

May 10, 2022

To All Concerned Parties

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Notice Concerning 3rd Medium-Term Management Plan

Chilled & Frozen Logistics Holdings Co., Ltd. ("C&F") announces that it has formulated the 3rd Medium-Term Management Plan for the three years from fiscal 2022 (ending March 31, 2023) to fiscal 2024 (ending March 31, 2025).

I. 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.

II. Environment Surrounding the Group as a Prerequisite

Currently, environmental and social issues are becoming apparent worldwide, and awareness of sustainability issues is rapidly increasing. In order for a company to conduct business activities sustainably, it is necessary to contribute to the resolution of various issues through its core business so as to make the environment and society, which are the foundation of the company itself, sustainable.

In the cold chain logistics for food products which is the Group's principal focus, while stable growth in demand for frozen and chilled foods continues in the context of lifestyle changes, demand for cargo has changed rapidly as of late under the influence of changes in the food scene under the COVID-19 pandemic. On the cost side, while labor-saving and cost-saving measures are being promoted through the introduction of various efficiency mechanisms such as digitalization, the surrounding environment is becoming increasingly severe, as seen in the persistently high construction and fuel prices and the continuing rise in labor costs.

In addition, from a medium- to long-term perspective, the industry has been divided into businesses that have become mature industries and those that are expected to grow, and there is a risk of falling into excessive competition if existing businesses are expanded based only on past experience. This has led to a situation where it is necessary to consider advancing into businesses that are expected to grow.

III. 3rd Medium-Term Management Plan

1. 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, we will build a sustainable cold chain logistics business that fulfills our responsibilities for the future and enhance our corporate value.

2. Basic Strategy (Key Measures)

(1) Building a Sustainable Logistics Business

- ① Protect food lifelines and promote logistics operations that contribute to the creation of a prosperous society.
- ② Build a logistics infrastructure that is friendly to the global environment toward the realization of a decarbonized society.
- ③ Emphasize diversity and create a comfortable and rewarding workplace environment for all employees.

(2) Enhancing Corporate Value through Strategic Financial Structure

- ① Actively optimize the balance between capital and liabilities and conduct management that maintains and continues ROE of 8% or higher.
- ② In order to improve capital efficiency, make appropriate capital allocation, and at the same time, make investment with an awareness of capital cost.
- ③ 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

- ① Promote the strengthening of the profit structure of the joint delivery business by reorganizing the network and developing new functions.
- ② 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.
- ③ Reorganize and strengthen existing business models that meet the needs of customers and markets.

(4) Promoting Investment in Growing Fields

- ① Promote the injection of management resources into growing markets, including expansion into EC-related logistics.
- ② Expand new business domains utilizing temperature control technology.
- ③ In overseas business, invest in projects that can be expected to achieve stable growth while increasing sensitivity to country risk.

3. About Financial Strategy

(1) Basic Policy

Based on the basic policy of "Realizing Enhancement of Shareholder Value and Corporate Value Based on increasing Profit Margins and Through an Optimal Capital Structure.," the following financial target figures are set from the three perspectives of sustainable growth, ensuring financial soundness, and enhancing shareholder returns under this policy.

(2) Target figures

	FY2022 (Performance forecast)	FY2023 (Performance target)	FY2024 (Performance target)
Consolidated operating revenue	112,800 million yen	114,600 million yen	118,800 million yen
Consolidated operating profit	5,060 million yen	5,100 million yen	5,500 million yen
ROE (Return on equity)	8.0% or higher		
Capital adequacy ratio	Approx. 45%		
Dividend payout ratio	20% or more		
Capital investment	27,000 million yen		

4. Shareholder Return Policy

The Company has positioned its financial strategy as one of the basic strategies of the 3rd Medium-Term Management Plan and will meet shareholder expectations through flexible shareholder return measures (such as raising dividend payout ratios and acquisition of treasury shares) aimed at improving shareholder value with a quantitative target of ROE of 8% or higher.

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