

Main Q&A for Financial Results Briefing for Six Months Ended September 30, 2023 (Summary)

November 13, 2023

ALPS LOGISTICS CO., LTD.

We held our financial results briefing in an online format on Wednesday, November 8. Questions and our responses from that briefing are as follows.

(Business environment for electronic components logistics)

Q: How will shifts in the industry landscape for automobile businesses resulting from the move to electric vehicles (EVs) affect your company?

A: The Chinese market has seen rapid progress in the transition to EVs. The market share of foreign joint-venture automobile manufactures has fallen, and that of domestic Chinese manufacturers has increased. Many of our shippers are foreign components manufacturers, in which foreign joint-venture automobile manufactures account for a large portion of our business. As such, this area affects us as well. For our part, we are also focusing on the transport and storage of so-called “domestic cargo” in the form of finished products and components for the Chinese market, and are elevating our logistics capacity. There are also other various structural changes. As we move forward, we will accommodate behavioral changes such as the shift to production outside Chinese borders, including that by domestic Chinese manufacturers.

In North America, since our shippers are mainly American manufacturers, we believe that there will be no change in the industry landscape caused by progression in the transition to EVs.

Q: You say that you are predicting that a recovery in cargo volume will take place next fiscal year and beyond. What is your view on the prediction that the brakes will be applied to further deterioration of both air and sea freights currently taking place?

A: With freight trends shifting due to various requirements, it is difficult to make generalizations. For sea freight, overall volume seems to not be increasing. At the same, there has been an increase in certain lanes. We believe that future changes in volume will gradually reflect itself in freight.

Q: Once the electronic components logistics market recovers and cargo volume increases, is a scenario possible in which air transport demand experiences rapid growth similar to last year, thereby pushing up profits considerably in the next fiscal year and beyond?

A: The period from the latter half of 2021 to around fall 2022 was an abnormal time in which demand for air freight increased by a considerable margin due to commotion in supply chains. While it is difficult to say for sure that something similar will not occur again in the future, we believe that the chance of multiple factors such as those seen up to last year overlapping to trigger abnormal conditions is low. We envision that cargo volumes will increase depending on a recovery in economic conditions.

(Business strategy for electronic components logistics)

Q: Which overseas regions/sites will you focus on in second half of 2023?

A: We will pursue the expansion of our logistics business and our capacity in our various countries of operation.

Q: In recent years, semiconductor-related investment in Kyushu has been active. What are your endeavors/approaches in that respect?

A: We initiated our business as a subsidiary of Alps Alpine and merged with TDK Logistics in 2004. With sites of operation under both being based mainly on East Japan, we developed our business with a focus on East Japan. As such, our network in West Japan is still insufficient and is therefore a current focus of ours. Recently, we have been increasing our business in Kumamoto Prefecture, and will continue to focus on Kyushu going forward.

Q: What do you specifically mean by “improving productivity?”

A: We believe that improving productivity in our warehousing business and at our warehouses constitutes a key point. The first thing we will address is automation. The second is working-level improvement activities. As many as 13,000 instances of improvements are generated at the Company annually. In addition to build-ups of small improvements, we are also carrying out initiatives to introduce outside knowledge and enhance the quality of and widen the breadth of our efforts to make improvements and enhance efficiency. One example of those initiatives is improvement activities that we conduct with the use of the TIE* method. These have been yielding effects in the last five or so years. We are implementing these improvement activities globally as well as domestically, and are tying them in to the improvement of our productivity.

*TIE: Stands for Total IE (Industrial Engineering). Method of striving for total innovation with awareness of the connection among multiple processes in addition to each individual process.

(Business strategy for consumer products logistics)

Q: Co-op home delivery is showing stable profit. Are there any issues with the profitability of logistics for cosmetics and frozen foods, which are growing?

A: Needs for the delivery of frozen foods to homes for individuals have grown in the last one to two years. We have successfully secured firm volume for specific customers and have no issues with profitability either.

(Consolidated business results forecast)

Q: The 8 billion yen in operating income you posted in the fiscal year ended March 2023 seems to pose a considerable challenge to your target several years down the road. What is your view on this?

A: For the fiscal year ended March 2023, due in part to some one-off positive factors, we surpassed our target for the final year of our medium-term business plan. As such, we intend on steadily pushing forward with initiatives as we aim to reach our targets for the fiscal year ending March 31, 2025 under our 5th Medium-Term Business Plan and ironing out a plan to surpass those targets beyond that point.