

Results Meeting for
the Third Quarter of the Fiscal Year Ending March 2019(Telephone Conference)
Main Questions and Answers (Summary)

[Financial results for the third quarter of the fiscal year ending March 2019]

Q1: Please tell us how much the forecast will be surpassed based on the financial results up to this point.

A1: Since the values of the financial results forecasts for each quarter have not been released, we cannot provide an exact amount. We do believe that a certain amount was accumulated in the third quarter, but we do not recognize it as a significant increase.

[Financial results forecast for the fiscal year ending March 2019]

Q2: The effects of the adjusted pricing system for the full year have been revised upward compared to those received at the time of the results of the second quarter. Please explain the cause of this.

A2: The effects of the adjusted pricing are based on a situation which has already developed to a certain degree. However, these revised values include not only cases where the adjustment has already been discussed with customers, but also values that need to be increased as negotiations with customers continue to progress.

Q3: In the financial results forecast for the fourth quarter, the Japan segment showed a reversal from the momentum generated in the third quarter to result in decreased income. In which business is decreased income expected? Please also explain the reliability of this outlook.

A3: It can be said that trends in the air freight business have the biggest impact. The volume of export freight from Japan was solid until the third quarter, but when examined on a monthly basis, while it remained quite strong in October and November, and while there was an overall year-on-year increase, freight to Asia showed a year-on-year decline in December. This trend is expected to continue into the fourth quarter.

We do not anticipate an extreme drop in freight volume, but foresee a year-on-year fall especially as the volume was high in March of the previous year. In addition, while volume has been growing overall, we also factor in a certain amount of increase in expenses.

With regard to the reliability of the forecast, we are examining from a neutral stance without emphasizing or underrating particular factors.

Q4: What impact do you expect from the trade war between the U.S. and China? Please explain the viewpoint for the next fiscal year, and the viewpoint of shippers.

- A4: There will be no large effect on the financial results forecast. While we observe trends that indicate a last-minute rush in anticipation of the impact of this trade war in some sectors, at the present stage, no material effects, including its impact on the next fiscal year, can be predicted.
- Under these circumstances, our customers are also refraining from committing to any specific attitude. We consider it is too early to specifically incorporate the factor into forecasts for the next fiscal year, because there are many customers in the examination stage
- At present, we see the possibility that there will be changes in the cargos handled and shipping lanes as a result of the trade war, and we do believe it is important to make effective proposals beforehand. In addition, we recognize the slowdown in the global economy triggered by the trade war as a concern for the next fiscal year.
- Q5: There was a report made on equal pay for equal work. Please tell us how much of an increase in expenses you anticipate in the next fiscal year in relation to this.
- A5: The details of the effort are as reported. We are currently in talks with the related parties and cannot say anything specific at this stage. We believe we can offer more concrete information when announcing our business plan.
- Q6: The Europe segment was once again revised downward. What countermeasures for this situation do you find to be necessary heading into the next fiscal year? Please explain your thoughts heading for the next fiscal year.
- A6: The main cause of Europe struggling in the current fiscal year is business lost. Furthermore, another contributor was Traconf S.r.l., acquired this fiscal year, which has yet to cover the depreciation and amortization of goodwill.
- Improvements are being made gradually at Traconf S.r.l. We will base our efforts in the next fiscal year on recovering existing customers who were lost and taking on new business projects. Also, as we see an increase in expenses in Europe, we will steadily proceed with the measures such as transferring these expenses to the customers.
- Q7: The topic of reevaluating assets was raised at the results meeting. Please explain specifically what kind of process is being considered.
- A7: The reevaluation of assets is not an extraordinary event, but means that we will conduct necessary processes while properly proceeding with the reevaluation of non-current assets and financial assets heading into the end of the fiscal year. This topic was raised in preparation for the end of the fiscal year.
- Q8: For the increases and decreases in the Japan segment presented in the briefing materials, “non-consolidated, other” greatly increased in the third quarter. Please provide more information on this situation. Furthermore, if the factors behind this continue into the fourth quarter, could it result in increased income?
- A8: “Non-consolidated, other” is primarily composed of former combined businesses. While it cannot be said that any one business or specific area is the contributing factor, one of the main factors is the warehouse business in Tokyo , Nagoya and

Osaka area, in which improvements were seen due to the management of empty spaces and the return of unnecessary warehouse facilities. Also, in the automotive-related business, cargo movements were solid in steel and automotive parts, contributing to the increase. In addition, the effect of overall price increases was most evident in former combined businesses.

This trend is expected to generally continue in the fourth quarter.

Q9: With regard to the demand for air freight, what impact would you expect from a deceleration of air freight demand? Please explain how you would maintain profitability.

Also, are there any commodities for which orders are currently declining?

A9: In air freight forwarding, the presence of volume increases the efficiency of consolidation, and influences the strength of procurement. Naturally, we would be affected in case of an overall drop in volume caused by a market slowdown.

However, we have been focusing on securing volume over the last few years and believe that we can maintain price competitiveness to a certain degree thanks to our relatively high procurement power.

Commodities related to automobiles, semiconductors, and machinery that were spot businesses of the last fiscal year occupy a large volume of the cargos not existent during this fiscal year, but this is not to say that all of these commodities have disappeared completely.

[Purchase of treasury stock]

Q10: Please explain the circumstances surrounding the decision to implement this particular method (ToSTNeT-3) to purchase treasury stock.

A10: In response to the Corporate Governance Code, we received inquiries from several shareholders on the sale of our stock. The Company has been flexibly considering the purchase of treasury stock and reached this decision by taking the present state of funding and market conditions into consideration.

While the seller had already been decided to a certain extent, we made the decision to implement this method by considering the price and from the perspective of minimizing the impact on the market.

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