphasized, and the approaches used in the past are no longer sufficient to achieve these objectives. Now that change is being demanded in the logistics industry, for our Group DX initiatives represent an important management strategy pillar for creating high competitiveness and creating new value for customers and

society. I believe that these efforts will lead to our PURPOSE of "Empower society, encourage progress."

When promoting DX, it is important to consider that DX is not the "end" but rather the "means." The "end" is the embodiment of our PURPOSE, the realization of our VISION, and by leveraging DX as a "means" to achieve these, we aim to transform the existing business model and strive toward creating greater value.

We are implementing various initiatives across the organization in line with the publicly disclosed the Mitsui-Soko Group DX Strategy. I believe there are three key pillars for our Group to pursue as follows.

The first is the promotion of "aggressive DX (External DX)" to achieve business transformation. As a comprehensive logistics company, our Group develops new services and solves customers' logistics issues through DX.

We intend to provide services that contribute to optimizing our customers' supply chains by aggregating transaction data for the entire supply chain management (SCM) onto our SCM digital platform called LVL (Logistics Value Link) and utilizing the aggregated data. This will include centralized management of our customers' trade documents and visualization of inventory across multiple

locations.

Second is the promotion of "Defensive DX (Internal DX)" that realizes business optimization. We will enhance our competitiveness by integrating the expertise accumulated over our Group's history of more than 110 years with the latest digital technologies, thereby achieving optimization in the operations of our existing businesses. We will advance our efforts to embrace smart logistics by utilizing cutting-edge technologies such as robotics, AI, and robotic process automation (RPA) to automate on-site and administrative tasks, digitize the movement of documents and cargo, and optimize logistics operations.

By installing the latest digital technology, we will work to further improve the quality of operations and support the establishment of an overwhelming field capabilities.

The third pillar is the "Cultivation of DX talent" to realize these strategies. Business transformation through DX will not progress unless each department and individual in the field takes initiative and actively engages in it as their own responsibility. Regarding this matter, as mentioned later, it is essential to advance efforts not only in cultivating DX specialists with expertise but also in enhancing the DX literacy of all employees.

DX Strategy

DX Strategy Progress

Regarding the “aggressive DX,” we are in the process of developing LVL and have already begun offering it to select customers. Currently, we are collaborating with a select group of customers to improve trade efficiency in both exports and imports. We have initiated a pilot operation project and have received positive evaluations. By providing a platform that leverages our Group’s information-gathering capabilities and incorporates full-fledged logistics functions within the supply chain, we make a significant contribution to our customers’ business optimization and cost reduction efforts. Additionally, from our perspective, there are further benefits as we can collect customer information, enabling us to offer even more significant logistics support and deepen our inter-industry engagement with our customers. Furthermore, we are currently undertaking the development of a general-purpose platform, in anticipation of expanding our

range of offerings in the future. (Fig. 2 Aggressive DX [Business Transformation by Developing Services for Customers]) We have also invested in TradeWaltz, a trade platform company, and are presently focused on developing linkage functions within the export–import trade sector. It is rare to be able to complete platform construction in-house, and by engaging in meaningful collaborative partnerships with various companies, we are expanding the potential for creating new value within our DX strategy. On the other hand, for “defensive DX” initiatives such as promoting robotics for efficiency, labor reduction, and enhancing information integration with customers, we are actively involved in collaborative projects with multiple customers, with a primary focus on establishing large-scale distribution centers. At the same time, we are simultaneously working on smaller and medium-sized implementation projects that utilize AGV, autonomous mobile robots (AMR) image recognition, AI, etc. It may seem more efficient to fully

automate warehouses and logistics centers. However, given the variations in customers’ industries and cargo characteristics, automating the entire operation through automation and mechanization does not necessarily guarantee increased efficiency. We recognize that it is also important to consider standardization that takes into account the differentiation between automation and human-operated tasks based on customer characteristics and cargo scale, etc. We are promoting on-site optimization while also focusing on qualitative effects (such as quality, safety, public relations, employment, working conditions, social impact, future prospects, competitive advantage, etc.) in addition to quantitative effects. (Fig. 3 Defensive DX Business optimization that leverages the latest digital technologies) Concerning these DX-related investments, we are also expecting to invest ¥20 billion over the five years of Medium-term Management Plan 2022.

Focusing on Securing and Training DX Talent

DX is often highlighted for its technological aspects, but the key to its success lies in “people.” As DX advances, it becomes increasingly evident that the role of individuals making final decisions is crucial. Therefore, securing DX talent is an urgent priority. We will continue to strengthen our mid-career and new graduate hires, and expand our workforce as quickly as possible. The type of DX talent we are looking for in our Group should have the following attributes: proficiency in digital technology and a deep understanding of the operations of our business units. They should possess the ability to lead DX initiatives through strategic planning, problem analysis and resolution, and schedule management. Additionally, they must also possess project management skills that bridge IT with the business operation. We are focusing on securing

and training DX talent, leveraging our recently introduced IT specialist system. As mentioned earlier, in order to drive DX initiatives, it is important for all employees to understand the essence of DX and improve their digital literacy. To achieve this, we have been implementing initiatives such as improving the digital skills of all employees through the establishment of training environments, digitizing our operations, and RPA citizen development. This can be seen as a step toward digital democratization. We are advancing a transformation of our corporate culture and mindset through the enhancement of DX literacy, from top management to the bottom of the organization. This effort aims to cultivate a culture where challenges are embraced without fear of failure, thereby accelerating the pace of DX advancement and striving for continuous business value creation.

Taking On Challenges without Fear of Failure

Logistics contributes to optimize our customers’ businesses and to create a society where people can live comfortably. However, in today’s era of volatility, uncertainty, complexity, and ambiguity (VUCA), ensuring the uninterrupted flow of daily logistics, continuously generating value, and improving competitive advantage is never an easy task. To achieve these goals, the realization of DX is essential. DX is not something that can be achieved overnight; it is an ongoing process that requires continuous trial and error, approached with a sense of urgency in business operations. Therefore, it is also necessary to encourage a willingness to challenge various possibilities without fearing failure. We recognize that there are several obstacles that must be overcome to make DX successful. However, we are determined to find breakthroughs and achieve positive outcomes.

Fig. 1 Complete Picture of DX Strategy

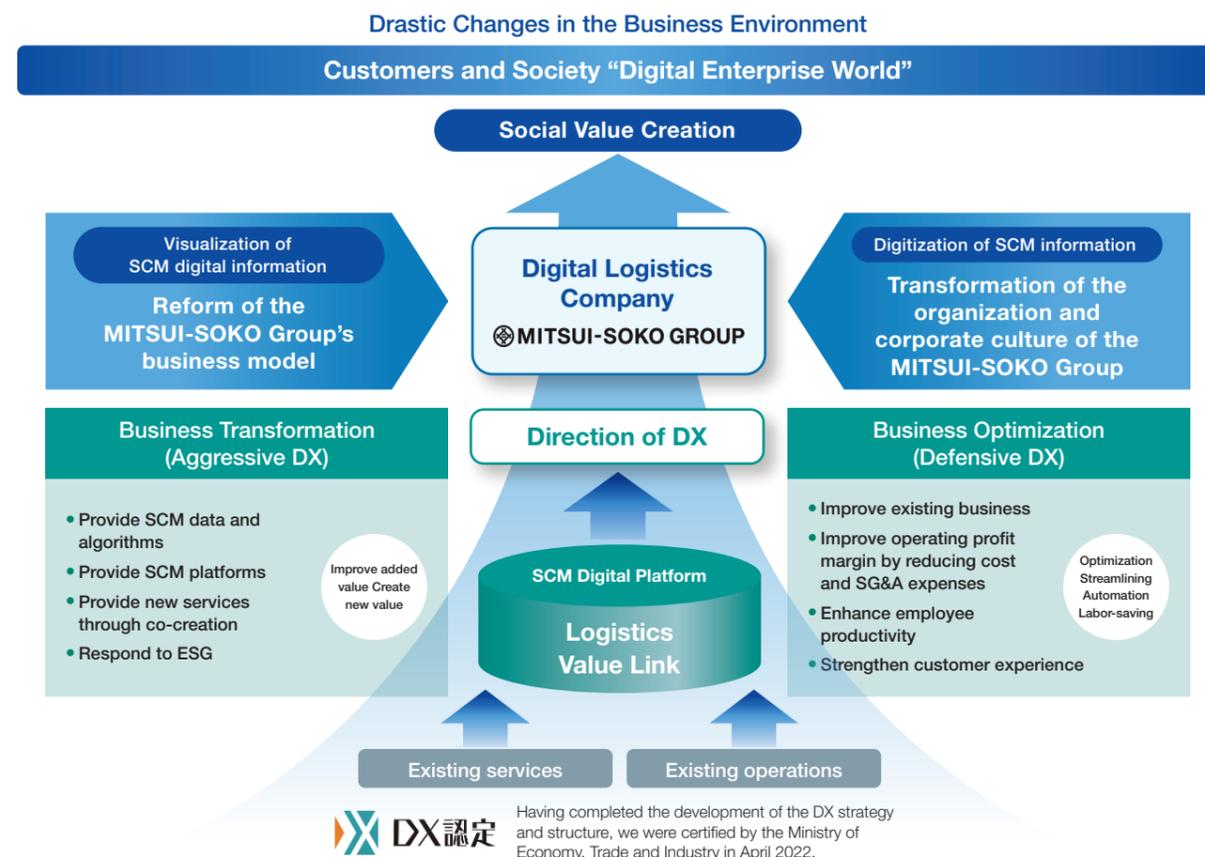


Fig. 2 Aggressive DX (Business Transformation by Developing Services for Customers)

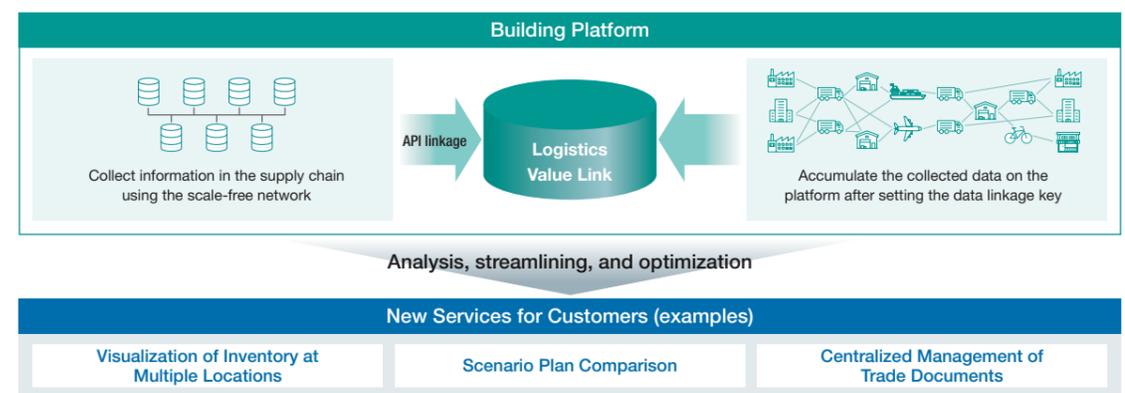


Fig. 3 Defensive DX (Business optimization that leverages the latest digital technologies)

