

Result Briefing for the Year ended March 2024 - Main Q&A (Summary)

May 17, 2024

Alps Logistics Co., Ltd.

The result briefing was held online on May 10th (Friday). Below are the questions asked and the responses provided by Alps Logistics.

(Regarding the business environment for electronic components logistics)

Q: You mentioned changes in the Chinese EV market, a decrease in air cargo, and a downturn in consumer equipment as causes for the revenue and profit declines in electronic components logistics. Can you provide the forecast for this fiscal year?

A: The automobile-related business is expected to remain strong. Production and sales of EVs in China continue to increase significantly, accounting for a marked shift in market share within the Chinese market. Alps Logistics has been affected as local component manufacturers have gained a larger share compared to the foreign-owned joint ventures, which are the company's main shippers. Growth in EVs is expected to continue this year, and as foreign-owned manufacturers are also building up sales, the market share of foreign-owned companies is likely to gradually increase going forward. Alps Logistics is working on increasing sales to local Chinese companies in other sectors not limited to automotive manufacturers. According to information from Alps Logistics' customers, the consumer equipment sector will likely gradually recover through the second half of the year. Shipments of PCs and other IT equipment experienced a downturn following the initial surge during the early stages of the COVID-19 pandemic. However, with upcoming Windows version upgrades and a gradual recovery in smartphone sales, an overall recovery is anticipated in the later stages. Shipments of industrial machinery are likely to improve as increased production of final goods leads to a recovery in capital investment and the reduction of stock levels.

Q: What evidence is there for recovery in shipments of PCs and smartphones?

A: Alps Logistics is not a component manufacturer, so we do not have specific evidence. However, according to the majority of information from our customers, we understand that the sector is trending toward recovery.

Q: Will there also be a recovery in air cargo in the second half of the year?

A: Shipments from Japan have not yet recovered, but an increase in cargo volume is

anticipated if production activities increase.

(Regarding the response to the Logistics 2024 issue)

Q: What will be the impact of restrictions on overtime work related to the Logistics 2024 issue?

A: To address the Logistics 2024 issue, Alps Logistics has revised its delivery network and implemented nationwide improvements so that individual drivers are not subjected to excessive overtime. The first step was to establish a system that, in theory, prevents excessive overtime.

Q: How will you compensate for the reduction in the number of drivers?

A: Alps Logistics considers it vital to improve conditions for drivers. In addition to salaries, other improvements being made to conditions include enhancement of benefits and revisions to the fee structures for partner companies. We are taking steps to increase the number of new drivers hired, but we also consider it important to create an environment that encourages existing drivers to stay. Many of Alps Logistics' customers in the electronic components sector are closed on Saturdays and Sundays, resulting in conditions that differ from the general logistics industry due to this lighter workload.

(Regarding the change of President)

Q: What is the reason for the change of President?

A: A succession plan was created and the timing of the change of president was decided in committees such as the Nomination and Compensation Advisory Committee. While the timing of this change coincides with a major transition, such as the TOB, the entire company is committed to leveraging this period of significant business environment changes as an opportunity to drive corporate growth and enhance corporate value.

Q: What are the aspirations of the new President Terasaki?

A: Although there are probably concerns over the timing of the change of President, the change has been planned well in advance. With this takeover bid, the goal is to further expand the operations and enhance the business value of both companies by leveraging Alps Logistics' strength in end-to-end logistics services from procurement to finished products.

(Regarding capital and business alliances)

Q: Initially, there were 15 potential purchasers considered as candidates for this TOB—what types of companies were they mostly? What were the deciding factors for selecting Logisteed out of those purchasers?

A: Unfortunately, we are unable to comment on the other potential purchasers. Deciding factors included that the tender offer price was the highest, support for Alps Logistics' management strategy, including growth strategy, was based on deep understanding of the logistics and its business, and its treatment of employees and governance system were superior. Logisteed's know-how and resources, strong commitment and track record in the logistics market, and corporate philosophy that is similar to that of Alps Logistics were also deciding factors.

Q: You mentioned that the expected synergistic effects in the future include those from engaging in finished product logistics. Could you tell us if there are any specific plans in place?

A: We explained that the synergistic effects include increasing added value for customers by providing comprehensive logistics services. However, nothing has been decided at the moment, and any actual operations will begin after we establish a new structure.

Q: You stated that this TOB will increase synergistic effects through a higher loading ratio, but does this mean that cargo from both companies will be consolidated?

A: Alps Logistics assumes that electronic components and electronic equipment can be loaded onto trucks as mixed shipments since they are of the same type, but this is still undecided at the moment. The details of the actual business alliance will only be finalized after we establish a new system.

Q: Will existing businesses, such as the well-performing logistics for cosmetics, continue to operate after this TOB?

A: Alps Logistics' electronic components logistics and our subsidiary's consumer logistics services will continue to operate after the TOB.

Q: Can you provide a rough schedule for the new system after TOB procedures have been finalized?

A: At the moment, only the start of the tender offer in around mid-August has been decided, and subsequent plans have not yet been decided.

Q: How will bases that overlap with Logisteed be reorganized or consolidated?

A: Specifics have not been discussed yet; details will be considered after transitioning to the new system.

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