Annual Report

9th Fiscal year

From : April 1, 2023
To : March 31, 2024

C&F LOGISTICS

Chilled & Frozen Logistics Holdings Co., Ltd.

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Report Title	Annual Report
Update Date	July 30, 2024
Business Year	9th Fiscal year (From April 1, 2023 to March 31, 2024)
Company Name	Chilled & Frozen Logistics Holdings Co., Ltd.
Name of Representative	Hiromasa Aya
Title of Representative	President and Chief Executive Officer
Address of registered Headquarters	33-8, Wakamatsu-chou, Shinjuku-ku, TOKYO, 162-0056 JAPAN
Telephone Number	+81-3-5291-8100
Place for Public Inspection	Tokyo Stock Exchange Prime Market
Securities Code	9099
URL	https://www.cflogi.co.jp/en/

NOTE: This document has been translated using a machine translation system from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

I. Overview of the Company

1. Terms used in this report

"The Company" or "Submitting Company"	Refers to "Chilled & Frozen Logistics Holdings Co., Ltd."
"The Group" or "C&F Group"	Refers to the Company and 15 subsidiaries
"Consolidated Companies"	Refers to the Company, 15 subsidiaries and 1 affiliate
"Domestic Group" or "Domestic Companies	Refers to the Group excluding 2 overseas subsidiaries (MEITO VIETNAM CO., LTD and T&M Transportation Co., Ltd)
Business Segment "TC"	Initial of "Transfer Center" TC Business is handling, sorting, and transporting mainly chilled foods consigned by mainly food manufacturers and wholesalers with its temperature at less than 10℃ in cold-storage warehouses located in logistically important areas across the nation.
Business Segment "DC"	Initial of "Distribution Center" DC Business is storing and handling mainly frozen foods that must be kept at −18℃ and bonded goods such as imported frozen foods in cold-storage warehouses having the function of distribution centers located in logistically important areas across the country, and transporting freight to each destination basically within 24 hours upon receipt of order with joint delivery.
Business Segment "Other Business"	(1) Transportation of cash and valuables (2) Hospital-related business such as transporting linen products (3) Temporary staffing business focused on logistics (4) Insurance agency, etc.

2. Company History

April 2015	MEITO TRANSPORTATION CO., LTD. and Hutech norin Co., Ltd. approved and prepared a Share Transfer Plan at the Board of Directors meetings of both companies, subject to approval at the Ordinary General Meeting of Shareholders held on June 26, 2015.
June 2015	At the ordinary general meetings of shareholders of both MEITO TRANSPORTATION CO., LTD. and Hutech Norin Co., Ltd., a resolution was passed approving the establishment of the Company through a joint share transfer and the two companies becoming wholly owned subsidiaries of the Company.
October 2015	The Company was established by a joint share transfer between MEITO TRANSPORTATION CO., LTD. and Hutech Norin Co., Ltd. The Company's common stock was listed on the First Section of the Tokyo Stock Exchange.
September 2016	T&M Transportation Co., Ltd. is established.
October 2015	The Company was established by a joint share transfer between MEITO TRANSPORTATION CO., LTD. and Hutech Norin Co., Ltd.
October 2017	JUSTEM Co., Ltd. absorbs S-Trust Co., Ltd.
April 2018	NK Trading Co., Ltd. becomes a subsidiary through a simplified share exchange. After that, Meisho Co., Ltd. absorbs NK Trading Co., Ltd. and changes its trade name to C&F Support Service Co., Ltd.
April 2022	Transferred to the Tokyo Stock Exchange Prime Market following the revision of the market segmentation of the Tokyo Stock Exchange.

3. Subsidiaries and Affiliate

Company Name	Address	Main Business	voting rights owned
Consolidated Subsidiaries			
MEITO TRANSPORTATION CO., LTD.	Shinjuku-ku, Tokyo	Logistics	100.0%
Hutech Norin Co., Ltd	Shinjuku-ku, Tokyo	Logistics, Other	100.0%
C&F Support Service Co., Ltd.	Shinjuku-ku, Tokyo	Other	100.0%
Trans mate Co., Ltd.	Shinjuku-ku, Tokyo	Logistics	100.0%
Isonet Line Co., Ltd	Shinjuku-ku, Tokyo	Logistics	100.0%
JAPAN FOODS LOGISTICS CO., LTD.	Shinjuku-ku, Tokyo	Logistics	100.0%
M'S LINE CO., LTD.	Shinjuku-ku, Tokyo	Other	100.0%
JUSTEM Co., Ltd.	Shinjuku-ku, Tokyo	Logistics	100.0%
K2 Co., Ltd.	Yamagata-mura, Nagano Pref.	Logistics	100.0%
MAKOTO TRANSPORT SERVICE., LTD	Koshigaya-city, Saitama	Logistics	100.0%
DAY LINE CO., LTD.	Shinjuku-ku, Tokyo	Logistics	65.0%
Healty Co., LTD.	Koshigaya-city, Saitama	Logistics, Other	65.0%
Hutech service Co., Ltd.	Iwatsuki-ward, Saitama-city, Saitama	Real estate leasing	100.0%
METO VIETNAM CO., LTD.	Binh Duong Prov. Viet Nam	Logistics	100.0%
T&M TRANSPORTATION CO., LTD.	Binh Duong Prov. Viet Nam	Logistics	50.0%
Equity method affiliate			
Choku-han delivery Co., Ltd.	Shibuya-ku, Tokyo	Logistics	30.0%

4. Employees

(1) Consolidated Companies

Business Segment	employee	temporary employee
TC	3,822	4,381
DC	1,647	869
Other Business	283	201
Shared Services dept. (Common)	246	23
Total	5.998	5,474

(2) Submitting Company

Business Segment	employee	temporary employee
Shared Services dept. (Common)	108	9
Total	108	9

Including those seconded from MEITO TRANSPORTATION and Hutech Norin.

Average age	Average years of service	average annual income
40.3 years old	5 years 9 months	5.4 million yen

(3) labor Union

Union Name	Number of members	Superior Organizations
MEITO TRANSPROT Worker's Union	2,403	—
Hutech Norin Worker's Union	1,098	—
JJS LABOR UNION	217	—
MAKOTO TRANSPORT Worker's Union	107	—
DAY LINE Worker's Union	5	UNYU ROREN
Total	3,830	

(4) Index of Diversity

Company Name	Ratio of female managers	Percentage of men taking childcare leave	Percentage of wage gap between men and women
Submitting Company			
The Company	2.8	0	62.4
Domestic Companies			
MEITO TRANSPORTATION CO., LTD.	5.7	31	55.1
Hutech Norin Co., Ltd	2.1	40	64.2
C&F Support Service Co., Ltd.	—	–	53.8
Isonet Line Co., Ltd	0.0	0	73.6
Trans mate Co., Ltd.	0.0	0	59.6
JAPAN FOODS LOGISTICS CO., LTD.	0.0	0	57.7
JUSTEM Co., Ltd.	0.0	50	46.9
M’S LINE CO., LTD.	33.3	–	71.6
K2 Co., Ltd.	0.0	0	61.0
MAKOTO TRANSPORT SERVICE., LTD	0.0	–	71.1
DAY LINE CO., LTD.	0.0	–	70.3
Healty Co., LTD.	0.0	0	59.4
Hutech service Co., Ltd.	–	–	108.0

II. Status of Business

1. Management policy, business environment, and issues to be addressed

(1) Basic management policy

[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

- Protect food lifelines and promote logistics operations that contribute to the creation of a prosperous society.
- Build a logistics infrastructure that is friendly to the global environment toward the realization of a decarbonized society.
- Emphasize diversity and create a comfortable and rewarding workplace environment for all employees.

② Enhancing Corporate Value through Strategic Financial Structure

- Actively optimize the balance between capital and liabilities and conduct management that maintains and continues ROE of 8% or higher.
- In order to improve capital efficiency, make appropriate capital allocation, and at the same time, make investment with an awareness of capital cost.
- 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

- Promote the strengthening of the profit structure of the joint delivery business by reorganizing the network and developing new functions.
- 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.
- Reorganize and strengthen existing business models that meet the needs of customers and markets.

④ Promoting Investment in Growing Fields

- Promote the injection of management resources into growing markets, including expansion into EC-related logistics.
- Expand new business domains utilizing temperature control technology.
- 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.

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price]

The Company discloses its policies and targets, and specific initiatives for improvement as "Action to Implement Management that is Conscious of Cost of Capital and Stock Price."

① To strengthen revenue base and develop sustainable growth by fostering more investments

- Enhancing “low-temperature logistics business” based on selection and concentration.
- Promoting Investments for the development of new technologies and the environmental

issues as sustainability initiatives
- Investing human capital to materialize 'Human Capital Management'

② To implement efficient management with financial approach
- Enhancing corporate value by realizing the most optimal capital structure.
- Strengthening shareholder return.

③ To encourage constructive dialogue with stakeholders by strengthening communication with them
- Offering the current initiatives and growth strategy in an easy-to-understand manner with sufficient IR framework and enhancing initiatives for stakeholder engagement.

④ To enhance corporate governance and corporate value by activating the internal organization
- Operating the cross-sectional committees to enhance corporate value.

(3) Management target

In June 2023, the Company revised its Medium-term Management Plan as follows.

	FY2023	FY2024	FY2025
Consolidated operating revenue	115,300 million yen	118,700 million yen	122,400 million yen
Consolidated operating profit	3,400 million yen	4,700 million yen	5,700 million yen
ROE	8.0% or higher by FY2025		
Capital Adequacy Ratio	Approx. 45%		
Dividend Payout Ratio	20% or more (up to 30% or more gradually)		

Long-Term Targets in " Action to Implement Management that is Conscious of Cost of Capital and Stock Price" (disclosed on March 15, 2024)

	FY2034
Consolidated Operating Revenue	200 billion yen

(4) Issues to Be Addressed

Social activities fully resumed with revitalization in the flow of people. On the other hand, the outlook for the Japanese economy remains uncertain due to the slowdown of consumer spending owing to high price of raw materials and energies on the background of unstable international circumstances, the prolonged depreciation of Japanese yen, and the continuing increase in any costs, including labor cost. Additionally, as actions for climate change are globally required, the sustainability of corporate activities is getting more and more important. In this regard, companies listed on the Tokyo Stock Exchange's Prime Market are particularly urged by society and the market to grow with a sustainability perspective.

In the cold chain logistics for food products industry, which is the Group's principal focus, the market environment has been rapidly changing. While food manufacturers mainly have passed an increase in costs to product prices to a certain extent, the handling volume of household chilled and frozen foods showed slow growth as consumers have been cutting down on their spending and selecting purchases more rigidly. However, the handling volume of commercial products has been recovering, and distribution channels including Ecommerce are being diversified. At the same time, a decrease in logistics resources such as human resources, represented by the so-called “2024 issues” on logistics industry is concerning. Thus, business continuity risk for logistics operators is higher than ever before.

Amid these changes in social and economic environments, from April in 2022, the Group began its 3rd Medium-Term Management Plan from FY2022 to FY2024. Setting as basic policy “Achieving sustainable low temperature zone logistics, meeting the needs of new cold-chains,” the Group strives to expand new business of growing fields such as E-commerce related logistics and Pharmaceutical logistics, and to strengthen the existing business through some initiatives such as acquiring new facilities.

Additionally, in light of the diversification of distribution channels for low-temperature products, the Group revised the 3rd Mid-term Management Plan as a 3-year plan from FY2023 to FY2025, as announced on June 16, 2023. While continuing to promote the implementation of effective measures to sustain the food lifelines and realize the prosperous society with its function for chilled and frozen logistics, the Group added the important measures and planned an additional investment of approximately 10 billion yen to achieve.

Furthermore, the Group announced in March 15, 2024, “Notice concerning action to implement management that is conscious of cost of capital and stock price.” Following the 3rd Medium-Term Management Plan from April 2022, based on the maximum use of its accumulated business experiences of low-temperature logistics, the Group aims achieving ¥200 billion of operating revenue as a long-term target by expanding growth fields more actively with an unconventional idea and establishing a sustainable logistical infrastructure with the expansion of the capacity of existing cold-chain business for foods, in which continuous demands are expected. At the same time, the Group will respond to requests from society and the market by accelerating efforts to reduce CO2 emissions and labor-saving initiatives by automation and digital transformation (DX) to realize a corporate growth that ensures sustainability.

The forward-looking statements in this report are based on the judgment of the Group as of the filing date of the securities report.

2. Sustainability Concepts and Initiatives

The Group's concepts and initiatives for sustainability are as follows.

The forward-looking statements in this report are based on the judgment of the Group as of the filing date of the securities report.

(1) Sustainability Concepts

The Group has a vision of “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.“ which states that “We will fulfill our corporate social responsibilities and become a logistics company supported by all stakeholders.”

The Groupe believe that addressing sustainability will contribute to the realization of a sustainable society and lead to fulfilling the Groupe’s 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 Group 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	Main Initiatives
Environmental measures	Establishment of a logistics infrastructure that is friendly to the global environment	7 13 15	・Support for TCFD ・Efforts for Environmentally Friendly Vehicles, Natural Refrigerants, and Renewable Energy
Human rights	Realization of a comfortable and rewarding workplace with awareness of human rights	3 4 5 8 10	・Improvement of working hours and working environment ・Ensuring occupational health and safety ・Dissemination of remedial measures ・Initiation of human rights due diligence
Diversity	Creation of an environment in which diverse human resources can play an active role	3 4 5 10	・Efforts to strengthen human capital ・Promoting the active participation of diverse human resources, including women, foreign nationals, and seniors
Disaster prevention measures	Flexible response to disasters and other risks	11	・Response to Transport Disaster Prevention Management ・Response to Information Security ・Response to Personal Information Protection
DX	Creation of next-generation logistics	9	・Automation and Mechanization Initiatives ・Efforts to Improve Transportation Efficiency

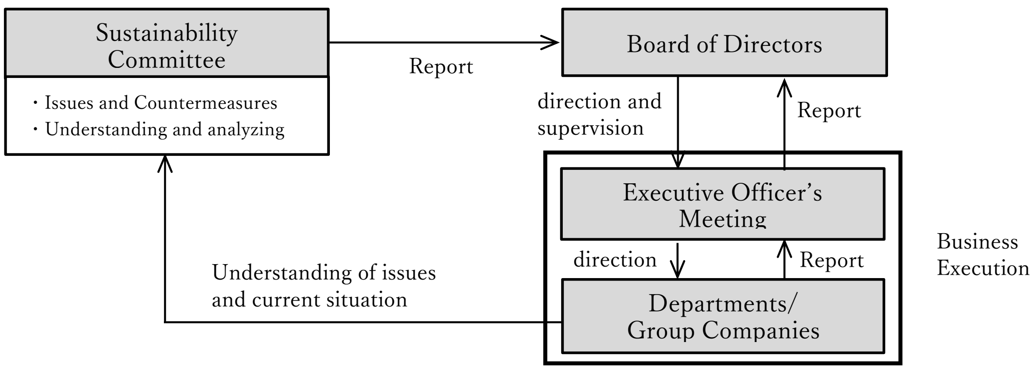
(2) Governance

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. The Company also seeks advice from external experts as necessary to ensure fair and appropriate consideration.

In the fiscal year under review, the Sustainability Committee met 9 times and reported to the Board of Directors 4 times.

[Sustainability Management System]



[Report to the Board of Directors in FY2023]

No.	Date	Main Agenda
1	April 14	The Groupe's Sustainability Status and Issues
2	May 25	Sustainability Disclosure
3	July 14	Targets and Results of GHG Emissions
4	September 29	Measures for Renewable Energy Initiatives

(3) Strategy

[Strategies against climate change]

① Policy

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 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"

③ 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.

[Transition Risks (1.5℃ Scenarios)]

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, The Company will gain new business opportunities as a result of strengthening its 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			

[Physical Risks (4.0℃ Scenarios)]

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	The Company will further strengthen its 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	

④ Specific Initiatives in FY2023

- Switching grid electricity to electricity derived from renewable energy (13 sites), installing new solar panels at their own facilities (Hutech Norin Co., Ltd. : Carport of Tohoku Branch, Chubu Branch warehouse rooftop, Kansai Branch Kinki Distribution Center warehouse rooftop), and introducing electricity derived from solar power generation through off-site PPA (12 sites)
- Plans to replace all refrigerants in major refrigerators of Hutech Norin with natural refrigerants.
- Financing through Green Loans (11 billion yen)
- Introduction of the Truck Reservation System to build sustainable distribution network (all major sites of Hutech Norin Co., Ltd.), construction plan of relay base, and implementation experiment of pallet transportation of frozen food, etc.
- Switching to Eco-type Packaging Materials to Reduce Plastics.

[human capital strategy]

① Policy

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, the Groupe 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. And the Groupe have established the following two policies.

(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.

② Specific Initiatives in FY2023

- Enhancement of training systems (increase in training programs by rank, etc.)
- Improvement of Work Environment (Examples: use of automatic trucks, creation of multilingual video manuals, etc.)
- Identify and improve employee satisfaction (conduct and respond to engagement surveys, etc.)
- Formation of the Women's Empowerment Team and its recommendations (Examples: Participation in women's career development training, proposals to improve women's uniforms, promotion of awareness and utilization of systems related to women, etc.)
- Strengthen recruitment competitiveness (Examples: improvement of salaries and benefits, promotion of employment of regular employees, group-wide recruitment plans, etc.)
- Initiatives on Business and Human Rights (Promotion of awareness and utilization of relief measures, initiation of human rights due diligence, etc.)

(4) Risk Management

① Identifying climate-related risks and opportunities

C&F Group 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

② Assessing climate-related risks and opportunities

C&F Group assesses and identifies risks and opportunities extracted from two perspectives: the magnitude of the potential impact on its 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

(5) Metrics & Targets

① Metrics & Target of Climate Change

In order to manage the risks and opportunities associated with climate change, the Group has set the following reduction targets for CO_2 emissions and monitored the results.

a) Targets

The reduction targets are Scope1 and 2, which can be managed by us, and the year to achieve them is set for FY2030, the same year as the national emission reduction target.

The reduction target is set based on the Near-term SBT to achieve a 4.2% reduction in emissions per year at the 1.5℃ level.

(Target Companies: Domestic Group)

Scope	Target-Year	Target
Scope1 and 2	FY2023	Reduce CO_2 emissions by 38% from FY 2021 levels
	FY2050	Carbon neutrality

b) Actual and Forecast

(Target Companies: Domestic Group)(Unit: t-CO2e, %)

Scope		FY2021	FY2022		FY2023	
		Actual (Base Year)	Actual	Compared with FY2021	Forecast	Compared with FY2021
	Scope1	87,408	90,364	+3.4	92,963	+6.3
	Scope2	50,534	52,190	+3.3	30,931	△38.8
Scope1 and 2		137,942	142,554	+3.3	123,894	△10.2

c) Reference

(Target Companies: Domestic Group)(Unit: t-CO2e, %)

Scope	FY2021	FY2022		FY2023	
	Actual	Actual	YoY	Forecast	YoY
Scope3	214,145	190,272	△11.1	175,434	△7.8

*Scope1, 2 and 3 assessment methods are based on the " Basic Guidelines on According for Greenhouse Gas Emissions Throughout the Supply Chain (ver.2.6)" , " Report on Emissions Unit Values (ver.3.4)" and the Company's Calculation Procedures.

* The actual emissions in FY2021 and FY2022 have been verified by the Japan Management Association GHG Certification Center and have received the Verification Statement.

*The forecasts for fiscal 2023 are based on the calculation method for the previous fiscal year and are subject to verification by a third-party organization.

Any changes in the values as a result of the verification will be promptly disclosed on the Company's website.

② Metrics & Target of Human Capital

Indicators	Target	Recent results
Total training time per employee, year(*1)	5 times by FY2030 compared to FY2021	1.11 times in FY2023 compared to FY2021
Ratio of women in managerial positions(*2)	10% by FY2030	3.07% in FY2023

*1 : Target Companies is : Domestic Group

*2 : Target Companies is : the Group

3. Business Risks

Of the matters related to the status of business and accounting stated in the Annual Securities Report, the major business risks that the management recognizes as having the potential to have a material impact on the financial position, operating results and cash flow status of the consolidated companies are as follows.

The forward-looking statements in this report are based on the judgment of the Group as of the end of the consolidated fiscal year under review.

[Risk Management Policy]

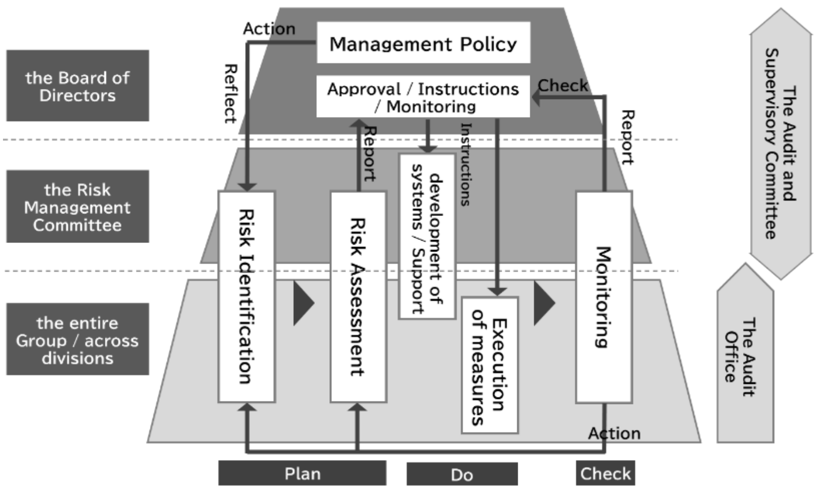
The Company conducts business activities for the purpose of enhancing corporate value, preserving assets, continuing business, and maintaining the trust of stakeholders. The Board of Directors conducts risk management to direct and control the organization in order to reduce threats and seize opportunities that are difficult to foresee as business risks.

[System for Risk Management]

In order to conduct effective risk management, the Company has established the Risk Management Committee as an advisory body to the Board of Directors, and has established the Rules for the Risk Management Committee. The Risk Management Committee identifies and evaluates potential risks across the entire Group or across divisions, considers countermeasures, and monitors countermeasures implemented, and periodically reports to the Board of Directors.

The Board of Directors receives reports from the Risk Management Committee, discusses and approves risk measures, and instructs each business and division to implement them. At that time, in order to enhance the execution of risk measures, the Company appoints the person responsible for implementing them and the division in charge, and instructs the development of control systems such as rules and manuals as necessary.

The Audit and Supervisory Committee audits whether the Company's overall risk management activities are functioning effectively. The Audit Office audits the execution of risk measures as part of internal audits of each business and division.



[Risk Identification]

Risks were identified by taking into account potential risks and risks that have materialized in the past in the business areas and regions in which the Group operates and in the 5 material issues that the Group has identified as issues to be addressed.

These were classified into 6 categories based on similarities and relationships, and 30 risks were identified.

Category	Risks	Category	Risks
Human Resources Risk	Shortage of human resources	Compliance Risk	Compliance with laws and regulations
	Insufficient human resource development		Compliance with tax and accounting laws
	Labor Issues		Leakage of information
	Labor-Management Issues		Corruption and Bribery
Operational Risk	Supply chain disruption		Litigation risk
	Deterioration of service quality	PEST Risk	Country risk
	Incidents, Fires, etc.		International disputes and Trade friction
	Business bias		Fluctuations in exchange rates and interest rates
	Impact on business assets		Financing
	Operational error		Market competition
	Computer system failure		Soaring purchase prices
Environmental Risk	Natural disasters		Technological innovation
	Climate Change	Governance Risk	Management failure
	Biodiversity		Failure of group governance
	Epidemic pandemic		Mergers and Acquisitions

[Risk Analysis]

The Groupe conducted a questionnaire targeting senior managers of the Group in order to analyze the specific impact and countermeasures for the identified risks and to assess their importance.

For each specific risk, the Groupe asked them to list “Probability, ” “ Impact, ” “Specific impact, ” and“ Effective countermeasures, ” and received 582 responses.

The “Probability,” and the “Impact,” were each scored on a scale of 4. The degree of impact was graded.

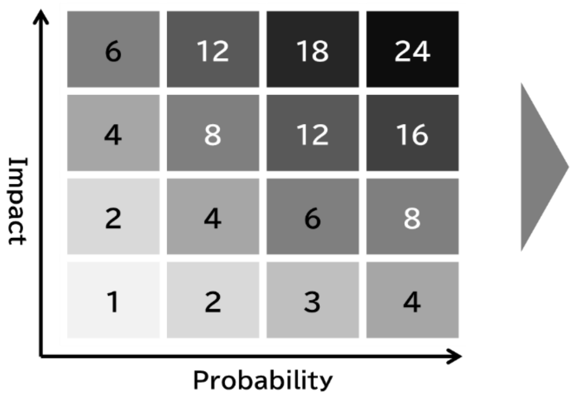
Probability	
1	Occurred approximately 1 time in decade
2	Occurred approximately 1 time in a few years
3	Occurred approximately 1 time each year
4	Occurred frequently

Impact	
1	No business impact
2	Minor business impact
4	Unavoidable business impact
6	Serious business impact

[Risk Assessment]

The Groupe calculated the average score of "Probability, " and "Impact, " for each risk listed in the questionnaire and multiplied them to determine the significance of each risk as the primary assessment.

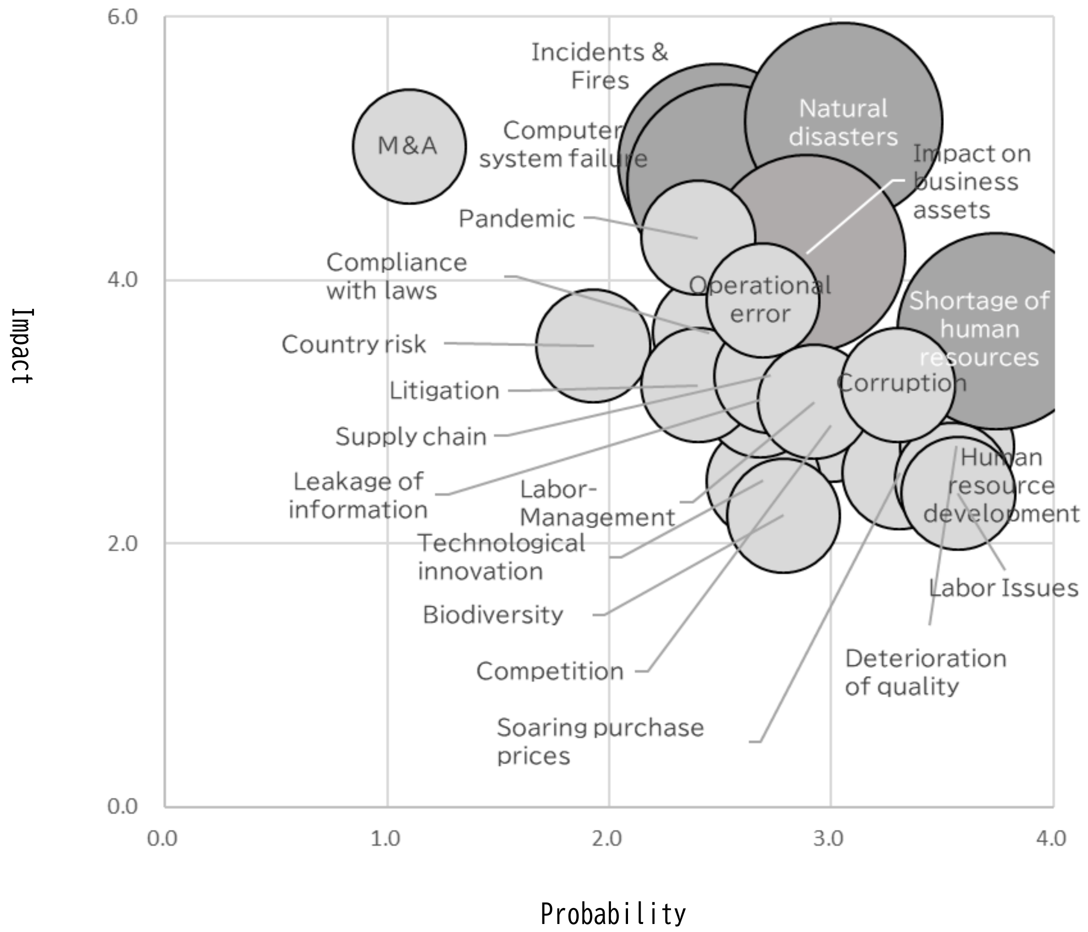
In the results of the primary assessment, excluding risks of minor significance, risks with overlapping content were combined with other risks and assessed as 22 risks.



Degree	Impact Level
1～4	Minor
6～8	Moderate
12～16	Significant
18～24	Serious

As a result of the risk assessment, the Groupe have identified a number of potential Significant Risks and Moderate Risks, although the Groupe do not Serious Risks.

Specifically, the Groupe identified five Significant Risks: Shortage of human resources, Natural disasters, Incidents and Fires, Computer system failure, and Impact on business assets. Of the Moderate Risks, the Groupe identified four risks with a high probability of occurrence: Insufficient human resource development, Labor Issues, Deterioration of service quality, and Corruption and Bribery. The Groupe also identified two risks with a high impact: Country risk and Mergers and Acquisitions.



[Risk Impact and Countermeasures]

As a result of the risk assessment, the following table summarizes the impacts and countermeasures for Significant Risks and Moderate Risks with high likelihood of occurrence or impact.

Category	Risks	Content	Impact Level	Impacts	Countermeasures
Human Resources Risk	Shortage of human resources	[Risk] ・ Chronic labor shortages ・ Increasing number of retirees due to the aging ・ Outflow of human resources due to working conditions	Significant Risk ・ Probability 4 ・ Impact 4	・ Suspension of new work or inability to continue existing work ・ Increase in outsourcing costs and deterioration in asset turnover ・ Increase in long working hours and work on holidays to compensate for labor shortages, and increase in employee stress and turnover ・ Deterioration of the human environment in the workplace ・ Loss of trust with suppliers due to deterioration in business quality ・ Increase in costs for causing accidents and fraud and responding to quality complaints due to deterioration in management functions	・ Promoting to regular employees ・ Improving employee income, working hours, and benefits ・ Receipt of reasonable fees ・ Increasing human capital investment for HR development ・ Diverse human resources and diverse work styles ・ Saving labor by systemization and mechanization ・ Enhancing harassment training ・ Increase communication with employees
	human resource development	[Risk] ・ Lack of manager training ・ Increased burden of training new employees	Moderate Risk ・ Probability 4 ・ Impact 2		
	Labor Issues	[Risk] ・ Long working hours ・ Induction of harassment	Moderate Risk ・ Probability 4 ・ Impact 2	・ Penalties for violations of regulations on the overtime limit for drivers and labor-management agreements ・ Human rights violations through harassment	
Operational Risk	Incidents and Fires	[Risk] ・ Serious accident ・ Fire in warehouse or office ・ Accident in equipment	Significant Risk ・ Probability 2 ・ Impact 4	・ Impact on human life or injury ・ Damage to warehouses, offices, equipment and vehicles, and loss of consigned goods ・ Social responsibility and criminal or administrative punishment ・ Loss of trust among business partners and suspension of business ・ Liability for damages and increased insurance costs	・ Safety-first driving ・ Safety and technical education and penetration of safety awareness ・ System improvement of safety and reduction of driver burden ・ Periodic inspections and equipment maintenance ・ Evacuation drills, patrols, monitoring, and alerting ・ Sufficient insurance
	Computer system failure	[Risk] ・ System failures related to operations	Significant Risk ・ Probability 2 ・ Impact 4	・ Business service became impossible and business was suspended ・ Loss of trust among business partners ・ Business became complicated, long working hours and working on holidays increased, and employee stress and turnover increased ・ Increase in damages, labor costs, and outsourcing costs	・ Data backup, redundancy, system monitoring, sufficient maintenance services, and security measures ・ Utilization of cloud-based business services and cloud servers ・ Improvement of employee information literacy ・ Development of system BCP

Category	Risks	Content	Impact Level	Impacts	Countermeasures
Operational Risk	Impact on business assets	[Risk] ・ Changes in Items Handled ・ Changes in Large-Scale Customers	Significant Risk ・ Probability 3 ・ Impact 4	・Decreased sales or impairment due to changes in market conditions or preferences, crop losses, or accidents involving livestock and dairy products ・Decreased sales or income due to termination of contracts with major suppliers or credit deterioration	・ Develop investment plans that take risks into account ・ Head office backs up on-site operations ・ Quickly respond to deviations from plans
		[Opportunity] ・ Developing new products and business partners		・Strengthen business portfolio and promote growth strategy ・(Initial investment and initial cost are taken into consideration.)	
	Deterioration of service quality	[Risk] ・ Negligence due to operational error (Wrong shipment, wrong delivery, inadequate temperature control, dirty damage, noise, etc.)	Moderate Risk ・ Probability 4 ・ Impact 2	・Social Responsibility ・Impossibility of Business Continuation ・Loss on Consignment, Business Service Failure ・Loss of trust among business partners and suspension of business ・Liability for damages and increased insurance costs	・ Thorough employee education ・ Strengthening quality control and internal controls ・ Maintaining good communication with all stakeholders ・ Efficiency and standardization of on-site education through systemization ・ Coexistence and consideration for neighborhoods and local communities
Environmental Risk	Natural disasters	[Risk] ・ Earthquakes, tsunamis, typhoons, volcanic eruptions, torrential rains, heavy snow, etc. ・ Damage to roads, large-scale power outages, communication disruptions, etc.	Significant Risk ・ Probability 3 ・ Impact 6	・Impact on the lives of employees and their families ・Inability to come to the office or work ・Damage to warehouses, offices, facilities, vehicles, and loss of consigned goods ・Impossibility of business continuity (Stagnation of information systems, disruption of delivery routes, difficulty in obtaining fuel, loss of power sources, etc.)	・ Development of transport disaster prevention management ・ Preparation of evacuation drills and hazard maps ・ Installation of fuel-in-tanks and stockpiling of emergency supplies, water and food ・ Necessary and sufficient insurance ・ Maintenance of BCP ・ Safety confirmation system for employees ・ Private power generation and storage batteries ・ Disaster prevention items or portable toilets for drivers
Compliance Risk	Corruption and Bribery	[Risk] ・ Embezzlement, embezzlement, falsification, cover-up, bribery, etc.	Moderate Risk ・ Probability 3 ・ Impact 2	・Suspension of business due to administrative action or revocation of permission ・Damage to corporate value ・Loss of trust among business partners and suspension of business transactions ・Impact of rumors on business transactions ・Decrease in employee engagement and increase in turnover	・ Compliance education ・ Rewards and punishments based on rules ・ Dissemination of internal reporting and other remedies ・ Strengthening internal control functions and internal audit systems ・ Regular personnel changes

Category	Risks	Content	Impact Level	Impacts	Countermeasures
PEST Risk	Country risk	[Risk] ・ Country Risk in Countries Expanding Operations	Moderate Risk ・ Probability 1 ・ Impact 4	・Changes in economic growth, exchange rate fluctuations, political and economic turmoil, changes in laws and policies, inappropriate business practices, terrorist activities, epidemics, etc. ・Impact on the lives of employees and their families	・ Timely and appropriate grasp of international trends and backup system by head office ・ Business planning and management taking account of variability
Governance Risk	Mergers and Acquisitions	[Risk] ・ Possibility of Acquisition	Moderate Risk ・ Probability 1 ・ Impact 6	・Possibility of acquisition as a listed company	・ Medium- to Long-Term Enhancement of Corporate Value ・ Enhancement of Shareholder Value ・ Constructive Dialogue with Shareholders

Apart from business activities, the risk of fluctuations in the value of assets held by the Group may have an impact regardless of risk assessment.

Risks	Content	Impacts
changes in the value of investment securities	[Risk] ・ Future changes in the stock market ・ Deterioration of financial conditions of investment investee	・ For assets with a fair value, impairment loss is recorded if the fair value declines by 30% or more ・ For assets without a fair value, impairment loss is recorded if the net asset value declines by 50% or more and recovery is unlikely

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

(1) Outline of Operating Results

A summary of the financial position, operating results and cash flows of the Group for the consolidated fiscal year under review is as follows.

① Financial Position and Operating Results

As for the Japanese economy during the fiscal year under review, social activities fully resumed in wake of reclassification of COVID-19 to Class 5 under the Infectious Diseases Control Law. On the other hand, outlooks remain uncertain due to a slowdown of consumer spending along with high price of raw materials and energies on the background of unstable international circumstances, a prolonged depreciation of Japanese yen, and a continuing increase in any costs, including labor cost.

In the cold chain logistics for food products industry, which is the Group's principal focus, while food manufacturers mainly have passed an increase in costs to product prices to a certain extent, the handling volume of household chilled and frozen foods showed slow growth as consumers have been cutting down on their spending and selecting purchases more rigidly. However, the handling volume of commercial products has been recovering by the revitalization in the flow of people.

Amid these changes in social and economic environments, the Group began its 3rd Medium-Term Management Plan from FY2022 to FY2024. Setting as basic policy "Achieving sustainable low temperature zone logistics, meeting the needs of new cold-chains", the Group strives to expand new business of growing fields such as E-commerce related logistics and Pharmaceutical logistics, and to strengthen the existing business through some initiatives such as acquiring new facilities.

Additionally, in light of the diversification of distribution channels for low-temperature products, the Group revised the 3rd Mid-term Management Plan as a 3-years plan from FY2023 to FY2025, as announced on June 16, 2023. While continuing to promote the implementation of effective measures to sustain the food lifelines and realize the prosperous society with its function for chilled and frozen logistics, the Group added the following items as important measures and planed an additional investment of 10 billion yen to achieve them:

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

As a result of the above, operating revenue was ¥116,028 million (up 2.4% year-on-year), operating profit was ¥4,777 million (up 8.5% year-on-year), and ordinary profit was ¥5,194 million (up 5.3% year-on-year). Profit attributable to owners of parent was ¥3,283 million (up

7.4% year-on-year).

The following describes performance by segment.

a) TC Business (Transfer Center Business)

While the handling volume of chilled foods for convenience stores was recovered slowly, the Group secured revenue by negotiating price revision in accordance with an increase in costs, starting new businesses and expanding e-commerce related logistics business. As a result, operating revenue amounted ¥74,353 million (up2.7% year-on-year).

As for Segment profit, operating costs decreased mainly because replacements of operating vehicles were delayed due to the supply system issues of vehicle manufacturers, while labor costs increased by promoting part-time/temporary employees to full-time/permanent status and improved treatment for securing adequate human resources, and fuel costs increased due to high crude oil prices. In addition, promoting to expanding profitable businesses, including new business, contributed to the increase in profits. As a result, segment profit amounted ¥4,216million (up 23.3% year-on-year)

b) DC Business (Distribution Center Business)

While the slow recovery in the shipping volume of household frozen foods and the reorganization of logistical networks by certain customers brought negative impact on revenue to some extent, the handling volume those for business-use recovered. Besides, the Group also secured revenue by negotiating price revision in accordance with an increase in costs and expanding the handling volume in new facilities which started operation in FY2022. As a result, operating revenue amounted ¥39,699 million (up 1.3% year-on-year).

Segment profit was ¥4,670million (down 7.7% year-on-year), mainly due to the increase in labor costs for securing adequate human resources, while power costs reduced due to a change of electricity contracts.

c) Other

Other business segment includes the guarded transport, hospital-related distribution, temp service, and insurance agency businesses. Its operating revenue was ¥1,975 million (up 9.5% year-on-year) and segment profit was ¥209 million (up 24.1% 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 ¥12,414 million, up ¥4,246 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 ¥8,123 million (compared with net cash of ¥9,051 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 ¥8,067 million (compared with net cash of ¥5,832 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 provided by financing activities amounted to ¥4,189 million (compared with net cash of ¥878 million used in the previous fiscal year).

This was mainly due to an increase in proceeds from long-term borrowings, while decrease in net cash from purchase of treasury shares.

[Reference: Changes in cash flow indicators]

		FY2020	FY2021	FY2022	FY2023
equity ratio	(%)	50.0	50.7	51.3	43.5
Market value based equity ratio	(%)	53.2	33.6	34.0	62.9
Interest Bearing Debt Operating Cash Flow Ratio	(year)	2.1	2.3	2.3	4.1
Interest coverage ratio	(times)	39.2	37.3	37.2	27.1

③ Outline of Production, Orders Received and Sales

a) Operating revenue by segments

Segment	Operating revenue (Millions of Yen)	Year-on-year (%)
TC Business	74,353	102.7
DC Business	39,699	101.3
Other	1,975	109.5
Total	116,028	102.4

Operating revenue of main consignee is as follows

consignee	FY2022		FY2023	
	Amount (Millions of Yen)	Ratio(%)	Amount (Millions of Yen)	Ratio(%)
Mitsubishi Shokuhin Co., Ltd.	14,461	12.8	15,130	13.0

b) Operating revenue of outsourcing

Segment	Operating revenue (Millions of Yen)	Ratio of outsourcing (%)	Year-on-year (%)
TC Business	20,012	26.9	100.4
DC Business	10,552	26.6	101.3
Other	205	10.4	130.3
Total	30,770	26.5	100.8

(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. The Groupe 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, while food manufacturers mainly have passed an increase in costs to product prices to a certain extent, the handling volume of household chilled and frozen foods showed slow growth as consumers have been cutting down on their spending and selecting purchases more rigidly. However, the handling volume of commercial products has been recovering by the revitalization in the flow of people.

As a result of the above, operating revenue was ¥116,028 million (up 2.4% year-on-year). The reportable segments accounted for 64.1% of revenue from external customers in the TC business, 34.2% in the DC business, and 1.7% in other business.

(Consolidated ordinary profit)

During the fiscal year under review, operating costs decreased mainly because replacements of operating vehicles were delayed due to the supply system issues of vehicle manufacturers, while labor costs increased for securing adequate human resources, and fuel costs increased due to high crude oil prices. In addition, promoting to expanding profitable businesses, including new business, contributed to the increase in profits.

As a result, ordinary profit amounted ¥5,194million (up 5.3% year-on-year)

(Assets)

Assets amounted to ¥105,506 million, increased ¥14,155 million from the end of the previous fiscal year.

The major increases were ¥4,246 million in cash and deposit, ¥1,561 million in trade receivable account, ¥6,102 million in buildings and structures, net and ¥1,700 million in leased assets, net.

(Liabilities)

Liabilities amounted to ¥58,706 million, increased ¥15,002 million from the end of the previous fiscal year.

Major increases were ¥8,989 million in long-term borrowings and ¥1,952 million in lease liabilities.

(Net assets)

Net assets amounted to ¥46,800 million, decreased ¥846 million from the end of the previous fiscal year.

The major increase was ¥2,520 million in retained earnings, while the major decrease was ¥4,117 million in treasury shares.

(Cash flow)

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

The Groupe's 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, The Groupe 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.

III. 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

[Overview of Corporate Governance System]

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

The Company conducts self-evaluation and analysis on the effectiveness of the Board of Directors with the aim of improving the functions of the Board of Directors and increasing corporate value.

Regarding self-evaluation and analysis, the Company commissioned an external organization to conduct a questionnaire targeting all Directors who are members of the Board of Directors. Anonymity was ensured by responding directly to the external organization.

As a result of the survey on the February 2024, the Company has been given a generally positive evaluation and it believes that the effectiveness of the Board of Directors is ensured. Meanwhile, regarding the monitoring functions of the Board of Directors, some opinions were voiced on potential groupwide risks and measures to address them as well as opinions calling for the strengthening of the risk management system. In light of these opinions, the Company shared awareness on the issues regarding the further improvement of the functions of the Board of Directors and the revitalization of discussions. Going forward, the Company, keeping in mind this evaluation, will promptly address these issues upon sufficient discussions and consideration and continue to advance initiatives to heighten the functions of the Board of Directors.

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 are 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.

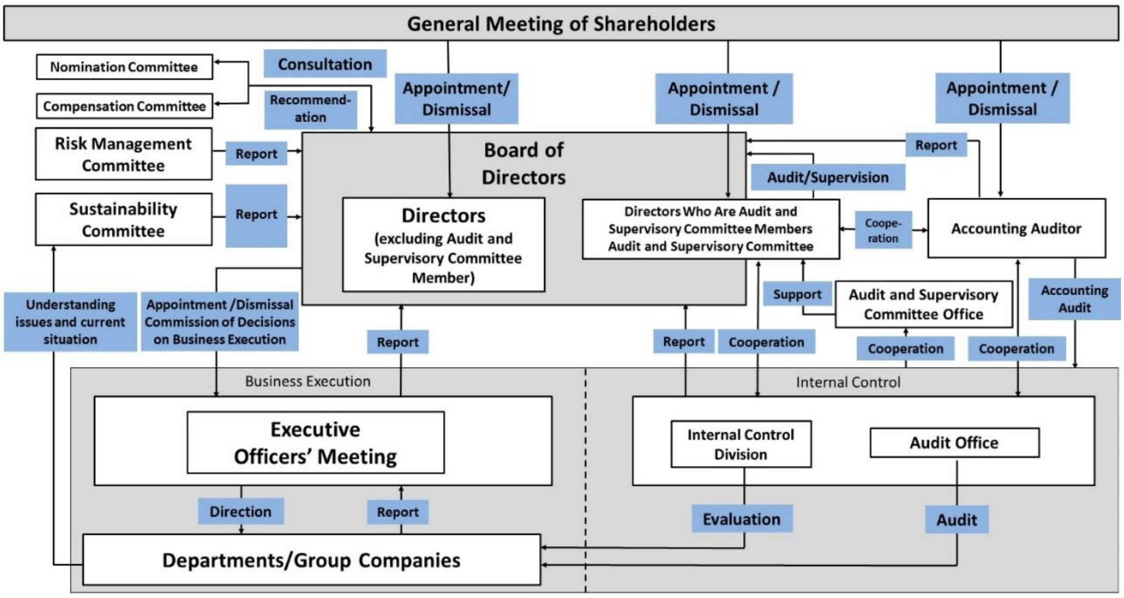
f) Internal Audit

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 provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Outside Directors to limit their liabilities. The limit of liability for damage under the agreement is the minimum liability amount stipulated in Article 425, Paragraph 1 of the said Act.

Corporate Governance System



[Basic Views on Internal Control System]

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 shall establish an internal audit system where the Audit Office independent of the business execution departments conducts internal audits of the Group and checks the status of compliance with laws and regulations and internal rules.

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 Executive Officers 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 Directors who are Audit and Supervisory Committee Members, 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 Activities of the Board of Directors

The Board of Directors is responsible for realizing sound and sustainable growth and medium-to long-term enhancement of corporate value of the Group. As the highest decision-making body, the Board of Directors makes decisions on important matters, including matters stipulated by laws and regulations and the Articles of Incorporation, as well as the ideal form, management strategy and management plan of the Group.

The main agenda of the Board of Directors for FY 2023 is as follows.

Matters to be resolved and discussed	・ Capital investment by operating companies. ・ Procurement of green loans (syndicated loans). ・ Formulation of human capital targets and indicators. ・ Possibility of holding cross-shareholdings. ・ Measures to realize management that is aware of capital costs and stock prices. ・ Formulation of the FY2024 budget.
Matters to be reported, etc.	・ Monthly performance report. ・ Shareholder status report. ・ Safety and quality report. ・ Evaluation of the effectiveness of the Board of Directors. ・ FY2022 CO2 emissions report and FY2023 measures.

⑤ Directors

a) Number of directors

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

b) Requirements for the Election of Directors

The Company stipulates in its Articles of Incorporation that the election of Directors shall be made by a majority of the voting rights of shareholders present who hold 1/3 or more of the voting rights of shareholders entitled to exercise voting rights, and that cumulative voting shall not be used.

⑥ Matters to be resolved at the Shareholders Meeting that can also be resolved by the Board of Directors

a) Organization for Deciding Dividends of Surplus, etc.

In order to enable the Company to flexibly implement its dividend policy and capital policy, the Company stipulates in its Articles of Incorporation that matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, such as matters related to dividends of surplus and acquisition of treasury stock, shall be determined by resolution of the Board of Directors, not by resolution of the General Meeting of Shareholders, unless otherwise provided for by laws and regulations. In addition, regarding the record date for dividends of surplus, the Company stipulates in its Articles of Incorporation that the year-end dividend may be paid on March 31 of each year, the interim dividend on September 30 of each year, and other record dates may be specified for dividends of surplus.

b) Exemption from Liability of Directors and Accounting Auditors

The Company stipulates in its Articles of Incorporation that, pursuant to 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 with respect to the acts set forth in Article 423, Paragraph 1 of the same Act within the limits of laws and regulations. The purpose of this exemption is to create an environment in which Directors and Accounting Auditors can fully exercise their abilities and fulfill their expected roles when performing their duties.

⑦ Requirements for extraordinary resolution of the Shareholders Meeting

The Company stipulates in its Articles of Incorporation that resolutions at the Shareholders Meeting prescribed in Article 309, Paragraph 2 of the Companies Act shall be made by 2/3 or more of the voting rights of shareholders present who hold 1/3 or more of the voting rights of shareholders entitled to exercise their voting rights.

The purpose of this resolution is to ensure the smooth operation of the Shareholders Meeting by relaxing the quorum for special resolutions at the Shareholders Meeting.

2. Status of stockholdings

(1) Standards and approach for classification of investment shares

With regard to the classification of investment stocks held for the purpose of net investment and investment stocks held for purposes other than net investment, the Company considers investment stocks held for the purpose of net investment to be investment stocks whose purpose is to receive profits from changes in the value of shares or dividends related to shares.

The Company considers other investment stocks held for purposes other than net investment. The Company's main business is to conduct business management of subsidiaries. All the stocks held by the Company are stocks of affiliates, and the Company does not hold any other stocks held for the purpose of net investment or purposes other than net investment.

(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 September 29, 2023, 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 number of issues held by shareholders for strategic purposes as of March 31, 2024 was 23 (including 14 issues held by listed companies), unchanged from the end of the previous fiscal year.