## Business Report for the 109th Interim Term

From April 1, 2014 to September 30, 2014



With Your Life





I would like to take this opportunity to thank our shareholders for their continued support and understanding.

I, hereby, present the Business Report for the 109th Interim Term.

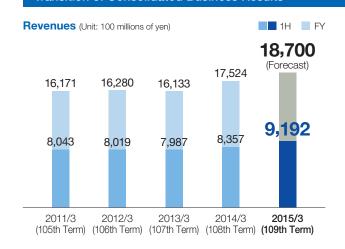
President and Chief Executive Officer

Kenji Watanale

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### Transition of Consolidated Business Results



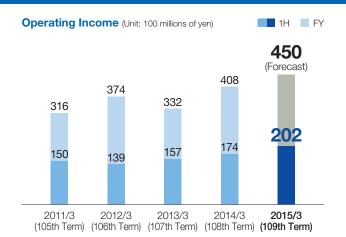
The Japanese economy during the first half of the fiscal year ending March 31, 2015 saw a moderate recovery trend, backed by yen depreciation and rising stock prices resulting from the government's economic policies, despite weakness in some areas of personal consumption and corporate production due to the impact of the rebound decline following the last-minute demand accompanying the consumption tax rate increase, in addition to unfavorable weather and other factors.

Under these economic conditions, in the field of logistics, domestic freight was sluggish overall, due to a decline in consumer-related freight in addition to a fall in construction-related freight. Meanwhile, international freight remained steady overall despite sluggish imports, as exports showed solid growth reflecting a moderate recovery in the global economy.

Amid such a business environment, as the Nippon Express Group marked the halfway point of its three-year medium-term management plan, "Nippon Express Group Management Plan 2015 – Innovation and

Moving Forward," the Group pursued even further growth by working collectively on the four key strategies of "Further Expanding Our Global Logistics Business," "Strengthening Management Practices for Our Domestic Businesses," "Expanding Business by Utilizing the Diversity of Group Companies" and "Contributing to Society through Our Businesses in Accordance with Corporate Social Responsibility (CSR) Management."

With regard to our main initiatives, in our global logistics business, we have worked to strengthen our overseas business base in order to respond to diversifying logistics needs, through measures such as enhancing multi modal integrated transport services through expansion of our overseas transport network, and developing bases in the ASEAN region aimed at capturing regional logistics, in addition to making proactive capital investment in our areas of expertise including Heavy Haulage & Construction Business. In our domestic businesses, we have reviewed our organization for land, sea and air transportation in



Status of Revenues by Segment (Consolidated) (Unit: 100 millions of yen)

			Revenues	Segment Income
& Transportation	Domestic Companies	Combined Business	3,655	64
		Security Transport	276	3
ğ		Heavy Haulage & Construction	246	11
ans		Air Transportation	918	25
×		Marine & Harbor Transportation	596	29
	Overseas Companies	The Americas	374	17
Distribution		Europe	395	10
strij		East Asia	480	7
		South Asia & Oceania	291	6
	Goods Sales		2,084	27
Other		538	7	
Elimination & Other Adjustments		(667)	(9)	
Total		9,192	202	

### To Our Shareholders

regional blocks and planned construction of one of Japan's largest logistics facility capable of handling all modes of transportation in the metropolitan areas in order to reinforce a sales structure that can provide one-stop products and services. In addition, we have strived to maximize profit through effective management of corporate resources by introducing a new system to integrate operation management and business management.

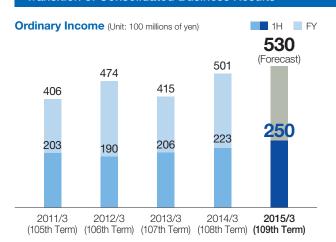
As a result of the above, our consolidated business results for the first six months of the 109th term were as follows:

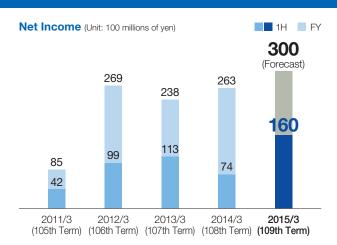
Revenues of ¥919.2 billion (up 10.0% year-on-year) Operating income of ¥20.2 billion (up 15.7% year-on-year) Ordinary income of ¥25.0 billion (up 11.7% year-on-year) Net income of ¥16.0 billion (up 115.7% year-on-year) Concerning the interim dividend payments for the 109th term, it was decided at the Board of Directors meeting held on October 31 to pay an interim dividend of ¥5 per common share with the starting day for payment being December 2, 2014.

In terms of the direction of the economy for the rest of the fiscal year, in overseas economies, the robust U.S. economy is expected to be a driver of a recovery, despite a growing sense of economic slowdown in the Eurozone and China amid potential geopolitical risks due to regional conflicts around the world and other matters. Domestically, while capital investment is expected to increase due to improvements in corporate earnings, the economic uncertainty over the future is expected to continue, reflecting the slow pace of recovery in personal consumption resulting from rising prices due to the impact of yen depreciation and burden associated with the consumption tax hike.

In the field of logistics, although international freight is expected to be solid especially in exports backed by

### Transition of Consolidated Business Results



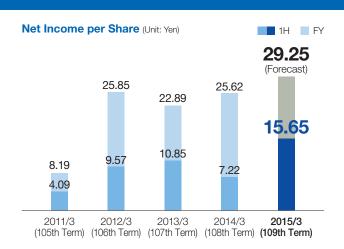


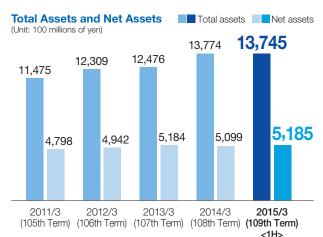
the global economic recovery, in domestic freight, consumer-related and other freight are expected to remain sluggish due to slump in consumer sentiment. In this context, the Group is faced with numerous challenges needed to be solved, including the issues of labor shortages and higher costs due to rising fuel oil expenses, in addition to securing personnel to support logistics and balancing logistics efficiency with increased security in international logistics.

The Nippon Express Group, in preparation for sustainable growth, will continue to deal with this business environmental changes, and be united in its effort to accomplish the "Nippon Express Group Management Plan 2015 – Innovation and Moving Forward." We would be grateful for your continued support as shareholders in this regard.

December, 2014







# Topics in Japan

(April 1, 2014 through September 30, 2014)

Nippon Express has been engaged in a number of activities in Japan in the past six months.

Here are some examples of our activities:

### Domestic network (As of September 30, 2014)

### Management branches

61 branches including Sapporo, Sendai, Gunma, Tokyo (Chuo-ku, Tokyo), Nagoya, Osaka, Shikoku (Takamatsu-shi), Hiroshima, Fukuoka, Tokyo Air Service (Minato-ku, Tokyo), Tokyo International Transport (Minato-ku, Tokyo), and Kanto Security Transport (Koto-ku, Tokyo).

\* In addition, a total of 169 branches, as well as 131 sales branches, subbranches, and offices are set in place across Japan.



Corporate Information



Services Information



### Announcement of Construction Plans for New Tokyo Logistics Center

Nippon Express announced plans to construct its "New Tokyo Logistics Center (tentative name)," which will be one of Japan's largest logistics facilities.

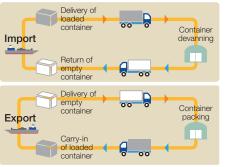
Located in Shinsuna, Koto-ku, Tokyo, with a total floor area of approximately 150,000 m², the Logistics Center is a multifunction logistics facility able to handle all modes of transportation comprising land, sea and air. It will operate in collaboration with nearby bases to meet a wide range of logistics needs. The facility is scheduled for completion in April 2016.



# May

### Opening of the Industry's First Container Matching Center ()

Nippon Express has opened the logistics industry's first container matching center for import and export shipping containers with the aim of promoting "round use," in which empty containers for import use are not returned to ports, but used for export. Round-trip use of containers reduces the number of trips made by trailers, and, in addition to the cost effects, contributes to alleviating traffic congestion within the port areas and to lowering CO<sub>2</sub> emissions.



Conventional system of marine container transportation



Transportation system incorporating round use



### Introduction of "Operation Support System"





In order to consolidate management of increasingly diversified business information, Nippon Express has begun

using the "Operation Support System," which integrates operation management and business management. In particular, by linking to specialized smartphones installed in each vehicle, the system achieves the "visualization" and "streamlining" of business states through functions such as grasping information about vehicle operations in real time.





### Exhibition at Logis-Tech Tokyo 2014 (1)

Nippon Express was an exhibitor at Logis-Tech Tokyo 2014, one of the Asia's largest material handling and logistics exhibitions, which took place from September 9-12 under the sponsorship of the Japan

Institute of Logistics Systems and six other organizations, we introduced global logistics solutions and the latest logistics equipment at our booth and gave presentations, seminars and other activities.



On September 28, Nippon Express took part in the 29th All-Japan Forklift Driver Competition sponsored by the Land Transportation Safety & Health Association. In the competition, where participants vie for the title of No. 1 forklift operator in Japan in the three categories of knowledge. inspections and driving, Mr. lijima of the Niigata Logistics Office, Niigata Branch, won first place and Mr. Hoshino of the Avase Logistics Center Office, Yokohama Branch, was the runner-up.



From left, first place winner Mr. lijima, second place winner Mr. Hoshino

Nippon Express is engaged in various activities to conserve natural resources and to realize a recycling society.

### Reducing CO<sub>2</sub> emissions through "Eco-drive Project"

On June 20, 2014, the "Eco-drive Project in Vietnam" by Nippon Express and NIPPON EXPRESS (VIETNAM) CO., LTD. was selected as a JCM Model Project using the Joint Crediting Mechanism (JCM)\*, which is developed by the Ministry of the Environment.

This project is an initiative in which 130 trucks used by NIPPON EXPRESS (VIETNAM) are equipped with eco-drive awareness systems to collect and analyze data on refueling amounts, distance travelled, driving behavior, etc. By utilizing this data for driver education, fuel efficiency will be increased, effecting an annual 310ton reduction in CO<sub>2</sub> emissions.

\* This is a mechanism in which Japan's contribution to reduction and absorption of greenhouse gases in developing countries is quantitatively evaluated and is used to achieve Japan's reduction targets.



The CSR Report explaining the Nippon Express Group CSR activities, including its environmental initiatives, may be found under "About NIPPON EXPRESS" on the Company's website.

http://www.nipponexpress.com/about/index.html

# Overseas Topics

### (April 1, 2014 through September 30, 2014)

Nippon Express, in an effort to advance its global strategies, has been engaged in a number of activities overseas in the past six months. Here are some examples of our activities.

Global Network The group has 481 business bases in 229 cities across 40 countries outside of Japan.

(As of September 30, 2014)

#### The Americas

USA, Canada, Brazil, Mexico, Columbia

### Europe

Germany, Austria, Hungary, Czech Republic, Poland, Russian Federation. United Kingdom, Ireland, Netherlands, Belgium, France, Italy, Switzerland, Spain, Portugal, UAE, Turkey, South Africa, Sweden, Norway

#### East Asia

China, Korea, Taiwan

#### South Asia & Oceania

Singapore, Bangladesh, Myanmar, Cambodia, Australia, New Zealand, Malaysia, Philippines, Thailand, Indonesia, India. Vietnam



Corporate Information

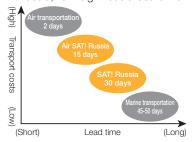


Services Information

### Launch of "Air SAT! Russia" and "SAT! Russia"

Nippon Express launched "Air SAT! Russia," a Sea & Air Service from Japan to Moscow via Vladivostok which is best suited for small-quantity freight, and "SAT! Russia," a weight-basis Sea & Rail

Service. Through these services, we will expand our multi modal integrated transport services to Russia, achieving shorter lead times and reduced transport costs.



# **April**

### Launch of new Cambodiabased transportation service (1)

Nippon Express launched "NEXSAO-CAMBODIA SAT (Truck & Sea/Truck & Air)," a multi modal transport service from Phnom Penh, Cambodia to Japan. The transportation by truck between Phnom Penh and Ho Chi Minh has made it possible for marine transportation to reduce lead time by up to six days to Tokyo and other major ports, and to achieve secure transport by means of direct flights from Ho Chi Minh for air transportation.







## Introduction of large crawler crane with 1,350-ton lift capacity

Nippon Express introduced a large crawler crane with 1,350-ton lift capacity that can lift heavy loads such as LNG (liquefied natural gas) plant equipment, and has deployed the crane in Southeast Asia. Recently, in Heavy Haulage & Construction, equipment is increasingly being assembled in advance at a production base, transported and then installed at the location using a large crane. Nippon Express will steadily capture this demand in the growing region of Southeast Asia.





## Opening of new logistics base, Kabinburi Logistics Center, in Thailand

Hi-tech Nittsu (Thailand) Co., Ltd. has opened its new Kabinburi Logistics Center, equipped with a warehouse and container yard, within the Hi-tech Kabin Industrial Park, which is expected to serve as a distribution hub for the ASEAN region. Nippon Express will provide value-added services to meet diversifying logistics needs in the rapidly growing ASEAN region.



May

### First Japanese company to receive official certification as AEO in India

Nippon Express (India) Private Limited received official certification as an Authorized Economic Operator (AEO) from India's certifying body. AEO certification provides

preferential customs procedures and other benefits to business operators who have systems in place to ensure freight security management and legal compliance. Nippon Express (India) Private Limited was the first Japanese company to become an AEO-certified business operator in India.





### **Consolidated Financial Statements**

### **Quarterly Consolidated Balance Sheet**

First Six Months Item of 109th Term (As of September 30, 2014) (Assets) Current assets 641,297 Cash and cash in banks 170,239 Notes receivable-trade 15,027 Accounts receivable-trade 275,543 Inventories 7.801 Other 173,930 Less: allowance for doubtful accounts (1,245)Noncurrent assets 733,241 Property and equipment 509,337 Vehicles, net 21,949 238,572 Buildings, net Land 174,009 Other, net 74,805 Intangible assets 55,968 Goodwill 15,469 Other 40,499 Investments and other assets 167,936 115,162 Investment securities Other 53,947 Less: allowance for doubtful accounts (1,173)Total assets 1,374,539

(Unit: Millions of yen)

Item	First Six Months of 109th Term (As of September 30, 2014)
(Liabilities)	
Current liabilities	421,350
Notes payable-trade	6,763
Accounts payable-trade	143,221
Short-term loans payable	68,790
Income taxes payable	10,864
Provision for bonus	20,411
Allowance for class action lawsuit filed in the United States	3,315
Other provisions	87
Other	167,896
Noncurrent liabilities	434,676
Bonds payable	65,000
Long-term loans payable	194,431
Other provisions	1,257
Net defined benefit liability	130,977
Other	43,010
Total liabilities	856,027
(Net assets)	
Shareholders' equity	507,330
Common stock	70,175
Additional paid-in capital	26,908
Retained earnings	427,635
Less: treasury stock	(17,388)
Less: Accumulated other comprehensive income	(2,902)
Valuation difference on available-for-sale securities	42,916
Deferred losses on hedges	67
Foreign currency translation adjustments	(690)
Less: Remeasurements of defined benefit plans	(45,196)
Minority interests	14,083
Total net assets	518,511
Total liabilities and net assets	1,374,539

Note: Amounts less than one million yen are disregarded.

### Quarterly Consolidated Statements of Income (Unit: Millions of yen)

Item	First Six Months of 109th Term April 1, 2014 to September 30, 2014
Revenues	919,222
Operating costs	856,731
Gross profit	62,491
Selling, general and administrative expenses	42,289
Operating income	20,201
Non-operating income	7,036
Interest income	329
Dividends income	1,595
Equity in earnings of affiliates	149
Other	4,962
Non-operating expenses	2,236
Interest expenses	1,460
Other	775
Ordinary income	25,001
Extraordinary income	6,768
Gain on sales of noncurrent assets	1,613
Gain on sales of investment securities	5,146
Other	8
Extraordinary loss	5,533
Loss on disposal of noncurrent assets	2,095
Loss on valuation of investment securities	3
Provision for allowance for class action lawsuit filed in the United States	3,315
Other	119
Income before income taxes and minority interests	26,235
Income taxes	9,890
Income before minority interests	16,344
Minority interests	286
Net income	16,058

Note: Amounts less than one million yen are disregarded.

### Quarterly Consolidated Statements of Cash Flows (Unit: Millions of yen)

Item	First Six Months of 109th Term April 1, 2014 to September 30, 2014
Cash flows from operating activities	21,147
Cash flows from investment activities	(18,539)
Cash flows from financing activities	(9,314)
Effect of exchange rate changes on cash and cash equivalents	(1,642)
Net increase in cash and cash equivalents	(8,348)
Cash and cash equivalents at beginning of year	125,900
Increase in cash and cash equivalents resulting from change of scope of consolidation	172
Cash and cash equivalents at end of period	117,724

Note: Amounts less than one million yen are disregarded.

### Cash Flows from Operating Activities

Cash flows from operating activities resulted in a net inflow of ¥21.1 billion. This was mainly due to income before income taxes and minority interests of ¥26.2 billion.

### Cash Flows from Investment Activities

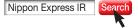
Cash flows from investment activities resulted in a net outflow of ¥18.5 billion. This was mainly due to the payment of ¥26.4 billion for purchase of noncurrent assets.

### Cash Flows from Financing Activities

Cash flows from financing activities resulted in a net outflow of ¥9.3 billion. This was mainly due to the payment of ¥15.0 billion for the redemption of bonds.

Please access our IR information for details on business results:

http://www.nipponexpress.com/hq/ir/index.html



### **General Overview of the Company**

### **Profile**

Company name:	Nippon Express Co., Ltd. (NIPPON EXPRESS CO., LTD.)	
Formal establishment:	October 1, 1937	
Paid-in capital:	¥70,175 million	
Employees:	33,127	
Headquarters:	1-9-3, Higashi Shimbashi, Minato- ku, Tokyo 105-8322 Tel. +81-3-6251-1111 http://www.nipponexpress.com/	
Consolidated subsidiaries and companies accounted by the equity-method:		
	Consolidated subsidiaries: 258	
	Companies accounted	
	by the equity-method: 28	

### **Directors, Officers and Corporate Auditors**

<ul><li>Directors</li></ul>		<ul><li>Officers</li></ul>
Chairman	Masanori Kawai	Managing Officer
President and Chief Executive Officer	Kenji Watanabe	Managing Officer
Executive Vice President and Executive Officer	Jiro Nakamura	Managing Officer
Executive Vice President and Executive Officer	Akira Ohinata	Managing Officer
Executive Vice President and Executive Officer	Mitsuru Saitou	Officer
Director and Managing Officer	Takahiro Ideno	Officer
Director and Managing Officer	Hideo Hanaoka	Officer
Director and Managing Officer	Takaaki Ishii	Officer
Director and Managing Officer	Yasuaki Nii	Officer
Director and Managing Officer	Hisao Taketsu	Officer
Director and Officer	Yutaka Ito	Officer
Director and Officer	Masahiko Hata	Officer
Director	Noboru Shibusawa	Officer
Director	Masahiro Sugiyama	Officer
Director	Shigeo Nakayama	Officer
Corporate Auc	ditors	Officer
Full-time Corporate Auditor	Takashi Wada	Officer
Full-time Corporate Auditor Full-time	Zenjiro Watanabe Hiromi Konno	Officer
Corporate Auditor Corporate	Yuzuru Fujita	-
Auditor		

<sup>\*</sup> Directors Masahiro Sugiyama and Shigeo Nakayama are Outside Directors. Corporate Auditors Zenjiro Watanabe, Hiromi Konno and Yuzuru Fujita are Outside Corporate Auditors.

### Status of the Company's Shares

Number of shareholders		71.108 persons	
shares	Total number of shares issued	1,062,299,281 shares	
Number of	Total number of shares authorized	3,988,000,000 shares	

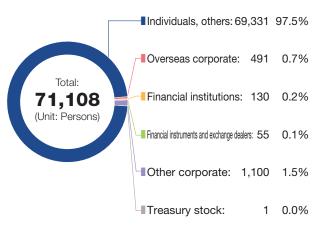
### **Major Shareholders**

	Status of investment in the Company	
	Number of shares held (Thousands of shares)	Investment ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	82,501	8.0
Japan Trustee Services Bank, Ltd. (Account in Trust)	82,138	8.0
Asahi Mutual Life Insurance Company	56,019	5.5
Sompo Japan Nipponkoa Insurance Inc.	50,967	5.0
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.)	41,500	4.0
Nippon Express Employees' Shareholding Association	36,381	3.5
Japan Trustee Services Bank, Ltd. (Account in Trust No. 4)	23,191	2.3
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	21,316	2.1
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	11,280	1.1
The Bank of New York Mellon SA/NV 10	10,152	1.0

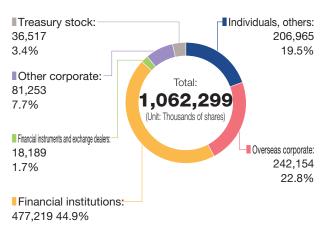
<sup>\*</sup>Although Nippon Express holds 36,517 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

### Distribution of Shares by Type of Shareholder

### Number of shareholders and percentage



### Number of shares and percentage



### Information for Shareholders

FAQs for procedures relating to shares



How do I transfer the shares in the special account to the account of a securities company?

An account must first be opened at a securities company, after which you are asked to contact Mitsubishi UFJ Trust and Banking Corporation, the Account Managing Institution for the Company's special account. Odd shares (less than 1,000 shares) may also be transferred. Please also note that no fees are incurred in such transfers.



I would like to dispose of my odd shares...

Since Nippon Express has a system for requesting the Company to purchase/sell odd shares, shown below, you are requested to contact the Mitsubishi UFJ Trust and Banking Corporation, the Account Managing Institution of the Company's special account.

\* If you have already transferred your odd shares from the special account to an account at a securities company, please contact the securities company responsible for that account.



### System for Requesting the Company to Purchase/Sell Odd Shares

to Purchase Odd Shares

System for Requesting the Company This is a request system designed to allow our shareholders to sell odd shares less than 1,000 to the Company

(Example) A shareholder holding 600 shares cannot sell them in the market, but the Company would purchase them at market value.

#### Sold shares to the Company at market value







shares

Converted into cash

System for Requesting the Company to Sell Odd Shares

This is a request system designed to allow our shareholders who hold odd shares less than 1,000 to purchase additional shares in such a number of shares as to make a total holding of 1,000 shares at market value.

(Example) A shareholder holding 600 shares can purchase an additional 400 shares, making a total holding of 1,000 shares.

> Additional 400 shares purchased from the Company at market value









Share unit (1.000 shares)

### Contact information for various procedures

(1) For shares registered in the accounts of securities companies:

The securities company at which you have your account

(2) For shares registered in the special account:

Mitsubishi UFJ Trust and Banking Corporation (Please address your inquiries to the contact below.)

7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081

Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division Tel. 0120-232-711

0120-244-479 (for requesting forms)

For various procedures relating to shares, including change of address and the purchasing/ selling of odd shares, please refer to the following URL.

http://www.nittsu.co.jp/ir/ procedure/index.html

(Japanese only)



### **Memos for Shareholders**

Fiscal Year: Ordinary General Meeting of	From April 1 to March 31 of each year	Administrator of Shareholder Registry/Account Managing Institution of Special Account:	Mitsubishi UFJ Trust and Banking Corporation	
Shareholders: June of each year		<u> </u>	7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081	
Dates of Record:	March 31 for Ordinary General Meeting of Shareholders March 31 for year-end dividend	(Contact)	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division Tel. 0120-232-711	
	September 30 for interim dividend		Electronic announcement  If the Company is unable to make electronic	
Share Trade Unit: 1,000 shares		NA 11 1 6	announcement due to an accident or any other	
Stock Exchanges:	Tokyo	Method of Announcement:	compelling circumstance, it will make alternative announcement on the Nihon Ke Shimbun circulated in Tokyo.	
Securities Code Number:	9062		URL for electronic announcement http://www.nittsu.com/	







1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322 Tel. +81-3-6251-1111

URL: http://www.nipponexpress.com/