

Main Questions and Answers

Meeting for The Financial Results for the Third Quarter of the fiscal year ending March 31, 2022 held on February 10, 2022

Q 1 Please explain the factors behind the increase in subcontracting expenses in terms of your third quarter results and the forecast for this fiscal year.

- Since the second quarter of the current fiscal year, we have been promoted the establishment of the network with a different cost structure (EC Logistics Network), which simplifies the operation process compared to the existing network, in order to meet the expanding needs of EC and realize our growth.
- In the third quarter results, including the peak season in December, demand was even greater than in the previous fiscal year, when the volume of parcel deliveries surged, but we were able to respond by establishing this new network ahead of schedule while maintaining service quality.
- On the other hand, we are still in the process of optimizing costs for sorting and transportation operations in our existing network, which is separated from EC parcels, and as a result, costs were temporarily higher than expected in relation to the volume of business, mainly in terms of vehicle hiring costs and outsourcing costs. We have reflected this situation in the forecast for this fiscal year.
- Ahead of the next fiscal year, we have been launched a new execution structure from February to unify the management of the EC logistics network and the existing network, which have been operated separately to prioritize speed and give authority and responsibility to regional executive officers who are closer to the front line, and control each region according to its business volume to achieve cost optimization.

Q 2 What is the progress of sales to corporate customers and what is the outlook for the future?

- Although the delivery volume increased from the previous fiscal year in response to demand of EC customers, it was slightly lower than expected due to the delay in establishing corporate sales systems in some region.
- Under the new executive structure starting in February, in order to maximize the provision of value to corporate customers, we will clarify the account managers who face customers in each region to build stronger relationships, as well as continue to focus on providing supply chain solutions by the account managers in the headquarters.

Q 3 Based on the new forecast for this fiscal year, how do you expect to achieve the numerical targets of your medium-term management plan?

- In the third quarter, we still had issues with cost optimization mainly in the existing network and progress in sales to corporate customers, but the measures to be taken have become clear and we have started the new execution structure in February to take action promptly.
- We will revise our organization in April 2022, and change the management structure so that we can manage businesses and front-line sites not only by "Headquarters" but also by "Regions" that are closer to customers. We will continue to implement structural reforms to achieve the numerical targets set in the medium-term management plan.