

Summary of Q&A at Financial Results Conference Call for the Fiscal Year Ended March 31, 2020

Q1. Please give us a summary of monthly performance from January through April.

A1. Performance was in line with the plan until February, but since mid-March, our customers in the manufacturing business (automobiles, electric appliances, semiconductors, etc.) that are affected by changes in supply chains have suspended their operation and we are starting to see its negative impact. While our distribution-related domestic 3PL business showed solid growth, it could not make up for the negative impact. In April, there was no shipment in the automobile-related business in North America and Europe, so we expect it will be a tough start and we understand that we need to consider how to make up for these underperforming businesses with distribution-related domestic 3PL business.

Q2. Is there any risk that may affect profitability of 3PL business, such as customers' request to revise unit price or volume, assuming they are currently in a tough situation?

A2. A more pressing request from domestic customers at this point is to meet their logistics demands. We are concerned that a delay in price negotiation due to working from home may have an impact on revenues, but we have not received any request of price cut from customers at this time.

Q3. Is outsourcing or labor cost rising as the volume of distribution-related domestic 3PL has increased?

A3. Currently we are in control of the outsourcing cost by flexibly shifting employees of departments with lower volume or those working from home to distribution-related departments. As a result, we have been able to lower our dependence on outsourcing, etc. which seems to be lowering a risk of increasing labor cost.

Q4. The presentation material shows that the impact on revenues of declined volume, including the indirect impact of the novel coronavirus, was a decrease of 13.7 billion yen. Where is such impact included in the detail of variations for operating income?

A4. A decrease in operating income is mostly due to decreased revenues in the forwarding business caused by the disruption of supply chains. Although specific figures are not disclosed, it is included as part of the decrease in the existing volume.

Q5. Please explain about the portfolio strategy in FY2020.

A5. We always consider reorganizing our portfolio. We will always reorganize our portfolio and determine businesses to be further strengthened by identifying businesses affected by the novel coronavirus and the impact on our business after the coronavirus is contained.

Q6. It appears that the fund has increased. Please explain about the funding plan and investment status.

A6. Capitalizing on low interest rate, we raised 50 billion yen and used 10 billion yen for repayment. As for the remaining excess funds of 40 billion yen, we position it as advance funding for the investment in future growth opportunities. Meanwhile, capital expenditures in FY2019 was lower than the plan due to the status and timing difference of orders received.

Q7. I understand that the financial results of VANTEC are rapidly deteriorating. How was its monthly performance for March?

A7. Operating income in March was around 70% of last March due to cost reduction and adjustment of allowance.