

Financial Results Meeting for Q3, Fiscal Year Ending March 2020
Questions and Answers (Summary)

【Branch Consolidations】

Q1: Can you tell us more about additional costs stemming from the branch consolidations Nippon Express Co., Ltd initiated in October 2019? Also, what are your thoughts as to when you will see the benefits of this consolidation?

A1: At present, we are not seeing additional costs stemming from consolidating our branches.

We are making progress integrating certain parts of the land and air divisions in our Japan segment. If this trend accelerates, we expect to either see a temporary increase in costs or perhaps factors that result in cost decreases associated with consolidation. As of right now, we are moving forward with our measures. I do not have anything to say about the impact of integration; however, we hope to offer some type of targets at our year-end financial report.

【Q4 Outlook】

Q2: You call for a 2.8% year-on-year decrease in revenue for the stand-alone Q4. How realistic is your Q4 outlook considering the 7% decrease in Q3?

A2: We reported near-record highs in air freight volume for Q3 of the prior fiscal year. This result, as well as our performance overall for ocean freight and domestic logistics, led to high revenue levels for the period. As a result, the rebound effect this year was significant.

At the same time, we may see an uptick for warehousing and storage in Q4 owing in part to new e-commerce projects. March is very competitive in the commercial moving industry and, together with the impact of last year's work-style reform, we had to draw a line in rejecting some business. We aim to achieve the revenue target we have set for Q4 this year.

【Q3 Results】

Q3: Your full-year profit plan for the Japan segment is lower than your previous forecast. Also, the decrease in profit forecast is larger compared to the decrease in revenue forecast. In particular, the decrease for Japan, the Americas, and Europe is large. In which businesses do you expect to see a decrease, and are there characteristics with impact just limited to this period?

A3: The reason for the large decrease in the Japan segment, when we analyze by industry segment, is in the electrical, electronics, and automobile industries. Last year, these industries provided comparatively greater air cargo business, and domestic business arising from this trend was also greater. This year, we are seeing a weakness in this industry. Although we are moving forward with rate revisions, the more profitable industries are decreasing, leading to a contraction in profit.

【Business Sentiment】

Q4: Compared to Q3, you forecast more segments in Q4 for which you expect lower profit levels. Do these levels mark a low point or do you expect to see this trend continue for some time?

A4: The figures for our overseas forecast incorporate the conditions we saw between October through December.

The Americas and Europe have seen a large decrease in Japanese-affiliated manufacturing and sales logistics.

Even though air transportation decreased through Q2, warehousing and automobile businesses covered for air, although not compensating fully. This resulted in a larger profit decline. We believe this will mark a bottom and we expect to see a recovery in profit levels from April onward.

【Impact of Novel Coronavirus】

Q5: What information do you have at present about the impact of the novel coronavirus?

A5: At this point, we have not incorporated any impact into our financial results forecasts. The impact we project as of now is that the Chinese New Year will be prolonged and that revenue in East Asia will decrease for a time. If exports from Japan cannot be sent for an extended period, we forecast a temporary decrease in revenue. At the same time, freight that had been sitting in place temporarily will move very quickly and we forecast a large volume of spot-type shipments.

【Cargo Movement Arriving in China】

Q6: Can you tell us about cargo movement for Chinese destinations and spot rate trends?

Recently, Lufthansa and other airlines that have handled a great deal of freight volume have been thinned out. What has been the impact on cargo movement and rates? In particular, are you seeing an increase in rates for freight from Europe to China?

A6: At this point in time, space has not decreased. From Japan, space on freighters seems to be decreasing; however, the upcoming increase in flights from Haneda leads us to project that there will be no change, no decrease in space from Japan. For freight from Europe and The Americas, there appears to be a trend for

decreasing space; however, we do not see this as having a significant impact on our business activities.

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