

# Temperature-controlled Logistics Business

Nichirei Logistics Group Inc.  
<https://www.nichirei-logi.co.jp/english/index.html>

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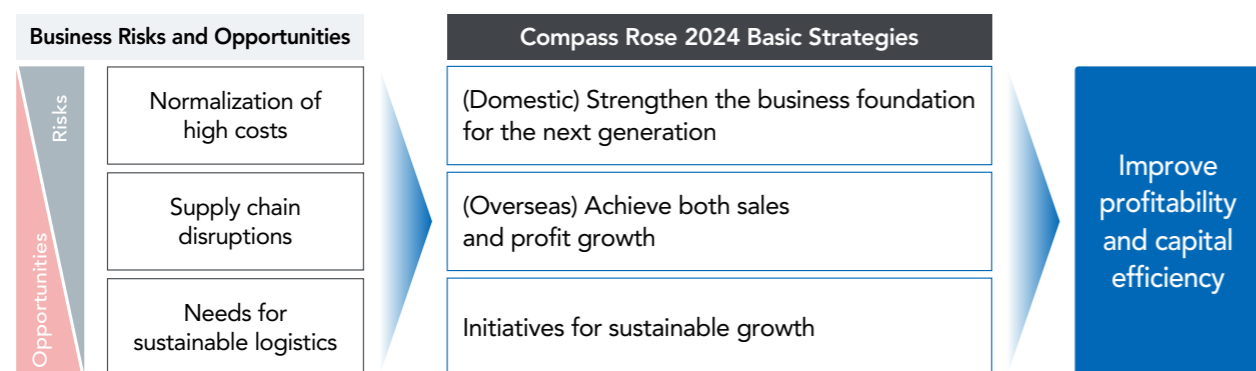


## Net Sales and Operating Profit

(Billions of yen)

	FY2023			FY2024		
	Results	vs. Previous Year		Plan	vs. Previous Year	
		Increase (Decrease)	Growth Rate		Increase (Decrease)	Growth Rate
<b>Net sales</b>	<b>244.2</b>	19.7	9%	<b>255.0</b>	10.8	4%
In Japan	177.1	2.7	2%	183.0	5.9	3%
Overseas	63.7	17.8	39%	67.0	3.3	5%
Others	3.4	(0.9)	(21%)	5.0	1.6	49%
<b>Operating profit</b>	<b>15.1</b>	0.5	4%	<b>15.3</b>	0.2	1%
In Japan	13.5	0.1	1%	13.7	0.2	1%
Overseas	2.4	0.3	16%	2.6	0.2	8%
Others/Intersegment	(0.8)	0.1	—	(1.0)	(0.2)	—

## Basic Strategies



## Progress of Medium-term Business Plan Compass Rose 2024

In FY2023 (the fiscal year ended March 31, 2023), which was the first year of Compass Rose 2024, our operating environment was challenging due to soaring energy prices and strained storage capacity, mainly in major metropolitan areas, among other factors. Even under these circumstances, the temperature-controlled logistics business achieved record-high performance, with increases in sales for the thirteenth consecutive year and in operating profit for the eighth consecutive year. In Japan, collection of commercial cargo was steady, and progress in improving operational efficiency contributed to results. In Europe, the effects of corporate acquisitions

and facility expansions became apparent, while strong performance in handling imported cargo and a steady rise in demand for cross-border transportation led to positive results.

In addition to a labor shortage, the logistics industry in Japan is facing the so-called “2024 Problem” next year, when limits on working hours for truck drivers will be set, with penalties for exceeding them. This will require major changes. Seeing this problem as both our biggest challenge and business opportunity, we are moving forward with various initiatives. One such initiative is the development of *SULS*, a next-generation transportation and delivery system. Our Atsugi DC is in a prime location for shipping, and by switching from

its former storage function to use as a gateway for trunk-route transport, we have consolidated cargo heading for the Kansai region, enabling significant improvement in the load factor of trunk-route transport, reduction in the number of vehicles and facilitating palletization. We are systematically securing trailers, which are a key point of *SULS*, to increase our fleet and thus extend our transportation and delivery network. During FY2024, we plan to further strengthen our trunk-route transport functions by also establishing a gateway in the Kansai Region. In addition, we are focusing on building a frozen food logistics platform. Utilizing the proposal and implementation capabilities for third-party logistics (3PL) that we have cultivated over many years, we are working to provide solutions in areas such as optimizing the frequency of stock replenishment and load factor balance, and improving transportation efficiency using joint logistics.

We also plan to start operation of the new Kobe Rokko DC in January 2024 to reinforce our business foundation in western Japan. This facility will enable us to roll out our one-stop service for fruit juice and dairy products, which is our strength in the Kanto (eastern Japan) region, to western Japan to offer the same level of service as we do in eastern Japan. We will also further improve customer convenience by centralizing customer contact points at our existing facilities in Kanto.

In addition, we continue to focus on business process innovation initiatives. We are moving forward with overall optimization and automation of warehouse operations for frozen products by linking automated equipment such as automated guided vehicles (AGVs) for frozen products and in-warehouse horizontal transport racks, for which we have been conducting field tests. At the same time, we will accelerate digital transformation through remote business management in the areas of job sharing of office work between locations and remote operation of business sites.

Nichirei Logistics Group is the only service business in the Nichirei Group, and its business model is not based on one-time fees, but rather on recurring revenue from the pay-as-you-go subscription services it offers. Our approach is to maximize lifetime value for customers by improving the quality of our services to provide more valuable user experiences, and we have a track record of measures for doing so. We believe this has given us our current competitive advantage. Our customer base and handling volume therefore increase the certainty of a positive return on our investment in new distribution centers, and also enable logistics efficiency improvements through various cargo combinations. In addition to these measures, we will achieve ongoing improvement in ROIC by utilizing assets held by other companies and managing our portfolio based on the age of logistics facilities. Simple ROIC<sup>1</sup> has improved from 5.8% in

FY2013 to 7.7% in FY2023. We aim to reach 9% by FY2031 by continuing to increase profit margins and asset turnover both in Japan and overseas.

## Overseas Business Strategy

Given our proactive investment of management resources to achieve both sales and profit growth as set out in Compass Rose 2024, overseas sales in FY2023 exceeded ¥60 billion. In Europe, we will maximize synergy from increased storage capacity in the Netherlands and France and corporate acquisitions in the United Kingdom and Poland, and expand our cross-border one-stop services<sup>2</sup> through cooperation among bases. To capture more upstream and downstream logistics demand, we will build an additional base near Warsaw, Poland in FY2025.

In Asia, in addition to expanding into new regions, our operations in China will be sure to capture demand as the country recovers from a downturn in consumption. In the ASEAN region, we will move forward with support for multiple temperature ranges at our enlarged base in Thailand. In Malaysia, we will further expand operations by strengthening collaboration between two companies with respective strengths in storage and transportation functions. We have also established a new joint venture company in Vietnam, where market growth is expected. We will utilize the know-how we have cultivated in Japan to roll out our business, and ultimately intend to establish collaboration between our operations in Vietnam and those in Thailand and Malaysia.

## Progress of Material Matters for the Group

We believe that enhancing temperature-controlled logistics services, as set forth in Compass Rose 2024, is the objective linking all our current initiatives. The development of *SULS* and the construction of a frozen food logistics platform, on which we are focusing our efforts, are particularly advanced initiatives in the logistics industry. These initiatives to improve transportation and delivery efficiency and expand joint delivery are also helping to reduce CO<sub>2</sub> emissions.

For the material matter of climate change initiatives, we are promoting the use of renewable energy through the installation of solar power generation equipment on the rooftops of our distribution centers and measures to use zero-carbon electricity in the Funabashi area. Furthermore, we are systematically switching to natural refrigerants in our assets in Japan and overseas, aiming for a 75% rate of conversion by FY2031. Through these initiatives, we will continue to proactively reduce our environmental impact.

1. Simple ROIC: Operating profit after tax ÷ Main capital employed (Operating funds + Non-current assets)  
 2. One-stop services: All-inclusive services from marine transport to customs clearance, storage, value-added services, and transportation and delivery.

### Business Details

Nichirei Logistics Group is the largest temperature-controlled logistics group in Japan, consisting of a logistics network business focused on transportation, XD, LLP and 3PL businesses; a regional storage business that operates logistics facilities; an overseas business that has operations in Europe, China and the ASEAN region; and engineering services for all stages from planning and design to maintenance and management of logistics facilities.

We provide the value of universal, one-stop service through high-performance facilities that have the leading capacity in Japan and that offer meticulous service.

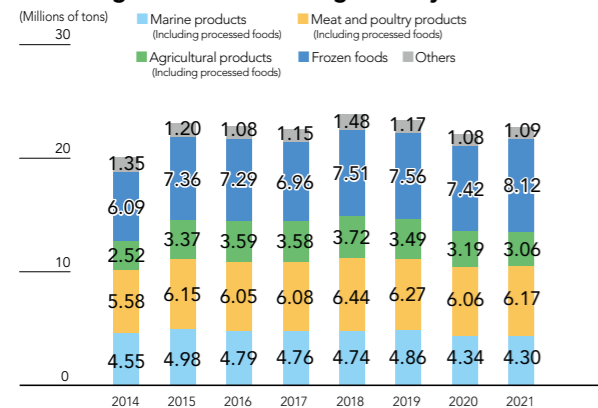
### Domestic Refrigerated Warehouse Facility Capacity

Area	Number of Facilities	Capacity (Thousands of tons)
Hokkaido	7	88
Tohoku	4	64
Kanto	18	563
Chubu	11	221
Kansai	12	283
Chugoku/Shikoku	12	130
Kyushu	12	176
<b>Total</b>	<b>76</b>	<b>1,526</b>

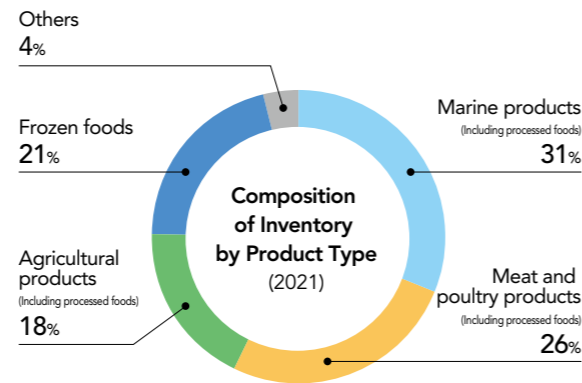
(As of March 31, 2023)

### Market Environment in Japan

#### Quantity of Goods Stored by Product Category in the Refrigerated Warehousing Industry

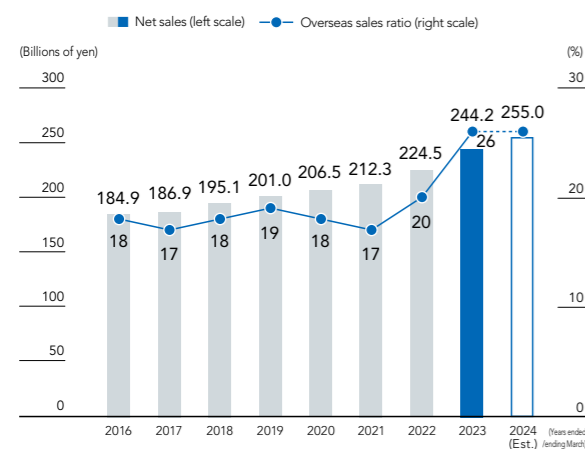


Source: Compiled by Nichirei based on data from the Japan Association of Refrigerated Warehouses and Warehouse Statistics issued by the Ministry of Land, Infrastructure, Transport and Tourism

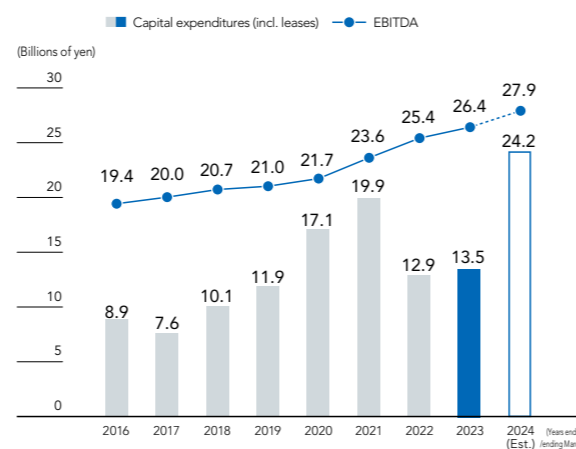


### Net Sales, Capital Expenditures and EBITDA

#### Net Sales



#### Capital Expenditures and EBITDA



### Material Matter 2 Enhancing Temperature-controlled Logistics Services

#### Establishment of a Joint Venture to Expand into Vietnam

On January 31, 2023, Nichirei Logistics Group Inc. entered into an agreement to establish a joint venture with Tan Bao An Logistics Joint Stock Company, which operates a temperature-controlled logistics business in Vietnam. Following additional investment in the joint venture company, Nichirei TBA Logistics Vietnam LLC, it was made a consolidated subsidiary on July 21, 2023.

Vietnam will be the third ASEAN country where we do business, following Thailand and Malaysia. Vietnam is a huge market for exports to Japan, mainly agricultural, forestry and fishery products. In addition, domestic demand is rising for imports and retail products due to improvement in the standard of living of the growing middle class. The market for logistics with precise temperature control is therefore expected to expand.

The new company plans to build a new refrigerated warehouse (scheduled to begin operation in the second

half of 2024) in Long Hau Industrial Park, Long An Province, which is located approximately 20 km south of Ho Chi Minh City. Going forward, we aim to roll out operations with a view to collaborating with our businesses in Thailand and Malaysia.



Artist's rendering of the new center

### Material Matter 4 Climate Change Initiatives

#### Refrigerated and Freezer Electric Trucks

Nichirei Logistics Group began operating electric trucks for refrigerated and frozen cargo in February 2023. Logistics Network Inc. has been using the three vehicles for deliveries in the Tokyo metropolitan area to reduce CO<sub>2</sub> emissions as it builds know-how on the operation of low-temperature electric trucks, which are rare in Japan, to prepare for their full-scale introduction in the future. In July 2023, two more vehicles began operating in the Tokai region. We will continue working to reduce our environmental impact in order to achieve sustainable logistics for supporting our customers' supply chains.



Refrigerated and freezer electric trucks



Send-off ceremony for the trucks