

Q&A Session Summary
the 1st 6 Months of FY Ending March 2020

Q1: What factors can be attributed to positive results in the Japan segment for the second quarter (July–September) compared to the first quarter (April–June)?

A1: Domestic subsidiaries in Japan were stronger than expected, primarily due to expansion of business via acquisition of spot projects and revised contract conditions with customers.

Q2: What progress has been made on the Medium-Term Management Plan goal to plan and introduce next-generation IT systems to KWE?

A2: Following deliberations within the Company, we have decided to leverage the operational track record, stability, and functionality of our existing IT systems as we continue to streamline the user experience of the new interface. Prototype testing has already been initiated in several countries, and we project global implementation to take place in several years, pending additional time for further improvements. Total costs for project development are estimated to be in the range of several billion yen.

Q3: The operating margin for APL Logistics currently exceeds 5% before the amortization of good will. Can further reductions in SG&A expenses be made, or will it be difficult to further improve the segment's earnings ratio?

A3: We recognize that we have had some success in the management of SG&A expenses by revising contract conditions with customers, and by reducing the workforce. As our next step, we will strategize on how best to expand the top line.

Q4: Is there any potential to exceed full-year performance forecasts for this fiscal year?

A4: Exceptional performance is partly contingent on individual carrier rate policies; softening costs may provide opportunities for upswing. We believe that freight volumes have hit their lowest point yet, and barring any major unforeseen events, there should be no further significant declines. However, we need to carefully consider when and how favorable conditions will contribute to meaningful growth.

Q5: What further initiatives will be taken to synergize with APLL?

A5: The greatest opportunity for cooperation between KWE and APLL is through the provision of air freight services for APLL's main retail customers. KWE should also promote APLL's capabilities in 4PL and consolidation of facilities. In October 2019, KWE's commenced operations of its cross-organizational Corporate branch, and it is my hope that we can distill key principles of APLL's Human Resources, Legal, and Sustainability departments and utilize them for the Group.

Q6: In the event that customer supply chains shift from China to Southeast Asia, will it be necessary to invest in Southeast Asia?

A6: We are increasing personnel to respond to customer inquiries and facilitate proposals for supply chain optimization. In addition, we will proactively invest in hardware required to handle increased freight volumes.

Q7: Can you provide more context to the “zero net interest-bearing debt” theme previously introduced in the Group's Long-term Vision?

A7: Compared to the size of the Group, KWE carries a large amount of interest-bearing debt, so we seek to reduce that while implementing investments for growth and shareholder returns.

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