

Logistics Business: Low-Temperature Logistics Officer Roundtable Discussion

On July 22, 2024, SG Holdings acquired the former Chilled & Frozen Logistics Holdings (C&F), a major cold chain logistics company, and turned it into a Group company through a tender offer (TOB). C&F is a group established through the business integration of Meito Transportation, which has strengths in refrigerated food logistics, and Hutech norin, which has strengths in frozen food logistics.*

In this discussion, four key players in low-temperature logistics spoke about the circumstances leading to the consolidation of C&F, their goals for low-temperature logistics, progress with current collaborations, and their outlook for the future.

* In April 2025, restructuring was implemented in which Meito Transportation absorbed the former C&F to become the surviving company.



Tohru Agui,
President
Hutech norin

Masahide Motomura,
Vice President
SG Holdings

Kimiaki Sasamori,
President
Sagawa Express

Tsuyoshi Sugawara,
President
Meito Transportation

We will maximize the strengths of each Group company from upstream to downstream to build a cold chain that cannot be imitated by rivals

Background to the consolidation of C&F

Q Could you please tell us again about the purpose of incorporating C&F into the Group?

Motomura The SG Holdings Group's Long-Term Vision for 2030, "SGH Vision 2030," is "Grow the new Story. New logistics, nurturing a new society together." Under this vision, we aim to create new logistics solutions that go beyond express package delivery services and expand the scope of our Total Logistics services. Based on this approach, we positioned low-temperature logistics as a market with prospects to continue seeing strong growth going forward, and wanted to further expand our business foundation. To date, Sagawa Express has offered the Hikyaku Cool Express refrigerated and frozen package delivery services as part of its low-temperature logistics. However, to expand our Total Logistics, we need to cover areas further upstream. This is because customer's need for cold logistics are becoming diverse

and complex so there is a demand to transport cargo in large amounts like charter deliveries in procurement transportation, storage/logistics processing and even in last mile delivery. However, building a cold chain that meets all of these needs on our own would take a lot of time, effort, and money. Under these circumstances, Sagawa Express and other Group companies had been doing business primarily in the e-commerce field, which led to our relationship with the former C&F. C&F was an industry-leading company with outstanding know-how in the refrigerated and frozen field of low-temperature logistics, as well as resources such as over 120 locations, employees, and vehicles, making it the ideal partner for us to build our low-temperature logistics solutions. We see welcoming them into the SG Holdings Group as a major step towards expanding the scope of the Group's Total Logistics services.

Q Could you tell us about the strengths that Meito Transportation and Hutech norin have cultivated to date and how these companies have grown?

Sugawara Meito Transportation started as a subsidiary of a dairy manufacturer and has leading know-how in areas such as time management, temperature control, and inventory management. When it comes to low-temperature logistics, we value the attitude of "we can and will do anything" and "we'll go anywhere." With chilled deliveries, delivery times are very tight. For example, orders received at 11 a.m. must be delivered by 2 p.m., making it necessary to set up a logistics bases close to delivery areas and allocate appropriate inventory. Our greatest strength is that we have locations across Japan that enable us to deliver packages in the shortest time possible despite restricted lead times, and that we are able to manage inventory at appropriate levels. In particular, our order system is unique and not found in other

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companies. Specifically, we operate by predicting that demand for a product will fluctuate based on the week's weather and past data. Using those data, we order production volumes to manufacturers on behalf of stores. Also, based on shipping data to convenience stores and other retailers, we can determine the appropriate inventory for each location to efficiently allocate optimal inventory.

Agui The greatest strength of Hutech norin's warehouses lies in the high quality of our operations, to the point that we are known as "hotels for cargo" in the frozen warehouse industry. Since we mainly handle food products, we are particularly thorough in temperature control and security management from the standpoint of ensuring quality control and food defense. For example, we carry out thorough quality control that is unmatched by industry rivals, including temperature control of fully frozen work areas and vehicle loading/unloading areas, and the prevention of condensation through positive pressure. We were one of the first in the industry to introduce positive pressure air conditioning. Furthermore, we have also focused on employee training so that operations are carried out at all locations under a unified quality. As our operations typically involve working in sub-zero environments, to maintain quality, we basically carry out integrated operations using our own employees, vehicles, and facilities. In addition to quality, we emphasize efficiency and sustainability, and have rolled out automated equipment ahead of rivals, with

We aim to become one of the leading companies in Japan by building a cold chain that cannot be imitated by rivals

Masahide Motomura

Representative Director and Vice President, SG Holdings Co., Ltd.

Joined Tokyo Sagawa Express Co., Ltd. (as it was named at the time) in 1980. Became a Managing Director of Sagawa Express Co., Ltd. in 2004 and a Senior Managing Director of the same company in 2005. After managing several transportation-related companies, became a Director of Sagawa Express in June 2018. Became President of Sagawa Express in April 2019, and concurrently served as a Director of SG Holdings Co., Ltd. in June of the same year. Has held his current position since April 2025.

the aim of reducing workloads under harsh environments and addressing future labor shortages. We first introduced automated frozen warehouses in 1986, which we have expanded to the current 13 locations, with approximately 50% of all storage pallets being stored using automated loading and unloading. As a result, we have a system in place that allows our employees to work without having to enter environments with temperatures as low as -25°C or -20°C. We have maintenance staff for automated warehouses stationed at each sales office, and have established a system that enables us to handle simple maintenance and repair work in-house, which we believe is one of our strengths.

Motomura I think that the wide range of food-related services offered by both companies is their major strength. For example, Meito Transportation handles deliveries to approximately 7,000 to 8,000 of Japan's roughly 50,000 convenience stores. This represents approximately 15% of convenience stores in Japan, demonstrating the tremendous scale of the company's logistics network. They also operate distribution centers and do business using tanker trucks for transporting milk, thereby meeting a wide range of logistics needs. Additionally, both companies deliver meals to hospital food service centers, supporting stable meal supply to approximately 3,000 medical institutions nationwide. This enables them to play vital roles in society by reliably delivering meals to hospitalized patients every day. Furthermore, they are not limited to the logistics field, but also have food-related manufacturing bases such as food packaging factories and noodle factories, and I really feel the flexibility and challenge-seeking spirit of both companies. In this way, both companies support food infrastructure through a wide range of operations, and we expect to create even more value by combining their respective strengths in the future.

What it means to build one of the best cold chains in Japan

Q One of the key strategies in the Mid-Term Management Plan is to "build one of the best cold chains in Japan." What do you mean by this?

It is important to further strengthen collaboration between companies and develop more competitive services and products

Kimiaki Sasamori

Director, SG Holdings Co., Ltd.
President, Sagawa Express Co., Ltd.

Joined Hokkaido Sagawa Express Co., Ltd. (as it was named at the time) in 1983. Appointed Executive Officer of Sagawa Express Co., Ltd. in 2009 and President of SG Moving Co., Ltd. in 2013. Appointed Director of Sagawa Express in 2015, Executive Officer of SG Holdings Co., Ltd. in 2016, and Director of the same company in 2017. Became Managing Director of Sagawa Express in 2024. Has been in his current position since April 2025.



Sugawara Meito Transportation's strengths lie primarily in upstream logistics, while Sagawa Express excels in downstream logistics. By leveraging both companies' strengths, we will be able to provide each other's customers with a wider variety of solutions than ever before, and become one of the best cold chains in Japan.

Agui I agree with Mr. Sugawara. I believe that a company that can propose consistent logistics solutions from upstream to downstream across the entire group and provide all of these functions can be considered a leading logistics company in Japan. The Group will become one of the best logistics companies in Japan by continuing to provide logistics services of the highest quality at reasonable prices to meet all of our customers' transportation needs, and by building and strengthening a logistics infrastructure that covers both overseas and domestic markets.

Motomura That's right. Also, to have a competitive edge in low-temperature logistics, simply offering a full range of services from upstream to downstream is not enough; how well we can respond to customer needs is also extremely important. Under such circumstances, I believe that by combining Sagawa Express's customer base with the know-how and the refrigerated and frozen logistics system of Meito Transportation and Hutech norin that is among the best in the low-temperature logistics industry, we will be able to create a cold chain that cannot be imitated by

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rivals. This is what will lead to us becoming one of the best in Japan.

Sasamori I also think that being one of the best in Japan means being able to create a cold chain that is chosen by the market. There are only a few companies in Japan that can handle the last mile of frozen and refrigerated delivery nationwide, so we believe that Sagawa Express being one of them is a major advantage. Now, by collaborating with Meito Transportation and Hutech norin, we are greatly expanding the scope of our proposals and the industries and business types of our customers, so the SG Holdings Group needs to establish a solid logistics infrastructure. Although we are currently in the process of establishing such systems, we believe it is extremely important to further strengthen collaboration between our companies and provide more competitive services and products to our customers.

Current collaborations and future prospects

Q Now that about a year has passed since the consolidation, can you tell us what kind of collaborations you have been working on?

Our strength is in our on-site capabilities allowing us to resolve issues incredibly quickly, even in emergencies



Tsuyoshi Sugawara

Representative Director, President and Chief Executive Officer, Meito Transportation Co., Ltd.

Joined Meito Transportation Co., Ltd. in 1991. After serving as the president of its subsidiary in Vietnam, appointed Executive Officer of Meito Transportation in 2015. Became a Director in 2018, a Managing Director in 2021, and a Managing Executive Officer; and General Manager, Administrative Division of Chilled & Frozen Logistics Holdings Co., Ltd. (C&F) in 2022. Also served as General Manager of the Asset Management Department since 2023. Became a Director of C&F and President of Meito Transportation in 2024. Has been in his current position since April 2025.

Motomura Since the consolidation of the former C&F, we have been working together to build one of the leading cold chains in Japan, focusing on seven priority areas. To highlight a few, firstly, in the case of cold chain e-commerce, based on customer requests, products are stored in the warehouses of Meito Transportation or Hutech norin, and after logistics processing, Sagawa Express delivers them to individual customers. This process involves the movement of hundreds of thousands of products, and looks set to continue expanding. Additionally, there are several projects underway nationwide for the joint delivery of low-temperature goods. For example, a customer in the Tohoku region had previously used another company to deliver BtoB packages, but now our Group is handling all deliveries, providing services tailored to the customer's needs with Meito Transportation for large-lot transportation and Sagawa Express for small-lot transportation. This customer previously had issues with quality, but they have now given Meito Transportation particularly high praise for its transportation and logistics processing. We are seeing an increasing number of concrete examples of such synergies emerging. Furthermore, in terms of sharing resources, the Hikyaku Cool Express service is able to operate extremely efficiently by taking into account the idle times of the two companies' vehicles and combining them when transporting goods between locations. For example, by having Meito Transportation vehicles handle the transportation that had previously been handled by Sagawa Express vehicles, the number of vehicles required for transportation across the entire group can be reduced from two to one, thereby achieving improved efficiency. We are also working together on a variety of other initiatives to improve efficiency.

Sasamori Let me give an example, too. Sagawa Express, Meito Transportation, and Hutech norin have begun working together to see how they can provide more efficient solutions to meet the transportation needs of customers for small- and medium-lot BtoB low-temperature cargo. I have high expectations for the companies to work together to build up services from both a market-in and product-out perspective.

Sugawara That's right. The four of us meet every two weeks to share information and deepen our understanding of the characteristics and current status of each business. I think this has led to an increase in ideas and examples of collaborative efforts.

In the future, we will accelerate our efforts to develop and provide new solutions

Tohru Agui

Representative Director, President and Chief Executive Officer, Hutech norin Co., Ltd.

Joined Norin Kyodo Soko Co., Ltd. (as it was named at the time) in 1987. After the company's name was changed to Hutech norin Co., Ltd., served as the General Manager of Sales Development Department, Managing Director; General Manager, Sales Headquarters, and Senior Managing Director; General Manager, Sales Headquarters. In 2020, was appointed as President and General Manager of Sales Division of the same company. Became a Director of Chilled & Frozen Logistics Holdings Co., Ltd. (C&F) in 2021. Has been in his current position since April 2025.



Q What strengths and synergies you have noticed now that collaboration has actually begun on the frontlines?

Sugawara I was amazed at the SG Holdings Group's on-site capabilities, which allowed them to resolve issues incredibly quickly, even in emergencies such as disasters. Both the management team and the sales team are very quick at resolving problems. I was also impressed by the sales strength of the SG Holdings Group. While our own sales team has historically been around 40 people, Sagawa Express's GOAL team has a sales force of 500. This will open prospects for a significant number of customer needs. The challenge going forward is how to secure these projects

Agui I think so, too. I feel that the SG Holdings Group not only has an overwhelming number of contact points with customers, but also has extremely broad knowledge about the markets and trends in each industry and business type. Until now, we have focused on a specific industry, the frozen food logistics industry, and have often worked closely and on a Long-Term basis with a limited number of customers, so our main approach has been to provide the best possible service we can right now. Going forward, as a member of the SG Holdings Group, we will change the starting point of ideas and take on the challenge of developing and providing new

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solutions to meet the needs of a wide range of customers, with the pace of our initiatives further accelerating.

Motomura With a customer base of around one million, centered around Sagawa Express, our SALES DRIVERS and managers on the ground are always on the lookout for information on what kind of business our customers are doing and what kind of challenges they face. Sagawa Express is good at finding where the services that Meito Transportation and Hutech norin have provided to customers up until now match the needs of our customers, and we would like to use this as a starting point to create synergies. What I feel most strongly when I see the Meito Transportation and Hutech norin worksites is that the employees are energetic and have a very strong commitment to quality. Their management teams and managers are all familiar with on-site operations, so they are fully aware of what is happening on the frontlines and can give accurate instructions accordingly. Meito Transportation also has a culture of pushing itself to try new things, such as developing new customers and shifting to e-commerce. Hutech norin is proactively pursuing further efficiency improvements, such as by introducing automated warehouses ahead of industry peers. This corporate culture is very similar to that of Sagawa Express, and the entire group shares the same approach for responding to the extremely high demand from customers for frozen and refrigerated transportation, and how to collect appropriate fees. Therefore, I strongly believe that going forward, the entire group will work together to identify customer needs and provide solutions, thereby creating even greater synergies.

Sasamori Many of Sagawa Express's major clients are e-commerce operators. It is extremely difficult in terms of labor and cost for these e-commerce operators to handle frozen and refrigerated food products, from storage and logistics processing to shipment on their own. Therefore, we have been engaged in a wide range of logistics by having our SALES DRIVERS listen to customer needs during their daily visits. However, given the limited resources for low-temperature logistics, for example when customers told us they wanted to handle fresh produce, we faced challenges that we could not fully meet their needs on our own. Therefore, we collaborated with Meito Transportation and Hutech norin, which has enabled us to make proposals that include abundant frozen and refrigerated transportation know-how and resources, and I feel that we are now able to respond more quickly than ever before. Recently, we have built a track record of projects through collaboration

with both companies, and by strengthening our system for providing solutions, we aim to become a company that is even more needed by our customers.

Q Please tell us about any issues as you proceed with collaborations moving forward, and what improvement measures are being taken.

Agui I feel that one challenge we face is the need to further improve our response speed and information processing capabilities. I also feel that there are challenges with resources such as facility capacity, vehicles, and human resources. Going forward, we will work quickly to bolster our systems and establish locations to resolve these issues. I believe this will enable us to further expand our synergies.

Sugawara I feel the same as Mr. Agui. Warehouse capacity, in particular, is an issue the entire industry is facing. While many warehouses are aging and the time for reconstruction is approaching, the construction costs of frozen and refrigerated warehouses have risen to about 1.5 times their previous level. This means that we need to make investments while carefully assessing the returns.

Motomura That's right. We are also facing the issue of fluorocarbon gases in freezers and refrigerators, known as the "2030 problem," so we need to consider how to secure capacity to meet customer needs while keeping an eye on future market growth. With construction costs rising, some businesses may give up on rebuilding, which will exacerbate the warehouse shortage. We will carefully discuss and make decisions while assessing market growth potential and return on investments. We must also actively raise the public's awareness of these issues, including regarding fee structures, and proceed with collecting appropriate fees for areas seeing an increase in costs. By doing so, I believe that we will be able to provide continuous, high-quality services without interruptions to our logistics operations. If we can make appropriate preparations to account for these circumstances, then we consider this to be an opportunity for our company. We are already seeing an increase in the outsourcing of in-house logistics to specialists like us, especially in regional cities. The low-temperature logistics market as a whole has grown by over 10% over the past 10 years, and is expected to continue to grow going forward, so we are confident that the need for our low-temperature logistics solutions will also increase.



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Sasamori From a different perspective, I feel that seasonal fluctuations in volume are an issue. Refrigerated and frozen foods are inevitably affected by seasonal events, and the amount of space needed at any given time varies greatly depending on the needs of the customer. When trying to effectively utilize the Group's low-temperature logistics resources to meet these needs, Sagawa Express, which is at the forefront, needs to effectively align customer needs with the operational status of our own resources, etc., from the perspective of maximizing overall profits. In such cases, I think the challenge going forward will be how to deal with seasonal fluctuations while also meeting customer needs. For example, New Year's dishes are delivered over a three-day period at the end of December, but customers start preparing them around July before they are delivered. Currently, Meito Transportation and Hutech norin are responsible for warehouse work such as packing and assorting, so both companies' warehouses are full from around July to December. Once deliveries are completed over the three days from December 29th to 31st, the space becomes vacant from January to around June of the following year. By effectively combining our resources and controlling these fluctuations throughout the year, we hope to develop this into a model that generates a considerable amount of revenue.

Motomura In summary, I think that expanding our low-temperature logistics solutions and improving profitability are key to resolving challenges that everyone else has pointed out. In addition to our current seven priorities, another important strategy to achieving further growth is for us to expand services to existing Meito Transportation and Hutech norin customers. We must actively promote the strengths of our group, such as the fact that Meito Transportation and Hutech norin have infrastructure and know-how other companies cannot imitate, and that Sagawa Express's Hikyaku Cool Express service is of extremely high quality. In order to improve profitability, it is important to increase efficiency by effectively using our current facilities and vehicles across the entire group, so we can accurately grasp customer needs, provide high-quality services, and charge fair freight and storage fees. Earlier we talked about concerns that there will be a shortage of warehouses in the future, and in that case, it will be necessary to operate existing assets more efficiently than we have before. Through these initiatives, we hope to ensure that we generate returns that exceed our cost of capital.

Q Lastly, please tell us about future business prospects and your ambitions.

Sugawara Up until now, we have valued the attitude of "we can and will do anything" and "we'll go anywhere" when it comes to low-temperature logistics. As a member of the SG Holdings Group, I would also like this approach to quickly take root. As joining the SG Holdings Group has boosted employee motivation, I expect synergies to grow even more by deepening communication with each company.

Sasamori I would like to listen closely to requests and inquiries we receive from our customers and work with Meito Transportation and Hutech norin to build an even more optimized cold chain. Personally, I am very excited about how we can respond to and approach the latent and apparent needs of our customers, and I see potential in further expanding the scope of the proposals we can make to our customers. I plan to continue holding discussions, establish a foundation for making proposals, and take the next step in meeting our customers' needs. I believe that the food sector has great potential to continue growing going forward, aided by factors such as hometown tax payment and frozen foods, and I also believe that the globalization of food will continue to progress. Against this backdrop, I think that the type of solutions we can provide is extremely important, so I will work hard to ensure that we put them together properly.

Agui I would like to utilize the Group's extensive customer base and strive to build a cold chain that covers the entire supply chain. By doing so, I hope to provide sustainable and stable functionality in low-temperature logistics for frozen foods and other products, and support people's lives through food. This is what Hutech norin has been aiming to achieve up until now, and I hope to continue to further refine our initiatives on this front within the Group.

Motomura Our plan is to collaborate not only with the three companies, but also with companies like Sagawa Global Logistics, which handles the Group's logistics business, to create solid synergies. While our collaboration with Meito Transportation and Hutech norin is still in the early stages, the low-temperature logistics business for which we have acquired infrastructure has the potential to become one of the main pillars supporting the SG Holdings Group. I believe that by going deeper with our collaboration, we can generate even greater synergies. We will maximize Group synergies while leveraging the strengths of each company from upstream to downstream, and build one of the best cold chains in Japan chosen by customers both in Japan and overseas that widely recognize low-temperature logistics as being synonymous with the SG Holdings Group.

Seven priorities for building one of the best cold chains in Japan

Items	Details
Low-temperature e-commerce	Providing integrated solutions from storage and logistics processing to delivery in low-temperature e-commerce
Low-temperature joint delivery	Proposal for joint delivery leveraging existing facilities and routes of Meito Transportation and Hutech norin
Low-temperature TMS	Providing low-temperature TMS through collaboration with the TMS team of Delivery Business. Integrate vehicle arrangements and other operations to improve efficiency.
BtoB lot delivery	Provide BtoB refrigerated transportation for volumes between single-parcel delivery and full truckload TMS
Overseas low-temperature logistics	Providing integrated solutions from Japan to overseas. Build cold-chain logistics in Vietnam
Joint use of resources	Meito Transportation and Hutech norin jointly use Sagawa Express's transfer centers and route delivery services
Expanding sales to existing customers	Proposals leveraging Group solutions for existing customers of Meito Transportation and Hutech norin