Summary of Q&A at Financial Results Conference Call for the 3rd Quarter of FY2019

Q1. Operating income for 3Q (Oct. - Dec.) excluding the effect of IFRS 16 “Leases” decreased by ¥1 billion year-on-year. Could you explain why? (3Q of FY2018: ¥9.2 billion→3Q of FY2019: ¥8.2 billion)

A1. Major components of the decrease included net impact of deconsolidation of Nisshin Transportation and Hitachi Travel Bureau (current HTB-BCD Travel) and consolidation of PALENET (¥(0.3) billion), effects of incorporating risks in forwarding business (¥(0.3) billion) and exchange fluctuations (¥(0.1) billion), and a decrease due to a backlash from robust demands before the consumption tax hike. However, they were more or less what we had expected.

Q2. Was everything going as planned?

A2. Yes. The initial plan for operating income for 3Q excluding the effect of IFRS 16 “Leases” was ¥8.4 billion, which was almost achieved despite an impact of incorporating risks in forwarding business of ¥(0.3) billion. Operating income for the nine months was ¥23.4 billion (+¥0.4 billion), slightly exceeding the plan of ¥23 billion.

Q3. Domestic organic revenues for the first half increased by 4% year-on-year, but the increment decreased to 1% for 3Q (Oct. - Dec.). Could you explain why? (Was there any kind of environmental change?)

A3. There were no significant changes in projects, etc. It was mainly because of a decrease due to a backlash from robust demands before the consumption tax hike.

Q4. Operating income for the nine months exceeded the plan by ¥0.4 billion. Why is it that the forecast for the full year has not been revised?

A4. We didn’t revise the forecast for the full year in consideration of the continuing decline in the handling volume in forwarding (China/Asia) and automobile-related businesses due to the trade friction and customers’ environmental changes, in addition to uncertainties associated with various risks including the impact of the 2019 novel coronavirus.

Q5. As for the results by business category, could you explain why revenues and operating income of forwarding business significantly decreased year-on-year?

A5. It was mainly due to the effect of deconsolidating Nisshin Transportation (revenues and operating income decreased by ¥14.7 billion and ¥0.53 billion, respectively) and deteriorated earnings in forwarding business in China and Asia.

Q6. How was the collaborative innovation with the SG Holdings going?

A6. The detailed figures are disclosed on the materials. The effects of the collaborative innovation increased steadily.

Q7. Were there any customers whose handling volume drastically decreased due to the effect of the consumption tax hike?

A7. Although it was not such a drastic decrease, the handling volume of customers in home appliances and consumer goods sectors decreased.