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Notice of Establishment of Long-Term Vision and New Medium-Term Business Plan

We hereby announce that the Sumitomo Warehouse Group has established a long-term vision looking 10 years down the road to 2030 and a new medium-term business plan covering the fiscal years from 2020 to 2022.

In 2019, the Sumitomo Warehouse Group celebrated the 120th anniversary of our founding. Under the slogan “Moving Forward to 2030,” we have set forth a long-term vision for continuing to contribute as a member of society through our business for the next 100 years as well, defining the mission of Sumitomo Warehouse with respect to our customers and society.

At the same time, we have established more specific business strategies, positioning the next three years, which are the focus of the new medium-term business plan, as a period of strengthening the business foundation in order to realize the long-term vision.

1. Background behind establishment of long-term vision and new medium-term business plan

Under the three-year medium-term business plan covering the fiscal years from 2017 to 2019, the Group promoted performance targets of 12 billion yen in consolidated operating income, a consolidated payout ratio of 35% for shareholder return, and acquisition of 5 million treasury shares*.

As a result, although fiscal year 2019 consolidated operating income fell short of the target at 11.1 billion yen, we recorded our highest profits in four years. Shareholder return was higher than initially planned. Furthermore, from a long-term strategy, we worked on rebuilding domestic warehouse facilities, built and acquired new warehouses in Tokyo, Yokohama, and other locations in Japan, and completed construction of new warehouses in Thailand and Singapore. Operations are going well at each of these.

Looking at the environment surrounding the Group, the future is exceedingly uncertain, including how the global spread of the novel coronavirus will affect the economies of Japan and other countries. Meanwhile, the various trends of recent years, such as rising costs fueled by labor shortages, expansion of digital transformation initiatives, and heightened awareness of ESG, are likely to continue.

Based on these circumstances, we established a long-term vision looking ahead to 2030, which is also the target year for SDGs, along with a new three-year medium-term business plan, our fourth such plan, as the first step of that vision in order to contribute to society through our business while achieving sustainable growth regardless of how the business environment changes in the future.



2. Long-term vision “Moving Forward to 2030”

(1) Corporate Philosophy of the Sumitomo Warehouse Group

“We 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.”

(2) Mission of the Sumitomo Warehouse Group

Based on our corporate philosophy, we have defined four missions to accomplish over the next 10 years until 2030 to properly address the various risks that are multiplying with the progression of globalization and steadily provide the logistics services that are essential for society to our diverse stakeholders.

a. Connecting things

We will provide even more reliable logistics services around warehouses and ports, which are nodes of distribution. At the same time, we will coordinate more closely with industries outside of logistics, actively introducing and utilizing digital and other technologies to create new value in logistics while swiftly addressing various changes.

b. Connecting the world

We will support our customers in building solid, stable global supply chains, working to further expand our international logistics network, primarily in the four regions of Japan, Asia, Europe, and the United States.

c. Connecting people

While further enhancing development of our invaluable human resources, we will address social changes, including the declining birth rate and aging population, adopt flexible and diverse work styles, and continue to be a company that attracts people to it.

d. Connecting times

As a corporate group with more than 120 years of tradition, we will pass on the tangible and intangible assets we have inherited from our predecessors to the next generation and contribute to the development of our customers and society.

3. New medium-term business plan (FY2020-FY2022)

(1) Main business strategies

We will work on the measures below from our customers’ perspective and strengthen the foundation of our business, and will urgently engage in structural reform of businesses that are declining in profitability.

a. Domestic logistics

While communicate more closely with our customers, we will promote digitalization of our operations and provide more stable, higher quality logistics services as a logistics professional.

- Thorough solution and proposal-oriented sales that go a step further
- Reinforcement of warehouse and other facilities in preparation for increasingly devastating natural disasters



- Promotion of operational streamlining and labor saving utilizing the latest technologies
- Provision of diverse logistics solutions through the expansion of logistics facility leasing and other operations

b. International logistics

We will provide multifaceted support for the overseas expansion of our customers, further developing our global logistics and increasing our operational capacity.

- Accelerated strengthening of international logistics infrastructure, including opening of new warehouses, primarily in Southeast Asia
- Further reinforcement of service structure in each region, including expansion of human resources

c. Real estate business

We will maintain stable business operations and strengthen earning power that make up for ups and downs of our logistics and other businesses.

- Ongoing acquisition of profit-earning real estate properties with investment efficiency in mind
- Promotion of development of existing real estate properties that is optimal for customers and the local community, taking advantage of the geographical conditions of each property

d. Contributing to sustainability

Adhering to one of the Sumitomo's business philosophy, "Benefit self and others, private and public interests are one and the same," we will contribute to the solution of social issues by collaborating with our customers, local communities, employees, and various other stakeholders.

- Contribution to a sustainable society through the provision and maintenance of a high-quality logistics infrastructure
- Active contribution to SDGs-related businesses promoted by customers, primarily in the form of logistical support
- Strengthening of environmental response at Sumitomo Warehouse-owned facilities
- Thorough safety and quality control and compliance

(2) Business Performance Targets

	FY2022 (Final year)
Operating revenue	¥210 billion
Operating income	¥12 billion

(3) Business investment amount and financial indicators

a. Business investment amount

We will invest a total of around 50 billion yen over the three-year period.

b. Financial indicators

During the period of the plan, we will maintain a solid financial standing while aiming for an ROE of 5% or higher as we seek to improve capital efficiency.

(4) Shareholder return

We will continue to enhance shareholder return by increasing dividends and purchasing treasury shares.

a. Dividends

During the period of the plan, we will maintain an annual dividend amount of 47 yen per share regardless of profit levels and aim to continue increasing dividends over the next three years as we have the past seven years. We will not define a payout ratio for the next three years.

b. Acquisition of treasury shares

We will maintain flexibility in acquiring treasury shares during the period of the plan, taking into account economic circumstances, financial standing, and other factors. The specific number of treasury shares to be acquired, the monetary amount, the timing of acquisition, and other details will be disclosed as soon as a resolution is approved by the Board of Directors.

Note : The Company has conducted a 1-for-2 reverse stock split on its common shares (a consolidation of every two shares into one share, “share consolidation”) on October 1,2018. The number of shares of treasury shares stated is converted to the number of shares after the consolidation.

Disclaimer

The forecasts are based on information currently available and certain assumptions judged to be reasonable. The Company’s actual results may differ materially from the forecasts as a result of numerous factors outside of Company’s control.

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