

January 29, 2021  
Nippon Express Co., Ltd.

Financial Results Presentation for Q3, Fiscal Year Ending March 2021:  
Questions and Answers (Summary)

The financial results presentation on January 29 was conducted via conference call. The following summarizes questions received and explanatory answers.

Air Cargo Transportation Business

Q1: Can you tell us more about air cargo transportation profit margin trends and changes between Q1 and Q3? Also, what is your view toward Q4?

A1. We do not provide specifics regarding profit margins of individual businesses. However, our first half margins were at the same level or higher than the same period in the prior fiscal year. We saw a change in Q3, with usage fee rates increasing with respect to total air export freight forwarding revenues.

Our strategy for the air transportation business is to secure space through strategic and systematic charter arrangements to meet customer demand in this environment of space shortages due to fewer passenger flights. Although procurement prices are rising, we will continue to respond by confirming the balance between supply and demand. In this way, we are creating an environment allowing us to capture transportation that our competitors cannot address. We are working on shipping plans with our customers, taking a much closer approach. This might be one of the better outcomes of the COVID-19 pandemic.

Q2: In your earnings report, you noted the impact of COVID-19. Are the special factors related to your air transportation business included?

Also, our understanding is that not all of increases in procurement prices to maintain your supply chain have been passed on to your customers. Is it correct to conclude that sales increased more than profits?

A2: The impact of rising sales unit prices in the air transportation business is included in our data on the impact of COVID-19.

In Q3, our share of the air forwarding business originating in Japan was in excess of 26%, and volume was higher than the previous year. We are moving forward while confirming the balance between supply and demand. Compared to the prior fiscal year, both revenues and operating

income have increased.

#### Forecast

Q1: How have you incorporated the impact of the declaration of a state of emergency into your Q4 forecasts?

A1: We expect a certain amount of negative impact, mainly in our Japan Logistics segment.

Although we cannot provide specific numbers, we estimate the impact will be several billion yen on an operating income basis in differential comparison with Q3. If the impact of the declaration of a state of emergency on economic activities turns out to be insignificant, the degree of effect will be less, resulting in possibly higher Q4 results.

Q2: Can you confirm to us the assumptions used in your full-year plan? Also, please address whether the difference in Q3 and Q4 operating income is due to the impact of the declaration of a state of emergency or due to some other factor.

A2: We expect the decrease due to the declaration of a state of emergency to impact our Japan segment. Comparing Q3 and Q4, we expect Q4 revenues to be about ¥19 billion lower and Q4 operating income to be about ¥9 billion lower due to the negative impact of the declaration of a state of emergency. We believe that the declaration of a state of emergency will mainly affect businesses that are encapsulated within Japan, and that the impact on our international businesses, such as our air export freight forwarding business, will not be significant.

#### Outlook for the Next Fiscal Year

Q1: What are your thoughts regarding the next fiscal year? For example, will there be a decline in air transportation business profitability? Will global shortages in semiconductors have an impact on your business? Do you expect earnings improvements as a result of cost reforms? Are there any factors that could cause earnings to deteriorate between this fiscal year to the next?

A1: I take it to mean that your question is about our outlook for FY2021. Although we announced an upward revision, at present, it is difficult to formulate our outlook as an extension of our previous outlook. In addition, it is possible that the impact of COVID-19 will continue next year, making it very difficult to establish a forecast.

We expect the negative impact of COVID-19 to be ¥7.7 billion against an operating income forecast of ¥72 billion this fiscal year. That forecast would be ¥79.7 billion if the impact of COVID-19 is eliminated. As I explained earlier, there is also an impact of special factors due to

spot volume increases stemming from emergency freight forwarding and other external environmental factors.

We must formulate our future outlook for the next fiscal year while analyzing and considering how to balance the decline in reaction to special factors such as the spot volume this fiscal year, as well as the speed of recovery in economic and production activities. The current business environment for the air export freight forwarding, which is an earnings driver, will continue for a certain period of time, since the shortage of air cargo space due to fewer passenger flights will not be resolved immediately.

#### Future of the Current Headquarters Building After the Head Office Relocation

Q1: Can you tell us your thoughts on the use of real estate (in connection with the Shiodome Headquarters Building)?

A1: There was a media report about the sale of the Shiodome Headquarters Building, but this is not a fact that has been decided at this time. We are considering either leasing or selling the building. Our general policy regarding the real estate leasing business, in principle, is to make investment decisions considering returns based on the weighted average cost of capital (WACC) and reflecting on market values. If a project falls below our standard, we may make the decision to sell the property.

End