



C&F LOGISTICS

3rd Medium-Term Management Plan (FY 2022 - 2024)

Chilled & Frozen Logistics Holdings Co., Ltd.

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Note: In this presentation, we may refer to Chilled & Frozen Logistics Holdings as “CF,” or “the Group.” We may also refer to the Group’s core business drivers, Meito Transportation and Hutech Norin, as “MT” and “HN,” respectively

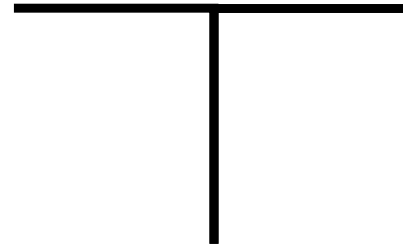
Chilled & Frozen Logistics Holdings Co., Ltd. was founded October 1, 2015, through the merger of “Meito Transportation”, a logistics company for chilled food products, and “Hutech Norin”, one for frozen food products.



Founded 1959. The company evolved as Japan's economy grew. Its main business is logistics services for chilled food products

Core business
Logistics for
chilled food products

Business integration
In 2015



Founded 1953. A growing provider of general logistics services with a focus on frozen food products

Core business
Logistics for
frozen food products



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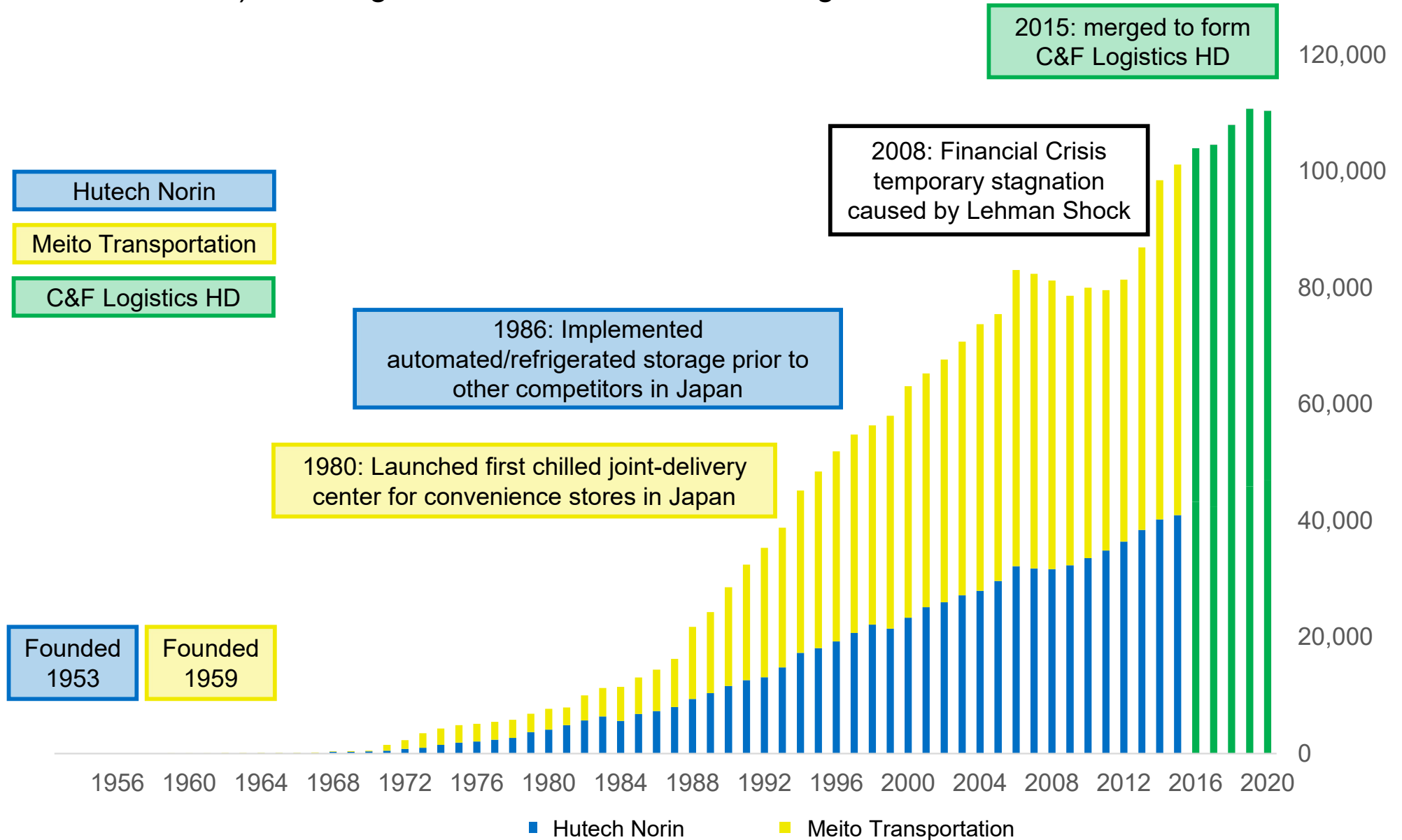
Chilled & Frozen

Logistics Holdings Co., Ltd.

The result of the merger was Chilled & Frozen Logistics Holdings, a major player supporting people's everyday diet by focusing on cold-chain logistics for food products, both chilled and frozen

Corporate Milestones and Business Performance

Both HN and MT grew steadily before the merger (MT entered a temporary stagnation after the Lehman Shock). Stable growth continued after the merger in 2015



(1) Nationwide distribution network

- We operate approximately 120 distribution centers nationwide and a fleet of approximately 2,800 low-temperature vehicles (total for Meito Transportation and Hutech Norin)
- We provide integrated, high-quality logistics services including warehousing, transport, and delivery leveraging our unique infrastructure

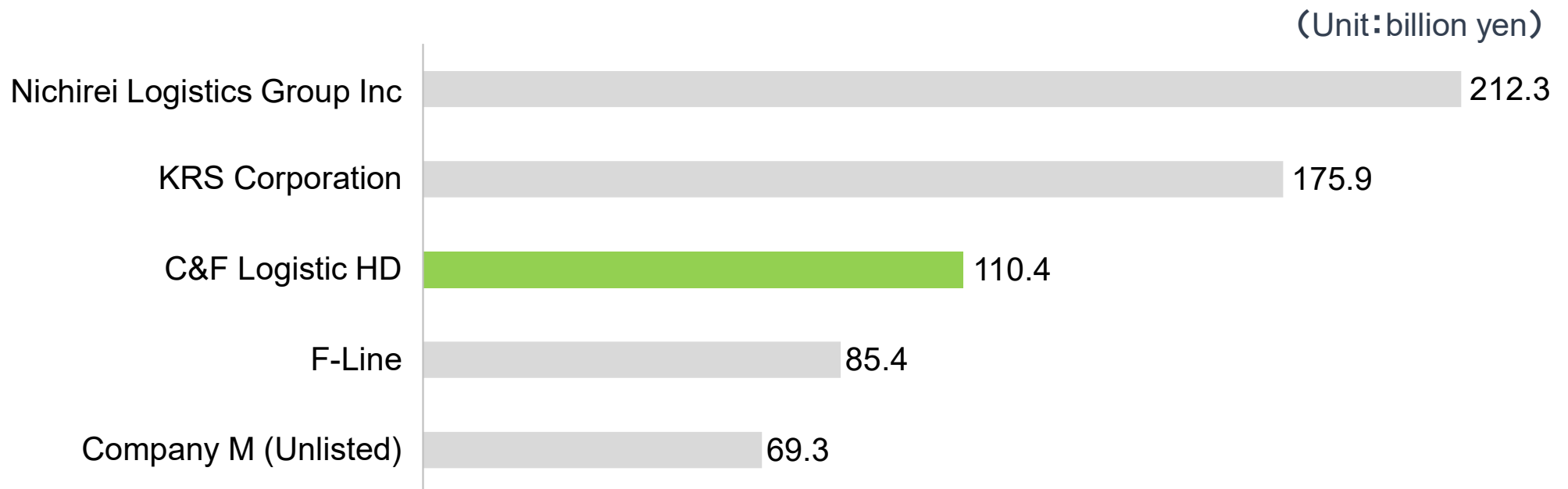
(2) 60+ years of expertise in cold-chain logistics

- Meito Transportation and Hutech Norin have been engaged in cold-chain logistics for food products for over 60 years. MT focused on chilled food products, HN on frozen food products
- We were the first company to launch and run "joint-delivery" systems for multiple temperature zones
- We provide a wide range of logistics services that go beyond simple distribution and storage services. This includes proposal-based marketing using our knowledge and experience, and logistics-related services such as supply-demand forecasts
- Leveraging our expertise in cold-chain management, we also engage in cold-chain logistics for products other than food, including transport/delivery of pharmaceuticals for which temperature control has become increasingly essential in recent years

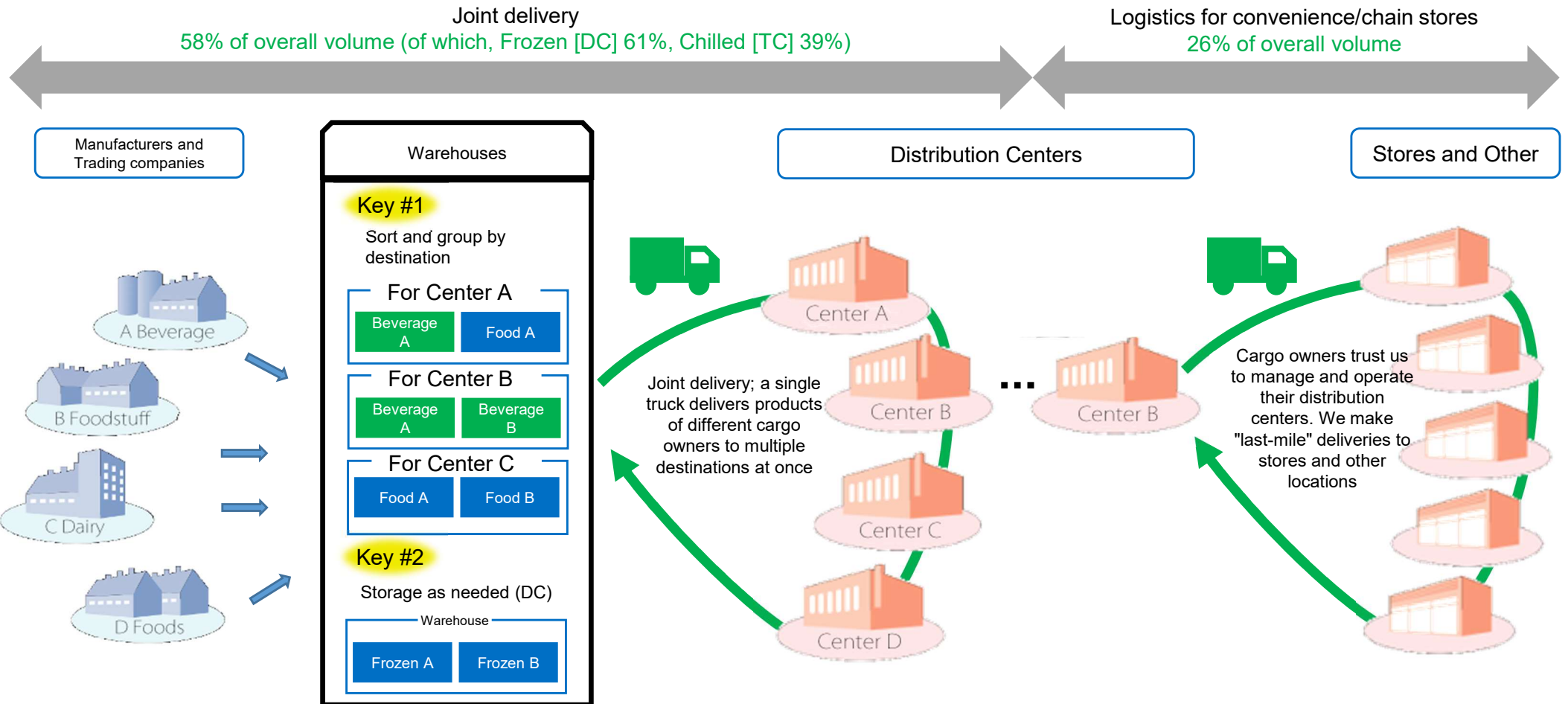
(3) Agile and flexible business as an independent logistics company

- We are one of the largest logistics companies focusing on low-temperature food products, and we are not affiliated with a specific manufacturing group
- Our services are agile and flexible, meeting the business needs of any cargo owner. We are not bound by ties to any specific partner through capital or other operations

The Group's operating revenue exceeds 100 billion yen, making us No. 3 in cold-chain logistics for food products, after Nichirei Logistics Group and KRS Corporation



Core Business Model



We can greatly reduce the time and effort needed to transport products to their destinations by gathering products of our cargo owners in the Group's warehouses and by making full use of bundled shipping. This reduces costs, risks arising from logistics workflow, and CO2 emissions

Logistics operations are more efficient when performed by a single party undertaking a series of interrelated operations covering manufacturers, trading companies, and stores

Basic Policies

Build new infrastructure and drive sales development

5 Basic Strategies

- (1) Develop infrastructure, to increase efficiency of existing businesses and seek new business opportunities
- (2) Increase revenue through proposal-based marketing, anticipating the needs of our customers
- (3) Implement new technologies to increase efficiency and stabilize existing operations
- (4) Secure human resources and use them well
- (5) Identify and plan a new growth stage

- The Group aims to secure and hold a leading position in cold-chain logistics for food products
- The Group seeks to enhance corporate value and continue to make strides as a logistics company that all stakeholders support

5 Basic Strategies	Assessment	Initiatives
(1) Develop infrastructure, to increase efficiency of existing businesses and seek new business opportunities	A	Establishment of new joint-delivery facilities (6) Enhancement and diversification of logistics functions <ul style="list-style-type: none"> ■ In-house trunk line transportation via relay-trucking method ■ Implementation of modal shift policies
(2) Increase revenue through proposal-based marketing, anticipating the needs of our customers	A	Acquisition of new customers by making proposals for improved efficiency through infrastructure development
(3) Implement new technologies to increase efficiency and stabilize existing operations	B	Implementation of the largest “automated storage and retrieval system(“AS/RS) in TC business Research on deployment of picking robots
(4) Secure human resources and use them well	A	Promotion of full-time employment Integration of personnel system and rules <ul style="list-style-type: none"> ■ Integration of payroll system, policy, and procedures ■ Establishment of training programs for respective layers of corporate hierarchy
(5) Identify and plan a new growth stage	B	Expand logistics business into other commercial items (non-food) in designated geographic areas (Pharmaceuticals and chemical industry products)

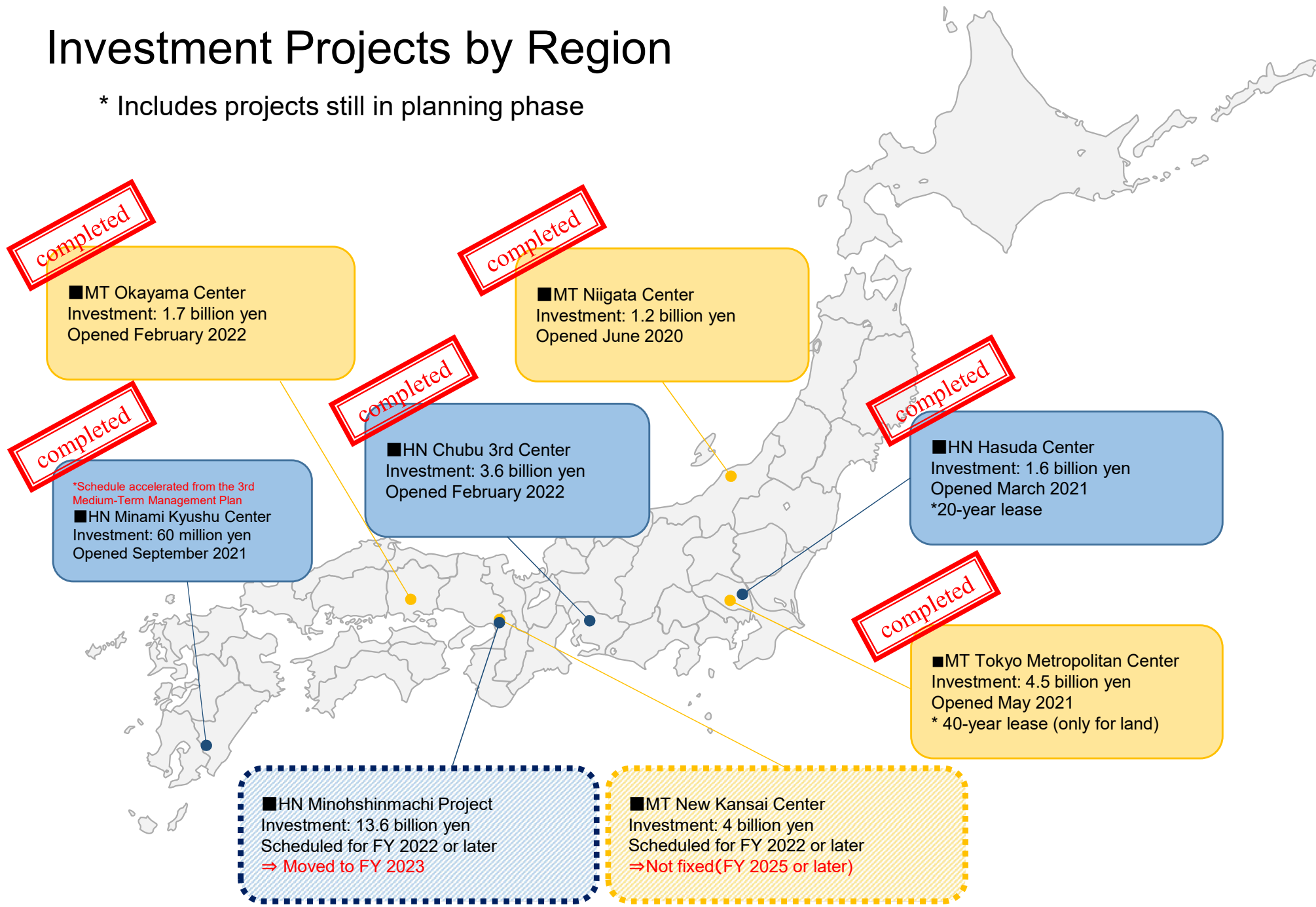
Establishment of new joint-delivery facilities

- All large-scale investment plans have been executed, and all branches and centers are now operating
- As the 3rd Medium-Term Management Plan is being accelerated, we set up HN Minami Kyushu Center, to build a stable and sustainable distribution network in Minami Kyushu area



Investment Projects by Region

* Includes projects still in planning phase



Enhancement and diversification of logistics functions

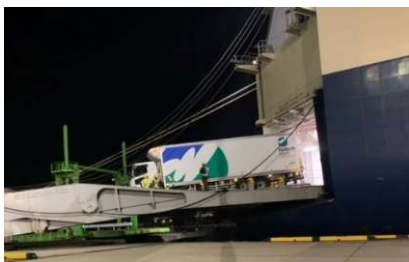
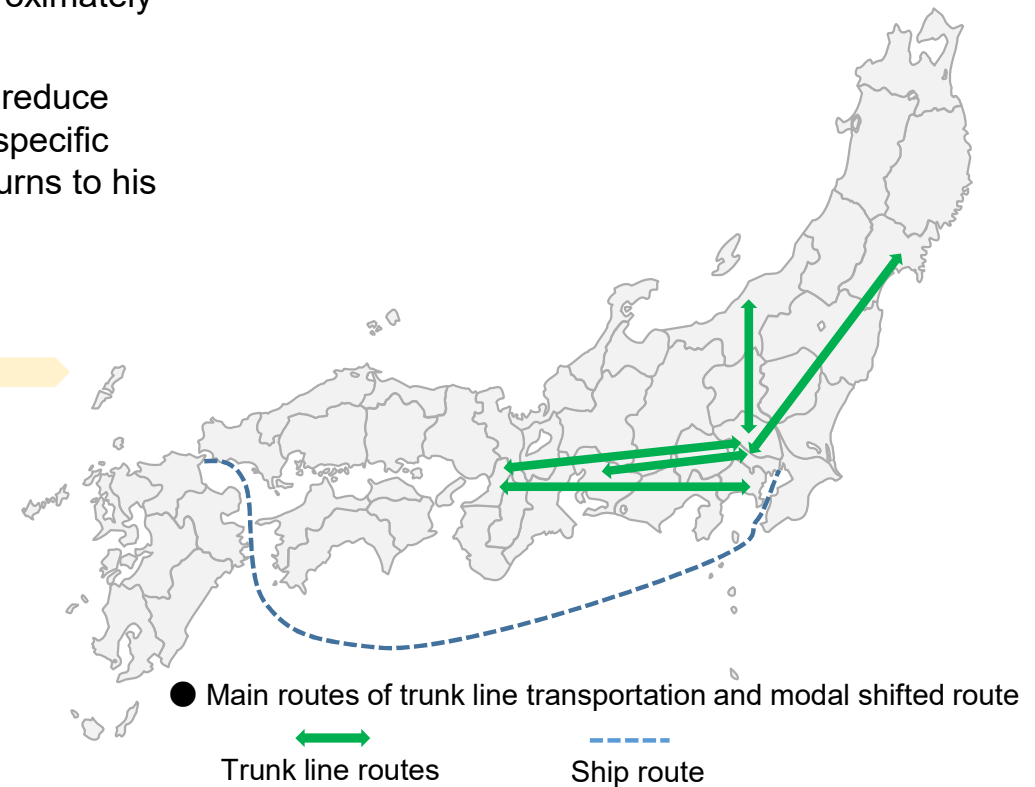
A. Bringing trunk line transportation in-house

- Using its bases in the Kanto Region, the Group operates approximately 1,800 trunk line transportation a year with its own trucks
- On some routes, we are using the “relay trucking” method, to reduce the burden of drivers. In this method, drivers switch trucks in specific locations such as highway parking zones, and each driver returns to his or her departure point

B. Implementation of modal shift policy

- Use RO-RO ships* on a regular schedule between Tokyo Bay and Kanda Bay
- Certified by Act on Advancement of Integration and Streamlining of Distribution Business (No.220)
 - Crew operating hours reduced by 1,873 hours/year (83.5%)
 - CO2 emissions reduced by 87.8 tons/year (55.0%)

*RO-RO ship: roll-on/roll-off ships, used to carry wheeled cargos



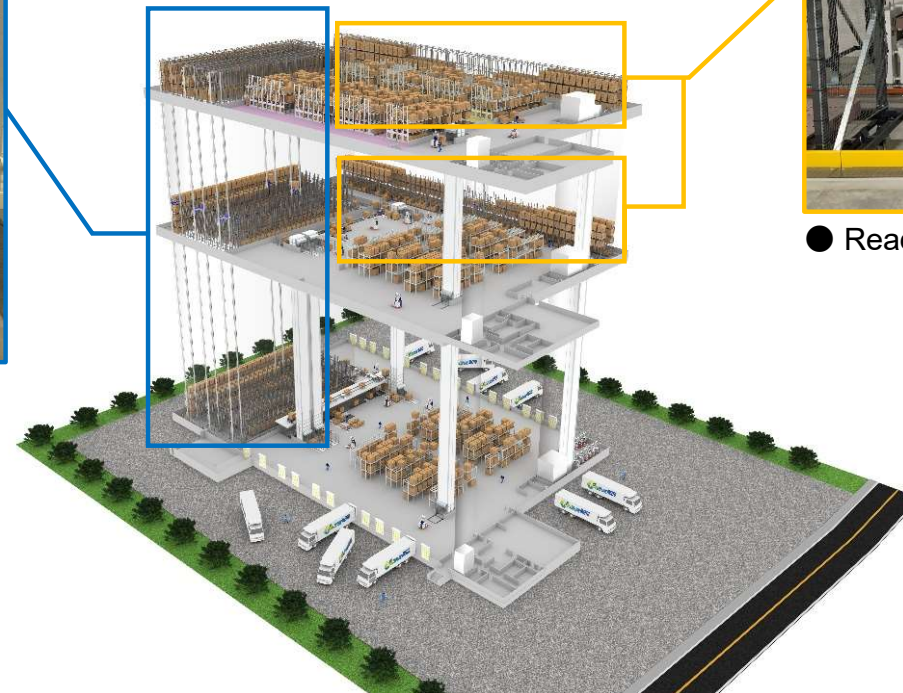
Act on Advancement of Integration and Streamlining of Distribution Business Certified Logo

Implementation of the largest AS/RS in TC business

- MT Tokyo Metropolitan Center, which opened in May 2021, installs our largest “automated storage and retrieval system(AS/RS). In the TC business, handling items are loaded and unloaded with relatively high frequency, and this system saves labor and delivers efficiency.
- In addition, we have set up ready-to-pick automated warehouse systems that reduce operational lines and boost the speed of the picking processes, further improving productivity



● Automated storage and retrieval system



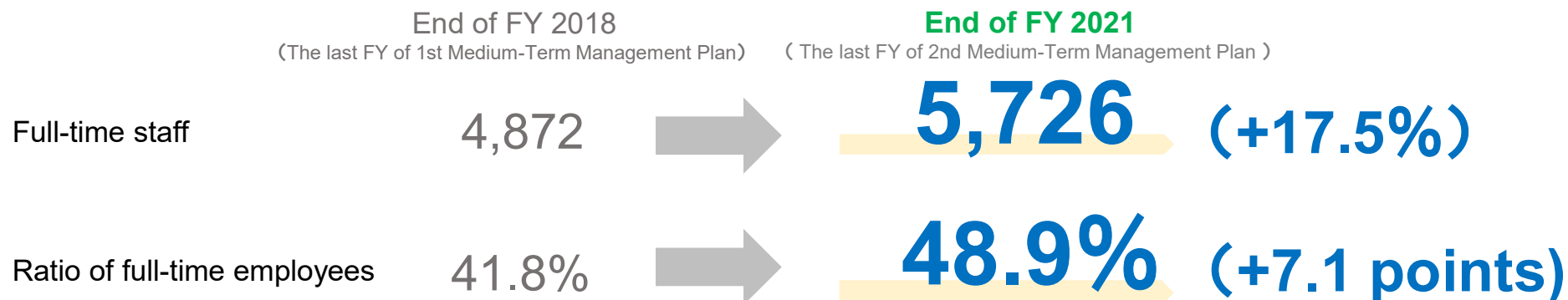
● Full picture of Tokyo Metropolitan Center



● Ready-to-pick warehousing system

Promotion of full-time employment

- To promote in-house operations and address the issue of long working hours, we actively promote full-time employment, especially for drivers and crew members



Integration of personnel system, policies, and procedures

A. Integration of payroll system and regulations

- The Group has completed its integration process on HR systems mainly from the organizational aspect, thus laying the foundation for smooth exchange of human resources beyond the boundaries of Group companies

B. Establishment of training programs for respective layers of corporate hierarchy

- In line with the integration of the policies and procedures, a set of the group-wide training programs have been created from the perspective of positions, length of service, etc.

Logistics services for other commercial items (non-food)

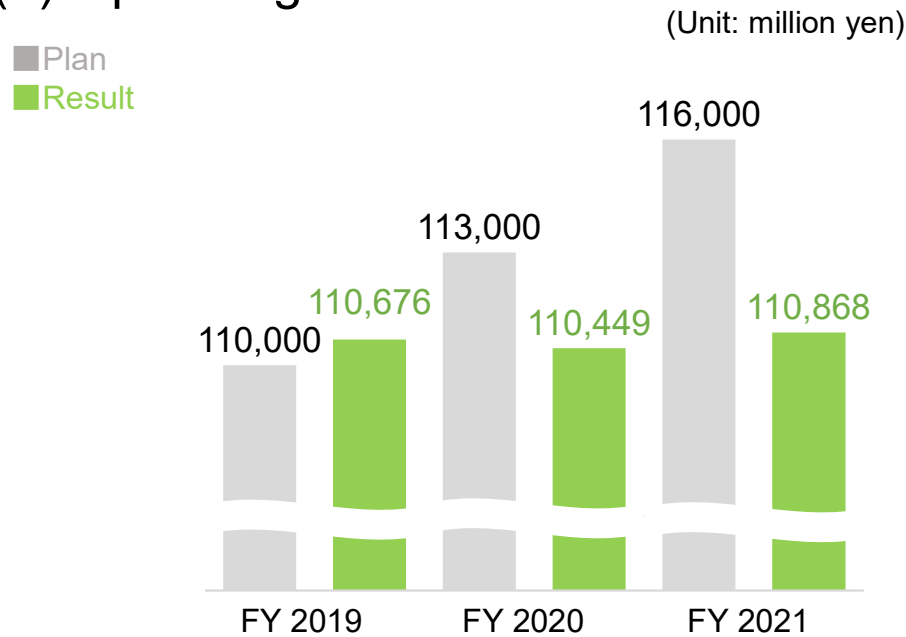
A. Transport/delivery of pharmaceuticals

- Technical regulations regarding temperature control in distribution have become more rigorous under the Good Distribution Practice (GDP) Guidelines for Pharmaceuticals
- We have been offering this service in the Chugoku region since 2019. In 2021, we began to expand the service and the customer base, centering on the Tokai area
- Although sales volume remains small, we anticipate increased demand in the future

B. Transport/delivery business of chemical industry products

- Since 2021, we transport/deliver chemical industry products which require low-temperature control in the Kanto and Koshinetsu areas
- The scale of sales, in comparison, remains at a test phase level

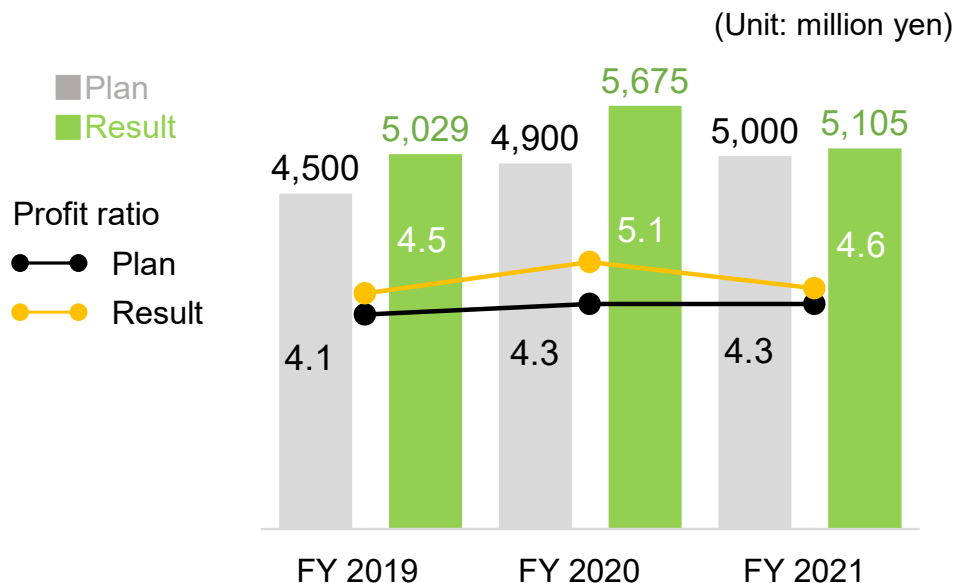
(1) Operating revenue



Key points

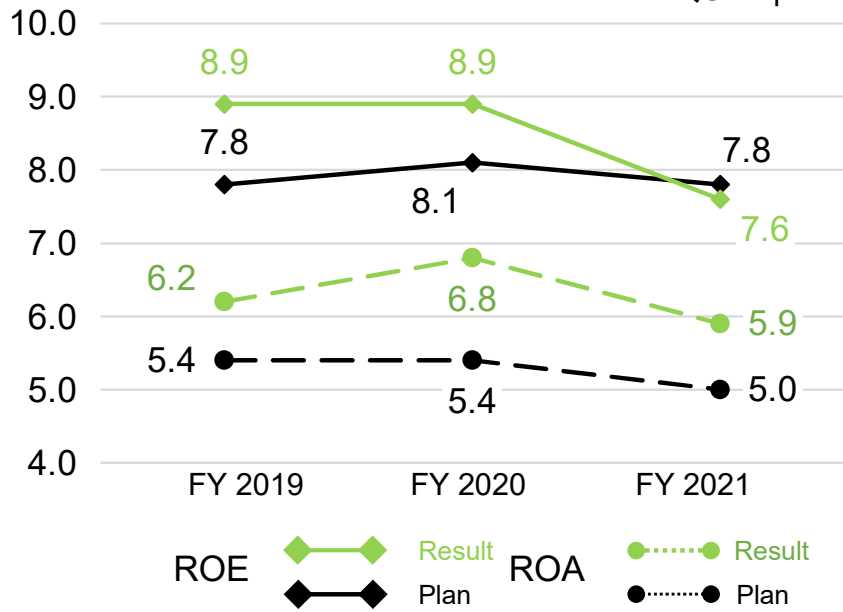
- The COVID-19 pandemic caused rapid changes in lifestyles, leading to a significant increase in demand for foods for household consumption, while inbound travel and demand for restaurant dining declined sharply. By FY 2021, the turbulence in demand had calmed down, and handling volume was returning to pre-pandemic levels
- Costs for labor and other factors increased, but the Group secured revenues by collecting appropriate fees from customers
- Regarding large-scale capital expenditures, operating revenue did not grow as expected due to delays in the start of operations in some projects. Project plans were re-examined due to delays in procurement of construction materials worldwide and soaring construction costs
- The Group succeeded in controlling labor costs by improving labor productivity, and reduced outsourcing costs by shifting to in-house operation, while continuing to improve employees' working conditions. Despite significant increases in fuel and utility costs in FY 2021 caused by rising crude oil prices, the Group continued to improve productivity, and achieved its goals for profit and profitability for the third consecutive year

(2) Ordinary profit



(3) ROE / ROA

(Unit: percentage)

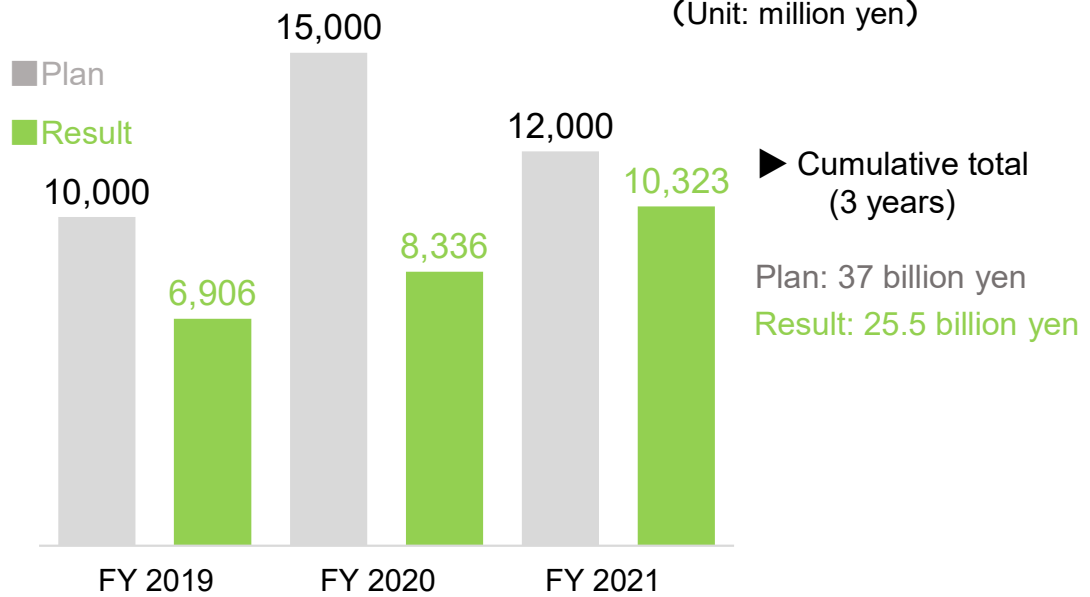


Key points

- The Group achieved the ROE and ROA goals set out in the Plan, by securing revenue through the collection of appropriate fees, increasing profits through improvements in labor productivity, and other positive factors
- However, ROE fell short of the planned target for FY 2021 due to increased fuel costs and new fixed costs incurred in the launch of large new facilities

(4) Capital investment

(Unit: million yen)



Key points

- With the exception of the HN Minohshinmachi Project, all major new capital investments planned at the initial phase have been implemented on schedule over a 3-year period in general
- The HN Minohshinmachi Project was carried over to the next Medium-Term Management Plan because of the project being re-examined due to delays in procurement of construction materials worldwide and soaring construction costs (scheduled to start operation in FY 2023)

Basic Policies

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

(1) Building a sustainable logistics business

(2) Strengthening the functions of existing businesses

(3) Promoting active investment in growth fields

+

(4) Realizing ROE that exceeds capital costs by rigorously monitoring capital structure,
we aim to boost our shareholder value through richer, proactive dialogue
with shareholders and robust shareholder returns

(1) Building a sustainable logistics business

- A. Contribute to the prosperity of society by protecting and securing food lifelines through chilled and frozen logistics operations, the area where the Group is proud of its strengths
- B. Build a logistics infrastructure that is decarbonized and friendly to the global environment
- C. Build a talent portfolio and strengthen corporate divisions through investment in human capital

(2) Strengthening existing businesses

- A. Sharpen existing businesses by reorganizing networks and continuing infrastructure investments
- B. Acquire new opportunities by establishing new joint-delivery business
- C. Reorganize and strengthen existing business models to respond to changing markets / customers' needs

(3) Promoting active investment in growth fields

- A. Low-temperature-controlled transport/delivery service for products other than food
- B. Advance into rapidly growing e-commerce logistics market
- C. Overseas businesses

Responding to Workstyle Reform Act before overtime regulations take effect

“Year 2024 Problem” in the logistics industry

- We foresee an emerging challenge regarding the restriction of working hours under the Workstyle Reform Act. The new rules and regulations will apply to motor vehicle driving work beginning in **April 2024**. A grace period is currently in effect
- New restrictions will govern overtime hours within a specified period. Violators may be subject to penalties such as fines and even imprisonment
- While all companies in the logistics industry are trying to work in good faith to operate within the law, there are **growing concerns** that rising costs for labor in logistics and other operations **will affect all players in manufacturing, transport/delivery, and sales sectors**

Measures implemented so far

- Core focus on **trunk line transportation**, which requires long working hours
(Past key measures)
 - Implementation of relay-trucking method
 - Using RO-RO ships on regular basis

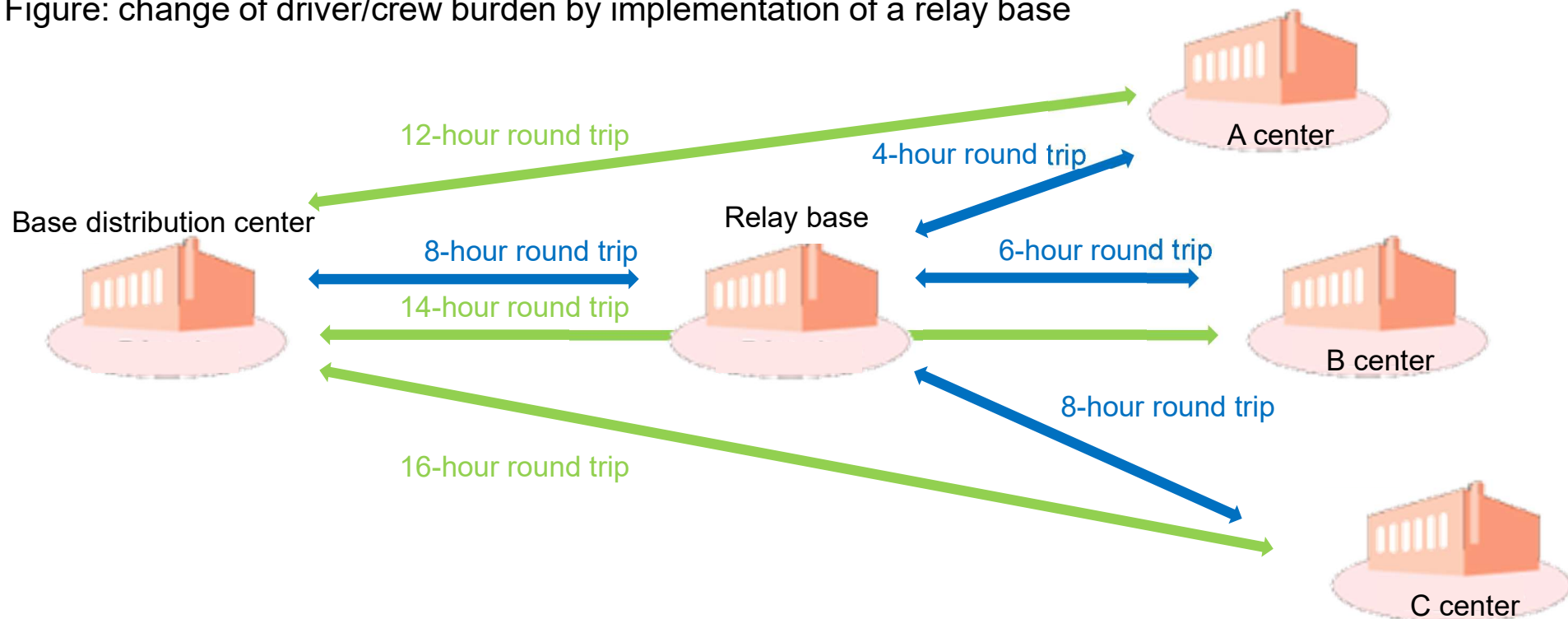
New measures in this Medium-Term Plan

- **All players in the sector will work together** to address the “Year 2024 Problem,” seeking a collaborative approach in **the area of joint-delivery and other initiatives in addition to trunk line transportation**
(Examples of new key measures)
 - Switching to pallet transport (frozen foods)
 - Reconfiguration of frequency and methods of transport/delivery

Reorganization/development of the relay distribution network and enhancement of logistics functions

- Establish a stable business foundation by developing relay bases for long-distance transport and promoting more in-house operations in some areas

Figure: change of driver/crew burden by implementation of a relay base



- Reorganize depots and manage the cargo allocation by owner to reflect diversification of inventories and maximize efficiency of delivery
- Add value for customers through use of integrated centers handling both chilled and frozen food products

Increasing profitability by expanding pharmaceuticals distribution

- Expand pharmaceuticals distribution business by offering high-quality services including proper temperature control, ahead of introduction of Good Distribution Practice (GDP)
- Increase profitability by handling high value-added products
- Discussion is underway to expand services nationwide from the current limited area

Advancing into growing e-commerce logistics business

- Expand services equipped with functions that can demonstrate the Group's landmark strength in the cold-chain logistics
- Respond to the needs of upstream players (such as cargo owners and manufacturers)
- Innovate a wide range of services, including DtoC, with a viewpoint of collaborating with delivery companies like couriers based on the needs of end consumers and downstream players

Basic Policies

Realizing enhancement of shareholder value and corporate value based on increasing profit margins through an optimal capital structure

Principles

- (1) Set quantitative target of **8% or higher** for **ROE**
- (2) Improve shareholder and corporate value by **sustainably improving operating profit margin**
- (3) Increase dividend payout ratio and **enhance shareholder returns** through execution of flexible share buybacks
- (4) **Consider raising leverage ratio** while always ensuring financial soundness
- (5) **Lower Cost of Capital** through optimized capital structure

A. Higher operating profit margin

- Operating margin declined significantly in FY 2021 compared with the previous fiscal year due to increased costs for labor, fuel, utilities, and depreciation
- We will improve margin through prioritized measures declared in the 3rd Medium-Term Management Plan

B. Increase dividend payout

- Increase annual dividend per share to 28 yen from 22 yen in FY2022
- For dividend payout ratio, the near-term standard shall be at least 20%, with a medium- to long-term target of at least 30%

C. Optimization of capital structure through share buyback and raising leverage ratio

- Depending on capital surpluses and financial soundness, we will consider share buyback totaling approximately 5 - 7 billion yen
- We anticipate our optimal capital structure will include a D/E ratio of about 0.75x and a capital adequacy ratio of approximately 45%

« Summary of target figures »

(Unit: millions of yen)

	FY 2021 Results	FY 2022 Estimate	FY 2023 Target	FY 2024 Target
Operating revenue	110,868	112,800	114,600	118,800
Operating profit	4,482	5,060	5,100	5,500
ROE	7.6%	8.0% and higher		
Capital Adequacy Ratio	50.7%	Approx. 45%		
Capital Expenditure	10,323	27,000		
Payout ratio	18.9%	20% and higher (medium/long term target: 30% and higher)		

We are committed, with integrity and dedication, to address social issues associated with sustainability, including climate change, and to drive sustainability initiatives

(1) Establishment of task force for promotion of sustainability

As of April 1, 2022, the Group newly appointed a "Director in Charge of Sustainability," and launched a "Sustainability Promotion Department"

(2) Sustainability policy development and materiality identification

A. Sustainability Policy

“The C&F Logistics Holdings 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” to realize a sustainable logistics business, and practices “Sustainable Management” to create next-generation logistics together with its stakeholders”

B. Identification of Materiality (important issues)

After identifying and organizing the importance of social issues including SDGs, the Group has extracted themes that have great impact on society and the environment from the perspectives of both business and stakeholders, and that are of great importance in enhancing corporate value and continuing the business of the Group, and has identified 5 categories of materiality to be focused on for conducting sustainable management



Contributing to reduction of environmental impact through capital investment and business practices

(1) Use of refrigerators with environmentally-friendly natural refrigerant (ammonia)

- We have been using refrigerators that use ammonia, a natural refrigerant, and are now considering plans to switch to more such apparatus
- During the the 2nd Medium-Term Management Plan, Hutech Norin Hasuda Center, the Chubu Branch 3rd Center, and the Kanto Branches (gradual transition) have installed this apparatus. Our initiative was certified as a "project to accelerate the introduction of energy-saving natural refrigerant equipment for the early realization of a CFC-free and low-carbon society"

	FY 2020		FY 2021	
Annual CO2 Reduction Targets (Plan)	Hasuda Center	:967.3 tons	Chubu Branch 3rd Center	:768.6 tons
	Kanto Branches (a part)	:579.6 tons	Kanto Branches (a part)	:340.9 tons

(2) Introduction of hybrid (HV) and electric vehicles (EV)

- As of the end of March 2022, we have replaced **approximately 3%** of our fleet in service with HV and EV
- Fuel cell vehicle (FCV) is being tested in some store delivery operations

(3) Modal shift by use of transport ships (refer to page 11)

(4) Reverse logistics (industrial waste recovery) initiatives

Under the leadership of Beisia and within the scope of its retail store delivery operations, a total of 7 logistics companies (including K2 Corporation, a subsidiary of the Group) received the 22nd Logistics Environment Award in recognition of efforts to reduce CO2 emissions through more centralized and efficient collection of empty cardboard boxes (June 2021)



Collection of empty cardboard boxes from stores was consolidated into 5 distribution centers in corresponding areas. A dramatic improvement in efficiency was achieved by using 6-wheeled carts that can collect a large number of used boxes at a time on the way back to designated centers after deliveries. K2 Corporation is in charge of Nagano and Niigata Prefectures



Used and empty cardboard boxes
(K2 Chikuma Center)

(5) Installation of solar power generators

- Solar power generators were installed on the rooftops of our facilities at 4 locations in Japan and overseas. We will consider active adoption of such generators in future



MT Tokyo Metropolitan Distribution Center



Meito Vietnam 2nd Warehouse

Creating new value in cold-chain logistics for food products



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*This document has been prepared for the purpose of providing an overview of Chilled & Frozen Logistics Holdings' Medium-Term Management Plan. The purpose of this document is not to solicit the purchase or sale of shares, etc. of Chilled & Frozen Logistics Holdings. Please also note that the figures in this document may change due to external factors such as future economic conditions, business environment, etc.

If you have any inquiries regarding this document, please contact us using the contact details provided below

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