[Evaluation of the first quarter results]
Q1: What is your evaluation of the first quarter results?

A1: We did not announce specific plans, but we believe first quarter results were on track with our expectations and plans.

[Forecasts for the second quarter onward]
Q2: Among the special factors for the current fiscal year, it was initially believed that the employee system reform and environmental investments would influence each quarter equally. However, the effects do not seem to be distributed evenly. Please explain how the effects will appear in the future.

A2: Regarding environmental investment, we have just finished selecting target projects and will begin the transition to the implementation phase, which will affect the second half significantly.

Regarding the employee system reform, the effects are roughly divided into three categories: effects of salary increase for ‘equal labor, equal pay;’ an increase in bonus costs; and an increase in costs due to the retirement age extension.

The effects of salary increase and bonus costs will be averaged over each quarter. The effects of an increase in costs due to the retirement age extension are not averaged and will vary significantly. The retirement months at our company are September and February and as a result, adoption of the retirement age extension will begin from the second half, during which the effects will become pronounced.

Q3: What prospects do you have regarding business performance for the second quarter onward? Please describe positive and negative factors in comparison to the initial forecasts.

A3: A reduction in total personnel expenses is a possible positive factor in the future. Owing to work style reform, the amount of overtime has decreased for the past three months. If this trend continues, it will become a factor in driving profit growth.

On the other hand, as a negative factor, six months have essentially passed in
overseas businesses exposed to global economic trends, and preliminary reports have shown a downward trend compared to forecasts. In addition, regarding businesses in Japan, although results in April and May almost exceeded those of the same months in the previous fiscal year, negative trends were seen in June. If global economic trends weigh on businesses in Japan from July onward, this will become a negative factor.

At present, it is difficult to determine which factor will have greater influence.

Q4: Do you think it is possible to control costs from the second quarter onward? In forwarding, will it be possible to replicate the Japanese-style cost controls in overseas operations?

A4: Overall control is difficult; however, we will promote control of variable costs. In addition, as the amount of purchases has decreased in overseas forwarding, a certain level of control will be possible, but effects were different among four blocks in overseas. Effects have been the most pronounced in East Asia.

Q5: Regarding the income increase from business activities described in the materials, an upward revision compared to initial forecasts was made in overseas businesses. Meanwhile, revenues were revised downward. What is the rationale?

A5: Profitability differs by business. Regarding overseas business, profitability in air transportation is decreasing, but that of trucking and warehousing is growing. In particular, warehousing contributes to income growth over the long term upon the acquisition of new contracts.

Q6: What is the current status and second half forecast for gross margin in air freight?

A6: Currently, gross margin has improved 7 percentage points compared to the previous fiscal year. This trend is projected to continue in the second quarter. Depending on future market conditions, sales prices could decline due to lower buying cost. We will continuously aim to improve gross margin through self-help efforts including effective purchases and enhancement of consolidation efficiency.

Q7: Please tell us about the revisions to notified charter fares for general motor trucks that were announced in tandem with financial results (What is the background of the revision and how have revision effects been incorporated?).

A7: Revision effects have not been incorporated into the forecasts.
As background for the revision, we calculated fares assuming an upward trend in vehicle chartering and subcontracting costs, etc. The upper limit range was expanded to allow a more flexible response to spot transactions during peak periods. While the revision will become effective on August 1, contractual prices are based on individual agreements and therefore effects of the 10% to 20% revision will not emerge immediately. However, we expect that benefits due to the effects will increase, supporting the effects of our current price revision efforts.

[KPI under the Business Plan]
Q8: Please tell us about the progress of the KPIs shown in the Business Plan.
A8: We do not currently have any information to disclose.