

Mitsubishi Logistics Group
Initiatives for ESG Management and the SDGs

Mitsubishi Logistics Corporation

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Mitsubishi Logistics Group focuses on global environment-friendly activities and engages in sincere and fair business activities, contributing to the realization of an affluent and sustainable society.

Introduction

Our heartfelt sympathies go out to those who have suffered from COVID-19, and we extend our most sincere hopes for the rapid recovery of all those who have been affected by the pandemic. In addition, we would also like to express our deepest respect and gratitude to all the medical professionals who are working on the front lines to provide medical treatment.

Through responses to various emergencies

As the spread of COVID-19 continues, the Group is dedicated to implementing a variety of relevant measures and providing safe and secure logistics, real estate, and other services that are part of the social infrastructure.

Although we may not usually be aware of it, in times of emergency like this, we are reminded that the logistics and real estate businesses are truly essential and indispensable for society.

The Great Hanshin Earthquake on January 17, 1995, and the Great East Japan Earthquake on March 11, 2011, are included in the list of major emergencies that we have faced in recent years, during which several facilities of the Group also sustained severe damage. The Group has come together to overcome these events with restoration measures and continued to meet our customers' needs. Our response to these kinds of disasters has led to our facility concepts of "Disaster-Resistant and Eco-Friendly Warehouses" and "Disaster-Resistant and Eco-Friendly Office Buildings," which lay the foundation for our businesses.

Resolving environmental issues with partnerships

The Group has been promoting the installation of solar power equipment and LED lighting under the concepts of "Disaster-Resistant and Eco-Friendly Warehouses" and "Disaster-Resistant and Eco-Friendly Office Buildings," but there are still many issues left for the realization of CO2 reduction and carbon neutrality.

While the Group can accommodate environmental initiatives for hardware in logistics and real estate facilities on our own, partnerships with customers, industry peers, partners, and other parties are important for addressing comprehensive supply chain issues.

We believe that we can further improve and optimize our logistics operations by, for example, (1) working with our customers to predict demand and supply, and establish optimum production and logistics systems, (2) working with industry peers and partners to utilize AI for efficient car allocation, improve loading efficiency and promote Container Round Use, and (3) working on systemization that will enable us to accomplish these initiatives.

We will not only optimize logistics, but also contribute to resolving environmental issues by sharing more in-depth information with all related parties, including our customers, and creating services that are valuable to both customers and Mitsubishi Logistics Corporation.

The Three Principles of Mitsubishi's Business Management Philosophy ("Sankoryo") and ESG

We believe that the three principle of the Mitsubishi Sankoryo^(Note) of "Shoki Hoko" (fulfilling responsibility to society), "Shoji Komei" (devotion to fairness), and "Ritsugyo Boeki" (maintaining a global perspective) connect directly to the modern concept of ESG.

The spirit of these three principles, passed down throughout the history of the Mitsubishi Group, will continue to be shared by the executives and employees of the Mitsubishi Group as we move forward into a new future.

The MLC2030 Vision and the Management Plan (2019–2021)

In March 2019, the Group formulated and announced the MLC2030 Vision and the Management Plan (2019–2021) as growth plans through progressive and bold innovation. Currently, we are focusing on three priority categories (medical/health care, food/beverage, and machinery/electrical machine industries) for the realization of the MLC2030 Vision.



Contributing to the improvement of customer's value, we offer comprehensive logistics solutions to the management of customer's supply chains, from procurement to distribution/sales, as their partner.

In each category, we are focusing on initiatives that include (1) expanding services both in Japan and overseas, such as high-quality cold chains in Southeast Asia (ASEAN), (2) optimizing comprehensive supply chains by establishing logistics platforms in cooperation with our customers and partners, and (3) receiving orders related to operations incidental to logistics, such as operations for ordering/order receiving centers.

We will continue to develop these three categories and cultivate growth areas.

In addition to the need for further initiatives in labor-saving and automation for distribution centers, as stable labor forces become more difficult to secure, sophistication of the quality of logistics operations and DX (Digital Transformation) has also become necessary as the business environment continues to change drastically.

We will accelerate our innovation to address these issues.

Themes surrounding ESG Management and SDGs

In order to make progress toward realizing ESG Management and the SDGs, we established a project team in September 2020, conducted questionnaires for each employee (including those of Group companies), and examined key themes and initiatives with outside experts.

Based on these initiatives, we have established six key themes and compiled a list of measures, performance indicators, and target values for each theme.

1. Safety, security, disaster response

Our vision for the Group starts with “safety and security.”

We will remain prepared from both the perspectives of hardware in logistics facilities, etc., and software in information systems, etc., to protect the safety of important cargos entrusted to us by our customers and provide a reliable sense of security.

From the viewpoint of our customers, one could say that our facilities can be used to help prepare for emergencies (disasters, etc.), which we recognize is certainly one of our customers' crisis management measures.

The Group will always strive to meet the expectations of these customers.

2. Environmental initiatives

In order to address comprehensive supply chain issues, we will cooperate with our customers, industry peers, and partners to reduce the number of transportation vehicles and promote modal shift through initiatives such as Container Round Use, improving truck loading efficiency, and reviewing delivery conditions. In terms of information systems, we will fully address environmental issues such as the reduction of CO2 emissions by focusing on the utilization of vehicle and cargo request systems and berth reservation systems.

3. Cutting-edge technology, innovation

Promoting sophistication, automation, and labor-saving in our logistics and real estate services and working with customers, partners, and other parties to standardize services and create platforms are extremely important themes for realizing a sustainable society. These initiatives are also aligned with the Group's MLC2030 Vision.

One example of our initiatives in this respect is the opening of a distribution center for e-commerce in Misato City, Saitama Prefecture, in July 2021, which will utilize the latest automated conveyance robots, etc., and we will proceed to proactively develop these kinds of projects in Japan and overseas.

4. Partnerships

We believe that co-creation with customers and partners is key to promoting DX (Digital Transformation).



Contributing to the improvement of customer's value, we offer comprehensive logistics solutions to the management of customer's supply chains, from procurement to distribution/sales, as their partner.

While collaborating with startups on initiatives such as using AI to optimize warehouse operations, we will also continue to collaborate with our customers through projects such as working with customers to predict demand and supply, establishing optimum production and logistics systems, and promoting optimization for both sides.

In addition, we will work together with the financial industry to consider services that are valuable to customers, such as a service that can hedge the risk of fluctuations in ocean freight rates or hybrid products that combine insurance and logistics.

5. Human resource development, employee satisfaction

In April 2021, we introduced a regional system for general employees that will enable a variety of workstyles according to our employees' lifestyles.

In addition to clarifying and managing the duties of each position, we will also work on creating environments that support work-life balance for employees.

At the same time, we will expand our training system toward developing global human resources.

6. Compliance, human rights, gender

We recognize that compliance, human rights, and gender are fundamental to our business activities, and will strive for constant verification and improvement of our current efforts.

In addition, we will assume a primary role in ensuring thorough compliance throughout the comprehensive supply chain, including Group companies and partners.

Conclusion

We have provided a report on the Group's initiatives for ESG Management and the SDGs to date.

We will continue to create and provide new value and realize diversity in our workstyles by promoting innovation and building partnerships based on the two principles of valuing safety and security and taking care of the environment.

This effort is linked to the spirit of the Three Principles of Mitsubishi's Business Management Philosophy.

We aim to create value and achieve growth by reinforcing the Group's commitment to "contributing to the realization of an affluent and sustainable society through our corporate activities," and working together with our customers, partners, and other parties to create a new society.

Going forward, the Group will incorporate initiatives developed based on the six key themes that have been announced into the next management plan, and to ensure that we achieve the targets that have been set, we will establish a Sustainability Committee and promote quality initiatives through (1) progress management, (2) periodic inspection and replacement of relevant measures and KPIs, and (3) expanding communication with internal and external parties through resources such as the Integrated Report and the Group's official website.

(Note) The Mitsubishi Sankoryo

The Mitsubishi Sankoryo is a managerial creed articulated by the fourth president of the Mitsubishi organization, Koyata Iwasaki. The Sankoryo serves as a basic philosophy of an internally and externally open group being shared by the constituent Mitsubishi Group companies that are independent from each other.

Corporate Responsibility to Society ("Shoki Hoko"): Strive to enrich society, both materially and spiritually, while contributing toward the preservation of the global environment.

Integrity and Fairness ("Shoji Komei"): Maintain principles of transparency and openness, conducting business with integrity and fairness.

Global Understanding through Business ("Ritsugyo Boeki"): Expand business, based on an all-encompassing global perspective.

The Group's value-creation story, which has been formulated based on our corporate philosophy, the MLC2030 Vision, and the expectations of society, is as follows.

For more than 130 years since our establishment in 1887, in the course of performing sincere and fair business activities, we have provided essential services that are safe, high-quality, and socially valuable by enhancing our resilience through our responses to numerous natural disasters and other types of crises.

We will continue to strengthen our customer-oriented approach in Japan and overseas to (1) establish/maintain infrastructure that supports healthy and fulfilling living and industrial activities for all people, (2) optimize supply chains in response to changing lifestyles and flow of goods, and (3) enhance efficiency by harnessing cutting-edge technologies and creating new businesses.

Through these initiatives, we aim to create corporate value and achieve growth by resolving social issues and contributing to the realization of an affluent and sustainable society by enhancing customer value, reducing environmental impact, and preventing global warming.

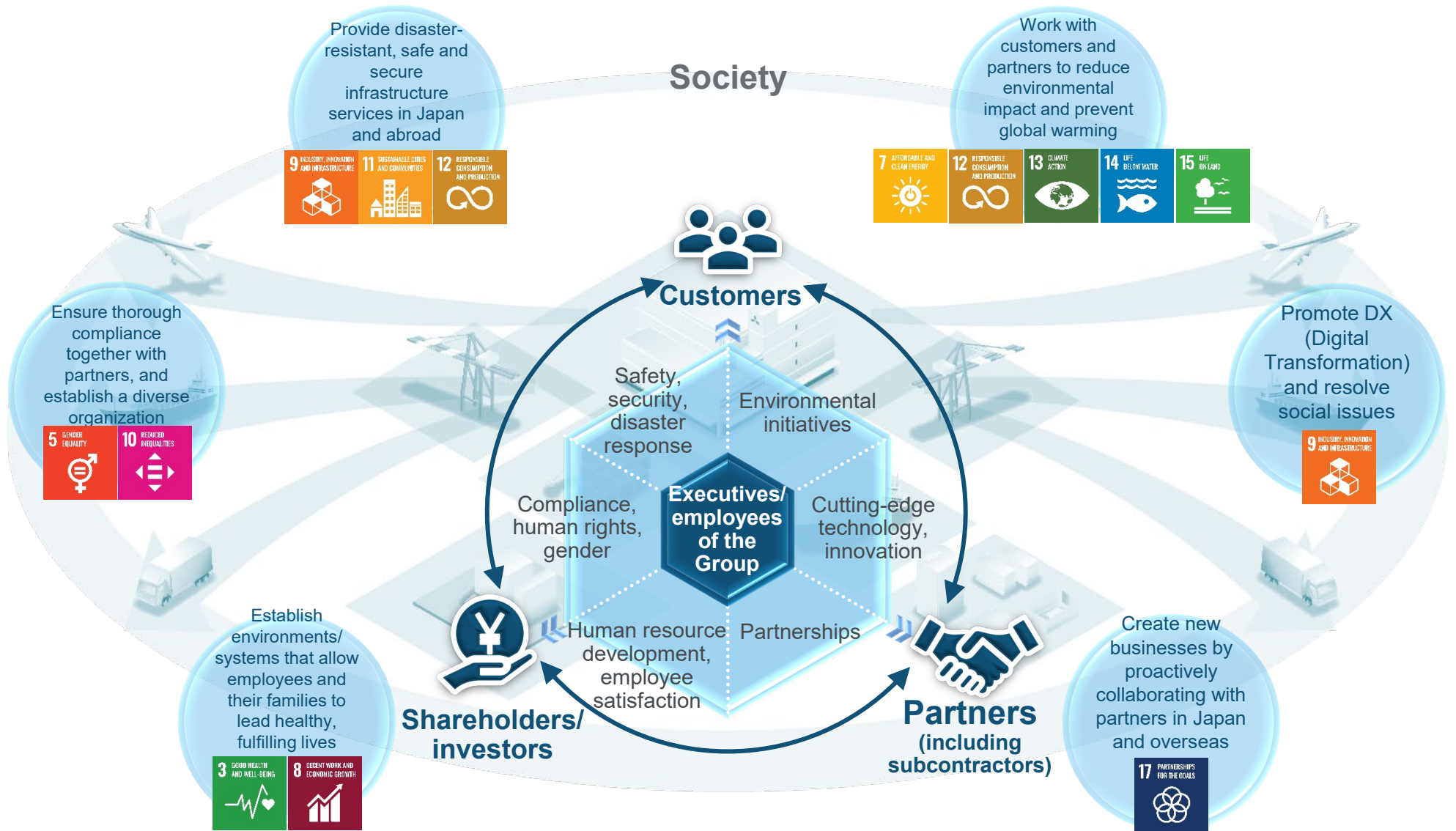
Six key themes to be addressed by the Group





Conceptual Diagram of Value-creation Story

The conceptual diagram of our story is as follows.



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Measures, Performance Indicators, and Target Values for Each Theme

Measures taken through business activities, performance indicators for each measure, and target values are as follows.

Six key themes	Priority issues and measures through business activities	Performance indicators	Target values for FY2030
Safety, security, disaster response	<ul style="list-style-type: none"> > Provide infrastructure services that are sustainable even during disasters <ul style="list-style-type: none"> - Develop facilities with strong earthquake and wind pressure resistance that surpasses the requirements of various laws and regulations - Secure fuel for business continuity at distribution centers and in transportation operations during large-scale disasters > Develop high-quality logistics services that utilize temperature controls and security capabilities in Japan and overseas <ul style="list-style-type: none"> - Further utilize DP-Cool vehicles for temperature-controlled transportation of pharmaceuticals 	<ol style="list-style-type: none"> 1. Earthquake resistance standards for facilities 2. Percentage of required fuel secured in target regions 3. Utilization rate of DP-Cool vehicles for temperature-controlled transportation of pharmaceuticals 	<ol style="list-style-type: none"> 1. Maintain 110% of earthquake resistance standards 2. 100% of requirement secured 3. 100% temperature-controlled transportation with DP-Cool vehicles
Environmental initiatives	<ul style="list-style-type: none"> > Further develop disaster-resistant eco-friendly warehouses and eco-friendly office buildings that serve to reduce GHG/CO2 emissions <ul style="list-style-type: none"> - Consider the environment through electricity supply by solar power generation, reduce power consumption through LED lighting in warehouses > Reduce GHG/CO2 emissions by enforcing efficient transportation methods, etc. <ul style="list-style-type: none"> - Realize efficient delivery by improving loading rates, etc., shorten waiting time using a truck reservation system, mount cargo handling equipment with fuel cells towards a CNP^(Note) 	<ol style="list-style-type: none"> 1. CO2 emissions reduction rate for facilities 2. CO2 emissions reduction rate for transportation 	<ol style="list-style-type: none"> 1. Scope 1+2 CO2 emissions: down 30% (versus FY2013) 2. CO2 emissions: down 20% (versus FY2018)
Cutting-edge technology, innovation	<ul style="list-style-type: none"> > Enhance and automate logistics/real estate services and save manpower <ul style="list-style-type: none"> - Logistics: Optimize warehouse operations and car allocation planning using AI, etc., respond to EC logistics, etc., automate equipment in warehouse facilities and make it labor-saving - Real estate: Enhance and reduce manpower of facility management operations using IT, etc. 	DX/IT-related investment	Cumulative investment of 50.0 billion yen for FY2021-FY2030
Partnerships	<ul style="list-style-type: none"> > Collaborate with startups and companies in other industries <ul style="list-style-type: none"> - Optimize development and create new businesses through open innovation with CVC, etc. 	CVC fund management	Establish CVC of 5.0 billion yen
Human resource development, employee satisfaction	<ul style="list-style-type: none"> > Develop personnel and welfare programs that value each individual employee <ul style="list-style-type: none"> - Establish a personnel system that accommodates a variety of workstyles - Create an environment that helps balance work and life > Develop global talents <ul style="list-style-type: none"> - Develop global talents through expansion of training programs, etc. 	<ol style="list-style-type: none"> 1. Ratio of regional general employees 2. Ratio of employees taking child-care leave 3. Ratio of employees with experience in overseas assignments 	<ol style="list-style-type: none"> 1. 30% 2. 60% 3. 25%
Compliance, human rights, gender	<ul style="list-style-type: none"> > Promote sincere and fair business activities > Ensure thorough compliance, with awareness for comprehensive supply chains <ul style="list-style-type: none"> - Implement initiatives for adherence to relevant laws and regulations and respect for human rights together with subcontractors 	Response rate for Code of Conduct questionnaire and CSR questionnaire	Over 90% every year

(Note) CNP: An abbreviation for "Carbon Neutral Port," referring to contribution to the realization of carbon neutrality at ports and harbors which serve as focal location/industrial bases for international logistics through the sophistication of port and harbor functions with considerations for decarbonization.

Key themes	Performance indicators	Description of performance indicators
Safety, security, disaster response	1. Earthquake resistance standards for facilities*	Targeting logistics and real estate facilities owned by the Company that will be completed and begin operation from April 1, 2021 onward
	2. Percentage of required fuel secured* ¹ in target regions* ²	*1: Percentage of required fuel secured for use during large-scale emergencies for logistics facilities owned and operated by the Company with an area of approximately 16,550 square meters or more through maintaining reserve kerosene stored in-tank, contracts with oil distribution companies for priority fuel supply during disasters, etc. *2: Targeting Nankai Trough Earthquake Disaster Countermeasure Promotion Areas as designated by the Cabinet Office
	3. Utilization rate of DP-Cool vehicles* for temperature-controlled transportation of pharmaceuticals	Vehicles compatible with the “DP-Cool” temperature-controlled pharmaceuticals delivery service provided by the Group company Dia Pharmaceutical Network Co., Ltd.
Environmental initiatives	1. CO2 emissions reduction rate for facilities*	Targeting logistics and real estate facilities operated by the Company and its Group company, Fuji Logistics Co., Ltd.
	2. CO2 emissions reduction rate for transportation*	Targeting transportation with the “DP-Cool” temperature-controlled pharmaceuticals delivery service provided by the Group company Dia Pharmaceutical Network Co., Ltd.
Cutting-edge technology, innovation	DX/IT-related* investment	Investment in reformation of services and business models based on the needs of customers and society using data and digital technology, and reformation of operations, organizations, processes, and corporate culture/climate
Partnerships	CVC* fund management	An abbreviation for “Corporate Venture Capital,” a business practice in which companies form funds with their own corporate capital to invest in/support unlisted startups that may be related to their business or be advantageous for their core business in the future
Human resource development, employee satisfaction	1. Ratio of regional general employees*	General employment for limited workplace regions introduced in April 2021 for realizing diverse and flexible workstyles
	2. Ratio of employees taking child-care leave*	System that allows male and female workers who are nurturing a child under the age of 2 to apply to take leave for child-care until the child becomes 2 years old
	3. Ratio of employees with experience in overseas assignments*	General employees with experience in overseas assignments (including training programs)
Compliance, human rights, gender	Response rate for Code of Conduct questionnaire and CSR questionnaire*	Questionnaire on CSR targeting subcontractors, etc., with close business relationships

Creating an affluent and sustainable society



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