

Results Meeting for  
the Second Quarter of the Fiscal Year Ending March 2019  
Main Questions and Answers (Summary)

[Financial results forecast for the fiscal year ending March 2019]

Q1: In the Europe segment, operating income in the second half appears to be high relative to trends in the first half. How likely is it?

A1: Freight movements in Europe remain solid. Among several factors resulting in decreased income in the first half, business lost had the most impact. In addition, this year lacked the spot businesses that we had in the previous year in Spain and France, and the newly consolidated Traconf S.r.l. incurred unexpectedly high temporary expenses related to the launch of a new project. However, the situation has settled down in the first quarter. Performance has been steadily recovering thereafter and is expected to remain solid in the second half.

Q2: In the full-year forecast, the income increase from business activities in Japan shows a significant improvement compared with the forecast at the beginning of the year. Please tell us the reason you accelerated the forecasted improvement and how likely is it?

A2: We revised upward the forecast at the beginning of the year because there is a significant increase in airfreight, and forecast that the steady performance in the first half can be maintained in the second half. Also, cargo movements are solid in former combined businesses in major metropolitan areas. For example, in Tokyo, against a backdrop of heightened construction demand, relocation and transportation of furniture and fixtures are expected to continue until 2019. In Osaka, cargo movement of consumer products remains solid.

[Impact from disasters]

Q3: You mentioned some negative impacts from disasters. Have you considered the businesses such as replacement transportation that will push up revenues? Please give us your view of the impact taking those businesses into account.

A3: Exact figures are unidentifiable as those businesses including replacement transportation involves various possible factors ranging from the effect of the surge in spot truck fares to seasonal factors.

[Air export freight forwarding from Japan]

Q4: NIPPON EXPRESS air export freight forwarding weights from Japan have been growing at a level higher than the industry's. How long do you think this trend will continue? And please also tell us about the procurement environment.

A4: At this moment, we forecast that demand will continue through the end of this fiscal year.

We believe that we are growing at a rate exceeding that of the industry because of our ability to secure space and our operations in collaboration with customers, as seen in the recent flood damage of the Kansai International Airport. We will strive to keep up the positive effects of these initiatives in the future.

[Medium- to long-term goals]

Q5: What is your vision for the medium to long term? Please tell us your target operating margins and target companies, etc.

A5: Our focus over the medium to long term is an operating income margin of 5%. As an immediate goal, we aim to achieve ROE of 8% as quickly as possible and for the medium to long term, we envision ROE of 10% (\*).

Target companies on our mind are European mega forwarders, but they are in a different league especially regarding the handling of marine freight. We strive to fill this gap through acquiring offshore freight.

\* The intent of the comment made at the results meeting was as described above. "For the medium to long term, we envision ROE of 10%" has been added herein, as this phrase was omitted at the meeting.

[Capital policy]

Q6: Please tell us about your progress in improving capital efficiency, especially in real estate and cross shareholdings.

A6: We are working on selling assets starting with strategic cross shareholdings. The sale is being conducted with an eye on circumstances including stock prices and capital demand.

Land is classified into three categories, i.e. those for the mainstay logistics business, etc., real estate development, and other, and we are currently proceeding with the sale of those categorized as "other." These include land with latent loss that prevented sale so far and land that had no bidders as a separate lot. We are promoting their sale mainly by bundling them with other land lots.

For investment in logistics facilities and other buildings, we are also considering their conversion to off-balance-sheet investments mainly utilizing REIT.

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