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March 15, 2024

To All Concerned Parties

Company Name: Chilled & Frozen Logistics Holdings Co., Ltd.
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Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Chilled & Frozen Logistics Holdings Co., Ltd. ("the Company") announces that, at a Board of Directors' meeting held on March 15, 2024, it has resolved policies and targets, and specific initiatives for improvement as Action to Implement Management that is Conscious of Cost of Capital and Stock Price through an analysis of the current situation.

I. Analysis of the current situation [Consolidated management indicators]

indicators	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Net profit ratio (%)	2.6	2.5	2.6	3.1	3.3	3.0	2.7
PBR(x)	1.16	1.09	0.84	0.79	1.07	0.66	0.66
ROE (%)	8.4	7.6	7.7	8.9	8.9	7.6	6.7

ROE remains sluggish in the last years, while it had changed around 8.0% since its management integration. the Company considers it is caused by a decrease in net profit ratio in parts.

In the 3rd Medium-Term Management Plan (from FY2023 to FY2025), the Company has set a target of achieving ROE8.0% by the end of its period. the Company believes that it will exceed the cost of shareholders' equity and lead to a sustainable enhancement of corporate value by achieving this target.

The Company recognizes it is necessary to increase the profit margin in order to increase the return on capital as well as to offer information about these initiatives to investors in an easy-to-understand and timely manner.

II. Policies for improvement

In light of the analysis of the current situation, the Company focuses on formulating and promoting a sustainable growth strategy and will achieve ROE8.0% or higher through both business and financial approaches based on the basic strategy and financial strategy set forth in the 3rd Medium-Term Management Plan. In addition, it sets up the long-term target focused on an increase in operating revenue and becomes aware of the achievement of sustainable growth.

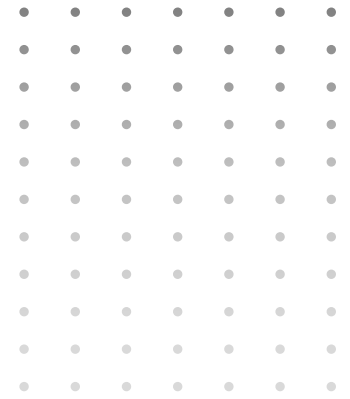
Besides, C&F also try to strengthen the communication with stakeholders and offers its current initiative and growth strategy in an easy-to-understand and timely manner to encourage constructive dialogue with stakeholders and enhance corporate value.

III. Specific initiatives

Base on above-mentioned polices, C&F promote the following specific initiatives to implement management that is conscious of cost of capital and stock price and realize sustainable growth and high profitability.

- (1) To strengthen revenue base and develop sustainable growth by fostering more investments
 - Enhancing “low-temperature logistics business” based on selection and concentration.
 - Promoting Investments for the development of new technologies and the environmental issues as sustainability initiatives
 - Investing human capital to materialize ‘Human Capital Management’
- (2) To implement efficient management with financial approach
 - Enhancing corporate value by realizing the most optimal capital structure.
 - Strengthening shareholder return.
- (3) To encourage constructive dialogue with stakeholders by strengthening communication with them
 - Offering the current initiatives and growth strategy in an easy-to-understand manner with sufficient IR framework and enhancing initiatives for stakeholder engagement.
- (4) To enhance corporate governance and corporate value by activating the internal organization
 - Operating the cross-sectional committees to enhance corporate value.

*Please refer to attached file for more specific information.



Action to Implement Management that is Conscious of Cost of Capital and Stock Price

March 15, 2024



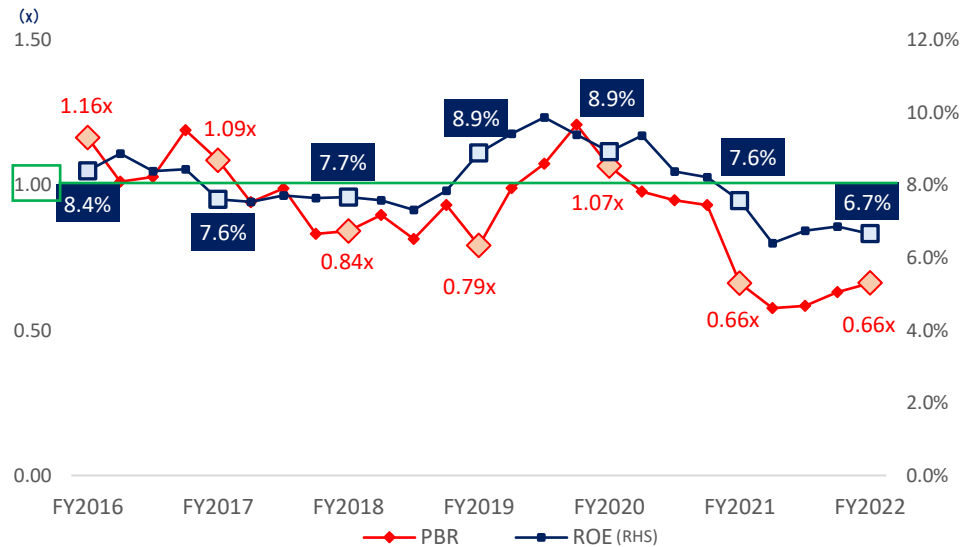
C&F LOGISTICS



Assessment of the current situation

■ changes in indicators related to capital efficiency and market valuation since the management integration.

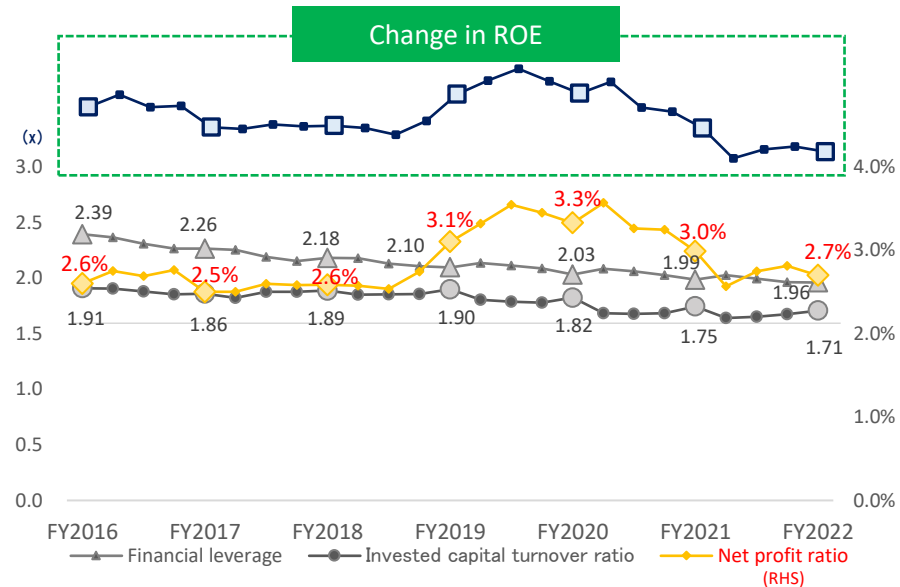
Change in PBR and ROE



PBR ⇒ around 1.0x, but below 1.0x over the latest 2 years

ROE ⇒ Relatively low level recently

Change in components of ROE



Net profit ratio ⇒ declining for 2 consecutive years

Financial leverage ⇒ Slightly declining

Invested capital turnover ratio ⇒ Slightly declining in the last 3 years

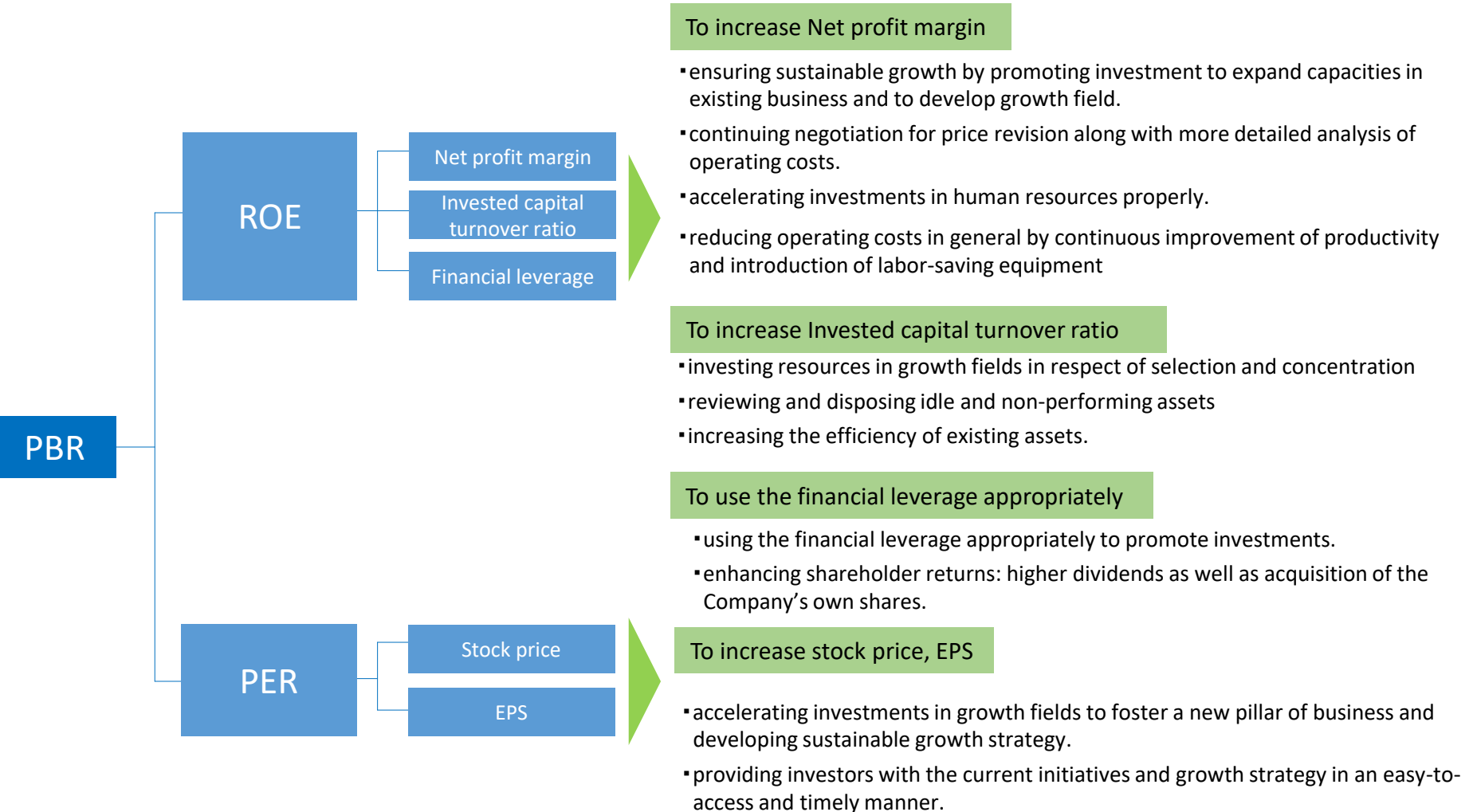
- The Company recognizes that 8.0% of ROE exceeds its cost of capital and PBR tends to be over 1.0x accordingly.
- Among the components of ROE, 'Net profit ratio' changes correlatively with ROE.

Issues to be addressed

- To increase Net profit margin.
- To increase Invested capital turnover ratio = more efficient use of existing assets + efficient investment (selection and concentration)
- To use the financial leverage appropriately = To realize the optimal capital structure.
- To raise a stock price by developing a growth strategy and by providing investors with clear information on that in an easy-to-access and timely manner.

Increase in ROE
Target: over 8.0%

Components of PBR and approaches by each component



Analysis of the current situation

Policy to be implemented

- focusing on formulating and promoting a sustainable growth strategy, the Company will achieve ROE8.0% or higher through both business and financial approaches based on the Company's strategy set forth in the 3rd Medium-Term Management Plan. In addition, it sets up the long-term target focused on an increase in operating revenue and becomes aware of the achievement of sustainable growth.
- enhancing corporate value through proactive dialogue with shareholders and providing investors with clear information on related policies, targets, and specific details in an easy-to-access and timely manner.

3rd Medium-Term
Management Plan

Basic strategy

- **Building a sustainable logistics business**
- **Strengthening the functions of existing businesses**
- **Promoting investment in growth fields**

Financial strategy

Realizing ROE exceeding cost of capital with optimal capital structure, the Company increases its shareholder value through fruitful dialogue with shareholders

- Future Initiatives
- (1) To make the profit base resilient and to develop sustainable growth by promoting investments.
 - Enhancing "low-temperature logistics business" based on selection and concentration.
 - Promoting Investments for the development of new technologies and for the solution to the environmental issues as sustainability initiatives.
 - Investing into human resources to materialize 'Human Capital Management'.
 - (2) To implement efficient management with financial approach.
 - Enhancing corporate value with the optimal capital structure.
 - Strengthening shareholder returns.
 - (3) To encourage constructive dialogue with stakeholders by ongoing communication with them.
 - providing investors with the current initiatives and growth strategy in an easy-to-access manner through IR activities and enhancing stakeholder engagement.
 - (4) To enhance corporate governance and corporate value by activating the internal organization.
 - operating the cross-sectional committees to enhance corporate value.

Ensuring the return on capital, which exceeds the cost of capital to enhance corporate value

To make the profit base resilient and to develop sustainable growth by promoting investments

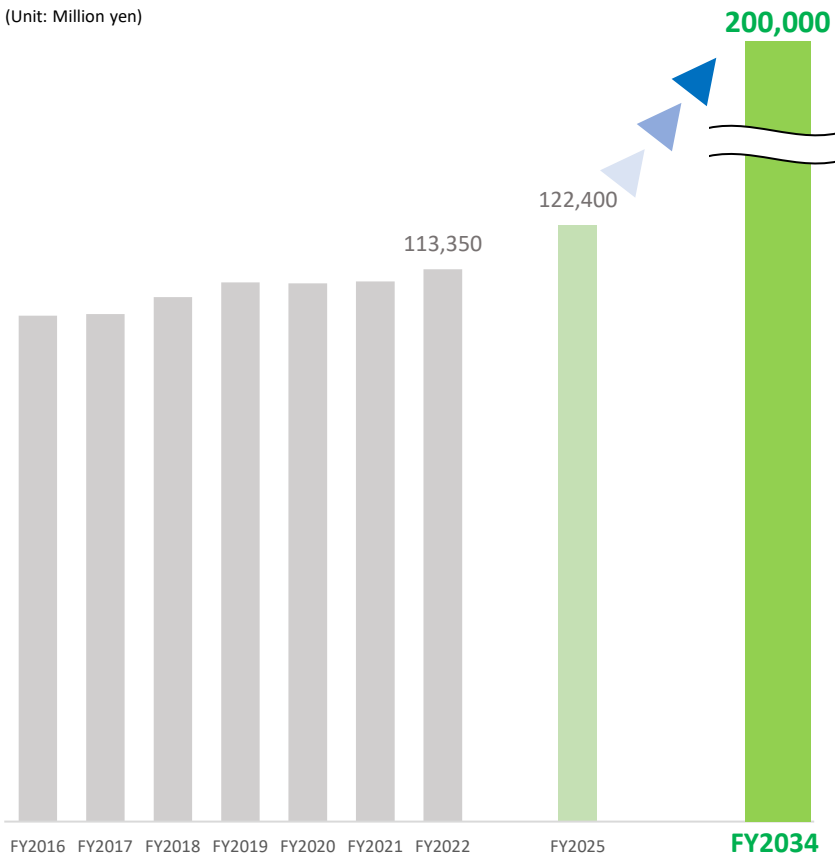
Point-1

Enhancing “low-temperature logistics business” based on selection and concentration.

Taking full advantage of temperature control skills and technologies in chilled and frozen temperature, which the Company has engaged in as a main business for a long time and become its advantage, it tries to expand “low-temperature logistics business” centering on foods but not limited.

■ changes in operating revenue from establishment of C&F and target at the end of the 3rd Mid-term management plan +long-term target (10Y)

(Unit: Million yen)



Long-term target : Operating revenue of JPY 200 billion in FY2034

Actively promoting inorganic growth as well as organic growth



approaches to enhancing low-temperature logistics business

1 Accelerating the growth speed by promoting investment in growth fields.

To promote:

- ▶ EC-related logistics business
- ▶ Overseas business
- ▶ Other business fields requiring low-temperature control

2 Strengthening profitability of existing business on the premise of ensuring sustainability.

- ▶ Investment in respect of selection and concentration on the premise of catching up the logistical demand.
 - expanding joint operation center with function of both chilled and frozen logistics
 - building up market share through establishment of sustainable logistics network with initiatives for 2024 issue.

Point-1

Enhancing “low-temperature logistics business” based on selection and concentration.

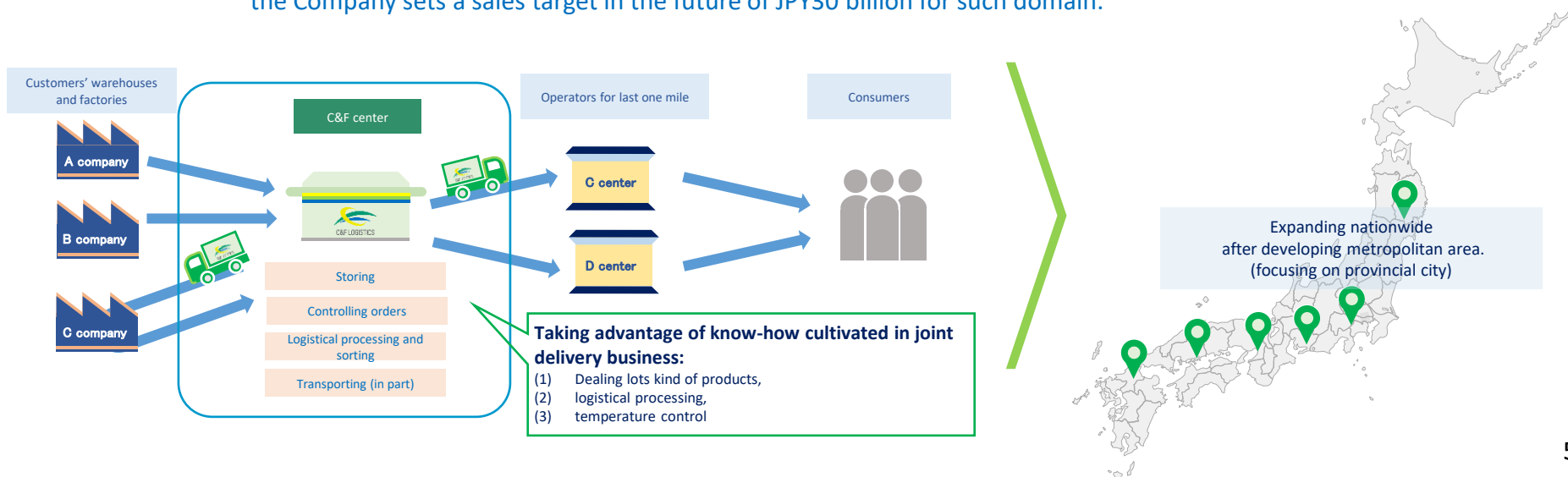
Accelerating the growth speed by promoting investment in growth fields.

EC-related logistics business

Expanding logistics business focusing on e-commerce related business for foods handled in low temperature.

- acquisition of exclusive-use facilities for EC-related logistics business in Metropolitan area.
- developing EC-related logistics business, including acquisition of exclusive-use facilities, in major areas other than Metropolitan area.
- modifying specification of existing facilities to accommodate the new business based on a review of its business portfolio.
- business expansion with a view to collaborating with last one mile business operators.

In response to diversification of sales and distribution channels, including EC-related logistics, the Company sets a sales target in the future of JPY30 billion for such domain.



Specific initiatives and mid-long term plan

Point-1

Enhancing “low-temperature logistics business” based on selection and concentration.

Accelerating the growth speed by promoting investment in growth fields.

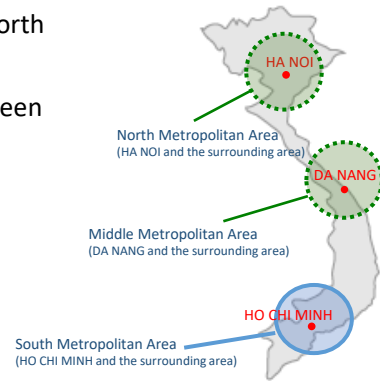
Overseas business

Business in Vietnam (Mid-Long term target)

- stabilizing the operation of 3rd warehouse of MEITO VIETNAM and building the robust and optimal network in south area in Vietnam with 2 existing warehouses.
- considering option to develop business in North and Middle area in Vietnam.
- expanding truck line transport services between North and South area, and developing the function of transit point.



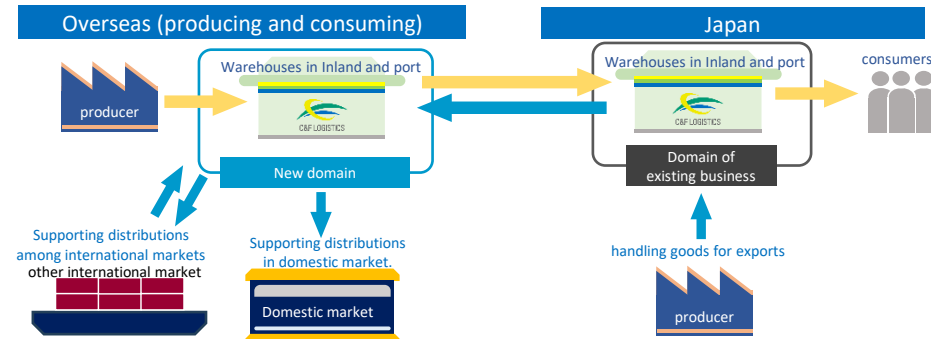
3rd warehouse in Long An province



Other overseas business (Long term target)

- developing new cold-chain business for food mainly in Southeast Asia.
- developing synergy with existing business in Japan.

Controlling logistics in both Producing and Consuming countries all at one within C&F group infrastructure.



Other business fields requiring low-temperature control

- developing other business fields requiring low-temperature control skills and temperature, including pharmaceuticals and industrial product (raw materials). -perceiving change in market related to low-temperature as an opportunity to be seized.

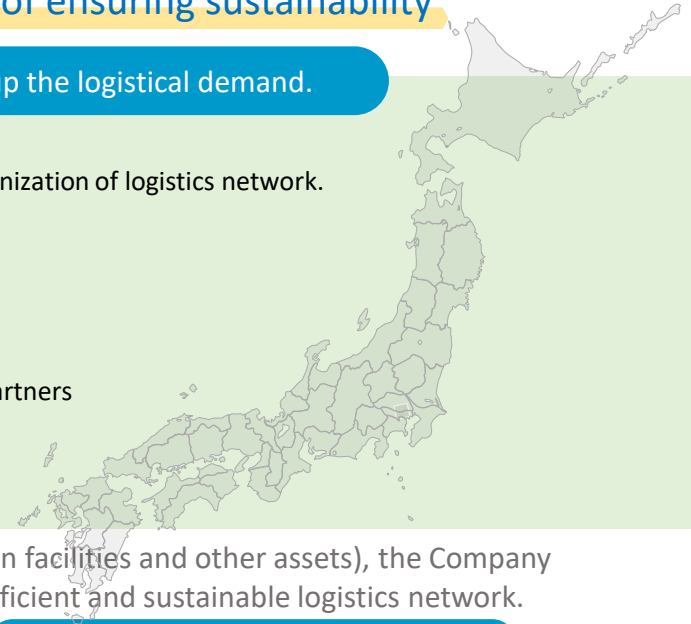
Point-1

Enhancing “low-temperature logistics business” based on selection and concentration.

Strengthening profitability of existing business on the premise of ensuring sustainability

Investment with respect of selection and concentration on the premise of catching up the logistical demand.

- ▶ **Metropolitan area: securing capacities and reviewing the location of warehouses.**
acquiring facilities located around Metropolitan area, the biggest market in Japan with the reorganization of logistics network.
reorganizing facilities located in ports and inlands based on a demand of imports and exports.
- ▶ **Major cities other than Metropolitan area: seizing demands and expanding capacity.**
 - Feb. 2024 Kinki Joint delivery center in operation(Hutech Norin)
- ▶ **Other province: reviewing business strategy**
acquiring small-sized facilities mainly functioning as transit point or cooperating other business partners
(including capital alliance)
 - Jun. 2025 Northern Tohoku joint operation center
- reviewing business portfolio and allocating resources in accordance with logistical demands



While the Company has focused on organic growth so far (ex. expansion of its own facilities and other assets), the Company accelerates the cooperation and alliance with external resources to build more efficient and sustainable logistical network.

Organic growth



Inorganic growth

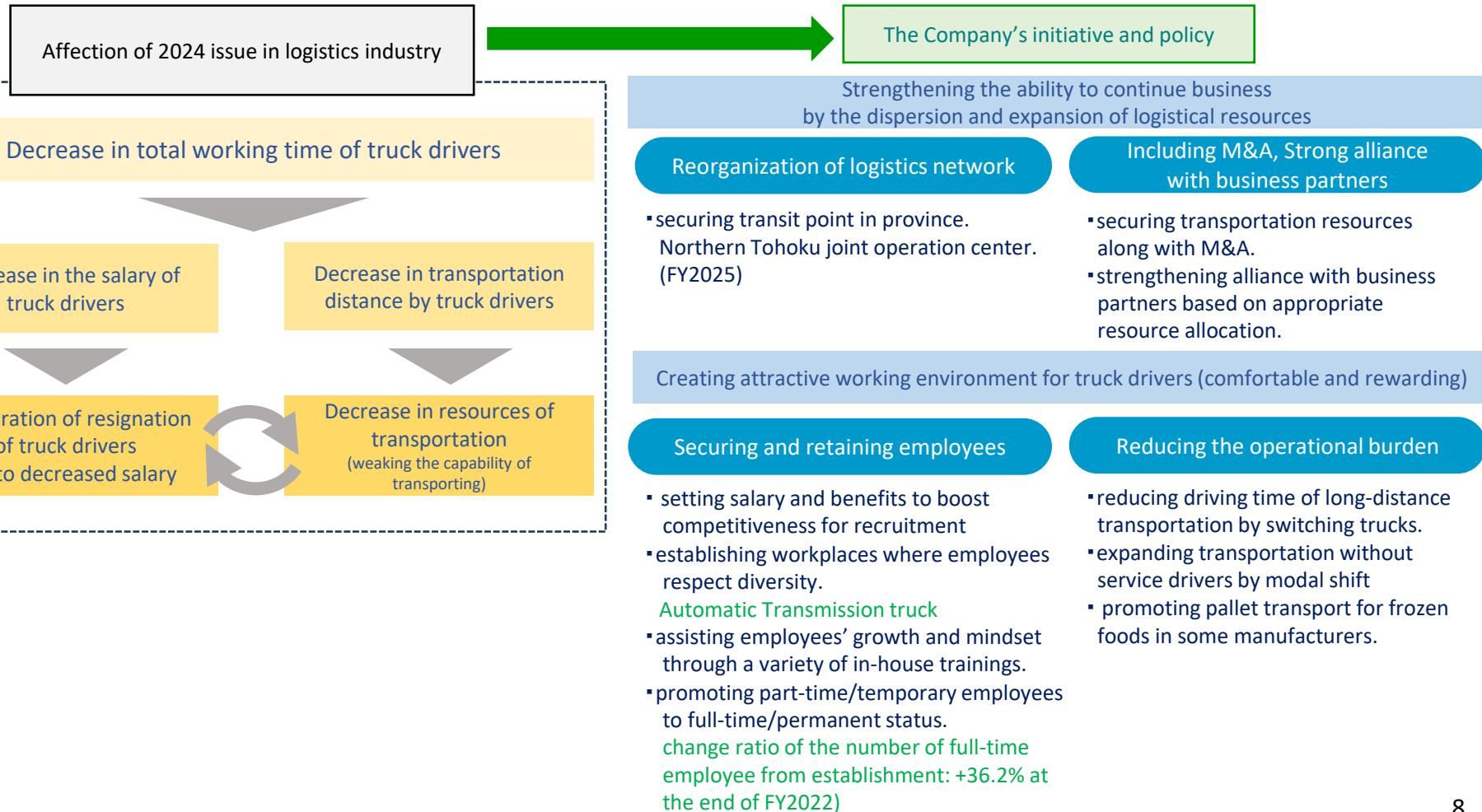
- expanding capacities when existing ones being replaced
 - establishing transit point logistics center in response to logistical 2024 issues.
 - expanding joint operation center with function of both chilled and frozen logistics facilities focusing on joint delivery business to generate synergy.
- accelerating growth with active business and capital alliance, including M&A.
 - cooperation with partners with appropriate business scale based on above-mentioned demands
 - total optimization through alliance with partners holding nationwide or wide-ranged logistical network.
 - cooperating with subcontractors on the premise of stable logistical quality.
 - standardization of operational flow and each task.

Point-1

Enhancing “low-temperature logistics business” based on selection and concentration.

Strengthening profitability of existing business with sustainability

The Company has accelerated initiatives focusing on “logistical 2024 issues”, which all logistical providers are facing. Addressing these challenge from both tangible and intangible perspective, it will not only realize “sustainable and strong logistical network, but also grasp new business opportunities.



Point-2

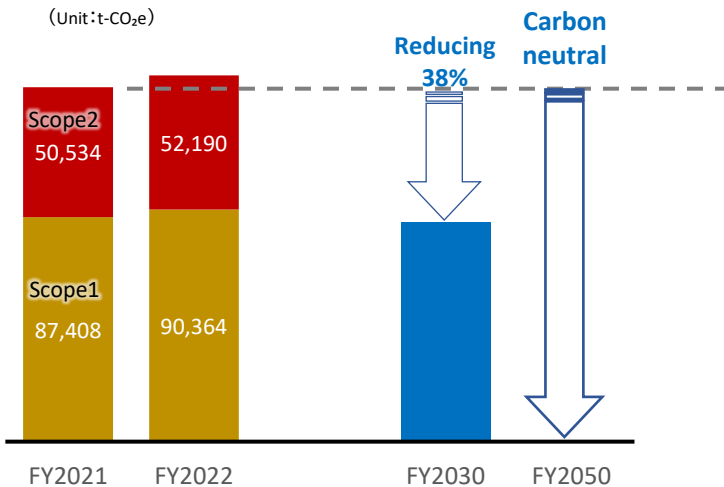
Promoting Investments for the development of new technologies and for the solution to the environmental issues as sustainability initiatives

Achieving sustainability targets

【reduction of CO2 emission compared with FY2021(%)】 **FY2030: 38% down**、**FY2050: carbon neutral**

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

- Declared supports for Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- Disclosed information based on TCFD



Initiatives for Scope1

- Introduction of Electric Vehicle (EV) and Fuel Cell Vehicle (FCV).
 - participation in 'Tokyo Project', a filed trial in Tokyo Metropolitan Government for operating FCVs. (2 C&F FCVs in operation)
 - cooperation to validate specification suitable for each size of truck: large, medium, small body.
- The Company adopted the policy in which it installs refrigerators with natural refrigerants for all new frozen warehouses, which need the more amount of electricity than chilled warehouses.



Small FCV in operation



Installed refrigerators with natural refrigerants

Point-2

Promoting Investments for the development of new technologies and for the solution to the environmental issues as sustainability initiatives

Initiatives for Scope2

- **Introduction of photovoltaic power generation systems.**
 - taking into account the effects of previous installation on the rooftop of our facilities and carports for employees, the Company actively promotes installation of those type of systems.
- **Fully utilization of clean energy.**
 - taking advantage of Off-site Power Purchase Agreement and Non-fossil certificates, the Company utilizes 100% clean energy in some facilities.



Solar panels on the rooftop of facilities



Solar panels on the carports for employees

Other initiatives

- **Financing by green loan**
 - decision to finance total of JPY11 billion in FY2023.
purpose: constructing new facilities, Kinki joint delivery center and Tohoku branch - expansion of 2nd Center.
 - leveraging ESG finance appropriately on premise of the financial soundness.

Introducing labor-saving equipment

- Plans to execute demonstration experiment to validate the effectiveness of unmanned forklifts and carriers.
- Mechanization of logistical processing and sorting tasks.
 - started to introduce box making and sealing machines in the part of operation of EC related logistics business.
- Automatization of some office work by AI and computer program.
 - RPA(Robotic Process Automation) software enables inventory data calculation and orders data sharing to be automated, etc. (in part)

Point-3

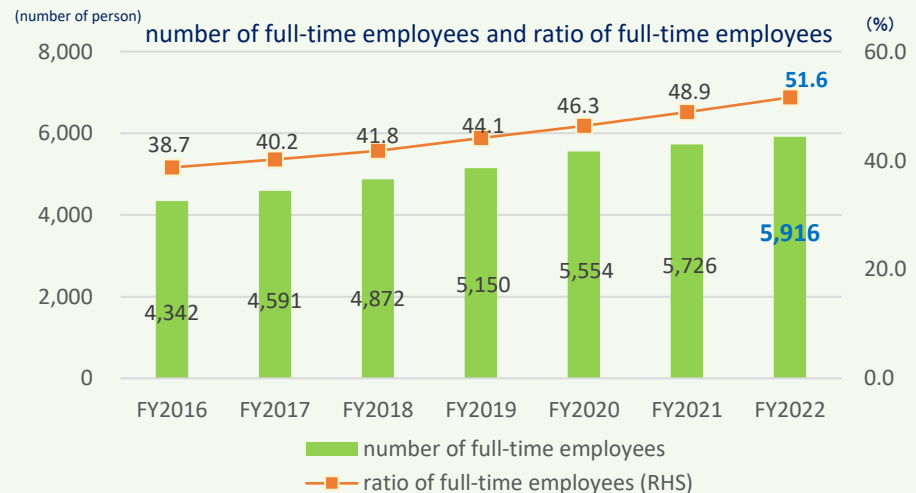
Investing into human resources to materialize 'Human Capital Management'.

- the Company developed a human capital strategy and promotes investments in human resources on the basis of part of company's basic principle, "to become logistics company where employees can look to the future with hope and work with vigor and enthusiasm"
- the Company resolves and mitigates issues of talent acquisitions and retentions strategies, including initiatives for logistical 2024 issues, through improvement of employee engagement.

	Policies on Human Resources Development and Workplace Environment Improvement. (summarized)	indicators and targets	
Human capital strategy	realizing the workplace environment where each employee: 1) can grow and make the most of their abilities 2) respect human diversity 3) work comfortably and engage in rewarding job.	annual training hours per employee	5 times by FY2030 *compared with FY2021
		female manager ratio	10% by FY2030

Examples of improving workplace environment

- assisting employees' growth and mindset through a variety of in-house trainings.
 - subdivided position-specific training
 - leadership training programs for female employees, and others
- establishing workplaces where employees respect diversity.
 - introducing systems and equipment, such as Automatic Transmission truck, powder room, and movie manual for multiple languages, which help female, senior and foreign workers work easily and comfortably
- setting salary and benefits to boost competitiveness for recruitment.
 - have improved working conditions in a structural manner since management integration.
- promoting part-time/temporary employees to full-time/permanent status.
 - have implemented since management integration.
(ratio of full-time employee: 51.6% at the end of FY2022)

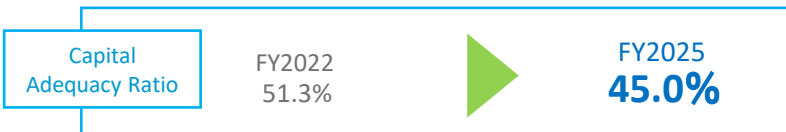


To implement efficient management with financial approach

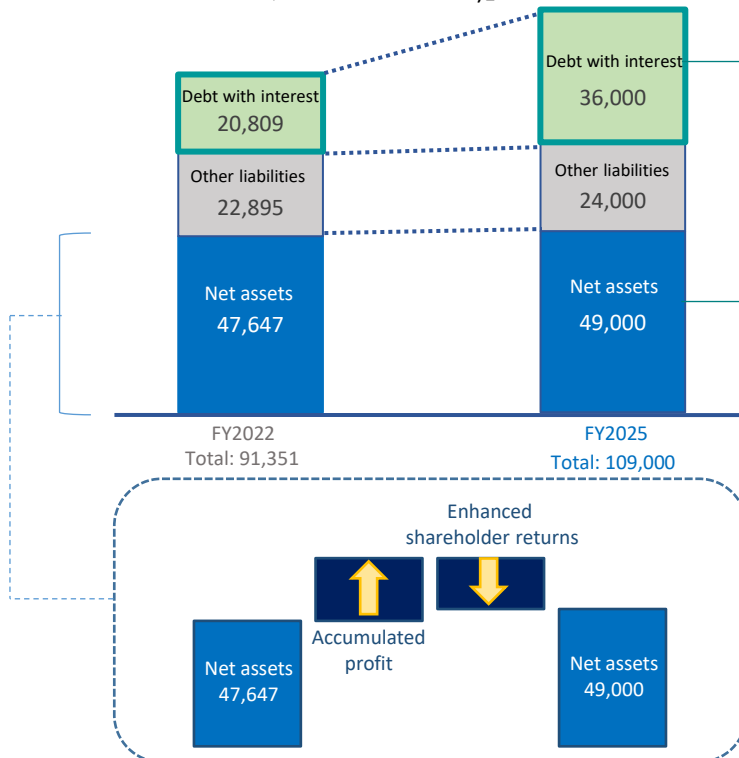
Point-4

Enhancing corporate value with the optimal capital structure and Strengthening shareholder return.

Achieving the optimal capital structure with the capital adequacy ratio of around 45% along with the enhanced shareholder returns during 3rd Medium-term Management Plan.



【Liabilities and Net assets (unit: JPY in Million)】



● increasing the return on capital by promoting investment to expand capacities in existing business and to develop growth field through financial leverage.

- Financing mainly with bank loan, including green loan

● achieving the optimal capital structure through higher dividends as well as acquisition of the Company's own shares.

1) Acquisition of own shares

- plans to acquire the total of **approximately JPY5 – 7 billion** treasury shares step by step during the 3rd Mid-term management strategy period
- In November, 2023
 - 【1】acquired **2,600,000 shares** through ToSTNeT-3 of Tokyo Stock Exchange
 - 【2】decided to acquire **up to 800,000 shares** through Market purchase.
 ⇒ total shares to be acquired: **Up to 3,400,000 shares** (equivalent to JPY4,559 million)

2) Higher dividend payout ratio

- **Over 30%** by the end of the 3rd Medium-term management plan period.

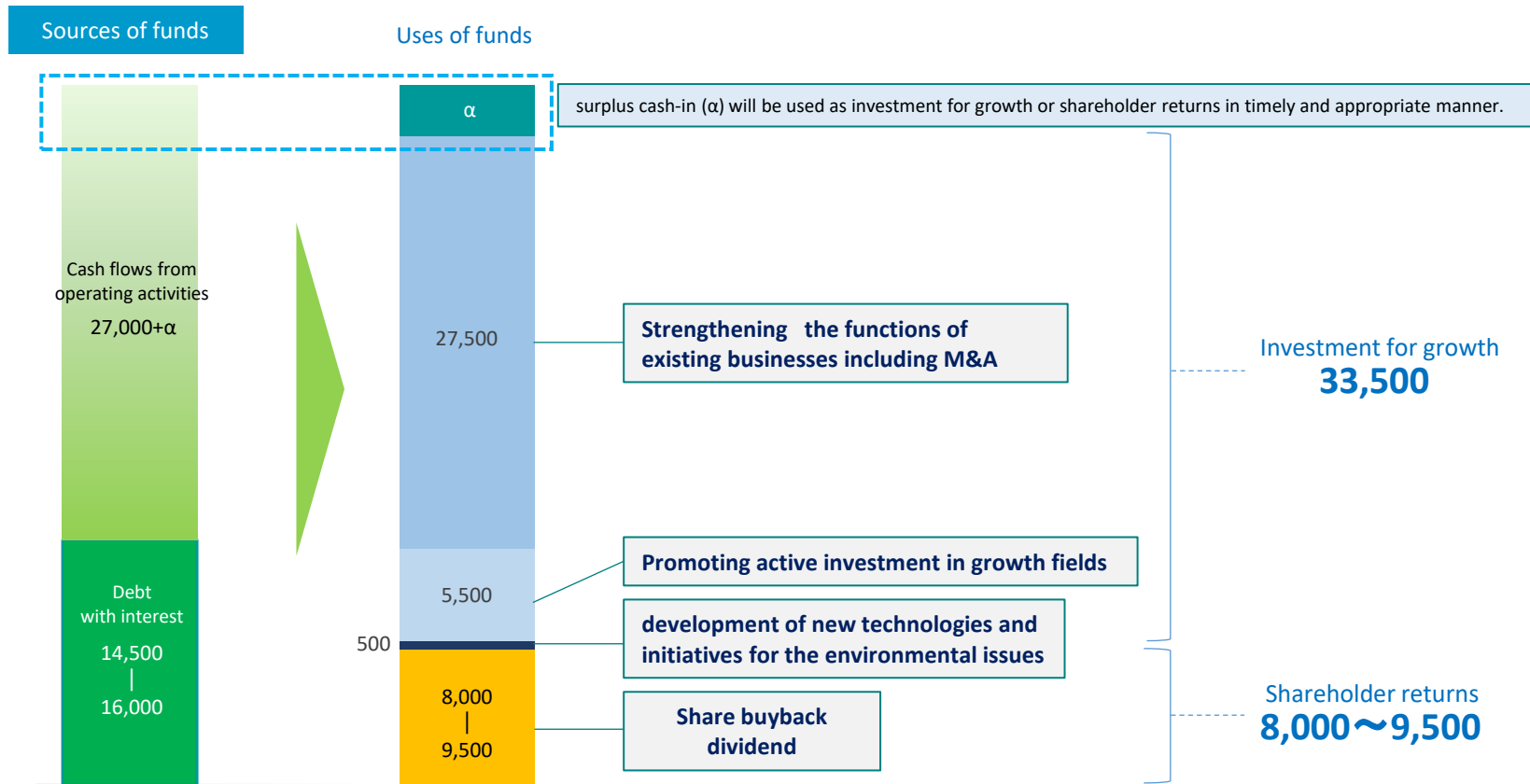
Specific initiatives and mid-long term plan

Point-4

Enhancing corporate value with the optimal capital structure and Strengthening shareholder returns.

Funds from operating activities will be used to enhance shareholder returns and to finance the investment for growth. Funds from financing activities will support the investment in growth fields as well.

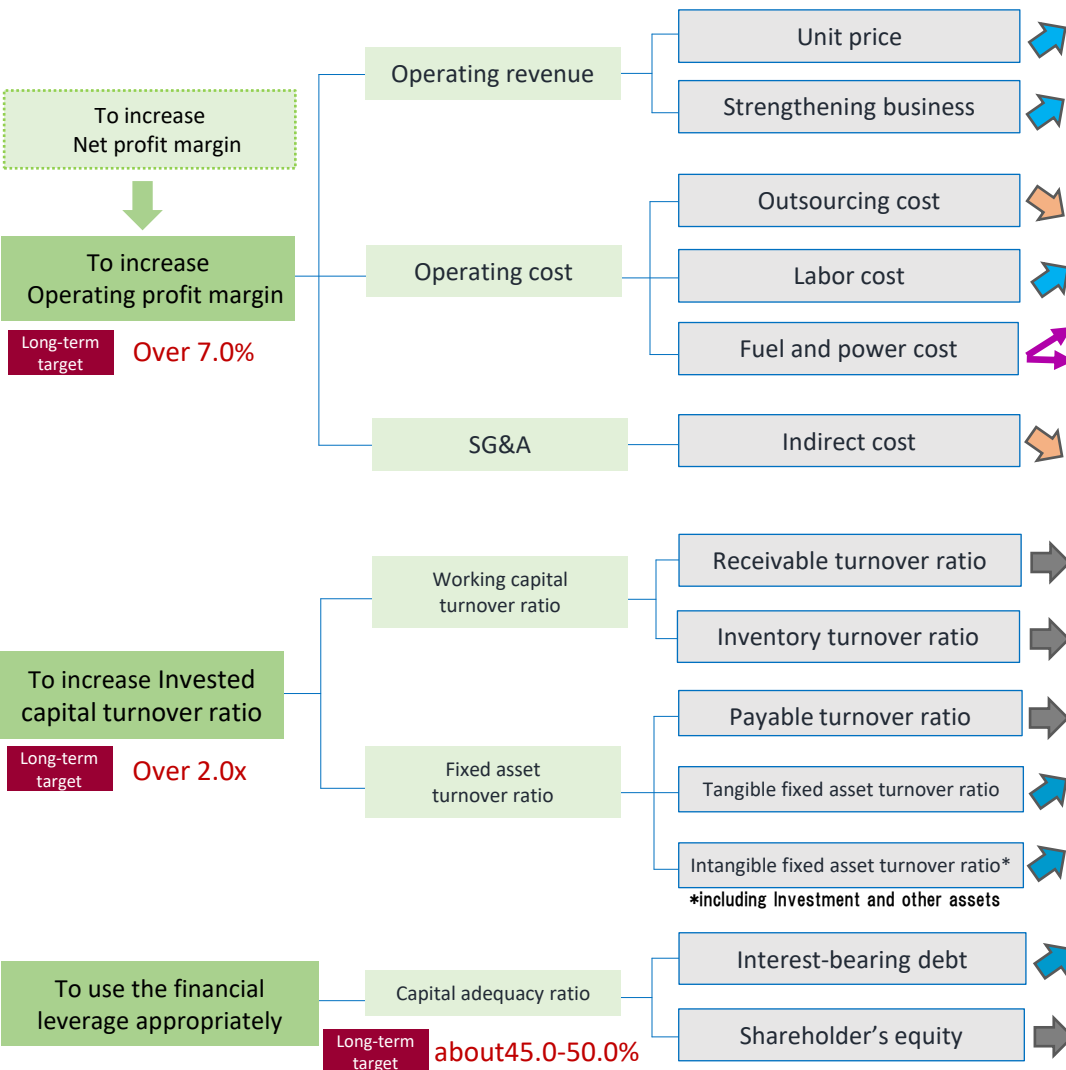
【cumulative cash inflow and outflow during 3rd Mid-term Management Plan (unit: Million yen)】



Specific initiatives and mid-long term plan

■ detailed measures based on components of ROE

mean Company try to increase, decrease and keep each index consciously
 means the outlook(up, down or unchanged) anticipated on the basis of actual result and market environment



- ✓ **To promote negotiation on price revision**
 - Setting and adopting appropriate unit price in timely manner, to reflect the increase in such costs as fuel and labor costs.
 - ✓ **To strengthen existing business**
 - Reviewing location strategy in accordance with logistical demand in each area.
 - Strengthening limited-area or nationwide logistics network through M&A.
 - ✓ **To promote insourcing**
 - Decreasing outsourcing costs along with insourcing and setting the price suitable for the Company's service price structure.
 - ✓ **To accelerate investment in human resources**
 - Improving employee engagement and securing future growth and sustainability through investments in human resources.
 - ✓ **To increase productivity**
 - Promoting mechanization and digitalization to achieve more efficiency of logistics operation.
-
- ✓ **To shorten the payback period.**
 - Increasing IRR based on highly accurate income and expenditure plan.
 - ✓ **To utilize assets more efficiently**
 - Utilizing and disposing idle and non-performed assets
 - Increasing the efficiency of existing assets
 - ✓ **To evaluate and sell the cross-shareholdings**
 - Continuously evaluating the effect of cross-shareholdings in respect of the comparison with capital cost.
-
- ✓ **To use financial leverage**
 - using appropriate interest-bearing debt to invest actively for 1)strengthening existing business and 2)expanding growth fields
 - ✓ **To strengthen shareholder returns**
 - Increasing dividend payout ratio to over 30% and acquiring own shares, if necessary.

Developing new business fields

- ✓ **To invest into such growth fields as EC-related business**
 - Developing new business fields, taking advantage of cold-chain know-how

To encourage constructive dialogue with stakeholders by ongoing communication with them

■ Providing investors with the current initiatives and growth strategy in an easy-to-access manner through IR activities and enhancing initiatives for stakeholder engagement.

1) Enhancement of communications through annual securities report and Website.

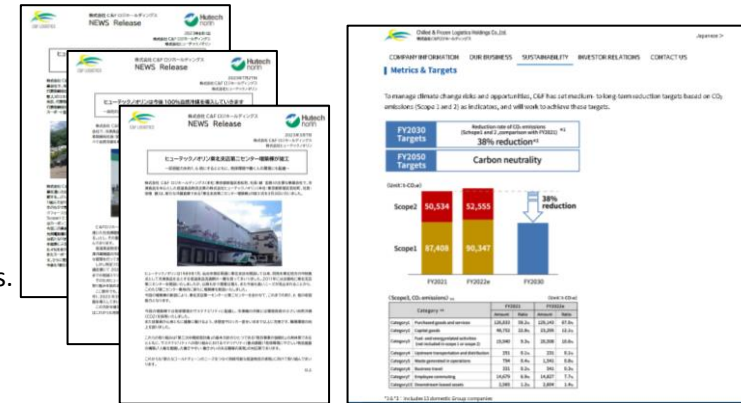
- exact and complete information disclosure about “Sustainability approach and initiatives”, “Risks concerning corporate operations”.
- issuance of annual report in English in the future.
- Release of IR news timely on the Company’s web site.

2) Frequent communications with investors.

- company information session and one-on-one IR meetings with investors and equity analysts.
- transcription service and distribution of video contents on demand.

3) Disclosure of initiatives concerning ESG

- proactive disclosure to ESG rating agencies.
- disclosure of ESG data on the Company’s web site.
- issuance of integrated report



IR news disclosed on the Company’s web site

Sustainability information disclosed on the Company’s web site: Metrics and Targets (extracted)

To enhance corporate governance and corporate value by activating the internal organization

■ operating the cross-sectional committees to enhance corporate value.

1. Value co-creation committee	to discuss and share any initiatives and matters contributing to the enhance of corporate value. ▪ organizing working groups under control of the committee and addressing cross-functionally, if necessary.
2. Investment committee	to discuss 1)policy for investment of business in general, and 2)decision on individual investment with an eye on the investment efficiency. ▪ evaluating the investment after implementation as well as deciding at the point of the gateway of its investment.
3. Risk management committee	to discuss any risks having a material impact on the Company’s business: risk identification and assessment, and setting countermeasures.
4. Sustainability committee	to play a key roll in discussing materiality related to sustainability such as climate change and “strengthening and accelerating ” countermeasures.