

KONOIKE GROUP Integrated Report 2024

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)

CONTENTS

01

Table of Contents and Editorial Policy

03

OUR BRAND

Chapter 1

Corporate Value

05

Our Roots

09

History of KONOIKE Group Business Development

11

KONOIKE Group Value Creation

13

Top Message

15

Message From the Director and Senior Managing Executive Officer

17

Message From the Outsourcing Strategy Manager

18

Message From the Manager in Charge of Logistics Strategy

Chapter 2

Value Creation

19

Progress in the Medium-Term Management Plan

23

Message From the Officer in Charge of Finance and Accounting

24

Financial Policies

25

Bringing Our Concept of an Agricultural Export Center With Quarantine Functions to Life

Business Foundation

Sustainability

27

Message From the Officer in Charge of Sustainability

29

People

33

Technology

37

Environment

Governance

41

External Director Discussion

45

Management Structure

47

Corporate Governance

57

Shareholders/Investors

Chapter 3

Business Strategy

59

The KONOIKE Group Business Segment Structure

61

Steel Division

63

Food Division

65

Food Products Division

67

Life-Related Division

69

International Business Division

71

Airport Division

73

Medical Division

75

Engineering Division

Chapter 4

Data

77

Financial Highlights

79

Analysis of Business Status/Corporate Performance, Etc.

81

Consolidated Financial Statements

85

Sustainability Data

87

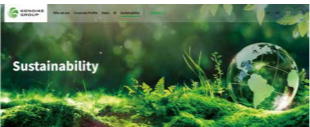
Company Data

KONOIKE Group Website



IR

<https://www.konoike.net/en/ir/>



Sustainability

<https://www.konoike.net/en/sustainability/>

Editorial Policy



The KONOIKE Group began publishing our integrated report in FY3/2019, aiming to deepen stakeholders' understanding of the Company.

The Integrated Report 2024 highlights how the KONOIKE Group has created value through our promise, Striving to Go Beyond Expectations, and outlines policies for continued growth. This integrated report focuses on key issues. Refer to our website for more detailed information.

This integrated report also follows the *International Integrated Reporting Framework* recommended by the IFRS Foundation and the *Value Creation Guidance* issued by the Ministry of Economy, Trade, and Industry.

Reporting Period

April 01, 2023 - March 31, 2024
(Certain portions of this report contain information on activities conducted during or after April 2024.)

Scope of Report

Konoike Transport Co., Ltd. and affiliates in Japan and overseas

Contact

Corporate Planning Division +81-3-3575-5760

Notes Concerning Forward-Looking Statements

This integrated report includes forward-looking statements and information regarding expectations, plans, strategies, and future performance. Note that such statements are based on current expectations, forecasts and assumptions subject to risks and uncertainties that may cause actual results to differ materially from forward-looking statements.

OUR BRAND



Our Promise

Striving to Go Beyond Expectations

Going beyond the expectations of people and society, advancing lifestyles and creating new value. At KONOIKE, this has been our job for over 100 years. We promise to continue to evolve, unwaveringly, over the next 100 years. At all of our locations, from where we got our start, you can find a true and unmatched dedication. People are trained, and grow in order to help other people. Our dedication is one of relationships, where we sometimes must be responsible for the lives of other individuals. We challenge ourselves to achieve what society asks of us. Our dedication is one of innovation, where we sometimes change the lifestyles of our country. Let us exceed expectations, break through our boundaries, and defy conventional wisdom. Going beyond what you were yesterday is the first step towards becoming who you will be tomorrow.

Our Mission

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

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

Our Business Strategy

KONOIKE 2030 VISION

Form that the Konoike Group aims to take in 2030

People, leveraging technology to reach for new heights

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

Our Value

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

Our Roots

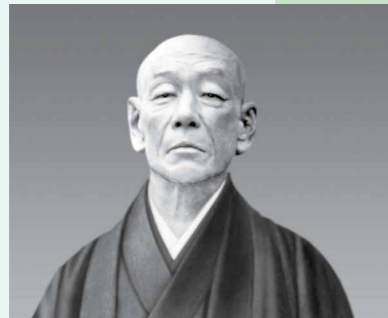
1852

HISTORY OF KONOIKE

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.



Portrait of Mr. Chujiro Konoike (Digital Reproduction)



Map of the Denpo Area During the Meiji Era

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

The Founding of Konoike Transport – Respect for Humanity and Relationships of Trust in Our DNA –

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



Group photo taken in 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)

1880

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

Work on the National Directed Shin-Yodogawa River Excavation Project

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.

1898



Overall View of the Yodogawa River Improvement Work

©2024 Google – Image ©2024 Terra Metrics

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.

Growing Our Business Base With the Progress of Industrial Development
- Adding Business Domains in the Confusion of Postwar Japan -

1945



Further Development and the Relentless Pursuit of New Businesses

- Overseas Expansion, Responding to New Social Needs -

1979



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.

Corporate Value

Value Creation/Business Foundation

Business Strategy

Data

Outsourcing x Logistics

Contribute extensively and significantly to customer value chains

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

Safety and Quality

High-level standardization expertise cultivated across a wide range of industries

Operational Strength

Ability to respond and make proposals during normal and busy periods based on field experience across a wide range of industries

History of KONOIKE Group Business Development

May 2024 marked the 144th 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.

1900 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 in-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 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 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

1985 Temperature-Controlled Logistics Business

1991 Airport-Related Business

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



2018 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.



Segments by Sector

Airport-Related

→ P71

Engineering-Related

→ P75

Steel-Related

→ P61

Food-Related (Food)

→ P63

Food Products-Related

→ P65

International-Related

→ P69

Medical-Related

→ P73

Life-Related (Life)

→ P67

Life-Related (Logistics)

→ P67

Food-Related Business (Temp-Cont.)

→ P63

Outsourcing

Outsourcing
×
Logistics

Logistics

1880
Founding

KONOIKE Group Value Creation

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 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.

Corporate Philosophy

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

Management Resources

Financial Capital	Service Capital
Total Assets ¥277,056 million	Number of Locations by Region (As of August 1, 2024)
Cash and Cash Equivalents, end of Period ¥68,114 million	Domestic Locations 183
	Asia 28
	North and Central America 8
	Europe 1
	Capital Investment (Excluding Lease Investments) ¥10,219 million
Intellectual Capital	Human Capital
Konoike Institute of Technology Innovation Center Research Expenses ¥126 million	Employees (As of August 1, 2024)
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. 582	Consolidated 24,000
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 171 work sites and employees	Non-Consolidated 14,000
	Human Resources Training Expenses (Non-Consolidated) ¥530 million
	Hours of Training Per Person (Non-Consolidated) 19 hours
Social and Relationship Capital	Natural Capital
Business Partners 5,000 companies	CO ₂ Emissions
Number of Community Initiatives 279	Scope 1 103,646 t-CO ₂ e
Number of Labor Hours Spent on Initiatives 2,146 hours	Scope 2 39,147 t-CO ₂ e
	Scope 3 * Japan consolidated total 598,556 t-CO ₂ e
	Electricity Consumption * Japan consolidated total 95,966 thousand kWh

Business

Business Model → P59				
Unique Business Model Integrating Outsourcing and Logistics Operations		Diversified Business Portfolio With Operations in Various Sectors		
Unique business models with skills and systems in transport and outsourcing businesses not found in general logistics or manufacturing industry companies		The capacity to open new markets by listening to the needs of society and customers, providing solutions in any business domain		
		Business Conditions		
Reportable Segments	Segments by Sector	Outsourcing	Logistics	Maintenance Engineering
Integrated Solutions Business	Steel-Related Business	●	●	●
	Engineering-Related	●		●
	Food (Food)	●	●	●
	Food Products	●	●	●
	Medical-Related	●	●	
	Airport-Related	●		●
Domestic Logistics Business	Life-Related (Life)	●	●	●
	Life-Related (Logistics)		●	
International Logistics Business	Food (Temp-Cont.)		●	
	International-Related Business	●	●	●
Brand Promise				
Our Promise		Striving to Go Beyond Expectations		

Value Created

Create Value for Society Together With Our Customers

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

Economic Value (FY3/2024)

Net sales	Operating income	ROE
¥315,029	¥16,634	8.9
million	million	%

People, leveraging technology to reach for new heights

For the Happiness of Our Stakeholders

What I want to accomplish through the KONOIKE Group's business is the happiness of our stakeholders.

As a first step, we are working to collect appropriate prices. When I see the work being done in the field, I find at times that employees are performing very advanced work, but are not completely aware of the professional aspects of the work they do. I always ask employees to look at their work objectively, to be fair, and to charge an appropriate price for services.

The compensation we receive is used to invest in our people. These investments take the form of investments in digitalization and automation, work environment improvements, education and training, and employee compensation. This cycle enhances service quality, which is passed on to our customers. This virtuous cycle of corporate value enhancement helps me in my mission to invest in company growth, increase shareholder returns, and meet the expectations of our stakeholders, making them happy.

Our embodiment of the KONOIKE Group corporate philosophy through fair business practices is the foundation of this cycle of corporate value enhancement. As already announced on our website and elsewhere, in November 2023, we discovered fraudulent acts and accounting irregularities perpetrated by a former employee. Such misconduct is far removed from our corporate philosophy of respect for humanity and relationships of trust. This misconduct is also a far cry from the professional ethics for which we strive. We are ashamed that we could have caused such a result. We will take measures to prevent a reoccurrence, reiterating our corporate philosophy and creating a corporate culture that encourages openness and fairness.

Current Medium-Term Management Plan Progress and Challenges

FY3/2024 marked the end of a second year under the current medium-term management plan. Our efforts to improve profitability during the year bore fruit, leading to operating income of ¥16,600 million and ROE of 8.9%, both record-highs. As a result, we expect to achieve the financial targets for operating income and ROE as described in the medium-term management plan one year ahead of schedule. We also expect to exceed our original target for net sales in the final year of the plan. We outperformed plan in each of our businesses, including continued growth in our core businesses and a recovery in our Airport-Related business, which we define as a focus business.

However, as evidenced by the ongoing shortfall of PBR below 1.0 in the stock market, we ourselves have yet to reach a return on capital that exceeds the cost of capital. Therefore, we continue to address return on capital as an important management issue and recognize the need to improve. To quickly achieve the ROE of 10% that is our 2030 Vision quantitative target, we are engaged in three initiatives: 1) Improve probability; 2) Formulate a growth strategy; and 3) Clarify our capital policy.

Achieving Our 2030 Vision

Our 2030 Vision *People, leveraging technology*, and we are engaged in achieving our vision across several timeframes.

From a medium-term perspective, our Outsourcing Strategy Committee works to find more cross-division opportunities for business creation and to establish new business pillars. The Logistics Strategy Committee builds a stronger logistics network by introducing logistics-related



systems and encouraging more effective cooperation with partner companies.

From a long-term perspective, we strive to develop digital solutions that support the improvement of on-site productivity, etc., through our Next-Generation Project led by project owner Executive Director Konoike. We work day-to-day to raise productivity in the field, while at the same time challenging ourselves to step up productivity to the next level through digital technology.

Looking ahead to 2030 and beyond, we see more business opportunities overseas, amid forecasts that the Japanese market will shrink with a decline in the working population. In India, one of our focus businesses, we acquired shares of a local medical device sterilization business, SPD India Healthcare Pvt. Ltd., in June 2024. We will continue to seize on opportunities for further development by leveraging the knowledge and expertise accumulated in Japan, as well as by developing our medical business in the Indian market, which is at the dawn of its growth.

Human Resources Are the Source of Value

Even with ongoing digitalization of the workplace, the source of value underlying all KONOIKE Group businesses is our people. To this end, we must encourage every employee to work productively by exercising their strengths, support the development of individual talent and potential, and to once again ensure that the fruits of their labors are returned to the employees.

In making these decisions, one cannot know everything about an employee's circumstances based solely on data and paper information. For the past several years, we have been meeting with employees on a regular basis, setting aside time for dialogue. Hearing directly from employees about their work and ideas on the front lines and interacting on a level playing field creates deeper ties between employees and myself.

We will continue to increase employee productivity and creativity from this multifaceted perspective to achieve the goal of our 2030 Vision, *People, leveraging technology to reach for new heights*.

We intend to flesh out these initiatives further and present them in our next medium-term management plan.

I look forward to your continued support.

Representative Director, Chairman, President and Chief Executive Officer

T. Konoike

Creating the Future of the KONOIKE Group Through Technology and People

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

A Next-Generation Project

As part of the KONOIKE Group 2030 Vision, *People, leveraging technology to reach for new heights*, I have taken responsibility as the project owner of our next-generation project. Driving this project is a strong sense of urgency that we will not be able to provide sufficient added value to our customers if we continue to rely on a traditional, labor-intensive business model. We are entering an era known as Industry 4.0*. All industries now aim for optimization through digital technology, even as Japan and other developed countries face a potentially more serious social issue of labor shortages due to declining birthrates and aging demographics. We intend that this next-generation project turns these environmental changes into an opportunity rather than a threat. In other words, we plan to build software-driven solutions that support productivity gains and other improvement activities, leveraging technology within the KONOIKE Group to create new businesses.

In Germany, the birthplace of Industry 4.0, well-established companies with 100-year histories are taking on the challenge of digitizing existing businesses and developing new business models using automation and AI as allies. We are taking a cue from Germany, and I have taken a post in that country to find partners and advance this project.

***Industry 4.0:**
A movement mainly in the manufacturing industry to optimize end-to-end processes and increase productivity by collecting, analyzing, and managing data in the field using AI, IoT, and other digital technologies

Front-Line Optimization Using New Technologies

We continue to introduce automated forklifts, automated guided vehicles, and other new technologies on-site. However, our goal is not necessarily automation, but rather optimization. Automation through machines is only a means to an end. What is more important is to optimize the flow of value creation on-site by combining automation with the flexible and meticulous responsiveness of human hands.

We invited a Western company to collaborate on this next-generation project, bringing them to visit a KONOIKE Group worksite. Our visitors were surprised to find the level of conscientious and talented members taking responsibility to solve problems on-site. We were reminded that what we take for granted is actually a tremendous strength. At the same time, improvements made at the worksite tend to be tacit knowledge passed from one person to another. This characteristic makes it difficult to roll out improvements laterally, even within the same company. So, for example, simulating the impact of on-site improvements in a virtual space helps us visualize the new approach, making it easier to share tacit knowledge. This is another example of what we mean by optimization. It is important to see digitalization and automation not as a threat, but as an opportunity to transform value creation for the better.

Strengthening Our Businesses Overseas

Sustainable growth in a time when the domestic market is shrinking due to a declining workforce requires strengthening business overseas. The KONOIKE Group began overseas expansion about 40 years ago. In that time, we grew our presence in China, Southeast Asia, and the United States. More recently, we entered the markets in India and Mexico. We have also diversified our business models to meet the needs and characteristics of each country.

Overseas growth requires that a business reflects local needs while offering value unique to the KONOIKE Group. To achieve both goals, we must continue to carefully address and respond to customer issues with the same detail as we do in Japan. We believe that our solutions to the problems of our customers in each country contribute to the social development of that country.

We are sowing seeds for the future to ensure that the KONOIKE Group adapts to the era of automation and AI, continuing to solve issues faced by customers around the world. This is my mission.

Message

Message From the Outsourcing Strategy Manager



Enhancing the Power of People to Evolve and Transform Our Business

Outsourcing Strategy Manager
Toshihiro Fujiwara

The Outsourcing Strategy Committee was formed last April to consider future business strategies through three subcommittees on the topics of people, maintenance, and business creation. The roles of the Outsourcing Strategy Committee for a company based on a business division structure are threefold. The first is to communicate the importance of improving technology and the growing shortage of human resources, while securing and training human resources. The second is to consider new businesses that anticipate future customer needs, as the nature of services required is expected to change dramatically due to mechanization, labor savings, and digitalization in response to declining birthrates. The third is to support promising business proposals from (2) from a company-wide perspective to maximize the benefits of scale across divisions, rather than only the single relevant business.

As one goal, the committee is in the process of carefully

examining specific projects to achieve by 2030. In support of these projects, we will strengthen our technical capabilities, hire more technically fluent personnel, and propose efficiency improvements to our customers. We plan to launch value-added, highly profitable businesses stemming from sharing expertise among the various business divisions. Eventually, we hope to convert these businesses into foundational services.

And the key to achieving this goal will be our people. But what technical skills will be needed? Who in the world will do the work? How will we nurture these people? This is a long-standing issue for our company and will naturally require funds and time to solve. But the Outsourcing Strategy Committee believes this investment of time and money is essential for our future, and we hope to incorporate measures into the company-wide strategy of the next medium-term management plan.

Outsourcing Strategy Committee Initiatives

1 People Subcommittee

The People Subcommittee considers ways to secure and nurture human resources of the appropriate numbers and skills to support the Company in implementing measures toward achieving our 2030 Visions. These measures are initiatives considered by the Maintenance Subcommittee and Business Creation Subcommittee, as well as initiatives from each business division.

2 Maintenance Subcommittee

As customers endeavor to reduce labor and automate production processes amid labor shortages, demand increases for maintenance services to ensure the stable operation of equipment. We leverage the operational expertise developed in our outsourcing business to master the technologies of maintenance work. We are working to capture and commercialize the growing demand for such services.

3 Business Creation Subcommittee

The KONOIKE Group operates businesses across diverse domains. Our customers also deal with diverse problems. Based on this wealth of information, we narrow down promising opportunities and work across divisions to commercialize as businesses.



Equipment maintenance training



Air conditioning refurbishment and maintenance

Message

Message From the Manager in Charge of Logistics Strategy



Increasing Transportation Capacity Through Logistics Innovation

In Charge of Logistics Strategy
Hiromitsu Kuramoto

We have optimized transportation, storage, and distribution processing incrementally in accordance with the nature of the business of our customers. However, common issues have emerged, including recent labor and the transportation capacity shortages caused by the 2024 Problem. These problems cannot be solved through conventional and incremental optimization. For this reason, the Logistics Strategy Committee has been conducting intense discussions of the future of truck transportation in particular. The government also implemented new policies in response to the industry's multiple subcontractor structure and stagnant freight rates. Policies include overtime regulations, truck inspectors, and the mandatory installation of CLOs. The industry as a whole must change.

Amid these circumstances, we have decided to steer away from the current regional bias in our transportation network. We are looking to step up our transportation network on a nationwide scale and build a transportation capacity and network that serve customers across Japan. Specifically, we are working to increase per-unit transport capacity by using

articulated trucks and shared space. In the future, we will look to use smaller trucks for more frequent transport. Collaboration with many partner companies will be essential for this type of high-frequency transportation. To this end, the committee must expand our existing truck network nationwide, increase transportation capacity through new investments, and collaborate with stakeholders through technology.

We will encounter limits to the speed and flexibility in moving these measures forward under our current organizational structure and attitude of incremental optimization. Another imminent company-wide issue is environmental investment from an ESG perspective, which will soon become a necessity. At this turning point, we face a declining population and the changing nature of society. In response, our trucking industry must also undergo a major transformation. The Logistics Strategy Committee plans to take concrete steps to build a system to steer these measures comprehensively over the course of the next medium-term management plan.

Logistics Strategy Committee Initiatives

1 Double-Trailer Trucks

As part of our efforts to solve social issues that include the inability to transport goods due to a shortage of drivers, we began using 25-meter double-trailer truck in tandem with NEXT Logistics Japan Co., Ltd. One double-trailer truck transports the equivalent of two regular large trucks, which will not only improve transportation efficiency but also help alleviate the driver shortage. The KONOIKE Group plans to introduce 10 routes by 2030.



Double-trailer truck operations

2 Vehicle Dispatch Technology

Scheduling drivers based on destination and cargo volume often requires a person with skills and experience, imposing a tough workload on the individual. To improve efficiency, we tested and adopted vehicle dispatch management system at selected locations, expecting a 24% reduction in work hours. In the future, we plan to expand the number of locations for new technologies and other measures at strategic facilities.



Double-truck loading

Progress in the Medium-Term Management Plan

FY3/2023 to FY3/2025

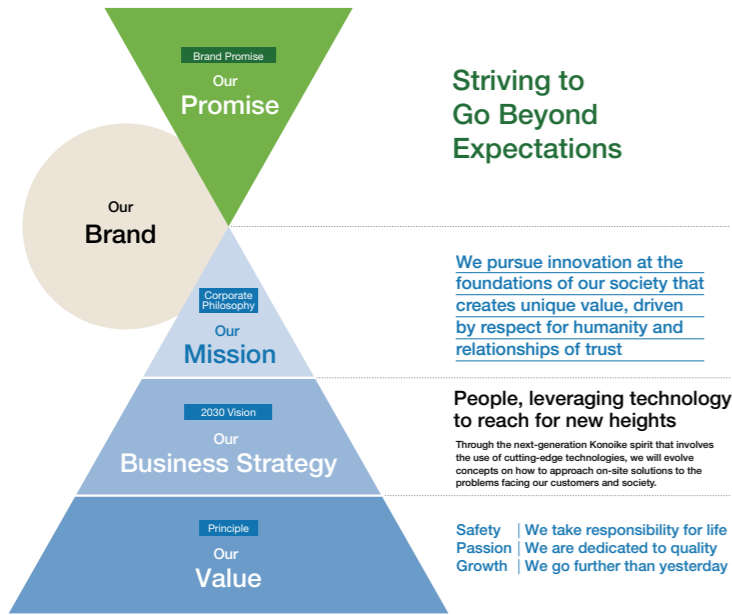
The KONOIKE Group pursues a vision of people, leveraging technology to reach for new heights as our ideal for the year 2030. Even in this era of drastic change in the business environment and an uncertain future, the growth of our people remains essential for the KONOIKE Group to enhance corporate value 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 profitability and efficiency by pursuing innovation
- Always continue to improve profitability

Medium-Term Management Plan Target

Financial Targets

	FY3/2024 Revised Forecasts	Initial Plan
Net Sales	¥340,000 million	¥332,000 million
Operating Income	¥18,000 million	¥16,000 million
ROE	8.8%	8.0%

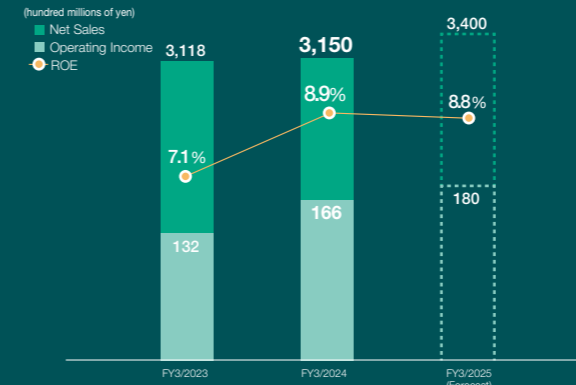
Non-Financial Targets

Environment	• Reduce CO ₂ emissions by 20% (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

Progress

In FY3/2024, we achieved our operating income and ROE targets set in the medium-term management plan one year ahead of schedule. This achievement is due to a return to profitability with an increase in airport-related volume as well as our efforts to receive appropriate unit prices and make improvements in operational efficiencies. Based on these results, we revised upward our financial targets for FY3/2025, the final year of our medium-term management plan.

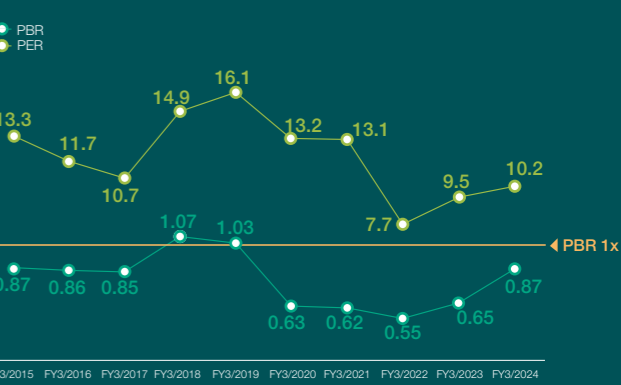
Business Performance



Issue Awareness

Our P/B ratio remains below 1x, reflecting a low market valuation despite record-high profits for two consecutive years under our current medium-term management plan. We recognize the need to enhance profitability, clarify our business strategy, and strengthen our capital policy. The Company is exploring ways to clarify these three areas further in the next medium-term management plan starting FY3/2026.

PBR · PER



P/E Ratio: share price / earnings per share
P/B Ratio: share price / net assets per share

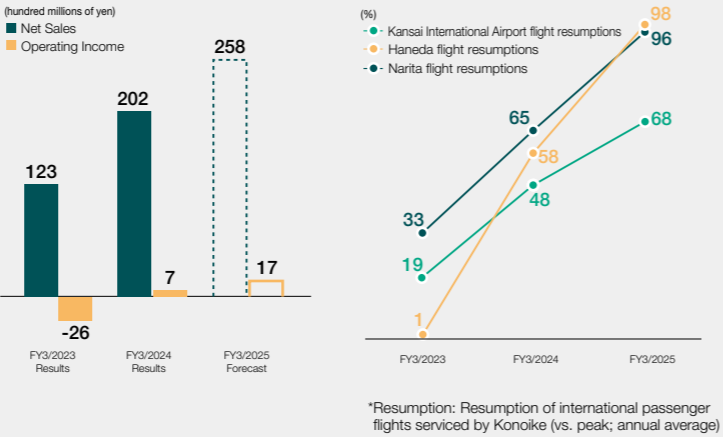
Progress in the Medium-Term Management Plan

Achieving 10% ROE at an Early Stage

While our 2030 Vision aims to achieve a 10% ROE, we recognize the need to reach this target as soon as possible before 2030, given our cost of shareholders' equity. We take various approaches to strengthen our profit structure and enhance return on capital. Our goal is to continue to enhance our corporate value, setting a 10% ROE as a key milestone.

Business Initiatives - Airport Business -

International and domestic flights began returning to service in April 2023, partly due to the relaxation of border control measures. In this business environment, FY3/2024 net sales and operating income amounted to ¥20,200 million and ¥700 million, respectively, returning to profitability for the first time in four fiscal years. The annual average resumption rates for FY3/2025 amounted to a 68% increase at Kansai International Airport, 98% at Haneda, and 96% at Narita. compared to peak results before COVID-19. We will enhance base salaries and other compensation while increasing the number of annual holidays to strengthen recruitment and retention in response to the resumption of flights. At the same time, we will continue to negotiate unit price revisions for efficient staffing and the appropriate shifting of labor costs.

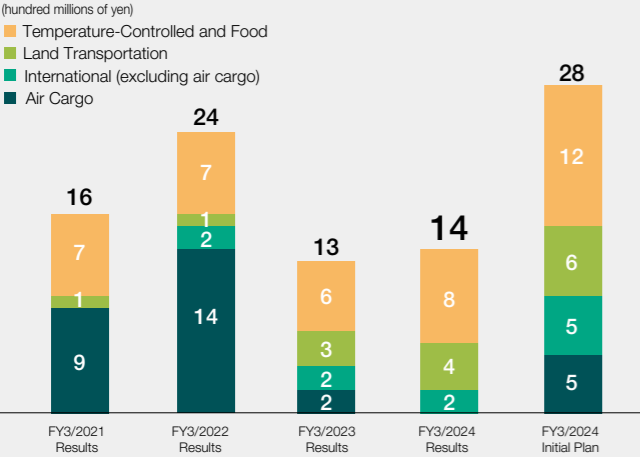


Initiatives to Enhance Profitability

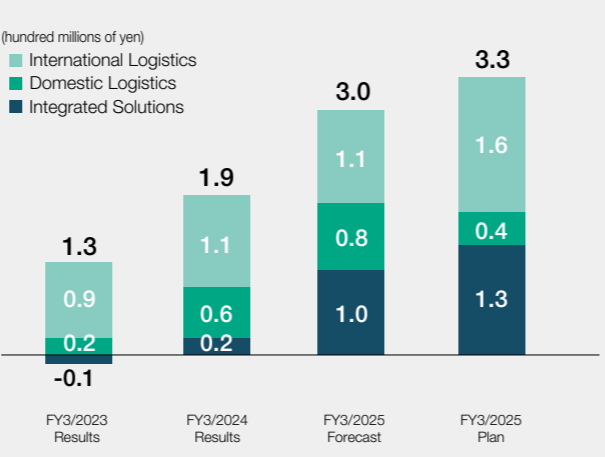
The KONOIKE Group takes steps to improve profitability, including withdrawing from or selling low-profit facilities. Since FY3/2022, we have monitored 20 locations representing significant levels of invested capital (one of which has already been sold), and began monitoring another 11 new locations beginning 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.

Progress at locations representing significant levels of invested capital was below initial plans for FY3/2024. This result was due to a lack of progress in unit price revisions at locations where prices are determined in a highly competitive environment. We will discuss and decide on various issues, including the continuation of locations, based on whether our strengths and expertise can be effectively demonstrated in the next medium-term management plan.

Progress of 19 Profit Improvement Locations
(Invested capital of ¥1,000 million or more + ROIC after depreciation)
< WACC and principle improvement businesses)



11 Locations Newly Designated for Monitoring
(Locations with significantly lower revenue, not limited to the amount of capital invested)



*Graphs exclude sold or withdrawn locations

Investment Process to Enhance Corporate Value

The Management Meeting or Board of Directors must approve large capital investment and M&A projects. We calculate the NPV, IRR, and other investment recovery evaluation indicators while considering the cost of capital. Investment decisions do not focus solely on NPV, IRR, and other investment return evaluation indicators, but also consider project information to determine whether the investment will enhance overall corporate value. Such information includes relevance with project business strategies and significant business risks. The Investment and Evaluation Committee, an advisory body to the Management Meeting, also reviews income and expenditure plans that serve as the basis for calculating investment recovery evaluation indicators. We develop our own income and expenditure planning scenarios, changing assumptions of the drafting department plans as needed, to calculate investment recovery evaluation indicators based on these scenarios.

Investment Evaluation Committee Initiatives

We established the Investment Evaluation Committee as an advisory body to the Management Meeting. Main tasks of the committee include verifying business plans and assessing investment recovery potential before presenting individual capital investment and M&A projects to the Management Meeting. The committee also calculates hurdle rates, identifies significant potential medium-term investments, and monitors previous investments. Investment Evaluation Committee is chaired by the executive general manager of the Corporate Planning Division, with the executive general manager of the Finance/Accounting Division serving as vice chairman. Other members consist of the individuals in charge of from the Sales Division, Finance Division, Accounting Division, Legal Affairs Division, General Affairs Division, and Corporate Planning Division. Members possess diverse backgrounds, experiences, and expertise, holding discussions from multiple perspectives.

Investment Decision Flow



Results

Establishing NPV>0 and other investment criteria led to a broader understanding in the drafting department of our approach to cost of shareholders' equity. The department now considers such criteria when formulating investment plans. Plans are also more persuasive due to an increased awareness of the rationale behind the assumptions and premises considered by the Investment Evaluation Committee.

Challenges

Monitoring of the post-investment status of previous investment projects reveals that certain projects are not performing as planned. Challenges here include in-depth considerations of business risks at the investment planning stage and the nature of post-investment monitoring.

Basing decisions solely on the merits or demerits of individual investment proposals from the drafting department may lead to partial optimization due to scattered investment focuses across the entire group. Another challenge is facilitating dialogue between the Investment Evaluation Committee and the drafting department while maintaining an awareness of the overall Group investment policy.

Finally, while this is an ongoing objective rather than a challenge, the Investment Evaluation Committee must continually strive to enhance its performance. Engaging in discussions with the drafting department and offering insights into investment projects that enhance corporate value is a key responsibility of the committee. To this end, the committee must also continue to refine the insights of its members.

Message From the Officer in Charge of Finance and Accounting

Executive Officer and Executive General Manager, Finance/Accounting Division
Yoshihito Nakanishi



FY3/2024 Results

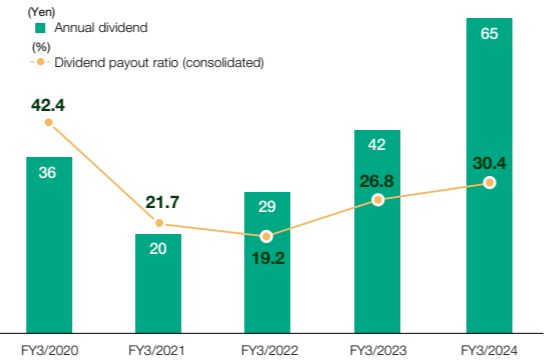
Net sales increased 1.0% year on year, overcoming the negative impact of a decline in ocean and air cargo demand and freight market conditions. Positive factors included higher volume in the Airport-Related Business stemming from the resumption of international passenger flights, increased production due to a recovery in production, etc., mainly among our customers, ongoing large-lot spot work, unit price revisions for outsource production services, and orders for large-scale construction projects, etc. Operating income rose 25.6% year on year, while ordinary income and profit attributable to owners of parent rose 19.3% and 36.7%, respectively. Despite soaring fuel prices and other costs, we swung to a profit with an increase in airport-related volume. We also found success in our efforts to improve profitability, which is the basic policy of our FY3/2023 - FY3/2025 medium-term management plan launched in April 2022, our efforts to receive appropriate unit prices, and our efforts to make improvements in operational efficiencies.

FY3/2024 Financial Position

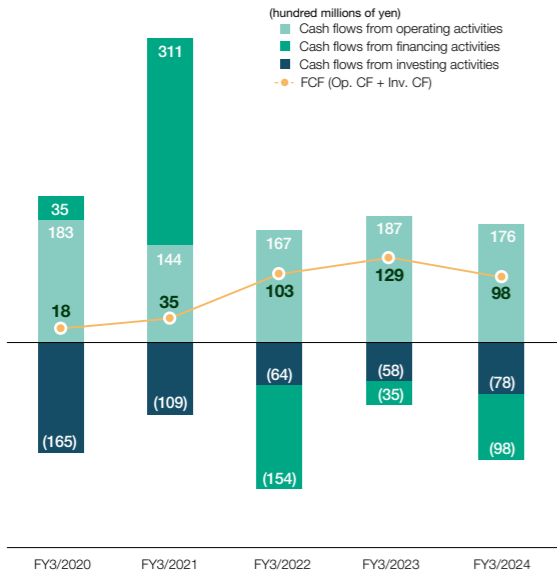
FY3/2024 was a second-consecutive year of record-high profit, and we made disciplined investments for

growth and achieved shareholder returns above target levels for the fiscal year, all while maintaining financial soundness amid solid business performance. In FY3/2025, we will continue to make appropriate allocations for investments in growth and shareholder returns while securing sufficient liquidity on hand. Amid these efforts, we will continue to strengthen our financial base as we strive to improve our credit rating and control interest-bearing debt appropriately.

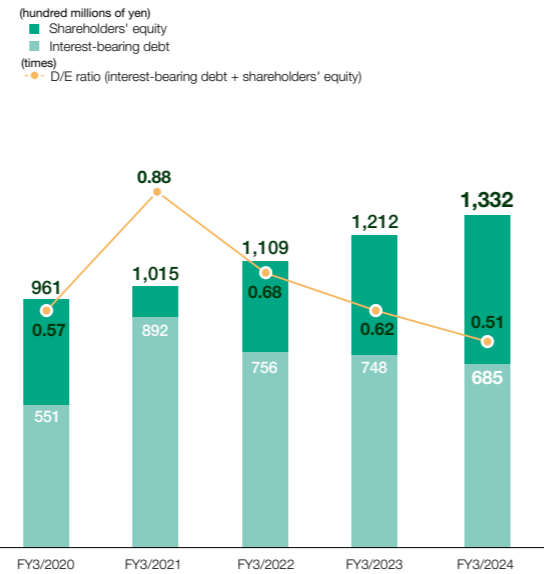
Five-Year Shareholder Returns



Consolidated Cash Flow Performance (5 Years)



Consolidated Balance Sheet Performance (5 Years)



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 Cash Allocation

We will continue to make certain investments in growth, technological in-novation, digital transformation, M&A, facility upgrades, and shareholder returns within the scope of operating cash flows. We will also consider the flexible use of financial leverage for M&A opportunities that contribute to further growth while considering financial discipline based on maintaining our credit ratings.

2 Financial Health

We will continue to invest in growth to ensure sustainable increases in corporate value while considering the maintenance of a sound financial base to be a top priority. We also received another A- rating from Japan Credit Rating Agency, Ltd. (JCR), with an additional positive outlook. We are committed to maintaining and improving our credit ratings, main-taining a debt-to-equity ratio of 0.8 times or less and an equity ratio of 40% or more, to ensure our financial soundness.

3 Investment Management

We will continue to be aware of the cost of capital for each individual in-vestment and continue making investment decisions based on NPV and ROIC in light of hurdle rates.

4 Shareholder Returns

We paid an annual dividend of ¥65 per share in FY3/2024, higher than the previous fiscal year considering the progress of the medium-term plan. We also plan to increase the annual dividend to ¥70 per share in FY3/2025. Deliberations are currently underway regarding the return policy for the next medium-term management plan, which we will announce next year.

Looking Back on FY3/2024 (Second Year of the Current Medium-Term Management Plan)

1 FY3/2024 Cash Flows From Operating Activities

Cash flows from operating activities totaled ¥17,700 million, roughly in line with the previous fiscal year. This result stemmed from ongoing improve-ments to profitability, receiving appropriate unit prices, and improved oper-ational efficiencies, despite an increase in working capital due to higher revenues. We also conducted shareholder returns within the scope of oper-ating cash flow.

2 Financial Health

We recorded a D/E ratio of 0.51x, 0.11 points lower compared with the previous fiscal year, maintaining our target level of 0.8 times or less. This result was due to an increase in shareholders' equity and a decrease in in-terest-bearing debt. At 48.1%, 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 ¥65 per share, which an increase of ¥23 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.

Special Feature

Bringing Our Concept of an Agricultural Export Center With Quarantine Functions to Life



The increasing risk of the entry and spread of new pests and diseases worldwide has led countries to implement quarantine inspections for agricultural products at their borders.

In response, the Japanese government enabled private registered inspection agencies to offer import/export quarantine inspection services for agricultural products. The government strives to expand agricultural product exports by reinforcing the social implementation of export quarantine inspection technologies and services.

KONOIKE partnered with the National Agriculture and Food Research Organization (NARO) and the Naro Plant Hospital Co., Ltd. to participate in the Japanese government program to expand agricultural exports. We endeavor to expand such exports by leveraging the Konoike Group management assets in Japan and overseas to bring our concept of an agricultural export center with quarantine functions to life.

** Establishing a Plant Quarantine Startup to Expand Exports of Domestic Agricultural Products (Plant Quarantine Inspection Technology Bridging Consortium)*

New Business Topics Under Consideration

Social Implementation Initiatives for Quarantine Inspection Technology for Agricultural Products

The Japanese government implements the *Establishing a Plant Quarantine Startup to Expand Exports of Domestic Agricultural Products (Plant Quarantine Inspection Technology Bridging Consortium)* program. This program aims to further foster private registered inspection agencies, disseminate and guide inspection technologies, develop simple and highly practical inspection methods, and implement the developed technology in society. Konoike, as a general logistics company, sends researchers to the consortium to participate in proof-of-concept tests.



Plant Quarantine Inspection Technology Bridging Consortium subcommittee meeting

Initiative Background

- 1 The Japanese government announced a policy to increase the export value of agriculture, forestry, fisheries, and food products to ¥5 trillion by 2030.
- 2 The Japanese government made legal revisions to enable private registered inspection agencies to handle (part of) import/export quarantine inspection services conducted by the national government to date. These changes strengthened measures to enhance speed and efficiency in export quarantine inspection functions that expand agricultural exports.
- 3 On November 27, 2023, Konoike and NARO were selected as members of the Ministry of Agriculture, Forestry and Fisheries (MAFF) *Establishing a Plant Quarantine Startup to Expand Exports of Domestic Agricultural Products (Plant Quarantine Inspection Technology Bridging Consortium)* initiative. This initiative is a part of the *Research and Development and Society 5.0 Bridging Program (BRIDGE)* promoted by the Japanese government.

Priority Issues

Exploring and Bringing New Business Ideas to Life



New Business Proposal System

Until recently, our 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. We have received a total of 254 new business ideas to date, some of which have been further developed into projects after in-depth refinement and expansion of their content.

Collaboration With Other Companies

Companies must develop new businesses more swiftly and flexibly to address rapid changes in the market environment and advancements in technology in recent years. To this end, we endeavor to actively pursue open innovation that leverages the strengths and management assets of our existing businesses while creating new value with external resources and knowledge.

Idobata Meetings for New Business Proposals

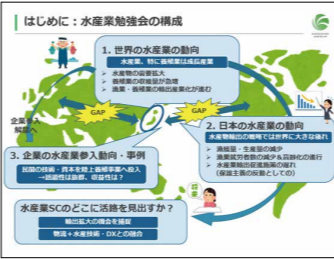
In addition to the New Business Proposal System, the secretariat continues to host *Idobata* Meetings for New Business Proposal. The secretariat visits affiliated companies to freely discuss new business ideas brought by from participating members, linking each individual idea to business plans. These meetings provide individuals with a space to come together around our pool of management resources and share business ideas, discussing how to connect these ideas to new business models for the KONOIKE Group. By holding these meetings, Konoike strives to cultivate a bottom-up approach to new business development.

Business Development Study Group

We hold Study Groups for New Business Development in sectors that made numerous proposals or that are advancing in-house projects. These study groups report on the content of surveys conducted by the secretariat to date and invite outside experts to speak on such topics. We have held a series of study sessions on agriculture, fisheries, and overseas human resource development, with over 100 participants in attendance at each session. Konoike expects these study groups to help invigorate future proposals for new business ideas and enhance the depth of those proposals.

Business Development Study Group

Fisheries Group (February 2024)



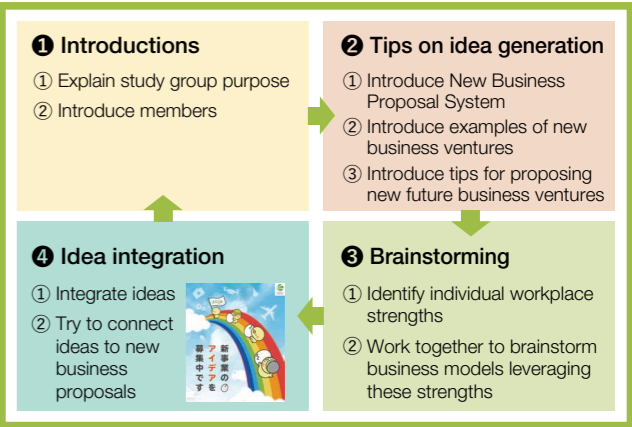
Study Session Materials

Overseas Human Resource Development Group (June 2024)



Study Session Materials

Idobata Meetings for New Business Proposals



Sustainability

Message From the Officer in Charge of Sustainability



Senior Managing Executive Officer
In charge of Corporate Department/In
charge of Sustainability
Hiroshi Tsuga

The Environmental Subcommittee and two working groups under the Sustainability Committee advance our three non-financial targets—Environment, People, and Technology—outlined in our 2030 Vision. Current progress is in line with our plan. Looking ahead to the next medium-term management plan, we intend to strengthen our identification of materiality and other sustainability initiatives for sustainable growth.

Environment

The current medium-term management plan targets a 20% reduction in CO₂ emissions (vs. FY3/2019) toward our goal to achieve carbon neutrality by 2050. We already achieved a 26.5% reduction as of FY3/2024. Our efforts to switch the electricity contracts for our facilities to renewable energy sources are underway as we also pursue new initiatives, including introducing biodiesel fuel in the Food and Airport businesses. Furthermore, we launched a questionnaire survey of environmental activities among our partner companies, aiming to strengthen future environmental initiatives throughout the value chain. We also plan to collaborate with partner companies to reduce Scope 3 category CO₂ emissions.

People

The KONOIKE Group set two goals in our 2030 Vision and current medium-term management plan. These goals are to pursue human resources development under management strategy and raise employee job satisfaction (engagement). Our human resource development efforts aim to allocate the right people in the right places with greater flexibility and mobility. Based on the reorganized needs of each division, we work to visualize the work experience, skills, and other human resource information of our employees. At the same time, we offer a wide range of human resource development programs to acquire skills to improve on-site capabilities, our most important priority. These programs also strive to enhance DX and IT literacy and develop global human resources with an eye to expanding overseas business. We also conducted our second well-being survey to increase employee engagement, working to identify and improve issues based on survey results. Konoike received recognition from the 2024 Certified KENKO Investment for Health Outstanding Organizations Recognition Program in March 2024. We have since started focusing on health investments in areas where we received lower evaluations. Konoike is dedicated to improving our company to ensure employees work in good physical and mental health.

Technology

Technology, a part of the KONOIKE Group sustainability efforts, includes not only new and digital technologies, but also a combination of analog technologies (improvement activities, creating safe environments, quality, etc.) rooted in individual employees and workplaces. We established the Technical Capital Library database to facilitate broader, effective use of these diverse intangible assets, registering 582 case studies by the end of March 2024. The library contains extensive case studies, from the use of automated robots to improvement ideas generated in the field. We also included keywords and AI search functions to encourage the use of the database. We will continue strengthening our technology foundation while promoting awareness and encouraging mutual exchange through on-site observations. Through this approach, we strive to advance initiatives toward *People, leveraging technology to reach for new heights* as outlined in our 2030 Vision.

The environment in which we operate is evolving at a rapid pace, driving our efforts to strengthen our efforts in addressing sustainability issues, including internal controls, to advance KONOIKE Group materiality initiatives and respond effectively to potential risks. From this perspective, we plan to reorganize the Sustainability Committee into a more effective organization and structure.

Basic Philosophy

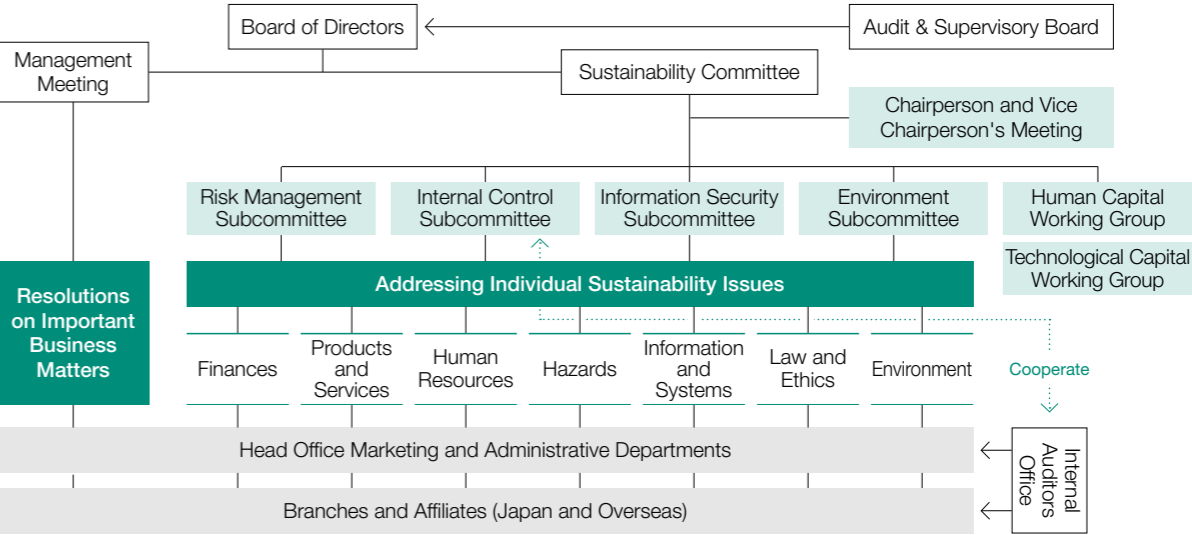
The corporate philosophy and mission of the KONOIKE Group is “We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust.” In addressing issues related to sustainability, we will also aim to achieve – through the execution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

Sustainability Committee and Subcommittee Activities

As an advisory body to the board of directors, the Sustainability Committee (Chair: Chief Administrative Officer) responds to inquiries from the board, discusses individual sustainability issues, and reports regularly to the board on the content of these discussions. The Sustainability Committee

has four 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



Materiality

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. To thoroughly determine materialities, we first identified risks and opportunities for each

business unit, then categorized and prioritized the issues by theme. Going forward, we will make institutional decisions on KONOIKE Group materialities through discussions with outside directors and management team. We plan to explore including these discussions as a factor in the next medium-term management plan.

Materiality Identification Process



People

Basic Philosophy

The KONOIKE Group considers the growth of people, our source of strength, an essential factor to achieving 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 ability of our human resources and thereby enhance corporate value over the medium to long term.

Our current medium-term management plan advances human resource development aligned with management strategies and initiatives to improve engagement related to productivity. We began conducting well-being surveys in FY3/2023 to visualize the current state of our company as we strive to ensure the well-being (state of feeling happiness) of each employee. The Group will continue to conduct these surveys to identify issues and implement improvement measures. In this way, we build a PDCA cycle and strengthen our human capital.

In terms of human rights initiatives, we established a new human rights policy and will continue to work with our business partners to address human rights issues in accordance this policy. We are also committed to establishing a workplace environment that enables diverse human resources, including women, foreign nationals, elder persons, and people with disabilities, to maximize their abilities and contribute to value creation.

Medium-Term Management Plan KPI Results and FY3/2025 Targets

Indicators			FY3/23 Results	FY3/24 Results	FY3/25 Results	
Human resource strategy aligned with management strategy (business and corporate departments)	No. of recruits (new graduate front-line workers)		People	82	65	140
	No. of recruits (mid-career front-line workers)		People	435	458	460
	No. of recruits (new graduate career-track workers)		People	31	47	50
	No. of recruits (mid-career career-track workers)		People	12	22	20
Pursuit of employee happiness	Survey results (front-line managers and supervisors; career-track employees)	Happiness level	Deviation	49	50	53
		Concern level	Deviation	47	47	43
		Morale	Average between 0-7	4.34	4.36	4.70
Expansion in hiring foreign workers	Employment of workers with specified skills		People	32	123	230
Promotion of employment for people with disabilities	Employment rate of people with disabilities		%	2.84	2.60	2.70
Development of global human resources	No. of candidates trained for overseas assignment		People	15	19	25
Enhancement of employee training throughout the KONOIKE Group	No. of coaching workshop participants		People	29	98	100

Pursue Human Resources Development Under Management Strategy

A Develop business human resources in line with business strategy

The KONOIKE Group does business in a wide range of formats, each of which requires a human resource strategy that is tailored to each individual business strategy. We set clear targets on when we need certain skilled human resources and how many, systematically developing professionals in various business divisions. To this end, a key challenge we face is creating a Group-wide human resource portfolio for not only our core businesses that have supported the company to date, but also the Airport, Medical, Engineering, and other focus businesses in our 2030 Vision.

We will establish our ideals for each business by 2030 and build a human resource management framework that backcasts the human resources needed to achieve such ideals. The Group introduced a talent management system in 2021 to visualize human resource information in preparation for this framework. We are committed to pooling management personnel, business experts, and other human resources that meet certain requirements, establishing new mechanisms to develop such resources.

B Develop highly specialized corporate human resources

The KONOIKE Group moved to the prime market of the Tokyo Stock Exchange in April 2022, requiring an even higher level of governance. We therefore train professionals with greater knowledge and control capabilities in-house in corporate departments, including corporate planning, legal affairs, general affairs, human resources, and accounting. The Group has systematically promoted human resource development by maintaining hierarchal job standards for each department to cultivate advanced knowledge and skills. We track whether

employees at each level meet the job performance standards outlined for their role, which vary by position This method helps identify attained skills and improvement areas more easily, enabling the Group to provide effective guidance. Tracking these factors also boosts motivation to acquire skills, equalizes hierarchy levels, and has other positive effects. The KONOIKE Group endeavors to establish a framework to develop highly specialized corporate human resources through these training methods.

C Develop human resources with strong problem-solving and proposal skills through cross-division collaboration

The KONOIKE Group operates and possesses a wealth of knowledge in a wide range of fields. We consider it necessary to develop human resources with high problem solving and proposal skills to improve the quality of services provided to customers and create added value. Such resources must be capable of sharing their expertise in such areas throughout the Group, leveraging such knowledge across divisions. We aim to provide personnel with diverse experiences and broaden knowledge through active job rotations for younger

employees and cross-division transfers at the management level. In terms of education, we enhance curriculum to enhance participants' problem-solving and proposal skills. We also increase exchange opportunities by holding joint rank-based and open training programs for employees of each group company. The Group is committed to human resource development from both perspectives of personnel and education through such initiatives.

D Strengthen expertise in technological innovation and ICT units and improve literacy throughout the Group

Rapid changes in the business environment are making it increasingly difficult to forecast business outcomes. To this end, it is becoming increasingly important to transform business operations in line with changes in the business environment. The KONOIKE Group strives to strengthen the technological innovation and ICT expertise required to transform our business. We have staff actively participate in external workshops, technology seminars, and training sessions. At the same time, we began holding the Course on Advanced Technology to Change the Workplace and the

AI Programming Course to improve literacy throughout all companies. We also prepared the DX Training Course video materials in 2023, with approximately 90% of employees having already completed the course. The KONOIKE Group is committed to achieving our 2030 Vision, *People, leveraging technology to reach for new heights*, achieving further growth, and enhancing corporate value. To this end, we will continue to enhance our efforts to strengthen our expertise in technological innovation and ICT units and improve company-wide literacy.

COLUMN

Coaching Workshop

In an era that demands business transformation, it is important for each employee to be autonomous, thinking and acting independently while being aware of organizational targets. Developing autonomous employees requires shifting the traditional superior-subordinate dynamic and creating workplaces with high psychological safety, where employees can express themselves freely. Managers must also change their mindset and behavior as leaders to support this transformation. We launched coaching workshops for approximately 440 managers since 2021 in response to this need. The coaching workshop is a six-month program where participants engage in one-on-one coaching with professional coaches and other learners. Participants learn the importance of listening and giving recognition, working to practice and apply these skills in the workplace. We aim to have all current eligible participants complete these workshops by March 2027.



Raise Employee Job Satisfaction (Engagement)

Instilling Our Business Principles

For the KONOIKE Group to grow and enhance our 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 for each group employee to understand our brand, which defines the Group's Corporate Philosophy and action guidelines, and puts it into practice in their daily work. To foster this understanding, we promote inner branding activities through Katariba workshops, where management and employees

engage in broad-ranging dialogue. Many employees have noted that while their understanding of our brand has deepened through past initiatives, the implementation of these principles remains relatively limited. We recognize this limited implementation as an area for improvement going forward. We will provide feedback to management and supervisors, starting with senior management who exemplify our brand, to further instill our brand going forward.

Pursuing Employee Happiness Health Management

Konoike formulated the Declaration of Health Management in February 2023, engaging in priority measures to enhance employee performance and human resource stability and retention. We take a strategic approach to employee health management from a business perspective. In March 2024, the Company was certified as a Certified Health and Productivity Management Organization 2024 (Large Enterprise Category) for our outstanding health management initiatives. Konoike also received recognition as a 2024 Sports Yell Company in December 2023 by the Sports Agency in December 2023 for our efforts to instill exercise habits among employees as a part of our health management efforts. This is our second time receiving certification as a Sports Yell Company since first being certified in 2019. Konoike will continue to develop organizational health maintenance and promotion activities, engaging in various measures to promote health. We will also engage in active

health management to ensure the happiness of each employee through physical and mental well-being, brimming with health and vitality.

Priority Measures (Investment in Health)		
(A) Physical Health	(a) Improve rates of regular health checkup reexaminations and close check ups; improve rates of specific health guidance (b) Conduct smoking cessation support programs	
(B) Mental Health	(a) Encourage stress checks (b) Hold periodic mental health trainings	
(C) Information Dissemination to Improve Health Literacy	(a) Increase the percentage of employees with appropriate lifestyle habits	
(D) Work-Life Balance	(a) Reduce long working hours and encourage employees to take paid leave (b) Support the balance of work with childcare, nursing care, and/or medical treatments	
(E) Workplace Vitalization	(a) Encourage horizontal communication among employees through internal events and volunteer activities	

Pursuing Employee Happiness Engagement Surveys

To fully demonstrate the performance of individual employees, 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. Konoike strives to ensure the well-being (feeling of happiness) of each employee amidst diversifying lifestyles and work styles. To this end, we conducted the well-being survey through Persol Research and Consulting Co., Ltd. in November 2022. This survey measured employees' sense of happiness and unhappiness at work, along with the organizational conditions that underlie these feelings. All employees recognize these

survey results as the starting point for improvement activities. We are developing a PDCA cycle based on a dual approach that includes company-wide improvements to the corporate culture and improvements tailored to the characteristics of each business site. We conducted a second survey in February 2024. While these results showed a slight improvement over the first score, we did not reach our target. Konoike strives to improve this score as an indicator while management continues to address the true feelings of employees and work to resolve issues. In doing so, we strive to create a better corporate culture. We endeavor for these efforts to enable employees to feel happiness through their work and maximize their abilities.

COLUMN

Women's Katariba: A Social Gathering for Female Employees

We began providing opportunities for new employees and younger mentors to interact as part of our efforts to encourage women's empowerment in FY3/2024. Participants were divided into small groups to share thoughts on early career memories and failures, as well as future careers paths. These topics were selected based on a prior survey of desired discussion topics. We also held a small group online Katariba in May 2024 titled *Roundtable With Employees Who Have Taken Maternity Leave*. The event was an inspiring success, planned and held to not only address concerns about life events, but also to help participants pave their own future working styles and goals. One participant expressed that the seminar was valuable, as she has few senior female colleagues. Another commented that the seminar helped her realize she does not have to face challenges alone, and that she has peers and mentors to rely on. We plan to expand the scale of this event to cover various topics, including career perspectives from middle-aged and older employees.



Human Rights

The corporate philosophy and mission of the KONOIKE Group reads, "We pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust." We recognize that the human rights of all people affected by our business activities must be respected to achieve this mission. To this end, we established the KONOIKE Group Human Rights Policy in 2023 as a guideline for fulfilling this responsibility. We launched initiatives from new perspectives based on the Human Rights Policy.

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. However, the scope of human rights in the supply chain is broad, requiring attention to numerous human rights risks. Our human rights due diligence process addresses issues in order of priority. In FY3/2025, we will promote human rights for all group technical intern trainees and foreign nationals with specified skills. In addition to the Konoike Reporting

Desk (Helpline) established in Japan, we will collaborate with external organizations to set up a hotline allowing foreign nationals working for the Group to request consultations

in their native language. Through these initiatives, Konoike strives to prevent problems, respond promptly, and implement corrective measures when issues arise.

Human Rights Policy			
Category	Details		Corresponding Page
Human Rights Policy Development			—
	Human Rights Impact Assessment		—
Human Rights Due Diligence	Implemented preventive and corrective actions	Education and training	P32
		Established internal environment and systems	P31
		Supply chain management	P36
		Monitored (conducted follow-up surveys)	P31
	Disclosed information to external parties		—
Complaint Handling Mechanism Maintenance			P54

Diversity

Internal Training

Internal job title-based training covers lectures on LGBTQ+ issues as well as content appropriate to each job. 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. Training for chiefs and new employees focuses on unconscious bias,

with fourth-year training on achieving the ideal work-life balance. Each of these training focus on receiving hands-on experience in workshops that cannot be gained from lectures alone. We will continue to provide opportunities and expand training content for participants to familiarize themselves with diversity and deepen their understanding.

Foreign Human Resources

Over the last 18 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 offices in Japan. We began training in January 2023 to develop leaders who will be active in the airport

ground handling sector, advancing to Technical Training No. 2, which features more advanced training content. Meanwhile, we are developing specified skilled overseas workers to meet the growing demand for airline services, with many foreign nationals in Japan already playing active roles in the industry.

Encouraging the Success of Women

We launched Maternity Leave Reinstatement Seminars, conducted individually with employees and their supervisors. These seminars focus on employee mindsets when returning to work after maternity leave and on creating work environments that maximize the overall workplace capabilities. In this way, we implement the action plan established by the Act on the Promotion of Female Participation and Career Advancement in the Workplace. In FY3/2025, we

are exploring e-learning educational activities to increase participant numbers. In an era that values diversity, management must incorporate the opinions of people from diverse backgrounds. This is also the goal of activities to encourage women's empowerment. We will continue to reform our corporate culture through training and e-learning on such topics across our organization to enable female employees to sustain their careers.

Hiring People With Disabilities

Several KONOIKE Group logistics sites created successful workplaces that enable people with disabilities to work with motivation and satisfaction. These sites hire and treat people with disabilities as stable and important members of the workforce. People with disabilities experience various work tasks during the internship period. In doing so, we strive to understand each person's unique characteristics and personality, allowing them to maximize their performance by engaging in tasks that align with their strengths. These sites assign dedicated leaders to oversee and offer constant support, as attention to detail is essential in their daily work.

We are committed to expanding these workplace models horizontally to create more environments that enable people with disabilities to work with fulfillment and vigor. The mindsets of the worksites hiring people with disabilities is also important in promoting the employment of these individuals. To this end, we began requiring senior management to take the Universal Manner Certificate course. This course teaches participants how to act from the perspective of others, including people with disabilities and the elderly. We and will expand the course to all levels in the future.

Technology

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.

Medium-Term Management Plan KPI Results and FY3/2025 Targets

Category	KPIs (Activities Strengthening Our Field Capabilities)	FY3/2023 Results	FY3/2024 Results	FY3/2025 Target
Technology Innovation	No. of new technologies in the field	19	26	25
	No. of POCs conducted to introduce new technology in the field	55	45	35
	No. of technical verifications at Giken IC	13	9	12
ICT/DX	Number of new integrated warehouse management system (WMS) installations	1	2	5
	No. of improvements to on-site operational productivity	7	12	20
	Berth reservation management systems	3	8	15
Safety and Quality	Occupational accidents (No. of accidents)	102	111	–
	Automobile incidents (No. of incidents)	62	46	–
	Quality incidents (No. of incidents)	35	23	25
	Rate of occupational accidents	1.86	2.10	1.60
	Rate of Lost Worktime Incidents	0.27	0.28	0.23

Technological Innovation Initiatives

We work to improve our front lines based on the following three perspectives: ① validation testing for new technologies that enable people and technology support each other, ② maintaining and improving safety through jig and fixture developments based on work experience, and ③ improving engineering capabilities to respond to rapid changes in the business environment. We strive for our initiatives to evolve our on-site solutions by combining the latest technology with the skills of craftsmen cultivated in the field, while assessing profitability through trial calculations. In this way, we aim to create new value for our customers. From the perspective of ①, we aim to introduce technologies to create workplaces

that allow people to work more easily. To do so, we aim to verify and begin operating support systems that enable workers to work in warehouse picking without hesitation and verify collaborative methods that enable guideless AGVs operation. From the perspective of ②, we internally develop specialized jigs, fixtures, and equipment based on our accumulated knowledge, introducing these tools to our work sites to create safe environments for everyone. From the perspective of ③, we aim to maximize improvements by using simulations to verify the feasibility of on-site improvement plans and grasp their effects in advance.

① Augmented Reality (AR) guidance and AGV utilization



② Hand gaffs, cutting open milk cartons



③ Simulations



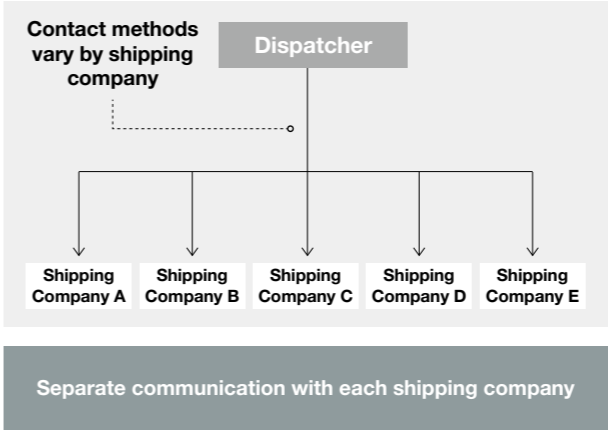
ICT and DX Initiatives

Digitalizing Vehicle Dispatch Operations

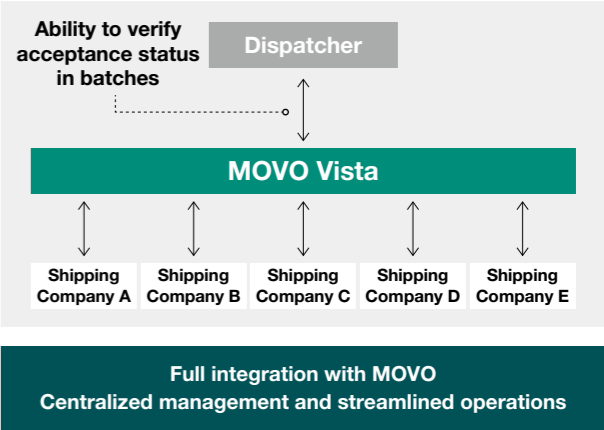
Digitalizing and centralizing vehicle dispatch operation management enhances productivity. To date, we have made vehicle dispatch arrangements via email, phone, and fax to each shipping company. However, MOVO Vista by Hacobu,

Inc. and our in-house data processing tools enable the smooth digitization and centralization of these arrangements, reducing work time.

Current



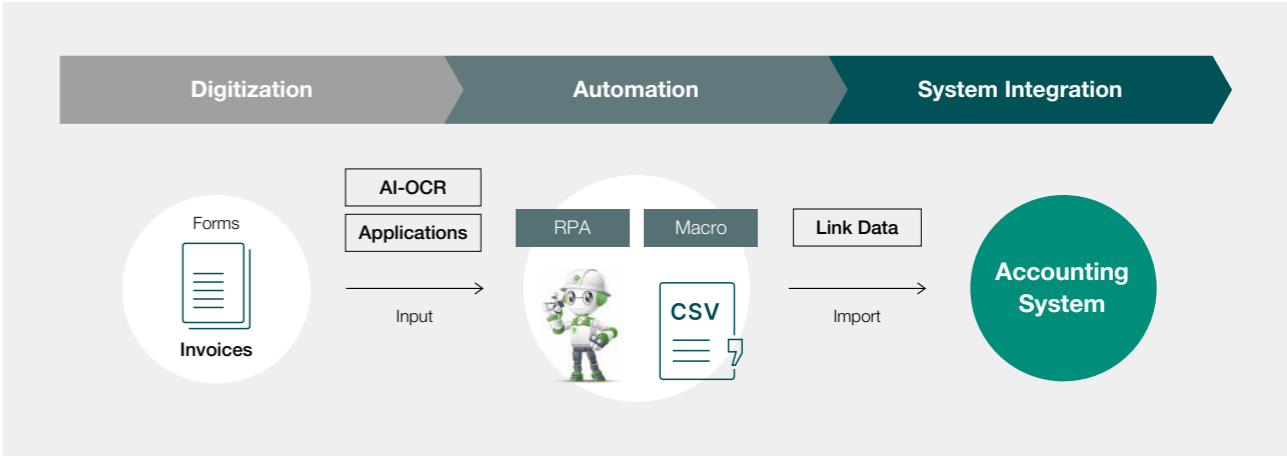
After System Installation



Digitalizing Accounting Entry Operations

We enhance productivity using AI-OCR , RPA, and other data integration tools. Previously, we manually entered data into our accounting system. However, we began using AI-OCR to

digitize invoices and RPA to automate processing. We also link data to the accounting system, striving to shorten work hours and reduce operational errors.

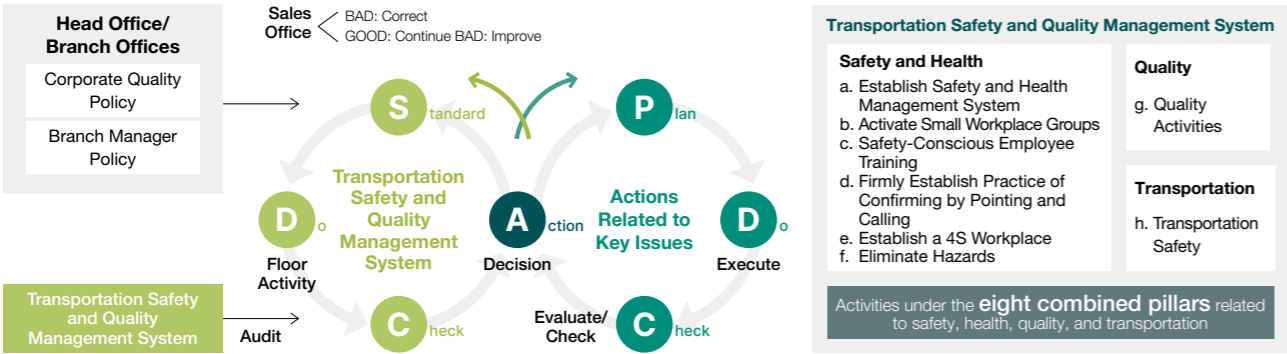


Safety Initiatives

Safety and Quality Activity System

We conduct safety and quality activities based on the Corporate Quality Policy announced at the beginning of the year. Based on the Corporate Quality Policy of the Head Office, each sales office incorporates activities for the year into their operating plans, after which they proceed with the activities through the SDCA cycle. Once these improved methods are standardized into SDCA, the offices return to the SDCA cycle. In addition to the abovementioned 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 FY3/2024, 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. 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.



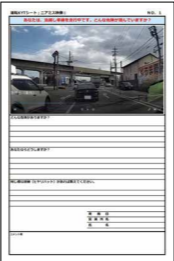
Central Health and Safety Committee

The Central Health and Safety Committee meets twice a year, attended by representatives from labor and management. A total of 43 participants attend these meetings, including 27 from the company side such as business division general managers and branch managers, and 16 from the union side, led by the Executive Chairman. In FY3/2024, the first meeting was held in July 2023 and the second meeting was held in December 2023. 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, regulations, and 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. As in the first meeting, members also shared information on amendments to related laws, regulations, and the status of labor union activities during the first half of the fiscal year.

Hazard Prediction Using Real Video Footage

Konoike has conducted a number of training programs to date to raise safety awareness. One such training uses virtual reality (VR) to experience falling in the workplace or simulated contact with forklifts. We began conducting hazard prediction training in FY3/2024 to further raise awareness of safety with the awareness of the parties involved. This prediction training analyzes video footage of actual incidents. Training materials includes videos of near-miss incidents experienced by our employees while driving, regardless if they were the cause or the victim. These videos allows each participant to understand the potential dangers in various situations and consider response measures. With drive recorders already installed in all vehicles, we now have access to over 300 videos and endeavor to preventing traffic incidents through this training.



Quality Initiatives

QMS

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. Sales offices also conduct internal audits on each other under our K-QMS program. 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. The Head Office Safety/Quality Department organizes internal auditor development trainings about once a year as it is crucial to provide internal auditors with the knowledge needed to conduct these audits.

Building Relationships With Business Partners

It is essential that we collaborate with our partners in carrying out our work. We engage in active communication with our partners to align our approaches regarding safety and quality improvements. Each sales office holds councils with partner companies, conducts safety activities addressing the same topics as their partner companies, and strives in other ways to perform coordinated activities. Each year, sales office representatives also 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 300 partner companies in FY3/2024.

Konoike Grand Prize — Safety and Quality Activity Presentations—

Each year on the day in May set aside to commemorate KONOIKE's founding, we award the Konoike Grand Prize 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. We awarded 171 offices and individuals in FY3/2024. These awards include 23 offices and individuals in the safety category, 44 in the transportation category, 36 in the quality category, 19 in the distinguished service category, 41 in the excellence activities category, 8 in the presentation of safety and quality activities category.

Improvement Presentation Example

Initiatives to Reduce High-Pressure Gas Tanker Maintenance and Management Costs (Kansai Branch, Land Transportation Senboku Office)

Background, Issues, and Initiatives

Special vehicles (tank lorries) are required to transport high-pressure gas, but incur high maintenance costs for periodic voluntary and safety inspections. Staff members came together to address this issue, acquiring the necessary qualifications to conduct such maintenance in-house. Members also worked to build a proven track record through skills training and practical experience and prepared working environments by installing the necessary inspection equipment.

Improvement Effects

- Reduced annual periodic voluntary and safety inspection costs from an approximate ¥3,600,000 to ¥248,000 (-¥3,352,000)
- Adjusted inspection schedules to align with gaps in the vehicle dispatch schedule, ensuring inspections with minimal vehicle downtime
- Leveraged the knowledge gain through this initiative to conduct previously outsourced employee training in-house within the sales office



Members of the Kansai Branch, Land Transportation Senboku Office

Environment

Basic Philosophy

While our business activities contribute to the economy and society, they also put a burden on the global environment. We at the KONOIKE Group strive to solve 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.

Disclosure in Accord with the TCFD Recommendations

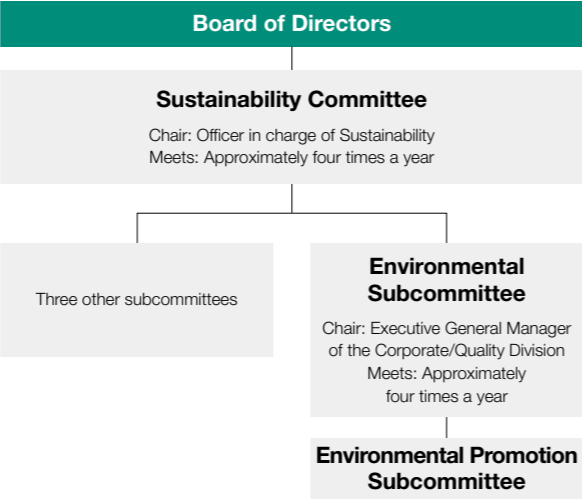
The KONOIKE Group recognizes that climate change is an important issue affecting the global environment, humanity, and corporate activities, and is actively promoting activities to mitigate global warming in order to contribute to the realization of a sustainable and prosperous society. The Group announced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

June 2022. The TCFD recommendations suggest four items for disclosure: Governance, Strategy, Risk Management, and Metrics and Targets. The Group will continue to make efforts in line with these items and further enhance the disclosure of information.

For more information, see the following:
<https://www.konoike.net/en/sustainability/environment/tcfd/>

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



Risk Management

Information on group-wide risks is obtained and managed by the Environmental 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 Environmental Subcommittee, continuously mitigates, identifies, and updates climate-related risks, and reports this content to the Environmental Subcommittee, and then to the Risk Management Subcommittee.

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	We plan to switch all electricity contracts for our facilities to net-zero CO ₂ electricity by March 31, 2025. In addition, we will continue efforts to 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	<ul style="list-style-type: none">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 improvementsPartially 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 is foreseeable in a society where CO ₂ emissions reduction efforts are progressing	Short/medium term	Work to identify growth areas in each industry, gather information, and expand management resources to capture opportunities

Metrics and Targets

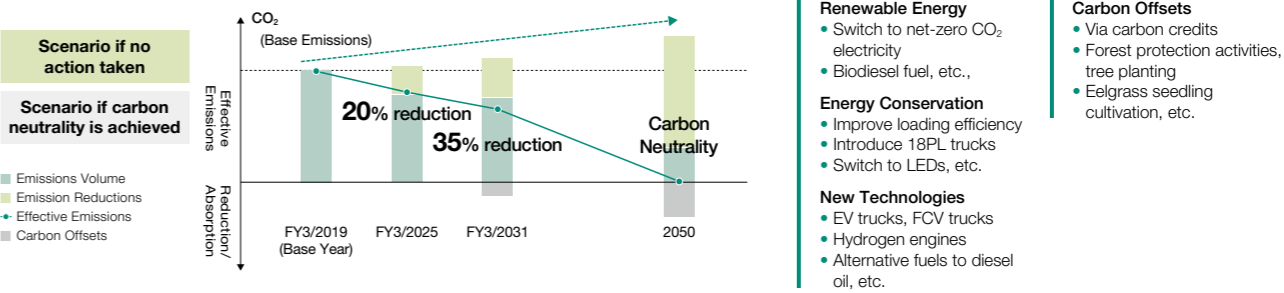
To achieve carbon neutrality, we intend to switch all facilities to net-zero CO₂ electricity contracts by FY3/2025. In addition, we will also work to reduce CO₂ emissions by switching

to electric vehicles for our business vehicles, installing solar panels, and implementing other energy conservation measures.

CO₂ Emission Reduction Targets

Date	Target	Target	Scope
FY3/2025	20% reduction (vs. FY3/2019)	Konoike Transport Co., Ltd. and domestic consolidated subsidiaries	Scope 1・2
FY3/2031	35% reduction (vs. FY3/2019)		
2050	Targeting carbon neutrality		

Overview of CO₂ Emissions Reduction



The KONOIKE Group also participated in a survey conducted by CDP, an international NGO. The FY3/2024 survey was a questionnaire on climate change.

Actions to Prevent Global Warming

Switching to Net-Zero CO₂ Electricity

In FY3/2022, the KONOIKE Group began switching to net-zero CO₂ electricity. In the Kansai region of Japan, we have endorsed the Renewable Energy Procurement Matching Project* promoted by the government of Osaka Prefecture. Accordingly, six of our locations in the prefecture are switching to net-zero CO₂ electricity for their power. We are additionally switching all of our in-house electric power contracts to net-zero CO₂ electricity under our medium-term management plan through FY3/2025 to take active steps to reduce our Scope 2 CO₂ emissions. In FY3/2024, we completed the switchover at 48 locations, effectively reducing 4,790 tons of CO₂e.

* 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.

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 (CO₂) and the air pollutants nitrogen oxides (NOx) and particulate matter (PM).



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 CO₂ or other substances that have a negative impact on the environment. These forklifts are also very convenient as they can be fully fueled in about three minutes. Further, we generate the hydrogen using electricity from solar power, resulting in forklifts that are CO₂-free.



Utilization of Solar Energy

Photovoltaic arrays in 21 domestic locations and 3 overseas locations owned by the KONOIKE Group contribute to the decarbonization of Earth by producing 14.7 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.

ISO14001 and Green Management Certification

We seek to acquire ISO14001 certifications within the group, and we are working to reduce our environmental impact in line with international standards. We also work to acquire 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 to ensure transportation safety and reduce environmental impact.

[ISO14001 Certification]

- Company: Eco Innovation Inc.
Registration No.: JMAQA-E304
Certifier: Japan Management Association,
Quality Assurance Registration Center
- Company: ASR Recycling Kashima Co.
Registration No.: JQA-EM6107
Certifier: Japan Quality Assurance
Organization

[Green Management Certification]

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



Biodiversity Preservation Initiatives

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 transplant them back into Osaka Bay the following spring.

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



Businesses That Contribute to the Environment

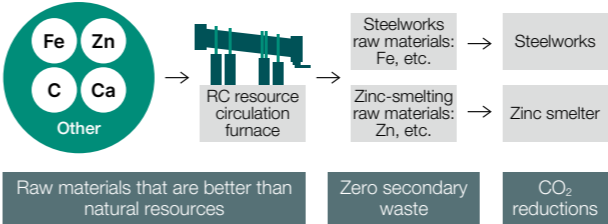
Industrial Waste Recycling Business

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 fossil fuel use and CO₂ emissions by using industrial waste that would normally be incinerated. We also reuse gas emitted during processing.

Perfect Recycling System Overview

Industrial dust within steelworks, outside industrial waste



Providing Services That Reduce Environmental Impact

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 CO₂ 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. Thanks to modal shift, we have generated about 8,427 tons in annual reduction impact for KONOIKE Group CO₂ 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 services from this sales office specifically to reduce their Scope 3 CO₂ emissions.



Biodiesel Fuel From Waste Cooking Oil

The KONOIKE Group began using biodiesel fuel made from waste cooking oil. B5 biodiesel*1 can reduce CO₂ emissions by 5% compared to diesel fuel and has been attracting attention in recent years as a fuel with low environmental impact. During FY3/2024, we used 97,712 liters of B5 biodiesel in trucks operating from four locations in Japan. We also took measures to collect and recycle waste cooking oil from employees' homes. We began using B30 fuel*2 for one towing tractor in our Integrated Solutions Business at the Kansai International Airport facilities. This development marked the first-ever use of biodiesel fuel in a vehicle at the airport. We intend to increase the number of locations using biodiesel fuel to reduce CO₂ emissions and make more effective use of resources.

*1 Diesel mixed with 5% biodiesel
*2 Diesel mixed with 30% biodiesel



For Sustainable Growth and the Medium- to Long-Term Enhancement of Corporate Value

The KONOIKE Group Board consists of five directors, two internal and three external. Here, we asked external directors Ota, Masuyama, and Fujita to discuss the challenges and expectations of the future for the KONOIKE Group from an objective perspective.

Do you believe that the KONOIKE Board of Directors is functioning adequately in terms of the roles and responsibilities it is expected to fulfill?

Ota: I think we engage in free and active discussions regarding strategic direction. For example, we ask all manner of questions without hesitation about the deliberations of the Management Meeting. However, I don't think it is enough quite yet. One regret is the failure to adequately supervise operations in the context of the fraud that occurred. At the same time, the second part of the Corporate Philosophy, *respect for humanity and relationships of trust*, is certainly one of the company's strengths. Still, we must reflect on whether management and employees truly understand and make this philosophy their own. Instilling this philosophy and, once again, embodying the spirit of this philosophy will be essential.

Masuyama: KONOIKE is in the process of formulating its next medium-term management plan. In the context of Board effectiveness, we have requested to hold more discussions involving external directors related to the fundamental aspects of the plan. I believe that the Board of Directors is changing in such a way that we are now looking more closely at whether the Corporate Philosophy is being embraced and practiced, as well as whether the direction and focus of corporate strategy are appropriate. On that basis, we recognize that specific discussions on growth strategies and the allocation of management resources will be important going forward.

I regret that Board oversight was not perfect regarding the misconduct referred to by Director Ota. In developing measures to prevent a recurrence, I believe we quickly gathered the knowledge of external and internal directors to steer the company in the direction of a fundamental review of practices, culture, and work methods. Moving forward, we must keep a close eye on these elements.

Fujita: Listening to both of you, I have my own introspection on whether we conducted discussions rooted in the management philosophy. System reforms, business strategies, and various other agenda items will come up, but I believe discussions will be more effective if we return to the management philosophy.

As for active governance, I think the concept is firmly established in the current medium-term management plan. I get the impression that the company's vision is being discussed more positively internally. However, there seems to be a lack of consensus on the company's strengths, which is an issue. People are the driving force of the front lines, but what are the company's strengths in logistics? What are the strengths related to airport services? This is why we are in the process of establishing an active governance structure that will serve as a common spoken language.

Like Director Masuyama, I was impressed by the quick response to prevent a recurrence by creating the Management Quality Council and taking action. However, there were some weaknesses in the infrastructure for overseeing business execution of which we ourselves were not aware. I think one of the issues that remains is to maintain close communication.

Ota: I think there is a vague understanding of the company's strengths and that the company can grow by leveraging those strengths. However, we need to have more discussions related to the growing businesses of airports and international.

Fujita: For better or worse, I believe the corporate culture is more bottom-up from the front lines than top-down. However, the strategic context has yet to be explained well for investments. It is important that we disclose the reasons why an investment will build on the company's strengths or allow KONOIKE to offer services to a wider range of customers.

What topics and issues should be discussed further to enhance corporate value?

Fujita: I think the current medium-term management plan signals the beginning of our implementation regarding earnings improvement and capital policy. Under President Konoike's direct order to raise profit margins, the company has worked hard to improve earning power. The challenge has been a management accounting system not suited to these tasks. The company must improve in terms of determining whether each process and customer is profitable. Then, the company must use that data as a basis for negotiating the best business format with those customers. Another issue is insufficient discussions about unprofitable businesses. The rules to determine a withdrawal

should be discussed carefully by the Board of Directors.

In addition, the company must clarify its business strategy not as a result of, for example, increased performance in airport or overseas, but in the context of where to place strengths and where to grow by leveraging those strengths. For example, I think the company's new initiative is unique in the logistics industry. It would be interesting to clarify the strengths here, since the signs indicate the company brings manufacturing and engineering functions to the logistics supply chain.

The framework for the revenue base and incoming cash is getting stronger, but the real question in terms of capital policy is what to do with that money. What KONOIKE must do first is explain exactly what the growth strategy is and how it will use the funds. Shareholder returns are important, of course, so the message should include that anything not spent will be returned to shareholders. The appropriate level of shareholders' equity ratio should also be discussed in light of the nature of KONOIKE's business.

Ota: The only way to increase corporate value is to improve earnings power. This improvement requires a business strategy, and a capital policy would emerge as the result of improved earnings. While this is true for Japanese companies in general, it is not enough to just be profitable. Companies should aim at high levels of profitability if they want to compete globally. No matter how large a business grows, low profitability offers no benefit to management. I like that President Konoike clearly states this point. The issue for the company is that responsibility for investments is somewhat unclear. Even a failed investment can be a positive for the company if the lessons are used the next time. That is not to say that the company should lose its rigor. To go further, I am not sure that senior management has an appreciation for foreign exchange rates and interest rates. Using these factors effectively could offer opportunities to generate revenue in other ways.

Masuyama: I, too, think that increasing corporate value is ultimately about increasing the rate of return. Over the past two years, President Konoike has spoken often about improving profitability. Profit has become a focus in business reports from each division. As I mentioned earlier, the company's mindset is bottom-up, and I believe it has been a positive development that the mindset of people on the front lines has changed so considerably.

At the same time, not much discussion has occurred about taking concrete actions regarding unprofitable operations. I think it would be better to have top-down discussions in this context, given this good opportunity. This phase requires an integration of bottom-up and top-down approaches.

Each business is strong, backed by large clients, and the company created two strategy committees to eliminate the former stove-piped structure. The goals were ambitious at first, but I feel that the scope is shrinking due to a desire to achieve results. This may reflect risk-taking in a sense, but I would like to see a medium- to long-term approach that aims a little higher.

Ota: President Konoike's message about profit that Director Masuyama mentioned is important. In the past, a 6% increase in profit would have been considered acceptable. Now that the president persists in refusing to accept this level, no one in the company feels a sense of accomplishment. Feeling a sense of accomplishment at this level would mean performance declines. I think President Konoike's leadership should be praised in this regard.

Fujita: Originally, the operating income target of ¥25,000 million in the 2030 Vision was set at a time when business was sluggish due to the COVID-19 pandemic.

At that time, certain people focused on revenue. In retrospect, I think it was a good milestone when President Konoike clarified the company's policy that revenue was only a guideline: profits were what mattered most.

What do you think of the KONOIKE sustainability initiatives?

Masuyama: KONOIKE created an environmental plan from scratch, aiming for specific targets over the past few years. I want to commend the company for their sensible efforts to date. In the future, I would like to see the Board of Directors discuss the nature of KONOIKE Transport's targets and the priorities to achieve those targets.

The group has a ways to go in achieving the 2030 Vision, *People, leveraging technology to reach for new heights*. However, I expect this vision to be a strength as the group seeks to link current businesses in the future, incorporating technology under the Next-Generation project.

On the other hand, observing KONOIKE Transport from the outside shows a world of artisanship that other companies cannot imitate easily. Adding technology to this world of human artisanship leads to even higher value-added services, which I look forward to seeing.

Another issue is globalization. How can KONOIKE increase the number of employees who contribute in areas outside Japan? For this reason, I think systems for human resources development will become increasingly important.

The company must think tactically about young people going outside our organization to learn as trainees, or sending out employees who may not be able to speak the language, but who possess the skills of a master artisan.

Fujita: Based on our previous conversations, I began to think again about what *People, leveraging technology to reach for new heights* really means. Originally, I believed the company meant that people who leveraged skills or hardware and software technology in the field would be able to provide high-value-added services. But I don't think it's just about that; "technology" could also mean skills in the context of business. It could be AI skills, interpersonal skills, or management skills. These skills vary from person to person, and I have come to think that we should broaden the definition to the point of making the organization stronger.

This is also a message we must apply to ourselves.

To return to the topic at hand, the company has been working to establish a Technology Innovation Division and other measures under the category of technology. Personnel can now conduct AI searches of the technology capital library, and with this infrastructure and approach in place, I think we can judge the company as having made progress. However, I still see a weakness in terms of the role of technology in strategy. Director Masuyama mentioned that the scope of the Strategy Committee has narrowed. I think the company has a lot of homework to do regarding the process of divisional growth to avoid creating an ivory tower that ignores the perspective of how far the technology and the Strategy Committee can be leveraged.

And the lack of diversity in the workforce is still an issue. The Management Meeting and Board meetings are full of old men wearing dark suits. I wonder if we could do a better job of setting up mechanisms to make the company more open, allowing younger employees and non-Japanese employees to speak up.

Ota: Having a culture of diligent technology adoption in the field would be beneficial, but without such a culture, making use of technology—even simple digitalization—would be difficult. In that sense, the way technology is introduced is key.

Much discussion about human resources development has taken place, but more recently, I think about the growth of all employees so that no one is left behind. Aim for the growth of all, not only managers and executives, but also younger workers, rehires, and non-permanent workers. Traditionally, the focus has been on people in their prime.

Moving forward, it will be important for everyone to express their talents and for the company to be a place where everyone feels a path for growth if they stay.

What are your aspirations toward achieving the 2030 Vision and the next medium-term management plan?

Ota: I think the proper approach is for the management team to present the management philosophy and management strategy as a major corporate policy. The field should come up with specific ideas within that framework. The philosophy must be solid and specific, rather than a mish-mash that might cause confusion on the front lines.

In this context, I believe the company should aim for high profitability and globalization. Globalization takes an upfront investment, but as the company's profitability rises, the foundation for globalization is becoming more solid.

We will continue to discuss and endeavor to achieve the ¥25,000 million in operating income, as well as the qualitative goal of *People, leveraging technology to reach for new heights*.

Masuyama: This fiscal year marks a crossroads in the creation of the next medium-term management plan.

I hope to continue offering my unvarnished opinions on enhancing corporate value as an external director, raising objective questions without having to consider personal feelings. I want this year to be one in which the company steps up to a higher level as a united team, both internally and externally. People are an important element, so we have to prepare people and organizations for this next level.

Fujita: My own aspirations are to listen more carefully than ever before. I hope to identify new opportunities in the process. It would be a waste to have a good story but fail to communicate it company-wide or in the Management Meeting. I am in a position to listen frankly to the ideas of the employees, so I hope to be in a good position to support those good ideas when I hear them.

My second aspiration is to confirm whether efforts are consistent with the quantitative targets that have been set. For example, pointing out that the scale of an initiative is too small in relation to the ¥25,000 million target.

My last aspiration is to give others the courage to change. I think our role is to encourage others to speak up and foster change in times when the company may become set in its ways.

This is the type of role we hope to play as we listen to management.



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.
Dec 2023 Senior Advisor 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.
Feb 2023 Representative partner of Fujitaya Hinpin LLC (current position)
Jun 2024 Director of HOGY MEDICAL CO., LTD. (current position)

Audit & Supervisory Board



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
June 2021 Audit & Supervisory Board Member
of the Company (current position)



Shunichi Tanaka
Full-Time Audit & Supervisory
Board Member

Apr 1986 Joined the Company
Apr 2017 Branch Manager, Chugoku-Kyushu
Branch
Apr 2020 Branch Manager, Tokai Branch
Apr 2023 Executive General Manager, Food
Division
Apr 2024 Executive Advisor
Jun 2024 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
Jun 2021 External Audit & Supervisory Board
Member of the Company (current
position)
Mar 2022 External Audit & Supervisory Board
Member of Base, Inc. (current
position)
Jun 2023 External Director, Sumiken Mitsui
Road Co., Ltd.



Tomonari Kimura
External Audit & Supervisory
Board Member

Apr 1984 Joined Sumitomo Bank, Ltd.
(now Sumitomo Mitsui Banking
Corporation)
Jul 2004 Executive General Manager,
Toyonaka Corporate Division
, Sumitomo Mitsui Banking
Corporation
Apr 2007 Executive General Manager, Public
Relations Division (Osaka), Sumitomo
Mitsui Banking Corporation
Mar 2011 Executive Officer, Nikko Securities
Co., Ltd. (now SMBC Nikko
Securities Inc.)
Jun 2014 Left Sumitomo Mitsui Banking
Corporation
Mar 2018 Managing Executive Officer, SMBC
Nikko Securities Inc.
Mar 2021 Executive Advisor, SMBC Nikko
Securities Inc.
Jul 2021 Senior Advisor, YAMADA Consulting
Group Co., Ltd. (current position)
Jun 2024 External Audit & Supervisory Board
Member of the Company (current
position)

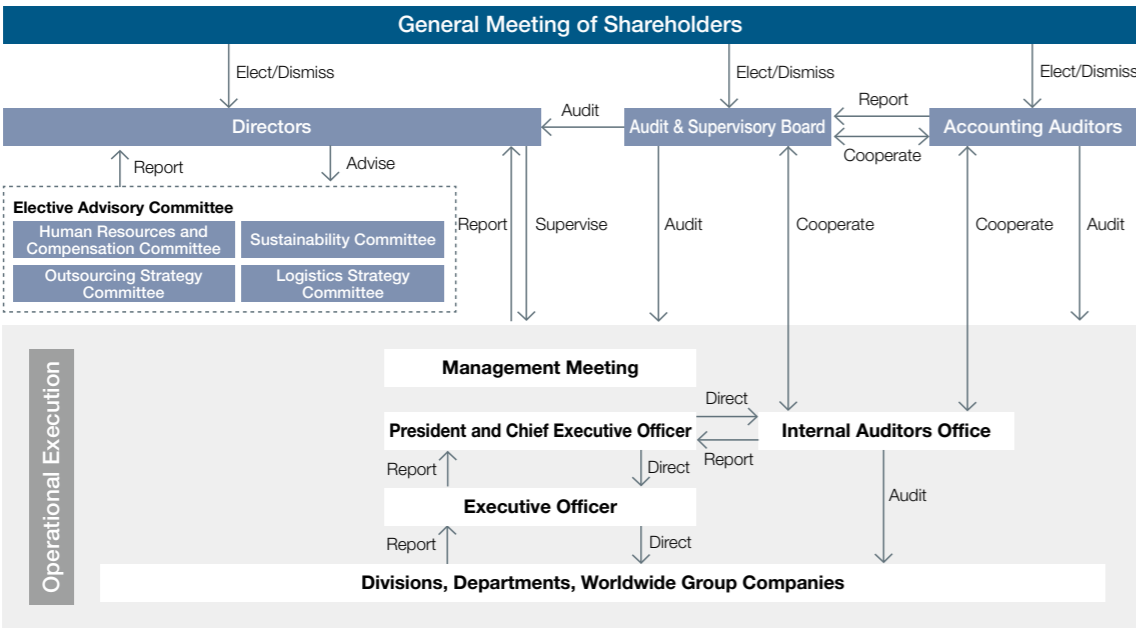
Corporate Governance

Basic Philosophy

We at the KONOIKE Group believe that meeting our social responsibility is an important part of our mission. We strive to build corporate value as we build relationships of trust with society in the practice of our corporate philosophy and to pursue innovation at the foundations of our society that creates unique value, driven by respect for humanity and relationships of trust.

Driven by this philosophy, we use our business activities to build positive relationships with our stakeholders as we engage in responsive, efficient, sound, fair, and transparent business practices. To this end, we continue to strengthen our supervisory functions and provide information disclosure, introducing new measures as necessary.

Structure

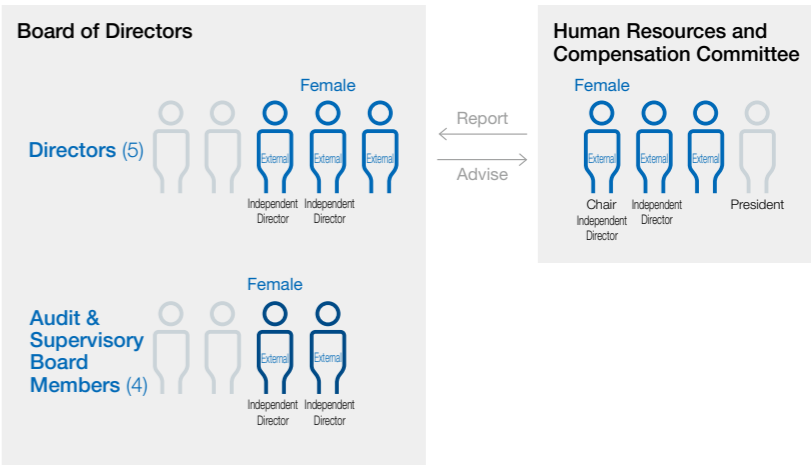


Corporate Governance Improvement Timeline

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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					2		3					
External Audit & Supervisory Board Members	2006: 2													
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

		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	Officers										
	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	○	○	○	○					
Audit & Supervisory Board Members	Taisuke Fujita	External Directors Human Resources and Compensation Committee Member	○	○					○		○
	Hiroaki Kobayashi	Full-Time Audit & Supervisory Board Member	○					○	○		
	Shunichi Tanaka	Full-Time Audit & Supervisory Board Member	○		○						
	Chie Hoshi	External Audit & Supervisory Board Member (Independent)								○	
	Tomonari Kimura	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 FY3/2024

The committee met a total of nine times at the direction of the board of directors. The committee discussed appointments and compensation of directors, Audit & Supervisory Board members, 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, 2024). 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 Classification

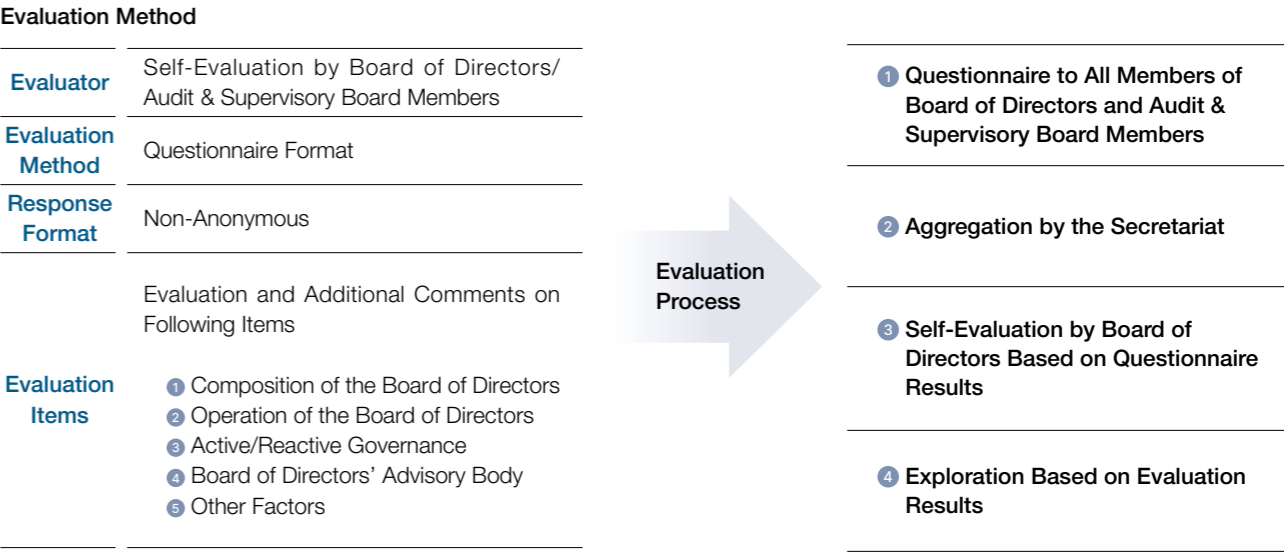
The board of directors decides the amount of compensation given to each director based on the findings of the Human Resources and Compensation Committee. The amount of compensation given to each full-time Audit & Supervisory Board member is decided by discussion among members of the Audit & Supervisory 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 Basic Compensation Eligible Officers
		Basic Compensation	Performance-Linked Compensation (Bonuses)	Non-Monetary Compensation (Restricted Stock)	
Directors	188	105	65	17	5
(External Directors, Included)	(37)	(37)	(—)	(—)	(3)
Audit & Supervisory Board Members	70	70	—	—	4
(External Audit & Supervisory Board Members, Included)	(22)	(22)	(—)	(—)	(2)
Total	258	175	65	17	9
(External Officers, Included)	(59)	(59)	(—)	(—)	(5)

* 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.



1 Overview of FY3/2024 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.

While time allocation for deliberations and reporting improved, concerns were raised about the need to dedicate more time to discussions on long-term strategies and management issues.

Evaluations also noted insufficient board analyses, evaluations, and discussions of targets and detailed measures to address stagnant market valuations, falling short of the Tokyo Stock Exchange's call for capital cost- and stock price-conscious management.

2 Going Forward

- In light of the results on the left, we are considering the following improvements.
- Enhancing discussion on strategy at board of director meetings
 - Continuing efforts to foster active debates, exchange of opinions, and improving the quality of discussions within the board of directors
 - Reviewing evaluation methods for the effectiveness of the board of directors to incorporate more objective perspectives

Activities in FY3/2024

Major Agenda Items

The board of directors met 18 times in FY3/2024. 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 2023 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.

Monitoring Management Indicators

The KONOIKE Group set financial targets in our medium-term management plan (FY3/2023–FY3/2025). These targets include ¥332,000 million in net sales, ¥16,000 million in operating income, and an ROE of 8%. Non-financial environmental targets include a 20% reduction in CO₂ emissions (compared to FY3/2019). Targets relating to our people include promoting talent development based on management strategies and improving employee engagement. For technology, we strive to advance technological innovation and digital transformation (DX) to achieve automation and labor savings, while improving work environments in a constant pursuit of safety.

We analyze management plans from the perspectives of growth, capital productivity, and cost of capital to enhance corporate value. The Group also regularly reviews and checks progress toward these objectives, emphasizing our ESG factors of environment, people, and technology.

These efforts aim to achieve sustainable growth and maximize corporate value.

Non-Financial Targets (People, Technology)

The KONOIKE Group recognizes the critical importance of investing in non-financial capital to achieve sustainable growth in corporate value.

Given the structure of our business, we view strengthening human capital as a vital driver of value creation. We view our employees as an essential capital for generating value, rather than viewing them solely as a cost. Employees are an inseparable link between management strategy, human resource policies, and talent development. We actively recruit and develop talent aligned with business strategies, adopt flexible and strategic personnel allocation, enhance training and education programs, and improve employee benefits. In this way, we strive to enhance sustainable corporate value.

We are committed to achieving our 2030 Vision of *people, leveraging technology to reach for new heights* through technological innovations and digital transformation (DX) to automate processes, reduce labor, and improve workplace safety. The KONOIKE Group technological capital encompasses not only advanced and digital technologies, but also a broad range of intangible assets, including employees and analog technologies (continuous improvement activities, creating safe environments, and quality.) We aim to transform tacit knowledge of master craftsmanship into shared organizational assets, strengthen our adaptability to change, elevate safety and security standards, strengthen next-generation business creation capabilities, and drive innovation toward creating a sustainable societal infrastructure. Both people and technology are sources of competitiveness and value creation. To this end, we strive to leverage new technologies to advance workplace safety and efficiency while fostering more creative work environments.

Discussions on Engagement With Shareholders and Investors

The KONOIKE Group receives and discusses IR feedback on an ongoing basis as part of our PDCA cycle for IR activities. Using this feedback, we reevaluate management strategies from an investor’s perspective. We are dedicated to implementing and advancing ROIC management to promote capital efficiency. These initiatives are recognized as pioneering efforts within the logistics industry.

We also share key insights from engagement with investors on strengthening human and technical capital management, diversity initiatives, and other non-financial capital.

We incorporate the knowledge gained through these discussions into our management practices, driving transformation and enhancing corporate value for the Group.

Discussions on Monitoring Investment

As part of our medium-term management plan’s financial policy, we prioritize disciplined investments toward growth, ongoing improvement in corporate value, and stable shareholder returns. The board of directors reviews profits from new investment projects launched in the past four fiscal years, monitors the performance of prior investments, and discusses the direction of future initiatives. Discussions have focused on projects that have significantly deviated from initial business plans, including multifaceted discussions on the need to revisit project strategies in the context of strategy, the cost of capital, and establishing investment criteria. Areas of improvement in the investment PDCA cycle were identified through these discussions. The board of directors continues to monitor profit progress and align investment strategies with overall business objectives.

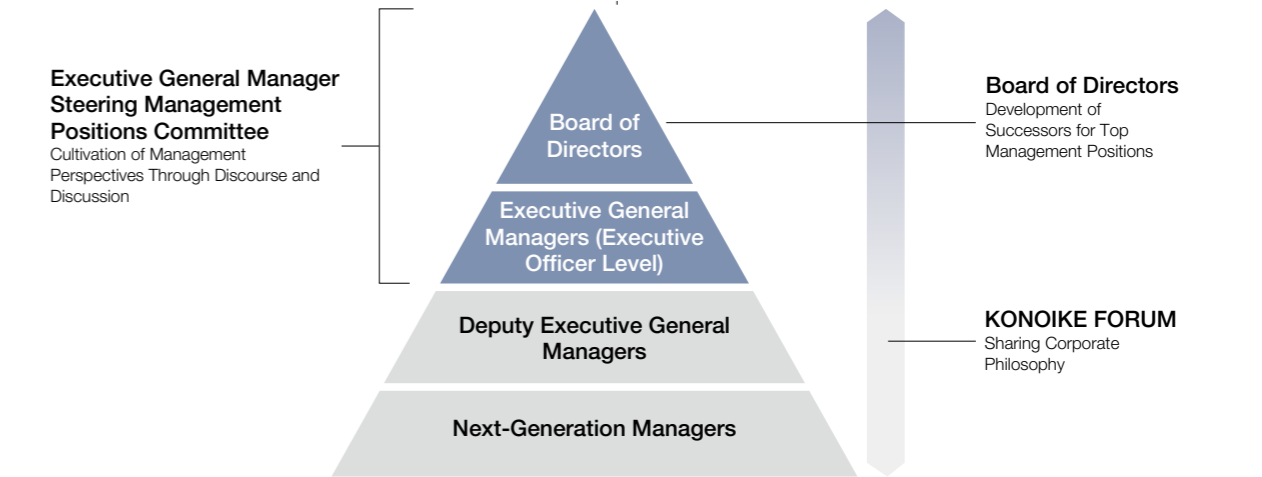
Next Generation Project

We launched the Next-Generation Project as part of our 2030 Vision, *people, leveraging technology to reach for new heights*. The main objective of this project is to develop software-based solutions that utilize data to support improvement activities and decision-making at logistics sites, for use in both sales and internal use. This project takes place in Germany and Japan in collaboration with the European software engineering company that develop the core software solution. We report project activities to the board of directors regularly, advancing the project based on focused feedback from external directors and audit & supervisory board members.

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. We also hold forums as needed as a part of our efforts to further enhance our human resources foundation. Here, members exchange

opinions about strategies, philosophies, and other areas related to the KONOIKE Group, leading to a desire to launch new businesses and expand existing domains. Individuals regarded as next-generation managers, including headquarters office managers and branch managers, build relationships of mutual trust in their daily work. We sponsor internal seminars to bring next-generation managers and above to share our Corporate Philosophy and behavioral guidelines. In this way, we pass on the experience and expertise necessary for management without interruption between generations.



Strategic Shareholdings

1 Basic Policy

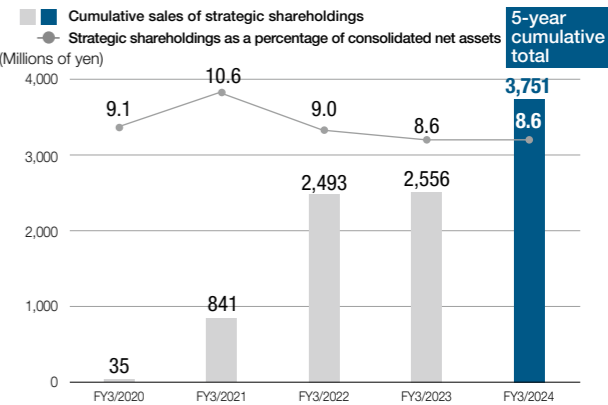
Konoike Transport Co., Ltd. holds stock strategically to enhance our corporate value over the medium to long term. We do this by working to sustain and strengthen trade relationships with the customers who are vital to our business, as partnerships are key to Konoike Transport Co., Ltd. business activities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

Reducing Strategic Shareholdings



Strengthening Internal Controls (Measures to Prevent Recurrence)

We established the Management Quality Council in response to the misconduct and accounting irregularities by a former employee of the Company uncovered in November 2023. The Representative Director, Chairman, President and Chief Executive Officer leads this council, exploring measures

to prevent recurrence and advancing such measures formulated by the council. We recognize that in addition to such recurrence prevention measures, strengthening internal controls is an important management issue. Konoike is committed to building an effective control environment.

Recurrence Prevention Measures

Initiatives	Supplementary Details
1 Conduct compliance training	We conducted compliance training based on the fraudulent acts and accounting irregularities 15 times from April to May 2024. Training mainly targeted career-track employees, professional employees and managers, and group company executives and employees. We also plan to create compliance training materials for our sales offices and roll out these materials to all employees.
2 Review management system	<div><div>1 Ensure the mobility and appropriate allocation of personnel</div><div>We formulated and implemented rules regarding long-term retention. These rules aim to prevent excessive camaraderie, including among business partners, and encourage personnel mobility to ensure proper checks and balances.</div><div>2 Review current internal regulations from a risk management perspective</div><div>We are reviewing and reorganizing existing internal regulations from the perspective of risk management. Items under review include potential overlooked risks and the prevention and early detection of risks.</div><div>3 Maintain appropriate business relationships with business partners</div><div>We revised our ethics code and established rules for giving and receiving offerings to build fair and equitable relationships. We also conduct periodic surveys of our business partners to detect inappropriate transactions.</div><div>4 Enhance internal audit effectiveness</div><div>We conduct in-depth audits of specific items, using interviews with site executives and trend analysis of accounting data, rather than relying solely on traditional qualitative methods.</div></div>
3 Strengthen internal reporting system functions	The Konoike Helpline, our internal reporting system, was previously limited to directors, employees, part-time employees, etc. of the Company and our affiliates ("Employees, etc.") and Employees, etc. within one year of retirement. However, we expanded the scope of use to include Employees, etc. within three years of retirement and business partners to enhance system effectiveness. We also changed the helpline name to Konoike Reporting Desk (Helpline) to clarify that this system is a consultation service for fraudulent cases. We are updating posters and creating helpline cards to raise awareness of the service among business partners.

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 Reporting Desk (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

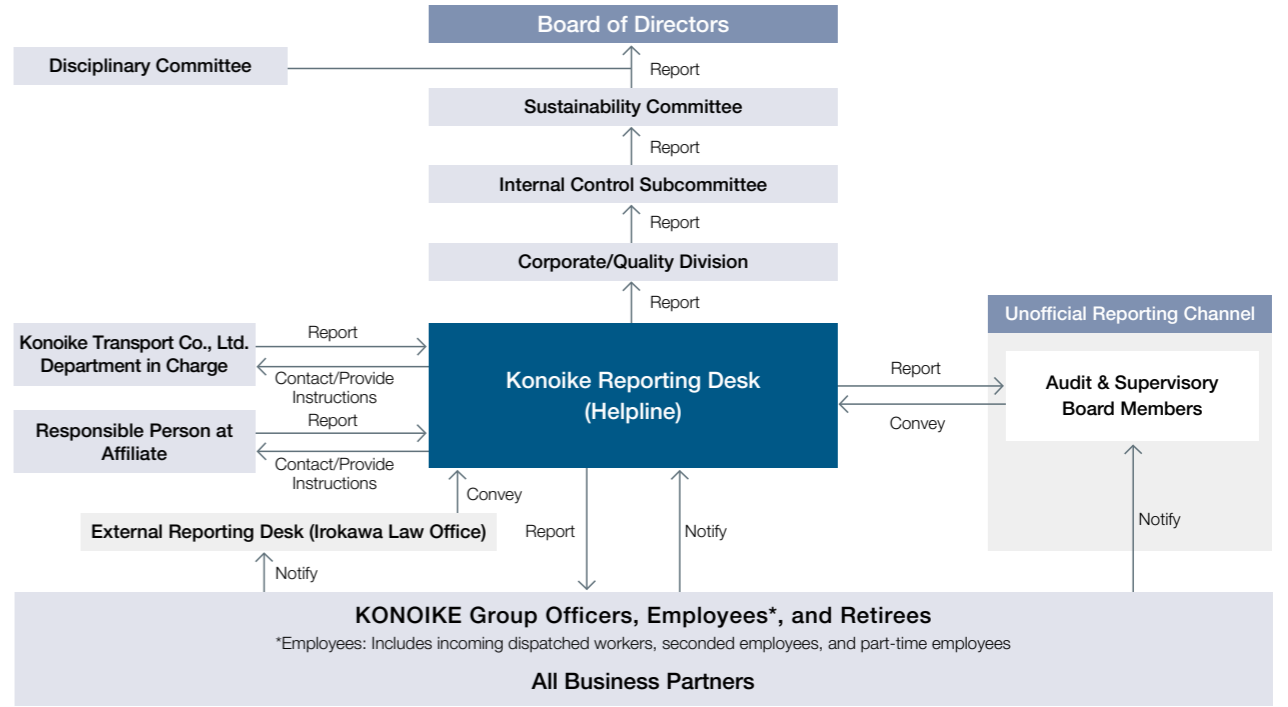
to improve engagement through various initiatives, an example of which is Katariba. We also hold study meetings on our corporate ethics code for managers and promote the thorough enforcement of the Basic Philosophies of maintaining safe and pleasant workplaces, contributing as a good corporate citizen, caring for the environment, and engaging in fair trade.

Internal Reporting System

The KONOIKE Group offers the Konoike Reporting Desk (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 members contact the department in charge to investigate the matter. Report contents are submitted to the Internal Control Subcommittee and the board of directors. We have also introduced internal reporting systems at some locations outside Japan, planning to gradually expand these reporting channels.

Konoike Reporting Desk (Helpline) Structure



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.

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.

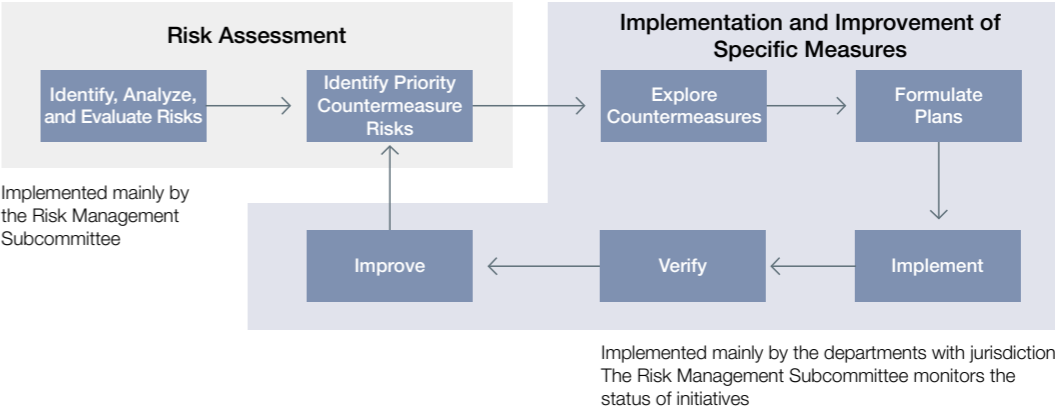
KONOIKE Group Risk Assessment

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 determine the departments with jurisdiction over leading specific countermeasure implementation and improvements.

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



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	FY3/2024 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	—
	Individual interviews in Japan and abroad	Same as above	As necessary	161 (3 meetings with the president)
	Overseas IR	Same as above	Irregular	1 (conducted in Europe)
	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	—
	On-site tours	Executive general manager of Corporate Planning Division and other relevant office directors, etc.	Irregular	—
For Individual Investor	Individual investor presentations	Corporate officers; executive general manager of Corporate Planning Division	Irregular	1

Key Dialogue Topics and Concerns

- Strengths and features of business models
 - Improving profitability
 - Focus business growth strategies (Airport, Medical, Engineering, and India Business)
 - ROIC within the Company and investment decisions
 - Impact of blast furnace closures and medium- to long-term strategies in the Steel Business
- ESG compliance (including compliance with evaluation agencies)
 - Shareholder return approach and cash allocation
 - Capital policy including optimal capital structure
 - Actions to achieve management conscious of cost of capital and stock prices

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. In FY3/2024, we began disclosing quarterly Airport-Related performance due to great interest in the segment as a result of significant changes in the business environment. We also began disclosing business structure by country in response to feedback that the details of our International Logistics Business were unclear. KONOIKE is committed to expanding our disclosures based on the feedback we receive.

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 84th Annual General Meeting of Shareholders on financial instrument exchange and Company websites three 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 foreign national shareholders can exercise their voting rights appropriately. The English translations are disclosed on our website, electronic voting platform, and other mediums.
We also post business reports and presentations from the meeting on our website 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 around three weeks prior to the date of the meeting. Notice of the 84th Annual General Meeting of Shareholders held on June 21, 2024 was sent on June 03, 2024.
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 general meeting of shareholders was announced on May 29, 2024, 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 general meeting of shareholders was held June 21, 2024.
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 Disclosure of English notices of convocation	Posted the English notices of convocation for the general meeting of shareholders on the Company website and through other mediums in tandem with the Japanese version (May 29, 2024).

STRATEGY

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	I Steel-Related Operations I Engineering Operations
Food-Related Business	I Food-Related Operations I Food Product Operations
Life-Related Business	I Life-Related Operations
Medical-Related Business	I Medical-Related Operations
Airport-Related Business	I 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 dis-tribution processing, and even delivery.

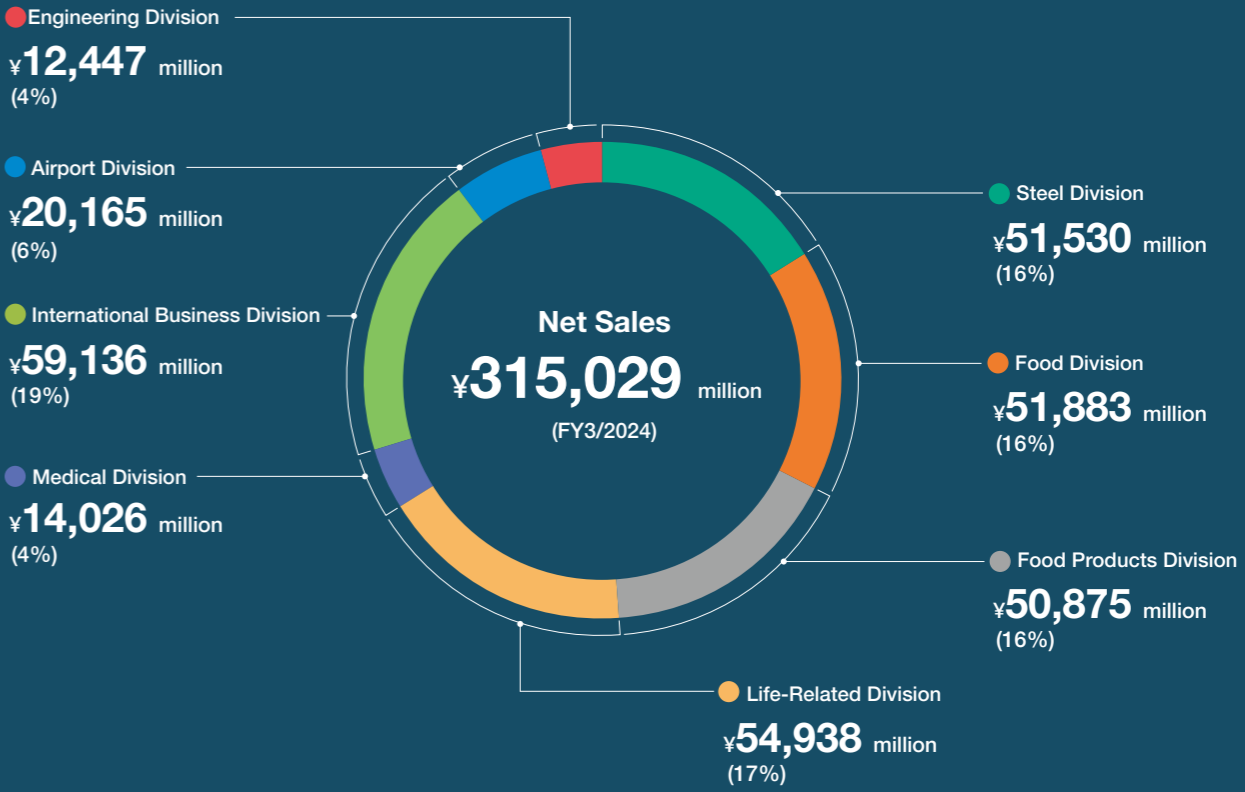
Food-Related Business	I Temperature-Controlled Logistics Operations
Life-Related Business	I Logistic Operations

International Logistics Business

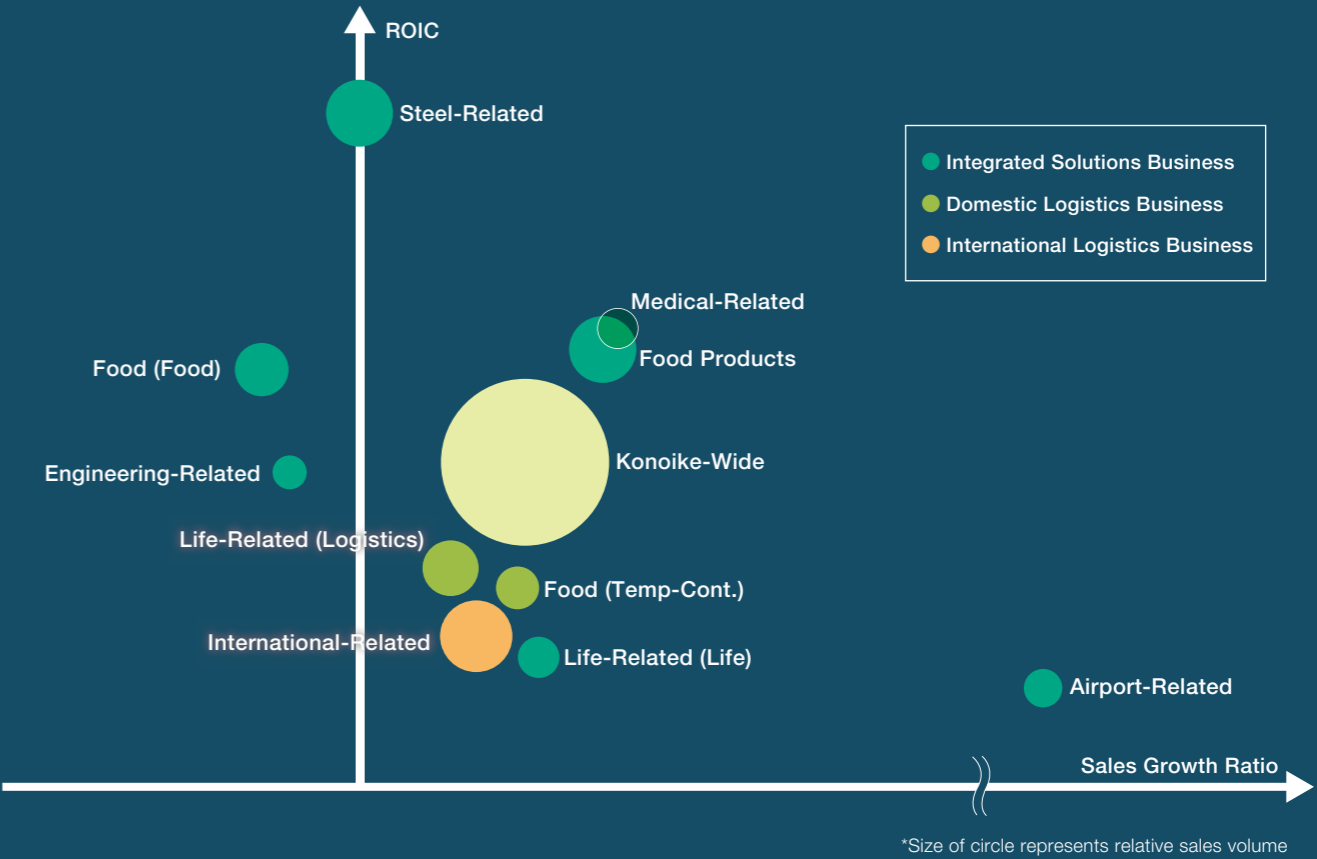
In Japan and overseas, we offer a variety of services, including maritime cargo services, air cargo handling services, and import/export goods warehousing operations. We cover all types of transportation services, from fresh foods to cutting-edge precision components, supporting the overseas growth of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

International-Related Business	I Overseas-Related Operations
--------------------------------	-------------------------------

Business Highlights



Business Portfolio Status (By Field)



Steel Division

Integrated Solutions Business Steel-Related Operations

Business Overview
The Steel Division has built strong partnerships with major steel manufacturers since our founding more than 140 years ago. Our outsourcing operations within the steel factory widely range from raw material processes to the shipping of products. The environment surrounding the steel industry remains harsh. We expect market recovery to take time due to deteriorating global economy, political instability overseas, soaring raw material prices, and stagnant product prices. We will remain responsive to changes in customer management policies and move quickly to strengthen our business foundation in Japan and overseas.



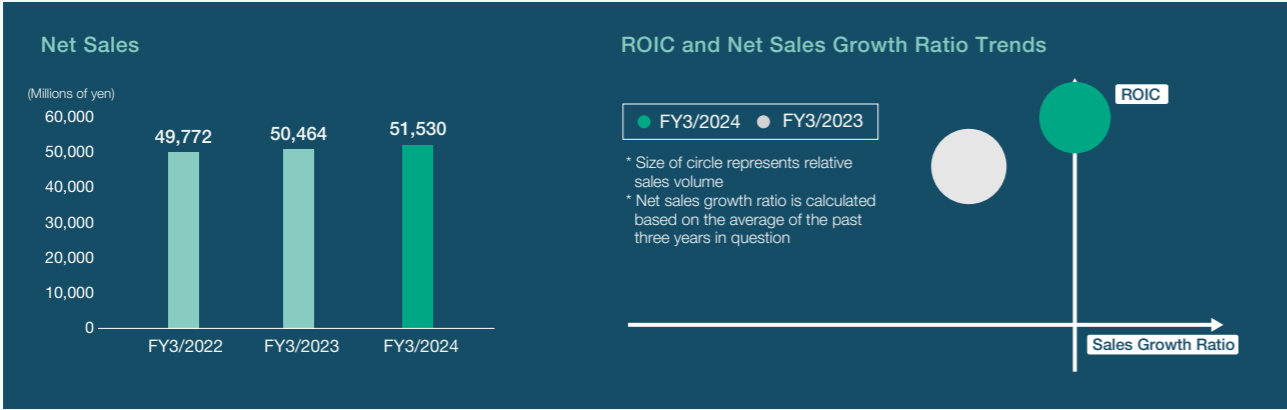
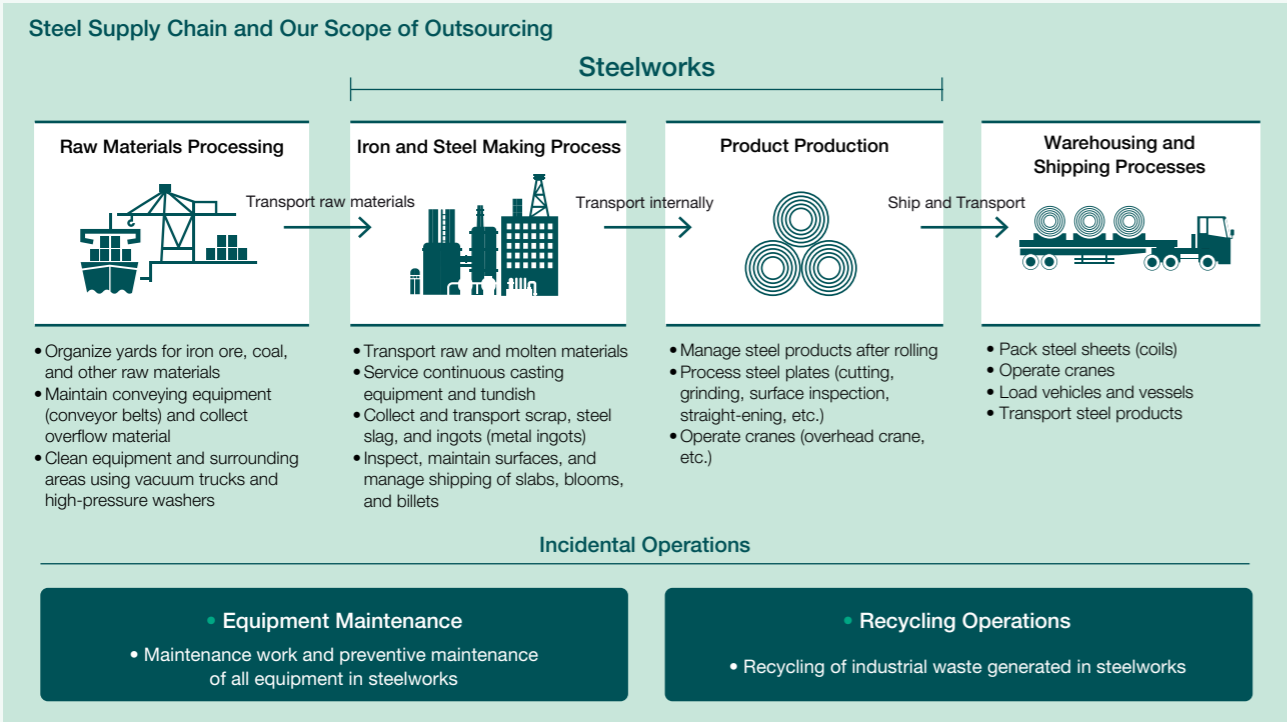
We will enhance our work value by combining on-site capabilities with new technologies to enhance our ability to make proposals.

Executive Officer and Executive General Manager, Steel Division
Toshihiro Fujiwara

Our Business Model

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

- Our Strengths**
- Providing high-quality services in terms of safety and work quality, backed by our front-line expertise
 - Prompt correspondence to customers through our highly mobile organization, mobilization capabilities, and cooperation between bases
 - Speedy on-site business improvements that lead to customer satisfaction and job expansion



Medium-Term Management Plan Policy and Progress

[Outline of the Medium-Term Management Plan]

- Maintain and expand our business scale under sluggish steel demand in Japan, demonstrate mobility by strengthening cooperation with other departments, and develop highly skilled human resources
- Enhance productivity and reduce human workload through the proactive introduction and development of new technologies (automation, AI)
- Focus on business opportunities in India and establish an overseas business foundation by leveraging front-line expertise cultivated in Japan

External Environment



Crude steel production trends remain at a standstill. The delayed recovery in automobile production has had a particularly significant impact, with our bases that supply numerous products to the automobile industry struggling across the board.

Demand for construction materials for general housing and stores is also sluggish and has yet to show signs of recovery. Pipe-related products, which had been produced at high levels due to

rising energy demand, plateaued, and the annual handling volumes for numerous items were lower than expected. Although we expect similar results in the next fiscal year, we aim to further implement digital transformation and employ multi-skilled personnel at our sites from a medium- to long-term perspective. We will also strive to streamline operations to improve productivity.

Internal Environment



The Steel Division will suspend several lines related to Konoike job sites during this fiscal year due to the restructuring of our customers' production systems planned by the end of FY3/2025. We will work to recover from major inevitable temporary impacts by acquiring new businesses and clients to leverage the superior skills of our surplus human resources. We are also accelerating our efforts to

improve operations in high-load workplaces as the working population declines. Such job sites include those with long-standing challenges involving heat, heavy manual work, and confined space work. Our division is committed to addressing operational efficiency and human resource shortages by taking proactive measures to utilize robots, AI, and other new technologies on the front lines.

TOPICS

Efforts to Enter the Steel Business in India

01

Demand for steel is likely to increase further in Asia, including China and India, while Japan faces declining populations and crude steel production. India is widely seen as a future driving force of the global economy, with numerous investment plans underway, driven by its growing economy and population. We view India as a significant business opportunity for our company. We also expect the same level of demand in India for outsourcing operations, including raw material management, slag processing, on-site logistics, and other operations in the steel business sector performed in Japan. The Company has received continuous

orders for large-scale repairs and maintenance services for manufacturing facilities in India to date. We will leverage our accumulated expertise based on this track record to improve productivity and profitability, cooperating with related departments to promote sales and proposal activities. We are confident in our growth potential through our business model, even as the steel industry as a whole undergoes major transitions, as this model combines our operations in outsourcing, logistics, and various other services.

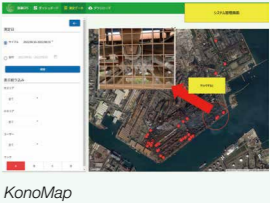
INDIA

Our Unique GPS x AI System

02

Our customers recognize our facility information sharing system, *KonoMap*, as effective for safety, environmental, and disaster prevention management. We plan to roll out this system to other areas going forward. *KonoMap* integrates photos taken using smartphones with GPS information and AI analysis to streamline information sharing. Visual inspection and detailed reporting have historically placed high burdens on workers during equipment inspections at steel mills. *KonoMap* enables accurate location sharing using GPS and uses AI to rank equipment conditions,

greatly simplifying preliminary surveys, planning measures, and reporting. The current use of *KonoMap* is focused on equipment inspections, but we expect the system to provide similar benefits for routine site checks. We plan on making further adjustments to the system to stabilize operations, expand the scope of management, and improve on-site capabilities.



Food Division

- Integrated Solutions Business

Food-Related Operations
- Domestic Logistics Business

Temperature-Controlled Logistics Operations

Business Overview

The Food Division offers logistics services and outsourcing 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.



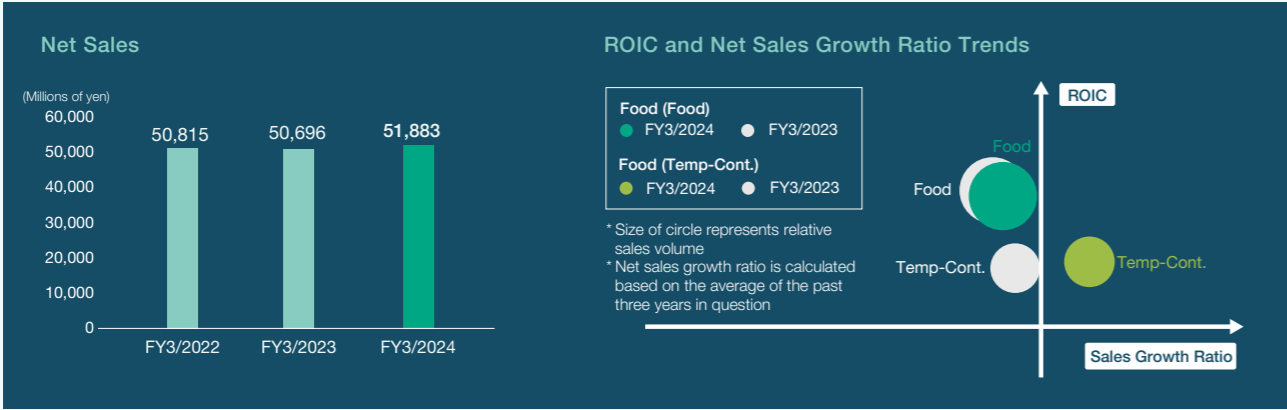
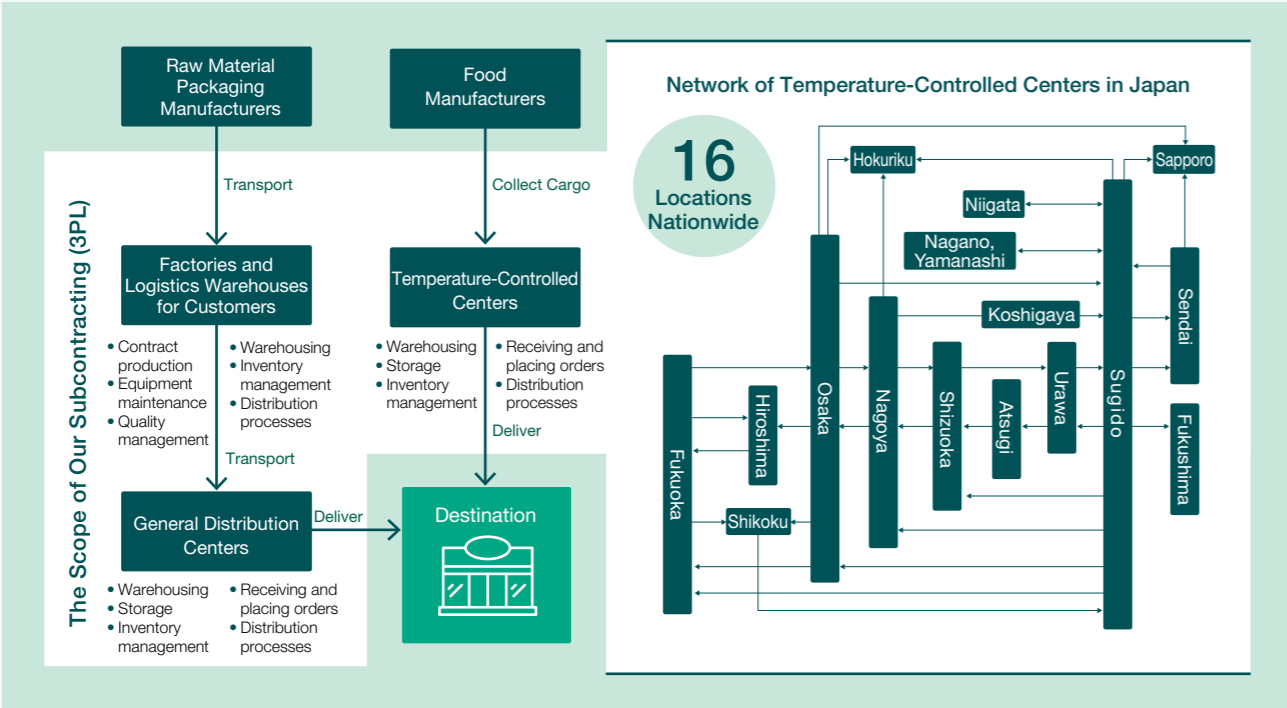
We aim to be a professional group that contributes to safety and security for people around the world through environmentally-friendly food logistics.

Executive Officer and Executive General Manager, Food Division
Mitsuyuki Inoue

Our 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.

- Our Strengths**
- Temperature-controlled logistics network for nationwide delivery
 - Network of 76 business sites in the food and temperature-controlled businesses
 - Collaborative work design and vertical launch of new customer sites



Medium-Term Management Plan Policy and Progress

[Outline of the Medium-Term Management Plan]

- Respond to customers' logistics reorganization and needs, and strive to develop new and deeper operations
- Strive to enhance profitability by strengthening our response to increasing demand for frozen and chilled foods, optimizing customer needs, and improving operational efficiency
- Contribute to society through environmentally-friendly business operations and proactive environmental investments



Rising raw material and energy costs forced our main customers, food product manufacturers, to revise product prices, leading to a decline in sales volume. However, the economy saw a moderate recovery driven by increased economic activity following the easing of infectious disease controls

and a rebound in inbound demand. Numerous challenges remain going forward, including soaring raw material prices, worsening labor shortages due to difficulties in hiring, and declining consumer confidence due to rising prices.



Revenue increased in FY3/2024 due to increased transportation volumes stemming from the operation of a new temperature-controlled site (Koshigaya) and a recovery in inbound demand.

Profits increased despite high energy costs, driven by improved profitability and productivity through appropriate pricing and the reorganization of temperature-controlled sites.

TOPICS

Automated Warehouse Receiving Operations With Automated Forklifts

01

We introduce automatic forklifts at the Nishi-Nihon Branch Osaka Hokko Temperature Controlled Distribution Center in February 2024. The automated forklifts carry pallets unloaded from trucks from a predetermined location, automatically transporting pallets to an automated warehouse. We are committed to implementing efforts to reduce the burden on workers in transport operations and saving labor.



Launch of New Frozen and Chilled Storage Warehouse

02

We launched a new frozen and chilled warehouse in Koshigaya, Saitama Prefecture, operational since February 2023. This new warehouse strives to meet the growing demand for increased handling of commercial frozen foods. We reorganized our operations with the launch of this new warehouse, aiming to improve the operational efficiency of each site. At the same time, we strive to optimize the roles and functions of the three nearby temperature-controlled sites (Kanto, Urawa, and Koshigaya) to meet customer needs. Our efforts here focus on streamlining operations by replacing conventional operations to improve performance. The Food division also works to expand sales to imported food manufacturers and trading companies. To this end, we acquired an inland bonded warehouse to eliminate the tight storage

spaces in the port area and to provide customers with a one-stop service utilizing our network.



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 70 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 business environments as well as through strong foundation building.



We create new value through new technology and expertise by leveraging our established foundation and strength in the field, which are core to our business. This approach allows us to provide safe and reliable services that our customers choose.

Executive Officer and Executive General Manager, Food Products Division

Koji Kuramoto

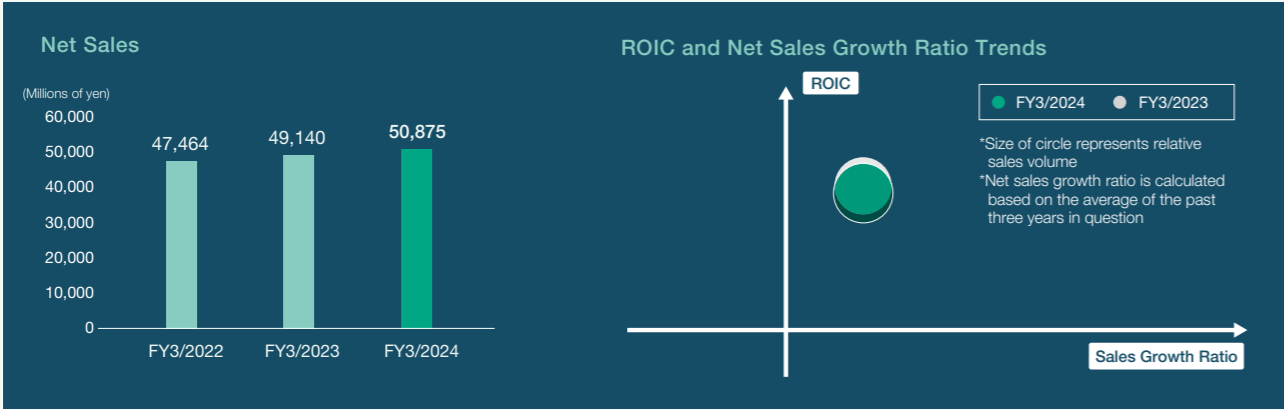
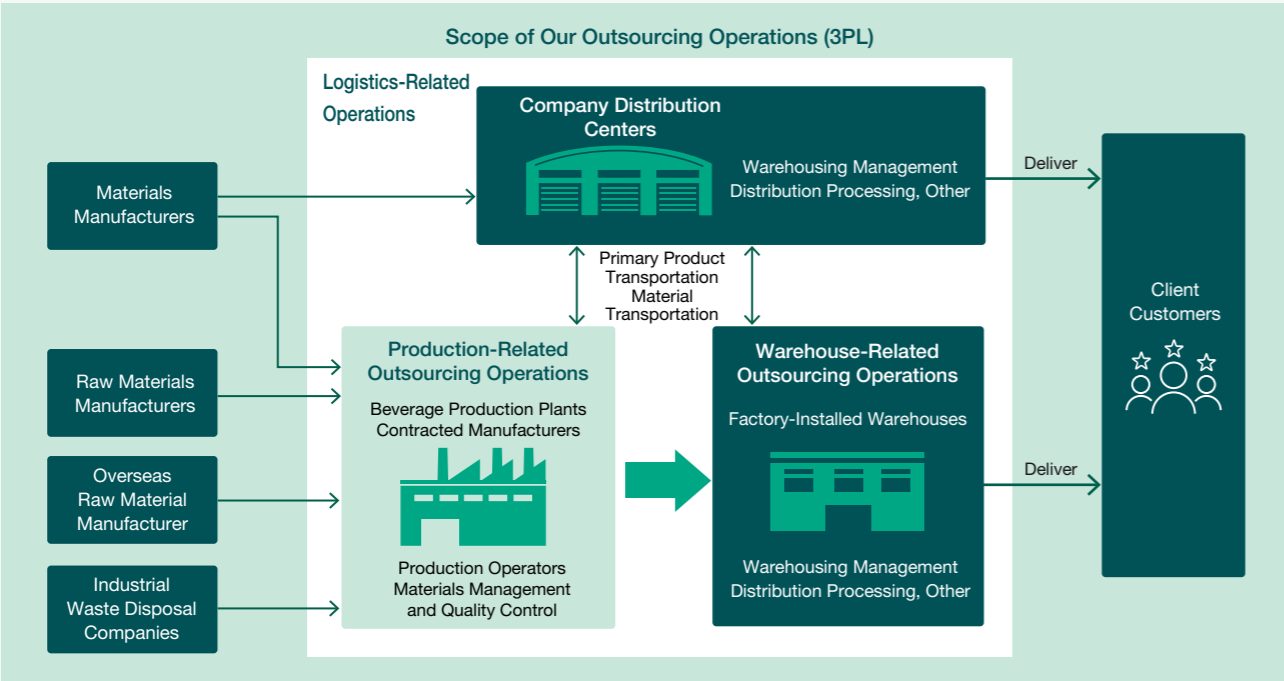
Our Business Model

The Food Products Division is responsible for the overall logistics of outsourcing 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. We offer this service to enable customers to focus on their core businesses.

Our Strengths

Number of Equipment Maintenance Technicians (as of April 1, 2024)

- 3 Special Class Machinery Technicians, 341 Class I Machinery Technicians, 671 Class II Machinery Technicians, 38 Class I Electricians, 161 Class II Electricians, and 3 Class II Mechanical Diagnosticians



Medium-Term Management Plan Policy and Progress

[Medium-Term Overview]

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

External Environment

Customers raised product prices in response to rising raw material costs and gradual changes in liquor tax rates due to a Liquor Tax Law revision. In particular, this led to shifts in the mix of beer products and fluctuations in production levels. In addition, labor shortages in production and logistics have become more severe. To address the driver

Internal Environment

In FY3/2024, the Food Products-Related (revenue) performance surpassed both its budget and the previous year's results. This success was driven by increased production of Western liquor (high-alcoholic beverages) and commercial-use beer kegs after the end of the COVID-19 pandemic, alongside more efficient transportation, sales growth, and effective cost management at various business

shortage and reduce cargo waiting times related to the 2024 logistic problems, we actively pushed for automation and laborsaving measures. We also improved wages and working conditions for employees. We have also addressed the growing demand for sustainable initiatives, focusing on CO₂ reduction and human rights compliance.

sites. Looking ahead, we will create new value by utilizing our diverse assets—people, equipment, and expertise—from production to logistics, along with new technologies. We will build a strong system capable of adapting to environmental changes, ensuring a stable and skilled workforce, improving workplace conditions, boosting transportation capacity, and addressing the 2024 logistic problems.

TOPICS

Introduction of Automated Forklifts

01

We worked to improve productivity and tackle labor shortages by introducing automated equipment. This included fully automating the floor at Azumino Warehouse No. 2 and developing an automated truck loading system at Ayase in Kanagawa Prefecture. At Azumino Warehouse No. 2, we installed six automated guided forklifts (AGFs), each capable of handling 24 pallets per hour. This allowed us to




reduce the number of warehouse forklift operators by three. At Ayase in Kanagawa Prefecture, we began actual operation of automatic loading equipment in March 2024. This follows a series of experiments, started in fall 2021 in collaboration with Mitsubishi Logisnext Co., Ltd., to automate truck loading using AGFs. The AGF can load a large truck with 16 pallets in under 15 minutes, helping reduce the labor burden and vehicle wait times. In the future, we will use this knowledge to expand our operations to other locations and actively pursue automation and labor-saving measures.

Addressing the 2024 Logistic Problems

02

We have launched a 25-meter-long double-trailer truck at the Kita-Kanto Distribution Center and the Kyoto Joyo Distribution Center as part of a transport-sharing project with NEXT Logistics Japan. One double-trailer truck can carry as much as two large trucks and only needs one driver to operate. This is expected to help address the driver

shortage linked to the 2024 Logistic Problems and reduce CO₂ effective emissions. We will keep collaborating with NEXT Logistics Japan to address the social issue of goods not being transported due to a driver shortage.



Sustainability Initiatives

03

To demonstrate our commitment to human rights issues, all 12 of our customers' factory distribution centers have joined Sedex, an organization that promotes ethical business practices in the global supply chain. In the future, we will regularly evaluate potential risks. We have installed motion-activated LED sensors in four of our warehouses to improve

energy efficiency. At the Tsuchiura Distribution Center, electricity bills decreased by 44% compared to the previous year, leading to significant energy savings. In the future, we will expand this system to other locations and actively encourage its implementation.

Life-Related Division

- Integrated Solutions Business
- Domestic Logistics Business
- Life-Related Operations
- Logistics 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 outsource 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.



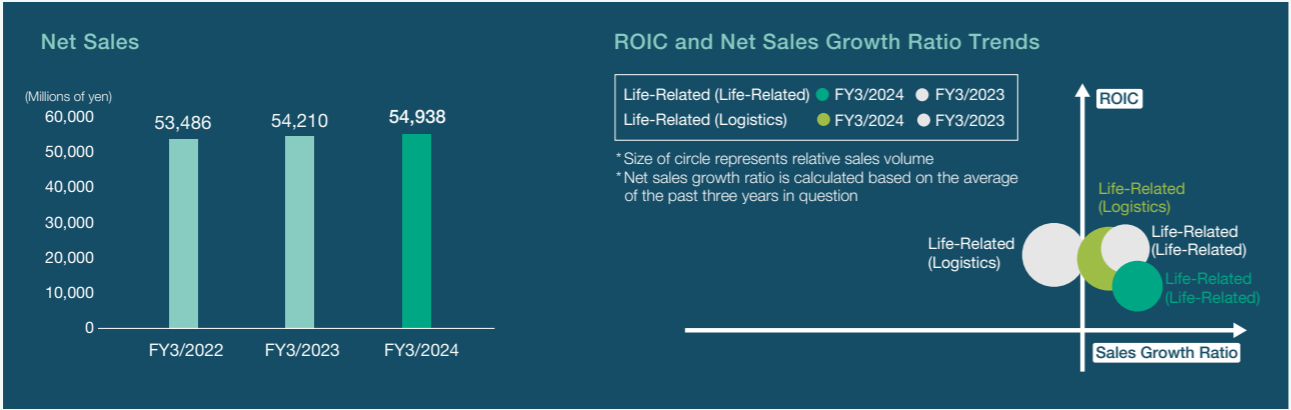
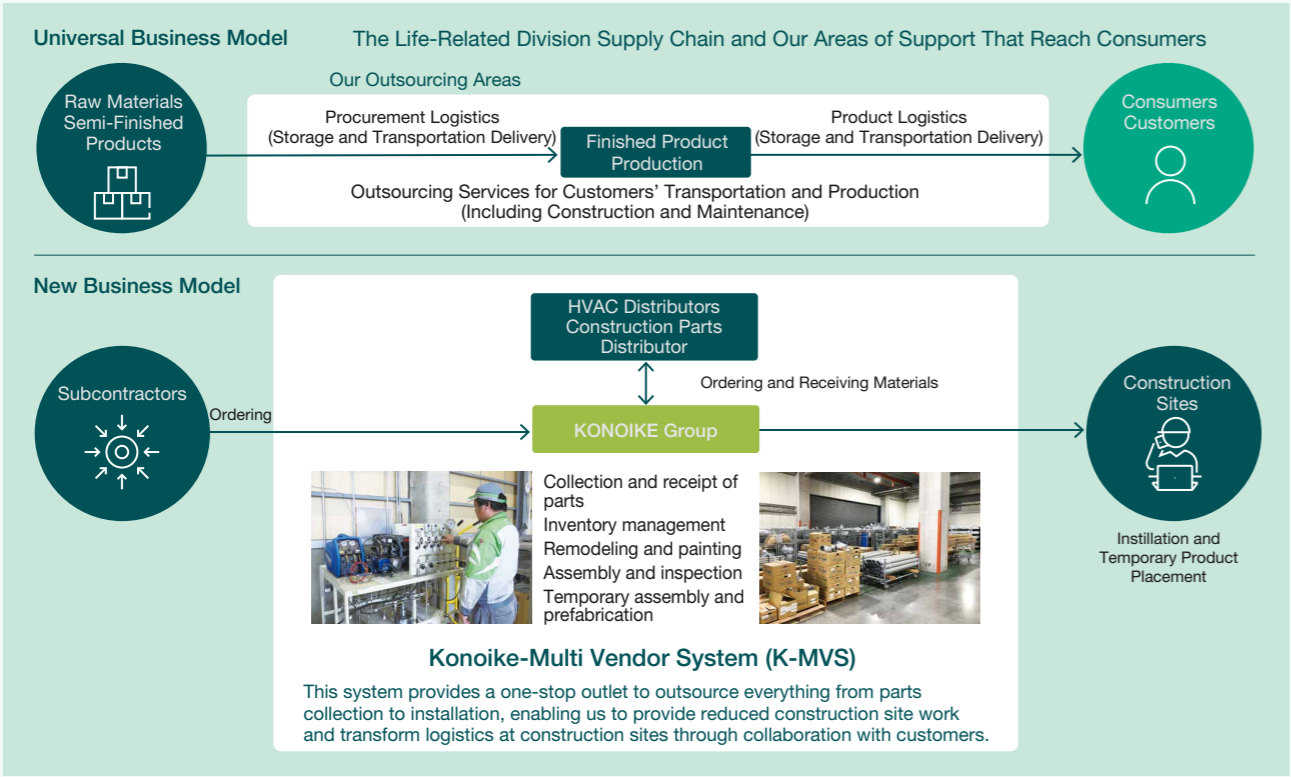
We boldly take on challenges to crate new value.

Executive General Manager, Life-Related Division
Shigenori Akagi

Our Business Model

Our Strengths

- K-MVS* to save labor and improve work efficiency at air conditioner installation sites
- Expertise including national certifications, auto maintenance qualifications, gas heat pump service skills, and various other credentials
- Leveraging energy business know-how developed over years to contribute to the environmental and reduce internal power costs



Medium-Term Management Plan Policy and Progress

[Outline of the Medium-Term Management Plan]

- Strengthen the competitiveness of our distribution centers and land transportation business (improve profit margin, expand sales to EC shippers, build last mile infrastructure)
Manage work progress and improve the actual vehicle ratio to improve profit margin by promoting digital transformation through AI, new technologies, and material handling applications
- Establish a foundation for the energy business and promoting PPA initiatives
Build a foundation for energy business focused on solar power and hydrogen, advance PPA initiatives, and explore entry into next-generation energy businesses
- Provide efficient construction solutions focused on air conditioning systems, supplying appropriate materials based on project timelines, and managing the storage and transportation of service parts
Aim to become the leading company in the industry by utilizing K-MVS to expand our business



Although the domestic economy showed signs of recovery from COVID-19, challenges arose from the ongoing Russian invasion of Ukraine. Soaring truck diesel fuel prices due to rising crude oil costs from the worsening situation in the Middle East, along with increasing electricity rates, have contributed to the overall economic strain. Additionally, costs associated with maintaining and securing drivers to

address the 2024 logistic problems and carbon neutrality have further escalated. In response to these challenges, the Life-Related Division has consistently worked to enhance logistics productivity. Efforts include promoting digital transformation through the introduction of RFID and SAS, as well as improving efficiency by reorganizing inventory layouts in warehouses.



To enhance the competitiveness of its distribution center and land transportation businesses, the Life-Related Division must improve its responsiveness to customers who excel in the e-commerce sector and other areas as the e-commerce market expands. To improve profitability and secure profits, we are

focused on increasing productivity and enhancing operational efficiency. This includes improving working conditions with clients, introducing material handling equipment and facilities, and promoting in-house matching of warehouses, vehicles, and personnel through information sharing.

TOPICS

TechnoLogis® Makuhari Opens

01

In February 2024, we opened the TechnoLogis® Makuhari technical center in Narashino City, Chiba Prefecture. This center will serve as the main base for our unique service, K-MVS, which integrates technology and logistics for air conditioner refurbishment. This service aims to assist air conditioning equipment manufacturers, subcontractors, and HVAC distributors by offering construction savings for sites focused on air conditioning equipment. It ensures the timely supply of suitable parts and materials according to the project timeline, along with the storage and transportation of service parts.

As a result, TechnoLogis® Makuhari can handle all piping and wiring work needed for air conditioner installation and deliver it directly to the construction site. Previously, each construction agency delivered individual parts for air conditioning work to the construction site. Now, we will manage these deliveries centrally at our center, coordinating them according to the project's progress to enhance

efficiency and quality. We assist air conditioning equipment manufacturers, subcontractors, and HVAC distributors in addressing various issues at construction sites related to the installation of commercial air conditioning systems. These challenges include personnel shortages, delivery vehicle wait times, excess inventory, and the need to reduce CO₂ emissions.

We aspire to become a leading company in this industry in the future.



Initiatives to Reduce CO₂ Emissions

02

We conduct assessments and explore the commercialization of next-generation energy solutions that contribute to CO₂ reduction. Our initiatives include energy services through solar power generation, installing and maintaining solar power systems on

rooftops of facilities within our energy demand areas, and implementing a Power Purchase Agreement (PPA) business. We also offer comprehensive services for the transmission and sale of surplus electricity both internally and externally.

International Business Division

International Logistics Business Overseas-Related Operations

Business Overview
With offices in North and Central America, China, ASEAN, and India, we are striving to expand our logistics and other service areas 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.



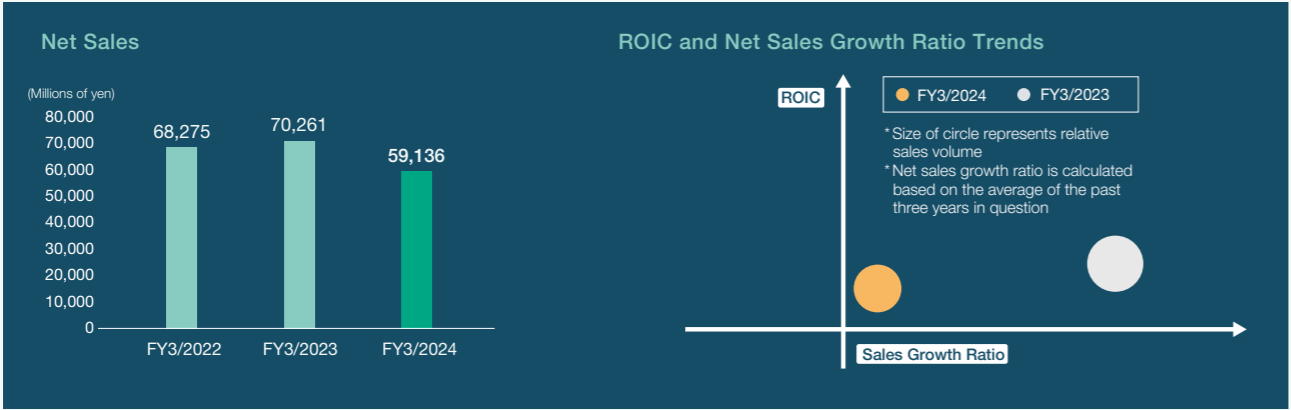
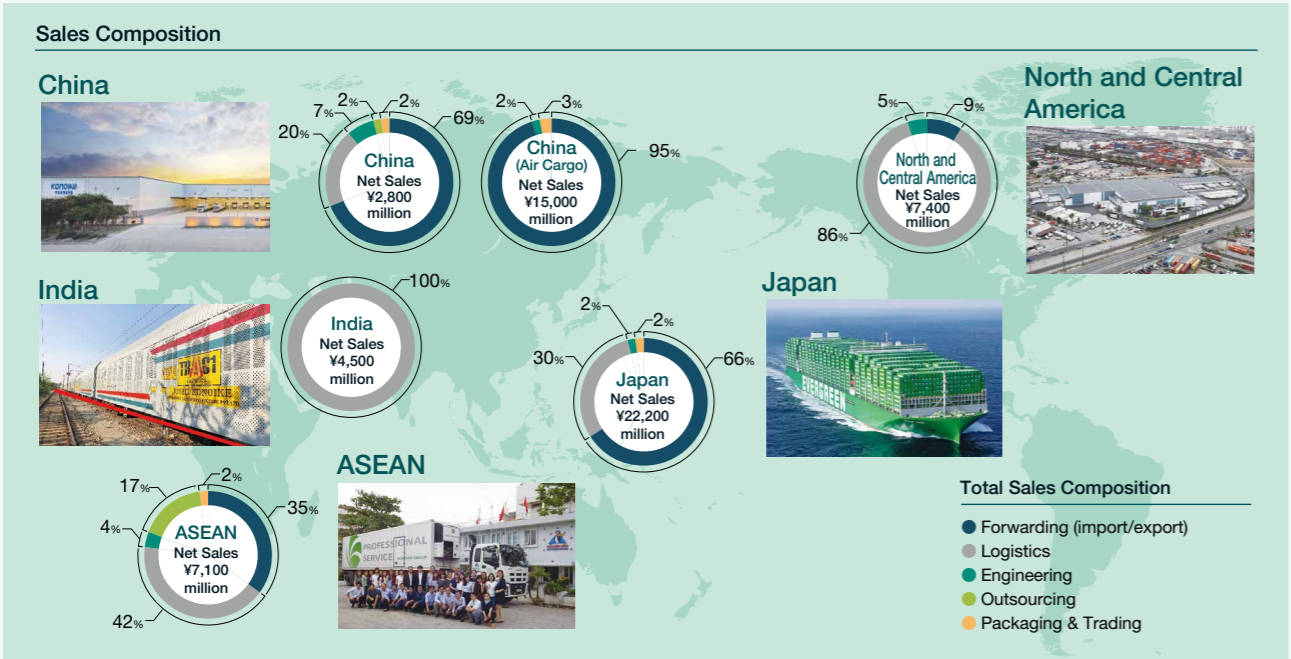
We will drive and further our global business based on the pillars of growth, investment, and technology, and provide high-added value to our customers.

Executive Officer and Executive General Manager, International Business Division
Takahide Towa

Our Business Model

We have established five business segments—Forwarding , Logistics , Outsourcing, Engineering , and Packaging & Trading—based on regional characteristics. This approach clarifies our business focus and target industries, positioning us for global growth.

- Our Strengths**
- Ability to develop projects and flexibility
 - In-house development of a digital forwarding system to make trade operations more efficient
 - Approximately 80 employees have overseas work experience, more than 100 are certified customs brokers, and there are around 3,000 employees across all our overseas locations



Medium-Term Management Plan Policy and Progress

[Outline of the 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

External Environment



In FY3/2024, ocean freight rates, which had surged during the COVID-19 pandemic, began to decrease in the middle of the previous fiscal year and returned to pre-pandemic levels in the first half of this fiscal year. Air freight rates also dropped significantly as demand decreased with the shift back to sea transport. The slowdown in intra-Asian economies and the weak yen reduced the

movement of goods, including home appliances, textile products, and semiconductor manufacturing equipment from China. This decline significantly impacted the performance of our International Logistics Business. Conversely, the freezing and refrigeration business, along with the engineering business in North and Central America, performed well due to strong demand.

Internal Environment



We focus on gathering, analyzing, and visualizing data to enhance our sales and business activities. We created an internal forum for sharing information to discuss trends, characteristics, and issues identified from the data. We are making further progress in collaborative efforts with other

business units to better achieve results. We are enhancing domestic and international transactions by promoting personnel exchanges between offices and fostering mutual understanding. This approach allows our entire group to add value and better meet the needs of each customer.

TOPICS

North and Central America Reorganization of Business Structure

01

Initially, the International Business Division formed a group of four subsidiaries focused on chilled/frozen warehouse storage and forwarding as core businesses on the U.S. West Coast. However, the corporation that specialized in forwarding was separated from the group, leading to a restructuring that emphasized chilled/frozen cargo. Conversely, we established a new business group by enhancing collaboration between the detached forwarding corporation and the Mexican corporation that focuses on engineering. In recent years, cross-border transportation and other joint projects between the U.S. and Mexico have increased. We will improve operational efficiency and profit margins by enhancing personnel flexibility

through integrated operations. Additionally, in August 2024, we completed the acquisition of design packaging companies in Canada and Mexico to integrate them into our new business group. By integrating forwarding and engineering with design packaging, we offer new services to various customers, including those in the automotive industry, and strive to build stronger relationships with them. By considering Canada, the U.S., and Mexico as a single market and facilitating personnel exchanges and asset sharing, we will expand our business in the region while exploring, developing, and investing in additional foundational businesses.

Canada Design Packaging Company

Company Name Pine Valley Packaging Group Inc.
Location Uxbridge, Ontario, Canada (Mexican subsidiary in Leon, Guanajuato)
Business Overview Designing, planning, manufacturing, and selling various packaging containers and cushioning materials for the automotive industry



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 wide-ranging services include passenger, ramp, cabin, cargo shed, SCC, and information services. We provide services mainly to two major Japanese airlines as well as foreign airlines and airport operators.



We take on the challenge of ensuring safety while advancing our technologies and expanding our business as a group of airport ground handling professionals.

Executive Officer and Executive General Manager, Airport Division
Kiyofumi Okamoto

Our Business Model

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

- Our Strengths
- Top market share in ground handling among non-airline providers
 - Response capacity with a fleet of over 550 aircraft towing and other special vehicles
 - Capacity to meet a wide range of customer needs by leveraging the diverse human resources of the Group

01 Passenger Operations

Check-in

Lounge

Flight Operations Services

Arrival and Departure Gate Services

Baggage Wrapping and Other In-Airport Services

02 Cargo Shed

Cargo Consignment

Export Build-Up

Import Dismantling

Conveyance

03 Ramp

Loading and Unloading

Aircraft Guidance

Load Control (Weight Balance Management)

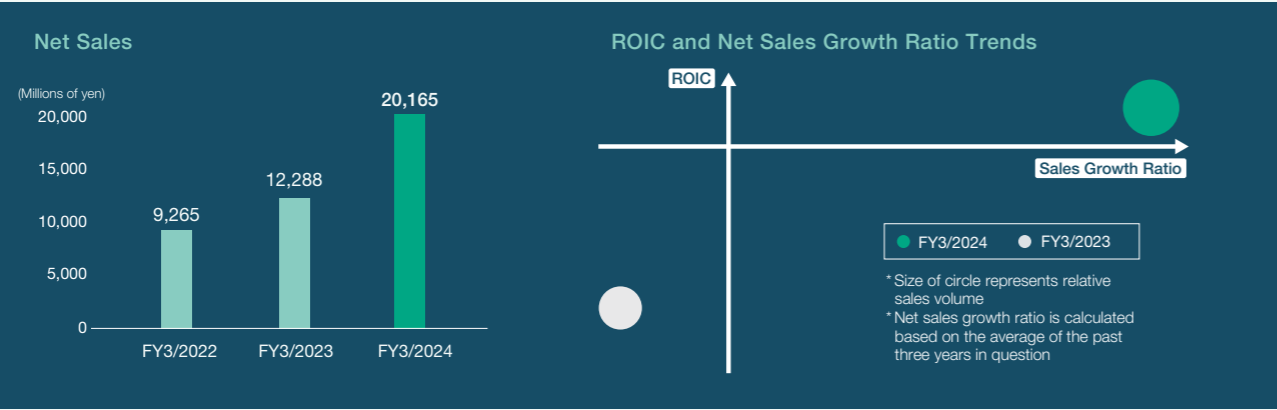
Passenger Baggage

In-Flight Cleaning

In-Flight Meals and Equipment, Other Setup

Services by Airport (●: Contracts in Place)

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



Medium-Term Management Plan Policy and Progress

[Outline of the Medium-Term Management Plan]

- Posted net profits for the first time since FY3/2020 due to increased earnings stemming from the resumption of international passenger flights, unit price revisions, and business domain expansion
- Expand the scope of our human resources, including through overseas personnel acquisition, and enhance our educational infrastructure; secure human capital of both high quality and sufficient quantity to support business expansion
- Expand business by increasing bases and expanding our business domain, building on the results of the past two years; enhance profitability through increased productivity and automation

External Environment

COVID-19 was reclassified as a category 5 infection in May 2023, with a full-scale resumption of international passenger flights underway. We cannot fully meet the strong inbound demand due to the incomplete return of workers and skilled technicians who left airport jobs during the pandemic. Securing human resources is a top priority in the ground handling industry. Airport

operators have requested that airlines, as their customers, absorb the appropriate increased labor costs associated with improved employee benefits. The national government, local governments, airport companies, airlines, and industry associations continue to cooperate to resolve these issues and develop sustainable airport operations.

Internal Environment

We expanded our overseas talent pool to increase the employment of foreign nationals, leveraging the technical internship system, specified skills system, and partnerships with universities abroad. Other efforts we took included improving employee benefits (assuming fair unit pricing from customers), preventing the outflow of human resources (our

greatest management resource), and responding to strong demand for international return flights. These initiatives resulted in our first net profit in four fiscal years. We aim to restore earnings at pre-COVID-19 levels by enhancing our educational infrastructure and improving operational efficiency through digital transformation and other measures going forward.

TOPICS

Using Biodiesel Fuel in Airport Towing Tractors

01

K Ground Service Co., Ltd. provides ground handling services at Kansai and Haneda airports. In February 2024, the company began using biodiesel fuel in one of its towing tractors at Kansai Airport as part of its efforts to reduce CO₂ emissions. This fleet vehicle is the first at Kansai Airport to use biodiesel fuel. The company began refueling with B30 fuel, a mixture of 30% fatty acid methyl esters produced from waste cooking oil and 30% diesel oil. This fuel can be used in vehicles without license plates that operate mainly at airports, ports, and on private property. We estimate that using B30 reduces CO₂ emissions by approximately 2,808 kg/year per towing tractor. K Ground Service plans to increase the number of vehicles using B30 fuel to five by the

end of FY3/2025. Depending on the results, we will consider expanding this initiative to other business units.



First-Year Results Following the Establishment of Konoike Air Holding

02

Konoike Air Holdings achieved significant milestones over the past year since its launch in April 2023. Each group company employs experienced airport operations experts who share their knowledge with the holding company. In our first year, Konoike Air Holdings successfully developed its talent pool. The company also undertook several new sales projects, including

international ones, but was unable to bring them to fruition. In FY3/2025, Konoike Air Holdings will focus on new sales and securing resources as the company further strengthens its sales front, deepens cooperation with other divisions, expands business beyond the ramp, passenger, and cargo domains, and expands bases in Japan.

Medical Division

Integrated Solution 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, we 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.



We enhance healthcare quality and efficiency through our efforts to strengthen and expand our business foundation.

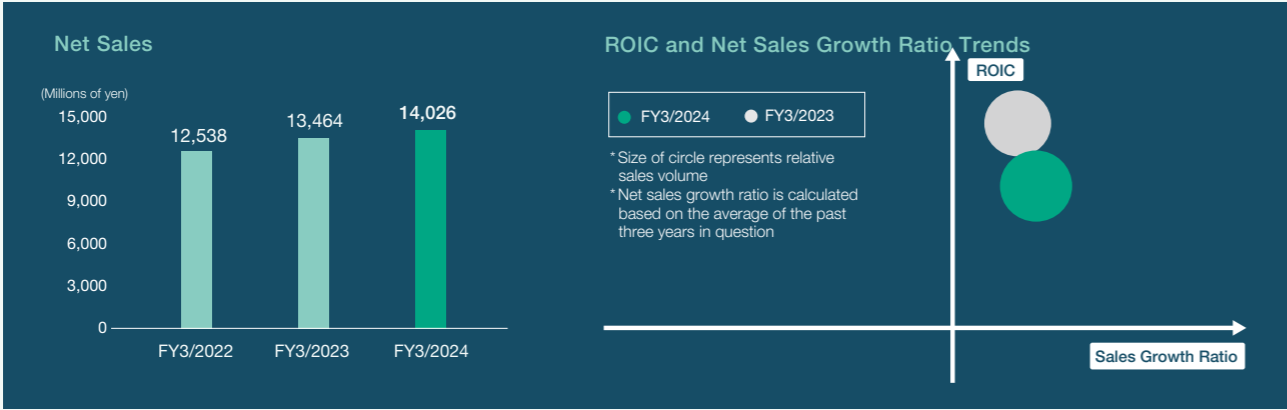
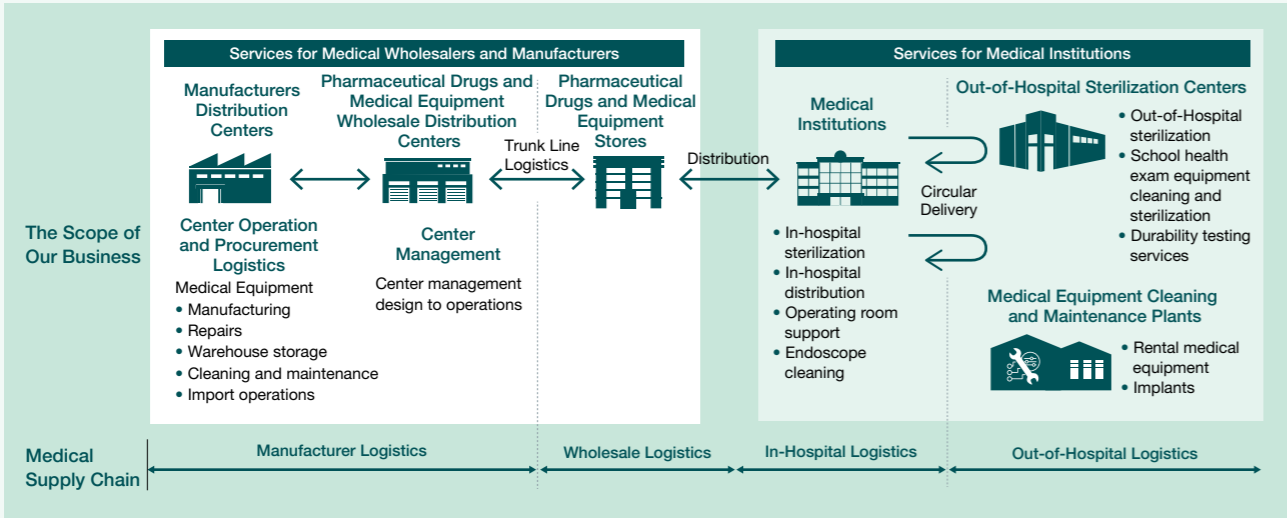
Executive Officer and Executive General Manager, Medical Division
Hideki Takami

Our Business Model

Our services range from upstream equipment transportation for manufacturers and wholesalers and outsource services for maintenance and distribution center operation designs to downstream services such as equipment transportation for medical institutions and outsource 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.

Our Strengths

- Comprehensively meeting customer needs by developing services across every stage of the medical supply chain
- Developing our own bases across the country and providing medical device management and sterilization services for a wide range of medical institutions
- Establishing relationships with medical institutions, etc. in India; Providing comprehensive services from consultations to Japanese companies seeking to enter the Indian market to the wholesale distribution of medical-related products



Medium-Term Management Plan Policy and Progress

[Outline of the 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
- Develop a foundation in India and other overseas countries for medical-related businesses, including sterilization, wholesale, and consulting services

External Environment



Medical institutions activities have returned to pre-COVID-19 disaster levels following the reclassification of COVID-19 as a category 5 infection. Medical institutions work to increase the number of surgeries to secure revenue, leading to an increase in the handling of loaned medical equipment for orthopedic implant surgeries

handled by our company. The increase in surgeries also led to increased sterilization operations within medical institutions. The challenge of securing human resources is also intensifying in the medical industry. While there is a strong demand from customers to outsource, we are also struggling to secure human resources.

Internal Environment



The outsourced logistics-related business for medical wholesalers secured solid sales and operating income through steady handling and efforts to improve operational efficiency.

Meanwhile, we are enhancing facilities in response to the increase in cleaning maintenance and other services for medical equipment manufacturers. However, we are focused on investments, despite the steady rise in sales

stemming from such enhancements. Sales of services for medical institutions are also growing steadily driven by the increasing willingness of such institutions to outsource. However, securing operating income remains challenging due to rising labor costs to secure human resources. Although overall sales are steadily expanding, we face challenges in securing human resources and securing earnings through unit price revisions.

TOPICS

Konoike Medical Opens Tokyo Logistics Sales Office 2nd Center

01

The Konoike Medical Co., Ltd. Tokyo Logistics Office handles the cleaning and maintenance of implants and other equipment for medical device manufacturers. The company received numerous customer requests for increased handling and inquiries from new customers, but was unable to respond adequately due to full existing warehouses. Further business expansion requires new space. To this end, the company opened a second center with an area of approximately 6,862 square meters in the Tokyo Ryutsu Center (TRC). The new center is located near the existing center and is easily accessible by both land and air.

Cleaning and maintenance services are particularly promising for growth in the medical business, a priority business among all companies. Konoike Medical plans to increase new inquiries in response to customer needs while also pursuing greater efficiency by consolidating operations between new and existing centers based on the types of services provided. The launch of the second center also requires additional staffing to accommodate work volumes. The company strives

to ensure that unit costs align with incurred expenses while also addressing staff needs.

The company also aims to expand services for handling circulating medical devices and other products, as called for in the 2030 Vision by the Medical Division. Konoike Medical is committed to initiatives to achieve this goal, including leveraging this second center.



Engineering Division

Integrated Solutions Business Engineering Operations

Business Overview
We construct and maintain plant on-site for the gas, steel, chemical, and industrial machinery industries and various plant manufacturers both in Japan and overseas. We work as a partner with our customers and contribute to the industrial world by providing a wide range of services performed by highly specialized personnel.



Strengthening Profitability of Existing Businesses While Expanding Into New Business Areas –Creating New Trends With Our Ability to Make Connections–

Managing Executive Officer and Executive General Manager, Engineering Division
Kazumitsu Miyoshi

Our Business Model

We provide a wide range of services, including plant construction, facilities and machinery maintenance, electrical instrumentation services, technical personnel dispatching, and non-destructive testing. In addition, we have a Japan-wide network of fabrication facilities, enabling us to provide our customers with complete outsourcing solutions from fabrication to construction and installation.

- Our Strengths**
- Wide talent pool (including construction management engineers and skilled technicians) capable of handling various construction, installation, and maintenance tasks
 - Japan-wide locations (including our own manufacturing facilities) capable of providing a variety of services
 - Wide range of solutions offered by coordinating the provision of various services (including mechanical and electrical engineering, plant construction, and maintenance)

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

Plant-Related Operations

Machinery and equipment installation
General fabrication, steel structural fabrication, and installation
Plant piping construction
Equipment maintenance
Equipment servicing
Machine maintenance

Electrical Services

Electric and instrumentation design
Technical personnel dispatching

Civil Engineering and Construction Work (Certain Areas)

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

Inspection and Measurement Operations

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

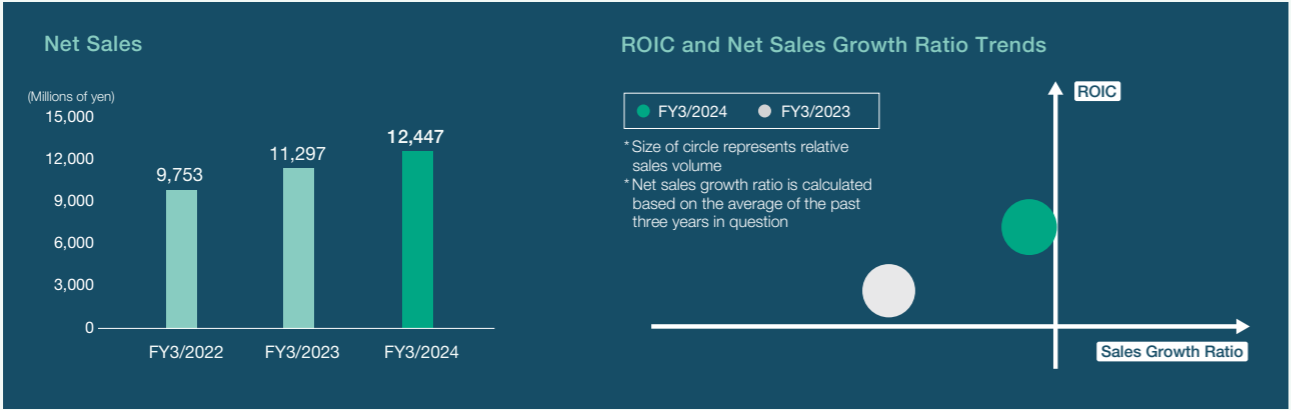
Remote Monitoring Services

Gas turbine facilities
Water and sewerage facilities

Creating a System to Provide Solutions Through Our Own Manufacturing Facilities Throughout Japan

Our Own Manufacturing Facilities

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



Medium-Term Management Plan Policy and Progress

[Outline of the Medium-Term Management Plan]

- Secure stable earnings in our core domain of construction and maintenance in the steel-related business and expand into peripheral business sectors
- Book more orders as the prime contractor from various plant manufacturers and strengthen profitability
- Utilize M&A to expand sales coverage, use digital tools to improve productivity, and train and hire personnel



There has been a recovery in capital investment demand due to an upturn in economic activity in Japan. This capital investment has led to the replacement of aging equipment and together with capital investment in new energy projects has kept our business firm. That said, with rising prices, the international situation, and other factors, our business environment is still uncertain, and

competition for orders and pricing pressure makes that environment even more challenging. In this an environment, we have been aggressively submitting proposals and bidding for business, striving to secure and book more orders. Moreover, we succeeded in landing some large projects and performed better than expected, exceeding our previous year's results.



Our industry is experiencing a notable shortage of construction managers, skilled technicians, and other personnel. Securing these human resources is the real challenge we face in implementing our medium-term management plan. To make sure we have the highly specialized people we need, we are increasing our commitment to recruitment and training. In parallel with this commitment, we will also continue to ensure we create a workplace

environment that is pleasant and rewarding. Furthermore, to offer our customers the wider range of turnkey solutions they are looking for, from design to construction, we will pursue M&A, business alliances, and other means. These will enable us to acquire the necessary capabilities to offer new, broader solutions to our customers, ultimately allowing us to capture more business.

TOPICS

Expanding Our Business Domain

01

In our steel-related business, an existing business area for us, we are expanding our market share and actively participating in large-scale construction projects to improve profitability. We will further enhance our strengths, namely our advantages in location and resources, to expand our business domain into related sectors.

In off-site work and new business areas, which are regarded as areas of growth, profitability has improved due to us being awarded various construction and fabrication contracts and the expansion of our range of services. Furthermore, improved profitability has also come from increased management efficiencies due to us landing several large-scale construction projects. In addition, collaboration within the Group now enables us to offer a range of plant construction, maintenance, and other services to a diverse customer base. Specifically, by expanding our integrated mechanical and electrical engineering services and maintenance operations, together with combining these with services provided by our other divisions, we are gaining recognition from customers who were previously outside the scope of our capabilities, which means we can offer them our

skills and expertise. To that end, we will enhance our human resources with a firm focus on continued growth in the future. This will be achieved by expanding our framework for mid-career hiring and also actively investing in our human capital. We will implement measures that include supporting educational programs, helping our less experienced employees obtain qualifications, and placing the right person in the right place to develop their career. We will continue to improve our construction capabilities with a combination of recruitment and training.



Analysis of Business Status/Corporate Performance, Etc.

Corporate Performance and Business Status

In FY3/2024, the Japanese economy showed a gradual recovery overall, with positive factors such as continued normalization of social and economic activities and a recovery in inbound demand; however, there was also a negative impact of rising prices due to a worsening labor shortage, rising labor costs, and the high prices of raw materials driven by the weak yen and other factors.

In April 2023, in the second year of our medium-term management plan, which runs through FY3/2025, we established the Outsourcing Strategy Committee and Logistics Strategy Committee as advisory bodies to the Board of Directors. In addition to resolving current company-wide issues such as the 2024 Driver Shortage Problem, the committees are working across divisions to clarify medium- to long-term strategies for the outsourcing and logistics business, including the provision of high-value-added services and the development of new business models.

With these initiatives, we will further grow our business and improve profitability. We saw a significant improvement in Airport-Related Business earnings with the resumption of international passenger flights, unit price revisions, and business domain expansion. The business posted net profits for the first time since FY3/2020. We will continue to strengthen our structure and expand business domains looking ahead to additional flight resumptions and sustainable development in the ground handling business.

Net sales for FY3/2024 rose 1.0% to ¥315,029 million, overcoming the negative impact of a decline in ocean and air cargo demand and freight market conditions in general. This rise in net sales was mainly due to positive factors, including higher handling volumes in the Airport-Related Business, stemming from the resumption of international passenger flights; ongoing large-lot spot work; unit price revisions for contract production services; and winning orders for large-scale construction projects. Another positive factor was an increase in production due to a recovery in manufacturing activities among our main customers, the extreme summer temperatures, and other factors.

Despite the steep rise in fuel and electricity prices, we returned to profitability, with operating income amounting to ¥16,634 million (up 25.6% year on year), ordinary income of ¥17,034 million (up 19.3% year on year), and profit attributable to owners of parent of ¥11,349 million (up 36.7% year on year). This return to profitability was the result of the higher sales that came with increased handling volumes in our Airport-Related Business as well as our ongoing efforts to improve profitability in line with our current 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 was as follows. Note that segment income is operating income before deducting

corporate expenses such as general and administrative expenses.

Integrated Solutions Business

Net sales were up 6.9% year on year to ¥201,965 million, with volumes handled increasing in the Airport-Related Business due to the resumption of international passenger flights and in the Food Products-Related Business due to increased production by our customers in response to the hot summer. There was also an increase in net sales due to contributions from new facilities coming into operation. The continued acquisition of large-scale spot work and unit price increases in production outsourcing work in the Steel-Related Business together with orders for large-scale construction work in the Engineering-Related Business further contributed to the increase; however, the end of the earthquake recovery work in September 2022 and our withdrawal from certain customer operations also had an impact on net sales.

Profits increased 33.9% year on year to ¥17,392 million, despite high fuel and electricity prices and major repair costs incurred at a distribution center warehouse. The increase was mainly due to a turnaround in our Airport-Related Business, in turn due to increased handling volumes, and the acquisition of spot work in the Steel-Related Business. Additional contributions to our increased profits came from the receipt of appropriate unit prices and top-to-bottom operational efficiency improvements.

Domestic Logistics Business

Net sales amounted to ¥53,901 million (up 2.3% year on year) due to increased volumes of temperature-controlled cargo handled in the Food-Related (Temperature-Controlled) Business, including at a new temperature-controlled warehouse that started operations, and increased volumes of souvenirs, gas appliances, and other goods in the Life-Related Business.

Despite the steep rise in fuel and electricity prices, profit amounted to ¥3,081 million (up 1.1% year on year). This increase resulted from increased sales, improved profitability through the receipt of appropriate unit prices, and bottom-to-top streamlining of operations.

International Logistics Business

There was a significant negative impact due to the decline in demand for ocean and air cargo and the state of the freight market in general; however, despite there being an increase in handling volumes in warehousing and distribution in some countries, including India, Thailand, and the United States, net sales were still down 15.8% year-on-year to ¥59,136 million.

Profits decreased 15.3% to ¥3,010 million due to a decrease in handling volumes and other factors, although there was an increase in profit at some facilities due to improved operational efficiencies and other factors.

Financial Condition and Cash Flows

Total Assets

As of the end of FY3/2024, net assets amounted to ¥277,056 million, an increase of ¥11,034 million compared to the end of FY3/2023.

Current Assets

As of the end of FY3/2024, total assets amounted to ¥138,176 million, an increase of ¥5,921 million compared to the end of FY3/2023. This result was mainly due to an increase in notes and accounts receivable-trade and contract assets of ¥4,579 million and an increase in other current assets of ¥1,055 million.

Fixed Assets

As of the end of FY3/2024, fixed assets amounted to ¥138,880 million, an increase of ¥5,112 million compared to the end of FY3/2023. This increase was mainly due to an increase of ¥1,776 million in land, an increase of ¥1,035 million in buildings and structures; an increase of ¥954 million in investment securities; and an increase of ¥860 million in other investments and assets.

Total Liabilities

As of the end of FY3/2024, total liabilities amounted to ¥140,975 million, a decrease of ¥1,252 million compared to the end of FY3/2023.

Current Liabilities

As of the end of FY3/2024, current liabilities amounted to ¥61,886 million, an increase of ¥9,359 million compared to the end of FY3/2023. This result was mainly due to an increase of ¥10,000 million in the current portion of bonds payable, an increase of ¥3,412 million other current liabilities, a decrease of ¥2,631 million in short-term borrowings, and a decrease of ¥2,228 million in the current portion of long-term borrowings.

Fixed Liabilities

As of the end of FY3/2024, fixed liabilities amounted to ¥79,089 million, a decrease of ¥10,612 million compared to the end of FY3/2023. This result was mainly due to a decrease of ¥10,000 million in bonds, a decrease of ¥1,617 million in long-term borrowings, and an increase of ¥939 million in liabilities related to retirement benefits.

Net Assets

As of the end of FY3/2024, net assets amounted to ¥136,081 million, an increase of ¥12,287 million compared to the end of FY3/2023. This result was mainly due to an increase of ¥8,926 million in retained earnings and an increase of ¥1,796 million in foreign currency translation adjustments.

Cash Flows

• Cash Flows From Operating Activities

Net cash provided by operating activities for FY3/2024 amounted to ¥17,687 million, a decrease of ¥1,105 million year on year. This result was mainly due to net income before income taxes of ¥17,203 million, depreciation and amortization of ¥8,097 million, and income taxes paid of ¥6,349 million.

• Cash Flows From Investing Activities

Net cash used in investing activities for FY3/2024 amounted to ¥7,839 million, an increase of ¥1,993 million year on year. This result was mainly due to ¥7,651 million in purchases of property, plant and equipment as well as ¥569 million in purchases of intangible assets.

• Cash Flows From Financing Activities

Net cash used in financing activities for FY3/2024 amounted to ¥9,869 million, an increase of ¥6,348 million year on year. This was due mainly to ¥5,631 million in repayments of short-term borrowings and ¥2,544 million in cash dividends paid.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)			(Millions of yen)		
	As of March 31, 2023	As of March 31, 2024		As of March 31, 2023	As of March 31, 2024
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	69,381	70,034	Notes and accounts payable - trade	15,110	14,843
Notes and accounts receivable-trade, and contract assets	57,586	62,165	Short-term borrowings	6,636	4,005
Costs on uncompleted works	91	63	Current portion of bonds	—	10,000
Supplies	1,843	1,903	Current portion of long-term borrowings	3,869	1,640
Other	3,576	4,631	Provision for director bonuses	387	312
Allowance for doubtful accounts	(224)	(621)	Accrued expenses	11,875	13,126
Total current assets	132,254	138,176	Income taxes payable	3,501	3,399
Non-current assets			Other	11,145	14,557
Property, plant and equipment			Total current liabilities	52,526	61,886
Buildings and structures	119,509	124,483	Non-current liabilities		
Accumulated depreciation	(76,114)	(80,053)	Bonds payable	55,000	45,000
Buildings and structures, net	43,394	44,429	Long-term borrowings	5,737	4,120
Machinery, equipment and vehicles	52,757	54,367	Lease obligations	2,488	2,484
Accumulated depreciation	(41,547)	(42,829)	Deferred tax liabilities	581	612
Machinery, equipment and vehicles, net	11,209	11,537	Deferred tax liabilities for land revaluation	1,087	1,087
Land	41,798	43,575	Retirement benefit liability	21,244	22,184
Leased assets	5,471	5,734	Retirement allowance for directors	118	82
Accumulated depreciation	(2,741)	(2,881)	Long-term accounts payable - other	640	629
Leased assets, net	2,729	2,853	Other	2,802	2,888
Construction in progress	869	1,115	Total non-current liabilities	89,701	79,089
Other	9,686	10,127	Total liabilities	142,228	140,975
Accumulated depreciation	(7,798)	(8,159)			
Other, net	1,887	1,968	Net assets		
Total property, plant and equipment	101,889	105,479	Shareholders' equity		
Intangible assets			Share capital	1,723	1,723
Goodwill	1,568	1,336	Capital surplus	1,908	1,908
Other	4,528	4,087	Retained earnings	121,235	130,161
Total intangible assets	6,097	5,424	Share capital	(6,475)	(6,400)
Investments and other assets			Total shareholders' equity	118,391	127,393
Investment securities	12,610	13,565	Accumulated other comprehensive income		
Long-term loans receivable	304	257	Valuation difference on available-for-sale securities	4,284	5,116
Deferred tax assets	5,593	5,695	Revaluation reserve for land	(5,482)	(5,482)
Retirement benefit asset	147	469	Foreign currency translation adjustment	4,086	5,882
Other	7,280	8,141	Remeasurements of defined benefit plans	14	357
Allowance for doubtful accounts	(155)	(153)	Total accumulated other comprehensive income	2,903	5,873
Total investments and other assets	25,781	27,976	Non-controlling interests	2,498	2,814
Total non-current assets	133,767	138,880	Total net assets	123,793	136,081
Total assets	266,022	277,056	Total liabilities and net assets	266,022	277,056

Consolidated Statements of Income

(Millions of yen)		
	As of March 31, 2023	As of March 31, 2024
Net sales	311,840	315,029
Cost of sales	283,769	281,102
Gross profit	28,070	33,927
Selling, general and administrative expenses	14,827	17,292
Operating income	13,243	16,634
Non-operating income		
Interest income	97	162
Dividend income	458	457
Foreign exchange gains	163	475
Reversal of allowance for doubtful accounts	3	2
Gain on reversal of loss on valuation of investment securities	18	2
Employment adjustment subsidy	324	4
Other	555	288
Total non-operating income	1,621	1,393
Non-operating expenses		
Interest expenses	269	284
Loss on valuation of investment securities	0	—
Equity in losses of affiliates	217	261
Allowance for doubtful accounts	7	339
Other	88	107
Total non-operating expenses	583	993
Ordinary profit	14,281	17,034
Extraordinary income		
Gain on sales of non-current assets	179	115
Gain on sales of investment securities	12	954
Total extraordinary income	192	1,069
Extraordinary losses		
Loss on sales and retirement of non-current assets	242	44
Loss on valuation of investment securities	59	73
Impairment loss	407	52
Loss on revision of retirement benefit plan	—	713
Other	0	16
Total extraordinary losses	709	900
Profit before income taxes	13,764	17,203
Income taxes – current	5,737	6,239
Income taxes – deferred	(368)	(498)
Total income taxes	5,368	5,741
Profit	8,395	11,462
Profit attributable to non-controlling interests	94	113
Profit attributable to owners of parent	8,301	11,349

Consolidated Statements of Comprehensive Income

(Millions of yen)		
	As of March 31, 2023	As of March 31, 2024
Profit	8,395	11,462
Other comprehensive income		
Valuation difference on available-for-sale securities	249	842
Foreign currency translation adjustment	2,707	1,788
Remeasurements of defined benefit plans, net of tax	883	464
Share of other comprehensive income of entities accounted for using equity method	118	118
Total other comprehensive income	3,958	3,213
Comprehensive income	12,353	14,676
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,173	14,319
Comprehensive income attributable to non-controlling interests	180	357

Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

FY3/2024	Shareholders' equity					(Millions of yen)	
	Share capital	Capital surplus	Retained earnings	Share capital	Total shareholders' equity		
Balance at beginning of current period	1,723	1,908	121,235	(6,475)	118,391		
Changes of items during period							
Dividends of surplus			(2,544)		(2,544)		
Profit attributable to owners of parent			11,349		11,349		
Increase in retained earnings due to an increase in consolidated subsidiaries			115		115		
Purchase of treasury shares				(0)	(0)		
Disposal of treasury shares	6			74	81		
Transfer of loss on disposal of treasury shares					—		
Transfer to retained earnings from capital surplus		(6)	6		—		
Reversal of revaluation reserve for land					—		
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	8,926	74	9,001		
Balance at end of current period	1,723	1,908	130,161	(6,400)	127,393		
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period	4,284	(5,482)	4,086	14	2,903	2,498	123,793
Changes of items during period							
Dividends of surplus							(2,544)
Profit attributable to owners of parent							11,349
Increase in retained earnings due to an increase in consolidated subsidiaries							115
Purchase of treasury shares							(0)
Disposal of treasury shares							81
Transfer of loss on disposal of treasury shares							—
Transfer to retained earnings from capital surplus							—
Reversal of revaluation reserve for land							—
Net changes of items other than shareholders' equity	831		1,796	342	2,970	316	3,286
Total changes of items during period	831	—	1,796	342	2,970	316	12,287
Balance at end of current period	5,116	(5,482)	5,882	357	5,873	2,814	136,081

FY3/2023	(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		
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 subsidi-aries					—		
Purchase of treasury shares					—		
Disposal of treasury shares		(25)		121	96		
Transfer of loss on disposal of treasury shares		25	(25)		—		
Transfer to retained earnings from capital surplus					—		
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						
	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	Non-controlling interests	Total net assets
Balance at beginning of current period	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 subsidi-aries							—
Purchase of treasury shares							—
Disposal of treasury shares							96
Transfer of loss on disposal of treasury shares							—
Transfer to retained earnings from capital surplus							—
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

Consolidated Statements of Cash Flows

	(Millions of yen)	
	FY3/2023	FY3/2024
Cash flows from operating activities		
Profit before income taxes	13,764	17,203
Depreciation	8,036	8,097
Impairment loss	407	52
Amortization of goodwill	231	231
Increase (decrease) in allowance for doubtful accounts	(133)	387
Increase (decrease) in retirement benefit liability	910	1,353
Increase (decrease) in provision for directors' retirement benefits	(23)	(36)
Interest and dividend income	(555)	(619)
Loss on valuation of investment securities	59	73
Loss (gain) on valuation of investment securities	0	—
Gain on reversal of loss on valuation of investment securities	(18)	(2)
Interest expenses	269	284
Foreign exchange losses (gains)	20	(351)
Share of (profit) loss of entities accounted for using equity method	217	261
Employment adjustment subsidy	(324)	(4)
Gain on sales of non-current assets	(179)	(115)
Loss (gain) on sales of investment securities	(12)	(937)
Loss on sales and retirement of non-current assets	242	44
Decrease (increase) in trade receivables	2,965	(4,150)
Decrease (increase) in inventories	(269)	(5)
Decrease (increase) in other assets	275	(968)
Increase (decrease) in trade payables	(2,810)	593
Increase (decrease) in other liabilities	(204)	2,339
Other, net	259	9
Subtotal	23,129	23,740
Interest and dividends received	507	566
Interest paid	(267)	(281)
Employment adjustment subsidy received	361	12
Income taxes paid	(4,989)	(6,349)
Other	52	—
Net cash provided by (used in) operating activities	18,793	17,687
Cash flows from investing activities		
Decrease (increase) in time deposits	(252)	(50)
Net decrease (increase) in short-term loans receivable	(49)	91
Purchase of property, plant and equipment	(4,549)	(7,651)
Proceeds from sales of property, plant and equipment	566	224
Purchase of intangible assets	(1,254)	(569)
Purchase of investment securities	(43)	(144)
Proceeds from sales of investment securities	62	1,195
Long-term loan advances	(9)	(14)
Collection of long-term loans receivable	6	25
Other	(323)	(945)
Net cash provided by (used in) investing activities	(5,846)	(7,839)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(112)	(5,631)
Proceeds from long-term borrowings	—	22
Repayments of long-term borrowings	(320)	(719)
Dividends paid	(1,906)	(2,544)
Dividends paid to non-controlling interests	(41)	(54)
Repayments of finance lease obligations	(752)	(698)
Other, net	(413)	(271)
Net cash provided by (used in) financing activities	(3,547)	(9,896)
Effect of exchange rate change on cash and cash equivalents	552	513
Net increase (decrease) in cash and cash equivalents	9,952	465
Cash and cash equivalents at beginning of period	57,628	67,580
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	68
Cash and cash equivalents at end of period	67,580	68,114

KONOIKE GROUP Integrated Report 2024

*1 Applies to Konoike Transport Co., Ltd. and consolidated subsidiaries in Japan and overseas
*2 Applies to Konoike Transport Co., Ltd. and consolidated subsidiaries in Japan
*3 Applies to Konoike Transport Co., Ltd.
*4 Biodiesel fuel includes B5 and B30 fuel

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 FY3/2023. 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.

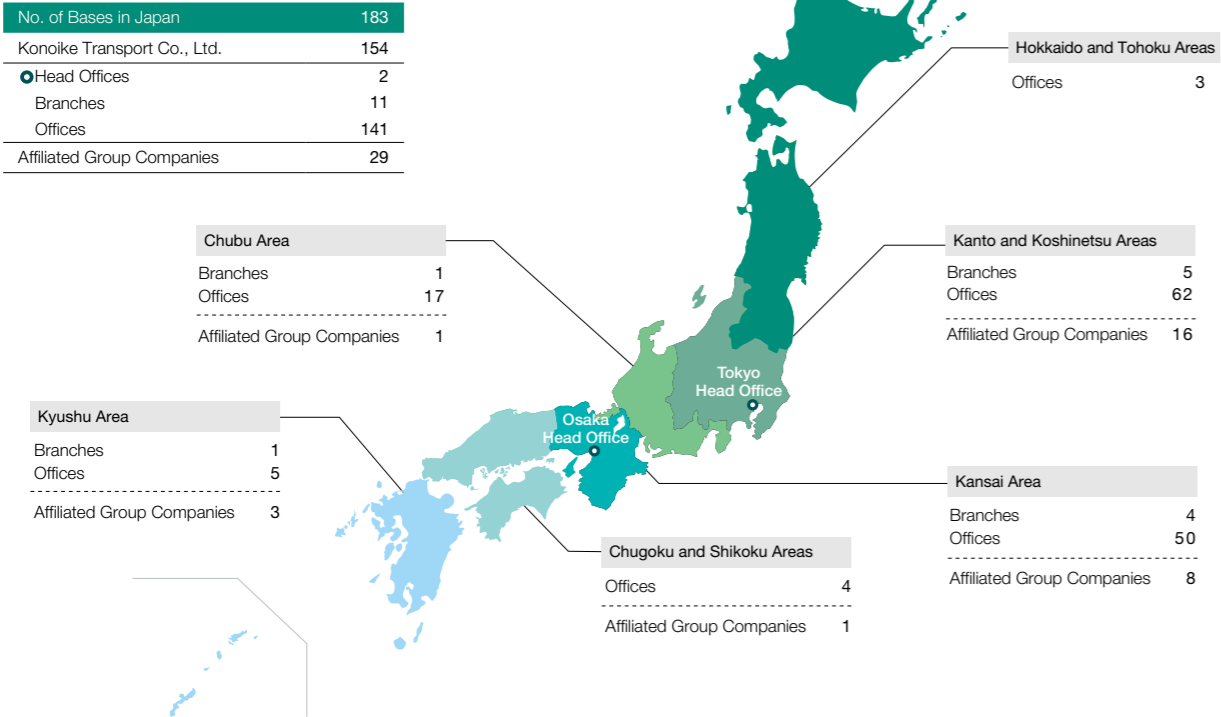
* Applies to Konoike Transport Co., Ltd. and consolidated subsidiaries in Japan

[illegible]

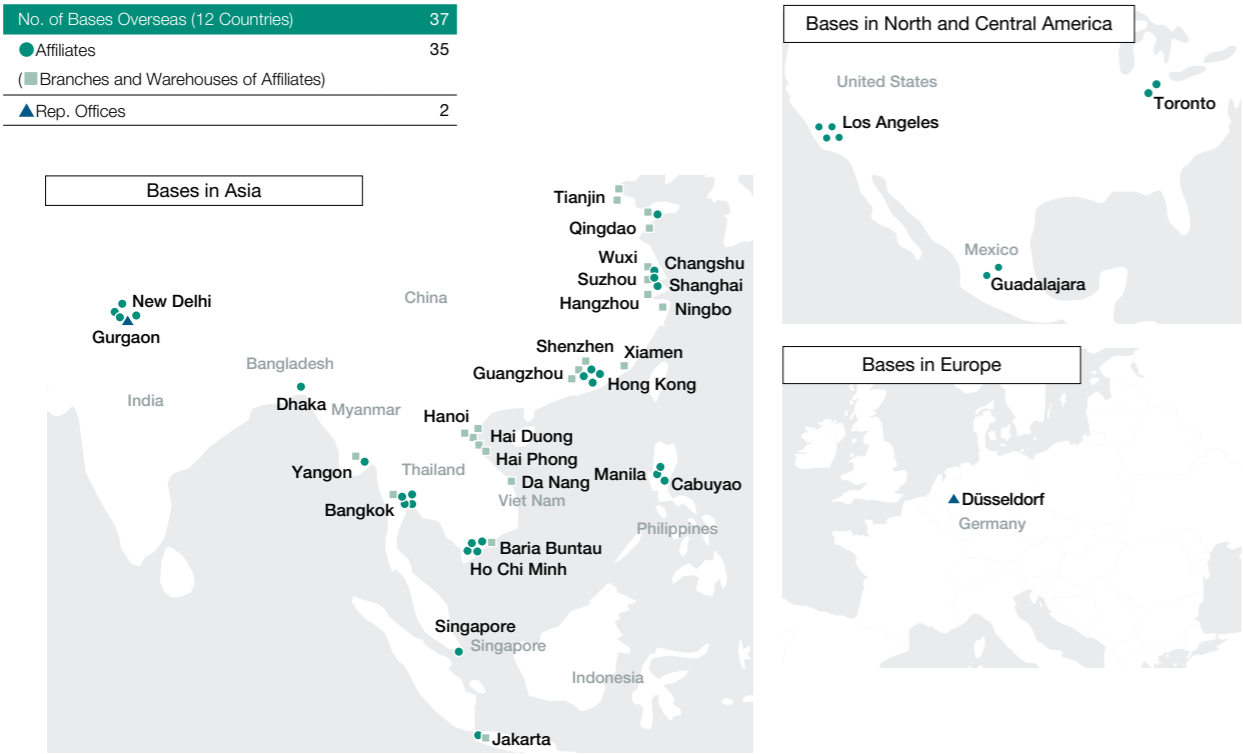
Company Data

Group Network

Operating Bases in Japan (As of August 1, 2024)



Operating Bases Overseas (As of August 1, 2024)



Group Companies (As of August 1, 2024)

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.	SPD India Healthcare Pvt. Ltd. Carna Medical Database Pvt. Ltd.
International Business Division	Konoike Shipping Co., Ltd. Sano Unyu Co., Ltd. Nichion Co., Ltd.	Konoike Kanepaclage Holding Co., Ltd. Pine Valley Packaging Group Inc. Pine Valley Packaging Mexico S.A. de C.V. 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 Promotion Division	SHINE Co., Ltd.	

Corporate Outline (As of August 1, 2024)

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

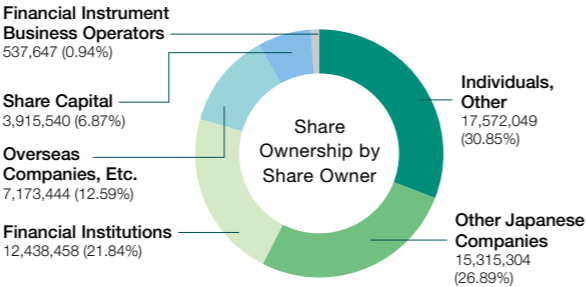
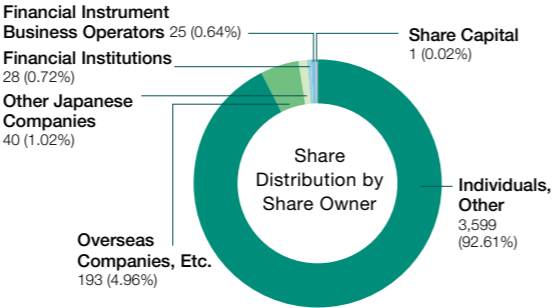
Stock Information (As of June 30, 2024)

Number of shares authorized	227,596,808 shares	Listed stock exchange	Prime Market, Tokyo Stock Exchange
Number of shares issued and outstanding	56,952,442 shares (including 3,915,540 treasury shares)	Security code number	9025
Number of shareholders	3,886		

Major Shareholders (Top 10)

Name of Individual or Company	No. of Shares Held (Shares)	No. of Shares Held (%)
Enokojimashoji Co.	5,040,888	9.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,810,200	9.06
Konoike Transport Employee Stock Ownership Plan	4,391,492	8.28
Ginsen Co., Ltd.	3,598,274	6.78
Tadahiko Konoike	2,584,806	4.87
Sumitomo Mitsui Banking Corporation	2,480,022	4.67
Nippon Steel Corporation	2,451,418	4.62
Osaka Gas Co., Ltd.	2,248,912	4.24
Custody Bank of Japan, Ltd. (Trust Account)	2,184,800	4.11
Tadatsugu Konoike	1,623,444	3.06

Notes: 1. Konoike Transport owns 3,915,540 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	Mailing address	2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department
Ordinary general meeting of shareholders	June each year	Telephone inquiries	☎ 0120-782-031 (toll-free in Japan) Business hours 9:00 to 17:00 (excluding weekends and holidays)
Record date	Annual general meeting: March 31 Year-end dividend: March 31 Interim dividend: September 30 Other date as published when necessary	Website URL	https://www.smtb.jp/personal/procedure/agency/
Administrator of shareholder registry and special-account managing institution	1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited	Frequently asked questions (FAQ)	https://faq-agency.smtb.jp/?site_domain=personal Procedures and answers to frequently asked questions can be found on the FAQ website above.
Special-account managing institution	4-5-33, Kitahama, Chuo-ku, Osaka	Method of public notice	Public notices will be posted on our website. (https://www.konoike.net/en/); provided, however, that in the event of an accident or any other una-voidable reason, the public notices may be given in "The Nikkei" newspa-per.
Administrator	Sumitomo Mitsui Trust Bank, Limited Stock		