

The financial report
of the second quarter
of the fiscal year ended
31st, March 2019 (FY2019)



Mitsui-soko group

November, 8th 2018



- ▶ The financial report of the second quarter of the FY2019
- The forecast of the second quarter of the FY2019
- The progress of the Medium-term management plan 2017
and returns to stockholders



(1) Overview

(Unit: Millions of JPY)

	Consolidated total amount	The first half of FY2018 (Apr.1, 2017~ Sep.30, 2017)	The first half of FY2019 (Apr.1, 2018~ Sep.30, 2018)	Changes	Changes(%)
P L	Sales	114,843	120,659	+5,816	+5.1%
	Operating Profit	3,492	6,183	+2,690	+77.0%
	Ordinary Profit	3,657	5,541	+1,883	+51.5%
	Profit attributed to owners of parent	1,799	3,111	+1,311	+72.9%
C F	Cash flows from operating activities	8,158	8,621	+462	+5.7%
	Cash flows from investing activities	(4,682)	(2,400)	+2,282	—
	Cash flows from financing activities	(12,892)	(10,583)	+2,309	—
	Consolidated total amount	Balance at Mar.31, 2018	Balance at Sep.30, 2018	Changes	Changes(%)
B S	Shareholders' equity	44,017	47,224	+3,206	+7.3%
	Total assets	262,735	258,671	(4,063)	(1.5%)
	Shareholders' equity ratio	16.8%	18.3%	+1.5	—



(2) Sales

(compared to the same period of the previous fiscal year)

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(Unit: Millions of JPY)

Business	The first half of FY2018 (Apr.1 2017~ Sep.30 2017)	The first half of FY2019 (Apr.1 2018~ Sep.30 2018)	Changes	Changes(%)
Logistics business	110,664	116,425	+5,760	+5.2%
Real estate business	4,556	4,599	+43	+0.9%
Eliminate/Corporate	(377)	(364)	+13	—
Total of sales	114,843	120,659	+5,816	+5.1%

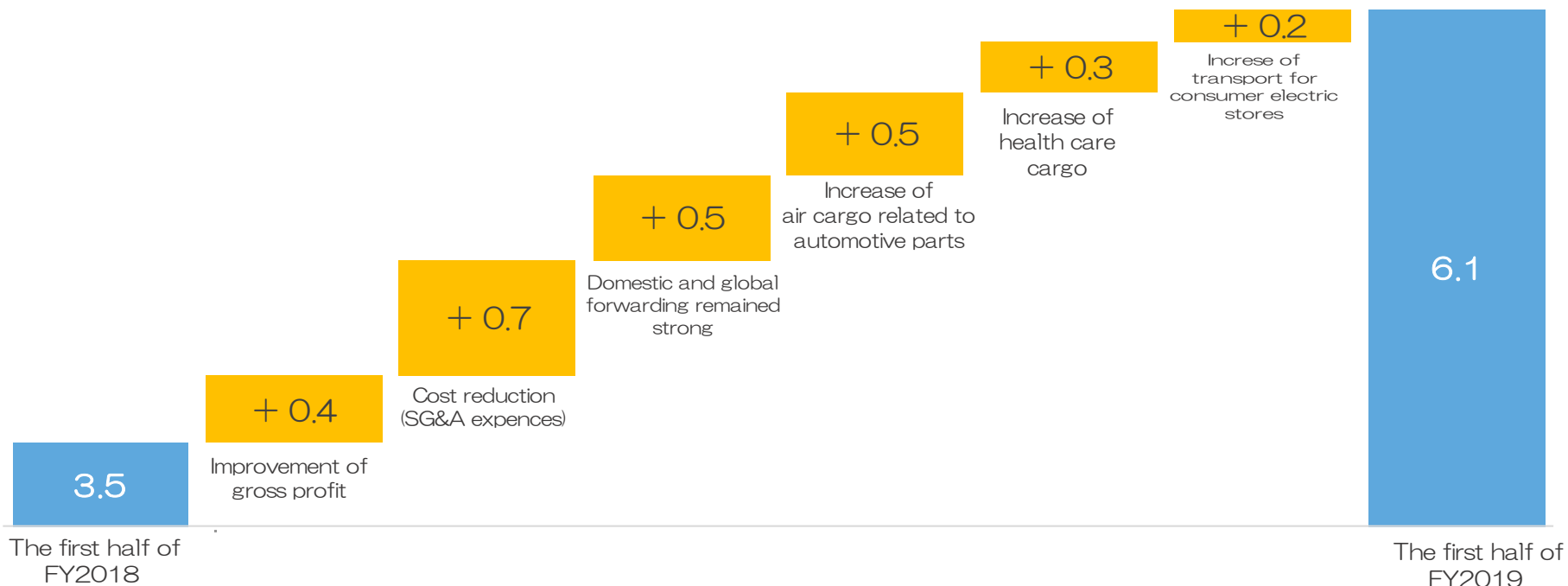


(3) Operating profit

(compared to the same period of the previous fiscal year)

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(Unit: Billions of JPY)



(Unit: Millions of JPY)

Business	The first half of FY2018 (Apr.1 2017~ Sep.30 2017)	The first half of FY2019 (Apr.1 2018~ Sep.30 2018)	Changes	Changes(%)
Logistics business	2,875	5,105	+2,229	+77.5%
Real estate business	2,516	2,577	+60	+2.4%
Eliminate/Corporate	(1,899)	(1,499)	+399	—
Total of operating profit	3,492	6,183	+2,690	+77.0%



(6) Non-operating income/loss and Extraordinary gains/losses (compared to the same period of the previous fiscal year)

(Unit: Millions of JPY)

Consolidated total amount	The first half of FY2018 (Apr.1 2017~ Sep.30 2017)	The first half of FY2019 (Apr.1 2018~ Sep.30 2018)	Changes	Reason for changes
Operating profit	3,492	6,183	+2,690	
Non-operating profit (loss)	165	(642)	(807)	<ul style="list-style-type: none"> Foreign exchange losses: (712) million yen (The same period of FY2018: Foreign exchange gains: 580 million yen The first half of FY2019: Foreign exchange losses: (132) million yen) Financial profit: 24 million yen Other losses: 119 million yen
Financial profit/loss	(384)	(359)	+24	The amount of interest payment was reduced by the reduction of interest-bearing debt
Ordinary profit	3,657	5,541	+1,883	<ul style="list-style-type: none"> The decrease of extraordinary losses: 807 million yen The increase of operating profit: 2,690 million yen
Extraordinary gains	39	6	(32)	<ul style="list-style-type: none"> The first half of the FY2018 (previous fiscal year): Profit from sale of land 39 million yen The first half of FY2019 (this fiscal year): Profit from sales of investment securities 6million yen
Extraordinary losses	223	—	(223)	The first half of the FY2018 (previous fiscal year): Loss on disposal of fixed assets 223 million yen
Profit attributed to owners of parent	1,799	3,111	+1,311	Increase of ordinary profit



(7) Cash flow and balance sheet

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(Unit: Millions of JPY)

Consolidated total amount	The first half of FY2018 (Apr.1, 2017~ Sep.30, 2017)	The first half of FY2019 (Apr.1, 2018~ Sep.30, 2018)	Changes	Changes(%)
Cash flows from operating activities	8,158	8,621	+462	+5.7%
(Depreciation and amortization of goodwill	4,769	4,685	(83)	(1.8%)
Cash flows from investing activities	(4,682)	(2,400)	+2,282	—
(Payment for PPE and obtain shares	(5,578)	(2,476)	+3,101	—
Cash flows from financing activities	(12,892)	(10,583)	+2,309	—

Consolidated total amount	Balance at Mar. 31, 2018	Balance at Sep. 30, 2018	Changes	Changes(%)
Cash and cash equivalents	25,798	21,579	(4,218)	(16.4%)
Bonds and borrowings	157,604	148,401	(9,202)	(5.8%)
Net-debt	131,806	126,822	(4,984)	(3.8%)
Shareholder's equity	44,017	47,224	3,206	+7.3%
Total assets	262,735	258,671	(4,063)	(1.5%)
Shareholder's equity ratio	16.8%	18.3%	+1.5	—



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(1) Overview of forecast for FY2019

(Unit: Millions of JPY)

	Consolidated total amount	FY2018 (Apr.1, 2017~ Mar.31, 2018)	The first half of FY2019 (Apr.1, 2018~ Sep.30, 2018)	FY2019 (Apr.1, 2018~ Mar.31, 2019)	Compared to the same period of FY2018	The original forecast
P L	Sales	233,243	120,659	235,000	+1,756	230,000
	Operating Profit	6,996	6,183	10,000	+3,003	7,500
	Ordinary Profit	6,521	5,541	8,500	+1,978	6,400
	Profit attributed to owners of parent	4,406	3,111	4,900	+493	3,800
C F	Cash flows from operating activities	12,207	8,621	15,000	+2,792	
	Cash flows from investing activities	(5,806)	(2,400)	(6,500)	(693)	
	Cash flows from financing activities	(12,180)	(10,583)	(12,500)	(319)	
	Consolidated total amount	Balance at Mar. 31, 2018	(Balance at Sep.30, 2018)	Balance at March 31, 2019	Compared to the end of the FY2018 (Mar.31, 2018)	
B S	Shareholders' equity	44,017	47,224	49,000	+4,982	
	Total assets	262,735	258,671	256,000	(6,735)	
	Shareholders' equity ratio	16.8%	18.3%	19.1%	+2.4	



(2) FY2019 The forecast of sales and operating profit

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[Sales]

(Unit: Millions of JPY)

Business	FY2018 (Apr.1, 2017~ Mar.30, 2018)	The first half of FY2019 (Apr.1, 2018~ Spe.30, 2018)	FY2019 (Apr.1, 2018~ Mar.30, 2019)	Compared to the same period of FY2018	The original forecast
Logistics business	224,842	116,425	226,400	+1,557	221,400
Real estate business	9,155	4,599	9,200	+44	9,200
Eliminate/corporate	(755)	(364)	(600)	+155	(600)
Total of sales	233,243	120,659	235,000	+1,756	230,000

[Operating profit]

(Unit: Millions of JPY)

Business	FY2018 (Apr.1, 2017~ Mar.30, 2018)	The first half of FY2019 (Apr.1, 2018~ Spe.30, 2018)	FY2019 (Apr.1, 2018~ Mar.30, 2019)	Compared to the same period of FY2018	The original forecast
Logistics business	5,855	5,105	8,200	+2,344	6,000
Real estate business	5,045	2,577	5,000	(45)	4,900
Eliminate/corporate	(3,904)	(1,499)	(3,200)	+704	(3,400)
Total of operating profit	6,996	6,183	10,000	+3,003	7,500



(4) FY2019 The forecast of Non-operating income/loss and Extraordinary gains/losses

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(Unit: Millions of JPY)

Consolidated total amount	FY2018 (Apr.1, 2017~ Mar. 30, 2018)	The first half of FY2019 (Apr.1 2018~ Sep.30 2018)	FY2019 (Apr.1, 2018~ Mar. 30, 2019)	Changes	Changes(%)
Operating profit	6,996	6,183	10,000	+3,003	+42.9%
Non-operating income (loss)	(475)	(642)	(1,500)	(1,024)	—
(Financial profit/loss	(858)	(359)	(800)	58	—)
Ordinary profit	6,521	5,541	8,500	+1,978	+30.3%
Extraordinary gains	1,844	6	6	(1,838)	(99.7%)
Extraordinary losses	223	—	—	—	—
Profit attributed to owners of parent	4,406	3,111	4,900	+493	+11.2%



(5) The forecast of cash flow and balance sheet 11

(Unit: Millions of JPY)

Consolidated total amount	FY2018 (Apr.1, 2017~ Mar. 30, 2018)	The first half of FY2019 (Apr.1 2018~ Sep.30 2018)	FY2019 (Apr.1, 2018~ Mar. 30, 2019)	Changes	Changes(%)
Cash flows from operating activities	12,207	8,621	15,000	+2,792	+22.9%
Depreciation and amortization of goodwill	9,932	4,685	9,700	(232)	(2.3%)
Cash flows from investing activities	(5,806)	(2,400)	(6,500)	(693)	—
Cash flows from financing activities	(12,180)	(10,583)	(12,500)	(319)	—

Consolidated total amount	Balance at Mar. 31, 2018	Balance at Sep. 30, 2018	Balance at Mar. 30, 2019	Compared to the end of FY2018 (Mar. 30, 2018)	Changes(%)
Cash and cash equivalents	25,798	21,579	21,000	(4,798)	(18.6%)
Bonds and borrowings	157,604	148,401	145,000	(12,604)	(8.0%)
Net-debt	131,806	126,822	124,000	(7,806)	(5.9%)
Shareholder's equity	44,017	47,224	49,000	4,982	+11.3%
Total assets	262,735	258,671	256,000	(6,735)	(2.6%)
Shareholder's equity ratio	16.8%	18.3%	19.1%	+2.4	—



(3) The latest forecast (compared to the plan at the beginning of the FY2019)

Numbers in the parentheses are the variance with the original forecast

(Unit: Millions of JPY)

Consolidated total amount	The first half of FY2019 (Apr.1, 2018~Sep.30, 2018)		The second half of FY2019 (Oct.1, 2018~Mar.30, 2019)		FY2019 (Apr.1, 2018~Mar.30, 2019)	
	The original forecast	The result of the half of FY2019	The original forecast	The latest forecast	The original forecast	The latest forecast
Sales	114,000	120,659 (+ 6,659)	116,000	114,341 (Δ 1,659)	230,000	235,000 (+ 5,000)
Operating profit	3,400	6,183 (+ 2,783)	4,100	3,817 (Δ 283)	7,500	10,000 (+ 2,500)
Ordinary profit	2,800	5,541 (+ 2,741)	3,600	2,959 (Δ 641)	6,400	8,500 (+ 2,100)
Profit attributed to owners of parent	1,700	3,124 (+ 1,424)	2,100	1,776 (Δ 324)	3,800	4,900 (+ 1,100)

The difference between the plan at the beginning of FY2019 and the result of the first half of FY2019 & the forecast for the second half of FY2019

	The first half of FY2019(Apr.1, 2018~Sep.30, 2018)	The second half of FY2019(Oct.1, 2018~Mar.31, 2019)
Sales	<ul style="list-style-type: none"> Domestic and global forwarding business, air transport business related to automobile and logistics business for consumer electric stores exceeded our plan at the beginning of the year. 	<ul style="list-style-type: none"> Compared to the original plan, the decrease of global logistics related to electric appliances' manufacturer and air transport business for automobile is forecasted.
Operating profit	<ul style="list-style-type: none"> In addition to the increase of sales, cost reduction was proceeded more than our plan. 	<ul style="list-style-type: none"> In addition to the decrease of sales, more increase of operation cost than the original plan is forecasted due to the manpower shortage in a peak season.
Ordinary profit	<ul style="list-style-type: none"> In addition to the increase of operating profit, foreign exchange gains (300 million JPY) occurred for loans which the parent company is lending to its subsidiaries in USD due to depreciation of JPY to USD. 	<ul style="list-style-type: none"> In addition to the decrease of operating profit, foreign exchange gains which occurred at the parent company during the first half of FY2019 will be dissolved since the exchange rate of JPY against USD will be back to the level at the end of March, 2018.



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◇“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



Aspirations

Become a first-call company trusted by customers

Exploring and expanding laterally, along with a global and influential customer base in various industries who are tied together by their strong trust in the Group

Muscularity

Challenge 20

Organizational reform

Strengthen Group affiliation

Establish new cross-cutting functions for Group

Shift from quantity to quality

Emphasis on profitability

Workplace overflowing with motivation and vitality

Changes in awareness

HR reforms



(2) The plan for FY2019

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✓We estimated that operation profit would be 7.5 million yen at the end of the FY2019 through strengthening our profitability even the hard business environment during the period.

FY2018

FY2019

Promoting cost reduction project “Challenge 20”

- Reviewing size and arrangement of each branch and improving space utilization.
- Managing business trip fee, entertainment expenses more thoroughly.
- We also have been severely checking other managing cost.

Managing profitability by customer thoroughly

Improving gross profit

- Providing high value added services etc.

Strengthening group management

- Domestic and international sales function integrated
- Strategic Sales Division established

Expanding businesses

- Through integrated each group company's function etc.

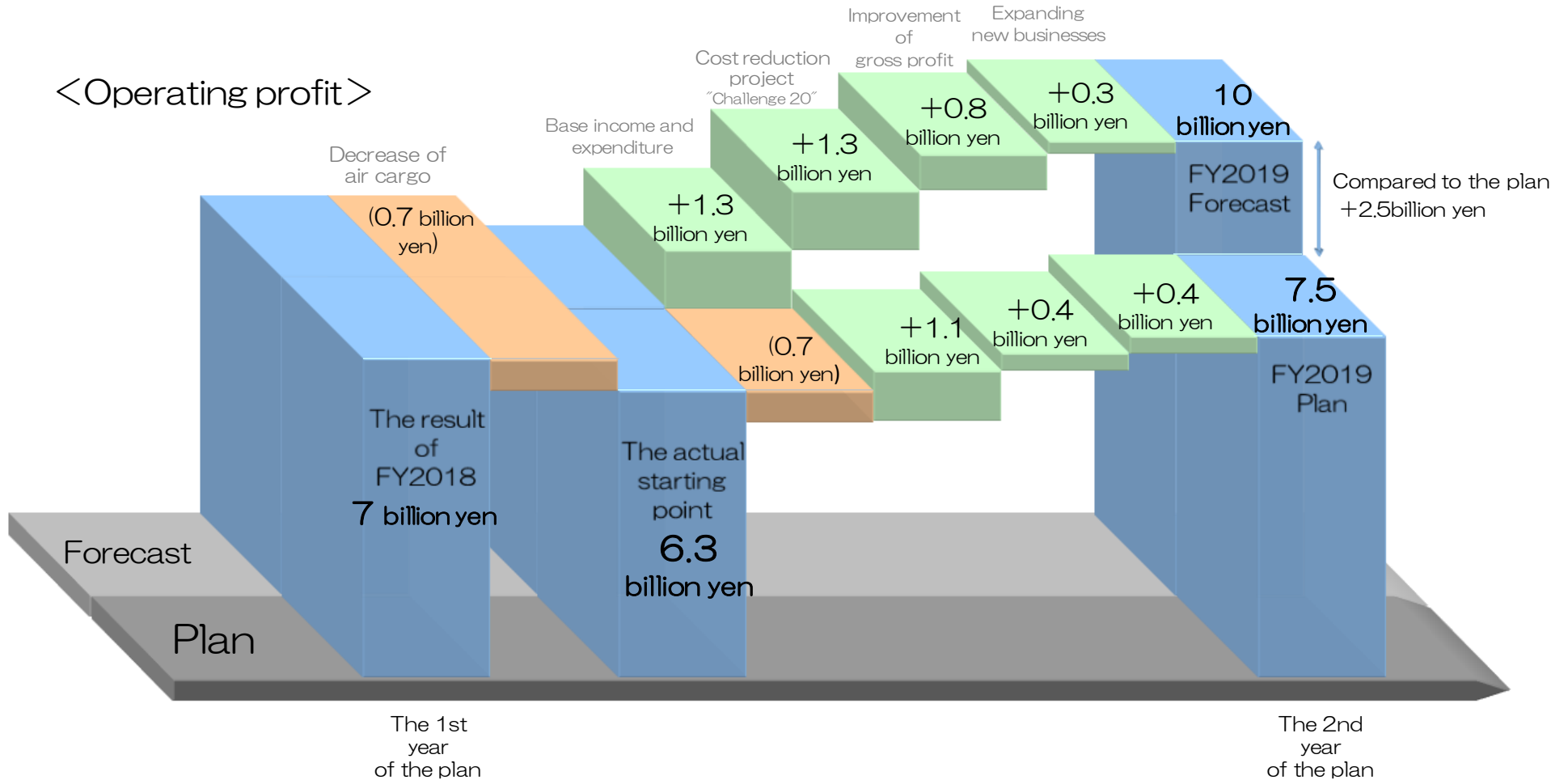
✓We have started reforming our personnel management system to enhance “challenge spirit”

- Abolishing the seniority system and implementing the assessment based on roles and performance.
- Respecting young employees with abilities and motivation



✓ Progress of the cost reduction project and the project to improve gross profit exceeds planned figure. They contribute to improve operating profit. The base business will steadily proceed with expansion of our existing businesses.

<Operating profit>



The progress of Challenge20 . . . Accumulated amount of cost reduction 1.7 billion yen in total (including 0.4 billion yen in the previous fiscal year)



(4) The progress of FY2019 ②The whole status

- ✓ Each index remained the higher level than the plan. We are firmly progressing to achieve the target amount on the Medium term management plan.
 - ✓ For operating profit, 10 billion yen which was set as our target would be achieved.
- ➔ We will carefully consider to revise the target amount on the Medium term management plan by judging results in the future, the progress of the plan and the business environment.

(Unit: Billions of JPY)

		The first year of the plan FY2018	The second year of the plan FY2019	The last year of the plan FY2022
Operating Profit	A Plan	6.5	※1 +7.5	10.0
	B Result and forecast	7	+10.0	—
	C Changes = B - A	+0.5	+2.5	—
Bonds and Borrowings	A Plan	158.0	※1 149.0	130.0
	B Result and forecast	157.6	145.0	—
	C Changes = B - A	△0.4	△4.0	—
Net D/E ratio	A Plan	3.0	※1 2.6	Less than 2.0
	B Result and forecast	3.0	2.5	—
	C Changes = B - A	△0.0	△0.1	—
ROE ※2	A Plan	9.5%	※1 8.3%	9.0%+
	B Result and forecast	10.7%	10.5%	—
	C Changes = B - A	+1.2points	+2.2points	—

※1 Quoted from the announce in May, 2018

※2 Profit attributed to owners of parent ÷ Average of shareholder's equity



- ✓ We have declared the resumption of dividend payments which is from the end of FY2019(12.50 yen /share)

[Backgrounds]

- Our results has been remaining strong since the Medium term management plan started in the previous fiscal year.
- The retained earnings of MSH which is capital for dividends are estimated to be secured.

(Reference) The change of dividend

	FY2016 (Apr.1, 2015 ~Mar.31, 2016)		FY2017 (Apr.1, 2016 ~Mar.31, 2017)		FY2018 (Apr.1, 2017 ~Mar.31, 2018)		FY2019(Forecast) (Apr.1, 201 ~Mar.31, 2019)	
	Interim dividend	Year-end dividend	Interim dividend	Year-end dividend	Interim dividend	Year-end dividend	Interim dividend	Year-end dividend
Dividend per share (JPY) ※	25.00	25.00	25.00	-	-	-	-	12.50

※ It reflects the reverse stock split on Oct. 1, 2018. (We changed 5 shares to 1 share)