

April 28, 2021
Nippon Express Co., Ltd.

Financial Results Presentation for the Fiscal Year Ended March 31, 2021:
Questions and Answers (Summary)

The financial results presentation on April 28 was conducted via video broadcast and conference call. The following summarizes questions received and explanatory answers.

Forecasts for the Fiscal Year Ending December 31, 2021

Q1: How do you view the impact of COVID-19 on your financial results? Do you think that the impact COVID-19 will diminish and mostly disappear by December?

A1: COVID-19 had a negative impact on our financial results for fiscal 2020. However, on a quarterly basis, we saw the largest negative impact at the beginning. The impact became more positive subsequently, with a significantly positive impact in the fourth quarter. We announced our forecasts for fiscal 2021, meaning the period from January to December 2021, including the impact of COVID-19 covering the period from January through March, when the positive impact was most notable. Although the impact of COVID-19 will not disappear, we believe the impact will not be as significant as it has been recently.

Q2: What is your outlook for the new fiscal year, and to what extent do you think cost reductions in back office departments will lead to profits? Also, how do you expect reassignments to affect your top line? In addition, what is your view on your progress toward your interim target of ¥83 billion in operating income in your business plan?

A2: With regard to the reduction of indirect costs, we are assuming that personnel expenses overall will not decrease. We believe that the reassignments of back office personnel to sales will contribute to the growth of our top line, but we have not yet reached that stage. However, we expect to reduce outsourcing and subcontract expenses in the current fiscal year due to these measures, since we expect to bring external resources in-house.

We believe that we have met our interim target of ¥83 billion in operating income under our business plan. However, we do not believe we will achieve our final targets of ¥100 billion in operating income and ¥2.4 trillion in net sales at our current pace. It is important that we strive for our long-term vision by focusing on growth strategy for core businesses and strategy to enhance

our domestic businesses in Japan. At the same time, our approach to the medium and long term incorporates our inorganic growth strategy, reinforcing functions to support challenges, and exercising ESG-oriented business management to realize sustainable development and improve corporate value.

Air Cargo Transportation Business

Q1: How long do you expect the tight supply-demand situation to continue in your air cargo transportation business? How do you view air cargo transportation business volume in your forecasts for the fiscal year ending December 31, 2021?

A1: We expect the environment surrounding our air cargo transportation business to continue until after summer. It's possible that this environment will continue until the end of the year. On the supply side, it is difficult to simply recommence passenger flights, so the situation remains a challenge. On the demand side, however, our businesses related to the automotive industry and semiconductor industry are experiencing strong cargo movement. Demand for long-haul transportation is strong, particularly for shipments from Japan to Europe and the U.S. and from South Asia to Europe and the U.S.

In response to the impact of trade friction between the U.S. and China, we are seeing a movement to build supply chains in blocks within the semiconductor industry, and investment has already begun. This phenomenon is not likely to end within half a year, but rather become an ongoing trend. In light of this environment, rates have also remained at high levels.

Air export freight forwarding was quite brisk during the fourth quarter (January-March) of the fiscal year ended March 31, 2021. We expect the same situation to continue through the first half of this fiscal year, weakening a bit in the second half and beyond. Accordingly, we have made somewhat conservative forecasts.

Q2: How do you view the impact of the semiconductor shortage on your air cargo transportation business?

A2: The semiconductor industry has a broad base, and the global division of labor is moving forward. Although there is a shortage of semiconductors in the automotive industry, we believe that the products will be manufactured in the final process and consumed locally in most cases. On the other hand, transportation related to semiconductors includes the transportation of equipment and raw materials for semiconductor manufacturing. We do not believe that a shortage of semiconductors will result in a decrease or delay in the overall transportation volume. On the contrary, the shortage

of semiconductors is likely to lead to an increase in the transportation of materials and equipment for factory start-ups and production increases. Therefore, we expect to see strong cargo movement this year.

Shareholder Returns

Q1: Regarding shareholder returns, you announced a share buyback in April for the new fiscal year.

Is it correct to understand that the buyback for fiscal year 2021 is now complete? Do you plan any additional measures for the second half of the fiscal year?

A1: We considered announcing a share buyback in April of last year as well. However, the spread of COVID-19 made for an uncertain view of the future, and so we were not able to make an announcement. As we have gained a certain outlook for this fiscal year, we have decided to make an announcement at this time. While this fiscal year will be a nine-month fiscal year, we plan to pay the same amount of dividends as the previous year. We expect our dividend payout ratio to be high. In terms of shareholder return, we will strive to achieve a dividend payout ratio of 30% or more and an average total return ratio of 50% or more over the period covered by our business plan.

Consideration of Security Transportation Business Spin-Off

Q1: Why did you choose a scheme to spin off your Security Transportation business? Also, how much of an effect do you expect the spin-off to have on your statements of income?

A1: Until three years ago, our Security Transportation business was included in each regional block. It was difficult for us to understand the actual profit conditions of the business. For this reason, we have been trying to bring clarity to the situation, managing our Security Transportation business as a single entity. In managing the business as a segment, the most significant factor behind the net loss is that we use headcount as a standard for allocating head office expenses. Since the Security Transportation business has a relatively large number of employees, it bears a significant cost burden. By spinning off the company, we believe we can get a clearer picture of the actual status of the business. In addition, the Security Transportation business differs from the general cargo transportation businesses in some other respects, such as work styles. By spinning off the company, we believe we will be able to speed up the process of creating a work style and cost structure that suits the industry, not to mention speed the business's response to digital transformation.

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