KONOIKE GROUP
Integrated Report 2023

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)

KONOIKE GROUP

Brand Promise

Our Promise

Striving to Go Beyond Expectations

Going beyond the expectations of people and society, advancing lifestyles, and creating new value. At KONOIKE, this has been our job for over 100 years.

We promise to continue to evolve, unwaveringly, over the next 100 years.

At all of our locations, from where we got our start, you can find a true and unmatched dedication. People are trained and grow in order to help other people. Our dedication is one of relationships, where we sometimes must be responsible for the lives of other individuals.

We challenge ourselves to achieve what society asks of us. Our dedication is one of innovation, where we sometimes change the lifestyles of our country.

Let us exceed expectations, break through our boundaries, and defy conventional wisdom.

Going beyond what you were yesterday is the first step towards becoming who you will be tomorrow.

Corporate Philosophy

Our Mission

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

Customers,consumers, employees, families, shareholders, and investors.　Treating people as important, and being loved by the people. We know the precious value of these things.

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.



2030 Vision

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.

Principle

Our Value

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

OUR BRAND

CONTENTS

0 Our Philosophy
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
A Unique Business Models That Creates Value for Society ····· 9

2 The Future and Our Achievements
Top Message ····· 11
Achieving Our 2030 Vision and Medium-Term Management Plan ····· 13
Messages From the Director and Senior Managing Executive Officer and External Directors
Progress in the Medium-Term Management Plan ····· 15

3 Sustainability
The KONOIKE Group and Sustainability ····· 19
Message From the Officer in Charge of Sustainability ····· 20
Sustainability Implementation Structure ····· 21

Sustainability Initiatives
• Environment ····· 23
• People ····· 33
• Technology ····· 39
Technology Capital Working Group ····· 39
Technology Innovation ····· 40
ICT and DX Promotion ····· 41
Safety and Quality ····· 43

4 Business Overview
The KONOIKE Group Business Segment Structure ····· 49
Steel Division ····· 51
Food Division ····· 53
Food Products Division ····· 55
Life-Related Division ····· 57
International Business Division ····· 59
Airport Division ····· 61
Medical Division ····· 63
Engineering Division ····· 65
Business Topics ····· 67

5 Foundation Supporting Value Creation
Management Structure ····· 69
Corporate Governance ····· 71
Shareholders/Investors ····· 81

6 Data
Financial Highlights ····· 83
Analysis of Business Status/Corporate Performance, Etc. ····· 85
Consolidated Financial Statements ····· 87
Sustainability Data ····· 91
Company Data ····· 92

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.

The Birth of Our Founder, Chujiro Konoike

Origin of the KONOIKE Spirit

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

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.

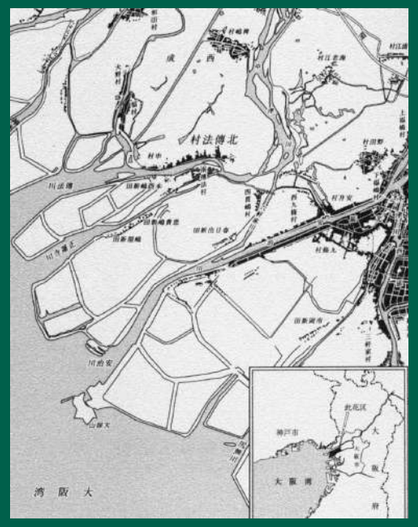
1852

HISTORY OF KONOIKE

More Than 140 Years of Respecting

Humanity and Building Relationships of Trust

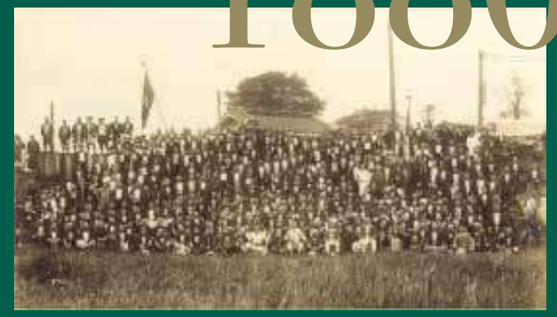
1880



Map of the Denpo area during the Meiji Era



Portrait of Mr. Chujiro Konoike (digital reproduction)



Group Photo Taken on June 18, 1921



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)

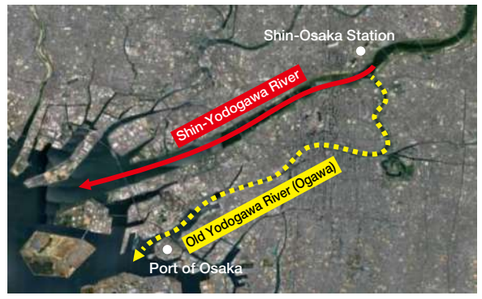


Yodogawa River improvement work
(Image courtesy of the Yodogawa River Office, Ministry of Land, Infrastructure, Transport and Tourism)

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.



Overall View of the Yodogawa River Improvement Work
©2023 Google – Image ©2023 Terra Metrics

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.

1945









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

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 with skills and systems in transport and outsourcing businesses not found in general logistics or manufacturing industry companies

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

May 2023 marked the 143rd 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.

Greater Growth

Overseas Business Expansion

1880
Founding

1900
Steel-Related

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.



1939
Life-Related

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.



1951
Food-Related

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.



1984
Expansion Into Singapore

1991
Airport-Related

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 clean-up 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.



1994
Medical-Related

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.



2018
Engineering-Related

Engineering-Related 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.

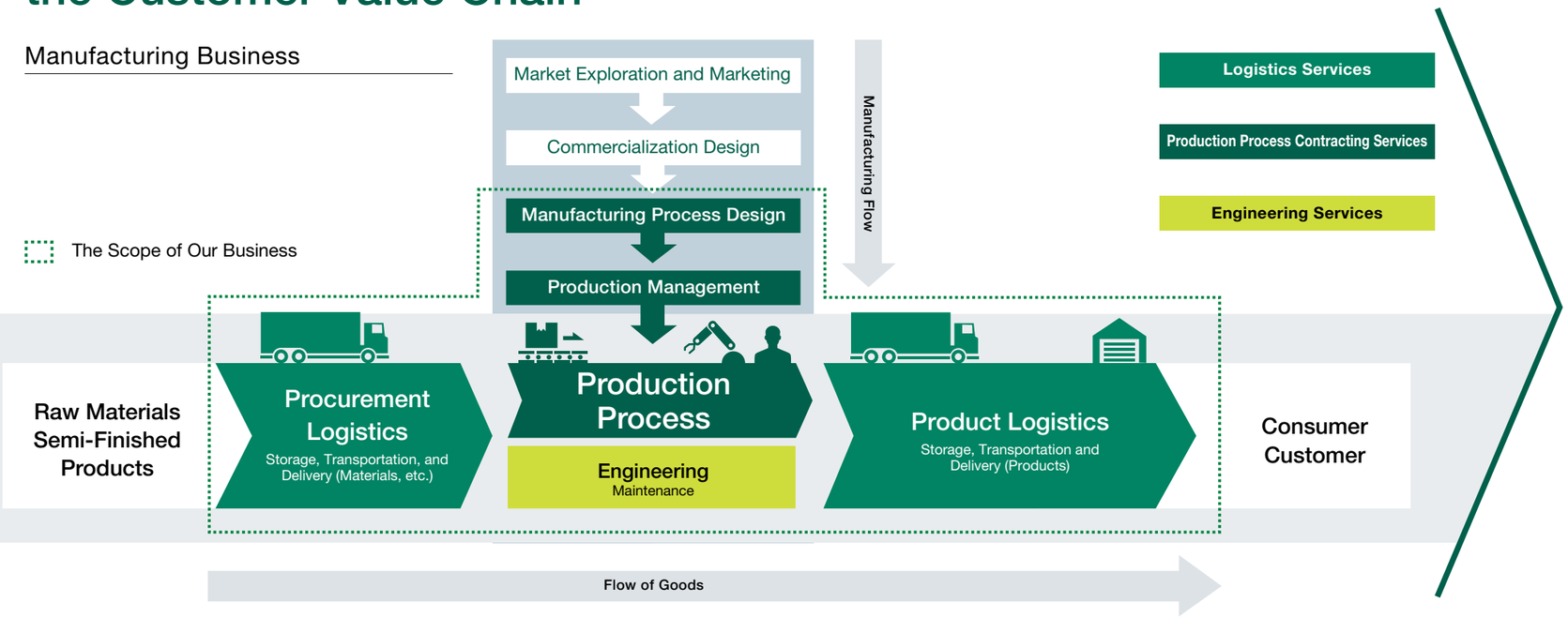


2013
IPO on the First Section of the Tokyo Stock Exchange

A Unique Business Model That Creates Value for Society

The word “transport” is part of the KONOIKE Transport corporate name. We set ourselves apart from typical transportation companies by establishing a unique business model in which we enter the value chain of our customers and undertake their operations. We made it possible to go beyond production processes in the manufacturing industry and also solve customers’ issues by undertaking operations in the service industry, such as in hospitals and airports. We will continue to create value for society together with our customers while expanding our business model into a wide range of fields.

The Scope of Our Business in the Customer Value Chain



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 and 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 hospital logistics

KONOIKE Group Management Resources

Financial Capital

Total Assets
¥266,000 million

Cash and Cash Equivalents, end of Period
¥67,500 million

Service Capital

Number of Locations by Region (As of August 1, 2023)
Domestic Locations 186
Asia 27
North and Central America 5
Europe 1

Capital Investment (Excluding Lease Investments)
¥6,900 million

Intellectual Capital

Konoike Institute of Technology Innovation Center Research Expenses
¥130 million

Technical Capital Library*
* A system that enables the entire Company to view and exchange information on automation and labor-saving initiatives implemented at each site.
400

Konoike Grand Prize*
* 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
Awarded to a total of
143 work sites and employees

Human Capital

Employees (As of August 1, 2023)
Consolidated 24,000
Non-Consolidated 14,000

Human Resources Training Expenses (Non-Consolidated)
¥530 million

Hours of Training Per Person (Non-Consolidated)
17 hours

Social and Relationship Capital

Business Partners
5,000 companies

Number of Community Initiatives
178

Number of Labor Hours Spent on Initiatives
1,697 hours

Natural Capital

CO_2 Emissions
Scope 1 123,662 t-CO_2e
Scope 2 41,262 t-CO_2e
Scope 3 694,646 t-CO_2e
* Japan consolidated total

Electricity Consumption
93,779 thousand kWh
* Japan consolidated total

T O P M E S S A G E



Representative Director, Chairman,
President and Chief Executive Officer

T. Konoike

Ongoing Challenges to Achieve Our 2030 Vision

Review of FY3/2023

In FY3/2023, the first year of our medium-term management plan, we saw various cost increases, including a sharp rise in energy prices. However, sales increased in all areas, except for food-related (food). The Company as a whole posted record-high sales and operating income as a result of our successful efforts to improve productivity, win new projects, and revise unit prices. I expect the Company to achieve even better results in FY3/2024 as we make steady progress toward achieving the goals of our medium-term management plan.

Initiatives to Resolve Management Issues

While I am pleased with the solid performance of our business, I am not optimistic when I look at the business environment. For example, customers are taking initiatives on-site and advancing mechanization and labor-saving as the working population in Japan decreases. With this decline in total population, we must assume that the domestic consumer market will shrink, customer production will decline, and that the KONOIKE Group will experience a labor shortage. We recognize that such circumstances will lead to performance risks, such as reduced domestic sales and decreased handling of production in contracting and logistics.

In response, we launched two initiatives to rebuild our domestic business foundation over the medium to long term. The first initiative is branch reorganization. We will strengthen our business foundation by reorganizing our 18 branches into 11, expanding the scope and scale of our operations, and enhancing collaborations in sales and personnel exchange. We will also create growth opportunities, mutually utilize assets, and improve investment efficiency. Our second initiative is to establish the Outsourcing Strategy Committee and the Logistics Strategy Committee, both of which consist of general managers of each business division. Both committees will aim to create new growth potential over the medium to long term by overcoming the boundaries of each division. Tactics here include sharing division-specific knowledge, searching for growth opportunities from a company-wide perspective, and effectively utilizing management resources through sharing intangible assets such as engineering personnel, advanced technology, and expertise for business growth.

Achieving the 2030 Vision

We will address the aforementioned domestic business risks and the impending 2024 problem to achieve our operating income target of ¥25,000 million in 2030. At the same time, we will focus on overseas business development and establish new businesses by leveraging our accumulated strengths. One example of new business building is the Next-Generation KONOIKE Group Project, launched in October 2022. This project will develop new businesses anticipating the coming industrial changes known as Industry 4.0.

Needless to say, it is the employees of the KONOIKE Group who play a central role in these important efforts while management plays an important role in creating an environment that enables each employee to fully demonstrate their abilities and strengths. I believe the key to this lies in employee happiness. Happy employees will do a fantastic job, even in new challenges that present great difficulties. These efforts will enable us to meet the expectations of our customers, receive appropriate compensation for our contributions, invest in further growth, and return profits to our shareholders and employees, leading to their further happiness. This will create a virtuous cycle that broadens our future and leads us to meet the expectations of all stakeholders. It is my personal mission to bring this virtuous cycle to fruition.

Achieving Our 2030 Vision and Medium-Term Management Plan

Message From the Director and Senior Managing Executive Officer



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

Industry 4.0 Initiatives

Technological innovation has advanced dramatically over the past several years. The era today is one in which traditional business structures will fall behind. What must the KONOIKE Group do to thrive in the future? I am stationed in Germany currently to find the answers to this question. Here in Germany, the country responsible for the start of Industry 4.0, more companies are embracing the smart factory challenge than in Japan. Smart factories are networks connecting factory equipment and production lines, collecting data to improve productivity. In Germany, many companies are incorporating smart factories to meet the challenge of innovation.

Although not yet apparent in Japan, there is no doubt that routine and repetitive simple tasks will be mechanized eventually. Automation will extend to general equipment and line operator work, and there is a great possibility that this type of job may disappear. For the KONOIKE Group to win business in this environment, we must transform tacit knowledge possessed by highly skilled personnel in core areas into common assets useful to members of the Group. We have always emphasized improvement activities for issues held in common with our customers. But in the future, we will have to make improvements from the perspective of overall optimization, not the partial optimization that applies only to a certain work site.

The Future of the KONOIKE Group

An important factor will be how to practice the slogan, *people, leveraging technology to reach for new heights*, as described in the 2030 Vision. In other words, the KONOIKE Group cannot survive in the era of Industry 4.0 without focusing on technology. Particularly in Japan, where the labor force is contracting due to declining birthrates and an aging population, we must innovate in our long-held contracting businesses, leveraging technology to create new business models. During my assignment in Germany, I will seek answers to the question of what the KONOIKE Group needs to bring about change, and how we can create a Group ready for Industry 4.0. We must also bear in mind that the market itself in Japan is shrinking due to declining birthrates and an aging population.

We must look overseas more than ever before, becoming an international organization. In addition to India, where we are focusing our efforts, we will be conscious of the need to improve our performance in Asia, North America, and here in Europe.

DNA for Response to Change

The KONOIKE Group established a *technology capital library* facilitating group-wide automation, labor-savings, and DX initiatives across the Group. With 400 projects already registered in this library, several have been profitable and praised highly by outside experts as best practices rarely seen, even worldwide. In this way, we are already practicing people, leveraging technology to reach for new heights, and it appears that this mindset is taking root within the Group.

The KONOIKE Group has a 143-year history, but we have not always followed a single path. As we faced various challenges, we developed in our DNA an ability to respond to change, solving issues through flexible approaches. Industry 4.0 is not a low hurdle. And we face the challenge as a new business opportunity for further progress.

Message From External Directors



Yoshihito Ota

The COVID-19 pandemic is finally under control, and daily life is returning to normal. However, Russia's invasion of Ukraine is ongoing, global prices remain high, and natural disasters caused by abnormal weather patterns continue to occur. We are reminded once again that even as we seek peace and stability, the reality is one of rapid change in the social environment.

Despite these circumstances, the KONOIKE Group has achieved excellent outcomes as a result of the strong sense of unity developed over the long history of the Company and the tireless efforts of the employees. I hope that the Group's employees have confidence and pride in this fact, striving to achieve the 2030 Vision, people, leveraging technology to reach for new heights, which is based on the corporate philosophy stating that the Group pursues *innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust*.

In my opinion, doing so will only strengthen the sense of unity that is the greatest strength of the KONOIKE Group. This movement will help the Group overcome any change in the environment and continue to grow and develop.

As an external director, I am also interested in what is happening in the field and will do my utmost to be of service.



Mika Masuyama

The KONOIKE Group pursues a variety of initiatives to achieve its 2030 Vision, people, leveraging technology to reach for new heights. Among these initiatives are two major endeavors. One is the establishment of the Logistics Strategy Committee and the Outsourcing Strategy Committee. These committees look across organizations that are vertically divided by customer and industry to encourage new discoveries and share best practices among businesses. The other endeavor is the launch of the Next-Generation KONOIKE GROUP Project in Europe. This project is an effort to shift the organization's thinking into a different dimension, rather than thinking as an extension to the work of today.

The COVID-19 pandemic rocked the Airport Division and other front lines of the Group's businesses. The importance of cross-business cooperation took hold as these businesses overcame this unprecedented crisis. And a new level of seriousness in facing unexpected challenges going forward is one factor driving innovation.

The board of directors will encourage the Group to take on these challenges not only in the short term, but also in the medium to long term. At the same time, the board will discuss solutions and risks with executives in the event that matters do not proceed as expected. We also understand that shareholders, investors, and customers should receive clear, concise explanations of the direction of the KONOIKE Group. I am committed to leveraging my own experience and expertise to contribute to sound growth of the KONOIKE Group.



Taisuke Fujita

Over the past year, the KONOIKE Group has experienced significant changes. The new Strategy Committee provides a forum for business leaders to discuss the direction of the outsourcing and logistics business. The committee also fosters organic linkage between the Group's various business units. I believe this inter-business collaboration will play a major role as KONOIKE moves to the next stage. In the process, KONOIKE has become more proactive. Leaders in each of the businesses have begun to stress the need for investment. I see this as a positive change for the Group. The need for investment, whether in equipment or human resources, cannot be a point of focus unless there is a goal. Leaders within the Group are beginning to see a clear picture of that end goal.

I also feel that KONOIKE is becoming more strategic in hiring and training human resources. This is the result of constructive collaboration emerging among the human resources, business, and administrative divisions of the Group. As the goals of the Group become more concrete, the image of where KONOIKE lacks human resources is becoming clearer.

I also believe that 2023 will be the year the Group begins to focus attention on regions outside of Japan. In India, Southeast Asia, Greater China, North and Central America, and Europe, KONOIKE is preparing to expand its operations. I expect that meaningful three-way exchanges between the head office, each business division, and local subsidiaries will progress and that specific regional strategies will be communicated externally.

Progress in the Medium-Term Management Plan

2023-2025

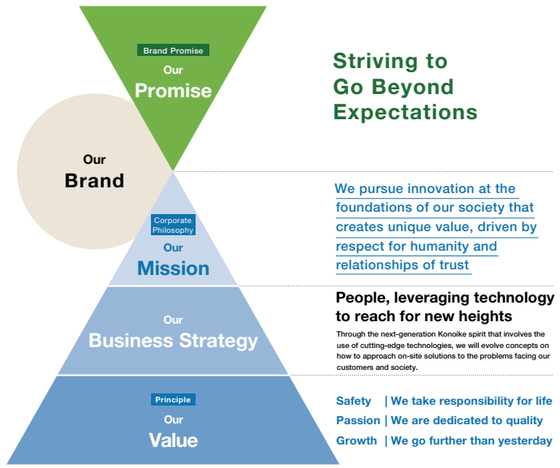
The KONOIKE Group pursues a vision of people, leveraging technology to reach for new heights as our ideal for the year 2030. Even in this era of drastic change in the business environment and an uncertain future, the growth of our people remains essential for the KONOIKE Group to enhance corporate value perpetually. We strive to create environments in which each individual can perfect their abilities and express their true talents without reserve. At the same time, we utilize a broad array of technologies embodied in tangible and intangible assets, including expertise accumulated over many years at the front lines of the KONOIKE Group, to improve and reform our operations. Every employee grows individually as part of this process. This is the kind of cycle we hope to foster within the Group. We are currently executing a medium-term management plan (FY3/2023 to FY3/2025) to achieve our 2030 Vision. The basic philosophy under this plan is to *leverage synergies between people and technology, striving to go beyond expectations in response to the changing times*.

2030 Vision

| 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.



Reaching 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.

KPI

Financial Targets

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

*Net sales figure under 2030 Vision is a guideline

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

Medium-Term Management Plan (FY3/2023 to FY3/2025)

| Basic Policy |

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 protability and efciency by pursuing innovation
- Always continue to improve protability

Medium-Term Management Plan Target

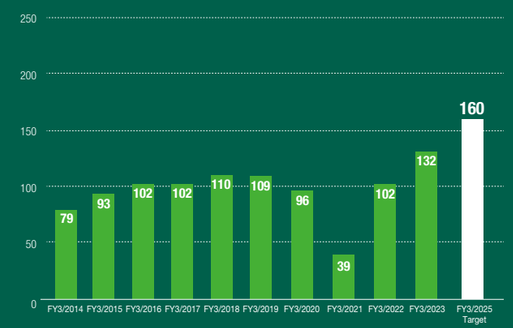
Financial Targets	FY3/2023 Results	FY3/2025 Target
Net Sales	¥311,800 million	¥332,000 million
Operating Income	¥13,200 million	¥16,000 million
ROE	7.1%	8.0%

Non-Financial Targets	FY3/2023 Results	FY3/2025 Target
Environment	17% reduction (164,924t-CO_2e)	• Reduce CO_2 emissions by 20% (vs. FY3/2019)
People	Initiatives in progress	• Pursue human resources development under management strategy • Raise employee job satisfaction (engagement)
Technology	Initiatives in progress	• Pursue human resources development under management strategy • Raise employee job satisfaction (engagement)

Looking Back on the First Year of the Current Medium-Term Management Plan

FY3/2023 was the first year of our current medium-term management plan. During the year, we achieved record-high net sales and operating income based on steady production among our customers and efforts of the KONOIKE Group to improve operational efficiencies and strengthen inter-divisional cooperation. We achieved these successes despite rising energy prices and weakening ocean and air cargo markets. Our Sustainability Committee, subcommittees, and working groups addressed non-financial targets in the areas of environment, people, and technology, achieving a certain degree of success. We will continue to manage KPIs and monitor progress as we move forward.

Operating Income



Our Story to Achieve the Medium-Term Management Plan

Our financial targets for FY3/2025, the final year of the current medium-term management plan, are operating income of ¥16,000 million and an ROE of 8%.

The Airport-Related Business, one key to achieving our targets, is recovering gradually with the relaxation of border controls, and we expect to see a return in air traffic volume. We will continue to work on systems in anticipation of a recovery and increase in flights by recruiting and training human resources, as well as expanding the areas for which we offer contract services. Ongoing efforts in this business and others will include improving profitability by cultivating new customers and receiving appropriate unit prices. In addition, we pursue the group-wide visualization of technologies ranging from expertise to new technologies developed on our front lines. The Group will continue to leverage technology to increase added value.

In April 2023, we reorganized branches, established a new Strategy Committee, and engaged in other organizational changes to optimize from a group-wide perspective. We believe these changes will allow us to identify the changing needs of the industry and our customers accurately, enhancing our corporate value further.

In terms of finance, we will maintain discipline and ensure financial health in consideration of the balance among investment capacity, optimum financial structure, and capacity for shareholder returns. Meanwhile, ROE improvements will come through the efficient use of capital in consideration of an appropriate level of financial leverage.

Through these efforts, the KONOIKE Group will achieve the financial targets of our medium-term management plan. Over the following pages, we will explain our efforts to improve return on capital and key points in strengthening our financial position.

Toward Improving Return on Capital

The KONOIKE Group adopted ROIC management in 2017 to improve return on capital. However, we understand the need for a fundamental review, as the Group has not achieved our past management plans and goals to date. We have endeavored to understand the ROIC for each business, clarify our business portfolio, consider investments in light of the return on capital, and improve profitability toward FY3/2025, the final year of our current plan. We also plan to optimize our business portfolio and clarify financial policy, including balance sheet targets. At the same time, the KONOIKE Group intends to strengthen awareness further among employees through ongoing communication from management.

We established a target of 10% ROE in our 2030 Vision as a specific indicator of return on capital. To achieve this target, we intend to strengthen existing initiatives and review group-wide growth strategy, including a review of the strategies of each business division. We will also clarify priority initiatives under the Outsourcing Strategy Committee and Logistics Strategy Committee, which we established in April this year. Based on reconsiderations from the perspective of increasing corporate value, we will conduct a ground-up review and improve the practicability of our business strategies.

Strategy Committee Initiatives

To date, the KONOIKE Group has operated in a vertically organized manner. Under this structure, we sought individual optimization through business divisions defined by customer and industry. Since the COVID-19 pandemic, however, we experienced advancements in collaboration among different divisions through human resource matchings and other initiatives. Aiming for optimization in terms of individual and group-wide perspectives, we now provide more added value to our customers. The new Outsourcing Strategy Committee and Logistics Strategy Committee will serve as a means to maintain discussions across division boundaries.

These strategy committees not only share projects across divisions, but also strive to improve profitability by addressing issues common to the entire Group. These issues include asset sharing among divisions (trucks and warehouses, etc.), as well as efforts to recruit and train human resources.

Investment Evaluation Committee

The Investment Evaluation Committee evaluates and verifies investment projects (including M&A transactions) submitted to the Management Meeting or the board of directors. In this way, the committee, which is chaired by the general manager of the Corporate Planning Division, serves as an advisory body to the Management Meeting to assist in business plan research and validation. The Investment Evaluation Committee not only confirms whether a return on investment will exceed the cost of capital through NPV and IRR, but also confirms the strategic significance of the investment project itself, the assumptions underlying income and expenditure plans, and the risks associated with the project. Other efforts include setting hurdle rates, comparing the list of investments under consideration in each business unit with investment capacity, and monitoring the status of past investments. In the future, we plan to develop further a mechanism for providing information useful for investment decision-making. This mechanism will include setting hurdle rates according to the degree of business risk and in-depth monitoring of results.

Initiatives to Improve Profit

The KONOIKE Group takes steps to improve profitability, including withdrawing from or selling low-profit facilities. Since FY3/2022, we have monitored 20 locations representing significant levels of invested capital (one of which has already been sold), and began monitoring another 11 new locations beginning FY3/2023, independent of the amount of invested capital. We not only introduce improvements at each location through unit price revisions and other measures, but also formulate and implement strategies that leverage our nationwide network of locations.

Our efforts met with delays in FY3/2023 due to the impact of energy costs. However, we will continue striving to achieve planned improvements of over ¥2,800 million (versus FY3/2020) by the end of our current medium-term management plan.

Improvements at 19 Locations

(locations for which invested capital is ¥1,000 million or more and ROIC after amortization is less than WACC and, in principle, in a business for profit improvement)

Profit Increase (vs. FY3/2020)



Improvement of only ¥1,300 million in FY3/2023 due to stagnation in the European market caused by inflation. Aiming to achieve ¥2,800 million plan by FY3/2025 through improvements under the medium-term plan, even allowing for expense increases.

New Monitoring Locations (11)

(locations with significantly lower revenues, not limited by invested capital amount)

Profit Increase (vs. FY3/2022)



FY3/2023 improvement limited to ¥130 million due to cost increases and a decrease in volume, factors which more than offset increases in unit prices. We expect performance in line with initial plan beginning FY3/2024.

Financial Policies

Financial Policies Under the Current Medium-Term Management Plan

Disciplined Investment Toward Growth, Ongoing Improvements in Corporate Value, and Stable Shareholder Returns

Maintain discipline and ensure financial health in consideration of the balance among investment capacity and capacity for shareholder returns.

1 Three-Year Cash Flows From Operating Activities

We plan to invest in growth, technological innovation, DX, M&A, facility upgrades, and shareholder returns within an estimated cumulative ¥4,500 million to ¥5,000 million.

2 Financial Health

Aim for D/E ratio of 0.8x or less and equity ratio of 40% or more, assuming an A- rating from Japan Credit Rating Agency, Ltd. (JCR).

3 Investment Management

Be aware of the cost of capital for each individual investment and make investment decisions based on NPV and ROIC in light of hurdle rates.

4 Shareholder Returns

Endeavor in principle to maintain annual dividends at the FY3/2023 level of ¥36 per share.

Looking Back on FY3/2023 (First Year of the Current Medium-Term Management Plan)

1 FY3/2023 Cash Flows From Operating Activities

We increased cash flows from operating activities ¥2,000 million year on year to ¥18,700 million, stemming from improved profitability, receiving appropriate unit prices, and improved operational efficiencies. We conducted shareholder returns within the scope of operating cash flow.

2 Financial Health

We recorded a D/E ratio of 0.62x, 0.06 points lower compared with the previous fiscal year and maintaining our target level of 0.8 times or less. This result was due to an increase in shareholders' equity and a decrease in interest-bearing debt. At 45.6%, our equity ratio was in excess of 40%, and we maintained a rating of A-, indicating ongoing financial health.

3 Shareholder Returns

We paid an annual dividend of ¥42 per share, which an increase of ¥13 year on year. We will continue to allocate cash generated to investments for future growth within considerations of maintaining financial discipline. At the same time, we aim to increase dividends through stable dividend payments and earnings growth, thereby enhancing shareholder returns. In addition, we will consider the option of opportunistic share buybacks in response to the business environment and financial conditions.

Message

FY3/2023 Results

Net sales increased 3.5% year on year due to generally steady production among our customers and higher unit prices, mainly in production contract work. Higher volume in the Airport-Related Business for domestic and international passenger flights, as well as a recovery in economic conditions in various countries also contributed to higher sales. Operating income rose 28.7% year on year, while ordinary income and profit attributable to owners of parent rose 20.6% and 3.9%, respectively. Despite a decrease in gains on sales of strategically held stocks occurring in the previous fiscal year (posted as extraordinary income) and a steep rise in fuel prices, profit was impacted positively by higher sales, efforts to improve profitability, which is the basic policy of our FY3/2023 - FY3/2025 medium-term management plan launched in April 2022, the receipt of appropriate unit prices, and improvements in operational efficiencies.

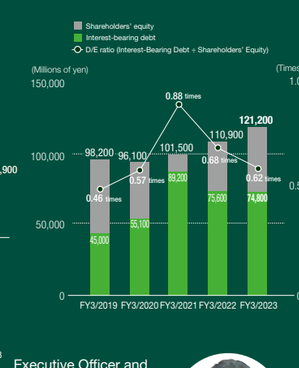
FY3/2023 Financial Position

We maintained financial health against a backdrop of solid business performance, making disciplined investments for growth and achieving shareholder returns above target levels. In addition to firm operating cash flow, we currently maintain sufficient liquidity on hand due to bonds issued for emergency working capital under the COVID-19 pandemic. Going forward, we will control interest-bearing debt at an appropriate level to maintain our current credit rating, using debt-to-equity ratio and other indicators as guides.

Consolidated Balance Sheet Performance (5 Years)



Consolidated Cash Flow Performance (5 Years)



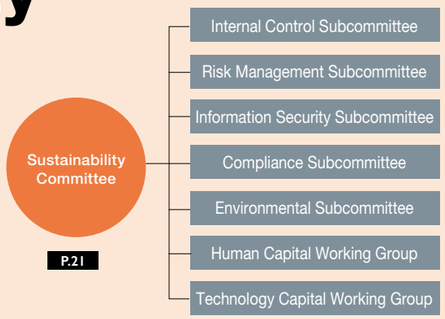


Executive Officer and Executive General Manager, Finance / Accounting Division

Yoshihito Nakanishi

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.



P.21

Sustainability Committee

— 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 medium- 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

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

Message From the Officer in Charge of Sustainability

Sustainability has been gaining momentum in recent years with the implementation of mandates on the disclosure of company information on sustainability. The KONOIKE Group has held quarterly meetings of the Sustainability Committee since its establishment two years ago. However, we believe that the current structure of five subcommittees under the umbrella of this Committee does not adequately cover the issues. As such, we newly established the Human Capital Working Group and the Technology Capital Working Group.

The Environmental Subcommittee and these two working groups work on initiatives regarding the three non-financial targets of Environment, People, and Technology. Each initiative was implemented in the PDCA cycle one year ago.

Environment

The KONOIKE Group aims to reduce CO_2 emissions by 35% by FY3/2031, compared to FY3/2019, and achieve carbon neutrality by 2050. We set the goal of achieving a 20% reduction by FY3/2025, the final year of our medium-term management plan. To achieve this, we work on the complete transition to renewable energy-derived electricity for our own facilities’ electricity contracts, as well as on the conservation of resources and energy. These efforts resulted in a 17% reduction at the end of FY3/2023. The Group will introduce new technologies and improve productivity, in addition to the aforementioned initiatives, enabling the reduction of our environmental impact through our business activities.

In addition, the KONOIKE Group began aggregating Scope 3 emissions, whereas previously we had only calculated Scope 1 and 2. Going forward, we will explore measures to reduce CO_2 emissions throughout the entire supply chain.

People

As stated in our corporate philosophy, the foundation of the KONOIKE Group is driven by our respect for humanity and relationships of trust. This attitude is the source of our strength. Ensuring that employees are happy and excited to work for our Group, both physically and mentally, will result in the sustainable enhancement of our corporate value. As such, our 2030 Vision identifies people as non-financial indicators and calls for human capital management of people that enhance the corporate value over the medium to long term. We encourage human resource development based on management and business strategies, as well as initiatives to improve employee engagement. In FY3/2023, the KONOIKE Group conducted our first wellbeing survey in to visualize our Group as it is today. The Group will continue to conduct this survey and build a PDCA cycle of issue identification, formulation and implementation of measures, evaluation, and issue improvement, to further strengthen our human capital.

We also established a new human rights policy and will continue to work with our business partners to address human rights issues based on this policy.

Technology

As stated in our 2030 Vision, we believe that people are the source of the KONOIKE Group value, and technology is the key to creating further added value for our people. This technology is defined as a wide range of intangible assets that include a combination of digital technology (such as new technologies and digital transformation) and analog technology (such as improvement activities, creating a safe environment, and quality) available to individual employees as well as in the field.

Our medium-term management plan calls for strengthened field innovation through new technology, business innovation through digital transformation (DX), and improvement of safety and quality through new technology. We aim to provide services unique to the KONOIKE Group by encouraging the sharing of experience, wisdom, and expertise, which tend to be individualized. At the same time, we also encourage the use of new technologies and digital transformation (DX) in the future. For example, our Technology Library visualizes examples of services actually implemented and their effects at each site to facilitate the horizontal deployment of technology within the Group. All employees have access to this knowledge base to generate new ideas, thereby strengthening the creation of added value.



Senior Managing Executive Officer
In charge of Corporate Department/In charge of Sustainability
Tetsuro Takeshima

Chapter 03

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.

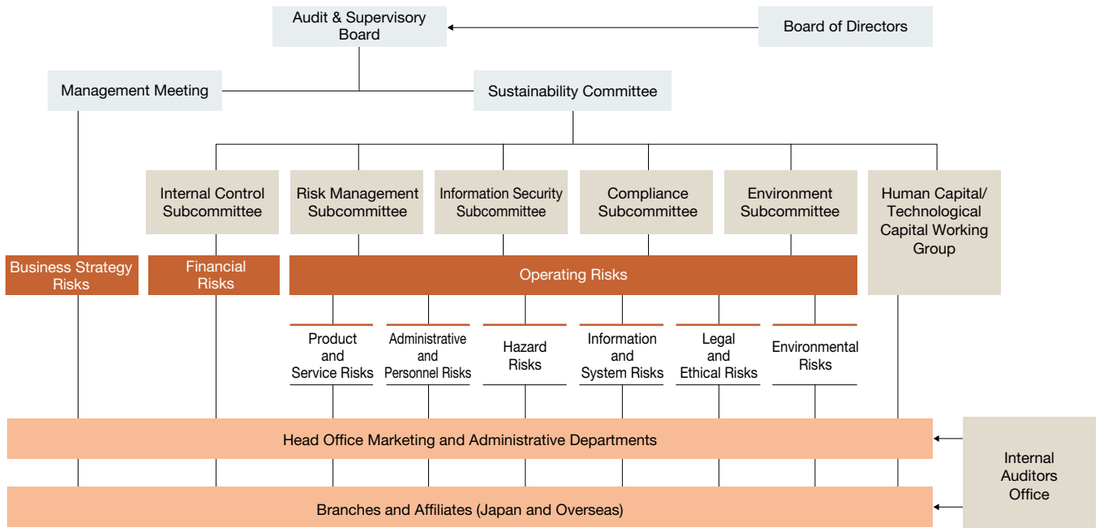
SUSTAINABILITY

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 Committee and Subcommittee Organization Chart



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.

Materiality Identification

The KONOIKE Group identifies materiality in terms of both risks and opportunities to achieve sustainable growth with our stakeholders. We also work on various initiatives, as it is important to incorporate these materialities into our medium- to long-term management plan. We plan to start identifying risks and opportunities in the business divisions to ensure the complete extraction of all materiality. Then, we will identify KONOIKE Group materiality by referring to the GRI Standards, other guidelines, and dialogues with external experts.

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

Sustainability and Risk Management

The KONOIKE Group aims to enhance sustainable corporate value by strategically promoting sustainability. We recognize the importance of risk management in the promotion of sustainability, and in particular, that objective risk assessment is one among several that play a fundamental and essential role.

Risk Assessment Objectives

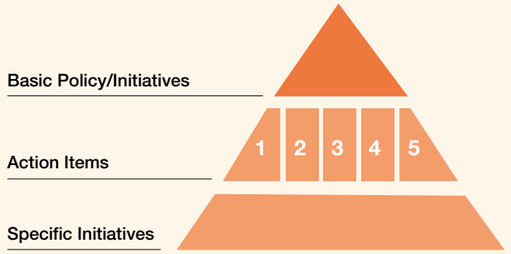
1. Assess risks surrounding the business and grasp the overall picture of said risks.
2. Identify priority countermeasure risks that have a significant impact on company management.
3. Clarify the direction of risk countermeasures to be taken as an organization.
4. Raise awareness of risk management within the Group.

We constantly pursue initiatives to optimize our risk management and formulate an effective sustainability strategy, aiming to increase sustainable corporate value and expand our social impact.

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.24
2 Toward a Sustainable Society P.26
3 Environmental Contribution Through Our Business Activities P.27
4 Biodiversity Preservation Activities P.28
5 Our Community Initiatives P.29

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.

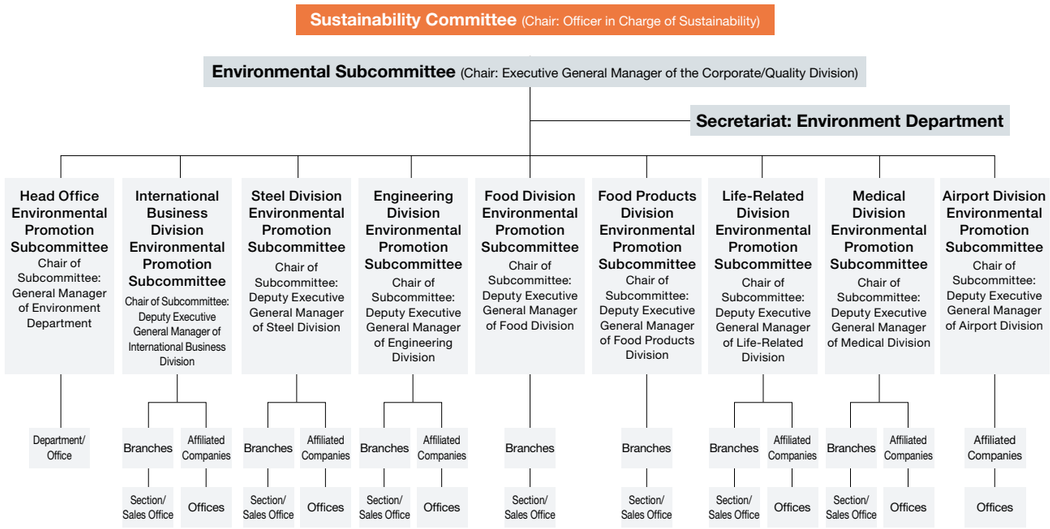
Action Guidelines

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

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

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 share information 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.

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	FY3/2021	266	478	153	42	8	13	1
	FY3/2022	308	463	131	42	9	14	1
	FY3/2023	**328**	**427**	**103**	**45**	**9**	**14**	**1**

*Applies to Konoike Transport Co., Ltd

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



Utilization of Solar Energy

Photovoltaic arrays in 21 domestic locations and 2 overseas locations owned by the KONOIKE Group contribute to the decarbonization of Earth by producing 14.5 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

	FY3/2021	FY3/2022	FY3/2023
Power Generated (kWh)	16,776,309	16,390,421	**14,572,497**
CO_2 Emissions Reduction Impact (t-CO_2e)	8,187	7,703	**6,601**

*Applies to Konoike Transport Co., Ltd. and affiliates in Japan and overseas

Switching to Electric Power Derived From Renewable Energy

In FY3/2022, the KONOIKE Group began switching to electric power derived from renewable energy. In the Kansai region of Japan, we have endorsed the Renewable Energy Procurement Matching Project* promoted by the government of Osaka Prefecture. Accordingly, five of our locations in the prefecture are switching to renewable energy for their power.

We are additionally switching all of our in-house electric power contracts to electric power derived from renewable energy in our medium-term management plan to FY3/2025 to actively take steps to reduce our Scope 2 CO_2 emissions. In FY3/2023, we completed the switchover at 26 locations, effectively reducing 1,427 tons of CO_2e.

* 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.



Toward a Sustainable Society

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 to reducing environmental impact.

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

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 clean-up activities at various locations.



Plastics Smart



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

Biodiesel Fuel From Waste Cooking Oil

The KONOIKE Group began using biodiesel fuel made from waste cooking oil. B5 biodiesel* can reduce CO_2 emissions by 5% compared to diesel fuel and has been attracting attention in recent years as a fuel with low environmental impact. We used 8,000 liters of B5 biodiesel in six trucks during FY03/2023. We also took measures to collect and recycle waste cooking oil from employees' homes. Going forward, we will increase the number of locations using biodiesel fuel to reduce CO_2 emissions and make more effective use of resources.

*Diesel mixed with 5% biodiesel

Environmental Contribution Through Our Business Activities

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.



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, 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.

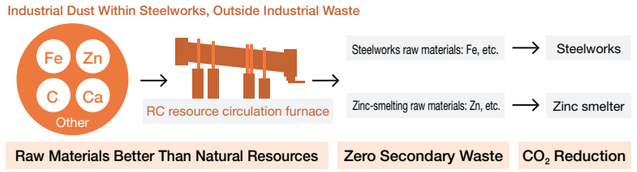
Industrial Waste Recycling Business

At the KONOIKE Group, we are developing a recycling business for industrial waste aiming for both industry growth and environmental preservation. Group company Eco Innovation Inc. has built the Perfect Recycling System*, which effectively leverages customer-owned resources while generating zero waste. At ASR Recycling Kashima Co., Ltd., 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.

*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 company contributes to the reduction of CO_2 emissions by using industrial waste that would normally be incinerated. We also reuse gas emitted during processing.

Perfect Recycling System Overview





Helping Customers Develop Infrastructure for Decarbonization

The KONOIKE Group provides engineering services based on our technical capabilities developed over many years through contracting work in a variety of industries. In our contracting work, we have recently seen an increase in inquiries for infrastructure development for decarbonization. We help our customers decarbonize by providing a diverse range of services, from the installation of solar panels to the production and installation of tanks and piping for biomass power plants, air pollution control equipment, and energy-saving related facilities.


Tank and piping work for a biomass plant that the KONOIKE Group was involved in

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. In response, the KONOIKE Group raises eelgrass seeds collected from Osaka Bay. The Osaka and Tokyo headquarters grow the seedlings between autumn and winter and transplants them back into Osaka Bay the following spring.


Raising eelgrass seedlings


Transplanting eelgrass


Eelgrass

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 through NbS*, which will lead to simultaneous resolution of economic, social, and environmental issues in the region.

*NbS: Nature-based solutions

Our Community Initiatives

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.

Edogawa Clean-Up Activities

Since 2018, the KONOIKE Group has been conducting clean-up activities in Edogawa, Tokyo, where the Group opened its first sales office. We volunteer in the Komatsugawa Senbon Cherry Blossom Festival and the Komatsugawa Senbon Cherry Blossom Lovers' Association Tree-Planting Event where we clean up the area and fertilize cherry blossom trees. These events are organized by the Komatsugawa Branch Office of the Edogawa Ward Office Lifestyle Promotion Department and the Komatsugawa Senbon Cherry Blossom Lovers' Association. The KONOIKE nameplate is hung from a cherry blossom tree at the venue, Oshima Komatsugawa Park. In June 2023, we received the 2023 *Commendation for Meritorious Service to the Campaign for a Better Environment** from the Edogawa Ward for our efforts to date.





*The *Commendation for Meritorious Service to the Campaign for a Better Environment* is given to individuals and organizations that have made outstanding contributions to the development and spread of the Movement for a Better Environment, an environmental initiative in which Edogawa residents and the local government work together.

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 clean-up activities around sales offices, cleaning of agricultural waterways, and afforestation.

Third-Party Assurance of Environment-Related Data

The KONOIKE Group has obtained third-party assurance for its GHG emissions (Scope 1 and Scope 2), total energy input, and total in-house solar power generation* in FY3/2022. This assurance is based on ISO 14064-3:2019 (GHG) and the revised ISAE3000 (non-GHG) from LRQA Limited, a third-party assurance organization. We will continue to ensure the reliability of our calculations by obtaining third-party assurance and expanding the scope of our guarantees.

*Applies to Konoike Transport Co., Ltd. and domestic consolidated subsidiaries





Environment-Related Data

Total Energy Input Volume

		FY3/2021	FY3/2022	FY3/2023
Electricity	(Thousands of kWh)	94,684	95,828	**93,779**
City Gas	(km^3)	71	111	**365**
Natural Gas	(km^3)	95	88	**92**
Propane	(t)	56	54	**51**
Gasoline	(km^3)	910	824	**791**
Kerosene	(kℓ)	87	55	**42**
Diesal	(kℓ)	25,847	25,992	**24,321**
A Fuel Oil	(kℓ)	346	387	**451**
B/C Fuel Oil	(kℓ)	1,614	1,636	**1,729**
Coal Coke	(t)	12,064	12,475	**8,955**
Anthracite	(t)	1,267	1,887	**5,075**
Coke Oven Gas	(km^3)	6,589	7,467	**7,461**
Industrial Steam	(GJ)	500	1,869	**3,603**
Steam	(GJ)	975	975	**975**
LNG	(t)	1,595	1,540	**1,436**

*Applies to Konoike Transport Co., Ltd. and domestic consolidated subsidiaries

Energy-Derived CO_2 Emissions

				FY3/2019 (Base Year)	FY3/2021	FY3/2022	FY3/2023
Total		Scope 1	($t\text{-}CO_2e$)	147,357	126,671	130,474	**123,662**
		Scope 2		51,238	50,671	44,345	**41,262**
		Scope 3		—	—	—	**694,646**
		Total		198,595	177,341	174,818	**859,570**
Breakdown	Konoike Transport Co., Ltd.	Scope 1		56,272	49,918	50,496	**49,439**
		Scope 2		32,771	35,009	29,986	**27,133**
		Scope 3		—	—	—	**492,742**
		Total		89,043	84,927	80,481	**569,314**
	Domestic Consolidated Subsidiaries	Scope 1		91,086	76,753	79,978	**74,223**
		Scope 2		18,467	15,662	14,359	**14,128**
		Scope 3		—	—	—	**201,904**
		Total		109,552	92,414	94,337	**290,255**

Non-Energy CO_2 Emissions

		FY3/2021	FY3/2022	FY3/2023
Calculated Leakage of Chlorofluorocarbons (CFCs)	($t\text{-}CO_2e$)	1,208	925	**1,050**

*Applies to Konoike Transport Co., Ltd. and domestic consolidated subsidiaries

CO_2 Emission Reductions Effects From Solar Power Generation

		FY3/2021	FY3/2022	FY3/2023
Electricity Generated	(kWh)	16,776,309	16,390,421	**14,572,497**
CO_2 Emission Reductions Effects	($t\text{-}CO_2e$)	8,187	7,703	**6,601**

*Includes electricity sold under the Feed-in Tarff (FIT) System
*Applies to Konoike Transport Co., Ltd. and affiliates in Japan and overseas

CO_2 Emission Reduction Effects From Modal Shift

		FY3/2021	FY3/2022	FY3/2023
CO_2 Emission Reductions Effects	($t\text{-}CO_2e$)	5,734	5,721	**5,957**

*Applies to Konoike Transport Co., Ltd. and affiliates in Japan

Transportation Ton-Kilometers

		FY3/2021	FY3/2022	FY3/2023
Transportation Ton-Kilometers	(10,000s of ton-kilometers)*1	17,558	17,297	**16,926**
CO_2 Emissions	($t\text{-}CO_2e$)	28,448	28,000	**26,900**
Intensity*2		0.628	0.608	**0.597**

*1 Total weight of cargo transported (in tons) multiplied by the respective transport distance (in kilometers)
*2 Energy consumption (crude oil-converted KL) divided by transportation ton-kilometers (10,000s of ton-kilometers)
* Applies to Konoike Transport Co., Ltd.

Introduction of Low-Emission Vehicles

Vehicle Type	Units		
	FY3/2021	FY3/2022	FY3/2023
❶Post-post-new long-term regulation-compliant vehicles	266	308	**328**
❷Post-new long-term regulation-compliant vehicles	478	463	**427**
❸New long-term regulation-compliant vehicles	153	131	**103**
❹Hybrid Vehicles	42	42	**45**
❺EVs	8	9	**9**
❻CNG Vehicles	13	14	**14**
❼LPG Vehicles	1	1	**1**

*Applies to Konoike Transport Co., Ltd.

Disclosure in Accord with the TCFD Recommendations

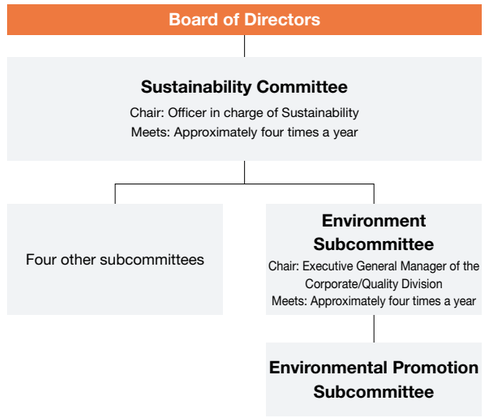
The KONOIKE Group recognizes that climate change is an important issue affecting the global environment, humanity, and corporate activities, and is actively promoting activities to mitigate global warming in order to contribute to the realization of a sustainable and prosperous society. The Group announced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

The TCFD recommendations suggest four items for disclosure: Governance, Strategy, Risk Management, 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.



Strategy

We identified risks and opportunities in our business resulting from the progression of climate change and developed a medium- to long-term strategy. Identified risks and opportunities are outlined in the table below.

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	Switch all electricity used at our locations to renewable energy by March 31, 2025 and 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	• Strive 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 receive 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	Evolve 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	Take 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	Improve operational efficiency and productivity in manufacturing and service provision processes, promoting modal shifts and joint delivery, etc.
	New markets		Potential to enter business domains and areas where market expansion foreseeable in a society where CO_2 emissions reduction efforts are progressing	Short/ medium term	Work to identify growth areas in each industry and gather information and expand management resources to capture opportunities

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 (Chair: Executive General Manager of the General Affairs Division) 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.

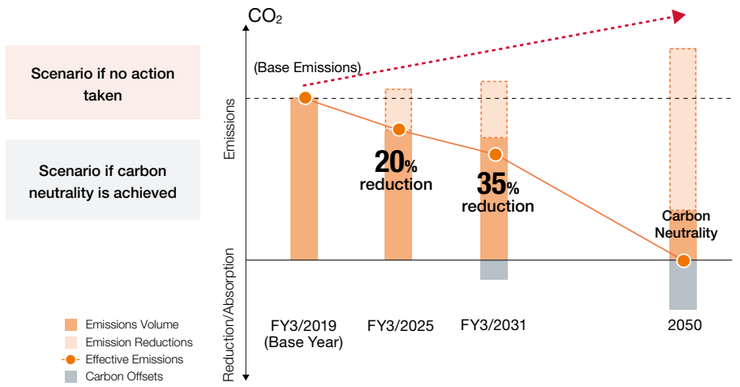
Indicators and Targets

To achieve carbon neutrality, we aim for the complete introduction of electric power derived from vulnerable energy from in-house contracted electricity by FY03/2025. 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	Target	Scope
FY3/2025	20% reduction (vs. FY3/2019)	Non-consolidated company and domestic consolidated companies	Scope 1 and 2
FY3/2031	35% reduction (vs. FY3/2019)		
2050	Targeting carbon neutrality		

Overview of CO_2 Emissions Reduction



Renewable Engery
- Switch to renewable energy
- Biodiesel fuel, etc.

Conserving Engery
- Improve loading efficiency
- Introduce 18PL trucks
- Switch to LEDs, etc.

New Technologies
- EV trucks, FCV trucks
- Hydrogen engines
- Alternative fuels to diesel oil, etc.

Carbon Offsets
- Via carbon credits
- Forest protection activities, tree planting
- Eelgrass seedling cultivation, etc.

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

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. In April 2022, we established a new career consultation desk to improve employee retention rates through emphasizing dialogue with employees. We simultaneously 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. We will systematically promote human resource development by establishing a career path system and maintaining hierarchal job standards for each department to cultivate advanced knowledge and skills.

(c) Develop human resources with strong problem 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, 549 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 launched the DX Training Course for all employees to deepen their knowledge of digital transformation and IT as well as to transform 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, and that this happiness is a very impactful element. For this reason, we launched wellbeing surveys for our employees in November 2022, and we will use the results of these surveys to identify issues and implement measures for improvement. We will conduct this survey every year to check that improvements made are effective and repeat further measures to ensure the effectiveness of the survey.

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

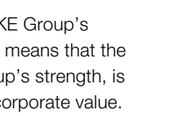
We feel that providing safe, high-quality services essential to the KONOIKE Group's business activities can only be achieved through people who possess the KONOIKE mindset expressed in our Brand Promise, where we strive to go beyond expectations. Further, we believe that developing human resources is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

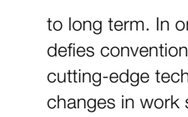
In addition, with our vision for 2030 as people, leveraging technology to reach for new heights, we will further evolve our on-site solutions to solve the problems facing our customers and society. To this end, it is important that we acquire professional knowledge and skills based on safety and quality, 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)**

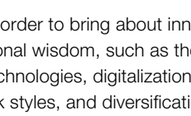
Personnel acquire knowledge from general and basic knowledge, including safety and quality, to process management (5S management, analysis/improvement methods, laws and regulations, etc.), and obtain the necessary skills at contract service sites (equipment operation, maintenance, qualifications, etc.).



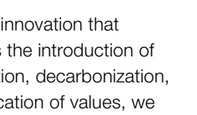
Equipment maintenance training



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 was 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. In 2023, we will further expand the curriculum to include the selective Manager Development Training (Advanced).

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.

Human Rights

People are an asset in every field of business, as many KONOIKE Group businesses are labor-intensive. Since our founding, the KONOIKE Group has evolved by basing our business on maintaining and expanding employment as well as nurturing our people. As such, we value our people. The idea that we develop the Company through protecting and nurturing is people is deeply rooted in our corporate culture and will surely be passed on to future generations as part of our DNA. To protect people, we thoroughly manage and supervise all business sites to ensure their compliance with the Labor Standards Law, as well as other labor laws and regulations. We ensure safety on a daily basis to protect the livelihoods of employees' and their families, who are the assets of the KONOIKE Group. To do so, we implement safety activities at all of our workplaces suited to their individual characteristics. Activities include safety training to prevent or minimize the occurrence of workplace accidents. The KONOIKE Group recognize safety factors into human rights, and as such, we strive to establish safe workplaces on a daily basis.

Human Rights Initiatives

In recent years, we broadened the scope of our responses to human rights from a single company to encompass the entire supply chain, including overseas operations. The KONOIKE Group formulated the KONOIKE Group Human Rights Policy* in May 2023 to promote responses within the Group and began to address human rights from a new perspective. This policy declares that we respect the human rights of all people involved in our business activities and strive to not inflict or encourage any negative impact on human rights.

*The KONOIKE Group Human Rights Basic Policy: Please refer to the following website for more details.
https://www.konoike.net/en/sustainability/people/human-rights/

Category			Details	Corresponding Page
Human Rights Policy Development			Established the KONOIKE Group Human Rights Policy in April 2023	—
Human Rights Due Diligence	Human Rights Impact Assessment		Conducted an initial human rights risk assessment	—
	Implemented preventive and corrective actions	Education and training	Implemented annual and position-specific training on human rights, diversity, harassment, etc.	P.36
		Established internal environment and systems	Disclosed the Health Management Declaration in February 2023, and developed measures to maintain, improve, and encourage physical health, mental health, and work-life balance	P.37
		Supply chain management	Conducted periodic visits and status checks based on the Primary Partner Safety System Evaluation Table for domestic transportation and on-site partner companies	P.48
	Monitored (conducted follow-up surveys)		Conducted employee engagement surveys	P.38
	Disclosed information to external parties		Disclosed the status of initiatives on the website and in this integrated report, etc.	—
Complaint Handling Mechanism Maintenance			Established and maintain the Konoike Helpline, an internal reporting desk in Japan	P.77

We will continue to strengthen our human rights due diligence and make concrete efforts. We will enhance Group effectiveness by promoting initiatives throughout the supply chain. These initiatives include the identification, analysis, and evaluation of negative impacts on human rights, internal education and training on human rights, and the formulation of supplier codes of conduct.

Regularly monitoring our employees and business partners to ascertain their statuses on human rights enables us to encourage them to disclosure information on risk assessments results and their overall efforts related to human rights. We also review mechanisms that enable the correction and recovery of negative impacts on human rights when triggered. In Japan, we will add a function to handle complaints to the Konoike Helpline (internal reporting desk), while we construct a new grievance mechanism at overseas sites and establish hotlines for suppliers. We will work to establish a response mechanism that ensures transparency, fairness, and credibility with a process guaranteed to reach a consensus of resolution through dialogue.

Initiatives Toward Diversity

We pursue a variety of initiatives designed to foster a culture that supports diverse employees. These initiatives include hiring international human resources, promoting the success of women, hiring persons with disabilities, fostering an understanding of LGBT issues.

We also further measures aimed at enhancing job satisfaction and ease of working, such as projects for promoting women's success, led by the Human Resources Department in collaboration with other departments. We additionally further the development of manuals that help employees better understand the various systems related to childcare leave and nursing. Our job title-based training programs focus on diversity, deepening understandings of work-style reform, childcare leave for male employees, LGBT issues, and communication with foreign national workers.

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.

Each office is aware of the legally mandated employment rate of persons with disabilities and promotes their employment by communicating with support groups and public employment security offices, and accepting internship programs. Certain sites achieved an employment rate of more than 10% and we are working to horizontally expand our efforts there in response.

Diversity Promotion Department Initiatives

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

Encouraging an Understanding of Diversity

We renewed the contents of our job title-based training for career-track employees in 2022 and carried out workshops appropriate to their year of training. This revised training focuses on topics related to the Childcare and Family Care Leave Act that took effect in April 2022. Training for office/department managers covers childcare leave for male employees while training for assistant managers covers how to communicate better with foreign national employees. The fourth-year training on unconscious bias for new employees and chiefs now emphasizes topics such as creating life plans, understanding company systems, and receiving hands-on experience in workshops that cannot be gained from lectures alone. We will continue to provide opportunities for participants to familiarize themselves with diversity and deepen their understanding.

Recruiting Foreign Nationals

Over the last 17 years, we have developed human resources from Japan's Technical Intern Training Program (Individual Enterprise Type) in which employees of overseas subsidiaries learn Japanese-style logistics and management methods while working at domestic sales offices. We resumed accepting technical trainees as of April 2022 after suspension due to the COVID-19 pandemic. We will also began accepting new technical trainees to cultivate leaders who will be active in airport ground handling from January 2023. In addition, we are actively recruiting and hiring foreign nationals from outside Japan for active participation in our Airport-Related Business by utilizing Japan's Specified Skilled Worker visa system to play an active role in response to soaring demand.

Encouraging the Success of Women

As part of the action plan formulated in accordance with Act on the Promotion of Female Participation and Career Advancement in the Workplace, we launched Maternity Leave Reinstatement Seminars in the fall of 2022. These seminars are conducted individually with relevant employees their supervisors and focus on employee mindsets when returning to work after maternity leave as well as the creation of a work environment that enables these employees to maximize their own abilities. In addition, we have launched new small roundtable discussions as of FY3/2023 to provide a networking forum for female employees. During the current fiscal year, we will provide a place for young female employees and senior female employees to interact and build relationships where they can feel free to ask for advice. We will explore the creation of a mechanism to make it a company-wide gathering going forward.

Column

Foreign Nationals With Specified Skills – Employment in the Airport Division

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 FY3/2024, we are fully committed to recruiting foreign nationals with specified skills in the Airport Division for the post-COVID-19 era.

We provide careful guidance for employees before coming to Japan and focus on addressing their concerns on work and life in Japan. Upon their arrival, they are mainly engaged in cleaning aircraft cabins and handling cargo in the airport terminal for imported and exported cargo. The number of flights to and from Japan is expected to further recover. As such, we will continue to support these employees in both business and daily life to ensure their immediate and valuable contributions at their respective sites.



Health Management Initiatives

The KONOIKE Group disclosed the Health Management Declaration in February 2023 to encourage heath management. We identified and took initiative to resolve the following two management issues.

1. **We will actively enhance performance and encourage employees to maintain and promote their physical and mental health.**
2. **We aim to stably secure human resources and improve retention rates through various measures such as the promotion of work-life balance.**

Health Management Declaration

Our corporate philosophy is to pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust.

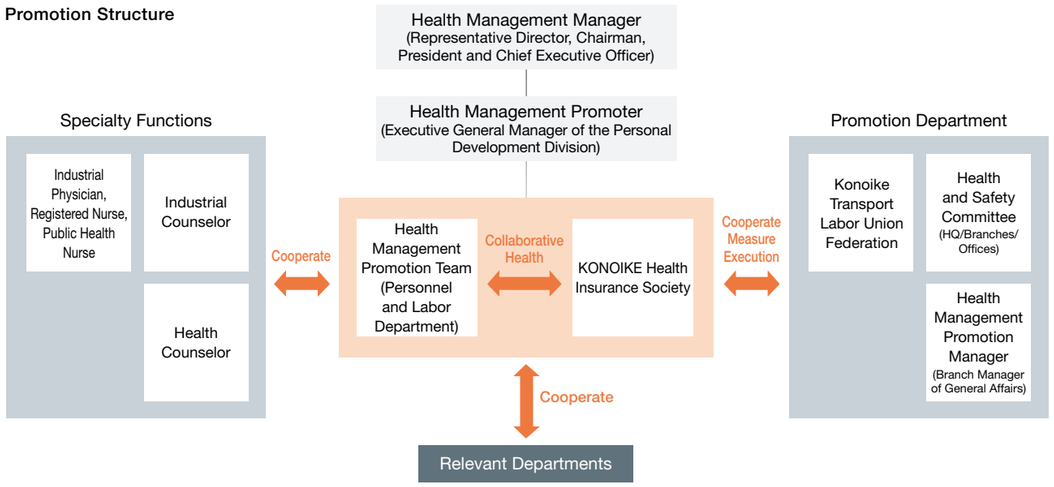
To put this philosophy into practice, we will develop organized activities to maintain and promote health in addition to promoting various health and wellness measures.

We hereby declare to actively engage in health management for the happiness of every one of our employees by being physically and mentally healthy and shining with vigor and vitality.

February 1, 2023

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

Promotion Structure



Priority Measures (Investment in Health)

A	Physical Health	(a) Improve rates of regular health checkup and specific health guidance (b) Conduct smoking cessation support programs
B	Mental Health	(a) Encourage stress checks (b) Conduct periodic mental health trainings
C	Work-Life Balance	(a) Reduce long working hours and encourage employees to take paid leave (b) Support the balance work with childcare, nursing care, and/or medical treatments
D	Workplace Vitalization	(a) Create employee-wide connections and encourage communication

About the Engagement Survey

Under the Enhancement of Employee Job Satisfaction (engagement) set forth in our 2030 Vision, we are working on two pillars: instill the business principles and pursue employee happiness. For these initiatives to be efficient through the PDCA cycle, we conducted a wellbeing survey in November 2022 to understand and analyze current conditions.

What is a Well-Being Survey?

The Well-being survey is a survey conducted by the PERSOL Research and Consulting Co., Ltd., which aims to understand the current conditions of people and organizations to create a healthy organization and work style. The purpose of this survey is to quantitatively grasp the current status of happiness and unhappiness of individuals and organization through work, and to explore improvement measures that will increase happiness and decrease senses of unhappiness.

Survey Overview

1 Question Parts and Survey Objectives

- Well-being — Measure well-being
- Morale — Measure Group morale as a prerequisite for well-being

2 Survey Participants

- Total of 3,089 employees: professional employees (only managers and supervisors) and career-track employees

Survey Results

- Well-being
  - Satisfactory (employee sense of happiness at work) — Deviation: 49
  - Cautionary (employee sense of unhappiness at work) — Deviation: 47

  * These values refer to the deviation of our score from the national average in the PERSOL Research and Consulting survey. High satisfactory deviation values and low cautionary deviation values indicate happier employees.

- Morale — We averaged a 4.34 on a 7-point scale for all questions.

Results are analyzed by the employee demographics, organization, age, and job title and each issue is then organized into measures to be taken company-wide or by specific organizations. We then share and give feedback to management. We will continue to conduct this survey annually with the same content and implement various measures to improve each score. Through these efforts, we will encourage sustainable activities to increase employee engagement and enhance corporate value.

Data on Human Resources

		FY3/2019	FY3/2020	FY3/2021	FY3/2022	FY3/2023
Front-Line Workers	Number of Employees	8,215	8,582	8,530	8,456	**8,454**
	Percent of Female Employees	7.7%	8.2%	8.7%	8.9%	**9.7%**
	New Graduates Hired	164	175	127	151	**131**
	Mid-Career Hires	727	683	397	451	**435**
	Annual Work Hours (Avg.)	2,345.5	2,307.6	2,215.3	2250.9	**2,207.8**
	Days of Paid Leave Taken (Avg.)	11.3	12.8	11.1	11.3	**14.2**
Career-Track	Number of Employees	1,030	1,065	1,077	1,057	**1,036**
	Percent of Female Employees	15.5%	16.0%	16.1%	16.2%	**16.7%**
	Number of Managers (Office/Department Manager and Above)	395	457	459	455	**442**
	Percent of Female Employees	2.3%	2.6%	2.6%	2.9%	**3.4%**
	New Graduates Hired	53	50	53	38	**31**
	Mid-Career Hires	25	33	5	8	**12**
	Annual Work Hours (Avg.)	2,164.9	2,109.6	2,137.8	2,204.1	**2,130.8**
	Days of Paid Leave Taken (Avg.)	7.5	7.8	8.2	8.5	**9.0**
Percent of Disabled Persons Hired (Data from June each Fiscal Year)		2.0%	2.5%	2.5%	2.4%	**2.8%**

*Applies to Konoike Transport Co., Ltd.

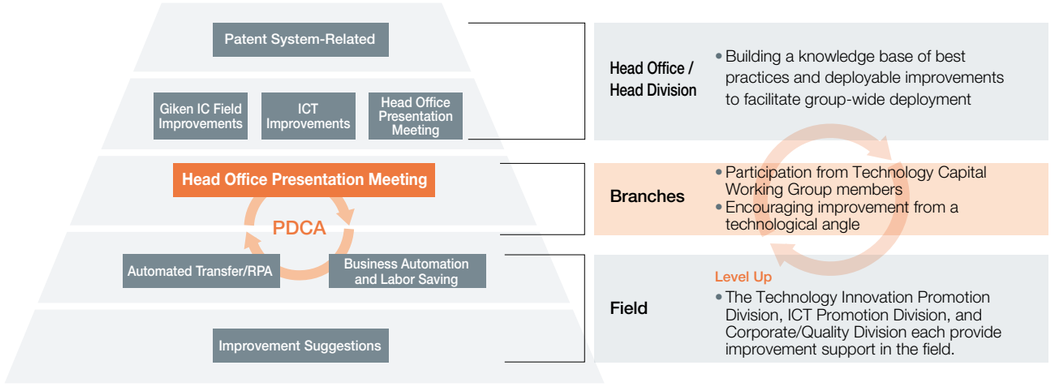
Technology | Technology Capital Working Group

Basic Philosophy

Strengthening the technology of our field and people, which are the lifelines for solving the issues facing our customers and society, the KONOIKE Group views technology as an intangible asset that includes the expertise and safety-related skills of individual employees and work sites, rather than simply new and digital technologies, as generally defined. Strengthening this technology and enhancing our on-site capabilities will lead to sustainable growth by adding value to the services we provide to our customers and expanding our business. As such, related divisions such as the Technology Innovation Division, ICT Promotion Division, Corporate/Quality Division, and the Sales Division, work together to strengthen technology.

Overview of Initiatives

Main divisions of the Technology Capital Working Group advance KPIs (see P.40-48) individually. As KONOIKE Group business sites are spread across a wide range of industries, from all over Japan to overseas, the technology at each site tends to be individualized and inherent. However, it is necessary to share these individual technologies within the Company to strengthen our ability to make on-site improvements. As such, we established the Technology Library and discuss the use of these technologies during on-site visits, aiming to further evolve our technologies.



Technical Capital Library

We established a database to share the automation and labor-saving initiatives implemented at each site with the entire KONOIKE Group. Users can search for examples of initiatives from various angles, such as the solutions, improvement projects, and improvement effects of these initiatives.
This database also enables information exchange among personnel in charge of such initiatives.



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) accelerating 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. Improve our work sites through the introduction of new technology
2. Improve our work sites through the use of digital technology
3. Pursue company-wide improvement activities

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

Field Improvements Through Introducing New Technology

We work to introduce new technologies based on the following three perspectives: ❶ verifying new technology utilization methods where people and technology support each other, ❷ improving safety through jig and fixture developments based on work experience, and ❸ improving engineering capabilities to respond early to rapidly changing work. From the perspective of ❶, we aim to use technology to create workplaces where people can work more easily. To do so, we will verify support systems that enable even first-time workers to work in warehouse picking without hesitation and explore collaborative methods in picking operations with AGVs capable of guideless operation. From the perspective of ❷, we internally develop specialized jigs and equipment based on our accumulated business knowledge and introduce them to the work sites to create a safe environment for everyone. In doing so, we ensure both safety and labor savings. From the perspective of ❸, we verify work feasibility using simulations and grasp the effects of on-site improvements before their implementation. This enables us to ensure that reliable improvements are made.

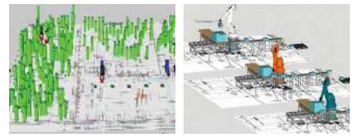
❶ Augmented Reality (AR) guidance and AGV utilization



❷ Hand gaffs, cutting open milk cartons



❸ Simulations



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. Our fundamental mission is to generate 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.

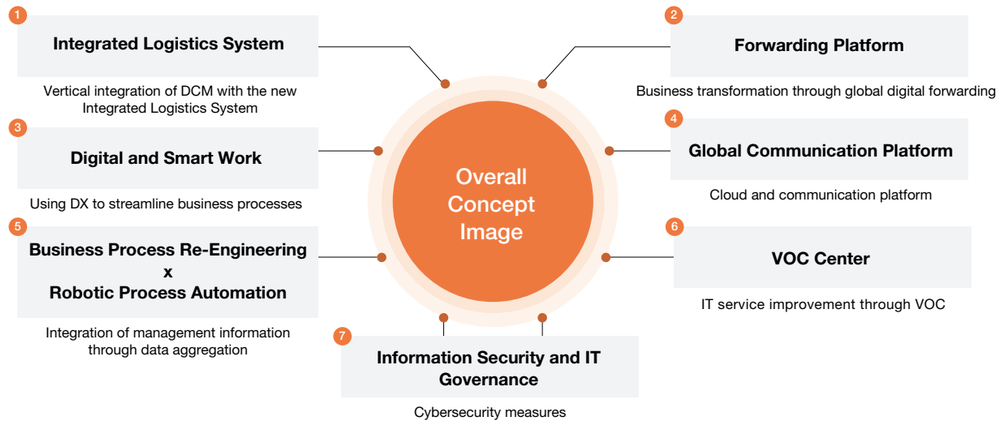
FY3/2020 to FY3/2023 Results

	FY3/2020 to FY3/2021 Launch of ICT Infrastructure Restructuring	FY3/2021 to FY3/2022 ICT Infrastructure Renewal and Productivity Reform	FY3/2022 to FY3/2023 ICT Infrastructure Renewal and Productivity Reform
Results	• Formulated enterprise resource planning (ERP) concept • Launched business reform through robotic process automation (RPA) • Began enacting information security management regulations • Introduced work-style reform tools • Deployed security enhancement measures • Developed new integrated logistics infrastructure	• Developed data integration infrastructure • Established operations and development infrastructure • Formulated measures for streamlining and combating deprecation of accounting areas • Began PC life cycle management (PCLCM) operations • Enacted information security management regulations • Strengthened overseas IT security • Launched implementation and rollout of new integrated logistics	• Began operation of international logistics cloud service KBX • Established development infrastructure to achieve digital transformation (DX) • Established a budgeting system • Completed standard functions for new integrated logistics • Began conceptualizing an integrated communication tool • Established a security incident response team

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 (top of P.42). In particular, in our current medium-term 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. Our defensive strategy includes priority initiatives to: (1) streamline operations through digitalization of business processes and data integration to improve productivity of group-wide operations; (2) build zero trust-based information security, and; (3) build 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



Technology Capital KPIs

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	Berth reservation management systems

a Completion of a Standard Model for the New Integrated Logistics System

Our standard model for the new integrated logistics system implements the standard use of handheld terminals that enable users to trace data on products and human unit operations in the warehouse and allows us to visualize work progress. In the past, we analyzed work using daily work reports and offline tabulation. However, obtaining data from these terminals allows us to visualize analysis, reduce work time, and improve efficiency.



b Productivity Improvements of Business Site Operations

The use of AI-OCR and RPA improves our productivity through the digitalization of time and attendance management operations. Previously, we manually checked daily work reports against attendance records and entered attendance data. However, we work to reduce work hours through the use of AI-OCR to digitize daily work reports and RPA to automate checks and data entry work.



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** | **Safety Supports the Front Lines**

Safety and Quality System



2023 Corporate Quality Policy

1 Conduct and improve risk identification (close calls, risk prediction, similar accidents, patrols, etc.) with all company employees
2 Enhance training to prevent the recurrence of accidents and to improve safety sensitivity
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

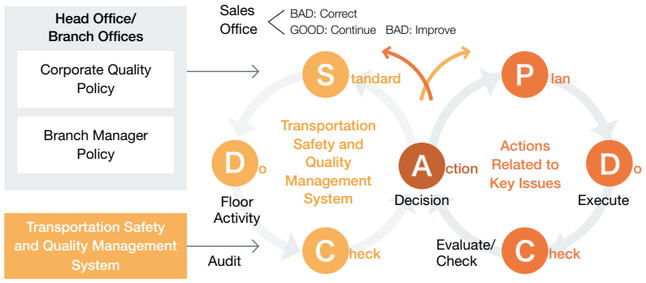
*4M: Man, Machine, Media, Management;
5E: Education, Engineering, Enforcement, Example, Environment

Target	Safety	• Rate of Lost Worktime Injuries (KONOIKE/Group Companies)	0.26 or less
		• Rate of Incidents (KONOIKE/Group Companies)	1.80 or less
		• Partner Business Closures	3 or less
	Traffic Accidents	• Commercial Vehicle Accident Rate (KONOIKE/Group Company Vehicles)	0.17 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 or more)	28 or less

Safety Initiatives

Safety and Quality Activity System

We conduct our 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 Safety/Quality Department and each corporate quality specialist and individual in charge work together to tackle individual issues each year. In FY3/2023, we continued our efforts from the previous year, working to reinvigorate initiatives concerning near-accidents. Each corporate quality specialist or individual in charge selected a 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 Safety/Quality Department 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

Safety and Health
a. Establish Safety and Health Management System
b. Activate Small Workplace Groups
c. Safety-Conscious Employee Training
d. Firmly Establish Practice of Confirming by Pointing and Calling
e. Establish a 4S Workplace
f. Eliminate Hazards

Quality
g. Quality Activities

Transportation
h. Transportation Safety

Activities under the eight combined pillars
related to safety, health, quality, and transportation

Transportation Safety and Quality Management System

We defined check points for health and safety, quality, and transportation, and confirm the activity status of each sales office based on these check points. 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 attends 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 FY3/2023, the first meeting was held in July 2022 and the second meeting was held in December 2022. The first meeting, held in the first half of the fiscal year, focused primarily on the previous fiscal year's safety performance and accident trends, as well as discussing future issues and initiatives. Members also shared 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 discussed safety results and accident trends from the first half of the fiscal year, as well as future issues and initiatives. Participants then discussed and decided on the Corporate Quality Policy for the next fiscal year.

Like in the first meeting, members also shared 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.

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 (Participants)

FY3/2021	FY3/2022	FY3/2023
133	961	**668**

Initiatives to Prevent Automobile Accidents

We conduct *Risk Prediction Training* using videos to improve drivers' risk sensitivity. In this training, participants use computer graphics that simulate actual traffic conditions and push a button to record the moment they perceive danger. We then discuss the dangerous points with participants by replaying scenes and changing their point of view. This training has led participants to become more aware of differences in their own sensitivity to danger compared with others, as well as discover new dangers gone previously unnoticed. We conducted 26 training sessions in FY3/2023 with a total of 254 attendees.

Driver Contest

We hold the KONOIKE Group Truck Driver Contest every year at the Chubu Truck Training Center. Representative drivers from each office are divided into medium-duty, heavy-duty, and trailer truck categories, and compete for ranking based on point totals obtained from exams, inspections, energy-efficient driving, and practical skills competitions. Training sessions are also held on the day of the event in line with each contest thanks to the cooperation of the dealers and the Aichi Trucking Association.



Initiatives for Employee Health

Stress Checks and Mental Health Care

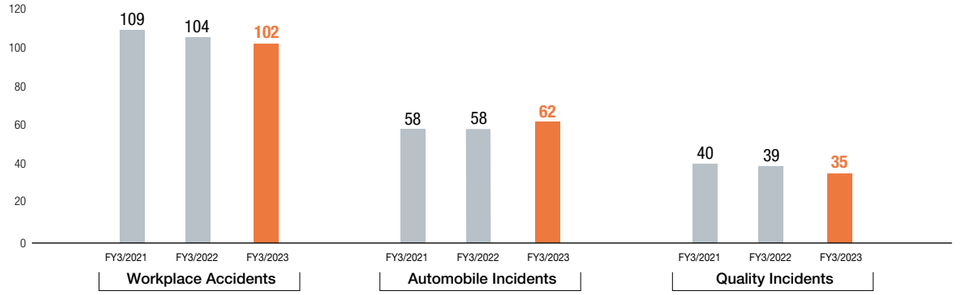
The KONOIKE Group conducts stress checks in accordance with legal requirements. If a stress check results in a report, we hold an interview with an industrial physician and strive for improvement. To improve mental health, we established a system in which two employees at each sales office, having obtained 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.

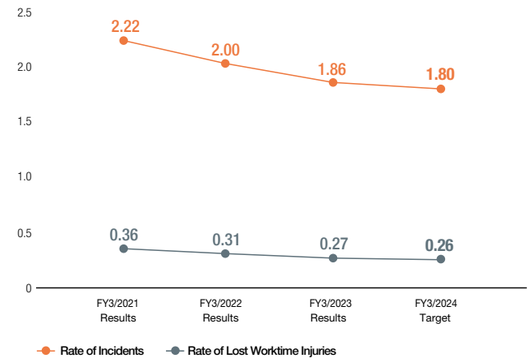
Work-Related Accident Data (Konoike Transportation Co., Ltd. and Affiliates in Japan and Overseas)

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	2.06
Transport Business Average	4.06

(From 2022 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).

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.

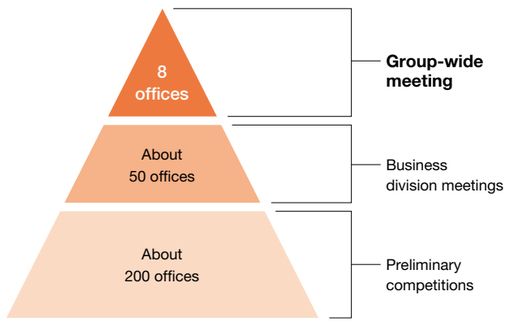
By listening during customer visits and through customer communications, we identify customer needs, set goals at the beginning of the year, and confirm progress in our Transportation Safety and Quality Management System. After taking corrective measures and measures against recurrence for problems that 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 once 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 FY3/2023. That included one presentation on safety, four on quality, and three 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 FY3/2023, 16 offices and individuals were honored in the safety category, 39 in the transportation category, 21 in the quality category, 23 in the distinguished service category, and 43 in the excellence activities 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 293 partner companies in FY3/2023.

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.





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 eight business divisions.

Integrated Solutions Business

The KONOIKE Group services the operating processes of client business activities across a gamut of industries and segments, from production goods such as 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 • 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.

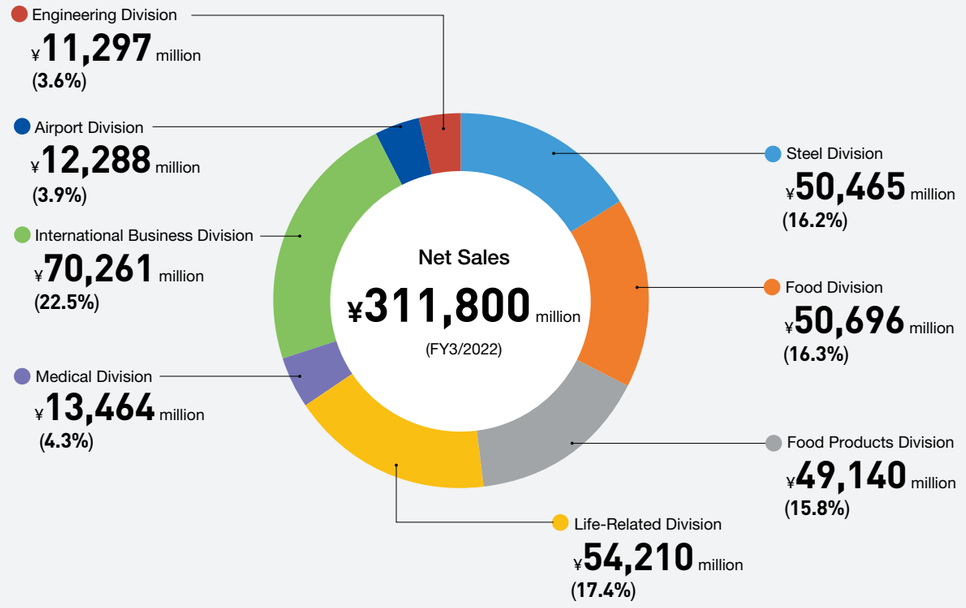
- **Food-Related Business** • Temperature-Controlled Logistics Operations
- **Life-Related Business** • Logistic Operations

International Logistics Business

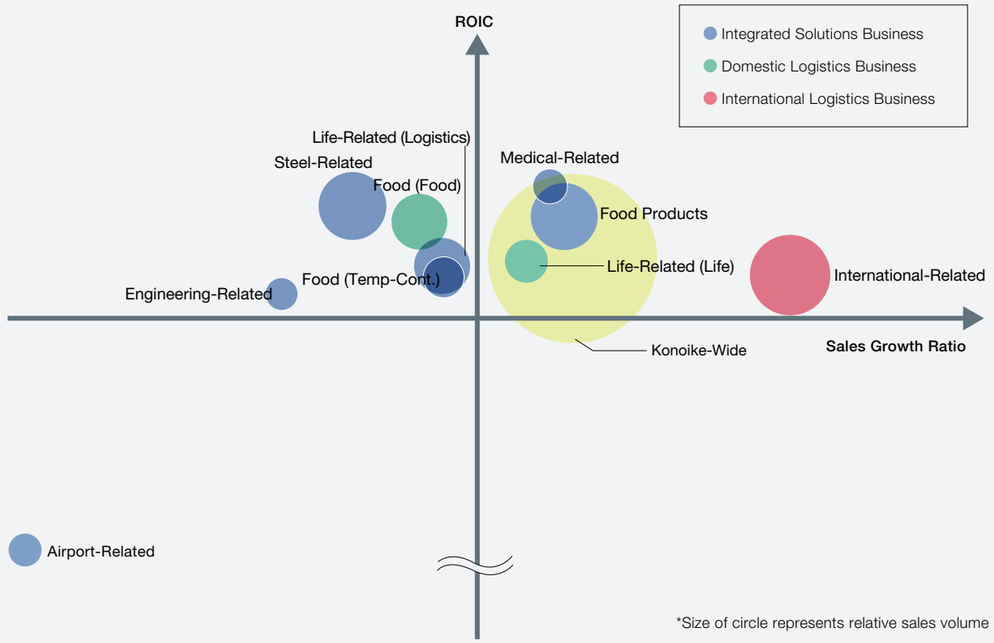
In Japan and overseas, we offer a variety of services, including maritime cargo services, air cargo handling services, and import/export goods warehousing operations. We cover all types of transportation services, from fresh foods to cutting-edge precision components, supporting the overseas growth of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

- **International-Related Business** • Overseas-Related Operations

Business Highlights



Business Portfolio Status (By Field)



*Size of circle represents relative sales volume

Steel Division

Integrated Solutions Business | Steel-Related Operations

Business Overview

The Steel Division has handled a wide range of operations from raw material processes to shipping processes for major steel manufacturer since our founding over 140 years ago. While demand for steel products in Japan and overseas is recovering, we must continue to respond quickly to changes in our customers' production systems. We aim to achieve high value-added operations and solve the problems facing customers by combining front-line capabilities with new technologies.



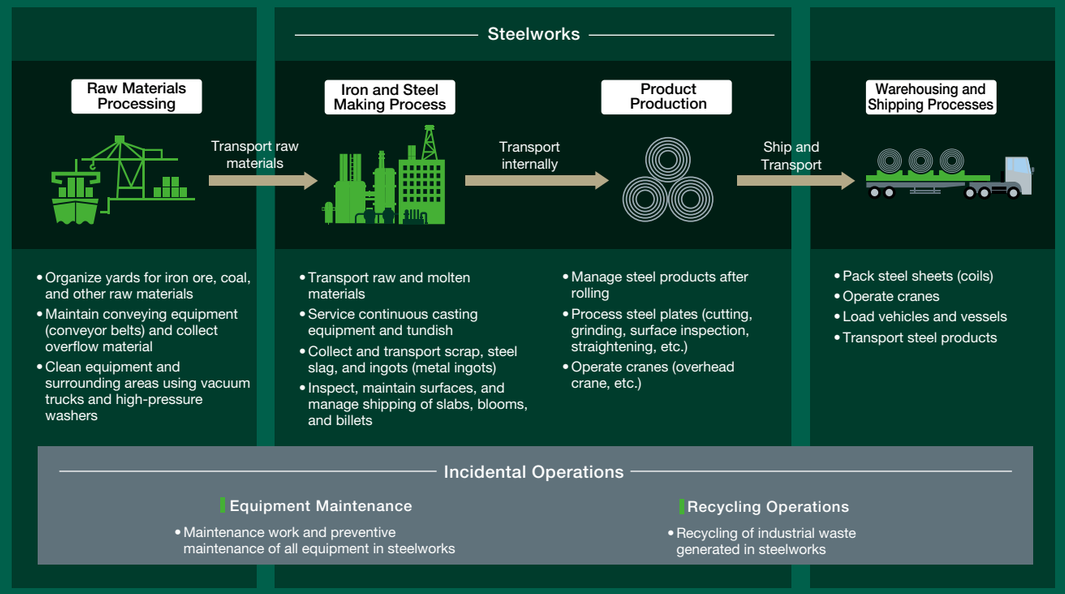
Actively Introducing New Technologies While Enhancing Our Ability to Propose Solutions and Transform Our Front-Lines

Executive Officer and General Manager, Steel Division
Toshihiro Fujiwara

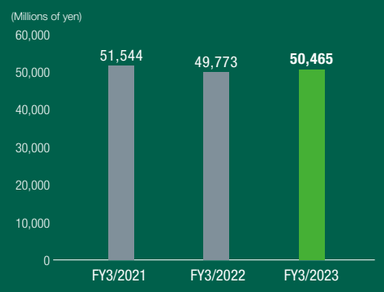
Business Model

We provide a wide range of support at steel product manufacturing sites for our customers' production processes, from raw material management to product shipment.

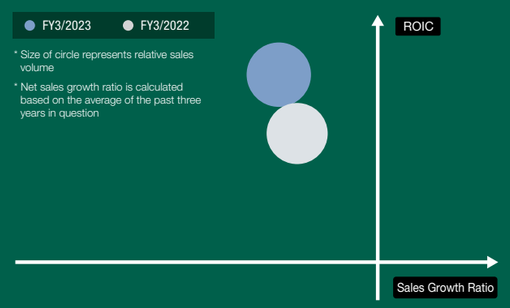
Steel Supply Chain and Our Scope of Contracting



Net Sales



ROIC and Net Sales Growth Ratio Trends



Medium-Term Management Plan Overview and Progress

Medium-Term Management Plan

- Appropriately allocate human resources in response to the reconstructing of customers' production systems and strengthen cooperation with other departments to create new jobs and cultivate highly skilled human resources
- Proactively operate and develop new technologies such as automation and remote control to improve both productivity and high-intensity work
- Focus on business opportunities in India and continue proactive sales and investment activities to expand overseas business

Progress in the Medium-Term Management Plan

In FY3/2023, revenue increased due to higher unit prices in contract production services and the acquisition of large-lot spot work, despite negative factors resulting from the completion of earthquake reconstruction work, Inspection and other operations using drones, which we pursue on our own initiative, are also producing results that exceed our expectations. We aim to further expand these operations.

At this time, there is no change to the planned suspension of the Kashima blast furnace in FY3/2025. We will appropriately allocate personnel in accordance with the production system before and after stoppages, acquire qualifications for multi-skilled workers, and strengthen cooperation with each division of the KONOIKE Group.

Steel Division Added Value

Provision of High-Quality Services with Front-Line Expertise

	Services	Inter-Departmental Collaboration	Environment	Human Resources	Safety	Quality	New Technologies
Contract operations at steelworks and steel product manufacturing sites. Support safety and work quality in customers' operations.	●			●	●	●	
Promptly correspond to customer demand through cooperation between bases and the creation of a highly mobile organization.	●			●			
Contribute to the reduction of total costs to customers (safety, environment, disaster prevention, and work efficiency) through speedy operational improvements.	●						
Take on challenges in overseas business. Aim to establish an overseas business foundation by leveraging front-line expertise cultivated in Japan.	●	●					
Cooperate with the Engineering Division to begin efforts to acquire new work outside of steelworks, such as equipment inspection and maintenance work.	●	●					

Proposal of Improvements Using New Technology

Utilize digital transformation technology to improve work efficiency and eliminate 3K work.	●				●		●
Start operation of heavy machinery and inspection of machinery and equipment using a remote-control system.	●				●		●
Start proposing new services that utilize drones and train highly skilled drone pilots. Manage the JUDIA-certified KONOIKE Drone School at the Kashima Branch.	●			●			●

Environmental Initiatives

Gather information to keep up with the decarbonization of steelworks, such as electric furnace conversion.			●				
Contribute to zero emissions with our Perfect Recycling System technology that reuses valuable metals (iron and zinc) extracted from industrial waste.	●		●				
Use the high-temperature processing technology of a gasification melting furnace at ASR Recycling Kashima Co., Ltd. to process automobile shredder dust.	●		●				

Food Division

- Integrated Solutions Business | Food-Related Operations
- Domestic Logistics Business | Temperature-Controlled Logistics Operations

Business Overview

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



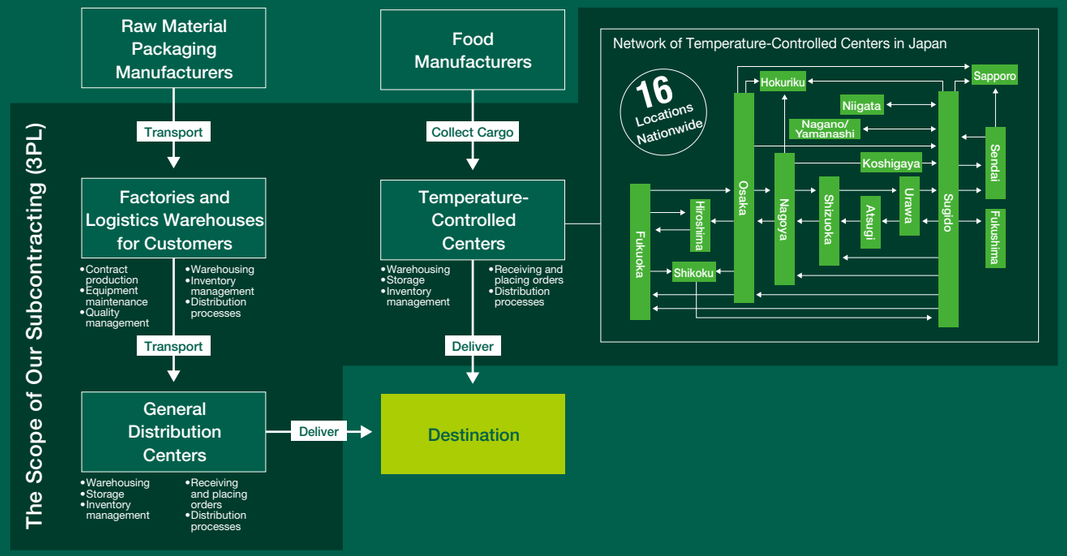
Aiming to Be a Professional Group That Contributes to Safety and Security for People Around the World Through Environmentally-Friendly Food Logistics

Executive General Manager, Food Division
Mitsuyuki Inoue

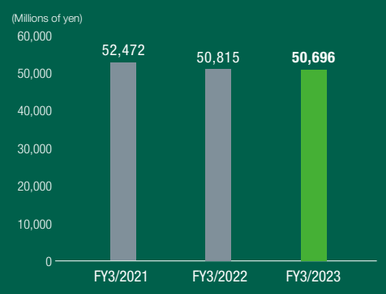
Business Model

We provide contract manufacturing services at production sites, mainly for various food manufacturers, as well as incidental services and logistics from procurement to market.

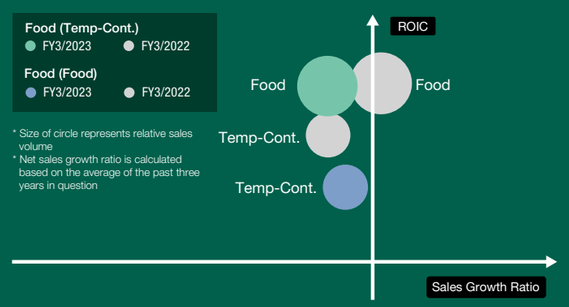
The Food Division established a temperature-controlled network for frozen and refrigerated products and is rolling-out a platform business for nationwide deliveries.



Net Sales



ROIC and Net Sales Growth Ratio Trends



Medium-Term Management Plan Overview and Progress

Medium-Term Management Plan

- Respond to customers' logistics reorganization and needs, and strive to develop new and deeper operations
- Focus on the new Koshigaya site to enhance our response to the growing demand for frozen and chilled foods in the Tokyo metropolitan area. This also entails optimizing customer needs and increasing operational efficiency to improve profitability
- Contribute to society through environmentally-friendly business operations and proactive environmental investments

Progress in the Medium-Term Management Plan

In FY3/2023, revenues declined due to production cutbacks at certain customers and decreased volume of cargo handled, despite positive factors such as increased volume of temperature-controlled cargo handled. On the other hand, we work to improve our earnings performance by pursuing initiatives to enhance profitability, such as through partially absorbing soaring energy costs through unit price revisions. We opened the Koshigaya Temperature-Controlled Distribution Center, a new warehouse, in February 2023 to meet the strong and growing demand for frozen and chilled processed foods.

Food Division Added Value

Long-Standing Nationwide Logistics and Contracting Business Development and Our Platform for Temperature-Controlled Logistics Network

	Services	Inter-Departmental Collaboration	Environment	Human Resources	Safety	Quality	New Technologies
Network of 53 business sites in our food and distribution businesses and more than 50 major customers	●	●		●	●	●	
Temperature-controlled logistics network of 11 business sites for nationwide delivery and more than 50 major customers	●	●	●	●	●	●	
Overseas development of on-site contracting operations	●	●		●	●	●	
Collaborative work design and vertical launch of new customer sites	●	●		●			●
Ability to make proposals based on our wide range of experiences accumulated over many years	●	●		●	●	●	●

Ability to Construct Efficient Services Through the Deployment of Human Resources and Equipment in Accordance With Business Characteristics

Effective utilization of sites and vehicles through interdepartmental collaboration	●	●	●				
Effective use of human resources at new sites (placement and support of experiences employees)	●	●		●			
Proposal of environmentally-friendly services	●	●	●				●
Digital transformation proposals in collaboration with customers and related departments for AGV, AGF, automatic loading, etc.	●	●					●

Quality Service to Ensure Food Safety and Security

Initiatives for employee satisfaction and engagement (improving the quality of employees)	●		●	●	●	●	
Effective utilization of human capital through the pursuit of digital transformation (administrative and work-related)	●	●		●			●
Industry-leading storage capacity in temperature-controlled logistics operations and nationwide delivery platform business	●	●		●	●	●	

Food Products Division

Integrated Solutions Business | Food Product Operations

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.



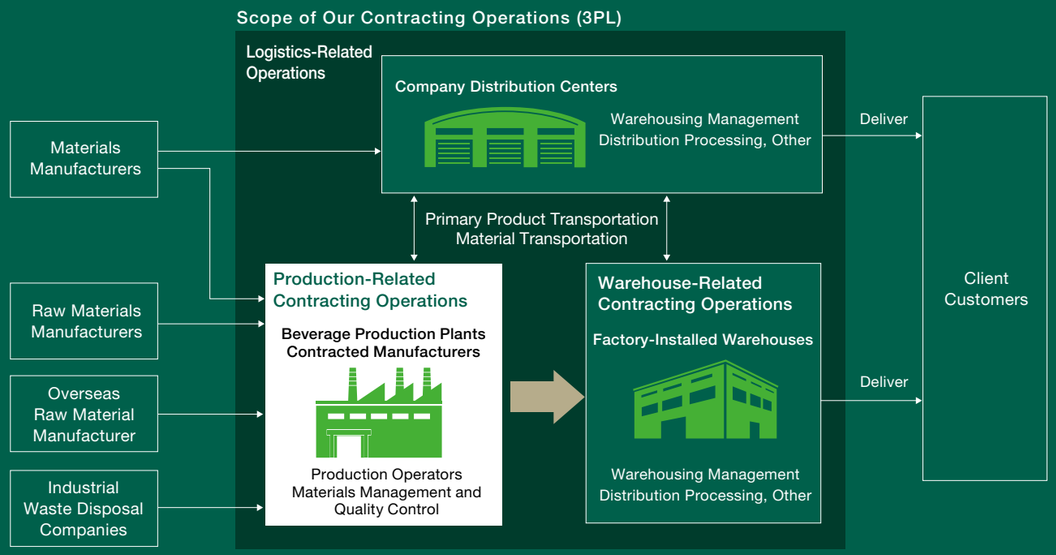
Leveraging the Knowledge and Technology That Serves as the Foundation of Our Business Activities to Provide Safe and Secure Services

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

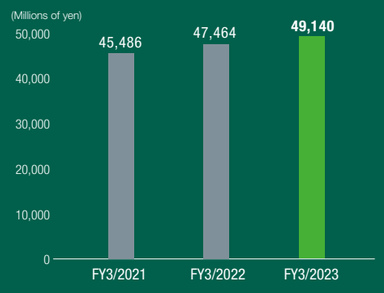
Business Model

The Food Products Division is responsible for the overall logistics of contracting operations (3PL) such as production process operations at beverage manufacturing plants, inspections, and receiving of materials and raw materials. We are also responsible for related operations such as handling stored cargo at factory-installed centers and our proprietary warehouses, and truck delivery of raw materials and finished products. Through these efforts, we enable customers to focus on their core businesses.

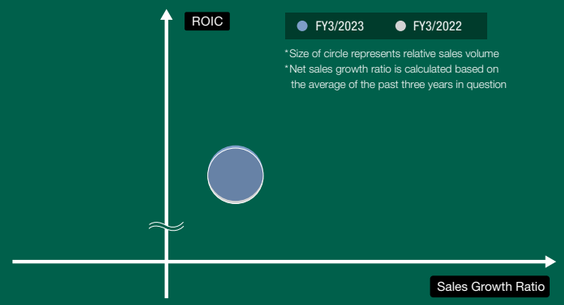
Scope of Our Contracting Operations (3PL)



Net Sales



ROIC and Net Sales Growth Ratio Trends



Medium-Term Management Plan Overview and Progress

Medium-Term Management Plan

- Solidify our core business from the perspective of people, organizations, and cultures, pursuing absolute value
- Creating new value by leveraging diverse assets (people, equipment, expertise) and new technologies from production to distribution
- Promoting business activities in line with the sustainability basic policy in response to environmental changes surrounding customers, society, and employees

Progress in the Medium-Term Management Plan

In FY/3/2023 Food Products-Related revenue rose due to increased production among customers, operations in a new facility, and an increase in related warehousing and transportation volume. We expect the same strong performance in FY3/2024 due to increased customer production, warehousing, and transportation volumes. We are advancing efforts to address the 2024 problem* facing the logistics industry, including a trial introduction of a vehicle dispatch system to increase driver efficiency.

*The 2024 problem is the general name for the problems that will arise once the number of hours drivers can work is limited by the Work Style Reform Bill.

Food Products Division Added Value

Win-Win Initiatives Based on Long-Standing Relationships of Trust With Major Domestic Beverage Manufacturers

	Services	Inter-Departmental Collaboration	Environment	Human Resources	Safety	Quality	New Technologies
Thorough response to client needs (Safety/Quality Council)	●	●	●	●	●	●	●
Development of Company business to expand job opportunities (clients' labor shortages and aging population)	●	●		●		●	●
Proactive proposals for automation, efficiency, and operational improvements	●	●	●	●	●	●	●
Implementation of measures to strengthen cooperation with logistics partners, streamline transportation and distribution centers through IT, and improve customer service levels amidst the changing environment surrounding the logistics industry.	●	●	●	●	●	●	●
Initiatives for human resource development and utilization	●	●		●			●

Ability to Flexibly Respond to Changes On-Site and Propose New Ideas

Implementation of activities to eliminate labor shortages and reform work styles through automation and digital transformation to increase productivity and efficiency	●	●	●	●	●	●	●
Automated forklift trucks (Ayase, Kanagawa), automated pallet sorting operations (Shibukawa), distribution processing palletizers (Ayase, Kanagawa), and other equipment	●	●	●	●	●	●	●
Joint verification with customers of trial transportation with trucks using biofuel at the Kanagawa Ayase Sales Office and the Obu Distribution Center Sales Office to reduce CO_2 emissions	●	●	●				●
Review of transportation conditions through participation in the establishment of a new NLJ transportation service	●	●	●				●
Expansion of maintenance services for beverage factories of other companies by leveraging our long-standing strengths in equipment maintenance and maintenance technology	●	●		●	●	●	

Continuous Improvement and Reform With a Focus on People, Organizations, and Cultures

New start-up support and education by an expert team of knowledgeable and experienced employees (expansion of our business domain as well as the improvement and reform of existing businesses)	●	●		●	●	●	●
Advancement of horizontal collaboration among facilities and the exploration of new areas of contribution that meet societal needs	●	●	●	●	●	●	●
Initiatives towards areas such as creating a comfortable workplace and improving employee satisfaction		●	●	●	●	●	
Initiatives for a mutual support structure in business collaborations, personnel exchange with other divisions, and mutual support for business expansion	●	●		●	●	●	

Chapter 04

Life-Related Division

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

Business Overview

The Life-Related Division is developing a vast array of businesses such as commercial HVAC remodeling, painting, inspection, and parts supply; in-plant contract manufacturing, logistics, and equipment maintenance for housing equipment, chemicals, and natural gas; and 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 at luxury import vehicle centers for new vehicles; mechanic support for manufacturers and dealers; provision of renewable energy services focused on solar power generation and other PPA businesses; and manufacturing and sales of high-grade frozen processed marine products.



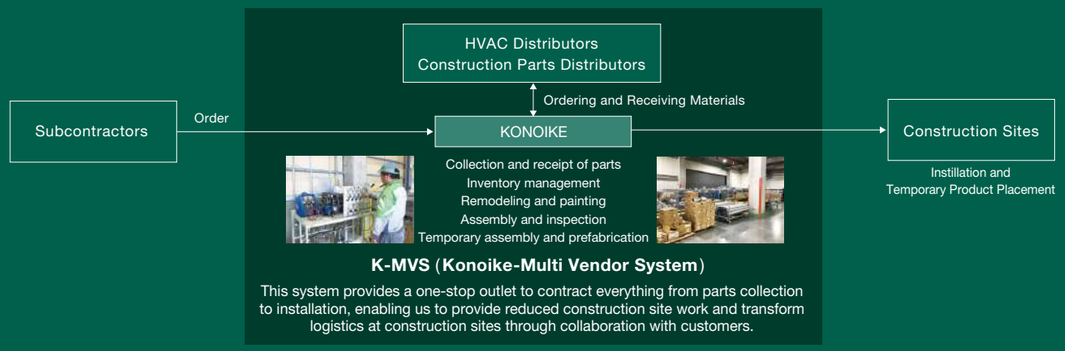
Aiming to Take on Bold Challenges and Create New Value for a Brighter Future

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

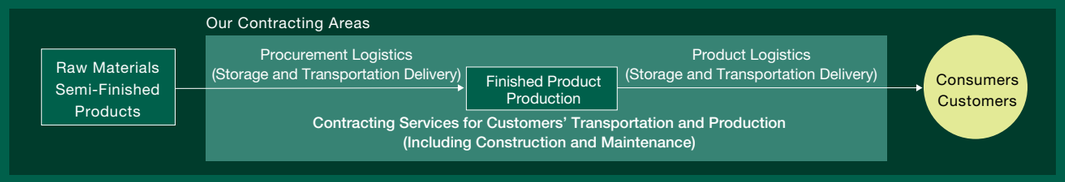
Business Model

New Supporting Business Examples (Commercial HVAC Remodeling, Painting, Inspection, and Parts Supply Services)

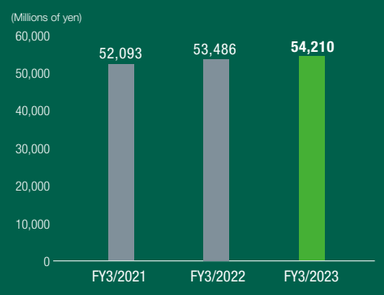
Business Overview | The Life-Related Division provides integrated services from the collection and receipt of parts from HVAC and construction material distributors to the delivery and installation at construction sites. Services in between these include storage, inventory management, remodeling, painting, assembly, inspection, temporary assembly, and prefabrication.



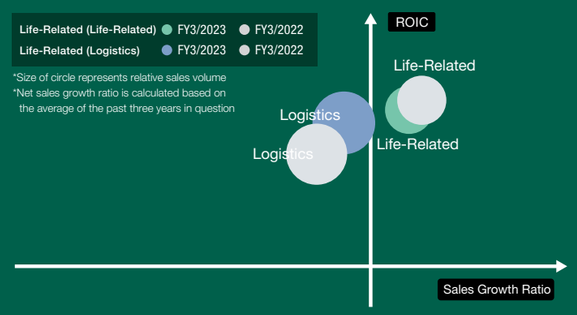
Universal Business Model The Life-Related Division Supply Chain and Our Areas of Support That Reach Consumers



Net Sales



ROIC and Net Sales Growth Ratio Trends



Medium-Term Management Plan Overview and Progress

Medium-Term Management Plan

- Strengthen the competitiveness of our distribution centers and land transportation business
  Manage work progress and improve the actual vehicle ratio through digital transformation to improve profit margins
- Establish energy business infrastructure, verify next-generation energy, and examine new possible businesses
  Build the foundation for energy businesses focusing on the use of solar power generation and hydrogen, as well as explore entry into next-generation energy business
- Further develop sales channels for integrated operations focused on HVAC remodeling, painting, inspection, parts supply, warehousing, storage, and transportation
  Aim to become a leading company in the K-MVS (Konoike-Multi Vendor System) operations and expand business

Progress in the Medium-Term Management Plan

In FY3/2023, revenues increased due to the acquisition of on-site work and an increase in transportation volumes handled in logistics. We expect further revenue growth in FY3/2024 resulting from increased fresh produce volumes and mail-order distribution center handling. Although energy costs are expected to continue to rise, we will absorb the hikes by revising unit prices and pursuing initiatives to improve operations through automation.

Life-Related Division Added Value

Our Ability to Propose Solutions and Take Initiative

	Services	Inter-Departmental Collaboration	Environment	Human Resources	Safety	Quality	New Technologies
Reinforcement of system integration with business partners and internal systems and the establishment of effective operations of sites, distribution centers, and transportation business	●	●					
Pursuit of automation through the use of AI, new technologies, and material handling, as well as improvement of productivity and operational efficiency through introducing equipment	●					●	●
Acquisition of new customers through the establishment of new proprietary centers and the establishment of new facilities to stabilize the land transportation business foundation	●	●					

Specialized Skills (Certifications, Meister, etc.)

Three certified plants for air conditioning remodeling (Osaka, Soka, Toyohashi) *Certification scheduled in 2024 for TechnoLogis® Makuhari	●				●	●	
Employees with the highest level of qualification designated by luxury import automakers (9 meisters and 16 technicians)				●		●	
Seventeen employees with gas heat pump service proficiency (8 advanced and 9 intermediate)	●			●	●	●	
Thirty-one construction management engineers in civil engineering, plumbing, and various other fields that handle a wide range of construction projects				●	●	●	
Technical training by senior employees at each office in line with actual operations				●			

Energy Service Business

Internal and external development of PPA business, solar power generation equipment leasing, installation, maintenance, and consignment and sales of surplus electric power	●		●			●	
Verification of next-generation energy usage that contributes to CO_2 reduction and the exploration of commercialization	●		●				
Data collection, research, and examination of new possible businesses through the operation of natural gas automobiles, hydrogen forklifts, and hydrogen fueling stations	●		●				

International Business Division

International Logistics Business | Overseas-Related Operations

Business Overview

The International Business Division strives to expand our service areas that cater to regional characteristics such as logistics, contracting, and engineering through the forwarding business. We aim to expand by making high-value proposals with full use of our overseas network, and growing 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 digital transformation.



We Will Drive Our Global Business and Provide High-Added Value to Our Customers

Executive General Manager, International Business Division
Takahide Towa

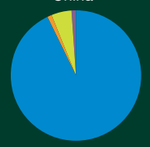
Business Model

We built an overseas network centered around the Pacific Rim and operate the forwarding businesses in each region. Using the information-gathering capabilities of this business, we will develop and maintain facilities for unique businesses that cater to the needs of each country, such as frozen and chilled warehousing, engineering, in-field contracting, commercial distribution, scheduled trucking, and rail transportation businesses.

China



Sales Composition China



North America



Sales Composition North America



Japan



Sales Composition Japan



ASEAN and India

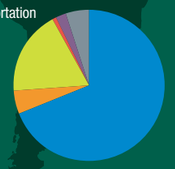


Sales Composition ASEAN and India

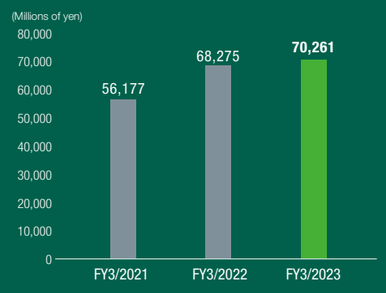


Import and Export	Import/export brokerage services, NVOCC, etc.
Transportation	Domestic transportation (trucks and trailers), local delivery, and cross-border transportation
Warehousing	Bonded warehouses, temperature-controlled and frozen/chilled warehouses, dry warehouses
Contracting	Factory shipping warehouse contracting, factory loading and unloading contracting, factory line assistance, distribution center (DC) contracting
Equipment	Machinery and equipment delivery, installation, electrical work, commissioning, construction, and canning
Other	Commercial distribution, rail transportation, investment, recruitment, etc.

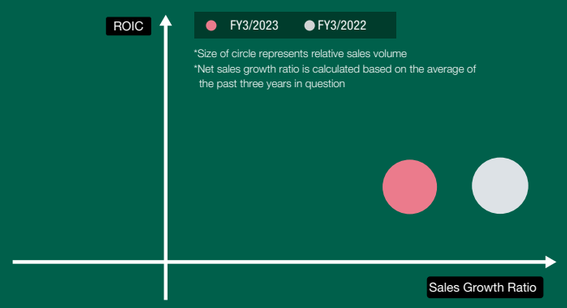
Total Sales Composition



Net Sales



ROIC and Net Sales Growth Ratio Trends



Medium-Term Management Plan Overview and Progress

Medium-Term Management Plan

- Support customers' trading operations through our international logistics cloud service KBX by providing online quotations and arrangements, centralized data management, and rapid communication via online chat
- Leverage our information-gathering capabilities cultivated in the forwarding business to assess the needs of each country, cooperate with each business division in Japan, and aim to expand overseas
- Provide high-quality services that are unique to our network and cater to the needs of our customers through the joint efforts of our domestic and overseas offices

Progress in the Medium-Term Management Plan

In FY3/2023, International Business Division revenue increased due to a rise in transaction volume resulting from the economic recovery in the U.S., Vietnam, India, and other countries, as well as the acquisition of large-scale projects. We expect that ocean and air freight rates will decline in the future. However, we will actively implement high-value-added sales proposals that leverage our strengths to secure profits in such business environments. At the same time, we will work to improve productivity at facilities subject to profit improvement and engage in constructive negotiations with shipping and airline companies to improve freight rates.

International Business Division Added Value

Ability to Gather Information and Develop New Customers, Cultivated in the Forwarding Businesses	Services	Inter-Departmental Collaboration	Environment	Human Resources	Safety	Quality	New Technologies
Reduction of customers' tax burden through the proposition of multilateral agreements such as RCEP	●			●		●	
Regional contributions through efforts in government and municipal projects (ODA, overseas events)	●	●	●	●		●	
Intermodal transportation proposals (SEA & AIR, CBT, etc.) adaptable to customers' circumstances	●					●	
Improved operational efficiency through digital transformation (KBX for international logistics and Citatel for apparel)	●					●	●
Acquisition of projects that leverage our internal and external networks (domestic and overseas offices, alliances)	●	●			●	●	

Full Support System for Integrated Management of Customers' Entry Into Foreign Markets and Product Transportation							
Full turnkey services from dismantling, packaging, transportation, and installation of production equipment	●	●		●	●	●	
Establishment and centralized management of a nationwide delivery network utilizing Company and subcontractor vehicles, etc.	●	●			●	●	
Provision and utilization of information on investment incentives in each country (tax exemptions and reductions for production equipment and raw materials)	●			●			
Commercial distribution combined with logistics (trade representation, overseas events, as well as the procurement, sales, and distribution of Japanese products)	●	●		●		●	
Logistics and production contracting in overseas factories (from warehousing and distribution processing to line management)	●	●		●	●	●	

Unique Business Development That Caters to the Needs of Each Country (in Installation, Temperature Control, Cargo Transportation, Air, Rail, and Contracting)							
U.S.: Leading storage volumes in frozen and chilled warehousing business in the LAX/LGB port	●						
Mexico: Leading Japanese company in the equipment industry for our installation, UTT, and construction businesses	●	●		●	●	●	
India: Rail transportation business (containers, automobiles) that connects a vast area of the country	●		●			●	
Vietnam: KONOIKE-VINA EXPRESS, a regular delivery service that services three temperature zones from north to south	●		●			●	
Myanmar and Thailand: Leading performance in Japanese companies of inland cross-border transportation	●					●	

Airport Division

Integrated Solutions Business | Airport-Related Operations

Business Overview

The Airport Division does business at seven major airports in Japan (Kansai, Narita, Haneda, Fukuoka, Itami, Kobe, and Naha). Our services include passenger, ramp, cabin, cargo shed, SCC, and information services. We also provide services to two major Japanese airlines as well as foreign airlines and airport operators.



Expanding Our Business as a Professional Group With the Launch of Our Holdings System

Executive Officer and Executive General Manager, Airport Division
Kiyofumi Okamoto

Business Model

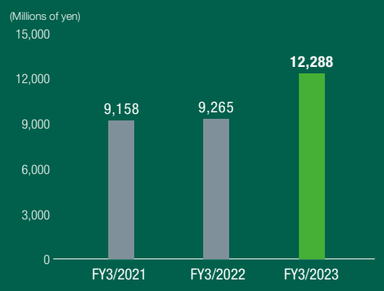
The KONOIKE Group contracts ground support at airports (ground handling) from airlines in addition to information and other services from airport companies. We have been providing safe, value-added services in our seven airports in Japan for more than 20 years.



Services by Airport (●: Contracts in Place)

	Passenger	Ramp	Cabin	Cargo	Related
Kansai	●	●	●	●	●
Narita	●	●	●	●	●
Haneda	●	●	●	●	
Fukuoka		●	●	●	
Itami			●		
Kobe			●		
Naha	●	●	●	●	

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

Medium-Term Management Plan Overview and Progress

Medium-Term Management Plan

- Brought together airport operations specialists from various companies to start Konoike Air Holding Co., Ltd. and will combine our wisdom to expand business
- Survived the COVID-19 pandemic by putting human resources first and will expand existing business while creating a workplace that enables employees to work happily in newly expanded areas
- Take on challenges in overseas business and begin collaborating with MacroAsia Corporation in the Philippines on specific business projects that had been stalled due to the COVID-19 pandemic

Progress in the Medium-Term Management Plan

Airport Division revenues rose due to the resumption of domestic and international flights, as well as expanded contracting areas. As for profits, labor costs increased due to labor shortages and improved compensation, but we view these costs as necessary to maintain the total number of employees at a certain level for further flight recovery going forward. We aim to return to profitability during the mid-term management plan. As such, we are not only expanding our business but are also working to improve profitability through productivity improvement and automation.

Airport Business Division Added Value

Domestic Business Foundation

	Services	Inter-Departmental Collaboration	Environment	Human Resources	Safety	Quality	New Technologies
Operations at seven domestic airports that service two major Japanese airlines, overseas airlines, and airport management companies	●						
Solid safety and quality (awarded safety and quality awards from airlines and first place in the Narita Airport Ground Handling competition)					●	●	
Own fleet of special airport vehicles (over 500 vehicles including aircraft towing vehicles, various loaders, towing tugs, etc.)	●					●	
Solid growth since the Company was founded in 1991 and M&A of three JAL companies in 2010, five Narita companies in 2017, and one Okinawa company in 2020	●						
Personnel exchange that goes beyond inter-company to secure customer trust and expand from single-company services to multi-company services	●	●		●			

Digital Transformation to Improve Efficiency and Save on Labor and Workers

Various operational improvements through collaboration with Konoike Institute of Technology		●		●			●
Efficient operation of human resources and GSE through collaboration with Konoike IT Solutions Co., Ltd.		●		●			●
Shortened training period through the introduction of push-back simulators				●			●
Considerations of the purchase of special vehicles for decarbonized airports and visits to European manufacturers			●				
Pursuit of efficient indirect operations through Konoike Air Holding Co. Ltd.		●					

Establishment of Overseas Business Foundation

Capital alliance with MacroAsia Corporation in the Philippines (mutual ownership of subsidiary shares)	●						
Launch of exploration into specific collaboration projects with MacroAsia Corporation	●						
Commencement of entry of technical intern trainees (company independent type) for Airport Ground Handling positions				●			
Recruitment of specified skilled workers from the Philippines in collaboration with the Diversity Promotion Department		●		●			
Pursuit of overseas M&A business strategy in cooperation with the Sales Division	●	●					

Chapter 04

Medical Division

Integrated Solutions Business | Medical-Related Operations

Business Overview

The Medical Division provides sterilization services for Konoike Medical Co., Ltd., in-hospital logistics, and other services for medical institutions, as well as cleaning and maintenance services for medical equipment and other services for manufacturers. In addition to these, provide a series of services supporting the entire supply chain for medical-related products, from manufacturer logistics to wholesale logistics to in-hospital logistics around medical institutions. This includes distribution center operation services for wholesalers of pharmaceutical drugs and medical equipment supplies that were developed by Konoike Transport.

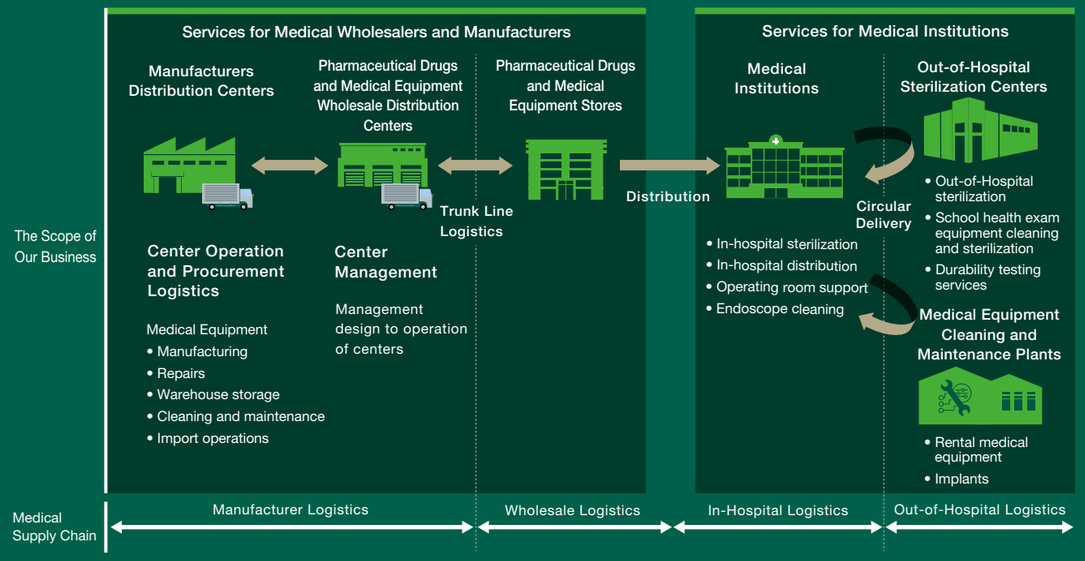


Contributing to Healthcare Efficiency Through Our Efforts to Strengthen and Expand Our Business Foundation

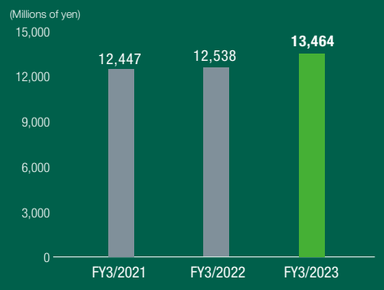
Executive Officer and Executive General Manager, Medical Division
Hideki Takami

Business Model

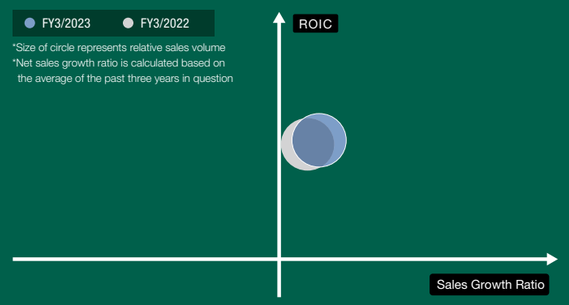
Our services range from upstream equipment transportation for manufacturers and wholesalers and contract services for maintenance and distribution center operation designs to downstream services such as equipment transportation for medical institutions and contract services within hospitals. Our broad service deployment of wide-ranging services meets all needs from transportation to maintenance and in-hospital work for the entire medical supply chain.



Net Sales



ROIC and Net Sales Growth Ratio Trends



Medium-Term Management Plan Overview and Progress

Medium-Term Management Plan

- The Konoike Medical Co., Ltd. hospital business plans to expand area development centered on out-of-hospital sterilization centers and provide services
- The Konoike Medical Co., Ltd. medical equipment logistics business plans to expand its business by enhancing infrastructure and broadening the range of handled products
- The Medical Division will pursue initiatives for overseas expansion of domestic medical-related services

Progress in the Medium-Term Management Plan

In FY3/2023, revenues increased in both the hospital and logistics businesses due to a significant impact on earnings from increased revenues from existing customers. As we continue to work on expanding existing client business in FY3/2024, we expect to achieve steady growth due to positive factors from unit price revisions. Securing more human resources is essential to expand our business in the future. Therefore, we will focus on recruitment activities as we introduce a mentor system to strengthen care for employees.

Medical Division Added Value

Business Expansion Throughout the Medical Supply Chain

	Services	Inter-Departmental Collaboration	Environment	Human Resources	Safety	Quality	New Technologies
Expansion of a wide range of medical-related businesses that serve medical device manufacturers, wholesalers, hospitals, other medical institutions, and educational institutions	●					●	
Operation of 10 sterilization centers located throughout Japan and more than 1,000 contracts from medical institutions for out-of-hospital sterilization services	●					●	
Contracted by approximately 150 major hospitals nationwide for sterilization, operating room assistance, inventory control of medical equipment, and other operations	●					●	
Provision of warehousing and storage of various types of medical equipment, as well as manufacturing, repair, and other services in accordance with the Pharmaceutical Affairs Law at four locations	●					●	
Exploration of overseas expansion of medical-related services by leveraging our achievements and knowledge in Japan	●					●	

Structure Reinforcement to Secure and Retain Human Resources and Increase Their Abilities

Number of certified sterilization-related personnel (325 sterilization administrators, 303 in-hospital contracted hospital sterilizing and disinfection service managers, and 10 contracted hospital sterilizing and disinfection service managers)				●		●	
Pursuit of horizontal development of technical information, etc., through surgery subcommittee activities				●		●	
Consideration of implementing a business support system to enhance the skills of unskilled workers				●		●	●
Pursuit of multi-skilled workers to establish a support system and take measures to improve productivity				●			

Provision of High-Quality Medical-Related Services

Mark of certification for medical-related services in in-hospital sterilization, out-of-hospital sterilization, and in-hospital cleaning	●					●	
Service of COVID-19 bed cleaning as an In-Hospital Infection Control Professional	●					●	
Acquisition of ISO13485 certification for services related to Pharmaceutical Affairs Act compliance, provision of services based on these standards, and switch to BSI certification body this year	●					●	

Chapter 04

Engineering Division

Integrated Solutions Business | Engineering Operations

Business Overview

The Engineering Division has developed skills and expertise in plant construction and equipment maintenance over many years in the steel industry (steelworks). We aim to provide services in new fields such as electric power, gas, and chemicals.



Aiming to Strengthen the Profitability of Existing Businesses While Expanding Into New Business Areas

Executive Officer and Executive General Manager, Engineering Division
Kazumitsu Miyoshi

Business Model

We provide a complete set of contracting services for plant construction, equipment maintenance, machine maintenance, and other operations, in addition to engineer dispatching and non-destructive testing services. Our goal is to improve our technical capabilities and quality to receive orders directly from customers in the manufacturing and plant engineering industries.

Providing a Wide Range of Services in Plant Construction, Maintenance, and Other Operations

Plant-Related Operations

Machinery and equipment installation
General can manufacturing, steel structure fabrication and installation
Plant piping construction
Equipment maintenance
Machine maintenance

Inspection and Measurement Operations

Non-destructive testing (RT, UT, MT, PT, Digital X-ray)
Environmental measurement (noise)
Qualified personnel dispatching

Electrical Services

Electric and electrical instrumentation design
Engineer dispatching

Remote Monitoring Services

Gas turbine facilities
Water and sewage facilities

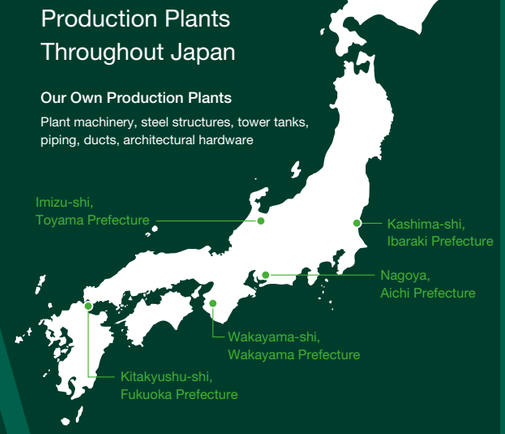
Civil Engineering and Construction Work (Certain Areas)

Civil engineering, construction, and repair work
Water and sewerage construction

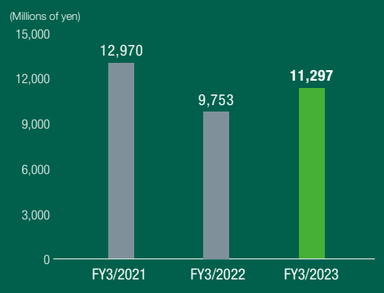
Creating a System to Provide Solutions Through Our Own Production Plants Throughout Japan

Our Own Production Plants

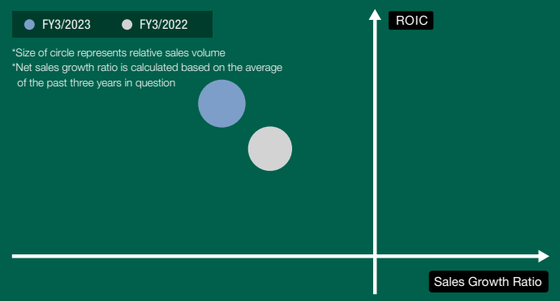
Plant machinery, steel structures, tower tanks, piping, ducts, architectural hardware



Net Sales



ROIC and Net Sales Growth Ratio Trends



Medium-Term Management Plan Overview and Progress

Medium-Term Management Plan

- Secure stable earnings in our main foundation of construction and maintenance area in the steel-related business and expand peripheral business areas
- Enhance profitability by increasing the ratio of orders received from prime contractors
- Utilize M&A to expand sales coverage, train and hire human resources, and use digital tools to improve productivity

Progress in the Medium-Term Management Plan

In FY3/2023, revenues increased due to orders for large-scale construction projects and unit price increases.
We expect performance to remain strong thanks to a certain amount of construction projects planned for FY3/2024.
We will strive to secure technical personnel by strengthening recruitment activities to win large projects in fields other than steel.

Engineering Division Added Value

Diverse Human Resources, Services, and Many Qualified Individuals

	Services	Inter-Departmental Collaboration	Environment	Human Resources	Safety	Quality	New Technologies
Human resources and qualified personnel capable of handling various types of construction and maintenance	●			●			
Electrical instrumentation services within the Group	●			●			
Non-destructive testing services held within the Group	●	●		●			
Large number of skilled workers and a network of partner companies	●	●		●	●	●	
Compatible with digital tools (3DCAD)	●			●			●

Nationwide Sales Offices

Sales offices located throughout Japan	●	●		●			
Agile responses (including overseas)	●	●		●			
Possibility to dispatch engineers (including overseas)	●	●		●			
Possible to expand our range of services (such as transportation) through collaboration with other departments	●	●		●			
Establishment of safety, quality, and compliance structures	●			●	●	●	

Consistent Construction Structures

Own manufacturing plants	●			●			
Establishment of consistent construction structures	●	●		●	●	●	
Maintenance system	●	●		●		●	
Years of experience and achievements	●	●		●			
Possible to expand our range of services (such as transportation) through collaboration with other departments	●	●		●	●	●	

Business Topics

01 Growing Our Business in India

International Forwarding and Engineering

Konoike Asia (India) Pvt. Ltd. is engaged in a wide range of business operations in the country. While the focus is on logistics within India itself, the company is also involved in international forwarding and engineering. Our engineering work includes relocating plant internationally, and it is a business we have been developing for a number of years.



As an international forwarder, we provide international intermodal transportation services in cooperation with our various KONOIKE Group bases. This includes exporting not only from India to Japan but also to Asia and neighboring countries. India is also attracting attention as a base for exporting to Africa and the Middle East.

In engineering, the KONOIKE Group global network of expertise has enabled us to perform numerous tasks at plants outside Japan. These tasks range from equipment dismantling to transportation, installation, and commissioning. Our highly experience and skilled technical staff provide excellent services by applying strict safety, quality, and process controls. In addition to plant relocations, we also provide integrated engineering services, including fabricating and processing on site as well as subsequent installation and maintenance work. These services rely on the technical capabilities we have developed over many years of contract work across a variety of industries.
Going forward, we will also engage in areas of business that we are currently expanding in Japan, such as in-plant and temperature-controlled logistics services.

Railroad-Related Field

The company currently operates four train sets carrying containers and seven train sets carrying vehicles. We transport import-export containers over lines between the inland container depot (ICD) at Faridabad in Northern India and three major ports on the west coast (Nhava Sheva, Pipavav, and Mundra). Each of the lines is approximately 1200 km in length. Last fiscal year, we moved approximately 62,000 TEUs*.



We also transport finished vehicles from Indian automobile manufacturers' plants to their dealers throughout India. Last fiscal year, this amounted to approximately 80,000 vehicles.

India is about nine times the size of Japan, and this vast country boasts the world's fourth largest railroad network. This network will continue to expand and develop, as evidenced by the dedicated freight rail line currently under construction between the port of Nhava Sheva and the Delhi metropolitan area in Northern India. In recent years, there has been an increasing demand for business operations to be environmentally friendly, and India is no exception in this regard, with businesses working toward carbon neutrality. In light of this increasing demand, we were one of the first companies to recognize the potential that rail transportation would have in India, and we duly entered the market. We offer logistics services to Indian companies built around rail transportation, providing excellence in integrated transportation from the first to the last mile.

*TEU: 20-foot equivalent unit

02 Developing New Business

Developing New Business to Enter Untapped Markets



Ideas for developing new business not only come from our head office and senior staff, which can be limiting, but also from KONOIKE Group employees across the board, and we continue to work with people who come up with the ideas to develop business concepts.

The KONOIKE Group New Business Proposal System itself has been in full swing since 1987, and with a total of 120,000 proposals submitted so far, its strength is it is something in which all employees can participate. An example of a successful case of commercializing an idea that came out of this proposal system is our medical business. The idea was to provide Hospital Logistics, and we now deliver on- and off-site logistics and sterilization services to hospitals via our nationwide network.

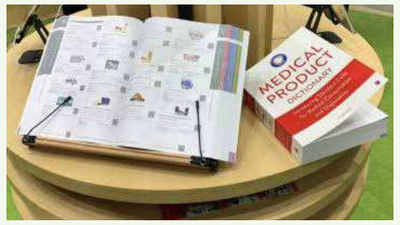
Until recently, these ideas were mainly proposals on how to improve our existing business; however, in September 2021, we set up our New Business Proposal System. This is a system in which, from all the ideas received by the Business Development Division, we identify those that are particularly outstanding and will lead to new business. These ideas are also known as business buds, and we work with the people who submitted them so that they can be brought to commercialization. To that end, we perform activities such as conducting market research, carrying out business feasibility studies, and formulating business plans.

With regard to developing new business, we are particularly focusing on the fields of resource recycling, new energy, agriculture, forestry, fisheries, and food processing. We will strive to create new value creation and development our business by stepping outside the conventional industry and business framework and leveraging the expertise and technologies possessed by the KONOIKE Group.

Medical-Related Field

Carna Medical Database Pvt. Ltd. ("Carna Medical") was established in 2013, and since then it has accumulated a wealth of knowledge about the Indian healthcare industry through the creation of a database of medical supplies, hospitals, and physicians, which in turn is being used to overcome the challenges facing the industry's management systems and distribution infrastructure. And by leveraging the good relationships we have built with both the Japanese and Indian governments and also medical institutions, we have also helped Japanese companies enter the Indian market.

In addition to our market-entry support services, such as field surveys that we are providing to Japanese companies, we also acquired wholesale licenses for medical and food products in 2022. With these licenses, we will further focus on supporting Japanese companies as they develop and expand their sales channels in the Indian market by taking on the burden of wholesaling their medical and food products for them.



Many medical device manufacturers supplying the Japanese healthcare industry have had great difficulty entering the Indian market due to cultural differences and the complexity of sales channels and logistics; however, the acquisition of wholesale business licenses by Carna Medical has enabled us to solve these problems and create a foundation for entering the Indian market with minimal risk on the part of these manufacturers.

Carna Medical will act as a contact point for Japanese manufacturers in the healthcare and medical fields, providing integrated services throughout the entire supply chain, including conducting field surveys for entry into the Indian market, exporting from Japan to India, and handling logistics within India itself.

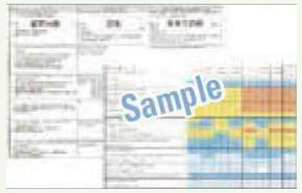
Field Survey and Entry Support



Hospital data by state and size



Survey of local medical-related companies



Data on surgical instruments





Planning and organizing local seminars and exhibitions on healthcare

COLUMN

Addition of Solutions Site to Strengthen Sales

In this age in which the web is of ever-increasing significance, BtoB customers are also attaching more importance to websites as a source of information when they have problems to solve. In response to this, a new Solutions Site dedicated to introducing our services will be added to the KONOIKE Group website.
This part of our main website will focus on enabling customers to make smooth searches by allowing them to select their requirements and problems. They will then be able find the optimal solution from among our services. With this new site, we will endeavor to make our services more accessible to potential customers with whom we have not previously done business.



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)
Feb 2023 Representative partner of Fujitaya Hinpin LLC (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
June2021 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)
Mar 2022 External Audit & Supervisory Board Member of Base, Inc. (current position)

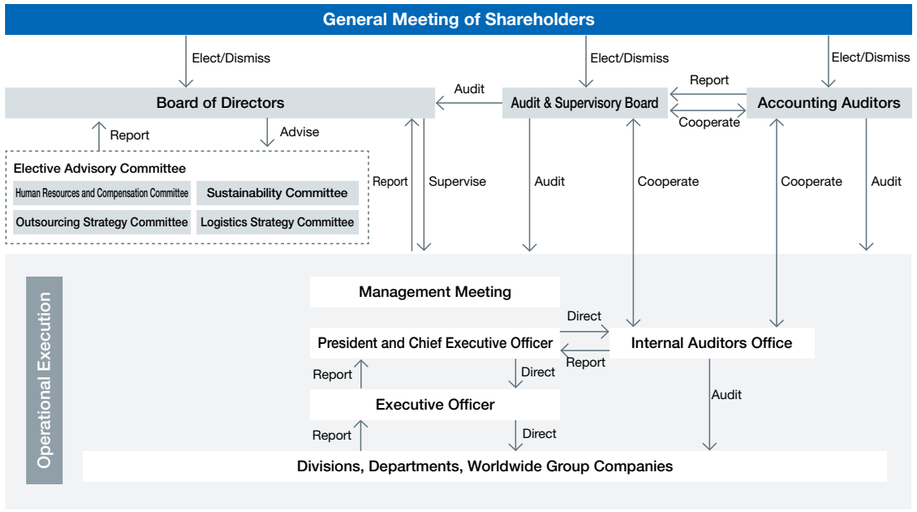
Corporate Governance

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 practices. To this end, we continue to strengthen our supervisory functions and provide information disclosure, introducing new measures as necessary.

Structure

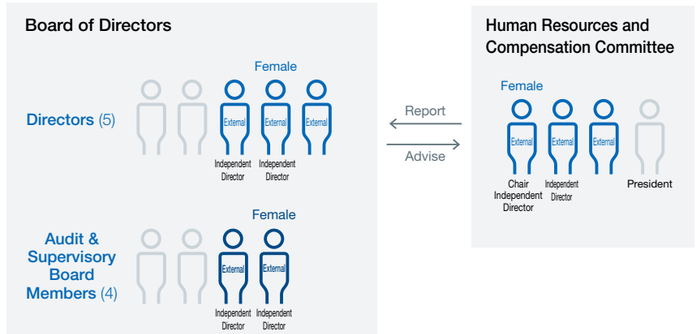


Corporate Governance Improvement Timeline

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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 Directors		3 Directors			
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)						
												Established Strategy Committee	
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 we will work toward further strengthening our 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 and Chief Executive Officer 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 Member	○	○			○					○
	Mika Masuyama	External Director (Independent) Human Resources and Compensation Committee Chair	○	○	○	○						
	Taisuke Fujita	External Director Human Resources and Compensation Committee Member	○	○						○		○
Audit & Supervisory Board Member	Mitsugu Otani	Full-time Audit & Supervisory Board Member	○							○	○	
	Hiroaki Kobayashi	Full-time Audit & Supervisory Board Member	○						○	○		
	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.

Human Resources and Compensation Committee

Activities in FY3/2023

The committee met a total of 11 times at the direction of the board of directors. The committee discussed appointments and compensation of directors and executive officers, reporting on the discussions to the board.

The Human Resources and Compensation Committee consists of two independent external directors, one external director, and one internal director, making a total of four members (as of March 31, 2023). Although only half of the members are independent outside directors, we believe that the independence and objectivity of the committee is still ensured because the chairperson is an independent outside director.

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 the findings of 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.

Classification	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	200	116	58	25	7
(External Directors, Included)	(37)	(37)	(–)	(–)	(3)
Audit & Supervisory Board Members	70	70	–	–	4
(External Audit & Supervisory Board Members, Included)	(22)	(22)	(–)	(–)	(2)
Total	270	186	58	25	11
(External Officers, Included)	(59)	(59)	(–)	(–)	(5)

*1 The above table is inclusive of the amounts paid to two directors (none of whom were external members) who retired at the conclusion of the 82nd Annual General Meeting of Shareholders, held on June 23, 2022.
*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 and 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 Board of Directors' Advisory Body 5 Other Factors

Evaluation Process

1. Questionnaire to All Members of Board of Directors and 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

1 Overview of FY3/2023 Evaluation Results

The composition of the board of directors has been evaluated as appropriate in terms of the overall number of directors and the balance between the number of inside and outside directors. Management has been functioning effectively; however, it has been suggested that more time be allocated for deliberation and discussion, with an emphasis on priority issues set forth in the medium- to long-term vision and the medium-term management plan. It has also become clear that there is a need to further discuss the business portfolio and other issues in order to determine the future direction of the Company.

2 Going Forward

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

- Review business operations to improve discussions at meetings of the board of directors
- Review of what is reported to improve the quality of monitoring

Activities in FY3/2023

Major Agenda Items

The board of directors met 17 times in FY3/2023. The following are items on the agendas at meetings.

1. Establishing, amending, and abolishing various rules
2. Organizational changes
3. Important business plans
4. Matters related to M&A
5. Matters related to the general meeting of shareholders (e.g., deciding what matters to discuss during general meeting of shareholders)
6. Matters related to stocks
7. Disclosures (public announcements of company information)
8. Purchasing, leasing, and other means of securing buildings, nonbuilding structures, and land (e.g., in relation to establishing new bases of operations)
9. Appointments of executive officers
10. Matters related to finance (e.g., matters related to long-term loans payable and short-term loans payable)
11. Matters related to affiliates
12. Other important matters related to management

Main Items on Agenda for Discussion

The board of directors met in May 2022 and discussed the results of a questionnaire regarding their own effectiveness as a board. At that meeting, items were set for discussion at future board meetings on important management issues, including business strategy, human resource development, and the results of our engagement with shareholders and investors.

• Monitoring Management Indicators

P.15-18

To establish a supervision system of the management plan's progress and to determine when reviewing is necessary, there were productive discussions on how to regularly monitor management indicators from an investor's perspective and where investment should be targeted, such as which countries/regions and industries.

In addition, given the differences in the profit structure of each industry, opinions were exchanged on how to think about the balance sheet in each of them.

• Non-Financial Targets (People, Technology)

P.33-48

The discussion focused on our investment in people and technology because the importance of this was recognized when it comes to investing in non-financial capital in the sustainable enhancement of our corporate value.

Human capital is particularly important for our Integrated Solutions Business. On the subject of this form of capital, there were further productive discussions on the need to deepen the connection between management strategy, human resources policy, and human resource development, as well as how to allocate human resources in a more strategic and flexible manner.

Defining our unique technological capital and its importance were also discussed, as well as the position this capital has with regard to our competitiveness and how we can strengthen it. The directors were all of the opinion that continuous improvements, operational efficiencies, and safety initiatives at each site are what essentially form the technological capital that differentiates us, thus becoming the lifeblood of our competitiveness and value creation.

• Discussions on Business Strategy With the General Managers of Each Business Division

P.51-66

In October and December 2022, our directors and the general managers of the Airport and Medical Divisions—priority businesses in our business portfolio—discussed the specific goals and policies of the 2030 Vision. In addition, they also deliberated on the progress of our medium-term management plan (from FY3/2023 to FY3/2025) as well as solutions to various other issues. There was productive discussion on how to objectively reassess each division's strengths and opportunities and how to tie these in with our next medium-term management plan.

• Discussions on Engagement With Shareholders and Investors

P.81-82

Management issues from an IR perspective were discussed in terms of the PDCA cycle as it relates to IR. This subject is regularly discussed and is considered an on-going issue. In particular, the discussions focused on strengthening and developing ROIC management, which is recognized as spearheading the logistics industry. In addition, with regard to strengthening non-financial capital, such as diversity and human capital, it was agreed that we share the important points that come out of our investor engagement. It was also agreed that deeper understanding will be achieved by making our future initiatives clear and explaining them thoroughly to investors.

• Discussions on Monitoring Investment

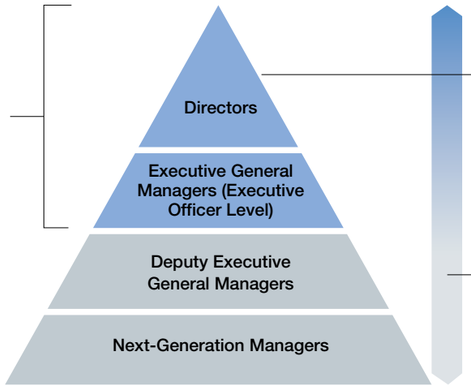
P.17

The board of directors had constructive discussions on the progress of investment projects submitted to the management meetings or the board of directors in the past and the direction these important projects will go in the future. The following were among some of the many points raised and discussed: the need for more in-depth discussions on projects that deviate significantly from the initial business plan; the need to reassess not only the merits and drawbacks of individual projects but also their strategic context; the need to set capital costs and investment criteria according to the characteristics of each investment; and matters to consider when preparing a business plan. The board of directors recognized these discussions were an opportunity to identify areas for improvement in the investment PDCA cycle from a broad perspective.

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. In addition, individuals regarded as our next generation of managers, such as those who will become department heads at headquarters and branch managers, get to build relationships of mutual trust at work. We also sponsor in-house seminars to bring together these potential managers and people who are already managers so that they share our Corporate Philosophy and behavioral guidelines. In this way, we pass on the experience and expertise necessary for management without interruption between generations.

Executive General Manager Steering Committee
Cultivation of Management Perspectives Through Discourse and Discussion



Board of Directors
Development of Successors for Top Management Positions

KONOIKE FORUM
Sharing Corporate Philosophy

Strategic Shareholdings

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 Criteria for Exercising Voting Rights

Konoike Transport Co., Ltd. does 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 sustainable 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

Compliance education is provided to employees in career-track positions during their annual training and employment-grade-specific training. During each training, we reiterate our Basic Philosophy, explain case studies of wrongdoing and misconduct within and outside the Group, discuss observations made by government agencies, and work to raise employee awareness of ethics. Our goal is to be a good corporate citizen, acting with integrity toward all stakeholders in a way that is ethical and in accordance with accepted social values and norms.

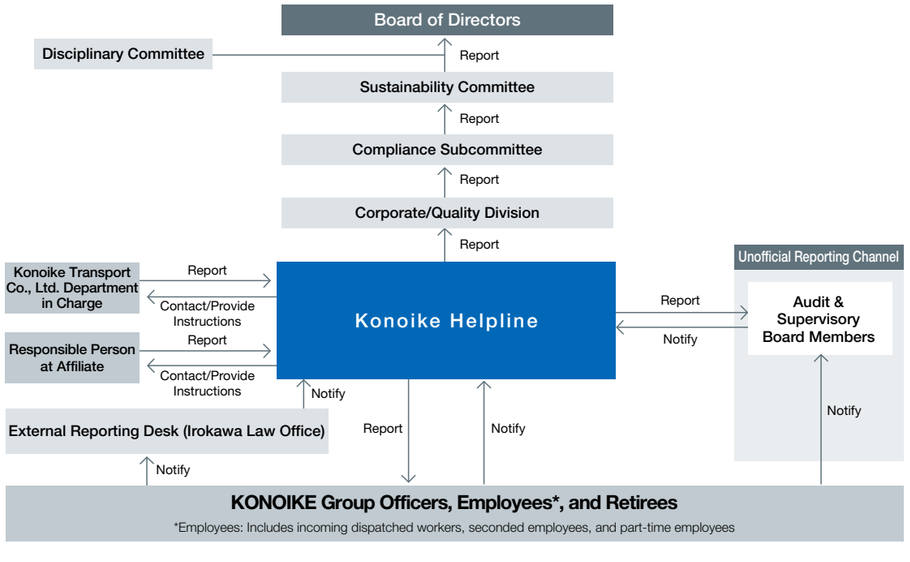
Initiatives for Overseas Subsidiaries

We must promote the KONOIKE Groups philosophies to overseas subsidiaries, where business practices differ from those in Japan. In addition to providing compliance education through e-learning, we measure the workplace climate and employee attachment at each local subsidiary. This is done by conducting surveys to gauge compliance awareness and employee engagement at each location. We also work to improve engagement through various initiatives, an example of which is *Katariba*. We also hold study meetings on our corporate ethics code for managers and promote the thorough enforcement of the Basic Philosophies of maintaining safe and pleasant workplaces, contributing as a good corporate citizen, caring for the environment, and engaging in fair trade.

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 is no official code of practice applicable when it happens, Audit & Supervisory Board members do sometimes receive reports directly. In these cases, the member contacts someone staffing the Konoike Helpline to investigate the matter. 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, and we are planning to gradually expand these reporting channels.

Konoike Helpline Structure



Creating a Pleasant Work Environment

Due to the so-called 2024 Problem (see Column below) and the declining birthrate and aging population, a labor shortage is inevitable for the KONOIKE Group. To address this issue, we are working to create a more pleasant workplace for as many employees as possible. We are conducting surveys on employee wellbeing (see P. 38) and compliance awareness so that we can improve psychological safety of our employees, and at the same time we are seeking to increase efficiency and productivity on-site by leveraging technological innovation, which will lead to the creation of a more pleasant workplace for as many employees as possible.

Recognized Under the Great Place to Work Certification System

The Great Place to Work Certification System was launched by the Japanese Ministry of Land, Infrastructure, Transport and Tourism as part of a comprehensive effort to address the driver shortage in the motor transport industry. Konoike Transport Co., Ltd. and Kyushu Sanko Unyu Co., Ltd. received the newly introduced Two-Star Rating in FY3/2023.



Great Place to Work Certification System: Two-Star Rating

Column

The 2024 Problem (Revision of Improved Standards Notification)

The Improved Standards Notification, which sets out truck drivers' working hours amongst other things, was revised in December 2022, with the effect that as of April 2024, the number of hours a driver can be on duty will be reduced. As a warehouse operator, trucks are loading and unloading at our sites all the time, so we are working to improve the efficiency of our warehouse operations and reduce truck waiting times. To that end, we are introducing a berth management system and asking our regular shippers to maintain optimized inventory levels.



Risk Management

Basic Policies for Risk Management

The KONOIKE Group established the Risk Management Regulations and Crisis Management Standards as the basic policies of the Group to reduce risks that may have a significant impact on corporate management. Through these policies, we also aim to establish a crisis management system that can respond quickly and appropriately in the event of an emergency.

Risk Management System

Based on the aforementioned Risk Management Regulations, the KONOIKE Group identified risks with the potential to harm corporate value and defines them as follows.

1. The risk of poor strategic decision-making that could interfere with KONOIKE Group efforts to grow, resolve sustainability issues, and enhance our corporate value in the future
2. The risk of insufficient legal compliance, inadequate initiatives on management issues, or other matters that could interfere with the sound development of existing business activities or operations, or which could damage current corporate value

Our approach to managing these risks is based on prevention and containment. We work to maintain our current corporate value and enhance corporate value in the future by preventing incidents or issues and fulfilling our social responsibility.

The Risk Management Subcommittee, chaired by the officer in charge of risk management, meets quarterly to check on risk countermeasures and monitor the status of initiatives that focus on priority risks selected based on a risk map. The subcommittee also conducts other activities aimed at risk reduction.

The Risk Management Subcommittee joins each branch and affiliated company to avoid risk occurrence on a Group-wide basis.

Crisis Management System

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 a system capable of responding appropriately and rapidly to events, one example of which is the aforementioned Crisis Management Standards. We prepare various manuals for ready use in case of natural disaster.

The Crisis Management Committee convenes in the event of risks such as large-scale natural disasters, including huge earthquakes and pandemics, that make it difficult to continue business operations. The committee is 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. In addition to the system establishment, we also conduct disaster-preparedness drills for setting up a task force, safety and confirmation drills, and other exercises. These drills enable us to sharpen our ability to respond to emergencies and minimize damage. The KONOIKE Group has also accumulated experience in emergency response to natural disasters such as earthquakes and typhoons through our history of providing emergency support for social infrastructure through logistics, medical care, and airport operations. We intend to leverage our knowledge to actively contribute to the support of disaster-stricken areas in the event of a disaster.

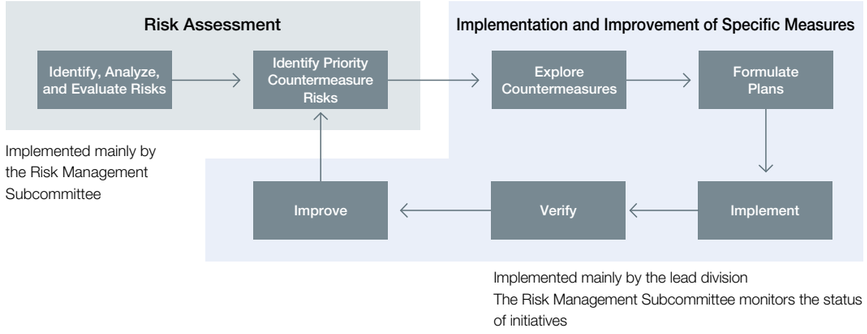
KONOIKE Group Risk Assessment

Risk assessment is our first step in the risk management process. In risk management, the KONOIKE Group focuses on analysis and evaluation to determine the current status of risks.

These efforts are an important process in risk management, aiming to collect basic data for decision-making, such as the exploration and prioritization of countermeasures.

Risk assessments are conducted by the Risk Management Subcommittee under the supervision of the Sustainability Committee. For priority countermeasure risks identified in the risk assessment, we appoint a division responsible for leading specific countermeasure implementation and improvements.

The Risk Management Subcommittee is responsible for monitoring the status of initiatives in these divisions.



Evaluation in Risk Assessment

Analysis of Likelihood of Occurrence

Level	Analysis Indicators
4	Risks that may occur within the next six months that have occurred in the past and have a high risk of recurrence
3	Risks likely to occur within the next 12 months
2	Risks likely to occur within the next 3-5 years
1	Risks not likely to occur over the next 10 years

Impact Analysis

Level	Analysis Standards	Analysis Indicators		
		Operating Income	Human Life	Reputation
4	Extreme impact on company management	Extreme reduction	Multiple deaths	Significant loss of trust from stakeholders, with no prospect of restoration of trust, business transactions, etc.
3	Significant impact on company management	Substantial reduction	One fatality or numerous injured	Significant loss of trust from stakeholders and moderate impact on current transactions
2	Moderate impact on company management	Slight reduction	Injuries occur (more than 4 days lost from work)	Loss of trust from stakeholders, with little impact on current transactions
1	Little to no impact	Minor reduction	Minor injuries occur	Little or no loss of trust from stakeholders

Shareholders/Investors

Basic Philosophy

The KONOIKE Group recognizes the importance of having constructive dialogue with shareholders and investors to achieve sustainable growth and enhance corporate value over the medium to long term. To this end, we formulated an IR information disclosure policy on disclosures that form the foundation of such dialogues and established a system to pursue constructive dialogue. We provide spaces for dialogue, such as financial results briefings and individual interviews, to raise awareness of the KONOIKE Group corporate philosophy, 2030 Vision, and management plan. The KONOIKE Group also reports the opinions of shareholders and investors to the board of directors and senior management in a timely and appropriate manner. The Group will share matters that should be reflected in management through management meetings and company-wide gatherings of parties in charge of business operations. As we move forward with concrete measures, we will reflect these matters in IR information disclosure to continuously enhance dialogues.

Specific Initiatives for Constructive Dialogue With Shareholders and Investors

Dialogue Structure

The general manager of the Corporate Planning Division (executive officer) is designated as the officer in charge of IR, and top management and senior management (directors, executive officers, etc.) respond to each dialogue. Through this structure, we aim to conduct constructive dialogues with shareholders and investors. Depending on the speaker's request or subject matter of the dialogue, an outside director or division manager may also be available to interview.

Key Activities

Activities	Items	Key Presenters	Implementation Status	FY3/2023 Meetings
For Institutional Investors	Earnings presentations	Representative director, chairman, president and chief executive officer; board of directors; corporate officers; and executive general manager of the Finance/Accounting Division	Full year & 2nd quarter	2
	Medium-term management plan briefings	Same as above	At the time of formulation	1
	Individual interviews in Japan and abroad	Same as above	As necessary	165 (10 meetings with the president)
	Overseas IR	Same as above	Irregular	1
	Overseas conferences sponsored by securities firms	Corporate officers; executive general manager of the Finance/Accounting Division; and executive general manager of Corporate Planning Division	Irregular	1
	On-site tours	Executive general manager of Corporate Planning Division and other relevant office directors, etc.	Irregular	1
For Individual Investor	Individual investor presentations	Corporate officers; executive general manager of Corporate Planning Division	Irregular	—

Key Dialogue Topics and Concerns

- Strengths and features of business models
- Improving profitability
- Expectations for focus businesses (Airport, Medical, Engineering, and India Business)
- ROIC within the Company
- Medium- to long-term strategy for the Steel Business
- ESG compliance (including compliance with evaluation agencies)
- Cash level and uses
- Dividends
- ROE forecasts

Providing Feedback of Dialogue Opinions and Requests to Management

The executive general manager of the Corporate Planning Division provides feedback received through dialogue with shareholders and investors to the board of directors through after the full-year and second quarter financial results, as well as to all division managers on a quarterly basis. Feedback is then considered and discussed at member meetings. Matters that should be reflected in management are shared with the KONOIKE Group management and related divisions to be reflected in corporate activities. For example, we began disclosing earnings status and forecasts in FY3/2022 for the Airport-Related and Steel-Related Businesses, which are particularly noteworthy due to significant changes in the business environment.

Information Disclosure Measures That Serve as the Foundation of Dialogues

The Corporate Planning Division is designated as the department in charge of IR under the supervision of the executive general manager of the Corporate Planning Division, who is the officer in charge of IR. This division pursues and engages in dialogue with shareholders. Over the course of such dialogues, the division also collaborates with related divisions, and collects and discloses information in a timely, fair, and appropriate manner. Divisions in charge of the general meeting of shareholders, earnings presentations, investor interviews (in Japan and overseas), and disclosure mediums all pursue constructive dialogue with shareholders and investors. These divisions share shareholder information, disclosure information, and comments from shareholders and investors with each other on an internal platform, and related divisions then work together to enhance dialogue.

We disclose financial statements, earnings presentation materials, and integrated reports in English, while securities reports and reports on corporate governance are disclosed only in Japanese. We will continue to explore ways to rectify the information gap between domestic and international audiences.

The KONOIKE Group posts corporate information, business activities, information for shareholders and investors, sustainability initiatives, and timely news releases on our website. We established an English version of these pages to provide information to a wide range of people overseas.

(Our website: https://www.konoike.net/en/)

Preventing Unintentional Disclosure of Insider Information in Dialogues

The KONOIKE Group designates a certain period of time prior to the announcement of financial results as a quiet period. During this time, we refrain from commenting on or answering any questions regarding our financial results. However, we will disclose the appropriate information should we anticipate financial results to significantly deviate from the previously announced earnings forecast during this quiet period. We also established rules on internal information management and the prevention of insider trading, ensuring that insider information is appropriately managed when engaging in dialogue.

Status of Efforts to Revitalize Shareholders' Meetings and Facilitate the Exercise of Voting Rights

The Company will send out early notices of convocation of the general meeting of shareholders (no later than three weeks prior to the date of convocation). At the same time, we will post the content of the notices on financial instrument exchange and Company websites as early as possible prior to the date of notification to ensure shareholders have sufficient time to consider how to exercise their voting rights.

We disclosed notice of the 83rd Annual General Meeting of Shareholders on financial instrument exchange and Company websites four weeks in advanced of the meeting and prior to the dispatch of the written notice.

In addition to an electronic voting platform, we also introduced methods for voting on the Internet and through other means for the convenience of all our shareholders, including domestic and foreign institutional investors.

Furthermore, the Company prepares an English translation of the notice of convocation to ensure that that foreign national shareholders can exercise their voting rights appropriately. The English translations are disclosed on our website and electronic voting platform.

In FY3/2023, we further encouraged shareholders to exercise their voting rights via the Internet in light of preventing the spread of COVID-19 associated with in-person attendance at the meeting. At the same time, we posted explanatory materials on our website such as business reports and other presentations from the meeting for shareholders unable to attend in-person.

Initiatives	Supplementary Details
1 Early dispatch of notices of convocation for general meetings of shareholders	Policy dictates that notices are to be sent at least three weeks prior to the date of the meeting. Notice of the 83rd Annual General Meeting of Shareholders held on June 22, 2023 was sent on May 31, 2023.
2 Disclosure of notice of convocation of general meeting of shareholders prior to dispatch	Disclose the notices of convocation prior to their dispatch through the company website, etc. The most recent annual shareholders' meeting was announced on May 30, 2023, prior to the dispatch of notices, as per our policy of announcing the meeting approximately one month prior to the date of the meeting.
3 Scheduling shareholder meetings to avoid concentrated days	Avoid convening on concentrated days to enable more shareholders to attend the general meeting of shareholders. The most recent annual general meeting of shareholders was held June 22, 2023.
4 Exercise of voting rights through electronics	Adopt an electronic voting system to allow members to exercise their voting rights via the Internet (PC, smartphone, or cell phone).
5 Participation in the electronic voting platform	Participate in the ICJ, Inc. electronic voting platform for institutional investors to improve the environment for institutional investors to exercise their voting rights.
6 Provision of English notices of convocation (summary)	Posted the English summary of the notice of convocation of the general meeting of shareholders on the Company website in tandem with the Japanese version (May 30, 2023).

Financial Highlights

Profit and Loss

(hundred millions of yen)

	FY3/2014	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022	FY3/2023
Net sales	2,315	2,449	2,525	2,583	2,767	2,941	3,108	2,923	3,013	**3,118**
Operating income	79	93	102	102	110	109	96	39	102	**132**
(Profit margin)	3.4%	3.8%	4.1%	4.0%	4.0%	3.7%	3.1%	1.4%	3.4%	**4.2%**
Ordinary income	80	95	107	107	115	113	95	93	118	**142**
Profit attributable to owners of parent	43	54	64	73	70	62	45	48	79	**83**

Financial Condition

Total assets	1,743	1,928	1,917	2,046	2,118	2,132	2,234	2,587	2,577	**2,660**
Shareholders' equity	733	829	865	919	978	982	961	1,015	1,109	**1,212**
Interest-bearing debt	408	448	421	466	427	450	551	892	756	**748**
Equity ratio (Shareholders' equity / Total assets)	42.1%	43.0%	45.2%	44.9%	46.2%	46.1%	43.0%	39.2%	43.0%	**45.6%**
D/E ratio (Interest-bearing debt / Shareholders' equity)	0.56 times	0.54 times	0.49 times	0.51 times	0.44 times	0.46 times	0.57 times	0.88 times	0.68 times	**0.62 times**

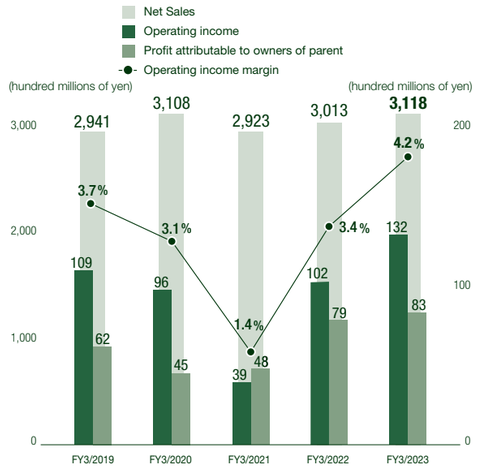
Cash Flows

Cash flows from operating activities	145	154	112	165	143	58	183	144	167	**187**
Cash flows from investing activities	(95)	(98)	(125)	(62)	(99)	(86)	(165)	(109)	(64)	**(58)**
Cash flows from financing activities	(69)	18	(52)	14	(64)	(38)	35	311	(154)	**(35)**
Free cash flows (Op. CF + Inv. CF)	50	56	(12)	102	43	(28)	18	35	103	**129**
Cash and cash equivalents at end of period	186	264	199	313	291	222	276	622	576	**675**

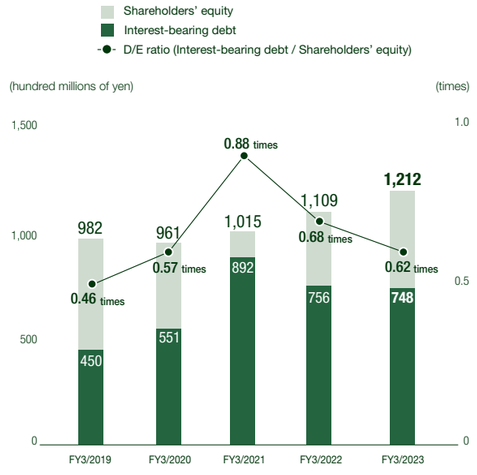
Major Indicators

Return on equity ratio (ROE)	6.1%	6.9%	7.6%	8.2%	7.4%	6.4%	4.7%	4.9%	7.5%	**7.1%**
Return on invested capital (ROIC)	4.1%	4.6%	4.8%	4.6%	4.7%	4.6%	3.9%	1.4%	3.4%	**4.3%**
Net operating profit after taxes (NOPAT)	54	64	71	70	76	76	67	27	71	**91**

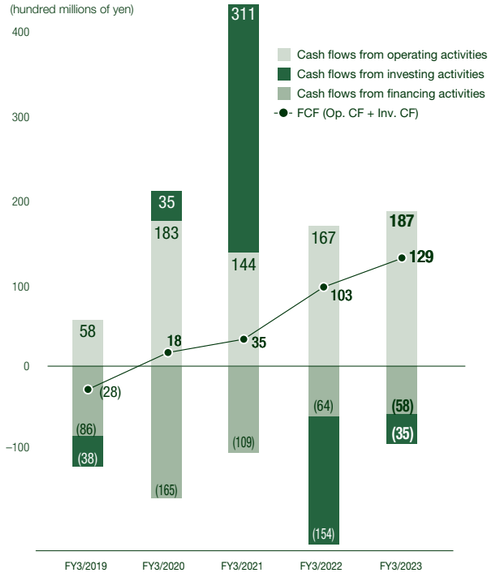
Consolidated Profit Performance (5 Years)



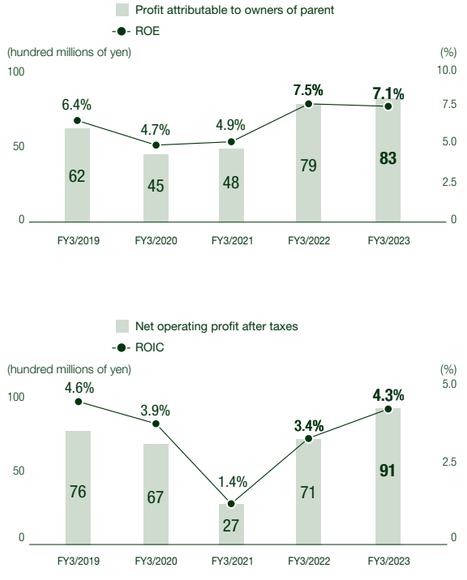
Consolidated Balance Sheet Performance (5 Years)



Consolidated Cash Flow Performance (5 Years)



ROE/ROIC (5 Years)



Analysis of Business Status/Corporate Performance, Etc.

Corporate Performance and Business Status

In FY3/2023, the lifting of restrictions on activities related to COVID-19 stimulated the Japanese economy toward normalization. However, the outlook for economic activities remained extremely uncertain in part due to soaring prices of resources and energy stemming from the prolonged Russian invasion of Ukraine; the continued depreciation of the yen; soaring prices from inflation in other countries; and reduced consumption due to COVID-19-inflicted lifestyle changes.

Amid this operating environment, the Group launched our medium-term management plan ending FY3/2025. We made various efforts based on our basic policy, which is to leverage synergies between people and technology, striving to go beyond expectations in response to changing times. We continue our efforts to improve profitability through setting appropriate unit prices and other counter measures in response to the impact of business environment fluctuations. These efforts are steadily yielding results. In February 2023, we launched operation of a new frozen and chilled storage warehouse in Koshigaya City, Saitama Prefecture. We aim to reorganize the operations of three suburban frozen warehouses, including this newly established warehouse, through its operation. Here, we intend to enhance profitability by optimizing customer needs, improving operational efficiency, and strengthening our response to increasing demand for frozen and chilled foods in the Tokyo metropolitan area.

The Airport-Related Business has been gradually recovering with the easing of boarder security measures implemented in October 2022, and we expect to see a further recovery in flights going forward. Amid these circumstances, we will continue to improve our structures for restoring and increasing flights by training and securing human resources, as well as expanding the scope of our contracted services.

Net sales for FY3/2023 amounted to ¥311,840 million (up 3.5% year on year) despite the completion of certain projects, production cutbacks of certain customers, and lower demand and air cargo rates to Europe in the second half of the fiscal year. This result was mainly due to fairly steady customer production and higher unit prices for production contract work, etc. Other factors included an increase in transaction volume in the Airport-Related Business in connection with the return of domestic and international passenger flights, an increase in transaction volume in conjunction with economic recovery in various countries, and the receipt of orders for large-scale projects.

Despite the steep rise in fuel, electricity, and gas prices, operating income amounted to ¥13,243 million, (up 28.7% year on year), while ordinary income was ¥14,281 million (up 20.6% year on year) and profit attributable to owners of parent was ¥8,301 (up 3.9% year on year). This result was mainly due to higher sales, efforts to improve profitability, which is the basic policy of our new FY3/2023 - FY3/2025 medium-term management plan launched in April 2022, the receipt of appropriate unit prices, and improvements in operational efficiencies. Performance by segment is as follows. Note that segment income is operating income before deducting corporate expenses such as general and administrative expenses.

Integrated Solutions Business

Net sales amounted to ¥188,873 million (up 4.2% year on year). This increase was due to higher unit prices for production contract work and the acquisition of large-lot spot work in the Steel-Related Business; the resumption of domestic and international flights and expanded contract services in the Airport-Related Business; orders for large-scale construction projects in the Environmental & Engineering-Related Business; and increased production among customers, operations in a new facility, and an increase in related warehousing and transportation volume in the Food-Related Business. The increase in net sales was offset in part by completed earthquake reconstruction projects and production cutbacks of certain Food-Related Business customers.

Despite the steep rise in fuel, electricity, and gas prices, profit amounted to ¥12,991 million (up 27.1% year on year). This increase resulted from increased sales, efforts to improve profitability through the receipt of appropriate unit prices, and bottom-to-top streamlining of operations.

Domestic Logistics Business

Net sales amounted to ¥52,688 million (up 1.8% year on year) due to increased volumes of temperature-controlled cargo handled in the Food-Related Business and increased volumes of food products and mail-order distribution center handling in the Life-Related Business.

Despite the Domestic Logistics Business incurring one-time expenses stemming from soaring electricity and fuel prices and the launch of new operations, profit rose 2.1% year on year to ¥3,046 million. This increase was mainly due to increased sales and efforts to improve profitability through the receipt of appropriate unit prices and streamlining of operations.

International Logistics Business

The International Logistics Business saw increased transaction volume and won large-scale projects as a result of the economic recovery in Vietnam, the U.S., India, and other countries. Net sales amounted to ¥70,261 million (up 2.9% year on year), despite lower demand and air cargo rates to Europe in the second half of the fiscal year.

Profit amounted to ¥3,554 million (up 8.7% year on year) due to increased transaction volume, among other factors.

Financial Condition and Cash Flows

Total Assets

As of the end FY3/2023, total assets amounted to ¥266,022 million, an increase of ¥8,257 million compared to the end of the previous consolidated fiscal year.

Current Assets

As of the end of FY3/2023, current assets amounted to ¥132,254 million, an increase of ¥8,354 million compared to the end of the previous consolidated fiscal year. This increase was mainly due to an increase of ¥10,288 million in cash and deposits as well as an increase of ¥251 million in supplies, offset in part by a decrease in notes and accounts receivable-trade, and contract assets of ¥2,127 million.

Fixed Assets

As of the end FY3/2023, fixed assets amounted to ¥133,767 million, a decrease of ¥96 million compared to the end of the previous consolidated fiscal year. This increase was mainly due to a decrease of ¥1,403 million in buildings and structures; an increase of ¥410 million in machinery, equipment and vehicles; an increase of ¥369 million in intangible assets and other; an increase of ¥320 million in investment securities; and an increase of ¥304 million in other under investments and other assets.

Total Liabilities

As of the end of FY3/2023, total liabilities amounted to ¥142,228 million, a decrease of ¥2,244 million compared to the end of the previous consolidated fiscal year.

Current Liabilities

As of the end of FY3/2023, current liabilities amounted to ¥52,526 million, an increase of ¥1,515 million compared to the end of the previous consolidated fiscal year. This increase was mainly due to an increase of ¥1,687 million in short-term borrowings, an increase of ¥1,248 million in current portion of long-term borrowings, and an increase of ¥784 million in income taxes payable. These increases were offset in part by a decrease of ¥258 million in notes and accounts payable-trade.

Fixed Liabilities

As of the end of FY3/2023, fixed liabilities amounted to ¥89,701 million, a decrease of ¥3,760 million compared to the end of the previous consolidated fiscal year. This result was mainly due to a decrease of ¥3,369 million in long-term borrowings.

Net Assets

As of the end FY3/2023, net assets amounted to ¥123,793 million, an increase of 10,502 million compared to the end of the previous consolidated fiscal year. This result was mainly due to an increase of ¥6,670 million in retained earnings and an increase of ¥2,757 million in foreign currency translation adjustments.

Cash Flows

Cash Flows From Operating Activities
Net cash provided by operating activities for FY3/2023 amounted to ¥18,793 million, an increase of ¥2,043 million year on year.
This result was mainly due to net income before income taxes of ¥13,764 million, depreciation and amortization of ¥8,036 million, and income taxes paid of ¥4,989 million.

Cash Flows From Investing Activities
Net cash used in investing activities for FY3/2023 amounted to ¥5,846 million, a decrease of ¥578 million year on year.
This result was mainly due to ¥4,549 million in purchases of property, plant and equipment as well as ¥1,254 million in purchases of intangible assets.

Cash Flows From Financing Activities
Net cash used in financing activities for FY3/2023 amounted to ¥3,547 million, a decrease of ¥11,893 million year on year.
This result was mainly due to ¥1,906 million in cash dividends paid and ¥752 million in repayments of finance lease obligations.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	59,092	**69,381**
Notes and accounts receivable-trade, and contract assets	59,713	**57,586**
Costs on uncompleted works	71	**91**
Supplies	1,591	**1,843**
Other	3,739	**3,576**
Allowance for doubtful accounts	(308)	**(224)**
Total current assets	123,899	**132,254**
Non-current assets		
Property, plant and equipment		
Buildings and structures	117,917	**119,509**
Accumulated depreciation	(73,119)	**(76,114)**
Buildings and structures, net	44,797	**43,394**
Machinery, equipment and vehicles	50,714	**52,757**
Accumulated depreciation	(39,915)	**(41,547)**
Machinery, equipment and vehicles, net	10,799	**11,209**
Land	41,661	**41,798**
Leased assets	5,700	**5,471**
Accumulated depreciation	(2,685)	**(2,741)**
Leased assets, net	3,015	**2,729**
Construction in progress	657	**869**
Other	9,077	**9,686**
Accumulated depreciation	(7,385)	**(7,798)**
Other, net	1,692	**1,887**
Total property, plant and equipment	102,623	**101,889**
Intangible assets		
Goodwill	1,800	**1,568**
Other	4,158	**4,528**
Total intangible assets	5,959	**6,097**
Investments and other assets		
Investment securities	12,290	**12,610**
Long-term loans receivable	345	**304**
Deferred tax assets	5,676	**5,593**
Retirement benefit asset	170	**147**
Other	6,975	**7,280**
Allowance for doubtful accounts	(176)	**(155)**
Total investments and other assets	25,281	**25,781**
Total non-current assets	133,864	**133,767**
Total assets	257,764	**266,022**

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,618	**15,110**
Short-term borrowings	4,949	**6,636**
Current portion of long-term borrowings	2,620	**3,869**
Provision for director bonuses	320	**387**
Accrued expenses	11,652	**11,875**
Income taxes payable	2,716	**3,501**
Other	11,131	**11,145**
Total current liabilities	51,010	**52,526**
Non-current liabilities		
Bonds payable	55,000	**55,000**
Long-term borrowings	9,107	**5,737**
Lease obligations	2,693	**2,488**
Deferred tax liabilities	492	**581**
Deferred tax liabilities for land revaluation	1,219	**1,087**
Retirement benefit liability	21,502	**21,244**
Retirement allowance for directors	142	**118**
Long-term accounts payable - other	682	**640**
Other	2,622	**2,802**
Total non-current liabilities	93,462	**89,701**
Total liabilities	144,472	**142,228**
Net assets		
Shareholders' equity		
Share capital	1,723	**1,723**
Capital surplus	1,908	**1,908**
Retained earnings	114,564	**121,235**
Share capital	(6,596)	**(6,475)**
Total shareholders' equity	111,599	**118,391**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,054	**4,284**
Revaluation reserve for land	(5,182)	**(5,482)**
Foreign currency translation adjustment	1,328	**4,086**
Remeasurements of defined benefit plans	(869)	**14**
Total accumulated other comprehensive income	(667)	**2,903**
Non-controlling interests	2,358	**2,498**
Total net assets	113,291	**123,793**
Total liabilities and net assets	257,764	**266,022**

Consolidated statements of income

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Net sales	301,373	**311,840**
Cost of sales	275,527	**283,769**
Gross profit	25,846	**28,070**
Selling, general and administrative expenses	15,557	**14,827**
Operating income	10,288	**13,243**
Non-operating income		
Interest income	65	**97**
Dividend income	314	**458**
Foreign exchange gains	215	**163**
Reversal of allowance for doubtful accounts	7	**3**
Gain on reversal of loss on valuation of investment securities	0	**18**
Rental income	144	**71**
Employment adjustment subsidy	1,111	**324**
Other	484	**484**
Total non-operating income	2,343	**1,621**
Non-operating expenses		
Interest expenses	299	**269**
Loss on valuation of investment securities	3	**0**
Equity in losses of affiliates	273	**217**
Allowance for doubtful accounts	91	**7**
Other	118	**88**
Total non-operating expenses	785	**583**
Ordinary profit	11,845	**14,281**
Extraordinary income		
Gain on sales of non-current assets	511	**179**
Gain on sales of investment securities	1,056	**12**
Other	47	**—**
Total extraordinary income	1,616	**192**
Extraordinary losses		
Loss on sales and retirement of non-current assets	308	**242**
Loss on valuation of investment securities	9	**59**
Impairment loss	880	**407**
Other	247	**0**
Total extraordinary losses	1,446	**709**
Profit before income taxes	12,014	**13,764**
Income taxes – current	4,720	**5,737**
Income taxes – deferred	(515)	**(368)**
Total income taxes	4,205	**5,368**
Profit	7,809	**8,395**
Profit (loss) attributable to non-controlling interests	(179)	**94**
Profit attributable to owners of parent	7,988	**8,301**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Profit	7,809	**8,395**
Other comprehensive income		
Valuation difference on available-for-sale securities	(217)	**249**
Foreign currency translation adjustment	1,831	**2,707**
Remeasurements of defined benefit plans, net of tax	381	**883**
Share of other comprehensive income of entities accounted for using equity method	94	**118**
Total other comprehensive income	2,090	**3,958**
Comprehensive income	9,899	**12,353**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,990	**12,173**
Comprehensive income attributable to non-controlling interests	(90)	**180**

See our FY3/2023 Securities Report for more detail regarding financial results (Japanese Only).
https://www.konoike.net/ir/library/valuable.html

Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

As of March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Share capital	Total shareholders' equity
Balance at beginning of current period	1,723	1,908	114,564	(6,596)	111,599
Cumulative effects of changes in accounting policies					—
Restated balance	1,723	1,908	114,564	(6,596)	111,599
Changes of items during period					
Dividends of surplus			(1,906)		(1,906)
Profit attributable to owners of parent			8,301		8,301
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		(25)		121	96
Transfer of loss on disposal of treasury shares		25	(25)		—
Reversal of revaluation reserve for land			300		300
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	6,670	121	6,791
Balance at end of current period	1,723	1,908	121,235	(6,475)	118,391

	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	4,054	(5,182)	1,328	(869)	(667)	—	2,358	113,291
Cumulative effects of changes in accounting policies								—
Restated balance	4,054	(5,182)	1,328	(869)	(667)	—	2,358	113,291
Changes of items during period								
Dividends of surplus								(1,906)
Profit attributable to owners of parent								8,301
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								96
Transfer of loss on disposal of treasury shares								—
Reversal of revaluation reserve for land								300
Net changes of items other than shareholders' equity	230	(300)	2,757	883	3,571		139	3,710
Total changes of items during period	230	(300)	2,757	883	3,571	—	139	10,502
Balance at end of current period	4,284	(5,482)	4,086	14	2,903	—	2,498	123,793

As of March 31, 2022

(Millions of yen)

	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

Consolidated Statements of Cash Flows

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Cash flows from operating activities		
Profit before income taxes	12,014	13,764
Depreciation	8,201	8,036
Impairment loss	880	407
Amortization of goodwill	279	231
Increase (decrease) in allowance for doubtful accounts	(93)	(133)
Increase (decrease) in retirement benefit liability	500	910
Increase (decrease) in provision for directors' retirement benefits	12	(23)
Interest and dividend income	(380)	(555)
Rental income	(144)	(71)
Loss on valuation of investment securities	9	59
Loss (gain) on valuation of investment securities	3	0
Gain on reversal of loss on valuation of investment securities	(0)	(18)
Interest expenses	299	269
Foreign exchange losses (gains)	(184)	20
Share of (profit) loss of entities accounted for using equity method	273	217
Employment adjustment subsidy	(1,111)	(324)
Gain on sales of non-current assets	(511)	(179)
Loss (gain) on sales of investment securities	(1,046)	(12)
Loss on sales and retirement of non-current assets	308	242
Decrease (increase) in trade receivables	(4,095)	2,965
Decrease (increase) in inventories	(28)	(269)
Decrease (increase) in other assets	(220)	275
Increase (decrease) in trade payables	2,959	(2,810)
Increase (decrease) in other liabilities	383	(204)
Other, net	1,434	331
Subtotal	19,741	23,129
Interest and dividends received	357	507
Interest paid	(306)	(267)
Rent revenue	123	52
Employment adjustment subsidy received	1,251	361
Income taxes paid	(4,417)	(4,989)
Net cash provided by (used in) operating activities	16,749	18,793
Cash flows from investing activities		
Decrease (increase) in time deposits	(170)	(252)
Net decrease (increase) in short-term loans receivable	8	(49)
Purchase of property, plant and equipment	(7,942)	(4,549)
Proceeds from sales of property, plant and equipment	1,042	566
Purchase of intangible assets	(982)	(1,254)
Purchase of investment securities	(101)	(43)
Proceeds from sales of investment securities	1,651	62
Long-term loan advances	(9)	(9)
Collection of long-term loans receivable	20	6
Payments for sales of shares of subsidiaries resulting in a change in scope of consolidation	(37)	—
Other	95	(323)
Net cash provided by (used in) investing activities	(6,424)	(5,846)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,976)	)112
Redemption of bonds	(10,000)	—
Proceeds from long-term borrowings	1,570	—
Repayments of long-term borrowings	(1,562)	(320)
Dividends paid	(1,159)	(1,906)
Dividends paid to non-controlling interests	(29)	(41)
Repayments of finance lease obligations	(906)	(752)
Proceeds from share issuance to non-controlling shareholders	48	—
Other, net	(423)	(413)
Net cash provided by (used in) financing activities	(15,441)	(3,547)
Effect of exchange rate change on cash and cash equivalents	364	552
Net increase (decrease) in cash and cash equivalents	(4,751)	9,952
Cash and cash equivalents at beginning of period	62,217	57,628
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	162	—
Cash and cash equivalents at end of period	57,628	67,580

Sustainability Data

Category		Indicators	Units	As of March 31, 2021	As of March 31, 2022	As of March 31, 2023
Environment	Actual Solar Power Generated*1	Total Power Generated	Thousand kWh	16,776,309	16,390,421	**14,572,497**
	Total Energy Input Volume*2	Electric Power	Thousand kWh	94,684	95,828	**93,779**
		Town Gas	km^3	71	111	**365**
		Natural Gas	km^3	95	88	**92**
		Propane Gas	t	56	54	**51**
		Gasoline	km^3	910	824	**791**
		Kerosene	kℓ	87	55	**42**
		Diesel	kℓ	25,847	25,992	**24,321**
		A Fuel Oil	kℓ	346	387	**451**
		BC Fuel Oil	kℓ	1,614	1,636	**1,729**
		Coal Coke	t	12,064	12,475	**8,955**
		Anthracite	t	1,267	1,887	**5,075**
		Coke Oven Gas	km^3	6,589	7,467	**7,461**
		Industrial Steam	GJ	500	1,869	**3,603**
		Steam	GJ	975	975	**975**
		LNG	t	1,595	1,540	**1,436**
	Energy-Derived CO_2 Emissions*2	Scope 1	t-CO_2e	126,671	130,474	**123,662**
		Scope 2	t-CO_2e	50,671	44,345	**41,262**
		Scope 3	t-CO_2e	—	—	**694,646**
	Details of CO_2 Emissions (Scope 1 and 2)	Electric Power	t-CO_2e	50,585	44,177	**40,990**
		Town Gas	t-CO_2e	158	247	**814**
		Natural Gas	t-CO_2e	210	196	**204**
		Propane Gas	t-CO_2e	167	162	**153**
		Gasoline	t-CO_2e	2,111	1,912	**1,834**
		Kerosene	t-CO_2e	218	136	**105**
		Diesel	t-CO_2e	66,684	67,060	**62,747**
		A Fuel Oil	t-CO_2e	937	1,048	**1,223**
		BC Fuel Oil	t-CO_2e	4,842	4,907	**5,188**
		Coal Coke	t-CO_2e	38,243	39,545	**28,387**
		Anthracite	t-CO_2e	3,193	4,755	**12,789**
		Coke Oven Gas	t-CO_2e	5,601	6,347	**6,342**
		Industrial Steam	t-CO_2e	30	112	**216**
		Steam	t-CO_2e	56	56	**56**
		LNG	t-CO_2e	4,307	4,158	**3,877**
	Non-Energy-Derived CO_2 Emissions*2	Calculated Leakage of Chlorofluorocarbons (CFCs)	t-CO_2e	1,208	925	**1,050**
	Effects of CO_2 Emission Reduction	CO_2 Emissions Reduction Due to Solar Power Generation*1	t-CO_2e	8,187	7,703	**6,601**
		Reduction in CO_2 Emissions from Modal Shift (t-CO_2)*2	t-CO_2e	5,734	5,721	**5,957**
	Low-Emission Vehicles*3	Post-Post-New Long-Term Regulation-Compliant Vehicles	Vehicles	266	308	**328**
		Post-New Long-Term Regulation-Compliant Vehicles	Vehicles	478	463	**427**
		New Long-Term Regulation-Compliant Vehicles	Vehicles	153	131	**103**
		Hybrid Vehicles	Vehicles	42	42	**45**
		Electric Vehicles	Vehicles	8	9	**9**
		CNG Vehicles	Vehicles	13	14	**14**
		LPG Vehicles	Vehicles	1	1	**1**
	Transportation Ton-Kilometers*3	Transportation Ton-Kilometers	10,00 t/km	17,558	17,297	**16,926**
		CO_2 Emissions	t-CO_2e	28,448	28,000	**26,900**
		Output Level		0.628	0.608	**0.597**
People	Work Hours and Days of Paid Leave Taken	Front-Line Workers*3	Annual Work Hours (Avg.)	Hours	2,215.3	2,250.9	**2,207.8**
			Days of Paid Leave Taken (Avg.)	Days	11.1	11.3	**14.2**
		Career-Track*3	Number of Employees	Hours	2,137.8	2,204.1	**2,130.8**
			Percent of Female Employees	Days	8.2	8.5	**9.0**
	Human Resources	Front-Line Workers*3	New Graduates Hired	People	8,530	8,456	**8,454**
			Mid-Career Hires	%	8.7	8.9	**9.7**
			Number of Employees	People	127	151	**131**
			Percent of Female Employees	People	397	451	**435**
		Career-Track*3	New Graduates Hired	People	1,077	1,057	**1,036**
			Mid-Career Hires	%	16.1	16.2	**16.7**
			Number of Managers (Office/Department Manager and Above)	People	459	455	**442**
			Percent of Female Managers	%	2.6	2.9	**3.4**
			New Graduates Hired	People	53	38	**31**
			Mid-Career Hires	People	5	8	**12**
			Percent of Disabled Persons Hired (Data from June each Fiscal Year)	%	2.5	2.4	**2.8**
Technology	Safety and Quality*1	Workplace Accidents	Incidents	109	104	**102**
		Automobile Incidents	Incidents	58	58	**62**
		Quality Incidents	Incidents	40	39	**35**
		Rate of Incidents		2.22	2.00	**1.86**
		Rate of Lost Worktime Incidents		0.36	0.31	**0.27**
Governance	Composition of the Board of Directors*3	Directors	People	7	5	**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	1	1	**1**
	Board of Directors*3	No. of Board Meetings Held	Times	15	16	**17**

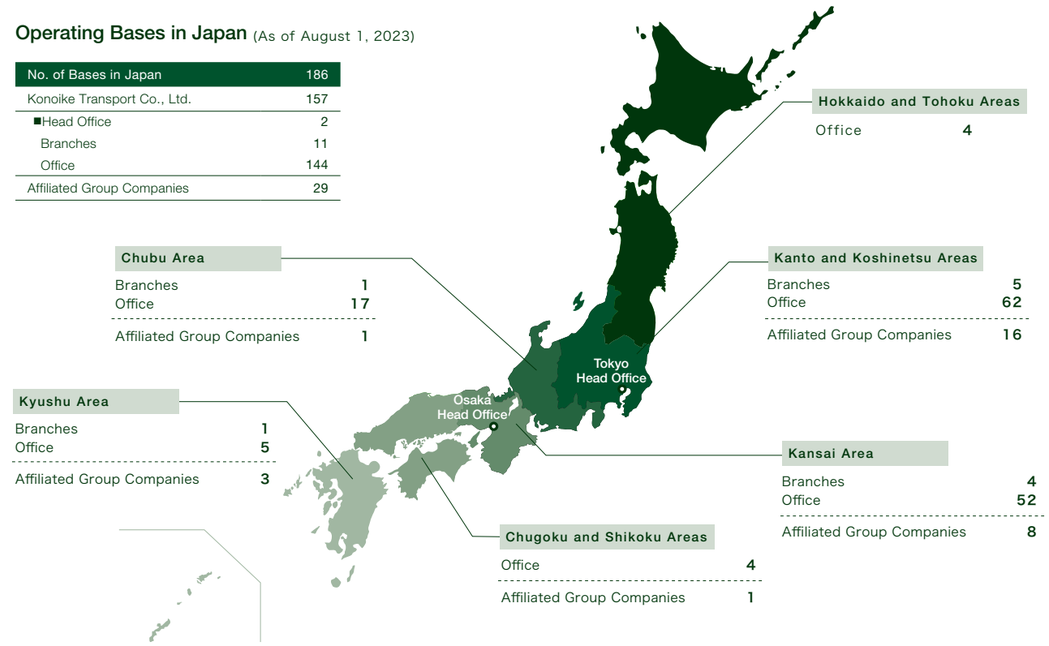
*1 Applies to Konoike Transport Co., Ltd. and affiliates in Japan and overseas *2 Applies to Konoike Transport Co., Ltd. and affiliated subsidiaries in Japan and overseas
*3 Applies to Konoike Transport Co., Ltd

Company Data

Group Network

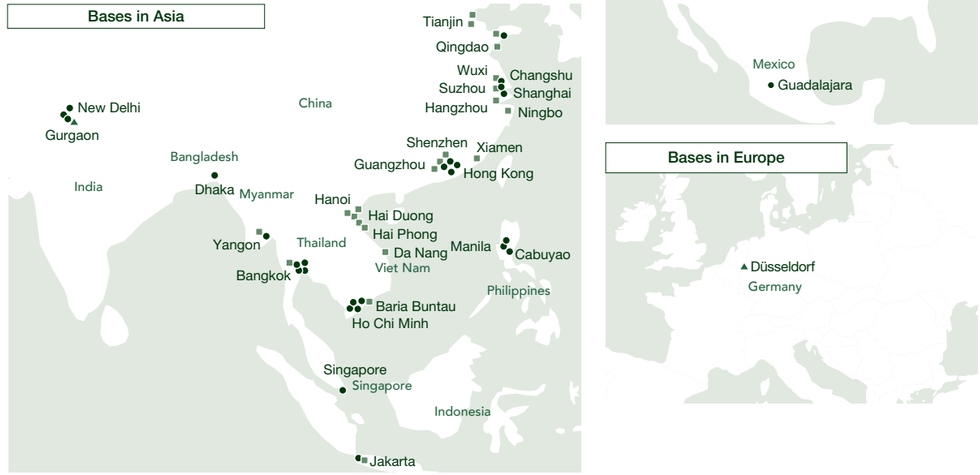
Operating Bases in Japan (As of August 1, 2023)

No. of Bases in Japan	186
Konoike Transport Co., Ltd.	157
■Head Office	2
Branches	11
Office	144
Affiliated Group Companies	29



Operating Bases Overseas (As of August 1, 2023)

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



Company Data

Group Companies (As of August 1, 2023)

Division System	Japanese Subsidiaries	Overseas Subsidiaries
Steel Division	Eco Innovation Inc. ASR Recycling Kashima Co., Ltd. Konoike Express Co., Ltd. Otori Tech Co., Ltd.	
Food Division		Konoike Philippines Corporation
Life-Related Division	Kyushu Sanko Unyu Co., Ltd. Japan Airways Co., Ltd. Kanriku Co., Ltd. Konohana Transport Co., Ltd. Konoike Corporate Service Co., Ltd.	
Medical Division	Konoike Medical Co., Ltd.	Carna Medical Database Pvt. Ltd.
International Business Division	Konoike Shipping Co., Ltd. Sano Unyu 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.
Airport Division	Konoike Air Holding Co., Ltd. Konoike Air Port Service Co., Ltd. Konoike Sky Support Co., Ltd. K Sky Co., Ltd. K Ground Service Co., Ltd. K Ground Expert Co., Ltd. Japan Airport Service Co., Ltd. Airport Terminal Service Co., Ltd. NAB Corporation J Friendly, Inc. Air Express, Inc.	MacroAsia Airport Services Corporation
Engineering Division	Chuden Sangyo Co., Ltd. NBS Inc. Chiyoda Inspection Industries Co., Ltd.	
ICT Promotion Division	Konoike IT Solutions Co., Ltd.	
Technology Innovation Division	SHINE Co., Ltd.	

Corporate Outline (As of August 1, 2023)

Corporate Name	Konoike Transport Co., Ltd.
Osaka Head Office	4-3-9 Fushimimachi, Chuo-ku, Osaka 541-0044, Japan
Tokyo Head Office	6-10-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Founded	May 1880
Incorporated	May 30, 1945
Representative	Tadahiko Konoike, Representative Director, Chairman, President and Chief Executive Officer
Share capital	¥1,723 million
Employees	Group: Approx. 24,000 Konoike Transport alone: Approx. 14,000 *Including temporary employees

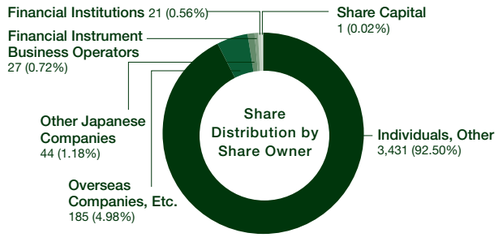
Stock Information (As of June 30, 2022)

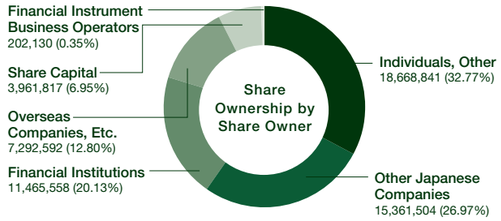
Number of shares authorized	227,596,808 shares
Number of shares issued and outstanding	56,952,442 shares (including 3,961,817 treasury shares)
Number of shareholders	3,709
Listed stock exchange	Prime Market, Tokyo Stock Exchange
Security code number	9025

Major Shareholders (Top 10)

Name of Individual or Company	No. of Shares Held (Shares)	No. of Shares Held (%)
Enokojimashoji Co.	5,040,888	9.51
Konoike Transport Employee Stock Ownership Plan	4,772,092	9.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,614,400	8.70
Ginsen Co., Ltd.	3,598,274	6.79
Tadahiko Konoike	2,575,410	4.86
Sumitomo Mitsui Banking Corporation	2,480,022	4.68
Nippon Steel Corporation	2,451,418	4.62
Osaka Gas Co., Ltd.	2,248,912	4.24
Tadatsugu Konoike	1,623,444	3.06
Kazusue Konoike	1,570,300	2.96

Notes: 1. Konoike Transport owns 3,961,817 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 dates 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/english
Frequently asked questions (FAQ) (Japanese Only)	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/). In the event of an accident or any other unavoidable reason, the public notices may be given in *The Nikkei* newspaper.