

## Financial Results for Q1, Fiscal Year Ending December 2024:

## Questions and Answers (Summary)

The financial results presentation on May 13 was conducted via online meeting. The following summarizes questions received and explanatory answers.

(Financial Results for Q1, FY2024)

Q1. Regarding the Q1 performance evaluation, you had recorded a one-time write-off in Q1 of 8 billion yen in non-current asset taxes, etc., from the previous year. Is this write-off the same as that of the previous year, resulting in a 9 billion yen decline in business profit from 20.9 billion yen in Q1 of the previous year to 11.8 billion yen this fiscal year? Also, is it correct to assume that business performance is in line with expectations?

A1. Businesses performance in Q1 of the current fiscal year declined by 9 billion yen compared to the previous fiscal year. This result includes a decrease of approximately 5 billion yen in Japan and 4 billion yen Overseas, mainly due to lower profit in the forwarding business of both regions. The 11.8 billion yen business profit in Q1 includes a consolidated total of a one-time charge of approximately 8 billion yen in non-current asset taxes, etc., similar to that posted in the previous year. We regard the consolidated business performance of Q1 as being roughly in line with our expectations.

Q2. Page 8 of the financial results presentation lists changes in revenues and operating income. The plan at the beginning of the period included 3.1 billion in amortization of the intangible assets of cargo-partner and a reactionary decline in the reversal of liability for unused paid time off. Where is this information included? Also, you posted a 0.6 billion yen increase in income in Q1 due to a decrease in brand-related expenses, but was this included in the initial plan?

A2. The reversal of liability for unused paid time off is included in the full-year forecast, as this reversal was accounted for in Q4 of the previous year. We plan to account for the 3.1 billion yen in amortization of intangible assets in Q4 of the current year. Regarding new brand-related expenses, we introduced the new NX brand in January 2022, and have been working to update truck bodywork and other items over the past two years. At the beginning of the period, we explained our plan to reduce costs by 6.8 billion yen for the full year, and there has been no change in this plan. Of this amount, we reduced costs by 0.6 billion yen in Q1.

(Air Forwarding Business)

Q1. Various factors have contributed to the improvement of the gross margin index in air forwarding, including stronger carrier negotiations and lower fuel surcharges, but how are unit sales prices and purchase costs? You explained that unit freight rates remain high. Do you

expect future profits to improve if purchase costs are falling?

A1. Q1 market freight rates for air forwarding were about 25% higher than before the pandemic.

We expect these rates to remain at the same level going forward mainly due to resilient demand in e-commerce. Under these circumstances, we expect the YoY gross profit per unit to decline for the full year. However, the QoQ gross profit per unit is likely to improve in Q2 due to lower purchases following the contract changeover for the summer season.

We expect air forwarding volumes from overseas to increase by just over 5% QoQ in Q2. At the same time, we expect volume from Japan to remain relatively unchanged QoQ but recover in the second half of the year. However, this recovery is expected to increase only about 1% YoY.

Q2. Are airline purchase costs declining in negotiations with carriers for the summer season?

A2. We switch contracts every half year between the summer and winter seasons. Last year, we began strengthening global purchasing bids and began working to reduce procurement costs. Through these efforts, we expect to reduce costs to a certain level in the summer season beginning in April.

#### (Results From FY2024 Q2)

Q1. In Q2 of the current fiscal year, we are seeing a year-on-year turnaround in profit mainly due to a reduction in the purchase cost of airlines. Is the probability of a turnaround increasing?

A1. We forecast a business profit of 23.1 billion yen in Q2 of the current fiscal year. If we achieve this level, we will see a turnaround in profit compared to the previous year. However, Q1 business profit for the current fiscal year amounted to 12 billion yen, including the one-time write-off of 8 billion yen in of non-current asset taxes, etc. Without this write-off, business profit would amount to 20 billion yen. Compared with the Q2 business profit forecast of about 23 billion yen, we would need to raise profits by approximately 3 billion yen. Despite lower profit from adjustments and other factors, we expect to achieve this 3 billion yen increase through increases of 3.6 billion yen in Logistics and Overseas and 2.1 billion yen in Logistics Support (including a 0.6 billion yen increase in reaction to the absence of one-time expense write-offs of non-current asset taxes, etc.). Reaching this goal will depend on whether we can reach our forecasted level of logistics, overseas, handling, and other services.

Q2. Based on current customer information, is air cargo business recovering toward the second half of the year? Are there any specific developments in the semiconductor and automobile industries?

A2. The Company operates dedicated warehouses for semiconductors in Japan and overseas. We plan to launch operations of new warehouses this year, mainly in Japan, which we expect will contribute to sales. As for the semiconductor industry, we have not seen any major changes yet, but we expect market conditions to recover after this summer. Although the timing of this recovery is fluid, we expect the investments we have made to date to produce results during market recovery. The semiconductor industry affects numerous other industries. Therefore, we

view the recovery of the semiconductor industry as a starting point in recovering logistics demand.

Please note, that although it was not discussed in today's questions, we revised upward our forecast for the business profit of cargo-partner slightly to 1.5 billion yen, compared to the initial 0.8 billion yen forecast.

\*Additional information: Automobile manufacturer production has remained strong in the automobile industry, resulting in relatively steady company handling. Against this backdrop, automobile parts are also trending toward inventory optimization. Certain inventories are beginning to be shipped by emergency shipments due to part shortages.

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