KONOIKE GROUP INTEGRATED REPORT 2022

KONOIKE GROUP

Konoike Transport Co., Ltd.

Website: https://www.konoike.net/en/

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

Osaka Head Office 4-3-9 Fushimimachi, Chuo-ku, Osaka 541-0044, Japan
Phone: +81-6-6227-4600 (General Affairs Department)

Tokyo Head Office 6-10-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Phone: +81-3-3575-5751 (General Affairs Department)

OUR BRAND

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.

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.

Our Business Strategy

KONOIKE 2030 VISION

Form that the Konoike Group aims to take in 2030

People, leveraging technology to reach for new heights

Through the next-generation Konoike spirit that involves the use of cutting-edge technologies, we will evolve concepts on how to approach on-site solutions to the problems facing our customers and society.

Our Value

Safety | We take responsibility for life

Passion | We are dedicated to quality

Growth | We go further than yesterday

Brand Promise
Our **Promise**

Our **Brand**

Corporate Philosophy
Our **Mission**

2030 Vision
Our **Business Strategy**

Principle
Our **Value**

COVER DESIGN CONCEPT

The banded lines of the design express the idea of "alpha," or "beginning." The design foreshadows the new beginning of the KONOIKE Group as we head toward the next stage, including the formulation of our 2030 Vision.

CONTENTS

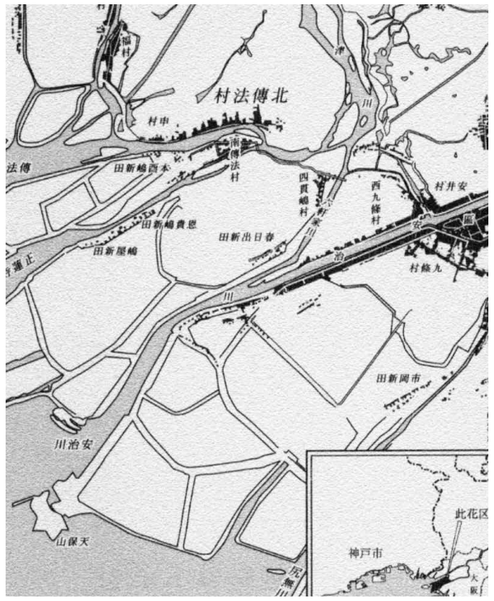
0 OUR BRAND	Our Promise and Our Mission		1
1 KONOIKE STORY	Our Roots		3
	The Source of Value Creation		6
	Businesses That Have Blossomed in a Variety of Fields, Responding to the Needs of Society		7
	Unique Business Model That Creates Value for Society		9
2 The Future and Our Strategies	Top Message		11
	The KONOIKE Group Vision and Management Strategy		15
	Director and Senior Managing Executive Officer Message		19
	External Director Messages		20
	The KONOIKE Group Business Segment Structure		21
	Steel Division		23
	Food Division		25
	Food Products Division		27
	Life Related Division		29
	Medical Division		31
	International Business Division		33
	Airport Division		35
	Environmental & Engineering Division		37
	Business Development Division		39
3 Sustainability	The KONOIKE Group and Sustainability		41
	ESG Director Message		42
	Sustainability Implementation Structure		43
	TCFD		45
	• Environment	Environment	47
	• People	People	55
	• Technology	Technology Innovation	59
		ICT and DX Promotion	61
		Safety and Quality	63
4 Foundation Supporting Value Creation	Management Structure		69
	Corporate Governance		71
	Compliance Initiatives		76
	Crisis Management		77
	Shareholders/Investors		78
5 Data	Financial Highlights		79
	Analysis of Business Status/ Corporate Performance, Etc.		81
	Consolidated Financial Statements		83
	Sustainability Data		87
	Company Data		88

Our Roots

For more than 140 years since our founding, the KONOIKE Group has built a history of pursuing innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust. This spirit has been passed down from generation to generation and remains the core of our value creation as the KONOIKE Spirit.

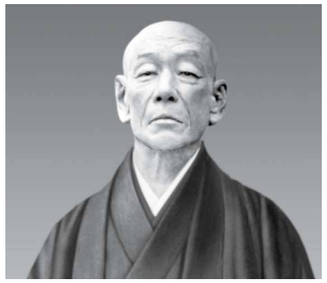
1852

The Birth of Our Founder, Chujiro Konoike, Origin of the KONOIKE Spirit



Map of the Denpo Area During the Meiji Era

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. He provided workers to civil engineering and construction works, as well as for manufacturing industries.



Portrait of Mr. Chujiro Konoike (Digital Reproduction)

More Than 140 Years of Respecting

Humanity and Building Relationships of Trust

1880

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

1898

Work on the National Directed Shin-Yodogawa River Excavation Project

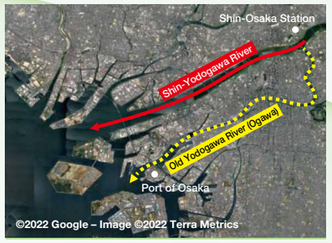
The Yodogawa River basin had long been an important political, economic, and cultural center. But the river itself suffered tremendous damage from repeated flooding and inundation. Therefore, foreign ships gradually moved away from the port of Osaka, which became inundated with large amounts of earth 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

1945

Growing Our Business Base With the Progress of Industrial Development

Adding Business Domains in the Confusion of Postwar Japan

After the end of the war in 1945, Japan experienced a period of great turmoil. Lives were impoverished and business activities suffered due to shortages of raw materials, coal, and electricity. Amid these circumstances, KONOIKE achieved growth by providing postwar disposal-related services, such as dismantling factories that had been bombed during the war, as well as by building housing for the families of the occupation forces. In 1951, KONOIKE began a new food-related business. In-factory transportation services for sugar refiners and liquor manufacturers rode the economic boom and became a success for the company. As more sales offices opened across the country in the 1960s, KONOIKE embarked on more new business ventures.
In 1963, we began transporting coke between Osaka and Wakayama, which marked the beginning of our marine transportation business. At the same time, we began warehousing operations, wharves and large-scale warehouse complexes in Osaka City offering the latest functions, including piers for fruit and vegetable handling and grain silos. In this way, KONOIKE made great strides, taking on a wide range of new business challenges during the chaotic postwar period and the period of rapid economic growth.



1979

Further Development and the Relentless Pursuit of New Businesses

Overseas Expansion, Responding to New Social Needs

In 1979, we acquired the management rights for Japan Airways Co., Ltd. By incorporating the air cargo and passenger divisions under one umbrella, we established an integrated land, sea, and air transportation structure, creating a nationwide network built on ground and air transportation. Our network also expanded overseas. In 1982, the *Phoenix* was put into service on a regular route sailing between Japan and Taiwan. The ship was responsible for the import and export of small-lot sundries and chemical products. To develop international logistics further, KONOIKE established representative offices and local subsidiaries around the world. We made great strides toward internationalization after establishing offices in Singapore in 1984, and in Beijing and Los Angeles in 1985. With the transition to the *Heisei* era (1989 to 2019), KONOIKE entered the medical-related field as part of our efforts to create new businesses. In 1994, we took advantage of our logistics expertise to begin providing sterilization services to hospitals. We later expanded our medical-related business to include the delivery of meals to patients and patient transportation. As Japan became more affluent and the needs of society changed, we responded by expanding globally and developing new businesses, entering a second period of growth.







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

The capacity to open new markets by listening to the needs of society and customers, providing solutions in any business domain, based on the KONOIKE spirit

P.7

The KONOIKE Spirit

A spirit of working with integrity and honesty, never giving up until the work is done

The Source of Value Creation

Unique Business Models That Create Value for Society

Unique business models not found among companies in the general logistics/manufacturing industry, combined with skills and systems in the transport and outsourcing businesses

P.9

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 to our future.

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.



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.



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.



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.



Medical-Related Business

As part of our efforts to develop business in new industries, 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.



Environmental & Engineering Business

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.



Steel-Related
Life-Related
Food-Related
Airport-Related
Medical-Related
Environmental & Engineering
Overseas Business Expansion

1880 Founding — 1900 — 1939 — 1951 — 1984 Expansion Into Singapore — 1991 — 1994 — 2013 IPO on the First Section of the Tokyo Stock Exchange — 2018 — Greater Growth



Corporate Philosophy

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

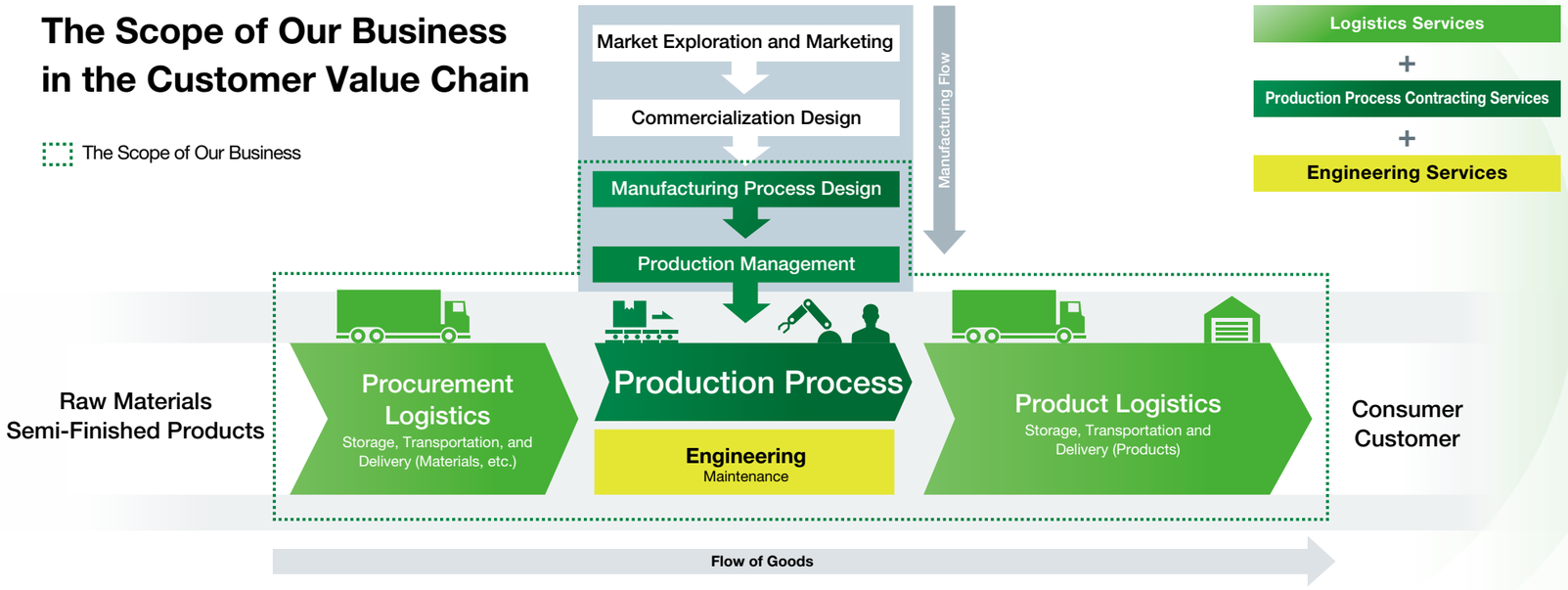
KONOIKE became widely known for a spirit that supports the foundations of society based on respect for humanity and building relationships of trust through worker placement and transport businesses. These values have become part of the DNA of the KONOIKE Group.

A Unique Business Model That Creates Value for Society

The word “transport” is part of the KONOIKE Transport corporate name. However, our main business is essentially in the production of goods and services not normally found in the transport industry. We have truly created a unique business model. We contract logistics process operations in our customer value chains. From there, we identify needs on location and provide solutions to meet those needs. In this way, we expand into non-logistics businesses as well, creating value for society together with our customers.

The Scope of Our Business in the Customer Value Chain

The Scope of Our Business



KONOIKE Group Management Resources

Financial Capital

Total Assets

¥257,700 million

Cash and Cash Equivalents, end of Period

¥57,600 million

Service Capital

Number of Locations by Region

Domestic Locations

193

Asia

27

North and Central America

5

Europe

1

Capital Investment

¥9,200 million

Intellectual Capital

Konoike Institute of Technology Innovation Center Research Expenses

¥180 million

Konoike Grand Prize*

Awarded to a total of 148 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

Employees (as of September 1, 2022)

Consolidated

23,000

Non-consolidated

14,000

Human Resources Training Expenses (non-consolidated)

¥520 million

Social and Relationship Capital

Net sales by business

Steel Division ¥45,495 million

International Business Division ¥68,275 million

Food Division ¥50,815 million

Airport Division ¥9,265 million

Food Products Division ¥47,464 million

Medical Division ¥12,538 million

Life Related Division ¥53,486 million

Environmental & Engineering Division ¥14,030 million

Business Partners

5,000 companies

Natural Capital

CO_2 Emissions

166,991 t-CO_2

Electricity Consumption

95,829 thousand kWh

* Japan consolidated total

Create Value for Society Together With Our Customers

- Support client value chain optimization supported by safety and quality
- Provide infrastructure to developing countries to improve living standards, and support economic development
- Train human resources effectively; create a diverse base of employees across a wide range of specialties
- Provide convenience and abundant living conditions to consumers through medicine, clothing, food, and housing
- Provide efficient business processes that integrate people and new technologies
- Provide ESG-based logistics that reduce environmental impact through diverse logistics functions and transportation modes
- Support more efficient healthcare services through the hospital logistics in Japan

TOP MESSAGE

Achieving Our 2030 Vision Through the Innovations of Each Individual

Introduction

First, I want to express my deepest sympathies to those affected by COVID-19 directly or indirectly.

During FY3/2022, we recovered to pre-COVID-19 levels, recording net sales of ¥301,300 million (up 3.1% year on year) and operating income of ¥10,200 million (up 157.3%). Performance improved as socioeconomic activities normalized gradually and the impact of COVID-19 on production and distribution diminished.

Looking back on our path to this point, FY3/2021, a year deeply affected by COVID-19, was a year in which we were forced to prepare for the first net loss in our 140-plus years in business. At that point, we embarked on structural reforms, working with internal entities and creating a new mindset as we maximized our management resources. Tactics here included reassigning or seconding personnel to posts inside or outside the group from our airport business, which had swung to net losses. Together, we have worked as one to confront this crisis. For better or worse, the COVID-19 pandemic was an opportunity to reaffirm the importance of our corporate philosophy that *we pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust*. At the same time, we realized that these internal collaborations have a significant effect on cost reductions. We hope to continue to strengthen these internal collaborations, not as a one-time event, but as an ongoing initiative to increase productivity.

2030 Vision

In light of the experience with COVID-19, and with the impact of the pandemic and further changes in the business environment, we revised our 2030 Vision this year. We believed that we should better clarify the path we want to take over the medium to long term. The year 2030 will mark the 150th anniversary of our company. To achieve sustainable growth in the midst of rapid changes in the business environment, including labor shortages and geopolitical risks, not to mention the ongoing COVID-19 pandemic, we must think from a broader perspective. The future must not be an extension of the present, but the result of a broad, holistic approach.

We have always been good at focusing on and digging deep into the work that needs to be done in a single business area. This trait is something that our customers have come to appreciate. But if we can look from a higher-altitude view, we will be able to see the peripheral edges around our businesses, becoming more aware of the background behind customer issues and other related challenges. In this way, we will gain a much better understanding of our customers, proposing even higher-added value solutions. By utilizing the expertise and technologies from other departments this high-altitude view will become a driving force for creating better services and new value, which in turn will improve our contribution to our customers. Our 2030 Vision is, *People, leveraging technology to reach for new heights*. We include advanced technologies and the tacit knowledge (artisan skills) developed on the front-lines under our definition of “technology.” This vision reflects our desire to be a company in which people play leading roles, utilizing all manner of technology in every direction, strengthening creativity, and creating safer, richer value and innovations.

This also means that we continue to exceed customer expectations. In other words, we will continue to create higher added value, which inevitably leads to constant challenges. And while employees may feel pressure in this role, I believe that these challenges will lead to growth. At the same time, we will create a virtuous cycle in which customers will thank us and individual efforts become more appreciated within the company. This, in turn, will create more happiness and satisfaction among our employees. To this end, we focus on



Representative Director, Chairman,
President and Chief Executive Officer

Tadahiko Konoike

human resources development to help employees take on the challenge of creating higher added value, at the same time wielding technology as an important tool. For example, in the steel industry, we introduced drones and robots for on-site work, adding technology to locations that were previously the exclusive domain of manual labor. Here, the combination provides higher-quality services that improve efficiency, reliability, and safety. And while it goes without saying that employee education in safety awareness is vital, as is the case in our steel-related business, it is also important that we invest in safety through technology that reduces the workload of employees and creates safer work environments.

Medium-Term Management Plan

The preceding were my thoughts on the new 2030 Vision. Now, I will provide an overview of the medium-term management plan we have formulated as the first step toward achieving this vision. The basic policy of our medium-term management plan, which covers the three-year period from FY3/2023 to FY3/2025, is to leverage synergies between people and technology, striving to go beyond expectations in response to changing times. The aim of this basic policy is to improve profitability further and enhance corporate value by utilizing our strengths in people, front-line expertise, and new technologies. Our operating income target is ¥16,000 million. Since operating income for FY3/2022 was ¥10,200 million, an increase of ¥5,800 million over the next three years may seem like an ambitious goal at first glance. However, this is a target that not only I, but also our executive team, believe is feasible. Our belief takes into account the steady increase in profitability in each of our businesses in wake of the COVID-19 pandemic, the recovery in our airport business in line with the increase in flight operations, and our ongoing efforts to improve capital efficiency. Based on this target, we established four key initiatives as follows. First is to *pursue innovation*. Here, we have set challenges for ourselves in our Focus Businesses. We divided our Focus Businesses into two main categories. We first leverage our competitive advantages in each industry to achieve growth in Airport-Related and Medical-Related Businesses. The Airport-Related Business is a focus business, reflecting its strength in providing flexible and high-quality services to customers. Our Medical-Related Business is a focus business because of its unique strengths in sterilization services and hospital logistics. At the same time, we added the Environmental & Engineering-Related Business and the India Business as focus businesses, as we expect these businesses to grow over the long term, serving to solidify our business foundation further in the future. In the Environmental & Engineering-Related Business, we intend to develop professional human resources, while addressing opportunities that include maintenance and upkeep, installations, and construction for existing customers. We will also explore new business areas such as next-generation energy. India is an important region for us. We will strive to establish a business foundation in India, focusing on the development of our business in India by leveraging our existing ties with the Indian government, medical institutions, JICA, and Japanese companies in India. We will also look to collaborate with new customers who want to expand their businesses into the Indian market.

Second, we *pursue safety and security*, which has always been our highest priority. We will strengthen our commitment to safety and security even further through technological capital, which is included as a non-financial metric in our medium-term management plan.

Third, we *pursue sustainability*, which we address through three non-financial metrics that consist of environment, people, and technology. Our efforts in sustainability are both an important responsibility we meet as members of society and an essential element for sustainable growth. Over the past several years, our response to climate change with respect to the environment has become increasingly important. This issue presents aspects of internal risk for our company and our customers, as well as potential business opportunities. As a contractor, the more advanced our environmental efforts, the more secure a partner we can be for our customers to entrust us with their business. This can be a competitive advantage. The same applies to people and technology. We have already engaged in these areas. But we will treat people and technology as even more important components of management capital, linking these components to management strategy for greater value. To achieve these non-financial metrics, we will set targets under the direction of the Sustainability Committee, managing progress to increase the effectiveness of our efforts. Various evaluation bodies and standards are involved in these non-financial metrics. But it is more important to envision how we grow through these initiatives, rather than worry about simply meeting the world's standards.

Lastly, *improve profitability*. In the past, we monitored the number of unprofitable locations based on the size of invested capital. Beginning FY3/2023, we are no longer bound by that standard, and we increased the number of locations monitored for improvement. We intend to bolster management capital by improving capital efficiency, building a cycle for further growth by investing sufficiently in focus businesses and employee training.

Conclusion

Since our founding, we have always valued people and relationships. We believe that our employees should feel happiness as human beings through our businesses as they deliver happiness to our stakeholders. This is the purpose of our business, and it leads to maximum corporate value. Now that we have formulated our 2030 Vision, it is the perfect time for our people and the company to grow in significant ways, each employee embracing the vision and taking on new challenges. The willingness of each individual to take on challenges increases the value we provide to our customers. And by receiving appropriate profits for the high value we add, we will improve human resources development and create safer work environments. These improvements will in turn lead to a cycle of human growth, safety, and security. If we strengthen the foundation of our company through this cycle, we will far exceed the financial targets in the medium-term management plan, which will also allow for sufficient returns to stakeholders. We are also confident that this cycle will allow us to achieve our 2030 Vision.

Our continued existence for more than 140 years since our founding is a result of the trust and patronage we have received from our stakeholders. As we strive to make further contributions to achieve our 2030 Vision, we ask for your continued support and expectations for the future growth of the KONOIKE Group.



KONOIKE Group Vision and Management Strategy

Amid changes in the industrial structure due to technological innovation and other dramatic drastic changes in the external environment, the KONOIKE Group, which has supported the foundations of business and society for 142 years through our endeavors toward innovation, created a new medium- to long-term management plan toward further growth. We aim to enhance corporate value permanently by pursuing both financial and non-financial targets.

2018.04 Previous Medium-Term Management Plan

2020.02 Structural Reform Plan

2021.04 FY3/2022 Policies

2022.04 New Medium-Term Management Plan ▸P.17

2025.04 2030 Vision

Previous Plan and FY3/2022 Review

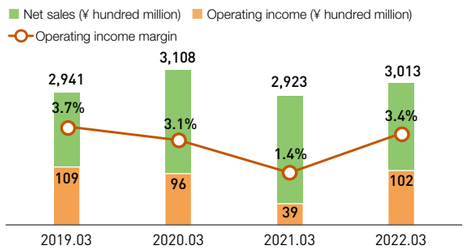
Under the previous medium-term management plan, we set about pursuing five initiatives. And while we achieved a certain degree of success, the trade frictions between the U.S. and China beginning around October 2019, as well as the negative impact of COVID-19 beginning in February 2020, resulting in significant underperformance in net sales, operating income, and operating income margin for FY3/2021.

During that time, COVID-19 created unprecedented circumstances causing socioeconomic turmoil on a global scale. We summarized the matters requiring prompt attention in the Structural Reform Plan. We began company-wide efforts under this plan in February 2020. Our priority at first was to grow our business to avoid settling at the level of contraction. However, priorities shifted inevitably to cost reductions, which dampened slightly our aspirations to challenge ourselves. We are more keenly aware than ever of our investments and their impact, engaging in investments accordingly.

Beginning FY3/2022, we have focused on improving profitability, raising efficiency, strengthening competitiveness, and interdepartmental collaboration. As a result, the COVID-19 pandemic served as an opportunity to face issues that we had been trying to address without progress. These efforts led to significant improvements in efficiency, cost reductions, and the receipt of appropriate prices. And while certain external factors, such as soaring air cargo rates, contributed to higher profits, the largest contributor was the change in mindset by every employee. We have recovered to near pre-COVID-19 performance, despite net losses in the Airport-Related Business.

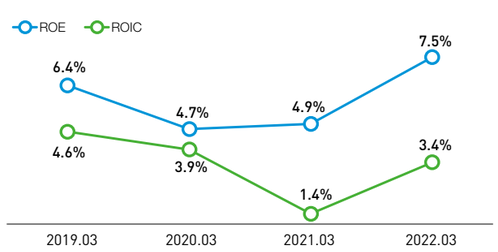
Previous Medium-Term Management Plan		Structural Reform Plan		Policy for FY3/2022	
Action Items	Review	Action Items	Review	Action Items	Review
Strengthen business foundation to facilitate future growth	While we made some progress during the period of foundation building, we missed numerical targets to a significant degree due to the impact of COVID-19.	Expand business	Priority at first was to expand business to avoid settling at a contracted level; however, we shifted our priority inevitably to cost reductions, which dampened our aspirations to challenge ourselves slightly. We did, however, develop an awareness for an even greater emphasis on investment impact.	Improve profit ratios	COVID-19 was an opportunity for the company to confront unattended issues. As a result, we made gains in efficiency and profitability, leading to the charging of appropriate prices. (Flexible employee assignments, multi-skilled workers, personnel matching, etc.)
Restructure management foundation		Improve profits		Improve efficiencies	
Instill management awareness of the cost of capital		Follow stricter investment standards		Strengthen competitiveness	
Foster growth through cross-division collaboration		Create a smaller and more efficient head office		Engage in cross division collaboration	
Engage in initiatives aimed at value innovation and the discovery/nurturing of new core businesses					

Net Sales, Operating Income, and Operating Income Margin



*We applied a new revenue recognition standard beginning FY3/2022

ROE · ROIC



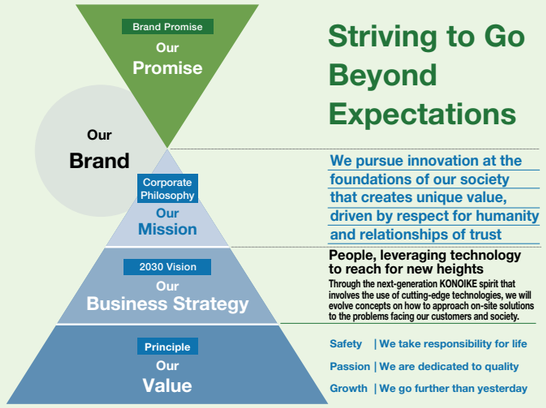
2030 Vision

We created the KONOIKE Group 2030 Vision in FY3/2019, reflecting a focus on financial targets. But in response to unexpected changes in the business environment, we reevaluated the content of our 2030 Vision and added clear non-financial targets. Our 2030 Vision (our goals) describes the ideal that we aim to achieve through our people, leveraging technology to reach for new heights. The 2030 Vision is an important goal essential for us in the eternal pursuit of our mission, or our corporate philosophy.

Vision 2030 Basic Policy

People, leveraging technology to reach for new heights

Through the next-generation KONOIKE spirit that involves the use of cutting-edge technologies, we will evolve concepts on how to approach on-site solutions to the problems facing our customers and society.



What does it mean to reach for new heights?

1. We will adopt new technologies to make further progress in on-site safety as well as in improvements and advanced techniques, in order to realize a rich style of working that fosters individual creativity.
2. We will seek to transform the tacit knowledge of experts into strengths in the form of shared group assets that everyone can use, honing the ability to respond to change that is a part of our DNA.
3. We will raise standards of safety and security, enhance our ability to create next-generation businesses, and engage in further innovations to achieve the creation of a sustainable social infrastructure.

2030 Vision | Target

Financial Targets

Net Sales	(¥450,000 million)*
Operating Income	¥25,000 million
ROE	10% or higher

Non-Financial Targets

Environment	Reduce CO_2 emissions by 35% (vs. FY3/2019)
People	Pursue human resources development under management strategy Raise employee job satisfaction (engagement)
Technology	Automate and save labor through technological innovation and DX Pursue safety always by improving work environments

*Net sales figure under 2030 Vision is a guideline

KONOIKE Group Vision and Management Strategy

New Medium-Term Management Plan

The basic policy of the medium-term management plan is to leverage synergies between people and technology, striving to go beyond expectations in response to the changing times. And in this context, we defined four major initiatives.

Basic Policy Regarding the New Medium-Term Management Plan

Leveraging synergies between people and technology, striving to go beyond expectations in response to the changing times

Four Major Initiatives

1 Pursue Innovation
- Take on challenges in Focus Businesses (including M&A)
- Utilize technology, DX, and collaborative business
- Foster human capital

2 Pursue Safety and Security
- Achieve greater levels of safety and security in work environments and society
- Safety-conscious employee training

3 Pursue Sustainability
- Help create prosperous societies through total employee engagement

4 Improve Profitability
- Improve profitability and efficiency by pursuing innovation
- Always continue to improve profitability

New Medium-Term Management Plan | Target

Financial Targets	FY3/2022 Results	FY3/2023 Plan	FY3/2025 Target
Net Sales	¥301,300 million	¥301,000 million	¥332,000 million
Operating Income	¥10,200 million	¥11,000 million	¥16,000 million
ROE	7.5%	6.0%	8.0%

Non-Financial Targets	FY3/2022 Results	FY3/2025 Target
Environment	13% reduction (169,116 t-CO_2)	Reduce CO_2 emissions by 20% (vs. FY3/2019)
People*1		Pursue human resources development under management strategy Raise employee job satisfaction (engagement)
Technology*2		Automate and save labor through technological innovation and DX Pursue safety always by improving work environments

*1: Create a human resources development plan and conduct surveys by the first half of FY3/2023
*2: Establish an implementation plan for initiatives by the first half of FY3/2023

Medium-Term Management Plan Financial Policies

Operating Cash Flow	• Between ¥45,000 million and ¥50,000 million (three-year cumulative)
Investments	• Growth investments for ongoing corporate value enhancements • Investment decisions based on NPV and ROIC
Shareholder Returns	• Dividend levels maintained at ¥36 per share annually or improved • Consider opportunistic share buybacks as an option
Disciplined Finance	• Maintain a DE ratio of 0.8 times or less • Maintain a shareholders' equity ratio of 40% or higher • Rating of A- or higher

Under our medium-term management plan, we seek to achieve our 2030 Vision and enhance corporate value in a sustainable manner. To this end, we intend to make investments necessary for future growth, as well as investments in technological innovation, DX, M&A, maintenance, and upgrades. As we conduct investments, we will remain aware of the cost of capital and execute investment decisions based on NPV and ROIC in light of hurdle rates.

Capital investments, M&A, and shareholder returns will be within the framework of our assumed ¥45,000 million to ¥50,000 million in operating cash flows (three-year cumulative).

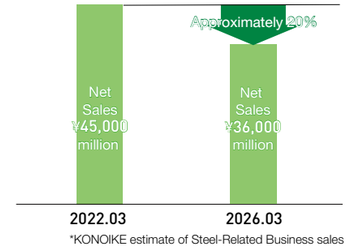
In addition, we will maintain disciplined finance and ensure financial health in consideration of the balance among investment capacity, optimum financial structure, and capacity for shareholder returns.

New Medium-Term Management Plan Response to Changes in the External Environment

1 Steel-Related Business Outlook and Response

In line with structural reforms among our steel-related clients, the Wakayama district, where we have operated, suspended the operation of blast furnaces in the first half of 2021. We have completed our response to this situation. The Kashima No. 3 blast furnace and other furnaces are scheduled to be shut down by the end of March 2025. Assuming that crude steel production in the Kashima district will be halved, we expect a decrease in steel-related sales of approximately ¥9,000 million (slightly less than 20% of steel-related sales) compared to FY3/2022. However, we foresee the impact to occur in stages during the period of the medium-term management plan, and more significantly beginning in FY3/2026.

Impact of Blast Furnace Stoppages on Steel-Related Business (stoppages scheduled by the end of FY3/2025)



*KONOIKE estimate of Steel-Related Business sales

- Planned stoppages of Kashima No.3 blast furnace and others by the end of FY3/2025
- Estimate based on our own assumptions for the full-year impact in the fiscal year following the blast furnace stoppages (FY3/2026)
- We assume the impact to be just under a 20% decrease compared to the steel-related sales in FY3/2022

Issues to address during the medium-term management plan
- Maintaining stable operating systems until stoppages occur
- Preparation for and respond to production systems after stoppages occur

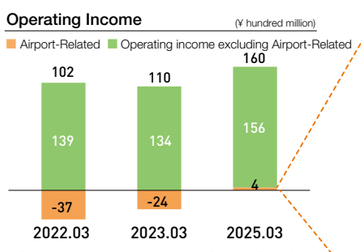
Steel-Related Business Initiatives (preparation for and response to production systems after stoppages occur)

- Engage in the appropriate allocation of personnel according to changes in the production system before and after stoppages
  Strengthen cooperation with other divisions to cultivate new customers
- Enhance value provided to customers and strengthen partnerships
  Pursue DX and drone utilization to improve work efficiency, etc.
- Expand operations further by taking on the challenge of new business opportunities (decarbonization-related, overseas business)

2 Airport-Related Business Outlook and Response

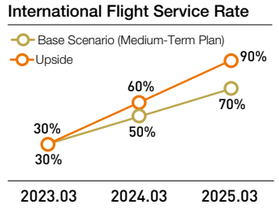
The spread COVID-19 continues to have an impact on passenger flights, and the service rates for international flights are still in the 10% range (as of March 2022) compared to the pre-COVID-19 era. Although we believe this challenging situation will continue to a certain extent in the future, our medium-term management plan assumes international flight service rates will remain at the current level throughout the first half of FY3/2023, recovering in the second half and thereafter, resulting in an average annual service rate of approximately 30%. In the following fiscal year and beyond, we forecast a base scenario of 50% first half and 70% second half recovery rates, returning to profitability by FY3/2025. Our upside scenario calls for 60% and 90%, respectively, and a return to profitability FY3/2024, with profit of about ¥2,000 million in FY3/2025.

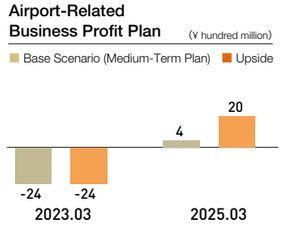
Impact of Airport-Related Business Scenarios on Business Performance



* Operating income excluding Airport-Related: Consolidated operating income - Airport-Related operating income

Created using international flight service rate as a key factor (return to service rate compared to 2019, pre-COVID-19); base scenario uses for the medium-term plan FY3/2023 assumes current level in first half, recovery in second half, and average annual recovery of 30%





Airport-Related Business Initiatives

Establish demand-response system

Continue personnel matching and establish an early-stage staffing structure in line with demand recovery

Expand business fields

❶Expand services provided at domestic airports
❷Expand into major domestic airports
❸Expand into overseas airports

Services by Airport (○: Contracts in place)

	Passenger	Ramp	Cabin	Cargo	Other
Kansai	○	○	○	○	○
Haneda	○	○	○	○	
Narita	○	○	○	○	○
Fukuoka		○	○	○	
Itami			○		

	Passenger	Ramp	Cabin	Cargo	Other
Kobe			○		
Naha	○	○	○		
Overseas					

*Ramps: Loading and unloading, guidance, etc. Other: Airport operations, etc.

Achieving Our 2030 Vision and New Medium-Term Management Plan

Director and Senior Managing Executive Officer Message



Director and Senior Managing Executive Officer
In charge of International Business/In charge of Technology Innovation

Tadatsugu Konoike

A Personal Mission

Society faces challenges that continue to change dramatically, and even daily. COVID-19, supply chain and logistics disruptions, and decarbonization issues are just a few of the challenges. In these circumstances, our basic stance of listening sincerely to our customer, digging to find the underlying issues, and solving customer concerns has remained unchanged since our founding. Our mission, which will never change, is to pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust. This is the path that we promise to follow. However, I believe that the way we go about work must change in fundamental ways. Structural challenges include a shrinking workforce, while technological innovations such as AI and IoT are making remarkable advancements. These challenges and technologies are causing revolutionary changes in the supply chain. For the KONOIKE Group to provide more valuable services to our customers in this environment, we feel the need to innovate and create new value by incorporating new technologies, as well as expertise from outside our organization. At the same time, we recognize that such innovation is not so easy. This is especially true for a company like ours with a history and culture developed over more than 140 years. The important thing is to look to our Corporate Philosophy and foster a corporate culture in which each individual takes on challenges without being bound by preconceived ideas.

Clarifying Our 2030 Vision

Challenges we undertook in our previous medium-term management plan included establishing the New Business Development Division and the subsequent founding of the Konoike Institute of Technology Innovation Center (under the new Technology Innovation Promotion Division), an open innovation hub to accelerate technological innovation in the logistics field. We are replicating these innovation initiatives gradually in an increasing number of in-house applications. One example is innovation at steelworks, where on-site employees have improved several operations through new technologies. We also introduced digital forwarding as a means of reforming international logistics operations and creating new value via data sharing and utilization. I feel that we have finally reached the stage where the seeds we have planted are beginning to sprout.

However, we must not forget that, as stated in our 2030 Vision, *People, leveraging technology to reach for new heights*, it is people who play the key role. This statement means that every group employee shares the same vision and strives to embody these words by his or her own hands. It goes without saying that the KONOIKE Group cannot grow without the growth of existing businesses. For further growth, however, we must take on the challenge of creating new value, not only within the company, but also by leveraging external technologies.

Global Expansion

These challenges are by no means limited to our domestic market. Using the strengths we have developed in Japan for greater global expansion is not only very possible, but essential for our future growth. Yes, we have achieved overseas expansion to a certain extent during the period of the previous medium-term management plan. But we recognize that we have only just begun. And to expand overseas further, we must develop global human resources. Our global human resources must set foot on foreign soil, interact with local people, and experience the local culture. Integrating human resources experienced overseas with technology will create unprecedented added value. Based on my experience of studying abroad as a student, I believe that deepening international exchange through our business of international logistics, etc., can create a world of peace without conflict.

The KONOIKE Group will continue to pursue innovative initiatives and strive to enhance corporate value, becoming a company needed by our stakeholders.

External Director Messages



Yoshihito Ota

Even as COVID-19 infections continue, the unthinkable happened in Russia's advance into Ukraine, not to mention the assassination of Japan's former Prime Minister Abe. We are reminded that even though we continue seek peace and stability, nothing is everlasting, as the saying goes. The reality is that our social environment continues to experience violent changes, including natural disasters, epidemics, and conflicts.

Despite these circumstances, the KONOIKE Group strives to overcome these difficult times through the tireless efforts of every employee, driven by a strong sense of unity developed over the long history of the company.

The KONOIKE Group formulated a vision for 2030 in *People, leveraging technology to reach for new heights*. Naturally, this vision is based on a corporate philosophy and mission to *pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust*.

The more society evolves, the greater the distortions and social friction that occurs. If the company is surprised by these frictions and allow them to take control, KONOIKE will never be able to achieve sustainable growth. It is my sincere hope that the company unites under this excellent corporate philosophy and vision, aiming for further growth.



Mika Masuyama

One of the highlights of this fiscal year was the review of the 2030 Vision, prior to the announcement of the new medium-term management plan. I first heard the phrase, *People, leveraging technology to reach for new heights* at a board meeting after various discussions. My first impression then was to question whether the phrase would be understood by shareholders, investors, customers, and employees. But when I heard the three points under *reaching for new heights*, I was convinced immediately. All three of the points are important, but I feel strongly that the future of the KONOIKE Group lies under point 2, *We will seek to transform the tacit knowledge of experts into strengths in the form of shared group assets that everyone can use, honing the ability to respond to change that is a part of our DNA*. This point is important because we have created relationships of trust with every customer based on true expert knowledge.

Half of the first year has already passed since the announcement of the 2030 Vision and the new medium-term management plan. KONOIKE is still halfway through the process of reviewing its business portfolio, building an organizational structure suitable to the goals for which the company aims, developing a structure for new businesses, and promoting the best possible DX for the KONOIKE Group, and fully utilizing outside expertise. But the company is moving forward steadily, unwavering.

I expect to use board meetings to follow up on the progress of the new medium-term management plan from both a short-term and a medium- to long-term perspective. And if progress doesn't go as planned, we should discuss appropriate solutions as executives. I am committed to using leveraging my own experience and expertise to contribute to sound growth of the KONOIKE Group.



Taisuke Fujita

The KONOIKE Group established a long-term vision of *People, leveraging technology to reach for new heights*. I feel that the extraordinary resolve of the management team is evident in this vision.

The global situation is changing dramatically. Russia's invasion of Ukraine, the destabilization of U.S.-China relations, and the unpredictable direction of the COVID-19 pandemic, to name just a few. This geopolitical instability, combined with the spread of infectious diseases, is disrupting economic activity. Corporate activities are exposed to various risks in the field of logistics, production, and services. These risks demand increasing levels of problem-solving capabilities from KONOIKE, a company that supports on-site operations in the field (social infrastructure).

I believe that KONOIKE has the ability to respond proactively in resolving the changing concerns of its customers. And yet, the main actor here is not the technology, but the people. The best technology is not always the most advanced. With a little ingenuity and imagination, people can still improve work sites and the supply chain. KONOIKE expects its employees to generate ideas and conceive the technology to make ideas a reality. It is up to KONOIKE management to develop strong sustainable business models and strategies to achieve its stated 2030 Vision. As an outside director, I am committed to working with the management team to enhance corporate value, remaining conscious of improving the well-being of KONOIKE stakeholders.

The KONOIKE Group Business Segment Structure

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.

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 Operations

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 Operations

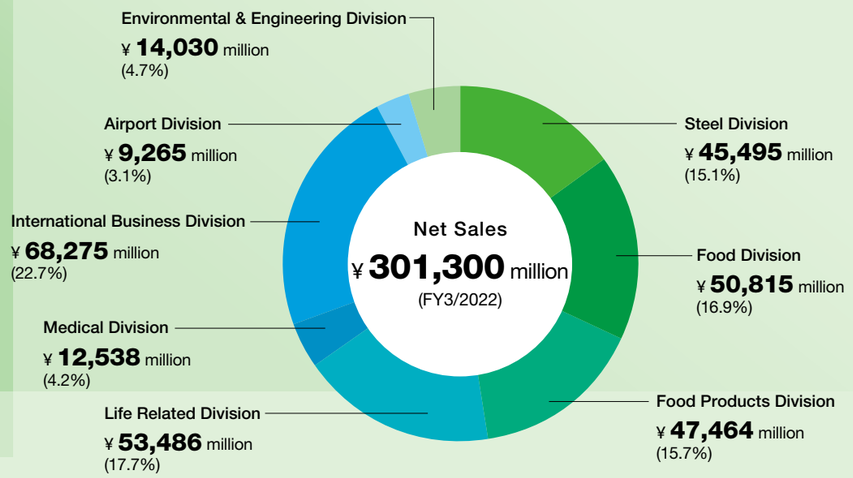
International Logistics Business

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.

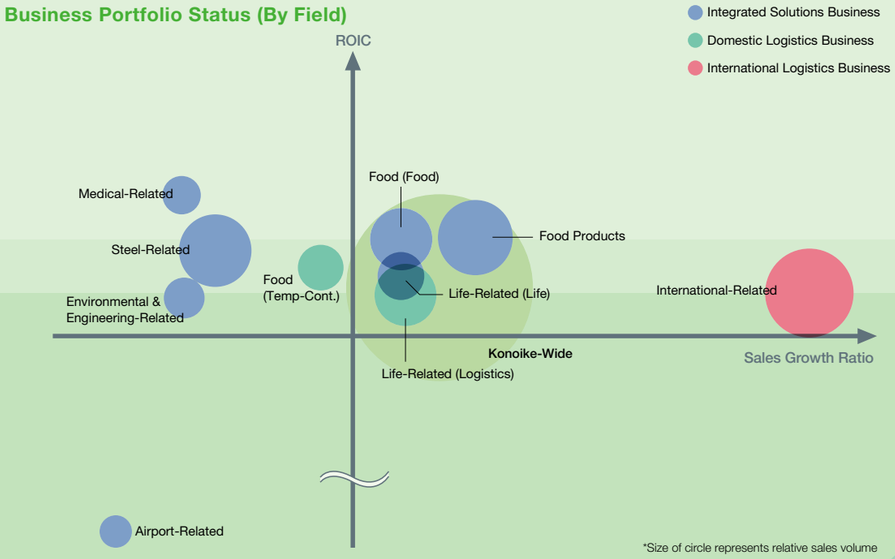
International-Related Business
- Overseas-Related Operations

Business Highlights

Sales Composition by Division



Business Portfolio Status (By Field)



Steel Division

Integrated Solutions Business | Steel-Related Operations



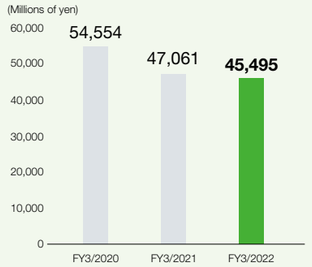
Aiming to Create Value-Added Industry and Accelerate the Development and Operations of New Technology

Executive Officer and Executive General Manager, Steel Division
Toshihiro Fujiwara

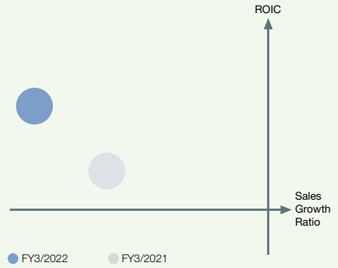
Business Overview

The Steel Division has built strong trusting relationships with major steel manufacturers since our founding over 140 years ago. Our contracting operations within the steel factory widely range from raw material processes to shipping of products. Although the environment surrounding the steel industry remains challenging due to a semiconductor deficiency, supply chain difficulties, overseas political instabilities overseas, etc., we continue to challenge these difficulties together with our customers.

Net Sales



ROIC and Net Sales Growth Ratio Trends



* Size of circle represents relative sales volume
* Net sales growth ratio is calculated based on the average of the past five years in question

Our Strengths

- **Provision of high-level services in safety, work quality, and human resource development as an organization**
- **Prompt correspondence for customers through cooperation between bases and operation placement**
- **Steady suggestions for improvement on the front lines on-site that tie into customer satisfaction and field expansions**

Quantitative Data Supporting Our Strengths

Training of Drone Pilots and Acquiring New Business

Drone qualification holders **90** persons

New business orders using drones **36** cases

* We will promote the introduction of new drone technology, in addition to the development of pilots going forward

Our Ideals for 2030

It is forecasted that domestic demand for steel will diminish gradually in the long-term due to depopulation, an aging population, and the spread of customers outsourcing to overseas local production. We will be greatly affected by the reconstructing of customers production system, which is planned to last until the end of FY3/2025. We believe temporary damage is unavoidable. However, we will raise performance to before corona levels through striving for the appropriate allocation of employees, to take advantage of those with superior skills, as well as developing new customers. We will especially aim to fully use DX technologies on-site to reduce the total cost (safety, environment, disaster prevention, work efficiency) for customers, and create a high value-added industry going forward, as the working population decreases.

Medium-Term Management Plan

Utilizing Human Resources

Although trends in crude steel production are extremely uncertain, it is important to first secure enough employees to fit the customers operations, and to get the job done. We view our current situation as a period of preparation to respond to changes in customers production systems. Our next step is to appropriately allocate the necessary personnel and through doing so, we can strive to secure places for highly skilled employees to play an active role. We will expand our line of work by acquiring new jobs and new customers.

Promoting High Value-Addition Proposals to Customers (DX and Business Streamlining)

New technology development teams, organized at each branch, are playing a role in promoting DX on-site operations that use the latest technologies in each of the areas of safety, quality, productivity, and environment and disaster prevention. We are particularly working with machine manufacturers in the joint development of labor-saving equipment to improve operations of our longstanding issues in high-intensity workplaces with summer heat, heavy lifting, and narrow spaces. We are achieving significant results. Some of this equipment has patents on their basic technology, and we are preparing them for direct sale. Going forward, we will work on technological innovation through the introduction of new technologies. In addition, we will strive to increase on-site efficiency and labor savings and enhance our ability to make proposals to customers.

Expanding Business Overseas (India)

While we see a decline in domestic population and crude steel production, demand for steel is expected to increase further in China, India, and other Asian countries. In particular, we believe see a great business opportunity for our company in India, where there are numerous investment projects planned. We have continuously received orders related to large-scale repairs and maintenance services for manufacturing facilities in India since FY3/2022. We will continue to focus on sales and proposal activities together with the related departments based on our accumulated expertise.

Capturing Business in Our Carbon Neutral Vision 2050 (Related to Electric Furnaces and Hydrogen Reduction)

While many companies are focusing on expanding the scale of overseas production and developments of new technology to reduce CO_2 emissions to become carbon neutral by 2050, our customers are also moving in the direction of promoting decarbonization in their manufacturing processes. We will engage in sales activities to gather information and acquire new businesses so we can continue to contribute to our customers in the future stages of technology. This includes blast furnace hydrogen reduction and electric furnaces, which are expected to expand in the future.



TOPICS

KONOIKE Drone School Project and Regional Symbiosis Initiatives

We opened the JUDIA-certified KONOIKE Drone School at the Kashima Branch in July 2022. Until now, this facility has been operating with the goal of acquiring drone certification and improving piloting techniques for our employees. However, we decided to open the school in hopes to extensively familiarize people outside the company and the general public with drones. We held a hands-on drone piloting event for the local community prior to the schools opening, and approximately 50 people from the city attended the event. As the use of drones spreads in different fields and as demand for the school increases, we will continue to strive to operate rooted in the community while providing enjoyment to local residents.

Food Division

Integrated Solutions Business | Food-Related Operations

Domestic Logistics Business | Temperature-Controlled Logistics Operations



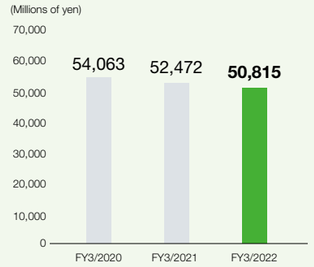
Aiming to Be a Professional Group That Contributes to Food Safety and Security as Well as Environmental Protection

Managing Executive Officer and Executive General Manager, Food Division
Yoshikazu Tabo

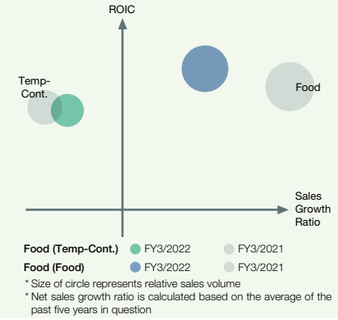
Business Overview

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.

Net Sales



ROIC and Net Sales Growth Ratio Trends



* Size of circle represents relative sales volume
* Net sales growth ratio is calculated based on the average of the past five years in question

Our Strengths

- **Long-standing track record of providing logistics and contracting services to leading food-related companies**
- **Ability to construct efficient services through the deployment of human resources and equipment in response to the nature of the contract**
- **A completely developed temperature-controlled logistics network with bases in major cities throughout Japan**

Quantitative Data Supporting Our Strengths

Food Division Business Overview

Food Division

Food Business	Dairy Business Contracting and logistics services for dairy manufacturers	**17** business locations / Major clients **25** companies
	General Food Business Contracting and logistics services for food manufacturers	**36** business locations / Major clients **28** companies
	Distribution Business Logistics services and logistics center operation for the distribution industry	**9** business locations / Major clients **28** companies
Temperature-Controlled Logistics Business	Comprehensive logistics services related to frozen, chilled, and temperature-controlled foods	**11** business locations / Major clients **51** companies
Overseas Business	In-plant contracting services for major U.S. based consumer goods manufacturers through Konoike Philippines	**200**-person system

Our Ideals for 2030

ANSHIN is the keyword shared by all in the Food Division. We want to be a company with high quality of work that can make new proposals that address various environmental changes for our customers. We want to be a company where our employees can work safely, and that has a vibrant workplace through improvement activities. While establishing such foundations for 2030, we will aim to refine sensitivity and sensibility through interest and curiosity, and construct new services conceived from different perspectives. We will expand our peripheral fields and advance customer development for existing services, such as contracting and logistics, by adopting digital transformation (DX) and automated transport technologies, etc. We want to deliver our standard of safety and security not only domestically but also overseas, through expansions of the Philippine business, where we have already made advances. In addition, we are selecting partners for education and training for foreign personnel as well as farm management, positioning brand-new fields, such as agricultural business, as new food-related developments. To achieve these, we established a project team across the division, and we are formulating specific details for our initiatives.

Medium-Term Management Plan

Accurately Responding to Customers Logistics Reorganizing Trends and Promoting the Deepening of Business Operations

Our customers are constantly working to revolutionize business in response to market and environmental changes. One part of this process is the reorganization of existing logistics operations, and it is a major challenge. Our company has strived to expand our business by accurately making proposals in response to these customer needs. As a part of this effort, we commissioned the operation of a new hub center for the entire Kyushu region for a specific customer. In addition, we are continuing to expand transactions with customers through logistics reorganization of the Kanto region and propose in-plant contracting services, etc. In such cases, we are also highly regarded for our ability to propose comprehensive in-plant logistics DX, such as AGVs, and automatic truck loading. We are strengthening close relationships with our customers to meet the rising modal shifts in demand. To achieve this, we are securing a base in land adjacent to Tokyo Freight Terminal Station and establishing a system where we can provide a combination of various modes of transportation.

Expanding Our Temperature-Controlled Network Through Establishing a New Base

Our company's Temperature-Controlled Logistics Business is one of the top ten in the industry, with a chilled storage warehouse capacity of approximately 240 thousand tons. In addition, our strength lies in the existence of our nationwide network that comprehensively deploys Warehouse Management System (WMS) and Transportation Management System (TMS) for product storage, transportation and delivery, distribution processing, and their operation. We will further improve the utilization rate of each of our bases to further reinforce our system. To do this, we plan to establish a new 30-thousand-ton facility in February 2023 located in Koshigaya, Saitama Prefecture, reinforce our cargo collection capacity for frozen and chilled cargo in the greater Tokyo area, and deliver through the co-distribution network developed nationwide.

Expanding Overseas Business with a Focus on the Philippines and Establishing a System to Locally Support Clients Overseas Strategies

The Food Division, backed by a solid track record of domestic transactions with major consumer goods manufacturers, newly established Konoike Philippines in 2018 and began in-plant contracting services in the same manufacturer's Philippine Cabuyao Factory. Going forward, we will develop these business foundations, propose contracting services for other local companies, and develop proactive sales to attract new customers. We are considering developing our expertise of the Temperature-Controlled Logistics Business in Japan within the Philippines under partnerships with local companies. In addition to this, we are continuing to collect and exchange information to provide logistics support to existing domestic customers planning overseas development.



TOPICS

CO_2 Reduction Initiatives

The business area of our division is food, which is a major factor in all environmental issues. According to a survey by the EU, one third of all artificially discharged greenhouse gases in the world are related to food. We have been working long and steady under these circumstances to promote fuel efficiency and green purchasing through the promotion of energy-efficient operation, as well as to improve loading efficiency through the conversion to LED warehouse lighting and cargo bed lengthening. In addition, we have installed solar power generation facilities in our logistics facilities wherever possible. Currently, this power generation exceeds 5,000 MWh/year. Chilled storage warehouses consume a lot of power and we strived to reduce energy consumption by giving priority to energy-saving equipment when newly installing or renewing refrigeration equipment in addition to adopting the first natural refrigerants in our large warehouses established in 2006. We will continue to work and prioritize CO_2 reduction by completely switching electricity used in chilled storage warehouses to renewable energy going forward.

Food Products Division

Integrated Solutions Business | Food Product Operations



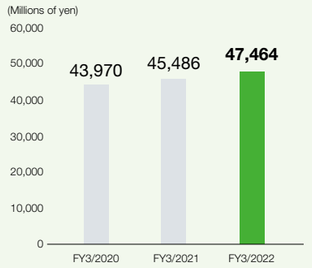
Continuing to Provide Safe and Secure Services as the Foundation of Our Business Activities, Even in Rapidly Changing Business Environments

Executive Officer and Executive General Manager, Food Products Division
Takahiro Tanaka

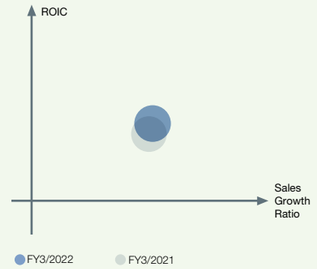
Business Overview

The Food Products Division has built trusting relationships with major domestic beverage manufacturers for over 60 years. Our first mission is to continue providing safe and secure services in a wide range of supply chains. We will meet the expectations of various stakeholders through our adaptability to changing times as well as through strong foundation building.

Net Sales



ROIC and Net Sales Growth Ratio Trends



* Size of circle represents relative sales volume
* Net sales growth ratio is calculated based on the average of the past five years in question

Our Strengths

- **Ability to contribute to management based on long-standing relationships of trust with major domestic beverage manufacturers**
- **Ability to flexibly respond to changes on-site and propose new ideas**
- **Continuous improvement and reform with a focus on people, organizations, and cultures**

Quantitative Data Supporting Our Strengths

Number of Equipment Maintenance Technicians (as of April 1, 2022)

Special Class Machinery	3
Class I Machinery	307
Class II Machinery	511
Class I Electrician	34
Class II Electrician	141
Class II Equipment Diagnostician	2

Our Ideals for 2030

We will develop our activities with the aim of moving from customer satisfaction to customer impression. We have focused our activities on increasing relative value with an awareness of our competitors in order to achieve customer satisfaction thus far. However, as business environments change not only greatly, but also rapidly, we believe it is important to pursue the unwavering and one-of-a-kind absolute value.

We will first solidify our core business from the perspective of people, organizations, and cultures, and pursue absolute value in order to do so. We will work to establish a place to enhance horizontal collaboration among bases and proactively make internal and external proposals (automation, efficiency, business improvement, etc.). We will also develop operations and utilize human resources by leveraging our strengths.

Additionally, we will work to create new value by leveraging our diverse assets and new technologies as environments surrounding manufacturing and logistics industries change. We also recognize that strengthening cooperation with logistics partners the streamlining of transportation and distribution centers through IT, and the improvement of customer service levels are future issues to be addressed.

Furthermore, we will work to promote business activities in line with the Sustainability Basic Policy in response to environmental changes surrounding customers, society, and employees. We aim to achieve a society that will bring happiness, safety, and a sense of security to various stakeholders through our business activities, and we will fulfill these responsibilities.

Medium-Term Management Plan

Solidifying Our Core Business from the Perspective of People, Organizations, and Cultures, and Pursuing Absolute Value

We believe that our first priority is to strengthen business foundations by making the most out of human resources, a strength of our Group. In addition to improving the level of current employees and securing their employment, it is also important to establish a mutual support system among bases and exchange personnel with other divisions to achieve this. As additional new initiatives, a team of knowledgeable and experienced employees are expanding our business domain, improving and reforming existing businesses, and enhancing mobility. To expand our business domain, we have already began using the strength of equipment maintenance technology we have cultivated over the years and started maintenance services for equipment manufacturers in addition to implementing maintenance services for a new beverage manufacturing company. We will continue to actively enter areas in which we are not presently involved.

Creating New Value by Leveraging Diverse Assets (People, Equipment, Expertise) and New Technologies from Production to Distribution

We see environmental changes from production to distribution as opportunities and will promote improved productivity and streamlining, including automation, in every field. We are working with our customers to reduce man-hours and to automate inspections in the production field. In the logistics field, we will implement activities aimed at reducing labor shortages and reforming workstyle through the introduction of automated forklifts at North Kanto Distribution Center Sales Office and field tests of automated truck loading and unloading using unmanned forklifts at Kanagawa Ayase Sales Office. We are working on the automatic reading and digitization of paper forms and reduction of data transcribing work in our indirect operations as well.

Going forward, we will work towards the systemization of billing and payment operations. We will continue to create new value through the use of new technologies.

Promoting Business Activities in Line with the Sustainability Basic Policy in Response to Environmental Changes Surrounding Customers, Society, and Employees

In our production contracting and logistics operations, we don't just ensure safety and quality and avoid the occurrence of negative events such as occupational injuries, vehicular accidents, and quality-related problems. We also maintain stable production activities and provide continuous service. Through these efforts, we will contribute to society as a whole by working to improve added value and productivity. We will utilize innovative technologies and digital transformation and search for new areas in which we may contribute, in accordance with the changing needs of society. In addition, we will work to achieve comfortable workplaces, and improved employee satisfaction. Furthermore, we will strive to conserve resources and energy as well as contribute towards becoming a resource-recycling society through the introduction of renewable energy initiatives.

TOPICS

CO_2 Reduction Initiatives

Among our initiatives based on the customers environmental policy, we have conducted a joint trial run in cooperation with the customer for truck transportation using biofuel instead of conventional diesel oil. This biofuel is called Renewable Diesel and it is a possible substitute for diesel oil. This fuel is refined from inedible oil derived from living organisms and reduces CO_2 emissions by approximately 90% compared to the use of petroleum-derived diesel oil. Although the actual introduction of renewable diesel has not been decided at this time, we will examine the CO_2 emissions, cost, and transportation routes that take into account refueling locations, and consider our future policy for the introduction of renewable diesel.

Life Related Division

Integrated Solutions Business | Life-Related Operations
Domestic Logistics Business | Logistics Operations



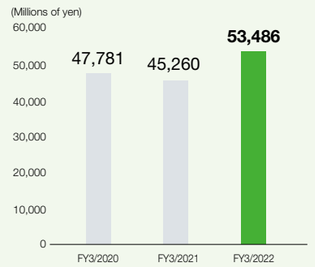
Boldly Challenging and Expanding Business Scopes With Our Ideal Future Self in Mind

Managing Executive Officer and Executive General Manager, Life Related Division
Katsuhiro Hashizume

Business Overview

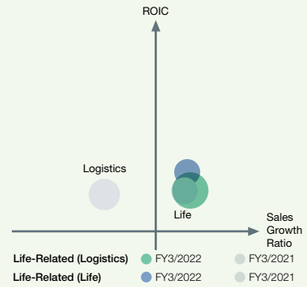
The Life Related Division is developing a vast array of businesses such as in-plant contract manufacturing, logistics, and equipment maintenance for housing equipment, chemicals, and natural gas as well as the storage and delivery of housing equipment, construction materials, clothing, daily necessities, miscellaneous goods, and foodstuffs. Other services include tanker truck transport of industrial gas and the like; transportation of cargo handling vehicles, machine tools, etc.; inspection and servicing of luxury imported vehicles; remodeling of commercial HVACs; renewable energy-related services such as solar power generation, etc.; and manufacturing and sales of high-grade frozen processed marine products.

Net Sales



* Figures for FY3/2022 have reclassified affiliated subsidiaries associated with the Medical Division to the Life Related Division. Figures for FY3/2021 and prior have not been reclassified

ROIC and Net Sales Growth Ratio Trends



* Size of circle represents relative sales volume
* Net sales growth ratio is calculated based on the average of the past five years in question

Our Strengths

- **Our ability to respond to customer needs and our ability to negotiate**
- **Specialized skills (certifications, Meister, etc.)**
- **Expertise in the energy business cultivated from years of experience**

Quantitative Data Supporting Our Strengths

National Qualifications

Construction Management Engineers (17 in public engineering, 9 in piping work, 3 in electrical work, and 2 in construction engineering)	31
Crane Operators	52
Electricians	37
Boiler Mechanics	5
Operations Chiefs (644 in loading and unloading, 443 in cargo piling, and 245 in organic solvent, etc.)	1,808
Hazardous Materials Operators	311
Vehicle Cargo Handling and Transport Machinery Work Chiefs	32
High Pressure Gas Transfer Supervisors	61
High Pressure Gas Sales Safety Chiefs	22

Specialized Skills (Meister, etc.)

Gas Heat Pump Service Proficiency (8 advanced and 9 intermediate)	17
Certified Mechanics From Overseas Automobile Manufacturers (9 Meisters and 16 technicians)	25
Factories certified for air conditioning remodeling (Osaka, Soka, Toyohashi)	3

Our Ideals for 2030

The demand for labor saving and streamlining is rising across many fields in response to energy conservation initiatives for global warming as well as to the decrease in working-age population due to declining birthrates and an aging population. In response, we are prioritizing the following five business strategies as our ideals for 2030.

The first is to deepen contracting operations to become an indispensable partner for our clients.

The second is to strengthen system integration with business partners and internal systems and establish effective distribution centers and transportation business operations.

The third is to become the leading company in the air conditioner remodeling business within the Tokyo metropolitan area, Keihanshin area (Kyoto, Osaka, Kobe), and Chukyo area (Nagoya metropolitan area).

The fourth is to build the foundation for energy-related businesses focusing on the use of solar power generation and hydrogen.

And lastly, the fifth is to develop domestic contracting schemes overseas.

We will constantly think about what our future should look like, develop initiatives to utilize our strengths and opportunities, and grow with the field. We will also create new businesses by boldly taking on challenges.

Medium-Term Management Plan

Improving the Profit Ratios for the Foundational Business and Land Transportation Business (Improvement of Vehicle Efficiency and Administrative Efficiency)

Labor shortages are becoming more serious, and demand for labor saving and streamlining is increasing in many fields.

Amidst these conditions, we are strengthening the foundational business and land transportation business, improving actual vehicle efficiency through information sharing within the KONOIKE Group as well through business alliances with partner companies, etc. In addition, we will improve administrative efficiency through the introduction of a dynamic control system and others, improve profit margins for the abovementioned businesses. We hope this will lead to future expansions of business.

Improvement of Distribution Center Operations Efficiency Through System Development and Enhancement

Our division is required to enhance our responsiveness to customers who specialize in e-commerce business, etc., amidst new lifestyles such as with-COVID and after-COVID. Therefore, as the need for the visualization of logistics sites and business streamlining rises, we will work to improve operating efficiencies and productivity through the introduction of AI and DX as part of our efforts to enhance profitability.

Considering Entry Into the Energy Business (Subsidized Decarbonation Projects, etc.)

We will lay the groundwork for our energy business to provide end-to-end services from solar power generation equipment leasing, installation, and maintenance, as well as consignment and sales 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 batteries, 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. We will gather data, conduct research, and examine new possible businesses through the operation of natural gas automobiles, hydrogen forklifts, and hydrogen fueling stations.

Expanding Air-Conditioner Remodeling Business (Domestic and Overseas)

We will aim to create new business opportunities in the remodeling business in air conditioner manufacturers in Japan and overseas. We will contribute to environmental friendliness by reducing waste and CO_2 through consolidating transportations to construction sites and streamlining logistics management as a new business of improving work efficiency at construction sites. In addition, we are looking to move into overseas markets. We aim to further develop our existing remodeling services and to capture new businesses, such as air conditioner assembly and paintwork for outdoor unit salt damage prevention, by partnering with local partner factories and units within the company.

TOPICS

Energy Service Through Solar Power Generation (PPA Business)

Various activities are being promoted on a global scale in pursuit of a sustainable society, and emphasis is being placed on efforts to address environmental issues. As a part of these efforts, it is necessary to further promote CO_2 emission free solar power and other renewable energy. In light of this, we will make internal and external proposals for our Power Purchase Agreement (PPA) business. In this business, we install and own solar power generation systems on roofs of on-site electric power customers' facilities as well as manage and maintain said facilities through our solar power energy services.

Medical Division

Integrated Solutions Business | Medical-Related Operations



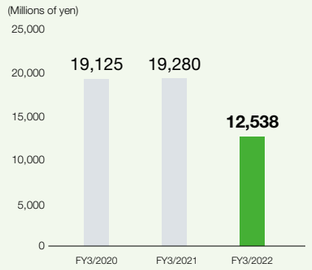
Achieving Business Growth through Business Domain Expansion and Productivity Improvement

Executive Officer and Executive General Manager, Medical Division
Kazumitsu Miyoshi

Business Overview

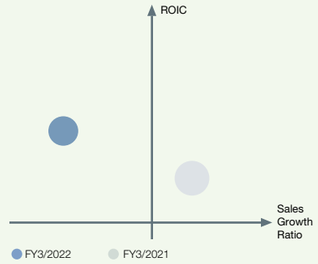
We provide a series of services supporting the entire supply chain for medical-related products, from manufacturer logistics to wholesale logistics to hospital logistics. This includes sterilization, hospital logistics, and other services for medical institutions, as well as cleaning and maintenance services for medical equipment and other services for manufacturers provided by Konoike Medical Co., Ltd. It also includes distribution center operation services for wholesalers of pharmaceutical drugs and medical equipment supplies provided by Konoike Transport's sales offices.

Net Sales



* Figures for FY3/2022 have reclassified affiliated subsidiaries associated with the Medical Division to the Life Related Division. Figures for FY3/2021 and prior have not been reclassified

ROIC and Net Sales Growth Ratio Trends



* Size of circle represents relative sales volume
* Net sales growth ratio is calculated based on the average of the past five years in question

Our Strengths

- **Range of service options for the entire medical supply chain**
- **Contractor for core in-hospital operations at acute care hospitals related to operating rooms in recognition of our ability to support operations**
- **10 out-of-hospital sterilization centers and four medical equipment distribution centers across Japan**

Quantitative Data Supporting Our Strengths

Number of Qualified Sterilization-Related Personnel

Sterilization Administrators (Association of Japan Sterilization Service)
328 persons

Contracted Hospital Sterilizing and Disinfection Service Managers (Association of Japan Sterilization Service)
273 persons

Contracted Sterilization and Disinfection Service Managers (Association of Japan Sterilization Service)
10 persons

Certification Status from the Japan Health Enterprise Foundation

Number of offices certified for sterilizing and disinfection services outside hospitals
10 sterilization centers (48 in Japan when including other companies)

Number of offices certified for in-hospital sterilization and disinfection services
11 offices (68 in Japan when including other companies)

Our Ideals for 2030

The Group's medical-related services extend throughout the supply chain, including manufacturer distribution, wholesale distribution, and hospital logistics. In services for medical institutions in particular, we have received recognition from these institutions for our high level of infection control capabilities. In this area, we play a central role in core hospitals that provide advanced treatment, such as sterilization inside and outside the hospital, operating theater assistance, and in-hospital supplies management. We hope to enhance and streamline these services, thusly growing our contribution to healthcare in Japan.

In addition, by combining Group-wide efforts in DX and mechanization with the various functions of other divisions, we will create services that other companies do not offer, improve the level of on-site operations, and ultimately create a workplace where each and every person who provides medical-related services can engage in their work with peace of mind. By doing this, we will contribute to the improvement of the Group's profitability, and work to create an organization that allows each member to grow while realizing that all of our workers are indispensable service providers to society.

Medium-Term Management Plan

Expansion and Enhancement of Konoike Medical Co., Ltd.'s Hospital Business

In services for medical institutions, we will expand the physical and business scope of our in-hospital service offerings, with the development of out-of-hospital sterilization centers at the core of this expansion. We will prepare for the expansion of this business area by studying the market environment and other factors in areas where we have not yet established a presence. In addition to considering the expansion of the service options we can provide in parallel, we will also consider DX, mechanization, and other measures for enhancing and streamlining operations within medical institutions. Given the not especially high utilization rate of out-of-hospital sterilization centers we have deployed across Japan, we will improve their utilization rates and increase their earnings by taking another look at the functions these centers offer.

Expansion and Enhancement of Konoike Medical Co., Ltd.'s Medical Equipment Logistics Business

Currently, the Group's medical equipment logistics business is centered on the cleaning and maintenance business of loaned medical equipment for orthopedic implant surgery, which we conduct at four locations across Japan. The orthopedic implant surgery market is a growing market and our business is in the process of expanding and growing thanks to the recognition of the high quality of our services. In the future, we will continue to raise the level of this business, while simultaneously providing integrated services through tie-ups in the process from import operations to domestic logistics labeling and manufacturing operations, enhancing peripheral service options such as repair of medical equipment and processing services such as engraving, and providing medical equipment logistics services differentiated from competing logistics companies' offerings through a tie-up with our hospital business, thereby leading to business growth.



Expansion of Logistics Services for Medical Equipment Supplies Wholesalers and Pharmaceutical Drug Wholesalers

We provide subcontracted operations, focused on in-warehouse services at our three distribution centers for pharmaceutical drug wholesalers and two distribution centers for medical equipment supplies wholesalers. Despite market changes amid the COVID-19 pandemic, we believe that further changes in the Japanese government's healthcare spending policies and changes in Japan's healthcare environment will occur looking ahead. In light of the challenging business environment for our clients, we are currently focusing our work on streamlining. However, in the future we plan to develop new services that leverage not only our existing knowledge but also the knowledge and experience from Konoike Medical Co., Ltd.'s various businesses and Kyushu Sanko Unyu's pharmaceutical logistics business. By responding to market changes, we will create new markets.

TOPICS

Promoting the Cultivation and Retention of In-Hospital Talent with Stronger Personnel Training and Implementing Work Support Systems and Automated Equipment

Like all other industries, the healthcare industry faces the challenge of securing talent. Therefore, we believe that there is a very high need for medical institutions to outsource tasks, including those traditionally performed by nurses. Peers in this in-hospital business are also struggling to secure talent. Though we at the KONOIKE Group have no excessive leeway in terms of labor supply and demand, we will continue to improve our education system so as to rapidly make hired employees a competitive force in the Group and to help retain them. At the same time, we will study initiatives to introduce support systems and automated equipment for on-site operations.

International Business Division

International Logistics Business | Overseas-Related Operations



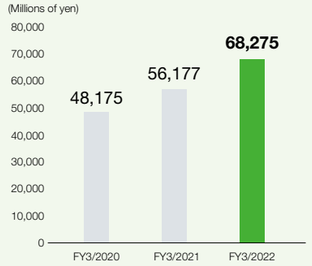
Growing Alongside Our Customers by Constantly Adapting to an Ever-Changing Business Environment

Executive General Manager, International Business Division
Masahiro Yasuoka

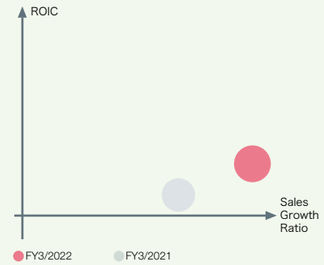
Business Overview

Our aim is to expand our businesses by promoting our *Forwarding + ONE* strategy, where we take on the challenge of new fields using our forwarding business as a basis, making high-value proposals with full use of our overseas network, and expanding our strengths brought about by new investments. At the same time, we will pursue higher profit margins by dramatically improving operational efficiencies through the use of DX.

Net Sales



ROIC and Net Sales Growth Ratio Trends



* Size of circle represents relative sales volume
* Net sales growth ratio is calculated based on the average of the past five years in question

Our Strengths

- **Ability to gather information and develop new customers, cultivated in core businesses**
- **Full support system for integrated management of customers' entry into foreign markets and product transportation**
- **Doing business in a distinctive way that meets the needs of each country (installation, temperature control, cargo transportation, air, rail, contracting)**

Quantitative Data Supporting Our Strengths

No. 1 Share of Storage Volume on the U.S. West Coast (LAX/LGB Port District)

	Pallets
Konoike-Pacific California, Inc.	23,000
Konoike-E Street, Inc.	23,000
Lineage	30,000
Lineage (Formerly Preferred)	15,000
Maruzen	13,000
Cool Pack	15,000
Americold Logistics	12,000

35 %

* Only KPC and Lineage have chilled/frozen storage warehouses in the Overweight Corridor

Our Ideals for 2030

Amid events such as the outbreak of the COVID-19 pandemic, China's maritime expansion, and Russia's invasion of Ukraine, the global economy continues to face an uncertain future, and Japanese companies are similarly experiencing stagnation in entering foreign markets. In such an environment, our International Logistics Business has been actively engaged in sales activities to develop new areas and deepen existing ones, with each of the Group's operating base drawing on its insights to turn headwinds in their favor. However, Japan's market size will inevitably shrink in the future due to factors such as the declining birthrate and aging population, and international business is becoming more and more important in relative terms.

The strength of this headquarters' forwarding business lies in its ability to gather a variety of information at each of its domestic and overseas operating bases, and to propose and provide various services to customers through the Group network. In recent years, we have been focusing not only on supporting our customers' entry into foreign markets and overseas-to-overseas logistics services, entry into overseas markets and DX in our own domestic business. We will promote profit improvement through achieving operating efficiencies, further strengthening tie-ups with domestic divisions to expand our business domain overseas. Furthermore, in May 2022, we opened a representative office in Düsseldorf, Germany, our first European operating base. Under the *Forwarding + ONE* strategy, we will vigorously promote "Global Challenges."

Medium-Term Management Plan

Introduction of Next Generation Forwarding System

We are promoting the introduction of a Next Generation Forwarding System to improve productivity and strengthen price competitiveness through automation and labor-saving in forwarding industry-unique analog tasks, such as flexible customer support and tasks requiring on-site specialties. We consider industry transformations driven by DX as a threat to our company, and we will outpace competitors in advancing DX for our business model, responding to changing customer needs and increasing value. By introducing this new system, we will achieve operating efficiencies, reduce operational costs, and expand sales channels (online, headquarters, etc.) through the use of DX to promote sales expansion and new customer development.

Further Promotion of *Forwarding + ONE* (Tie-ups Across Business Divisions)

We will make full use of information gathering capabilities cultivated in our core businesses, such as forwarding, to accurately grasp not only the constantly-diversifying needs of our customers, but also the context behind this, in order to propose and provide services that exceed their expectations. We will also seek to uncover overseas demand from customers in our domestic divisions and collaborate with them to expand these divisions' expertise overseas. Both domestic and overseas divisions will serve in the three-fold role for field, sales, and head office, deepening discussions about overseas demand for the customers each division has and taking on the challenge of developing new business overseas.

Safeguarding and Cultivating Existing Customers and Developing Business With New Customers

We seek to embody the services our customers demand by understanding their strategies and policies and sharing our assets and expertise, including those of other business divisions and overseas operating bases. Through concentrated investment in our areas of strength (Port of Osaka steel warehouses, new shipbuilding alternatives, temperature control business in the U.S., railroad business in India, etc.), we aim to earn the complete trust of our customers and become an industry leader in each area. We will also aggressively pursue growth areas (commercial distribution and logistics businesses for local governments across Japan, e-commerce, and ODA-related business) and challenging areas (European businesses and overseas contracting businesses).

Capturing New Customers Through High Value-Added Proposals Harnessing Networks Between Overseas Operating Bases

In addition to our integrated land, sea, and air transportation services between Japan and overseas areas, we offer optimal transportation solutions to meet our customers' needs, including three-party transportation not traveling through Japan, land cross-border services, and integrated multimodal transportation using hub ports and airports such as those in Hong Kong and Singapore. We also offer a wide range of value-added services such as distribution processing, product inspection, equipment disassembly/installation, tax reduction support by utilizing tax exemption incentives and bilateral/multilateral tax reduction/exemption agreements, and commercial distribution businesses including trading agency services, to support customers' expansion of overseas business and entry into foreign markets.

TOPICS

Initiatives to Reduce CO_2 Emissions

Photovoltaic arrays have been installed at our temperature-controlled warehouses in the U.S., China, Vietnam, and Thailand, and we are promoting electricity self-sufficiency for our own facilities as well as selling electricity to power companies. In the U.S., an automatic remote control system for refrigeration equipment has been installed to limit power consumption during high peak hours (4:00-9:00pm). We will continue to share our expertise in order to develop similar initiatives in other countries. In addition to this, we will also study the use of environmentally friendly energy sources such as hydrogen.

In India, we are helping to promote modal shifts by focusing on railroad transport. In the automotive industry, where further production expansion is expected, promoting the use of railroads for trunk line transportation is expected to dramatically reduce CO_2 emissions.

Airport Division

Integrated Solutions Business | Airport-Related Operations



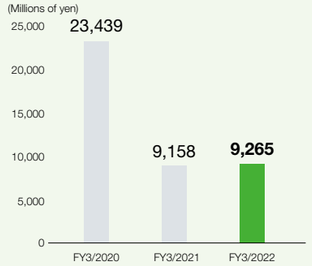
Providing the Very Best Service to Our Customers by Enhancing the Satisfaction of All Workers

Executive Officer and Executive General Manager, Airport Division
Akihiko Furukawa

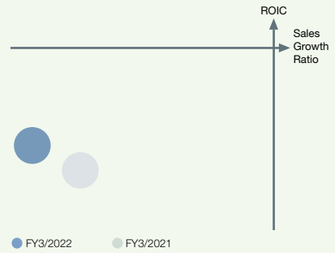
Business Overview

We provide ground support services at seven major airports in Japan (Narita, Haneda, Kansai, Fukuoka, Naha, Itami, and Kobe). From arrival to departure, we provide services to meet all of our airline customers' needs, including passenger hospitality, aircraft guidance, baggage and cargo handling, and cabin cleaning. We are also looking to overseas areas for business opportunities, including our capital alliance with the largest ground handling operator in the Philippines.

Net Sales



ROIC and Net Sales Growth Ratio Trends



* Size of circle represents relative sales volume
* Net sales growth ratio is calculated based on the average of the past five years in question

Our Strengths

- **Operating base quantity, diversity of services, and capability of supporting peak periods as a unified KONOIKE Group**
- **Possession of contracts from two major Japanese airlines and direct contracts from overseas airlines**
- **Growth potential through capital alliance with MacroAsia Corporation (Philippines)**

Quantitative Data Supporting Our Strengths

Expanding Domain of Services Provided

	2016	2019	2022
Airports served in Japan	3	6	7
Domestic Group companies	5	10	11

As of July 2022	Kansai	Narita	Haneda	Fukuoka	Naha	Itami	Kobe
Passenger services	●	●	●		●		
Ramp services	●	●	●	●	●		
Cabin services	●	●	●	●	●	●	●
Cargo services	●	●	●	●			
Related services	●	●					

Our Ideals for 2030

There are many players involved in ensuring the high quality of Japanese aviation (safety, punctuality, reliability, and comfort); we are one of these supporters in the area of ground support. It is important to enhance the satisfaction of the workers responsible for providing these services so as to provide the best possible level of service to our customers. Our plan to achieve this is to provide further growth for each individual and the company as a whole, passing on the skills (knowledge, experience, technology, and the spirit of hospitality) we have cultivated to date and introducing new technologies.

The KONOIKE Group includes a number of companies providing diverse services at major airports across Japan, and each of these companies has grown thanks to developing its own services for its unique clientèle. We will transform ourselves into an organization that can provide the diverse services we offer in a comprehensive manner, rather than point-by-point. Furthermore, our highly skilled personnel, combining their advanced skills with new technologies, will meet all the needs of not only our two major domestic airline customers but also foreign airlines. In addition, we aim to establish our status as a comprehensive ground handling company (providing total services for passengers, ramps, cabins, and cargo) at major airports in Japan, as well as to expand our business overseas.

Medium-Term Management Plan

Using Protected Talent to Actively Seek Growth

Despite prolonged impact from COVID-19, much has changed since the beginning of the epidemic, including the Japanese government's shift toward policies that do not restrict social activities, and in people's mindsets. Our understanding is that, for international flights, we are finally entering a recovery phase. Since the initial impact of COVID-19, we have taken measures to minimize human resource turnover by having employees work at various locations, including KONOIKE Transport. I believe this is another example of the collective strength of the KONOIKE Group. We hope to be aggressive in meeting demand during this recovery phase, and we will also grow new businesses we have acquired amid the COVID-19 pandemic, rapidly achieving business profitability.

Companies Collaborating to Meet Customer Needs

Our clients in this division are mainly Japan's two major airlines, and we also serve airlines, airport operators, travelers, and other related organizations from outside Japan. Each of these is served by staff with their own unique expertise. We believe that after the COVID-19 pandemic, airlines will increase, both in quality and quantity, outsourcing in operations areas that were previously performed in-house. By deepening cooperation and complementing each other's functions, Group companies will respond to airline needs to the greatest extent possible and in a timely manner as we expand our business.

Human Resource Development

Ground support at airports, an area without major technological advances, is rapidly changing and advancing as new needs arise from increased demand, labor shortages, and the experience of the COVID-19 pandemic. In our education of employees so far, we have been working to develop airport professionals who thoroughly pursue safety and quality and provide comfortable air travel for our customers. Looking ahead, we will focus on helping diversify workers' skill sets so that they can meet new needs, developing, introducing, and familiarizing employees with new technologies, and training them to evolve into human resources with global mindsets.

Strengthening Relations with MacroAsia in the Philippines

In 2019, we entered into a capital alliance with MacroAsia Corporation (MAC) in the Philippines with a view to expanding our ground handling business overseas. However, this has not demonstrated results due to the decline in global airline demand caused by the COVID-19 pandemic. Regarding the acceptance of technical interns, one of our objectives, we will realize their entry into Japan by the end of this year. MAC has a number of aviation-related companies, including MacroAsia Airport Services, the largest ground handling company in the Philippines, and is looking to expand further. We hope to create synergy with the KONOIKE Group through the active involvement of the Airport Division.

TOPICS

Expanding the Hiring of Disabled Persons

According to data released by the Department of Health and Welfare for Persons with Disabilities of the Ministry of Health, Labour and Welfare in March 2022, the total number of persons with disabilities is 9,647,000 (physical: 4.36 million, intellectual: 1.094 million, mental: 4.193 million), accounting for about 7.6% of the population, and the total number is increasing. In addition to employment within existing airport-related operations, this division also employs people with disabilities at J-Friendly, Inc., a special subsidiary. We will realize Goal 8 of the SDGs (Decent work and economic growth) by allowing people with disabilities to experience the joy that comes from participating in society and contributing to corporate development. Currently, we are working with the Diversity Promotion Department, the head office organization for this effort, to expand the hiring of disabled persons through the growth of agriculture-related business.

Environmental & Engineering Division

Integrated Solutions Business | Environment & Engineering Operations



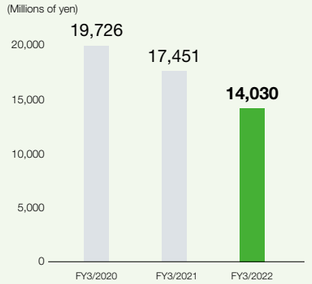
Working to Grow and Expand Current Businesses and Establish a New Revenue Base for Growth

Executive Officer and Executive General Manager, Environmental & Engineering Division
Atsuya Sakamoto

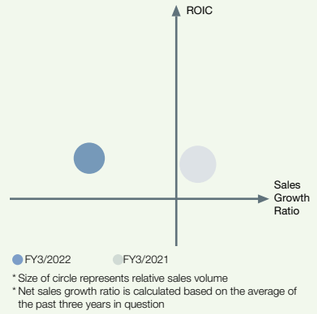
Business Overview

Using our services cultivated in steelworks, we have created new services and strengthened our human resources through methods such as mergers and acquisitions.
We will work for sustainable growth and value creation by creating synergies with our existing core business segment.

Net Sales



ROIC and Net Sales Growth Ratio Trends



* Size of circle represents relative sales volume
* Net sales growth ratio is calculated based on the average of the past three years in question

Our Strengths

- **Highly skilled, specialized engineers and partner companies, mainly in the Steel-related Business**
- **Operating bases and manufacturing plants capable of supporting various construction projects**
- **Affiliates capable of providing technical services such as recycling, non-destructive testing, and electrical instrumentation**

Quantitative Data Supporting Our Strengths

Construction Operating Sites in Japan and Technologies Held

- Broad customer base (transacting with hundreds of companies across several industries): Providing engineering services to a broad range of customers in industries such as steel, plants, electricity and power, gas, food, and automobiles
- Diverse, unique solutions (seven main solutions): Providing a full range of unique services, including design, manufacturing, transportation, construction, contracting, maintenance, and recycling

Our Ideals for 2030

To date, we have been working to restructure our business portfolio by increasing the ratio of orders in new domains other than our steel-related businesses, such as electric power and plant-related businesses, treating decarbonization-driven market environment changes as business opportunities. Looking ahead to 2030, comprehensive revisions of the energy toward decarbonization is expected to further accelerate, resulting in high demand for renewal and refurbishment of plant facilities. In conjunction with this demand, we believe that further business opportunities will be created in domains where we have not yet entered. Looking ahead, we will focus on further strengthening interdepartmental collaboration within the company to uncover latent demand and pursue business synergies throughout the Group to meet new needs. We will also work to enhance our human capital by securing specialized engineers, and by refining our technical and construction capabilities and combining our existing insights with new insights, we will demonstrate our strengths and uniqueness and operate an organization that can respond to business opportunities and changes in the environment.

Medium-Term Management Plan

Securing Existing Foundational Operations at Steelworks

We conduct construction and maintenance operations at multiple steelworks in Japan, centered on our bases in Kashima and Wakayama. In addition, we provide contracted construction and maintenance work for important facilities ranging from upstream to downstream processes within steelworks. In order to earn even stronger trust and confidence from our customers, we will continue to strengthen our human resource foundations and enhance our technological capabilities to maximize our comprehensive strengths while responding appropriately to changes in the environment, with safety and quality as our top priority. In addition, we will build a personnel structure that transcends departmental boundaries so that we can respond flexibly to changes in production systems, and we will work to strengthen our revenue base through efficient and flexible personnel allocation.

Creating New Core Customers Based on Expertise Cultivated in the Steel Business

Though we have traditionally done business based on jobs in steelworks, we have been receiving an increasing number of inquiries from electric power and machinery plant manufacturers for construction and manufacturing work, as well as for larger-scale projects, and have been supporting these in response to changes in the external environment. In order to leverage our results here and build new foundational businesses for the future, we will expand our human resources and other areas to make these new revenue bases that will support our growth. In addition, newly-cultivated expertise will be returned to our steelworks area to contribute to its further development.

Deepening Projects Through Collaboration Within the Group

In collaboration with other divisions, we have provided services meeting new needs, targeting the chemical and gas industries, which are customers for the KONOIKE Group. We are also providing engineering services to clients in other divisions. By providing new value beyond conventional frameworks and combining our engineering business with the existing contracting business, we will provide ourselves with a springboard from which to seize new business opportunities. We will work to diversify our revenue base by strengthening tie-ups within the KONOIKE Group.

Complementing Technology and Human Resources Through M&A of Outstanding Enterprises

Looking ahead, the use of new mergers and acquisitions will be indispensable to put these businesses on a solid growth trajectory. The Environmental & Engineering Division has traditionally been active in M&A, absorbing new technologies and services. By absorbing technologies and human resources that we did not previously possess, we have worked to create new customers and develop new services. We will continue to use M&A as one tool for growth, seeking to enhance our engineering services and build a structure capable of meeting customer needs.



TOPICS

Hiring and Developing Human Resources for Growth

Our division is also committed to recruiting and developing human resources. To achieve sustainable growth, it is necessary to employ engineers with advanced specializations, as well as qualified personnel. By finding and recruiting talent with a diverse range of skills, we will increase our organizational diversity. Furthermore, with regard to human resource development, we will provide an environment more conducive to employees acquiring certifications, elevate construction management skills among individuals, and foster a sense of fulfillment and accomplishment among employees through their activities at various job sites. We will work toward the realization of a work environment in which each and every individual can fully demonstrate their abilities and play an active role.

Business Development Division



Creating New Services Through Maximally Leveraging Management Resources

Executive Officer and Executive General Manager, Business Development Division
Minoru Amano

Business Overview

In order for the KONOIKE Group to continue to be essential for our customers, we will develop and promote new businesses that will lead to the next generation, treating market changes as opportunities and maximally leveraging the management assets of each business division.



New Business Proposal System Poster

Our Strengths

- **Demonstrates KONOIKE technology and expertise without hesitation when our existing customers enter foreign markets**
- **Holds strong trust relationships with medical institutions and local medical associations in Japan and India**
- **Expanding business in the high-growth market in India**

Quantitative Data Supporting Our Strengths

World GDP Ranking

Rank	2030 (Forecast)	Rank	2050 (Forecast)
1	China	1	China
2	U.S.	2	India
3	India	3	U.S.
4	Japan	4	Indonesia
5	Indonesia	5	Brazil
6	Russia	6	Russia
7	Germany	7	Mexico
8	Brazil	8	Japan
9	Mexico	9	Germany
10	U.K.	10	U.K.

Source: IMF for 2016 estimates, PwC projections for 2030 and 2050

Our Ideals for 2030

The Business Development Division will promote three strategies to realize our 2030 Vision.

The first is to enter new markets. With respect to our various existing business divisions in Japan expanding overseas, we will utilize our technologies and expertise held in Japan to expand contracting services for in-factory services, transportation and delivery services, and engineering services for the overseas subsidiaries of our Japanese customers. Our company owes its development to the long-standing relationships of trust with our customers, and therefore we aim to work alongside our customers once again in overseas markets to build a track record. As we do this, we will expand the provision of production process and value-added logistics services that combine safety, quality, and efficiency.

The second strategy is to create new added value. As the healthcare market is expected to expand in line with India's economic growth, we will build comprehensive services that supports Japanese customers' entry into the local market from the research to the planning and execution phases, while maximally leveraging Japan's technology and expertise in the medical business.

The third is to take on the challenge of new businesses. We have launched an initiative to solicit ideas from a wide range of employees and work with those proposing these ideas to develop them into business concepts. In particular, by stepping outside conventional industry and business frameworks, and into areas such as resource recycling and new energy, we will promote new value creation and business development, including application to overseas expansion.

Medium-Term Management Plan

Building a Medium- to Long-Term Strategy in India

KONOIKE already operates three businesses in India: rail freight, forwarding, and medical services. In our new medium-term plan, we position business in India as one of our priority businesses. It also makes strengthening the local business base in the medium- to long-term a major mission of the Business Development Division. We believe that the key to differentiated services is not only the competitiveness of each of our three existing businesses, but also how we can create greater added value through collaboration among them, as we look to expand our business in India in the future. The Business Development Division will work to bring business strategy to fruition in India, including projects that are already underway, while effectively utilizing internal and external management resources by leveraging the cross-organizational function that is characteristic of this division.

Assisting Existing Japanese Customers in Entering the Indian Market

While the Indian market offers very attractive growth potential to Japanese companies, it also poses a number of challenges. In many instances, Japanese companies have been forced to withdraw or downsize their operations after entering the market. We have steadily built up a track record of business operations in India through good relationships with government authorities, relevant industry associations, and local partners there. In addition, we are enhancing our research function and agency network for the market in India. When a customer enters India, we use these to provide solutions in relation to local situations and issues while effectively utilizing our technology, expertise, and human resources.

We will continue to research and develop value-added services in combination with our domestic businesses within each division to create a system that will lead to proposals made to customers.

Promoting the Rollout of Medical Business in India

With European and U.S. firms leading the way in the Indian healthcare market, Japanese firms newly entering the market need to fully understand the market's structure, characteristics, and challenges before launching a new marketing strategy.

As of August 2022, Carna Medical Database has collected 49,000 data entries regarding medical products, 50,000 entries regarding hospitals, and 75,000 entries regarding physicians, which have been classified and registered in a unique code system. We have also acquired a wholesale license for medical products and food products, and are expanding the options of sales promotion support services we can provide. In addition, based on our strong relationships of trust with medical institutions and local medical associations in Japan and India, we launched a health support service in November 2020 for Japanese citizens living in India to receive safe and reliable medical care during the outbreak of COVID-19. Thanks to the support of our clients, a total of over 436 employees from 41 Japanese companies utilized this service. As the KONOIKE Group, we are also promoting the realization of the Next Generation Medical Logistics Centre Project in Tamil Nadu with the support of the Japan International Cooperation Agency (JICA) as a cooperative preparatory survey project. As a major outcome of this project, we are looking to gradually introduce out-of-hospital sterilization centers and in-hospital supplies management systems in India's general hospitals.

Our local information gathering and analysis based on this series of database projects, survey consulting, sales promotion support function, and strong collaborative relationships with the Japanese and Indian governments, medical professionals, and Japanese companies that are expanding into the local market will be used as strengths as we provide comprehensive services that contribute to improving the level of healthcare in India by developing a mechanism for medical collaboration between Japan and India.

TOPICS

Creating Businesses to Solve Sustainability Issues

We view sustainability as the enhancement of corporate value through both measures to reduce corporate risks and the creation of businesses that solve social issues. The mission of the Business Development Division is to focus on the latter. Specifically, we conduct surveys and research on potential customer needs and new service offerings, collaborate with other business divisions, operate a system for soliciting new business ideas from employees, and otherwise engage in global business development as the key to actually commercializing ideas, with a focus on harnessing internal tangible and intangible management resources.

The KONOIKE Group and Sustainability

The KONOIKE Group has created a 142-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 societies.



Sustainability Basic Policy

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.

Action Guidelines

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.

Established: November 19, 2021
Revised: April 1, 2022

Tadahiko Konoike
Representative Director, Chairman, President and Chief Executive Officer

ESG Director Message



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." As described in the history section of this integrated report, the KONOIKE Group continued to grow our business from the very first orders the company received for the Shin-Yodogawa River excavation work. This spirit has carried forward to the group's business activities across a wide range of industries and business sectors, even 142 years later. KONOIKE Group activities include safety and quality leading to improved productivity not only for customers, but also for society as a whole. The group strives for CO_2 emissions reductions and other considerations for the global environment, while building infrastructure that responds to the demands of local communities. The group has been engaged in sustainability and relationships with stakeholders before the term sustainability was ever coined.

Sustainability Implementation Structure

We have seen drastic changes in socioeconomic conditions due to COVID-19 and other factors. These changes have influenced the way people see society, and given rapid rise to sustainability consciousness. The Japan Corporate Governance Code, which was revised last year, calls for sustainability initiatives in strong terms. We recognize once again that we must strengthen sustainability initiatives more than ever, if the KONOIKE Group is to continue to be trusted and needed by our stakeholders. As a first step, the KONOIKE Group established an internal structure and basic policies in November 2021 to promote sustainability. To achieve sustainable growth as a company, we will continue to strengthen safety and quality assurance, bolster our environmental and other initiatives, and develop human resources to support these efforts. In this way, the KONOIKE Group continues to respond to the demands of society that change with the times. And we will make every effort to ensure our activities are properly understood and trusted by our stakeholders.

Specific Sustainability Initiatives

Led by the Sustainability Committee, the KONOIKE Group strives to conserve resources and energy to reduce the impact of climate change caused by socioeconomic activities. We also pursue initiatives toward decarbonization, including the adoption of renewable energy. Through our business activities, we work actively to contribute to the reduction of environmental impact, to adopt technologies and improve performance, and to contribute to the prevention of global warming through the creation of circular societies. At the same time, we recognize the importance of reducing risks in responding to issues related to sustainability. We not only reduce risks, but see risks as profit-making opportunities. The KONOIKE Group will strengthen our broad technological capital and business portfolio, which includes technological development, work-site expertise, improvement activities, and high levels of safety and quality. In this way, we will enhance corporate value over the medium to long term. In advancing these initiatives, we understand that the source of KONOIKE Group added value is in the front lines of our business and in the people who work there. To embody our Corporate Philosophy of respect for humanity and relationships of trust, we emphasize investments in human capital, including education and training, as well as respect for human rights.

To Our Stakeholders

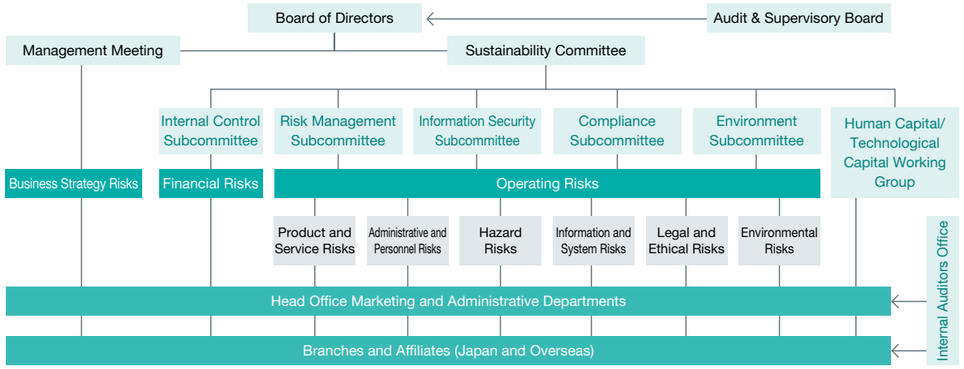
The COVID-19 pandemic and other recent events have caused a major upheaval in social and economic conditions. These events have had a negative impact on the KONOIKE Group. But we are confident we will overcome these difficult times thanks to the constant efforts across the company, our ongoing partnerships with customers and business partners, and the understanding of our shareholders. To live up to the trust you have placed in us, we will continue to listen to your feedback regarding sustainability, all employees working as a united organization to achieve this goal. Thank you for your continued understanding and support of the KONOIKE Group and our business activities.

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 Committee and Subcommittee Activities

As an advisory body to the board of directors, the Sustainability Committee (Chair: Chief Administrative Officer) 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, 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.

■ Sustainability Issues

We established three medium- to long-term non-financial targets for the group: (1) Environment, (2) People, and (3) Technology. The Sustainability Committee monitors these targets as priorities, and we will continue to pursue related efforts.

We will continue to identify important issues related to these three non-financial targets objectively, and identify closely related materialities from the perspective of enhancing corporate value. We will then incorporate these materialities into management strategy to enhance the sustainability of our business activities.

KONOIKE Group Three Non-Financial Targets

Environment: We contribute to the creation of circular societies through carbon neutrality.

People: We will engage in human capital management for sustainable growth through human resources development based on management strategy.

Technology: We will strive to automate and save labor through technological innovation and DX, while we create safer and more secure working through the use of technology.

Materiality Identification Process

Identify and organize social issues → List materialities → Identify and assess materialities → Dialogue with external experts → Incorporate outcomes into management strategy → Review and update

■ 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 cyberattacks and other increasingly sophisticated risks. We consider security measures in the context of changes in the business environment. Considerations include external network security in conjunction with changing work styles.

– Updating Information Security Regulations

The ICT environment is changing with respect to increasing numbers of cyberattacks and the use of cloud services. We review response measures and processes, updating or revising information security-related rules and regulations by utilizing ISO frameworks and other standards to ensure security measures are comprehensive.

– Response to Vulnerabilities

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

– Security Tool Modernization

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

– 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.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Special Feature

Disclosure in Accord with the TCFD Recommendations

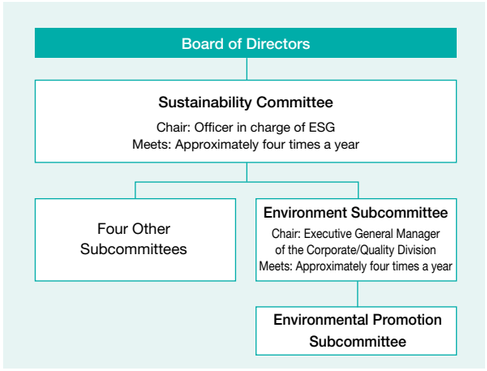
The KONOIKE Group recognizes that climate change is an important issue affecting the global environment, humanity, and corporate activities, and is actively promoting activities to mitigate global warming in order to contribute to the realization of a sustainable and prosperous society. The Group announced its endorsement of the TCFD recommendations in June 2022.

The TCFD recommendations suggest four items for disclosure: Governance, Risk Management, Strategy, and Indicators and Targets. The Group will continue to make efforts in line with these items and further enhance the disclosure of information.

Governance

The Sustainability Committee has been established as an advisory body to the board of directors, and in addition to responding to inquiries from the board, discusses individual sustainability issues, including matters related to climate change, and reports regularly to the board on the content of these discussions.

The Environmental Subcommittee shares information on the status of environmental initiatives at each headquarters every quarter based on environmental data from these headquarters, and discusses specific solutions for each issue. In addition, one outside expert is invited to the subcommittee to ensure fairness and objectivity.



Risk Management

Information on Group-wide risks is obtained and managed by the Environment Subcommittee for climate-related risks, and by the Risk Management Subcommittee (chaired by the officer in charge of Group-wide risk management) for other risks by consolidating information from the various subcommittees.

The Environmental Promotion Subcommittee, which is under the Environment Subcommittee, continuously mitigates, identifies, and updates climate-related risks, and reports this content to the Environment Subcommittee, and then to the Risk Management Subcommittee.

Strategy

Category			Impact	Timeline	Action Policy
Risk	Transition	Policies and regulations	Possibility of worsening business performance due to increased tax burden associated with the introduction of carbon tax, etc.	Medium -term	We plan to switch all electricity used at our locations to renewable energy by March 31, 2025. In addition, we will continue efforts reduce per-unit emissions by improving operational efficiency and introducing low-carbon technologies
		Technology	Policy changes and stricter laws and regulations may increase the need to introduce new technologies that contribute to low-carbon emissions and/or increase the cost of replacing or installing new facilities	Short/ medium -term	• We are striving toward timely introduction of low-carbon technologies that have reached the diffusion phase, such as installation of solar panels at our facilities through productivity improvements • Partially receiving replacement cost due to rate revision
	Physical	Acute	Increasing number of disasters caused by climate change, such as typhoons and river flooding, could damage our locations and jeopardize business continuity	Long -term	We are evolving our business continuity plan (BCP: construction for disaster response, relocation, power and water outage countermeasures, etc.)
		Chronic	Potential deterioration in productivity and hiring difficulty due to hot working environments caused by rising temperatures	Long -term	Taking measures to reduce workload in hot environments (e.g., cool air blowers, neck coolers) to maintain occupational health and at the same time promoting labor savings through the introduction of technology and DX
Opportunity	Resource efficiency		Potential to expand business opportunities through better pitching to customers by strengthening environmental measures such as CO_2 emission reductions (conversely, the potential of losing business opportunities if we fail to adapt well)	Short/ medium -term	Improving operational efficiency and productivity in manufacturing and service provision processes, promoting modal shifts and joint delivery, etc.
	New markets		Potential to entering business domains and areas where market expansion foreseeable in a society where CO_2 emissions reduction efforts are progressing	Short/ medium -term	We will work to identify growth areas in each industry and gather information and expand management resources to capture opportunities

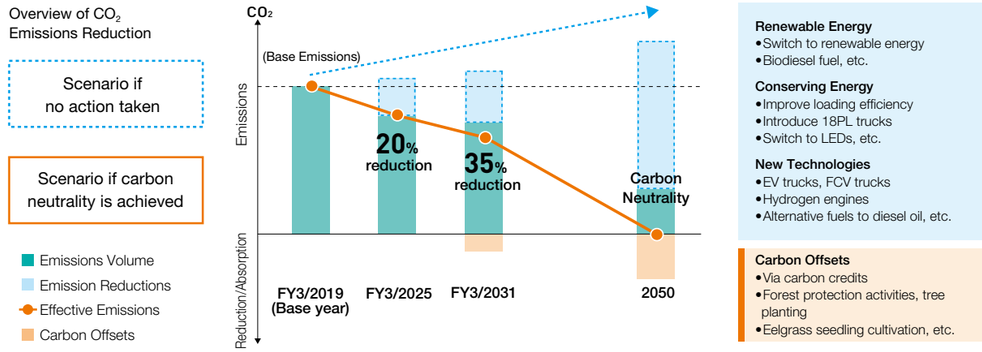
Indicators and Targets

To achieve carbon neutrality, we aim to reach 100% renewable energy use by March 31, 2025. In addition, we will also work to reduce CO_2 emissions by switching to electric vehicles for our business vehicles and installing solar panels, and implement other energy conservation measures.

CO_2 Emission Reduction Targets

Date	Target	Entities	Scope
FY3/2025	20% reduction (vs. FY3/2019)	Domestic consolidated companies	Scope 1 and 2
FY3/2031	35% reduction (vs. FY3/2019)		
2050	Targeting carbon neutrality		

Overview of CO_2 Emissions Reduction

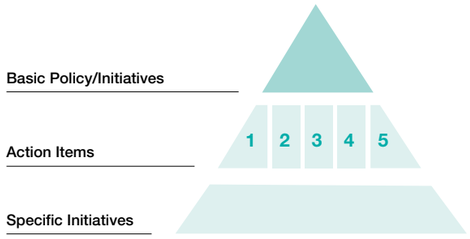


The KONOIKE Group also responds to the climate change questionnaire from CDP, an international NGO, and has provided its responses for FY3/2023.

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 five 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 P.48
2 Aiming Towards a Sustainable Society P.50
3 Social Contribution Through Our Business Activities P.51
4 Biodiversity Preservation Activities P.52
5 Activities with Our Communities P.53

Basic Environmental Policy

Basic Philosophy

We at the KONOIKE Group recognize that the various issues surrounding the environment, including global warming, are a shared problem for humanity. In order to realize a sustainable society, the entire Group will work together with people around the world to solve global environmental problems.

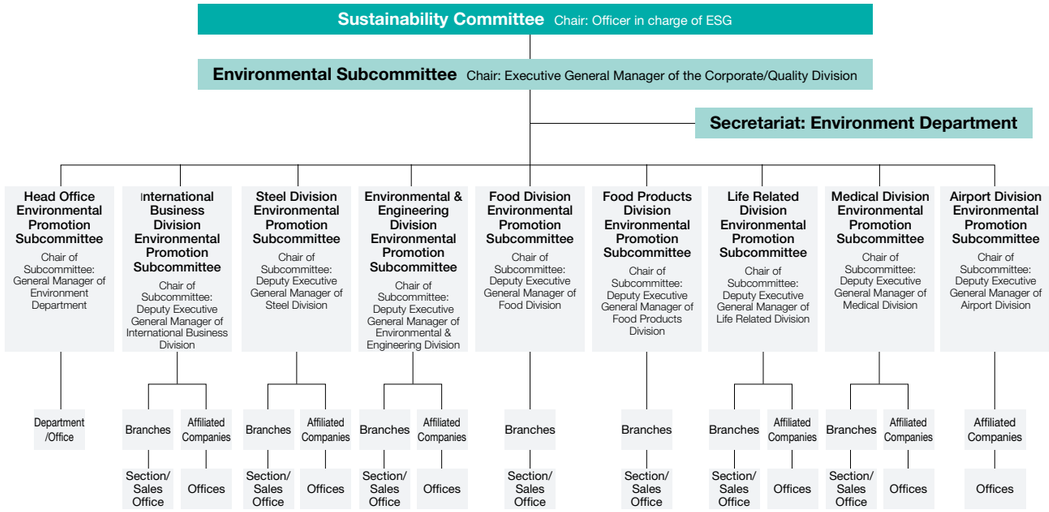
Action Guidelines

1. In accordance with the Sustainability Basic Policy and the Basic Philosophy of this policy, we will comply with environmental laws and regulations and also take responsibility for setting and attaining targets for reducing environmental impact.
2. In our business activities, we shall actively engage in the introduction of materials and equipment beneficial to energy conservation and renewable energy, and endeavor to improve our technical capabilities and skills in order to reduce environmental impact.
3. To contribute to the conservation and harmonization of the global environment, we will reduce greenhouse gas emissions and expand carbon sinks, prevent environmental pollution, effectively use energy and resources, and promote green purchasing and the “3Rs” (reduce, reuse, recycle).
4. In addition to environmental efforts through our business activities, each and every director and employee of the KONOIKE Group will actively engage in activities rooted in local communities from the perspective of a society in harmony with nature as good corporate citizens.
5. We will endeavor to disclose information on our environmental efforts in an appropriate manner and strengthen communication with our customers, business partners, shareholders, local communities and other stakeholders.

Established: April 1, 2005
Revised: April 1, 2022

Tadahiko Konoike
Representative Director, Chairman,
President and Chief Executive Officer

Environmental Conservation System



Environment Subcommittee Activities

The Environment Subcommittee is established under the Sustainability Committee to discuss Group-wide issues and issues of each division. Environmental promotion subcommittees established in each division conduct information sharing and continue discussions based on the discussions at the Environment Subcommittee. Information about the environment is eventually shared as far as branches, sales offices, and affiliates, promoting environmental activities throughout the Group.

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.



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 (NOX) 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) Hybrid vehicles	(5) Electric vehicles (EVs)	(6) CNG vehicles	(7) LPG vehicles
Number of units	FY3/2020	213	479	212	43	8	15	1
	FY3/2021	266	478	153	42	8	13	1
	FY3/2022	**308**	**463**	**131**	**42**	**9**	**14**	**1**

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)

	FY3/2020	FY3/2021	FY3/2022
Power Generated (kWh)	15,263,726	16,776,309	**16,390,422**
CO_2 Emissions Reduction Impact (t-CO_2)	7,449	7,885	**7,425**

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.

Furthermore, in our medium-term management plan to FY3/2025, we are switching all of our existing electric power contracts to renewable energy, as we actively take steps 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

The KONOIKE Group endorses and has 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

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

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.



A car carrier train in India. A single train can accommodate approximately 300 small finished vehicles

Using Tokyo Rail Gate to Promote Modal Shift

Thanks to modal shift, we have generated about 5,000 tons in annual reduction impact for the KONOIKE Group's CO_2 emissions. 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 Station, 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 Scope 3 CO_2 emissions.

Biodiversity Preservation Activities

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. For 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


Eelgrass

Environment

Participating in the 30by30 Alliance for Biodiversity

The 30by30 Alliance for Biodiversity was established as a voluntary coalition of the Ministry of the Environment and other government agencies, corporations, and NPOs to achieve the domestic goal of 30by30, an international commitment to preserve 30% or more land and sea as healthy ecosystems by 2030.

The KONOIKE Group agrees with the purpose of establishing the Alliance and will contribute to securing a healthy ecosystem and realizing a sustainable society for NbS*, which will lead to simultaneous resolution of economic, social, and environmental issues in the region.

* NbS: Nature-based solutions

Activities with Our Communities

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 environmental activities in various communities, such as cleanup activities around sales offices, cleaning of agricultural waterways, and afforestation.

Environment-Related Data

CO_2 Emissions Reduction Targets

Date	Target	Eligible Entities	Scope
FY3/2025	20% reduction (vs. FY3/2019)	The non-consolidated company and domestic consolidated companies	Scope1 and Scope 2
FY3/2031	35% reduction (vs. FY3/2019)		
2050	Targeting carbon neutrality		

CO_2 Emissions

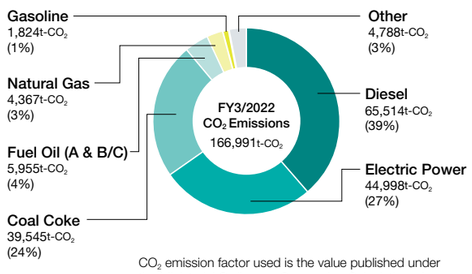
	FY3/2019 (Reduction Target Base Year)	FY3/2020	FY3/2021	FY3/2022
CO_2 Emissions (t-CO_2) (Total for all domestic consolidated companies)	193,029	186,363	170,625	**166,991**

CO_2 Emissions Reduction Impact

	FY3/2020	FY3/2021	FY3/2022
CO_2 Emissions Reduction Impact from Solar Power (t-CO_2) (Total for KONOIKE Group)	7,449	7,885	**7,425**
CO_2 Emissions Reduction Impact from Modal Shift (t-CO_2) (Total for all domestic consolidated companies)	7,063	5,734	**5,721**

CO_2 Emissions Breakdown

(Total for all domestic consolidated companies) (FY3/2022)



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.

Total Energy Input Volume (Total for all domestic consolidated companies)

		FY3/2020	FY3/2021	FY3/2022
Diesel	(kl)	30,333	25,847	**25,393**
Electric Power	(Thousand kWh)	96,147	94,684	**95,829**
Kerosene	(kl)	126	87	**55**
Gasoline	(kl)	938	910	**786**
A Fuel Oil	(kl)	347	346	**387**
B/C Fuel Oil	(kl)	1,575	1,614	**1,636**
Town Gas	(km^3)	67	71	**113**
Natural Gas	(km^3)	1,935	2,082	**1,967**
Propane Gas	(t)	52	56	**54**
Coal Coke	(t)	11,169	12,064	**12,475**

Transportation Ton-Kilometers (Non-consolidated)

	FY 3/2020	FY 3/2021	FY 3/2022
Transportation Ton-Kilometers (10,000s of ton-kilometers)*1	18,121	17,558	**17,297**
Truck Transportation CO_2 Emissions (t-CO_2)	27,023	28,448	**28,000**
Output Level*2	0.578	0.628	**0.608**

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

People

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 production 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. In an environment where the demographic pyramid has inverted with fewer young people and more senior citizens, we are working to build the foundations for our human resources. This includes 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 and with work-life balance. We also work to improve retention rates through an emphasis on dialogue with employees, including a new career consultation desk. Simultaneously, we will strengthen our investment in people through Group employee training to promote human resource development and make KONOIKE an employee-friendly corporate brand.

2030 Vision

(A) Pursue Human Resources Development Under Management Strategy

(a) Develop business human resources in line with business strategy

The KONOIKE Group does business in a variety of formats, each of which requires a human resource strategy that is tailored to each individual business strategy. We set clear goals for how many people with what skills are needed by when, and systematically train professionals in logistics, on-site contracting, engineering, and other fields.

(b) Develop highly specialized corporate human resources

With our transition to the Tokyo Stock Exchange Prime Market, even greater governance is required of us. Therefore, we will train professionals with greater knowledge and control capabilities in-house in corporate units such as corporate planning, legal affairs, general affairs, human resources, and accounting. In order to cultivate advanced knowledge and skills, we will systematically promote human resource development by establishing a career path system and skill requirements per job title for each unit.

(c) Develop human resources with strong problem-solving and proposal skills through cross-division collaboration

In human resource development for business and corporate professionals, it is very important that these resources gain experience outside of their field of expertise in order to accumulate a broader variety of skills, knowledge, and experience. In particular, acquiring the ability to look at things from a holistic view through job rotation helps develop human resources with strong problem-solving and proposal skills. The KONOIKE Group will actively strengthen interdepartmental collaboration and expand Group-wide education to complement and share accumulated experience.

(d) Strengthen expertise in technological innovation and ICT units and improve literacy throughout the Group

Technological innovation and ICT skills are universal skills needed in all businesses. Since October 2020, 376 employees have participated in the Course on Advanced Technology to Change the Workplace and the AI Programming Course to improve productivity in the workplace, and we will continue to offer these courses in the future. In February 2023, we will launch the DX/IT Basic Literacy Course to deepen each employee's knowledge of digital transformation and IT and promote our transformation into a Group with greater productivity.

(B) Raise Employee Job Satisfaction (Engagement)

(a) Instill the Business Principles

For the KONOIKE Group to grow and enhance its corporate value, it is important that employees trust their company, fully understand the best direction forward, and maintain a desire to contribute. Underlying this is the essential requirement that each and every member of the Group understands its Corporate Philosophy and puts it into practice in their daily work. In order to foster this understanding, we will promote inner branding activities through Katariba workshops, where management and employees engage in broad-ranging dialogue.

(b) Pursue employee happiness

In order to fully demonstrate the performance of each individual, it is necessary to create an environment in which employees feel a sense of purpose and job satisfaction and are able to work independently. We believe there is a strong correlation between the level of happiness felt in work and performance achieved, and that this happiness is a very impactful element. For this reason, we are launching regular wellbeing surveys for our employees in 2022, and we will use the results of these surveys to identify issues and implement measures for improvement.

Human Capital Management in the 2030 Vision

People are a major theme in the KONOIKE Group's management issues and strategies. This means that the growth of people, the source of the Group's strength, is the key to sustainable enhancement of corporate value. The 2030 Vision calls for human capital management that aims to use investments in people, such as education and training, to maximize the performance of human resources and thereby enhance corporate value over the medium to long term. In order to bring about innovation that defies conventional wisdom, such as the introduction of cutting-edge technologies, digitalization, decarbonization, changes in work styles, and diversification of values, we will strengthen our investment in people to develop human resources with strong expertise and diverse perspectives who can generate new ideas, boosting our corporate value in a sustainable way.

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 and the human and conceptual skills necessary for business management, we are working to develop programs based on our own unique educational system.

In addition, with our vision for 2030 as *People, leveraging technology to reach for new heights*, we will further evolve our on-site solutions to solve the problems facing our customers and society. To this end, it is important that we acquire professional knowledge and skills based on safety and quality, essential elements in a variety of workplaces. With a primary focus on front line workers, we will use our two in-house centers, the Konoike Techno Training Center*1 and the Safety/Quality Training Center*2 to further enhance job title-based training for managers, site management skills, logistics skills, practical skills, and education for acquiring qualifications. In pursuit of sustainability, it is also important to develop human resources who actively contribute to the ongoing growth of the KONOIKE Group, and who have broad perspectives and good judgment befitting a listed company in the interest of expanding our business strategy. However, in line with the policy of "providing the knowledge and skills necessary to execute work tasks, fostering employees who demonstrate outstanding creativity, rational judgment, and the ability to take action," we also seek to develop the next generation of management personnel, including those at Group companies*3, through training programs for career-track employees based on years of service, job title, and individual selection at our Shimaya Training Center, as well as through volunteer external dispatch programs and more.

***1 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

***2 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

***3 Promoting the development of next-generation management personnel, including at Group companies**

In order to align capability levels across the entire Group and strengthen the development of next-generation management personnel, we are progressively enabling Group company employees to jointly take part in training programs for career-track employees based on years of service and job title. The available curriculum is currently being expanded from the 7th Year Fundamental Training, New Chief Fundamental Training, New Assistant Manager Fundamental Training to also include the Manager Development Training (Beginner) program for executive management candidates.

People

Data on Human Resources (Non-consolidated)

		FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022
Front-Line Workers	Number of Employees	7,722	8,215	8,582	8,530	**8,456**
	Percent of Female Employees	7.1%	7.7%	8.2%	8.7%	**8.9%**
	New Graduates Hired	133	164	175	127	**151**
	Mid-Career Hires	598	727	683	397	**451**
	Annual Work Hours (Avg.)	2,356.1	2,345.5	2,307.6	2,215.3	**2250.9**
	Days of Paid Leave Taken (Avg.)	10.9	11.3	12.8	11.1	**11.3**
Career-Track	Number of Employees	995	1,030	1,065	1,077	**1,057**
	Percent of Female Employees	15.6%	15.5%	16.0%	16.1%	**16.2%**
	Number of Managers (Office/Department Manager and Above)	381	395	457	459	**455**
	Percent of Female Managers	1.6%	2.3%	2.6%	2.6%	**2.9%**
	New Graduates Hired	42	53	50	53	**38**
	Mid-Career Hires	14	25	33	5	**8**
	Annual Work Hours (Avg.)	2,179.9	2,164.9	2,109.6	2,137.8	**2204.1**
	Days of Paid Leave Taken (Avg.)	7.4	7.5	7.8	8.2	**8.5**
Percent of Disabled Persons Hired (Data from June each Fiscal Year)		2.2%	2.0%	2.5%	2.5%	**2.44%**

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

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.

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 addition, we have explored possible measures and manual content in collaboration with various departments such as the Personnel/Labor Department and conducted internal awareness-raising activities to help employees better understand the various systems related to childcare leave and nursing care more easily understood. 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.

Not only do we maintain the employment of disabled persons at existing offices, but we plan to maintain employment throughout the Group by using the Special System for Affiliate Companies, which combines the employment rates of the parent company, special subsidiaries, and affiliates. In addition to clerical work such as making business cards, we will create places where disabled persons can also contribute to our businesses through the collection and distribution processing of agricultural products.

Diversity Promotion Department Initiatives

The Diversity Promotion Department, established in 2019, has launched the following initiatives, among others, in addition to strengthening existing initiatives.

■ Hiring Disabled Persons

In addition to encouraging employment at existing offices, we also encourage disabled persons to participate in a program in which disabled persons perform distribution processing, such as bagging, for agricultural products. This program has been active since the spring of 2020 under the banner of agriculture and welfare partnerships. We will expand these activities to handling operations starting in the fall of 2022.

■ Recruiting Foreign Nationals

Over the last 15 years, we have utilized Japan's Technical Intern Training Program in which employees of overseas subsidiaries learn Japanese-style logistics and management methods while working at domestic sales offices. We have resumed accepting technical trainees as of April 2022 after suspension due to the COVID-19 pandemic. In the fall, we will also start accepting new technical trainees to cultivate leaders who will be active in airport ground handling. In addition, we will actively recruit human resources from outside Japan for active participation in our Airport-Related Business by utilizing Japan's Specified Skilled Worker visa system.

■ Encouraging an Understanding of Diversity

In training programs by job title for career-track employees, we continued our workshops on unconscious bias from last year. Furthermore, we began providing training this fiscal year to those at the office/department manager level on the core theme of male employees taking childcare leave, in association with Japan's revised Childcare and Family Care Leave Act effective from April 2022. On our Intranet's bulletin board, we provided a presentation of the revised Childcare and Family Care Leave Act in several installments to inform employees of the revised law.

■ Encouraging the Success of Women

As part of our action plans formulated based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we implemented seminars in fall 2022 for employees who have taken childcare leave, covering topics like the creation of a life plan for returning to work after childcare leave. We intend to continue implementing these seminars in the next fiscal year. In addition, in order to provide a networking forum for female employees, we have launched new small roundtable discussions as of this fiscal year. We are also considering creating a mechanism going forward to make these Group-wide gatherings.

Column

Started Technical Training in Airport Ground Handling Occupations

The Diversity Promotion Department is in charge of accepting foreign technical trainees, and provides support from the selection of overseas subsidiary candidates to their return home. In FY3/2022, we began accepting new technical trainees in airport ground handling positions in preparation for the post-COVID world.

In 2019, we entered into a capital alliance with MacroAsia Corporation (MAC) in the Philippines with the goal of securing human resources and overseas expansion in the airport business. In this new initiative, we will invite employees from MAC's subsidiary, MacroAsia Airport Services Corporation (MASCORP), to work for three years at our Group companies in Japan with offices located at airports. These employees will either engage in air cargo handling work at in-airport warehouses, or in aircraft cabin cleaning work. We will support the trainees until their departure from Japan after completion of this training, so that they can play active leadership roles at airports in their home countries.



Technology — Technology Innovation

Basic Philosophy

The KONOIKE Group's business competitiveness depends on providing more attractive services, and we recognize the importance of innovation in the field to achieve greater heights in response to the recent and various changes in the logistics and warehousing industry. To this end, we opened the Konoike Institute of Technology Innovation Center (Giken IC) in March 2021, which has been at the forefront of accelerating technological innovation. It achieves this through three functions: (1) conducting experiments and proof-of-concept tests to confirm the effectiveness of new technologies and post-introduction operations by recreating various KONOIKE Group work sites at the Giken IC; (2) acceleration of open innovation in which customers and vendors of new technologies gather at the Giken IC to discuss and observe the recreated sites and new technologies, and; (3) engaging in technological development with customers that meets with their future vision as part of our sales activities. In addition, we have enhanced literacy training at the Group-wide level to ensure that technological innovations are instilled across the entire Group. In this way, efforts toward improvement we have taken together with field teams have gradually borne fruit. Going forward, we will continue to promote technological innovations directly related to the strengthening of field capabilities.

Mission

1. Improvement of on-site productivity through technological innovation
2. Internal and external consulting on technology implementation
   (Study of revenue models after technology introduction, improvement of operations after technology introduction, adjusting contracts and prices, etc.)
3. Distributor equipment sales/sales of in-house developed equipment to new customers ➡ Aiming to win contract operations

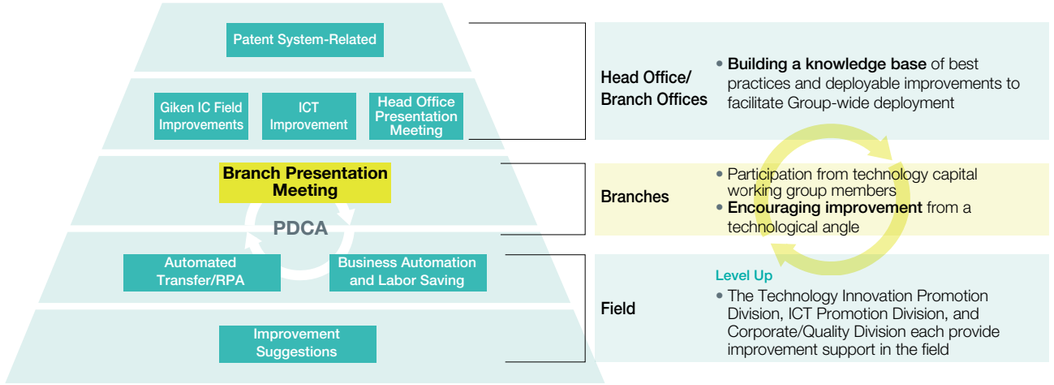
Changes in the Business Environment and Direction of Business Expansion Due to Technological Innovation

In recent years, as technology has enabled labor savings in warehouse operations, some major shippers have entered the third-party logistics (3PL) business so as to take advantage of their own expertise and volume capabilities to capture e-commerce. There have also been instances of logistics real estate companies entering the 3PL business themselves, and there are also companies that handle everything from picking to shipping simply by having sellers ship their products to a logistics center. Other companies use various technologies to standardize and streamline to eliminate 80% of non-storage logistics costs.

On the other hand, the current business model of the KONOIKE Group is very different from that of other companies. While general logistics companies are contracted by their customers to provide 3PL services, the KONOIKE Group provides not only 3PL but also third-party purchase (3PP) services for further upstream operations. For a logistics company to undertake this level of manufacturing is a rarely-seen business model, and is highly regarded by external parties. However, in order to grow sustainably amidst a drastically changing competitive environment, it is essential to provide even higher value-added services. The key to this is technology. To date, we have obtained new contract operations by making proposals that adapt to customer requests, utilizing the experience, wisdom, and expertise possessed by the members of the KONOIKE Group. Going forward, we will also harness AI and robotics and run simulations to optimize operations, with the aim of providing services that only the KONOIKE Group can offer to determine if we can synergize between machines and people. At the same time, we will promote technological innovation with a view to providing consulting based on these services.

Approach to Strengthening Technology Capital

Strengthening our technology capital is equivalent to enhancing our ability to improve our workplaces, which is the source of our added value. This enhancement begins at the Branch Presentation Meeting, at which divisions connected to the head office actually visit branches to promote the introduction of new technologies such as automation, labor saving, and robotic process automation (RPA), as well as encourage the deployment of individual expertise and best practices throughout the Group (establishing a knowledge base), to achieve greater improvements in the field.



Activities Strengthening Our Field Capabilities

Field innovation by introducing new technology	a	Number of automation and labor-saving devices installed in the field
	b	Number of POCs conducted for introducing new technology to the field
	c	Number of devices introduced and technology tests at the Giken IC

Technology Innovation Our Initiatives

Driving Innovative Automation in Existing (Conventional) Warehouses

Future-Oriented Initiatives with Robotic Integration

KONOIKE GROUP — Standardized and flexible warehouse operation capabilities based on customer requirements and warehouse scale/specifications

×

OSARO — Key automated vision-related technologies flexibly supporting a variety of products in the field



Click Here: Video of Automated Operation Test
https://www.youtube.com/watch?v=mBwSaeGz6Ew

Technology — ICT and DX Promotion

Basic Philosophy

The ICT Promotion Division was established in April 2018 with the aim of building a DX-ICT platform to achieve business process reform and business transformation, and has focused its efforts on ICT infrastructure restructuring and productivity reform. We believe that our fundamental mission is to facilitate the generation of new sales and profits in the KONOIKE Group businesses based on this infrastructure by utilizing ICT and digital technologies to promote business transformation (transformation of existing business models), acquire new customers, and deepen business with existing customers. Specifically, on the business side, we are working to transform our global forwarding business into an e-commerce business model and to evolve our logistics business to become an integrated logistics partner with an optimal supply chain. In addition, our Group employees and stakeholders are making extensive use of digital technology to build business processes that enable us to focus on operations with high quality and productivity. While our 2030 Vision focuses on these technologies and maintains high aspirations, the ICT Promotion Division works with the field, the people carrying us to these heights, in order to maintain a firm grasp on issues and potential needs there. It also works to fully understand ICT and DX in each headquarters, with actions in the field and headquarters as the two pillars driving our transformation.

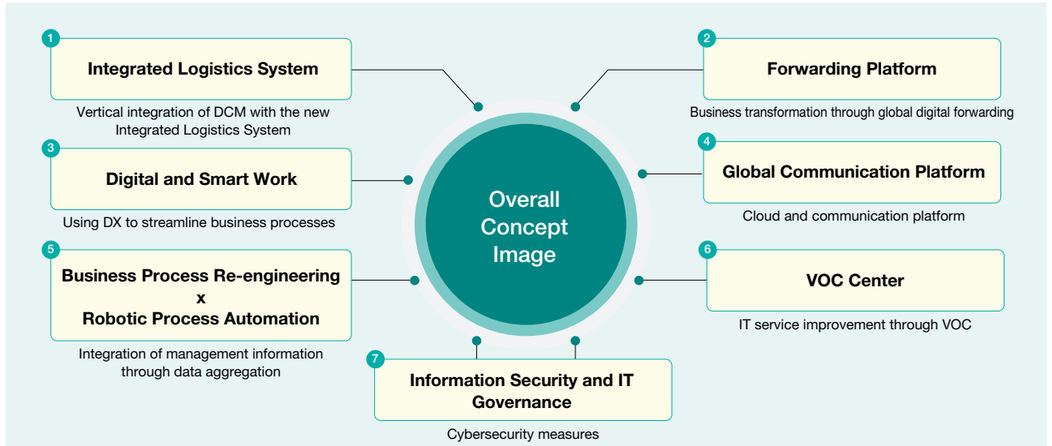
Results from FY3/2019 to FY3/2022

	FY3/2019 Laying the Groundwork for IT Transformation	FY3/2020 Launch of ICT Infrastructure Restructuring	From FY3/2021 to FY3/2022 ICT Infrastructure Renewal and Productivity Reform
Results	• Launch of KITS • Launch of new integrated logistics concept formulation • Selection of cloud infrastructure • Survey of infrastructure environment • Survey of security status • Selection of standard computers	• Formulation of the enterprise resource planning (ERP) concept • Start of business reform through robotic process automation (RPA) • Start of enacting of information security management regulations • Introduction of work-style reform tools • Deployment of security enhancement measures • Development of new integrated logistics infrastructure	• Development of data integration infrastructure • Development of business and development infrastructure • Streamlining and combating deprecation of accounting areas • Start of PC life cycle management (PCLCM) operations • Enactment of information security management regulations • Strengthening of overseas IT security • Start of new integrated logistics implementation rollout

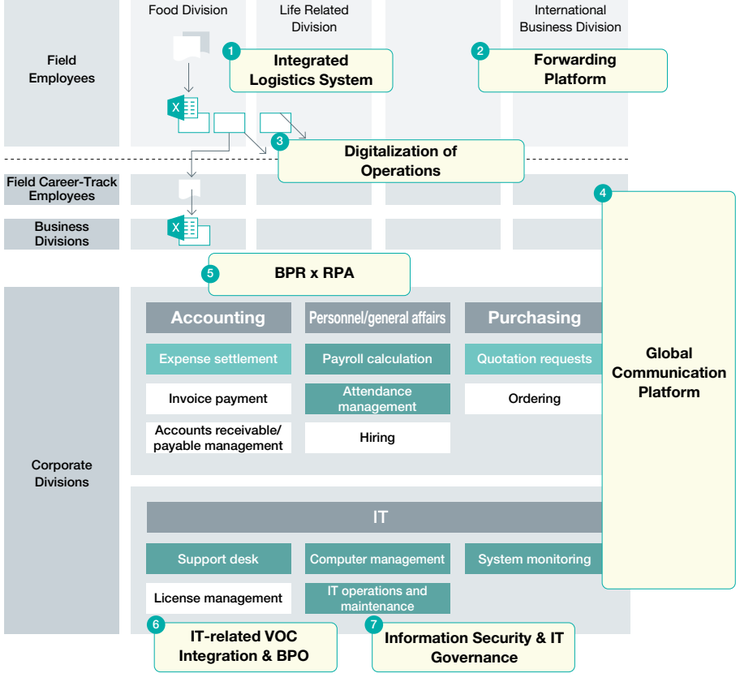
Transformation Initiatives Harnessing ICT and DX

Rapid technological innovation has already brought about a variety of changes in the logistics industry, including transformation of legacy supply chains driven by the entry of players in different industries. We recognize that ICT and DX initiatives will be extremely important amid a growingly-challenging competitive environment due to the decline in the working-age population and other changes in the socioeconomic environment. At the same time, we will promote actual initiatives based on both offensive and defensive measures in accordance with our medium- to long-term overall concept in the ICT and DX area (see the following diagram). In particular, in our current medium-term management plan, our offensive DX strategy includes priority initiatives to: (1) complete a standard model for the new Integrated Logistics System and expand this to the food business, machinery-related business, and general logistics, aiming to evolve our logistics services, and (2) build and deploy a global and digital forwarding system to support B2B transformation in the forwarding business, aiming to expand into the midsize market. In addition, our defensive strategy includes priority initiatives to: (1) streamlining operations through digitalization of business processes and data integration to improve productivity of Group-wide operations; (2) building zero trust-based information security, and; (3) building a BCP-based information system cloud infrastructure and establishing a safe, secure, and optimal information system operation structure.

Overall Concept for ICT and DX Promotion



Positioning within Business/Corporate Divisions



Measures for Digital Transformation

Shifting to IT and digital technologies (medium-term plan IT measures)
- Increasing business processing power by harnessing systems and tools

Shifting to IT and digital technologies (studying candidates for streamlining)
- Online expense self-settlement
- Web catalog purchasing

Utilizing business process outsourcing (BPO)
- Outsourcing operations and limiting in-house head counts

Activities Strengthening our Field Capabilities

Technology innovation using digital technologies	a	Number of new integrated warehouse management system (WMS) installations
	b	Number of business site operations productivity improvements (e.g., Salesforce utilization)
	c	Number of berth reservation management systems introduced

Technology — 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 order to continue to earn the trust of our customers, we will combine quality and safety with technology, evolving these into robust strengths. 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



2022 Corporate Quality Policy

1 Establish and expand initiatives targeting near-accidents to identify latent dangers and mitigate risks
2 Enhance safety awareness by reinforcing awareness through regular education
3 Confirm and improve actual field conditions through interactive communication in dialogue
4 Use 4M5E analysis to ascertain issue causes and take effective countermeasures
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

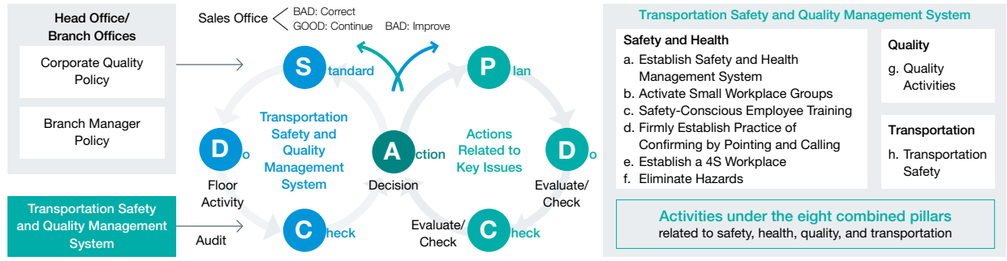
Target			
	Safety	• Rate of Lost Worktime Injuries (KONOIKE/Group Companies)	0.29 or less
		• Rate of Incidents (KONOIKE/Group Companies)	2.00 or less
		• Partner Business Closures	3 or less
	Traffic Accidents	• Commercial Vehicle Accident Rate (KONOIKE/Group Company Vehicles)	0.19 or less
		• Business-Related Vehicles/Overseas Subsidiary Accidents	3 or less
		• Number of Accidents at Partners	3 or less
	Quality Incidents	• Critical Quality Incidents (100,000 yen or more)	29 or less

Safety Initiatives

Safety and Quality Activity System

We conduct our health and 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 FY3/2022, we continued our efforts from the previous year, working 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.



Transportation Safety and Quality Management System

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.

Central Health and Safety Committee

The Central Health and Safety Committee meets twice a year, attended by representatives from labor and management. A total of 50 participants attend these meetings, including 32 from the company side such as business division general managers and branch managers, and 18 from the union side, led by the Executive Chairman.

In FY3/2022, the first meeting was held in June 2021 and the second meeting was held in December 2021. The first meeting, held in the first half of the fiscal year, focuses primarily on the previous fiscal year's safety performance and accident trends, as well as discussing future issues and initiatives. Members also share information on amendments to relevant laws and regulations as well as the status of labor union activities during the previous fiscal year.

At the second meeting during the second half of the fiscal year, participants discuss safety results and accident trends from the first half of the fiscal year, as well as future issues and initiatives, and discuss and decide on the Corporate Quality Policy for the next fiscal year.

Like in the first meeting, members also share information on amendments to related laws and regulations as well as the status of labor union activities during the first half of the fiscal year.

Technology — Safety and Quality

Initiatives to Prevent Accidents

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 use in the main 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 1,177 vehicles, out of the 2,460 planned (as of March 31, 2022)

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.

Safety Experience Education Course Participants

FY3/2020	FY3/2021	FY3/2022
294	133	**961**

* Participation declined in FY3/2021 due to COVID-19

Driver Instructor Training

We provide driver instructor training for leaders and operation managers who instruct drivers at each operation site. In FY3/2022, due to impact from COVID-19, we canceled our conventional group training and implemented remote training online. A total of 171 participants attended the two-day session for reaffirming the right knowledge required for instructors and driver persuasion techniques.

Initiatives for Employee Health

Stress Checks and Mental Health Care

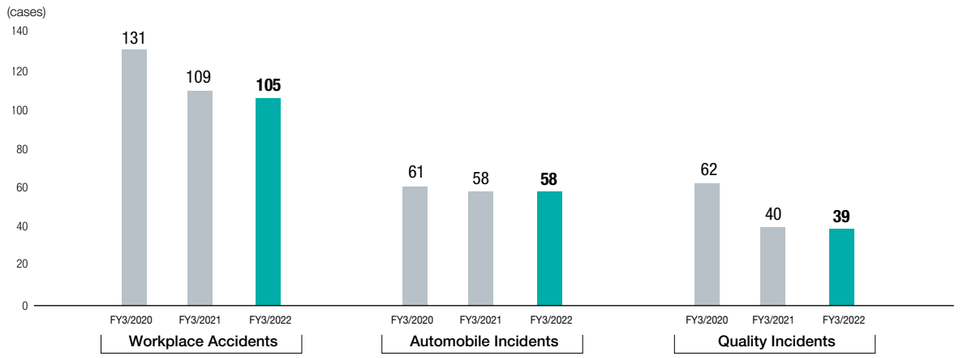
The KONOIKE Group conducts stress checks in accordance with legal requirements. If a stress check results in a report, we hold an interview with an industrial physician and strive for improvement. To improve mental health, we established a system in which two employees at each sales office, having obtained certifications in a line care course for mental health, act as contact points to facilitate attentive care for employees in need.

Supervision of the Board of Directors for Occupational Health and Safety

Once a quarter, reports are made at the board of directors on matters related to occupational health and safety. The number of workplace accidents is analyzed by sorting them by the number of occurrences, years of work experience of the victims, type of workplace accident, and other factors. This analysis is used to report on workplace accident trends for the quarter in question and initiatives for the next quarter given these trends. Analysis is also conducted for automobile incidents by the number of occurrences, type of injury or damage, type of commercial or business-related vehicle, and type of owned or outsourced vehicle. This analysis is used to report on matters to be addressed in the next quarter based on incident trends for that quarter. Reports are similarly made for quality incidents.

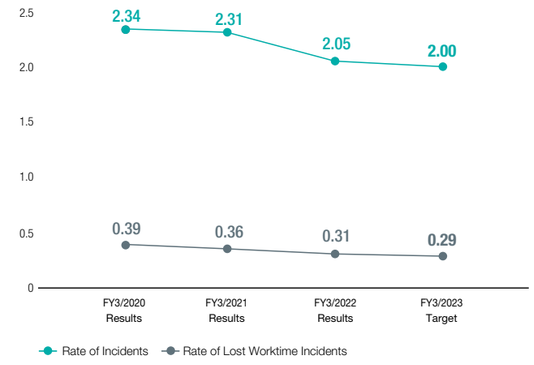
Work-Related Accident Data (KONOIKE Group Totals)

Number of Accidents



* Number of automobile incidents includes cases of damage to automobile

Rate of Incidents/Rate of Lost Worktime Incidents



Rate of Incidents

Industry Average	**2.09**
Transport Business Average	**3.31**

(From 2021 Ministry of Health, Labour and Welfare data)

* Rate of incidents: Number of fatalities and injuries in occupational accidents ÷ total working hours x 1,000,000 hours. Excludes cases for which hours could not be calculated (employees of partners, temporary staffing companies, and overseas subsidiaries).

* Rate of lost worktime incidents: Number of persons losing worktime due to workplace accidents ÷ total work hours x 1,000,000 hours. Excludes cases for which hours could not be calculated (employees of partners, temporary staffing companies, and overseas subsidiaries).

Technology — Safety and Quality

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.

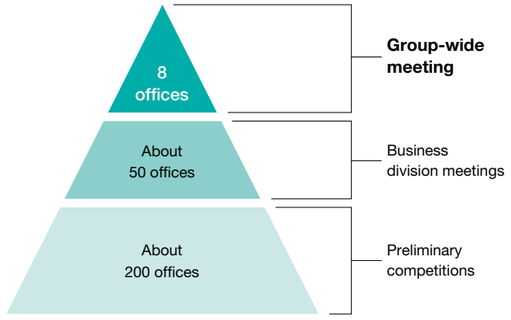
By listening during customer visits and through customer communications, we identify customer needs, set goals at the beginning of the year, and confirm progress in our Transportation Safety and Quality Management System. After taking corrective measures and measures against recurrence for problems that 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 and affiliates in Japan engage in preliminary competitions within their respective branches and affiliates, with the selected winning groups from each advancing to a meeting of their respective business divisions. Those winning at their business division meetings advance to the Group-wide meeting. Eight groups in total made presentations of their activities in FY3/2022. That included three presentations on safety, three on quality, and two on increasing productivity.



Internal Award System

Each year on the day in May set aside to commemorate KONOIKE's founding, we present awards to offices and individuals that have made outstanding contributions to transportation safety and quality, as well as offices that have demonstrated excellence in their activities. For FY3/2022, 14 offices and individuals were honored in the safety category, 50 in the transportation category, and 12 in the quality category.

Activities With Our Clients

Joint 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.

Business Partner Visits

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. During these visits, representatives confirm the management policy, business plan, transport management, driver and vehicle management status, and safety activities for each trucking company based on the Partner Management System Evaluation Table. For partner companies working with us as on-site contractors or dispatchers, we also check their legal documents, insurance coverage, employment contracts, and health and safety activities. Visits were made to 370 partner companies in FY3/2022.

Activities with Our Communities

Watching Over Children on Their Way to and From School

Our sales offices located near elementary schools are engaged in activities to watch over children on their way to and from school. Timed with the beginning and end of classes, employees stand along routes to and from school to assist elementary school students as they cross crosswalks. As a logistics company that uses trucks, we work with local police, municipalities, and elementary schools to ensure the safety of children on a daily basis.

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.





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, In charge of International Business/In charge of Technology Innovation

Apr 2006	Joined Sumitomo Mitsui Banking Corporation
Apr 2013	Joined the Company
July 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, New Business Development Administrator, Executive General Manager of New Business Development Division
Apr 2021	Director and Senior Managing Executive Officer, Chief International Officer and Chief Technology Innovation Officer
Apr 2022	Director and Senior Managing Executive Officer, In charge of International Business/In charge of Technology Innovation (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 position)
Mar 2019	Outside Director of KOKUYO Co., Ltd. (current position)
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.
May 2016	Joined Amundi Japan Ltd.
Jul 2020	External Director of the Company (current position)
Jun 2022	External Director of HOGY MEDICAL CO., LTD. (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
May 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
July 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	Audit & Supervisory Board Member of the Company (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
Jun 2017	Outside Director of KITZ Corporation (current position)
Apr 2018	Representative of Cross-Border-Bridge Consulting (current position)
Jul 2020	External Audit & Supervisory Board Member 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	External Audit & Supervisory Board Member of the Company (current position)



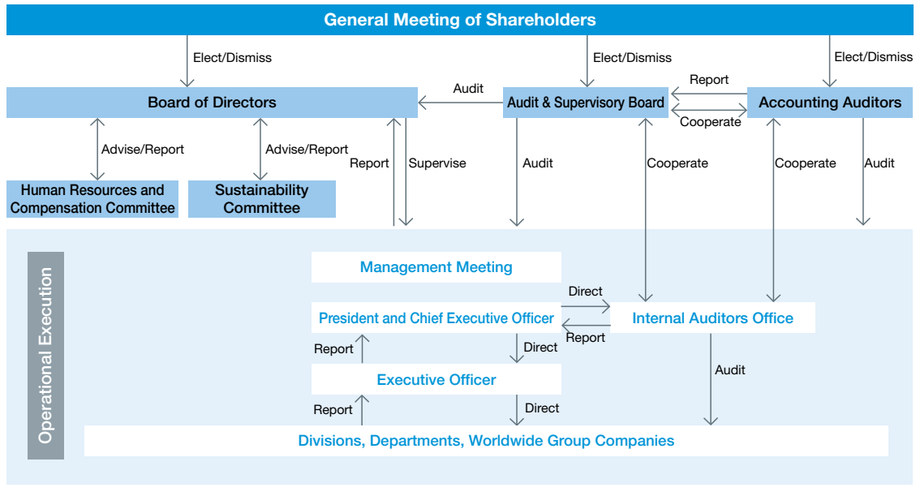
Corporate Governance

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

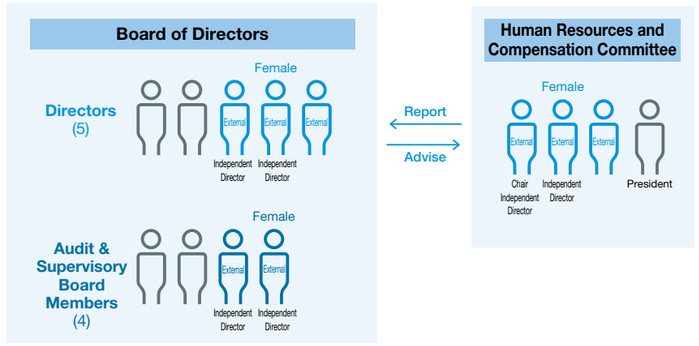


Corporate Governance Improvement Timeline

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Separation of Supervision and Business Execution	2003: Implemented Executive Officer System							Changed Title of President to President and Chief Executive Officer				
	2003: Changed Director Term to 1 Year											
												External Directors Comprise a Majority of Directors
External Directors		1 Director					2 Director		3 Director			
External Audit & Supervisory Board Members	2006: 2 Members											
Committees									Established Human Resources and Compensation Committee			
							Established Integration Committee (Changed to Sustainability Committee in November 2021)					
Other			Listed on First Section of the Tokyo Stock Exchange									
					Implemented Compensation-Type Stock Options (Abolished in 2021)							
											Implemented Restricted Stock Compensation Plan	
												Transitioned to Prime Market of the Tokyo Stock Exchange

Composition of the Board of Directors

To distinguish clearly between management oversight and business execution, three of the five 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

Directors		Current Title(s)	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, Chief Executive Officer, and Chairman of the Board of Directors Human Resources and Compensation Committee Member	○	○	○							○
	Tadatsugu Konoike	Director and Senior Managing Executive Officer	○	○				○	○			
	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	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

Human Resources and Compensation Committee

Activities in FY3/2022

The committee met a total of 10 times in response to consultations from the board of directors. The committee discussed appointments of directors and executive officers, reporting the discussions to the board of directors. On multiple occasions, the committee also discussed the state of the compensation system for directors and executive officers.

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.

Position	Total Compensation (Millions of Yen)	Total Compensation Amount by Type (Millions of Yen)			Number of Eligible Officers
		Basic Compensation	Performance-Linked Compensation (Bonuses)	Non-Monetary Compensation (Restricted Stock)	
Directors	272	152	98	21	8
(External Directors, Included)	(37)	(37)	(–)	(–)	(3)
Audit & Supervisory Board Members	66	66	–	–	6
(External Audit & Supervisory Board Members, Included)	(22)	(22)	(–)	(–)	(3)
Total	339	219	98	21	14
(External Officers, Included)	(59)	(59)	(–)	(–)	(6)

*1 The above table is inclusive of the amount paid to one director and two Audit & Supervisory Board members (including one external member) who retired at the conclusion of the 81st Annual General Meeting of Shareholders held on June 24, 2021.
*2 The amount of compensation for directors does not include employee salaries of directors who concurrently serve as employees.

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	Evaluation and Additional Comments on Following Items 1 Composition of the Board of Directors 2 Operation of the Board of Directors 3 Active/Reactive Governance 4 The Board of Directors’ Advisory Body (Human Resources and Compensation Committee) 5 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 FY3/2022 Evaluation Results

Evaluations indicated that the composition of the board of directors is appropriate in terms of the overall number of directors and the balance between the number of internal and external directors. Evaluations improved regarding the operation of the board of directors due to partial revision of the content and volume of materials and to securing time for discussion of important management matters. However, issues requiring improvement were identified, specifically regarding the establishment of a monitoring system for management indicators, including non-financial indicators.

Going Forward

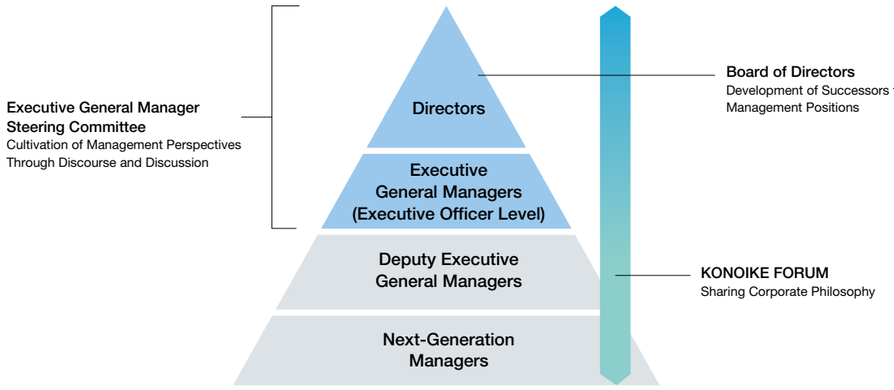
In light of the results above, we are considering improvements to the following items.

- **Establishing a monitoring system**
  - Monitoring in the new medium-term management plan (ongoing verification and discussion of steady implementation)
  - Organizing and systematically providing information, etc. necessary for monitoring operational execution
- **Continuing annual planning of matters to be discussed**
- **Enhancing the content of materials for the board of directors**

Corporate Governance

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. holds 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 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.

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 throughout the group.

Raising Compliance Awareness

We regularly 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. In particular, compliance is not only limited to adherence to laws and other rules. We are thoroughly committed to the necessity of facing all stakeholders with integrity in accordance with ethical and social values and social norms as well.

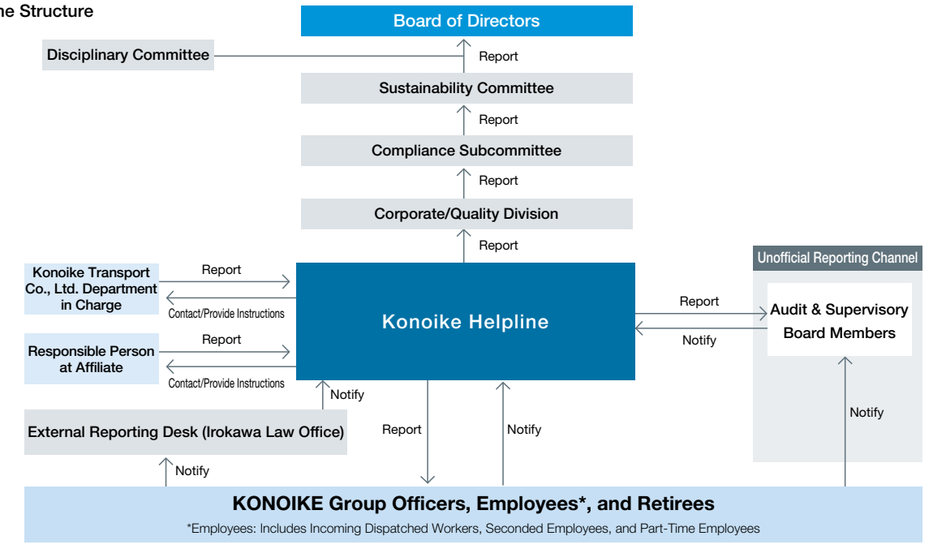
Initiatives for Overseas Subsidiaries

We must promote the KONOIKE Group philosophies to overseas subsidiaries, where business practices differ from those in Japan. In addition to the implementation of a compliance awareness survey and online compliance training, we conducted an engagement survey in FY3/2022 to gauge employee attachment at each local subsidiary and work to increase engagement through activities such as Katariba. We hold study meetings on our corporate ethics code for managers and promote thorough enforcement of the Basic Philosophies of safe and comfortable workplaces, contribution as a corporate citizen and care for the environment, as well as fair transactions.

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 codes in this regard, Audit & Supervisory Board members 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



Corporate Governance

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. We have stockpiled masks, alcohol disinfectant solution, and other items, and we are prepared to distribute these items promptly in the event of a shortage or an emergency, such as a natural disaster.

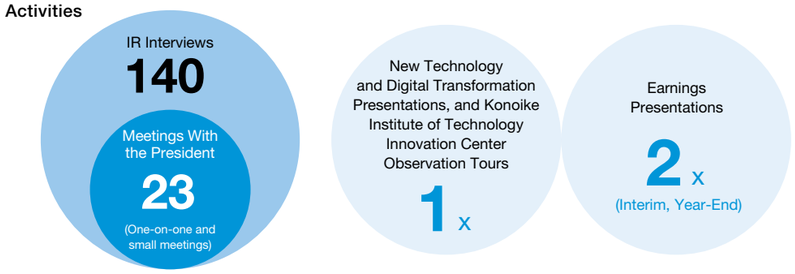
Shareholders/Investors

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 ensured opportunities for dialogue and meetings with institutional investors and analysts not only face-to-face but also through remote formats. We treat these dialogues as valuable opportunities to explain our approaches and to receive opinions that contribute to the improvement of our corporate value.

During the FY3/2022, we held dialogues regarding our approach to medium- to long-term strategies, responses to sustainability, etc. In exchange, we received numerous thought-provoking opinions.

We held 140 interviews during FY3/2022, each providing lengthy and purposeful dialogues.

We will continue to encourage the exchange of 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 cancel information sessions for individual investors, which are traditionally conducted in a face-to-face or group format. 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 by posting materials such as archived videos of earnings presentations and Q&A sessions on our IR website.

Financial Highlights

Profit and Loss

(¥ hundred million)

	FY3/2013	FY3/2014	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022
Net Sales	2,277	2,315	2,449	2,525	2,583	2,767	2,941	3,108	2,923	**3,013**
Operating Income	76	79	93	102	102	110	109	96	39	**102**
(Profit margin)	3.4%	3.4%	3.8%	4.1%	4.0%	4.0%	3.7%	3.1%	1.4%	**3.4%**
Ordinary income	75	80	95	107	107	115	113	95	93	**118**
Profit attributable to owners of parent	39	43	54	64	73	70	62	45	48	**79**

Financial Condition

Total assets	1,708	1,743	1,928	1,917	2,046	2,118	2,132	2,234	2,587	**2,577**
Shareholders' equity	692	733	829	865	919	978	982	961	1,015	**1,109**
Interest-bearing debt	460	408	448	421	466	427	450	551	892	**756**
Equity ratio (Shareholders' equity / Total assets)	40.6%	42.1%	43.0%	45.2%	44.9%	46.2%	46.1%	43.0%	39.2%	**43.0%**
D/E ratio (Interest-bearing debt / Shareholders' equity)	0.7 times	0.6 times	0.5 times	0.5 times	0.5 times	0.4 times	0.5 times	0.6 times	0.9 times	**0.7 times**

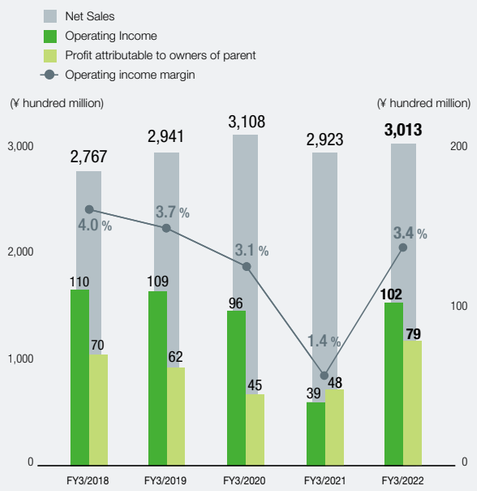
Cash Flows

Cash flows from operating activities	104	145	154	112	165	143	58	183	144	**167**
Cash flows from investing activities	(54)	(95)	(98)	(125)	(62)	(99)	(86)	(165)	(109)	**(64)**
Cash flows from financing activities	20	(69)	18	(52)	14	(64)	(38)	35	311	**(154)**
Free cash flows (Op. CF + Inv. CF)	49	50	56	(12)	102	43	(28)	18	35	**103**
Cash and cash equivalents at end of period	198	186	264	199	313	291	222	276	622	**576**

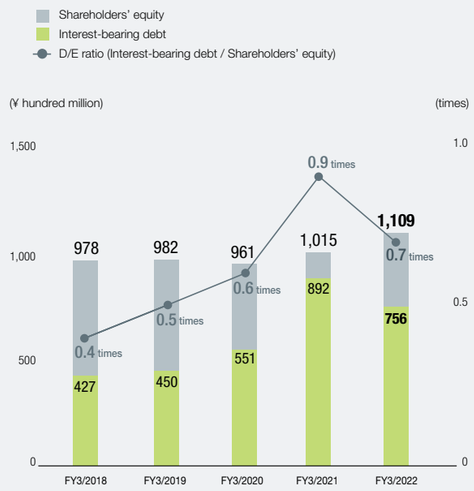
Major Indicators

Return on equity ratio (ROE)	6.1%	6.1%	6.9%	7.6%	8.2%	7.4%	6.4%	4.7%	4.9%	**7.5%**
Return On Invested Capital (ROIC)	4.2%	4.1%	4.6%	4.8%	4.6%	4.7%	4.6%	3.9%	1.4%	**3.4%**
Net Operating Profit After Taxes (NOPAT)	53	54	64	71	70	76	76	67	27	**71**

Consolidated Profit Performance (5 Years)



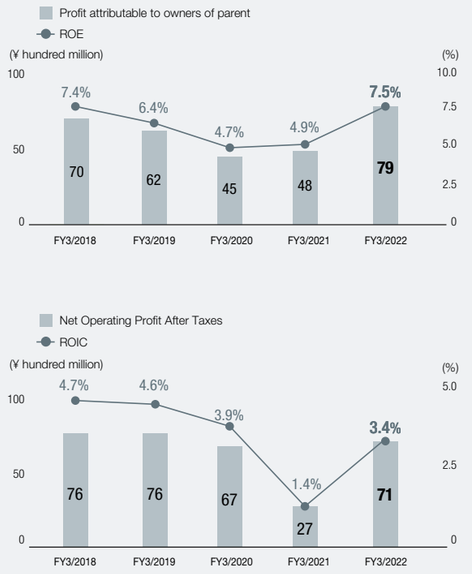
Consolidated Balance Sheet Performance (5 Years)



Consolidated Cash Flow Performance (5 Years)



ROE/ROIC (5 Years)



Analysis of Business Status/Corporate Performance, Etc.

Performance and Business Status

During FY3/2022, the economy of Japan experienced a recovery in capital investment and production, particularly in the manufacturing industry, despite a shortage of semiconductors and other issues. However, the COVID-19 pandemic has yet to subside, while state of emergency declarations and priority measures to prevent the spread of the disease have been repeatedly issued and lifted. It appears that it will take time for socioeconomic activities to normalize. In addition, trends in COVID-19 infections in Japan and abroad, as well as the situation in Ukraine, have caused soaring prices of crude oil and other resources, stagnation in international logistics, and a depreciation in the value of the yen. We have no choice but to say that the future remains uncertain.

Amid these circumstances, the KONOIKE Group formulated single-year FY3/2022 Policy to focus on improving profit ratios. We are engaged in four initiatives consisting of improving profit ratios, improving efficiencies, strengthening competitiveness, and engaging in cross-division collaboration, and we have seen positive results in each area. Specifically, we made steady progress in 20 operating locations designated as businesses for profit improvement. In our Airport-Related Business, we have endeavored to win orders for international cargo flights, even as the recovery of international passenger flights remains uncertain. At the same time, we continue to support and transfer human resources within and outside the group, building a workforce that keeps pace with the recovery in demand.

In November 2021, we established the Sustainability Basic Policy and the Sustainability Committee. As we build on the result of activities based on our Corporate Philosophy to date, we pursue company-wide efforts to solve and eliminate issues surrounding sustainability, including the SDGs, ensuring all executives and employees can put these efforts into practice.

In terms of financial results for FY3/2022, net sales amounted to ¥301,373 million, a ¥9,024 million (+3.1%) increase year on year. In the previous fiscal year, we saw stagnation of production and logistics in Japan and overseas due to the COVID-19, a significant reduction in international passenger flights, and production cuts in the steel industry. This fiscal year, net sales were affected by the adoption of the Accounting Standard for Revenue Recognition (¥14,376 million decrease, or -4.9%). Positive factors this fiscal year included a decreasing impact of COVID-19 on production and distribution, as well as higher ocean and air freight rates, production recovery in the steel-related industry, and the opening of new distribution centers and other facilities.

Despite soaring fuel prices, operating income amounted to ¥10,288 million (157.3% increase year on year), mainly due to an effective increase in sales (adoption of Accounting Standard for Revenue Recognition: ¥23,400 million increase, or +8.0%), as well as the Structural Reform Plan launched in spring 2020, profit ratio improvements as part of our FY3/2022 Policy, introduced in April this fiscal year, personnel reassignments, including those with multiple skills, the receipt of appropriate unit prices, and advancements in operating efficiencies. Ordinary income amounted to ¥11,845 million (26.1% increase), despite a decrease in the Employment Adjustment Subsidy. Profit attributable to owners of parent amounted to ¥7,988 million (65.2% increase), stemming from sales of strategic shareholdings.

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 impact of the Accounting Standard for Revenue Recognition amounted to a decrease of ¥8,974 million, or -4.9%. In addition, we saw the issuance of two emergency declarations, priority measures to prevent the spread of infections, and the completion of large-scale construction projects in the Environmental & Engineering-Related Business in the previous fiscal year. However, the impact of COVID-19 decreased compared to the previous fiscal year, while customers experienced production recoveries, mainly in the manufacturing industry and construction materials industry in connection with our steel-related business. Combined with the contribution of newly opened distribution centers, net sales amounted to ¥181,342 million (1.9% decrease year on year). On the other hand, profit amounted to ¥10,224 million (96.6% increase) as a result of the effect of increased sales (+¥5,450 million, or +2.9%, after taking into account the impact of the Accounting Standard on Revenue Recognition). Other positive factors included a recovery in volume, improved operating efficiencies, growth in cargo handling operations, the opening of new offices, and proactive efforts to assign personnel in the Airport-Related Business appropriately (Q4 cumulative total: 61,471 employees, up 14,002 compared with FY3/2021).

- **Domestic Logistics Business**

Net sales amounted to ¥51,754 million (0.9% increase year on year), mainly due to a recovery in cargo volume, which had declined due to COVID-19. Profit rose 7.0% year on year to ¥2,985 million, resulting from efforts to improve profitability through the receipt of appropriate unit prices and bottom-to-top streamlining of in operations, in addition to the effect of increased sales.

- **International Logistics Business**

Despite the impact of the Accounting Standard for Revenue Recognition (¥5,320 million decrease, -9.5%), we saw a decrease in impact of COVID-19, a sharp rise in ocean and air freight rates and the associated expansion of transaction volume to Europe via the Middle East, and an increase in transaction volume due to economic recovery in China, the United States and ASEAN, etc. As a result, net sales amounted to ¥68,275 million (21.5% increase year on year), while profit amounted to ¥3,268 million (89.5% increase).

(Note) Beginning FY3/2022, KONOIKE Transport changed the assignment of the business division for certain affiliates belonging to business divisions in each reportable segment due to changes in major customers and business details. Therefore, figures below FY3/2021 reflect the referenced changes in assigned business divisions for consolidated year-on-year comparisons.

Management Performance and Financial Condition

Total assets

As of the end of FY3/2022, total assets amounted to ¥257,764 million, a decrease of ¥1,034 million compared to the end of FY3/2021.

Current Assets

As of the end of FY3/2022, total assets amounted to ¥123,899 million, an increase of ¥697 million compared to the end of FY3/2021. This result was mainly due to an increase of ¥4,681 million increase in notes and accounts receivable-trade, and contract assets, an increase of ¥219 million in other current assets, and a ¥4,305 million decrease in cash and deposits.

Fixed Assets

As of the end of FY3/2022, fixed assets amounted to ¥133,864 million, a decrease of ¥1,731 million compared to the end of FY3/2021. This result was mainly due to a decrease of ¥1,006 million decrease in investment securities and a ¥925 million yen decrease in lease assets.

Total Liabilities

As of the end of FY3/2022, total liabilities amounted to ¥144,472 million, a decrease of ¥9,526 million compared to the end of FY3/2021.

Current Liabilities

As of the end of FY3/2022, current liabilities amounted to ¥51,010 million, a decrease of ¥8,462 million compared to the end of FY3/2021. This result was mainly due to a decrease of ¥10,000 million in current portion of bonds, a decrease of ¥2,934 million in short-term borrowings, an increase of ¥3,172 million in notes and accounts payable, and an increase of ¥923 million in current portion of long-term borrowings.

Long-Term Liabilities

As of the end of FY3/2022, long-term liabilities amounted to ¥93,462 million, a decrease of ¥1,063 million compared to the end of FY3/2021. This result was mainly due to a decrease of ¥1,069 million in long-term borrowings.

Net Assets

As of the end of FY3/2022, net assets amounted to ¥113,291 million, an increase of ¥8,492 million compared to the end of FY3/2021. This result was mainly due to an increase of ¥6,836 million in retained earnings and an increase of ¥1,839 million in foreign currency translation adjustments.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities for FY3/2022 amounted to ¥16,749 million, an increase of ¥2,283 million compared to FY3/2021. This result was mainly due to net income before income taxes of ¥12,014 million, depreciation and amortization of ¥8,201 million, and income taxes paid of ¥4,417 million.

Cash Flows from Investing Activities

Net cash used in investing activities for FY3/2022 amounted to ¥6,424 million, a decrease of ¥4,505 million compared to FY3/2021. This result was mainly due to ¥7,942 million in purchases of property, plant and equipment and ¥1,042 million in proceeds from the sale of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities for FY3/2022 amounted to ¥15,441 million, compared to net cash provided of ¥31,148 million in FY3/2021. This result was mainly due to cash outlays of ¥10,000 million in redemption of bonds, a net decrease of ¥2,976 million in short-term borrowings, and ¥1,159 million in dividends paid.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	63,397	**59,092**
Notes and accounts receivable - trade	55,032	**–**
Notes and accounts receivable-trade, and contract assets	–	**59,713**
Costs on uncompleted works	85	**71**
Supplies	1,552	**1,591**
Other	3,519	**3,739**
Allowance for doubtful accounts	(385)	**(308)**
Total current assets	123,202	**123,899**
Non-current assets		
Property, plant and equipment		
Buildings and structures	114,967	**117,917**
Accumulated depreciation	(71,327)	**(73,119)**
Buildings and structures, net	43,639	**44,797**
Machinery, equipment and vehicles	48,949	**50,714**
Accumulated depreciation	(40,123)	**(39,915)**
Machinery, equipment and vehicles, net	8,825	**10,799**
Land	41,908	**41,661**
Leased assets	7,769	**5,700**
Accumulated depreciation	(3,828)	**(2,685)**
Leased assets, net	3,941	**3,015**
Construction in progress	3,118	**657**
Other	8,991	**9,077**
Accumulated depreciation	(7,480)	**(7,385)**
Other, net	1,511	**1,692**
Total property, plant and equipment	102,946	**102,623**
Intangible assets		
Goodwill	2,080	**1,800**
Other	4,183	**4,158**
Total intangible assets	6,264	**5,959**
Investments and other assets		
Investment securities	13,296	**12,290**
Long-term loans receivable	398	**345**
Deferred tax assets	5,382	**5,676**
Retirement benefit asset	193	**170**
Other	7,280	**6,975**
Allowance for doubtful accounts	(165)	**(176)**
Total investments and other assets	26,385	**25,281**
Total non-current assets	135,595	**133,864**
Total assets	258,798	**257,764**

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,446	**17,618**
Short-term borrowings	7,883	**4,949**
Current portion of bonds	10,000	**–**
Current portion of long-term borrowings	1,697	**2,620**
Provision for director bonuses	126	**320**
Accrued expenses	11,277	**11,652**
Income taxes payable	2,374	**2,716**
Other	11,668	**11,131**
Total current liabilities	59,473	**51,010**
Non-current liabilities		
Bonds payable	55,000	**55,000**
Long-term borrowings	10,176	**9,107**
Lease obligations	2,235	**2,693**
Deferred tax liabilities	601	**492**
Deferred tax liabilities for land revaluation	1,293	**1,219**
Retirement benefit liability	21,092	**21,502**
Retirement allowance for directors	138	**142**
Long-term accounts payable - other	1,542	**682**
Other	2,443	**2,622**
Total non-current liabilities	94,525	**93,462**
Total liabilities	153,999	**144,472**
Net assets		
Shareholders' equity		
Share capital	1,723	**1,723**
Capital surplus	1,908	**1,908**
Retained earnings	107,728	**114,564**
Share capital	(7,288)	**(6,596)**
Total shareholders' equity	104,072	**111,599**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,277	**4,054**
Revaluation reserve for land	(5,030)	**(5,182)**
Foreign currency translation adjustment	(510)	**1,328**
Remeasurements of defined benefit plans	(1,253)	**(869)**
Total accumulated other comprehensive income	(2,517)	**(667)**
Share acquisition rights	459	**–**
Non-controlling interests	2,784	**2,358**
Total net assets	104,798	**113,291**
Total liabilities and net assets	258,798	**257,764**

Consolidated statements of income

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Net sales	292,348	**301,373**
Cost of sales	272,787	**275,527**
Gross profit	19,561	**25,846**
Selling, general and administrative expenses	15,563	**15,557**
Operating income	3,997	**10,288**
Non-operating income		
Interest income	101	**65**
Dividend income	279	**314**
Foreign exchange gains	58	**215**
Reversal of allowance for doubtful accounts	24	**7**
Gain on reversal of loss on valuation of investment securities	489	**0**
Rental income	149	**144**
Employment adjustment subsidy	4,734	**1,111**
Other	553	**484**
Total non-operating income	6,390	**2,343**
Non-operating expenses		
Interest expenses	255	**299**
Loss on valuation of investment securities	0	**3**
Bond issuance expenses	196	**–**
Equity in losses of affiliates	362	**273**
Allowance for doubtful accounts	1	**91**
Other	174	**118**
Total non-operating expenses	991	**785**
Ordinary profit	9,397	**11,845**
Extraordinary income		
Gain on sales of non-current assets	236	**511**
Gain on sales of investment securities	752	**1,056**
Other	32	**47**
Total extraordinary income	1,022	**1,616**
Extraordinary losses		
Loss on sales and retirement of non-current assets	111	**308**
Loss on valuation of investment securities	3	**9**
Loss on valuation of investments in capital of affiliates	73	**–**
Impairment loss	1,315	**880**
Other	8	**247**
Total extraordinary losses	1,512	**1,446**
Profit before income taxes	8,906	**12,014**
Income taxes – current	4,174	**4,720**
Income taxes – deferred	100	**(515)**
Total income taxes	4,275	**4,205**
Profit	4,630	**7,809**
Profit (loss) attributable to non-controlling interests	(205)	**(179)**
Profit attributable to owners of parent	4,836	**7,988**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Profit	4,630	**7,809**
Other comprehensive income		
Valuation difference on available-for-sale securities	985	**(217)**
Foreign currency translation adjustment	(794)	**1,831**
Remeasurements of defined benefit plans, net of tax	1,751	**381**
Share of other comprehensive income of entities accounted for using equity method	4	**94**
Total other comprehensive income	1,947	**2,090**
Comprehensive income	6,578	**9,899**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,757	**9,990**
Comprehensive income attributable to non-controlling interests	(178)	**(90)**

See our FY3/2022 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)

FY3/2022

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Share capital	Total shareholders' equity
Balance at beginning of current period	**1,723**	**1,908**	**107,728**	**(7,288)**	**104,072**
Cumulative effects of changes in accounting policies			**(73)**		**(73)**
Restated balance	**1,723**	**1,908**	**107,654**	**(7,288)**	**103,998**
Changes of items during period					
Dividends of surplus			**(1,159)**		**(1,159)**
Profit attributable to owners of parent			**7,988**		**7,988**
Increase in retained earnings due to an increase in consolidated subsidiaries			**93**		**93**
Increase in retained earnings due to a decrease in consolidated subsidiaries			**2**		**2**
Purchase of treasury shares				**(0)**	**(0)**
Disposal of treasury shares		**(166)**		**691**	**525**
Transfer of loss on disposal of treasury shares		**166**	**(166)**		**–**
Reversal of revaluation reserve for land			**151**		**151**
Net changes of items other than shareholders' equity					
Total changes of items during period	**–**	**–**	**6,910**	**691**	**7,601**
Balance at end of current period	**1,723**	**1,908**	**114,564**	**(6,596)**	**111,599**

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	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			
Balance at beginning of current period	**4,277**	**(5,030)**	**(510)**	**(1,253)**	**(2,517)**	**459**	**2,784**	**104,798**
Cumulative effects of changes in accounting policies								**(73)**
Restated balance	**4,277**	**(5,030)**	**(510)**	**(1,253)**	**(2,517)**	**459**	**2,784**	**104,725**
Changes of items during period								
Dividends of surplus								**(1,159)**
Profit attributable to owners of parent								**7,988**
Increase in retained earnings due to an increase in consolidated subsidiaries								**93**
Increase in retained earnings due to a decrease in consolidated subsidiaries								**2**
Purchase of treasury shares								**(0)**
Disposal of treasury shares								**525**
Transfer of loss on disposal of treasury shares								**–**
Reversal of revaluation reserve for land								**151**
Net changes of items other than shareholders' equity	**(223)**	**(151)**	**1,839**	**384**	**1,850**	**(459)**	**(425)**	**964**
Total changes of items during period	**(223)**	**(151)**	**1,839**	**384**	**1,850**	**(459)**	**(425)**	**8,566**
Balance at end of current period	**4,054**	**(5,182)**	**1,328**	**(869)**	**(667)**	**–**	**2,358**	**113,291**

(Millions of yen)

FY3/2021

	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
Increase in retained earnings due to an increase in consolidated subsidiaries					–
Increase in retained earnings due to a decrease in consolidated subsidiaries					–
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
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					Share acquisition rights	Non-controlling interests	Total net assets
	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			
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
Increase in retained earnings due to an increase in consolidated subsidiaries								–
Increase in retained earnings due to a decrease in consolidated subsidiaries								–
Purchase of treasury shares								–
Disposal of treasury shares								31
Transfer of loss on disposal of treasury shares								–
Reversal of revaluation reserve for land								342
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

Consolidated Statements of Cash Flows

(Millions of yen)

	FY3/2021	FY3/2022
Cash flows from operating activities		
Profit before income taxes	8,906	**12,014**
Depreciation	8,138	**8,201**
Impairment loss	1,315	**880**
Amortization of goodwill	365	**279**
Increase (decrease) in allowance for doubtful accounts	305	**(93)**
Increase (decrease) in retirement benefit liability	330	**500**
Increase (decrease) in provision for directors' retirement benefits	(6)	**12**
Interest and dividend income	(381)	**(380)**
Rental income	(149)	**(144)**
Loss on valuation of investment securities	3	**9**
Loss on valuation of investments in capital of affiliates	73	**–**
Loss (gain) on valuation of investment securities	0	**3**
Gain on reversal of loss on valuation of investment securities	(489)	**(0)**
Interest expenses	255	**299**
Bond issuance expenses	196	**–**
Foreign exchange losses (gains)	(81)	**(184)**
Share of (profit) loss of entities accounted for using equity method	362	**273**
Employment adjustment subsidy	(4,734)	**(1,111)**
Gain on sales of non-current assets	(236)	**(511)**
Loss (gain) on sales of investment securities	(752)	**(1,046)**
Loss on sales and retirement of non-current assets	111	**308**
Decrease (increase) in trade receivables	599	**(4,095)**
Decrease (increase) in inventories	96	**(28)**
Decrease (increase) in other assets	(238)	**(220)**
Increase (decrease) in trade payables	516	**2,959**
Increase (decrease) in other liabilities	(1,049)	**383**
Other, net	637	**1,434**
Subtotal	14,095	**19,741**
Interest and dividends received	395	**357**
Interest paid	(232)	**(306)**
Rent revenue	128	**123**
Employment adjustment subsidy received	4,549	**1,251**
Income taxes paid	(4,470)	**(4,417)**
Net cash provided by (used in) operating activities	14,465	**16,749**
Cash flows from investing activities		
Decrease (increase) in time deposits	608	**(170)**
Net decrease (increase) in short-term loans receivable	(77)	**8**
Purchase of property, plant and equipment	(12,665)	**(7,942)**
Proceeds from sales of property, plant and equipment	1,533	**1,042**
Purchase of intangible assets	(917)	**(982)**
Purchase of investment securities	(75)	**(101)**
Proceeds from sales of investment securities	806	**1,651**
Long-term loan advances	(11)	**(9)**
Collection of long-term loans receivable	40	**20**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(36)	**–**
Payments for sales of shares of subsidiaries resulting in a change in scope of consolidation	–	**(37)**
Other	(134)	**95**
Net cash provided by (used in) investing activities	(10,929)	**(6,424)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,181)	**(2,976)**
Proceeds from issuance of bonds	34,803	**–**
Redemption of bonds	–	**(10,000)**
Proceeds from long-term borrowings	922	**1,570**
Repayments of long-term borrowings	(758)	**(1,562)**
Dividends paid	(1,416)	**(1,159)**
Dividends paid to non-controlling interests	(27)	**(29)**
Repayments of finance lease obligations	(863)	**(906)**
Proceeds from share issuance to non-controlling shareholders	–	**48**
Other, net	(329)	**(423)**
Net cash provided by (used in) financing activities	31,148	**(15,441)**
Effect of exchange rate change on cash and cash equivalents	(158)	**364**
Net increase (decrease) in cash and cash equivalents	34,526	**(4,751)**
Cash and cash equivalents at beginning of period	27,691	**62,217**
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	**162**
Cash and cash equivalents at end of period	62,217	**57,628**

Sustainability Data

Category		Indicators	Units	FY3/2020	FY3/2021	FY3/2022
Environment	Actual Solar Power Generated*1	Total Power Generated	kWh	15,263,726	16,776,309	**16,390,422**
	Total Energy Input Volume*2	Diesel	kℓ	30,333	25,847	**25,393**
		Electric Power	Thousand kWh	96,147	94,684	**95,829**
		Kerosene	kℓ	126	87	**55**
		Gasoline	kℓ	938	910	**786**
		A Fuel Oil	kℓ	347	346	**387**
		BC Fuel Oil	kℓ	1,575	1,614	**1,636**
		Town Gas	km^3	67	71	**113**
		Natural Gas	km^3	1,935	2,082	**1,967**
		Propane Gas	t	52	56	**54**
		Coal Coke	t	11,169	12,064	**12,475**
	CO_2 Emissions	CO_2 Emissions*2	t-CO_2	186,363	170,625	**166,991**
		CO_2 Emissions Reduction Due to Solar Power Generation*1	t-CO_2	7,449	7,885	**7,425**
		Reduction in CO_2 Emissions from Modal Shift (t-CO_2)*2	t-CO_2	7,063	5,734	**5,721**
	Detail of CO_2 Emissions*2	Diesel	t-CO_2	78,259	66,684	**65,514**
		Electric Power	t-CO_2	52,977	50,585	**44,998**
		Kerosene	t-CO_2	313	218	**136**
		Gasoline	t-CO_2	2,175	2,111	**1,824**
		A Fuel Oil	t-CO_2	939	937	**1,048**
		BC Fuel Oil	t-CO_2	4,724	4,842	**4,907**
		Town Gas	t-CO_2	149	158	**251**
		Natural Gas	t-CO_2	4,295	4,623	**4,367**
		Propane Gas	t-CO_2	155	167	**162**
		Coal Coke	t-CO_2	35,406	38,243	**39,545**
		Other	t-CO_2	6,971	2,056	**4,238**
	Low-Emission Vehicle Implementation Status*3	Post-post-new long-term regulation-compliant vehicles	Vehicles	213	266	**308**
		Post-new long-term regulation-compliant vehicles	Vehicles	479	478	**463**
		New long-term regulation-compliant vehicles	Vehicles	212	153	**131**
		Hybrid Vehicles	Vehicles	43	42	**42**
		Electric Vehicles	Vehicles	8	8	**9**
		CNG Vehicles	Vehicles	15	13	**14**
		LPG Vehicles	Vehicles	1	1	**1**
	Transportation Ton-Kilometers*3	Transportation Ton-Kilometers	10,00 t/km	18,121	17,558	**17,297**
		CO_2 Emissions	t-CO_2	27,023	28,448	**28,000**
		Output Level		0.578	0.628	**0.608**
People	Work Hours and Days of Paid Leave Taken	Front-Line Workers*3	Annual Work Hours (Avg.)	Hours	2,307.6	2,215.3	**2,250.9**
			Days of Paid Leave Taken (Avg.)	Days	12.8	11.1	**11.3**
		Career-Track*3	Annual Work Hours (Avg.)	Hours	2,109.6	2,137.8	**2,204.1**
			Days of Paid Leave Taken (Avg.)	Days	7.8	8.2	**8.5**
	Human Resources	Front-Line Workers*3	Number of Employees	People	8,582	8,530	**8,456**
			Percent of Female Employees	%	8.2	8.7	**8.9**
			New Graduates Hired	People	175	127	**151**
			Mid-Career Hires	People	683	397	**451**
		Career-Track*3	Number of Employees	People	1,065	1,077	**1,057**
			Percent of Female Employees	%	16.0	16.1	**16.2**
			Number of Managers (Office/Department Manager and Above)	People	457	459	**455**
			Percent of Female Managers	%	2.6	2.6	**2.9**
			New Graduates Hired	People	50	53	**38**
			Mid-Career Hires	People	33	5	**8**
			Percent of Disabled Persons Hired (Data from June each Fiscal Year)	%	2.5	2.5	**2.4**
Technology	Safety and Quality*1		Workplace Accidents	Incidents	131	109	**105**
			Automobile Incidents	Incidents	61	58	**58**
			Quality Incidents	Incidents	62	40	**39**
			Rate of Incidents		2.34	2.31	**2.05**
			Rate of Lost Worktime Incidents		0.39	0.36	**0.31**
Governance	Composition of the Board of Directors*3		Directors	People	8	7	**5**
			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 External Audit & Supervisory Board Members	People	2	2	**2**
			Including Female Audit & Supervisory Board Members	People	0	1	**1**
	Board of Directors*3		No. of Board Meetings Held	Times	16	15	**16**

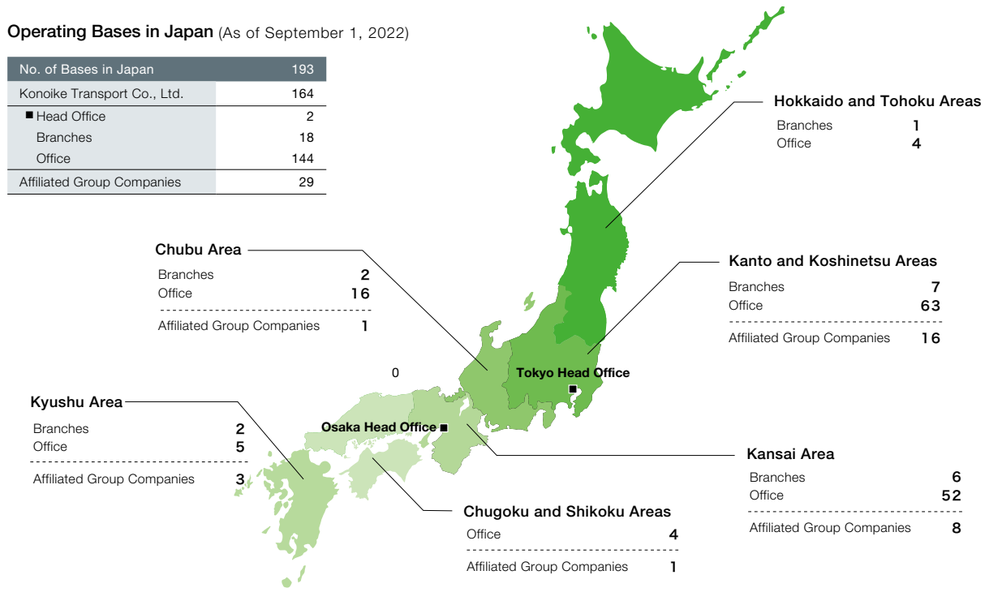
*1 KONOIKE Group total *2 Japan consolidated total *3 Non-consolidated

Company Data

Group Network

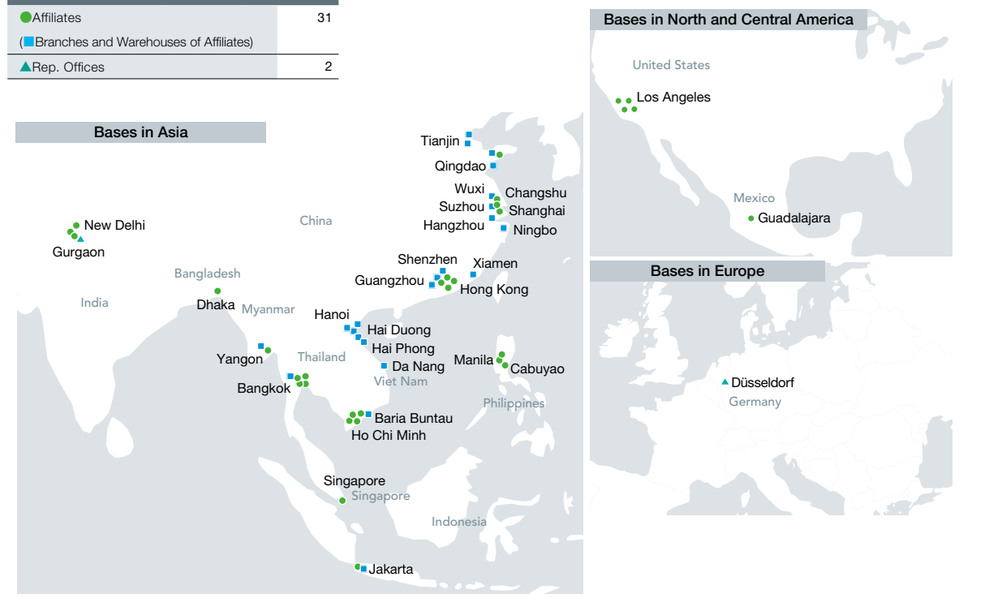
Operating Bases in Japan (As of September 1, 2022)

No. of Bases in Japan	193
Konoike Transport Co., Ltd.	164
■Head Office	2
Branches	18
Office	144
Affiliated Group Companies	29



Operating Bases Overseas (As of September 1, 2022)

No. of Bases Overseas (12 Countries)	33
●Affiliates	31
(■Branches and Warehouses of Affiliates)	
▲Rep. Offices	2



Company Data

Group Companies (As of September 1, 2022)

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. Konohana Transport Co., Ltd.	
Medical Division	Konoike Medical Co., Ltd.	
International Business Division	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 Air Port 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	
Technology Innovation Promotion Division	SHINE Co., Ltd.	

Corporate Outline (As of September 1, 2022)

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. 23,000 Konoike Transport alone: Approx. 14,000 Including temporary employees

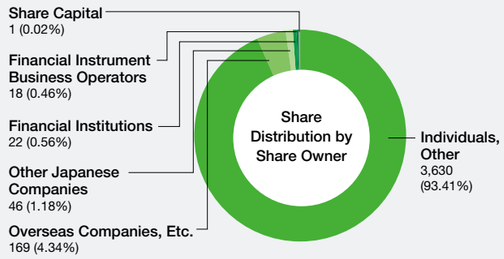
Stock Information (As of June 30, 2022)

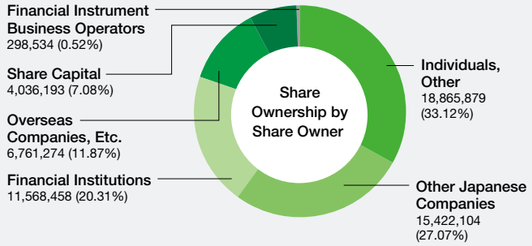
Number of shares authorized	227,596,808 shares
Number of shares issued and outstanding	56,952,442 shares (including 4,036,193 treasury shares)
Number of shareholders	3886
Listed stock exchange	Prime Market, Tokyo Stock Exchange
Security code number	9025

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	4,822,592	9.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,244,800	8.02
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.





Shareholder Reference

Date of record for dividend	Year-end: March 31
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/en/); provided, however, that in the event of an accident or any other unavoidable reason, the public notices may be given in “The Nikkei” newspaper.