

Summary of Financial Results Briefings for the 2nd Quarter of FY2019

1. Outline of the briefing

- (1) Date October 30, 2019 (Wed.) 4:30 PM to 5:30 PM
- (2) Venue Main Meeting Room, 2nd floor of the Company Headquarters (2-9-2, Kyobashi, Chuo-ku, Tokyo, Japan)
- (3) Attendees <The Company>
Yasuo Nakatani, Representative Executive Officer, President and Chief Executive Officer
Takashi Jinguji, Representative Executive Officer, Executive Vice President and Executive Officer
Seiki Sato, Senior Vice President and Executive Officer
Nobukazu Hayashi, Senior Vice President and Executive Officer
Hiromoto Fujitani, Vice President and Executive Officer
<The press/institutional investors/analysts, etc.> 68 persons
- (4) Subject (i) Summary of financial results, Explanation of supplementary material
 (ii) Q&A

2. Main Q&A (summary)

Q1. Please give us an update on the progress of new collaborative innovation and environmental change toward the full-year forecast.

A1. We expect that new collaborative innovation is on track as planned. As for productivity improvement, we completed the payments of all consulting fees in the first half in FY2018 and already saw a profound effect in the first half of this year. And we expect to see more than planned as we are also making minor improvements voluntarily. Meanwhile, with the business environment becoming increasingly tougher, we will make up for the slump of the VANTEC Group business whose outlook seems to remain bleak in the second half, with the productivity improvement. Forwarding volume is also decreasing due to the impact of the U.S.-China trade friction, and we have incorporated a certain struggle in the second half forecasts.

Q2. I believe the effect of collaborative innovation with the SG Holdings (“SGH”) achieved the initial targets. When do you plan to go to the next stage?

A2. Before we can go on to the next stage, we need to discuss whether we can agree on the common future direction. We will first consider whether we can work together for future investment and then decide how we proceed from there.

Q3. You said it’s important to agree on the future direction before you go on to the next stage with SGH. What are the hurdles?

A3. Among the efforts we’ve made so far, one of the initial targets that we couldn’t achieve was to generate collaborative effects in overseas. So, in addition to agreeing on the direction, we also need to find an alternative approach to achieve that if we can go on to the next stage.

Q4. Has the overseas collaboration with SGH produced the results that you initially anticipated?

A4. In Japan, collaborative effects have been accumulating at an accelerated pace, and we are also sharing sales information and facilities and building trust relationship. In overseas, however, we strived to create collaborative effects in Vietnam and Thailand but couldn’t produce as much effect as we anticipated. Our current plan is to share with SGH the recognition of which area to work on with which partner, and to make investment with SGH in areas where it’s reasonable, rather than simply continuing our current efforts to enhance overseas collaborative effects. We have already shared our issues and are currently discussing them.

**Q5. What exactly is not working as planned in overseas?
Also, how is the collaboration of business site sharing coming?**

A5. In Japan, SGH is managing business sites in the DC project for a cosmetic company explained in the results briefing material, which is the first case of business site sharing. Currently, business site sharing projects are in progress in

approx. 10 sites. We believe halfway investment won't generate any profit in overseas. And there is also a limitation in finding potential Japanese customers, so we think we need a major scheme and we can find the best partner for it outside the Group. We are now discussing what we need to accelerate our collaborative efforts and what pieces are missing.

Q6. When do you expect VANTEC Group's business results to turn around?

A6. We think the current situation will continue until 4Q. Even so, we believe we can make up for it with other efforts at this point. We are now able to better adjust fluctuations in workload by transferring employees of the VANTEC Group to domestic Organic companies. Transportation capacity of the VANTEC Group is also utilized for Organic. In addition, we are building a structure using digital technology, which we will roll out to the Group companies as well as external customers.

Q7. There was a news report about the integration of Hitachi Automotive Systems and an automobile parts manufacturer of the Honda Group. Will it have a positive effect on the Company?

A7. We believe it will bring business opportunities. We have a deep relationship with Hitachi Automotive Systems as we acquired PALENET from them. I'm sure they already have logistics partners, but we hope we can find new business opportunities.

Q8. When and how much will a new business using EC platform center start contributing to profit?

A8. Since EC platform center started operation on September 23, customers' handling volume has been increasing and we expect it will become profitable in next April. The premises of the Center are currently around 6,600 square meters (around 2,000 tsubo), and we plan to expand it, once the business gets on track, to around 33,000 square meters (around 10,000 tsubo) by promoting operations of other large centers.

Q9. How long do you expect it will take before there will be no impact of adopting IFRS 16 "Leases" on net income?

A9. In our preliminary calculation, it will take around eight years. However, we are seeing some changes such that we purchase lease assets or ask customers to lease assets. Thus, it may change or there is also a possibility that our investment method may change.

3. At the meeting venue



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