May 15, 2018

NIPPON EXPRESS CO., LTD

Results Meeting for the Fiscal Year Ended March 2018

Main Questions and Answers (Summary)

(Financial Results for FY2017)

Q1: For the evaluation of 4Q, profits will decrease when special factors are excluded. What are the reasons behind this?

A1: In January and February during 4Q, profits were on an upward trend. In March there were some factors such as an increase of ¥1.2 billion in provision for bonuses for this summer as a result of conclusion of the annual spring wage negotiations. If these factors are excluded, profits increased substantively.

In addition, with regard to the relocation business at the end of the fiscal year, we worked for efficient operations with limited workforce, in response to the recent labor shortages and restriction on prolonged work hours. As a result, although there was a slight decrease in volumes and revenue, the unit price increased, and we were able to secure profits.

(Performance Outlook of FY2018)

Q2: Regarding the performance outlook of FY2018, I get the impression that the target value is somewhat high. Please explain the purpose and background of adding an additional ¥2.0 billion to ¥75.0 billion in operating income, which is the target set in the business plan.

A2: Although the operating income of ¥77.0 billion is a challenging figure, we have judged it to be appropriate because of the special factors including the expected decrease in amortization of goodwill, etc. in the current fiscal year.

Although a profit increase of ¥3.8 billion (*) is required, and we are facing a difficult situation due to the rise of fuel prices and labor shortages in Japan, we believe that we can grow operating income mainly in the Tokyo metropolitan area, where global projects concentrate. We expect growth in overseas business and solid performance in Europe for this year as well.

(*) ¥3.4 billion, which we explained at the briefing session was an error, and we therefore correct it to ¥3.8 billion. The amount is calculated by subtracting ¥3.0 billion, a decrease associated with amortization of goodwill, etc., from the ¥6.8 billion profit increase.

Q3: Regarding “Approach to forecast figures” described on page 19 of the briefing material, you explained that ¥8.0 billion is expected from rate revisions. Please explain its breakdown between Japan and overseas, and the degree to which it will be achieved.

A3: For the ¥8.0 billion effect, not everything has been agreed by our customers at this point of time. This is a target figure based on our intention to proactively promote rate revisions for this fiscal year, since the effect for the previous fiscal year was lower than we expected, standing at ¥3.7 billion. Basically, we will plan rate revisions at the time of contract revisions, in addition to separately negotiating with unprofitable customers and customers who require improvement in the time drivers and other workers have to wait. With regard to the ¥8.0 billion, we expect it to be an effect entirely in Japan.

Q4: Please explain the details of “Profit increase from business activities in the Japan segment” described in the performance outlook of FY2018.

A4: Although we haven’t disclosed the detailed breakdown of the profit increase of ¥4.6 billion, we expect that the rate revision will make a significant contribution to combined divisions. We also expect a profit increase associated with the improvement of profit in marine & harbor transportation. Air freight remains strong as well.

Q5: It seems that there’s a big difference between ordinary income and profit in the performance outlook of FY2018. Do you expect any significant factors with regard to extraordinary income or loss, etc.?

A5: Although we do not expect any significant factors with regard to extraordinary income or loss, we have calculated the amount partly based on previous year’s results. It is a rather conservative outlook.

(Weight for export air freight originating from Japan)

Q6: As for the continuity of weight for export air freight originating from Japan, the growth rate remained at a high level in 4Q. Is this due to an increase in the number of customers? Or is it due to spot cargos, rather than something that will continue in the future?

A6: We expect it to be solid for this year. There were many bids for annual contracts in April, and we were able to win them steadily. The weight has increased from the previous year at this point of time as well.

By industry, increases have been seen in automobile, semiconductor/liquid crystal, and machinery related segments. Especially in the automobile industry, there is an increasing number of customers that we can now handle. Our capability to secure space and strengths in negotiating freight rates with carriers have contributed to stable space provision, leading to high reliability from customers, which in turn resulted in high growth rates as well.

Q7: I believe that the freight rates for FY2018 are on an upward trend. Have you incorporated the status of negotiation with carriers and the passing on of rising freight rates on shippers in the performance outlook for this fiscal year?

A7: Under contracts with most customers, the annual rates are determined through bids. For spot cargos, the price will be decided on a case by case basis and thus it is not consistent. Although freight rates are rising, it is more important to earn the trust of customers even under such situation. Since our customers have been responding flexibly to the rise in the freight rates to a certain extent, this has been factored in the performance outlook for this fiscal year.

(Capital Policy)

Q8: There’s a description concerning shareholder return in the material, and President Saito emphasized the importance of capital efficiency in a Nikkei article as well. Please explain your views on this toward the next business plan.

A8: Regarding shareholder return, our idea is to maintain at all cost the payout ratio between 30% and 40%. We have set ROA of 2.8% in the current business plan, and plan to achieve this target. We also plan to proactively conduct measures to improve capital efficiency, continuously enhance profitability, effectively use real estate assets, cancel cross shareholdings and repurchase own shares in a timely manner. In addition, in the next business plan, we are considering the adoption of KPI that takes into account capital efficiency, such as ROE, in terms of asset efficiency and profitability as well.