Corporate Governance

Basic Principle
At the LOGISTEED Group, we consider corporate governance to be key to realizing even greater management transparency and efficiency, as well as ensuring that our business is carried out with compliance and in accordance with correct corporate ethics. By extension, the crux of corporate governance lies in increasing medium-to-long term corporate value and sustainable development.

LOGISTEED’s Organization Design
Effective March 1, 2023, the Company transitioned to a Company with Audit & Supervisory Board Members from a Company with a Nominating Committee, etc., and has the Board of Directors, Audit & Supervisory Board members, and accounting auditors. We ensure the objectivity and transparency of management by separating supervision of management and execution of business operations, and also adopted an executive officer system to speed up decision-making and clarify responsibilities and authorities for business execution. In addition, we established the Audit & Supervisory Board in order to improve the effectiveness and efficiency of audit activities by Audit & Supervisory Board members.

The Audit & Supervisory Board consisting of all Audit & Supervisory Board members meets once a month in principle to exchange information and hold discussions, such as on the status of audit, and also to receive reports from the accounting auditors and departments in charge of internal audit, etc. to exchange opinions. The Audit & Supervisory Board members receive reports from the accounting auditors in advance on their audit plan.

The Board of Directors consists of eight directors, including six outside directors, and established the Nominating and Compensation Committee to appoint executive officers. Each executive officer executes their duties under the direction and supervision of Representative Directors within the scope of their respective authority and responsibility.

Four Audit & Supervisory Board members attend the Board of Directors meetings to understand the important decision-making process and the status of business execution.

■ Primary roles of the Board of Directors, etc. (FY2023)

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Determines basic management policies, etc. and supervises the execution of duties by directors</th>
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<tbody>
<tr>
<td></td>
<td>Also makes a resolution focusing on specific discussions on the Mid-term Management Plan and fiscal budget in addition to matters to be resolved stipulated by laws and regulations, the Articles of Incorporation and the Board of Directors regulations</td>
</tr>
<tr>
<td>Male</td>
<td>7</td>
</tr>
<tr>
<td>Female</td>
<td>1</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit &amp; Supervisory Board Members/Audit &amp; Supervisory Board</th>
<th>Performs audits of directors’ business implementation and prepares audit reports</th>
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<tbody>
<tr>
<td>Male</td>
<td>3</td>
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<tr>
<td>Female</td>
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<table>
<thead>
<tr>
<th>Nominating and Compensation Committee</th>
<th>Makes proposals on the appointment of candidates for directors and Audit &amp; Supervisory Board members as an advisory body to the Board of Directors</th>
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<tr>
<td>Male</td>
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<table>
<thead>
<tr>
<th>Executive Committee</th>
<th>Deliberates on important issues related to business implementation</th>
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<tr>
<td>Male</td>
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The Current Corporate Governance System and Internal Control System
Under the “Basic Policy for Building an Internal Control System” established by the Board of Directors, the Company strives to develop and appropriately operate a system to ensure the appropriateness of the operations of the corporate group. The following illustrates an overview of the operational status. The Company transitioned to a Company with an Audit & Supervisory Board Members from a Company with a Nominating Committee, etc., on March 1, 2023, and the following is an overview of the operational status after the transition.

■ Overall internal control and internal audit
With regard to overall internal control, we have established and operate the internal control system of the Company and group companies, and perform an audit on a regular basis to effectively achieve the internal control goals.

As for internal audit, the Internal Auditing Office and other responsible departments as well as subsidiaries’ responsible departments conduct internal audits to confirm the status of compliance with laws and regulations and to deter violations of laws and regulations, and we have the “LOGISTEED Group Internal Whistle-blowing System,” which is the Company’s internal whistle-blowing system.

The results of internal audits and the status of the reporting under the compliance internal whistle-blowing system are regularly reported to the Board of Directors.

■ Risk management system
For compliance, information security, environment, disasters, quality control, export control, and prevention of antisocial transactions, etc., each responsible department established rules including “Rules on Prevention of Bribery,” “Standards on Information Security Measures,” and “Quality Assurance Control Rules.” The Company, together with its subsidiaries, prepared and distributed manuals for legal compliance, and holds e-learning on a regular basis. In addition, the Executive Committee deliberates and reports on compliance, information security, environment, disasters, quality control, export control, and prevention of antisocial transactions, etc. to understand the risk likelihood. The Board of Directors also deliberates and reports on important policies and internal rules.

■ Structure of group companies
We require our group companies to establish a system according to their size, as well as send directors and Audit & Supervisory Board members to subsidiaries and conduct audits, etc. of each department of subsidiaries on a regular basis. Also, the Company’s Board of Directors and Executive Committee deliberate important business matters related to subsidiaries in accordance with the “Group Company Management Standards.” In addition, we established basic policies such as the “LOGISTEED Group Code of Conduct” and share corporate social responsibility with group companies.
Compliance/Information Security

Compliance
In order to ensure management in compliance with laws and regulations, the Group has put in place a system to clarify compliance functions and set a compliance basic policy, including matters concerning anti-corruption, to be observed by all officers and employees, to ensure thorough compliance with laws and regulations, company rules, and corporate ethics. We have also established “LOGISTEED Group Code of Conduct” defining how all officers and employees should act in their daily operations as it is vital for the entire Group not only to comply with laws and regulations, including anti-corruption laws and competition laws, but also to act in accordance with corporate ethics in order to meet trust and expectations of the society.

Compliance education
To build a solid corporate culture that will not accept any compliance violations by deepening understanding of anti-corruption laws, warehousing business law, etc., we hold e-learning for all employees including officers and rank-based programs as well as group trainings targeting new directors of domestic group companies.

Attendance rate of Code of Conduct e-learning course (FY2022):
Scope: LOGISTEED, domestic/overseas group companies
97%

Procurement compliance education
To ensure fair procurement activities, we provide e-learning for procurement compliance targeting all employees, as well as special e-learning and group trainings on a regular basis for those engaging in procurement in domestic and overseas group companies.

Number of companies implementing education for those engaging in procurement (FY2022)
Domestic: 21 companies Overseas: 30 companies

Initiatives to prevent bribery
We recognize that anti-corruption is one of the most important compliance issues, and we are working to strengthen our management system particularly for bribery in Japan and overseas. In FY2022, we revised the “Anti-Bribery Rule”, etc. and renewed related rules as well as conducted examination of some business partners based on the revised rules.

Status of examination of business partners (customs clearance) those engaging in procurement (FY2022)
Examination rate:
98%

In FY2022, there were no complaints filed for the violation of security management system satisfies certain criteria. We have also acquired ISO/IEC 27001 personal information. We have also acquired ISO/IEC 27001 personal information protection and information security. We are also enhancing governance across the entire Group and working on education and simulation trainings for targeted threat emails for employees, responses to GDPR* in EU and other relevant laws in other countries, and personal information protection in Japan and overseas, in an effort to maintain and bolster security levels to provide safe and secure logistics services to customers.

Information Security
We recognize that the highest priority is to properly manage and protect information assets of customers and the Group, and accordingly the entire Group has been promoting the preparation of internal rules as well as education and awareness activities for employees. As part of our efforts to prevent information leakage and maintain a high-level security, we revise the internal rules in keeping with changes in social conditions and the overseas trend regarding personal information protection and confirm the management and operation status of personal information protection and information security. We are also enhancing governance across the entire Group and working on education and simulation trainings for targeted threat emails for employees, responses to GDPR* in EU and other relevant laws in other countries, and personal information protection in Japan and overseas.

Acquisition and maintenance of third-party certification
Privacy Mark/Information Security Management System (ISMS) LOGISTEED and its domestic group companies have acquired the Privacy Mark certification which certifies that a business operator has established a system to take appropriate measures to protect personal information. We have also acquired ISO/IEC 27001 which is an international standard certifying that an information security management system satisfies certain criteria.

Privacy Mark acquisition status (As of March 31, 2023)
ISMS Certification
18 departments

Customer privacy
In FY2022, there were no complaints filed for the violation of customer privacy.

For details of compliance information, please visit our website.

For details of information security, please visit our website.

Risk Management

The LOGISTEED Group strives to enhance the PDCA cycle of risk management to address risks that are difficult to foresee and require company-wide countermeasures by considering the identification of risk items (identification), risk analysis (quantification), risk assessment (prioritization), and risk response (response policy), with an aim to increase corporate value and achieve sustainable growth.

Definition and classification of risks
The Group defines risk as “the influence of uncertainty about our objectives and the possibility to influence the achievement of our strategy and business goals when an event occurs”. We classify recognized risks as follows based on their types (strategic or pure) and factors (internal or external) and quantify them by risk factors based on the probability of occurrence and the degree of impact to select priority risks which exceeds the reference point. We also prioritize risks based on the assessment points and focus on discussing countermeasures against them.

Risk classification
Internal factors
Environmental change risk
Growth risk
Operational risk
Hazard risk

Group’s policies
Prevent risks from occurring
Implement damage control assuming risks may occur
Agressively take risks to pursue growth
Hedge risks to minimize potential losses

Heatmap by risk factor (in descending order of priority)

As for disaster preparedness measures and business continuity management/BCP promotion system, please visit our website.
Risk factors

### Growth risk

**Risk factors**
- Description of risk opportunity
- Impacts when risk occurs
- Groups’ measures

#### Description of risk opportunity

- Risk: Business alliance
- Opportunity: Creation of a positive business environment (including capital and human resources)
- Description of risk opportunity
- Impacts when risk occurs
- Groups’ measures

#### Changes in business environment (technological innovations, etc.)

- Risk: Decrease in revenues or growth slowdown due to failure to promptly deal with technological and social changes and respond to late entry of new business
- Opportunity: Adoption of growth opportunities through the development of new technologies

#### Securing human resources

- Risk: Failure to acquire new customers
- Opportunity: Influence of business alliance on securing new business
- Description of the business
- Opportunity: Influence of business alliance on securing new business

#### Decrease in revenues or growth slowdown due to failure to acquire new customers

- Decrease in revenues or growth slowdown due to failure to promptly deal with technological and social changes and respond to late entry of new business
- Failure to acquire new customers
- Description of the business
- Opportunity: Influence of business alliance on securing new business

#### Performance of the Group’s measures

- Risk: 1. Decrease in human resources
- Opportunity: 1. Introduction of new human resources (including capital and human resources)
- Description of the business
- Opportunity: Influence of business alliance on securing new business

#### Environmental change risk

**Risk factors**

- Description of risk opportunity
- Impacts when risk occurs
- Groups’ measures

#### Sharp increase in costs

- Risk: Increase in cost of labor, fuel, energy consumption, labor cost, and utility cost, etc.
- Opportunity: Use of cost-effective materials and efficient production processes
- Description of the business
- Opportunity: Use of cost-effective materials and efficient production processes

#### Sharp fluctuations of exchange rates

- Risk: Exchange loss
- Description of the business
- Opportunity: Hedging through forward foreign exchange contracts

#### Climate change

- Risk: Increase in labor’s relative income (climate change and labor unrest)
- Description of the business
- Opportunity: Introduction of energy-saving measures and promotion of renewable energy

### Operational risk

**Risk factors**

- Description of risk opportunity
- Impacts when risk occurs
- Groups’ measures

#### Occurrence of incidents

- Risk: 1. Decrease in revenues and profit due to decline in customer and social trust
- Opportunity: 1. Introduction of new business
- Description of the business
- Opportunity: Introduction of new business

#### Compliance violation (including labor law, bribery, or violations of environmental, social, or ethical norms)

- Risk: 1. Violation of foreign exchange regulations
- Opportunity: 1. Introduction of new business
- Description of the business
- Opportunity: Introduction of new business

#### Determination of service quality

- Risk: 1. Decrease in revenues and profit due to decline in customer and social trust
- Opportunity: 1. Introduction of new business
- Description of the business
- Opportunity: Introduction of new business

#### System failure

- Risk: 1. Decrease in revenues and profit due to decline in customer and social trust
- Opportunity: 1. Introduction of new business
- Description of the business
- Opportunity: Introduction of new business

### Hazard risk

**Risk factors**

- Description of risk opportunity
- Impacts when risk occurs
- Groups’ measures

#### Specific disasters and global spread of infectious disease

- Risk: 1. Increase in profit due to decline in customer and social trust
- Opportunity: 1. Introduction of new business
- Description of the business
- Opportunity: Introduction of new business

#### Supply chain disruption

- Risk: 1. Increase in profit due to decline in customer and social trust
- Opportunity: 1. Introduction of new business
- Description of the business
- Opportunity: Introduction of new business

#### Weather, terrorism, and other external/external events

- Risk: 1. Increase in profit due to decline in customer and social trust
- Opportunity: 1. Introduction of new business
- Description of the business
- Opportunity: Introduction of new business

### As for risk factors other than those prioritized, please visit our website.