KONOIKE GROUP

KONOIKE GROUP
Integrated Report 2021

Konoike Transport Co., Ltd.

Website: https://www.konoike.net/en/
KONOIKE GROUP videos: https://www.konoike.net/company/library/

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Brand Promise

Our Promise

Striving to Go Beyond Expectations

Going beyond the expectations of people and society, advancing lifestyles and creating new value.
At KONOIKE, this has been our job for over 100 years.
We promise to continue to evolve, unwaveringly, over the next 100 years.
At all of our locations, from where we got our start, you can find a true and unmatched dedication.
People are trained, and grow in order to help other people. Our dedication is one of relationships,
where we sometimes must be responsible for the lives of other individuals.

We challenge ourselves to achieve what society asks of us. Our dedication is one of innovation,
where we sometimes change the lifestyles of our country.
Let us exceed expectations, break through our boundaries, and defy conventional wisdom.
Going beyond what you were yesterday is the first step towards becoming who you will be tomorrow.

Corporate Philosophy

Our Mission

We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust

Treating people as important, and being loved by the people. We know the precious value of these things.
Customers, consumers, employees, families, shareholders, and investors.
We work to build true bonds by always thinking of these important people to whom we are connected.
These bonds enable us to truly push ourselves, surpassing the expectations of both individuals and society.
Let us bring innovation to the foundations of society, and create new value for people's lives.



Striving to Go Beyond Expectations

We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust

Management Indicators for Accomplishing Our Mission

Safety | We take responsibility for life
Passion | We are dedicated to quality
Growth | We go further than yesterday

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Period

FY 3/2021 (April 1, 2020 to March 31, 2021)
Certain information includes activities conducted during FY 3/2022.

Scope

Konoike Transport Co., Ltd. and all consolidated subsidiaries (49 companies).

* Any activities or data outside the scope noted are clearly indicated.

Referenced Guidelines

International Integrated Reporting Framework for the International Integrated Reporting Council (IIRC)
GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI)

More Than 140 Years of Respecting Humanity and Building Relationships of Trust

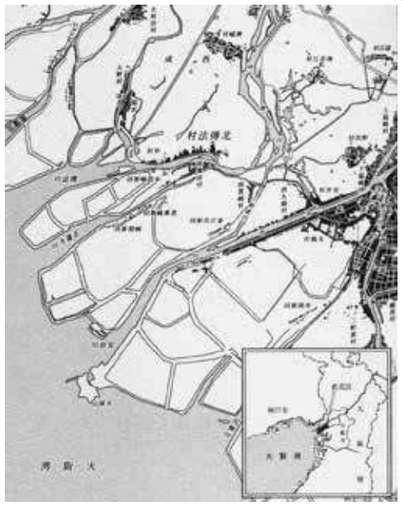
The Birth of Our Founder, Chujiro Konoike,

Origin of the KONOIKE Spirit

Our founder, Chujiro Konoike, was born in 1852 in Kitadenpo, Nishinari County, Osaka Prefecture (currently Denpo 4-chome, Konohana-ku, Osaka City). Located near the mouth of the old Nakatsugawa River in the vicinity of the Yodogawa River in Osaka, Denpo was the birthplace of Japan's barrel transport ship business in the 17th century. Many ships, including large Japanese junks, came and went in the area, making it a busy gateway to open water transportation. In 1871, Chujiro took over his father's wholesale shipping business from his father, Toshichi. In parallel with the shipping business, which had begun to face difficulties keeping up with the new wave of modernization, Chujiro began a so-called worker placement business. Here, he provided workers to civil engineering and construction works, as well as to the manufacturing industries.



Portrait of Mr. Chujiro Konoike (Digital Reproduction)



Map of the Denpo Area During the Meiji Era

The Founding of Konoike Transport

Respect for Humanity and Relationships of Trust in Our DNA

In 1880, Chujiro's company began a worker placement business and transport business under the name, Konoike Gumi. This is the year that we recognize as the founding of the modern Konoike Transport Co., Ltd. In Denpo, which is located at the mouth of the Yodogawa River, floods have occurred frequently since ancient times. But Chujiro demonstrated his natural leadership ability, mobilizing great numbers of people for reconstruction work and cargo handling at various factories in the aftermath. In anticipation of the expansion of factories in the area, he established a lumberyard and engaged in the lumber business. In this and other ways, Chujiro demonstrated his entrepreneurial spirit from a young age. In 1900, Konoike took on cargo handling and transportation work at Japan's first privately owned steel mill, which had been established in Denpo the previous year with the aim of producing steel domestically. This was the very beginning of the on-site contract operations that we continue to this day.



Group Photo Taken on June 18, 1921

Work on the National Directed Shin-Yodogawa River Excavation Project

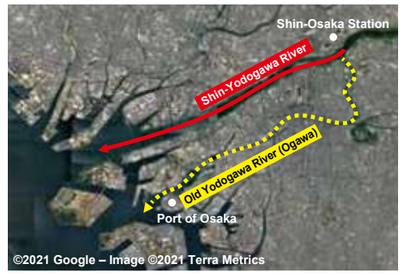
The Yodogawa River basin had long been an important political, economic, and cultural center. But the river itself suffered tremendous damage from repeated flooding and inundation. Therefore, foreign ships gradually moved away from the port of Osaka, which became inundated with large amounts of earth and sand after every major flood. However, although work had been attempted sporadically to repair the Yodogawa River, these efforts were never very effective and the river continued to suffer from massive flooding. Therefore, the Meiji government decided to implement an improvement project on the Yodogawa River under the direct control of the government. One of the greatest challenges was where to procure materials and secure a large work force.
Chujiro Konoike was the one selected for the task, receiving a contract to construct a 16 kilometer section. He invested a large amount of labor, based on his personal connections and trust built up over many years, spending the five-year period from 1898 to 1903 to complete construction on the Shin-Yodogawa River. The areas previously plagued by flooding from the old Yodogawa River in central Osaka included the areas of Tenmabashi and Yodogawabashi. It is not exaggeration to say that this project laid the foundation for the prosperity of central Osaka in the modern era following the Meiji era.
In 1917, when the Yodogawa River basin was severely flooded due to a series of typhoons, the Osaka prefectural government launched a reconstruction project. Konoike worked with the Army Corps of Engineers and the Ministry of Home Affairs in completing the work. At the time, Chujiro was already 65 years old, but with an indomitable spirit and unparalleled leadership skills, he inspired his subordinates and surprised everyone by completing the work the following year, with even more vigor than shown by the army. As a result, this KONOIKE Spirit became widely known for working with integrity and honesty, never giving up until the work is done.



Tenmabashi Bridge on the old Yodogawa River washed away in the Great Flood of 1885
(Image courtesy of the Yodogawa River Office, Ministry of Land, Infrastructure, Transport and Tourism)



Yodogawa River Improvement Work
(Image courtesy of the Yodogawa River Office, Ministry of Land, Infrastructure, Transport and Tourism)



Overall View of the Yodogawa River Improvement Work

Businesses That Have Blossomed in a Variety of Fields, Responding to the Needs of Society

May 2020 of this year marked the 140th anniversary of the KONOIKE Group, founded in 1880 by Chujiro Konoike as a worker placement and transport business. From our earliest days, we expanded from the transport business into a variety of other industries. As we answered customer requests, we expanded beyond transport, leveraging the expertise we gained along the way to enter new industries. Our Brand Promise, *Striving to Go Beyond Expectations*, is what has supported the development of the KONOIKE Group. This is the promise that links our past with our future.

Airport-Related Business

Our first real foray into the airport business was providing a range of services in preparation for the opening of Kansai International Airport in 1994. KONOIKE integrated services included shipping, landing and loading goods, land transportation, heavy cargo transport, machinery installation, maintenance, and more that became the foundation of our airport-related business. After the opening of the airport, we received orders for the handling of import and export goods, aircraft cleanup services, etc., expanding the scope of our business. In 2010, Japan Airlines transferred three ground handling companies to the KONOIKE Group. With the new additions, KONOIKE began offering customer service, aircraft operations management, and other services. Today, we serve seven major airports in Japan, including Kansai and Haneda.



Life-Related Business

Our Life-Related Division, which supports general living, began when we received an order from a gas company for on-site transport and barge transport of coal, coke, ammonium sulfate, and other materials. We provided support through integrated transport operations, and received contracts to conduct warehouse operations in response to customer requests based on our experience. Subsequently, we began our own warehouse operations. Today, we offer services across a wide range of industries, including apparel, general household goods, and more. As we diversified from transport to warehouse operations to facility maintenance, we have expanded as a multifaceted provider gaining the support of a broad range of customers. In that time, this business has grown to become a KONOIKE Group core business.



1880 Founding

Corporate Philosophy

We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust

KONOIKE became widely known for a spirit that supports the foundations of society based on respect for humanity and building relationships of trust through worker placement and transport businesses. These values have become part of the DNA of the KONOIKE Group.

1900 Steel-Related

1939 Life-Related

1951 Food-Related

1984 Expansion Into Singapore

1991 Airport-Related

1994 Medical-Related

2013 IPO on the First Section of the Tokyo Stock Exchange



2018 Environmental & Engineering

In 2018, the business was split off from Steel Division based on the technical capabilities and trust cultivated in the steel business. This business now provides engineering for customers across a wide range of industries, including major steel manufacturers and parts manufacturers. The business provides integrated solutions encompassing the manufacturing and processing of various plant equipment and facilities in our own plants, followed by installation and maintenance work. In addition, the business is involved in recycling projects, such as the Perfect Recycling System that recycles industrial waste containing iron, zinc, and carbon generated in steel mills without producing secondary waste.



Greater Growth

Overseas Business Expansion

Medical-Related Business

As part of our efforts to develop business in a new industry, we launched a medical business division, first providing sterilization services in hospitals. Subsequently, we focused on efficiency issues related to managing goods within hospitals. Leveraging our expertise in transportation, we began providing services for in-hospital logistics systems, which grew steadily over time. In the year 2000, we established Konoike Medical Co., Ltd. Since then, we have continued to expand by taking over the businesses of other companies and establishing new locations. We are diversifying even further, aiming to create a comprehensive medical SCM service that includes logistics for medical supplies, instruments, and more.



Food-Related Business

In 1951, we received an order to provide on-site transportation services for a sugar refining manufacturer. Since that first contract, we have expanded our food-related business domain steadily over the years, including orders for dairy-related services during the summer off-season as we grew our fertilizer-related business in Tokyo, on-site transportation services for beverage manufacturers as we expanded into the greater Tokyo area, and more. Today, we have leveraged our expertise in maintaining food freshness and quality to perform contract services for temperature-controlled logistics, the receiving and preparation of raw materials, packaging, and a wide variety of other operations. At the same time, we have expanded into other areas that include factory equipment inspections, manufacturing line efficiency consulting, and waste processing.



Steel-Related Business

In 1900, the first-ever privately owned steel foundry was established in Denpo, Osaka, the same district as the founding of the KONOIKE Group. Here, Chujiro Konoike received an order to load and unload raw materials, provide on-site transport, and perform other work that became the foundation of our steel business. With the subsequent development of the steel industry, we expanded our business to include the installation of machinery, special transportation of heavy items, and machine tools, in addition to unloading and transportation, building a broader base of factory construction work. Today, our Steel Division provides a wide range of services. These services include logistics-related operations both on-site and off-site, off-line operations and production refining processes related to blast furnace and converter steel-making, continuous casting, refining, and other processes. The division also offers engineering services and conducts by-product recycling operations.



The KONOIKE Group Strengths That Create Value

(FY 3/2021)

The KONOIKE Group has achieved sustainable growth by improving both financial and non-financial capital. In this section, we discuss two types of capital (financial and non-financial) subdivided into the six capitals of financial, services, intellectual, human, social and relationship, and natural. We also describe how the KONOIKE Group has used these capitals to grow.
By strengthening these six capitals further, we continue to strive to grow our corporate value.

Financial Capital

While we are committed to creating added value and contributing to our customers, we also strive for capital efficiency in our financial management. As part of this effort, we are working to follow stricter investment standards and pursue our profit improvement plan.



Total assets

¥258,700million

Cash and cash equivalents, end of period

¥62,200million

Service Capital

Since our founding in 1880, the KONOIKE Group has endeavored to create new value. Today, we operate branch and sales offices throughout Japan. We have also expanded our business overseas, beginning with Singapore in 1984.



Number of locations by region
(as of October 1, 2021)

Domestic locations

196

Asia

27

North and Central America

5

Capital investment:

¥13,400million

Intellectual Capital

We share the expertise we have developed over the 141 years since our founding across business boundaries. In particular, we are committed to ensuring safety and maintaining quality. We strive to improve the services we provide by combining our expertise with new technologies.



Konoike Institute of Technology research expenses

¥110million

Konoike Grand Prize*
Awarded to a total of

131
work sites and employees

* The Konoike Grand Prize is an internal system for recognizing work sites and employees who have made outstanding efforts to improve the safety, quality, performance, and productivity of the KONOIKE Group.

Human Capital

To embody our corporate philosophy of respect for humanity and relationships of trust, we not only respect human rights, but also emphasize investments in education and training. As a company with global operations, we also aim to create a corporate culture conducive to diversity.



Employees
(as of September 30, 2021)

Consolidated

24,000

Non-consolidated

15,000

Human resources training expenses (non-consolidated)

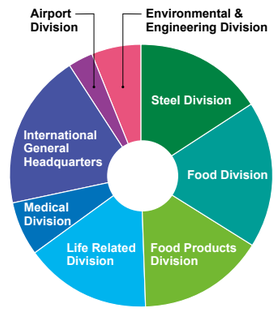
¥380million

Social and Relationship Capital

We have built relationships of trust with our stakeholders through our business activities across a variety of industries and sectors, and we will continue striving to exceed expectations.

KONOIKE GROUP

Net sales by business



Steel Division
¥47,061million

Medical Division
¥19,280million

Food Division
¥52,472million

International General Headquarters
¥56,177million

Food Products Division
¥45,486million

Airport Division
¥9,158million

Life Related Division
¥45,260million

Environmental & Engineering Division
¥17,451million

Business partners

5,000companies

Natural Capital

As a company engaged in the transport business, we address global environmental issues by striving to conserve resources and energy. We will continue to make more effective use of natural capital by introducing technologies and improving performance.



CO_2 emissions*

170,636t-CO_2

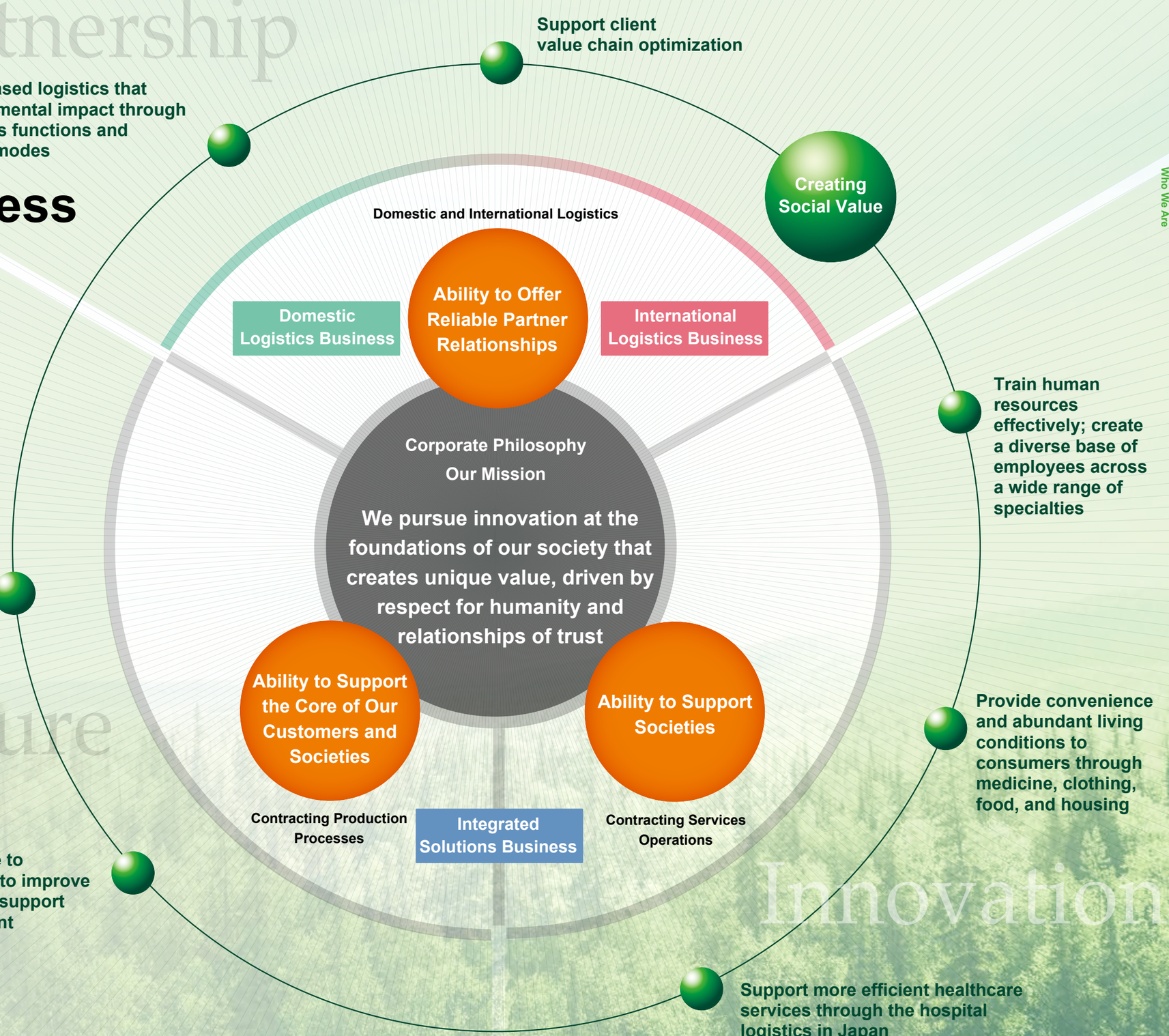
Electricity consumption*

94,700thousand kWh

* Total for the non-consolidated company and domestic affiliates

Value Creation Process

Our Corporate Philosophy and Business Principles are the foundation of all KONOIKE Group activities. Supported by the capital entrusted to us by stakeholders, we aim to improve corporate value by combining our three strengths to solve issues faced by various industries. At the same time, we will continue to strive to be a valuable presence for our stakeholders. In particular, we intend to bring more visibility to the value generated by ESG and other non-financial capital, contributing to better future societies beyond the industries of the customers we serve. We will define clear goals to achieve under our 2030 vision and take on the challenge of creating new value.



The KONOIKE Group Business Segment Structure

**From contracting manufacturing processes to services,
the KONOIKE Group offers clients solutions across a wide range of businesses.**

Integrated Solutions Business

The KONOIKE Group services the operating processes of client business activities across a gamut of industries and segments, from steel, nonferrous and precious metals, and natural gas and chemicals, to such consumer goods as food and daily necessities, aviation, and healthcare.

We allocate a variety of resources, including staff, facilities and business expertise, to provide integrated services (solutions) to assist clients in resolving the issues they confront in their business operations. Our businesses extend beyond simple transport of goods, encompassing production and distribution processes, various operations ancillary to those processes, and specialized processes requiring specific skill sets. Our efforts support our clients in achieving higher production efficiencies, improved product quality, and lower costs.

Steel-Related Business
- Steel-Related Operations
- Environment & Engineering Operation

Food-Related Business
- Food-Related Operations
- Food Product Operations

Life-Related Business
- Life-Related Operations

Medical-Related Business
- Medical-Related Operations

Airport-Related Business
- Airport-Related Operations








Domestic Logistics Business

In Japan, we offer temperature-controlled logistics using our frozen and chilled storage warehouses, as well as general logistics services using our dry storage warehouses. Customers value our smooth, consistent logistics services, from product storage to distribution processing, and even delivery.

Food-Related Business
- Temperature-Controlled Logistics Operations

Life-Related Business
- Logistic Services

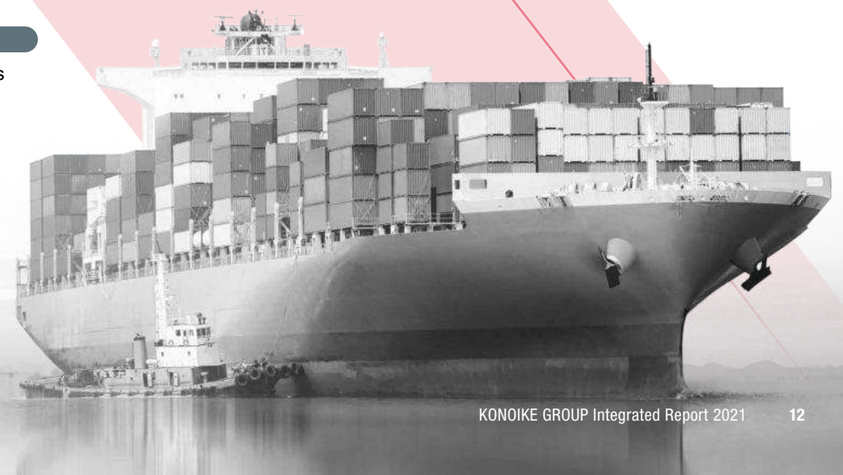


International Logistics Business



In Japan and overseas, we offer a variety of services, including maritime cargo services, air cargo handling services, and import/export goods warehousing operations. We cover all types of transportation services, from fresh foods to cutting-edge precision components, supporting the overseas growth of our clients.

Overseas-Related Business
- Overseas-Related Operations



Overcoming Crises and Becoming a Company That Spreads Happiness

Introduction

First, allow me to express my heartfelt concern for those who are suffering from the direct effects of COVID-19 and for those who have been impacted by the spread of this terrible pandemic. Unfortunately, continuing from 2020, 2021 was a year of unprecedented disaster, resulting in stagnant personal consumption and business activities. However, we are seeing signs of light at the end of our various measures and efforts.

Financial results for the year ended March 2021 were impacted by the COVID-19 pandemic, and we recorded net sales of ¥292,300 million (5.9% year-on-year decrease), as well as a significant decrease in operating income to ¥3,900 million (58.7% decrease). More recently, however, our financial performance has headed toward recovery due to the reduced impact of COVID-19 on production and logistics, as well as the release of blast furnace banking in the steel industry. We made an upward revision to our earnings forecast for the second quarter of the fiscal year ending March 2022 to reflect better-than-expected results of initiatives conducted under the FY3/2022 Policy.

To be a Company That Spreads Happiness

While our awareness of the environment and society, including work-style reform and the SDGs, has been changing gradually for some time, the COVID-19 pandemic has brought these issues to the fore. I am sure you are aware of the revolutionary changes we are experiencing in every aspect of society. The KONOIKE Group remains committed to the core values we offer as a brand based on our Corporate Philosophy. At the same time, we must optimize every aspect of our relationships with customers and society, as well as the environment within our group, to meet the trends of the times as we evolve to meet the values of the next generation.

The KONOIKE Group is a corporate group that pursues sustainability in contributing to better working lives for individuals and solutions to social issues. This is the founding spirit that has been passed down in our DNA for more than 140 years. Every person on the front lines of our business holds to a strong sense of mission to take on daily issues, as well as a sense of pride and conviction to support society. In so doing, we have continued to be a presence always needed by our customers and society.

Today, however, our customers and society are facing issues more complex than ever before. Values and lifestyles are becoming more diverse. The same standard business styles of the past are no longer sufficient. Therefore, the most important thing for the future of the KONOIKE Group is to create an environment that fosters the creativity of every individual involved in our business. We will create fields in which younger employees can grow and play active roles, while nurturing a shared vision among disparate generations and taking joy in *monozukuri* and achievement, even of minor things. As we increase interactions with the outside world, we will turn ignorance into knowledge and evolve our front-line workplaces into settings for colleagues to grow together. Further, we will combine different values and create higher levels of added value through the hybridization of people and technology and cross-departmental collaboration. We believe in the importance of these efforts in becoming a strategic partner for our customers that can envision future generations of their businesses.

What this means, in other words, is that we must spread happiness among all people. We understand that safety and peaceful living for all is the minimum for which we should strive, and that our own growth as a true partner with our customers and stakeholders is what will allow us to perform excellent work that spreads happiness. The accumulation of these efforts will protect the global environment, solve social issues, and help us become a company needed by future generations. Customers, society, and the environment. A new KONOIKE that spreads happiness to all. We are taking the first steps toward a brighter future as we break free from and move past the COVID-19 pandemic.

Representative Director, Chairman,
President and Chief Executive Officer

Tadahiko Konoike

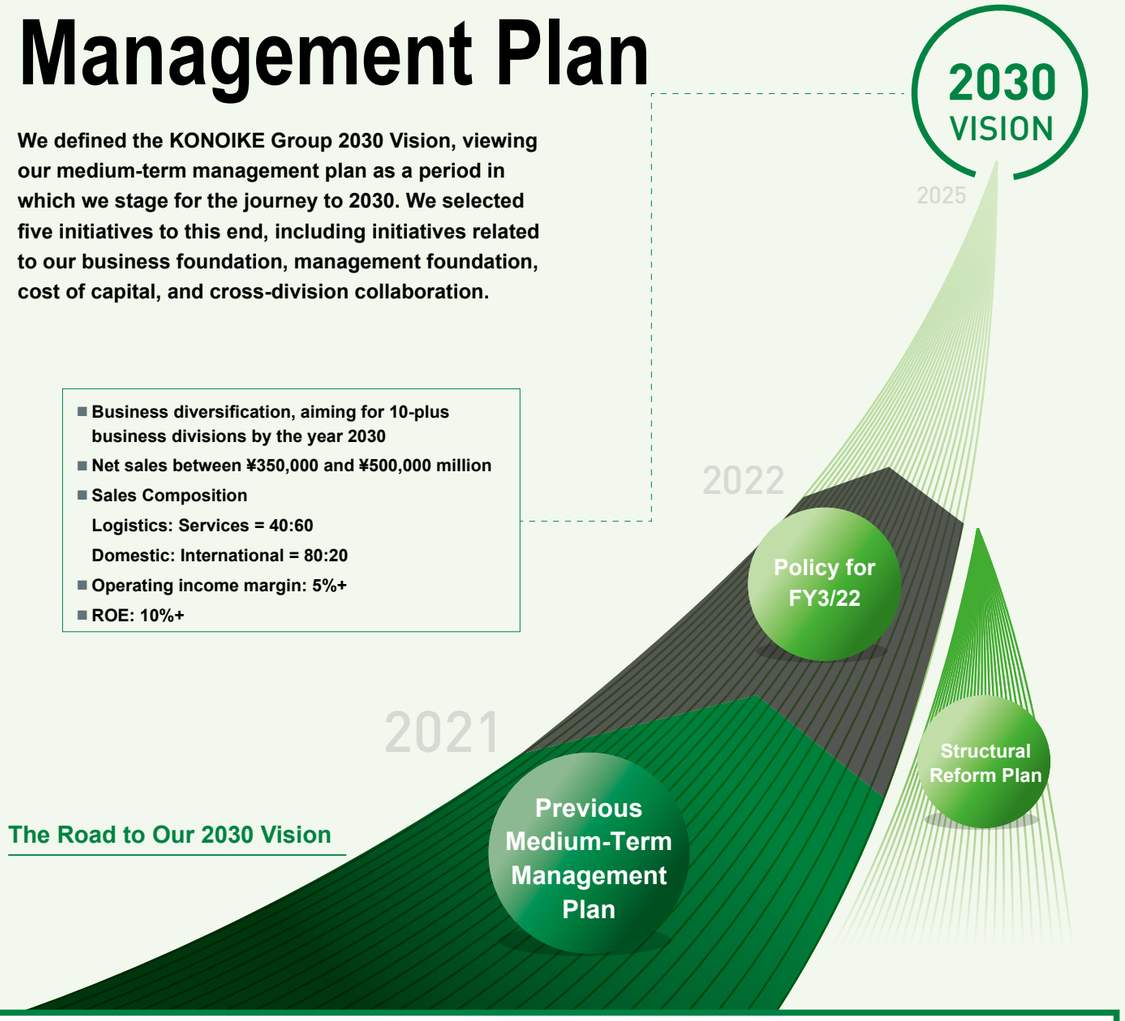


2030 Vision and Medium-Term Management Plan

We defined the KONOIKE Group 2030 Vision, viewing our medium-term management plan as a period in which we stage for the journey to 2030. We selected five initiatives to this end, including initiatives related to our business foundation, management foundation, cost of capital, and cross-division collaboration.

- **Business diversification, aiming for 10-plus business divisions by the year 2030**
- **Net sales between ¥350,000 and ¥500,000 million**
- **Sales Composition**
  Logistics: Services = 40:60
  Domestic: International = 80:20
- **Operating income margin: 5%+**
- **ROE: 10%+**

The Road to Our 2030 Vision



Previous Medium-Term Management Plan Results

The fiscal year ended March 2021 was the final year of our medium-term management plan, which we called, *Staging for the Journey*. Due to the impact of COVID-19 and other changes in the business environment, however, we fell far short of our quantitative goals. In particular, as the operating income margin continues to decline, we have reconfirmed the urgent need to improve profit ratios. At the same time, we have made a certain degree of progress in enhancing and strengthening the foundations of our business and management. We are now identifying issues that will lead to further strength behind our initiatives.

Structural Reform Plan and Policies for FY3/2022

To respond to changes in the business environment, including the rising impact of COVID-19, we launched our Structural Reform Plan in February 2020.

Originally, we planned to formulate a new three-year medium-term management plan. However, to focus on improving profit ratios in an uncertain business environment, we decided to formulate a single-year FY3/2022 Policy, which follows in line with the Structural Reform Plan.

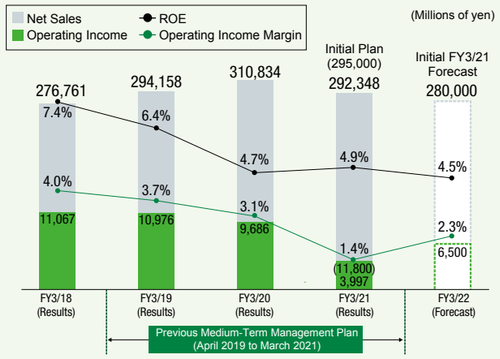
Review of the Previous Medium-Term Management Plan

(FY3/2019 to FY3/2021)

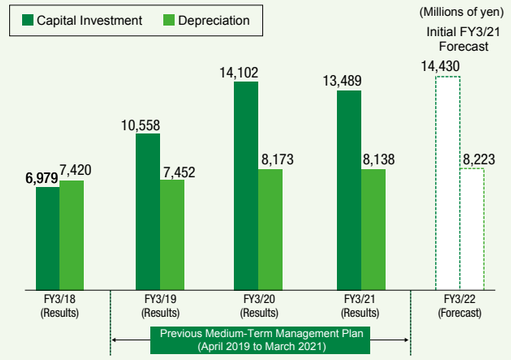
Quantitative Goals

Initial Plan		Results	
Net Sales	¥295,000 million	Net Sales	¥292,300 million
Operating Income	¥11,800 million	Operating Income	¥3,900 million

Net Sales, Operating Income, and ROE Trends



Capital Investment and Depreciation



Qualitative Goals

Five Specific Initiatives	Details	Achievements	Issues and Future Initiatives
Strengthen business foundation to facilitate future growth	Human resources	■Reviewed personnel system and adapted to flexible work styles (e.g., non-seniority systems, higher retirement age, reduce long working hours, facilitate work-life balance)	■Retention rate for young employees (an important KPI) fell below targets ■Develop and recruit human resources to achieve medium- and long-term vision
	Systems	■Established KITS, an ICT-related subsidiary (Jul 2018) with support from the officer in charge of ICT. In this way, we implemented offensive measures (new Integrated Logistics System, digital forwarding business formation) and defensive measures (RPA-based productivity improvements, strengthening management information infrastructure)	■Continue internal development of the new Integrated Logistics System (WMS/transportation and delivery/warehouse work system), shift to DX in forwarding business ■Maximize RPA implementation impact stemming from the standardization of business processes
	Safety and quality	■Ongoing promotion of safety and quality assurance; improvement activities conducted by safety and quality specialists and personnel	■Continue to execute improvement activities to ensure zero serious accidents and safeguard work quality
	Branding	■Reconceptualized corporate philosophy and formulated a new brand promise ■Pursued Katariba as an internal branding activity for enhancing employee motivation and engagement	■Re-affirm our corporate philosophy and targets in keeping with ESG and the SDGs ■Engage in outside branding to raise awareness ■Continue Katariba activities
Restructure management foundation	Governance monitoring mechanism	■Set KPIs/KGIs for medium- to long-term initiatives in each division; currently conducting progress management ■Established the Personnel and Compensation Committee (June 2019)	■Set more effective KPIs/KGIs in line with medium- and long-term vision ■Conduct progress management for large-scale investment projects
Instill management awareness of the cost of capital	ROIC adoption	■Strengthened the function of the Investment Evaluation Committee, a deliberating body for investment projects (e.g., establish determination criteria for investments) ■Launched projects to promote ROIC adoption and internal awareness; pursued efforts including formulating and executing profit improvement plans for business groups to be prioritized for improvement	■Adopt ROIC further (e.g., incorporate into evaluations) ■Establish a system enabling decisive, strategy-based decision-making (strengthen effectiveness of business portfolio management)
	Business portfolio management		
Foster growth through cross-division collaboration	Stronger intra-group collaboration	■Established the Sales Division and implemented several initiatives in areas such as developing large-scale customers, cross-division collaboration, M&A (NBS, Chuden Sangyo, MASCORP); established Tokyo Rail Gate (March 2020)	■Establish the Sales Planning Department to promote sales strategies and reallocate management resources effectively for the entire group; accelerate growth stemming from cross-division collaboration
Initiatives aimed at value innovation and the discovery / Nurturing of new core businesses	New business development	■Currently pursuing the creation of specific businesses at International General HQ and ICT Promotion Division for digital forwarding businesses, devised by the Technology Innovation Promotion Division	■Establish the Business Development Division, taking over the new business development function and being responsible for next-generation businesses in Japan and overseas, including businesses in India
	New technology adoption	■Identifying issues and conducting proof-of-concept tests/impact verifications for implementation of new technologies at each location (e.g., AGV, automated FL, image recognition, work assist robots) ■Established Konoike Institute of Technology Innovation Center (March 2021)	■Continue to promote R&D functions for new technologies in the Technology Innovation Promotion Division

Structural Reform Plan

(February 2020 to March 2022)

Structural Reform Plan

Our Structural Reform Plan is divided into four major areas: Expand Business, Improve Profits, Follow Stricter Investment Standards, and Create a Smaller and More Efficient Head Office. Within these initiatives, we are focusing particularly on reviewing unprofitable businesses, which is part of our work to Improve Profits.

We analyzed the ROIC of all 190 business locations, identifying 31 locations for which ROIC improvements are needed in particular. We excluded 11 business locations from the perspective of status as a Foundational or Growth Business, and we created profit improvement plans for the remaining 20 locations.

We will pursue optimization for each location in implementing the improvement plans. Further, we conducted investigations from the perspectives of customer analysis, strategy, and synergies to consider improvement efforts for overall optimization. We are also considering whether to withdraw from or sell off any of the 20 locations that do not show sufficient strategic potential or synergies for improving profitability.

	Initiative Area	Major Progress Achieved
Expand business	**Creating new business in the time of COVID-19**	■COVID-related: Procurement and sales of medical-related supplies, antibacterial processing services, Carna Health Support Club (for Indian-Japanese companies) ■Drones, e-commerce business, digital forwarding, agricultural product export, exposition and integrated resorts-related
	Sales structure (cross-division collaboration)	■Established new Sales Planning Department ■Established new Business Development Division ■Established new Technology Innovation Promotion Division ■Abolished Business Departments under business divisions
	Human resources development business for foreign nationals	■Agricultural human resources training school (agricultural engineer training, Vietnam) ■Study abroad system for (Japanese domestic) agricultural corporations
	M&A	■Review of M&A principles ●The purpose of M&A is to increase the corporate value of the target company ●Strengthen process functions, including development/exploration, business execution, and PMI
Improve profits	**Review unprofitable businesses**	■Improved profit at 20 unprofitable operating locations ●Improved profit via business withdrawal, integration, and/or reorganization ●Improved profit income/expenditure through unit price revisions
	Restructure overseas Business	■Reorganized international logistics services (forwarding, constant temperature, storage and delivery) by function ■Withdrew from one overseas operating location, others under ongoing consideration
	Impact of COVID-19 on business performance	■Absorbed surplus airport-related personnel within the group (human resources matching) ■Engaged in procurement and sales of medical-related supplies, antibacterial processing services
	Responding to restructuring in the Steel Division	■Absorbed personnel made redundant due to restructuring, (e.g., blast furnace suspensions) (human resources matching) ■Mobilized human resources by aiding in acquiring new skills
Follow stricter investment standards	**New investments / Upgrade investments / Profitability**	■Created and reviewed clear standards and rules for new investment ■Optimized judgments company-wide, hurdle rate
	Review plan (materiality, urgency)	■Revised upgrade investment standards Breakdown of revisions in FY3/21 capital investment and real estate repair plans Capital investment plan: Eliminated ¥3,554 million from budget, reduced ¥359 million in costs Real estate repair plan: Reduced ¥254 million from budget, reduced ¥254 million from costs
	Idle assets and strategic shareholdings	■Consolidated idle assets Assets sold in FY3/21: ¥312 million ■Adjusted strategic shareholdings Reduced ¥787 million of shareholdings across three companies in FY3/21
Create a smaller and more efficient head offices	**Review organization**	■Revised personnel system: A Personnel System Offering Lively and Rewarding Work to All ■Consolidated offices (achieved annual rent savings of ¥35 million) ■Consolidated Administration Department offices (three offices eliminated, three offices integrated)
	Secure appropriate number of employees	■Improved productivity by further implementation of RPA*, AI, and IoT * Cumulative reduction of 45,500 man-hours annually in over 130 operating locations (as of March 31, 2021)
	Expense reductions	■Reviewed SG&A expenses in general (down ¥1.1 billion vs. FY3/2020; simple Group total) ■Formulated revised budget to reduce internal overhead costs
	Major progress achieved	■Clarified targets further, reviewed cost-effectiveness

FY3/2022 Policy

FY3/2022 Policy

Our FY3/2022 Policy defines initiatives that focus on the following four areas: 1) Improve profit ratios, 2) Improve efficiencies, 3) Strengthen competitiveness, and 4) Engage in cross-division collaboration. Our policy is based on the premise that the airport-related and steel-related businesses will have a significant impact on our group. We intend to understand the environments surrounding both and take proper action.

FY3/2022 Policy

1. **Improve profit ratios**
2. **Improve efficiencies**
3. **Strengthen competitiveness**
4. **Engage in cross-division collaboration**

Business Environment

The FY3/2022 Policy is based on our awareness of the business environments surrounding our Airport-Related Business and Steel-Related Business. We will reflect this awareness in our business plan.

Based on IATA forecasts*, we assume that it will take several years for international flights to recover to pre-COVID-19 levels. Our Airport-Related Business is impacted significantly by international flight activity. However, assuming a recovery in airport-related demand, we must retain a certain level of airport personnel to respond effectively. Therefore, we will continue with human resources matching with other departments internally to maintain our organizational capabilities.

The Steel-Related Business, which represents our core business, is operating at a stable level currently. However, steel manufacturers are beginning to shift to optimized production systems from a medium- to long-term perspective, and we are aware that achieving such a transformation in this type of business often takes several years. Therefore, we intend to pursue higher levels of added value by developing and introducing new technologies. We will also strive to capture steel-related demand overseas.

* IATA announced that it expects international and domestic flights to recover to 2019 levels in 2024 and 2022, respectively.

	Recognition of the Business Environment	Future Policy and Initiatives
Airport-Related	1. Aviation demand will not recover for several years, especially in-service rates for international flights * Based on IATA forecasts 2. We assume there will be post-recovery risks, including decline in business demand and business transformation due to automation	1. Our top priority is to prevent turnover of airport personnel by reassigning personnel within the group to ensure staff availability after recovery (human resource matching) 2. Pursue business automation, DX, and shift to ICT; utilize and adapt new technologies (Giken IC)
Steel-Related	1. Domestic: Review locations for optimal production 2. Overseas: Shift to local production for local consumption, review supply chain 3. Become carbon neutral	1. Aim to provide new services by accelerating the development and introduction of DX technologies 2. Develop business in India 3. Enter environmental businesses

Four Initiatives

We have put into place key organizational structures and systems to accelerate progress in the four key initiatives described in our FY3/2022 Policy.

1 Organizational Changes

We established the Business Development Division to strengthen our efforts to expand our business through the maximized use of KONOIKE Group tangible and intangible assets. The Business Development Division will study growth potential and develop new businesses from a global perspective, not only in Japan, but also for certain business that had been under the India Headquarters until FY3/2021.

In addition, we will provide in-house training focused on the acquisition of new technologies, pursuing initiatives both for human resources matching and for the development of new businesses.

Organizational Changes
As of April 1, 2021

Profit ratios | Efficiency
Competitiveness | Cross-division collaboration

- Pursue technological innovation: Established Technology Innovation Promotion Division (formerly New Business Development Division)
- Create new core businesses: Established Business Development Division (formerly India Headquarters)
  Expand domestic businesses (Integrated Solutions) into India, ASEAN, etc. in collaboration with overseas teams
- Strengthen cross-divisional collaboration: Established Sales Planning Department
  Collaborate across divisional boundaries by function; conceive and formulate business portfolios
- Create smaller head office: Eliminate 12 departments, integrate Personnel Planning, Labor, and Recruiting Departments, and strengthen human capital strategy

2 Technology Innovation Promotion Division

We believe that the size of profits is commensurate with the level of contribution and added value of the services we provide our customers. Needless to say, one of the important factors behind added value is technological innovation. To further consolidate and strengthen our efforts in this area, we reorganized our existing new business development system. Here, we established the Chief Technology Innovation Officer and the Technology Innovation Promotion Division. The Konoike Institute of Technology Innovation Center, which opened in March 2021, is a core component of this effort.

Technology Innovation Promotion Division

Profit ratios | Efficiency
Competitiveness | Cross-division collaboration

- Established Konoike Institute of Technology Innovation Center (Giken IC)
  - Created a forum for experimentation and testing alongside customers (to accelerate open innovation)
  - Reproducing work floors using automated devices at Giken IC; identify problems before full-scale operation and confirm hybrid effects between people and technology (promote high value-added work floors)

3 Human Resources Matching System

The following figures are a quantitative summarization of the results of our efforts in human resources matching. We intend to implement internal training programs to train engineers, including new skills training (technicians, maintenance staff, forklift certification, etc.). In this way, we will be ready to respond to any future changes in the business environment.

Human Resources Matching System

Profit ratios | Efficiency
Competitiveness | Cross-division collaboration

- Support and secondment inside and outside the group until airport operations are restored (continue to expand going forward)

Results for FY3/21
Support personnel: **47,469** persons
Profit contribution: ¥**920** million
*For support within the group only

- Aiming to create a system for continued expansion of our human resources matching system
  - Increase the number of airport personnel accepted in line with expansion of support/secondment
  - Build a system that adapts to future changes in the business environment

4 Promote Cross-Division Collaboration

Until now, the KONOIKE Group has tended toward a stove-piped business structure based on the type of business and customer. However, business divisions engage in common operations, including transportation, warehouse operations, engineering, and contract production. We believe there are opportunities to create synergies that cross divisional boundaries, and we established a new Sales Planning Department under the Sales Division to encourage collaboration between departments. We have already begun active collaboration efforts to make the best use of our management resources (people, goods, and money). These efforts include fostering opportunities for locations to collaborate.

Promote Cross-Division Collaboration

Profit ratios | Efficiency
Competitiveness | Cross-division collaboration

- Pursue cross-division collaboration and maximize the use of management resources: people, goods, and money
  - Provide solutions for the entire group
  - Launch Sales Planning Department
  - Provide regular opportunities for mutual exchange among branch managers, group companies, and overseas locations, crossing divisional boundaries

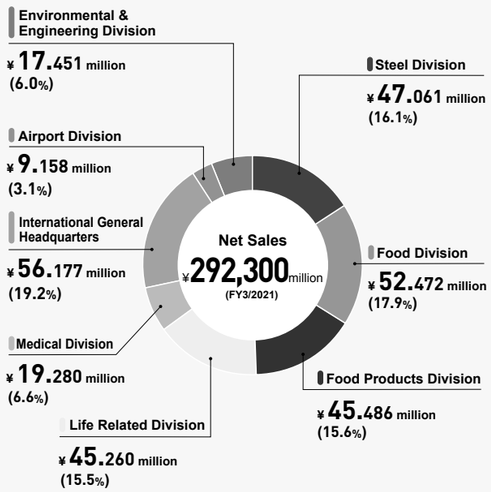
STRATEGY

KONOIKE Group
Business Strategies

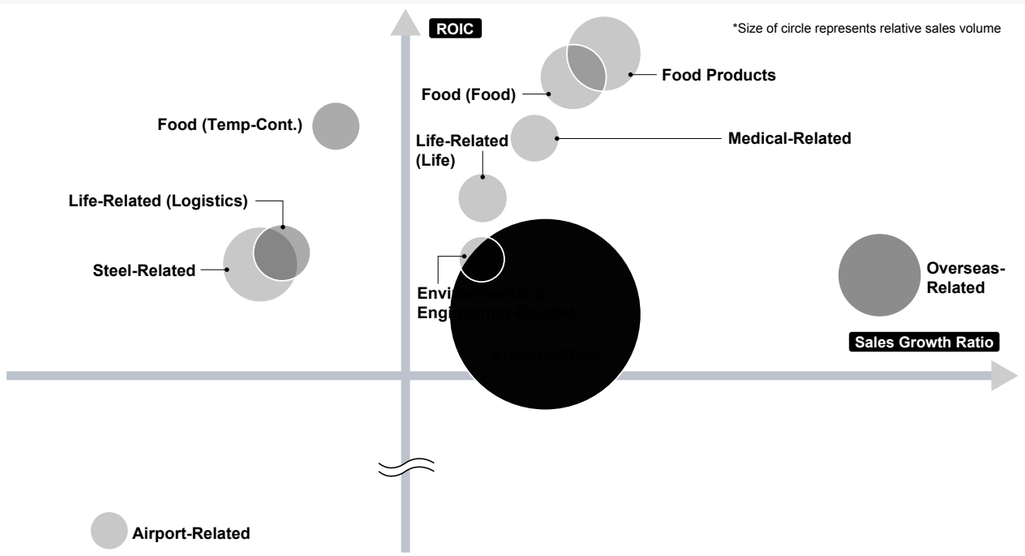
Values That Are Consistent, Yet Adaptable

The KONOIKE Group brand promise is *Striving to Go beyond Expectations*. This promise reflects our stance that we want to do more than the job immediately at hand. We want to provide our customers and society with new and unique value through our work. Seeing the latent needs of our customers and society through our transportation services to date, we have been pursuing innovation at the foundations of our society, striving to create new, unique value. We will never alter this stance and belief, even when the times and society undergo change. This section presents the activities of each of our nine business divisions.

Sales Ratio by Business



Business Portfolio Management (FY3/21)





Director and Managing Executive Officer, Chief Sales Officer and Executive General Manager of Sales Division
Eiji Nakayama

Demonstrating Our Strengths in the Wake of COVID-19

In addition to a decline in demand for steel, fewer airline flights and a contraction in the food service industry due to the COVID-19 pandemic have had an unprecedented negative impact on the KONOIKE Group. The KONOIKE Group believes the source of all value creation is our people, and we have managed to minimize the impact of the pandemic by making more effective use of personnel and by putting the right people in the right places, both inside and outside the group, ensuring continuity in production and logistics, particularly in our airport-related businesses. In our steel-related businesses, we are developing new technologies and entering on-site business fields with success via drones and robotics in our push to create new businesses.

The KONOIKE Group performs essential services across a wide range of industries, and every one of our employees approaches their daily work with a sense of mission and responsibility. Providing these services is our greatest strength in building stronger relationships of trust with our customers. And these relationships are the driving force behind our ability to overcome the current difficult situation.

Striving for Sustainable Businesses

Safety and quality are the most important issues to our company. The safety and quality that we have cultivated and improved over the years have made our business sustainable in the locations we provide services. Safety and quality will be the unchanging foundation of sustainability in our businesses in the years leading to 2030 and beyond.

Further, we intend to strengthen ESG initiatives in building sustainable businesses not only for our customers, but also for society. We aim to build a logistics network capable of contributing to the reduction of CO_2 emissions across every category, including modal shifts in transportation, the self-consumption of electricity through solar panels installed in our warehouses, switching to electric vehicles and fuel cell vehicles, and research into a transition to hydrogen energy. We will also continue to consider businesses related to renewable energy. And beyond complying with requests from various quarters, the KONOIKE Group will pursue such initiatives on our own, striving to be a company trusted and loved by customers and society. Sustainability requires reasonable costs. But we intend to use this opportunity to create new businesses and challenge ourselves to new possibilities.

Future Initiatives

In addition to environmental issues, dealing with Japan's declining population is an issue sure to come up in the near future. It is said that by 2030, Japan's working population will be half of the total population. As mentioned above, the KONOIKE Group believes that people are the source of all value creation. Pursuing digital transformation will be an important key to responding to the decline of Japan's working population. Some say that automation technologies will replace people, but such technologies will be useless if approached in the wrong way. It is no exaggeration to say that the most important factor in digital transformation is how people use technology, since technology is advancing constantly and machines may become obsolete even before being introduced in the workplace. Digital transformation entails the adoption of new systems and equipment that improve and increase efficiency when combined with the deep expertise developed on the front lines. Feet always on the ground, KONOIKE Group employees see the front lines with their own eyes, adopting digital transformation according to the conditions at hand. In this way, we are achieving work-style reform and finding answers to the issue of declining workforces.

Partnering With Customers

Our approach to our customers remains unchanged. This is proven in our ability to act as a value-creating partner in responding flexibly to customer needs that change with the times and the environment. The more than 140-year history of the KONOIKE Group can be said to be a history of self-reinvention. We will continue to take steady steps toward the future as we respond to the changing times and environments, finding our own satisfaction in the happiness of our customers.

Steel Division

Integrated Solutions Business

Steel Operation



Business Overview

The KONOIKE Group has accepted work from major steel manufacturers since our founding more than a century ago. We contract to perform a wide range of services, from raw materials processes in steelworks to shipping of products. The steel industry faces severe changes like a falling population in Japan and the need to address environmental problems, but we are determined to work with our customers and overcome these challenges.

ROIC, Growth Ratio, and Net Sales Trends FY3/21





Responding to Change and Building a New Business Infrastructure

Executive Officer
Executive General Manager,
Steel Division

Koji Shoda

Review of FY3/2021

Even before the COVID-19 pandemic, the steel industry in Japan faced big challenges. Expanded production volumes by foreign competitors had led to high raw materials costs and low product prices. The Japanese industry has worked to streamline, in part by consolidating bases.

The COVID-19 pandemic caused demand to fall further in FY3/2021. Among other responses, the steel industry banked blast furnaces, greatly impacting our Steel Division. Recently, the KONOIKE Group's steel business has begun recovering to some extent thanks to renewed demand, especially from the automobile industry. However, we will have to be ready to respond to future changes in the domestic production system over the medium- to long-term.

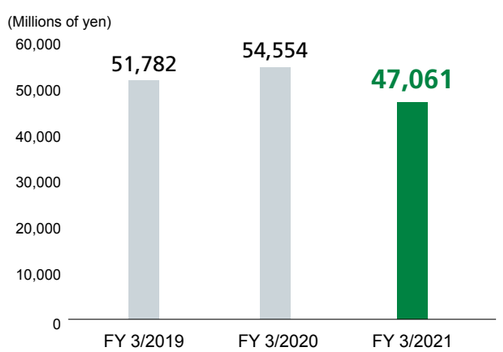
We have been protecting jobs by having staff assist in other businesses temporarily and using employment adjustment subsidies while furnaces are banked. Meanwhile, we have been building a stronger human resources foundation. For example, we are encouraging staff to earn new qualifications so they can adapt to fluctuations in production volumes going forward.

We also worked to speed up the development and commercialization of new technologies. In addition, we have improved many work processes by combining the sensitivities of young front-line workers with the knowledge of technological development departments at Head Office.

These improvements are increasing work safety, minimizing the burden on workers, and helping to prevent disasters, as well as benefiting our customers. In one example, we now use machines to remove deposits, a job that for many years was done by hand. Also, we are using drones to conduct high-precision disaster prevention inspections. We are also using digital guidance to set packaging specifications for the products we deliver to customers.

A look back on KONOIKE's 141-year history shows that we have always persevered through various changes and challenges. Our goal going forward will be to continue providing work that enhances efficiency and contributes to safety, the environment, and disaster prevention, and to remain a partner that our customers trust.

Net Sales



Initiatives in FY3/2022

We anticipate that the world economy will start recovering from the COVID-19 pandemic. On the other hand, even before the pandemic, there were severe challenges to the steel industry that we expect to continue. Those include the downturn in domestic demand as well as high raw materials costs and low steel prices as foreign competitors expand production. Moreover, society demands that the steel industry go carbon neutral in the medium- to long-term. We recognize that the industry cannot evade these changes.

As an example of the challenges, we will face in the future, more steel companies have announced they are idling blast furnaces in Japan. However, the Steel Division is committed to strengthening our business infrastructure by following the policies below.

The first policy is to continue and strengthen initiatives to build up safety and work quality.

Our highest priorities are to protect the happiness of employees and their families and to further strengthen the trust our customers place in us. We will continue focusing on our existing training efforts and will work with the Technology Innovation Promotion Division to implement new technologies that enhance safety and work quality while reducing disaster risk.

The second policy is to rebuild the revenue base. To make sure we earn appropriate revenue into the future, we will encourage employees to earn new qualifications and will secure personnel with a variety of talents. We will also aim to increase efficiency by using new technologies for mechanizing and automating work processes.

The third policy is to accelerate implementation of new technologies. We will promote digital transformation, introduce new technologies like drones and wearable devices to enhance our ability to propose solutions to customers, and strengthen partnerships. We will proactively develop business domains where the KONOIKE Group can help customers produce more efficiently and prevent environmental disasters.

The fourth and final policy is to promote operations outsourcing overseas. We have continued winning orders for large-scale repairs and maintenance of facilities in India since April 2021. Using this as a foothold, we will collaborate with relevant KONOIKE divisions to offer useful services in the domains of raw materials delivery and product shipping logistics services, among others.

Now that the entire industry is in a major transition period, we are keenly aware that the Steel Division must also move beyond the conventional wisdom of the past. Even as our customers' production processes change, we believe the KONOIKE Group business model of combining different services like contracting and logistics has potential for further growth. With our front-line focus built on the spirit of safety first, we will continue aiming to be of service to our customers and develop as a business.

TOPICS

Building a Global Business Infrastructure in Line with Society's Needs

Our customers are radically changing their production systems at a time when there are global expectations of businesses to decarbonize and reach carbon neutral status by 2050. One big change is the expansion of production scale overseas. Another is the development of new technologies to lower CO_2 emissions. Given these circumstances, the Steel Business Division needs to work in overseas markets and take initiatives targeting the year 2050. We will work with the Business Development Division and Environmental & Engineering Division to coordinate our respective expertise and information and so build a new business infrastructure overseas.

Food Division

Integrated Solutions Business
Food Operations

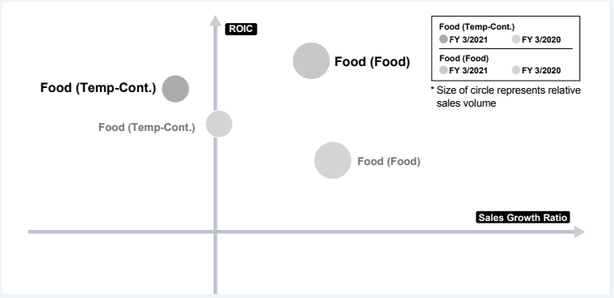
Domestic Logistics Business
Temperature-Controlled Logistics Operations



Business Overview

The Food Division offers logistics services and contracting services meeting our customers' varied food product needs. In addition, we run a nationwide temperature-controlled logistics network. Through these, we aim to contribute to society by overcoming logistics challenges associated with food products and ensuring safety and security.

ROIC, Growth Ratio, and Net Sales Trends FY3/21





Aiming for Safety and a Sturdy Business Platform

Managing Executive Officer
Executive General Manager,
Food Division

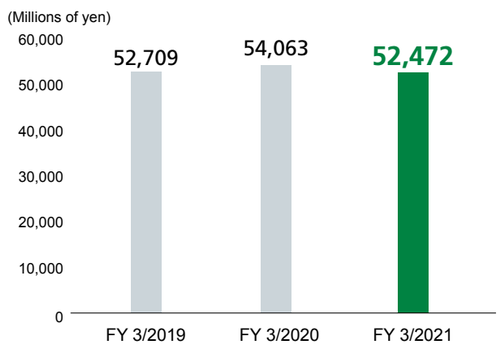
Yoshikazu Tabo

Review of FY3/2021

The COVID-19 pandemic deeply impacted our customers' businesses in FY3/2021. For our division, this was a year of endeavoring to keep business steadily operating by preventing infection and to respond to fluctuations in volume handled in each industry. Business was slower for dine-out and commercial food products when a state of emergency was in effect in Japan. On the other hand, we handled more retail food products and distribution work as consumers stayed home and cooked. On balance, however, the negative impacts prevailed in the food products business overall. Given the situation and the increases in logistics volume for distribution and the like, allocating staff to busy units was a greater challenge than average years in some fields. Those businesses got by with personnel support from the Airport Division and others, an example of how the Group can leverage its collective strength.

At the same time, despite the pandemic, we worked diligently on overcoming a number of issues, such as raising safety and quality, developing human resources, and enhancing our revenue base, all in keeping with policies laid out at the start of the year. Raising safety and quality to ever higher levels is one of the most important issues for us. To address this, in the past three years we have been training and increasing the numbers of front-line leaders. They are leading our efforts to carry out safety and quality policies. We have also been working to raise the level of our leaders by continually giving practical training tailored to the conditions at each site. In terms of financial results, we revised contracts to reflect changes in the nature of the work we perform. We also made changes to our business structure, including withdrawing from unprofitable parts of our business and reorganizing our Truck Business in the North Kanto area. As a result, we posted solid performance despite the negative impacts of COVID-19.

Net Sales



Initiatives in FY3/2022

For FY3/2021, our division adopted the motto "Our aim is peace of mind, which is the knowing that you are safe." As such, we aim to be a company that works for the safety and interests of employees and one that customers can trust so they have peace of mind. Below are four specific policies we are pursuing to this end.

The first policy is to increase productivity. We are reducing staff hours in our on-site contract operations by using flexible shift scheduling that takes advantage of staff with multiple skills. In our transportation operations, we aim to raise our vehicle loading rate. This requires modifying certain conditions like delivery times with our customers' understanding. Higher loading rates make a big contribution to reducing CO_2 emissions from trucks, so this is an important environmental issue. Another issue we have been studying for some time is mechanization and labor saving. This fiscal year, we are scaling up the use of automated guided vehicles (AGV) in our customers' plants. We are also implementing robotic process automation (RPA), especially in temperature-controlled logistics operations, which greatly facilitates clerical tasks related to vehicle dispatching and inventory management.

The second policy is to reorganize our business. We are making some fundamental changes to our transportation and warehousing operations where we do not expect to see much cash flow improvement at this time. This includes withdrawing from long-term dispatching of personnel when it is impossible to transition to a service contract. The management resources that we are freeing up from reorganization are being directed to new fields. There is growing momentum within our corporate customers to reorganize their logistics. Our ongoing efforts to market solutions to businesses like these are expected to result in capturing new business in the Kanto and Kyushu areas going forward. We are additionally preparing to reorganize existing work at four temperature-controlled logistics centers to streamline operations. We are also strengthening marketing initiatives to capture new customers.

The third policy is to optimize our contracts. The nature of the work the KONOIKE Group performs in on-site contracting changes over time, for such as when customers make changes to their production processes. This sometimes results in cost increases through no fault of the KONOIKE Group. We are maintaining the appropriateness of contracts by reflecting work changes in our fees. Whenever necessary, moreover, we respond appropriately to rising personnel expenses and the like, incorporating these into contract unit prices and making sure the customer understands.

The fourth and final policy is to study and research new fields. The Food Division is working to expand its existing services to new customers. We are also researching and taking on new business domains. Our hope is to continually expand the scope of our business by entering new domains based on future changes in market and social conditions. Presently we are studying the halal and agriculture businesses. And together with local partners in Southeast Asia, we are considering expanding our temperature-controlled logistics business there.

These four policies come with medium-term issues that will be with us beyond just FY3/2022, but they will continue to be the focus of efforts that will evolve to reflect changes in the operating environment.

TOPICS

Reorganizing Temperature-Controlled Logistics Centers in the Greater Tokyo Area

The Food Division plans to rebuild some of our existing distribution centers and to set up duplicate operations at four temperature-controlled logistics centers with a view to building new chilled/frozen storage warehouses. These are part of our response to demand for temperature-controlled logistics, which will be growing in urban areas. Our division is making plans to raise operating quality and service levels for a wide range of customers (food product makers, distributors, retailers, restaurants, etc.) by enabling centers to specialize in certain functions, and to increase profitability by raising the operating efficiency of each center. Compared to the openings of our existing temperature-controlled facilities, we are building new facilities with schemes to limit the amount of capital invested and an aim of increasing capital efficiency in the temperature-controlled logistics business.

Food Products Division

Integrated Solutions Business

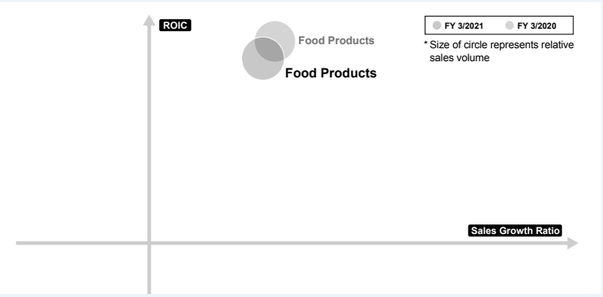
Food Product Operations



Business Overview

More than 60 years have passed since the Food Products Division began specializing in serving major domestic beverage manufacturers. Our first mission is to continue providing safe, confidence-inspiring services on production floors in a wide range of supply chains. We will continue developing a strong foundation and the ability to respond to changes in the times in order to meet the expectations of our various stakeholders.

ROIC, Growth Ratio, and Net Sales Trends FY3/21





Improving and Innovating to Meet Customers' Expectations

Managing Executive Officer
Executive General Manager,
Food Products Division

Katsutoshi Kuwabara

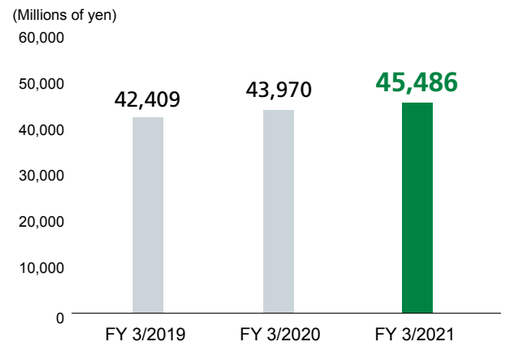
Review of FY3/2021

In FY3/2021, under pandemic conditions, the customer transaction volume (i.e., volume manufactured, volume loaded and unloaded, and transportation between sites) declined sharply. Declines were particularly deep for restaurant demand (especially alcohol), while gift and distribution processing work also decreased. To cover for these, we captured spot work, supported other business offices, and worked to hold down costs, including reducing overtime. That helped to minimize the negative impacts.

We also built four new warehouses to meet customer expectations and expand the scope of our business. They include the Ome Distribution Center in Tokyo and Ebina Distribution Center in Kanagawa (both completed March 2020), Aisai Distribution Center in Aichi (June 2020), and Azumino Distribution Center in Nagano (March 2021).

We will continue to hold joint meetings with customers to gather information about their initiatives and their expectations of the KONOIKE Group and to enhance collaboration. We will also continue to actively propose solutions (automation, streamlining, operating improvements, and the like), develop operations in anticipation of the future, leverage our human resources, and so on.

Net Sales



Initiatives in FY3/2022

The following are three key issues we are addressing to fulfill our role as a foundational business.

The first is to improve customer service and respond to changes in the environment. We are facing a variety of such changes. They include changes in driver work conditions (part of work-style reform), rising costs because of labor shortages and increases in minimum wage, changes in the business environment created by advances in automation and streamlining technology, and the need to mitigate environmental impact. The COVID-19 pandemic accelerated the environmental changes, and existing customers are also stepping up the pace of transformation. Although these are a threat, we see them as a great opportunity as well.

We are starting by fully leveraging a KONOIKE Group strength, our human resources, to reinforce our business platform. Of course, we need to help our current employees build up their skills and to employ new personnel. It is also important to establish a mutual support system between sites and share personnel with other divisions, including the Airport Division and Steel Division. As for changes in the environment of the logistics industry, we are working to streamline transportation and distribution centers with IT and stronger tie-ups with logistics partners and to raise the level of our customer service. New initiatives that we are planning include an expansion of our business domain led by a strategic team of knowledgeable and experienced employees, improving and innovating existing businesses, and strengthening mobility. To expand our business domain, we have already started using the strong equipment maintenance technology we have developed over the years and started maintenance services for equipment manufacturers. We are also participating in a project being advanced by NEXT Logistics Japan, Ltd. to build a new transportation service and trying to change how goods are transported.

The second issue is to improve and innovate for people, organizations, and cultures (including automation and labor saving). We are conducting field tests of automation and labor-saving technologies, including an automatic forklift that has been implemented at the North Kanto Distribution Center sales office. Other initiatives include automating PC operations, machine reading of paper forms, digitalization of workflows, and reduction of data transcribing work. These are helping to increase productivity and streamline operations.

The last of the three issues is to set unit prices that account for reasonable income and expenditure balances and to review and improve our cost structure. It is essential for our division to take steps to maintain and improve our profitability.

The premise behind improvement and innovation for people, organizations, and cultures is to maintain and sustain our relationship of coexistence with our customers and to increase employee satisfaction by building good workplaces. Simultaneous with these efforts, we are considering business partnerships and M&A as necessary to raise the level of our service, our ability to propose solutions, and our agility.

These key issues include many medium- to long-term challenges. We will address these issues in a sustained and focused way that reflects changes in the operating environment.

TOPICS

Leveraging Expertise to Develop New Businesses

As one example of using our existing expertise, the Food Products Division is undertaking maintenance operations (such as overhauls) for equipment delivered by the equipment manufacturer. Very recently, we won a new order to be an on-site production contractor for a beverage manufacturer. We will continue to actively enter areas in which we are not presently involved.

In the area of logistics, we propose solutions for reorganizing logistics networks and are examining the idea of opening new bases in 2022 and beyond. We are also pursuing a plan in which we will implement truck loading and unloading equipment for automation and labor saving, add improvements so the equipment can be standardized and rolled out, and confirm the effectiveness of the equipment as we do so.

Life Related Division

Integrated Solutions Business
Life-Related Operations

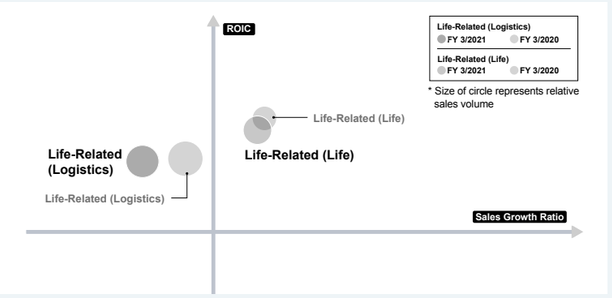
Domestic Logistics Business
Logistics-Related Operations



Business Overview

The Life Related Division provides a vast array of services, starting with in-factory contract manufacturing, general logistics, equipment repair and other maintenance of life-related housing equipment, chemicals, natural gas, and other products, and product loading, unloading, storage, and delivery for manufacturers of the same. Other services include imported vehicle inspection and servicing; tanker truck transport of industrial gas and the like; renewable energy-related services and food product processing and sales.

ROIC, Growth Ratio, and Net Sales Trends FY3/21





Taking Initiatives to Respond to Changes in the Environment and Improving Earnings

Managing Executive Officer
Executive General Manager,
Life Related Business Division

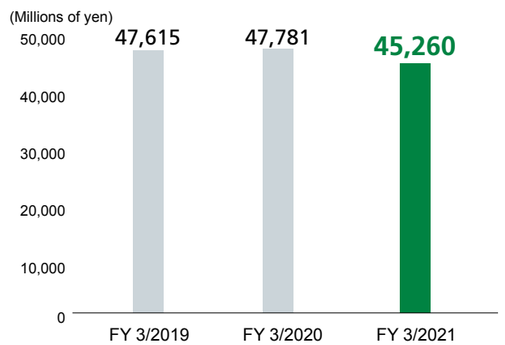
Katsuhiro Hashizume

Review of FY3/2021

Our division was deeply impacted by the COVID-19 pandemic in the first quarter. Among the causes: with fewer flights, there was a large decrease in domestic air cargo. In the land transportation business, our customers shipped less, and store closures depressed transaction volume. Lower production of imported vehicles slowed our servicing work.

In response, we rapidly enabled staff to learn multiple skills. Those workers supported busy e-commerce-related divisions or transferred to new jobs. We also endeavored to win spot work with trucks. In addition, we steadily improved efficiency, implementing radio-frequency identification (RFID) and Statistical Analysis System (SAS) technology at distribution centers and introducing materials handling that streamlines warehouse work by changing inventory layouts. We furthermore endeavored to reduce costs when contracting to manufacture for customers. We did this by working closely with the customer to assign employees appropriately and coordinate operations to make effective use of human resources. Looking towards the medium- to long-term, moreover, there is certain to be a marked shortage of laborers and drivers, so we worked to maintain employees while improving earnings. The result was a significant improvement in earnings starting with the second quarter. We were able to meet our income budget since the third quarter and kept the decline in profits for the entire fiscal year to a minimum.

Net Sales



Initiatives in FY3/2022

Renewable energy is spreading thanks to growing global awareness of the environment. Meanwhile, there is increasing need for labor savings and streamlining in many fields, as exemplified by the expansion of e-commerce driven by digital and cloud advances. In response, we are prioritizing the following three business strategies.

The first is to strengthen the competitiveness of our distribution centers and land transportation business.

New lifestyles have taken root since COVID-19 came to Japan. This makes it necessary for the division to strengthen our response to customers specializing in e-commerce and similar areas. Therefore, we are adopting AI and new technologies and implementing equipment that uses materials handling to promote automation, thus enhancing productivity and streamlining operations. Ultimately, we are working to improve earnings and ensure profitability.

We are also examining building new in-house centers to win new customers. Specific examples could include new sites targeting energy and air conditioning equipment-related services, expansion of in-house centers in regions of vigorous demand, and new sites to stabilize the foundation of our land transportation business.

Achieving this, however, will require the KONOIKE Group to work together to build the land transportation business's foundation. Our hope is to strengthen the land transportation business, which is becoming an ever more critical social infrastructure as lifestyles change, and to expand our business going forward. To do so, we will use a competitive strategy leveraging management resources that our partners have, including customers, fees, services, systems, and assets.

The second strategy is to expand and deeply develop our remodeling business, especially services that involve air conditioning equipment.

We will aim to create new business opportunities by building a start-to-finish center to provide remodeling and logistics services at air conditioner manufacturers in Japan and overseas. To do so, we will be actively implementing a construction control system using IT technology such as building information modeling (BIM, which creates a realistic 3D model of a building digitally before actual construction) and promoting labor-saving construction techniques like prefab. The system will enable us to improve workplace environments, for example by shortening building times and increasing site safety. It will also better position us to solve future worker shortages.

In addition, we are looking to move into overseas markets. We aim to further develop our existing remodeling services and to capture new work such as assembly by partnering with local partner factories and units within the company.

The last of the three strategies is to establish an energy business platform and expand it.

We will be establishing the platform for an energy business to provide end-to-end services that include photovoltaic array leasing, installation, maintenance, the consignment and sale of surplus electric power. We are also considering external sales. For this reason, we will be proposing and selling solar power, energy conservation (LED), and storage battery solutions, stepping up marketing of refrigerants and instrumentation control construction, as well as establishing energy construction and sales operations.

We are also addressing next-generation forms of energy. As we operate natural gas automobiles, hydrogen forklifts, and hydrogen fueling stations, we will be gathering data, conducting research, and examining possible new businesses.

TOPICS

Collaborating within Departments to Meet Customer Needs

In our transportation operations, we are partnering with the Steel Division and International General Headquarters to expand end-to-end transportation. This includes installation of machine tools, materials handling equipment, and coin-operated laundry facilities. We are also collaborating with the International General Headquarters for end-to-end logistics of imported products. We not only set up products overseas, but also develop cross-border e-commerce and import, manage, and provide local delivery of large air conditioning equipment and solar panels manufactured overseas.

We have additionally been working with the Food Products Division to improve efficiency for major manufacturers by matching round-trip transportation service between East and West Japan.

Medical Division

Integrated Solutions Business

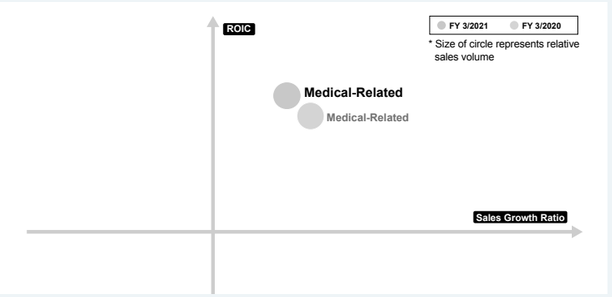
Medical-Related Business



Business Overview

Medical Division meets the needs of the entire medical products supply chain, from manufacturer logistics to wholesale logistics and in-hospital logistics. Within this area, the KONOIKE Medical Co., Ltd. provides services for medical institutions that include sterilization and in-hospital logistics and services for medical equipment manufacturers, such as cleaning and maintenance of medical equipment. Konoike Transport Co., Ltd.'s sales offices offer distribution center management services for medical drug and medical equipment and materials wholesalers. We work to streamline and optimize the entire supply chain.

ROIC, Growth Ratio, and Net Sales Trends FY3/21





Growing Our Business by Expanding Our Domain and Increasing Productivity

Executive Officer
Executive General Manager,
Medical Division

Kazumitsu Miyoshi

Review of FY3/2021

Under COVID-19 pandemic conditions, FY3/2021 was a difficult year for our customers. Medical institutions, medical equipment manufacturers, and medical drug wholesalers were impacted because there were fewer outpatient visits and fewer surgeries as operations were postponed. Medical drug wholesalers saw the competition intensify within their industry.

Business results were poor in the first quarter in particular, in part because overhauls of our business systems could not keep up with the drastic decline in transaction volume and we had to purchase infection prevention materials.

Under these conditions, we prioritized infection countermeasures to ensure there would be no disruption of medical-related services. At the same time, we worked to expand the business domain with existing medical institutions and to expand in the private sector, namely capturing new business from medical institutions that were receiving subsidies to support the existing work of nurses and others caring for patients at medical institutions impacted by the pandemic.

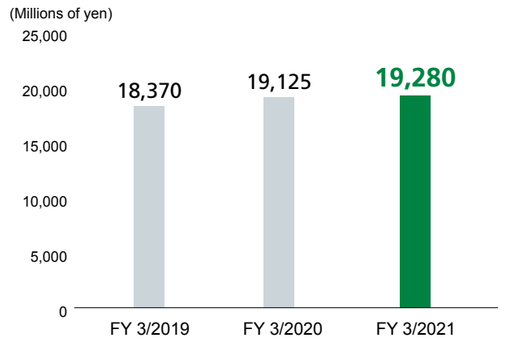
Although there was some time lag, we strengthened our approach to new local governments to market school health checkup equipment cleaning and sterilization services as offered by Konoike Medical. This coincided with those customers' needs to step up infection countermeasures, so the transaction volume surpassed that of FY3/2020.

We also worked to stabilize operations on the front lines and lower the turnover rate to increase productivity, established an operations management system in line with the lower volume of operations, and revised operations, among other measures.

In low-profit operations, we worked to improve profitability by requesting to modify unit prices and asking to withdraw from some operations.

By keeping up these initiatives for one year, we were able to achieve net sales higher than in fiscal 2019 and record positive operating income.

Net Sales



Initiatives in FY3/2022

In FY3/2022, we aim to grow our business by expanding the regions in which we operate and the types of services we offer throughout our medical business.

In our medical equipment cleaning and maintenance service for medical equipment manufacturers, we are taking initiatives to make full use of our five distribution centers across Japan and contribute to those manufacturers' business continuity planning and operating efficiency. In addition, we are leveraging our platform that has until now mainly provided services for medical institutions, to support medical equipment manufacturers' marketing efforts by expanding services to further raise their operating efficiency and quality. Also, we will not limit the scope of our medical equipment cleaning and maintenance work, but will expand the range of medical equipment products handled (other than medical equipment on loan) and increase the volume of products handled by expanding our service areas. This will lead to the growth of our business.

We will also continue working to improve productivity in the services that our sales offices provide for medical drug and equipment wholesalers. However, we will also work to further widen the scope of operations, for example by expanding transportation operations. As COVID-19 vaccine distribution expands, we are gradually capturing transportation operation for related goods.

One objective common to all our business fields is to increase productivity. We continue endeavoring to lower our turnover rate while lifting productivity. We are developing and implementing productivity monitoring support tools using new technologies designed to support these objectives. We are also considering automation of inspection technologies, establishing electronic manuals, and using digital transformation (DX) in initiatives throughout the company to restructure office work. With support from other internal units, we are using such approaches to develop and implement new technologies and increase productivity.

Konoike Medical, moreover, in its main business of providing services for medical institutions, is considering expanding to the new area of sterilization plants outside of hospitals, which are essential for supporting sterilizing operations inside medical institutions. Finally, we will work to enhance services we offer to existing medical institution customers, such as sterilization, in-hospital logistics, and operating theater assistance.

TOPICS

Developing Services in Southeast Asia, Where Medical Needs are Growing

The Medical Division has been looking into developing new medical-related services in India for some time. Originally, the plan was, with support from JICA, to conduct a feasibility study in 2020 of offering actual services. The study was delayed till 2021 to prevent COVID-19 infections. We will faithfully promote our action plans each year as we work toward providing new services and realizing our plan for next-generation medical distribution centers.

In parallel with this, we will also study and consider the possibility of developing KONOIKE Group medical-related services in Southeast Asia, a region where the level of medical care is expected to rise going forward.

International General Headquarters

International Logistics Business

Overseas-Related Operations



Business Overview

The International General Headquarters aim to expand the range of our business several ways: by further advancing the *Forwarding + ONE* strategy to enter new fields based on our forwarding business; by strengthening tie-ups with other divisions; and by leveraging our overseas network to propose high-value-added solutions. We will also increase the profit margin of the division as a whole by eliminating and consolidating operating bases and reviewing unprofitable businesses.

ROIC, Growth Ratio, and Net Sales Trends FY3/21



Growing Our Overseas Business Post-Pandemic

In the first half, COVID-19 deeply impacted the Group's overseas business with a slowdown in economic activity, but initiatives to improve earnings, along with rising air and maritime cargo fees also caused by the pandemic, benefited us to some extent.

Our division has recently been continuing the efforts to improve profit ratios, one of the fiscal year's key initiatives. In the future, though, there is a challenge we cannot avoid: the shrinking scale of the Japanese market because of the declining birthrate and aging population, among other factors. That increases the relative importance of KONOIKE's overseas business. To further grow this business, we will strengthen existing fields in the forwarding business and others; step up the pace of our business expansion in India; strengthen our Temperature-controlled Logistics Business; expand our Integrated Solutions Business; apply new technologies; and promote digital transformation (DX) to transition to next-generation business models.



Director and Senior Managing Executive Officer,
Chief International Officer and Chief Technology Innovation Officer

Tadatsugu Konoike

Review of FY3/2021



Learning Customers' Needs and Enhancing Our Ability to Propose Solutions

Managing Executive Officer
Executive General Manager,
International General Headquarters

Kazuki Uenoyama

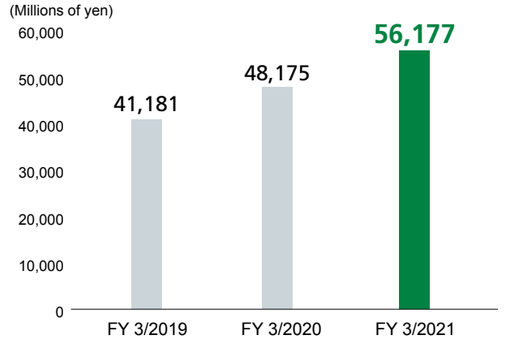
We had some big setbacks in FY3/2021. Lockdowns and lower activity rates at customers' factories, especially in China and the ASEAN region, severely reduced the transaction volume from existing customers. High-profit facility shipping and installation jobs came to a halt and were delayed when supervisors were unable to travel for them.

However, there were factors working in the opposite direction. Operating bases in Japan saw special demand related to COVID-19 (sales agency work for masks, medical devices, etc., and imported product inspection) and nest-dweller consumption, as well as e-commerce demand for overseas customers. These increased the volume of cargo handled. The bottom line of these domestic sites also got a boost from high air cargo rates caused by lack of cargo space when passenger flights were grounded. The special demand was on a declining trend at the start of the fourth quarter, but a recovery in import and export volume and a high price of maritime cargo owing to a container shortage helped to realize higher sales and profits than the year before.

Likewise, at our overseas operating bases, there was a decline in transaction volume owing to the pandemic, but the air freight business benefited from high air cargo prices and we captured high-volume spot transportation of masks from Europe and North America. The result was a big boost for the bottom line at these operating bases.

Under the difficult business environment where COVID-19 restrained operating activities, each operating base drew on its wisdom to establish new marketing initiatives or further develop existing ones to facilitate a rebound. In addition, we worked to improve earnings at unprofitable operating bases, established regulations at overseas operating bases, made capital investments for the future, and trained candidates to be representatives at local offices.

Net Sales



Initiatives in FY3/2022

Previously, to advance our collaborations with other divisions, we set a KPI for the number of times we introduced other divisions' services to customers during our marketing initiatives. In fiscal 2021, however, we are endeavoring in several ways to develop new businesses and expand the scope of our business. For example, we are creating more opportunities to share information internally. We are uncovering the overseas logistics needs of the customers of other divisions, supporting international rollouts and entering markets, and marketing to other units at our customers. And we are not limiting ourselves to partnerships with other divisions, but actively developing new businesses. For example, we are expanding our distribution and logistics businesses to local governments throughout Japan, supporting local businesses' moves into foreign markets, and increasing the volume of export cargo sold by cross-border e-commerce. We are in addition creating more opportunities for overseas operating bases to exchange information with each other. The hope is that by doing so, they will be able to share each other's assets and expertise, learn information about customers and their needs, and develop and propose high-value-added services that competitors cannot match.

Moreover, under today's challenging business environment, we are prepared to respond to the market's needs more precisely and strongly defend our existing customer base. And we will use the information-gathering function of the division's main business of forwarding to uncover customers' latent needs and continue developing and proposing services matching those needs. This is another reason why it is so essential to advance DX in our forwarding operations. Our efforts to increase productivity and strengthen price competitiveness include adding and developing new service menu options for K Quick, the export operations online support service that we began last year. We are also integrating core systems and achieving operating efficiencies to lighten our customers' workload and streamline preparation work.

At the same time, we will pursue greater profit margins for the division overall. This will include improving earnings at unprofitable operating bases, analyzing unprofitable operations and negotiating unit prices, and in some cases, considering whether to withdraw from certain operations, regardless of customer size.

TOPICS

Planning Area-Specific International Rollouts

The division's overseas operating bases are planning area-specific international rollouts as follows.

- North and Central America: Expand U.S. temperature-controlled business (consider facility upgrades and new investment at existing locations), strengthen new businesses in Mexico (packaging business, construction business, etc.)
- China: Expand business to interior (Wuhan, Chengdu, Chongqing), expand scope of business by reorganizing long-distance truck business between East and South China and reorganizing the East and South China areas
- ASEAN: Develop contracting business, strengthen cross-border business between Thailand and Myanmar, support special events overseas (Thailand, Singapore), capture ODA business (Myanmar, Bangladesh)
- India: Improve profitability of automobile freight train operator (AFTO) business and expand transaction volume
- Other: Under the Global Challenge 21 program, solicit business development ideas internally and search for foothold to move into Europe

Airport Division

Integrated Solutions Business

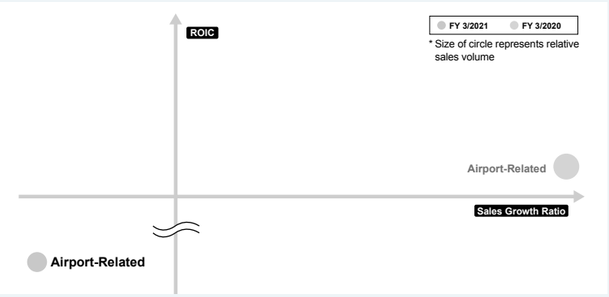
Airport-Related Operations



Business Overview

Our services to the airport industry launched in 1991. Today, 11 Group companies in Japan provide ground handling services at seven airports. In 2019, we formed a capital tie-up with MASCORP, one of the largest ground handling companies in the Philippines.

ROIC, Growth Ratio, and Net Sales Trends FY3/21





A Year to Overcome a Challenging Environment and Strengthen our Foundation for Growth

Executive Officer
Executive General Manager,
Airport Division

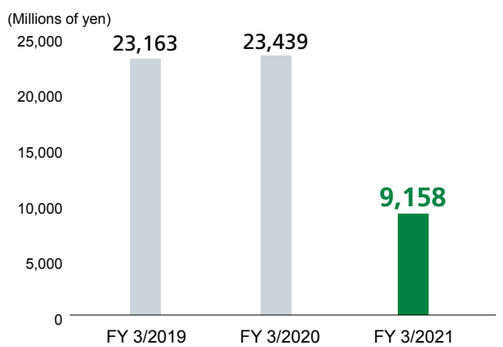
Akihiko Furukawa

Review of FY3/2021

Government policies seeking to make Japan an “advanced tourism nation” pushed the number of foreign visitors to Japan to 31.88 million in 2019. Due to COVID-19, however, the number plunged 87.1% year on year to 4.12 million in 2020, giving our division its biggest challenge since entering the airport business. Meanwhile, the government has declared that it remains committed to its target of 60 million foreign visitors to Japan in 2030 and will continue working to be an advanced tourism nation. The KONOIKE Group continues to see the airport business as a growth business. As such, we have focused our efforts on strengthening the business platform and securing and developing personnel in anticipation of future recovery.

Though it is hard to predict when that recovery will happen, we are working in particular to maintain employment and keep from losing employees. We started sending employees to assist other parts of the KONOIKE Group, then developed new customers especially in industries facing labor shortages, creating opportunities for our staff to be seconded or dispatched to other companies. By sending them to work outside of airports, we have been giving employees the chance to broaden their minds, grow, and stay motivated. We are also making thorough efforts to run airport operations with fewer individuals and helping staff to develop multiple skills more actively than before. In April 2020, we established a new ground handling course at Airline Business College of Narita, which is affiliated with the KONOIKE Group. The following October, students started practicing with special vehicles at a new practice facility covering 8,000 m^2. We then opened the new Narita Forklift Training Center in May 2021 to widen the functions of the practice facility. Looking ahead, we plan to open English language classes for non-Japanese so they can meet a wide range of needs.

Net Sales



Initiatives in FY3/2022

The biggest theme our division took up in FY3/2022 was how to prepare for the time of recovery while temporarily avoiding costs.

As one way of temporarily transferring costs, we mainly seconded employees elsewhere in the KONOIKE Group while arranging to second or dispatch others to about 40 general companies outside the Group, including members of the logistics, service, leisure, temporary staffing, machinery manufacturing, and homebuilding industries. In addition, even as we carried on research and development of streamlining systems, we benefited from cost-saving moves like opting to cancel or postpone investments in special vehicles, returning leases on expensive airport facilities, and shrinking office and dormitory space. At the time when we decided on our FY3/2022 budget, international passenger flights to and from Japan were gradually recovering and expected to reach about 30% of pre-pandemic levels on average for the year. However, a series of declarations of states of emergency in Japan since then has made things less predictable. We now believe that the recovery of international flights will take more time and returning to pre-pandemic levels will take years. However, once the containment of infections is in sight, we believe that there will be a temporary rebound in demand, and after that, demand from the public and private sectors will expand when inbound travel resumes. We think it is important to continue protecting staffing levels to prepare for that day. During COVID-19’s prolonged impact, airlines have frozen hiring and are outsourcing airport operations, while airport-related businesses, including those providing passenger and ground handling services, have to choose which businesses to continue. The KONOIKE Group sees this time as a chance to expand into new businesses.

The KONOIKE Group still sees Airport-Related Operations as a growth business. Over the medium- to long-term, we aim to raise earnings from these operations to greater than pre-pandemic levels. In our businesses, we are promoting digital transformation (DX), automation, labor savings, and unattended operations, and we have an increasing need for high-level human resources to support all this. At the same time, there are still some fields where we need plenty of people to protect our culture of safety, quality, and hospitality. In fiscal 2021, we are using this unique time to develop human resources, helping our staff to learn knowledge and technical skills and become multiskilled so they can play their part for us. We are also resuming some hiring activities earlier than the competition to maintain the potential of our human resources and expand their numbers. The difficult conditions will continue, but we will make this a year to build workplaces where employees can work with confidence and to build a stronger foundation for growth.

TOPICS

Using Japanese Expertise to Expand Operations in the Philippines

MacroAsia Airport Services Corporation (MASCORP), with whom we started a capital tie-up in 2019, is one of the largest ground handling companies in the Philippines. It began by moving into a new facility adjacent to Terminal 3 at the existing Ninoy Aquino International Airport. It is also planning a full-scale entry into facility operation at a second Manila airport planned to open in future to relieve congestion. MASCORP has asked for the division’s cooperation, primarily with international airport facility operations. Our plan is to help with Japanese expertise, with Japan Airport Service Co., Ltd. taking the lead.

There is also a possibility of partnering with MASCORP’s parent company MacroAsia to conduct the KONOIKE Group’s temperature-controlled business. We will be exploring the framework of a collaboration with the Food Division to use MacroAsia’s capital strength to develop this business in the Philippines.

Environmental & Engineering Division

Integrated Solutions Business

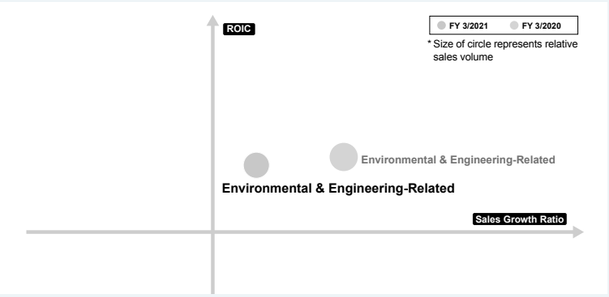
Environment & Engineering Operations



Business Overview

Through M&A and other means, the Environmental & Engineering Division has expanded into new services based on our steel-related engineering and recycling businesses. Looking ahead, we aim to grow by further building up the collective strength of our division.

ROIC, Growth Ratio, and Net Sales Trends FY3/21





Moving into New Fields and Working to Steadily Grow Earnings

Executive Officer
Executive General Manager,
Environmental &
Engineering Division

Atsuya Sakamoto

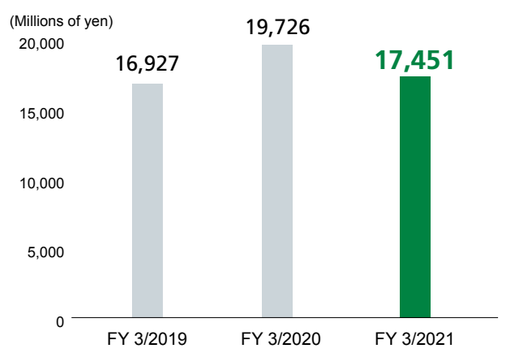
Review of FY3/2021

Business conditions have been severe recently. In FY3/2021, a downturn in production from the Steel-Related Business suppressed our customers' capital investment and spending on repairs. Interruptions and delays of all sorts of projects also had a big impact. Other customers including plant builders also saw fewer orders for projects in Japan and overseas, which sharply affected our business.

Even under those conditions, however, our efforts to develop new customers for future growth started to bear fruit. Previously, steel-related customers made up most of our business and developing new customers was an issue. However, we have taken inquiries about large projects, starting with an order won for renewable-energy-related construction. Using the technologies and human resources cultivated up to now, we worked to get into new fields. Also, we were even able to overcome difficult pandemic conditions in our efforts to steadily improve base costs in our recycling business. Although the downturn in steel-related production had some impact, we started to make improvements to our revenue base, such as stabilizing facility operations and lowering variable costs.

Many plant facilities cannot be shut down, even with COVID-19. To prevent employee infections that might interfere with work on existing projects, we made sure that all employees, including those of our partner companies, had a strong awareness of prevention as we endeavored to finish projects in progress.

Net Sales



Initiatives in FY3/2022

There are six initiatives we are pursuing in FY3/2022, as listed below.

The first is to promote sales to new customers. We particularly aim to develop electric-power-related customers. We are working to capture some of the investment in the conversion to renewable energy and develop good customers with whom we can do ongoing business. We are getting concrete inquiries and are pursuing a variety of projects around Japan. Our division will steadily advance this area to make it a new, next-generation mainstay of our business.

The second initiative is to hire and develop human resources. The hope is to build operating bases that welcome people with diverse personalities and values as we develop new fields. We will partner with relevant units to train human resources who will support our growth. We will also actively encourage staff to earn qualifications as we develop employees who have acquired sound knowledge and technology.

The third initiative is to use DX. As business processes are improved, work styles are reformed, and other big changes happen, our division needs to use digital transformation (DX) as a tool for growth. Specifically, we are implementing 3D CAD and promoting the use of wearable cameras and drones. For drones in particular, we are training personnel to be JUIDA-certified pilots. In the future, we expect to use drones for processes like facility inspection.

The fourth initiative is to practice in-house collaboration. The KONOIKE Group has a vast number of customers in all types of industries. Gas, chemicals, food, and more are all interrelated with our engineering and recycling operations. We will be expanding existing services by partnering with operating bases in compatible fields.

The fifth initiative is to rebuild the revenue base. We are reconsidering current business processes that have become less profitable. If a particular task is not very profitable, we will take specific steps like improving the unit price for that task, abbreviating some processes, bringing the work in-house, or limiting the base cost. Our initiatives will put a greater emphasis on profitability.

Finally, the sixth initiative is to use M&A to bring in growth fields. New pieces are essential to get our business on a sure growth trajectory. We need to fill in the missing pieces specifically to ensure we achieve our aim of getting mechanical and electrical work as a set in the same. Also, with investment in the energy field expected to be robust, we will build good partnerships with customers by being quick to read the trends and put them into action, such as by moving into the renewable energy field.

TOPICS

Using Years of Expertise to Develop Services for New Needs

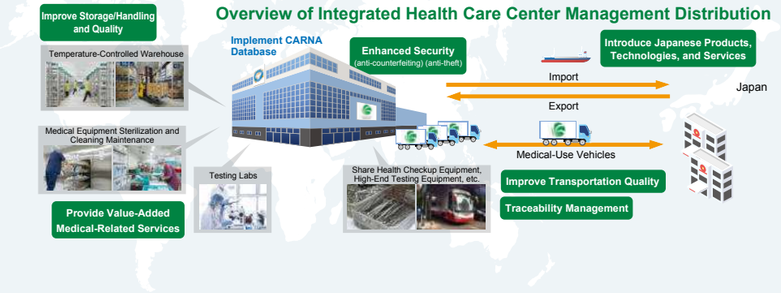
In our collaborations with other divisions, we are taking technologies and services fostered by the steel-related business and using them to develop customers of other divisions. Also, some of our affiliated companies have unique technologies and services, such as electrical instrumentation and non-destructive testing. We hope to develop these services for other divisions' customers and uncover new needs. We will work to maximize synergy to match KONOIKE Group customers to existing technologies and services and lead to steady earnings.

Business Development Division



Business Overview

The KONOIKE Group sees changes in the market as an opportunity to keep the Group indispensable to our customers into the future. We will make full use of each division's existing management assets and develop and promote new business for the next generation.





Making Full Use of KONOIKE's Management Resources to Bring Forth New Services

Executive Officer
Executive General Manager, Business Development Division

Minoru Amano

Review of FY3/2021

We have been endeavoring to develop business in India since fiscal 2019. We see this country as key to the KONOIKE Group's overseas strategy.

Specifically, we have established the following three companies and one representative office in India, where they are pursuing local activities in keeping with their respective business objectives.

1. Joshi Konoike Transport & Infrastructure Pvt. Ltd.
   Rail cargo transport business: Plans to have 16 trains in operation by March 31, 2022 for its automobile freight train operator (AFTO) service
2. Konoike Asia (India) Pvt. Ltd.
   Forwarding and plant engineering businesses
3. Carna Medical Database Pvt. Ltd.
   Builds and distributes medical databases (various data about medical supplies and hospitals)
4. India Representative Office
   Studies and researches potential opportunities for KONOIKE divisions in Japan to enter the Indian market

Beginning in fiscal 2020, we were temporarily forced to slow down existing business activities in India because of COVID-19. In July of that year, however, local economic activity started to resume, and we offered logistics and forwarding services precisely tailored to our customers' ever-changing production and sales environments. As a result, our financial performance was as originally budgeted for fiscal 2020.

Also in India, we launched Carna Medical Database in 2013. One by-product of this effort has been to build good, trusting relationships between Japanese and Indian medical institutions and local medical associations. Based on that, in November 2020 we started offering Carna Health Support Club, a service that supports the health of Japanese persons residing in India. Its purpose is to dispel users' unease about local medical services in respect to COVID-19 and to ensure an appropriate treatment environment in case users do become infected. So far, 41 Japan-affiliated companies and more than 330 individuals have joined the service.

Since our founding, the KONOIKE Group has overcome all types of hardships together with our customers, but along with the COVID-19 pandemic that began in 2020, the past year has been marked by great changes in steel and other domestic markets. Amidst these struggles, we have had more opportunity than ever to strengthen collaboration among divisions and take on new business fields. In particular, we have been rolling out businesses internationally based on domestic production processes and added-value logistics services that require high levels of technology and expertise.

Initiatives in FY3/2022

The Business Development Division launched in April 2021.

We will continue to create opportunities for business divisions in Japan to move into foreign markets. We will also fully leverage the tangible and intangible management resources of each business to conduct new business research and development that organically combines technologies from experts within and beyond the Group.

Our fiscal 2020 initiatives to propose solutions have borne fruit in helping domestic business divisions roll out internationally. The Steel Division and Life Related Division have used their domestic technologies and expertise to win orders for our in-factory contracting services and transportation and delivery services at local Indian subsidiaries belonging to our Japanese customers. Although they are a small first step, these businesses are developing thanks to the many years of trust that the KONOIKE Group's domestic businesses have built up with customers. We aim to continue steadily building a track record with customers outside Japan as well, while expanding the production processes and added-value logistics services we provide that offer safety, quality, and efficiency.

In the medical business, we are expanding the scope of databases we are currently building to include databases not just about medical supplies and hospitals but also doctors throughout India. This will lead to a service that supports market entry by Japanese manufacturers planning to expand their businesses into India. We are also working to realize our next-generation medical distribution center concept* in Tamil Nadu, India.

Starting in FY3/2022, this will get support as a Preparatory Survey on JICA Cooperation (feasibility study and provisional survey) as field studies and preparations come up to scale. Thus, we hope to gradually introduce medical-related services to India from 2022.

Moreover, we will conduct research with a goal of establishing environments where Japanese people working abroad can live their lives with confidence. We will do this by further promoting our health support service for Japanese living in India and developing means for medical partnerships between Japan and other countries.

As for the domestic market, which is undergoing such intense change, we are particularly focused on the technologies of resource recycling, new energy, hospital operating room support, and freezing and processing of fresh foods. We also intend to leverage KONOIKE Group technology and expertise and take steps beyond the bounds of our conventional industries and businesses to create new value and further develop our businesses, which will expand business abroad.

* The plan is not merely to transplant our business models from Japan, but to introduce mechanisms to ensure the quality, safety, and security of low-cost, high-level medical care. We will accomplish this by considering the current state and challenges of medical care in India, and offering programs for multiple hospitals to share medical equipment, and centrally managing medical supplies, including sterilized goods.

TOPICS

Developing New Businesses for Cultivating New Markets

The KONOIKE Group gathers new-business development ideas broadly, not just from a limited number of divisions and personnel but from all Group employees. We are starting to work more closely with the parties that propose ideas to expand on their business concepts.

The KONOIKE Group's business proposal program itself has been in full operation since 1992. Among its strengths are the 120,000 written proposals received so far and initiatives in which all employees participate. The medical business is one successful example of a business originating with this program. Under the concept of Hospital Logistics, the business today offers an on-site and off-site logistics and sterilization outsourcing service network for hospitals all over Japan.

Most of the proposals so far have been about improving operations, but the Business Development Division uncovers ideas that could lead to new businesses (business "sprouts"). When a particularly excellent idea comes forward, we have formed task teams that include administrative and business departments. Teams, for example, might conduct market research or feasibility studies or write up a business plan. We have set up a system to work together with the author of the proposal until the new business becomes a reality. The New Business Proposal System launched in September 2021.

To ensure that we are always indispensable to our customers, it is essential to create next-generation businesses that anticipate customer needs and changes in the market. We will continue our business development initiatives so that we can effectively gather ideas, in particular from young and mid-career employees who support the business activities of the KONOIKE Group from the front lines. We will endeavor to use these ideas to reliably create new market value.



Message From the Chief International Officer and Chief Technology Innovation Officer

Director and Senior Managing Executive Officer
Chief International Officer and Chief Technology Innovation Officer

Tadatsugu Konoike

The strength of the KONOIKE Group is our involvement in operations in logistics and manufacturing across a variety of industries. We will leverage this strength to introduce various technological improvements on the front lines of our businesses. Our ideas center on a new, modular model featuring a human-technology hybrid utilizing the strengths of both humans and robots to create a more productive, safer workplace.

01 Changes in the Competitive Environment

In recent years, the third-party logistics (3PL) and warehouse markets have experienced changes in the competitive environment. As technology advances and warehousing operations become more automated, major shipping companies have been entering the 3PL business, aiming to capture e-commerce demand by leveraging their own expertise and volume. Even some logistics real estate companies are entering the 3PL business. For example, certain companies provide services from picking to shipping on behalf of sellers who simply ship products to the logistics center. Other companies offer standardization and efficiencies by using various technologies for the 80% of logistics costs outside storage costs.

02 Business Growth Vector (Human-Technology Hybridization)

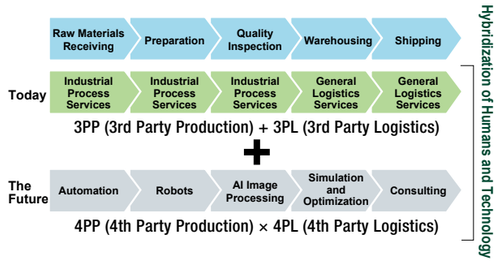
To respond to these trends around the world, we must break away from our existing business model. The current business model of the KONOIKE Group is very different from that of other companies. General logistics companies provide 3PL services to their customers, taking on only the warehousing and delivery portions of the business. In addition to 3PL, the KONOIKE Group takes over parts of the business further upstream in a third-party production model (3PP). We are highly regarded for our services under this model. It is a rare case in this world for a logistics company to undertake manufacturing work to this extent. However, as the competitive environment continues to change in significant ways, we must build a new business model.

The key to building a new business model is the strategy of *human-technology hybridization*.

To date, we have acquired new contracting business by responding to customer requests with proposals that leverage the human resources of the KONOIKE Group. In the future, we aim to acquire new outsourced contracting services, not only through human resources, but also by utilizing new modularized services that involve AI and robots. We will establish a concept of automation unique to the KONOIKE Group, taking advantage of the type of flexibility (dealing with exceptions) and decision-making that are the strengths of human beings, while also incorporating the stable and extended operations that are the strengths of machines. Our work will be identifying technologies that facilitate this synergy between machines and people.

03 Upgrading KONOIKE Group Services to 4PL+4PP

4PL+4PP is the future business strategy of the KONOIKE Group. In general terms, 4PL is the addition of consulting elements to 3PL. Some 3PL companies are strengthening their consulting functions currently. The KONOIKE Group intends to strengthen our 4PL services by optimizing operations through simulations and providing consulting that leverages the expertise we have developed over time. In addition, we will upgrade our current 3PL+3PP model to a 4PL+4PP model by adding automation technologies (robots, AI image processing, etc.) to our existing 3PP services, making the most of a human-technology hybrid.

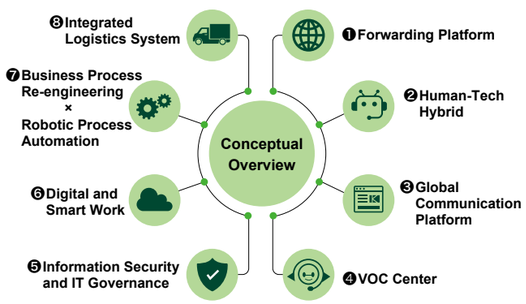


04 Our Concept of Technological Innovation and Digital Transformation (DX)

The following outlines the overall KONOIKE Group concept for technological innovation and DX.

❶ Transform the forwarding business into an e-commerce business
❷ Create human-technology hybrid models using new technology to improve productivity and save labor
❸ Build a zero-trust global communication infrastructure that provides access to internal systems from anywhere in the world
❹ Improve operating efficiencies through BPO* and web portals for internal IT-related inquiries
❺ Strengthen information security and IT governance by introducing next-generation endpoint security, etc.
❻ Digitize administrative office work in the field
❼ Automate and streamline business processes through BPR* x RPA
❽ Establish an integrated logistics system linked with WMS*, materials handling, delivery management, and business productivity management systems

*BPO: Business process outsourcing
*BPR: Business process re-engineering
*WMS: Warehouse management system



Over the past several years, we have endeavored to identify front-line needs and verify new technologies through VC investments. Further, we established the Konoike Institute of Technology Innovation Center. Through these activities, we engaged in a multi-linear approach to verifying the practical applications of new technologies in front-line use.

The key elements unique to the KONOIKE Group in these efforts are as follows:

❶ Understanding front-line operations
❷ Identifying issues
❸ Devising front-line applications in-house for improved usability
❹ Improving the nature of work according to the actual conditions of the workplace

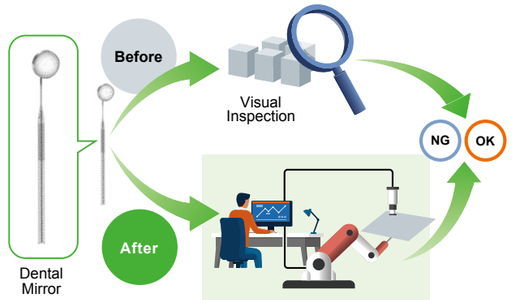
05 Specific Examples of Technological Innovation and DX

❶ Case Study: Medical Division

The Medical Business Division collects, sterilizes, and inspects dental mirrors used for medical examinations at schools.

Currently, the mirrors are inspected one-by-one by human eyes, which requires; about 10 seconds per mirror. Replacing this work with an automated AI decision model can cut work time in half.

In addition, we can reduce the number of labor hours required for training, correct for individual differences to ensure stable quality, and reduce the burden of work that requires intense concentration over a long period of time.



Robot + Automated Inspection

❷ Case Study: Steel Division Applications

Using drones to replace visual inspections of foreign objects in raw materials has contributed to improved accuracy and reduced workload. Changing the inspection of raw material conveyors to an infrared camera-equipped drone operation allows coverage of the entire conveyor, regardless of appearance or unexpected sounds. This method provides early detection of abnormalities even before they become apparent. In this way, we have gained a significant reduction in work time, while increasing inspection accuracy and frequency.

In the past, we scraped under the conveyor by hand to recover fallen ore. This was one of the most difficult operations we performed due to the physical burden, confined space, and need to bend in awkward positions. Here, we developed our own recovery system that has made the operation much more efficient. The heavy equipment we developed now reaches spaces inaccessible to regular heavy machinery or humans. We succeeded in performing the work safely and inexpensively without having to stop conveyor operations. In the past, fallen ore recovery was only possible on days when the conveyor was not in operation. Since we introduced the first machine in February 2020, we have continued to make improvements.

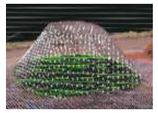
The third generation offers more power, as well as remote control and semi-automatic operations. We obtained a patent for the device in June 2021. These improvements led not only to cost reductions for our customers, but also to improved profitability for the KONOIKE Group, creating a win-win relationship.

*Fallen ore related to the fallen ore recovery device refers to raw materials that have fallen off the conveyor.

Drone



Automated, wide-area imaging



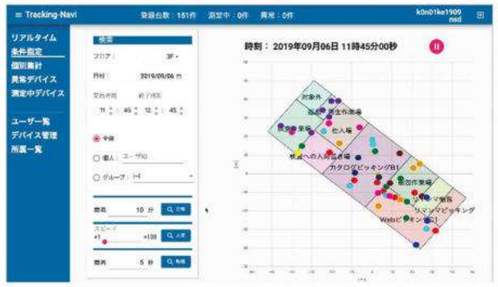
High-precision inspections using point cloud data

Fallen Ore Recovery Device



06 Navigation System to Visualize Warehouse Labor Productivity

The KONOIKE Group responds to a variety of asset needs, through our own nationwide distribution centers, distribution centers run jointly with customers, and contract logistics services performed inside customer property. Given this background, it is challenging to install distribution center cameras or beacons inside customer facilities, nor is it a good idea in terms of effective capital investment. For these reasons, we have not been able to provide detailed analyses across every work site in the past. Therefore, we developed our own system in collaboration with a systems company with whom we have a business relationship. This new system is a tool that utilizes the autonomous navigation technology used originally in mobile phones (gyro, compass, accelerometer). We provide dedicated terminals to workers and install terminals in forklifts in the warehouse to measure work productivity for a period of time and work hour ratio by worker. We then optimize results after comparing with the flow rate of goods per period of time.



07 Global Communications Platform

The KONOIKE Group consists of 29 domestic and 31 overseas companies, in addition to the head office. Until four years ago, we did not have standard security and networks for every group company, and the networks were closed, assuming workers would come into the office to work and access information. Security and anti-virus software were also implemented for each company internally and for virus type definitions used by most Japanese companies at the time.

To improve this situation, we decided to redesign our cloud communication infrastructure system to strengthen information security not only in Japan, but also in our overseas offices. Our decision also encompassed how we would approach work-style reforms for the future. This decision and subsequent actions were one of the main reasons we enjoyed business continuity, even after the declarations of states of emergency during the COVID-19 pandemic.

❶ Online conferencing system allowing location-independent meetings and discussions without the need for a conference room

❷ Cloud file system for the sharing of knowledge and information without the inconvenience and risk of information leaks associated with e-mail attachments

As a result of these efforts, we have firmly established telework and online meetings as part of our work style. Productivity has improved not only for administrative work at the head office and in business divisions, but also for on-site operations. Further, we have established a safe and secure information systems environment, which is the most important factor for remote work. We are looking to adopt a zero-trust system that protects against both external and internal information leaks.

08 Future Direction

During the past three years, we have reorganized our legacy assets and redesigned our ICT infrastructure to support digital transformation. With the exception of restricted systems, all internal systems have been shifted to the public cloud. We converted all information systems to SaaS, moving away from proprietary and domestic on-premises systems. Siloed data has been centralized into data pools using EAI. In addition, we adopted a digital operations infrastructure that facilitates RPA and in-house development to increase productivity at the work site, and we are transforming certain operations to digital processing. Over the next three years beginning this fiscal year, we will strive to reform our operations, transform our business, and maximize cost reductions through a digital shift in our ICT infrastructure. During FY3/2022, we engaged in a partial deployment of the integrated logistics platform currently under construction. We put the navigation system into practical use, conducted wider adoption of AI-OCR to digitize paper-based work in the KONOIKE Group, and expanded information security systems to overseas and domestic group companies. During FY3/2023 and FY3/2024, we plan to hasten the transformation of our forwarding business into an e-commerce business, increase productivity through the digitalization of logistics and administrative work, and establish a zero-trust security system.

TOPICS

Konoike Institute of Technology Innovation Center

The importance of logistics as a social foundation is receiving greater attention in the wake of the COVID-19 pandemic. At the same time, the shortage of human resources is becoming more serious due to the decrease in the working-age population in Japan. Here, we will provide an overview of the Konoike Institute of Technology Innovation Center (Giken IC), which we established to help the KONOIKE Group develop as a company deemed essential to society.



DATA

Name	Konoike Institute of Technology Innovation Center (Giken IC)
Location	6F Tokyo Railgate WEST, 3-3-22 Yashio, Shinagawa-ku, Tokyo
Floor Space	676.5 square meters
Opening Date	March 3, 2021

Role of the Giken IC

❶Conduct experiments and proof-of-concept tests

The Giken IC will recreate various KONOIKE Group work sites to confirm the effectiveness of new technologies and operations beforehand. The aim here is to introduce new technologies without causing work stoppages.

❷Accelerate open innovation

KONOIKE Group employees, customers, and new technology vendors gather at the Giken IC to discuss and observe new technologies. In this way, we gain an understanding of new challenges and insights that will help us accelerate innovation.

❸Engage in technological innovation with customers

We consider technological development that meets the future vision of our customers while also functioning as part of our sales activities.

Examples of Proposed Initiatives

We conduct proof-of-concept tests for various types of robots at the Giken IC, aiming for practical use to replace human labor in logistics operations as soon as possible.

Automated Cart Transport Robot and Control Software

Manufactured by Topy Industries Limited
Control software by NEC Corporation

Features

An AGV* positions under the cart to lift and transport the cart to a designated location, achieved through a variety of movements
*AGV: Automatic Guided Vehicle



Test Details

Confirmed effective operations, etc., to achieve smooth cart transport with a high degree of freedom in operations



Robot Arm for Picking a Wide Variety of Items

Manufactured by THK Co., Ltd.

Features

Collaborative robot that works in cooperation with humans; can be installed and/or moved. Four-fingered hand enables flexible movement (grasp dexterity)

Test Details

Accumulated expertise regarding the picking of individual items, including easy-to-pick items and item arrangement



Picking/Autonomous Mobile Robot (AMR)

Manufactured by inVia Robotics, Inc.

Features

The AMR* moves to the picking area and picks a box from the shelf; once the operator removes an item from the box, the AMR retrieves the box and returns it to the shelf
*AMR: Autonomous Mobile Robot

Test Details

Confirmed layout, etc., to allow full automation of cardboard box loading and unloading on shelves in the warehouse



Automated Forklift for Transporting Heavy Items

Manufactured by ZMP Inc.

Features

Automated forklifts that are simple to adopt and operate. Facilitates transport through various locations and conditions

Test Details

Verified the accuracy and safety of operation according to the conditions of various work areas in the warehouse; confirmed potential for coexistence with other automated equipment



Shelf Picking Assist Robot (AMR)

Manufactured by Rapyuta Robotics

Features

Avoids interference between robots. Operator waits for the AMR in the picking zone and simply places the picked items from the shelf onto the AMR

Test Details

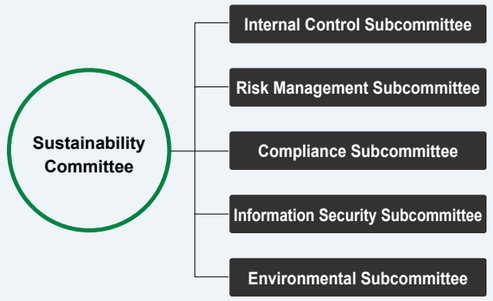
Confirmed method of automated rounds that contributes to reduced workload in the picking area; confirmed interior warehouse layout



SUSTAINABILITY

KONOIKE Group and Sustainability

The KONOIKE Group has created a 141-year history together with our customers and local communities. In 2030 and beyond, we will create even richer corporate value to share with our stakeholders through careful and earnest work based on our philosophy of pursuing innovations at the foundations of our society—a philosophy embraced since our founding. To this end, we intend to contribute to the multifaceted Sustainable Development Goals by focusing on those sustainability and ESG issues that have become increasingly important. We will also strive to strengthen our management initiatives and pursue development in harmony with the creation of a sustainable society.



Sustainability Basic Policy

The corporate philosophy and mission of the KONOIKE Group is “We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust.”

In addressing issues related to sustainability, we will also aim to achieve – through the execution of this corporate philosophy – a society that will bring happiness, safety, and a sense of security to various stakeholders surrounding the KONOIKE Group, which include clients, employees, shareholders, and regional communities.

1. We, the KONOIKE Group will assume an essential role for people to live their civil lives with a sense of security and fulfill its responsibilities. This will be achieved through business activities in a wide variety of industries and business sectors, from production contracting and logistics operations for material products, such as steel and chemicals, and general consumable goods, including food products and daily commodities, as well as service operations contracting, such as for the medical and airport industries.
2. Everyone at we, the KONOIKE Group, shares the value that safety and quality are of paramount importance. An example that expresses the sharing of this value is the corporate climate in which we wish each other safety through the greeting, “Safety first,” which is exchanged naturally and on a daily basis. Ensuring safety and quality is, of course, a way to avoid the occurrence of negative events such as occupational injuries, vehicular accidents, and quality-related problems, but is also nothing less than protecting precious lives. What is more, it enables the maintenance of stable production activities as well as the ceaseless provision of services. We believe that it is a core element that contributes to the enhancement of value for clients and ourselves, and furthermore, to the enhancement of the productivity of society as a whole.
3. We, the KONOIKE Group, will utilize innovative technologies and digital transformation, and continue undertaking efforts for the resolution of issues, searching for new areas in which we may contribute, in accordance with the changing needs of society.
4. The source of the added value of the KONOIKE Group are work sites and the people who work there. What is more, the relationship of trust forged up to now with stakeholders is the bond and a precious intangible asset. We will not only respect human rights but also emphasize investing in human capital, such as through the promotion of diversity and human resources education and development, to actualize the “respect for humanity and relationships of trust” that is expressed in our corporate philosophy.
5. We, the KONOIKE Group, believe that when responding to issues related to sustainability, it is important to not only mitigate risks but also to consider it as an opportunity to earn profits. Toward the mid- to long-term enhancement of corporate value, we will promote efforts such as intellectual property investment, including the development of technologies, and business portfolio strategies.
6. To reduce the impact of economic activities on climate change, we, the KONOIKE Group will work to conserve resources and energy as well as proactively promote efforts toward decarbonization, such as the adoption of renewable energy. Through our business activities, we will positively engage in initiatives that will contribute to reducing the environmental footprint. At the same time, we will adopt technologies, promote the enhancement of performance, and contribute to the prevention of global warming and the formation of a resource recycling society.

Tadahiko Konoike
Representative Director, Chairman,
President and Chief Executive Officer
Konoike Transport Co., Ltd.

Established: November 19, 2021



Representative Director, Managing Executive Officer, Chief Administrative Officer, and Officer in Charge of ESG
Tetsuro Takeshima

The KONOIKE Group Approach to Sustainability

The KONOIKE Group corporate philosophy states that we pursue innovation at the foundation of our society, creating unique value driven by respect for humanity and relationships of trust. This is Our Mission and Our Promise.

As described in the section of this report covering our history, the spirit of the KONOIKE Group began with an order for excavation work on the Shin-Yodogawa River. Under this spirit, we continue to grow and pursue business activities across a wide range of industries and sectors 141 years later.

Safety and quality that lead to increased productivity not only for customers, but also for society. Consideration for the global environment by reducing CO_2 emissions. Building infrastructure that meets the demands of local communities. Even before the word *sustainability* became widely used in the world, we engaged in these activities and others tied to the concept of sustainability, building strong relationships with our stakeholders.

Creating a Structure for Sustainability

As a result of the COVID-19 pandemic, the general idea about society has undergone a dramatic change. Awareness of sustainability is spreading rapidly. The Revised Corporate Governance Code places strong demands on companies to address sustainability. If the KONOIKE Group is to continue to be trusted and needed by our stakeholders, we recognize that we must push sustainability initiatives to even higher levels.

As a first step toward this goal, the KONOIKE Group established an internal system and basic policies to pursue sustainability. To achieve sustainable growth as a company, we will not only ensure safety and quality, but also strengthen our efforts in protecting the environment and other areas.

In this way, the KONOIKE Group will continue to respond to the changing demands of society. And we will make every effort to ensure our activities are understood properly by our stakeholders as we endeavor to build trust.

Specific Initiatives for Sustainability

To reduce the impact of our economic activities on climate change, we will strive to conserve resources and energy, etc., toward decarbonization, pursuing initiatives led by our Sustainability Committee to adopt renewable energy and other environmental practices. We will also contribute to the prevention of global warming and the creation of resource-recycling societies. We will accomplish these goals by reducing the environmental impact of our business activities, by adopting new technologies, and through performance improvements.

At the same time, we recognize that we approach sustainability issues not only in terms of mitigating risks, but also in terms of seizing upon business opportunities. Here, we intend to invest in technology development and other intellectual property to enhance corporate value over the medium and long term. We will also implement a business portfolio strategy to this end.

As we move forward with these initiatives, we must note that the source of KONOIKE Group added value is the work sites of our businesses and the people who work there. To embody our Corporate Philosophy of respect for humanity and relationships of trust, we must not only respect human rights, but also emphasize investments in human capital, including education and training.

To Our Stakeholders

The dramatic changes in socio-economic conditions caused by the COVID-19 pandemic have a major impact on the KONOIKE Group. However, I am confident we will overcome this difficult situation through the unrelenting efforts of every person in our company, through ongoing partnerships with our customers and business partners, and with the generous understanding of our shareholders.

I ask for your continued support and understanding of our activities. The KONOIKE Group will continue to act in unison, listening to the feedback regarding sustainability and striving to earn your trust.

Management Structure

Directors



Tadahiko Konoike

Representative Director, Chairman, President and Chief Executive Officer

Apr	1976	Joined Konoike Construction Co., Ltd.
Apr	1981	Joined the Company
Dec	1983	Managing Director
Dec	1987	Senior Managing Director
Dec	1989	Executive Director and Vice President
Jun	2003	Executive Director and President
Apr	2018	Representative Director, President, and Chief Executive Officer
Apr	2021	Representative Director, President, and Chief Executive Officer
Jun	2021	Representative Director, Chairman, President and Chief Executive Officer (current position)



Tadatsugu Konoike

Director and Senior Managing Executive Officer, Chief International Officer, Chief Technology Innovation Officer

Apr	2006	Joined Sumitomo Mitsui Banking Corporation
Apr	2013	Joined the Company
Jul	2014	General Manager of Corporate Planning Division
Apr	2016	Executive Officer
Apr	2017	Managing Executive Officer
Jun	2017	Director and Managing Executive Officer
Apr	2018	Director and Senior Managing Executive Officer
Apr	2019	Director and Senior Managing Executive Officer, Executive General Manager of New Business Development Division
Apr	2021	Director and Senior Managing Executive Officer, Chief International Officer, Chief Technology Innovation Officer (current position)



Eiji Nakayama

Director and Managing Executive Officer, Chief Sales Officer, Executive General Manager, Sales Division

Apr	1981	Joined the Company
Oct	2008	General Manager of Osaka-Nishi Branch
Jun	2009	General Manager of Tokai Branch
Jun	2012	Executive Officer
Jun	2014	Director and Executive Officer
Apr	2016	Director and Managing Executive Officer
Jun	2017	Managing Executive Officer
Jun	2018	Director and Managing Executive Officer, Chief Sales Officer
Apr	2021	Director and Managing Executive Officer, Chief Sales Officer, Executive General Manager, Sales Division (current position)



Tetsuro Takeshima

Representative Director and Managing Executive Officer, Chief Administrative Officer, In charge of ESG

Apr	1982	Joined the Company
Jun	2009	General Manager of Osaka Harbour Branch
Sep	2011	General Manager of International Business Division (Osaka)
Jun	2012	Executive Officer
Apr	2017	Managing Executive Officer
Jun	2018	Representative Director, Managing Executive Officer, and Chief Administrative Officer
Apr	2020	Representative Director, Managing Executive Officer, Chief Administrative Officer, and Executive General Manager of Corporate Planning Division
Apr	2021	Representative Director and Managing Executive Officer, Chief Administrative Officer, In charge of ESG (current position)



Yoshihito Ota

External Director (Independent)

Apr	1978	Joined KYOCERA Corporation
Jun	2003	Executive Officer of KYOCERA Corporation
Jun	2010	Director and Managing Executive Officer of KYOCERA Corporation
Dec	2010	Senior Managing Executive Officer of Japan Airlines Co., Ltd.
Dec	2015	Chairman of KYOCERA Communication Systems Co., Ltd.
Apr	2017	Executive Advisor (KYOCERA Communication Systems Co., Ltd)
Jun	2018	External Director of the Company (current position)
Sep	2019	Chairman of MTG Co., Ltd.
Dec	2019	Director and Chairman of MTG Co., Ltd. (current position)



Mika Masuyama

External Director (Independent)

Apr	1985	Joined the Bank of Japan
Sep	1991	International Marketing Director of Cap Gemini Sogeti
Nov	1992	Senior Consultant of Gemini Consulting Japan
Jun	1997	Joined Egon Zehnder
Jan	2004	Partner (Egon Zehnder)
Oct	2016	President and Representative Partner of Masuyama & Company LLC (current position)
Mar	2017	Outside Director, Member of the Audit and Supervisory Committee of Suntory Beverage & Food Limited (current)
Mar	2019	Outside Director of KOKUYO Co., Ltd. (current)
Jun	2019	External Director of the Company (current position)



Taisuke Fujita

External Director

Oct	1991	Joined Tohmatsu & Co. (now Deloitte Touche Tohmatsu LLC)
Nov	2000	Joined Morgan Stanley Japan Securities (now Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
Jun	2002	Joined SPARX Asset Management Co., Ltd.
Mar	2006	Joined Taiyo Pacific Partners LP
Feb	2012	Established Unleash Capital Pte. Ltd.
Dec	2012	Joined Orbis Investments Management Ltd.
Sep	2014	Joined Asian Energy Investments Pte. Ltd.
Mar	2016	Joined Amundi Japan Ltd.
Jul	2020	External Director of the Company (current position)

Audit & Supervisory Board



Mitsugu Otani

Full-time Audit & Supervisory Board Member

Apr	1982	Joined the Company
Sep	2011	General Manager of Life Related Division (Osaka)
Jun	2012	General Manager of Airport Division
Mar	2013	Executive Director of Career Service Co., Ltd. (now Mercury Corporation)
Apr	2015	General Manager of Internal Auditors Office
Apr	2019	General Manager of Auditing Office
Jul	2020	Audit & Supervisory Board Member of the Company (current position)



Hiroaki Kobayashi

Full-time Audit & Supervisory Board Member

Apr	1983	Joined the Company
Jun	2012	General Manager, Administration Department
Jun	2013	General Manager, Accounting Department
Apr	2015	Executive Officer, Deputy Executive General Manager, Finance/ Accounting Division
Apr	2016	Executive Officer, Executive General Manager, Systems Promotion Division, General Manager, Systems Sales
Apr	2018	Executive Officer, Audit & Supervisory Board Office
Apr	2019	Executive Officer, General Manager, Internal Auditors Office
Apr	2021	Executive Advisor
Jul	2021	Member of the Audit & Supervisory Board (current position)



Yutaka Fujiwara

External Audit & Supervisory Board Member

Apr	1974	Joined MODEC, Inc.
Nov	1987	Joined the Yasuda Trust and Banking Co., Ltd. (now Mizuho Trust & Banking Co., Ltd.)
Jun	1996	Chicago Branch Manager (Mizuho Trust & Banking Co., Ltd.)
Jul	1998	Resigned (Mizuho Trust & Banking Co., Ltd.)
Aug	1998	Joined OMRON Corporation
Jun	2005	Executive Officer, Senior General Manager of Financial IR Office (OMRON)
Jun	2008	Managing Executive Officer and Senior General Manager, Corporate Strategic Planning HQ (OMRON)
Aug	2011	Representative Director of Cross-Border Bridge Corporation
Jun	2013	Outside Director of Nabtesco Corporation (current position)
Jun	2017	Outside Director of KITZ Corporation (current position)
Apr	2018	Representative of Management Innovation Research Institute Cross-Border Bridge (current position), Partner of Cross Border Bridge Management Research Institute
Jul	2020	External Director of the Company (current position)



Chie Hoshi

External Audit & Supervisory Board Member

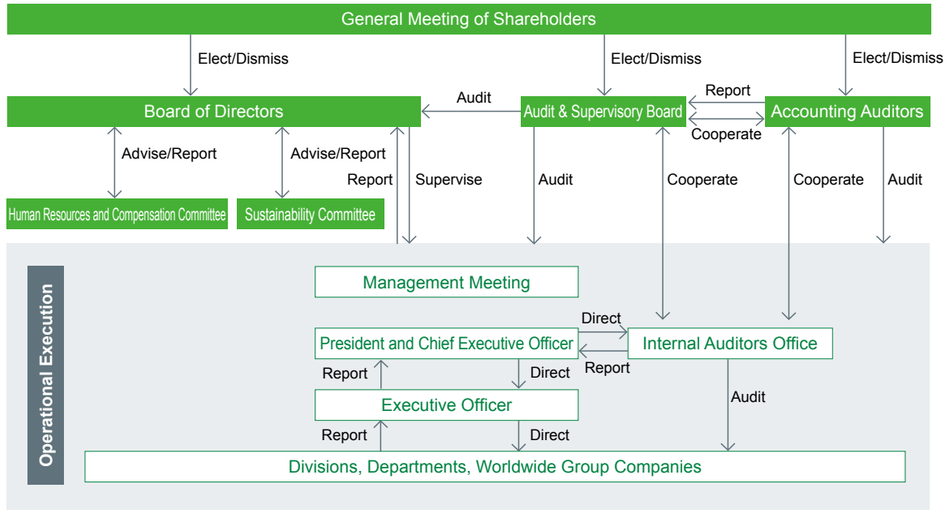
Apr	1998	Admitted to the Bar
Sep	2004	Joined Tanabe & Partners
Apr	2006	Partner, Tanabe & Partners (current position)
Apr	2014	Member, Ministry of Defense Procurement Council (current position)
Jun	2021	Member, Audit & Supervisory Board of the Company (current position)

Corporate Governance

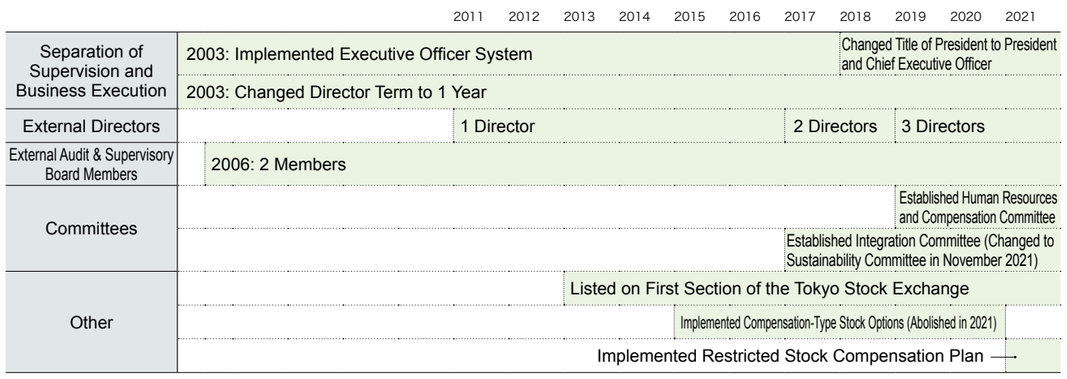
Basic Philosophy

We at the KONOIKE Group believe that meeting our social responsibility is an important part of our mission. We strive to build corporate value as we build relationships of trust with society in the practice of our corporate philosophy and to pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust.
Driven by this philosophy, we use our business activities to build positive relationships with our stakeholders as we engage in responsive, efficient, sound, fair, and transparent business. To this end, we continue to strengthen our supervisory functions and provide timely information disclosure, introducing new measures as necessary.

Structure

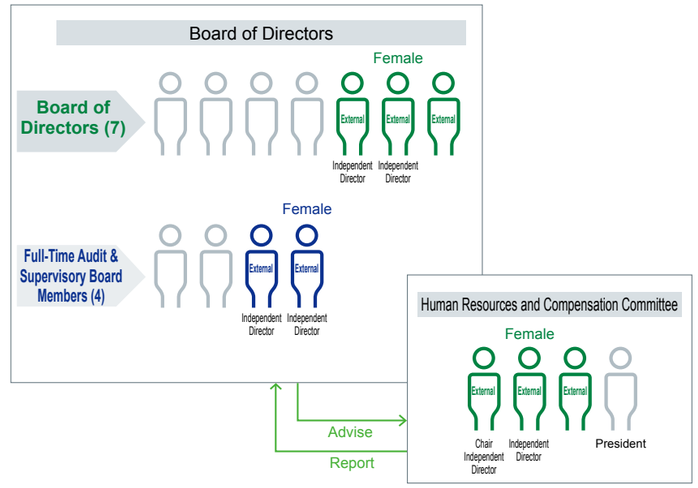


Corporate Governance Improvement Timeline



Composition of the Board of Directors

To distinguish clearly between management oversight and business execution, three of the seven members of the board of directors are external directors, while two of the four members of the Audit & Supervisory Board are external members. Further, we have filed notice with the Tokyo Stock Exchange for four of these five external officers to be designated as independent directors. In June 2019, we established the Human Resources and Compensation Committee, an elective advisory committee to the Board of directors, and will work toward further reinforcing initiatives in corporate governance.



Skills Matrix

	Female	Male ● Female ●	Current Title(s)	Areas of Responsibility	Corporate Management and Business Experience	International Experience	Sustainability/ ESG	HR and Employee Development	New Business/ M&A	Technology/ R&D	ICT/DX	Finance and Accounting	Legal and Risk Management	Capital Markets
Directors	**Tadahiko Konoike**	●	Representative director, chairman, president, and chief executive officer Chairman of the board of directors Human Resources and Compensation Committee member		○	○	○							○
	Tadatsugu Konoike	●	Director and senior managing executive officer	·Overseas ·Technology innovation	○	○				○	○			
	Eiji Nakayama	●	Director and managing executive officer	·Sales	○		○		○					
	Tetsuro Takeshima	●	Representative director and managing executive officer	·Management ·ESG	○		○	○				○		
	Yoshihito Ota	●	External director (independent) Human Resources and Compensation Committee chair		○	○			○					○
	Mika Masuyama	●	External director (independent) Human Resources and Compensation Committee member		○	○	○	○						
	Taisuke Fujita	●	External director Human Resources and Compensation Committee member		○	○						○		○
Audit & Supervisory Board Members	**Mitsugu Otani**	●	Audit & Supervisory Board member (full-time)		○							○	○	
	Hiroaki Kobayashi	●	Audit & Supervisory Board member (full-time)		○						○	○		
	Yutaka Fujiwara	●	External Audit & Supervisory Board member (independent)		○	○						○		○
	Chie Hoshi	●	External Audit & Supervisory Board member (independent)										○	

* The list above does not represent all the knowledge, experience, etc., possessed by directors and members of the Audit & Supervisory Board.

Corporate Governance

Message from External Directors



Yoshihito Ota

The 2021 Tokyo Olympics and Paralympics, delayed by one year, moved and inspired us by the performance of so many athletes. However, the re-emergence of COVID-19 quickly overshadowed those memories, dashing our hopes for a better business environment. We realized in the end that we will not return to business as normal easily.

Even in the midst of a difficult environment, the KONOIKE Group has maintained profitable operations through the tireless efforts of the company's employees, drive by a strong sense of unity built over the long history of the organization. Even so, there is no doubt that most employees have a vague sense of anxiety about the future.

At times like these, what is of particular importance is the KONOIKE Group Corporate Philosophy, which says, "We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust." It is in a time of historic turmoil that every employee in the company must embrace this Corporate Philosophy. If this is accomplished, the KONOIKE Group will not only overcome the COVID-19 pandemic, but also lay the foundation for future growth based on the strong bonds among employees and with customers.

As an external director, I am committed to helping the KONOIKE Group unite and develop further under this wonderful corporate philosophy.



Mika Masuyama

The philosophy of respecting humanity and relationships is one of the strengths of the KONOIKE Group. This strength has only been deepened further by the COVID-19 pandemic. In the course of providing finely tuned services at client companies, which in many cases cannot be performed remotely, we once again question the significance of the company's existence. This past year was one in which each of us struggled to make progress and move forward from our respective situations. I had the opportunity to move beyond the framework of the board of directors, engaging in remote discussions with the next generation of leaders from around the country. I was encouraged to see how these future leaders think about business, customers, and the company from a medium- to long-term perspective, while facing day-to-day issues such as leading and training their subordinates.

In February 2020, President Konoike unveiled a Structural Reform Plan to turn a crisis into an opportunity. I was happy to see that under this plan, the company began a personnel matching program for employees to move from the Airport-Related Business, impacted negatively by the COVID-19 pandemic, to other businesses and companies. I was also glad to see personnel exchange and sharing of best practices among businesses, which has been an issue in the past. These programs are strengthening the cooperative structure among branches and locations. I am also happy that the company is reviewing its support processes, including operations at the head office, to keep what has functioned well traditionally, while making bold changes in areas that require change. I would like to see the company act with more speed in various endeavors, including its medium- to long-term business portfolio review, the development of a structure for pursuing new businesses, and the adoption of the best form of the KONOIKE Group digital transformation that fully incorporates the expertise of outside parties.

We are reviewing the content of agenda items, priorities, time allocation, and clarification of materials, etc., to improve the effectiveness of the board of directors. At the same time, the content of discussions in the Human Resources and Compensation Committee is evolving steadily. I hope to continue participating in such discussions, bringing my own experience and expertise to the table and contributing to healthy corporate growth in the future.



Taisuke Fujita

The KONOIKE Group builds and operates social infrastructure to ensure the smooth operation of customer business activities. Every day, at every location, KONOIKE Group employees work together with customers and partner companies to respond to concerns and deal with any problems. Operating locations include warehouses, factories, plants, airports, hospitals, ports and harbors, truck and ship transport, etc. The services that the group provides are diverse, spanning logistics, manufacturing contracting, services contracting, plant installations, and equipment maintenance. Over many years, the group has provided services in the Americas, India, Southeast Asia, and Greater China. The KONOIKE Group is now channeling its strengths in on-site operations into organizational strengths, improving technical and proposal capabilities to exceed the expectations of group customers. The time has now come to refine services and transform into a unique corporate entity for the benefit of its customers. To achieve this transformation, the KONOIKE Group must clarify its vision and strategy for each business and region, becoming an even more open organization than ever. The group is at a stage of developing a flexible organizational culture capable of accepting and utilizing a wide variety of human resources and partners. In so doing, the KONOIKE Group will improve the services it provides and become an indispensable presence for its customers and society.

As a member of the board of directors, I support the KONOIKE Group in these changes and do my part to help employees maximize their potential through the businesses in which they serve. I believe the result will be a corporate group that reaches new levels of corporate value and exceeds the expectations of its stakeholders.

Human Resources and Compensation Committee

Activities in FY3/2021

The committee met as needed in response to consultations from the board of directors. The committee discussed appointments of directors, full-time Audit & Supervisory Board members, and executive officers, reporting the discussions to the board. On multiple occasions, the committee also discussed the state of the compensation system for directors and executive officers. The committee will review the design of systems that contribute to higher levels of KONOIKE Group corporate value.

Officer Compensation System

1 Basic Policy

We have established the following basic policy to ensure our officer compensation system supports our Corporate Philosophy (Our Mission), which reads, "We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust."

1. The director compensation system must contribute to realizing the Corporate Philosophy (Our Mission)
2. The director compensation system must aid in recruiting and retaining a talented management team intent on achieving our 2030 Vision
3. The director compensation system must encourage a constant spirit of ambition to go beyond expectations
4. The director compensation system must be designed to link compensation closely to corporate earnings
5. The director compensation system must continue to pay compensation linked to share prices over the medium- to long-term
6. The director compensation system must be designed to guarantee fairness and transparency, ensuring that officers are accountable to employees, shareholders, and other stakeholders

2 Determination of Compensation

The board of directors decides the amount of compensation given to each director based on reports from the Human Resources and Compensation Committee. The amount of compensation given to each full-time Audit & Supervisory Board member is decided by discussion among members of the Audit & Supervisory Board. Specific amounts are based on compensation limits approved by the general meeting of shareholders and take into account company earnings, compensation levels at other companies, employee salaries, etc.

Title	No. of Directors Defined in Articles of Incorporation	Compensation Limit (Annual Amount)		Approved at General Meeting of Shareholders
Directors	10	Monetary Compensation	¥800 Million*1	80th Annual General Meeting of Shareholders (held July 31, 2020)
		Restricted Stock Compensation Plan	¥100 Million*2	81st Annual General Meeting of Shareholders (held June 24, 2021)
Audit & Supervisory Board Members	5	Monetary Compensation	¥100 Million	67th Annual General Meeting of Shareholders (held June 27, 2007)

*1 Annual maximum of ¥100 million for external directors. This figure does not include employment-related payments for directors serving jointly as employees.
*2 Excluding external directors. The total number of shares of the Company's common stock to be issued or disposed of as restricted stock shall not exceed 100,000 shares per year.

Corporate Governance

Evaluating the Effectiveness of the Board of Directors

Since FY3/2016, our board of directors has conducted an annual evaluation of the composition and operation of the board, board deliberation content, and support systems. We have worked to strengthen the functions of the board to ensure a sustained increase in corporate value for the KONOIKE Group.

Evaluation Method

Evaluator	Self-Evaluation by Board of Directors / Full-Time Audit & Supervisory Board Members
Evaluation Method	Questionnaire Format
Response Format	Non-Anonymous
Evaluation Items	Five-Point Scale Evaluation and Additional Comments on Following Items 1 Composition of the Board of Directors 2 Operation of the Board of Directors 3 Structures Supporting the Board of Directors 4 Active Governance 5 Reactive Governance 6 Other Factors

Evaluation Process

1. **Questionnaire to All Members of Board of Directors and Full-Time Audit & Supervisory Board Members**
2. **Aggregation by the Secretariat**
3. **Self-Evaluation by Board of Directors Based on Questionnaire Results**
4. **Exploration Based on Evaluation Results**

Overview of FY3/2021 Evaluation Results

For evaluation items such as the operation of the board of directors and active governance, we saw an improvement in evaluation results reflecting revised meeting material composition and report content, as well as the establishment of an annual plan for matters to discuss.

However, we also identified issues for improvement regarding diversity among board members and the formulation of medium- to long-term strategies and the next medium-term management plan.

Going Forward

In light of the results above, we are considering improvements to the following items.

1. Hold deeper discussions on medium- to long-term management strategies and concepts for the next medium-term management plan
2. Continue annual planning of matters to be discussed and reported
3. Develop rules for managing board meetings, improve materials, and provide more information to outside directors
4. Set aside sufficient time for deliberations at board meetings

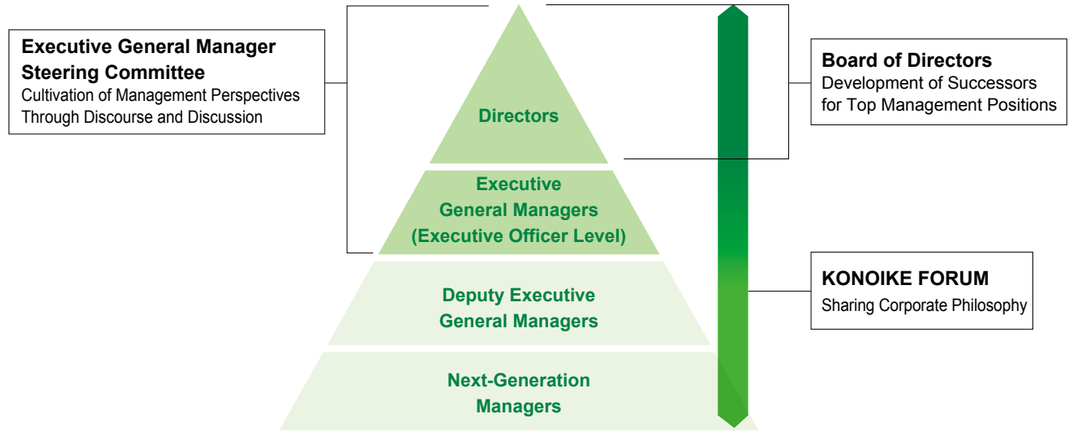
Major Agenda Items for Board of Director Meetings

The board of directors met 15 times in FY3/2021. The following are examples of items covered in meeting agendas.

1. Establishing, amending, and abolishing various rules
2. Organizational changes
3. Important business plans
4. Matters related to M&A
5. Matters related to the general meeting of shareholders (e.g., deciding agenda for meetings)
6. Stock-related matters
7. Disclosures (public announcements of company information)
8. Purchases, leases, etc., of buildings, structures, and land (e.g., transactions related to establishment of new operating bases)
9. Appointments and dismissals of executive officers
10. Financial matters (e.g., matters related to long-term loans payable and short-term loans payable)
11. Matters related to affiliates
12. Other important matters related to management

Training Future Leaders

Human resource development is a core component of sustainable growth for the KONOIKE Group. The president, directors (serving concurrently as managing executive officers), and executive general managers (executive officer level) meet once every month at the Executive General Manager Steering Committee to share information about operational execution. Executive general managers, through discourse and discussion with directors, seek to cultivate their perspectives as managers. In addition, as one of a number of initiatives to further enhance the human resources foundation, a forum for deliberation is held as needed. Here, members exchange opinions about strategies, philosophies, and other areas related to the KONOIKE Group, leading to a desire to launch new businesses and expand existing domains. Individuals regarded as next-generation managers, including headquarters office managers and branch managers, build relationships of mutual trust in their daily work. We sponsor internal seminars to bring next-generation managers and above to share our Corporate Philosophy and behavioral guidelines. In this way, we pass on the experience and expertise necessary for management without interruption between generations.



Strategically Held Stocks

1 Basic Policy

Konoike Transport Co., Ltd. hold stock strategically to enhance our corporate value over the medium to long term. We do this by working to sustain and strengthen trade relationships with the customers who are so vital to our business, as partnerships are key to Konoike Transport Co., Ltd. business activities across a range of areas.

Each year, the board of directors regularly verifies the appropriateness of holdings of individual strategic stocks. The board considers whether the risks and benefits of holding these shares are commensurate with the accompanying cost of capital. If the board determines that holding a stock is not rational, the group sells said stock to reduce strategic holdings.

2 Standards for the Exercise of Voting Rights

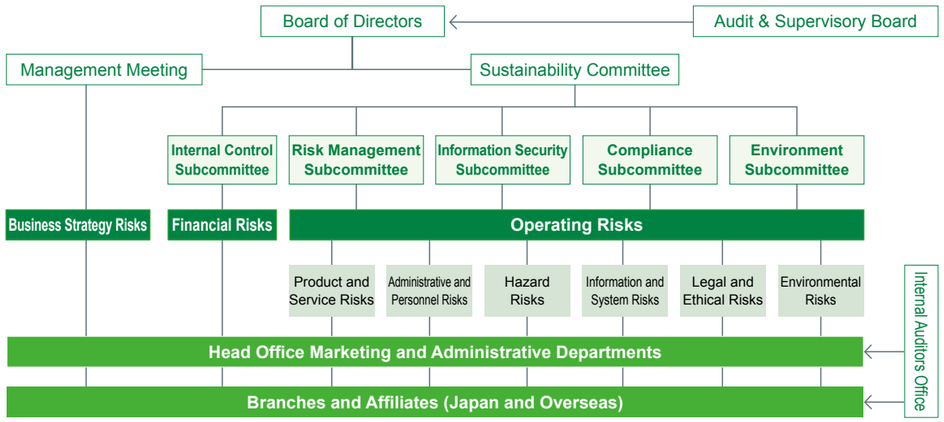
Konoike Transport Co., Ltd. do not make uniform decisions on policies when exercising voting rights for strategically held stocks. Rather, we consider and decide each case separately from perspectives that include sustained growth and improvement in medium- to long-term value of the company in question. We never approve resolutions that would be harmful to shareholder value.

Sustainability Implementation Structure

Basic Philosophy

The corporate philosophy and mission of the KONOIKE Group is "We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust."
In addressing issues related to sustainability, we will also aim to achieve – through the execution of this corporate philosophy – a society that will bring happiness, safety, and a sense of security to various stakeholders surrounding the KONOIKE Group, which include clients, employees, shareholders, and regional communities.

Sustainability Implementation Structure



Sustainability Committee and Subcommittee Activities

In November 2021, we established the Sustainability Committee (chair: chief administrative officer) to replace the previous Integration Committee. As an advisory body to the board of directors, the Sustainability Committee responds to inquiries from the board, discusses individual sustainability issues, and reports regularly to the board on the content of these discussions.

The Sustainability Committee has five subcommittees under its umbrella (as of November 2021), each of which evaluates and provides regular reports on subcommittee annual plans and operational status. The Sustainability Committee strives to ensure fairness and objectivity by inviting one outside expert to sit in each subcommittee.

Activities of the Five Subcommittees

Internal Control Subcommittee
(Chair: Executive General Manager of the Finance/Accounting Division)

This subcommittee establishes and operates group internal controls (primarily J-SOX) and verifies KONOIKE Group responses to internal control issues.

Risk Management Subcommittee
(Chair. Executive General Manager of the General Affairs Division)

This subcommittee conducts regular risk assessments and selects identified risks to respond to changing operating environments. In addition to determining the departments that have jurisdiction over these risks and setting evaluation targets (control targets), the subcommittee monitors the progress of initiatives and otherwise works to reduce risk.

Information Security Subcommittee
(Chair: Executive General Manager of the ICT Promotion Division)

This subcommittee maintains the Basic Policy on Information Security and related regulations, studies human, physical, and technological measures related to information security in general, monitors the state of information security, takes steps to prevent and detect incidents, and responds to emergency situations.
The subcommittee has formed an Information Security Measures Team that establishes and periodically reviews specific measures for improvement. The team also conducts trainings and manages the (PDCA) cycle to maintain and advance information security.

Compliance Subcommittee
(Chair: Executive General Manager of the Corporate/Quality Division)

This subcommittee works to formulate and review compliance policies, manage PDCA cycles, and strengthen domestic compliance structures. Further, the subcommittee identifies cases related to the internal reporting system (Konoike Helpline).

Environmental Subcommittee
(Chair: Executive General Manager of the Corporate/Quality Division)

This subcommittee aims to ensure legal compliance and mitigate environmental impact by evaluating compliance with environment-related laws and regulations. The subcommittee also confirms the status of environmental conservation activities and discusses, drafts, and implements measures for improvement.

COLUMN

Information Security Initiatives

The Information Security Subcommittee leads KONOIKE Group initiatives to counter cyber attacks and other increasingly sophisticated risks.
In addition, we take other security measures reflecting changes in the business environment. These measures include security when using external networks in the context of changing work styles.

Updating Information Security Regulations

The ICT environment is changing, including increased cyber attacks and the wider use of cloud services. In light of these changes, we are reviewing our response processes and revising our information security regulations, adopting ISO frameworks and other tools to address a wide range of security measures.

Security Tool Modernization

We deploy the latest security tools to protect against and respond to increasingly complex and sophisticated cyber attacks. These tools incorporate devices, networks, and authentication to reduce risk by improving the level of security throughout the group.

Response to Vulnerabilities

We address vulnerabilities that pose a major risk of cyber attacks by applying the latest security updates to software no longer supported by the manufacturer or by upgrading the software itself.

Security Education

We conduct regular group-wide security education and security attack drills to raise the level of security and awareness among employees. Security drills take the form of simulated targeted e-mail attacks, etc.

Sustainability Implementation Structure

Compliance Initiatives

To put our Corporate Philosophy into practice and be a company trusted and loved by customers and society, the KONOIKE Group must comply with laws, ordinances, and social norms, as well as conduct business fairly and transparently. To this end, we established a Corporate Ethics Code. Under this code, we further defined a Compliance Code and Operational Regulations on the KONOIKE Helpline, which we use to ensure compliance with and practical application of the Corporate Ethics Code. These measures guide our efforts to raise compliance awareness throughout the group.

Raising Compliance Awareness

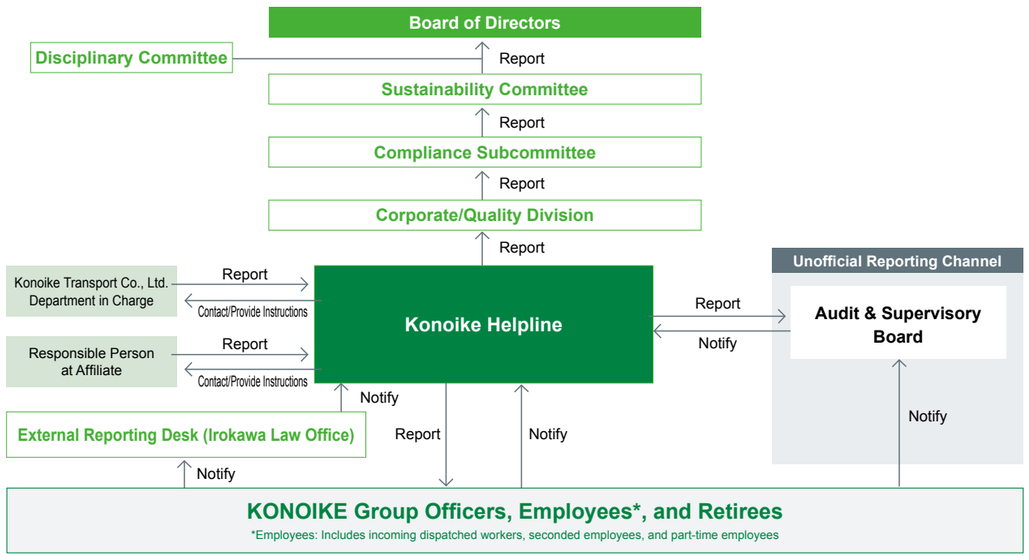
We conduct a compliance awareness survey for career-track employees. Based on the results of the survey, we provide compliance education during annual and rank-based training. During each training, we reiterate the Basic Philosophy, describe case studies of wrongdoing and misconduct within and beyond the group, discuss observations from government offices, and work to raise employee awareness of ethics.

To prevent corruption in the development of our overseas businesses in particular, we conducted a compliance awareness survey at overseas subsidiaries in FY3/2021. We have also started online compliance training.

Internal Reporting System

The KONOIKE Group offers the Konoike Helpline as an internal reporting system. We also offer access to a law firm as an external reporting point for employees who are reluctant to report to an internal party. Although there are no official policies in this regard, members of the Audit & Supervisory Board sometimes receive reports directly. In these cases, the member contacts the staff overseeing the Konoike Helpline to investigate the report. Report contents are submitted to the Compliance Subcommittee and the board of directors. We have also introduced internal reporting systems at some locations outside Japan, planning to gradually expand these reporting channels.

Konoike Helpline Structure



Crisis Management

We define a crisis as any situation that threatens the survival or business continuity of the KONOIKE Group, whether such a situation is caused by internal or external factors, arises suddenly, or is a result of poor management. We define crisis management as an emergency response, recovery activities, or business continuity activities in response to a crisis. We have built systems capable of responding appropriately and rapidly to events, one example of which is our Crisis Management Standards. We prepare various manuals for ready use in case of natural disaster.

The KONOIKE Group Definition of Crisis

1. Any potential harm to the life or safety of any group officer, employee, or concerned party
2. Any potential interruption of service and potential of significant loss to customers
3. Any potential threat to lifestyles due to risk or potential violation of social norms
4. Any potential significant damage to the KONOIKE Group corporate image, either directly from a risk or due to negative reporting by the media
5. Any other potential interference, damage, or significant loss to business continuity, asset maintenance, or operational management

COLUMN

Response to Large-Scale Natural Disasters and Pandemics

The KONOIKE Group established Crisis Management Standards to deal with the risk of pandemics, large earthquakes, and other large-scale natural disasters that threaten business continuity. When a risk arises, we convene the Crisis Management Committee, headed by the individual serving as Representative Director, Chairman, President and Chief Executive Officer. If we determine the presence of a real emergency, we set up a command center to deal with the situation. We also conduct disaster-preparedness drills and other exercises to sharpen our ability to respond to emergencies and minimize damage.



Advanced Lifesaving Drill

Response to the COVID-19 Pandemic

In response to the COVID-19 pandemic that emerged in 2019, we held a Crisis Management Committee in February 2020 to ensure each operating base had implemented thorough measures to prevent infection. We continue to implement thorough infection prevention measures at each of our operating locations, including at overseas subsidiaries. In addition to 250,000 masks, we have stockpiled alcohol disinfectant solution and other items. We are prepared to distribute these items promptly in the event of a shortage or an emergency, such as a natural disaster. We have also implemented flexible arrangements to limit in-person work attendance (telework, etc.) for employees in indirect departments and other posts in accordance with the government's declaration of a state of emergency and the lifting of the same.

Safety and Quality

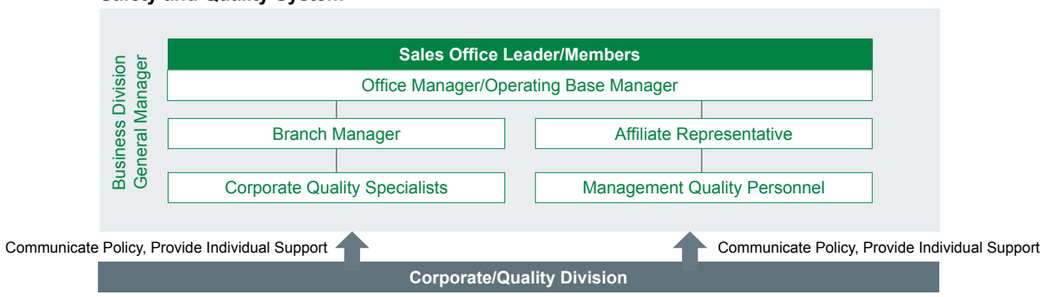
Basic Philosophy

The KONOIKE Group corporate philosophy states that we pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust. Above all, we believe that safety and quality are extremely important for the bond that connects us to our customers.
It is the responsibility of a company to make its earnings grow. Our growth depends on customers trusting the front lines of the KONOIKE Group. For that reason, we believe safety, quality, and business performance are three equal factors in an important trinity. We strive to create a unified awareness among all KONOIKE employees: Quality supports trust, the front lines support quality, and safety supports the front lines.
In response to an environment and challenges that change moment-by-moment, we act flexibly within the scope of our annual corporate quality policy, striving to ensure greater safety in operations and improved quality.

The Trinity of Safety, Quality, and Business Performance

Quality supports **trust**, **the front lines** support quality, and **safety** supports the front lines.

Safety and Quality System



2021 Corporate Quality Policy

1. Use the 4M5E* method to ascertain the true cause and take effective countermeasures
2. More firmly establish initiatives targeting near-accidents to eliminate latent dangers
3. Enhance new-employee training and periodic training to reduce workplace accidents by half among employees with less than five years' experience
4. Manager reviews rules when there are environmental (4M) changes, evaluates rule compliance, and provides thorough guidance
5. Increase front-line capabilities through safety initiatives that employees think up for themselves

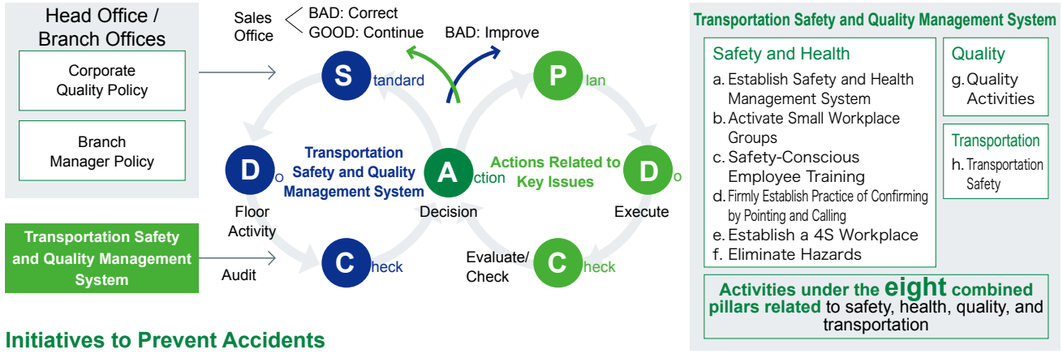
* 4M: Man, Machine, Media, Management
5E: Education, Engineering, Enforcement, Example, Environment

Target	Safety	• Rate of Lost Worktime Injuries (KONOIKE/Group Companies)	0.30 or less
		• Partner Business Closures	3 or less
	Traffic Accidents	• Commercial Vehicle Accident Rate (KONOIKE/Group Company Vehicles)	0.20 or less
		• Business-Related Vehicles/Overseas Subsidiary Accidents	4 or less
		• Number of Accidents at Partners	2 or less
	Quality Incidents	• Critical Quality Incidents (100,000 yen or more)	30 or less

Safety Initiatives

Safety and Quality Activity System

We conduct safety and quality activities based on the Corporate Quality Policy announced at the beginning of the year. Based on the Corporate Quality Policy of the Head Office, each sales office incorporates activities for the year into their operating plans, after which they proceed with the activities through the SDCA cycle. Offices engage in PDCA cycles to resolve any challenges that may arise. Once these improved methods are standardized into SDCA, the offices return to the SDCA cycle. In addition to the above-mentioned daily safety activities, the Head Office Corporate/Quality Division and each corporate quality specialist and individual in charge work together to tackle individual issues each year. In FY3/2021, we worked to reinvigorate initiatives concerning near-accidents. Each corporate quality specialist or individual in charge selected one location under their jurisdiction for 4M5E analysis of factors interfering with near-accident initiatives. They then wrote measures for reinvigorating near-accident initiatives in the work process chart. Each specialist and individual in charge worked together with the Head Office Corporate/Quality Division via web conference to check progress, including progress on items noted in the work process chart. In principle, safety and quality activities are carried out under the direction of each general manager, the branch manager and the sales office manager in order. However, each corporate quality specialist or other individual in charge assigned to a branch or affiliate receives individual support from the Corporate/Quality Division and provides support for the activities at each sales office.



Initiatives to Prevent Accidents

We have defined points to check for each item relating to transportation safety and quality, based on which we confirm the activity status of each sales office. This mechanism is our Transportation Safety and Quality Management System. We conduct inspections once a year at the branch office and once every three years at the Head Office. Under the Transportation Safety and Quality Management System, we strive to reduce workplace accidents by checking the status of small-group activities and the practice of confirming by pointing and calling. We also emphasize risk assessments and other front-line activity audits and check for the establishment of a safety management system as required by Japan's Industrial Safety and Health Act. We divide the standard for certification into three levels to help us visualize the level of safety activities at each office.

Installation of AI-Equipped Dashcams

To improve driver safety, we are in the process of installing AI-equipped telecommunicating dashcams on all of the approximately 2,500 trucks and business-related vehicles* owned by the Group. We expect to finish installation on all subject vehicles by March 2023.

Although we have installed dashcams previously in Group trucks and business-related vehicles, their main use has been to confirm conditions after an accident or problem occurs, which is not sufficient for prevention.

The AI-equipped dashcams we are installing can detect when the driver's eyes stray from the road or the driver brakes, accelerates, or moves the steering wheel too abruptly. (The dashcam sounds an alarm in the cab to alert the driver if the driver's eyes stray from the road or if there is not enough space between vehicles.) In addition, the dashcam immediately notifies an administrator of dangerous driving conditions by telecommunication. When an alarm sounds, video and still images of the conditions are sent to the administrator. The system also calculates a safe driving score for each driver based on the frequency and timing of warnings. This enables more effective and appropriate routine safe driving instruction and could help to prevent accidents and other troubles. In addition, because the dashcam supports cloud services, there is no need to erase and initialize any data-containing media such as an SD Memory Card every few days, as is the case with older units. That means less work for the driver.

*New dashcams have been installed on 835 vehicles, out of the 2,460 planned (as of March 31, 2021)

Safety and Quality

Safety Experience Education

In FY3/2020, we began providing safety experience education for the purpose of raising individual safety awareness. In this education, people (safely) experience being pinched by real machines, learn to prevent mistakes by using the pointing and calling method, experience tip-over accidents in virtual reality, and experience a simulation of getting hit by a forklift. The virtual reality training was implemented for the purpose of raising awareness through realistic experiences, especially for inexperienced young employees and elderly employees who tend to experience accidents at higher rates. In addition, we took equipment out into the field to conduct on-site experience-based training for employees too busy with their own work.

Driver Instructor Training

We provide driver instructor training for leaders and operation managers who instruct drivers at each operation site. In FY3/2021, we trained our instructors in how to teach more effectively from the passenger seat (ride-along trainings). (Because of COVID-19, we shrank the scale of such trainings and took measures to prevent infection during them.) Trainings looked at the use of actual vehicles to teach vehicle characteristics (blind spots, difference between track followed by front and back inner wheels when turning) and effectively communicating warnings to drivers during ride-along trainings.



Initiatives for Employee Health

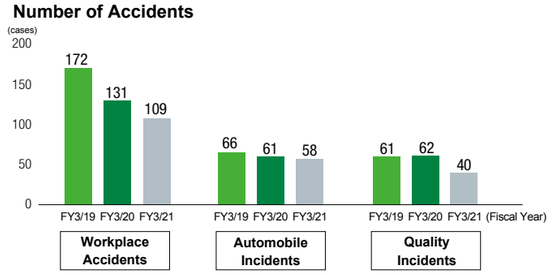
Stress Checks and Mental Health Care

The KONOIKE Group conducts stress checks in accordance with legal requirements. If a stress check results in a report, we hold an interview with an industrial physician and strive for improvement.

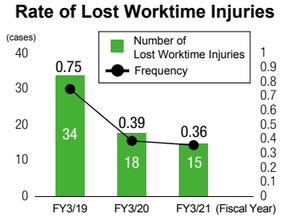
To improve mental health, we established a system in which two employees at each sales office, having obtained certifications in a line care course for mental health, act as contact points to facilitate attentive care for employees in need.

Work-Related Accident Data (KONOIKE Group Totals)

Number of Accidents



Rate of Lost Worktime Injuries



*** Rate of Lost Worktime Injuries**
Number of persons losing worktime due to workplace accidents ÷ total work hours x 1 million hours

Excludes cases for which hours could not be calculated (employees of partners, temporary staffing companies, and overseas subsidiaries)

*Number of automobile incidents includes cases of damage to automobile

Quality Initiatives

Initiatives for Customer Satisfaction

Quality is a very important factor in building relationships of trust with customers. Accordingly, we have been pursuing K-QMS (KONOIKE Quality Management System) activities.

By listening during customer visits and through customer communications, we identify customer needs, set goals at the beginning of the year, and confirm progress in our Transportation Safety and Quality Management System. After taking corrective measures and measures against recurrence for problems that arise at an operating location, we share information about the incident throughout the company via corporate intranet to prevent recurrence of similar issues.

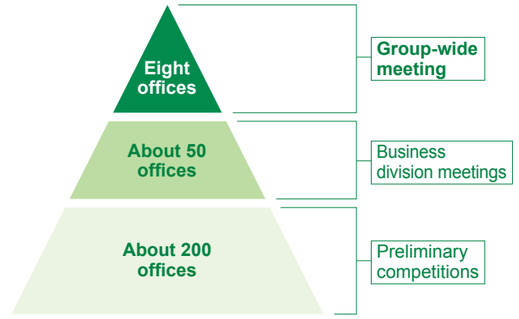
Developing Internal Auditors

Under our K-QMS program, sales offices conduct internal audits on each other. The purpose of internal audits is to confirm operating conditions. For example, audits determine whether the established K-QMS conforms to customer requirements, laws, and regulations and whether it is effective. Because it is so important to give internal auditors the knowledge needed to conduct these audits, the Head Office Safety/Quality Department organizes internal auditor development trainings about four times a year.

Safety and Quality Activity Presentations

A Group-wide event is held each April to present reports on safety and quality activities. During the event, there are presentations about particularly excellent activities from the previous fiscal year and chances to share information about initiatives with all employees. The approximately 200 offices in Japan hold preliminary competitions, with winners advancing to meetings in their respective business divisions. Groups winning at that level advance to the Group-wide meeting. Eight groups in total made presentations of their activities in FY3/2021. That included four presentations on safety, three on quality, and one on increasing productivity.

(Preliminary competitions for branches and affiliates: about 200 offices / Business division meetings: about 50 offices / Group-wide meeting: eight offices)



Internal Award System

Each year on the day in May set aside to commemorate KONOIKE's founding, we present awards to offices that have made outstanding contributions to safety and quality.

The event covering FY3/2021, though delayed to October because of COVID-19, honored nine offices in the safety category and five in the quality category.

Activities With Our Clients

It is essential that we collaborate with our partners in carrying out our work. We engage in active communication with our partners to align our approaches regarding safety and quality improvements.

Each sales office holds councils with partner companies, conducts safety activities addressing the same topics as their partner companies, and strives in other ways to perform coordinated activities. Each year, sales office representatives visit partner companies to share information about safety activities, quality activities, and the status of legal compliance. In this way, we ensure that both the KONOIKE Group and our partners continue to improve.

Human Resources

Basic Philosophy

The KONOIKE Group values the relationships of trust we enjoy at the front lines with our customers. We help to create value across a wide range of fields, forging partnerships that enable our customers to concentrate on their core businesses. The KONOIKE Group strengths provide a wide range of value rich in creativity and innovation, not only in logistics, but also in areas such as manufacturing processes and services. The source of these strengths is our human resources. We respect the human rights of each employee, and we conduct our business activities on the basis of our respect for humanity and relationships of trust.
At the same time, the demographic pyramid has inverted with fewer young people and more senior citizens. This shift has made it difficult to secure human resources solely through traditional recruitment and development methods. Operating in this environment, we are restructuring our personnel systems and rolling out many different initiatives, including providing an environment in which each individual can work with a sense of reward, happiness, and work-life balance. We also work to improve retention rates through actions like consultations about career development. We are also reviewing our on-the-job training (OJT) programs and increasing job title-specific education opportunities, hiring a diverse base of personnel and therefore making KONOIKE an employee-friendly corporate brand.

Human Resources Risks and Ideals

Although human resources are the source of KONOIKE Group value creation, a declining birthrate, an aging population, a shrinking workforce, and diversification of working styles are hampering efforts to secure employees. In this environment, it is crucial that the KONOIKE Group offer an environment in which employees and job seekers want to work.

To this end, we must help employees see the meaning in our businesses and be motivated in their work. We must also create a sense of belonging that embraces diverse values. As a member of a company doing business globally and supporting social infrastructure, a KONOIKE Group employee should possess a desire for taking on new challenges, be thoughtful of family and colleagues, deliver unparalleled high-quality services, and go one step above the expectations of our customers and society.

In order to create an environment where our talent can work with a sense of happiness and reward, we advanced a fundamental review of our wage structures and qualification system, including early appointment based on ability rather than age or tenure.

Recognizing Human Resource-Related Risks

Risk	Phenomenon	Specific Initiatives Regarding Risk
Risk in maintaining a stable base of human resources	• Increased resignations among young career-track employees	Consider work-style reforms and career counseling
	• Increased resignations among young front-line workers	Offer competitive compensation in the labor market, identify the root cause of resignations
Risk related to building a workplace environment that offers job satisfaction	• Increased stress levels	Better mental health care, resolving insufficient OJT
	• Lack of sufficient work knowledge	Improved education systems, resolve insufficient OJT
Risk related to building a diverse workplace environment	• Increased resignations among women	Cultivate female managers, enhance support systems for life events
	• Reduced workforce population	Hire disabled persons, promote the success of elderly and non-Japanese persons
	• Long working hours	Encourage the taking of paid leave, initiatives to reduce overtime hours
	• Deteriorating labor environment	Pursue initiatives to improve operations, promote telecommuting, etc.

Human Resource Development

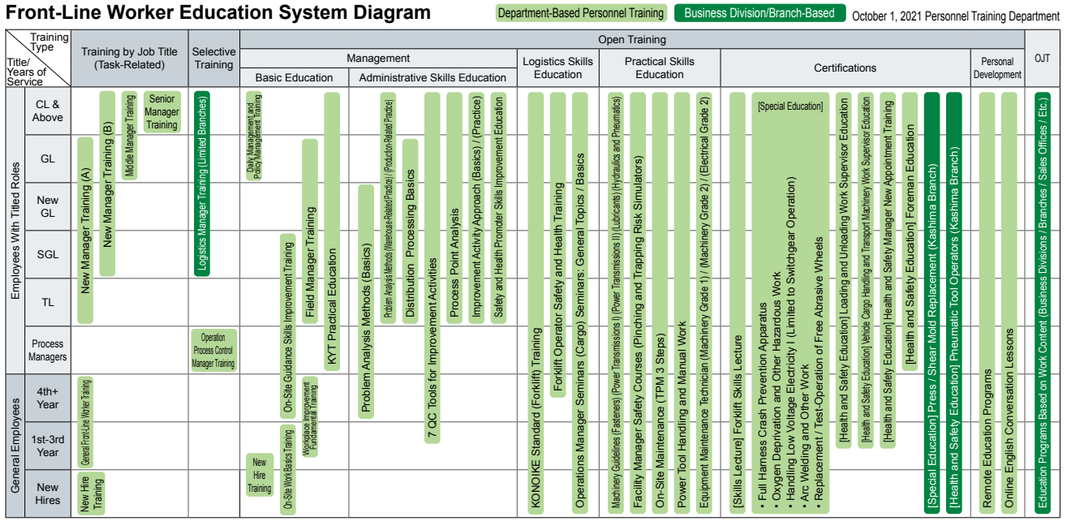
We feel that providing safe, high-quality services essential to the KONOIKE Group's business activities can only be achieved through people who possess the KONOIKE mindset expressed in our Brand Promise, where we strive to go beyond expectations. Further, we believe that developing human resources is one of the most important key points to focus on in supporting our business strategy.

The KONOIKE Group operates on a dual axis of on-the-job training (OJT) through practical work in the workplace and off-the-job training (OFF-JT) at facilities such as our three in-house training centers. In teaching a wide range of knowledge, from the fundamentals of safety and quality to highly specialized operational knowledge, we are working to develop programs based on our own unique educational system.

Front-Line Worker Education

In the various workplaces where our front-line workers are active, the first priority must be safety and quality. At each workplace, we provide guidance and training (OJT) through practical tasks to conduct knowledge transfer about operations, while conducting a wide variety of OFF-JT training programs in parallel. These OFF-JT programs include job title-specific and open training, enabling workers to acquire fundamental knowledge and skills supporting our operations. Most recently, we launched anger management and diversity training programs for the leadership class in fiscal 2019. In fiscal 2020, we took actions to enhance our educational curriculum, including launching training in leading-edge technologies like IoT and AI, elements that will aid in automation and labor savings in the workplace. A total of 2,058 employees attended training programs in the fiscal year ended March 2021.

Front-Line Worker Education System Diagram



Konoike Techno Training Center (Osaka)

Personnel acquire knowledge from general and basic knowledge, including safety and quality, to process management (5S management, analysis/improvement methods, laws and regulations, etc.), and obtain the necessary skills at contract service sites (equipment operation, maintenance, qualifications, etc.).


Equipment Maintenance Training


Pinching and Trapping Risk Experiences Education


Examples of tool control with fixed position, product, and quantity


Equipment Maintenance Technician (Electrical) Exam Preparation

Safety/Quality Training Center (Chiba)

As a nationally accredited institution, this center provides forklift skills lectures and operations manager seminars, as well as a variety of other safety training programs based on laws and regulations, including safety and health promoter skills improvement education and foreman education.


Forklift Skills Lecture


Driver Aptitude Checkup

Human Resources

Career-Track Education

This education is founded in our aim to strengthen our foundation of human resources as described in our Corporate Philosophy and Action Guidelines. Under these key policies, we first contribute actively to the ongoing growth of the KONOIKE Group, cultivating human resources with broad perspectives and good judgment befitting a listed company in the interest of expanding our business strategy. Second, we provide the knowledge and skills necessary to execute work tasks, fostering employees who demonstrate outstanding creativity, rational judgment, and the ability to take action. We seek to develop the next generation of company managers through training programs based on years of service, job title, and individual selection, as well as volunteer external dispatch programs and more.

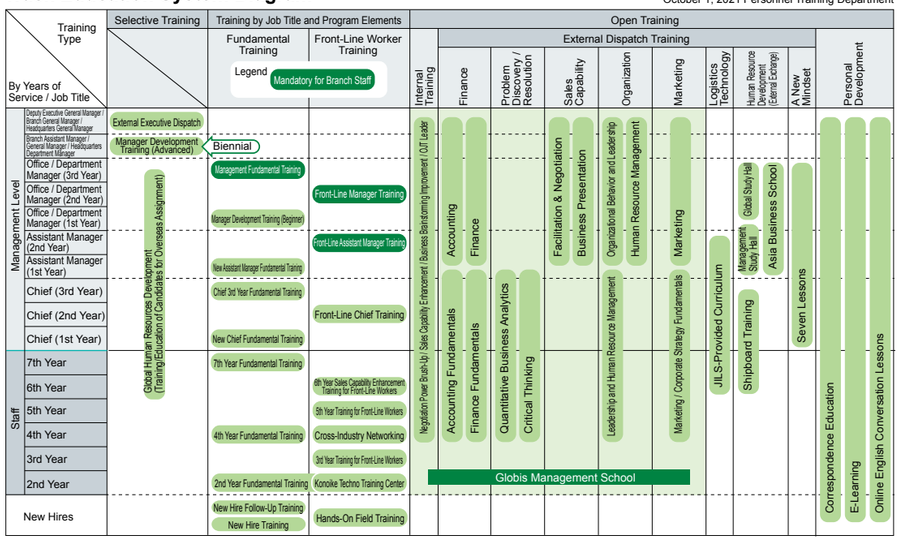
In addition, as a measure to enhance education across the entire Group, beginning in FY3/2020 we allowed Group employees to jointly attend the Manager Development Training (Beginner) program for executive management candidates. Going forward, we will promote the joint course format for each training program. In FY3/2021, a total of 778 employees attended training at the Shimaya Training Center.

Developing Global Human Resources

It is essential to develop global human resources to support a wide variety of customers, whether already global or pursuing globalization. By developing human resources with a broad base of knowledge and cultural understanding, the KONOIKE Group continues to deepen our integration into local landscapes, customs, and cultures, developing business that is rooted in local areas. To this end, we are developing global human resources internally and recruiting diverse human resources, including foreign nationals and international students.

Career-Track Education System Diagram

October 1, 2021 Personnel Training Department



Data on Human Resources (Non-consolidated)

		FY 3/2017	FY 3/2018	FY 3/2019	FY 3/2020	FY 3/2021
Front-Line Workers	Employees	7,421	7,722	8,215	8,582	8,530
	Percent of Female Employees	6.8%	7.1%	7.7%	8.2%	8.7%
	New Graduates Hired	117	133	164	175	127
	Mid-Career Hires	507	598	727	683	397
Career-Track Employees	Employees	995	995	1,030	1,065	1,077
	Percent of Female Employees	15.5%	15.6%	15.5%	16.0%	16.1%
	Number of Managers (Office/Department Manager and Above)	372	381	395	457	459
	Percent of Female Managers	1.6%	1.6%	2.3%	2.6%	2.6%
	New Graduates Hired	44	42	53	50	38
	Mid-Career Hires	10	14	25	33	5
Percent of Disabled Persons Hired (Data from June each Fiscal Year)		1.9%	2.2%	2.0%	2.5%	2.5%

Initiatives Toward Diversity

We pursue a variety of initiatives designed to foster a culture in which diverse employees can play an active role. These initiatives include hiring international human resources, promoting the success of women, and hiring persons with disabilities.

In April 2019, we established the Diversity Promotion Department as a way to explore potential measures and conduct internal awareness-raising activities. Further, we held job title-based training programs themed on diversity, deepening understandings of work styles, childcare leave for male employees, and LGBT issues.

To encourage the success of women, we formulate action plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on the Promotion of Female Participation and Career Advancement in the Workplace, and offer awareness-raising and education programs for establishing a balance between childcare and work via telecommuting in order to support childcare leave.

We maintain the employment of disabled persons at existing offices, and since FY3/2020, we are continuing to explore the establishment of a special subsidiary in collaboration with a firm that manages the employment of persons with disabilities. Plans include assigning these workers to assist farmers by handling the distribution of agricultural products, etc.

Diversity Promotion Department Initiatives

The Diversity Promotion Department has launched the following initiatives, among others, in addition to strengthening existing initiatives.

Hiring Disabled Persons

In addition to encouraging employment and retention at existing offices, we also operate a program in which disabled persons perform bagging and distribution processing for agricultural products. This program has been active since the spring of 2020 under the banner of agriculture and welfare partnerships. From the summer of 2021, we will also strengthen our cargo collection activities and strive to further expand employment opportunities in response to increasing cargo handled.

Recruiting Foreign Nationals

Though we were unable to bring any non-Japanese citizens to Japan in FY3/2021, over the last 15 years, we have achieved a degree of success by utilizing Japan's Technical Intern Training Program to teach employees at overseas subsidiaries Japanese-style logistics and management methods at local sales offices. In preparation for the post-COVID world, we will prepare for the resumption of trainee travel to Japan, and we plan to leverage the Specified Skilled Worker system for foreign nationals, newly established in 2019, to hire human resources more proactively for the Airport Division.

Encouraging an Understanding of Diversity

We held workshops on unconscious bias in our career-track job title-specific training. On our Intranet's bulletin board, we published a series of articles on the topic of psychological safety, raising awareness of the importance of gathering diverse opinions.

Encouraging the Success of Women

In our action plans formulated based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we will work together with relevant departments to study the specifics of implementing seminars in FY3/2023 and thereafter for employees who have taken childcare leave. These seminars are to include, among other things, the creation of a life plan for returning to work after childcare leave.

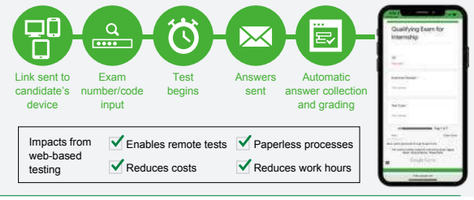
COLUMN

Seeking Efficient Supervisory Operations Exceeding Expectations

The Diversity Promotion Department is in charge of accepting foreign technical trainees, and provides support for about 300 trainees every year, from their selection to their return home. However, as of the beginning of 2020, trainee travel to Japan has been temporarily suspended due to border control measures to curtail COVID-19. This coincided with our unavoidable suspension of trainee candidate activities, including business trips overseas and face-to-face interviews. Furthermore, it became necessary to drastically review our past activities and build an environment adapted to the new normal.

Specifically, we examined how to improve our interviews and written examinations that we had been conducting overseas, focusing on web-based written examinations as the first step. We identified potential problems and developed countermeasures, discussed test procedures and manuals with local subsidiary staff, and established our own written test system.

We plan to continue developing remote protocols for operations where possible, from selection activities to post-arrival support, with a view to reducing the burden not only on the Diversity Promotion Department, but also on the sales offices that receive trainees.



Human Resources

Initiatives for Work-Style Reform

Work Hours and Days of Paid Leave Taken (Non-consolidated)

		FY 3/2017	FY 3/2018	FY 3/2019	FY 3/2020	FY 3/2021
Front-Line Workers	Annual Work Hours (Avg.)	2,367.5	2,356.1	2,345.5	2,307.6	2,215.3
	Days of Paid Leave Taken (Avg.)	9.8	10.9	11.3	12.8	11.1
Career-Track Employees	Annual Work Hours (Avg.)	—	2,179.9	2,164.9	2,109.6	2,137.8
	Days of Paid Leave Taken (Avg.)	—	7.4	7.5	7.8	8.2

* Data for career-track employee overtime hours became available beginning FY3/2018

Initiatives for Work-Style Reform

Implementation Date	Initiatives
December 2011	■Encouraging Employees to Take Summer/Winter Holidays We have added a new winter vacation to the existing summer vacation, encouraging employees to use five days of paid vacation during each break. In this way, we hope to encourage employees to take their paid time off.
March 2012	■New Anniversary Leave System The group adopted a system by which each employee may designate two days as anniversaries that may be taken as part of annual paid leave. Note that with the implementation of the Refresh and Recharge Leave System in April 2019, employees now have a total five days to choose as paid leave.
April 2014	■No Overtime Day (Head Office) Each Wednesday is designated as No Overtime Day in an aim to reduce long overtime hours via greater operating efficiency during work hours and to promote work-life balance.
May 2017	■Acquisition of the Kurumin Mark The KONOIKE Group received Kurumin certification in recognition of our short work-hour system for workers who have pre-elementary age children. This certification is part of the General Employer Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children.
August 2017	■Web-Based Time Clock This system provides greater transparency to work hours, and is part of our effort to reduce long work hours through appropriate time management.
April 2018	■Telecommuting System Through this system, we aim to meet diverse work-style needs and foster mindsets toward increased productivity.
April 2019	■Refresh and Recharge Leave System
March 2020	■Split Shifts The KONOIKE Group introduced a series of work-style changes that allow workers to split a single day of prescribed work hours across multiple work methods, including the existing full and half-day telecommuting options.
September 2020	■Internal Satellite Offices As a new work style in the post-COVID-19 era, we introduced satellite office work to help employees in the Tokyo and Osaka areas avoid rush hour commutes and to mitigate overcrowding in offices (close contact settings and confined spaces are two of the Three Cs that exacerbate virus transmission).
December 2020	■We set days encouraging employees to take paid leave during the year-end and New Year. We plan to establish more of these as needed.
March 2021	■We expanded allowed reasons for using accumulated medical leave, creating a working environment with greater peace of mind. • Employees identified as a close contact for COVID-19 and staying at home for at least seven days. • Employees staying at home for at least seven days to prevent the spread of infection.

Paid Leave Systems

We have established and encourage paid leave via a variety of leave programs. These programs include childcare leave, nursing care leave, and Refresh and Recharge leave. These are for the purpose of improving employee situations with regard to childcare, long-term care, and motivation, respectively. In FY3/2020 and FY3/2021, all career-track employees took a Refresh and Recharge leave.

In further pursuit of environments in which employees can work comfortably, we are considering what duties employees will be assigned once they return from long-term leave. For example, on their return from childcare leave, we conduct support interviews between employees and their supervisors, taking into consideration their current situation and their wishes. We will continue to encourage the taking of paid leave, recognizing that paid leave utilization rates are an important workplace issue.

Aiming for Diverse Work-Styles

We have established systems designed to create an environment in which employees from various backgrounds work comfortably. Though our telecommuting system was initially established mainly for employees taking advantage of childcare programs, during the COVID-19 pandemic, we have enhanced the system's content and broadened applicability for employees in our administrative departments at the Head Office, our branches, and Group companies.

The KONOIKE Group has also established programs for childcare and long-term care support. In order to encourage the use of these programs, which include reduced working hours and childcare leave for men, we are reviewing manuals through interviews with users of these programs and promoting internal awareness.

Activities to Increase Productivity in Head Office Administrative Departments

The operating environment around the Group is changing on a daily basis, partly due to impact from COVID-19.

Under these circumstances, the Group has been working toward business reform.

Since 2017, administrative departments at the Head Office have been working on projects to visualize and systematize operations, eliminate waste and make improvements in operations, and create operations manuals. Going forward, we will further accelerate the aforementioned initiatives while incorporating new IT technologies such as robotic process automation (RPA), aiming to create a small but strong Head Office.

Also, in these projects, we are not only achieving greater operating efficiencies, but thanks to the aforementioned initiatives, we are generating human resources development impact, including better management skills ability to execute work tasks.

By investing the excess capacity created by the above initiatives in new business activities, the administrative departments at the Head Office will seek to further contribute to enhancing the Group's corporate value.

Initiatives for Improving Engagement

Employees who have a sense of belonging and work with pride serve as the source for better customer services and rising quality offered by the KONOIKE Group. We believe this is the source of value creation. To improve employee engagement, we have adopted various group-wide measures, which include the involvement of top management.

The Katariba Workshop: Improving a Sense of Belonging

We strive to help employees understand how their daily work activities provide value to the KONOIKE Group and to society. We also want employees to know how their attitudes and approach to work, handed down over more than 140 years of our history from our founding by Chujiro Konoike, are the very essence of the Corporate Philosophy of the KONOIKE Group. With this in mind, we introduced the Katariba workshop in 2018. Held primarily in Japan, our Katariba activities are intended to help employees become more aware of this essence of our Corporate Philosophy. Through this program, we reinstill a sense of pride among employees in their work and in their company, reinforcing an emotional sense of belonging. At the gradually-expanding Katariba Workshops, employees from different workplaces and of different job titles gather to communicate in a frank manner. Here, topics range from business strategies and management plans, such as the KONOIKE Group Corporate Philosophy (Our Mission) and Brand Promise (Our Promise), to diverse topics related to various sites and individuals, including issues specific to workplaces, sites, and regions, and concerns and uncertainty about the COVID-19 pandemic. In FY3/2022, we launched Katariba activities at some of our local subsidiaries in China and Vietnam as a way for staff from those countries to get to know the company, learn from each other, and enhance their sense of belonging. We also believe that Katariba is useful as an initiative to revitalize our internal culture, allowing us to take in unfiltered employee opinions and serving as an opportunity for managers and executives to become exposed to changes in employee mindsets. As of June 2021, 80 Katariba workshops have been held, including online sessions, with approximately 1,900 employees participating in total (with further expansion ahead).



Group photo of a Katariba workshop held at a local subsidiary in China

KONOIKE FORUM

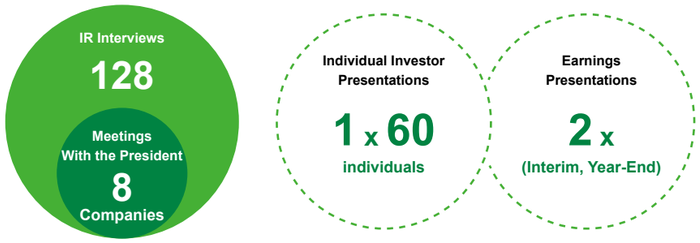
The KONOIKE FORUM is a platform to communicate Management Policies from senior management to employees. These forums encourage interchange across the boundaries of job titles and departments. The KONOIKE FORUM, attended by representatives from management, new employees, and front-line employees, is a means to exchange and share opinions widely about our corporate vision and strategy. The KONOIKE Group will strive toward further growth as we share our vision and the principles shared through the KONOIKE FORUM within and outside the group. In order to cope with the recent COVID-19 pandemic, we have been flexible in migrating the Forum to a web format.

Shareholders/Investors

Basic Philosophy

We do not limit IR activities for shareholders and investors involved with the KONOIKE Group to simple reports of results or explanations of our businesses. Rather, we strive to help shareholders and investors understand our company from a medium- to long-term perspective.
In addition to disclosing information in a timely and appropriate manner, we also incorporate outside expectations and opinions into our management decisions as we strive to maintain positive relationships.

Activities



Engagement With Shareholders and Investors

For Institutional Investors

Even during the COVID-19 pandemic, we have been holding dialogues with institutional investors and analysts in a non-face-to-face setting. We treat these dialogues as valuable opportunities to explain our thinking and to receive opinions that contribute to the improvement of our corporate value.

During the FY3/2021, we held dialogues regarding our approach to medium- to long-term strategy, response to ESG, etc. In exchange, we received numerous thought-provoking opinions.

We held 128 interviews during FY3/2021, each providing lengthy and purposeful dialogues.

We will continue to encourage the exchange opinions between investors and management, which we believe will contribute to the improvement of our corporate value over the medium and long term, striving for mutual understanding.

For Individual Investors

In consideration of the risk of the spread of COVID-19, we have decided to hold company information sessions for individual investors online. We apologize sincerely for any inconvenience to individual investors. We will consider holding individual and group briefings based on the risk of COVID-19 infections. At the same time, we will strive to foster a deeper understanding of the KONOIKE Group through our IR website and other means.

Society

Biodiversity Preservation Activities in Osaka Bay

As a company founded originally in Osaka, we have been participating in the activities of an environmental conservation NPO to preserve the ecosystem of Osaka Bay since 2013. As one example, we have been helping transplant eelgrass to Osaka Bay.

Eelgrass is a type of marine plant found in coastal areas. Eelgrass beds provide habitats for a variety of organisms, offering an abundant source of plankton and other food for fish. These beds also provide an environment suitable for spawning fish and growing fry. Moreover, these beds absorb nitrogen and phosphorus which facilitates eutrophication. This process improves the water quality of the surrounding sea area. However, the area covered by eelgrass beds has been shrinking due to development along coastal areas. Today, almost no eelgrass can be found in Osaka Bay. Every year in June, the KONOIKE Group works with elementary school students in the local community surrounding the Osaka Head Office to collect and raise eelgrass seeds. The seeds are transplanted to Osaka Bay the following spring.


Raising Eelgrass Seedlings


Transplanting Eelgrass

Truck Ride Events

Since 2019, we have been holding truck ride events for children in locations across Japan to raise awareness and eradicate traffic accidents. Children sit in the truck driver's seat to learn about blind spots with their own eyes. We also hold a traffic safety class to explain the difference between the inner wheels of trucks and the relationship between speed and braking distance.





Yodogawa River Clean-Up Activities

The Yodogawa riverbed cleaning activity began in 2012 in the Denpo district (currently Konohana Ward, Osaka) which is the district where the KONOIKE Group was founded. Only 30 employees participated in the first cleaning activity. Now, nearly 200 people participate, including local residents. In recognition of the efforts of the KONOIKE Group, we received the River Protection Achievement Award* in 2020 from the Yodogawa River Office, Ministry of Land, Infrastructure, Transport and the Tourism Kinki Regional Development Bureau.

* River Protection Achievement Award: An award presented to individuals and groups who have been involved in river cleaning and protection activities over an extended period of time.





Other Community Contribution Activities

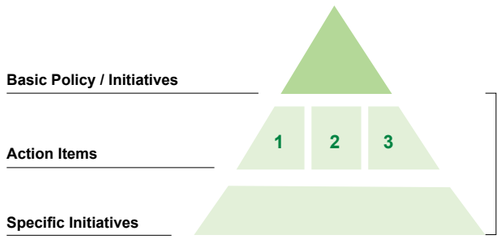
In addition to the contributions mentioned above, the KONOIKE Group has been involved in other activities in various communities. Unfortunately, some of the events scheduled for FY3/2021 were canceled to prevent the spread of COVID-19. We will continue to engage in contribution activities, modifying the details as the situation demands.

- Cleaning activities in a sales office area
- Cleaning activities for an agricultural waterway
- Afforestation activities
- Painting playground equipment for nursery schools and kindergartens
- Blood drive
- Watching over children on their way to school

Environment

Basic Philosophy

While our business activities contribute to the economy and society, they also put a heavy burden on the global environment. We at the KONOIKE Group are unified in resolving global environmental issues for sustainable development. Greenhouse gas emissions are an inevitable part of our business. We must make efforts to reduce these emissions at all business sites. When the Kyoto Protocol came into effect in 2005, we established our Basic Environmental Policy. This policy outlined our basic environmental philosophies and six action guidelines. Based on these guidelines, we set environmental targets for each business site and strive to achieve them. In addition, we are taking environmental issues in society head-on using the unique characteristics of our businesses. Examples include reverse logistics and recycling businesses, which play a role in the recycling-oriented society.



1 Actions to Prevent Global Warming
- Modal shift • Eco-driving • Use of low-emissions vehicles
- Use of hydrogen-powered fuel cell forklifts

2 Aiming Towards a Sustainable Society
- Re-use of industrial waste • Use of solar energy
- Pursuit of the 3Rs and Green Procurement
- Switch to CO_2-free electric power

3 Social Contribution Through Our Business Activities
- Railroad transport business in India
- Use of Tokyo Rail Gate for modal shift

Basic Environmental Policy

Basic Philosophy

We at the KONOIKE Group recognize that global environmental issues are a shared problem for humanity.
We are unified in resolving environmental issues, contributing to the realization of a sustainable society.

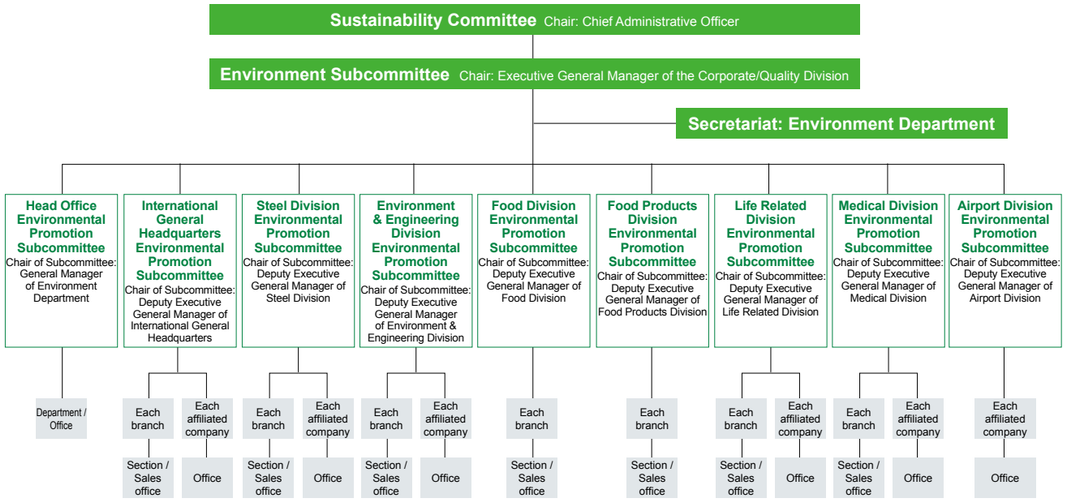
Action Guidelines

1. We observe all environment-related laws and regulations. We have established voluntary environmental protection systems and set targets for reducing environmental impact, striving to achieve these targets.
2. In addition to reducing our environmental impact, conserving resources, and saving energy in our business operations, we are working to improve technologies and performance levels to further reduce our environmental footprint.
3. To ensure our business activities are environmentally friendly, we strive to reduce CO_2 emissions, prevent pollution, utilize energy and resources effectively, practice green procurement policies, and promote the 3 Rs (Reduce, Reuse, and Recycle).
4. We raise environmental awareness among employees through education and training that encourages participation in environmental protection activities as representatives of a good corporate citizen.
5. We work in close cooperation with local communities in Japan and in other countries where we do business, to conduct environmental protection activities appropriate for each location.
6. We disclose relevant information on our environmental protection efforts and properly communicate with all stakeholders, including customers, suppliers, stockholders, and local communities.

Tadahiko Konoike
Representative Director, Chairman,
President and Chief Executive Officer
Konoike Transport Co., Ltd.

Established: April 1, 2005
Revised: June 1, 2013

Environmental Conservation System



Environment Subcommittee Activities

We have set up an Environment Subcommittee that meets once a quarter to share information on each headquarter's environmental initiatives based on their own data and to discuss specific solutions for each issue.

Actions to Prevent Global Warming

We consume a great deal of fossil fuel-derived energy resources, including diesel, gasoline, and electricity. We recognize our serious and sizable responsibility to reduce our CO_2 emissions and are working to do so.

Advancing Modal Shifts

We are pursuing modal shifts as one activity to solve environmental issues through our business. By using railroads and ships for transportation instead of trucks, it is possible to significantly reduce CO_2 emissions originating from long-distance transportation. Rail freight transportation is also an effective way to address a shortage of long-distance truck drivers. Additionally, there are benefits for customers, such as stable transportation schedules and reduced transportation costs. This is why we pursue logistics based on modal shift with such focus.



Environment

Eco-Conscious Driving

The KONOIKE Group was one of the first transportation groups to adopt eco-driving to reduce CO_2 emissions. At locations that own vehicles, we strictly manage the fuel efficiency of all vehicles and continue to make efforts to reduce CO_2 emissions. While eco-friendly driving is important, daily vehicle maintenance is another critical element of eco-driving. In addition, eco-driving means safer driving, since drivers learn to avoid abrupt braking, acceleration, and steering. We continue to consider and practice eco-driving as an effective means for ensuring transportation safety.



We acquired the Green Management Certification offered by the Foundation for Promoting Personal Mobility and Ecological Transportation under the jurisdiction of the Ministry of Land, Infrastructure, Transport and Tourism. This is just one recognition of our work to ensure transportation safety and reduce environmental impact.

Organizations with Green Management Certification

- Konoike Transport Co., Ltd. 38 offices
- Japan Airways Co., Ltd.
- Kanriku Co., Ltd.
- Konoike Express Co., Ltd.
- Konohana Transport Co., Ltd.

Adopting Low-Emission Vehicles

In light of recent major changes in the environment regarding resources and energy, we now feel a greater sense of social responsibility as a business operator involved in logistics.

Part of this responsibility is to reduce our environmental impact. We are moving forward in the adoption of low-emission vehicles that emit less carbon dioxide (CO_2) and the air pollutants nitrogen oxides (NO_X) and particulate matter (PM).

Low-Emission Vehicle Implementation Status (Non-consolidated)

Vehicle type		1. Post-post-new long-term regulation-compliant vehicles	2. Post-new long-term regulation-compliant vehicles	3. New long-term regulation-compliant vehicles	4. CNG vehicles	5. Hybrid vehicles	6. LPG vehicles	7. Electric vehicles (EVs)
Number of units	FY 3/2019	120	496	267	18	42	1	2
	FY 3/2020	213	479	212	15	43	1	8
	FY 3/2021	266	478	153	13	42	1	8

Hydrogen-Powered Fuel Cell Forklifts

In 2018, we became the first logistics firm to implement fuel cell forklifts. Currently three units are in operation.

Hydrogen forklifts generate energy and drive via hydrogen fuel, making them a superior performer for the environment. While in operation, they do not emit CO_2 or other substances that have a negative impact on the environment. These forklifts are also very convenient as they can be fully charged in about three minutes.

Further, we generate the hydrogen using electricity from solar power, resulting in forklifts that are CO_2 -free.



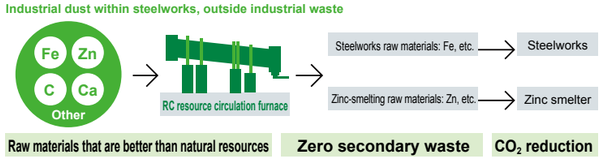
Aiming Towards a Sustainable Society

Perfect Recycling System

At the KONOIKE Group, we are developing a recycling business for industrial waste aiming for both industry growth and environmental preservation. At group-owned factories, we established a unique system for retrieving resources from hard-to-separate industrial waste without producing any secondary waste. By leveraging limited, precious resources effectively, we support our customers' businesses from an environmental standpoint and contribute to the global environment. Group company Eco Innovation Inc. has built the Perfect Recycling System,* which effectively leverages customer-owned resources while generating zero waste.

* Perfect Recycling System: A technique used for recycling industrial waste that contains iron, zinc, carbon, etc., without generating secondary waste. This system uses an RC resource circulation furnace to take waste that would have previously been disposed of via landfill and recycle it into good-quality iron/zinc resources. The CO_2 resulting from this processing is kept at a minimum, and gas emissions from processing can also be reused as resources.

Perfect Recycling System Overview





Utilization of Solar Energy

Photovoltaic arrays that the KONOIKE Group owns in 21 places around Japan contribute to the decarbonization of earth by producing 16 GWh of renewable energy yearly. Additionally, the heat-shielding effects of solar panels mitigate increasing temperatures within our warehouses, resulting in an additional contribution to a lower carbon footprint at our logistics centers. Solar power intended for internal use will be standard equipment for newly established distribution centers. Batteries will enable the centers to store energy, so that surplus electric power can be used at night or sent to other locations. By such means, we aim to make the most effective use of renewable energy and contribute to the wider decarbonization of society.



Actual Solar Power Generated (Total for KONOIKE Group)

	FY3/2019	FY3/2020	FY3/2021
Solar Power Generated (kWh)	13,996,151	15,263,726	16,776,309

Environment

Pursuit of the 3Rs and Green Procurement

The KONOIKE Group pursues the 3Rs (Reduce, Reuse, Recycle) as a means to preserve resources. Each sales office establishes activities and targets, contributing as much as possible to a reduction in environmental impact.

Each business location has set targets for green procurement, striving to choose products with the lowest environmental impact.

Switching to CO_2-Free Electric Power

In FY3/2022, the KONOIKE Group started switching to electric power derived from renewable energy and to CO_2-free electric power using J-Credits. In the Kansai region of Japan, we have endorsed the Renewable Energy Procurement Matching Project* promoted by the government of Osaka Prefecture. Accordingly, five of our locations in the prefecture are switching to renewable energy for their power. We are also switching several of our existing electric power contracts to renewable energy. We are actively taking steps like these to reduce our Scope 2 CO_2 emissions.

* A scheme in which Osaka Prefecture supports RE100 and similar initiatives by electric power customers in the prefecture. It works by identifying customers and electric power derived from renewable energy around Japan and helping to match them to each other.

Endorsement of Government-Promoted Environmental Measures for a Sustainable Society, and Promotion of an Environmental Management System

We endorse and have registered with the government-wide national movement COOL CHOICE and promote initiatives such as Cool Biz, Warm Biz, and indoor temperature control in all workplaces. In addition, we are responding to the problem of marine plastics in concert with the Plastic Smart Campaign and continuing cleanup activities at various locations.



The group has acquired ISO 14001 certification and is working to reduce our environmental impact as required by international standards.

- Company: Eco Innovation Inc.
- Registration number: JMAQA-E304
- Certifying Entity: Japan Management Association, Quality Assurance Registration Center



Plastics Smart

Social Contribution Through Our Business Activities

Railway Transport Business in India That Both Lowers Environmental Impact and Streamlines Logistics

In recent years, India's economic development has been increasing and the country is in urgent need of a distribution network as social infrastructure. Trucks have become the leading method of land transportation. Therefore, transportation delays due to traffic congestion and the air pollution of exhaust gas have become major social problems throughout India. This has led to demand for modal shift. In response, in 2017 the KONOIKE Group launched a rail container transport business in India, the first such business by a Japanese company.

Rail transportation offers a large capacity in a single trip and can reduce environmental impact in ways that contribute to the prevention of global warming. Currently, the construction of a freight railway between Delhi and Mumbai is underway as a national project. We hope to further improve our transportation capacity in India, further reduce our environmental impact, streamline logistics, and contribute to India's economic development. As we do so, we are also striving to help prevent global warming.

Using Tokyo Rail Gate to Promote Modal Shift

Thanks to modal shift, we have reduced the KONOIKE Group's annual CO_2 emissions by about 7,000 tons. To further promote modal shift, we opened the new Tokyo Rail Gate Sales Office in March 2020. The sales office is located in Tokyo Freight Terminal, the largest freight station belonging to JR Freight. The site is close to Tokyo Bay and Haneda International Airport. For that reason, we are operating the sales office as a key base for modal shift in the KONOIKE Group. Many customers with ambitious environmental targets have begun requesting service by this sales office specifically because it helps them to reduce their Scope3 CO_2 emissions.

Environment-Related Data

Total Energy Input Volume (Total for the non-consolidated company and domestic affiliates)

		FY 3/2019	FY 3/2020	FY 3/2021
Diesel	(kl)	30,593	30,333	25,847
Electric Power	(1,000s of kWh)	92,001	96,164	94,700
Kerosene	(kl)	98	126	87
Gasoline	(kl)	993	940	911
A Fuel Oil	(kl)	360	347	346
B/C Fuel Oil	(kl)	1,604	1,575	1,614
Town Gas	(km^3)	68	67	71
Natural Gas	(km^3)	1,790	1,935	2,082
Propane Gas	(t)	34	25	25
Coal Coke	(t)	14,365	11,169	12,064

CO_2 Emissions

	FY 3/2019	FY 3/2020	FY 3/2021
CO_2 Emissions (t-CO_2) (Total for the non-consolidated company and domestic affiliates)	194,671	186,378	170,636
CO_2 reduction by solar power generation (t-CO_2) (Total for KONOIKE Group)	7,712	8,410	9,244
Reduction in CO_2 Emissions from Modal Shift (t-CO_2) (Total for the non-consolidated company and domestic affiliates)	6,961	7,063	5,734

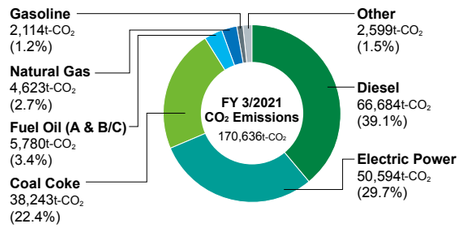
Transportation Ton-Kilometers (Non-consolidated)

	FY 3/2019	FY 3/2020	FY 3/2021
Transportation Ton-Kilometers (10,000s of ton-kilometers)*1	17,666	18,121	17,558
Truck Transportation CO_2 Emissions (t)	26,299	27,023	28,448
Output Level*2	0.577	0.578	0.628

*1 Total shipped cargo (tons) multiplied by each distance (kilometers)
*2 Energy consumption (crude oil-converted KL) divided by transportation ton-kilometers (10,000s of ton-kilometers)

CO_2 Emissions Breakdown (Total for the non-consolidated company and domestic affiliates) (FY3/2021)

Emissions



CO_2 emission factor used is the value published under the Ministerial Ordinance Concerning Calculation of Greenhouse Gas Emissions Associated with Business Activities of Specified Emitters.

Financial Highlights

Profit and Loss

(¥ hundred million)

	FY 3/2012	FY 3/2013	FY 3/2014	FY 3/2015	FY 3/2016	FY 3/2017	FY 3/2018	FY 3/2019	FY 3/2020	FY 3/2021
Net sales	2,269	2,277	2,315	2,449	2,525	2,583	2,767	2,941	3,108	**2,923**
Operating income	79	76	79	93	102	102	110	109	96	**39**
(Profit margin)	3.5%	3.4%	3.4%	3.8%	4.1%	4.0%	4.0%	3.7%	3.1%	**1.4%**
Ordinary income	76	75	80	95	107	107	115	113	95	**93**
Profit attributable to owners of parent	27	39	43	54	64	73	70	62	45	**48**

Financial Condition

Total assets	1,626	1,708	1,743	1,928	1,917	2,046	2,118	2,132	2,234	**2,587**
Shareholders' equity	608	692	733	829	865	919	978	982	961	**1,015**
Interest-bearing debt	467	460	408	448	421	466	427	450	551	**892**
Equity ratio (Shareholders' equity / Total assets)	37.4%	40.6%	42.1%	43.0%	45.2%	44.9%	46.2%	46.1%	43.0%	**39.2%**
D/E ratio (Interest-bearing debt / Shareholders' equity)	0.8	0.7	0.6	0.5	0.5	0.5	0.4	0.5	0.6	**0.9**

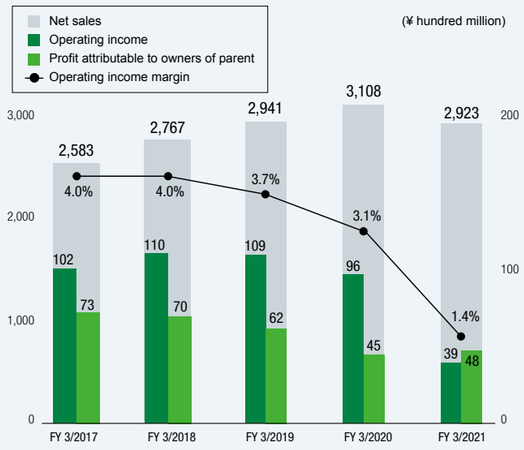
Cash Flows

Cash flows from operating activities	106	104	145	154	112	165	143	58	183	**144**
Cash flows from investing activities	(70)	(54)	(95)	(98)	(125)	(62)	(99)	(86)	(165)	**(109)**
Cash flows from financing activities	(22)	20	(69)	18	(52)	14	(64)	(38)	35	**311**
Free cash flows (Op. CF + Inv. CF)	36	49	50	56	(12)	102	43	(28)	18	**35**
Cash and cash equivalents at end of period	125	198	186	264	199	313	291	222	276	**622**

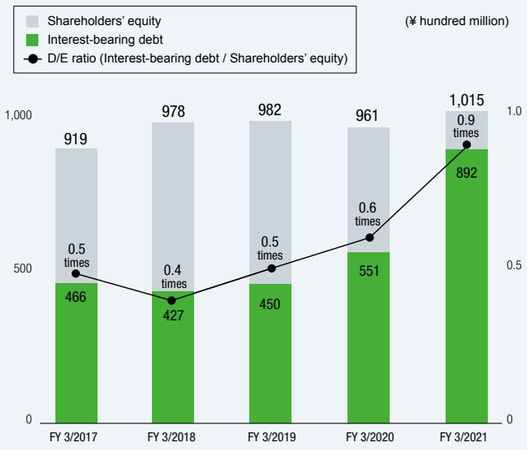
Major Indicators

Return on equity ratio (ROE)	4.6%	6.1%	6.1%	6.9%	7.6%	8.2%	7.4%	6.4%	4.7%	**4.9%**
Return on invested capital (ROIC)	4.5%	4.2%	4.1%	4.6%	4.8%	4.6%	4.7%	4.6%	3.9%	**1.4%**
Net operating profit after taxes (NOPAT)	54	53	54	64	71	70	76	76	67	**27**

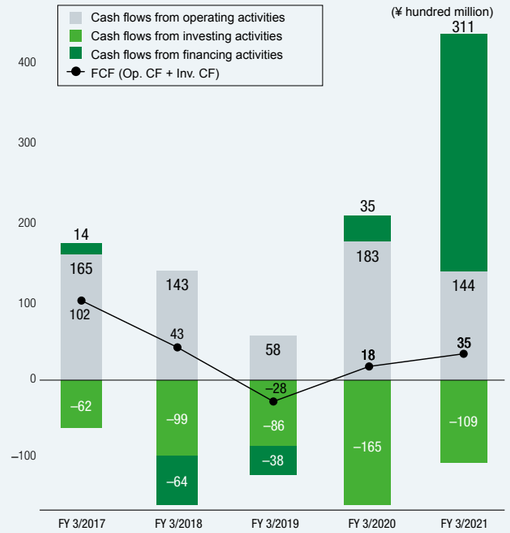
Consolidated Profit Performance (5 Years)



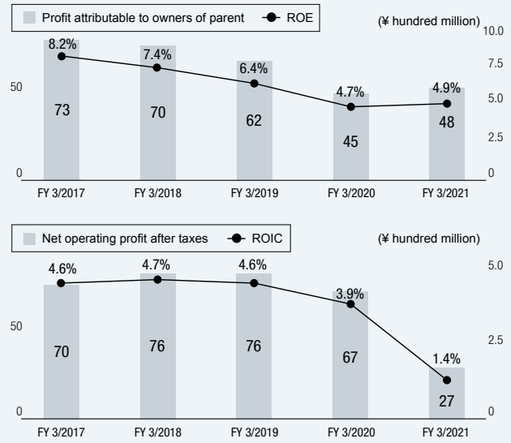
Consolidated Balance Sheet Performance (5 Years)



Consolidated Cash Flow Performance (5 Years)



ROE/ROIC (5 Years)



Analysis of Business Status/Corporate Performance, Etc.

Performance and Business Status

During FY3/2021, the economy of Japan suffered the severe negative impact of stagnated consumer spending and business activities due to the spread of COVID-19. The economy recorded the largest negative GDP growth rate in the April-June 2020 period since the end of World War II. Growth subsequently swung positive for two consecutive quarters reflecting a recovery in the global economy. However, since the beginning of 2021, economic activities have once again returned to a standstill due to the reemergence of infections.

While Japan and other nations are striving to bring the situation under control through vaccinations, the outlook for the global economy as a whole remains highly uncertain, and the negative impact on business activities is expected to continue for some time.

FY3/2021 coincided with the final year of our medium-term management plan, Staging for the Journey to 2030, and we have spent our time since last spring engaged in a structural reform plan, assuming that the challenging operating environment will continue for the time being. As a part of our efforts, we are supporting and pursuing secondments for Airport-Related Business and Steel-Related Business personnel both inside and outside the group. These personnel in particular face challenges due to the current environment. In this way, we are reducing the burden of personnel expenses, while also helping employees develop new skills.

In connection with business portfolio management, we have categorized our businesses into three categories: Foundational Businesses, Businesses for Profit Improvement, and Growth Businesses. We are currently addressing issues in each business category. Our Steel-Related Business, a Foundational Business, strives to expand into new domains by leveraging the surplus human resources created by the customer production cutbacks. In our pursuit of Businesses for Profit Improvement, we are moving forward in our reviews of unprofitable operations, including setting proper unit prices, etc. We will withdraw from or sell low-profit businesses that do not present strategic potential, and increase capital efficiency by tightening investment criteria. We have categorized our Airport-Related Business as a Growth Business. Here, we are maintaining employment to build a structure allowing us to redeploy personnel when demand for air travel (particularly international flights) recovers. To accelerate these efforts further, we formulated a single-year policy for FY3/2022.

In terms of financial results for FY3/2021, net sales amounted to ¥292,348 million, a decrease of 5.9% year on year. Operating income amounted to ¥3,997 million, a 58.7% decrease mainly attributable to the decrease in passenger flights and steel production cutbacks. Performance declined, even though we recorded an increase in revenue from growth in the International Logistics Business and unit price revisions, as well as an uptick in volume driven by a gradual recovery. Ordinary income amounted to ¥9,397 million (1.7% decrease), supported by part to employment adjustment subsidies, while profit attributable to owners of parent amounted to ¥4,836 million (5.3% increase).
Performance by segment was as follows.
Note that segment income is operating income before deducting corporate expenses such as general and administrative expenses.

Integrated Solutions Business

The global decline in passenger flights caused by COVID-19 has resulted in significantly less demand for Airport-Related Business operations, including check-in counter services and ground handling services. In addition, Steel-Related Business sales decreased ¥191,699 million (10.8% decrease year on year) due to a decrease in on-site contract operations stemming from reduced customer production, including blast furnace banking (temporary suspension). Profit amounted to ¥5,354 million (57.4% decrease) due to a large decrease in profits in the Airport-Related Business and Steel-Related Business. This decline in profit occurred despite the group's efforts to reallocate personnel in airport- and steel-related operations (47,469 employees in total) and an increase in Food-Related Business profits due to the rise in in-home demand.

Domestic Logistics Business

Net sales amounted to ¥44,471 million (7.0% decrease year on year) due to a decrease in logistics volume caused by economic activity stagnation, including temporary closures of stores and cancellations of events due to COVID-19. Profit rose 4.4% to ¥2,636 million. Despite a decrease in logistics volume, we engaged in successful efforts to improve profitability by setting appropriate unit prices and improving operational efficiencies.

International Logistics Business

Net sales increased 16.6% year on year to ¥56,177 million, while profit rose 124.4% to ¥1,724 million. This result was due primarily to a rise in air freight rates resulting from the decrease in passenger flights due COVID-19, as well as our entry into the procurement and sales of medical supplies.

Other

Businesses in this category are mainly engaged in KONOIKE Group internal software development and maintenance. These businesses are not reportable segments due to their immateriality. Accordingly, we have omitted information for these businesses.

(Note) Beginning in the first quarter of the consolidated fiscal year, KONOIKE Transport changed the assignment of the business division for certain sales offices belonging to business divisions in each reportable segment. These new assignments reflect changes in major customers and business activities. Therefore, figures below for the previous consolidated fiscal year reflect the referenced changes in assigned business divisions for consolidated year-on-year comparison.

Management Performance and Financial Condition

Total Assets

As of the end of FY3/2021, total assets amounted to ¥258,798 million, an increase of ¥35,298 million compared to the end of FY3/2020.

Current Assets

As of the end of FY3/2021, total assets amounted to ¥123,202 million, an increase of ¥33,366 million compared to the end of FY3/2020. This increase was mainly due to an increase of ¥33,927 million in cash and deposits, offset in part by a decrease in notes and accounts receivable of ¥648 million.

Fixed Assets

As of the end of FY3/2021, fixed assets amounted to ¥135,595 million, an increase of ¥1,932 million compared to the end of FY3/2020. This increase was mainly due to an increase of ¥2,624 million in buildings and structures and an increase of ¥1,592 million in investment securities. These increases were partly offset by a decrease of ¥1,370 million yen in deferred tax assets and a decrease of ¥668 million in land.

Total Liabilities

As of the end of FY3/2021, total liabilities amounted to ¥153,999 million, an increase of ¥30,072 million compared to the end of FY3/2020.

Current Liabilities

As of the end of FY3/2021, current liabilities amounted to ¥59,473 million, an increase of ¥6,628 million compared to the end of FY3/2020. This increase was mainly due to an increase of ¥10,000 in current portion of bonds, offset in part by a decrease of ¥1,557 million in other current liabilities, a decrease of ¥1,232 million in short-term borrowings, and a decrease of ¥830 million in current portion of long-term borrowings.

Long-Term Liabilities

As of the end of FY3/2021, total assets amounted to ¥94,525 million, an increase of ¥23,443 million compared to the end of FY3/2020. This increase was mainly due to an increase of ¥25,000 million in bonds payable and an increase of ¥1,003 million in long-term borrowings. These increases were offset in part by a decrease of ¥1,573 million in retirement benefit liability and a ¥790 million decrease in lease obligations.

Net Assets

As of the end of FY3/2021, net assets amounted to ¥104,798 million, an increase of ¥5,226 million compared to the end of FY3/2020. This increase was mainly due to an increase of ¥3,756 million in retained earnings, an increase of ¥1,685 million in accumulated remeasurements of defined benefit plans, and an increase of ¥982 million in valuation difference on available-for-sale securities. These increases were offset in part by a decrease of ¥747 million in foreign currency translation adjustments.

Cash Flows

Cash Flows from Operating Activities
Net cash provided by operating activities amounted to ¥14,465 million, a decrease of ¥3,901 million compared to FY3/2020. This result was mainly due to net income before income taxes of ¥8,906 million, depreciation and amortization of ¥8,138 million, and income taxes paid of ¥4,470 million.

Cash Flows from Investing Activities
Net cash used in investing activities amounted to ¥10,929 million, a decrease of ¥5,615 million compared to FY3/2020. This result was mainly due to ¥12,665 million in purchases of property, plant and equipment, offset in part by ¥1,533 million in proceeds from the sale of property, plant and equipment.

Cash Flows from Financing Activities
Net cash provided by financing activities amounted to ¥31,148 million, an increase of ¥27,570 million compared to FY3/2020. This result was mainly due to proceeds of ¥34,803 million from the issuance of bonds, offset in part by ¥1,416 million in cash dividends paid and ¥758 million in repayments of long-term loans payable.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	29,470	**63,397**
Notes and accounts receivable - trade	55,680	**55,032**
Costs on uncompleted works	107	**85**
Supplies	1,631	**1,552**
Other	3,024	**3,519**
Allowance for doubtful accounts	(78)	**(385)**
Total current assets	89,835	**123,202**
Non-current assets		
Property, plant and equipment		
Buildings and structures	111,930	**114,967**
Accumulated depreciation	(70,915)	**(71,327)**
Buildings and structures, net	41,015	**43,639**
Machinery, equipment and vehicles	48,005	**48,949**
Accumulated depreciation	(39,399)	**(40,123)**
Machinery, equipment and vehicles, net	8,606	**8,825**
Land	42,577	**41,908**
Leased assets	7,002	**7,769**
Accumulated depreciation	(3,165)	**(3,828)**
Leased assets, net	3,837	**3,941**
Construction in progress	3,602	**3,118**
Other	8,887	**8,991**
Accumulated depreciation	(7,252)	**(7,480)**
Other, net	1,634	**1,511**
Total property, plant and equipment	101,272	**102,946**
Intangible assets		
Goodwill	2,417	**2,080**
Other	3,973	**4,183**
Total intangible assets	6,390	**6,264**
Investments and other assets		
Investment securities	11,704	**13,296**
Long-term loans receivable	497	**398**
Deferred tax assets	6,752	**5,382**
Retirement benefit asset	171	**193**
Other	7,184	**7,280**
Allowance for doubtful accounts	(177)	**(165)**
Allowance for investment loss	(132)	**—**
Total investments and other assets	26,000	**26,385**
Total non-current assets	133,663	**135,595**
Total assets	223,499	**258,798**

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,491	**14,446**
Short-term borrowings	9,116	**7,883**
Current portion of bonds	—	**10,000**
Current portion of long-term borrowings	2,528	**1,697**
Provision for director bonuses	4	**126**
Accrued expenses	11,838	**11,277**
Income taxes payable	2,639	**2,374**
Other	13,225	**11,668**
Total current liabilities	52,845	**59,473**
Non-current liabilities		
Bonds payable	30,000	**55,000**
Long-term borrowings	9,172	**10,176**
Lease obligations	3,025	**2,235**
Deferred tax liabilities	564	**601**
Deferred tax liabilities for land revaluation	1,444	**1,293**
Retirement benefit liability	22,666	**21,092**
Retirement allowance for directors	144	**138**
Long-term accounts payable - other	1,626	**1,542**
Other	2,435	**2,443**
Total non-current liabilities	71,081	**94,525**
Total liabilities	123,926	**153,999**
Net assets		
Shareholders' equity		
Share capital	1,723	**1,723**
Capital surplus	1,908	**1,908**
Retained earnings	103,972	**107,728**
Share capital	(7,324)	**(7,288)**
Total shareholders' equity	100,278	**104,072**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,294	**4,277**
Revaluation reserve for land	(4,688)	**(5,030)**
Foreign currency translation adjustment	237	**(510)**
Remeasurements of defined benefit plans	(2,939)	**(1,253)**
Total accumulated other comprehensive income	(4,096)	**(2,517)**
Share acquisition rights	397	**459**
Non-controlling interests	2,992	**2,784**
Total net assets	99,572	**104,798**
Total liabilities and net assets	223,499	**258,798**

Consolidated statements of income

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Net Sales	310,834	**292,348**
Cost of sales	284,954	**272,787**
Gross profit	25,880	**19,561**
Selling, general and administrative expenses	16,194	**15,563**
Operating Income	9,686	**3,997**
Non-operating income		
Interest income	135	**101**
Dividend income	441	**279**
Foreign exchange gains	—	**58**
Reversal of allowance for doubtful accounts	8	**24**
Gain on reversal of loss on valuation of investment securities	0	**489**
Rental income	144	**149**
Employment adjustment subsidy	—	**4,734**
Other	256	**553**
Total non-operating income	987	**6,390**
Non-operating expenses		
Interest expenses	195	**255**
Loss on valuation of investment securities	455	**0**
Bond issuance expenses	110	**196**
Foreign exchange losses	262	**—**
Equity in losses of affiliates	—	**362**
Other	90	**175**
Total non-operating expenses	1,114	**991**
Ordinary profit	9,559	**9,397**
Extraordinary income		
Gain on sales of non-current assets	344	**236**
Gain on sales of investment securities	28	**752**
Insurance claim income	285	**—**
Other	0	**32**
Total extraordinary income	658	**1,022**
Extraordinary losses		
Loss on sales and retirement of non-current assets	120	**111**
Loss on valuation of investment securities	254	**3**
Loss on valuation of investments in capital of affiliates	—	**73**
Provision of allowance for investment loss	12	**—**
Impairment loss	1,711	**1,315**
Other	67	**8**
Total extraordinary losses	2,166	**1,512**
Profit before income taxes	8,051	**8,906**
Income taxes – current	4,065	**4,174**
Income taxes – deferred	(571)	**100**
Total income taxes	3,494	**4,275**
Profit	4,557	**4,630**
Profit (loss) attributable to non-controlling interests	(36)	**(205)**
Profit attributable to owners of parent	4,593	**4,836**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Profit	4,557	**4,630**
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,246)	**985**
Foreign currency translation adjustment	(77)	**(794)**
Remeasurements of defined benefit plans, net of tax	320	**1,751**
Share of other comprehensive income of entities accounted for using equity method	—	**4**
Total other comprehensive income	(1,004)	**1,947**
Comprehensive income	3,552	**6,578**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,618	**6,757**
Comprehensive income attributable to non-controlling interests	(65)	**(178)**

See our FY3/2021 Securities Report for more detail regarding financial results. **https://www.konoike.net/ir/library/valuable.html**

Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(Millions of yen)

FY 3/2021

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Share capital	Total shareholders' equity
Balance at beginning of current period	1,723	1,908	103,972	(7,324)	100,278
Cumulative effects of changes in accounting policies					
Restated balance	1,723	1,908	103,972	(7,324)	100,278
Changes of items during period					
Dividends of surplus			(1,416)		(1,416)
Profit attributable to owners of parent			4,836		4,836
Purchase of treasury shares					—
Disposal of treasury shares		(5)		36	31
Transfer of loss on disposal of treasury shares		5	(5)		—
Reversal of revaluation reserve for land			342		342
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	3,756	36	3,793
Balance at end of current period	1,723	1,908	107,728	(7,288)	104,072

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency Translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share Acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	3,294	(4,688)	237	(2,939)	(4,096)	397	2,992	99,572
Cumulative effects of changes in accounting policies								
Restated balance	3,294	(4,688)	237	(2,939)	(4,096)	397	2,992	99,572
Changes of items during period								
Dividends of surplus								(1,416)
Profit attributable to owners of parent								4,836
Purchase of treasury shares								—
Disposal of treasury shares								31
Transfer of loss on disposal of treasury shares								—
Reversal of revaluation reserve for land								342
Change in ownership interest of parent due to transactions with non-controlling interests								—
Net changes of items other than shareholders' equity	982	(342)	(747)	1,685	1,578	62	(207)	1,433
Total changes of items during period	982	(342)	(747)	1,685	1,578	62	(207)	5,226
Balance at end of current period	4,277	(5,030)	(510)	(1,253)	(2,517)	459	2,784	104,798

(Millions of yen)

FY 3/2020

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Share capital	Total shareholders' equity
Balance at beginning of current period	1,723	790	101,348	(2,484)	101,378
Cumulative effects of changes in accounting policies			(13)		(13)
Restated balance	1,723	790	101,335	(2,484)	101,364
Changes of items during period					
Dividends of surplus			(1,974)		(1,974)
Profit attributable to owners of parent			4,593		4,593
Purchase of treasury shares				(4,857)	(4,857)
Disposal of treasury shares		(2)		16	13
Transfer of loss on disposal of treasury shares		2	(2)		—
Reversal of revaluation reserve for land			19		19
Change in ownership interest of parent due to transactions with non-controlling interests		1,118			1,118
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	1,118	2,636	(4,840)	(1,085)
Balance at end of current period	1,723	1,908	103,972	(7,324)	100,278

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency Translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share Acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	4,537	(4,668)	314	(3,284)	(3,100)	321	2,964	101,563
Cumulative effects of changes in accounting policies							(0)	(14)
Restated balance	4,537	(4,668)	314	(3,284)	(3,100)	321	2,964	101,549
Changes of items during period								
Dividends of surplus								(1,974)
Profit attributable to owners of parent								4,593
Purchase of treasury shares								(4,857)
Disposal of treasury shares								13
Transfer of loss on disposal of treasury shares								—
Reversal of revaluation reserve for land								19
Change in ownership interest of parent due to transactions with non-controlling interests								1,118
Net changes of items other than shareholders' equity	(1,242)	(19)	(77)	344	(995)	76	28	(891)
Total changes of items during period	(1,242)	(19)	(77)	344	(995)	76	28	(1,976)
Balance at end of current period	3,294	(4,688)	237	(2,939)	(4,096)	397	2,992	99,572

Consolidated Statements of Cash Flows

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Cash flows from operating activities		
Profit before income taxes	8,051	**8,906**
Depreciation	8,173	**8,138**
Impairment loss	1,711	**1,315**
Amortization of goodwill	500	**365**
Increase (decrease) in allowance for doubtful accounts	(15)	**305**
Increase (decrease) in retirement benefit liability	364	**330**
Increase (decrease) in provision for directors' retirement benefits	15	**(6)**
Increase (decrease) in allowance for investment loss	12	**—**
Interest and dividend income	(577)	**(381)**
Rental income	(144)	**(149)**
Loss on valuation of investment securities	254	**3**
Loss on valuation of investments in capital of affiliates	—	**73**
Loss (gain) on valuation of investment securities	455	**0**
Gain on reversal of loss on valuation of investment securities	(0)	**(489)**
Interest expenses	195	**255**
Bond issuance expenses	110	**196**
Foreign exchange losses (gains)	222	**(81)**
Share of (profit) loss of entities accounted for using equity method	—	**362**
Employment Adjustment Subsidy	—	**(4,734)**
Gain on sales of non-current assets	(344)	**(236)**
Loss (gain) on sales of investment securities	(28)	**(752)**
Loss on sales and retirement of non-current assets	120	**111**
Insurance claim income	(285)	**—**
Decrease (increase) in trade receivables	1,434	**599**
Decrease (increase) in inventories	144	**96**
Decrease (increase) in other assets	(472)	**(238)**
Increase (decrease) in trade payables	(1,283)	**516**
Increase (decrease) in other liabilities	1,576	**(1,049)**
Other, net	952	**637**
Subtotal	21,144	**14,095**
Interest and dividends received	555	**395**
Interest paid	(189)	**(232)**
Rent revenue	123	**128**
Employment adjustment subsidy received	—	**4,549**
Proceeds from insurance income	1,034	**—**
Income taxes paid	(4,238)	**(4,470)**
Other	(63)	**—**
Net cash provided by (used in) operating activities	18,367	**14,465**
Cash flows from investing activities		
Decrease (increase) in time deposits	(1,634)	**608**
Net decrease (increase) in short-term loans receivable	(41)	**(77)**
Purchase of property, plant and equipment	(10,744)	**(12,665)**
Proceeds from sales of property, plant and equipment	722	**1,533**
Purchase of intangible assets	(1,418)	**(917)**
Purchase of investment securities	(278)	**(75)**
Proceeds from sales of investment securities	35	**806**
Long-term loan advances	(35)	**(11)**
Collection of long-term loans receivable	65	**40**
Purchase of investments accounted for using the equity method	(2,434)	**—**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	**(36)**
Other	(782)	**(134)**
Net cash provided by (used in) investing activities	(16,545)	**(10,929)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(254)	**(1,181)**
Proceeds from issuance of bonds	19,889	**34,803**
Redemption of bonds	(10,000)	**—**
Proceeds from long-term borrowings	3,707	**922**
Repayments of long-term borrowings	(3,940)	**(758)**
Dividends paid	(1,974)	**(1,416)**
Dividends paid to non-controlling interests	(54)	**(27)**
Repayments of finance lease obligations	(788)	**(863)**
Proceeds from share issuance to non-controlling shareholders	(4,857)	**—**
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	1,825	**—**
Other, net	25	**(329)**
Net cash provided by (used in) financing activities	3,577	**31,148**
Effect of exchange rate change on cash and cash equivalents	12	**(158)**
Net increase (decrease) in cash and cash equivalents	5,412	**34,526**
Cash and cash equivalents at beginning of period	22,279	**27,691**
Cash and cash equivalents at end of period	27,691	**62,217**

ESG Data

Category		Indicators	Units	FY 3/2019	FY 3/2020	FY 3/2021
Environment	Actual Solar Power Generated[*1]	Total Power Generated	kWh	13,996,151	15,263,726	**16,776,309**
	Total Energy Input Volume[*2]	Diesel	kl	30,593	30,333	**25,847**
		Electric Power	1,000 Kwh	92,001	96,164	**94,700**
		Kerosene	kl	98	126	**87**
		Gasoline	kl	993	940	**911**
		A Fuel Oil	kl	360	347	**346**
		BC Fuel Oil	kl	1,604	1,575	**1,614**
		Town Gas	km^3	68	67	**71**
		Natural Gas	km^3	1,790	1,935	**2,082**
		Propane Gas	t	34	25	**25**
		Coal Coke	t	14,365	11,169	**12,064**
	CO_2 Emissions	CO_2 Emissions[*2]	t-CO_2	194,671	186,378	**170,636**
		CO_2 Emissions Reduction Due to Solar Power Generation[*1]	t-CO_2	7,712	8,410	**9,244**
		Reduction in CO_2 Emissions from Modal Shift (t-CO_2)[*2]	t-CO_2	6,961	7,063	**5,734**
	Detail of CO_2 Emissions[*2]	Diesel	t-CO_2	78,931	78,259	**66,684**
		Electric Power	t-CO_2	50,693	52,986	**50,594**
		Kerosene	t-CO_2	245	313	**218**
		Gasoline	t-CO_2	2,304	2,181	**2,114**
		A Fuel Oil	t-CO_2	976	939	**938**
		BC Fuel Oil	t-CO_2	4,812	4,724	**4,842**
		Town Gas	t-CO_2	152	149	**158**
		Natural Gas	t-CO_2	3,975	4,295	**4,623**
		Propane Gas	t-CO_2	188	155	**167**
		Coal Coke	t-CO_2	45,537	35,406	**38,243**
		Other	t-CO_2	6,859	6,971	**2,056**
	Low-Emission Vehicle Implementation Status[*3]	Post-post-new long-term regulation-compliant vehicles	Vehicles	120	213	**266**
		Post-new long-term regulation-compliant vehicles	Vehicles	496	479	**478**
		New long-term regulation-compliant vehicles	Vehicles	267	212	**153**
		CNG Vehicles	Vehicles	18	15	**13**
		Hybrid Vehicles	Vehicles	42	43	**42**
		LPG Vehicles	Vehicles	1	1	**1**
		Electric Vehicles	Vehicles	2	8	**8**
	Transportation Ton-Kilometers[*3]	Transportation Ton-Kilometers	10,000 t/km	17,666	18,121	**17,558**
		CO_2 Emissions	t-CO_2	26,299	27,023	**28,448**
		Output Level		0.577	0.578	**0.628**
Social	Work Hours and Days of Paid Leave Taken	Front-Line Workers[*3]	Annual Work Hours (Avg.)	Hours	2,345.5	2,307.6	**2,215.3**
			Days of Paid Leave Taken (Avg.)	Days	11.3	12.8	**11.1**
		Career-Track[*3]	Annual Work Hours (Avg.)	Hours	2,164.9	2,109.6	**2,137.8**
			Days of Paid Leave Taken (Avg.)	Days	7.5	7.8	**8.2**
	Human Resources	Front-Line Workers[*3]	Number of Employees	People	8,215	8,582	**8,530**
			Percent of Female Employees	%	7.7	8.2	**8.7**
			New Graduates Hired	People	164	175	**127**
			Mid-Career Hires	People	727	683	**397**
		Career-Track[*3]	Number of Employees	People	1,030	1,065	**1,077**
			Percent of Female Employees	%	15.5	16.0	**16.1**
			Number of Managers (Office/Department Manager and Above)	People	395	457	**459**
			Percent of Female Managers	%	2.3	2.6	**2.6**
			New Graduates Hired	People	53	50	**38**
			Mid-Career Hires	People	25	33	**5**
			Percent of Disabled Persons Hired[*4]	%	2.0	2.5	**2.5**
	Safety and Quality	Number of Accidents[*1]	Workplace Accidents	Incidents	172	131	**109**
			Automobile Incidents	Incidents	66	61	**58**
			Quality Incidents	Incidents	61	62	**40**
		Lost Worktime Rate[*1]	Number of Workplace Accidents	Incidents	34	18	**15**
			Workplace Accident Frequency		0.75	0.39	**0.36**
Governance	Corporate Governance	Composition of the Board of Directors[*3]	Directors	People	8	8	**7**
			Including Outside Directors	People	3	3	**3**
			Including Female Directors	People	1	1	**1**
			Full-Time Audit & Supervisory Board Members	People	4	4	**4**
			Including Outside Directors	People	2	2	**2**
			Including Female Directors	People	0	0	**1**
		Board of Directors[*3]	No. of Board Meetings Held	Times	16	16	**15**

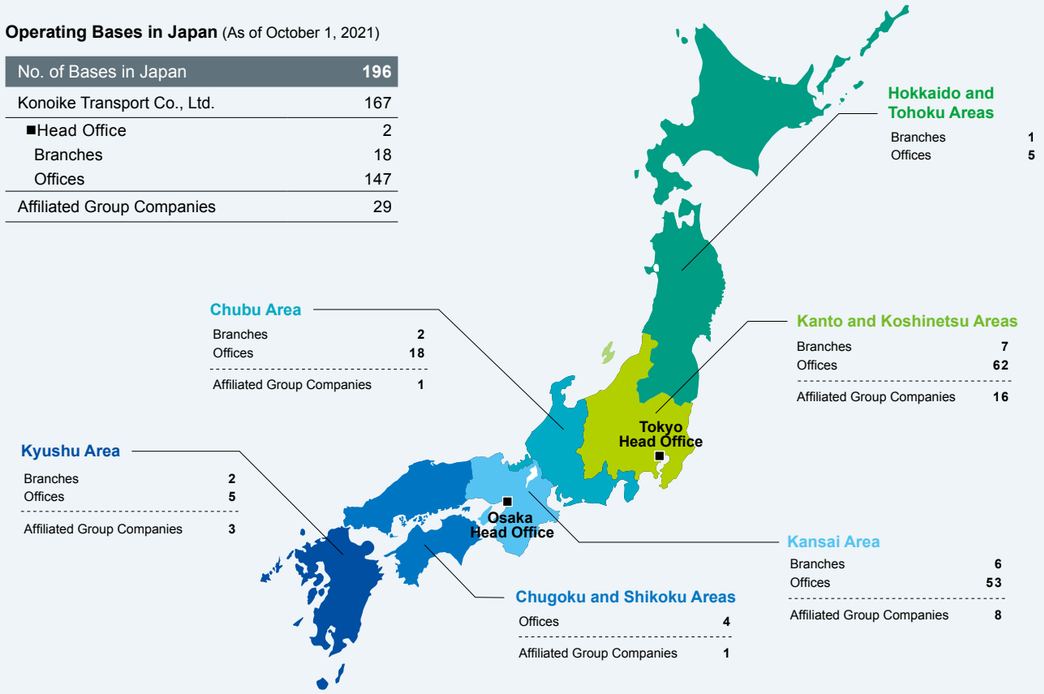
[*1] KONOIKE Group total [*2] Non-consolidated and domestic affiliate totals [*3] Non-consolidated [*4] Data from June each fiscal Year

Company Data

Group Network

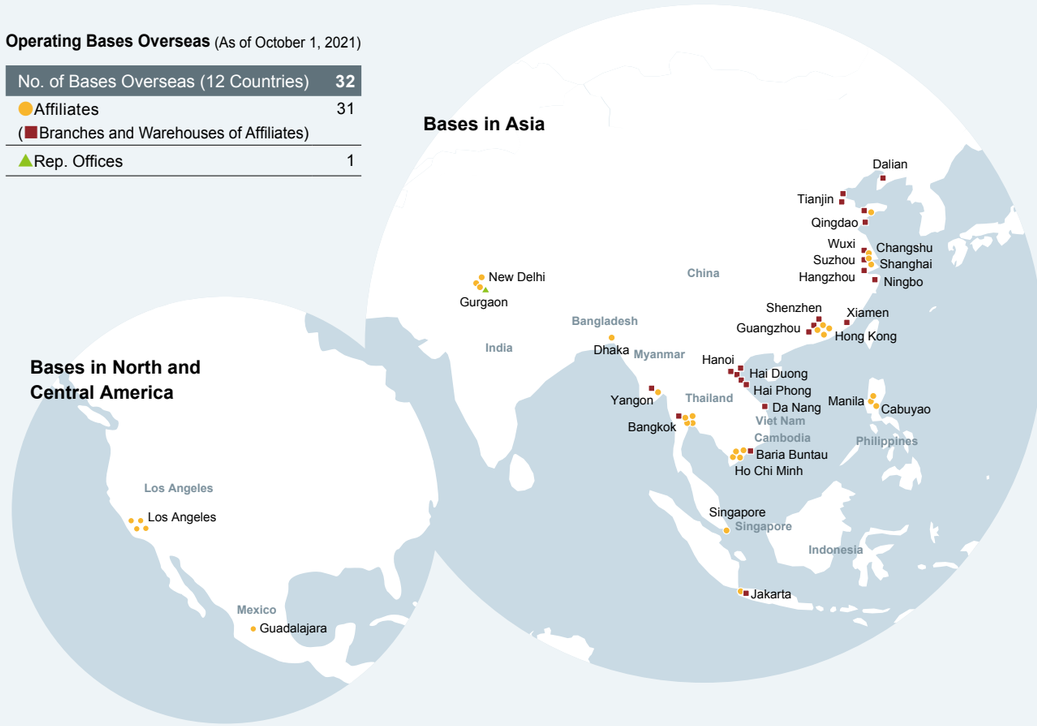
Operating Bases in Japan (As of October 1, 2021)

No. of Bases in Japan	196
Konoike Transport Co., Ltd.	167
■Head Office	2
Branches	18
Offices	147
Affiliated Group Companies	29



Operating Bases Overseas (As of October 1, 2021)

No. of Bases Overseas (12 Countries)	32
●Affiliates	31
(■Branches and Warehouses of Affiliates)	
▲Rep. Offices	1



Group Companies (As of October 1, 2021)

Division System	Japanese Subsidiaries	Overseas Subsidiaries
Steel Division	Konoike Express Co., Ltd. Otori Tech Co., Ltd.	
Food Division		Konoike Philippines Corporation
Life Related Division	Kyushu Sanko Unyu Co., Ltd. Kanriku Co., Ltd. Japan Airways Co., Ltd. Konoike Corporate Service Co., Ltd. Maekawa Transport Co., Ltd. Konohana Transport Co.,Ltd.	
Medical Division	Konoike Medical Co., Ltd.	
International General Headquarters	Sano Unyu Co., Ltd. Konoike Shipping Co., Ltd. Nichiun Co., Ltd.	Konoike-Pacific California, Inc. Konoike Transport & Engineering (USA), Inc. Konoike-General, Inc. Konoike-E Street, Inc. Konoike Mexico S.A. de C.V. Konoike Transport & Engineering (H.K.) Ltd. Konoike Logistics (Shenzhen) Co., Ltd. Qingdao Cosco Konoike Logistics Co., Ltd. Konoike Logistics (Shanghai) Co., Ltd. Konoike Asia (Jiangsu) Co., Ltd. BEL International Logistics Ltd. BEL International Logistics Ltd. (Shanghai) BEL Supply Chain Solutions Ltd. PKI Manufacturing & Technology, Inc. PT. Konoike Transport Indonesia Konoike Vinatrans Logistics Co., Ltd. Anpha-AG Joint Stock Company Vinako Forwarding Co., Ltd. BEL International Logistics Vietnam Company Ltd. Konoike Transport & Engineering (S) Pte Ltd. Konoike Asia (Thailand) Co., Ltd. Konoike Cool Logistics (Thailand) Co., Ltd. Konoike Express (Thailand) Co., Ltd. Konoike-Sotus Venture Co., Ltd. Konoike Myanmar Co., Ltd. Konoike-EURO Logistics (Bangladesh) Ltd. Joshi Konoike Transport & Infrastructure Pvt. Ltd. Konoike Asia (India) Pvt. Ltd. Carna Medical Database Pvt. Ltd.
Airport Division	Konoike Corporate Service Co., Ltd. K Ground Service Co., Ltd. NKS Holding Co., Ltd. Japan Airport Service Co., Ltd. Airport Terminal Service Co., Ltd. NAB Corporation J Friendly, Inc. K Sky Co., Ltd. Konoike Sky Support Co.,Ltd. Air Express, Inc. K Ground Expert Co.,Ltd.	MacroAsia Airport Services Corporation
Environmental & Engineering Division	Eco Innovation Inc. ASR Recycling Kashima Co., Ltd. Chuden Sangyo Co., Ltd. NBS Inc. Chiyoda Inspection Industries Co., Ltd.	
ICT Promotion Division	Konoike IT Solutions Co., LTD	

Corporate Outline (As of September 30, 2021)

Corporate Name	Konoike Transport Co., Ltd.
Osaka Head Office	4-3-9 Fushimimachi, Chuo-ku, Osaka 541-0044, Japan
Tokyo Head Office	6-10-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Founded	May 1880
Incorporated	May 30, 1945
Representative	Tadahiko Konoike, Representative Director, Chairman, President and Chief Executive Officer
Share capital	¥1,723 million
Employees	Group: Approx. 24,000 Konoike Transport alone: Approx. 15,000 * Including temporary employees

Stock Information (As of September 30, 2021)

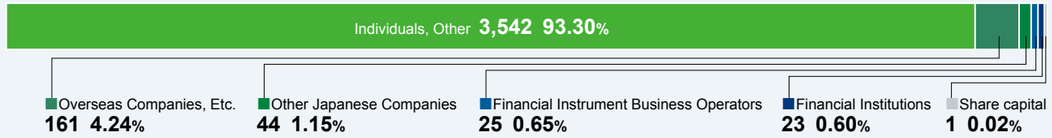
Number of shares authorized	227,596,808 shares
Number of shares issued and outstanding	56,952,442 shares (including 4,036,193 treasury shares)
Number of shareholders	3,796
Stock exchange listings	Tokyo Stock Exchange, First Section
Security code number	9025

Major Shareholders (Top 10)

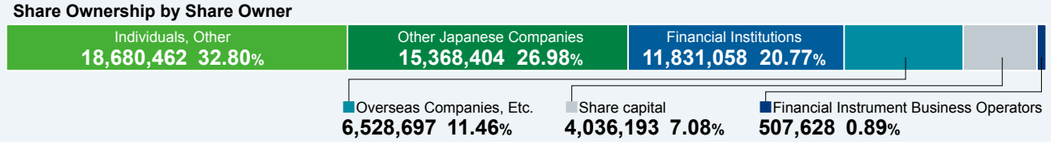
Name of Individual or Company	No. of Shares Held (Shares)	No. of Shares Held (%)
Enokojimashoji Co.	5,040,888	9.52
Konoike Transport Employee Stock Ownership Plan	4,748,992	8.97
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,020,600	7.59
Ginsen Co., Ltd.	3,598,274	6.79
Tadahiko Konoike	2,562,659	4.84
Sumitomo Mitsui Banking Corporation	2,480,022	4.68
Nippon Steel Corporation	2,451,418	4.63
Osaka Gas Co., Ltd.	2,248,912	4.24
Tadatsugu Konoike	1,617,706	3.05
Kazusue Konoike	1,570,300	2.96

Notes: 1. Konoike Transport owns 4,036,193 shares of treasury stock, which has been excluded from the list above.
2. Ownership ratios have been calculated exclusive of treasury stock.

Share Distribution by Share Owner



Share Ownership by Share Owner



Shareholder Reference

Date of record for dividend	Year-end: March 31 Interim: September 30
Ordinary general meeting of shareholders	June each year
Record date	Annual general meeting: March 31 Year-end dividend: March 31 Interim dividend: September 30 Other date as published when necessary
Administrator of shareholder registry and special-account managing institution	1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Special-account managing institution	4-5-33, Kitahama, Chuo-ku, Osaka
Administrator	Sumitomo Mitsui Trust Bank, Limited Stock
Mailing address	2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department
Telephone inquiries	0120-782-031 (toll-free in Japan) Business hours 9:00 to 17:00 (excluding weekends and holidays)
Website URL	https://www.smtb.jp/personal/procedure/agency/
Frequently asked questions (FAQ)	https://faq-agency.smtb.jp/?site_domain=personal Procedures and answers to frequently asked questions can be found on the FAQ website above.
Method of public notice	Public notices will be posted on our website. (https://www.konoike.net/); provided, however, that in the event of an accident or any other unavoidable reason, the public notices may be given in "The Nikkei" newspaper.