

Teleconference Q&A Session Summary for 1Q of FY2021 (Ending March 2022)

Q1: While operating gross profit margin has fallen during the period, operating margin has been improving. Please tell us about your efforts to control fixed costs such as selling, general and administrative expenses?

A1: We have worked on controlling those expenses / indirect costs especially in APLL segment. Fixed costs decreased by 1 billion yen as indirect costs, and 300 million yen as selling, general and administrative expenses year on year. It mainly owed to management of personnel costs.

Q2: How was overall trend of your forwarding business especially with automobile, healthcare, or electronics related customers?

A2: Automobile customers in Japan and Southeast Asia, healthcare customers in the U.S., electronics customers in East Asia have been quite active.

Q3: How do you see the trends of your gross profit margin with your air and sea freight forwarding businesses?

A3: Gross profit margin and gross profit unit are currently downwards. But gross profit amount is upward due to increasing volume, and selling rates.

Q4: Is the pandemic of COVID-19 in Southeast Asian countries affecting the demand for air and sea freight forwarding?

A4: Not yet, but we are carefully watching and monitoring the impact which may be caused by further lockdowns, etc.

Q5: Please tell us about your overall view on the progress made during the 1st quarter.

A5: It was above our expectations in all segments. Especially in The Americas and Europe, Middle East & Africa.

Q6: Gross profit margin for air and sea freight forwarding seems to be trending downwards. What is your expectation for the 2nd quarter and beyond?

A6: It is not easy at all to predict it now. It is all up to the balance of supply and demand in the market. There are various factors as prolonged sea freight congestion, timing for auto-related products' resume, worldwide shortage of semiconductors. And of course holiday season in the U.S. toward Christmas may still have a big impact in regards to individual consumption. Basically we are optimistic about it towards 2nd half.

Q7: How do charter flights affect your profit margin?

A7: There are regular and ad-hoc charters. Ad-hoc charters are arranged based on certain customers' requests and incomes / expenditures are quite steady. On the other hand, regular charters are based on our own strategy and sometimes put more priority to secure stable capacity than profit. We evaluate them (regular charters) with their overall performance.

Q8: What is the usual contract period for regular charters?

A8: They are basically half year or one year contracts.

Q9: What is your strategy to secure sea freight space?

A9: Our Global Procurement Centre in Hong Kong is responsible for overall space procurement (corporate level contracts) while we still have some local deals with shipping lines. We are and will fully utilize the synergy effect of APLL for it.

End