

## **Summary of the Mid-term Management Plan Briefing**

### **1. Outline of the briefing**

- (1) Date            May 24, 2019 (Fri) 4:00 PM to 5:00 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, President and Chief Executive Officer  
                         Takashi Jinguji, 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.> 77 persons
- (4) Subject        (i) Outline of the Mid-term Management Plan  
                         (ii) Q&A

### **2. Main Q&A (summary)**

**Q1. I got the impression that revenue target of ¥720 billion is somewhat low. Is this because of the impact of Nisshin Transportation and the portfolio review?**

A1. The breakdown of a decrease in revenues includes the impact of excluding Nisshin Transportation from the scope of consolidation of ¥17 billion, the implementation of portfolio strategy of ¥10 billion, the effect of exchange fluctuation of ¥10 billion and environmental/volume changes of ¥21.8 billion while we expect increases of ¥50 billion from new orders and ¥20 billion from collaborative innovation.

**Q2. Can you secure operating margin of 5% while continuing strategic investments?**

A2. We expect to see an effect from our initiatives to improve productivity such as VC21 activities in addition to new orders, collaborative innovation, and portfolio strategy. So far, we have worked on productivity improvement mainly in domestic land transportation, but recently we expanded the scope to other areas including Corporate and VANTEC. By taking into account these efforts, we believe it is possible to secure operating margin of 5%.

**Q3. Please explain the synergy target with the SG Holdings (“SGH”).**

A3. The target figures for FY2019 are already disclosed in the presentation material of the financial results for FY2018. The preliminary effect of collaborative innovation in the Mid-term Management Plan including collaborative innovation with AIT is increases in revenues of ¥20 billion and operating income of ¥2 billion, but it may increase a little more.

**Q4. What is your plan about the relationship with SGH in the future?**

A4. We are thinking positively toward integration. The first condition is to create an effect of collaborative innovation. We believe we can achieve the targets set in the previous Mid-term Management Plan during FY2019. The second condition is to fix the figures of collaborative innovation for three years covered in this Mid-term Management Plan. The third condition is whether SGH and the Company can agree on the common future direction. We feel that the collaborative innovation with SGH is very effective considering our initiatives for EC platform center, etc. and we also believe it has a great potential in the future.

**Q5. Please tell us the specific plan for the start of EC platform center.**

A5. The operation of the center is scheduled to start in September. We plan to save labor significantly, and currently, we are installing facilities with their operation check to be conducted in mid-June.

**Q6. Please give us the details of around ¥3 trillion for building an ecosystem described in page 19 of the presentation material.**

A6. Approximately ¥1.8 trillion with the Company and SGH and over ¥2 trillion adding various collaborative innovation partners such as AIT and Nisshin Transportation. And we expect an increase in collaborative innovation partners during the three years of the Mid-term Management Plan, resulting in the ecosystem of around ¥3 trillion.

**Q7. Please give us the details of changes in the numerical target of operating income.**

A7. The changes consists of new orders of ¥6 billion, the effect of collaborative innovation of ¥2 billion, productivity improvement of ¥6.5 billion, environmental/volume changes of ¥(6.5) billion, the effect of exchange fluctuation of ¥(0.5) billion, the impact of excluding Nisshin Transportation from the scope of consolidation of ¥(0.5) billion, implementation of portfolio strategy of ¥(1.2) billion and strategic investments of ¥(1.0) billion. We plan to achieve the numerical target by improving productivity based on new orders and the effect of collaborative innovation.

**Q8. What will be the effect of the collaboration with Hitachi Capital and how will your operation be improved?**

A8. Under a scheme to undertake procurement collectively, we will bear procurement costs and contribute to customers' cash flow management. The procurement scheme has already been implemented in certain rail transportation, and we are considering expanding the target to customers planning to launch E-Commerce business. We are also considering combining commercialization of SSCV with Hitachi Capital's lease business.

**Q9. The new Mid-term Management Plan expects a decrease in operating income growth due to portfolio strategy. Please explain why it is necessary.**

A9. Take Nisshin Transportation as an example, we believe that the forwarding business is essential for SCM related business. If Nisshin Transportation joins the AIT Group, our consolidated operating income will decrease, but the company's profit will still contribute to our share of profits of investments accounted for using the equity method. We can also act as a main contractor to offer AIT's forwarding services with strong sales capabilities to 3PL customers. Also in the collaboration between VANTEC HTS FORWARDING and the AIT Group, we may expect an improvement in our profitability with a positive influence by the AIT Group having higher profit ratio. As such, in the new Mid-term Management Plan, we will aim to improve the Group's overall profit by growing with strong external partners and increasing models to contribute to our 3PL.

**Q10. About the strategic investments in the new Mid-term Management Plan, do you plan to continue in FY2020 and FY2021 toward the next Mid-term Management Plan in addition to those of ¥3 billion already announced for FY2019?**

A10. Yes, we expect to make strategic investments of ¥3 billion in FY2019 (up ¥1 billion from FY2018) and also approximately ¥3 billion each in FY2020 and FY2021.

**Q11. There was a downward revision of the previous Mid-term Management Plan. Is there a possibility of a downward revision for the new Mid-term Management Plan?**

A11. Our target figures in the new Mid-term Management Plan (operating income of ¥36 billion) are realistic projection, and we believe we can achieve them.

### 3. At the meeting venue

