

English Translation

April 28, 2020

To Whom It May Concern,

Nippon Express Co., Ltd.
Investor Relations Promotion Group
Corporate Planning Division

**Fiscal 2019 Financial Results Briefing
and Financial Results Forecasts**

Introduction

Thank you for your ongoing support.

As we have announced previously, the Tokyo Metropolitan Government has requested that companies under its jurisdiction suspend business activities. In response, we have canceled the conference call for our fiscal 2019 financial results briefing, opting to deliver our presentation in written format. We apologize to those of you who planned to participate in our originally scheduled financial results briefing. Thank you for your understanding. We also want to express our appreciation to the accounting offices and other parties who conducted our year-end financial close on schedule, despite the global confusion caused by the COVID-19 pandemic.

We are doing our utmost to maintain customer supply chains around the world, striving to prevent the spread of COVID-19 and to accomplish our responsibilities as part of the social logistics infrastructure. Japan has issued a declaration of emergency which has extended to all regions throughout the country. We are united as one nation in preventing the spread of the pandemic. Nippon Express Co., Ltd. operates as a nationally designated public institution during disaster outbreaks. Therefore, we will respond to requests for transporting emergency supplies to medical facilities. Our corporate message is, “We Find the Way.” This message reflects our desire to

expend all efforts at any time to find the best way to help our customers create their future through logistics. We will continue striving to contribute to society through logistics.

Despite the current challenging business environment, we will not change our Long-Term Vision. The Nippon Express Group is united behind achieving our business plan and we ask for your cooperation in our efforts.

Financial Results Presentation for the Fiscal Year Ended March 2020

1. Financial Highlights

(see P.2 of presentation materials)

- We recorded revenues and operating income generally in line with the financial results forecast we announced on January 31. However, ordinary income and profit were lower than forecast due to impairment losses not anticipated at the time of our original announcement.
- We reported lower revenues and profits, despite positive factors such as a rebound effect from last fiscal year's natural disasters and lower unit fuel prices. This result was mainly due to the impact of equal work for equal pay related to employee system reform, increased personnel expense due to a change in period applicable to bonus payment, and the spread of COVID-19 beginning in February 2020.
- Revenues and profits were lower overseas due to a slowdown in the global economy which extended from late fiscal 2018 through fiscal 2019. Further, the prolonged U.S.-China trade frictions and numerous other geopolitical risks combined to cause a decrease in air freight forwarding volume.
- In Japan, we saw a second-half slowdown in domestic freight, which had been enjoying comparatively solid performance. Air export freight forwarding sales fell a sharp ¥39.8 billion, mainly for Tokyo, Nagoya, and Osaka. The impact of the spread of COVID-19 beginning in February also contributed to lower revenues

and profits.

- We posted ¥7.6 billion in equity in losses of affiliates under non-operating expenses in the fourth quarter in connection with Future Supply Chain Solutions Limited, which we acquired in December 2019.
- Extraordinary gains increased ¥900 million compared to the prior fiscal year.
- Extraordinary losses rose ¥12.0 billion due to impairment loss in connection with Traconf S.r.l., an Italian company we acquired in March 2018.
- Traconf underperformed business plans made during the acquisition of the firm. In addition, the outbreak of COVID-19 has had a negative impact on global high fashion transactions. As we expect business recovery to take time, we recorded ¥12.7 billion in related impairment losses.
- We recorded ¥7.6 billion in valuation losses related to Future Supply Chain Solutions as the spread of COVID-19 and the lockdown declaration of the Indian government prevent us from establishing a future financial results forecasts. However, the potential for the Indian market remains high and we intend to continue strengthening our logistics business in that country, mainly in consumer goods.

2. Changes Due to External Environmental and Other Factors

(see P.7-9 of presentation materials)

- COVID-19 has had a negative impact on revenues and operating income in the amount of ¥4.2 billion and ¥1.3 billion, respectively. On a cumulative basis for fiscal 2019, our initiatives to charge appropriate fees had a positive ¥16.0 billion effect on revenues. At the same time, unit price increases related to vehicle chartering and subcontracting costs had a ¥13.6 billion negative impact, resulting in a preliminary calculation of ¥2.4 billion in net positive impact on profits.

*P.10-11 provide more details related to variable factors affecting revenues and operating income. Please refer to these pages at your leisure.

3. Major Segment Results (Q4)

- The Japan (Logistics) segment recorded lower revenues and profits compared to the

prior fiscal year (see P.13 of presentation materials)

Railway transportation recorded higher revenues due to strong automobile parts volume, despite lower volume in paper and pulp products. Truck Transportation recorded lower revenues due to slow cargo movement in steel, despite favorable performance in agricultural products and beverages.

Warehousing and storage recorded higher revenues due to empty space countermeasures and continued high customer demand for logistics warehouses.

Marine and harbor transportation experienced a decrease in export volume beginning in February due to the impact of the spread of COVID-19. Container terminal operations recorded lower revenues in connection with volume increases due to the impact of vessel skips.

Air freight forwarding experienced a 25.3% decrease in consolidated export cargo weight. Revenues were lower as chartered transports could not compensate for negative factors. These negative factors included rebound effect from the strong performance in the prior fiscal year and a decrease in passenger space due to the spread of COVID-19.

As described above, segment revenues and profits underperformed the prior fiscal year as performance in our railway utilization business and warehousing-related business, as well as revised fees, overtime reductions, and other measures, could not compensate for declines in our motor transportation, marine and harbor transportation, and air transportation business.

- The Americas (Logistics) segment recorded lower revenues and profits (see P.14 of presentation materials)

Revenues were lower mainly due to a decrease in automobile-related volume arising from the U.S.-China trade friction and a decrease in volume for certain medical device-related operations. Profits were lower, despite a decrease in

forwarding costs stemming from lower air export freight forwarding and reduced personnel and other administrative expenses.

- The Europe (Logistics) segment recorded lower revenues and profits (see P.15 of presentation materials)

Revenues were lower, despite solid performance in automobile transportation and warehouse and distribution businesses, mainly due to a negative rebound effect in the air forwarding business. Profits were lower due to increased personnel and other expenses, despite a decrease in forwarding costs in our air export freight forwarding business.

- The East Asia (Logistics) segment recorded lower revenues and profits (see P.16 of presentation materials)

Revenues and profits were lower due to weakness in electric and electronics and automobiles air freight volume, as well as sluggishness in marine export freight forwarding, which had been performing well until now.

- The Asia & Oceania (Logistics) segment recorded lower revenues and lower (level) profits (see P.17 of presentation materials)

Revenues were lower, ultimately, due to the impact of spot operation rebound decrease and decreased volume for existing customers, which offset an increase in new business, etc. for air export freight forwarding. Profits were significantly lower (level) than the prior fiscal year, mainly due to reduced volumes, despite decreases in air forwarding costs and ocean forwarding costs stemming from decreased volumes.

- The Security Transportation segment recorded lower revenues and profits (see P.18 of presentation materials)

Revenues were lower due the impact of a decrease in deliveries due to the consolidate of financial institution branches, a decrease in ATM load frequency, and the spread of COVID-19 beginning in February.

- The Heavy Haulage & Construction segment recorded level revenues with the prior fiscal year and increased profits
(see P.19 of presentation materials)
Profits were higher due to favorable performance in domestic wind power freight, installations, shut-down maintenance, and other areas.
- The Logistics Support segment recorded lower revenues and higher (level) profits
(see P.20 of presentation materials)
Revenues were lower and profits were higher (level) due to sales unit price declines in petroleum and LP gas businesses, the impact of U.S.-China trade frictions on our LS business, and the negative impact of the spread of COVID-19 on volume.

4. Measures in Response to COVID-19

As soon as we learned of the outbreak in China, we established a Pandemic Response Team in Japan. This team coordinates with regional blocks overseas to provide central management of information from across the globe, to prevent further spread of disease, and to serve as a base for our BCP structure.

More specifically, we worked to prevent further spread of the disease through telework, varied work shifts, temperature monitoring, and distribution of protective masks to moving and relocation workers. In addition, we are doing everything we can to maintain customer supply chains, leveraging all manner of transport modes. These efforts include air freight forwarding charters, transport for Europe using the central European cargo rail, and multi-modal transport combining rail and ocean for Southeast Asia. Further, we are contributing to the transport of necessary materials, including the import of desperately needed masks for use in Japan, the transport of pharmaceutical ingredients and investigational new drugs used to fight COVID-19, arrangements for charter flights, and more.

We have already taken measures to bolster cash on hand to prevent future

impediments to business continuity.

5. Consolidated Financial Results Forecast for FY2020

We have not yet established financial results forecasts for the fiscal year ending March 2021 due to the difficulty at present in conducting rational calculations stemming from the impact of COVID-19. We will announce our financial results forecasts promptly when we are able provide these disclosures.

Some today are predicting that we will see the greatest recession since the Great Depression of the 1930s. We believe Nippon Express is facing the most difficult challenge since our founding. We intend to be proactive in taking measures that include optimizing our fleet to volume, assigning personnel, and maximizing the use of other corporate assets to reduce costs.

No predictions have been made as to the end of the COVID-19 pandemic. Nippon Express will make steady progress forward in our business plans while monitoring changes in the global economy post-COVID-19.

6. Status and Strengthening of Nippon Express Group Business Plan 2023

Initiatives

- Business Growth Strategy (see P.24 of presentation materials)

We began operating under the Nippon Express Group Business Plan 2023~ “Dynamic Growth” ~ this fiscal year. Our focus on Customers (Industry) within our core business growth strategy addresses a variety of initiatives related to five priority industries in Japan and overseas designed for revenue growth. Unfortunately, our progress during fiscal 2019 underperformed plan. We expect a recovery from COVID-19 in the electric and electronics, automobile, and apparel industries will require some time. At the same time, we believe the semiconductor and pharmaceutical industries will experience a solid recovery. It is in these industries that we will pursue priority initiatives.

Our Business-based approach defined key performance indicators for fiscal 2019 air and marine freight forwarding volume, under which we pursued volume growth initiatives. As a result, marine freight forwarding underperformed targets. However, air freight forwarding achieved established targets, despite a negative rebound effect caused by the very strong performance experienced in the prior fiscal year.

As we described under 3. *Major Segment Results*, our Area-based approach for fiscal 2019 saw lower revenues in every block except Europe. Lower profits across all blocks was also a very disappointing result for us. We intend to further strengthen initiatives in priority industries and optimize our business portfolio.

- Strategic to Enhance Domestic Business in Japan
(see P.25 of presentation materials)

We have engaged in improving sales and administrative productivity to improve the profitability of our businesses in Japan. On October 1, we consolidated our domestic branch organizations to reorganize operations support departments and provide more sales people. We intend to move further in freeing up more human resources and generating further efficiencies through office consolidations.

- Long-Term Vision

Dedicated consistency in Safety, Compliance, Quality is the essence of Nippon Express management and a top priority for our managers as we pursue ESG management initiatives toward achieving our Long-Term Vision. In addition, we are looking into management structure changes, including the option of transitioning to a pure holding company structure, for the purpose of strengthening group management and strengthening our global governance structure to achieve further overseas business growth. Nippon Express will select the best management structure and establish a mechanism to support sustainable improvement of corporate value.

We will utilize our response to COVID-19 as another opportunity to adopt diverse and flexible work styles as we engage in work-style reform.

Nippon Express will engage in management cognizant of ESG for sustainable growth and improve corporate value as we operate in the midst of a variety of environmental and social issues.

One year has passed since we began operating under our new business plans as described above.

We face a challenging business environment today. And although our performance did not meet plan, we will not make any changes to our Long-Term Vision.

On April 1, we conducted an organizational change that included the establishment of a new Digital Platform Strategy Division. The first order for this new division is to propose a cooperative logistics platform for the pharmaceuticals industry. This will be a breakthrough initiative in logistics committed to temperature-controlled distribution and counterfeit drug prevention for delivering pharmaceuticals safely and securely across the world to the people who need these medicines.

Nippon Express will continue to pursue rapid and steady progress in business expansion, profitability improvements, and other important policies defined in our business plan. In addition, we intend to respond in a flexible manner to the new post-COVID-19 global business environment which is highly likely to include a frequently changing supply chain environment.

Detailed Information on Status and Strengthening of Nippon Express Group Business Plan 2023 Initiatives

(1) Business Growth Strategy (see P.24 of presentation materials)

Customer (Industry) -Based Approach

Our fiscal 2019 progress in the priority industries of electric and electronics, automobiles, apparel, and pharmaceutical/medical fell below targets in Japan. Our progress overseas also underperformed in each industry with the exception of our performance in the apparel industry. In terms of recent performance, despite a return to normalcy in Chinese manufacturing, we believe that the slowness in cargo movement due to the impact of COVID-19 will continue at least until summer due to the sluggish market environment in Europe and America. Although there are expectations for global logistics demand and changes in supply chains over the medium and long-term, we have not yet reached a point where we can offer a clear outlook.

- Electric and Electronics

In Japan, we experienced a rush in demand prior to the consumption tax hike, demand in connection with the Olympics, and demand for PC replacements. However, declines in electronic equipment and parts exports prevented us from achieving target volumes. Overseas, demand increased for white goods in developing regions. Unfortunately, the overall market was sluggish due to the downturn in the Chinese and North American markets and we did not achieve our targets. We expect a certain amount of time will be needed to recover. At the same time, we will continue to strengthen our sales structure, while responding rapidly to changes in the supply chain and to newly developing business environments.

- Semiconductors

Demand for semiconductors in the electric and electronics industry was strong. Production and shipments of semiconductor components and manufacturing equipment from Japan were stable. Volumes continued to rise, even during the period from January through March, which was impacted by COVID-19. This fiscal year, we intend to strengthen our initiatives related to semiconductors in Japan and

overseas, capturing rising demand related to the adoption of 5G and IoT as we strengthen overall initiatives for electric and electronics.

- Automobiles

While Japan experienced a rise in demand prior to the consumption tax increase, auto production and sales were slow for the fiscal year. Overseas, automobile sales were lower 4.1% globally, except in Europe, where sales were essentially level. Shipments of automobile parts from Japan continue to be weak compared to the previous year due to market sluggishness. Our sales fell below target stemming from the rebound effect of sales in the prior fiscal year. While we worked to capture manufacturing logistics in emerging countries overseas, the decline in the Chinese market and other factors prevented us from achieving our targets. This fiscal year, we will strengthen our sales activities to respond to supply chain changes in connection with the transition to EV, advancements in self-driving cars, and an emerging trend in the breakup of affiliated companies. We will also ensure that we meet the growing needs of overseas factories in the future.

- Apparel

In Japan, declining birth rates, weaker consumer sentiment in the wake of the consumption tax hike, poor sales of winter apparel due to unseasonably warm weather, and the impact of COVID-19 combined to create a sluggish apparel market. Under these circumstances, volume slowed during the second half of the year and we did not reach target performance. Overseas, markets grew for luxury apparel in advanced economies and for fast fashion (SPA: specialty retailer of private label apparel), mainly in Asia. We focused particularly on capturing demand for luxury apparel in Europe and Italy, where we achieved our targets. We expect a recovery from the impact of COVID-19 to take some time. However, we will continue to strengthen our sales working from Nippon Express Italia with an eye toward the coming recovery in global markets.

- **Pharmaceutical/Medical**

The pharmaceutical market (excluding OTC drugs and generic drugs) in both Japan and overseas grew steadily, driven by anti-cancer medicines. However, we experienced weak forwarding volume in pharmaceuticals and missed our targets in Japan and overseas. This year, we will launch operations at four GDP-compliant pharmaceutical warehouses in Japan. We are also expanding our bases for pharmaceutical logistics overseas as a means to drive greater sales growth. Construction on our information services platform is also underway. Further, companies around the world, including Japan, are in the development stages for COVID-19 drugs. We intend to capture demand for the transportation of these drugs in the future.

- **Non-Japanese Customer Accounts**

We experienced growth in non-Japanese customer accounts in line with our plans for fiscal 2019. Our Global Sales Strategy Headquarters expanded functions under a global key account team (GKA) and increased the number of offices we operate in Singapore. We intend to further strengthen our systems for global sales and bidding.

Our company will continue to engage actively in sales to customers in key industries over the upcoming fiscal year.

Business- and Area-Based Approaches

With the spread of COVID-19, we were forced to use chartered transports for international air freight forwarding to compensate for the reduction in flight frequencies. However, the decline in volume for February and March was less than expected. On the other hand, we expect to see a growing impact on our business in April and beyond due to the halt in production and consumption activities caused by lockdown declarations in Europe and the Americas. Global trade patterns generally assume production in China and consumption in Europe and America. Although production activities in China are returning to normalcy, it may take some time for global supply chains and logistics demand to recover globally. Accordingly, it is

difficult for us to forecast the impact on our business in April and beyond. On March 30, Nittsu Research Institute and Consulting published *Fiscal 2020 Economic and Freight Transport Outlook*. This report projects a 1.8% decrease in fiscal 2020 international air freight export forwarding volume and a 0.4% decrease in foreign container cargo exports under certain assumptions. At the same time, the IMF announced their forecast for a 3% decrease in global economic growth for 2020. These projections indicate deteriorating economic conditions and a high likelihood that international air freight export forwarding volume will experience a downturn. At present, the timing of the end of COVID-19 and a recovery in customer supply chains is extremely uncertain. We must keep a close eye on trends in international freight volume between April and June and the state of COVID-19.

Under these circumstances, we will continue to reduce costs in every block across the world related to lower sales. Measures will include stricter management over subcontracting costs, greater use of corporate assets, and temporary closures of offices.

(2) Strategies to Enhance Domestic Business in Japan

(see P.25 of presentation materials)

Our presentation materials provide information about our major strategic initiatives. We are engaged in a variety of measures to grow our business in Japan, including the creation of a pharmaceutical logistics business.

- Further Personnel Reassignments

By consolidating domestic branch organizations, we have reduced the number of branches in Japan by 74, from 188 to 114.

We have freed up more than 100 employees and believe we can free up even more. Will continue to look for even greater progress as we link these initiatives with streamlined administrative operations.

- Labor-Saving Measures and Automation

To achieve everyday efficiencies at the branch level, we have assigned duties to

employees of each branch in a new project conducted across all blocks. During this upcoming fiscal year, we intend to implement prior successes and roll out these efficiencies in every block.

- **Structural Reform of the Moving & Relocation Business**

Our Moving & Relocation business introduced major upgrades in response capabilities for the major markets represented by weekends and the March moving season. Leveraging the benefits of our status as a comprehensive logistics company, we will engage in non-moving business during the weekdays, which have tended to consist of lower-priced services. In so doing, we will strive to conduct higher-profit business operations.

- **Improve Efficiencies in Small Lot Shipments**

Our small lot shipment business will focus on more efficient types of cargo to increase profitability. At the same time, we will introduce new products to grow volume.

(3) Employee System Reform (see P.12, P.27 of presentation materials)

Total personnel expenses for Nippon Express Co., Ltd. increased ¥5.6 billion for fiscal 2019 in connection with employee system reform initiatives. We also incurred ¥4.8 billion in expenses for employee system reform, ¥4.6 billion due to a revision in bonus payment periods, and ¥1.7 billion in actuarial differences in retirement benefits, combining for a cost increase of ¥11.1 billion. At the same time, we created ¥5.5 billion in cost reductions, including ¥1.0 billion due to changes in retirement benefit rules, ¥4.0 billion in overtime reductions, and ¥500 million in temporary bonus reductions, including a ¥1.2 billion write-down in allowance for bonuses.

This upcoming year, we will raise the retirement age from 61 to 62 years. In addition, we will revise front-line management for improved floor operations beginning in April. Group companies plan to incorporate equal pay for equal work in connection with the enforcement of new labor law. We expect personnel expenses related to

these measures will increase approximately ¥2.4 billion compared to fiscal 2019.

7. Return to Shareholders

(see P.30 of presentation materials)

Our capital policy under our new business plan calls for a payout ratio of at least 30% and total return ratio of at least 50% cumulatively over a five-year period.

Focusing on dividends as our main channel for shareholder returns, we have will pay a total ¥155 per share in dividends for fiscal 2019, consisting of a ¥75 per share interim dividend and a ¥80 per share year-end dividend. This dividend is equal to what we paid as an annual dividend for fiscal 2018. Further, our total return ratio for fiscal 2019, including share buybacks conducted during the second half of fiscal 2019, amounted to 141.1%.