

Message from the President



Masaru Usui

Representative Director,
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Alps Logistics aims to contribute to solving social issues and enhancing corporate value by further evolving optimal logistics.

We launched the 5th Medium-Term Business Plan in FY2022. The role of and challenges facing the logistics industry have become increasingly diverse and complex due to changes in society.

The basic policy of the plan is “Friendly to Earth and society, pursuing and evolving optimal logistics.” As such, we aim to contribute to solving social issues and enhancing corporate value through our logistics operations.

Nine Years of Putting Our Corporate Philosophy into Practice

Nine years have passed since I became president in 2014. Although this period has not been without its challenges, we have managed to expand the scale of our business in that time. We also successfully transitioned from the Second Section of the Tokyo Stock Exchange to the First Section, and then ultimately to the Prime Market. I believe it has been a rewarding nine years. While there have been ups and downs, our consolidated performance has remained solid, and in FY2022, we reached record highs in both net sales and all levels of profit, albeit partly due to one-time positive factors.

Alps Logistics has remained committed to its Corporate Philosophy of “contributing to the enrichment of society by developing optimal logistics solutions for *monozukuri* (manufacturing),” while working to provide optimal logistics tailored to each customer. In addition to ensuring logistics quality, the foundation of our business, we have also collaborated with customers, expanded our network of logistics bases in Japan and overseas, invested in new warehouses, developed competitive businesses, and implemented various other initiatives. We recognize that our continued efforts to achieve optimal logistics in response to changing business conditions and customer demands has played a significant role in our growth to date.

Another important initiative over the past nine years has been my commitment to transforming the mindset of our employees. Our organization has upheld a strong corporate culture rooted in enduring traditions, such as a focus on quality, a frontline-first approach, a pursuit of continuous improvement, and collaboration with customers. These are values we must continue to uphold going forward. However, one aspect that we needed to change was our conventional way of working. We are encouraging employees to take on bold challenges related to new themes and initiatives; incorporate external knowledge; and adopt a goal-oriented, backcasting approach. We are already seeing results in several areas, such as fostering a proactive stance toward future investments among management and an increase in project proposals from various departments. In addition, we have shifted from a step-by-step approach relying on past performance to make forecasts to a forward-looking approach, which entails establishing clear visions and ambitious goals, followed by backcasting to identify tasks and challenges to take on now. This approach has already started to take root. I believe that this corporate culture will serve as a significant asset as we pursue optimal logistics.

As we reach a pivotal juncture in the 5th Medium-Term Business Plan, I remain fully committed to driving the Company’s growth and evolution.

Defining Our Ideal of Optimal Logistics

Before going into Alps Logistics’ vision and strategy, I would like to briefly explain what we mean by optimal logistics.

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In the 5th Medium-Term Business Plan, which ends in FY2024, we established “pursuing and evolving optimal logistics” as one aspect of our basic policy. However, there is no single definition of optimal logistics. The necessary technologies, facilities and expertise vary depending on the characteristic of the cargo, resulting in differences in logistics requirements across various industries and for each customer. This means that there are 1,000 optimal solutions for 1,000 customers. We refer to this diversity as “Logistics Individuality,” and we hold it in high regard. Given technological advances such as the rapid progress of digital transformation (DX) and the growing complexity of logistics requirements, the roles and expectations placed upon logistics companies have undergone significant changes and diversification. What was considered optimal yesterday may not hold true today. We will maintain our core competitive advantage (exceptional logistics quality) and continue to evolve optimal logistics through a continuous process of making incremental improvements, while promoting “Logistics Individuality” and remaining aware of significant social changes. This is the core of Alps Logistics’ value proposition and a key source of differentiation in the market.

At the center of optimal logistics is our commitment to quality. We achieve high-quality logistics by tailoring our services to the unique “Logistics Individuality” of each customer, and these individual characteristics can number in the hundreds or thousands. We are able to do this thanks to our information systems, as well as the mechanisms we have in place for preventing errors and ensuring precision across warehousing, storage, distribution processing, and shipping. Our workforce has a quality-oriented mindset and the skills necessary to uphold these standards. For example, in electronic component storage operations in Japan, we handle over 10 million shipping instructions annually, yet maintain an error rate in the single-digit parts per million (ppm). Furthermore, another strength is our ability to consistently deliver high-quality logistics services worldwide, matching the exceptional standards established in Japan.

As economic and social uncertainties continue to mount due to geopolitical risks, natural disasters and infectious diseases, risk management is essential from an economic security standpoint and for responding to customers’ needs in the logistics industry. We view this as a business opportunity and will undertake strategic investments and infrastructure development to address these risks. By doing so, we aim to help strengthen our customers’ supply chains as a logistics provider.

We believe that by continuously pursuing the evolution of optimal logistics and offering high-quality, responsive and expeditious service to a wider range of customers, we can achieve further growth.

▶ Page 10: Business Cycle and Strengths

Strengthening Competitiveness through Deployment of Specialized Logistics Platforms

In the 5th Medium-Term Business Plan, we established being “Friendly to Earth and society, pursuing and evolving optimal logistics” as our basic policy. Based on this, we have identified key management challenges and outlined themes for the coming years. These strategies are known as Get the Business

(GTB), Get the Profit (GTP) and Get the Confidence (GTC). We aim to achieve sustainable growth and enhance our corporate value by pursuing these strategies as a united Group.

▶ Page 12: Review of Previous Medium-Term Plan and Overview of the 5th Medium-Term Business Plan

Basic Policy of the 5th Medium-Term Business Plan

Friendly to Earth and society, pursuing and evolving optimal logistics	
GTB (Get the Business) Expansion of markets and products	1. Expansion of business domains 2. Enhancement of global network 3. Expansion of co-creation and alliances
GTP (Get the Profit) Improving indirect and direct productivity	1. Promoting labor-saving measures and automation 2. Expanding strategic investments and ensuring successful returns 3. Taking on the challenge of DX
GTC (Get the Confidence) Sustainability	1. Strengthening ESG measures 2. Maintaining and ensuring safety and high quality 3. Maintaining and strengthening non-financial capital

In terms of GTB, we are working to further expand our customer base by refining and horizontally expanding our specialized logistics platform, leveraging it as one of our strengths.

Since logistics requirements, including technologies, facilities, expertise and services, vary by industry, the ability to build a specialized logistics platform tailored to meet those needs is a significant advantage. For example, the electronics components platform is structured to meet the general requirements of electronics components logistics while also having the ability to adapt to the “Logistics Individuality” of each customer through system and operational capabilities. The platform is built on the foundation of shared warehousing and consolidated collection/delivery, which not only ensures quality and economic efficiency but also contributes to environmental sustainability.

Rather than haphazardly expanding into various business domains, our strategy focuses on incrementally adding robust platforms to achieve growth in both sales and profit. Currently, main platforms include electronic components logistics, co-op logistics and e-commerce logistics. We have expanded our platforms to include automotive electrical components and industrial equipment in electronic component-related businesses and cosmetics and medical products in the consumer products logistics business. The GTB strategy involves expanding the number of new platforms and then acquiring a substantial customer base.

In addition, we place a great deal of importance on acquiring new customers and new business opportunities. We assess new business acquisitions and consider how they will contribute to future revenue as part of the GTB strategy. Sales departments conduct sales activities while constantly monitoring efforts and progress toward sales targets.

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Looking beyond the 5th Medium-Term Business Plan, we plan to expand our unique value proposition capabilities through new platforms on a global scale. Merely expanding businesses across various product categories and business fields in a haphazard way will not enhance the competitiveness of a logistics company. We are confident that expanding the technology and expertise developed in electronic components logistics into closely related business fields and establishing 10 or 20 new platforms to serve as the cornerstone of business operations will enable sustainable growth.

Embracing the Latest Technologies to Build a Highly Efficient and Profitable Logistics System

Next, I will introduce efforts to improve productivity and expand profit, which are at the core of the GTP strategy. Alps Logistics is committed to improving productivity, while maintaining high logistics quality (our competitive advantage) through the automation and streamlining of business processes using cutting-edge technologies such as digitalization. In the 5th Medium-Term Business Plan, we plan to further accelerate these efforts, aiming for even greater improvement in profitability.

In electronic component logistics, we have developed equipment and systems, such as automatic label applicators and image recognition for inbound inspections, tailored to the characteristics of the cargo. By expanding the use of these technologies into other areas, we have improved the efficiency of operations. Our strength in automation includes the in-house development of logistics equipment for handling individual component pieces, leveraging the expertise we have accumulated in electronic components logistics. In consumer products logistics, we are proactively investing management resources in efficiency and labor-saving measures through the utilization of new technologies such as autonomous mobile robots, unmanned transport vehicles and virtual simulations. In addition, as a Group-wide initiative to enhance productivity in electronic components logistics and consumer products logistics, we are utilizing total industrial engineering (TIE), which applies industrial engineering (IE) methodologies to improve production processes. We have cultivated engineers to lead TIE, and this approach is now ingrained at work sites and has contributed to operational efficiency improvements in warehousing operations.

Another key element of GTP is our commitment to making improvements, a vital cornerstone of the strategy. With over 10,000 improvement proposals made annually in Japan alone, this practice is firmly established in the Company. To further elevate these efforts, we have embarked on a new phase known as “Kaizen* 2.0” and are expanding our activities. While previous improvement initiatives mainly revolved around deepening internal expertise, the Kaizen 2.0 phase involves further combining external knowledge, such as automation and TIE methodologies, with internal expertise. We are formalizing the newly established skills and work methods, sharing them internally and challenging ourselves to transform them into intellectual property assets.

Based on our dedication to improvement, we are implementing various initiatives to improve profitability, including the adoption of equipment and systems to enhance productivity and strategic capital investment to increase logistics capabilities.

* Japanese term for the concept of making continuous improvements



Advancing ESG Initiatives as Part of the GTC Strategy, Based on Material Issues

Alps Logistics considers sustainability as a core challenge in its business. We are committed to creating value through logistics to address social issues, building a sustainable society and ensuring the long-term growth of the Company. Recent changes in the social environment have made the issues a logistics company must address increasingly diverse and complex. As such, in 2022, we set identifying material issues as a central focus in driving sustainable growth within the framework of the 5th Medium-Term Business Plan. Among the broad initiatives led by the Sustainability Promotion Committee as part of GTC, I will now explain efforts related to the environment, human capital and governance.

▶ Page 11: Material Issues

In terms of environmental sustainability, reducing environmental impact through our logistics operations is an especially important material issue. We have set key performance indicators (KPIs) for metrics such as CO₂ emissions, electricity consumption and waste disposal, and are monitoring progress. In addition to using energy-efficient material handling equipment and environmentally compliant vehicles to reduce CO₂ emissions and promote energy efficiency, we also aim to reduce environmental impact in our business activities by expanding our logistics platforms. This will enhance logistics efficiency for both the Company and customers.

For human capital, we are dedicated to the development of people—our most valuable asset—by promoting diversity in our workforce, expanding expertise and enhancing skills across the organization. We consider it crucial to maximize the potential of every employee. As such, we are implementing various initiatives such as supporting career development, enabling diverse work styles, creating an environment for employees to showcase their abilities, and fostering a culture that encourages fearlessness in taking on challenges and learning from failures.

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We are also actively promoting diversity and inclusion, with a focus on supporting the active participation of women and recruiting and nurturing a diverse pool of talent who will shape the Company's future. We aim to develop professionals across various areas, spanning operations such as storage, transportation, and import/export to sales and support functions. We want to see professionals excel in their respective fields and engage in frequent knowledge/experience sharing through extensive discussions. This will enhance the overall performance of the Group. We believe that it is crucial to develop a significant number of people with "T-shaped skills"—people who combine deep expertise in their fields with broad knowledge and insights in related areas. We will leverage their strengths to promote future business growth.

In terms of governance, we are working to enhance the effectiveness of our governance structure. In 2022, we increased the number of independent outside directors (now a majority) to ensure transparency in management and strengthen the oversight function of the Board of Directors. While we are an equity affiliate of Alps Alpine Co., Ltd., we have established a structure to safeguard operational independence and maintain fairness as a publicly listed company. As a member of the Alps Alpine Group, we are committed to expanding our business, mainly non-Group sales, by prioritizing the optimal logistics capabilities we have cultivated to meet the needs of the electronic components industry.

As part of efforts to transform our management style, we have been considering a project to change the corporate culture for about a year, and we are taking the first steps. We are intensifying efforts to foster an open corporate culture that encourages taking on challenges, as well as enhancing employee engagement. We are also continuously working on strengthening risk management in both management and business operations. In recent years, with the increasing focus on economic and trade security, we are committed to enhancing information security and optimizing our supply chain.

Basic Asset Allocation Policy and Shareholder Returns

To achieve a new kind of "optimal logistics" and future growth, we will accelerate investments in growth, including the construction of new warehouses to enhance storage capacity, the expansion of overseas bases and logistics networks, and the promotion of labor-saving measures and automation to improve productivity. During the 5th Medium-Term Business Plan, we will double the scale of investments from approximately ¥15 billion in the previous plan to approximately ¥30 billion. Additionally, we may consider M&As or alliances to support inorganic growth. Such investments will be prepared separately. We plan to fund these initiatives primarily through operating cash flow and cash on hand but will consider raising funds if necessary. Since our capital adequacy ratio is currently stable, we intend to optimize our capital structure by fully utilizing debt while maintaining financial soundness.

Regarding shareholder returns, the Company's basic policy is to determine profit distribution based on stable dividends by taking into account the balance between shareholders returns and investment for future growth. We will continue efforts to enhance the value we provide to shareholders, aiming for

a dividend payout ratio of approximately 30%–50% to ensure that funds can be flexibly allocated to growth investment and shareholder returns.

Regarding return on equity (ROE), we acknowledge that reaching the 7% or above target (in a stable manner) of the 5th Medium-Term Business Plan and then achieving 8% as quickly as possible thereafter by strengthening our profit structure will be a challenge. While the P/B ratio has improved from approximately 0.5 times three years ago to nearly 1.0 now, it still falls below the average for companies listed on the Prime Market, and as such, we will continue our efforts for further improvement.

▶ Page 17: Financial Strategies

Aiming to Be a Corporate Group Trusted by Stakeholders

Alps Logistics will celebrate its 60th anniversary in 2024. Amid ongoing structural changes in the economic and social environment, we are engaged in discussions regarding the reaffirmation of our future vision and long-term business goals. However, regardless of how the business environment changes, our fundamental mission of pursuing optimal logistics and our commitment to balancing social value and corporate value remain unchanged. We will continue to pursue optimal logistics tailored to each customer while considering diverse social demands, including initiatives related to environmental preservation and the establishment of innovative logistics systems.

Supported by our valued stakeholders, including customers, business partners, shareholders, employees and the local community, we have maintained consistent growth, solidifying our prominent standing within the industry as an exceptional logistics company with a unique philosophy. We possess a wealth of experience, knowledge, technology and talented individuals. Harnessing these tangible and intangible assets, we will deepen our commitment to achieving optimal logistics and pave the way for the future of the logistics business. We will also focus on co-creation with our stakeholders and share our initiatives and achievements with society.

I am dedicated to leading the Company's forward and contributing to the creation of a corporate group that is trusted by and exceeds the expectations of all stakeholders. I would like to thank you for your ongoing understanding and support.

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Masaru Usui

