

Briefing Materials For the TRANCOM GROUP Financial Results

2nd Quarter of the Fiscal Year Ending March 2021

Securities Code:9058

トランコム株式会社

October 27, 2020

Contents

1	FY2020 Points	P.3
2	FY2020 2Q Results	P.4
3	FY2020 Full Year Forecast	P.12
4	Financial Status and Investment & Shareholder Return Policy	P.16
5	Towards Building a “Transportation System”	P.19

2nd Quarter of the Fiscal Year Ending March 2021

Presentation Points

FY2020 2Q Results

- The logistics information service business and the industrial support business were operating in a harsh market environment.
(Logistics Information Service Business) A significant reduction in the amount of cargo information
(Industrial Support Business) Impact from the closure of automobile-related production plants and production cuts.
- With regards to fluctuation in the volume of cargo due to the coronavirus pandemic, the logistics management business, which has been promoting operational efficiency, saw a significant increase in profits.
- In each business segment, we continued to work on appropriate staffing, improvement in operational efficiency, and cost reductions which improved the operating profit margin (up 0.3 points YoY).

Forecast for FY2020 Results & Dividend

- While the amount of cargo information in the logistics information service business is gradually recovering, it is expected that an impact will remain in this FY.
- As for the expected annual dividend, carrying on from the previous FY, the plan is to increase it. [Details on P. 18](#)

Long-Term Vision - Towards Building a “Transportation System” [Details from P. 19](#)

Make full use of the services of the TRANCOM Group to strongly promote the efficiency of “transportation” in Japan

1	FY2020 Points	P.3
2	FY2020 2Q Results	P.4
3	FY2020 Full Year Forecast	P.12
4	Financial Status and Investment & Shareholder Return Policy	P.16
5	Towards Building a “Transportation System”	P.19

FY2020 2Q Results

YoY

- In a difficult business environment, revenue and profits decreased in the first quarter, but in the second quarter, we worked to reduce costs in each business, and we curbed the decline in profits for the 2Q cumulative total.
- Net profit increased by 8.5% due to the recording of novel coronavirus subsidies (non-operating income) and a drop in corporate taxes paid.

(Millions of Yen)

	FY2019			FY2020					
	1Q	2Q	1st Half Total	1Q	YoY	2Q	YoY	1st Half Total	YoY
Sales	39,240	40,977	80,217	35,932	-8.4%	36,712	-10.4%	72,645	-9.4%
Operating Profit	1,678	1,994	3,672	1,572	-6.3%	2,020	1.3%	3,592	-2.2%
(% of Sales)	(4.3%)	(4.9%)	(4.6%)	(4.4%)	(+0.1P)	(5.5%)	(+0.6P)	(4.9%)	(+0.3P)
Recurring Profit	1,671	1,958	3,630	1,538	-8.0%	2,127	8.7%	3,666	1.0%
(% of Sales)	(4.3%)	(4.8%)	(4.5%)	(4.3%)	(+0.0P)	(5.8%)	(+1.0P)	(5.0%)	(+0.5P)
Net Profit Attributable to Parent Company Shareholders	1,041	1,321	2,362	904	-13.1%	1,657	25.5%	2,562	8.5%
(% of Sales)	(2.7%)	(3.2%)	(2.9%)	(2.5%)	(-0.2P)	(4.5%)	(+1.3P)	(3.5%)	(+0.6P)

FY2020 2Q Results by Segment

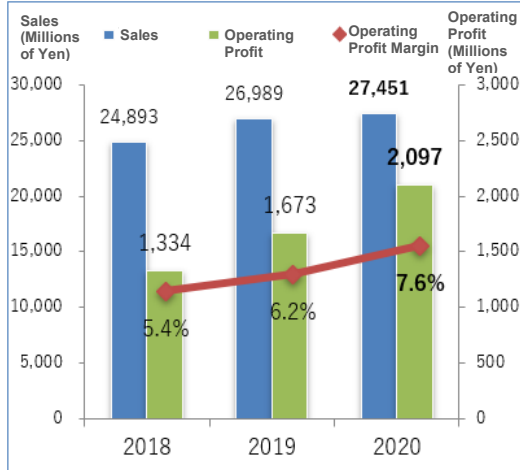
(Millions of Yen)

		FY2019			FY2020					
		1Q	2Q	1st Half Total	1Q	YoY	2Q	YoY	1st Half Total	YoY
Logistics Management Business	Sales	13,213	13,775	26,989	13,751	4.1%	13,700	-0.5%	27,451	1.7%
	Operating Profit	754	919	1,673	1,016	34.7%	1,080	17.6%	2,097	25.3%
	(% of Sales)	(5.7%)	(6.7%)	(6.2%)	(7.4%)	(+1.7P)	(7.9%)	(+1.2P)	(7.6%)	(+1.4P)
Logistics Information Service Business	Sales	22,122	23,263	45,385	18,492	-16.4%	19,158	-17.6%	37,651	-17.0%
	Operating Profit	719	886	1,606	539	-25.1%	782	-11.7%	1,322	-17.7%
	(% of Sales)	(3.3%)	(3.8%)	(3.5%)	(2.9%)	(-0.4P)	(4.1%)	(+0.3P)	(3.5%)	(+0.0P)
Industrial Support Business	Sales	1,843	1,891	3,735	1,494	-18.9%	1,367	-27.7%	2,862	-23.4%
	Operating Profit	78	100	178	24	-68.8%	22	-77.5%	47	-73.7%
	(% of Sales)	(4.3%)	(5.3%)	(4.8%)	(1.6%)	(-2.7P)	(1.6%)	(-3.7P)	(1.6%)	(-3.2P)
Others	Sales	2,433	2,426	4,859	2,656	9.2%	2,866	18.2%	5,523	13.7%
	Operating Profit	144	117	262	23	-83.8%	168	43.5%	192	-26.7%
	(% of Sales)	(5.9%)	(4.8%)	(5.4%)	(0.9%)	(-5.0P)	(5.9%)	(+1.1P)	(3.5%)	(-1.9P)
Intercompany Eliminations	Sales	-372	-379	-751	-462	-	-379	-	-842	-
	Operating Profit	-19	-29	-48	-32	-	-34	-	-66	-
	(% of Sales)	-	-	-	-	-	-	-	-	-
Consolidated Total	Sales	39,240	40,977	80,217	35,932	-8.4%	36,712	-10.4%	72,645	-9.4%
	Operating Profit	1,678	1,994	3,672	1,572	-6.3%	2,020	1.3%	3,592	-2.2%
	(% of Sales)	(4.3%)	(4.9%)	(4.6%)	(4.4%)	(+0.1P)	(5.5%)	(+0.6P)	(4.9%)	(+0.3P)

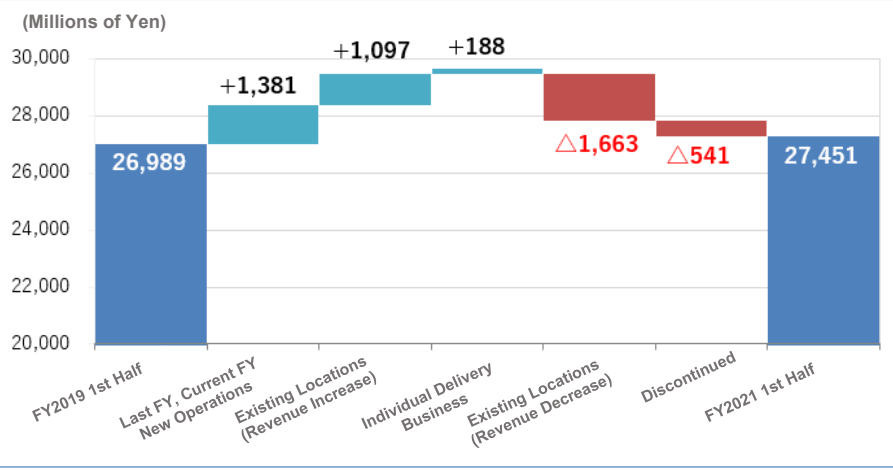
FY2020 2Q Results by Segment

Logistics Management Business

Sales, Operating Profit, Operating Profit Margin



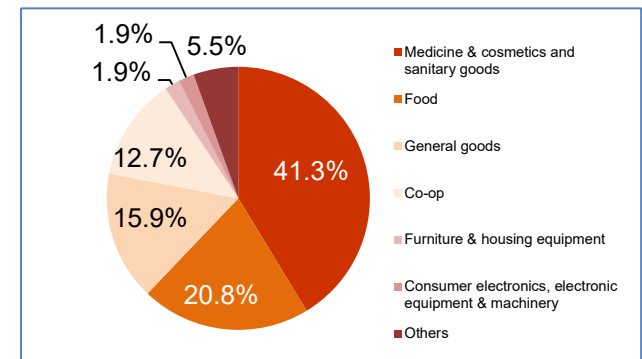
Change in Sales



[Main factors for the change]

- Contribution of operating locations last FY and this FY
- The early and stable operation of new locations this FY
- An increase in the volume of cargo as needs for individual delivery rose
- Increased profitability by improving operational efficiency

Composition of Items Handled (FY2020 2Q Sales)



FY2020 2Q Results by Segment

Logistics Management Business

Status of New Business Acquisition & Operation

- Operation of a center complex in the category of sanitary goods and daily necessities(Saitama) (April 2020)
- Operation of an in-house center for a manufacturer of medicine & cosmetics(Toyama) (April 2020)
- Opening of a logistics center that serves as a central base for delivery(Aichi) (Scheduled to begin operation in November 2020)

Realization of Powerful Management Abilities for Logistics Centers

- Preparing to automate case picking work to save on labor at logistics centers(Scheduled to begin operation in 4Q)
 - Thorough safety, security, and quality, and preparing a proper working environment with operating companies in each area
 - Revision of the personnel system (realization of career development by newly establishing specialists)
 - Supporting legal and regulatory compliance (equal pay for equal work)
 - Creating organized logistics centers
- Renewal of uniforms to boost work efficiency



▲Trancom uniform

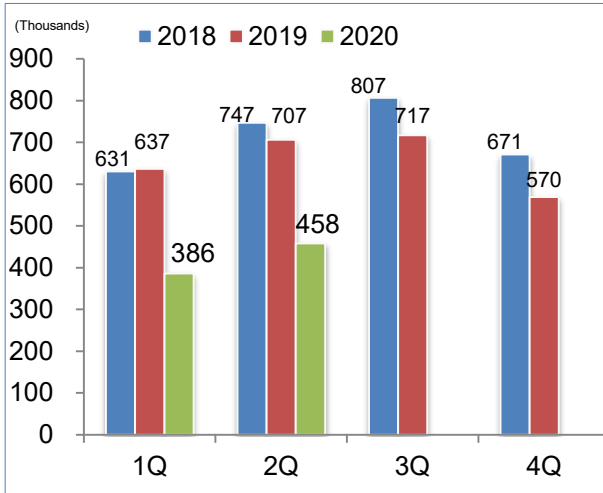


▲Trancom DS uniform
(individual delivery)

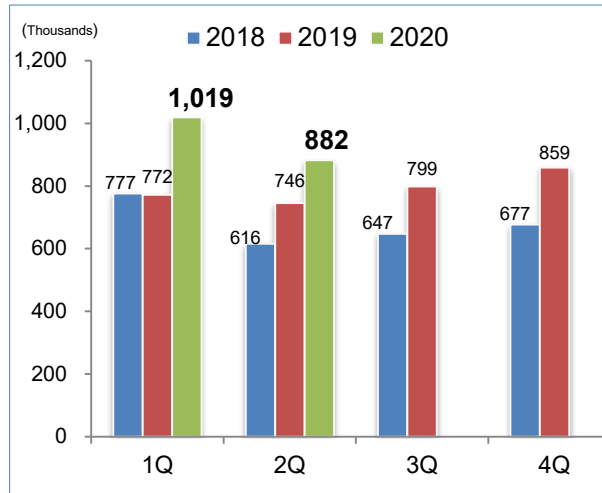
FY2020 2Q Results by Segment

Logistics Information Service Business

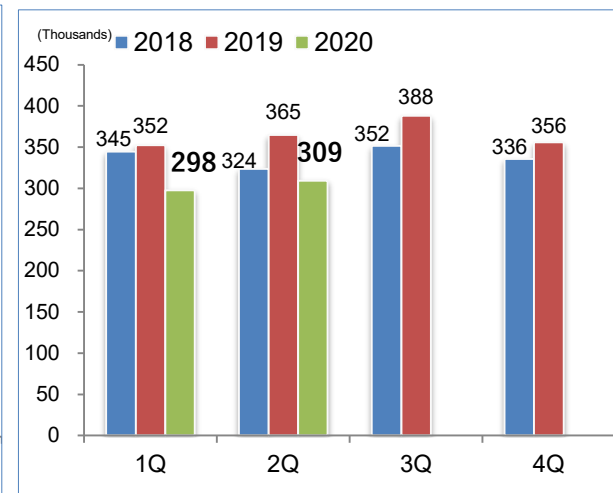
Cargo Information Numbers



Empty Truck Information Numbers



Trucks Dispatched



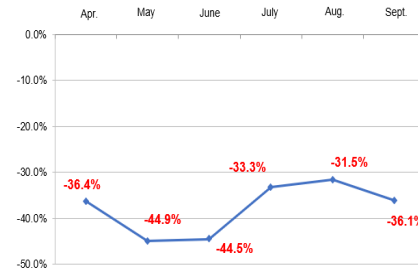
Building a Business Foundation that is not Affected by the Market Environment

■ Strengthening sales to the manufacturing industry by going from spot cargo to securing regular cargo

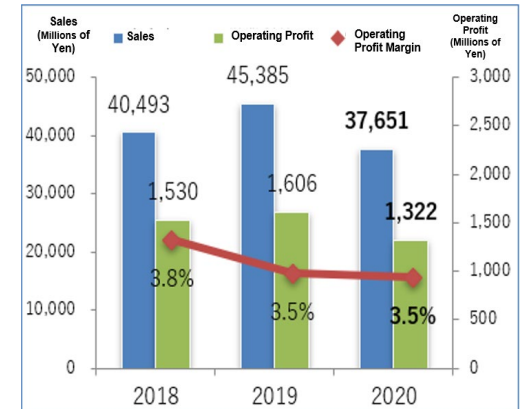
■ Building a strong organizational structure

- Appropriate staffing
- Improvement of operational efficiency
- Cost reductions

Percentage Change in Cargo Information Numbers by Month (YoY)



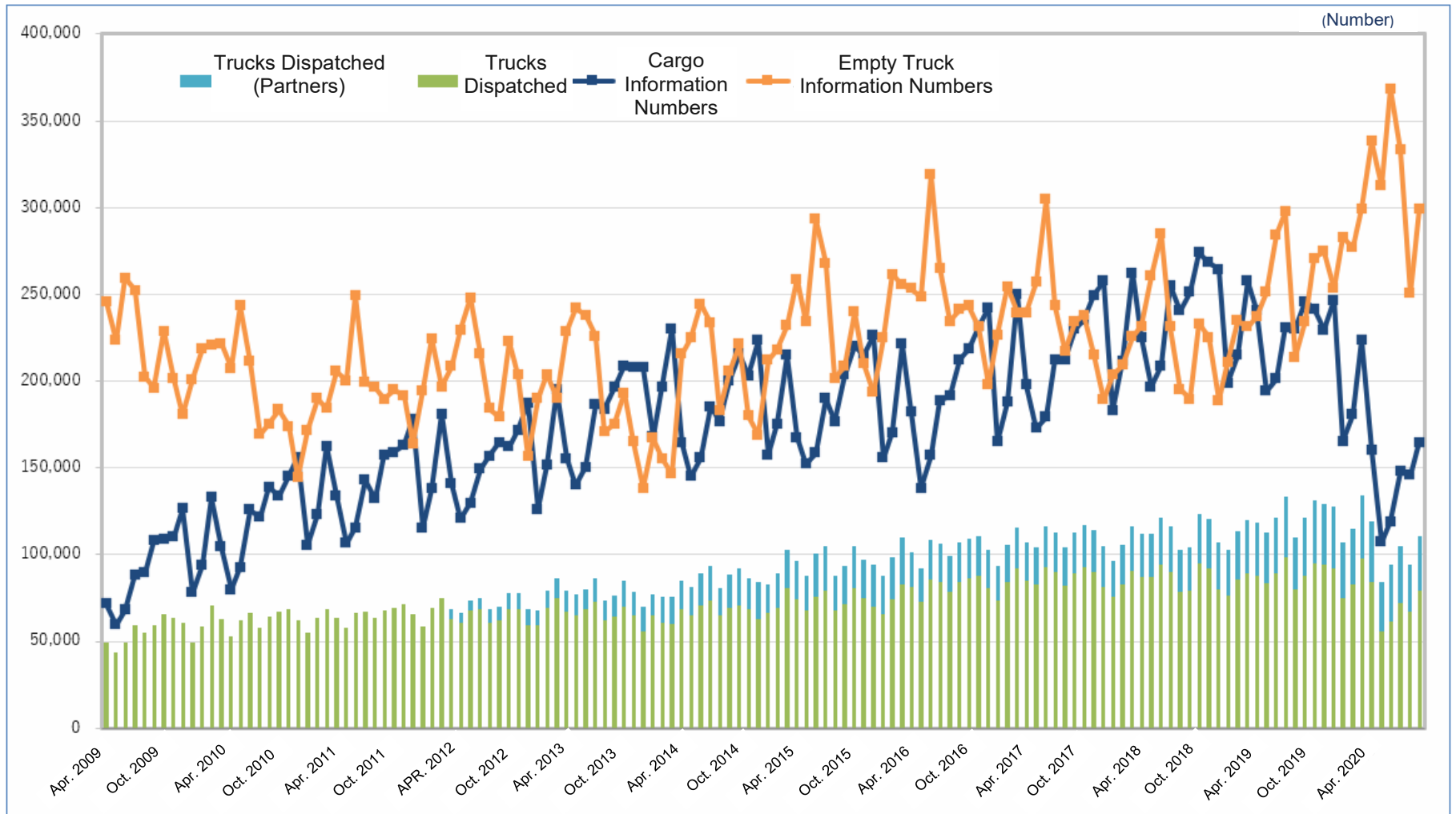
Sales, Operating Profit, Operating Profit Margin



FY2020 2Q Results by Segment

Logistics Information Service Business - Change in Information Numbers

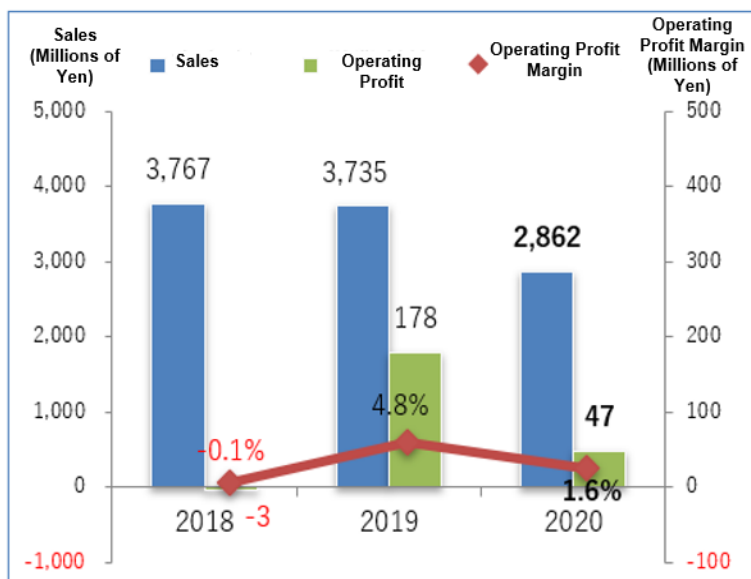
Change in Information Numbers (Apr. 2009 - Sept. 2020)



FY2020 2Q Results by Segment

Industrial Support Business & Others

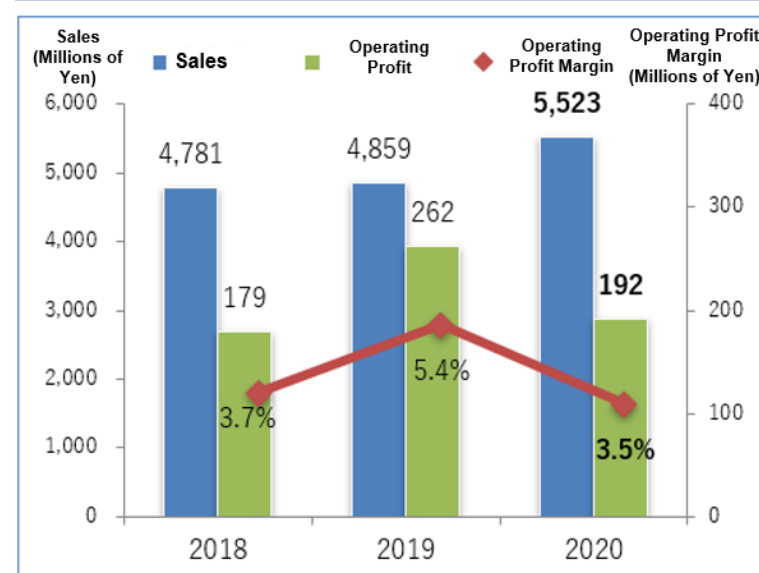
Industrial Support Business
Sales, Operating Profit, Operating Profit Margin



[Main factors for the change]

- Plant closures and production cuts by customers
- Revision in appropriate staffing

Others
Sales, Operating Profit, Operating Profit Margin



[Main factors for the change]

- Consolidation of Sergent Services Pte Ltd
- Production recovery for the logistics business in China from 2Q
- Recording of new technology acquisition costs in the domestic IT department

■ Foreign exchange China (15.69 yen → 15.23 yen / CNY)
 Thailand (3.50 yen → 3.49 yen / THB)

1	FY2020 Points	P. 3
2	FY2020 2Q Results	P. 4
3	FY2020 Full Year Forecast	P. 12
4	Financial Status and Investment & Shareholder Return Policy	P. 16
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Assumptions for FY2020 Full Year Forecast

Formulating the Full Year Forecast for the FY2020 Results

- Uncertainty is expected to continue with regards to the outlook for the timing of the end of the novel coronavirus pandemic, and the market environment
- For the logistics information service business, assuming that the difficult situation will continue at least within this fiscal year, we are pursuing a profit structure that is not affected by the market environment
- We will continue to implement company-wide cost controls
- Utilizing the strong financial base that we have built up, we will promote active investment to create a “transportation system”

Understanding the Business Environment by Segment

Logistics Management Business	<ul style="list-style-type: none">▪ The volume of cargo for consumer goods is expected to be flat.▪ With the impact of the coronavirus, the volume of cargo for non-consumer goods is expected to keep declining.
Logistics Information Service Business	<ul style="list-style-type: none">▪ While the impact of the decline in domestic volume for goods transported will continue, the cargo information numbers are expected to gradually recover from the 4Q.▪ While transportation prices are expected to decrease YoY, it is assumed that it will gradually become the same as the previous year.
Industrial Support Business	<ul style="list-style-type: none">▪ Due to uncertainties about the future of the domestic manufacturing industry, worker dispatching services did not return to the previous year's level.
Others (Overseas & Japan)	<ul style="list-style-type: none">▪ The Chinese domestic market is on a recovery trend.▪ The domestic IT department expects weak demand due to sluggish development needs.

FY2020 Full Year Forecast

YoY

- Assuming the continuation of a harsh business environment, we will continue our first half initiatives, and for the full year we are planning a profit increase while sales decrease.

(Millions of Yen)

	FY2019			FY2020 (Forecast)					
	1st Half	2nd Half	Full Year	1st Half (Actual)	YoY	2nd Half (Forecast)	YoY	Full Year	YoY
Sales	80,217	83,245	163,463	72,645	-9.4%	76,350	-8.3%	149,000	-8.8%
Operating Profit (% of Sales)	3,672 (4.6%)	3,893 (4.7%)	7,566 (4.6%)	3,592 (4.9%)	-2.2% (+0.3P)	4,050 (5.3%)	4.0% (+0.6P)	7,640 (5.1%)	1.0% (+0.5P)
Recurring Profit (% of Sales)	3,630 (4.5%)	3,787 (4.5%)	7,417 (4.5%)	3,666 (5.0%)	1.0% (+0.5P)	4,110 (5.4%)	8.5% (+0.9P)	7,770 (5.2%)	4.7% (+0.7P)
Net Profit Attributable to Parent Company Shareholders (% of Sales)	2,362 (2.9%)	2,546 (3.1%)	4,909 (3.0%)	2,562 (3.5%)	8.5% (+0.6P)	2,710 (3.5%)	6.4% (+0.4P)	5,270 (3.5%)	7.3% (+0.5P)

FY2020 Full Year Forecast by Segment

(Millions of Yen)

		FY2019			FY2020 (Forecast)					
		1st Half	2nd Half	Full Year	1st Half (Actual)	YoY	2nd Half (Forecast)	YoY	Full Year	YoY
Logistics Management Business	Sales	26,989	28,035	55,024	27,451	1.7%	27,300	-2.6%	54,750	-0.5%
	Operating Profit	1,673	1,968	3,642	2,097	25.3%	2,310	17.4%	4,410	21.1%
	(% of Sales)	(6.2%)	(7.0%)	(6.6%)	(7.6%)	(+1.4P)	(8.5%)	(+1.5P)	(8.1%)	(+1.5P)
Logistics Information Service Business	Sales	45,385	47,033	92,418	37,651	-17.0%	41,320	-12.1%	78,970	-14.6%
	Operating Profit	1,606	1,665	3,272	1,322	-17.7%	1,620	-2.7%	2,940	-10.2%
	(% of Sales)	(3.5%)	(3.5%)	(3.5%)	(3.5%)	(+0.0P)	(3.9%)	(+0.4P)	(3.7%)	(+0.2P)
Industrial Support Business	Sales	3,735	3,567	7,302	2,862	-23.4%	2,680	-24.9%	5,550	-24.0%
	Operating Profit	178	52	231	47	-73.7%	30	-42.7%	80	-65.4%
	(% of Sales)	(4.8%)	(1.5%)	(3.2%)	(1.6%)	(-3.2P)	(1.1%)	(-0.4P)	(1.4%)	(-1.8P)
Others	Sales	4,859	5,462	10,321	5,523	13.7%	5,750	5.3%	11,270	9.2%
	Operating Profit	262	299	561	192	-26.7%	150	-49.8%	340	-39.4%
	(% of Sales)	(5.4%)	(5.5%)	(5.4%)	(3.5%)	(-1.9P)	(2.6%)	(-2.9P)	(3.0%)	(-2.4P)
Intercompany Eliminations	Sales	-751	-853	-1,605	-842	-	-700	-	-1,540	-
	Operating Profit	-48	-91	-140	-66	-	-60	-	-130	-
	(% of Sales)	-	-	-	-	-	-	-	-	-
Consolidated Total	Sales	80,217	83,245	163,463	72,645	-9.4%	76,350	-8.3%	149,000	-8.8%
	Operating Profit	3,672	3,893	7,566	3,592	-2.2%	4,050	4.0%	7,640	1.0%
	(% of Sales)	(4.6%)	(4.7%)	(4.6%)	(4.9%)	(+0.3P)	(5.3%)	(+0.6P)	(5.1%)	(+0.5P)

1	FY2020 Points	P. 3
2	FY2020 2Q Results	P. 4
3	FY2020 Full Year Forecast	P. 12
4	Financial Status and Investment & Shareholder Return Policy	P. 16
5	Towards Building a “Transportation System”	P. 19

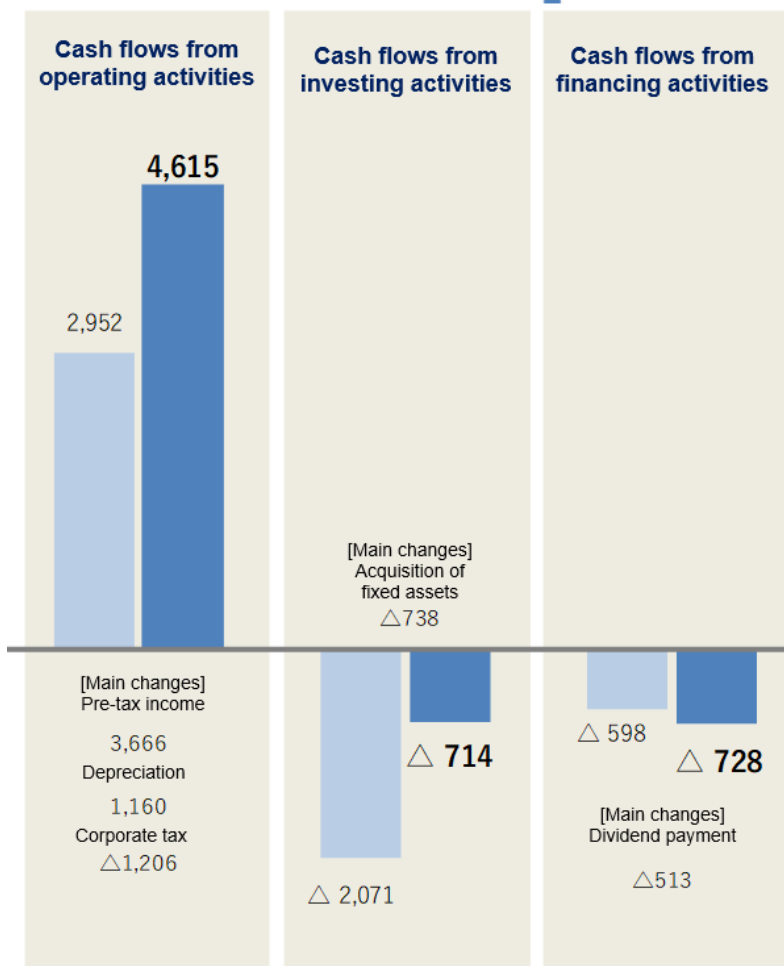
2nd Quarter of the Fiscal Year Ending March 2021

Cash Flow and Financial Status

Consolidated Cash Flow Statement

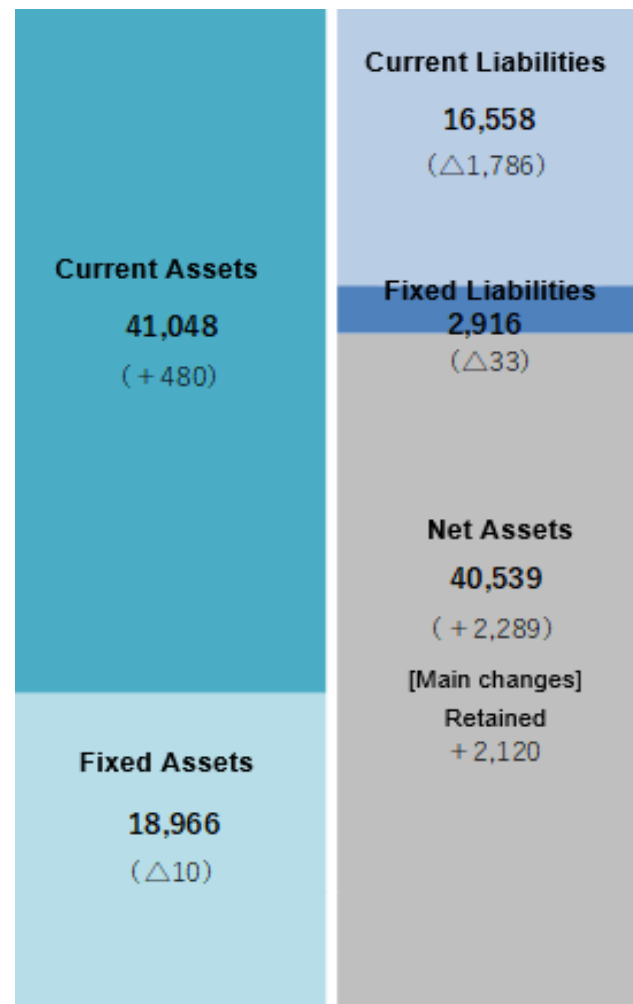
(Millions of Yen)

FY2019 2Q
FY2020 2Q



Consolidated Balance Sheet

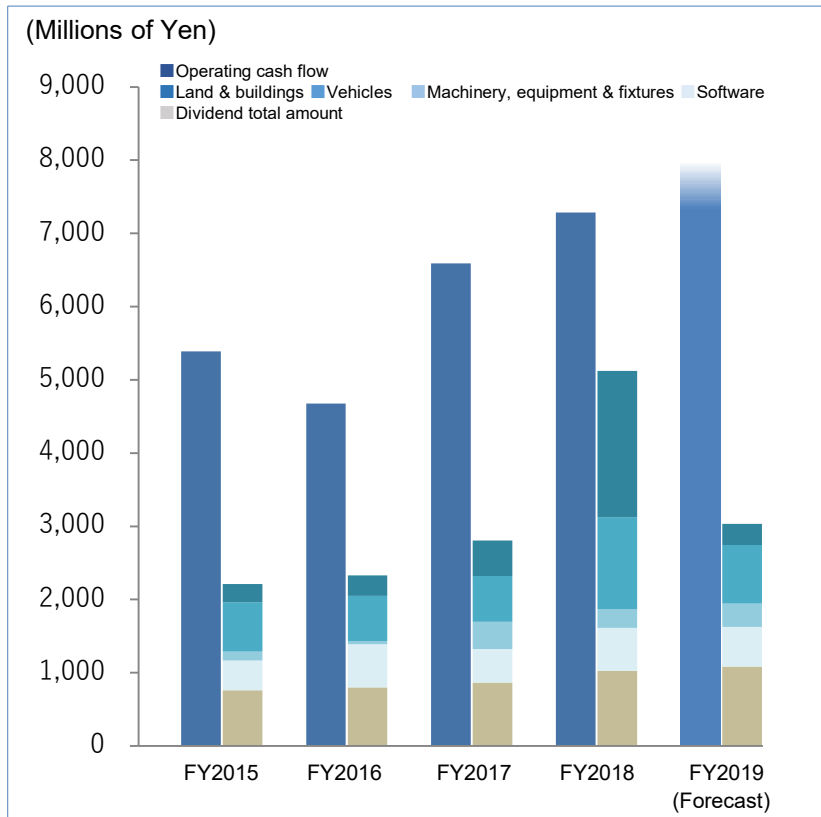
(Millions of Yen)



FY2020

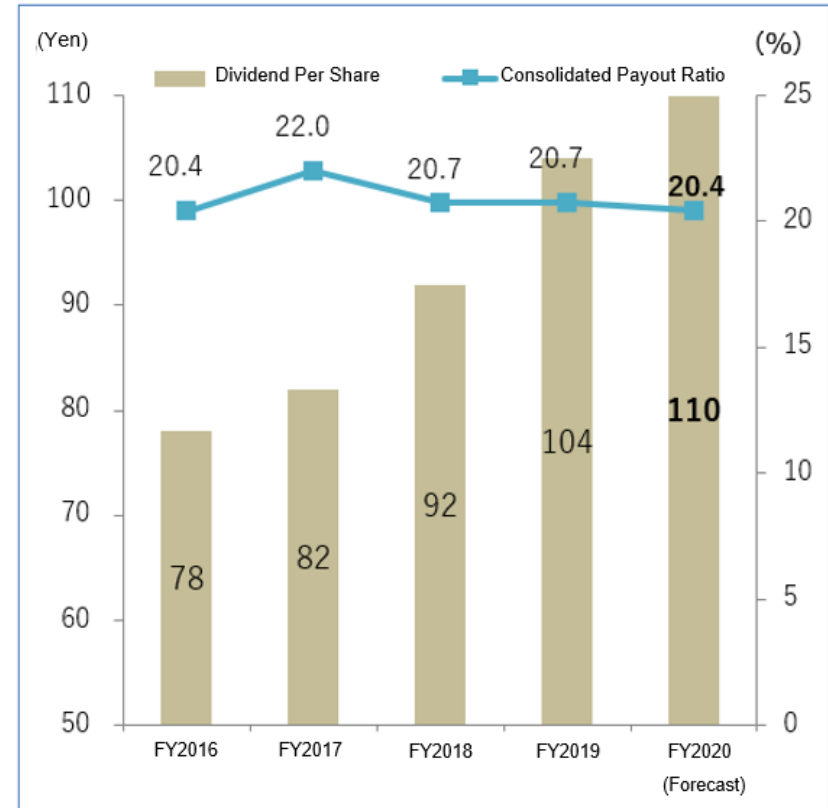
Investment & Shareholder Return Policy

Operating Cash Flow, Capital Investment and Dividend Total Amount



- Investment in automation of center operations
- System investment in logistics information services
- Introduction of in-house vehicles to master “transportation”

Change in Dividend Per Share



- Plan to increase the dividend for 20th consecutive FY

1	FY2020 Points	P. 3
2	FY2020 2Q Results	P. 4
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TRANCOM VISION - Future Direction of the Business

Initiatives Toward Building a “Transportation System”

Long-Term
Vision

Creating an advanced **“transportation system”** unique to TRANCOM
= Build a platform that is widely used by many shippers and logistics companies

Medium-Term
Vision

Build a service that pursues the optimization of **“transportation”** by enhancing the **“methods of transport”** and **“transport categories”**

Main
Policies for
the Medium
Term

Creating **“methods of transport”** that make the most of limited transportation and delivery capacity

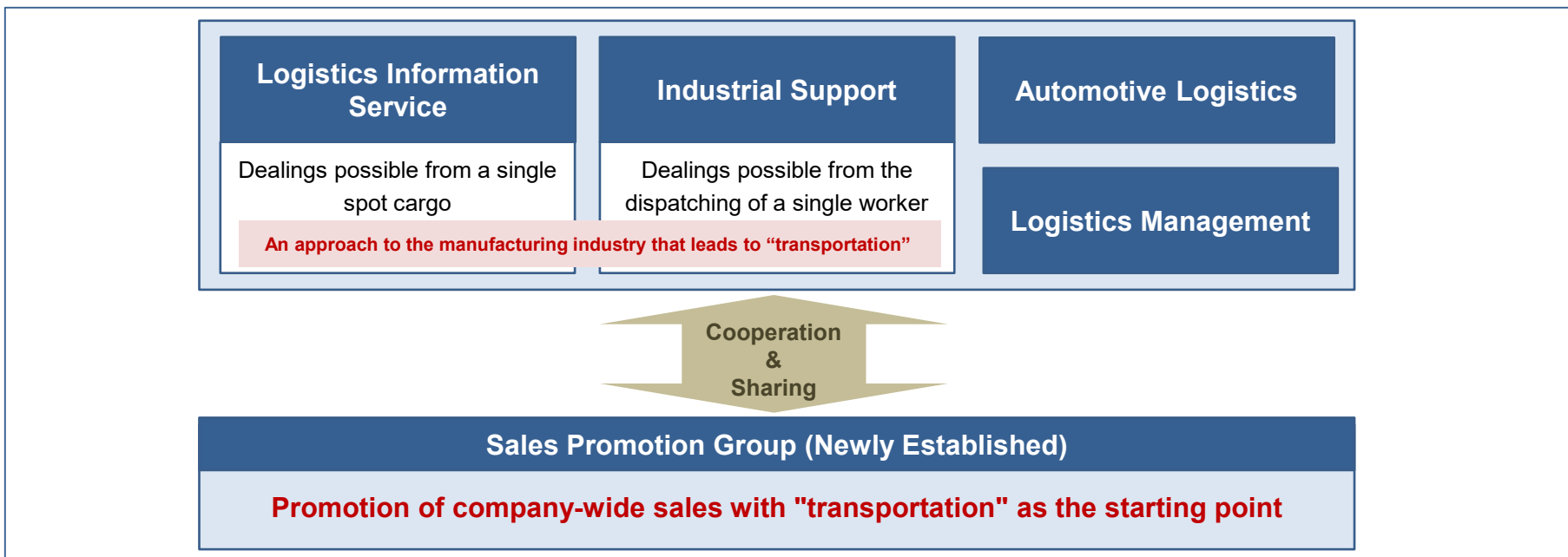


Creating a variety of **“transport categories”** across industries

TRANCOM VISION - Future Direction of the Business

Initiatives Toward Building a “Transportation System”

- Further strengthen cooperation between each business, create a strong sales structure and promote a sense of speed



Strengthening the ability of “transportation” to handle things



Expanding the area of “transportation”

STEP 1

Increasing the amount of “transportation” in Japan

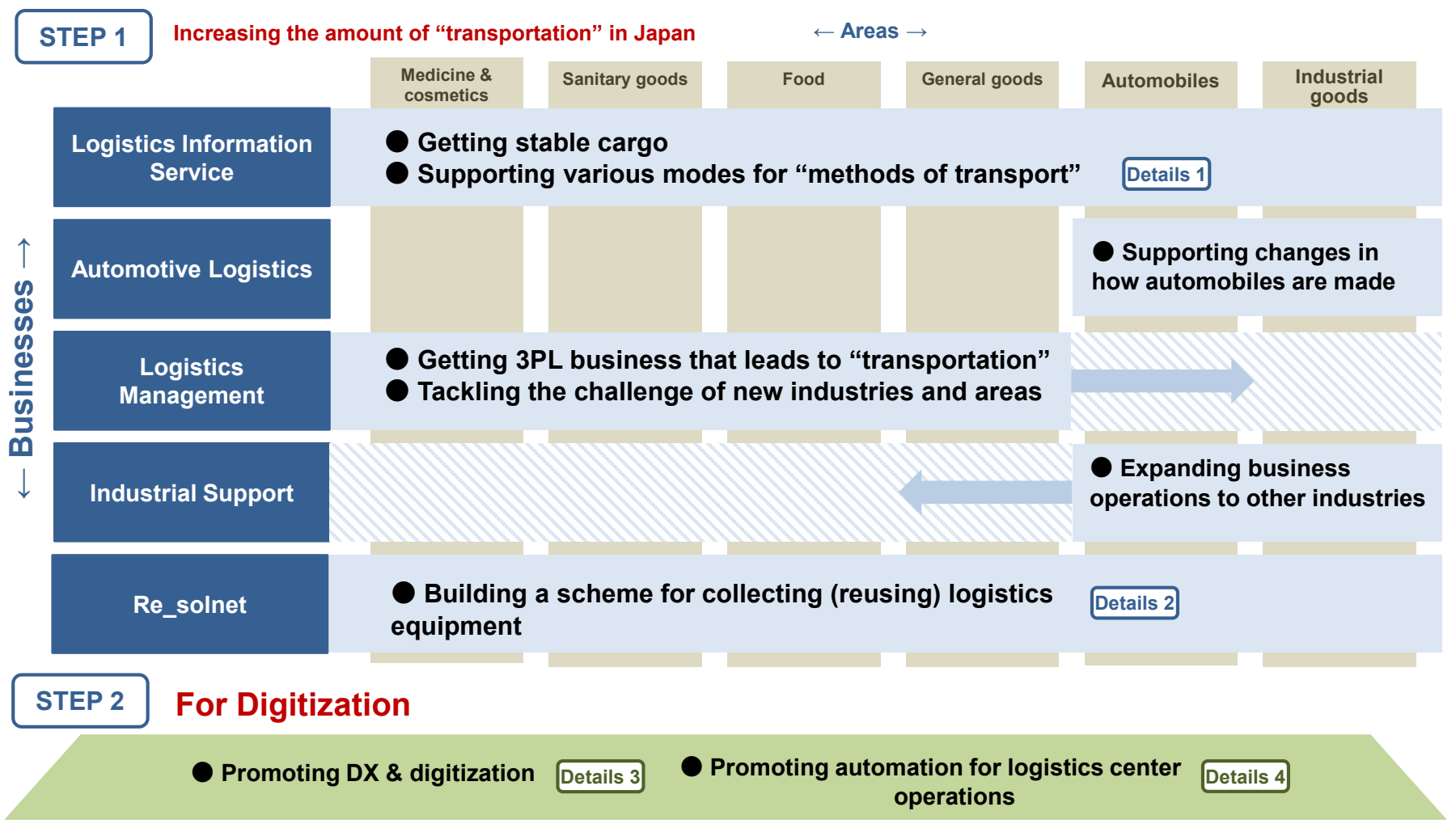
STEP 2

Digitization and optimal coordination

TRANCOM VISION - Future Direction of the Business

Initiatives Toward Building a “Transportation System”

Areas Covered by Each Business and Future Development



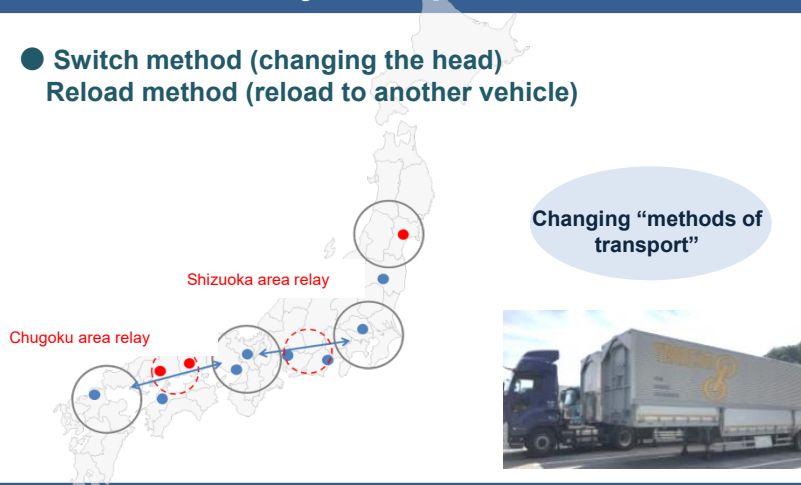
TRANCOM VISION - Future Direction of the Business

Initiatives Toward Building a “Transportation System” (Examples)

Details 1 Various modes for “methods of transport” and “transport categories”

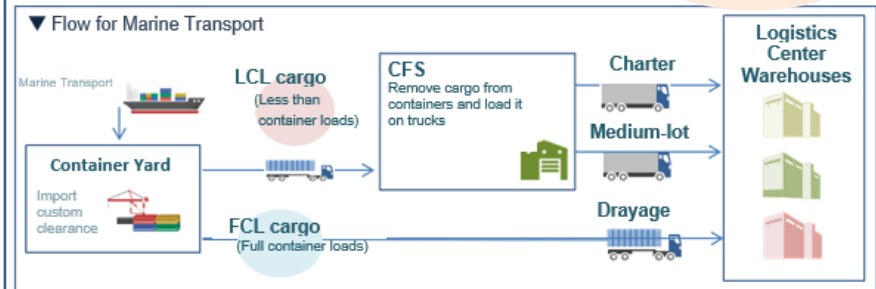
Relay Transportation

- Switch method (changing the head)
Reload method (reload to another vehicle)



Drayage Transportation

- Expanded handling of international and port cargo
 - In-house operations at the Port of Kawasaki
 - Starting drayage operations at the Port of Nagoya, following on from Osaka and Tokyo (November 2020)
- Expanding “modes of transportation”
- Increasing “transport categories”



Consolidated Transportation

- Strengthen consolidated transportation of medium-lot cargo
- Consolidated transportation utilizing the facilities of GLP Japan as a cross-dock center

Increasing “transport categories”

Changing “methods of transport”

Co-operative Transportation

- Co-operative transportation using double-connected trucks in collaboration with the Hino Group
- Co-operative transportation beyond the industries of existing customers

Changing “methods of transport”

TRANCOM VISION - Future Direction of the Business

Initiatives Toward Building a “Transportation System”

Details 2 Trancom's unique collection logistics utilizing the network of load matching services

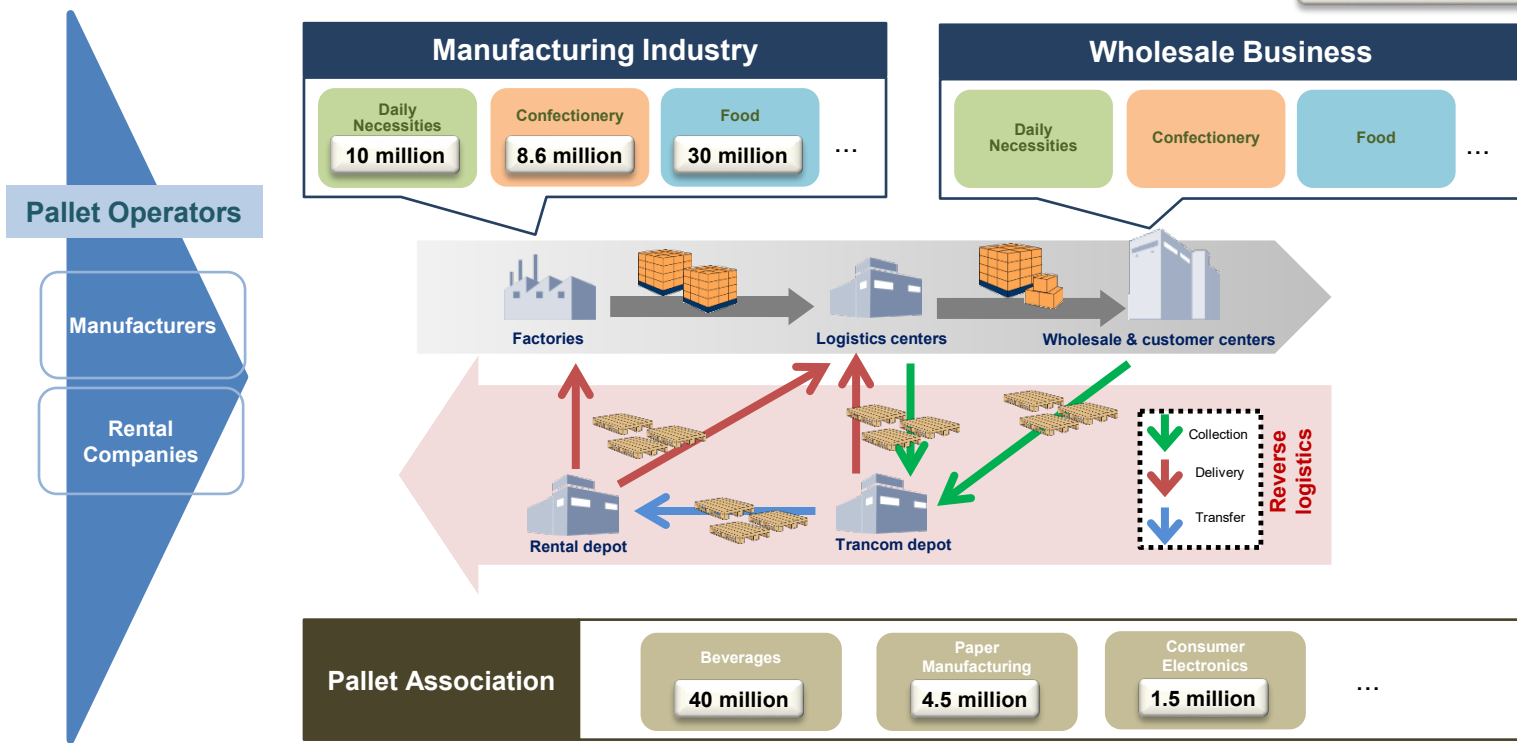
Efficiently collect pallets that pile up in logistics centers, etc., and realize the building of a pallet recycling system

● Expanding the amount of pallets handled

● Building a pallet management system

▼ Vacant pallet collection scheme and the environment surrounding pallets

Estimated number of pallets in distribution (annual) *Our own research



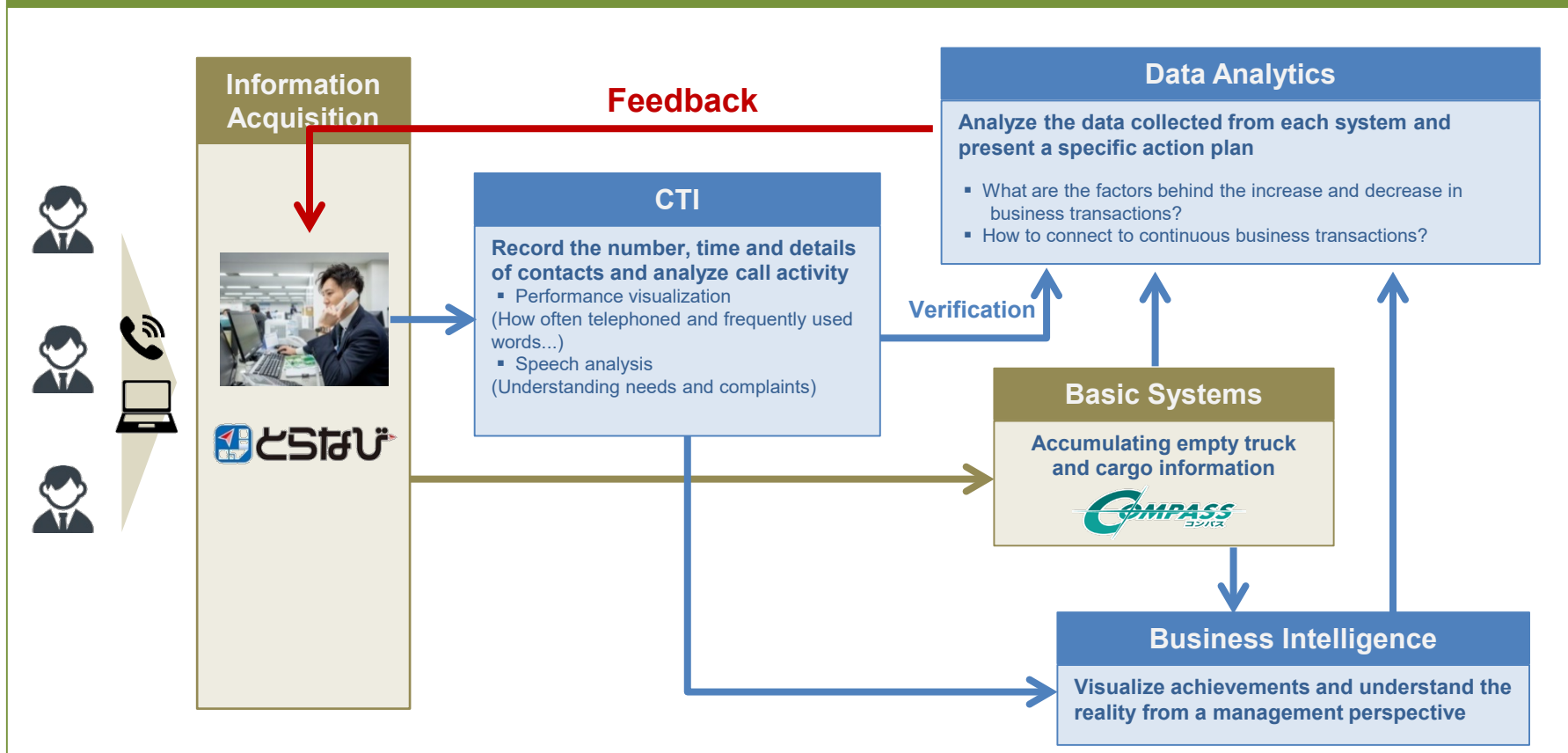
TRANCOM VISION - Future Direction of the Business Initiatives Toward Building a “Transportation System”

Details 3

Promoting DX & Digitization

- Information acquired by logistics information = Utilization of big data

Image of Data Utilization



TRANCOM VISION - Future Direction of the Business

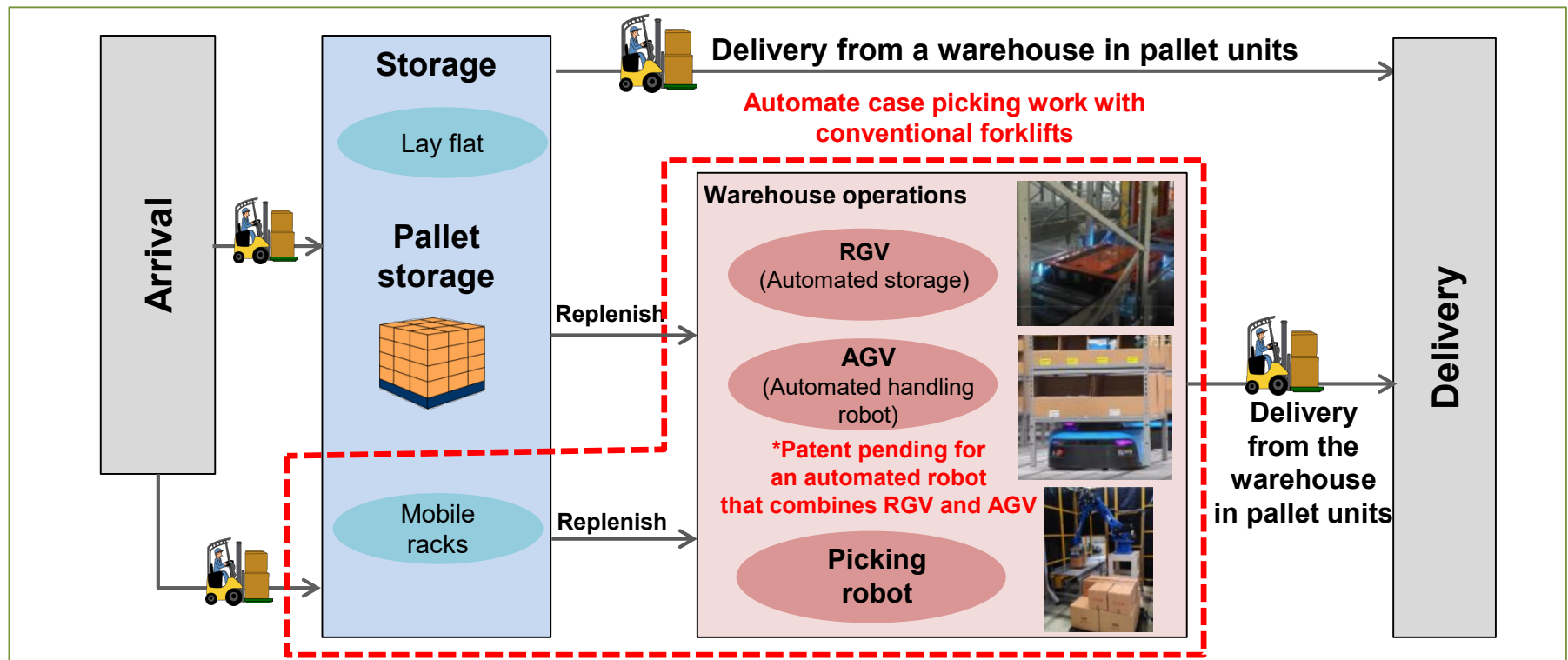
Initiatives Toward Building a “Transportation System”

Details 4

Introduction of automation at logistics centers (case picking work)

- Promote automation of case picking work and accumulate know-how in collaboration with Chino. Ai Co., Ltd., a company that we have a capital and business alliance with

Instead of “full automation”, reduce man-hours via “labor saving”



TRANCOM VISION - Future Direction of the Business

Initiatives Toward Building a “Transportation System”

Strengthening in-house functions and services

Increase the “amount” of transportation, and expand areas and the ability to handle

Strengthening cooperation with partners

Cooperate with partners in areas and functions that cannot be done by our company alone



Creating an advanced **“transportation system”** unique to TRANCOM

= Build a platform that is widely used by many shippers and logistics companies

**For inquiries related to investor relations and this document,
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*This document contains forward-looking statements such as forecasts based on information at the time of preparation.
Please be aware that the actual results may differ due to changing elements and risk factors in the future.