

Message from the CEO

We aim to develop our business in a way that remains steady despite fluctuations in the external environment and strive to become a "leading global 3PL company."

September 2024

Yasuo Nakatani

Representative Director,
Executive Chairman,
President and CEO




Our Vision

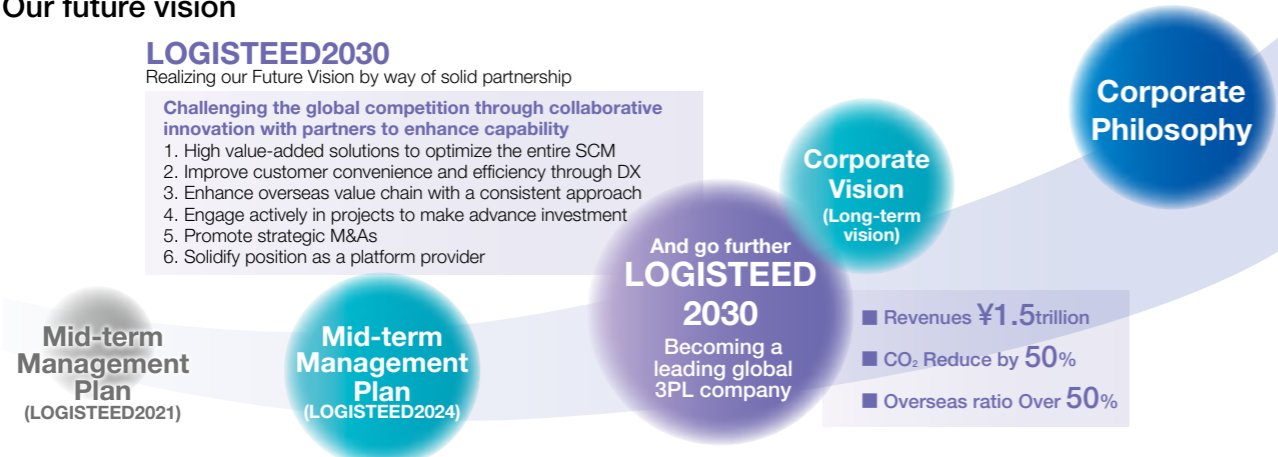
Toward Achieving "LOGISTEED2030"

In our medium-to-long-term vision, "LOGISTEED2030," we aim to become a "leading global 3PL company," targeting consolidated revenues of ¥1.5 trillion and an overseas ratio of 50% and over. We are making steady progress toward this goal with the support of our important partner, Kohlberg Kravis Roberts & Co. L.P. (hereafter, KKR).

To achieve this goal, we believe that a crucial hurdle

we must overcome is "relisting." After relisting, we aim to have a diverse range of investors, including international institutional investors, hold our shares. To achieve this, we need to develop an outstanding business strategy that allows us to stand shoulder to shoulder with major global logistics companies, enhance our corporate value, and be recognized as a valuable investment by international institutional investors. We are committed to the belief that without accomplishing relisting, "LOGISTEED2030" cannot be realized.

Our future vision



Capturing Changes in the Business Environment

Business development that remains steady despite fluctuations in the external environment

The business environment in FY2023 was challenging. Domestically, overall cargo volume did not grow due to factors such as the long-standing issue of population decline, and many logistics companies struggled compared to the previous year due to rising costs from various factors. One of the cost increase factors was the soaring prices of raw materials influenced by the continued depreciation of the yen. The impact of these external environmental changes to our customers varies significantly by industry. Conversely, internationally, inflation has been rising in many countries and regions. For our customers, a significant management issue has been whether they can pass on the price increases caused by inflation. Additionally, in the logistics industry, receiving fair compensation in light of rising expenses such as labor costs and truck freight rates is a global issue affecting both domestic and international operations. This challenging environment also impacts the LOGISTEED Group, where our "service value" is evaluated. Without customer conviction, it is difficult to pass on costs to customers. We aim to move forward while considering our customers' situations. It is crucial to develop a business strategy that remains steady despite fluctuations in external environments, including exchange rate impacts. We believe that having a diverse customer base, building a broad business portfolio, and continuously engaging in risk management are essential for achieving our goals.

The 2024 Issue in Logistics

Proactive action is essential

One of the unique challenges facing the domestic logistics industry is the 2024 issue. To address this issue, we are working on solutions including increasing transportation capacity such as through intermodal transport^{*1}, the truck loading dock booking management system^{*2}, and SSCV^{*3} as part of our DX solutions. Additionally, in truck transportation, there is a notable shortage of drivers, with many transport providers being small to medium-sized enterprises. The issue of business succession significantly impacts this situation. There is a fundamental issue related to maintaining and expanding the business base, and tackling this issue is closely tied to the scale of the business. In terms of maintaining and expanding the business base, having the ability to execute M&As and the capital strength to do so is becoming a major issue for

logistics companies. We are committed to taking proactive actions to strengthen our business base. These actions include expanding into fields and regions that we have yet to adequately address.

^{*1} Intermodal transportation is the combination of different transport modes
^{*2} A system developed by the LOGISTEED Group in which booking and allocating loading dock for truck loading at our logistics center can reduce waiting time and traffic congestion and also improve drivers' working conditions and truck usage efficiency and reduce CO₂ emissions.
^{*3} Stands for Smart & Safety Connected Vehicle and refers to a transport digital platform that the LOGISTEED Group develops and provides to realize "sustainable transportation services" and "zero-accident society."

Progress of Mid-term Management Plan "LOGISTEED2024"

Addressing three key challenges in the final year of the Mid-term Management Plan

To fortify our business and advance globally while responding to changes in the external environment, we are implementing our Mid-Term Management Plan "LOGISTEED2024." In the final year, FY2024, we are specifically focusing on the following:

1. Achieving organic growth

We have already achieved top-class performance in the contract logistics business by comprehensively undertaking our customers' logistics operations domestically. We will continue to accelerate the steady growth of our domestic and international contract logistics business through further expansion of the top line. Concurrently, we will pursue significant M&As both domestically and internationally. One such example is the acquisition via tender offer for ALPS LOGISTICS CO., LTD. announced in August 2024. By welcoming them as a strategic collaborative innovation partner, we aim to enhance and complement our logistics services and logistics network, leading to improved service quality and profitability, and solidify our contract logistics business in Japan. Additionally, integrating ALPS LOGISTICS CO., LTD.'s expertise in the electronic parts sector into the LOGISTEED Group presents a substantial advantage. Furthermore, we plan to actively pursue investments in overseas vehicles and logistics centers, as well as domestic DX-related projects, carefully selecting targets. We will also strengthen PMI* to create and expand synergies with the companies we acquire.

* PMI: Post Merger Integration

2. Asset-light strategy

The asset-light business model, which enhances asset efficiency by effectively utilizing business assets, has become mainstream among global logistics companies. We recognize that the value to be created by a logistics company includes operational execution at logistics centers, vehicle arrangement capabilities, freight forwarding services connecting sites in one-stop and

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providing Value-Added Services (VAS*). With an eye on relisting as a global logistics company, we are keeping true to improving ROIC and ROE, and advancing the asset-light strategy in our Mid-term Management Plan. In March 2024, the LOGISTEED Group transferred 34 domestic logistics centers to such as Industrial & Infrastructure Fund Investment Corporation as part of our asset liquidity strategy. We are mindful of maintaining essential equipment and ensuring the enhancement of the value of the equipment we retain is a fundamental prerequisite. Moreover, in addition to our asset-light strategy, we are strengthening the LOGISTEED Group's cash management. We will proactively allocate the cash obtained here to M&As, equipment, DX, human resources and other areas. Regarding our asset-light strategy, we believe that, with the cooperation of our employees and guidance from KKR, we have achieved many accomplishments with a sense of urgency over the past year. We understand that this has been met with a certain level of recognition from the capital markets.

* Stands for Value-Added Services and refers to the the LOGISTEED Group's logistics services and their peripheral operations in the customers' value chains of procurement/manufacturing/shipping/sales/service.

3. DX strategy

DX-driven automation and labor reduction is a globally important theme in the logistics industry. The LOGISTEED Group has been advancing automation and labor reduction through DX relatively early compared to the industry. Specifically, we have developed unique solutions such as WMS (Warehouse Management System), SSCV as a digital platform for transportation, SCDOS*¹ for supply chain optimization, and RCS*² for optimizing entire warehouses. Providing these DX solutions helps address logistics issues, including the 2024 issue, reduce environmental impact, and improve labor conditions for logistics centers and truck drivers. We aim to have these solutions utilized by many customers and contribute to solving social challenges.

*¹ Stands for Supply Chain Design & Optimization Services and refers to the supply chain optimization services developed by the LOGISTEED Group.

*² Stands for Resource Control System. The WES (Warehouse Execution System) developed by our company integrates and manages the movement of people and equipment to optimally control the entire logistics center. We have obtained a patent for this system. Please refer to page 25 for more details.

Revamping the Structure

Toward an organization that transcends regions and businesses

In April 2024, we refreshed our management and execution systems. The aim of the new management structure is to further accelerate decision-making and business execution to implement the initiatives we have discussed. To strengthen the supervisory function of the Board of Directors, we transitioned from a Company with Audit & Supervisory Board Members to a Company with Audit & Supervisory Committee. Under the new execution system, we have appointed an foreign national as the Chief International Business Officer (CIBO*) to lead our overseas operations. The Chief Japan Business Officer (CJBO*), who is the head of Japanese operations, will also serve as the Chief Marketing Officer (CMO*), who is the head of sales and marketing across regions and businesses. The Chief Transformation Officer (CTrO*) will manage the overall strategy for our common headquarters functions both inside and outside of Japan. Under the collaborative oversight of the CIBO* and CMO*, we have positioned the sales departments for our overseas contract logistics business and freight forwarding business. As One LOGISTEED, we aim to create global synergies. Since our customers are expanding their businesses globally, it is essential for the leaders of our overseas and domestic operations to communicate effectively to drive our business forward.

*For details on the officer abbreviations, please refer to page 49. In addition, for details on the new execution system, please refer to page 22.

Corporate Culture

The core values rooted in the company: "LOGISTEED WAY"

The "LOGISTEED WAY" shows the role and the way to move forward of the LOGISTEED Group. It consists of the "Corporate Philosophy," "Corporate Vision," "Guiding Principles," and "Success Drivers." While we hope that employees will consider the "Corporate Philosophy" in their daily work, we understand that this can be challenging. To bridge the gap between ideals and reality, we have established "Success Drivers." The reason for setting these is to encourage employees to think about how to integrate ideals into their everyday tasks. The "Success Drivers" include "Gemba Power" multiplied by Visualization (3 Key Goal Indicators, 3 Disciplines, and 3 Attributes), with a particular focus on Safety, Quality, and Productivity. Employees' engagement with Safety and Quality has received very high evaluations, indicating the depth of their integration. We believe that consistently

pursuing these 3 Key Goal Indicators will enable us to maintain the same "Gemba Power" regardless of the country.

Supporting the implementation of these "Success Drivers" in daily operations are the VC* activities. These activities are aimed at ensuring the company's continued growth and that employees find their work fulfilling. They involve learning through enjoyment, generating ideas, and implementing improvements in a continuous cycle. The VC activities serve as the foundation for our improvement culture and support our business model. By consistently building on these activities, we aim to permeate a corporate culture based on the "LOGISTEED WAY."

* Value Change & Creation

Human Capital

Directly communicating where and how they contribute to the company through direct dialogue

The LOGISTEED Group is currently advancing the implementation of "a job-based personnel system," which evaluates employees based on their responsibilities and roles. This system specifically requires employees to clarify how they contribute to the company. I want employees to envision how they would like to contribute to the company in the future while performing their current duties. I believe in providing ample educational opportunities to support the personal growth of our employees. To convey this approach, I personally engage in direct dialogue with employees through "the LOGISTEED WAY Course," which targets employees from their second year to

newly appointed managers. In FY2023, I engaged in dialogue with over 500 employees. Although it is difficult to say that this approach has reached all employees, I am committed to persistently continuing these conversations.

I believe that enriching our human capital involves such diligent and ongoing efforts. Additionally, I am keen on ensuring the diversity of our talent pool. We have been bringing in external executives and managers with knowledge on various industries. I think this will further invigorate our organization.

Sustainability Management and Initiatives to Material Issues

Commit to sustainability management through our focus on three key areas of concentration

We recognize that committing to sustainable management is crucial for aiming to be a "leading global 3PL company." We define matters related to our business base, such as safety, enhancement of disaster prevention/mitigation, and respect for human rights, as "Supportive Foundation for the focus areas," and take various measures to accelerate initiatives for three focus areas.

We are focusing on three key focus areas: 1) contribute to decarbonized/recycling-oriented society 2) build and evolve resilient, sustainable logistics services, and 3) create new values through collaborative innovation. It is crucial to commit to management that addresses social issues and to pursue long-term management with a focus on sustainability.

What We Want to Communicate to Our Stakeholders

Achieving relisting is an important goal for ensuring our future sustainable growth, but it is by no means the end goal. We see it as the starting line for becoming a "leading global 3PL company." We aim to have our corporate value appropriately evaluated by investors both domestically and internationally and to gain their support. Our initial focus is to win in Japan and then expand our business globally. We aspire to become a company with an overwhelming presence in Asia and, by diligently working toward our goals, to reach the scale of ¥1 trillion in consolidated revenues as soon as possible. While financial metrics are not everything, we are firmly committed to expanding our business scale and becoming a company group with even greater value.

Please look forward to the LOGISTEED Group as we make steady progress toward becoming a "leading global 3PL company."



Message from the CTrO



In pursuit of our medium- to long-term vision of "LOGISTEED2030," we are addressing various measures to improve profitability and asset efficiency with a sense of urgency.

Nobukazu Hayashi

Executive Vice President and Executive Officer, CTrO
In charge of Corporate Function

Progress of Mid-term Management Plan "LOGISTEED2024"

Achievements and challenges in the second year, and priority measures for the final year of the Mid-term Management Plan, FY2024

In FY2023, the second year of the Mid-term Management Plan "LOGISTEED2024," revenues declined to ¥800.2 billion due to the impact of falling freight rates in the freight forwarding business, which had been at a high level. On the other hand, we recognize that our core business, the 3PL business, has steadily grown both domestically and internationally. We are beginning to see tangible results from the measures we have been implementing toward "Topline expansion."

We are working on the priority measures of the Mid-term Management Plan "LOGISTEED2024" to achieve our medium- to long-term vision, "LOGISTEED2030," and are aiming for an early "relisting as a global logistics company." In this context, in FY2023, in addition to the initiatives we have been working on,

such as "Topline expansion" and enhanced cash management, we were able to make significant progress by reinforcing and expanding our overseas business through the acquisition of the Dutch company, Van den Bos & van Daalen Materieel B.V., and by improving asset efficiency through the execution of an asset-light strategy.

Starting from FY2024, the final year of the Mid-term Management Plan, the overseas business has been spearheaded by CIBO, while domestic operations have been led by CJBO. We have revamped our structure to create global synergies by having the CMO, who is responsible for cross-regional and cross-business sales and marketing globally, collaborate with CIBO. As we aim for relisting, expanding our business both internationally and domestically is crucial. With an eye toward formulating the next Mid-term Management Plan, we believe we have established the most effective structure for this purpose. Additionally, we have announced a public tender offer to welcome ALPS LOGISTICS CO., LTD. as a new collaborative innovation partner, which is expected to bring our group's revenues to over ¥900

billion. As the CTrO, I will continue to execute the overall strategy for corporate functions while supporting the domestic and international Topline expansion from a financial perspective. Additionally, I will enhance cash management and asset efficiency across the entire group, including targeted for future M&A companies, under the "One LOGISTEED" framework. This approach aims to increase corporate value with a view toward the next stage.

Financial Strategy for Relisting as a Global Logistics Company

Focusing on measures to improve profitability and asset efficiency with a sense of urgency

Our group is aiming for relisting as a global logistics company. We are addressing various measures with a sense of urgency to enhance our corporate value and to be recognized as a valuable investment by overseas institutional investors. A key aspect of our financial strategy for relisting is to increase "Equity Value." To enhance Equity Value, we need to actively invest in growth through topline expansion, M&As, and investments in equipment, DX, and human resources. As a prerequisite, our basic financial strategy involves further improving asset efficiency and strengthening

minimum cash operations. The cash generated will then be allocated toward these growth investments. As part of our initiatives to strengthen minimum cash operations, our group is advancing the comprehensive deployment of a TMS (Treasury Management System) both domestically and internationally. This system enables centralized management of the LOGISTEED Group's funds and financial risks and establishes a mechanism to monitor cash positions at all locations in real-time.

Through this system, we can track daily cash flows and working capital needs across different companies, countries, and regions. Excess cash will be centrally managed through cash management systems and pooling, and redirected toward growth investments. Additionally, by analyzing accumulated data, we determine the minimum cash levels required for our group, thereby improving capital efficiency while enhancing growth investments.

As part of our initiatives to enhance asset efficiency, we are implementing an "asset-light strategy" to make effective use of business assets. In March 2024, our group transferred 34 domestic logistics center to such as Industrial & Infrastructure Fund Investment Corporation and implemented a "sale-and-leaseback" arrangement, allowing us to continue using these centers through leasing.

Major initiatives focusing on asset efficiency and capital efficiency

Mid-term Management Plan/ FY	Measures	
Mid-term Management Plan Value Creation2018	FY2016	<ul style="list-style-type: none"> Partially changed the business assessment approach (assess centers owned by the Group by adding market rent) Set ROE as an important management indicator
	FY2017	<ul style="list-style-type: none"> Asset liquidation (e.g. sale of distribution centers with low asset efficiency, leaseback)
	FY2018	<ul style="list-style-type: none"> Introduced "comparison of ROIC and WACC" as one of the investment decision criteria Newly established Financial Strategy Office Created rules for strategic investments
Mid-term Management Plan LOGISTEED2021	FY2019	<ul style="list-style-type: none"> Reset ROIC to reflect the adoption of IFRS 16 Leases (adopted in FY2019)
	FY2020	<ul style="list-style-type: none"> Introduced ROIC and WACC in the budget control
	FY2021	<ul style="list-style-type: none"> Introduced ROIC tree in the budget control
Mid-term Management Plan LOGISTEED2024	FY2022	<ul style="list-style-type: none"> Enhance cash management and ROIC management by renewal of core system and introduction of TMS
	FY2023	<ul style="list-style-type: none"> Advance the asset-light strategy (liquefying 34 domestic logistics centers)

Message from the CTrO



The "sale-and-leaseback" model generally reduces total assets and improves asset efficiency by selling owned assets, and it has become a mainstream business model in global logistics companies. Recognizing its importance, we prioritized this approach as part of our relisting strategy and swiftly applied it to our domestic logistics centers. Moving forward, we will continue to explore further asset efficiency improvements. It is important to note that the recent series of transactions involved a somewhat complex structure, including an absorption-type demerger, and in some cases, leaseback arrangements may increase rental costs for the logistics centers. Therefore, we feel it is crucial to ensure that our employees fully understand the objectives and significance of these measures. Additionally, as one of our initiatives to support topline expansion, we are advancing the renewal of our global core system—an integrated platform that enables us to access and utilize customer information from both domestically and internationally. The domestic rollout is progressing smoothly, and in FY2024, we will continue to expand the system internationally, as we did last year. We are also working to speedily strengthen "Topline expansion," "Enhancement of transportation capacity," "Optimization of procurement costs," and "Optimization of SG&A expenses," in alignment with common goals shared with KKR. We are beginning to see incremental results from these efforts. By addressing these various measures for relisting from a financial perspective, we aim to further increase the corporate value.

To Deepen ROIC Management and Improve ROE

Supporting topline expansion through "defensive" measures and improving ROIC and ROE

In our group, to enhance profitability, the "Project Management Office" manages the preparation status of new orders and investment projects using an eight-stage phase-gate methodology to ensure they are effectively linked to revenue. We also review bid proposals for existing or new projects and to reduce the risk of losing bids. Additionally, the "Misconduct Eradication Committee" centralizes and monitors incidents and issues within the LOGISTEED Group, including administrative errors such as billing and payments. By coordinating with the Internal Auditing Office and various Business Management Headquarters, we implement a PDCA cycle to prevent recurrence and ensure sound and normal business operations. These efforts support the topline through "defensive" measures.

In our group, ROIC and ROE are positioned as key management indicators. We have introduced ROIC and WACC into our budget control as part of our ROIC management approach, and in recent years, we have strengthened return analysis on invested capital by incorporating cash management. Currently, awareness of invested capital and returns is steadily permeating at each site. We have nearly met our ROIC targets for domestic operations, and we will focus on enhancing ROIC in our overseas business moving forward. In the overseas business, there are regions with significant asset holdings. For example, in Asia, there are often no warehouses of the required size in the areas demanded by our customers, leading to a significant number of warehouses established using our own capital, which has been a factor in reducing

ROIC. However, with the recent progress in the development of logistics facilities by real estate investment companies, we are encouraging a shift from capital investment to leasing for fixed assets. This approach aims to improve ROIC by managing self-investment while continuing business growth. Additionally, through quarterly performance review meetings with each group company, we are deepening discussions on the current state of ROIC and countermeasures.

Moving forward, we will further strengthen our system by setting medium- to long-term ROIC targets for each area and checking progress on addressing low-profitability businesses. We will also continue to encourage the disposal of unnecessary fixed assets and the prompt collection of receivables, thereby enhancing management within the LOGISTEED Group to further improve ROIC.

Furthermore, with our sights set on relisting as a global logistics company, improving ROE is also crucial. ROE is an important indicator for deciding the allocation of management resources with a focus on capital efficiency. Initiatives within our group, such as limiting self-investment and maximizing leasing, are expected not only to improve ROIC but also to enhance ROE by increasing financial leverage. By improving profitability and topline expansion to boost the total assets turnover ratio, and by continuing to implement measures to improve capital efficiency with a focus on the ROE tree (ROIC and financial leverage), we aim to further enhance corporate value.

To Increase Corporate Value

Advancing to the next stage with One LOGISTEED through a series of management reforms

Through our strong partnership with KKR, we have already begun to see tangible results in strengthening minimum cash operations and implementing the asset-light strategy. Moreover, the prospect of relisting as a global logistics company is gradually coming into view. In pursuit of our medium- to long-term vision, "LOGISTEED2030," we plan to actively engage in M&As both domestically and internationally, starting with ALPS LOGISTICS CO., LTD. We aim to incorporate the best practices from our previous management reforms into our new co-creation partner companies, strengthening PMI and working across the LOGISTEED Group to increase corporate value. I view the execution of carefully selected investments, detailed follow-ups, and the creation of effective PMI as various efforts aimed at improving management efficiency with the goal of M&As as a critical mission for myself as CTrO. Furthermore, while strengthening minimum cash operations, securing funds to meet financial needs is also a crucial mission. We will minimize external interest-bearing debt and utilize TMS to increase visibility and centralize funding within the LOGISTEED Group. This will allow us to allocate funds selectively toward growth investments in domestic and international M&As, equipment, DX, and human resources. In FY2024, the final year of the Mid-term Management Plan "LOGISTEED2024," we will further accelerate various measures aimed at an early "relisting as a global logistics company." As One LOGISTEED, we are committed to uniting our efforts to achieve even greater increases in corporate value.

