

**The financial report
of the fiscal year ended
31st, March 2020(FY2020)**



May, 20th 2020



- Explanatory materials

- ▶ The financial report of the FY2020

- The forecast of the FY2021

- The progress of the Medium-term management plan 2017



(1) Overview

(Unit: Millions of JPY)

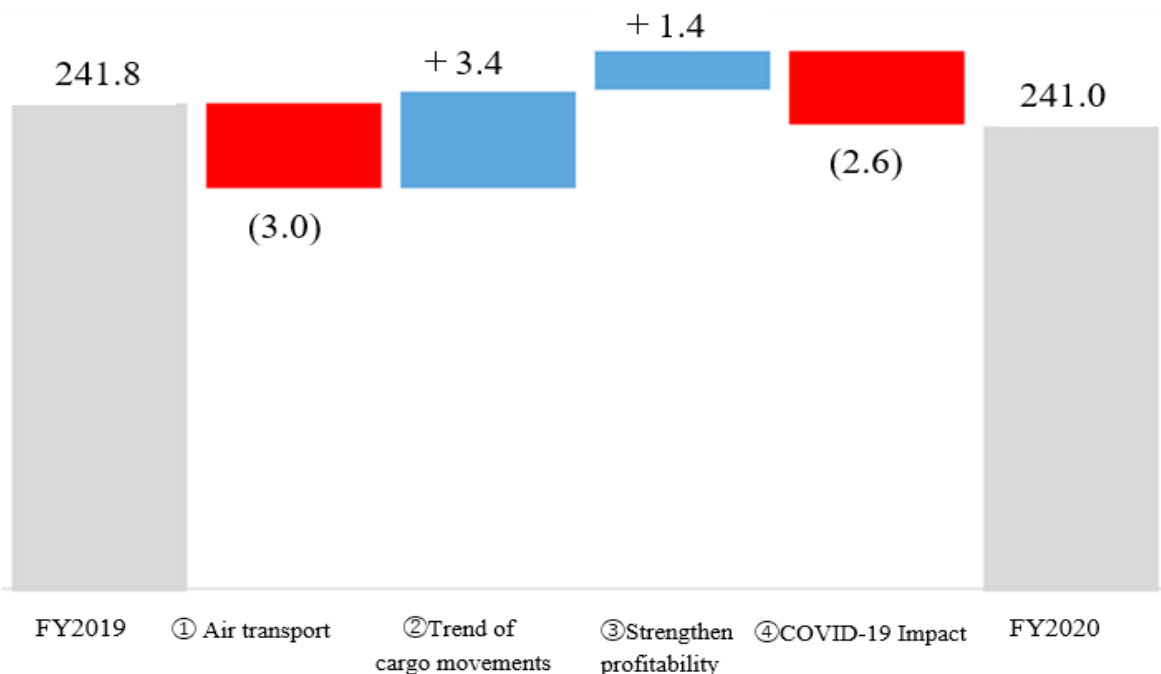
Consolidated total amount		FY2019 (Apr.1, 2018~ Mar.31, 2019)	FY2020 (Apr.1, 2019~ Mar.31, 2020)	Changes	Changes(%)
P L	Sales	241,852	241,080	(772)	(0.3%)
	Operating Profit	11,986	11,808	(178)	(1.5%)
	Ordinary Profit	11,087	10,531	(556)	(5.0%)
	Profit attributed to owners of parent	5,190	6,395	+ 1,204	+ 23.2%
C F	Cash flows from operating activities	18,498	21,112	+ 2,614	+ 14.1%
	Cash flows from investing activities	(4,043)	(5,487)	(1,443)	—
	Cash flows from financing activities	(16,618)	(16,746)	(127)	—
Consolidated total amount		Balance at Mar. 31, 2019	Balance at Mar. 31, 2020	Changes	Changes(%)
B S	Shareholders' equity	47,404	49,705	+ 2,301	+ 4.9%
	Total assets	252,078	239,309	(12,768)	(5.1%)
	Shareholders' equity ratio	18.8%	20.8%	+ 2.0	—



(2) Sales (Compared to the same period of FY2019)

- Although overall net sales decreased by 0.77 billion yen from the previous fiscal year to 241.0 billion yen, net sales in FY2020 excluding 2.6 billion yen of COVID-19 impact increased by 0.18 billion yen (up 0.7% from the previous fiscal year) to 243.6 billion yen due to new transactions and strengthening measures of its profitability.

(Unit: Billions of JPY)



① Air transport

- ↓ : Decrease of air cargo handling including electronic parts and semiconductor : (2.0)
- ↓ : Decrease of car-related transport projects : (1.0)

② Trends of cargo movements

- ↑ : Increase of cargo handling including food material : +0.7
- ↑ : Increase of the distribution for consumer electronics manufacturers : +1.7
- ↑ : New transactions including pharmaceuticals and consumer electronics manufacturers : +2.8
- ↓ : Decrease of the international transportation : (1.8)

③ Strengthen profitability

- ↑ : Appropriate charge collection as planned : + 0.7
- ↑ : Increase due to a contract amendment in the real estate business : + 0.7

(Unit: Millions of JPY)

④ COVID-19 Impact

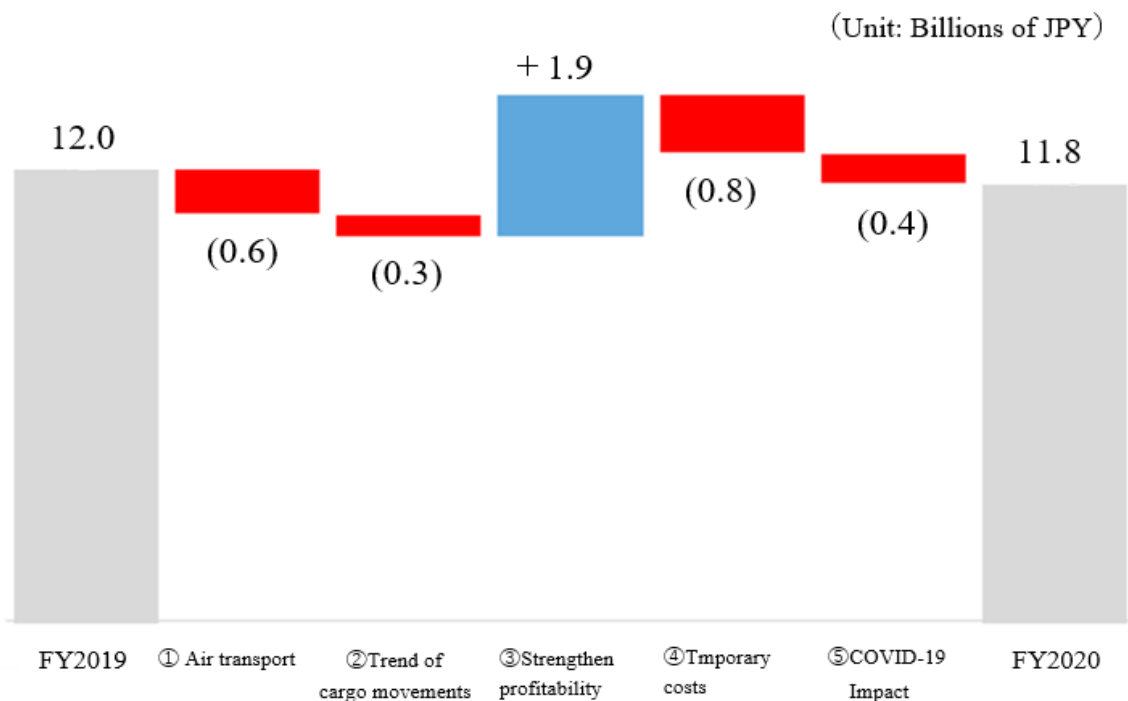
- ↓ : Significant decrease in handling due to overseas lockdown : (0.9)
- ↓ : Decrease in customs clearance and handling for shipping companies due to China's economic slowdown : (0.7)
- ↓ : Decrease in logistics transactions for consumer electronics stores due to the self-restraint : (0.1)
- ↓ : Others : (0.9)

Segment	FY2019 (Apr.1, 2018~ Mar.31, 2019)	FY2020 (Apr.1, 2019~ Mar.31, 2020)	Changes	Changes(%)
Logistics business	233,404	231,982	(1,421)	(0.6%)
Real estate business	9,170	9,833	+ 663	+ 7.2%
Eliminate/Corporate	(721)	(736)	(14)	—
Total of sales	241,852	241,080	(772)	(0.3%)



(3) Operating profit (Compared to the same period of FY2019)

- Although overall operating profit decreased by 0.18 billion yen from the previous fiscal year to 11.8 billion yen, operating profit in FY2020 excluding 0.4 billion yen of COVID-19 impact increased by 0.2 billion yen (up 1.7% from the previous fiscal year) to 12.2 billion yen. The increased costs were absorbed by appropriate charge collection and cost reduction.



- ① Air transport
 - ↓ : Decrease of air cargo handling including electronic parts and semiconductor : (0.4)
 - ↓ : Decrease of car-related transport projects : (0.2)
- ② Trends of cargo movements
 - ↑ : Increase of Cargo handling including food material : +0.5
 - ↑ : Distribution for consumer electronics manufacturers : +0.4
 - ↑ : New transactions including pharmaceuticals and consumer electronics manufacturers : +0.3
 - ↓ : Temporary handling costs for consumer electronics stores : (0.5)
 - ↓ : Cost increase associated with personnel and transportation : (0.6)
 - ↓ : Decrease of the international transportation : (0.4)
- ③ Strengthen profitability
 - ↑ : Appropriate charge collection as planned : +0.7
 - ↑ : Cost reduction as planned : +0.5
 - ↑ : Increase due to a contract amendment in the real estate business : +0.7
- ④ Temporary costs
 - ↓ : Temporary costs related to work-style reform : (0.5)
 - ↓ : Retirement benefit obligation : (0.3)
- ⑤ COVID-19 Impact
 - ↓ : Significant decrease in handling due to overseas lockdown : (0.12)
 - ↓ : Decrease in customs clearance and handling for shipping companies due to China's economic slowdown : (0.1)
 - ↓ : Decrease in logistics transactions for consumer electronics stores due to the self-restraint : (0.1)
 - ↓ : Others : (0.08)

(Unit: Millions of JPY)

Segment	FY2019 (Apr.1, 2018~ Mar.31, 2019)	FY2020 (Apr.1, 2019~ Mar.31, 2020)	Changes	Changes(%)
Logistics business	9,844	9,105	(739)	(7.5%)
Real estate business	5,114	5,865	+ 750	+ 14.7%
Eliminate/Corporate	(2,972)	(3,161)	(189)	—
Total of profit	11,986	11,808	(178)	(1.5%)



(4) Extraordinary gains/losses (Compared to the same period of FY2019)

- Ordinary profit decreased by 0.56 billion yen from the previous fiscal year to 10.5 billion yen due to decrease in operating profit and increase in temporary commission fee.
- Profit attributed to owners of parent increased by 1.2 billion yen from the previous fiscal year to 6.4 billion yen due to no goodwill impairment loss in FY2020.

(Unit: Millions of JPY)

Consolidated total amount	FY2019 (Apr.1, 2018~ Mar.31, 2019)	FY2020 (Apr.1, 2019~ Mar.31, 2020)	Changes	Reason for changes
Operating profit	11,986	11,808	(178)	
Non-operating profit (loss)	(899)	(1,277)	(377)	Improvement of financial profit/loss : +194 million yen Temporary increase in commission fee and Others : (571) million yen
Financial profit/loss	(716)	(522)	+ 194	Decrease of interest payment due to the reduction of interest-bearing debt
Ordinary profit	11,087	10,531	(556)	Decrease of operating profit : (178) million yen Decrease of non-operating profit (loss) : (377) million yen
Extraordinary gains	365	807	+ 442	Compensation received for warehouse relocation : +711 million yen Others : (269) million yen
Extraordinary losses	1,604	365	(1,239)	Goodwill impairment loss in FY2019 : (1,227) million yen Warehouse relocation costs : +228 million yen Others : (240) million yen
Profit attributed to owners of parent	5,190	6,395	+ 1,204	Mainly due to a decrease in extraordinary losses



(5) Cash flow and Balance sheet

- Free cash flow of 15.6 billion yen to which cash flows from operating activities of 21.1 billion yen minus cash flows from investing activities of 5.5 billion yen equals allocates the cash to reduce interest-bearing debt. The balance of interest-bearing debt was reduced to less than 130.0 billion yen which was a target of the Medium-term management plan. The net D/E ratio was 2.1 times, which was almost reached compared to 2.0 times of a target of the Medium-term management plan.

(Unit: Millions of JPY)

Consolidated total amount	FY2019 (Apr. 1, 2018~ Mar. 31, 2019)	FY2020 (Apr. 1, 2019~ Mar. 31, 2020)	Changes	Changes(%)
Cash flows from operating activities	18,498	21,112	+ 2,614	+ 14.1%
Depreciation and amortization of goodwill	9,482	9,444	(38)	(0.4%)
Cash flows from investing activities	(4,043)	(5,487)	(1,443)	—
Payment for PPE and obtain shares	(4,206)	(5,753)	(1,547)	—
Cash flows from financing activities	(16,618)	(16,746)	(127)	—

Consolidated total amount	Balance at Mar. 31, 2019	Balance at Mar. 31, 2020	Changes	Changes(%)
Cash and cash equivalents	23,643	21,872	(1,771)	(7.5%)
Bonds and borrowings	142,471	127,101	(15,370)	(10.8%)
Net-debt	118,827	105,228	(13,599)	(11.4%)
Shareholder's equity	47,404	49,705	+ 2,301	+ 4.9%
Total assets	252,078	239,309	(12,768)	(5.1%)
Shareholder's equity ratio	18.8%	20.8%	+ 2.0	—
Net D/E ratio	2.5	2.1	(0.4)	—



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(1) Forecast overview of FY2021

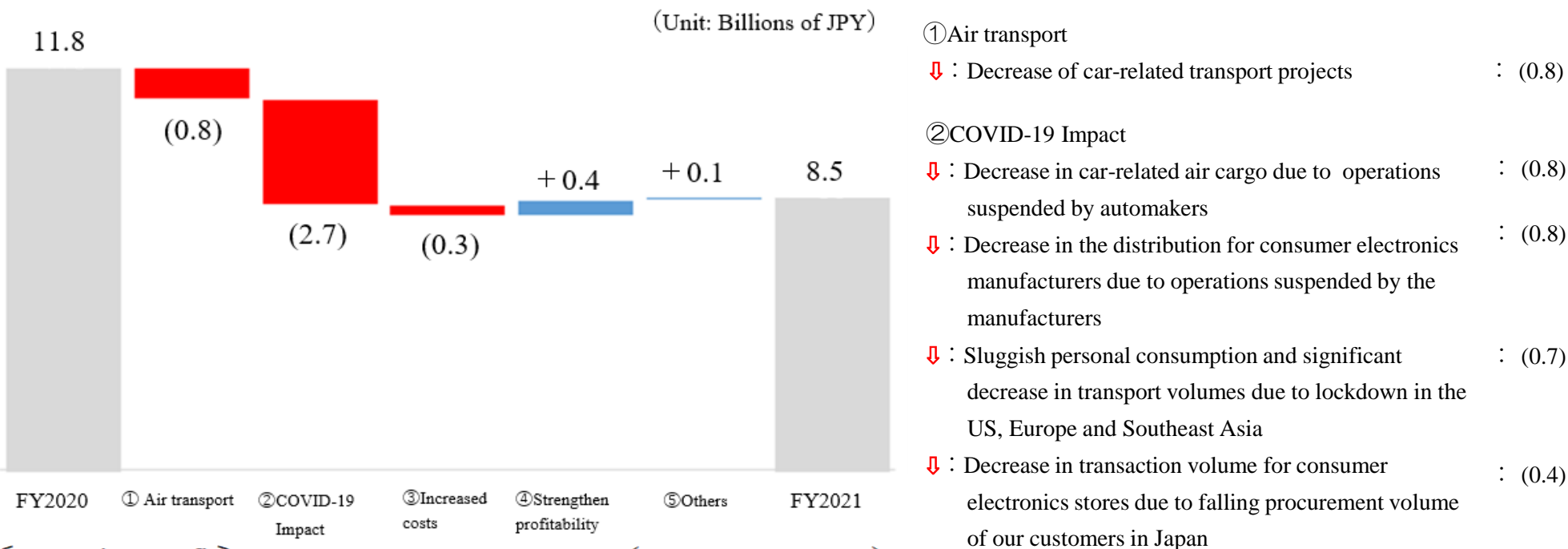
(Unit: Millions of JPY)

Consolidated total amount		FY2020 (Apr.1, 2019~ Mar.31, 2020)	FY2021 (Apr.1, 2020~ Mar.31, 2021)	Changes	Changes(%)
	Sales	241,080	220,000	(21,080)	(8.7%)
P	Operating Profit	11,808	8,500	(3,308)	(28.0%)
L	Ordinary Profit	10,531	7,900	(2,631)	(25.0%)
	Profit attributed to owners of parent	6,395	4,800	(1,595)	(24.9%)
C	Cash flows from operating activities	21,112	13,500	(7,612)	(36.1%)
F	Cash flows from investing activities	(5,487)	(10,500)	(5,012)	—
	Cash flows from financing activities	(16,746)	(4,000)	+ 12,746	—
Consolidated total amount		Balance at Mar. 31, 2020	Balance at Mar. 31, 2021	Changes	Changes(%)
B	Shareholders' equity	49,705	53,500	+ 3,794	+ 7.6%
	Total assets	239,309	240,000	+ 690	+ 0.3%
S	Shareholders' equity ratio	20.8%	22.3%	+ 1.5	—



(2) Operating profit forecast of FY2021 (Compared to the same period of FY2020)

- Our forecast is based on the assumptions under COVID-19 Impact which will continue from April to the end of September 2020. Operating profit is expected to decrease by 2.7 billion yen due to COVID-19 Impact which will cause suspended operations and a sluggish personal consumption due to overseas lockdown and falling procurement volume due to the self-restraint in Japan.



[Operating profit] (Unit: Millions of JPY)

Segment	FY2020 (Apr.1, 2019~ Mar.31, 2020)	FY2021 (Apr.1, 2020~ Mar.31, 2021)	Changes	Changes(%)
Logistics business	9,105	6,300	(2,805)	(30.8%)
Real estate business	5,865	5,700	(165)	(2.8%)
Eliminate/Corporate	(3,161)	(3,500)	(338)	—
Total of profit	11,808	8,500	(3,308)	(28.0%)

- ③ Increased costs
 - ↓ : Starting operation of a new facility : (0.3)
 - Increase in initial depreciation cost due to the fixed rate method as its depreciation method
- ④ Strengthen profitability
 - ↑ : Appropriate charge collection : +0.3
 - ↑ : Cost reduction : +0.1



(3) Non-operating profit/loss • Extraordinary gains/losses forecast for FY2021

10

(Unit: Millions of JPY)

Consolidated total amount	FY2020 (Apr.1, 2019~ Mar.31, 2020)	FY2021 (Apr.1, 2020~ Mar.31, 2021)	Changes	Changes(%)
Operating profit	11,808	8,500	(3,308)	(28.0%)
Non-operating profit (loss)	(1,277)	(600)	+ 677	—
(Financial profit/loss	(522)	(600)	(77)	—
Ordinary profit	10,531	7,900	(2,631)	(25.0%)
Extraordinary gains	807	—	(807)	—
Extraordinary losses	365	—	(365)	—
Profit attributed to owners of parent	6,395	4,800	(1,595)	(24.9%)



(4) Cash flow and Balance sheet forecast

(Unit: Millions of JPY)

Consolidated total amount	FY2020 (Apr.1, 2019~ Mar.31, 2020)	FY2021 (Apr.1, 2020~ Mar.31, 2021)	Changes	Changes(%)
Cash flows from operating activities	21,112	13,500	(7,612)	(36.1%)
Depreciation and amortization of goodwill	9,444	10,000	+ 555	+ 5.9%
Cash flows from investing activities	(5,487)	(10,500)	(5,012)	—
Cash flows from financing activities	(16,746)	(4,000)	+ 12,746	—

Consolidated total amount	Balance at Mar. 31, 2020	Balance at Mar. 31, 2021	Changes	Changes(%)
Cash and cash equivalents	21,872	21,000	(872)	(4.0%)
Bonds and borrowings	127,101	124,500	(2,601)	(2.0%)
Net-debt	105,228	103,500	(1,728)	(1.6%)
Shareholder's equity	49,705	53,500	+ 3,794	+ 7.6%
Total assets	239,309	240,000	+ 690	+ 0.3%
Shareholder's equity ratio	20.8%	22.3%	+ 1.5	—
Net D/E ratio	2.1	1.9	(0.2)	—



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

<Basic guidelines for business operations>

- **Reinforcing the fundamental power for profitability**
- **Rebuilding of our financial base**
- **Developing our solution services which are based on customers needs by strengthening group management**

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

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

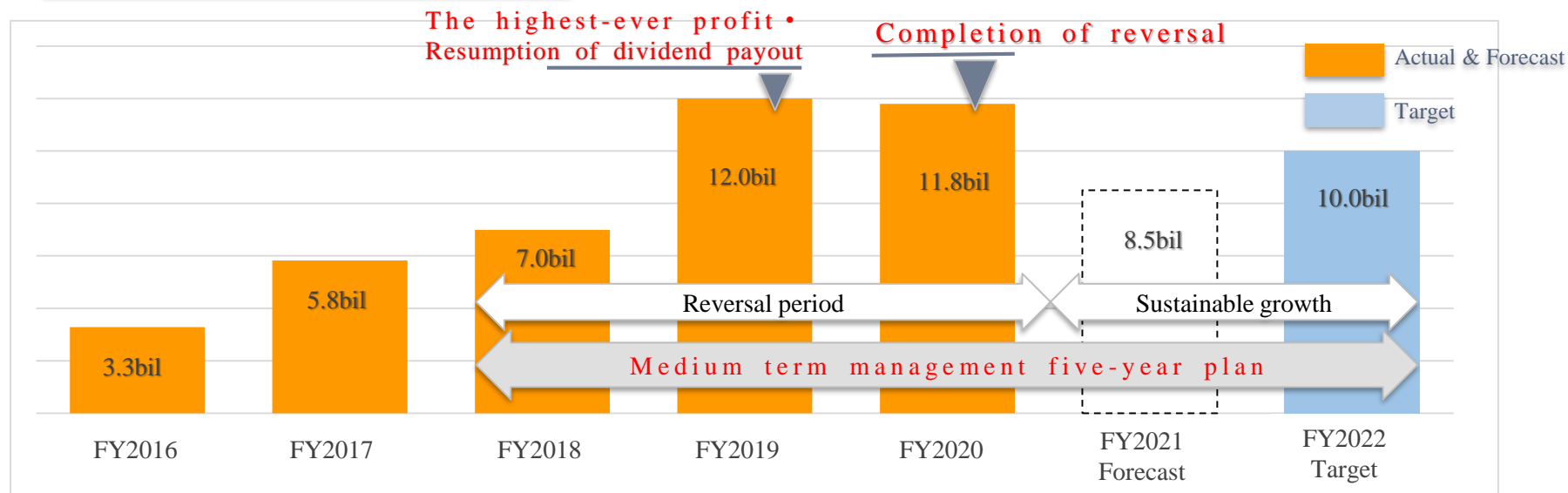
◆ Dividend Policy

Swift return to a stable dividend by generating sustained business revenue



- ✓ We completed the reversal, having good prospects for achievement of the target on the Medium-term management plan. We will carry out each measure to achieve sustainable growth.

Changes of operating profit



(Unit: Billions of yen)

	References	The 1st year	The 2nd year	The 3rd year	The 4th year Forecast	The target year
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Interest-bearing debt	168.8	157.6	142.5	127.1	124.5	130.0
Net D/E ratio	3.6x	3.0x	2.5x	2.1x	1.9x	2.0x or less
ROE	-	10.7%	11.4%	13.2%	9.3%	Over 9.0%



(1) The progress of the Medium-term management plan

✓ Results of individual measures which were carried out during the 3 years of “Reversal Period”



Muscularity to thoroughly improve profitability	Cost-cutting measures “Challenge 20”	Cost reduction until FY2020: 2.1bil yen
	“Improving operating profit margin” • Managing profitability to each customer	Operating profit margin: FY2017 2.6% → FY2020 4.9%
Reconstruction of financial base	“Restraint of nonessential investment”	Reduction of interest-bearing debt for 3 years: around 40.0bil yen
Creation of customer-focused and integrated solutions due to strengthen of group affiliation	“Establishment of group-wide division” • Strategic sales division was established. • Expanding new businesses by taking “Gyogiwa”	
	“Organizational reforms” • Integrating domestic and international sales function to a customer contact team	
Workplace with full of challenge and vitality	“Mind renovation and HR reforms” • New personal evaluation system was introduced • “Free address” system was introduced to the headquarter and some branch.	



- ✓ Our plans for the two remaining years to push toward sustainable growth

Business environment surrounding the Company

- Labor shortage and rising costs due to the workforce reduction
- Entry from different industries (i.e. IT company) into logistics field brings commoditization of logistics through labor-saving and automatic operation.
- Growing needs for changes and reviews in the supply chain toward our global customer
- Growing awareness toward sustainability

Three important measures during the period of sustainable growth for the two remaining years

① Establishment of “Operational Excellence”

② Establishment of end-to-end “Integrated solution service”

③ “ESG Management”



- ✓ Initiatives for an establishment of “Operational Excellence” and “Integrated solution service”

◆ Establishment of “Operational Excellence”

Providing quality service at a low price integrated with "low-tech" led by a person and "high-tech" led by machinery

- Putting our efforts this period into raising the bottom overall such as horizontally expanded procedures and improvement based on KPI
- Strengthened organizational structure due to increase in personnel of Operation Management Division and newly establishment of Operation Inspection Team
- Making labor-saving and efficiency by introducing ICT to standardized and improved operation process

◆ Establishment of end-to-end “Integrated solution service”

Reviewing the inter-company functions and strengthening networks was undertaken in order to accelerate service proposals throughout the entire Group

Specific examples

- Strengthening networks between Japan and overseas by integrating the NVO function into MITSUI-SOKO Co., Ltd.
A system has been built to proactive efforts surrounding sales of the supply chain.
- Integrated functions were undertaken to strengthen sales by leveraging strengths of each business, starting with Thailand
The service menu to optimize the SCM has been built as “One Mitsui-soko”



✓ “ESG Management”

- Fulfilling its social responsibility as a company responsible for important social infrastructure through logistics
- Organization for workplace environments with consideration to employee safety and diversification of the working style
- Giving consideration to reduce environmental impact such as CO2 reduction and recyclable energy sources
- Further enhancement of information disclosure with regard to our efforts to address SDGs and ESG

Business Model

Logistics with full specification and flexibility due to the Group collaboration



Important Issues

New value is created as the Company to support "Logistics" of important public infrastructures

Providing sustainable and strong logistics service through collaborative creation

Realization of a safe, diversity and rewarding working environment

Contribution to the low carbon and recycling-oriented society by reducing actively environmental loads

Vision Value from Logistics

Value Proposition

We realize sustainable society through raising the value of businesses for customers and improving the QOL for people





(2) New project for sustainable growth

✓ Expansion of investment in growing business

◆ New establishment of a facility specialized in the Health Care named “Kanto P&M Center II (provisional name) (Scheduled for completion in June 2021)

- Strengthening the foundation for Health Care business which is growth area in the Group
- Designing for consideration of labor-saving of logistics operations and reducing environmental impacts, the Company raised funds of 5 billion yen by means of issuing Green Bonds as construction funds.
- The Company, which is the first Japanese logistics company to issue the Green Bonds for construction of logistics facilities, obtained Green1, the highest evaluation for JCR Green Bonds.



◆ Commencement of operation of the Foreign Trade Container Terminal Y2 located in Outer Central Breakwater at the Port of Tokyo in April 2020

- The operations of high-standard Berth at the Port of Tokyo which has the highest growth in major domestic ports
- The relocation from Aomi Terminal, where the congestion has become serious problem, enables to alleviate it.
- Reduction of waiting times for ships and trailers and CO2 emissions





- ✓ The year-end dividend is increased to 25 yen per share from the interim dividend of 12.5 yen per share, which is the same level as FY2017 interim.
- Considering the level of profitability and financial performance, our basic policy is to provide stable dividends while maintaining an annual dividend at least 50 yen

	Actual										Forecast	
	FY2016		FY2017		FY2018		FY2019		FY2020		FY2021(Forecast)	
	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end	Interim	Year-end
Dividend per share (JPY)※	25.00	25.00	25.00	-	-	-	-	12.50	12.50	25.00	25.00	25.00

※ The numbers are reflected the reverse stock split on Oct.1 2018. (5 shares to 1share)