

Translation

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May 13, 2022

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Notice Concerning Revision of the Medium-Term Management Plan

Kamigumi Co., Ltd. (the “Company”) hereby gives notice that it has resolved to revise its Medium-Term Management Plan that ends March 31, 2025. A summary of the revisions is as follows. Please refer to the attached document for details.

1. Reasons for the Revision of the Medium-Term Management Plan

In order to further enhance our corporate value, we formulated a five-year Medium-Term Management Plan (final year: fiscal term ending March 31, 2025) with four key strategies and have been working to achieve the plan’s goals. The key strategies are: (1) strengthening core businesses, (2) strengthening profitability of overseas businesses, (3) exploration of new businesses, and (4) initiatives to secure and develop human resources.

The current plan was carefully formulated considering the uncertain impact of COVID-19, but at this time, in light of the current logistics market environment and our performance trends, we decided it was appropriate to return the business performance goals to the pre-COVID levels and that it was necessary to promote management with a greater awareness of capital efficiency than before.

2. Outline of the Revisions to the Medium-Term Management Plan

(1) Revise business performance goals upward

We have revised our business performance goals upward for the fiscal term ending March 31, 2025, as follows:

	Original goals for the fiscal term ending March 2025	Revised goals for the fiscal term ending March 2025
Net sales	¥280,000 million	¥310,000 million
Operating profit	¥30,000 million	¥33,000 million
Recurring profit	¥31,000 million	¥35,000 million

(2) Add a key strategy

We will maintain the four key strategies originally set forth, but will add a new strategy of strengthening our business through DX.

(3) Revise the policy on capital

Based on the premise of maintaining financial stability, the Company will implement the following capital policy to maximize corporate value by realizing an appropriate capital structure and to manage the Company with an even greater awareness of the cost of capital.

1) Use debt to control the cost of capital

During the period of this Medium-Term Management Plan, we will raise a total of about ¥30,000 million in debt, which will be used for the business investments and profit returns listed below.

2) Expand business investment for growth

To realize our key strategies, we will make business investments totaling about ¥60,000 million over the three-year period from the fiscal term ending March 31, 2023 to the fiscal term ending March 31, 2025. In addition, we will establish a strategic investment category of ¥12,000 million as a resource to be flexibly used for various purposes, such as M&A and capital and business alliances.

3) Enhance return of profits

In the three-year period from the fiscal term ending March 31, 2023 to the fiscal term ending March 31, 2025, we will implement the following return of profits to further enhance total return and improve capital efficiency.

(i) Implementation of stock dividends with a targeted consolidated payout ratio of 40%.

(ii) Acquire a total of about ¥30,000 million of treasury stock over the three-year period, and cancel any in excess of 5% of outstanding shares.

(iii) Based on the above (i) and (ii), the total payout ratio will be 90% for each fiscal term.

Note: (i) was implemented prior to the revisions outlined in this document, in the fiscal term ended March 31, 2022.

(4) Financial indicator goals

As a result of implementing the above capital policy, we aim to achieve the following financial indicator goals at the end of the fiscal term ending March 31, 2025. With regard to ROE, we will continue to improve it further after the end of the current Medium-Term Management Plan period, aiming to reach 7% in the long term.

Financial indicators	End of the fiscal term ended March 2020 (Results)	End of the fiscal term ending March 2025 (Goals)
ROE	5.5%	6.5%
Equity ratio	83.9%	80% or less

3. ESG Initiatives

With regard to our sustainability initiatives, we plan to announce our policy and goals in our Corporate Governance Report to be submitted in June 2022.

As for measures already announced, as stated in the Corporate Governance Report released in December 2021, the Company will strengthen governance by ensuring that at least one-third of the Board of Directors is external Directors, and promote diversity in management by increasing the number of female employees in titled positions (managerial positions included) and midcareer hires and other measures.



Revision of the Medium-Term Management Plan

May 13, 2022

Kamigumi Co., Ltd.

Background of the Revision of the Medium-Term Management Plan

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Revision of the Medium-Term Management Plan

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01

Background of the Revision of the Medium-Term Management Plan

Medium-Term Management Plan

(from the fiscal term ended March 31, 2021 to the fiscal term ending March 31, 2025)

Conservative targets were set considering the impact of COVID-19

Net sales: ¥280,000 million, Operating profit: ¥30,000 million,
Recurring profit: ¥31,000 million

Key Strategies

1

Strengthening
Core Businesses

2

Strengthening
Profitability of
Overseas
Businesses

3

Exploration of
New Businesses

4

Initiatives to
Secure and
Develop Human
Resources



The impact of COVID-19 will be limited.
The logistics market is generally firm and performance
remains solid.

**Promote management that leads to
increased shareholder value**

**Return business
performance goals to
pre-COVID levels**

+

**Update
key strategies**

+

**Strengthen
management that pays
consideration to capital
efficiency**



**Revision of the Medium-Term
Management Plan**

- Results in the fiscal term ended March 2022 exceeded the 2nd year targets of the Medium-Term Management Plan
- Invested ¥25,800 million over the first two-years of the Medium-Term Management Plan

(Millions of yen)

Segments	Fiscal term ended March 31, 2022 Results		Medium-Term Management Plan Second year goals	
	Net sales	Operating profit	Net sales	Operating profit
Distribution Business	232,171	24,841	229,000	23,500
Other Business	29,510	3,681	18,000	1,500
Total	<u>261,681</u>	<u>28,524</u>	<u>247,000</u>	<u>25,000</u>

(Note: Net sales of each segment do not include intersegment transactions.)

(Millions of yen)

Segments	Main results	Investments
Distribution Business	<ul style="list-style-type: none"> • Invested in base cargo-related logistics facilities, such as for fruit and vegetables, grains, and automobiles • Received orders for cargo handling related to renewable energy (biomass power generation), etc. 	24,300
Other Business	<ul style="list-style-type: none"> • Improved performance by updating system equipment • Expanded real estate properties for lease, etc. 	1,500
Total		25,800

02

Revision of the Medium-Term Management Plan

Business Performance Goals	<p>Point 1 Revise Business Performance Goals Upward</p> <ul style="list-style-type: none">▶ Net sales: ¥310,000 million, Operating profit: ¥33,000 million, Recurring profit: ¥35,000 million
Key Strategies	<p>Point 2 Add a Key Strategy</p> <ul style="list-style-type: none">▶ 1. Strengthening Core Businesses▶ 2. Strengthening Profitability of Overseas Businesses▶ 3. Exploration of New Businesses▶ 4. Initiatives to Secure and Develop Human Resources▶ 5. Strengthening Business through DX
Policy on Capital	<p>Point 3 Strengthen Management That Pays Consideration to the Cost of Capital</p> <ul style="list-style-type: none">(1) Use Debt<ul style="list-style-type: none">▶ Procure debt of about ¥30,000 million to achieve financial leverage(2) Expand Investment<ul style="list-style-type: none">▶ Three-year total of about ¥72,000 million(3) Enhance Return of Profits<ul style="list-style-type: none">▶ Stock dividend: Consolidated payout ratio 40% (effective from the fiscal term ended March 2022)▶ Acquire treasury stock: total of about ¥30,000 million over three years▶ Total payout ratio of 90% <p>Financial indicator</p> <ul style="list-style-type: none">▶ ROE 6.5% (goal for the end of the fiscal term ending March 2025)

- Raise business performance goals to pre-COVID levels based on recent cargo movement and performance trends

(Millions of yen)

	Goals before revision <small>(from the fiscal term ended March 31, 2021 to the fiscal term ending March 31, 2025)</small>		Goals after revision <small>(from the fiscal term ended March 31, 2021 to the fiscal term ending March 31, 2025)</small>
Net sales	280,000	+10.7%	310,000
Operating profit	30,000	+10.0%	33,000
Recurring profit	31,000	+12.9%	35,000



Strengthening Business through DX

1. Strengthen Business Infrastructure

- Raise work efficiency by systemizing and automating operations
→ Flexibility in staffing and response to staffing shortages

2. Improve Customer Satisfaction (CS)

- Raise overall logistics efficiency by linking with external platforms
- Improve service level by introducing reservation service for warehouse storage and retrieval, etc.

Implement the following policies based on the premise of maintaining financial stability

1

Use debt to control the cost of capital

2

Expand investment for growth

3

Enhance return of profits



Improved capital efficiency (ROE)

■ With the viewpoint of controlling the cost of capital, aggressively invest and return profits by using debt

Cash allocation

From the fiscal term ended March 2021 to March 2022
Results (two years)

In

Out

Operating Cash Flow:
¥46,300 million

Business Investment:
¥25,800 million

- Invest in growth
- Invest in maintenance and renewal

Return of Profits:

¥20,500 million

- Dividends (¥14,000 million)
- Acquire treasury stock (¥ 6,500 million)



Revised plan

(from the fiscal term ending March 2023 to March 2025:
three years)

In

Out

Financial Cash Flow:
About ¥30,000 million

Use debt to achieve
financial leverage

Operating Cash Flow:
About ¥100,000 million

Strengthen profitability by
implementing key
strategies

Investment Cash Flow:
About ¥72,000 million

- Invest in growth
- Invest in maintenance and renewal
- Invest strategically

Expand investment

Return of Profits:

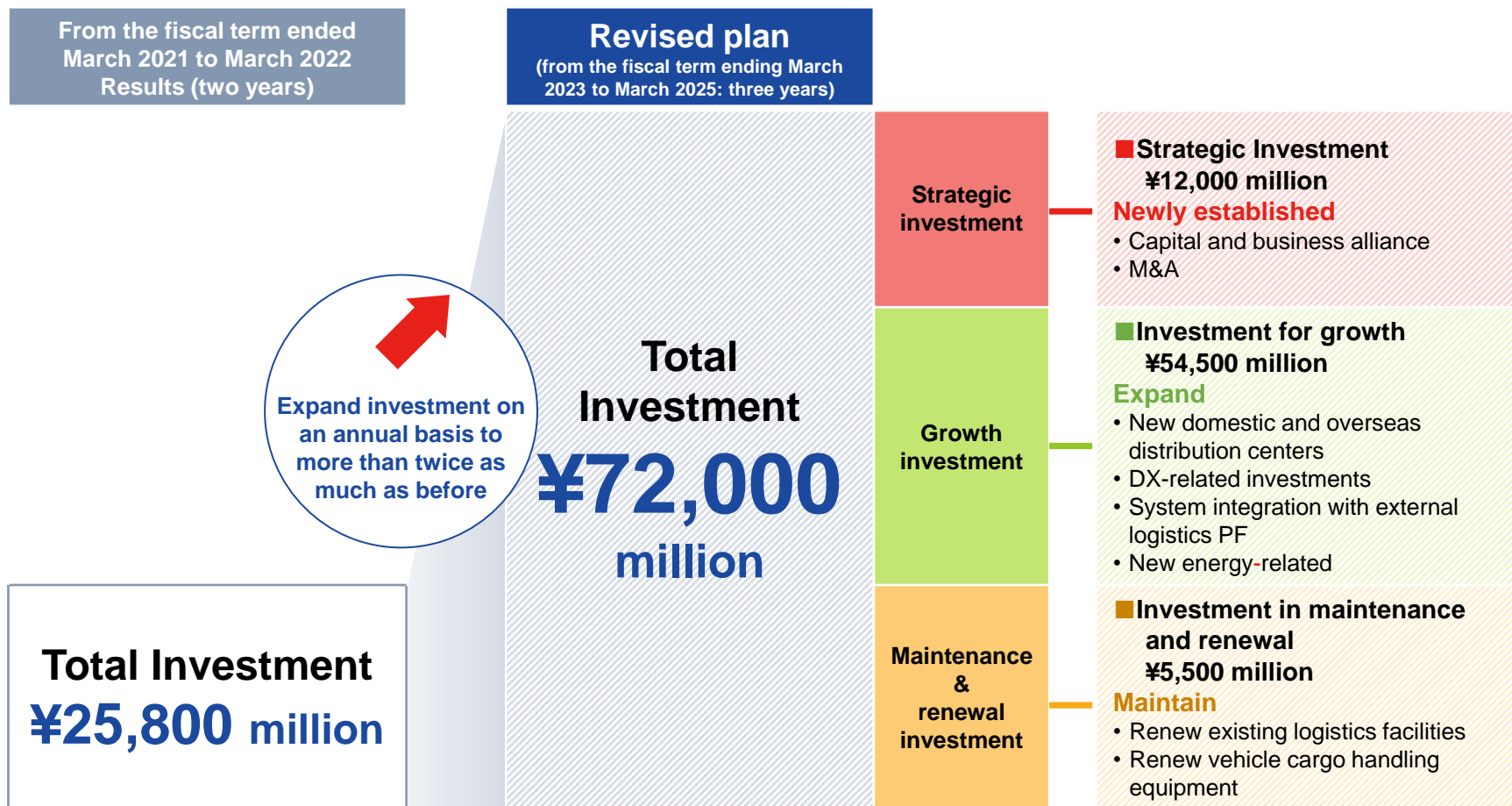
About ¥58,000 million

- Dividends (about ¥28,000 million)
- Acquire treasury stock (about ¥30,000 million)

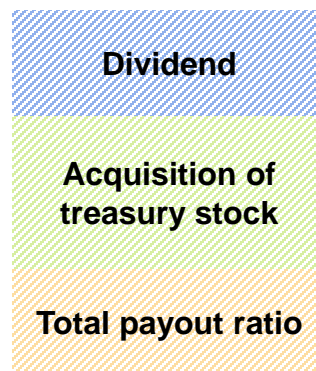
Enhance return of profits



- Plan to invest a **total of about ¥72,000 million** over the three years through the fiscal term ending March 2025
- **Substantially expand growth investment** to strengthen competitiveness and medium- to long-term business growth
- Establish a new **strategic investment category** for capital tie-ups and M&A

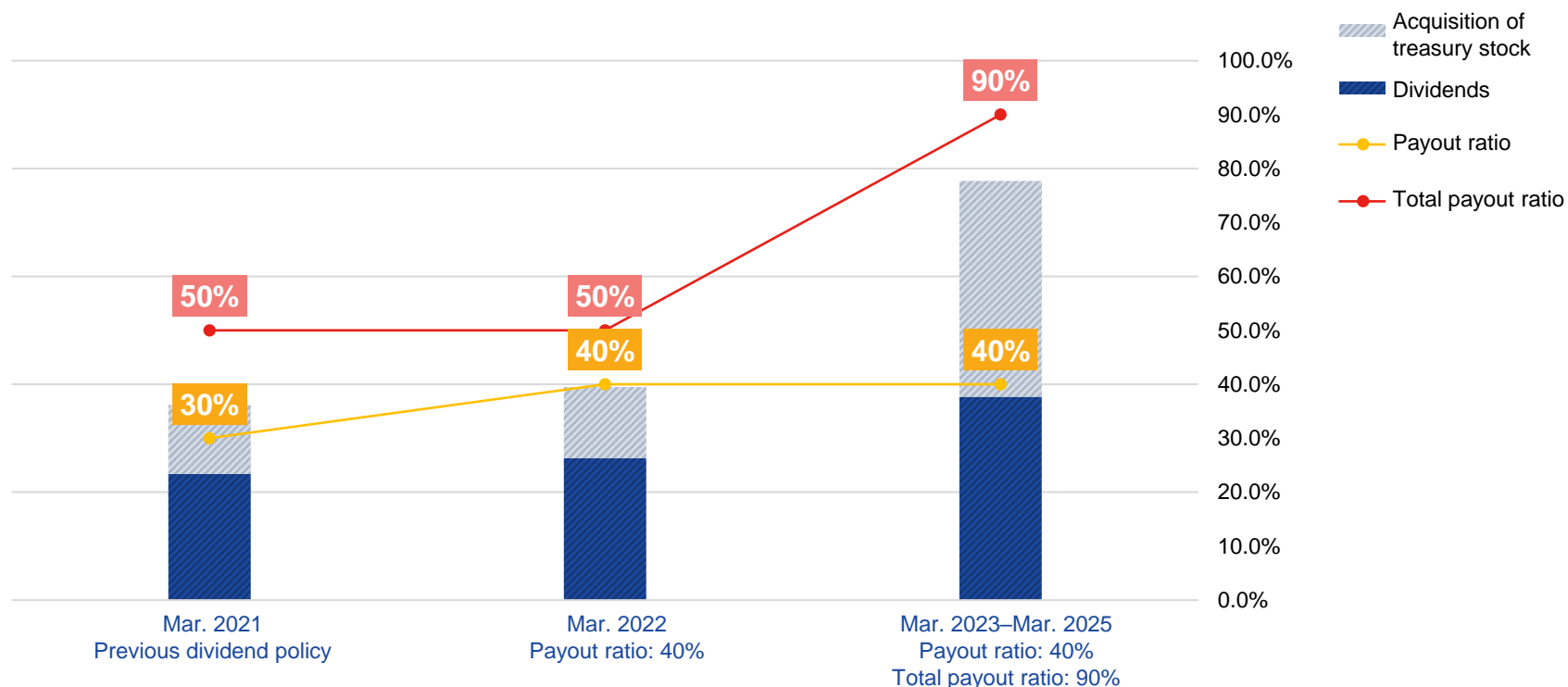


Significantly expand profit sharing for the three years through the fiscal term ending March 2025



Consolidated payout ratio 40%
(effective from the fiscal term ended March 2022)

Acquisition of treasury stock totaling about ¥30,000 million
Policy to cancel any portion exceeding 5% of outstanding shares



Caution: the bars in the graph for dividends and acquisition of treasury stock are for reference only.

Strengthen management with a greater awareness of the cost of shareholders' equity to reach a **ROE of 6.5%** at the end of the fiscal term ending March 2025

Financial indicators		End of the fiscal term ended March 2020	End of the fiscal term ending March 2025
Capital efficiency	ROE	5.5%	6.5%
Financial soundness	Equity ratio	83.9%	80% or less

Plan to further improve ROE after this Medium-Term Management Plan, aiming for **7%** in the long term

1. Strengthening Core Businesses



Fruit and vegetable distribution and processing center in operation in Kobe

1. Strengthen competitiveness of container terminals

- Consolidate and increase efficiency through reorganization of operating terminals

2. Expand orders for fruit and vegetable distribution and processing services

- Build a large-scale distribution and processing center

3. Strengthen handling of automobile-related services

- Support for electric vehicles (EV) in the export of finished vehicles and maintenance work for imported new vehicles

4. Focus on silo cargo, temperature-controlled and refrigerated and freezer cargo

- Continually invest in storage facilities requiring special equipment



2. Strengthening Profitability of Overseas Businesses

Sort investment regions and businesses by selecting and concentrating

Ex. Asia

- Invest in logistics facilities and infrastructure development projects in Indonesia, Bangladesh, and other countries, and participate in investment in container terminals
- Consider measures in Myanmar and other regions with significant changes in the business environment

Ex. North and Central America

- Expand services mainly for the automotive industry

3. Exploration of New Businesses



1. Focus on new energy-related logistics

- Increase receipt of orders for offshore wind power and biomass power generation-related work

2. Expand supply chain management (SCM) operations

- Expand SCM operations by building in-house systems and platforms and strengthening material handling

4. Initiatives to Secure and Develop Human Resources

1. Train and strengthen core human resources

- Raise the level of human resources and enhance the core human resource pool

2. Recruit and retain competent personnel

- Establish a grading system that ensures fairness and diverse career paths



- We plan to announce our policy on sustainability initiatives, KPIs, etc. in June 2022
- Current initiatives (including announced goals, etc.) are as follows

Environment

Contribute to a decarbonized society

- Solar power generation using the rooftops of the company's warehouses
- Low-carbon offices and warehouses (Switch to LED lighting, etc.)
- Promote introduction of low-pollutant logistics equipment



Society

Ensure diversity of human resources

1. **Set targets to ensure diversity of human resources**
 - Increase the number of female employees in titled positions (including managerial positions) by 20% (by the fiscal term ending March 2025)
 - Increase the number of midcareer hires in titled positions (including managerial positions) by 20% (by the fiscal term ending March 2025)



2. **Foster a corporate culture that embraces a diverse workforce and enhance work-life balance**
 - Implement human rights education and appropriate working hours

Governance

Strengthen governance

1. **Have one-third of Directors be external Directors in the fiscal term ending March 2023**
2. **Increase diversity of the Board of Directors**
Increase the number of female directors and appoint external Directors with management experience
3. **Establish an advisory committee for nomination and compensation (fiscal term ending March 31, 2024)**
Improve transparency of the Board of Directors (including the process for nominating and determining the compensation of its members)

Improve the effectiveness of the Board of Directors and speed up decision-making
Further promote separation of management and execution by the fiscal term ending March 2024

1. **Further strengthen the effectiveness of the Board of Directors, including optimizing the number of Board members**
2. **Strengthen decision-making by delegating authority to Executive Officers and other revisions to the Executive Officer system**