**Summary of Financial Results Conference Call for the 1st Quarter of FY2021**

1. **Outline of the conference call**
   
   (1) Date: July 30, 2021 (Fri) 3:45 PM to 4:30 PM for Analysts/Institutional investors
       5:00 PM to 5:30 PM for Media

   (2) Attendees: Seiki Sato, Senior Vice President and Executive Officer
       Nobukazu Hayashi, Senior Vice President and Executive Officer

   (3) Subject: Summary of financial results for the 1st Quarter of FY2021, Q&A

2. **Main Q&A (Summary)**
   
   (1) About the financial results for the first quarter ended June 30, 2021

   **Q1. Operating income increased mainly overseas. Is this a continuing trend since last 4Q or is it due to the recovery from the COVID-19 impact?**
   
   **A1.** We think it’s a continuing trend since last 4Q. Currently, 3PL shows steady performance while freight costs in the freight forwarding business remain at high level. However, we don’t think this situation will last, and we think freight costs will go back to normal gradually, which will reduce margin in the freight forwarding business. So, we will start taking appropriate measures in 3PL and automobile-related business now.

   **Q2. How did 1Q results do compared to the forecasts?**
   
   **A2.** Both revenues and operating income exceeded the forecasts by approximately 5% and slightly over 10%, respectively, mainly due to the freight forwarding business.

   **Q3. Please explain how risks, such as a shortage of semiconductors, are incorporated in 1Q.**
   
   **A3.** Although some risks such as a shortage of semiconductors are emerging, strong performance of the freight forwarding business is covering them.

   **Q4. Please explain the trend and future outlook of cargo movements in each overseas region.**
   
   **A4.** As for global cargo movements of the freight forwarding business, the volume of ocean transport achieved over 10% growth year-on-year although the volume in China was somewhat low. The volume of air transport was a little over 50% growth with a year-on-year increase in all regions. As for the cargo movements between Japan and other countries, ocean freight imports slightly fell year-on-year as imports of home electric appliances increased due to stay-at-home demand in 1Q of the previous year, but air freight imports/exports and ocean freight exports increased year-on-year. Imports in North America showed a significant year-on-year increase in both ocean and air transports.

   **Q5. Strategic investments appear to have increased. Is it because some investments postponed last year due to COVID-19 have been made?**
   
   **A5.** Strategic investments have not been affected by COVID-19. Most of strategic investments are related to DX, with increasing cases of investments made to establish solid digital business platform within the Company and promote DX, including new services of SSCV, SCDOS, and SWH, and development of applications, etc.

   **Q6. Please explain the reason for the year-on-year increase in outsourcing and labor costs.**
   
   **A6.** Outsourcing costs increased because of the increase in volume of the freight forwarding business whose outsourcing cost ratio is high. Labor costs increased year-on-year as part of the costs associated with suspended operation due to lockdowns, etc. were recorded in non-operating expenses in 1Q of the previous year. Meanwhile, our cost reduction effort through flexible shift of human resources is still in place, with around 200 employees of VANTEC and VANTEC HTS FORWARDING (“VHF”) currently engaging in 3PL operations.
Q7. Please tell us the detail of the new collaborative innovation projects.
A7. The structure of new collaborative innovation has not changed much, and projects are carried out mainly with SG Holdings Co., Ltd. ("SGH"), AIT Corporation ("AIT"), Project Cargo Japan, Inc., a joint venture with Kintetsu World Express, Inc., and A.P. Moller – Maersk ("Maersk"). Most of the collaborative innovation effects have been achieved by projects with SGH and AIT. The collaborative innovation with SGH launched a new 3PL project for a Japanese DIY store in Southeast Asia. The collaborative innovation with AIT received 3PL orders from AIT’s customers, and the project is in operation.

Q8. How much progress has been made in the collaborative innovation with Maersk?
A8. It has gone into full-scale collaboration, including personnel exchange since this March. We are promoting collaboration in customs clearance for air transport of Maersk in the freight forwarding business and 3PL for Maersk’s customers, and we have already submitted bids for some 3PL projects. With a wide range of Maersk’s customer base, we hope to contribute to the expansion of top line of both companies.

(2) About the progress of the Mid-term Management Plan

Q9. Please tell us about inquiries for SSCV-Safety and its sales target.
A9. We started external sales in July and are working with Hitachi, Ltd. and Mitsubishi HC Capital. Our main target is to introduce it in partner transport companies, and we plan to further expand target companies to establish a base for creating an ecosystem. Projects for public offices are increasing, and SSCV-Safety is used in the verification experiments by the Ministry of Health, Labour and Welfare and the Ministry of Land, Infrastructure, Transport and Tourism. HTS hopes to use those results for various activities.

Q10. Is there any progress with new collaborative innovation partners?
A10. As described on page 10 of Presentation Material, we aim to become a leading 3PL company in Asia and plan to further strengthen our business in Asia. In Japan, we will create an ecosystem through SSCV while enhancing the transport business and consider collaboration with partners with whom we can share DX values.

Q11. What is the aim of collaborative innovation with Private Equity(PE) funds?
A11. We intend to focus on overseas initiatives with PE funds. For example, we may deepen collaborative innovation with PE funds having real estate insights.

Q12. Please explain details of Resource Control System (RCS) of East Japan II Medical DC.
A12. Manufacturers have operated facilities using their unique control system, but RCS is a system that the Company has developed to realize the optimum operation of the entire facilities of each manufacturer. For example, our ideal warehouse workflow is such that each facility operates and assorts cargoes in time for departure of trucks.

Additional Q. Do you plan to focus on transport and storage of COVID-19 vaccines?
Additional A. Our Medical DCs are not directly related to vaccine-related projects but are sites to create Good Distribution Practice (GDP) environment and expand as a medical platform business.

(3) Other

Q13. What are the advantages of transferring to the TSE Prime Market?
A13. We believe it has positive impacts on customer trust and recruiting activities. In addition, because the requirements to transfer to the Prime Market include the enhancement of corporate governance system and the level of disclosure based on Task Force on Climate-related Financial Disclosures (TCFD), it will give a sense of security to our stakeholders.

Q14. In terms of business environment of domestic 3PL, what do you think of the future trend of the existing customers? Also, is there any change in the status of new orders?
A14. Cargo movements in Japan change depending on the environment faced by our customers, but customers in sporting goods and apparel sectors are continuing to face tough conditions. New orders have become polarized, and customers seem to split between those focusing on building a new supply chain and those pursuing low costs.

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