

BUSINESS REPORT



NIPPON EXPRESS

Securities Code No. 9062

For the 114th Interim Term | From April 1, 2019 to September 30, 2019



Aiming for a “Logistics Company with a Strong

During the six months ended September 30, 2019, the Japanese economy was sustained by domestic demand driven by solid personal consumption amid continuing improvement in the employment and income situations, but future prospects remained uncertain due to pronounced downward pressure on the economy, including a slowdown in the overseas economic growth against the backdrop of the U.S.-China trade friction and rising geopolitical risks.

Under these economic conditions, in the field of logistics, domestic freight was strong mainly in the consumption-related cargo and facility-related cargo backed by solid personal consumption and labor-saving investments. Meanwhile, cargo movement was generally slow in international freight, owing to a decrease in transportation demand mainly in the air freight of general machinery and electronic equipment, and automobile-related freight to Asia, affected by the slowdown in the global economy centered on China.

In this business environment, the entire Nippon Express Group is working as one to achieve the key strategies outlined in “Nippon Express Group Business Plan 2023 –Dynamic Growth–,” the five-year business plan launched on April 1, 2019.

President and Chief Executive Officer

Mitsuru Saito



Presence in the Global Market”

“Business growth strategy”

Through the approach on the customer (industry) axis we adopt in our “growth strategy for core businesses,” we have further reinforced our account sales, including measures aimed at expanding business with non-Japanese companies, and we have established hubs and strengthened sales in order to create a supply network for pharmaceuticals, a priority industry. Our approach on the area axis included greater investment in the rapidly growing Indian market and the opening of the Kazakhstan Representative Office, with the aim of further expanding marketing amid the growing use of China-Europe rail transport, and other measures to expand international business.

In our “strategy to enhance domestic businesses in Japan,” we have worked to further reorganize our domestic organizations for improving productivity and efficiency of sales and business process, enhancing our sales force, and strengthening our CSR management.

“Efforts to implement our long-term vision”

In our measures to innovate IT strategy for “reinforcing functions to support challenges,” we promoted workstyle reform through productivity improvement driven by the use of robotic process automation (RPA). To innovate our R&D strategy, we conducted trials of cutting-edge logistics devices and introduced them in warehouse operations for commercialization.

In our efforts for “ESG-oriented business management to realize sustainable development and improve corporate value,” we introduced a new employee system that entails equal pay for equal work, as well as promoted the reduction of long working hours, acquisition of annual paid leave, telecommuting and other initiatives to enable a flexible workstyle as part of our challenges for workstyle reform.

As a result of the above, our consolidated business results for the first six months of the 114th term were as

follows: **Revenues of ¥1,038.9 billion** (down 0.1% year-on-year), **operating income of ¥29.1 billion** (down 14.4% year-on-year), **ordinary income of ¥32.8 billion** (down 13.1% year-on-year), and **profit attributable to owners of parent of ¥19.0 billion** (down 18.9% year-on-year).

Concerning the interim dividend payments for the 114th term, it was decided at the Board of Directors meeting held on October 31, 2019 to pay an interim dividend of ¥75 per common share with the starting day for payment being December 3, 2019.

In terms of the economic trend for the second half of the fiscal year, although domestic demand is seen to continue driving the Japanese economy, the due impact of the consumption tax hike on personal consumption, together with weak external demand, especially for exports, is expected to continue to undermine the economy. The economy overseas is ridden with various uncertainties including rising geopolitical risks, economic slowdowns in various countries affected by U.S.-China trade friction, and instabilities in political situations and government policies, all of which points to continued deceleration in economic growth.

In this business environment, the field of logistics as a whole is being called upon to transform into a value-creation industry that supports the sustainable growth of society, ranging from the implementation of workstyle reforms and efforts to secure and nurture human resources, in addition to development of new logistics services that incorporate cutting-edge technologies, to reductions in environmental impact.

Aspiring to become a logistics company with a strong presence in the global market, the Nippon Express Group will strive for greater growth and further enhance our corporate value in order to meet the expectations of all shareholders. We would be grateful for your continued understanding and support.

December 2019



Earnings decreased mainly as a result of a slowdown in international freight demand due to deceleration in the global economy, and **income decreased** due to an increase in personnel expenses associated with employee system reform, etc.



Despite revenues falling below forecasts announced in July, all income items **exceeded the forecasts**

Revenues

¥**138.9** billion
(down **0.1** % year-on-year)

Operating income

¥**29.1** billion
(down **14.4** % year-on-year)

Profit attributable to owners of parent

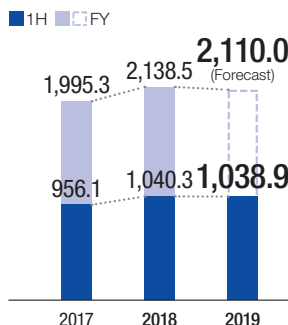
¥**19.0** billion
(down **18.9** % year-on-year)

Interim dividend

¥**75.0**

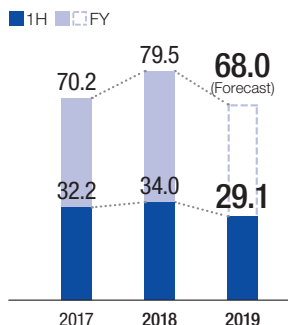
Revenues

(Unit: Billions of yen)



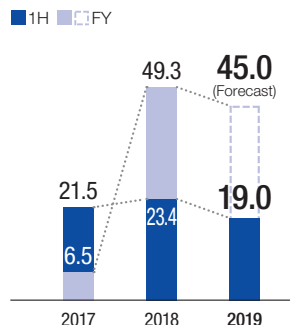
Operating income

(Unit: Billions of yen)



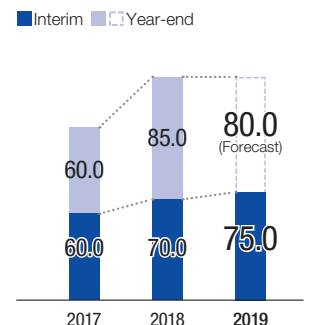
Profit attributable to owners of parent

(Unit: Billions of yen)



Dividend per share *

(Unit: Yen)



* The stated dividend amount takes into account the share consolidation (10 shares to 1 share) of October 1, 2017.



Logistics

Revenues

¥817.0 billion

(down 0.6% year-on-year)

Japan58.7%

The Americas ...4.6%

Europe.....5.7%

78.6%

Operating income

¥26.8 billion

(down 10.1% year-on-year)

East Asia5.4%

South Asia &

Oceania4.2%



Security Transport

Revenues

¥36.4 billion

(up 1.2% year-on-year)

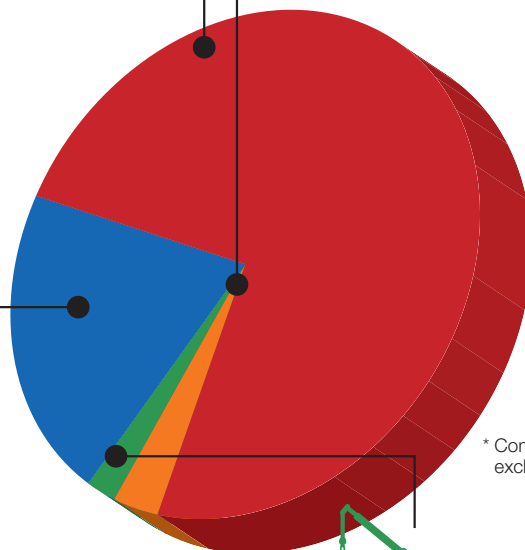
3.5%

Operating loss

¥1.2 billion

(Operating income was
¥0.2 billion for the previous
corresponding period)

Revenues Composition by Segment



Logistics Support

Revenues

¥228.3 billion

(down 0.1% year-on-year)

22.0%

Operating income

¥5.7 billion

(up 0.3% year-on-year)



Heavy Haulage & Construction

Revenues

¥27.2 billion

(up 9.6% year-on-year)

2.6%

Operating income

¥2.6 billion

(up 27.7% year-on-year)



Nippon Express and

Global Expansion

We contribute to our customers' global expansion by providing supply chain solutions centered on logistics in countries and regions worldwide.

Launch of Operations in the Republic of Finland

APC Logistics AB, a Group company of Nippon Express, has established a branch office in the Finnish capital of Helsinki that opened for business in June.

By opening its own branch in Finland, APC Sweden hopes to improve its operational quality and customer service as it leverages the advantages it enjoys in transport between Scandinavia and Asia to meet the needs of the many Swedish and other Scandinavian companies setting up business operations in Finland.

Representative Office Opened in the Republic of Kazakhstan

The East Asia Region has established a representative office in the city of Almaty in the Republic of Kazakhstan, and at the opening ceremony held in August, approximately 20 guests attended, including Vice Minister of Industry and Infrastructural Development Toktabayev Timur Serikovich.

Situated in Central Asia at the heart of the Eurasian continent, Kazakhstan occupies a strategic location for railway transport linking East Asia and Europe. The Kazakhstan Representative Office will collect information and conduct marketing surveys locally.

It will also take into account the geographic characteristics of Central Asia in verifying Kazakhstan's future commercial potential in order to expand business between East Asia and Europe.



President Saito speaking at opening ceremony

Opening of New Location in Tanger Med Port, Morocco

Nippon Express France, S.A.S. (NEF) has opened a Tanger Med Logistics Center in the Moroccan port of Tanger Med, and this Center began operations in June 26 as NEF's second location in Morocco.

Morocco's government has in recent years been pursuing strategic policies aimed at enhancing the country's status as a logistics hub for North and West Africa, with Tanger Med Port located in northern Morocco serving as a key gateway. Nippon Express is seeking to strengthen its logistics functions in anticipation of future growth in Morocco and North Africa.



Tanger Med Logistics Center

Participation in “Ima no Africa” Event

Nippon Express participated in the “Ima no Africa” (“Africa Now”) two-day event held on May 25, and 26, 2019 at Yokohama.

“Ima no Africa” is hosted by the African Diplomatic Corps (ADC) to Japan and designed to introduce African culture and the continent's economic potential. Nippon Express operated a booth on both days of the event, introducing visitors to its Africa-related business operations and services, and handed out Kenyan-grown roses, shipments of which Nippon Express now handles regularly.

Nippon Express set up a Kenya Branch in Nairobi, Kenya's capital, in August 2017 as its first sales location in Africa. In December of that same year, a Morocco Branch based in Casablanca was opened to provide logistics services. Nippon Express is committed to further enhancing its logistics services in Africa, the land of great growth potential, to meet the logistics needs of its customers.



Nippon Express' booth

Cutting-edge Technologies

We aim to create values for customers and society and resolve social issues through innovation.



Japan's First Autonomous Driving Trial on Public Roads

Together with UD Trucks Corporation and Hokuren Federation of Agricultural Cooperatives, Nippon Express conducted a trial with a Level 4 (L4) autonomous vehicle, a first in Japan including autonomous driving on a public road.

The trial is an important initiative that can help address a shortage of truck drivers as the country's work force contracts, and made another step toward the practical applications of autonomous driving by heavy-duty trucks.



Trial on Collaborative Picking Solution for Warehouses

In June, Nippon Express conducted a trial at its logistics center in Tokyo with Rapyuta Robotics Co., Ltd. using a collaborative picking solution for warehouses.

The trial featured Rapyuta Robotics robots that can operate within the picking area of the warehouse without interfering with people or objects. By comparing the same shipping order filled in purely manually and with the help of robots, it turned out that humans and robots can collaborate safely, and that using robots helped reduce work hours.

Upon further trials for evaluation and verification, we plan to introduce these robots in existing warehouses by the end of FY2019.



Robots used in the experiment

Social Responsibility

We live up to our corporate social responsibilities through our business activities with the aim of creating a sustainable society.

Introducing New Vehicles for Transporting Wind Power Generators

Nippon Express transports 70% of the wind power generators in Japan. These generators are growing larger in order to improve power generation efficiency, so in May we launched the Blade Lifter TL, a new vehicle with a lifter, capable of transporting large 4,000kW wind turbines.

Conventional blade transport required a special trailer to transport turbines to temporary depots established at the bases of mountain roads, but this new vehicle is capable of medium- and long-distance transport, and can transport turbines all the way to their installation locations without reloading.

Nippon Express will continue to work to create a sustainable society through its renewable energy-related operations.



Forestation Activities at “Nippon Express Forests”

Nippon Express conducted forestation activities at “Nippon Express Forests” in Iide Town, Yamagata Prefecture and Nichinan Town, Tottori Prefecture.

In this decade-old activity since 2007, our employees and their families contribute to the conservation of the global environment in cooperation with regional society through weeding, planting and surveys of flora and fauna ecosystems.

Going forward, Nippon Express will actively engage in forestation activities to create a sustainable society and protect the global environment, and as a way to foster environmental awareness among our employees and their families.



National Museum of Nature and Science

“Holistic Reenactment Project of the Voyage 30,000 Years Ago”

Logistics Made the Great Voyage Possible

Nippon Express supports the “Holistic Reenactment Project of the Voyage 30,000 Years Ago” of the National Museum of Nature and Science. In July, the team succeeded in reaching Yonaguni Island from Taiwan as the monumental voyage came to a close.

In order to solve the mystery of how the ancestors of the Japanese people crossed the sea and reached the Japanese Archipelago over 30,000 years ago, the Project was launched in 2016 to reenact this great voyage after three years of preparation. Nippon Express became a sponsor because the Project embodied its corporate message “We Find the Way,” which states “we will continue to exercise innovative thinking as we open new roads to serve our customers and society.”

Nippon Express provided support for transportation of the dug-out canoe from the Tokyo Metropolitan

University Hachioji Campus, where it was made, to the National Museum of Nature and Science; and to Tateyama, Chiba, where the open sea test was performed; export to Taiwan; and transportation from Yonaguni Island to Tokyo. In August, in preparation for the exhibition “The Dug-out Canoe that Crossed the Kuroshio Current – Records of the Entire Voyage from Taiwan to Yonaguni Island –,” we transported the dug-out canoe, which had completed its great voyage, back to the National Museum of Nature and Science.

We will continue to promote our own evolution and take on the challenges of creating new value from logistics in line with the changes taking place within society.





July 2018 – Transporting the canoe from Hachioji to the National Museum of Nature and Science for the open experiment



September 2018 – From Hachioji to Tateyama, the location of the open sea test



July 2019 – The canoe is transported from Yonaguni Island to Tokyo after the voyage



August 2018 – Displaying the canoe at the National Museum of Nature and Science



Photos courtesy of the National Museum of Nature and Science, "Holistic Reenactment Project of the Voyage 30,000 Years Ago"



Directors

Representative Director and Chairman

Kenji Watanabe

Director and Executive Officer

Takashi Masuda

In charge of Corporate Planning
Division and Financial Planning Division

Representative Director, President and Chief Executive Officer

Mitsuru Saito

Chief Executive Officer
Corporate Strategy Section
Chief Managing Officer of Corporate
Strategy Headquarters

Director

Masahiro Sugiyama

Shigeo Nakayama

Representative Director, Executive Vice President and Chief Operating Officer

Takaaki Ishii

Business Solutions Section

Hisao Taketsu

Corporate Solutions Section
Chief Managing Officer of
Corporate Support
Headquarters and CSR
Headquarters

Susumu Akita

Japan Business Section
Chief Managing Officer of Japan
Business Headquarters and
Network Transport Business
Promotion Headquarters
In charge of Japan Business
Administration Division

* Directors Masahiro Sugiyama, Shigeo Nakayama and Sadako Yasuoka are Outside Directors.

Corporate Auditors

Full-time Audit & Supervisory Board Member

Tatsuya Suzuki

Tadashi Kanki

Naoya Hayashida

Audit & Supervisory Board Member

Toshiaki Nojiri

Yoshio Aoki

* Audit & Supervisory Board Members Tadashi Kanki, Toshiaki Nojiri and Yoshio Aoki are Outside Audit & Supervisory Board Members.

Officers

Senior Managing Executive Officer

Makoto Ikeda

Akira Kondo

Eiichi Nakamura

Satoshi Horikiri

Managing Executive Officer

Tatsuo Sugiyama

Mitsuru Uematsu

Toshiro Uchida

Yutaka Nagai

Executive Officer

Ichiro Miyawaki

Masato Nakagawa

Shigeru Umino

Ryuji Goya

Hiroshi Takahashi

Chihiro Sugiyama

Shigeki Arima

Akiyoshi Sekine

Kazutoshi Hamashima

Shinjiro Takezoe

Masayuki Yamada

Hajime Matsumoto

Atsushi Nagashima

Tadashi Fujishiro

Kenji Kato

Ken Sato

Tadahiro Furee

Hiroyuki Tanaka

Hideshi Ootsuki

Tatsuya Akama

Profile

Company name:	Nippon Express Co., Ltd. (NIPPON EXPRESS CO., LTD.)
Headquarters:	1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322 Tel. +81-3-6251-1111 https://www.nipponexpress.com/
Formal establishment:	October 1, 1937
Paid-in capital:	¥70,175 million
Employees:	34,567
Branches:	336
Consolidated subsidiaries and companies accounted by the equity-method:	Consolidated subsidiaries: 271 Companies accounted by the equity-method: 23
Details of operation	Road freight transportation Freight transportation Ocean freight transportation Marine and harbor transportation Railway freight transportation Warehousing Security Haulage, construction and installation of heavy equipment and related businesses Construction Travel Customs clearance, etc.

Status of the Company's Shares

Number of shares	Total number of shares authorized	398,800,000 shares
	Total number of shares issued	98,000,000 shares
Number of shareholders		49,861 persons

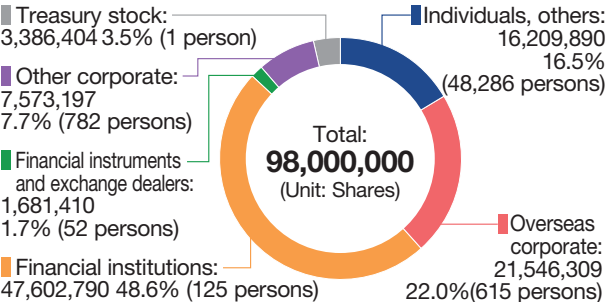
Major Shareholders

Major Shareholders	Number of shares held (Shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	9,507,300	10.04
Japan Trustee Services Bank, Ltd. (Account in Trust)	8,995,374	9.50
Asahi Mutual Life Insurance Company	5,601,967	5.92
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.)	4,150,000	4.38
Sompo Japan Nipponkoa Insurance Inc.	3,972,752	4.19

* Shareholding ratio is calculated by excluding 3,386,404 shares of treasury stock.

Distribution of Shares by Type of Shareholder

<Number of shares and percentage>



Guide for System to Request Repurchase or Additional Purchase of Shares Constituting Less than One Share Unit

Request for repurchase

Under the system, holdings of less than 100 shares can be sold to the Company at market price.

(Example) If 60 shares are held, they cannot be sold on the market, but the Company will repurchase them at market price.



Request for additional purchase

Under the system, shareholders can purchase the number of shares needed to make up 100 shares (one share unit) from the Company at market price.

(Example) If 60 shares are held, an additional 40 shares can be purchased to make 100 shares.



Contacts for various procedures

1) Shares held in a securities company account

The securities company with which you have an account

2) Shares held in a special account

Mitsubishi UFJ Trust and Banking Corporation

(* Please contact the address below.)

1-1, Nikkocho, Fuchu-shi, Tokyo
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
Tel. 0120-232-711
<https://www.tr.mufg.jp/daikou/> (in Japanese)

Information on all procedures related to shares is also available on the Company website.

<https://www.nittsu.co.jp/ir/stock-info/procedure/> (in Japanese)

Nippon Express Procedures related to shares

Search



Memos for Shareholders

Fiscal Year:	From April 1 to March 31 of each year
Ordinary General Meeting of Shareholders:	June of each year
Dates of Record:	March 31 for Ordinary General Meeting of Shareholders March 31 for year-end dividend September 30 for interim dividend
Share Trade Unit:	100 shares
Stock Exchanges:	Tokyo
Securities Code Number:	9062

Administrator of Shareholder Registry/Account Managing Institution of Special Account:

Mitsubishi UFJ Trust and Banking Corporation

Contact:

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
1-1, Nikkocho, Fuchu-shi, Tokyo
Tel. 0120-232-711
Mailing address: Koto Shin-Tokyo Post Office Box No. 29 137-8081
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division

Method of Announcement:

Electronic announcement
If the Company is unable to make electronic announcement due to an accident or any other compelling circumstance, it will make an alternative announcement on the Nihon Keizai Shimbun circulated in Tokyo.

URL for electronic announcement
<https://www.nittsu.com/>

CORPORATION

We provide a wide range of up-to-date information, including description of our business and services, latest news, and investor relations materials.
<https://www.nipponexpress.com/>



TVCM

We communicate various initiatives pursued by Nippon Express to a wide audience through television commercials and television programs currently on air.
<https://www.nittsu.co.jp/corporate/cm/> (in Japanese)



“Professional Golfer Erika Hara” version

Women’s professional golfer Erika Hara, who concluded an affiliation contract with Nippon Express this year, appears in this commercial.

The way she tackles challenges on the world stage symbolically expresses the philosophy of our corporate message “We Find the Way.”

SPORTS

We introduce the activities of sports clubs supported by Nippon Express as an effort to spread, promote and internationalize various sports.
<https://www.nittsu.co.jp/sports/> (in Japanese)



Broadcast of TV commercial “Sekai-Nittsu – Nippon Express Pharmaceutical Products Logistics” version

TV commercial “Sekai-Nittsu – Nippon Express Pharmaceutical Products Logistics” version depicts the story of how pharmaceuticals developed overseas reach a patient. It introduces our temperature-controlled delivery and advanced transportation specializing in pharmaceutical products.

YouTube official channel

Information and videos about Nippon Express, including television commercials, corporate activities, and history, are available on YouTube.
<https://www.youtube.com/channel/UCatNmOs5hJzVWMfQeUnaQ>



SAMURAI
JAPAN



世界日通。

ともに前へ、ともに世界へ！

日本通運は侍ジャパンを応援しています。

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