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To All Concerned Parties

Company Name: Chilled & Frozen Logistics Holdings Co., Ltd.
Representative: Representative Director, President and Executive Officer Hiromasa Aya
(Code No. 9099 TSE Prime)
Contact: Executive Officer, General Manager of Corporate Planning Department Takaaki Yamamiya
(Phone: +81-(0)3-5291-8100)

Notice Concerning the revision of Medium-term Management Plan

Chilled & Frozen Logistics Holdings Co., Ltd. ("C&F") announces that, at today's board of directors meeting, it has resolved the revision of the Medium-term Management Plan (from FY2022 to FY2024) announced on May 10, 2022, as a 3-year plan from FY2023 to FY2025.

I. Background of the revision of the Medium-term Management Plan

In the cold chain logistics industry for food product, which is C&F's principle focus, its business environment had shown signs of moderate recovery from sluggish economic activities caused by COVID-19 pandemic, at the time formulating current Management Plan. In addition, C&F had assumed the gradual increase in its handling volume and improvement of the profitability by expanding and acquiring its existing and new business with the start of new facilities.

However, each company has suffered to some extent from the increased costs as 1) costs of raw materials increase faster than anticipated along with the accelerating inflation worldwide, and 2) the economic recovery in domestic market is slower than anticipated.

Especially, the energy costs such as fuel and electricity has surged due to the unstable international situations and are expected to remain high, considering the current supply-demand situation of electricity. As for labor costs, while C&F assumes the reasonable cost-up in preparation for the 2024 issues in logistics and business expansion, wage growth has exceeded the initial expectation because of large scale of base-pay increase in many companies

Considering above-mentioned situations, C&F determined to revise the 3rd Medium-term Management Plan as a 3-years plan from FY2023 to FY2025.

II. Outline of the revision

(1) Basic policy and basic strategy

While the basic policy and strategy of the Medium-term Management Plan have not changed significantly, the following items are added as important measures in light of the diversification of distribution channels for low-temperature products and changes in the social and economic environment.

- ① Investing in the development and introduction of new technologies in order to rise up the productivity in respect of manpower-saving and address the environmental issues as sustainability initiatives
- ② Accelerating the growth speed by promoting investment in businesses such as overseas business, e-commerce logistics and pharmaceutical logistics and by business alliance with other companies.
- ③ Enhancing profitability and expanding business volume by both organic and inorganic growth including through the M&A that contributes to strengthening the existing business.

In order to achieve above-mentioned measures, C&F plans an additional investment of about 10 billion yen.

Reference: basic policy and basic strategy (key measures)

1. Basic Policy

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

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.

(2) Target figures

	FY2023 (Performance Forecast)	FY2024 (Performance Target)	FY2025 (Performance Target)
Consolidated operating revenue	115,300 million yen	118,700 million yen	122,400 million yen
Consolidated operating profit	3,400 million yen	4,700 million yen	5,700 million yen
ROE	8.0% or higher by FY2025		
Capital Adequacy Ratio	Approx. 45%		
Dividend Payout Ratio	20% or more (up to 30% or more gradually)		
Capital Expenditure	33,500 million yen*		

*Detail of additional investment with the revision

	From FY2023 to FY2025 (total amount for 3years)
① Acceleration of growth speed in growth business field	5,500 million yen
— e-commerce logistics	4,000 million yen
— overseas business	1,500 million yen
② Enhancement of existing business	4,000 million yen
③ Development of new technologies & Initiative for environmental issues	500 million yen
【Total】	10,000 million yen

Reference: initial 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	8.0% or higher		
Capital Adequacy Ratio	Approx. 45%		
Dividend Payout Ratio	20% or more		
Capital Expenditure	27,000 million yen		

(3) Shareholder Return Policy

C&F continues the existing Shareholder Return Policy as well as Basic policy and strategy. Its policy is to maintain the dividend payout ratio at 20% or more and increase the ratio gradually to achieve the 30% target.

Its policy also aims to increase the total payout ratio by potential execution of share buybacks.