

BUSINESS REPORT

 **NIPPON EXPRESS**
Securities Code No. 9062

For the 113th Interim Term From April 1, 2018 to September 30, 2018



Aiming for Expansion of Global Management and Further Increase in Corporate Value

During the six months ended September 30, 2018, the Japanese economy was on a gradual recovery trend owing to the pickup in capital investments and personal consumption, as well as in exports and production activities, against the backdrop of factors including solid economic expansion in Europe and the U.S. and in other Asian countries, despite an increasingly unclear outlook owing to trade friction issues and other factors.

Under these economic conditions, in the field of logistics, freight movements slowed mainly due to the impact of repeated natural disasters, but transportation of production-related cargo centered on consumption-related goods and general machinery was strong in domestic freight, and international freight was generally strong due to factors such as steady airfreight related to electronic equipment, etc. mainly to Asia.

In this business environment, the Nippon Express Group made united efforts to steadily carry out our key “area strategies” and “functional strategies” with the aim of achieving its three-year management plan “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu –,” which has entered its final year.

“Area strategies”

- In Japan, the Group worked to expand transactions by integrating its land, sea and air organizations with the aim of capturing customers’ total logistics needs. Meanwhile, we worked to build a new business pillar, including development and sales of network transport products combining marine and harbor transport and railways.
- Overseas, the Group expanded logistics to and from Asia and within the region, including establishment of warehouse hubs in various countries through concentrated investment of management resources mainly in South Asia where growth is expected to

continue. At the same time, we actively pursued initiatives to expand business fields overseas.

“Functional strategies”

- We further enhanced our sales structure mainly through reorganization for another step forward in reinforcing one-stop sales and account management as well as pursued business development in line with regional characteristics. We also strengthened sales activities aiming to expand overseas-related businesses.
- As efforts to improve productivity, we accelerated the consolidation of accounting administration to a shared services organization and promoted the use of RPA to reduce indirect operations and enhance efficiency, and strived to reinforce our management infrastructure.
- We tackled work-style reforms from both sides of the issue, i.e. raising awareness and enhancing the working environment, through means such as diversity promotion and elimination of long work hours with the aim of becoming a company where all employees can achieve job satisfaction.

As a result of the above, our consolidated business results for the first six months of the 113th term were as follows: **Revenues of ¥1,040.3 billion** (up 8.8% year-on-year), **operating income of ¥34.0 billion** (up 5.6% year-on-year), **ordinary income of ¥37.7 billion** (up 9.6% year-on-year), and **profit attributable to owners of parent of ¥23.4 billion** (up 8.7% year-on-year).

Concerning the interim dividend payments for the 113th term, it was decided at the Board of Directors meeting held on October 31, 2018 to pay an interim dividend of ¥70 per common share with the starting day for payment being December 4, 2018.

In terms of the economic trend for the second half of the fiscal year, overseas economies are on a recovery trend overall. However, in addition to rising geopolitical risks, many areas of uncertainty have emerged, including the unstable economic outlook resulting from the protectionist trade policies of the U.S. and intensifying trade friction between the U.S. and China, among other factors, and uncertainty with regard to political situations and government policies. In the Japanese economy, although the impact of natural disasters may linger in some areas, domestic demand centering on capital investment continues to drive the economy, while external demand is expected to weaken.

In this business environment, the field of logistics as a whole is being called upon to transform into a value-creation industry, which includes implementation of work-style reforms and efforts to secure and nurture human resources, in addition to development of labor-saving logistics services that incorporate cutting-edge technologies.

To respond swiftly to changes in the business environment, the Nippon Express Group will strive for greater growth and further enhance our corporate value, with the aim of becoming a truly global logistics company that can compete on the world stage, in order to meet the expectations of all shareholders. We would be grateful for your continued understanding and support.

December 2018

President and Chief Executive Officer

Mitsuru Saito



As a result of steadily capturing freight movements, mainly in international freight, including continued strong performance of export airfreight such as electronic components for Asia, the Group achieved:

Revenues and all income items are
Record high

First time for a first half to achieve
Revenues of ¥1 trillion

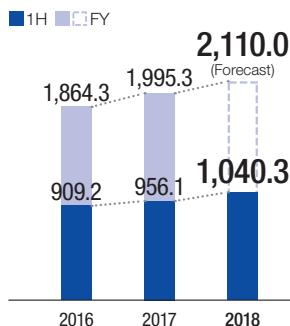
Revenues
¥1,040.3 billion
 (up 8.8% year-on-year)

Operating income
¥34.0 billion
 (up 5.6% year-on-year)

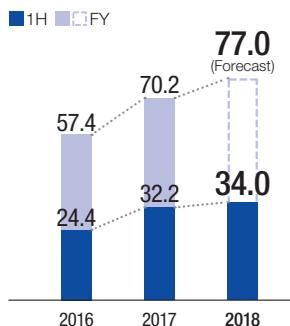
Profit attributable to owners of parent
¥23.4 billion
 (up 8.7% year-on-year)

Interim dividend
¥70.0

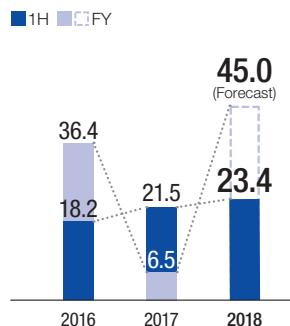
Revenues (Unit: Billions of yen)



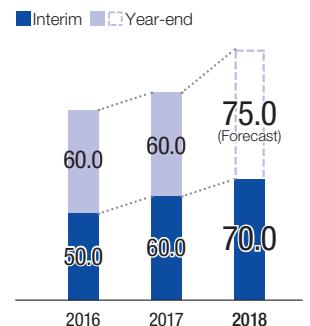
Operating income (Unit: Billions of yen)



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

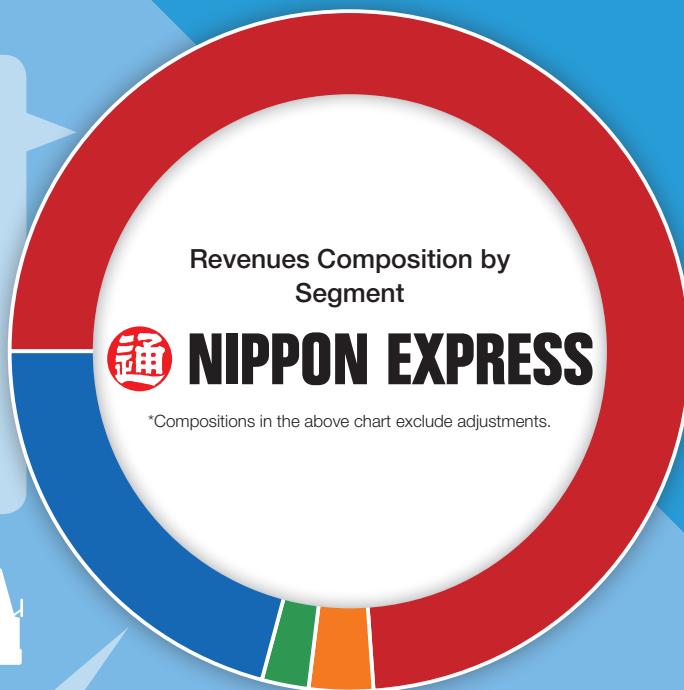
79.0%

Revenues
¥822.3 billion
(up 8.2% year-on-year)

Operating income
¥29.8 billion
(up 11.8% year-on-year)

Japan 59.2%
The Americas ... 4.5%
Europe 5.4%

East Asia 5.7%
South Asia &
Oceania 4.3%



Logistics Support

22.0%

Revenues
¥228.5 billion
(up 11.9% year-on-year)

Operating income
¥5.7 billion
(up 8.2% year-on-year)

Security Transport

3.5%

Revenues
¥35.9 billion
(down 0.1% year-on-year)

Operating income
¥0.2 billion
(down 72.7% year-on-year)

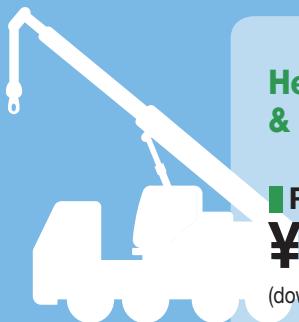


Heavy Haulage & Construction

2.4%

Revenues
¥24.8 billion
(down 0.0% year-on-year)

Operating income
¥2.0 billion
(down 10.9% 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 first six months ended September 30, 2017 have been restated to reflect these segment changes when calculating year-on-year comparisons.

Under the philosophy of “contributing to society through logistics and bringing an enriched life to future generations,” we engage in various business activities to help better the lives of people worldwide and develop sustainable societies.

**Nippon
Express
Message (1)**

Global Expansion

- Enhancement of global network
- Business expansion adapted to regional characteristics

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

Greater Mekong Sub-region economic corridor

Panama

Laos

Start of Operations at New Hub

In July, the Nippon Express Group opened and commenced operations at branches in the Republic of Panama and in the Lao People’s Democratic Republic.

Panama is famous for its canal linking the Pacific and Atlantic oceans, and also functions as a hub for logistics to Central and South America. We position Panama as a key location in our sales strategy for Central and South America.

Furthermore, Laos, which boasts a high economic growth rate and is located in the heart of the Greater Mekong Sub-region (GMS)*, is drawing attention as a strategic logistics region linking Thailand, Vietnam and China.



Panama Canal and harbor logistics

* Greater Mekong Sub-region (GMS): The region straddling the Mekong River Basin comprising the five countries of Thailand, Cambodia, Laos, Vietnam and Myanmar, as well as China’s Yunnan Province and Guangxi Zhuang Autonomous Region.

Thailand Obtained GMS Road Transport Permits

NIPPON LOGISTICS (THAILAND) CO., LTD. has obtained GMS Road Transport Permits for 12 cargo vehicles, the largest number for any Japanese company. Under this permit system, the restrictions on countries of passage are to be eliminated in stages, ultimately allowing free passage through any of the GMS countries. The system is expected to further invigorate logistics by eliminating the need for the transshipment of cargo previously required at some borders, thereby making it possible to reduce cargo damage and shorten transport time.



Trucks crossing the Thailand - Cambodia border

What is halal?

“Halal” refers generally to “sound products or activities” permitted in the teachings of Islam. It applies to food, cosmetics and pharmaceuticals, as well as to services such as logistics and finance.

Halal certification is a system that grants a halal mark to products or services that are certified as halal.



Indonesia Through Transport System for Halal Products Established in Indonesia

The Nippon Express Group received halal certification from Indonesia’s halal certifying body LPPOM-MUI*. The Group has already received certification in Malaysia and Japan.

Demand for halal products is high in Indonesia, where approximately 90% of the population is Muslim, and laws are expected to go into effect in 2019 that will require halal certification for all food, cosmetic and pharmaceutical products distributed or traded within the country.

The Nippon Express Group will provide global halal logistics services for the halal market where further expansion is expected.

* LPPOM-MUI: The Assessment Institute for Foods, Drugs and Cosmetics - Indonesian Council of Ulama

Thailand Japan Construction and Completion of New Warehouse

In July, NITTSU LOGISTICS (THAILAND) CO., LTD. completed construction of the Amata City Chonburi Logistics Center in the Amata City Chonburi Industrial Estate, one of the largest industrial parks in Thailand. The Amata City Chonburi Industrial Estate is located in EEC*, a special economic zone expected to see high economic growth. More than 700 companies have set up operations in the estate, and further expansion is expected in the future.

Furthermore, in September, Nippon Express completed construction of a new building in the freight area of Chubu Centrair International Airport in Aichi Prefecture. As the core logistics hub of exports and imports in the Chubu area, this hub will meet a wide range of needs including automobiles, machine tools, aircraft and fresh food.



Exterior of Amata City Chonburi Logistics Center



Exterior of new warehouse at Chubu Centrair International Airport

* EEC (Eastern Economic Corridor): A special economic zone comprising three provinces east of Bangkok with investment incentives granted by the Thai government

Safety and Quality

- Ensuring safety in public spaces
- Maintaining and reinforcing logistics infrastructure and network



With our social and public mission in mind, we strive for safety management and quality improvement in order to provide peace of mind rooted in our commitment to safety.

Winners at the 33rd National Forklift Operation Contest

To improve safety and quality in driving and operational tasks, the Nippon Express Group actively takes part in external competitions.

The 33rd National Forklift Operation Contest organized by the Land Transportation Safety & Health Association in September is the finals for the survivors of preliminary competitions held in each prefecture. Four employees among participants from the Group achieved high rankings, including the winner of the contest.

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



Scene from the competition



Top row, from the left: Ms. Sugiyama, 3rd place women's division; Mr. Morita, 4th place general division; bottom row, from the left: Mr. Araki, 3rd place; Mr. Onuma, 1st place

Launch of Research to Improve Roll Call Accuracy by Adopting Mechanization Technology

Nippon Express, together with Nittsu Research Institute and Consulting, Inc., applied for the 2018 Traffic and Transport Technology Development Promotion Program hosted by the Ministry of Land, Infrastructure, Transport and Tourism. In June, the team's project "Improvement of Roll Call Accuracy by Adopting Mechanization Technology" was selected and joint research has begun.

The purpose of the research is to introduce automated technology to driver roll calls conducted by operation managers in order to improve the accuracy of roll calls and save labor. The project is expected to take three years to complete with the cooperation of experts and academics.

We will strive to produce findings that are useful for freight and passenger transport business operators, and that will contribute to the future of transport operation management.

From Duisburg to various areas of Europe

Duisburg

Rail

Astana

Rail

Air

Manzhouli border

Harbin

Qiqihar

Yichang

Beijing

Jinan

Xinan

Qingdao

Lianyungang

Shanghai

Wuhan

Chongqing

Xiamen

Guangzhou

Nagoya, Chubu
Tokyo/Yokohama
Narita/Haneda
Osaka/Kobe,
Kansai Airport



"China Railway Express," train linking China and Europe

Development of Intermodal Transport Services with Low Environmental Impact Using Railway

Nippon Express began offering "Eurasia Train Direct (Sea & Rail)" and "Eurasia Train Direct (Air & Rail)" intermodal transport services, combining China-Europe rail transport with sea and air transport, which are the leading modes of transportation from Japan to Europe.

Developing intermodal transport services that combine sea, air and rail transport enabled us not only to reduce the cost burden for customers and shorten required lead times, but also significantly lower CO₂ emissions during transport.

Giving Visiting Lessons to the Next Generation as Environmental Education

Nippon Express sends employees to communicate the importance of preserving the environment to the next generation. In June, around 160 students at an elementary school in Saitama Prefecture learned how garbage produced from house-moving can be reduced by using our proprietary reusable packaging materials and was encouraged to take up 3Rs*.

This initiative introducing the business and environmental conservation activities of Nippon Express was popular with students as a way of learning about the environment from a different perspective from that of their regular classes.



Scene from the lesson at an elementary school

* 3Rs: Reduce, Reuse and Recycle

Nippon
Express
Message (3)

Environmental Conservation

- Prevention of global warming
- Formation of a recycling-based society



We are working to reduce energy usage and greenhouse gas emissions in the course of our business activities as part of our efforts to mitigate our environmental impact.



Screenshot of portal site

Instilling Tolerance for Diversity

We are working to raise awareness across the organization through means such as e-learning-based employee education and diversity management training to create a workplace culture where employees can fully demonstrate their individuality at all workplaces.

Our portal site shares a wide range of information by featuring employees who embody diversity and the various initiatives taken at workplaces.



Achieving Diverse Work Styles

With the aim of supporting the balance between childcare and nursing care, Nippon Express is promoting flexible and efficient working styles such as by introducing a new work-at-home system and expanding the use of satellite offices.

We are also expanding bottom-up activities to review working styles at each workplace to the whole company as efforts to further increase productivity.

Nippon
Express
Message (4)

Promoting Diversity

- Safe and secure workplace environment
- Supporting diverse working styles



We are striving to create a workplace where all employees can fully demonstrate their individualities to achieve job satisfaction.

Tell • Me • Nittsu

Q What kind of facilities do you sponsor at Tokyo Disney Resort®?

A In addition to providing its Home Delivery Service, Nippon Express is an official sponsor of attractions such as “it’s a small world” and “Sindbad’s Storybook Voyage.”

Our sponsored attraction “it’s a small world” reopened on April 15, 2018 after a major renewal for the first time since the park’s opening.

The attraction lets visitors experience “the happiest cruise that ever sailed” as they board a boat and are greeted by children and animals from around the world. The renewal added even more Disney characters to the attraction, and the scenes from all corners of the globe are more gorgeously decorated than ever.

Tokyo Disneyland®

Home Delivery Service
it’s a small world

Tokyo DisneySea®

Home Delivery Service
Sindbad’s Storybook Voyage



©Disney

Directors, Officers and Corporate Auditors

Directors

Representative Director and Chairman



Kenji Watanabe

Director and Senior Managing Executive Officer

Representative Director, President and Chief Executive Officer



Mitsuru Saito

Director and Managing Executive Officer

Representative Director, Executive Vice President and Chief Operating Officer



Yutaka Ito

Chief Managing Officer of International Business Headquarters



Takaaki Ishii

Chief Managing Officer of Global Sales Strategy Headquarters



Hisao Taketsu

Chief Managing Officer of Network Transport Business Promotion Headquarters, and Chief Managing Officer of Administration Headquarters

Director and Executive Officer



Katsuhiro Terai

Regional General Manager, Kantokoshinetsu Region

Director



Fumihiko Sakuma

In charge of Kanto & Shin-Etsu Area and General Manager, Tokyo Metropolitan Branch



Susumu Akita

In charge of Logistics Engineering Strategy Division, Business Profit Improvement Promotion Division, Public Relations & Advertising Division, General Affairs & Labor Division, Business Division, and Nittai Group University



Satoshi Horikiri

In charge of Corporate Planning Division and Group Management Division



Yoshiyuki Matsumoto

General Manager, Air Freight Business Branch



Takashi Masuda

In charge of Finance & Accounting Division and Group CRE Management Division



Masahiro Sugiyama



Shigeo Nakayama



Sadako Yasuoka

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

Corporate Auditors

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

Managing Executive Officer

Akira Kondo
Mitsuru Uematsu
Makoto Ikeda

Tatsuo Sugiyama
Suguru Yoshioka

Eiichi Nakamura
Toshiro Uchida

Executive Officer

Takeshi Sato
Shigeru Umino
Kohei Hashimoto

Ichiro Miyawaki
Yutaka Nagai
Shigeki Arima

Masato Nakagawa
Ryuji Goya
Akiyoshi Sekine

Hiroshi Kandori
Hiroshi Takahashi
Kazutoshi Hamashima

Hirofumi Funaki
Chihiro Sugiyama
Shinjiro Takezoe

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 http:// www.nipponexpress.com/
Formal establishment:	October 1, 1937
Paid-in capital:	¥70,175 million
Employees:	32,616
Branches:	344
Consolidated subsidiaries and companies accounted by the equity-method:	Consolidated subsidiaries: 269 Companies accounted by the equity-method: 25
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	99,800,000 shares
Number of shareholders		49,725 persons

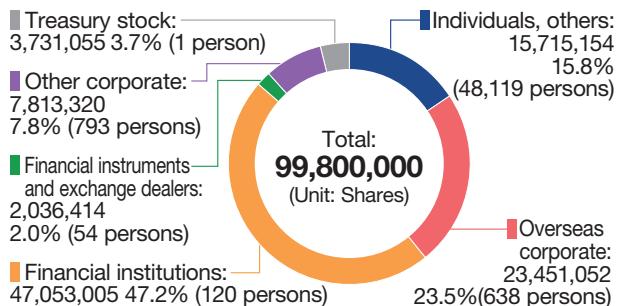
Major Shareholders

Major Shareholders	Number of shares held (Shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	8,831,500	9.22
Japan Trustee Services Bank, Ltd. (Account in Trust)	7,971,900	8.32
Asahi Mutual Life Insurance Company	5,601,967	5.85
Sompo Japan Nipponkoa Insurance Inc.	4,836,752	5.05
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	4.33

*Shareholding ratio is calculated by excluding 3,731,055 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/> (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
<http://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.



<http://www.nipponexpress.com>

TVCM / VIDEOS



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)

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)

SAMURAI JAPAN



Nippon Express supports the Japan national baseball team "SAMURAI JAPAN" as a diamond partner.



<http://japan-baseball.nittsu.co.jp/> (in Japanese)

**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>





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**

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