

BUSINESS REPORT



NIPPON EXPRESS

Securities Code No. 9062

for the **113**th Term : From April 1, 2018 to March 31, 2019



The Future in Logistics



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 113th Term.

President and Chief Executive Officer

Mitsuru Saito

During the consolidated fiscal year ended March 31, 2019 (FY2018), the Japanese economy continued on a gradual recovery trend led by strong corporate earnings, but future prospects remained uncertain due to pronounced downward pressure on the economy, such as a slowdown in the global economy especially in China and rising geopolitical risks.

Under these economic conditions, cargo movement in domestic freight was slow due to a series of natural disasters and other factors, while international freight was generally strong due to expanding demand mainly in automobile-related freight and electronic components.

In this management environment, the Nippon Express Group made united efforts to implement two key strategies, “area strategies” and “functional strategies,” aiming to achieve the targets based on its three-year business plan “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu –,” which is beginning its final year.

“Area strategies”

- In Japan, mainly in the regions encompassing Tokyo, Nagoya and Osaka, the Group has promoted one-stop sales and account management in order to expand businesses with global companies, while promoting reform of organizations to further strengthen its domestic business.
- Overseas, the Group continued to concentrate management resources mainly in South Asia to strengthen its warehouse-centered network, while developing business in priority industries such as luxury apparel and fashion items in Europe and expanding sales to non-Japanese companies in all regions.

“Functional strategies”

- In terms of “thoroughly strengthening sales activities,” we strongly promoted one-stop sales and account management to expand business fields handled for existing customers, and expanded new transactions mainly with non-Japanese companies.
- In terms of “strengthen and upgrade core businesses,” we made efforts in the forwarding business to further promote global procurement, while also expanding forwarding products that utilize railways between China and Europe. In addition, the logistics business was further strengthened through initiatives to commercialize cutting-edge technologies in warehouse operations.

- With regard to “strengthening Group management,” we advanced initiatives to build industry-specific platforms that leverage the strengths of each Group company.
- As for “reinforcing management infrastructure,” we promoted organizational consolidation and strengthened logistics functions through the use of IT while making efforts to improve productivity such as by promoting the use of robotic process automation (RPA).
- In terms of “further strengthening the Group’s CSR management,” we actively advanced work style reforms, including efforts to promote diversity management and reduce excessively long working hours.

As a result of the above, our consolidated business results for the 113th term were as follows: **Revenues of ¥2,138.5 billion** (up 7.2% year-on-year), **operating income of ¥79.5 billion** (up 13.3% year-on-year), **ordinary income of ¥85.8 billion** (up 15.3% year-on-year), and **profit attributable to owners of parent of ¥49.3 billion** (up 655.0% year-on-year).

Future economic trends are overshadowed by uncertainties. In the overseas economy, a slowdown is expected in the Chinese economy as well as in economic growth worldwide, while the Japanese economy is expected to be affected by the unstable economy overseas.

Industry-wide efforts are called for in the face of issues prevalent in the logistics industry, including labor shortages associated with the decline in the working-age population and initiatives related to work style reforms, as well as the application of cutting-edge technologies such as AI and IoT.

In this management environment, the Nippon Express Group has formulated its five-year business plan, “Nippon Express Group Business Plan 2023 – Dynamic Growth–” and has been making united efforts since April 1, 2019.

The new business plan has been formulated to realize the new long-term vision, which has been set as the Group’s ideal of the future – to become “a logistics company with a strong presence in the global market” – in 2037, the 100th anniversary of the Group. In formulating the new long-term vision, the Group has combined two approaches, i.e. the approach of continuing and accelerating existing measures and the approach of backcasting the necessary measures for sustainable growth for achieving the long-term vision.

The key strategies of the plan are as follows.

“Business growth strategy”

- The “growth strategy for core businesses” positions the business supporting the production and sales supply chain, which is the Company’s strength, as our core business. We will work to powerfully advance our approach on three axes—customers (industries), businesses, and areas—and work to improve profitability worldwide, including in Japan.
- The “strategy to enhance domestic businesses in Japan” thoroughly focuses on improving the profitability of each business in Japan in order to further enhance the management of businesses in Japan which are the core of our management. Under this strategy, we will work on “improving profitability of specified business segment,” “improving productivity of sales and business process” and make “drastic reforms to low-profitable businesses.”

“Efforts to implement our long-term vision”

- Under the “inorganic growth strategy,” we will clarify our M&A strategy and work to strengthen and enhance our global management base.
- Under “reinforcing functions to support challenges,” we will work to strengthen our management base through innovations in IT strategy, R&D, human resources strategy, and public relations strategy.
- Under “ESG-oriented business management to realize sustainable development and improve corporate value,” we will work to achieve sustainable development and improve our corporate value by strongly committing to safety, compliance, and quality, as well as transforming into a company where employees can feel satisfied and fulfilled and reducing CO₂ emissions.

As “a logistics company with a strong presence in the global market,” the Nippon Express Group will focus on steadily implementing the aforementioned key strategies, strive for greater growth, and further enhance corporate value, in order to meet the expectations of all shareholders. We would be grateful for your continued understanding and support.

June 2019

First time for the Group to achieve **revenues of ¥2 trillion**

Exceeded initial plans for revenues and all income items, marking **a record high**

Earnings increased in all segments as a result of strong freight movements, mainly in international freight.

Revenues
¥2,138.5 billion
 (up **7.2%** year-on-year)

Operating income
¥79.5 billion
 (up **13.3%** year-on-year)

Profit attributable to owners of parent
¥49.3 billion
 (up **65.0%** year-on-year)

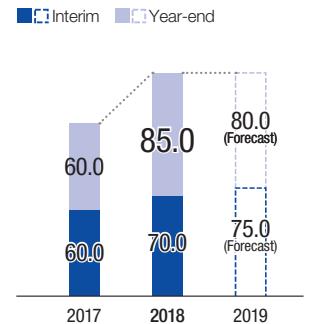
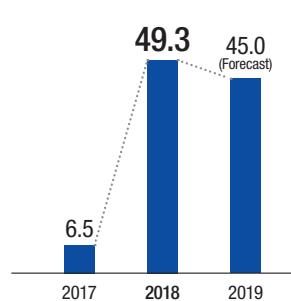
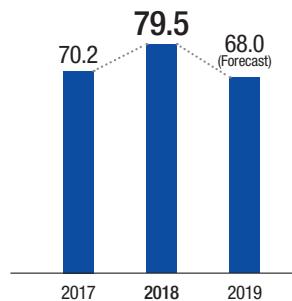
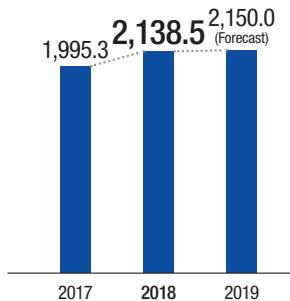
Year-end dividend
¥85.0

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

78.8%

Revenues

¥1,684.9 billion

(up 6.7% year-on-year)

Operating income

¥69.2 billion

(up 16.4% year-on-year)

Japan 58.8%

East Asia 5.7%

The Americas 4.6%

South Asia &

Europe 5.4%

Oceania 4.3%

Logistics Support

22.6%

Revenues

¥483.9 billion

(up 9.2% year-on-year)

Operating income

¥12.7 billion

(up 9.0% year-on-year)

Heavy Haulage & Construction

2.2%

Revenues

¥47.7 billion

(up 0.3% year-on-year)

Operating income

¥4.5 billion

(up 11.3% year-on-year)

Security Transport

3.4%

Revenues

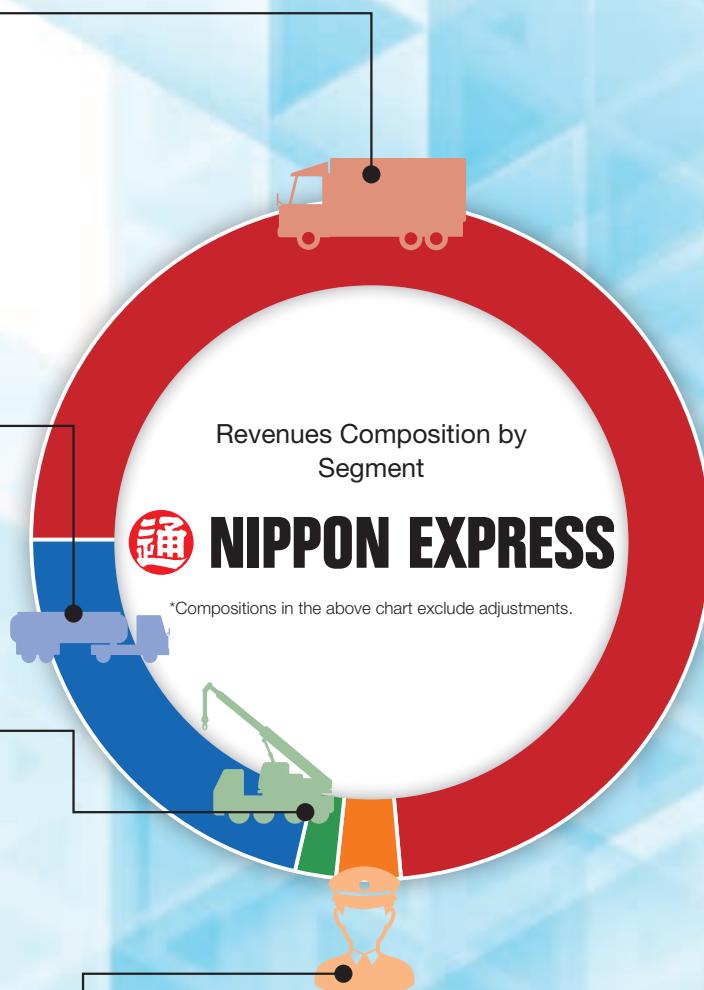
¥72.6 billion

(up 0.9% year-on-year)

Operating income

¥1.2 billion

(down 41.9% year-on-year)



* In accordance with the organizational reform relating to the Security Transport business made on April 1, 2018, part of the Japan (Logistics) segment was changed to the Security Transport segment from FY2018. As a result, values for the fiscal year ended March 31, 2018 have been restated to reflect these segment changes when calculating year-on-year comparisons.

Nippon Express Group Business Plan 2023

— Dynamic Growth —

From April 1, 2019 to March 31, 2024

In formulating the “Nippon Express Group Business Plan 2023 —Dynamic Growth—,” launched in April 2019, we started with drawing our new long-term vision looking toward our 100th anniversary in 2037. This long-term vision describes the future ideal of the Nippon Express Group, as we come to the conclusion of the 10-year long-term vision drawn up in 2009.

The new business plan will be the first step of our new long-term vision. This is a five-year plan formulated by combining measures that have started to show results as a result of previous initiatives that should be further accelerated and continuously implemented, together with measures needed for sustainable growth aimed at realizing our long-term vision based on a backcasting approach.

By steadily carrying out this business plan, the Nippon Express Group will achieve its numerical targets and goals, including revenues of ¥2,400.0 billion in FY2023, the final year of the plan, and grow to be a logistics company with a strong presence in the global market.

Previous Mid-Term Business Plan

2016 – 2018 Business Plan



Nippon Express Group Corporate Strategy 2018

Key strategies		Area Strategies	
		Japan	Overseas
Functional strategies	Thoroughly strengthen sales activities	Achieve both growth and profitability	Drive growth of the Nippon Express Group
	Strengthen and upgrade core businesses		
	Strengthen Group management		
	Reinforce the management infrastructure		
	Further strengthen the Group's CSR management		

Nippon Express Group Business Plan 2023

2019 – 2023 Business Plan	2024 and after
Business growth strategy Growth strategy for core businesses Strategy to enhance domestic businesses in Japan	
Efforts to implement our long-term vision Inorganic growth strategy Reinforcing functions to support challenges Establishing ESG-oriented business management to realize sustainable development and improve corporate value	

Business Growth Strategy

Growth strategy for core businesses

- Vigorously promote our approach on three axes of customers (industries), businesses, and areas, while globally developing the customer base and businesses that are our strengths cultivated in Japan.

Strategy to enhance domestic businesses in Japan

- Thoroughly focus on improving profitability, while solidifying a strong Group management base.

Efforts to Implement our Long-term Vision

Inorganic growth strategy

- Take advantage of M&A to achieve dynamic growth aimed at becoming a mega-forwarder with a strong presence in the global market.

Reinforcing functions to support challenges

- Work on innovations in IT strategy, R&D, human resources strategy, and public relations strategy, as a global corporate group.

Establishing ESG-oriented business management to realize sustainable development and improve corporate value

- E (Environment): Commitment to reducing CO₂ emissions as a logistics company
- S (Social): Transform into a company where employees can feel satisfied and fulfilled
- G (Governance): Establish a mechanism to support sustainable improvement of corporate value

Realization of our long-term vision

Working towards our centennial anniversary (2037 Vision)

A logistics company with a strong presence in the global market

Customers and society

A company that contributes achieve a sustainable society through logistics

Shareholders

A company that achieves sustainable growth by establishing corporate governance

Employees

A company whose employees come from a variety of backgrounds, are proud of their work, support customers and society, and play active roles

Values to be changed

Creating new value through innovation

Values to be sustained

Safety, Compliance, Quality We Find the Way

Corporate philosophy

Our Mission: Be a Driving Force for Social Development

Our Challenge: Create New Ideas and Value that Expand the Field of Logistics

Our Pride: Inspire Trust Every Step of the Way

Numerical Targets & Goals for Nippon Express Group Business Plan 2023

	FY2021 targets	FY2023 targets
Revenues	¥2,250.0 billion	¥2,400.0 billion
Operating income	¥83.0 billion	¥100.0 billion
Operating income ratio	3.7%	4.2%
Net income	¥54.0 billion	¥63.0 billion
Overseas sales	¥520.0 billion	¥600.0 billion
ROE	9%	10%
Forwarding volume	Ocean cargo: 1,000,000 TEU Air cargo: 1,200,000 Ton	Ocean cargo: 1,300,000 TEU Air cargo: 1,400,000 Ton

Nippon Express Goals (1)

Global Expansion

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



Exterior of new warehouse



Large-scale Logistics Warehouse Completion of Bekasi Logistics Center

PT NEX Logistics Indonesia completed construction of the Bekasi Logistics Center in the Gobel Industrial Estate, located adjacent to central Jakarta, in March 2019.

The Bekasi Logistics Center, the Nippon Express Group's largest-scale overseas warehouse, can provide a wide range of logistics services for electric machinery, electronics, automobiles, apparel, pharmaceuticals and various other industries, as well as sales logistics functions for miscellaneous daily goods and food products.

Nippon Express will continue strengthening its logistics functions in Southeast and South Asia, where continued growth is anticipated.



China and Germany

Conducted Trial Transport of Block Train from China to Germany

Nippon Express conducted a trial run of a block train (exclusive container train) organized on its own between Xian, China and Duisburg, Germany, in December 2018.

This block train trial run was conducted in connection with the FY2018 “Business Feasibility Study Project for Overseas Development of High-quality Infrastructure (Study on Improving Hard and Soft Infrastructure to Promote Utilization of the China Land Bridge”) being carried out by Nippon Express at the request of Japan’s Ministry of Economy, Trade and Industry.

A single freight train that carried 41 containers operated between Xian Station and Duisburg Station over a period of approximately 15 days.

As a result of this initiative, Nippon Express began regular operation of cross-border transportation service from Xian, China to Germany in June 2019. Going forward, we will continue to promote rail-based logistics between China and Europe by leveraging the advantages of scheduled mass transit by rail.



Departure ceremony



Exclusive train at Xian Station



Japan Building a new pharmaceuticals supply network

In the pharmaceuticals industry, Good Distribution Practice (GDP) guidelines for pharmaceuticals have been issued in Japan. Pharmaceuticals must be handled according to the guidelines during distribution as well, and a higher level of quality control is required.

In light of these developments, Nippon Express will capitalize on the cooperation in operations of its warehouses, vehicles, and special units specializing in pharmaceuticals, to build a new, optimal pharmaceuticals supply network for its client companies in the pharmaceuticals industry. This will include GDP compliance as well as shared storage, transportation and delivery, and round-trip transportation between hubs.

Going forward, we will build a series of new hubs specializing in pharmaceuticals in East Japan (Kuki-shi), West Japan (Neyagawa-shi), Kyushu (Kitakyushu-shi), and Toyama (Toyama-shi), in addition to the medical hubs (Narita and Kansai Airport) that are our existing export/import bases for raw materials and products, with the aim of launching operations by December 2020.



Image of completed hub



TV commercial “Sekai-Nittsu – Nippon Express Pharmaceutical Products Logistics” version has also been released on the official Nippon Express YouTube channel. **▶Details on page 14.**



Nippon Express Goals (2)

Safety and Quality

We strive to further improve quality in order to provide peace of mind.



Won Prime Minister's Award at National Truck Driver Contest

The Nippon Express Group participated in the 50th National Truck Driver Contest held on October 27 and 28, 2018, under the sponsorship of the Japan Trucking Association. Eleven employees achieved high rankings, including the winner of the contest. In addition, Mr. Kazutaka Higuchi, winner in the 4-ton section, received the highest points in total across all sections and won the Prime Minister's Award.

We will continue to further promote safe operational practices and skill enhancement by competing in various competitions.



Scene from the competition

Held National Moving Operations Contest

In November 2018, we held our first in-house National Moving Operations Contest with the aim of improving the quality of moving operations.

The contest was held in order to further improve and uniformize the quality of moving operations from a thoroughly customer-oriented viewpoint by having employees compete on the knowledge and skills needed to provide services that satisfy customers.

At Nippon Express, we nurture moving professionals by regularly conducting education and training for moving operations staff at training centers across Japan, including training to improve packing techniques and etiquette education. By improving and uniformizing the quality of moving operations company-wide through the in-house contest, we continue to aim to provide higher quality services and meet the needs of our customers and live up to their trust.



Scene from the practical skills competition



Nippon Express Goals (3)

Cutting-edge Technologies

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



Automation of Shipment Preparations in Warehouses

Nippon Express is pressing ahead with manpower-saving/labor-saving operations through the use of cutting-edge technologies.

The shortage of truck drivers has been the focus of attention as a major problem at logistics worksites, and the lack of forklift operators and workers inside warehouses has also become evident. Promotion of manpower-saving/labor-saving in warehouse operations through the use of automated technologies is an important issue.

At our Sapporo Branch warehouse, we are working to automate warehouse shipment preparation work by introducing automated forklifts and autorators that operate in coordination with them. These are scheduled to be in full-fledged operation from the first half of 2019 onwards.

In addition to promoting labor-saving and workstyle reform through full automation, we will realize safe operations by eliminating confusing work procedures and keeping people completely separate from cargo handling machinery.

Nippon Express will continue striving to develop services adapted to new technologies in the logistics field.



Forklift that can be used with or without a human operator



An autorator linked to an automated forklift

Directors, Officers and Corporate Auditors (As of June 27, 2019)

Directors

Representative Director and Chairman



Kenji Watanabe

Representative Director, President and Chief Executive Officer



Mitsuru Saito

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

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

Director and Executive Officer



Takashi Masuda

In charge of Corporate Planning Division and Financial Planning Division

Director



Masahiro Sugiyama

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



Shigeo Nakayama



Sadako Yasuoka

Corporate Auditors

Audit & Supervisory Board Member



Tatsuya Suzuki



Tadashi Kanki



Naoya Hayashida



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 Furue
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/](https://www.nipponexpress.com/)

Formal establishment: October 1, 1937

Paid-in capital: ¥70,175 million

Employees: 32,280

Branches: 344

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 50,175 persons

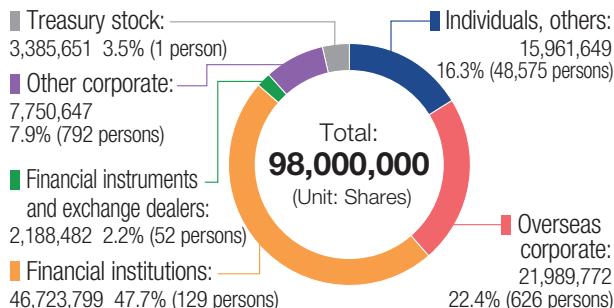
Major Shareholders

Major Shareholders	Number of shares held (Shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	9,355,500	9.92
Japan Trustee Services Bank, Ltd. (Account in Trust)	8,563,000	9.08
Asahi Mutual Life Insurance Company	5,601,967	5.94
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	4.40
Sompo Japan Nipponkoa Insurance Inc.	3,972,752	4.21

* Shareholding ratio is calculated by excluding 3,385,651 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.

Sell to the Company at market price

60 shares

—

60 shares

=



Convert to cash

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.

Buy 40 shares from the Company at market price

60 shares

+

40 shares

=

100 shares

One share unit (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/> (Japanese only)

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

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



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/>

Nippon Express Channel

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 currently on the air 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/UCatNmOs5hJzVWMfofQeUnaQ>





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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 **NIPPON EXPRESS**

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