

Result Briefing for the Year ended March 2023 - Main Q&A (Summary)

May 22, 2023

Alps Logistics Co., Ltd.

The result briefing for May 22 (Monday) was held in an online format. The following are questions asked, along with Alps Logistics' responses.

(Regarding the business environment for the electronic components logistics business)

Q: Were there differences between countries or regions?

A: The main cargoes for electronic components are auto-related and smartphone-related. There was a relatively high level of goods movements for auto-related components, and regions that performed comparatively well included North America, Southeast Asia, and Japan. In contrast, there was a delayed recovery in smartphone and PC-related components, and we recognize that the situation in China is somewhat challenging.

Q: Do you think the semiconductor shortage has been resolved?

A: As far as we can tell based on information from Alps Logistics' customers, we have heard that the vehicle-mounted semiconductor shortage has eased and there have been no reports of factory closures, etc. like last year. For semiconductors for consumer electronics equipment, we've heard about shortages in some areas, but also that surpluses are appearing for an increasing number of goods. Regarding freight volumes at Alps Logistics, shipments are moving largely in line with the semiconductor production and sales trends.

Q: You have made a tough forecast for this fiscal year's performance in electronic components logistics. Could you please explain the reasons for this?

A: As the chaotic COVID-19-related situation in international transportation has returned to normal, there has been a decrease in urgent shipments by air freight. There are multiple causes for this, including the switch from air to marine freight, and the fact that profits from mixed shipments have fallen because of a drop in freight volumes. For these reasons, profits are expected to fall.

Q: What is your view of the exchange rate impact on Alps Logistics' results? How much is operating income affected by each single yen movement in the exchange rate? The yen has been weakening recently. Does this mean we can expect results to improve?

A: For Alps Logistics, the two currencies that have a bigger impact on results are the Chinese yuan and the US dollar. We have forecast rates of 18.5 yen to the Chinese yuan and 130 yen to the US dollar. Regarding the Chinese yuan, there will be an annual exchange rate impact of approximately 100 million yen. The forecast rate is set based on the forecasts of various different banks, and we do not currently expect there to be a major impact.

(Regarding sales expansions for new business)

Q: Could you please explain specifically what you mean by sales expansions for new business?

A: Regarding the electronic components logistics business, we have developed our electronic components logistics platforms for shared storage and consolidated collection and deliveries. We have extended this to vehicle-mounted applications, as well as industrial equipment and medical equipment. The specific focus in vehicle-mounted applications is Tier 1 and Tier 2. We are also focusing our efforts on procurement logistics.

Regarding the consumer products logistics business, in addition to home deliveries for co-ops, our main efforts have been EC mail order logistics for miscellaneous and everyday goods, as well as pharmaceutical logistics.

Medical equipment and pharmaceuticals are relatively close markets, and these are something that both companies will tackle.

Q: There have been active investments in relation to semiconductors in Kyushu recently. Could you please explain Alps Logistics' approach and policy?

A: Alps Logistics started operations as a subsidiary of Alps Alpine, and in 2004 we merged with TDK Logistics Corp. Both companies' main bases were in Eastern Japan, and Alps Logistics has continued to develop our business with a focus on Eastern Japan. For this reason, we do not have a sufficiently developed network in Western Japan. In Kyushu, we already have bases in Fukuoka and Kagoshima. However, we have also been increasing our business in Kumamoto since last fiscal year, and in the near future we consider to set up a base there.

(Other)

Q: Could you please tell us how you plan to respond to the so-called Logistics 2024 issue?

A: Regarding the "upper limit to overtime work", we have completed the implementation of measures in respect to Alps Logistics' drivers. We have continued to liaise with partner companies to whom we have outsourced work, and we have completed around 90% of measures. We plan to complete these during the first half of the current fiscal year. Part of the solution is to increase the number of our drivers, but we are also dealing with the issue by reviewing our transportation routes. We will consult our customers in the future regarding the issue of passing on costs.

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