

**The financial report
of the second quarter
of the fiscal year ended
31st, March 2021 (FY2021)**



Mitsui-Soko group

November, 16th 2020



- Explanatory materials

- ▶ The financial report of the second quarter of the FY2021

- The forecast of the FY2021

- The progress of the Medium-term management plan 2017



(1) Overview

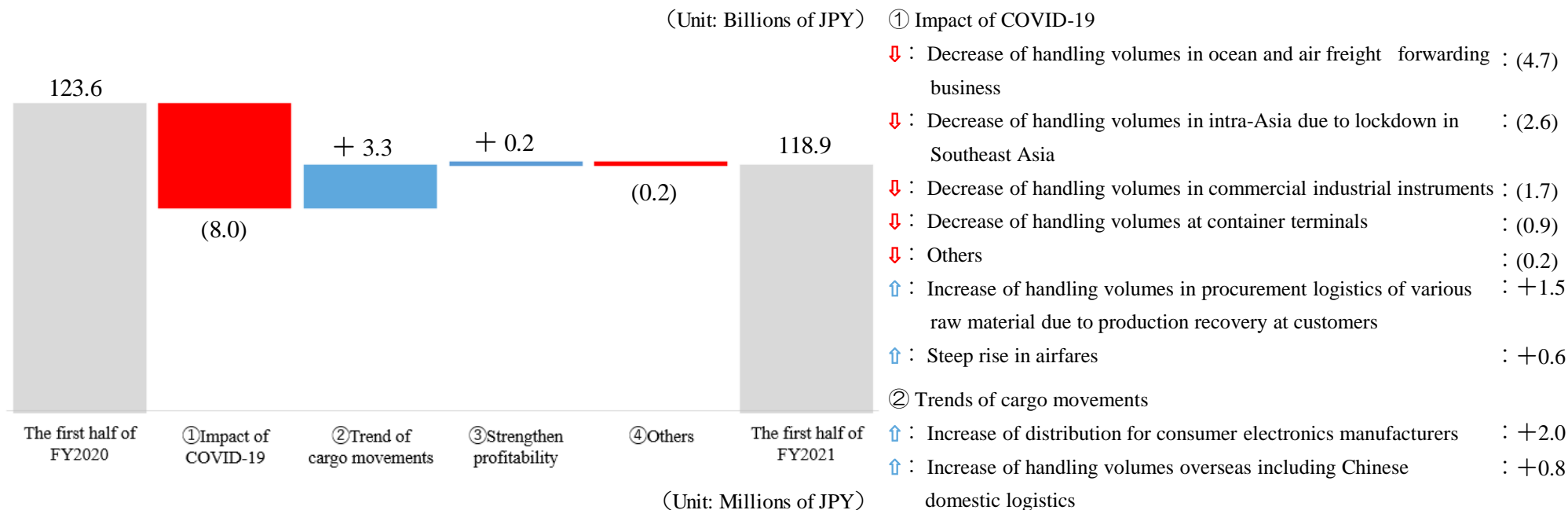
(Unit: Millions of JPY)

	Consolidated total amount	The first half of FY2020 (Apr.1, 2019~ Sep.30, 2019)	The first half of FY2021 (Apr.1, 2020~ Sep.30, 2020)	Changes	Changes(%)
	Sales	123,690	118,949	(4,740)	(3.8%)
P	Operating Profit	7,063	8,072	+ 1,008	+ 14.3%
L	Ordinary Profit	6,569	8,155	+ 1,585	+ 24.1%
	Profit attributed to owners of parent	3,500	5,040	+ 1,539	+ 44.0%
	Cash flows from operating activities	6,827	8,368	+ 1,541	+ 22.6%
C	Cash flows from investing activities	(2,333)	(4,128)	(1,794)	—
F	Cash flows from financing activities	(2,362)	(5,836)	(3,473)	—
	Consolidated total amount	Balance at Mar.31, 2020	Balance at Sep.30, 2020	Changes	Changes(%)
	Shareholders' equity	49,705	56,150	+ 6,444	+ 13.0%
B	Total assets	239,309	243,723	+ 4,413	+ 1.8%
S	Shareholders' equity ratio	20.8%	23.0%	+ 2.3	—



(2) Sales (Compared to the same period of FY2020)

- Overall net sales decreased by 4.7 billion yen from the same period of the previous fiscal year to 118.9 billion yen due to the decrease of handling volumes in forwarding business caused by the impact of COVID-19 despite of the increase of handling volumes both in consumer electronics manufacturers due to increased consumption from staying at home and in various cargo movements due to production recovery at customers.



(Unit: Millions of JPY)

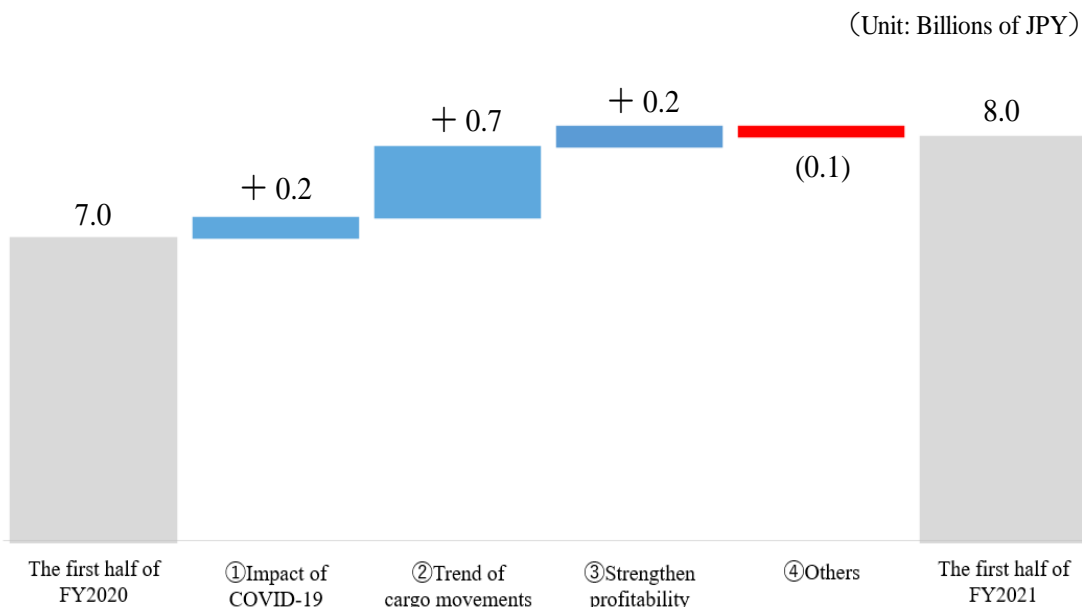
Segment	The first half of FY2020 (Apr.1 2019~ Sep.30 2019)	The first half of FY2021 (Apr.1 2020~ Sep.30 2020)	Changes	Changes(%)
Logistics business	119,196	114,617	(4,578)	(3.8%)
Real estate business	4,862	4,684	(177)	(3.7%)
Eliminate/Corporate	(368)	(352)	+ 16	—
Total of sales	123,690	118,949	(4,740)	(3.8%)

- ↑ : Increase of handling volumes in procurement logistics of various raw material due to production recovery at customers : +1.5
- ↑ : Steep rise in airfares : +0.6
- ↑ : Increase of distribution for consumer electronics manufacturers : +2.0
- ↑ : Increase of handling volumes overseas including Chinese domestic logistics : +0.8
- ↑ : Increase of new transactions in logistics for manufacturers : +0.6
- ↑ : Full-year contribution due to pharmaceutical logistics newly launched for the previous fiscal year : +0.5
- ↓ : Decrease of handling volumes in land transportation : (0.6)
- ③ Full-year contribution due to the measures of strengthening profitability implemented for the previous fiscal year
- ↑ : Appropriate charge collection : +0.2
- ④ Others
- ↓ : Decrease of rental revenues : (0.2)



(3) Operating profit (Compared to the same period of FY2020)

- Overall operating profit increased by 1.0 billion yen from the same period of the previous fiscal year due to building up profit by new transactions in solution-based logistics for manufacturers and full-year contribution of pharmaceutical logistics newly launched while the Company captured demand for changes in business environment such as increase of handling volumes both in consumer electronics manufacturers due to increased consumption from staying at home and in cargo movements of various raw material due to production recovery at customers.



- ① Impact of COVID-19
- ↓ : Decrease of handling volumes in ocean and air freight forwarding business : (0.7)
 - ↓ : Decrease of handling volumes in intra-Asia due to lockdown in Southeast Asia : (0.6)
 - ↓ : Decrease of handling volumes in commercial industrial instruments : (0.4)
 - ↓ : Decrease of handling volumes at container terminals : (0.4)
 - ↑ : Increase of handling volumes in procurement logistics of various raw material due to production recovery at customers : +0.7
 - ↑ : Steep rise in airfares : +0.5
 - ↑ : Decrease in various SG&A expenses : +1.1
- ② Trends of cargo movements
- ↑ : Increase of distribution for consumer electronics manufacturers : +0.7
 - ↑ : Increase of handling volumes overseas including Chinese domestic logistics : +0.2
 - ↑ : Increase of new transactions in logistics for manufacturers : +0.2
 - ↑ : Full-year contribution due to pharmaceutical logistics newly launched for the previous fiscal year : +0.1
 - ↓ : Decrease of handling volumes in land transportation : (0.2)
 - ↓ : Others : (0.3)
- ③ Full-year contribution due to the measures of strengthening profitability implemented for the previous fiscal year
- ↑ : Appropriate charge collection : +0.2
- ④ Others
- ↓ : Decrease of rental revenues : (0.1)

(Unit: Millions of JPY)

Segment	The first half of FY2020 (Apr.1 2019~ Sep.30 2019)	The first half of FY2021 (Apr.1 2020~ Sep.30 2020)	Changes	Changes(%)
Logistics business	5,772	6,718	+945	+16.4%
Real estate business	2,866	2,797	(69)	(2.4%)
Eliminate/Corporate	(1,576)	(1,444)	+132	—
Total of operating profit	7,063	8,072	+1,008	+14.3%



(4) Non-operating profit (loss) • Extraordinary gains/losses (Compared to the same period of FY2020)

- Ordinary profit increased by 1.5 billion yen from the same period of the previous fiscal year to 8.1 billion yen and profit attributed to owners of parent increased by 1.5 billion yen from the same period of the previous fiscal year to 5.0 billion yen due to improvement of financial profit/loss and subsidies received by overseas subsidiaries. Operating profit, ordinary profit, and net profit attained record high levels for the first half.

(Unit: Millions of JPY)

Consolidated total amount	The first half of FY2020 (Apr.1, 2019~ Sep.30, 2019)	The first half of FY2021 (Apr.1 2020~ Sep.30 2020)	Changes	Reason for changes
Operating profit	7,063	8,072	+1,008	
Non-operating profit (loss)	(493)	83	+576	Improvement of financial profit/loss : +29 Subsidies received by overseas subsidiaries : +547
Financial profit/loss	(209)	(179)	+29	Decrease of interest payment due to the reduction of interest-bearing debt : +42
Ordinary profit	6,569	8,155	+1,585	Increase of operating profit : +1,008 Improvement of non-operating profit (loss) : +576
Extraordinary gains	—	—	—	
Extraordinary losses	119	—	(119)	Loss on retirement of noncurrent asset of the previous fiscal year : (119)
Profit attributed to owners of parent	3,500	5,040	+1,539	Increase of ordinary profit



(5) Cash flow and Balance sheet

- Despite of holding off nonessential investment from the previous fiscal year, cash flow from investing activities resulted in an increase in expenditures due to payment for a part of construction cost of the new warehouse specialized in the Health Care named “Kanto P&M Center II (provisional name). Free cash flow was allocated for the repayment of interest-bearing debt.

(Unit: Millions of JPY)

Consolidated total amount	The first half of FY2020 (Apr.1, 2019~ Sep.30, 2019)	The first half of FY2021 (Apr.1 2020~ Sep.30 2020)	Changes	Changes(%)
Cash flows from operating activities	6,827	8,368	+ 1,541	+ 22.6%
(Depreciation and amortization of goodwill	4,566	4,873	+ 307	+ 6.7%
Cash flows from investing activities	(2,333)	(4,128)	(1,794)	—
(Payment for PPE and obtain shares	(2,508)	(4,229)	(1,720)	—
Cash flows from financing activities	(2,362)	(5,836)	(3,473)	—

Consolidated total amount	Balance at Mar.31, 2020	Balance at Sep.30, 2020	Changes	Changes(%)
Cash and cash equivalents	21,872	20,442	(1,430)	(6.5%)
Bonds and borrowings	127,101	122,768	(4,333)	(3.4%)
Net-debt	105,228	102,326	(2,902)	(2.8%)
Shareholders' equity	49,705	56,150	+ 6,444	+ 13.0%
Total assets	239,309	243,723	+ 4,413	+ 1.8%
Shareholders' equity ratio	20.8%	23.0%	+ 2.3	—
Net D/E ratio	2.1	1.8	(0.3)	—



- Explanatory materials

- The financial report of the second quarter of the FY2021

- ▶ **The forecast of the FY2021**

- The progress of the Medium-term management plan 2017



(1) Forecast overview of FY2021

(Unit: Millions of JPY)

Consolidated total amount		Previous forecast	FY2021 (Apr.1, 2020~ Mar. 31, 2021)	Compared to the previous forecast	Changes(%)	(ref.) FY2020 (Apr.1, 2019~ Mar. 31, 2020)
P L	Sales	224,000	234,000	+ 10,000	+ 4.5%	241,080
	Operating Profit	10,700	14,000	+ 3,300	+ 30.8%	11,808
	Ordinary Profit	10,000	13,800	+ 3,800	+ 38.0%	10,531
	Profit attributed to owners of parent	5,200	8,000	+ 2,800	+ 53.8%	6,395
C F	Cash flows from operating activities	15,500	18,500	+ 3,000	+ 19.4%	21,112
	Cash flows from investing activities	(10,000)	(6,500)	+ 3,500	—	(5,487)
	Cash flows from financing activities	(6,500)	(12,500)	(6,000)	—	(16,746)
Consolidated total amount		Previous forecast	Balance at March 31, 2021	Compared to the previous forecast	Changes(%)	(ref.) Balance at Mar.31, 2020
B S	Shareholders' equity	55,300	57,000	+ 1,700	+ 3.1%	49,705
	Total assets	240,000	238,000	(2,000)	(0.8%)	239,309
	Shareholders' equity ratio	23.0%	23.9%	+ 0.9	—	20.8%



(2) Sales and Operating profit forecast for each segment

〔Sales〕

(Unit: Millions of JPY)

Segment	FY2020 (Apr.1, 2019~ Mar. 31, 2020)	FY2021 (Apr.1, 2020~ Mar. 31, 2021)	Compared to the same period of FY2020	Changes(%)
Logistics business	231,982	225,000	(6,982)	(3.0%)
Real estate business	9,833	9,500	(333)	(3.4%)
Eliminate/Corporate	(736)	(500)	+236	—
Total of sales	241,080	234,000	(7,080)	(2.9%)

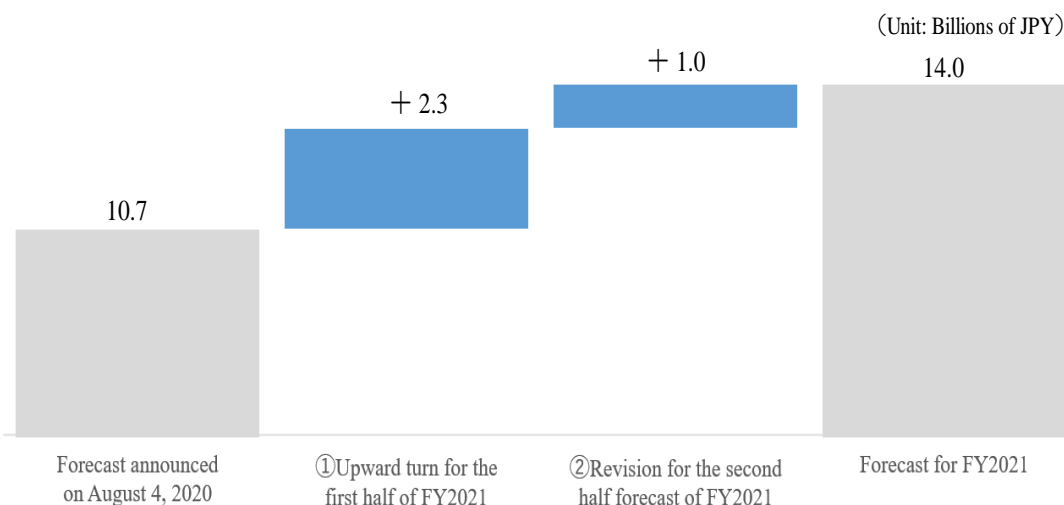
〔Operating profit〕

Segment	FY2020 (Apr.1, 2019~ Mar. 31, 2020)	FY2021 (Apr.1, 2020~ Mar. 31, 2021)	Compared to the same period of FY2020	Changes(%)
Logistics business	9,105	11,500	+2,394	+26.3%
Real estate business	5,865	5,700	(165)	(2.8%)
Eliminate/Corporate	(3,161)	(3,200)	(38)	—
Total of operating profit	11,808	14,000	+2,191	+18.6%



(Supplement) Differences between forecast announced on August 4, 2020 and Actual results

- In the first half, operating profit increased by 2.3 billion yen compared to the forecast announced on August 4, 2020 mainly because handling volumes in consumer electronics manufacturers was significantly greater than expected due to increased consumption from staying at home and car-related transport projects occurred, which continued to perform strongly in the second quarter.
- In the second half, operating income is revised upwards by 1.0 billion yen from the forecast announced on August 4, 2020 due to the latest forecast that handling volume in distribution for consumer electronics manufacturers will be continuously favorable, handling volume will be increased caused by reviewing customers' supply chains and various SG&A expenses will be decreased.



① Upward turn for the first half of FY2021

- ↑ : Increase of handling volumes in consumer electronics manufacturers due to consumption from staying at home being much greater than expected : + 0.9
- ↑ : Occurrence of emergency cargo transport related to cars : + 0.5
- ↑ : Increase of handling volumes overseas including Chinese domestic logistics which was greater than expected : + 0.4
- ↑ : Decrease in various SG&A expenses more than expected : + 0.3
- ↑ : Negative impact derived from decrease of handling volumes due to COVID-19 for the second quarter of FY2021 resulted in 0.6 billion yen, reduced from 0.8 billion yen in the forecast announced on August 4, 2020. : + 0.2

② Revision for the second half forecast of FY2021

- ↑ : Handling volume in distribution for consumer electronics manufacturers is expected to be favorable, which is continued from the fiscal first half of FY 2021. : + 0.3
- ↑ : Increase of handling volume due to reviewing customers' supply chains : + 0.3
- ↑ : Decrease in various SG&A expenses : + 0.2
- ↑ : Negative impact derived from decrease of handling volumes due to COVID-19 for the second quarter of FY2021 is revised to 0.6 billion yen, reduced from 0.8 billion yen in the forecast announced on August 4, 2020. : + 0.2

(Unit: Millions of JPY)

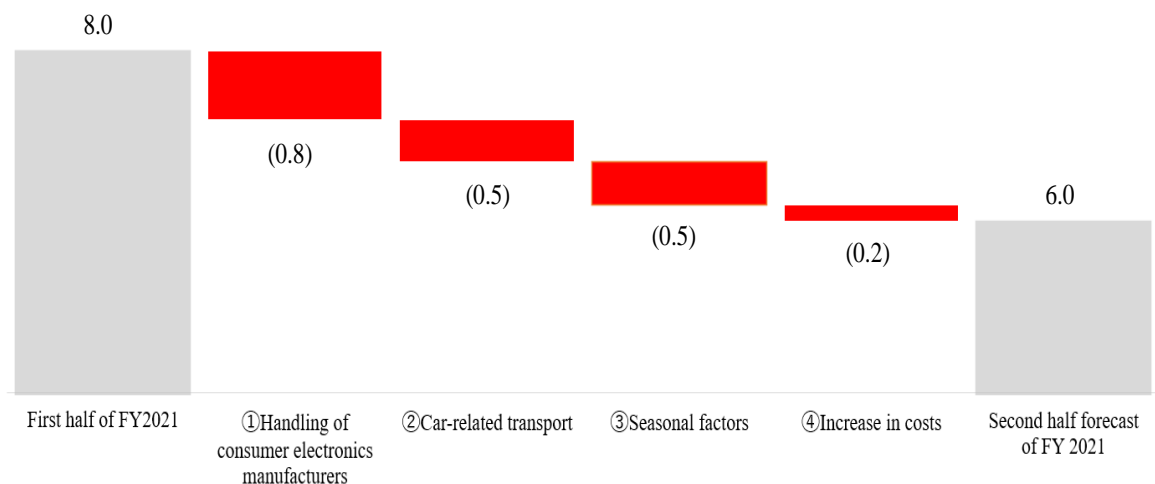
Segment	Forecast announced on August 4, 2020	Forecast for FY2021 (Apr.1, 2020~ Mar. 31, 2021)	Changes	Changes(%)
Logistics business	8,300	11,500	+3,200	+38.6%
Real estate business	5,700	5,700	—	—
Eliminate/Corporate	(3,300)	(3,200)	+100	—
Total of operating profit	10,700	14,000	+3,300	+30.8%



(Supplement) Operating profit : Change factors for the first half results and the second half forecast of FY2021

- Operating profit for the second half forecast of FY2021 is expected to decrease by about 2.0 billion yen compared to the first half of FY 2021 because handling volume in distribution for consumer electronics manufacturers will not reach the level of the first half although it is continuously favorable from the first half of FY 2021, emergency cargo transport related to cars which occurred for the first half of FY 2021 is not expected for the second half, seasonal factors (the Chinese New Year) and the increase in various SG&A expenses is expected due to resuming full-scale sales activities. Incidentally, operating profit for the second half forecast of FY2021 is expected to increase by about 1.3 billion yen compared to the second half of FY2020.

(Unit: Billions of JPY)



- ① Handling of consumer electronics manufacturers
 - ↓ : Handling volume in distribution for consumer electronics manufacturers is expected to be favorable, which is continued from the fiscal first half of FY 2021 but it is expected not to reach the level of the first half. : (0.8)
- ② Car-related transport
 - ↓ : Emergency cargo transport related to cars occurred for the first half of FY 2021, which is not expected for the second half of FY 2021. : (0.5)
- ③ Seasonal factors
 - ↓ : Decrease of forwarding business and handling volumes in China due to the Chinese New Year in the fourth quarter as usual : (0.5)
- ④ Increase in costs
 - ↓ : Expectation of the increase in various SG&A expenses caused by resuming full-scale sales activities : (0.2)

(Unit: Millions of JPY)

Segment	First half of FY2021 (Apr.1, 2020~ Sep.30, 2020)	Second half forecast of FY 2021 (Oct.1, 2020~ Mar.31, 2021)	Changes	Compared to the second half of FY 2020
Logistics business	6,718	4,800	(1,918)	+1,500
Real estate business	2,797	2,900	+103	(50)
Eliminate/Corporate	(1,444)	(1,700)	(256)	(170)
Total of operating profit	8,072	6,000	(2,072)	+1,280

- (Reference)
- Main reasons for changes compared to the second half of FY2020
- ↑ : Favorable handling volumes in consumer electronics manufacturers : +0.4
 - ↑ : Increase of handling volume due to reviewing customers' supply chains : +0.3
 - ↑ : Others : +0.6



(3) Non-operating profit (loss) • Extraordinary gains/losses for FY2021 12

- As a result of examining the necessity of stockholdings, extraordinary gains on sales from the disposition of stockholdings is expected. On the other hand, as a result of reviewing our business portfolio, extraordinary losses on sales of subsidiary company stocks is expected. Operating profit, ordinary profit, and net profit are expected to attain record high levels.

(Unit: Millions of JPY)

Consolidated total amount	FY2020 (Apr. 1, 2019~ Mar. 31, 2020)	FY2021 (Apr. 1, 2020~ Mar. 31, 2021)	Compared to the same period of FY2020	Changes(%)
Operating profit	11,808	14,000	+ 2,191	+ 18.6%
Non-operating profit (loss)	(1,277)	(200)	+ 1,077	—
Financial profit/loss	(522)	(500)	+ 22	—
Ordinary profit	10,531	13,800	+ 3,268	+ 31.0%
Extraordinary gains	807	450	(357)	(44.3%)
Extraordinary losses	365	750	+ 384	+ 105.2%
Profit attributed to owners of parent	6,395	8,000	+ 1,604	+ 25.1%



(4) Cash flow and Balance sheet forecast

- Cash flow from investing activities is expected to amount to a net outflow of 6.5 billion yen, representing an increase in cash outflow of 1.0 billion from the previous fiscal year mainly due to payment for construction cost of the new warehouse specialized in the Health Care named “Kanto P&M Center II (provisional name) and the sale of shares of subsidiaries.
- Free cash flow will be allocated for the repayment of interest-bearing debt. The balance of interest-bearing debt at Mar.31, 2021 is expected to be 116.0 billion yen, the shareholders' equity is expected to be 57.0 billion yen, and the net D/E ratio is expected to be 1.7 times, which is less than 2.0 times at a target of the Medium-term management plan.

(Unit: Millions of JPY)

Consolidated total amount	FY2020 (Apr.1, 2019~ Mar. 31, 2020)	FY2021 (Apr.1, 2020~ Mar. 31, 2021)	Compared to the same period of FY2020	Changes(%)
Cash flows from operating activities	21,112	18,500	(2,612)	(12.4%)
Depreciation and amortization of goodwill	9,444	10,000	+555	+5.9%
Cash flows from investing activities	(5,487)	(6,500)	(1,012)	—
Cash flows from financing activities	(16,746)	(12,500)	+4,246	—
Consolidated total amount	Balance at Mar. 31 2020	Balance at Mar. 31 2021	Compared to the end of the FY2020 (Mar.31, 2020)	Changes(%)
Cash and cash equivalents	21,872	21,000	(872)	(4.0%)
Bonds and borrowings	127,101	116,000	(11,101)	(8.7%)
Net-debt	105,228	95,000	(10,228)	(9.7%)
Shareholders' equity	49,705	57,000	+7,294	+14.7%
Total assets	239,309	238,000	(1,309)	(0.5%)
Shareholders' equity ratio	20.8%	23.9%	+3.2	—
Net D/E ratio	2.1	1.7	(0.5)	—



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

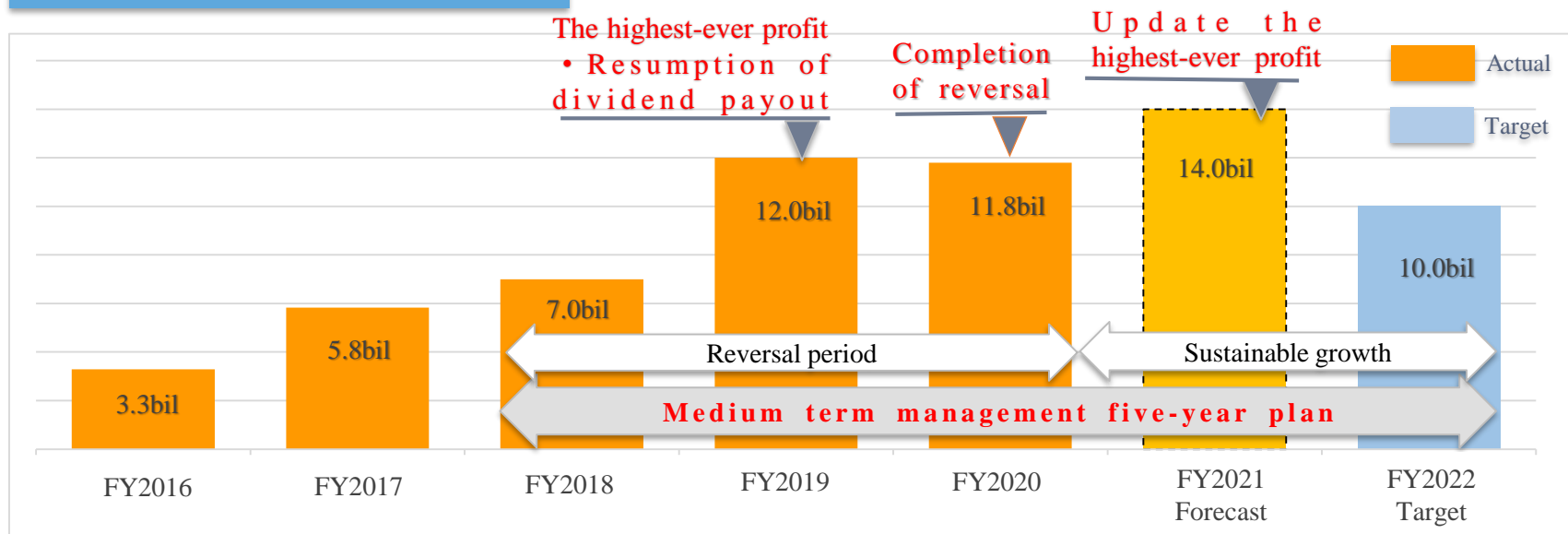
✓ The highest ever profit is expected as a result of making steady progress in action for sustainable growth

“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 the integration of the solution services which are based on customers needs by strengthening group management

Changes of operating profit



(Unit: Billions of JPY)

	References FY2017	The 1st year FY2018	The 2nd year FY2019	The 3rd year FY2020	The 4th year FY2021	The final year FY2022
Interest-bearing debt	168.8	157.6	142.5	127.1	116.0	130.0
Net D/E ratio	3.6x	3.0x	2.5x	2.1x	1.7x	2.0x or less
ROE	-	10.7%	11.4%	13.2%	15.0%	Over 9.0%



✓ Action for sustainable growth

Business environment surrounding the Company

- Labor shortage and rising costs due to the workforce reduction
- Entry from different industries into logistics field due to commoditization of logistics through labor-saving and automatic operation
- Growing needs for changes and reviews in the supply chain due to the COVID-19 shock
- Growing awareness toward sustainability

Three important measures during the period of sustainable growth

① Establishment of “Operational Excellence”

The combination of Low-tech in which a person has a role and High-tech in which a machine has a role provides high quality services for a better price.

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

The Company has started working on reviewing function among businesses and strengthening its network in order to accelerate service proposals throughout the Group.

③ “ESG Management”

The Company has conducted various measures and has expanded disclosure on Web and through VALUE REPORT with the materiality in mind.



(2) Action for sustainable growth

- ✓ New orders received during the period of sustainable growth
- ◆ The Company received a contract from Nippon Becton Dickinson Company, Ltd. and Medicon Inc. that deal with all the domestic logistics business.
 - We constructed the schemes optimized with both customers' distribution process utilizing the know-how and high business quality in the healthcare field.
 - The base of eastern Japan is Kanto P&M Center II in the total floor area of approximately 7,000 tsubo to be completed next year, which is designed in consideration of labor-saving of logistics operations and reduction of environmental impacts, and whose construction cost were procured through issuing green bond.
- ◆ Joshin Denki Co.,Ltd. and MITSUI-SOKO LOGISTICS Co.,Ltd. jointly established a development project for distribution centers.
 - We provides customers an opportunity of more attractive shopping and stable supply of products due to the synergic effects of real store and EC sales.
 - Logista • Logicross Ibaraki Saito of the Building A in the total floor area of approximately 35,000 tsubo will begin operation in the summer of 2021 and full operation in the spring of 2022.
 - We design sustainable logistics with eye on the next-generation logistics with the building which adopts a seismic isolated structure and the introduction of cutting-edge material handling equipment.





✓ Review of our business portfolio

◆ All the shares of Prime Cargo Group, the consolidated overseas subsidiary, are to be sold to DSV Panalpina Group.

Prime Cargo Group summary

Company name	Prime Cargo A/S
Headquarters	Kolding (Denmark)
Location	Denmark, Poland, Hong Kong, Shanghai
Main cargo handling	Apparel, Furniture
Operating profit	About 11.3 billion yen (for the year ended March 31, 2020)
Employees	522

DSV Panalpina Group summary

Company name	DSV Panalpina A/S
Headquarters	Hedehusene (Denmark)
Location	80 countries worldwide
Operating profit	About 1.5 trillion yen (for the year ended Dec. 31, 2019)

◆ Reason for the sale

- Prime Cargo Group whose core business is forwarding business from China to Europe was acquired in 2015 in order to strengthen business in Asia-Pacific region from the European side.
- Operating results has been stable because its main business is shifted from the international logistics between Asia and Europe to warehousing operations for EC in Denmark due to an increase in demand for EC.
- The Company judged that concentrating management resources toward core and growth businesses for our sustainable growth was needed.



Mitsui-Soko group