

October 31, 2019

Nippon Express Co., Ltd.

Results Meeting for the Second Quarter of the Fiscal Year Ending March 2020

Main Questions and Answers (Summary)

[Financial results for the Japan segment]

Q1. Operating income of the Japan segment for the six months ended September 30, 2019, exceeded the prior forecast by 1.9 billion yen. Was this due to a decrease in total personnel expenses?

A1. As pointed out, this is primarily due to a decrease in total personnel expenses. In addition, as explained earlier, we were able to exceed the forecast thanks to business activities in the domestic logistics sector, rate revisions, and the effects of expense reductions such as a decrease in overtime work, despite a decrease in income due to a decline in air freight volume and an increase in personnel expenses following employee system reform.

[Impact of employee system reform]

Q2. Regarding the impact of employee system reform, the Business Plan has stated there will be an impact of 20 billion yen compared to 2018 as its impact in five years. Is there a change in the impact in five years based on this revision to the outlook for FY2019?

A2. At the moment, we are not considering a change to the impact in five years due to employee system reform.

[Outlook for the air freight forwarding business]

Q3. Regarding the revenue and expense status of the air freight business, please tell us about trends in the first half and the outlook for the second half.

A3. Although net sales of the air freight business decreased in the first half, gross margin has improved by a few percentage points. This is due to changes in the environment for the buying cost of airfare. We believe the situation will continue on a similar trend in the second half.

Q4. In the air freight business, the ratio of decrease in volume for Nippon Express is larger than the ratio of decrease in volume for the entire market. Could you tell us your thoughts on this situation?

A4. Compared to this year's market for the air freight business, which decreased by 25 to 26%, the Company saw a decrease of 36% to 38%.

Last year, the Company saw growth of 30% to 35%, compared to market growth of 15% to 19%. In particular, there was demand for automobiles, machine tools, and construction equipment, in addition to the handling a significant amount of spot cargo. This year, we did not handle these. Regarding the level of volume, we are nearly at the same level as FY2015.

[Trends in the overseas business]

Q5. According to the Business Plan, the overseas business is planned to take the lead. However, the trend for the overseas business in FY2019 shows a decrease in revenue, although the macro environment has been a factor. Could you tell us your thoughts on making improvements going forward through the Company's own efforts, regardless of the macro environment?

A5. In improving the overseas business, we believe how we respond to changes in the pharmaceutical, automotive, and semiconductors industries, which the Company regards as focus industries, is important.

Semiconductors is a key industry for the world economy, and in terms of the freight volume, the automotive industry is an important industry that establishes the global supply chain. In addition, the pharmaceutical market is an industry that will experience significant growth going forward. A GDP guideline was formulated in December of last year in Japan as well. GDP is being legislated in Europe, and the United States has also legislated it on its own. Amid this trend, the Company will establish a logistics platform in the pharmaceutical business on a global scale.

[Effects of branch reorganization]

Q6. In relation to the Japan business, I understand that the reallocation of personnel will be implemented in the future with regard to the effects of branch integration. Please tell us what you envision in terms of realizing the effects in the next fiscal year and onward.

A6. Regarding the effects of branch integration, we will sequentially reallocate personnel who were providing operational support in the back office to worksites and sales. At present, we have not implemented significant reallocation of personnel because a smooth transition of operations is the priority. However, the Company intends to reallocate personnel as soon as possible. Through reallocation, we anticipate effects such as increasing the productivity of worksites, reducing overtime work, and saving on expenses such as external costs. We hope to yield results beginning in the latter part of the second half, if possible.

[Marine freight forwarding]

Q7. Looking at current marine freight forwarding volume, the volume being handled is not large compared to other companies. Nonetheless, the KPI of the forwarding volume in the Business Plan is at a high level. Do you think it is an appropriate strategy to continue growing this area by the Company's own efforts going forward? Are you considering M&A as well? Please tell us your views.

A7. "Dynamic growth" as stated in the subtitle to the current Business Plan aptly acknowledges the issues you have pointed out. The Company is acutely aware of the need to lead to growth with a sense of speed on a separate trajectory from before, in addition to organic growth. Based on this

awareness, we are in the process of considering overseas M&A as an option.

[Purchase of treasury stock]

Q8. The purchase of treasury stock was announced today. Please tell us the reason why the Company has decided on the method of purchasing stock in the market at this time and the Company's view on responses going forward.

A8. The method used last year was purchasing treasury stock in a negotiated transaction in response to the sale of the Company's shares by a cross-holding partner that had held the shares for many years. There were no such proposals in this instance, so we decided to purchase treasury stock in the market. Going forward, we will decide on the method of purchasing treasury stock on a case-by-case basis in consideration of the circumstances.

[Impact of typhoons]

Q9. Could you tell us how much impact you expect from the typhoons that occurred this month?

A9. There was a slight impact from typhoon Faxai with respect to damage to facilities and power outages, but there is nothing of note in terms of income.

Regarding typhoon Hagibis, we had service interruptions in the forwarding business, but services have already resumed. Although the impact for the single month of October is expected to result in a decrease of 10% to 20%, we believe there will be no notable impact over the entire year.

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