Annual Report

From : April 1, 2022
To : March 31, 2023

C&F LOGISTICS

Chilled & Frozen Logistics Holdings Co., Ltd.

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【Report Title】	Annual Report
【Update Date】	September 8, 2023
【Business Year】	8th Fiscal year (From April 1, 2022 to March 31, 2023)
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【Securities Code】	9099
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I. Business Overview

1. Management Policy, Business Environment, Tasks Ahead, Etc

(1) Basic policy of Company management

(The Group's Vision)

"We are an integrated logistics and information company whose core-business is the low-temperature zone shipping and storage of food products in the globally developing market."

— We are the logistics company of choice for customers who appreciate the cutting-edge capabilities of our temperature-management systems. —

① Leveraging logistics quality backed by our own facilities and vehicles and the experience we have accumulated as a pioneer in cold chain logistics for food products, we will bolster our business scale and expand into new business domains by creating "new" logistics systems, securing our position as an industry leader in the cold chain logistics for food products.

② By realizing added value related to logistics and further strengthening logistics quality, we will keep enhancing corporate value.

③ We will become a logistics company where employees have hope for the future and can work with enthusiasm.

④ We will fulfill our corporate social responsibilities and become a logistics company supported by all stakeholders.

(2) Medium-Term Management Plan

(Basic Policy)

"Achieving sustainable low temperature zone logistics, meeting the needs of new cold-chains"

In an era where all local communities, companies and people face various difficulties, including the spread of COVID-19 and rapid climate change, the company will provide "safe and secure food logistics" and strengthen its profit structure by developing and expanding a new cold chain that connects consumption needs with supply needs for low-temperature controlled products, including food which are different from conventional channels.

By strengthening our profit structure in light of challenging new business domains and facing and sincerely working closely with all stakeholders' issues including measures to address the natural environment where changes are accelerating, C&F will build a sustainable cold chain logistics business that fulfills our responsibilities for the future and enhance our corporate value.

(Basic Strategy (Key Measures))

① Building a Sustainable Logistics Business
   i. Protect food lifelines and promote logistics operations that contribute to the creation of a prosperous society.
   ii. Build a logistics infrastructure that is friendly to the global environment toward the realization of a decarbonized society.
   iii. Emphasize diversity and create a comfortable and rewarding workplace environment for all employees.

② Enhancing Corporate Value through Strategic Financial Structure
   i. Actively optimize the balance between capital and liabilities and conduct management that maintains and continues ROE of 8% or higher.
   ii. In order to improve capital efficiency, make appropriate capital allocation, and at the same time, make investment with an awareness of capital cost.
   iii. Improve the value of shares by further enhancing shareholder returns and dialogue with shareholders.

③ Strengthening the Functions and Earnings Base of Existing Businesses Centered on the Joint Delivery Business
   i. Promote the strengthening of the profit structure of the joint delivery business by reorganizing the network and developing new functions.
   ii. Beyond the framework of conventional business models for each operating company, such as “shippers and customers” or “temperature zones,” build a new joint delivery business and acquire business opportunities.
   iii. Reorganize and strengthen existing business models that meet the needs of customers and markets.

④ Promoting Investment in Growing Fields
   i. Promote the injection of management resources into growing markets, including expansion into EC-related logistics.
   ii. Expand new business domains utilizing temperature control technology.

iii. In overseas business, invest in projects that can be expected to achieve stable growth, while increasing sensitivity to country risk.

(The revision of Medium-term Management Plan)
C&F has resolved the revision of the Medium-term Management Plan (from FY2022 to FY2024) as a 3-year plan from FY2023 to FY2025.

While the basic policy and strategy of the Medium-term Management Plan have not changed significantly, the following items are added as important measures in light of the diversification of distribution channels for low-temperature products and changes in the social and economic environment.

① Investing in the development and introduction of new technologies in order to rise up the productivity in respect of manpower-saving and address the environmental issues as sustainability initiatives.
② Accelerating the growth speed by promoting investment in businesses such as overseas business, e-commerce logistics and pharmaceutical logistics and by business alliance with other companies.
③ Enhancing profitability and expanding business volume by both organic and inorganic growth including through the M&A that contributes to strengthening the existing business.

(3) Management target

	Target on From FY2023 – To FY2025
ROE	8.0% or higher by FY2025
Capital Adequacy Ratio	Approx. 45%
Dividend Payout Ratio	20% or more (up to 30% or more gradually)

(4) Issues to Be Addressed

Environmental and social issues are becoming apparent worldwide, and awareness of sustainability issues is rapidly increasing. In order for a company to conduct business activities sustainably, it is necessary to contribute to the resolution of various issues through its core business so as to make the environment and society, which are the foundation of the company itself, sustainable.

In the cold chain logistics for food products, which is the Group's principal focus, stable growth in demand for frozen and chilled foods continues in the context of lifestyle changes. At the same time, however, demand for freight handled by the

Group has shown various changes and circumstances surrounding freight owners are also changing significantly, along with changes in foot traffic and food scenes as a result of COVID-19 coming to an end. On the cost front, the Group is faced with high electricity and fuel costs due to rising energy prices. Wages nationwide are also on the rise, and further labor shortage and labor cost increase are expected in the course of dealing with the 2024 issues in the logistics industry.

To address these issues, it has been a pressing issue for us to promote digitization and accelerate further labor-saving efforts and cost cuts by adopting a variety of new mechanism to streamline business and also to promptly secure appropriate level of fees for the Group's delivery and storage service. At the same time, the Group is expected to achieve sustainable enhancement of corporate value by appropriately allocating management resources through the management style more mindful of cost of capital and return on capital.

Under these conditions, our Group revise the 3rd Medium-Term Management Plan in June 2023. We will find solutions to the challenges by formulating the basic policy toward the Group's goal of becoming "an integrated logistics and information company whose core-business is the low temperature zone shipping and storage of food products in the globally developing market," and taking concrete steps based on the basic strategy.

2. Approach and Efforts on Sustainability

(Importance of sustainability)

Group's Vision is “We are an integrated logistics and information company whose core-business is the low-temperature zone shipping and storage of food products in the globally developing market.“ And we say that “We will fulfill our corporate social responsibilities and become a logistics company supported by all stakeholders.”

We believe that addressing sustainability will contribute to the realization of a sustainable society and lead to fulfilling our social responsibilities.

Therefore, the Group has formulated the “Sustainability Policy”, identified the “materiality” (five important issues), and established a sustainable management promotion system.

(Sustainability Policy)

C&F declares its intention to strive to achieve the "Sustainable Development Goals (SDGs)", agreed upon by the international community by committing to "solving social issues through business" in order to realize a sustainable logistics business, and practices "Sustainable Management" to create next-generation logistics together with its stakeholders.

(Identified the materiality)

After confirming and organizing the social issues such as SDGs, the Group has identified five material issues that should be addressed as priority issues in the sustainable management. These are identified by identifying themes that have a large impact on society and the environment both from the perspective of business and stakeholders, and that have a high degree of importance in improving the Group's corporate value and business continuity.

Materiality	Theme	SDGs targets
Environmental measures	Establishment of a logistics infrastructure that is friendly to the global environment	 7 13 15
Human rights	Realization of a comfortable and rewarding workplace with awareness of human rights	 3 4 5

Diversity	Creation of an environment in which diverse human resources can play an active role	
Disaster prevention measures	Flexible response to disasters and other risks	
DX	Creation of next-generation logistics	

① Climate change efforts

The Group has established the "Environmental Policy" as a basic approach to climate change and manages it in accordance with the framework of the TCFD (Task Force for Climate-related Financial Information Disclosure).

(Environmental Policy)

As a logistics company focused on low-temperature logistics, the Chilled & Frozen (C&F) Logistics Holdings Group is able to do business thanks to the bounties provided by Earth, and we recognize that preserving the global environment in order to sustain our business activities is an important management issue for the Group.

② Human capital efforts

Group's Vision is “We are an integrated logistics and information company whose core-business is the low-temperature zone shipping and storage of food products in the globally developing market.“ And we say that “be a logistics company where employees have hope for the future and can work with enthusiasm.”

In order to achieve this, we believe that it is important for each employee to grow into a person who can think for themselves and take on challenges, and that an internal environment where each employee can maximize their own aptitude and abilities is important.

(1) Governance

The Company has established the Sustainability Committee as an advisory body to the Board of Directors to promote sustainable management. The Sustainability Committee will identify issues related to sustainability, including climate change, consider measures to address these issues, understand and analyze the status of initiatives, and periodically report to the Board of Directors.

The Sustainability Committee is chaired by the President and Chief Executive Officer, and consists of the Executive Officers and the President of the Operating Company. We also seek advice from external experts as necessary to ensure fair and appropriate consideration.

(2) Strategy

① Strategy for Climate Change

a) About Scenarios Analysis

The Group has examined individual measures to address the identified risks and opportunities related to climate change and their impact on business. Scenario analysis is conducted to assess whether the countermeasure can respond realistically to situations that may occur in each scenario.

Scenarios to use

- For the transition risks and opportunities : IEA's "Sustainable Development Scenario (SDS)",and "The Net Zero Emissions by 2050 Scenario (NZE)"
- For the physical risks and opportunities : IPCC's "Representative Concentration Pathway (RCP)8.5"

b) Climate-related risks and opportunities, impacts and responses

Results of scenario analysis Although it is expected that carbon tax will be introduced in the 1.5℃ scenario, and it will be transferred to various costs such as fuel costs and power costs, and it is expected that profit will be reduced, it is possible to respond by converting to renewable energy and introducing new technologies such as next-generation low-carbon vehicles.

Risks and opportunities from each scenario are shown in the following table.

Risks and Opportunities			Scenarios		Risks and Potential Financial Impacts	Impacts	Probability	Strategic Planning
Transition Risks and Opportunities	Policy and Legal	Increased pricing of GHG emissions	1.5℃	Risks	Introduced carbon taxes, and passed on prices. Increased operating costs(e.g., fuel cost, energy cost, vehicle procurement cost, and outsourced cost)	Large	High	Install solar panels. Switch to renewable energy. Continue energy conservation activities. Introduce the hybrid vehicle. Continue fuel saving activities (e.g., switching to fuel-efficient tires).
	Market	Change in energy supply and demand		Opportunities	Commoditization of renewable energy			
	Technology	Advancement and diffusion of next-generation technology		Risks	Increased investment to install new vehicles (EV/FCV) and charging facilities. Increased fuel costs using Bio Diesel Fuel and Renewable Diesel Fuel. Increased investment in materials handling equipment (AI, robots, etc.) through digital transformation. Decreased competitive position by delay and misjudgements in introducing next-generation technologies.	Medium	Medium	Enhance the ability to collect information on next generation technologies. Technology that will become mainstream will be judged by test introduction and small start. Collaborate with other companies and institutions to improve knowledge. Make an appropriate investment.
				Opportunities	By accurately introducing next-generation technologies and exerting their effects, we will gain new business opportunities as a result of strengthening our business competitiveness. The shift to DX of material handling equipment and other will improve productivity in office and warehouse operations.			
	Reputation	Changing stakeholder reputation		Risks	Decreased competitive position without a sustainable logistics network. Efforts to address environmental problems are considered weak, and labor force is not gathered.	Medium	Low	Construction of a sustainable logistics network with low environmental impact. Appropriately address issues related to sustainability by setting targets, implementing and verifying countermeasures, and disclosing them.
				Opportunities	Increased competitive position by establishing a sustainable logistics network with low GHG emissions			

Risks and Opportunities			Scenarios		Risks and Potential Financial Impacts	Impacts	Probability	Strategic Planning
Physical Risks and Opportunities	Chronic Risk	Rising mean temperatures	4.0℃	Risks	Increased energy costs Reduced revenue and higher costs from negative impacts on health of workforce.	Large	Medium	Install solar panels Switch to renewable energy Continue energy conservation activities. Improve the working environment with air conditioning equipment.
				Opportunities	Global warming increases outside air temperatures, and higher low-temperature quality control is required throughout the supply chain	Small	Low	We will further strengthen our strength in low-temperature quality control
	Acute Risk	Increased severity of extreme weather events		Risks	Increased operating costs for business continuity plan Reduced revenue and higher costs from negative impacts on workforce (e.g., safety, absenteeism)	Medium	High	Development of disaster management system Establish a logistics system that is safe and resilient against natural disasters
				Opportunities	Build a resilient logistics system against natural disasters, maintain the supply chain that serves as a social infrastructure, and earn the trust of stakeholders.	Large	Low	

② Strategy for Human capital

"Human Resource Development Policy"
The Group understands that personal growth is the growth of a company, and each employee thinks for himself, challenges new reforms based on environmental changes, and develops professional personnel who can provide the best service in the field of responsibility.

"Workplace Environment Enhancement Policy"
The Group provides a workplace environment in which each employee can maximize their aptitude and capabilities with a sense of pride and mission to "support society through logistics." In addition, we respect the diversity of each person and create a comfortable and worthwhile workplace environment for everyone.

(3) Risk Management

a) Identifying climate-related risks and opportunities

C&F has identified risks and opportunities for each stakeholder (supplier, company, and customer) in the value chain and examined them from the following perspectives of transition/physical risks and opportunities.

[Transition risks and opportunities]
Policy and Legal : Tightened regulations on GHG emissions
Market : Supply and demand of renewable energy and low-carbon products
Technology : Advancement and diffusion of next-generation technology
Reputation : Changing stakeholder reputation

[Physical risks and opportunities]
Chronic : Environmental changes due to global warming
Acute : Escalation of natural disasters

b) Assessing climate-related risks and opportunities

C&F assesses and identifies risks and opportunities extracted from two perspectives: the magnitude of the potential impact on the our businesses, and the likelihood of their manifestation.

<table>
<tr><th colspan="2">Impacts on the organization's businesses, strategy, and financial planning</th></tr>
<tr><th>Degree</th><th>Viewpoint</th></tr>
<tr><td>Large</td><td rowspan="3">・ Revenue
・ Profit and Loss
・ Business potential
・ Business Resources(human resource, technology, facilities, etc)
・ Compliance
・ Stakeholder Confidence
・ Impact on customers, corporate brands, and markets</td></tr>
<tr><td>Medium</td></tr>
<tr><td>Small</td></tr>
</table>

Probability	
Degree	**Assumed time**
High	within 1-2 years
Medium	2-5 years from now
Low	more than 5 years from now

(4) Metrics & Targets

① Metrics & Target of Climate Change

To manage climate change risks and opportunities, C&F has set medium- to long-term reduction targets based on CO2 emissions (Scope 1 and 2) as indicators, and will work to achieve these targets.

a) Base year result value

Scope	Levels	Results for FY2021
Scope1	All direct GHG emissions.	87,408 t-CO2e
Scope2	Indirect GHG emissions from consumption of purchased electricity, heat, or Steam.	50,534 t-CO2e
Scope3	Other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions.	214,145 t-CO2e

* Includes 13 domestic group companies.

* Monitoring procedure of Scope 3 "Basic Guidelines on According for Greenhouse Gas Emissions Throughout the Supply Chain (ver.2.4)"

b) Targets

Scope	Target-Year	Target
Scope1&2	FY2030	38% reduction in CO2 emissions (Comparison with FY2021)
	FY2050	Carbon neutrality

* Reduction targets are based on Near-term SBT 1.5℃ levels.

② Metrics & Target of Human capital

Indicators	Target	Recent results
Total training time per employee, year	5 times by FY2030 compared to FY2021	0.97 times in FY2022
Ratio of women in managerial positions	10% by FY2030	2.85% in FY2022

* Includes 13 domestic group companies.

3. Operational risks

a) Business Segment Weight

C&F focuses its management resources on the food logistics business, which accounts for more than 90% of operating revenue. Food safety accidents and incidents can seriously impede our business operations and affect our performance and financial position.

b) Securing of human resources

The decline and aging of the population have caused a labor shortage in Japan. In the logistics industry, the impact of the 2024 issue, which is the upper limit on overtime hours for drivers, is a serious problem.

C&F actively recruit and hire regular employees. In addition, we will secure excellent human resources by improving welfare and treatment and enhancing training. On the other hand, labor costs can increase. If we are unable to secure the necessary human resources, it may affect our performance and financial position.

c) Weight on specific customers

C&F has a high trading weight with specific customers. Our business relationship with them is good and stable, but the restructuring of the industry can affect our performance and financial position.

d) Change in business relations

C&F invests in capital investment based on its business plan with customers.

However, the suspension of transactions due to mergers and sudden changes in performance may affect our performance and financial position.

e) Traffic accidents

24 hours a day, C&F operates transport and delivery vehicles. We are at risk of a traffic accident, and a serious accident can affect our performance and financial position.

f) Leakage of customer information

C&F properly manages various customer information, and strict security measures prevent leakage. However, an external outflow from unexpected events can affect our performance and financial position.

g) Change of Laws and Regulations

C&F is in compliance with laws and regulations such as “Motor Truck Transportation Business Act”, “Warehouse Business Act”, “Road Traffic Act”, “Labor Standards Act”, “Act on Securing the Proper Operation of Worker Dispatching Businesses and Protecting Dispatched Workers” and more.

Changes in laws and regulations and their responses may affect our performance and financial position.

h) Impacts of a natural disaster

If natural disasters such as earthquakes, typhoons, or floods or fires result in the loss of our business functions or system outages, it may affect our performance and financial position.

i) Changes in energy costs

We use a lot of light oil (about 32.17 million liters per year) for the fuel of vehicles, and its constant stable supply is essential in our business activities.

In addition, we always use electric power to cool the inside of the warehouse where low-temperature food is stored.

Supply instability and rising price in light oil and electric power can affect our performance and financial position.

j) Impairment loss

C&F has assets (land, buildings, etc.) for logistics facilities. If the market value of the asset falls or the expected return decreases, it will be difficult to recover the investment.

Accounting for impairment losses may affect our performance and financial position.

k) Stock price change

C&F holds investment securities. Our impairment rules are when listed shares fall more than 30% in market value, and when unlisted shares fall more than 50% in the company's net asset value and are unlikely to recover.

Changes in the stock market or deterioration in the financial position of our portfolio companies may affect our performance and financial position.

l) Overseas expansion

C&F is developing business overseas. In a country or region, unforeseen events such as a slowdown in economic growth, fluctuations in exchange rates, political and economic turmoil, changes in laws and policies, the presence of inappropriate business practices, terrorist activities, and pandemic can affect our performance and financial position.

4. Management Discussion and Analysis of Financial Position, Operating Results and Cash Flows

(1) Outline of Operating Results

① Outline of Operating Results for the Fiscal Year Under Review

During the fiscal year under review, the Japanese economy showed signs of recovery in economic activities and consumer behavior along with easing restrictions caused by COVID-19 pandemic. On the other hand, outlooks remain uncertain due to an increase in prices and rapid fluctuation in exchange rate.

In the cold chain logistics for food products industry, which is the Group's principal focus, while the demand for chilled and frozen foods continues to grow supported by lifestyle changes, consumption behavior has changed in the wake of COVID-19 pandemic and cargo movements for commercial food products returned to upward trend. However, the general demand for chilled and frozen foods did not fully recover, including demand by inbound tourists. In addition, against the background of the rise in energy costs due to the surge in crude oil prices and the rise in labor costs in order to promote work style reform, each company, including manufacturer and retailer, was forced to respond to uncertain business conditions due to sluggish consumption although it decided to raise the prices.

Amid these rapid changes in social environment, the Group draw up and began its new Medium-Term Management Plan. Setting as a basic policy "Achieving sustainable low temperature zone logistics, meeting the needs of new cold-chains", the Company strives to develop specific measures to sustain the food lifelines and to realize the prosperous society. The Group advanced into new fields of business: E-commerce logistics and pharmaceutical logistics, which are growing business areas. As for E-commerce logistics, the Group started logistics business for low-temperature food products with its existing resources, and as for pharmaceutical logistics, the group steadily expanded transportation business and built up the performance achieved. However, under current circumstances, the more-than-expected surge in energy costs continues and results in the rise of operating costs such as electricity in warehouse operation and fuel in truck operation, as well as the rise in labor costs in preparation for "2024 issues" on logistics industry, ending up a decrease in its profit.

As a result of the above, operating revenue was ¥113,350 million (up 2.2% year-on-year), operating profit was ¥4,403 million (down 1.8% year-on-year), and ordinary profit was ¥4,935 million (down 3.3% year-on-year). Profit attributable to owners of parent amounted to ¥3,057 million (down 7.8% year-on-year).

The following describes performance by segment.

a) TC Business (Transfer Center Business)

While the foot traffic returned to upward trend in the wake of balancing the infection prevention with the revitalization of economic activities, handling volume of some customers' products continues to be sluggish in general as the stepwise rising prices of foods and beverages affected the consumer behavior. However, the Group secures operating revenue as it acquired new customers by starting operation of new facilities and embarked on E-commerce logistics business. As a result, operating revenue amounted ¥72,367 million (up 1.7% year-on-year).

As for segment profit, the operating cost increased as power and fuel costs increased by higher energy costs and the labor costs also increased for the better treatment for employees and the promotion of part-time/temporary employees to full-time/permanent status. On the other hand, the Group increased profitability as it expanded profitable business and the handling volume of existing customers steadily recovered. In addition, the operating costs decreased, including depreciation costs decreased by the delay of the replacement of vehicles mainly due to the worldwide shortage of semiconductors. As a result, Segment profit was ¥3,418 million (up 10.6% year-on-year).

b) DC Business (Distribution Center Business)

While the reorganization of logistical networks by certain customers brought negative impact on revenue to some extent, the handling volume of commercial frozen foods recovers along with the increase in opportunities to go out. As handling volume of household frozen foods performed well, and new customers and businesses were developed by starting operation of new facilities, operating revenue amounted ¥39,178million (up 3.2% year-on-year).

Segment profit was ¥5,058 million (down 6.9% year-on-year), mainly due to increasing power and fuel costs resulting from higher energy costs and increasing fixed costs such as depreciation costs of new facilities which started operation, despite that the Company reduced operating costs such as outsourcing costs by promoting efficiency and insourcing.

c) Other

Other business segment includes the guarded transport, hospital-related distribution, temp service, and insurance agency businesses. Its operating revenue was ¥1,803 million (up 2.7% year-on-year) and segment profit was ¥169 million (up 2.8% year-on-year).

② Outline of Cash Flows for the Fiscal Year Under Review

The balance of cash and cash equivalents ("net cash") at the end of the fiscal year under review amounted to ¥8,168 million, up ¥2,412 million from the end of the previous fiscal year.

The following outlines the status and underlying factors of each classification of cash flows for the fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥9,051 million (compared with net cash of ¥8,859 million provided in the previous fiscal year).

This was mainly due to an increase in net cash from profit before income taxes and depreciation.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥5,832 million (compared with net cash of ¥8,399 million used in the previous fiscal year).

This was mainly due to a decrease in net cash from acquisition of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥878 million (compared with net cash of ¥2,184 million used in the previous fiscal year).

This was mainly due to a decrease in net cash from repayments of long-term borrowings and repayments of lease liabilities.

③ Outline of Production, Orders Received and Sales

a) Operating revenue by segments

Segment	Operating revenue (Millions of Yen)	Year-on-year (%)
TC Business	72,367	101.7
DC Business	39,178	103.2
Other	1,803	102.7
Total	113,350	102.2

Operating revenue of main consignee is as follows

consignee	FY2021		FY2022	
	Amount (Millions of Yen)	Ratio (%)	Amount (Millions of Yen)	Ratio (%)
Mitsubishi Shokuhin Co., Ltd.	14,335	12.9	14,461	12.8

b) Operating revenue of outsourcing

Segment	Operating revenue (Millions of Yen)	Ratio of outsourcing (%)	Year-on-year (%)
TC Business	19,937	27.6	101.1
DC Business	10,421	26.6	103.4
Other	158	8.8	103.2
Total	30,516	26.9	101.9

(2) Management Analysis and Consideration of Operating Results

① Key Accounting Policy and Estimate

The Group's consolidated financial statements are prepared based on accounting standards generally accepted as fair and appropriate in Japan. We use estimates and assumptions that affect the reported value of assets, liabilities, revenues, and expenses. However, these estimates and assumptions may differ from actual results.

② Recognition, Analysis and Consideration of Operating Results in this fiscal year

(Consolidated operating revenue)

During the fiscal year under review, cargo movements for commercial food products returned to upward trend. However, the general demand for chilled and frozen foods did not fully recover, including demand by inbound tourists.

In the new fields of business, As for E-commerce logistics, the Group started logistics business for low-temperature food products with its existing resources, and as for pharmaceutical logistics, the group steadily expanded transportation business and built up the performance achieved.

As a result of the above, operating revenue was ¥113,350 million (up 2.2% year-on-year), The ratio of segments, TC Business was 63.8%, DC Business was 34.6%, and Other was 1.6%.

(Consolidated ordinary profit)

During the fiscal year under review, under current circumstances, the more than-expected surge in energy costs continues and results in the rise of operating costs, as well as the rise in labor costs in preparation for "2024 issues" on logistics industry, ending up a decrease in its profit.

As a result of the above, ordinary profit was ¥4,935 million (down 3.3% year-on-year).

(Assets)

Assets amounted to ¥91,351 million, up ¥2,792 million from the end of the previous fiscal year.

The major increase was ¥2,412 million in cash and deposit and ¥1,657 in construction in progress, while the major decrease was ¥1,014 million in leased assets, net.

(Liabilities)

Liabilities amounted to ¥43,703 million, up ¥842 million from the end of the previous fiscal year.

Major increases were ¥1,903 million in long-term borrowings, while the major decrease was ¥1,415 million in retirement benefit liability.

(Net assets)

Net assets amounted to ¥47,647 million, up ¥1,949 million from the end of the previous fiscal year.

The major increase was ¥2,364 million in retained earnings, while the major decrease was ¥291 million in treasury shares.

As a result of the above, the equity ratio was 51.3%.

(Cash flow)

Reference to 4-(1)-② Outline of Cash Flows for the Fiscal Year Under Review.

Our capital sources and funding liquidity are as follows.

The main working capital needs are labor costs and outsourcing costs. The demand for funds for investment purposes is mainly due to facilities.

Short-term working capital is basically short-term loans from financial institutions and treasury funds. Capital investment is basically long-term loans from financial institutions and treasury funds.

In principle, cash flow from business activities is used as a financial resource to meet financing demand. However, when responding to massive demand for funds, the Bank will borrow funds from financial institutions to ensure the level of liquidity necessary for smooth business activities and to maintain financial soundness and stability. When raising funds, We conduct the most appropriate funding, taking into account factors such as the duration of the funding period and market interest rates in Japan, as well as the impact on financial indicators such as the capital adequacy ratio, DE ratio (debt-to-equity ratio), and ROE.

II. Status of the Reporting Company

1. Corporate Governance

(1) Overview of Corporate Governance

① Basic Views

The Company's basic policy on corporate governance is to work on clarifying its monitoring system and strengthening its check-and-balance function for corporate management, recognizing the importance of business ethics, while endeavoring to disclose corporate information fairly, equitably, and promptly in a more transparent manner, with a view to earning and sustaining the trust of the general public and investors.

② Corporate Governance System

(i) Overview of Corporate Governance System

The Company has adopted a company with Audit and Supervisory Committee system to exhibit the effectiveness of the system.

The Company has improved the effectiveness of auditing and supervision through auditing by Directors who are Audit and Supervisory Committee Members with voting rights on the Board of Directors, and increased the ratio of Outside Directors by continuously bringing in talented human resources to further strengthen the supervisory function of the Board of Directors.

a) Board of Directors

The Company's Board of Directors consist of 10 Directors. We have six Outside Directors, out of which four are Directors who are Audit and Supervisory Committee Members. The Board of Directors meets at least once a month, in principle, and makes decisions, as the highest decision-making body, on matters prescribed by laws and regulations and the Articles of Incorporation and other matters. The Board of Directors is operated by nine male Directors and one female Director.

To analyze and evaluate its effectiveness, the Board of Directors of the Company conducted a questionnaire survey on the status of operation of the Board of Directors and other matters in FY2022.The Board of Directors discussed its effectiveness on the basis of the results of the questionnaire survey. Distribution and collection of the questionnaires were entrusted to an external institution.

As a result of the survey, we have confirmed that the effectiveness of the Board of Directors is generally ensured. We have a few issues, including the following: sharing recognition and having sufficient discussions on the appropriate role of the Board of Directors; conducting sufficient deliberation on management strategies and management plans with profitability, capital efficiency, and other factors in mind; and sharing feedback about the status of dialogue with investors.

The Company will work to further enhance the effectiveness of the Board of Directors by solving these issues identified by the evaluation.

b) Executive Officers' Meeting

The Company holds at least one Executive Officers' meeting in which full-time Directors and Executive Officers participate each month, in principle. At an Executive Officers' meeting, participants deliberate on matters entrusted by the Board of Directors and important management matters, and work to clarify the decision-making process of proposals submitted to the Board of Directors and ensure transparency thereof.

Specific matters include the progress of the establishment of new bases, sustainable management, and the progress of the third medium-term management plan.

c) Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of four Outside Directors who are Audit and Supervisory Committee Members (three males and one female), and audits and supervises overall management, leveraging the members' experience, expertise, etc. from an independent standpoint. The Audit and Supervisory Committee has a system to fully supervise all aspects of Directors' execution of duties by having the full-time Audit and Supervisory Committee Member attend all meetings such as Executive Officers' meetings at which important matters related to management are deliberated on and determined, and inspecting requests for approval and various reports for daily work. In addition, the Company has ensured the effectiveness of instructions of Audit and Supervisory Committee Members by having a cooperative system in place between the Audit and Supervisory Committee Office and each department, and conducting investigation and collecting information necessary for audit.

d) Establishment of the Nomination Committee and the Compensation Committee

The Company has voluntarily established the Nomination Committee for the purposes of mainly ensuring the transparency and objectivity of the appointment process of Directors and avoiding concentration of authority over personnel issues into Representative Directors, and the Compensation Committee for the purposes of primarily ensuring the transparency and objectivity of the decision-making process of compensation for the Company's officers and ensuring decision-making and the rationality of the basic policy of officers' compensation system. To ensure transparency, a majority of members of both committees are outside officers, and the chairpersons of both committees are Outside Directors.

Specific matters were discussed on the appropriateness of the remuneration of officers and appointment of officers, and reported to the Board of Directors.

e) Accounting Auditor

The Company has entered into an audit agreement with Ernst & Young ShinNihon LLC., which performs audits of accounting and internal control over financial reporting from an independent and impartial standpoint.

f) Internal Audit

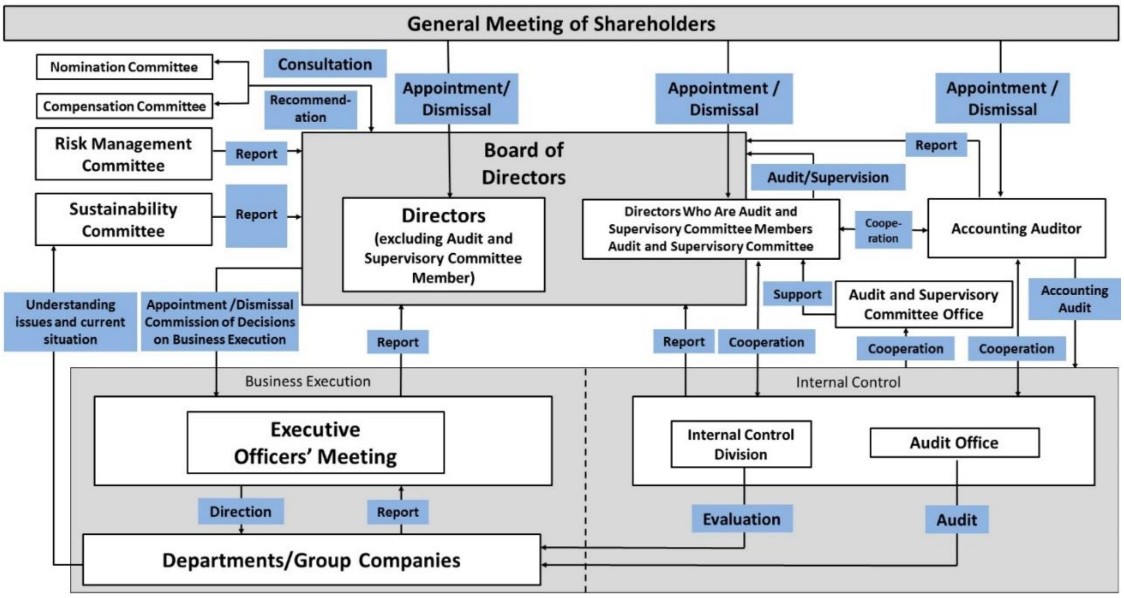
The Company has established the Audit Office as the internal audit department. The Audit Office performs audits of the Company and the Group companies to ensure that business operations are being conducted in an appropriate manner.

g) Limited Liability Agreement

Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with

Outside Directors to limit them liability for damage under the agreement is the minimum liability amount stipulated in laws and regulations.

Corporate Governance System



(ii) Basic Views on Internal Control System

A group of enterprises consisting of the Company and its subsidiaries (the "Group") considers that developing and operating an internal control system is an important management issue for the purpose of ensuring the appropriateness, effectiveness and efficiency of business operations to maintain and increase corporate value and improving business performance by ensuring social credibility and further enhancing the function and quality of logistics for food products. The Group will work to establish an internal control system for all officers, employees and workers at offices of the Group based on the following basic policy.

a) Systems to ensure that Directors' and employees' execution of duties complies with laws and regulations and the Articles of Incorporation

- The Company shall regularly hold a meeting of the Board of Directors each month in accordance with the Regulations for the Board of Directors to promote communication among

Directors and prevent a breach of laws and regulations and the Articles of Incorporation by having Directors supervise execution of their duties each other.

- The Company shall establish the Code of Ethical Conduct as the standards of conduct to be complied with by all officers and employees of the Group, and work to ensure that all officers and employees of the Group are fully aware of it.
- The Company has established a whistleblowing system where a person who is aware of an actual and threatened breach of laws and regulations and other rules by an officer, employee or worker of the Group can report it to the Whistleblowing Committee Office. The Company shall establish a system to promptly report the whistleblowing contents to the Audit and Supervisory Committee.
- The Company has established a whistleblowing system where a person who is aware of an actual and threatened breach of laws and regulations and other rules by an officer, employee or worker of the Group can report it to the Whistleblowing Committee Office. The Company shall establish a system to promptly report the whistleblowing contents to the Audit and Supervisory Committee.

b) Systems for storage and management of information regarding execution of duties by Directors

- The Company shall store minutes of important meetings, including minutes of meetings of the Board of Directors and other documents such as requests for approval pursuant to laws and regulations and internal rules.
- The Company shall establish the Information Security Policy for electric records and clarify the guidelines to handle such records.
- The Company shall establish a system where Directors can access the information set forth above.

c) Regulations and other systems relating to management of the risk of loss of the Company and its subsidiaries

- The Company shall set up the Risk Management Committee chaired by the President, and establish systems and policies regarding risk management, as well as assess risk management systems of the Group's departments, and improve them, if necessary.

- The Company shall identify and assess risks associated with business operations of departments and develop rules and regulations related to the avoidance and mitigation of those risks.
- If a serious risk occurs or is threatened to occur at the Company or a subsidiary, the Emergency Headquarters with the President serving as the chief shall take action.
- If a subsidiary finds any misconduct or material fact in violation of laws and regulations, the Articles of Incorporation or internal rules or any other fact raising concerns in terms of risk management, Directors of the subsidiary shall report such fact to Directors of the Company and the Audit and Supervisory Committee.

d) Systems to ensure the efficient execution of duties by Directors

- To ensure the efficient execution of duties by Directors, the Company shall hold a meeting of the Board of Directors each month and supervise the decision-making of important matters and the status of execution of duties by Directors (excluding those who are Audit and Supervisory Committee Members), among other things.
- The Company shall approve the Group companies' important matters that require approval in accordance with the official authority table prescribed in the Decision-Making Regulations. Matters other than those to be resolved by the Board of Directors shall be resolved at an Executive Officers' meeting.

e) Systems to ensure the appropriateness of business operations of the Group companies

- The Company shall receive reports from the Group companies on the status of their management at a regular business results briefing session.
- The Company shall give its subsidiaries directions to clarify the authority and responsibilities of persons who execute business for their decision-making and ensure that business is executed systematically and efficiently in accordance with their

Regulations for the Board of Directors, Regulations for Official Authority, and other various rules and regulations.

- The Company provides the Group companies with education on compliance, transport safety, etc.
- The Company's Audit Office conducts a business audit of the Company's departments and subsidiaries and reports the status and results of the audit to the Company's Board of Directors and other relevant organizations according to the importance thereof. Following the report, the Company shall instruct and support the methods of executing business of the subsidiaries.

f) Matters regarding employees who assist the duties of the Audit and Supervisory Committee and ensuring their independence and the effectiveness of instructions

- The Company shall establish the Audit and Supervisory Committee Office if necessary to assist the duties of Directors who are Audit and Supervisory Committee Members. Personnel matters regarding assistants shall be discussed by Directors (excluding those who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members, as necessary.
- To ensure the independence of the Audit and Supervisory Committee Office, personnel matters such as appointment, transfer, etc. of staff of the Audit and Supervisory Committee Office require prior consent of the Audit and Supervisory Committee. Personnel evaluation also requires consent of the full-time Audit and Supervisory Committee Member.

g) Systems for reporting to the Audit and Supervisory Committee and other systems to ensure effective performance of audits by the Audit and Supervisory Committee

- If a Director or employee of the Group discovers a fact that would cause material damage to the Company, such Director or employee shall promptly report such fact to the Audit and Supervisory Committee. Any unfavorable treatment of the whistleblower shall be prohibited.
- Directors who are Audit and Supervisory Committee Members shall attend important meetings such as Executive Officers'

meetings, in addition to meetings of the Board of Directors, and express their opinions, as necessary.

- Directors who are Audit and Supervisory Committee Members shall inspect various requests for approval and other documents related to business execution and seek explanation from Directors (excluding those who are Audit and Supervisory Committee Members) and employees, as necessary.
- Any whistleblowing shall be reported to the Audit and Supervisory Committee pursuant to the whistleblowing system.

h) Matters regarding policies on treatment of audit expenses, etc.

- To ensure that audit activities are conducted from an independent standpoint, the Audit and Supervisory Committee may retain external professionals such as lawyers, as necessary, and charge the Company for expenses to retain such professionals.

i) Systems to eliminate anti-social forces

- The Group shall not have any relationship with anti-social forces that threats the safety and order of civil society. If an event occurs such as receiving unreasonable demand from an anti-social force, the General Affairs Department shall be responsible to supervise actions, centrally manage and collect information, and respond to such event in a firm attitude in cooperation with lawyers and relevant institutions such as the competent police station.
- To prevent occurrence of an event, the Company shall regularly provide training, develop response manuals, and build a close relationship with the competent police station even in normal circumstances by exchanging information with them.
- The provisions for elimination of anti-social forces must be included in the terms of agreements and the terms and conditions of transactions executed during the course of daily business activities.

j) Systems to ensure the reliability of financial reports

- The Company shall develop an internal control system for submission of valid and appropriate internal control reports pursuant to the Financial Instruments and Exchange Act, and continuously evaluate whether such system properly works and correct any defect in such system in accordance with the Implementation Standards for Evaluation of Internal Control over Finance Reporting separately established.

③ Other matters related to Corporate Governance

The Company has entered into a directors and officers liability insurance policy pursuant to the provisions of Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The insureds of the policy include all Directors and Directors Who Are Audit and Supervisory Committee Members of the Company and all Directors and Audit and Supervisory Board Members of the Company's consolidated subsidiaries. The policy will cover damages, litigation costs, and other expenses incurred by the insured in cases where the insured receives a claim for damages arising from an act or an omission committed by the insured in his or her capacity as a director or officer of the company. The full amount of the insurance premiums is borne by the Company. If each candidate is elected and assumes the position of Director Who Is Audit and Supervisory Committee Member, such Director will become an insured person under the insurance policy. In addition, the Company plans to renew the insurance policy under the same terms and conditions at the next renewal.

④ Directors

(i) Fixed number of directors

The Company's Articles of Incorporation stipulate that 12 Directors (excluding Directors who are Audit & Supervisory Committee Members) and 5 Directors of the Company who are Audit & Supervisory Committee Members.

(ii) Requirements for Resolution on Election of Directors

The resolution regarding the election of the Board of Directors shall be adopted by a majority of the voting rights of the shareholders present who hold at least one-third of the voting rights of the shareholders who have the right to exercise their voting rights.

⑤ Matters to be Resolved at Shareholders Meeting that may be resolved by the Board of Directors

(i) Deciding Agency for Dividend of Surplus, etc.

In order to enable the Company to implement flexible dividend policy and capital policy, the Company has stipulated in its articles of incorporation that the matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, such as matters concerning dividend of surplus and acquisition of treasury shares, shall be decided by resolution of the Board of Directors, not by resolution of the shareholders meeting, unless otherwise stipulated by laws and regulations. In addition, the Articles of Incorporation stipulate that the base date for dividends of surplus may be set on March 31 of each year for the year-end dividend, on September 30 of each year for the interim dividend, and on other dates for dividends of surplus.

(ii) Exemption of Directors and Accounting Auditors from Liability

The Company's Articles of Incorporation stipulate that, pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may, by a resolution of the board of directors, exempt directors and accounting auditors from liability related to the acts set forth in Article 423, Paragraph 1 of the Companies Act within the limits of laws and regulations. The purpose of this is to create an environment in which directors and accounting auditors can fully demonstrate their abilities in performing their duties and fulfill their expected roles.

⑥ Requirements for Extraordinary Resolution of Shareholders Meeting

The Company's Articles of Incorporation stipulate that the resolution of the Shareholders' Meeting prescribed in Article 309, Paragraph 2 of the Companies Act is to be adopted by at least two-thirds of the voting rights of shareholders who are entitled to exercise their voting rights.

The purpose of this is to facilitate the smooth management of the General Meeting of Shareholders by relaxing the fixed number of extraordinary resolutions at the General Meeting of Shareholders.

2. Status of stockholdings

① Standards and Approach for Classification of Investment Shares

The Company's main business is the management of its subsidiaries. All shares held by the Company are shares of its affiliated companies, and shares held for purposes other than net investment or net investment are not held by the Company.

② Shares Held by Subsidiaries for Purposes Other Than Net Investment

The Group hold cross-shareholding shares to enhance medium- to long-term corporate value, taking into consideration the purpose of strengthening relationships with companies in which the Company has invested and cooperative business relationships. The Company's basic policy is to assess the appropriateness of holding individual cross-shareholding shares at a meeting of the Board of Directors each year, considering various matters such as the purpose of holding thereof, the economic rationality, the effectiveness of the enhancement of corporate value, and financial strategies.

At the meeting of the Board of Directors held in December 16, 2022, the Board of Directors examined whether to continue cross-shareholdings after its comprehensive review of transaction-related earnings, dividend income, and valuation difference, as well as on its examination from a medium- to long-term viewpoint of the relationship with business developed by the Group and new business opportunities for future business expansion. We will reduce cross-shareholdings deemed less meaningful, with due consideration to the effect on markets. As a result, the Group has 23 issues of cross-shareholders (of which 14 issues are of listed companies) as of March 31, 2023, reduced by two compared with the end of the previous fiscal year.