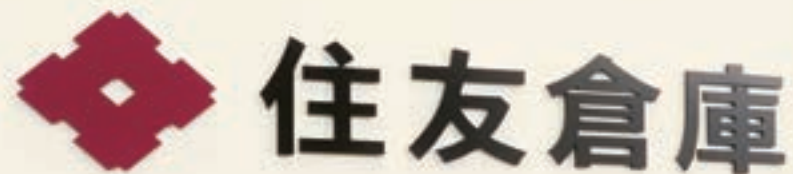


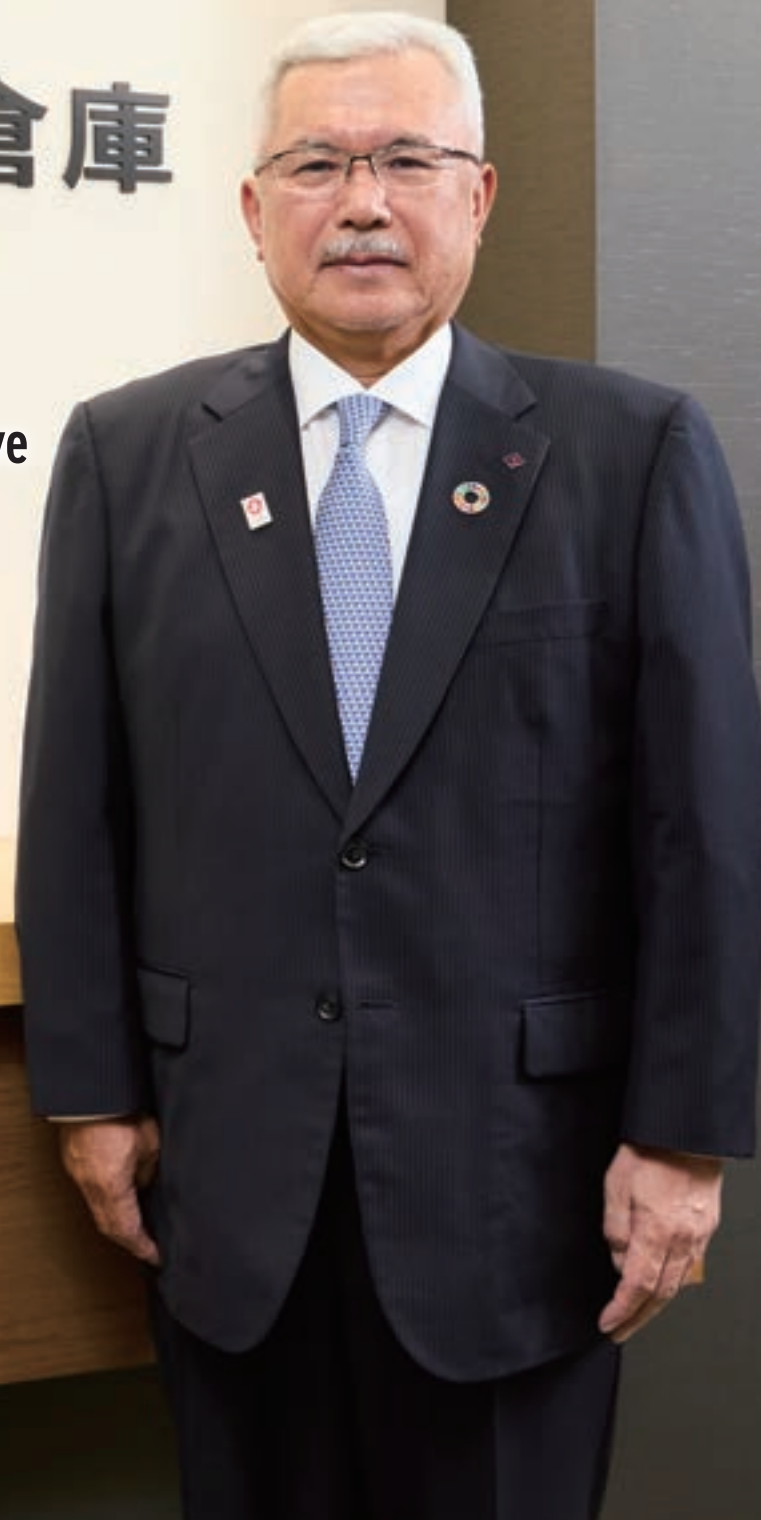
Message from the Chairman



**Aiming for stable,
sustainable growth while
also keeping the perspective
of contributing to society,
rather than pursuing
immediate profits.**

Representative Director and
Chairman of the Board

Takanori Ono



Sumitomo's Business Philosophy, which has been continually embodied

As the Company is a member of the Sumitomo Group, we have Sumitomo's Business Philosophy as the backbone of management. Its history can be traced back to the Aphorisms of Monjuin (Monjuin Shiigaki) left by Masatomo Sumitomo, the founder of the Sumitomo family business,

in the Kanei era of the 17th century. This text provides guidance on how a merchant should conduct business in a simple manner, and in the preamble, he emphasizes that a person aspiring to be a merchant should first cultivate honesty and integrity. To this day, this idea has been expressed with the phrase "Banji Nissei." In the Meiji era, the teachings of the founder Masatomo were passed down as the Rules Governing the House of Sumitomo, which

stipulated "sound management," and "not pursuing immoral business," namely the importance of placing more value on trust than on immediate profit. We, the employees of the Sumitomo Group, are taught Sumitomo's Business Philosophy from the time we join the company, and we put it into practice in our business and pass it on to the next generation.

I myself have continued to explain Sumitomo's Business Philosophy to employees whenever possible, and have been thoroughly committed to valuing trust, earning a reasonable profit from business, and contributing to society. When we sold a shipping subsidiary in the past, I believe we were able to make the decision because we were confident that it would be positive not only for the Company but also for all stakeholders, including the employees of the subsidiary, customers, business partners, and local society. I have made many other decisions as well, but I have always made them based on Sumitomo's Business Philosophy.

"Connecting people" is important from a long-term perspective

Currently, the environment of the logistics industry is changing greatly. Against this changing backdrop, in 2020, we formulated the Group's long-term vision "Moving Forward to 2030," and we have defined four missions to accomplish over the next ten years until 2030; "Connecting things," "Connecting the world," "Connecting people," and "Connecting times."

As a logistics company, we provide value to customers and society by "connecting things", and we also want to "connect the world." At the same time, we believe that this means valuing people and "connecting people." Beyond the times, we will continue to put into practice Sumitomo's Business Philosophy that I have just mentioned, and in the real estate business, we will create new value through the redevelopment of logistics sites and so on, and we will carry out "connecting times."

In particular, a business is only possible with people, so I want to take care of "connecting people" not only by investing in human resource development, but also by improving the working environment, such as wages and the workplace environment, and by strengthening the human connections among employees. And, going forward, I think it is important that the Company continues to be a company that is loved by its employees and various other stakeholders.

Expectations for the new President Nagata and the new system

Since joining the Company, I have always been at the forefront of logistics, including working on-site operations at the Kobe Port and serving at overseas bases for 12 years. The overseas market is an important growth area for the Group in the future. In this regard, when I was transferred

from Sumitomo Warehouse (Europe) GmbH in Belgium, the person who came to replace me was the new President Nagata. I believe that the new President Nagata has a wealth of experience in the international transportation division both in Japan and overseas, and has enough insight to contribute to the development of the Group. These matters were discussed by the Nomination Committee and the Board of Directors when selecting my successor. I hope that the new President Nagata will demonstrate his management skills to the fullest extent and oversee all aspects of management.

As the Chairman, I would like to contribute to the further growth of the Group, focusing on the overseas business development that had a period when it could not move as it wanted due to the COVID-19 pandemic. At the same time, I am dedicated to making every effort to ensure that the entire logistics industry will prosper through our industry activities.

Developing new services with an entrepreneurial spirit

The logistics business does not involve the production of goods, and its main focus is to provide support to customers. For this reason, it is essential to develop new services and make customers happy. While working at overseas sites or in sales, I listened to the voices of our customers and developed many logistics services that solved their business problems. Sumitomo's Business Philosophy also teaches us to quickly grasp changes in the times and to tackle new business with an entrepreneurial spirit. I want all of our employees to create new value by thinking from the perspective of our customers about what kind of service we can provide to be of help to them.

Also, as I always say, the departments that generate profits in a business are the on-site and sales. I want to pass on the value that breaking a sweat and working hard is important to the next generation.

The Company has a history of 125 years, so we must always question the current situation and continue to make improvements to see if there are any points that need to be changed. While retaining the positive aspects of the Company, such as its emphasis on valuing its employees, it is also necessary to change the nature of the Company so that people of all generations can work comfortably. In doing so, I want to achieve stable and sustainable growth by taking the time to carefully foster our people.

Message from the President

Grasp environmental changes and work on reforms with a sense of urgency.

Representative Director and President
Akihito Nagata



Retain positive things as they are, and proceed with reform with a sense of urgency where changes are needed

My name is Akihito Nagata, and I assumed the position of President on June 27, 2024.

Even in the logistics industry, which had been relatively calm up to this point, we have recently been hearing more

and more about acquisitions between domestic business operators, and the pace of change is accelerating. There has also been a succession of entries from different industries, and we are beginning to see attempts to overturn the conventional logistics business model from its foundations. For the Group, we are renewing ourselves, retaining the good things that have been passed down over the years, while also viewing these changes in the environment

positively and making reforms with a sense of urgency where changes are needed.

After my experience working in the Company's international division, including overseas assignments, I served as the General Manager of the Information Systems Department and the General Manager of the Business Promotion Department, which is in charge of management planning, etc., and then assumed the positions of Managing Executive Officer in 2020, Director and Managing Executive Officer in 2021, and Representative Director and Managing Executive Officer in 2023.

During the tenure of former President Ono (currently Chairman), the Company achieved record profits and worked to expand the overseas business, resulting in approximately 1.5 times in overseas sales of the logistics business. I myself worked on international transportation-related matters after joining the Company, and I also served as the General Manager of the Overseas Business Department, so I feel that I was handed the baton with the expectation that I would further develop the overseas business.

On the other hand, I also heard from Ono that he would like me to proceed with reforming the Company's internal culture. I also recognize that this is one of the keys to the sustainable growth of the Company. I would like to foster a corporate culture that encourages young employees to take on new challenges.

I will carry out management with a proactive and sound approach

As a member of the Sumitomo Group, the Company has carried on Sumitomo's Business Philosophy, but the Rules Governing the House of Sumitomo advocate prime importance to integrity and avoiding the pursuit of immoral business while having an entrepreneurial spirit. This spirit is based on the premise that we must accurately grasp the needs of society as it changes with the times, and then start new businesses that meet these needs, while also downsizing businesses that are no longer in line with the times.

I will keep Sumitomo's Business Philosophy in mind and carry out management with a proactive and sound approach.

Logistics business that supports manufacturing Real estate business with high profitability

Of our core logistics and real estate businesses, the strength of the logistics business is its high level of on-site capabilities, and we are proud to say that we support Japan's manufacturing and materials industries. With the rise of e-commerce, there has been an increase in the number of companies specializing in B to C logistics, but I want to make the most of our strengths in the logistics of materials and raw materials, as well as the

handling of consumer goods, to increase the added value of the Company as a company that supports Japanese manufacturing. If a country becomes one that only consumes goods manufactured in other countries, its national power will continue to decline. In recent years, the trend of moving manufacturing bases back to Japan has been increasing, so I would like to continue to flexibly change the way of logistics and stay close to the manufacturing sites as a company that sweats together with them.

On the other hand, I feel that the logistics industry is also in a period of change because of the declining population and the development of digital technology. Although fully automated equipment is not suitable for the Company's warehouses, which handle a wide variety of cargo centered on materials, we will continue to search for solutions to reduce the number of workers and increase the efficiency of warehouse operations, and achieve a breakthrough.

In addition, I sometimes hear people say that the real estate business is becoming increasingly competitive and investment efficiency is low as a result. The origin of the real estate business of the Company ran on a business model involving the redevelopment of warehouse assets that were no longer suitable for logistics and building high-functionality office buildings and multipurpose facilities on their premises, and this has the feature of extremely high profitability. Although there are only a limited number of warehouses that can be redeveloped, we will continue to grow by promoting the acquisition of new real estate in addition to redevelopment and by diversifying the business.





We will actively promote the Fifth Medium-Term Business Plan

The Group has formulated a 10-year long-term vision, “Moving Forward to 2030,” with a view to the year 2030, which is also the target year for the SDGs. As the second step based on this, we have just started the Fifth Medium-Term Business Plan (from the fiscal year ended March 31, 2024 to the fiscal year ending March 31, 2026), which sets out the target of aiming for further growth by concentrating management resources on its core businesses of logistics and real estate.

Looking back at the results for the fiscal year ended March 31, 2024, the first year of the Fifth Medium-Term Business Plan, the real estate business was strong, but the logistics business had a decrease in international transportation income mainly caused by the decline in the market price for marine transportation, which had been rising sharply. As a result, the operating results were weak at the start, including operating revenue of 184,661 million yen (down 17.5% year-on-year), operating profit of 13,187 million yen (down 49.5% year-on-year), and profit attributable to owners of parent of 12,490 million yen (down 44.4% year-on-year).

For the fiscal year ending March 31, 2025, in the logistics business, in addition to the steady handling of warehouse cargo, we expect to see a recovery in the handling of cargo in international transportation, harbor transportation, and land transportation. In the real estate business, although there will be a decrease in revenue from the sale of real estate for sale, we forecast an increase in the occupancy rate of the office buildings for leasing acquired in the previous fiscal year.

As for expanding overseas business in the logistics business, we have started operating the third warehouse in Laem Chabang, Thailand, and are also promoting the construction and acquisition of warehouses in Europe, as well as working to create synergies with the existing forwarding

business by expanding the warehousing business in Indonesia and Vietnam. In the future, we will continue to expand the volume of cargo handled, and based on our experience of being affected by the sharp fluctuations in ocean and air freights during the COVID-19 pandemic, we also feel the need to strengthen our buying power for container vessels and space on aircrafts for international transportation.

As for investment, the construction of a new warehouse to meet the demand for the decentralization of inventory resulting from the “2024 problem*1” that Sumitomo Warehouse Kyushu Co., Ltd. is working on is progressing smoothly. Furthermore, in Osaka City, we are also in the process of updating the material handling equipment*2 with the aim of improving operation efficiency by 50% (scheduled for completion in January 2025), in anticipation of an increase in the volume of cargo handled in line with the future expansion of the EC market. We have also started full-scale operation of SWAN+, a cloud service that streamlines import/export and customs clearance operations and centralizes information management.

Currently, the transition to a circular economy is being promoted. For example, as the production of electric vehicles (EVs) increases, demand for battery materials also continues to rise, and there is also expected to be an increase in demand for recycling used EV batteries. The Company also hopes to contribute to the realization of a sustainable recycling-based society from a logistics perspective by focusing on expanding the handling of reverse logistics, capturing the growth of the recycling business for metals and raw materials such as waste batteries and waste circuit boards containing precious metals.

In the real estate business, we will first promote the expansion of the revenue scale in the leasing business through the continuous acquisition of real estate. In June 2023, we acquired an office building for leasing in Chuo-ku, Osaka City, and also began rebuilding a residence building in the Kanto region. Going forward, we will avoid a decline in future profitability associated with the age of the real estate and implement the replacement of real estate for lease with the aim of further growth, and reinvest the funds obtained from the sale of non-core assets in the acquisition of real estate for lease and real estate for sale that will become core assets, with the aim of expanding the revenue base. As part of this, in the fiscal year ended March 31, 2024, we sold real estate for sale (two residence buildings, approx. 700m²). We aim to develop a business conscious of capital efficiency by operating the sales business on a certain scale, with the leasing business as the core in the medium to long term.

Aiming beyond the achievement of greenhouse gas emission reduction targets

The Fifth Medium-Term Business Plan sets out to steadily promote initiatives aimed at promoting ESG management.

First, as for “E (Environment),” as a target for reducing greenhouse gas (GHG) emissions, we are aiming to reduce GHG emissions by 50% compared to FY2018 level by FY2030 for Scopes 1 and 2 for the Company on a non-consolidated basis. One of the initiatives to reduce GHG emissions is the expansion of the introduction of solar power generation equipment. We have introduced solar power generation equipment into the third warehouse in Laem Chabang, Thailand completed in FY2023 and the Fukuroi Logistics Set Center of Enshu Truck Co., Ltd. In addition, as for the promotion of the introduction of electric vehicles (EVs), we plan to expand the use of EVs for passenger vehicles to 100% by FY2030, and we have completed a 14% switchover to date. The percentage of eco-friendly cars, including hybrid vehicles, has reached 36%. We are also promoting fundraising through green loans.

I feel confident that we can fully achieve the target for reducing GHG emissions, but in order to make further progress, we must also take on new challenges. We will consider a wide range of options, including the introduction of biodiesel fuel and fuel cell vehicles, and we also want to strengthen initiatives in which we work together with customers.

Inspiring positive thoughts for having worked at this company

As for “S (Society),” we will strengthen the investment in people. As I mentioned at the beginning, I want to firmly achieve a reform of the organizational culture, and I will attempt to level out the organization and create an atmosphere where people feel comfortable talking frankly, without any barriers between superiors and subordinates. We will also develop a system that enables female employees to continue working for long periods of time, even when they face changes at key stages in their lives. At the same time, we will consider the employees who cannot enjoy the benefits of such systems, and think of ways to ensure that no employee is left behind, and we want to make Sumitomo Warehouse a company where the employees feel glad to continue working here. In addition to this, we aim to achieve diversity through the recruitment of a diverse range of human resources with various specializations and experiences. We will also work to strengthen mid-career hiring, and by increasing the number of hires at each base as well as at the head office, we will incorporate new perspectives and experiences to promote the revitalization of the organization.

We will also steadily continue our efforts to ensure safety and security. We have many years of accumulated know-how in the current initiatives and measures, but I also want to stay vigilant and constantly review the points that need to be improved or changed without preconceptions. The source of the Company’s strength is in the logistics sites of each branch and sales office. By sharing insights at each site with each other, we will spread better systems throughout the Company.

Making participation in Expo 2025 Osaka, Kansai, Japan a legacy

As a company that originated in Osaka, we are also working to contribute to Expo 2025 Osaka, Kansai, Japan to be held in 2025. I myself was in the fourth grade of elementary school when the Osaka Expo was held in 1970, and have fond memories of how exciting it was to actually visit the venue. Expo 2025 Osaka, Kansai, Japan will be an epoch-making event for Kansai and Japan, and the Sumitomo Group will also be exhibiting.

The Company is participating as a designated business operator for handling cargo within the venue of the Expo, and has established an office for the joint venture of the Sumitomo Warehouse Group and the Maguchi Group in the Sakishima area adjacent to the venue of the Expo, building a system to support Expo 2025 Osaka, Kansai, Japan from a logistics perspective. Supporting the success of the Expo not only serves as a way to promote the Company externally, but by participating in the Expo as a business operator and having our employees be involved in such work, I hope that this will create a legacy that cultivates pride among our employees.

Reduce cross-shareholdings and focus on finding investment destinations to allocate the funds gained

As for “G (Governance),” we will reduce cross-shareholdings, having set a target of reducing cross-shareholdings by approximately 10.0 billion yen by March 2028 (equivalent to approximately 10% of the book value as of the end of March 2022), and as a step towards the target, we plan to reduce the amount by approximately 6.0 billion yen by March 2026 (equivalent to approximately 6% of the book value as of March 2022). We recognize that further reducing cross-shareholdings is an important issue, but we have been made aware that we are moving too slowly to address this situation. We intend to allocate the funds gained from the sale of cross-shareholdings to investment in our next stage of growth, and we are currently in the process of seriously considering where to invest. We would like to ask for a little more time to focus on finding a good investment destination.

To all our stakeholders

First of all, I would like to convey to our shareholders and investors that we hope our Company to be evaluated as a solid and stable investment destination. Although we are a little behind in terms of the increase in our stock prices, from the perspective of sustainability, we can promise stable growth over the long term. We would appreciate your long-term support focusing on this aspect. We will also continue to work hard to become a reliable partner for our customers.

We would like to ask all of our stakeholders for your support and cooperation.

*1 Due to a legal amendment, starting in April 2024, an annual cap on overtime work for driving work has been applied. This has raised concerns about issues such as a decline in transport capacity in the domestic logistics sector.
*2 Material handling equipment refers to machinery and equipment used to improve the efficiency of warehousing and cargo handling operations.

Value Creation Process

The Sumitomo Warehouse Group has built deep relationships of trust with stakeholders by stably providing high-quality services backed by abundant assets and organizational and on-site capabilities, based on credibility and solid financial capital it has built up over its long history. We will continue to realize our corporate philosophy to “provide earnest and timeless support for logistics functions as the social infrastructure, which is needed by all, while also working to create new services sought after by our customers and society.”



Creation of New Value ▶ P18

Financial capital

Total assets	436.9 billion yen
Equity-to-asset ratio	58.4%
Cash flows from operating activities	22.0 billion yen

Manufactured capital

Number of bases of business in Japan and overseas	264
Warehouse space for storage (in Japan)	852,000 m²
Number of trucks	1,344
Leased real estate space	294,000 m²

Intellectual capital

Logistics business know-how accumulated since the foundation	
Proprietary systems (SWIFT, etc.)	
Various certifications (ISO 14001, 27001, etc.)	

Human capital

Consolidated number of employees	4,463
Percentage of employees who have had at least one overseas assignment in the past	25.6%

Social and relationship capital

Regions where business has been launched	14 countries
The long history, credibility and network gained as a member of the Sumitomo Group since the 17th century	
Sales staff's deep understanding of customer issues	

Natural capital

Total energy consumption	1,043,396 GJ
Of which, consumption derived from renewable energy sources	34,068 GJ

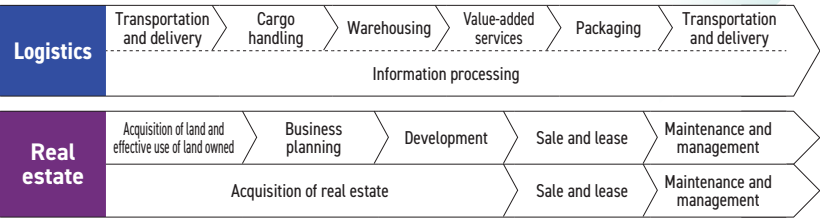
Group Corporate Philosophy

The Sumitomo Warehouse Group will provide earnest and timeless support for logistics functions as the social infrastructure, which is needed by all, while also working to create new services sought after by our customers and society.

Three Strengths That Support the Business



Value Chains



Local communities

Reduction of GHG emissions50% reduction by fiscal year 2030 compared to fiscal year 2018

Provision of high-quality and stable services as social infrastructure

Contribution as a logistics company that supports Japanese manufacturing

Customers

Provision of added value to support manufacturing

Provision of logistics solutions utilizing digital technology

Employees

Fostering fulfilling work and the pride of being a member of the Sumitomo Warehouse Group

Reducing workload and improving administration efficiency with DX

Human resource development, promotion of women's participation and advancement

Shareholders and investors

Operating revenue230.0 billion yen*

Operating profit18.0 billion yen*

ROE7%*

Continuation of stable dividendsMinimum annual dividend per share of 100 yen *

Development of new logistics and real estate business models

Creation of new value in the logistics business centered on warehousing

Improvement of the environment to enable employees to achieve further success

Realization of medium- to long-term corporate value improvement

*Fifth Medium-Term Business Plan (FY2025)

Strengths of the Sumitomo Warehouse Group



Creation of New Value

The Sumitomo Warehouse Group will take on the challenge of creating new value in the logistics and real estate businesses by leveraging three strengths, "high-level service quality," "stable business operations," and "brand power."

Development of New Logistics and Real Estate Business Models	
ESG management	<ul style="list-style-type: none">■ Achieving carbon neutrality in the logistics and real estate businesses■ Creating innovation through diversity promotion
Increasing the added value of logistics services through promotion of digitization	<ul style="list-style-type: none">■ Promoting digitization across the entire logistics business to provide higher added-value logistics services■ Quickly responding to customer needs through creation of new value ("proactive DX")■ Advanced business and services through utilization of data ("defensive DX")

Creation of New Value in the Logistics Business Centered on Warehousing	
Strengthening warehousing	<ul style="list-style-type: none">■ Expansion of coverage area through new investment (domestic and overseas)■ Promoting higher functionality of warehouse facilities
Development of new businesses and services	<ul style="list-style-type: none">■ Balancing aggressive investment and risk-taking■ Contributing to the realization of a sustainable recycling-based society from the perspective of logistics

Improvement of the Environment to Enable Employees to Achieve Further Success	
Operational excellence	<ul style="list-style-type: none">■ Advanced information sharing through DX■ Succession of know-how
Employee successes	<ul style="list-style-type: none">■ Creating an organizational structure and culture in which employees can speak their opinions frankly and work with satisfaction and vitality■ Strengthening human resource development■ Visualization of personnel evaluation■ Promotion of mid-career recruitment, utilization of external human resources

Fifth Medium-Term Business Plan

Review of the Previous Medium-Term Business Plan and Awareness of the External Environment

Fourth Medium-Term Business Plan (FY2020 to FY2022)

The Group positioned the Fourth Medium-Term Business Plan as a period for “strengthening the business foundation” and has been promoting business strategies. During the period, we steadily implemented business strategies, including building five warehouses in Japan and overseas in the logistics business, acquiring two properties for leasing in the real estate business, and selling shares, etc. of shipping subsidiaries as part of business structure reforms, while responding to changes in the environment, such as the spread of COVID-19 infection. Although the cumulative business investment amount for the three-year period was less than the planned amount, we achieved the targets for key indicators such as operating revenue, operating profit, and ROE.

Evaluation of the business strategies of the previous Medium-Term Business Plan

Business strategies based on environmental changes during the plan period		Evaluation
Strengthening the business foundation / Maintaining logistics infrastructure	Restructuring of businesses with decreased profitability	○
	Acceleration of strengthening of international logistics foundation	○
	Expansion of robust warehouse demand in preparation for natural disasters	○
	Response to logistics demand associated with changes in socioeconomic activities caused by the pandemic	○
	Continued acquisition of property	△
	Response to labor shortage	○
Implementation of DX	Promotion of improvement of efficiency of operations and labor-saving utilizing the latest technology	○
Contribution to sustainability	Strengthening of environmental responses in our own facilities	○

Evaluation of the targets of the previous Medium-Term Business Plan

	Target	Result (FY2022)	Evaluation
Operating revenue	210.0 billion yen	223.9 billion yen	○
Operating profit	12.0 billion yen	26.0 billion yen	○
Business investment	50.0 billion yen	Approx. 39.0 billion yen over 3 years	△
ROE	Aiming for 5% or higher	10.7%	○
Annual dividend	Maintain minimum of 47 yen per share and continue with increases	100 yen per share	○
Acquisition of treasury shares	Implement flexibly	Approx. 7.5 billion yen over 3 years	○

Issues

- Continuous strengthening of logistics foundation in Japan and overseas (in particular, overseas efforts have been limited due to the impact of COVID-19)
- Responding to ESG issues
- Digitalization of operations, further promotion of DX
- Initiatives to “implement management that is conscious of cost of capital and stock price (improving profit-generating capacity, maintaining an appropriate capital structure)”

External Environment That We Are Facing

In addition to the destabilization of international conditions and heightened geopolitical risks, we expect to see further reorganization of supply chains in the future due to changes in lifestyles and values caused by the pandemic, as well as the 2024 problem. We anticipate changes in customers' logistics strategies, such as adding more inventory bases, increasing inventory, and considering the environment, and we believe this will be a business opportunity for the Group.

We also recognize that the digitization and DX initiatives that support these efforts are key factors that will determine the competitiveness of companies in the future.

Awareness of environment	Impact on logistics industry	Issues faced by the Group
Destabilization of international conditions and heightened geopolitical risks	■ Reorganization of supply chains	■ Response to logistics demand associated with reorganization of supply chains
Changes in lifestyles and values caused by the pandemic	■ Expansion of e-commerce logistics demand	■ Response to increased frequency and smaller lots
Heightened sense of crisis concerning climate change and movements aimed at carbon neutrality	■ Requirements to strengthen initiatives aimed at the resolution of ESG issues	■ Materialization of initiatives aimed at the achievement of environmental targets ■ Expansion of logistics services aimed at reducing customers' environmental impact
Progression of decline and aging of the population	■ Decrease in the working population engaged in the logistics industry ■ “2024 problem”	■ Establishment of bases assuming demand for dispersed logistics bases ■ Promotion of relay transportation, joint delivery, modal shift, etc. ■ Promotion of improvement of efficiency and labor-saving through digitalization

Fifth Medium-Term Business Plan (FY2023 to 2025)

Basic Policy

- 1 This period will be the “second step” to accelerate growth toward the target year of 2030 of the long-term vision “Moving Forward to 2030.”
- 2 The Company will further promote business restructuring and transform itself into a corporate structure that is resilient and capable of steady growth and is less susceptible to deterioration in the domestic and overseas economic environment.
- 3 The Company aims to generate steady cash flow every year and increase its corporate value over the medium to long term.

Business Strategy

The Company will concentrate its management resources on its core businesses of logistics and real estate. In the logistics business, the Company aims to achieve sustainable growth and will promote the expansion of domestic and overseas bases, address environmental issues, and promote investment in DX and “people.” In the real estate business, the Company aims to expand the revenue base by expanding the leasing business and also entering the sales business.

Logistics business



- Further expansion of logistics network inside and outside Japan
- Expansion of logistics services
- Digitalization of operations, promotion of DX

Real estate business



- Expansion of revenue scale through promotion of leasing business
- Expansion of business scale to sales business

ESG management [Details ▶](#) [P45](#)

Environment

- Set environmental targets

Society

- Continue initiatives aimed at security and safety
- Strengthen investment in “people”
- Contribute to “Expo 2025 Osaka, Kansai, Japan”

Governance

- Reduce cross-shareholdings

Financial Targets

	FY2022 (excluding shipping business)	FY2023
Operating revenue	203.8 billion yen	184.6 billion yen
Logistics business	193.7 billion yen	173.8 billion yen
Real estate business	10.6 billion yen	11.3 billion yen
Inter-segment revenue	(0.5) billion yen	(0.5) billion yen
Operating profit	15.7 billion yen	13.1 billion yen
Logistics business	15.6 billion yen	13.3 billion yen
Real estate business	5.1 billion yen	5.3 billion yen
Company-wide expenses	(5.0) billion yen	(5.4) billion yen

FY2025 plan	FY2022 → FY2025 change	
230.0 billion yen	26.2 billion yen	12.9%
213.5 billion yen	19.7 billion yen	10.2%
18.0 billion yen	7.3 billion yen	68.6%
(1.5) billion yen	(0.9) billion yen	-
18.0 billion yen	2.2 billion yen	14.0%
17.5 billion yen	1.8 billion yen	11.9%
6.0 billion yen	0.8 billion yen	15.7%
(5.5) billion yen	(0.4) billion yen	-

Business Strategy in the Medium-Term Business Plan

Logistics Business

Logistics segment Numerical targets for FY2025	Operating revenue	Operating profit	Cumulative investment amount
	213.5 billion yen (Up 10.2% compared to FY2022)	17.5 billion yen (Up 11.9% compared to FY2022)	40.0 billion yen (Up 11.5 billion yen from the period of the previous Medium-Term Business Plan)

Expansion of Logistics Network Inside and Outside Japan

New warehouse construction in Japan

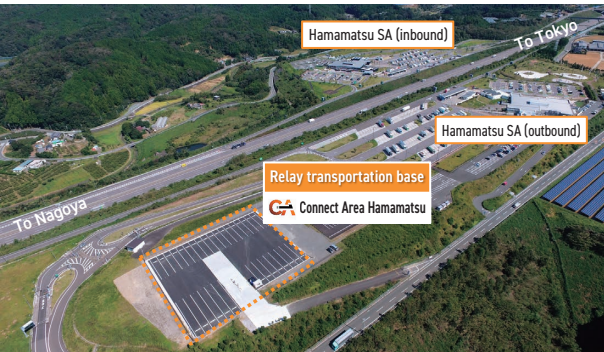
Investment in warehouses, which form the core of the Group's logistics services, will continue under this Medium-Term Business Plan, and new warehouses will be launched in Fukuroi City, Shizuoka Prefecture, and Hakozaki Futo, Higashi-ku, Fukuoka City, during the period. The Fukuroi new warehouse has the function of a gateway warehouse for a manufacturer of transportation equipment, and the Hakozaki new warehouse responds to the revitalization of capital investment in the Kyushu region and the demand for decentralization of inventory based on the "2024 problem."



Sumitomo Warehouse Kyushu
Hakozaki Futo Logistics Center's new warehouse (12,206 m²)

Expansion of relay transportation

As one solution to the "2024 problem," relay transportation, which leads to improvements in the working environment for drivers, is attracting attention. Enshu Truck Co., Ltd., a company in the Group that operates mainly in Shizuoka Prefecture, is taking advantage of its location to operate a relay transportation base Connect Area Hamamatsu in Hamana-ku, Hamamatsu City, which is almost halfway between Tokyo and Osaka, in collaboration with Central Nippon Expressway Company Limited, and will expand its transportation services using this base.



Enshu Truck Connect Area Hamamatsu

Expansion of overseas business

Outside Japan, we will proceed with the construction and acquisition of warehouses in Southeast Asia and Europe. In particular, in Southeast Asia, taking into consideration the China Plus One trend, in order to further expand handling within the region, in addition to Thailand, Singapore and Malaysia, where the Group already has a wealth of results, we will focus on expanding warehouse operations in Vietnam and Indonesia. By expanding these bases, we will create synergies with forwarding operations and further expand the overseas business.



Sumiso (Laem Chabang) Co., Ltd. [Thailand]
Third warehouse in Laem Chabang (approx. 14,300m²)

Expansion of Logistics Services

Functional improvement of warehouse facilities

In order to capture the growing demand for temperature-controllable warehouses against the backdrop of global warming, we will install additional temperature-controlled facilities in existing warehouses. In addition, we will promote investment that will lead to a reduction in the environmental impact of warehouse operations, such as switching to LED lighting and high-efficiency air conditioning equipment in our own facilities.



Expansion of refrigerated air transportation services

The Company provides a unique service that offers custom-made refrigerated packaging optimized for conditions such as outdoor temperature, through conducting temperature transition simulations. By combining superior refrigerant materials with special packaging materials to maintain the temperature range of cargo for a specified period, we will achieve high-quality refrigerated air transportation at a low cost.



Digitization and Automation of Operations, Promotion of DX

In recent years, BtoC logistics has expanded due to changes in lifestyle and values during the COVID-19 pandemic, and there is a notable shortage of labor in the warehouse operations of the Company's logistics business, and it is becoming more and more difficult to recruit new workers every year. In order to respond to these circumstances, the Company will promote digital transformation (DX) to establish a competitive advantage through the digitization and automation of operations and will aim to increase the added value provided to customers, in addition to improving the efficiency of administration and operations.

As a main initiative, we are promoting measures to respond to the small-lot, high-mix nature of products and the increase in e-commerce at the sports goods distribution center that has been in operation since 2008. By introducing new large-scale material handling equipment and switching to paperless work instructions, we will improve work efficiency by 50%, reduce the number of workers required, and respond to quick and large-scale operation.



Business strategy in the Medium-Term Business Plan

Real estate Business

Real estate segment
Numerical targets for
FY2025

Operating revenue

18.0 billion yen

(Up 68.6% compared to FY2022)

Operating profit

6.0 billion yen

(Up 15.7% compared to FY2022)

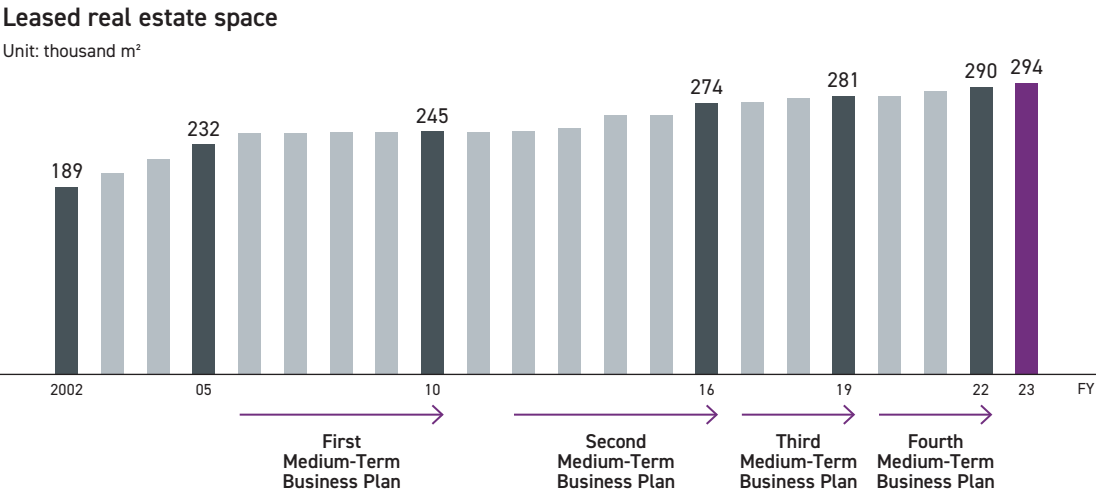
Cumulative investment amount

40.0 billion yen

(Up 31.2 billion yen from period of
previous Medium-Term Business Plan)

Expansion of Revenue Scale Through Promotion of Leasing Business

The real estate leasing business, which is at the core of the Company's real estate business, originated from the redevelopment of warehouse sites into office buildings and commercial facilities in response to changes in the surrounding environment. In recent years, in addition to redevelopment, the business has continued to grow by acquiring new office buildings and residential facilities, mainly in the Keihin and Hanshin areas. In this Medium-Term Business Plan, we will continue to expand the leasing business by developing and acquiring quality properties.



Expanding Business Scope to Include the Replacement and Sale of Real Estate

We will continue to acquire real estate for lease, and at the same time, we will select existing real estate and replace properties held by selling non-core assets, etc., in order to strengthen medium- to long-term profitability. In addition, we aim to expand revenue scale by gradually developing an asset turnover business, such as reinvesting the funds obtained from the sale of non-core assets in the acquisition of real estate for lease or real estate for sale that will become core assets in the future.

Replacement of real estate

Replace real estate for lease to improve medium- to long-term profitability
Promote the expansion and improvement of efficiency of the leasing business

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Expand business scope to sales business

Gradually operate asset turnover business while replacing real estate
*Offices, buildings for rental housing, logistics properties

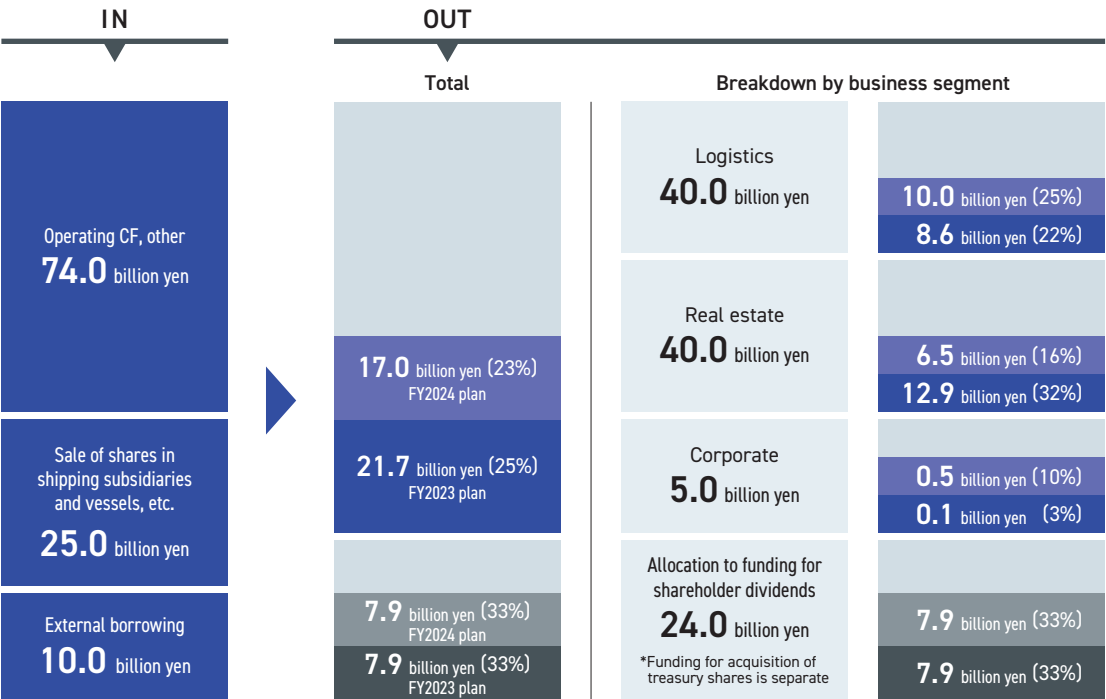
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Aim to conduct business conscious of capital efficiency by operating sales business with the leasing business as the core in the medium to long term.

Financial Strategy in the Medium-Term Business Plan

Cash Flow Allocation

Under this Medium-Term Business Plan, it is planned to allocate a total of 109.0 billion yen, which is the sum of the projected cumulative cash flows from operating activities of 74.0 billion yen over the three-year period of the plan, 25.0 billion yen in proceeds from the sale of shares in shipping subsidiaries and vessels, etc., and 10.0 billion yen from external borrowings, to business investment of 85.0 billion yen and shareholder dividends of 24.0 billion yen. As for business investments, 40.0 billion yen will be invested in the logistics business for the construction of new warehouses and the introduction of automated equipment, etc., and 40.0 billion yen will be invested in the real estate business for the acquisition of new properties, etc. In addition, the corporate segment plans to invest 5.0 billion yen, centering on the construction of a digital foundation and investment in human capital that will support the promotion of DX. As for shareholder returns, we will implement them while taking into account the improvement of profitability in each fiscal year, after continuing the business investment necessary for improving corporate value from a medium- to long-term perspective.

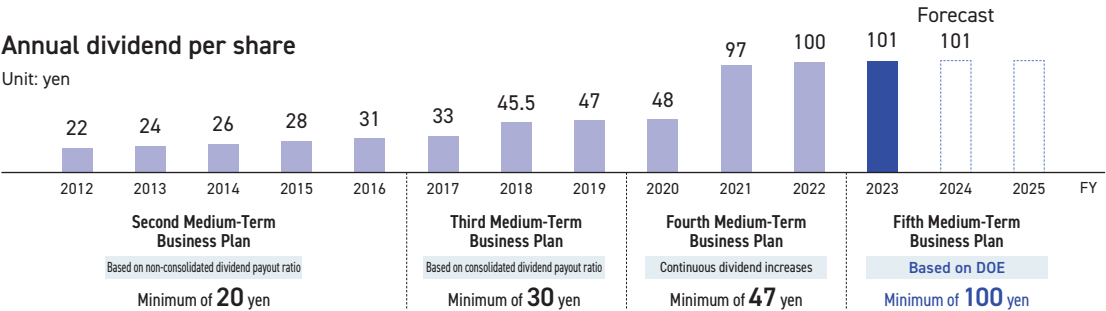


Business investment of 21.7 billion yen was implemented in FY2023.

Shareholder Returns

As for dividends, the Company has continued to pay stable dividends. This will remain unchanged in this Medium-Term Business Plan. After continuing to make the business investments necessary to improve corporate value from a medium- to long-term perspective, we will implement a minimum annual dividend of 100 yen per share with a target DOE (dividend on equity ratio) of 3.5-4.0%, while considering improvements in profitability in each fiscal year.

The acquisition of treasury shares will be implemented flexibly, taking into account economic conditions, market trends, business investments and profit levels.



Message from the Director in Charge of Finance

Improve capital efficiency and realize medium- to long-term improvements in corporate value.

Director and Managing Executive Officer
Akihiko Hoshino



My career since joining the Company

After joining Sumitomo Warehouse, I gained experience in warehouse sites, cargo handling, and international transportation, and then worked in the Finance & Accounting Department for about 20 years. After that, I became the General Manager of the Overseas Business Department, the General Manager of the Finance & Accounting Department, and then the Director in charge of finance. In the Finance & Accounting Department, I was involved in tasks such as budgets, closing accounts, and tax-related matters, while in the Overseas Business Department, I was involved in tasks such as the construction of new warehouses and the establishment of representative offices in Southeast Asia.

Aim to improve ROE through profit generation and shareholder returns based on the Fifth Medium-Term Business Plan

The Company's strength from a financial perspective is that we have a strong financial base. Since its foundation in 1899, the Company has recorded a profit every year except for the years affected by the Great Kanto Earthquake (1923), the Great Depression (1930 and 1931), and the Muroto Typhoon (1934), and its capital has been steadily accumulating over that time. On the other hand, ROE, which is the ratio of profit to equity, is below the target, so we recognize that the

issue at present is how to utilize the capital that has been accumulated up to now and improve capital efficiency.

In order to improve ROE, it is important to first increase the profit of the numerator. We aim to achieve this by steadily implementing the Fifth Medium-Term Business Plan, which is currently underway. The Company has a social mission to support the infrastructure of logistics, and our priority is to provide stable services based on a medium- to long-term perspective. In particular, warehousing is an equipment-intensive industry, so it is a business that takes a long time to recover the investment. Given these business characteristics, in order to increase profits from now on, it will be necessary to expand the scope of the business while maintaining the basic functions of warehousing, such as storage and cargo handling, in order to meet the overall logistics needs of customers. For example, while there is a need to achieve a decarbonized society, we must make proposals that meet the growing needs of the environmental field and provide new services.

On the other hand, as for equity of the denominator, we will continue to enhance shareholder returns through dividends and the acquisition of treasury shares, while being conscious of the need to optimize equity, and we will work to improve ROE. In implementing shareholder returns, I think it is necessary to consider the balance between distributions to employees and investments in future growth, such as capital investment.

Fiscal year ended March 31, 2024 showed a decrease in both revenue and profit, but efforts were made to enhance shareholder returns

The financial results for the fiscal year ended March 31, 2024 showed a decrease in both revenue and profit because the shipping subsidiaries were excluded from the scope of consolidation in the previous fiscal year in order to concentrate management resources on the core logistics and real estate businesses and other reasons. In the real estate business, other than the shipping business, both revenue and profit increased because of the new acquisition of the office building in Chuo-ku, Osaka City, the improvement in the occupancy rate of some leasing facilities due to the recovery in the number of foreign visitors to Japan, and the sale of real estate for sale associated with the review of the portfolio of owned properties. On the other hand, in the logistics business, both revenue and profit decreased because of the decline in the market price for marine transportation, which had been rising sharply, and the decrease in the volume of cargo handled, which was greater than expected, particularly accompanying the slowdown in the Chinese economy.

Although there was a significant decrease in both revenue and profit as a whole, we increased the dividend by 1 yen compared to the previous year, and paid a dividend of 101 yen per share, with a payout ratio of approximately 64%. In addition, we acquired 750,000 treasury shares at a cost of approximately 1.8 billion yen. As a result, the total shareholder return ratio, which is the sum of dividends and acquisition of treasury shares, was approximately 78%.

For the fiscal year ending March 31, 2025, in the logistics business, we are taking on the challenge of developing new businesses considering issues such as the "2024 problem," in which regulations on overtime work for

Details of shareholder returns for the fiscal year ended March 31, 2024.

Dividends	Dividend per share	101 yen Breakdown Interim dividend 50.5 yen Year-end dividend 50.5 yen
	Payout ratio	63.9%
Acquisition and cancellation of treasury shares	1 Acquisition of treasury shares	
	1. Type of shares acquired	Common shares of the Company
	2. Total number of shares acquired	750,000 shares
	3. Total acquisition cost	1,826,934,500 yen
	4. Acquisition period	From August 7, 2023 to November 30, 2023
	2 Cancellation of treasury shares	
	1. Type of shares canceled	Common shares of the Company
	2. Total number of shares canceled	750,000 shares
	3. Date of cancellation	March 29, 2024

truck drivers have been tightened, while steadily working to optimize the transportation charges to be received in line with the value of the services provided. In the real estate business, we are working to improve the occupancy rate of new properties acquired in the previous fiscal year, and we are also continuing to review the portfolio of owned properties and search for new investment properties.

Towards achieving ROE of 7%

ROE for the fiscal year ended March 31, 2024 was 5.3%, a significant downturn from the 10% range of the previous fiscal year (fiscal year ended March 31, 2023). Firstly, the profit of the numerator decreased significantly compared to the previous fiscal year primarily because the shipping subsidiaries were excluded from the scope of consolidation, and there was a gain on sale of shares in shipping subsidiaries in the previous fiscal year. On the other hand, the equity of the denominator increased significantly compared to the end of the previous fiscal year, primarily because the "valuation difference on available-for-sale securities" increased accompanying the rise in stock prices.

The target ROE in the Fifth Medium-Term Business Plan is 7%, which is set to exceed the cost of shareholders' equity based on the financial situation and profits expected in the final year of the Plan, the fiscal year ending March 31, 2026.

In order to achieve this target, I think it is important to spread the concept of capital efficiency throughout the Company. In the past, performance was mainly evaluated by comparing sales and profits with the results of the previous period and budget, but in addition to this method, I would like to further expand our performance by using new key performance indicators (KPIs) that are conscious of capital efficiency, such as how much profit is being generated in relation to investments in equipment and human capital.

In addition, in order to increase profits and improve future corporate value, it is essential to carry out capital investment and other investments. Under the Fifth Medium-Term Business Plan, we plan to invest a total of 85.0 billion yen during the period, but at present, we have only invested about half of this, and we recognize this as a major issue. The factors behind the stagnation in investment

Consciousness reform to improve ROE

Using the results of the previous term and the budget as the basis, evaluate the performance by comparing them with each other

▶

In addition to the above methods, set new KPIs and aim to improve performance that is conscious of the capital invested in each business

include the fact that logistics demand is slowing with the economic slowdown in China and that the recovery period for investment is becoming even longer than before with the rise in costs for construction materials and labor. However, we will continue to actively work to increase investment opportunities. On the other hand, when making investments, I think it is also important to be aware of the weighted average cost of capital (WACC), to carry out a careful risk assessment, and to avoid hasty investments.

Sale of cross-shareholdings carried out based on investment plans

In the Fifth Medium-Term Business Plan, we have announced a policy of reducing cross-shareholdings by 10.0 billion yen over the next five years. Following this policy, we sold shares worth approximately 2.0 billion yen in the fiscal year ended March 31, 2024, and will proceed with sales as planned in the current fiscal year. On the other hand, as the stock price has risen since then and the book value of cross-shareholdings has also increased, we recognize it is important to accelerate the reduction of cross-shareholdings from the perspective of governance. However, as a logistics company, we are required to operate the business in a stable and long-term manner, and if we were to sell them quickly, it would have a significant impact

on our profit and loss. In addition, we believe it is important to use the proceeds from the sale of cross-shareholdings to invest in growth that will enhance the corporate value of the company in the future and to strengthen measures against increasingly severe natural disasters. Therefore, we need to proceed with the actual sale of the shares carefully based on our future investment plans, etc., and we are currently in the process of carefully considering the investment targets.

Investment for future growth

As for the content of the investment we are currently undertaking, first of all, in the logistics business, we are introducing material handling equipment to make up for the further labor shortage that is expected in the future and to respond to the increase in the volume of cargo handled accompanying the expansion of the EC market, etc. Next, in response to needs in the environmental field, we are proceeding with initiatives to expand the use of renewable energy, mainly solar power, and promote the introduction of electric vehicles (EVs), as well as to respond to the increase in the handling of EV-related cargo. In addition, we will actively promote overseas investment, which was restricted by the COVID-19 pandemic, and focus on Southeast Asia as a priority region. We will also look into the Indian Ocean Rim region in the future with the aim of expanding our bases.

For the real estate business, we will continue to actively consider redevelopment, and continue to newly acquire leasing properties that will become core assets, to promote the expansion of our revenue base. At the same time, in order to compensate for the decline in profitability of real estate associated with the age of the real estate, we will sell properties that are non-core assets to review the portfolio. We are also considering various measures, including recruiting human resources with the know-how to expand the business domain, as we aim to develop an asset turnover sales business on a certain scale that involves purchasing properties, adding value, and then selling them off.

As a company-wide investment, we are currently promoting DX investment, with the aim of further improving operational efficiency and the working environment and leading to the expansion of future business performance.

Strengthen investment in people

The Company's strength is providing attentive service to customers, and the key to differentiating the service is the people, our employees. We intend to create a workplace environment with high employee satisfaction by valuing our employees, further enhancing our necessary training systems, improving each employee's skills, and providing opportunities for growth, while also increasing dialogue and working to improve the style of work.

Set DOE as a rough indication with the aim of continuing stable dividends

As for shareholder returns, the Fifth Medium-Term Business Plan sets a minimum annual dividend of 100 yen per share and aims to pay a dividend with a target dividend on equity (DOE) of 3.5–4.0%, while taking into consideration improvements in profitability in each fiscal year. DOE was set as a rough indication with the aim of continuing to pay stable dividends. By using DOE as a rough indication, I think that our shareholders will be able to hold the Company's shares with peace of mind over the long term.

Make the concept of capital efficiency well known and lead it to further progress

I think that one of my missions as the Director in charge of finance is to spread the concept of capital efficiency throughout the Company. Until now, it may have been enough to simply report profits, but I think it is important to take this one step ahead and make sure that everyone is aware of whether the profits reported are appropriate in relation to the amount of equity that has been accumulated up to this point.

For 125 years since its founding, the Company has been conscious of providing uninterrupted services and recording stable profits to achieve this, which has led to

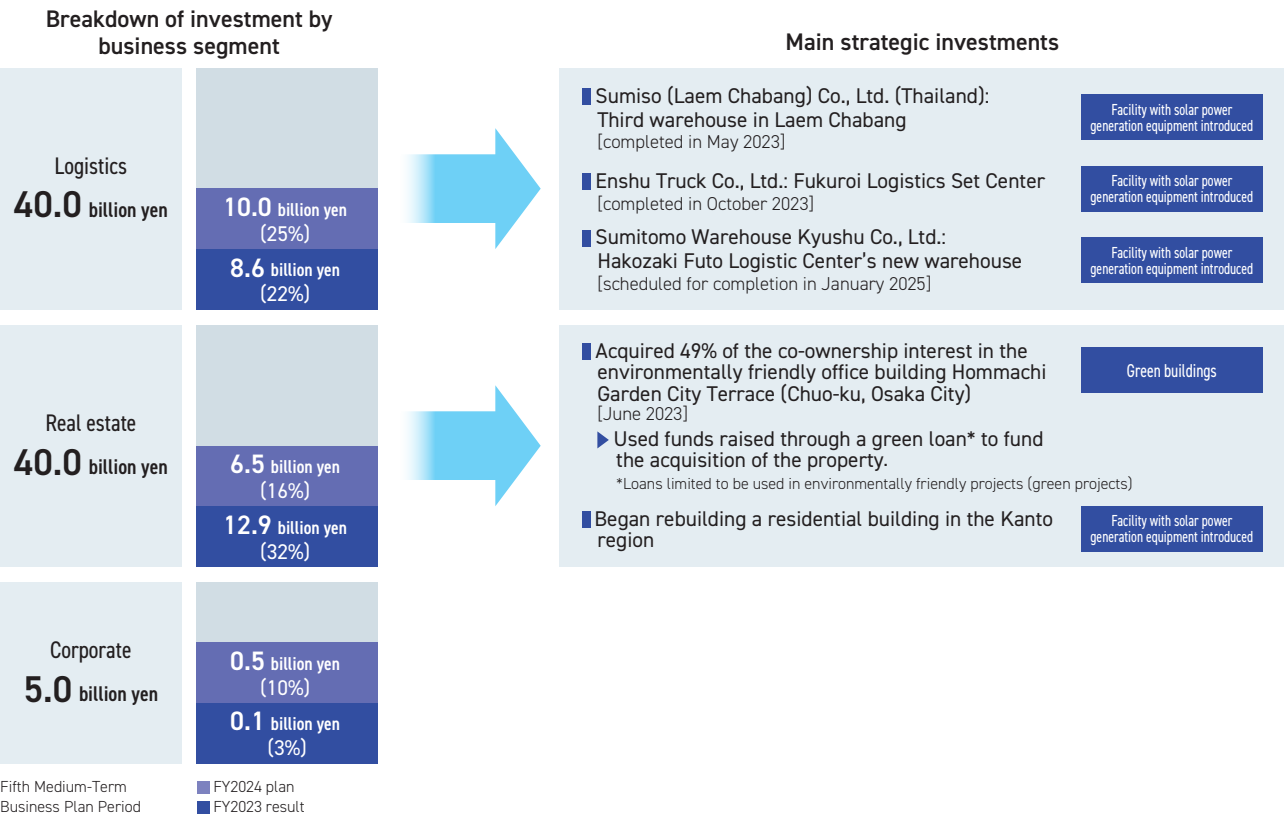


the accumulation of a large amount of equity and created financial stability. On the other hand, we are currently in a situation where we are being pointed out for having insufficient capital efficiency, that is, insufficient growth in profit compared to the accumulation of capital. For this reason, while ensuring that we continue to achieve long-term, stable growth, I would like to make the concept of capital efficiency well known and, by doing so, foster an awareness within the Company that the same old ways are not enough and that we need to work on new things. At the same time, in order to enable new ideas and challenges, I think it is necessary to create an environment where people can speak freely, secure the necessary funds and information, and work to develop human resources. By increasing the capital efficiency of the Company as a whole and generating greater profits than ever before, we will achieve further growth, improve corporate value over the medium to long term, and contribute to society.

Since we can hear valuable opinions that will help us to improve corporate value, I would like to further increase opportunities for dialogue with investors. I want to take in not only information from inside the company, but also widely and sincerely accept opinions from outside the company, understand them well, and incorporate what I should.

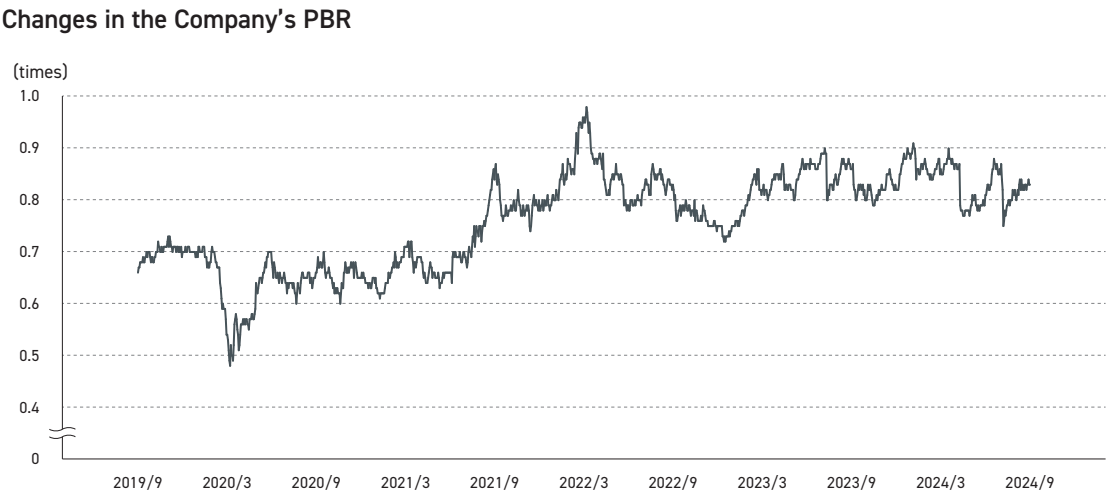
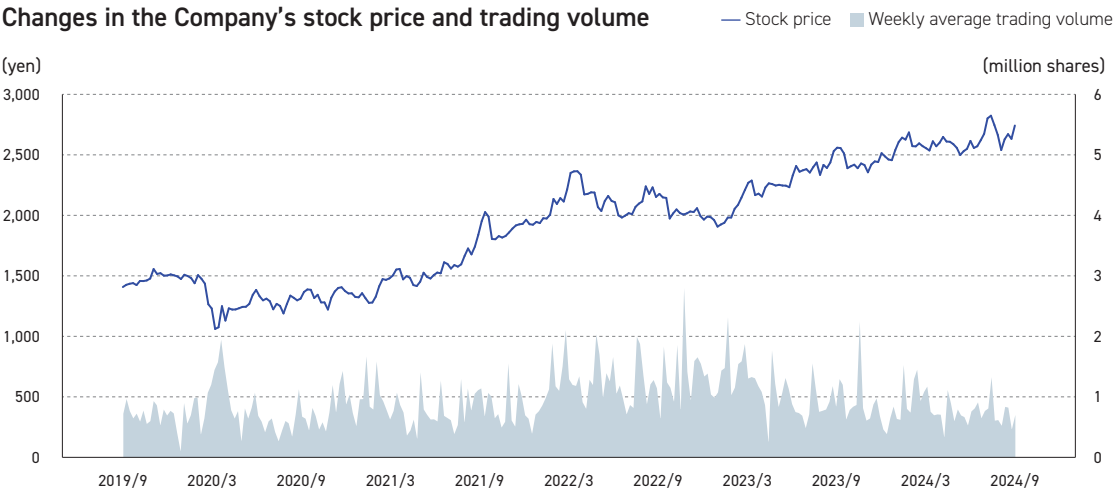
We will continue to work to improve corporate value by placing importance not only on financial information but also on non-financial information such as ESG.

Progress of strategic investments in the Fifth Medium-Term Business Plan



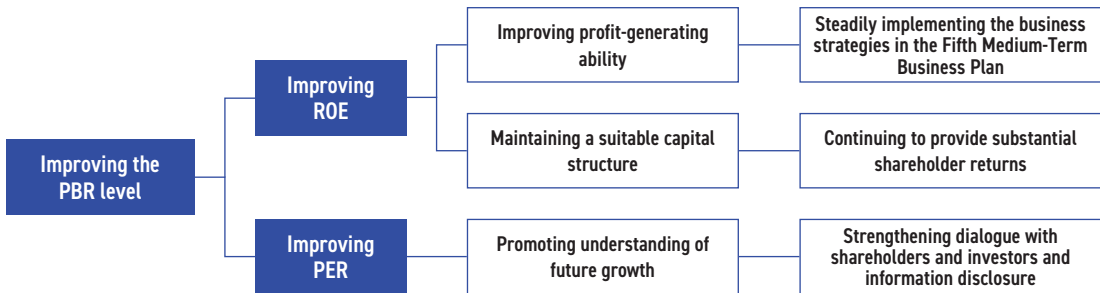
Action to Implement Cost of Capital and Stock Price Conscious Management

Analysis of the Current Situation Stock price and PBR (Price Book-value Ratio)



The Company's PBR has remained below 1x.
Since the formula "PBR = ROE (Return on Equity) × PER (Price-earnings Ratio)" is established, we recognize the need to work on improving "earning power" (ROE) and "expected value" (PER) in order to improve the PBR level.

Policies for Improving the PBR Level



Plan

Policy	<div><div>1</div>The Company will progressively implement the business strategies set forth in the Fifth Medium-Term Business Plan for the period from FY2023 to FY2025 and improve its ability to generate profits.</div> <div><div>2</div>The Company will continue to provide substantial shareholder returns and aim to maintain a suitable capital structure.</div> <div><div>3</div>Through strengthening dialogue with shareholders and investors and information disclosure, the Company will strive to gain an understanding of the Group's future growth potential and contribute to the formation of an appropriate stock price.</div>
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Status of Dialogue with Shareholders and Institutional Investors (FY2023)

Dialogue with shareholders and institutional investors was conducted by the Business Promotion Department (Public & Investor Relations Section) in the presence of the President, the Representative Director responsible for the Corporate Management Division (Managing Executive Officer), the Managing Executive Officer in charge of the Finance & Accounting Department, as well as others, as appropriate.

Main topics	Overview of financial results, business outlook, and matters related to the Medium-Term Business Plan (including ESG-related matters), etc.
Status of dialogue	<div><div>1</div>Financial results briefing for institutional investors May 2023: Briefing on financial results for the fiscal year ended March 31, 2023 November 2023: Briefing on financial results for the second quarter of the fiscal year ended March 31, 2024 [Main attendees] President, Representative Director responsible for the Corporate Management Division, Managing Executive Officer in charge of the Finance & Accounting Department, General Manager of the Business Promotion Department, etc.</div> <div><div>2</div>Individual investor relations meetings 80 times (domestic institutional investors: 73 times; overseas institutional investors: 7 times) [Main attendees] Representative Director responsible for the Corporate Management Division, General Manager of the Business Promotion Department, etc.</div> <div><div>3</div>Conferences hosted by securities companies (for overseas institutional investors) 1 time (March 2024) [Main attendees] Representative Director responsible for the Corporate Management Division, General Manager of the Business Promotion Department, etc.</div> <div><div>4</div>4 SR meetings January to February 2024 [Main attendees] Representative Director responsible for the Corporate Management Division, General Manager of the General Affairs Department, General Manager of the Business Promotion Department, etc.</div>

Message from the Director in Charge of DX

Aim to create new value through “proactive DX.”

Director and Managing Executive Officer

Ikuo Kuroki



Purpose of formulating the DX vision and the DX strategy

The Company has recently formulated the DX vision (FY2024–FY2029) with the key message of “Connecting ‘Evolve Create Beyond’ data to create digitally” and three policies of “contributing to a sustainable society,” “advancing the business for the next generation,” and “deepening the stance of being close to the customer,” as well as the DX strategy to realize this vision.

Looking back at the history of the Company’s IT development, in 1974 we developed a comprehensive online system that linked operations from receiving and shipping to inventory management and accounting, which was ahead of the industry, and in 2009 we promptly completed the renewal of the system to be open and provide cloud functionality. Furthermore, we have been promoting automation and standardization for the past five years.

On the other hand, as a result of repeated additional development in response to needs from the sites and customers, the problem of individual optimization of the system has arisen. In addition, because we have been working to improve operational efficiency at the department and branch office units, we have introduced software tailored to each operation, and this has led to distortions in terms of overall optimization and sharing of data and best practices. In addition to this, the environment surrounding the logistics business is currently changing greatly, and the Company is also required to respond quickly to this change.

Under these circumstances, it is essential to work on promoting DX in order to create new value. We have decided to formulate a DX vision to clearly communicate how the Company will promote DX for the creation of new value.

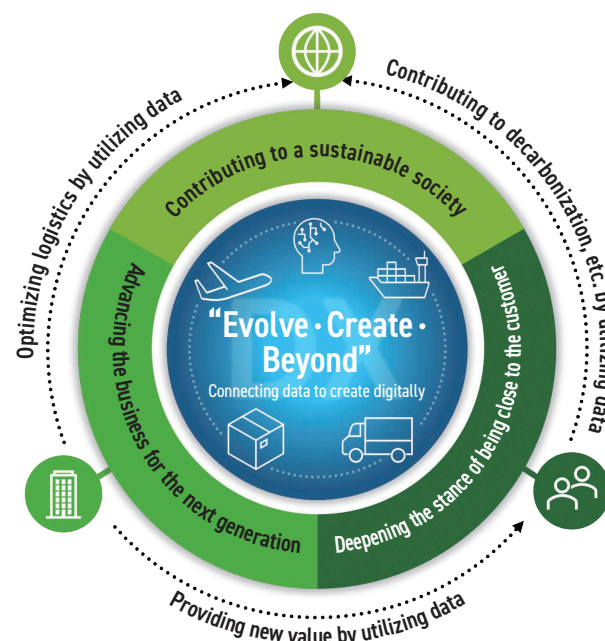
The “Evolve” in “Evolve · Create · Beyond” expresses our intention to improve customer satisfaction by ‘evolving’ to even higher quality logistics services that exceed the past, rather than changing the logistics know-how we have cultivated up to now or our stance of being close to the customer. The “Create” expresses the idea that by reforming and advancing the nature of logistics, we will ‘create’ new value that is beyond the concept of existing

logistics services, and the “Beyond” expresses the idea that Sumitomo Warehouse will lead the way in creating future logistics ‘beyond’ the concept of existing logistics services.

Towards the realization of the DX vision, I think my role is to prepare the environment at first. I will quickly proceed with organizing data that is dispersed throughout the Company to make it usable, and with developing DX human resources and preparing an organization that can develop human resources.

“Proactive DX” together with “defensive DX”

In order to utilize relevant data, we will first integrate the data that is dispersed within and outside the Company, and then proceed with the development of a data management infrastructure to achieve timely and efficient sharing and utilization of data. We will then build digital platforms with three infrastructures, “operation advancement infrastructure,” “sales advancement infrastructure,” and “management advancement infrastructure.”



“Operation advancement infrastructure” is an infrastructure that aims to integrate and visualize operations, with the main focus on improving the efficiency of on-site operations. “Sales advancement infrastructure” is an infrastructure that, for customers, aims to enhance customer convenience by providing logistics know-how and information on consigned cargo quickly, and by simplifying inquiries to the Company. “Management advancement infrastructure” positioned above these is an infrastructure that supports the management team in making accurate decisions by quickly understanding the situation by integrating information to help with management decisions.

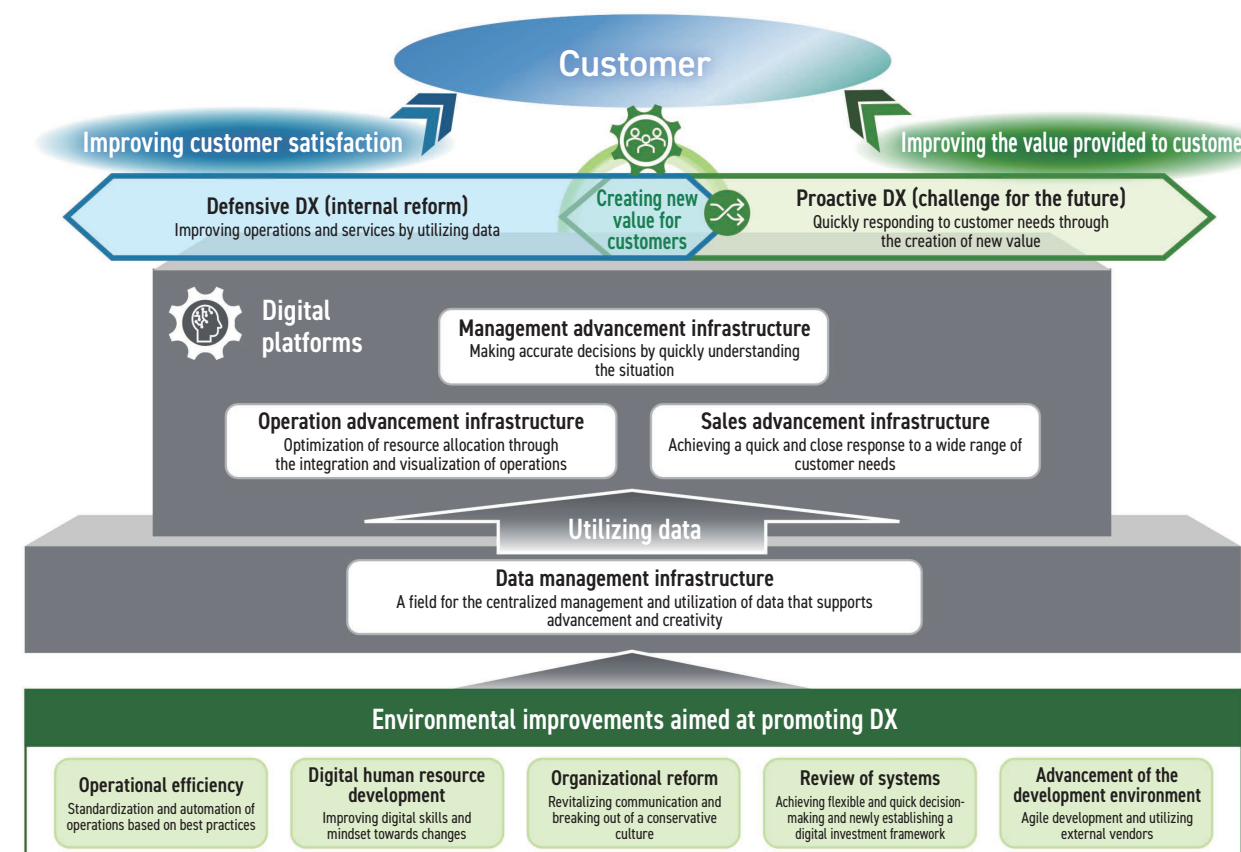
The first thing we want to achieve by building these digital platforms is to improve operations and services by utilizing data, and this will be an initiative that leads to increasing customer satisfaction. In addition to this “defensive DX”, what we would like to work on with the DX strategy this time is “proactive DX.” We aim to improve the value provided to customers by quickly responding to customer needs through the creation of new value. I would like to firmly promote “defensive DX” during the first half of the six-year DX vision period, and then move on to “proactive DX.”

Development of “digital promotion human resources”

In order to realize our DX vision, environmental improvements aimed at promoting DX are essential. There

are five themes to be improved: “operational efficiency” centered on the standardization and automation of operations based on best practices, “digital human resource development” to improve employees’ digital skills and encourage their mindset towards changes, “organizational reform” to revitalize communication and break out of a conservative culture, “review of systems” with the aim of achieving flexible and quick decision-making and newly establishing a digital investment framework, and “advancement of the development environment” with a focus on promoting agile development and utilizing external vendors.

Among these, we have positioned the development of digital human resources, who hold the key to carrying out the DX strategy, as the most important theme. There are several levels of digital human resources, but the class that we consider most important is “digital promotion human resources.” We expect this level of human resources to not only acquire knowledge and skills related to digital capabilities but also to understand the operation of each department and be able to propose operational improvement plans by utilizing digital as necessary. For the selected human resources, we will train them by having them attend training sessions, etc., and by having them gain work experience in the Information Systems Department for a certain period and encouraging them to obtain qualifications. We would ultimately like to assign one “digital promotion human resource” to each warehouse and sales office.



Interview each employee to foster a DX mindset

In order to prepare the data management infrastructure that forms the basis of the DX strategy, it is necessary to understand the data that is dispersed throughout the Company. Therefore, I conducted interviews with each employee in each department. There was the option of conducting interviews with leaders of each department, etc., however, there were two reasons for conducting individual interviews with all employees rather than group interviews. The first reason was to listen to the thoughts of each and every employee. In a group interview, it may be difficult to discuss certain topics, but when you sit down and talk one-on-one, you can express various feelings. The other was to create momentum for the promotion of DX. I thought that by communicating the thoughts behind the DX vision to each person, I would be able to foster a DX mindset. During such in-depth dialogues, I asked them how they handled the data, where they stored it, and what issues they felt were present in relation to handling the data. Through this work, I have come to understand how to gather data that is dispersed, and what we can do to make it easier for employees on-site to handle data.

Towards the realization of DX vision

The DX strategy will be implemented in three phases from FY2024 to FY2029. The first phase, from FY2024 to FY2025, is positioned as the DX 1.0 Transformation phase

and will involve promoting transformation in the five areas that form the foundation for DX promotion including data, operations, human resources, systems, and organization. In particular, as mentioned earlier, we will move quickly to develop “digital promotion human resources,” reform the organization to make use of them, and review systems including investment. I think that the success or failure of Phase 2.0 and beyond will depend on how well we can set up the system, change our mindset, and invest in the DX1.0, making it an extremely important two-year period.

Then, the second phase, DX2.0 Evolution phase (FY2026–FY2027), is a stage for utilizing data from “management,” “customer contact points,” “on-site operations” and “logistics services,” and we hope to move on to the third phase, DX3.0 Creation phase (FY2028–2029), which aims to create new value that contributes to the creation of high added value throughout the supply chain and to the solution of social issues.

In FY2024, we will first plan the overall digital platform for DX promotion, and then we will prepare the internal system to ensure that the initiatives are taken from the perspective of overall optimization. On the other hand, we will promptly implement measures that can be taken ahead of others, such as communication from the management level and human resource development, with the aim of early achievement of results.

The implementation of the DX strategy will bring significant benefits to all areas of our business. As the success or failure of the strategy will be key to the future growth of the Company, we will work on it with the utmost effort.

