**Message from the CFO**

In order to increase corporate value with a view to the next stage, we will focus on evolving cash flow management.

Hitoshi Honda
Managing Executive Officer and CFO
General Manager, Financial Strategy Office

I have been appointed as Managing Executive Officer and CFO effective April 1, 2023. As CFO, I will work to evolve cash flow management and increase corporate value toward the new stage of the Group. I would like to take this opportunity to introduce myself to all stakeholders.

In 1990, I joined a leading general electrical manufacturer and the development of the mid-term management plan for the company. As CFO, I will work to evolve cash flow management using accumulated experience.

Building on the prior experience, I joined a leading IT company as an executive officer in charge of corporate planning responsible for the enhancement of the group management and the expansion of the global business. Building on that time was about to transition to a holding company structure and launch a full-scale effort toward global expansion. So, I was in charge of designing the system of the holding company and administration, supervision, and business management, of group companies after acquisition for about three years.

I worked for were family businesses, so I spent a lot of time with the owner/president of each company and learned the importance of the cash flow management from them by listening directly to their stories about the difficulties they experienced, including the importance of cash management and the risk of cash shortages. Based on such experience, I intend to fulfill a role of “Guardian,” “Prophet,” and “Evangelist” of cash with emphasis on cash flow management.

First, as the “Guardian” of cash, I will execute accounting operations to accurately record cash as an asset in the ledger as well as ensure governance functions by keeping track of the whereabouts of cash in Japan and overseas and monitoring and preventing unauthorized withdrawals. Next, as the “Prophet” of cash, I will develop the most efficient funding and cash management plans based on cash flow projections taking into account future cash inflows and outflows and carry them out. Finally, as the “Evangelist” of cash, I recognize that CFO’s fundamental role is to clearly communicate and spread the importance of cash mentioned above and the method of cash flow projection, etc. within and outside the Company. As we need not only to hold cash but to turn it into an asset that creates value in order to further increase corporate value, we will focus on the enhancement of cash management and the improvement of asset efficiency.

**Evolve cash flow management using accumulated experience**

Based on the recognition of the above issues, in FY2022, the first year of the Mid-term Management Plan “LOGISTEED 2024,” we worked to expand topline, make various investments, and enhance our human resources, as well as proceeded with the priority measures to “reinforce and expand overseas business,” “expand business domains with new added value,” “evolve Smart Logistics,” and “solidify ESG management base.” As a result, revenues increased approximately 10% year on year to ¥114.3 billion, and adjusted operating income grew approximately 18% year on year to ¥45.8 billion, hitting a record high for the second consecutive year. I particularly appreciate the steady growth of overseas 3PL business while the freight forwarding business was affected by continued high freight rates.

**Fulfill a fundamental role as CFO as a “Guardian,” “Prophet,” and “Evangelist” of cash**

As mentioned earlier, during the 29 years before I joined the Company, I was engaged in finance and accounting work, financial strategy, business management, etc. at several companies, which I believe helped me understand the importance of the cash flow management.

For example, the general electrical manufacturer, the first company I worked for, had a large amount of interest-bearing debt and its financial position was far inferior to that of its competitor. So, I had a hard time managing cash flows every year. For example, we had to use cash generated from other businesses in the semiconductor business which required several hundred billion yen of capital investment per project. All the other companies I worked for were family businesses, so I spent a lot of time with the owner/president of each company and learned the importance of the cash flow management from them by listening directly to their stories about the difficulties they experienced, including the importance of cash management and the risk of cash shortages. Based on such experience, I intend to fulfill a role of “Guardian,” “Prophet,” and “Evangelist” of cash with emphasis on cash flow management.

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**Achievements and challenges in the first year and priority measures in the second year of the Mid-term Management Plan “LOGISTEED2024”**

Based on the recognition of the above issues, in FY2022, the first year of the Mid-term Management Plan “LOGISTEED2024,” we worked to expand topline, make various investments, and enhance our human resources, as well as proceeded with the priority measures to “reinforce and expand overseas business,” “expand business domains with new added value,” “evolve Smart Logistics,” and “solidify ESG management base.” As a result, revenues increased approximately 10% year on year to ¥114.3 billion, and adjusted operating income grew approximately 18% year on year to ¥45.8 billion, hitting a record high for the second consecutive year. I particularly appreciate the steady growth of overseas 3PL business while the freight forwarding business was affected by continued high freight rates.

**Cash management to evolve the ROIC management**

- Maximize cash inflows
  - Topline growth through data utilization
  - Portfolio management

- Minimize cash outflows
  - Cost reduction (standardization/labor-saving)
  - Enhance governance (digital audit)

Increase corporate value by improving cash management

**Visualize**

- Global core system
  - HR master
  - Customer master
  - Site master
  - Approval
  - Year-end closing
  - Transaction
  - Settlement
  - Contract
  - Internet
In the second year of the Mid-term Management Plan and onward, we will continue to provide financial support for the topline growth in Japan and overseas, etc. while improving cash management and asset efficiency, which will contribute to the increase in corporate value with an eye to the next stage. For example, as one of our initiatives to support topline growth, we will renew our global core system and build an integrated system that allows us to refer to and utilize customer information from Japan and overseas. We will also make active investment more than ever to generate future cash, accelerate enhancement and expansion of overseas business including M&As, and focus on expanding our business domains, evolving Smart Logistics, and solidifying ESG management base. We will use cash to be obtained by further improving capital efficiency and strengthening minimum cash operations for these investments.

**Determine minimum cash levels by data analysis and refine cash management**

In order to enhance cash management, we will fully introduce TMS* overseas and build a system that allows us to understand the real-time cash status of all overseas sites. It will enable us to keep track of daily cash movements and necessary working capital of each entity, country, and region and allocate surplus to growth investment by centrally managing cash with the cash management system and cash pooling, etc. We will determine the minimum cash level of the Group by analyzing the accumulated data and enhance growth investment while improving capital efficiency.

In terms of the initiatives for the ROIC management which we started in FY2018, we will add cash management to enhance the analysis of return on invested capital and having in-depth discussions on more efficient asset use. As awareness about invested capital and return is already widely spreading to each site, we will now focus on initiatives to further raise a sense of ownership of each employee by encouraging them to think “How would I invest if it were my own money instead of the Company’s money?” We recognize that my role as the “Evangelist” of cash is to further improve asset efficiency and further evolve the cash flow management, which the Group has been working so far, through these initiatives.

**Business portfolio management as financial strategy**

In terms of the business portfolio management, we will provide financial support towards the achievement of the quantitative targets of “consolidated revenues of ¥1.5 trillion and overseas ratio of over 50%” set in “LOGISTEED2030.” Specifically, we will first expand our business in India and ASEAN where economic growth continues, the U.S., Europe, etc. in order to expand our overseas business. In addition, we will aim to create synergies between businesses and expand the entire overseas business by enhancing the development of points in the 3PL business as well as the development of planes in the freight forwarding business. In the domestic business, we will strive to expand topline of the 3PL business and logistics-related services such as VAS/VMI. I believe that the Group’s strength of handling products as a logistics service provider will stand out more and more as the advancement of IT and digitalization will continue throughout society and products and information will be handled as a unit. Even if places or systems for manufacturing products change along with changes of the times, the essential role of the logistics industry to move and store products will remain unchanged, and therefore, we will support our domestic business by ensuring to capture such demand. Furthermore, we will aim for further growth by providing the Group’s expertise on automation and digitalization that we have cultivated in Japan, a front-runner country in addressing issues related to the declining birthrate and aging population, to overseas countries which may face similar issues in the future.

**Strengthen initiatives on forecasting data to further enhance financial “Gemba” Power**

As I mentioned earlier, awareness about invested capital and return under the ROIC management has spread to each site of the Group such as logistics centers, and data collection/organization and “visualization” to improve revenues have progressed. So, I recognize that our financial “Gemba” Power is steadily increasing. Meanwhile, in order to further evolve the cash flow management together with our new business partner KKR, we need to centrally manage such data as the company-wide data, rather than keeping it at each site, and use it as the company-wide forecast data while taking into account earnings forecasts. Accordingly, we are now further expanding the use of SPV*, which we introduced in 2017, and focusing on initiatives to increase data to be used for forecasting.

*1 Treasury Management System (TMS): A system capable of centrally managing the entire group’s fund and financial risk, etc.
*2 Smart Performance Visualization Platform (SPV): A system to manage domestic performance

**Toward further development of finance human resources**

Our efforts to evolve the cash flow management with KKR include the enhancement of human resource education in finance and accounting divisions in addition to initiatives implemented at each site. As part of such efforts, we focus on financial modeling education necessary for cash flow planning, which holds financial modeling contests in addition to classroom lectures in a bid to enhance our initiatives in which employees learn practical skills while having fun.

We will focus more than ever on dialogues with investors and other stakeholders

Although the Company’s shares were delisted in February 2023 after a series of capital policies, the Group and KKR have a plan to relist our shares for the new stage, and therefore, we will continue to disclose fair and highly transparent information in a timely and appropriate manner and focus on constructive dialogues with all our stakeholders. We are also committed to meeting your expectations by further increasing corporate value through our initiatives under “LOGISTEED2024/2030.” We look forward to your continued support.