

Business Report for the 111th Interim Term

From April 1, 2016 to September 30, 2016



A truck traversing Tsubasa Bridge in Cambodia

With Your Life



TOP MESSAGE

I would like to take this opportunity to thank our shareholders for their continued support and understanding.

I, hereby, present the Business Report for the 111th Interim Term.



President and Chief Executive Officer

Kenji Watanabe

During the second quarter of the fiscal year ending March 31, 2017, the outlook for the Japanese economy remained uncertain due to factors such as stagnant corporate earnings against a backdrop of a slump in domestic and international demand, as well as lackluster capital investment.

Meanwhile, in overseas economies, various risks were present amid overall economic stagnation, including an economic slowdown in China and other emerging economies and the withdrawal of Britain from the EU.

Amid these economic conditions, in the field of logistics, domestic freight suffered from sluggish freight movement due to the impact of unseasonable weather on crops, stagnant personal consumption, and other factors. International freight was weak

overall due to a reduction in export freight affected by yen appreciation and the slowdown in overseas economies.

In this business environment, in April 2016, the Nippon Express Group launched its new management plan, “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu –.” Based on this management plan, the Group began efforts to achieve group management focused on profits and aimed at higher growth and profitability by executing “area strategies” and “functional strategies.”

Specifically, the Group strengthened and upgraded its one-stop sales and account management domestically by integrating land, sea, and air, continually working to win new accounts through

expanding sales that leveraged the comprehensive strength of the Group, such as logistics accounts combining forwarding with domestic warehouse transportation operations.

Overseas, the Group channeled its management resources mainly toward South Asia, where the demand for logistics is expected to grow. We strived to strengthen our organization in order to further grow our overseas business by upgrading the business bases that oversee our business and strengthening our support for non-Japanese global companies.

As a result of the above, our consolidated business results for the first six months of the 111th term were as follows:

Revenues of	¥909.2 billion (down 4.6% year-on-year)
Operating income of	¥24.4 billion (up 5.8% year-on-year)
Ordinary income of	¥28.1 billion (up 1.8% year-on-year)
Net income attributable to shareholders of Nippon Express of	¥18.2 billion (up 20.3% year-on-year)

Concerning the interim dividend payments for the 111th term, it was decided at the Board of Directors meeting held on October 31, 2016 to pay an interim dividend of ¥5 per common share with the starting day for payment being December 2, 2016.

In terms of the economic trend for the second half

of the fiscal year, there are expectations in Japan for improvements in the employment and income environment against a backdrop of robust corporate earnings and workforce shortages, despite continued weakness in the economy. Meanwhile, the overall economic outlook overseas is projected to remain uncertain amid continued low growth, combined with growing global economic uncertainty due to inward-looking policies and a stagnation of reforms in various countries.

In the field of logistics, domestic freight is expected to remain sluggish, particularly in areas such as consumer-related freight, while international freight is expected to remain weak due to factors such as a decline in export freight to Europe. In this context, the Group faces a number of challenges, including implementing logistics automation to achieve efficient logistics to support production activities and strengthening partnerships between freight owners and logistics operators.

Since our founding, the Nippon Express Group has employed our logistical strengths to connect people, businesses and regions throughout the world. In so doing, we have continuously supported social development. While our mission never changes, we continuously advance to meet the world's changing needs. Making no compromise in safety and maintaining a deep focus on environmental issues, we continuously strive to deliver innovative solutions at the next frontier of logistics, and we will forever take pride in our ability to inspire trust and answer the call of society. We would be grateful for your continued support for the Nippon Express Group as shareholders in this regard.

Nippon Express JUST NOW!

Check events during the past six months!



TOPICS 1

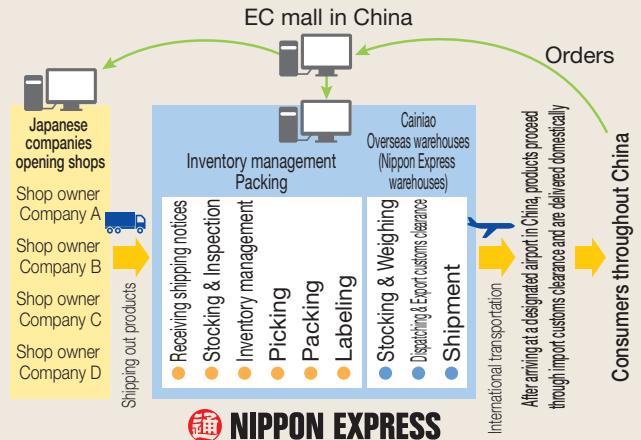
Supporting a growing cross-border EC (Electronic Commerce) business in China

Business alliance with Alibaba Group as our official logistics partner

The Group has formed a business alliance with Alibaba Group Holding Limited (the “Alibaba Group”), China’s largest EC mall. In August, the Group launched a full-scale of logistics services to shops on “Tmall Global,” a cross-border EC site of the Alibaba Group.

In September 2015, the Group signed an international transportation business alliance agreement with the Cainiao Network (“Cainiao”), a big-data logistics platform enterprise of the Alibaba Group. The performance of our packing, shipment and export operations has won praise and resulted in this business alliance.

In 2019, purchases at Japanese shops in China’s cross-border EC market are expected to grow to over ¥2.3 trillion, a 2.94-fold increase from 2015. We will leverage our wealth of transportation capabilities and know-how to offer speedy and seamless logistics services.



TOPICS 2

Winning of 31st Forklift Operator Competition

On September 25, 2016, the Land Transportation Industry Safety & Health Association held the 31st Forklift Operator Competition. A total of 55 competitors who had won competitions through the prefectural preliminaries competed in the event in the three categories of knowledge, inspections, and operation, seeking to become the top forklift operator in Japan. Four Nippon Express employees won prizes in the competition, including both first prize and second prize.



Forklift Operator Competition

Award winners

TOPICS 3

Nippon Express de Mexico opens the "Aguascalientes Logistics Center"

The state of Aguascalientes, located on the Central Mexican Plateau, is currently host to a large number of automakers, including Japanese-owned finished-car manufacturers, and accordingly has a heightened demand for more advanced logistics.

In response to this growing demand, Nippon Express de Mexico S.A. de C.V. opened the Aguascalientes Logistics Center and began operation in September 2016.

Located in the FINSA Aguascalientes Industrial Park, 10km from the international airport, the center is a high-quality, highly functional product supply and distribution processing base that can satisfy all logistics needs.



Other Topics

(April 1, 2016 through September 30, 2016)

- ▶ **April 2016**
Two new ships to be launched for domestic transportation between Tokyo and Hokkaido in 2017
Himawari 8 (10,620 gross tonnage) and *Himawari 9* (10,620 gross tonnage) are scheduled to launch in September 2017 and December 2017, respectively.
- ▶ **May 2016**
"Container Round Use" received Logistics and Environmental Special Award
We received the award for our promotion of Container Round Use that matches transportation demands among business operators, thus reducing the number of empty containers transported and reducing the environmental burden.
- ▶ **June 2016**
A new company, "NEX GLOBAL ENGINEERING PTE., LTD.," was established in Singapore
As a business base to oversee heavy haulage transportation and plant projects overseas, the new company will provide one-stop support to meet the needs that accompany the growing demand, particularly in Southeast Asia.
- ▶ **July 2016**
Received the "Director-General's Award of Maritime Bureau, Ministry of Land, Infrastructure, Transport and Tourism" from the Eco Ship & Modal Shift Business Selection Committee
We received the award for our contribution to environmental measures, through the active use of marine freight transportation that is friendly to the global environment.
- ▶ **September 2016**
"Nippon Express Forests" forestation activities marked their 10th anniversary
A total of 82 people, including employees and their families, participated in the fall forestation activities at the "Nippon Express Forests" in Iide town, Yamagata Prefecture, as a social contribution initiative rooted in the local community.

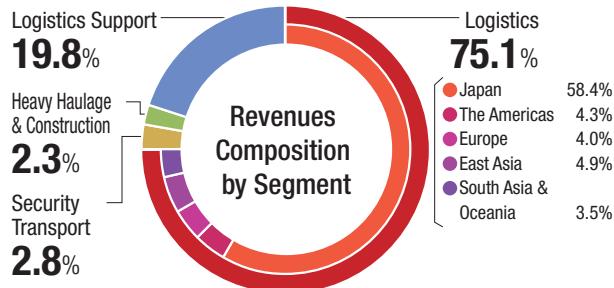
Please access our press release on our Group website for further details.

<http://www.nittsu.co.jp/press/>
(Japanese only)



Consolidated Business Results Highlight (First six months of the fiscal year ending March 31, 2017)

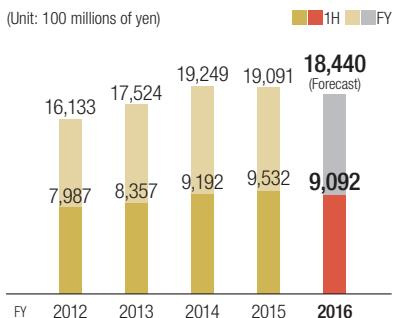
	Actual	Full-year Forecasts
Revenues	¥909.2 billion	¥1,844.0 billion
Operating income	¥24.4 billion	¥57.0 billion
Ordinary income	¥28.1 billion	¥63.0 billion
Net income attributable to shareholders of Nippon Express	¥18.2 billion	¥36.0 billion



*Compositions in the above chart exclude adjustments.

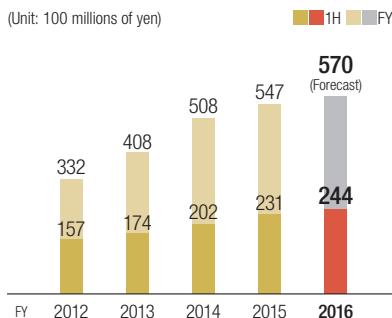
Revenues

(Unit: 100 millions of yen)



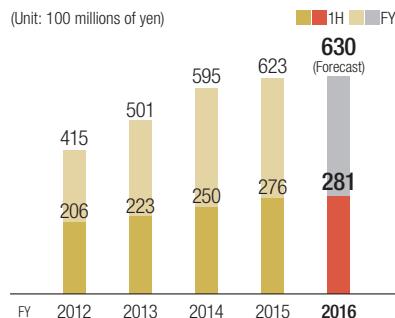
Operating Income

(Unit: 100 millions of yen)



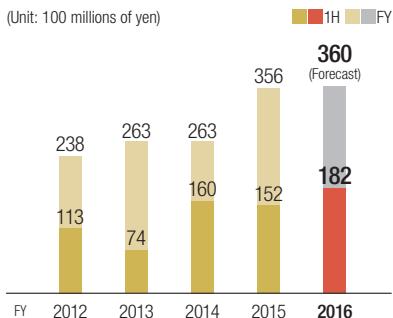
Ordinary Income

(Unit: 100 millions of yen)



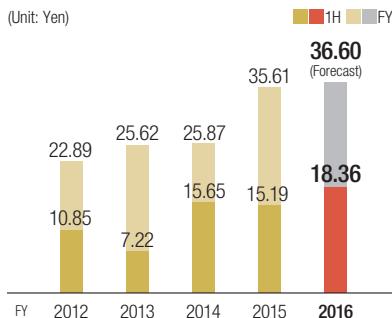
Net Income Attributable to Shareholders of Nippon Express

(Unit: 100 millions of yen)



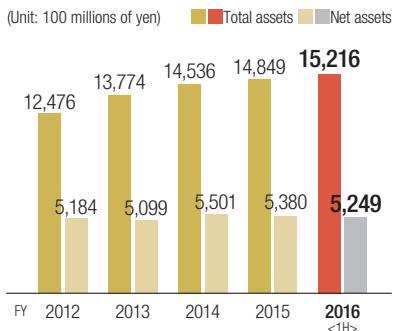
Net Income per Share

(Unit: Yen)



Total Assets and Net Assets

(Unit: 100 millions of yen)



Status of Revenues by Segment (First six months of the fiscal year ending March 31, 2017)

		1H of FY2016 (Millions of yen)	1H of FY2015 (Millions of yen)	Difference YoY (%)	
Logistics	Japan	Revenues	566,292	573,174	(1.2)
		Segment income	16,487	14,321	15.1
	The Americas	Revenues	41,919	48,295	(13.2)
		Segment income	2,430	2,732	(11.0)
	Europe	Revenues	39,123	41,039	(4.7)
		Segment income	855	699	22.3
	East Asia	Revenues	47,648	57,467	(17.1)
		Segment income	597	581	2.8
	South Asia & Oceania	Revenues	34,138	36,795	(7.2)
		Segment income	1,118	861	29.8
Security Transport	Revenues	27,428	27,208	0.8	
	Segment income	447	733	(39.0)	
Heavy Haulage & Construction	Revenues	22,253	27,517	(19.1)	
	Segment income	1,774	1,623	9.3	
Logistics Support	Revenues	192,032	207,249	(7.3)	
	Segment income	3,370	4,039	(16.6)	
Adjustments	Revenues	(61,557)	(65,523)	—	
	Segment income	(2,628)	(2,471)	—	
Total	Revenues	909,278	953,224	(4.6)	
	Segment income	24,452	23,120	5.8	

Nippon Express Group Corporate Strategy 2018

<From April 1, 2016 to March 31, 2019>

—New Sekai-Nittsu—

Our key strategies are developed in line with a vertical axis formed by the “area strategies” covering each region, and a horizontal axis formed by the “functional strategies” targeting reinforcement and reform. We will focus investment on B2B in the priority business fields and growth regions, and promote Group management emphasizing earnings.



Transporting Shinkansen bullet trains to the Kyoto Railway Museum

With the spirit that setup is 80% of the job, “There is nothing we can’t transport.”

One of Japan’s largest railway museums opened in Kyoto on April 29, 2016. The museum is now a popular attraction not only for train enthusiasts, but also for the general public. Among others, the most popular exhibit at the museum is an area that displays valuable railway cars that supported Japan’s modernization. Our Kobe Heavy Haulage Construction Branch transported some of those railway cars.

On receiving the work contract, we formed a project team to transport four Series 0, one Series 100, and one Series 500 Shinkansen bullet trains. Led by Assistant Manager Takashi Yoshioka, the team approached the transportation project with a detailed plan, in the spirit cultivated over many years at Nippon Express that preparation is 80% of the job. The Series 0 cars were

transported from Osaka, while the Series 100 and Series 500 cars were transported by the sea from Port of Hakata to Port of Kobe. Each car was then transported on land to the Kyoto Railway Museum.

The transportation was performed overnight, with one car transported per night. However, two nights were spent on the Series 0 cars to ensure flawless transportation. The project needed to overcome a number of challenges, including transportation of the cars on busy roads and down narrow streets just barely wide enough to accommodate the railway cars. The transportation was carried out without a hitch, with masterful techniques backed up by our experience and skill.

Comment from Project Leader of Nippon Express

We strive to plan and prepare thoroughly in order to offer services that satisfy our customers.



Takashi Yoshioka

(Assistant Manager)

Work experience: 12 years

Kansai Heavy Haulage
Construction Branch

(Member of Kobe Heavy Haulage
Construction Branch at the time of the
project)

Nippon Express Co., Ltd.

For this project, there was only a limited amount of time between the finalization of the project and the start of transportation. Accordingly, the preparations kept us very busy, including undertaking a preliminary inspection of the routes, drawing up plans, and obtaining the necessary permits. We carried out our work with a feeling of tension, experiencing a mixture of joy that I was involved in a job that had the attention of society and the pressure that failure was not an option.

When it comes to transportation, both society and our customers have high expectations of us. They believe a job to be possible because Nippon Express can do it. In order to meet these expectations, we strive to offer services that satisfy our customers by carrying out solid planning and preparation in the spirit that preparation is 80% of the job and beginning work only when the perfect conditions have been established.

I also believe that one of our company's strengths is the ability to leverage our current work for future jobs. We remain committed to passing down the skills and experience we gain through our work, so that the Company will be needed and trusted by society, because "There is nothing we can't transport."



Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

Item	First Six Months of 11th Term (As of September 30, 2016)
(Assets)	
Current assets	718,968
Cash and cash in banks	244,556
Notes receivable-trade	22,937
Accounts receivable-trade	275,887
Inventories	6,317
Other	170,543
Less: allowance for doubtful accounts	(1,274)
Noncurrent assets	802,724
Property and equipment	511,416
Vehicles, net	24,725
Buildings, net	226,745
Land	178,630
Other, net	81,315
Intangible assets	126,928
Goodwill	48,642
Other	78,285
Investments and other assets	164,380
Investment securities	106,637
Other	58,569
Less: allowance for doubtful accounts	(827)
Total assets	1,521,693

Item	First Six Months of 11th Term (As of September 30, 2016)
(Liabilities)	
Current liabilities	419,621
Notes payable-trade	5,290
Accounts payable-trade	137,092
Short-term loans payable	55,121
Income taxes payable	13,276
Provision for bonuses	22,130
Other provisions	820
Other	185,889
Noncurrent liabilities	577,159
Bonds payable	145,000
Long-term loans payable	236,146
Other provisions	2,119
Net defined benefit liability	157,199
Other	36,693
Total liabilities	996,780
(Net assets)	
Shareholders' equity	525,028
Common stock	70,175
Additional paid-in capital	25,346
Retained earnings	457,839
Less: treasury stock	(28,333)
Accumulated other comprehensive income	(16,219)
Valuation difference on available-for-sale securities	44,327
Deferred losses on hedges	(376)
Foreign currency translation adjustments	(10,963)
Less: Remeasurements of defined benefit plans	(49,207)
Non-controlling interests	16,102
Total net assets	524,912
Total liabilities and net assets	1,521,693

Note: Amounts less than one million yen are disregarded.

Quarterly Consolidated Statements of Income (Unit: Millions of yen)

Item	First Six Months of 111th Term (April 1, 2016 to September 30, 2016)
Revenues	909,278
Operating costs	831,745
Gross profit	77,532
Selling, general and administrative expenses	53,080
Operating income	24,452
Non-operating income	6,789
Interest income	216
Dividends income	1,730
Equity in earnings of affiliates	1,031
Other	3,809
Non-operating expenses	3,078
Interest expenses	1,729
Other	1,349
Ordinary income	28,163
Extraordinary income	5,262
Gain on sales of noncurrent assets	2,869
Gain on sales of investment securities	65
Gain on step acquisitions	2,291
Other	36
Extraordinary loss	3,227
Loss on disposal of noncurrent assets	1,038
Loss on disaster	854
Loss on transition of retirement benefit plans	679
Other	655
Income before income taxes and non-controlling interests	30,198
Income taxes	11,709
Net income	18,489
Net income attributable to non-controlling interests	196
Net income attributable to shareholders of Nippon Express	18,292

Note: Amounts less than one million yen are disregarded.

Quarterly Consolidated Statements of Cash Flows (Unit: Millions of yen)

Item	First Six Months of 111th Term (April 1, 2016 to September 30, 2016)
Cash flows from operating activities	45,982
Cash flows from investing activities	(33,579)
Cash flows from financing activities	50,172
Effect of exchange rate changes on cash and cash equivalents	(7,907)
Net increase in cash and cash equivalents	54,667
Cash and cash equivalents at beginning of year	146,007
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	740
Cash and cash equivalents at end of period	201,415

Note: Amounts less than one million yen are disregarded.

● Cash Flows from Operating Activities

Cash flows from operating activities resulted in a net inflow of ¥45.9 billion, a year-on-year increase of ¥34.1 billion. This was mainly due to an increase in proceeds from income before income taxes and non-controlling interests and a decrease in payment for change in accounts payable.

● Cash Flows from Investing Activities

Cash flows from investing activities resulted in a net outflow of ¥33.5 billion, a year-on-year increase of ¥15.3 billion. This was mainly due to an increase in payment for purchase of property and equipment.

● Cash Flows from Financing Activities

Cash flows from financing activities resulted in a net inflow of ¥50.1 billion, a year-on-year increase of ¥67.8 billion. This was mainly due to an increase in proceeds from issuance of bonds.

Please access our IR information for details on business results:

<http://www.nipponexpress.com/hq/ir/index.html>

Nippon Express IR

Search

General Overview of the Company

(As of September 30, 2016)

Directors, Officers and Corporate Auditors

Directors

Representative Director and Chairman



Masanori Kawai

Representative Director, President and Chief Executive Officer



Kenji Watanabe

Representative Director, Executive Vice President and Chief Operating Officer



Akira Ohinata



Mitsuru Saito



Yutaka Ito

Director and Senior Managing Executive Officer



Takaaki Ishii

Director and Managing Executive Officer



Takumi Shimauchi



Hisao Taketsu



Katsuhiro Terai

Director and Executive Officer



Fumihiko Sakuma



Susumu Akita



Naoya Hayashida

Director



Masahiro Sugiyama



Shigeo Nakayama



Sadako Yasuoka

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

Corporate Auditors

Audit & Supervisory Board Member



Takashi Wada



Hiromi Konno



Tatsuya Suzuki

Audit & Supervisory Board Member



Toshiaki Nojiri



Yoshio Aoki

* Audit & Supervisory Board Members Hiromi Konno, Toshiaki Nojiri and Yoshio Aoki are Outside Audit & Supervisory Board Members.

Officers

Managing Executive Officer	Yasuhiro Goto	Executive Officer	Kazushi Tanaka
Managing Executive Officer	Hiroyuki Murakami	Executive Officer	Yoichi Aoyama
Managing Executive Officer	Yukio Yokoo	Executive Officer	Tatsuo Sugiyama
Managing Executive Officer	Yuji Kobuchi	Executive Officer	Eiichi Nakamura
Managing Executive Officer	Yasunori Takahashi	Executive Officer	Koichi Kobayashi
Managing Executive Officer	Akira Kondo	Executive Officer	Mitsuru Uematsu
Managing Executive Officer	Norifumi Ide	Executive Officer	Suguru Yoshioka
		Executive Officer	Toshiro Uchida
		Executive Officer	Satoshi Horikiri
		Executive Officer	Makoto Ikeda
		Executive Officer	Takeshi Sato
		Executive Officer	Ichiro Miyawaki

Profile

Company name: Nippon Express Co., Ltd.
(NIPPON EXPRESS CO., LTD.)

Formal establishment: October 1, 1937

Paid-in capital: ¥70,175 million

Employees: 32,668

Headquarters: 1-9-3, Higashi Shimbashi,
Minato-ku, Tokyo 105-8322
Tel. +81-3-6251-1111
<http://www.nipponexpress.com/>

Consolidated subsidiaries and companies accounted by the equity-method:

Consolidated subsidiaries: 269
Companies accounted
by the equity-method: 25

Share-related Information

(As of September 30, 2016)

Status of the Company's Shares

Number of shares	Total number of shares authorized	3,988,000,000 shares
	Total number of shares issued	1,038,000,000 shares
Number of shareholders		60,205 persons

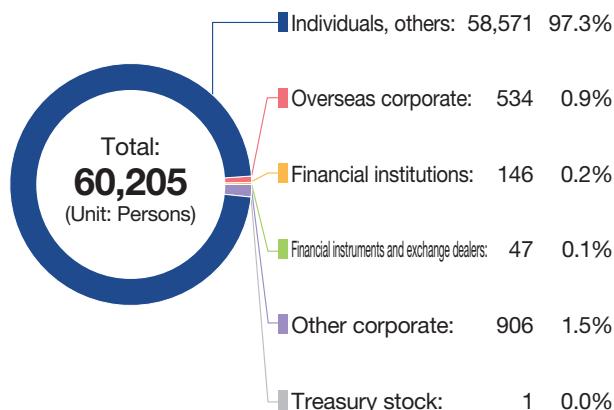
Major Shareholders

	Number of shares held (Thousands of shares)	Shareholding ratio(%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	85,024	8.7
Japan Trustee Services Bank, Ltd. (Account in Trust)	79,933	8.1
Asahi Mutual Life Insurance Company	56,019	5.7
Sompo Japan Nipponkoa Insurance Inc.	50,967	5.2
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.)	41,500	4.2
Nippon Express Employees' Shareholding Association	35,459	3.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	21,316	2.2
Japan Trustee Services Bank, Ltd. (Account in Trust No. 4)	17,501	1.8
THE BANK OF NEW YORK MELLON SA/NV 10	12,622	1.3
STATE STREET BANK WEST CLIENT - TREATY 505234	11,364	1.2

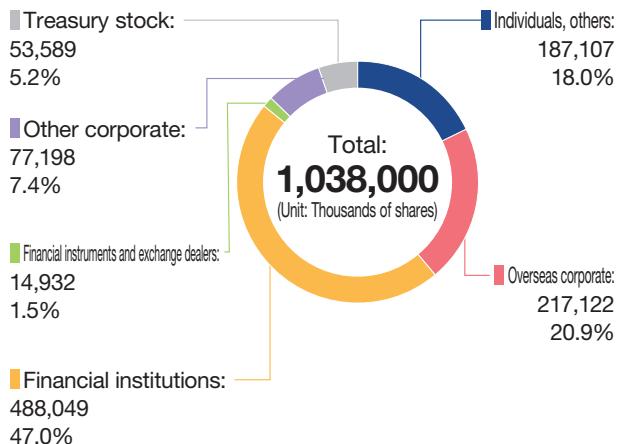
*Although Nippon Express holds 53,589 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Distribution of Shares by Type of Shareholder

<Number of shareholders and percentage>



<Number of shares and percentage>



System for Requesting the Company to Purchase/Sell Odd Shares

System for Requesting the Company to Purchase Odd Shares

This is a request system designed to allow our shareholders to sell odd shares less than 1,000 to the Company at market value.

(Example) A shareholder holding 600 shares cannot sell them in the market, but the Company would purchase them at market value.



System for Requesting the Company to Sell Odd Shares

This is a request system designed to allow our shareholders who hold odd shares less than 1,000 to purchase additional shares in such a number of shares as to make a total holding of 1,000 shares at market value.

(Example) A shareholder holding 600 shares can purchase an additional 400 shares, making a total holding of 1,000 shares.



Contact information for various procedures

- (1) For shares registered in the accounts of securities companies: ▶ The securities company at which you have your account
 (2) For shares registered in the special account: ▶ Mitsubishi UFJ Trust and Banking Corporation
 (Please address your inquiries to the contact below.)

7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081
 Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division
 Tel. 0120-232-711

0120-244-479 (for requesting forms)

<http://www.tr.mufg.jp/daikou/> (Japanese only)

For various procedures relating to shares, including change of address and the purchasing/selling of odd shares, please refer to the following URL.

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



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: 1,000 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) 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081
 Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Division
 Tel. 0120-232-711

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
<http://www.nittsu.com/>

運べないものはない。

熱帯の地で、
1100tの巨大機器を運べ。



それは、ベトナム最大の
石油製油所をつくる一大プロジェクト。
重さ1100tのプラントを、
高さ110mのクレーンで運ぶ。
そのたった一瞬のために、
数千時間という膨大な時間を、
準備にかける。
ミスの許されない現場で培われた
緻密な技術は、
世界の重機建設の現場にも生きている。

その想いを胸に、
今日も運び続ける。

それが、日通品質。



日本通運 重機建設事業部

 **NIPPON EXPRESS**

1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322

Tel. +81-3-6251-1111

URL: <http://www.nipponexpress.com/>