

## To Our Stakeholders -Message from the President-



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# Provide Comprehensive Logistics Services Around the World

We will drive Gemba-oriented value creation to become a “leading global 3PL company.”

## Review of the First Year of the Mid-term Management Plan “LOGISTEED2024”

**Keep increasing our sensitivity to environmental changes without being complacent with good business performance**

As stated in the message from the Chairman (→P11), we successfully reported a record high performance for the second consecutive year in FY2022, the first year of the Mid-term Management Plan “LOGISTEED2024.” On the other hand, we can clearly see a “change in the trends,” such that high freight rates in the freight forwarding business which had continued for the last few years are returning to the pre-COVID levels, and therefore, we should not be complacent with the good performance in the first year but further increase our sensitivity to the environmental changes and respond quickly and flexibly. The business environment surrounding the Group remains harsh and uncertain due to geopolitical risks associated with the U.S.-China feud and the Ukraine crisis, the rise in global inflation, and climate change risks as well as labor shortages and intensifying competition beyond industry boundaries, etc. In FY2023, the second year of “LOGISTEED2024,” I will demonstrate leadership as COO to ensure implementation of priority measures of “reinforce and expand overseas business,” “expand business domains with new added value,” “evolve Smart Logistics,” and “solidify ESG

management base.” Also, as cash generation is important to ensure implementation of these priority measures, we are working on initiatives to further upgrade our core 3PL business. Specifically, we will work on “Topline expansion,” “Enhancement of transportation capacity,” “Optimization of procurement cost,” and “Optimization of SG&A expenses,” etc. to achieve sustainable growth and increase corporate value. In particular, I will take the lead myself in “Topline expansion” and work intensively while expanding and strengthening various measures already in place.

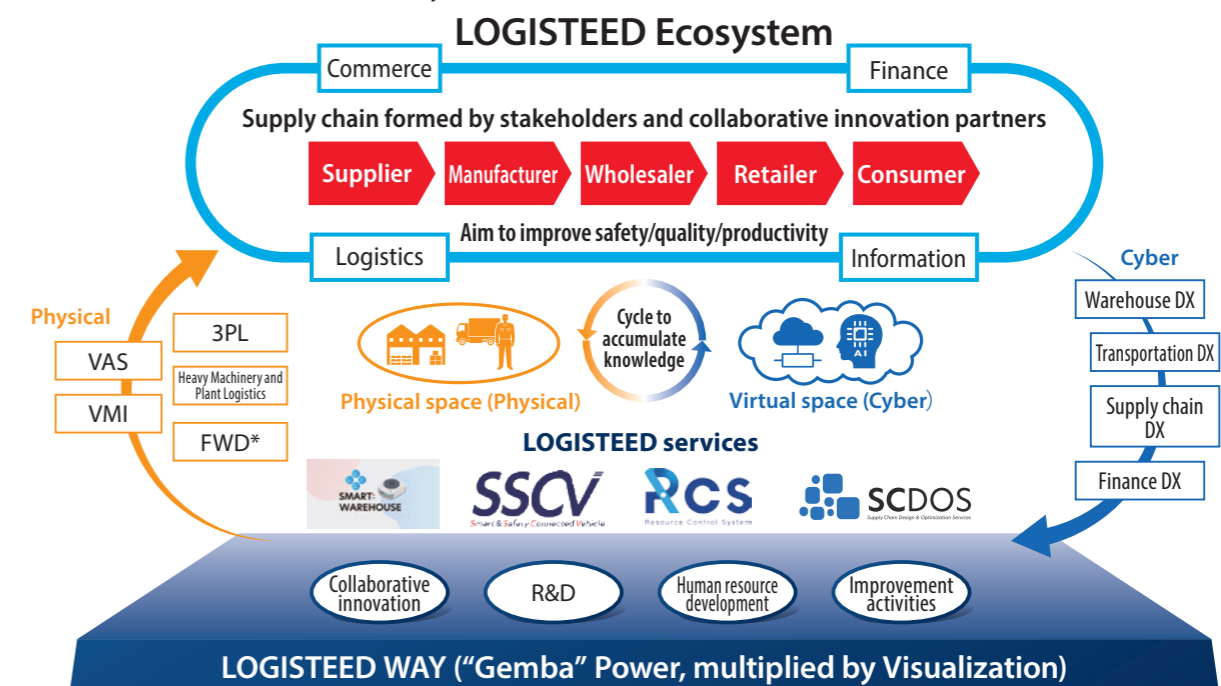
## Toward the Establishment of “LOGISTEED Ecosystem”

**Aim to establish Gemba-oriented “LOGISTEED Ecosystem”**

While we will work to further improve “safety, quality, and productivity” set forth as “Success Drivers” in “LOGISTEED WAY,” which shows the way the Group should be and the path it should take, we will also design a supply chain formed by stakeholders and collaborative innovation partners by integrating the four flows of “Finance,” “Commerce,” “Information,” and “Logistics.” Through the initiatives with the four flows, we aim to establish “LOGISTEED Ecosystem.”

For example, in the physical space, there are abundant business opportunities in the boundary domain between manufacturing and logistics in addition to the Group’s conventional services, and therefore we will continue to

### Establishment of “LOGISTEED Ecosystem”



\*FWD: Freight forwarding

provide services that contribute to our customers' value chains by expanding our value-added services (VAS) (→P76) and the vendor managed inventory (VMI) (→P76). In cyberspace, we will provide warehouse DX, transportation DX, supply chain DX, and financial DX to integrate the four flows of "Finance," "Commerce," "Information," and "Logistics" and collect the information of what is actually happening in the physical space as digital data. We will use those data for the digital twin to, for example, refine demand and work forecasts in cyberspace, and further expand and develop CPS\*1, the basic policy of our DX strategy. Especially in financial DX, we will promote the construction of a payment platform based on Web3 (distributed web using blockchain technology) and expand and accelerate collaborative innovation with various partners with the aim of providing new value such as "speeding up and stabilizing payment processing" and "reducing risks" in logistics-related areas.

\*1: Cyber Physical System

## Priority Measures in the Second Year of the Mid-term Management Plan "LOGISTEED2024"

### Steadily move forward toward becoming a "leading global 3PL company"

In FY2023, the second year of the Mid-term Management Plan "LOGISTEED2024," we will continue to work on each priority measure and make steady progress toward becoming a "leading global 3PL company."

First, with regard to the priority measure to "reinforce and expand overseas business," in FY2022, we achieved growth in the freight forwarding business as well as the 3PL business, including operation and transportation of parts centers for a leading construction machinery manufacturer in North America. In Europe, we proceeded with several initiatives, including the acquisition of the reverse logistics services for e-commerce operators from Vlková Partners s.r.o. in Czech Republic and M&A of Cyber Freight International Holding B.V., a pharmaceutical freight forwarding business operator in the Netherlands. In India, we are constructing a warehouse in Mumbai, which is scheduled to start operations in FY2023, and we also plan to build warehouses in Chennai and Bangalore by FY2024 and FY2025, respectively, to provide region-contained one-stop services combining domestic and international transportation. These new warehouses are designed to operate as large-

scale logistics centers for multiple cargo owners and provide high value-added logistics services. In China, we will expand our business to inland cities such as Hefei, Chengdu, Chongqing, and Wuhan mainly in the distribution and industrial fields, and also aim to grow steadily while accelerating the introduction of automation and labor-saving equipment.

Next, for the priority measure to "expand business domains with new added value," we are now identifying and digging deeper into customer issues and potential needs in various industries to continue expanding value-added services (VAS). Recently, we started in-plant services for an automobile parts manufacturer. In FY2023, we will deepen our linkage with consulting services utilizing SCDOs (→P76) and accelerate business expansion by solving customers' supply chain issues.

For priority measure to "evolve Smart Logistics," we will expand the use of the vehicle assignment system using quantum computers, which started operation in August 2022, with an aim to contribute to solving social issues by reducing the number of vehicles and CO<sub>2</sub> emissions and improving the working environment for drivers. We will also open a new hazardous substances warehouse in Chiba by the end of FY2023 to increase our capacity to handle hazardous substances mainly in the cosmetics/medical supply fields. As for SSCV, we will expand sales in Japan as well as overseas sales in China, Thailand, and other countries.

### Keep enhancing our strengths

In the second year of the Mid-term Management Plan "LOGISTEED2024," we will further enhance the strengths the Group has cultivated over the years, ability to accomplish operation, advanced logistics engineering capability, and global network, and speed up the solidification of our business and development of global business. First, to further strengthen our ability to accomplish operation, we will continue to secure and foster diverse human resources well-versed in logistics and further evolve our digital business platform. Especially with regard to visualization of sites using DX, we will continue our initiatives for "warehouse," "transportation," "supply chain" and "finance" as mentioned above, and we also opened the "Centralized Safety and Quality Control Center" in January 2023 to accelerate safety initiatives within logistics centers. Going forward, we will accumulate various data related to safety/quality/productivity/crime prevention, etc. obtained from logistics centers in the digital business platform and link it to artificial intelligence (AI), which will allow us to build a system that automatically predicts dangers and issues alerts without relying on human

monitoring and to provide it to customers as external DX. Next, to enhance our "advanced logistics engineering capability," we have implemented a unique educational program that fosters data analysis specialists, and raise the level of digital literacy. Also, as I mentioned above, we will build a payment platform that utilizes blockchain in the "Finance" initiative. By combining finance and the vendor managed inventory (VMI), we intend to develop it into a new differentiation point unique to the Group. In order to further enhance our global network, we will accelerate our overseas M&As with KKR with a view to achieving our goals of "consolidated revenues of ¥1.5 trillion and overseas ratio of over 50% in FY2030" set forth in "LOGISTEED2030." We intend to maximize post-acquisition synergies by choosing target companies with emphasis on whether they have clearly set policies and targets for their own growth. Meanwhile, in Japan, we will focus on M&As to enhance our in-house transportation capacity in order to cope with the 2024 issue and expand topline.

## Sustainability Initiatives

### Toward sustainable growth and increase of corporate value

As part of our efforts to "solidify ESG management base," one of the priority measures in the Mid-term Management Plan "LOGISTEED2024," we will enhance our sustainability initiatives by focusing on the three objectives to "contribute to decarbonized/recycling-oriented society," "build and evolve resilient, sustainable logistics services," and "create new values through collaborative innovation" with an aim to achieve sustainable growth and increase corporate value. First, to "contribute to decarbonized/recycling-oriented society," we will implement initiatives for each theme of energy saving, electrification, procurement of renewable energy, energy creation, and emissions trading toward the achievement of the medium-to-long term environmental targets 2030/2050. We are promoting these themes in Japan and overseas, and we will also contribute to decarbonization through our business by providing decarbonization monitoring services through SCDOs and promoting modal shift in Japan and overseas and joint delivery beyond existing fields. In terms of the objective to "build and evolve resilient, sustainable logistics services," as the declining birthrate and aging population are becoming apparent not only in Japan but also in China and Europe, we will accelerate the automation and labor-saving efforts in logistics operations including safety initiatives around the world. And to "create new values through collaborative innovation,"

we will focus on human resource strategies to address one of the material issues to "secure diverse human resources to support growth" and steadily implement the PDCA cycle to achieve various KPI targets to develop human resources with DX and global skills, improve employee engagement, and increase the percentage of female managers.

## To Our Stakeholders

### We will drive our efforts in Gemba (site) to become a "leading global 3PL company"

The Group will realize its vision of becoming a "leading global 3PL company" set forth in "LOGISTEED2030" through the initiatives mentioned above.

In my opinion, a "leading global 3PL company" means a company that not only meets the numerical targets for FY2030 but also operates comprehensive logistics around the world. Specifically, from a business perspective, it should be able to provide various logistics services comprehensively, including warehousing, transportation, freight forwarding, heavy machinery and plant logistics, and value-added services (VAS), to all customer industries. From a regional perspective, it should be able to provide services in all corners of the world, including South America, Africa, Canada, and Northern Europe, where the Group does not have a sufficient number of sites. I believe that the Group can become a "leading global 3PL company" only after we achieve them, and the Group will work with KKR to realize it in the most efficient and speedy manner.

I have been dedicated to on-site business for almost the entire 38 years since I joined the Company. I will strive to enhance on-site value creation that the Company has cultivated since its foundation and continue to lead the initiatives to become a "leading global 3PL company." We look forward to your continued support.

