

Business Report for the 112th Term

From April 1, 2017 to March 31, 2018



Securities Code No. 9062

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 112th Term.

President and Chief Executive Officer

Mitsuru Saito

During the consolidated fiscal year ended March 31, 2018, the Japanese economy was on a gradual recovery trend owing to the pickup in exports and production activities, amid continued gradual recovery of overseas economies.

Under these economic conditions, in the field of logistics, domestic freight saw an increase in transportation demand, including for automotive parts and steel, and international

freight was generally strong due to factors such as the steady airfreight of electronic components, etc. mainly to Asia.

In this management environment, the Nippon Express Group made united efforts to achieve its management targets based on its “area strategies” and “functional strategies”, which are key strategies of its three-year business plan “Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu –” which began in April 1, 2016.

“Area strategies”

- In Japan, the Group worked to expand transactions with global companies based on its one-stop sales and account management by strengthening integration of land, sea and air and establishing hubs that will be the key to global logistics, centered on metropolitan areas.
- Overseas, the Group made efforts to establish a dominant position in Asia by expanding logistics to and from Asia and within the region, including establishment of warehouse hubs in various countries through ongoing concentrated investment of management resources mainly in South Asia.

“Functional strategies”

- In terms of thoroughly strengthening sales activities, we worked to expand profit by further reinforcing one-stop sales and account management. Furthermore, we carried out reorganization of domestic regional blocks to promote information gathering and sharing across wider areas, while striving to effectively utilize human resources and assets.
- Our initiatives to strengthen and upgrade core businesses included the establishment of a regional management organization in Thailand for the purpose of strengthening our logistics function and put the logistics business on track, thereby to create a virtuous cycle for the further expansion of the forwarding business, which is our strength.
- With regard to strengthening Group management, we made efforts to promote cooperation among Group companies and mutual use of facilities and equipment.
- As for reinforcement of management infrastructure, we worked to enhance operational efficiency through measures such as setting up a shared services organization,

consolidating accounting administration, and achieving major reductions in indirect operations, with the aim of improving productivity.

- In terms of further strengthening the Group's CSR management, we actively pushed ahead with work-style reforms, including diversity promotion and elimination of long work hours.

As a result of the above, our consolidated business results for the 112th term were as follows: Revenues of ¥1,995.3 billion (up 7.0% year-on-year), operating income of ¥70.2 billion (up 22.4% year-on-year), ordinary income of ¥74.3 billion (up 16.6% year-on-year), and profit attributable to owners of parent of ¥6.5 billion (down 82.1% year-on-year).

In terms of future economic trends, the Japanese economy is expected to see balanced growth between the corporate sector and household sector led by domestic demand, as strong growth in personal consumption and capital investment continue to underpin economic expansion. As for the economic outlook overseas, an expansion trend is expected to continue due to improvement in corporate earnings and the employment environment in the U.S., backed by growing domestic and external demand, along with firm consumption and a pickup in exports in China. However, the situation is expected to remain unpredictable amid a highly uncertain outlook due to factors such as rising geopolitical risks worldwide, the unstable political situation in Europe, and political and economic trends in the U.S.

In the field of logistics, domestic freight is expected to remain firm reflecting a pickup in the economy, while strong freight movements are expected to continue in international freight, mainly for export freight, amid an expansion trend in the global economy.

Meanwhile, the Group faces immense challenges, including addressing work-style reforms to eliminate labor shortages associated with the decline in the working-age population, and developing cutting-edge technologies such as AI and IoT.

Amid such a business environment, the Nippon Express Group will work as one to carry out our key "area strategies"

and "functional strategies" with the aim of achieving our three-year management plan "Nippon Express Group Corporate Strategy 2018 – New Sekai-Nittsu –."

"Area strategies"

In Japan, the Group will further concentrate its investment of management resources through the reorganization conducted so far, and strive to deploy human resources and assets effectively mainly in the metropolitan area in an aim to strengthen its sales activities and profitability. As for the overseas area strategy, the Company will focus investment in South Asia where growth is anticipated and actively carry out initiatives aimed at expanding business fields overseas.

"Functional strategies"

The Group will step up efforts to thoroughly strengthen its sales activities by further reinforcing one-stop sales and account management. In addition, the Group will increase the efficiency of logistics and establish its competitive advantage in the industry by responding to the evolution of AI and IoT, and actively leading the practical application of new technologies that bring innovation to the logistics industry, such as automated-driving trucks and drones. In addition, the Group will continue to contribute to the development of society by offering logistics services based on safety and security to people around the world.

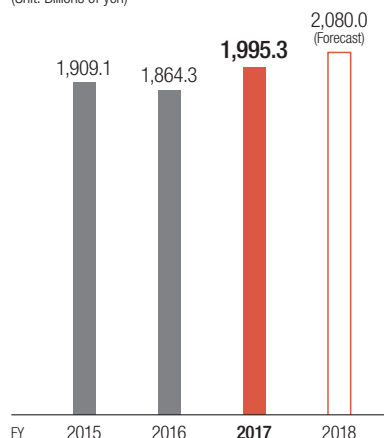
As a global logistics company, the Nippon Express Group will focus on steadily implementing the aforementioned key strategies, strive for greater growth, and further enhance our corporate value, in order to meet the expectations of all shareholders. We would be grateful for your continued understanding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

Consolidated Business Results Highlight (Fiscal year ended March 31, 2018)

Business Results

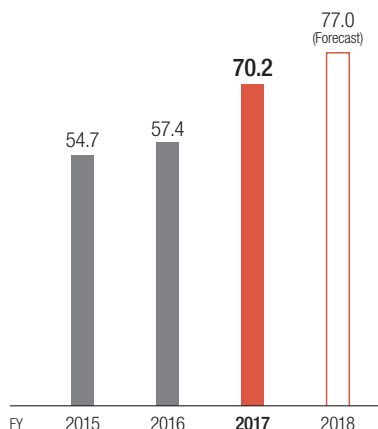
Revenues **¥1,995.3** billion
(up 7.0% year-on-year)

(Unit: Billions of yen)



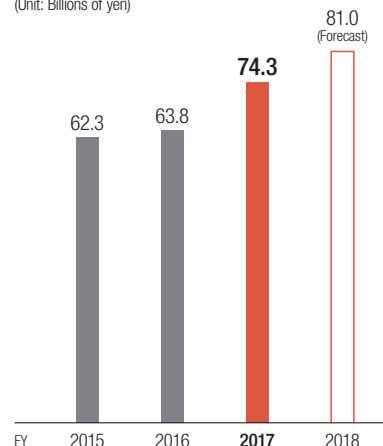
Operating income **¥70.2** billion
(up 22.4% year-on-year)

(Unit: Billions of yen)



Ordinary income **¥74.3** billion
(up 16.6% year-on-year)

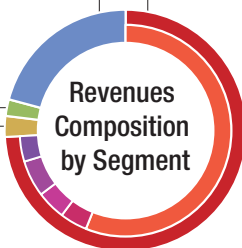
(Unit: Billions of yen)



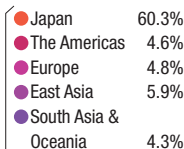
Logistics Support
22.2%

Heavy Haulage & Construction
2.4%

Security Transport
2.9%



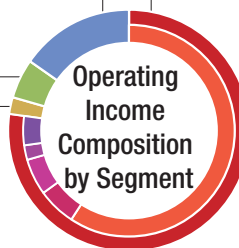
Logistics
79.9%



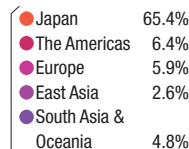
Logistics Support
16.7%

Heavy Haulage & Construction
5.8%

Security Transport
2.5%



Logistics
85.2%



*Compositions in the above chart exclude adjustments.

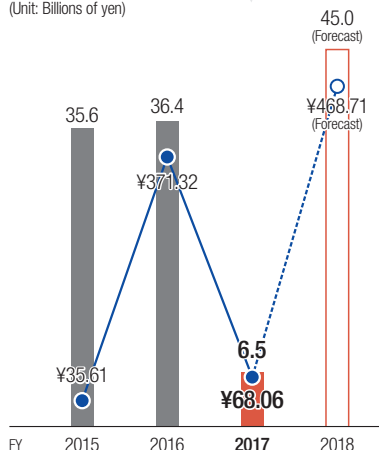
*The Company consolidated its common shares at the ratio of 10 shares to 1 share, effective October 1, 2017. Accordingly, the share consolidation has been taken into account in the amounts stated for net income per share and net assets per share from FY2016 onward.

Financial Position

Profit attributable to owners of parent **¥6.5 billion**
(down 82.1% year-on-year)

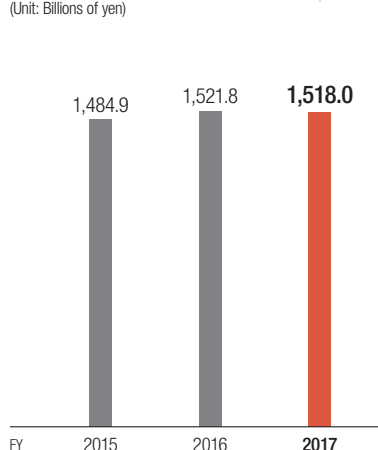
● Net income per share* **¥68.06**

(Unit: Billions of yen)



Total assets **¥1,518.0 billion**

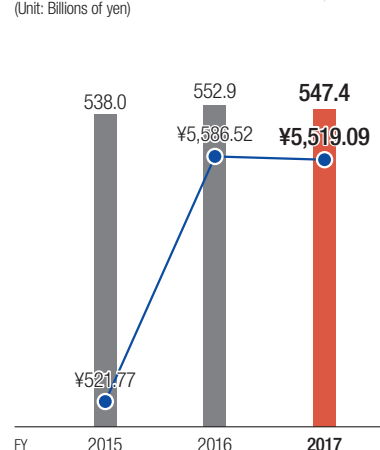
(Unit: Billions of yen)



Net assets **¥547.4 billion**

● Net assets per share* **¥5,519.09**

(Unit: Billions of yen)



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.

Nippon Express Group Corporate Strategy 2018

Key strategies

Functional strategies

Thoroughly strengthen sales activities
Strengthen and upgrade core businesses
Strengthen Group management
Reinforce the management infrastructure
Further strengthen the Group's CSR management

Area strategies

Japan
Overseas
Achieve both growth and profitability
Drive growth of the Nippon Express Group

Vision of the Nippon Express Group
“Global Logistics Company”



with Keywords Nittsu Digest

TOPICS (October 1, 2017 through March 31, 2018)

2017.10

"Sekai-Nittsu" in the sky

A hot-air balloon competition is about the art of flying with accuracy and certainty. As the aim of the competition resonates with our stance of seeking to meet diverse needs, we created a hot-air balloon of our own design.

The hot-air balloon, bearing the logo "Sekai-Nittsu," has been entered in the Hot Air Balloon Honda Grand Prix held at various locations in Japan, presenting a magnificent sight to the crowd.



2017.12

Held "Nippon Express×Samurai Japan Baseball Workshop"

The Nippon Express baseball team held a baseball workshop with manager Atsunori Inaba and pitching coach Yoshinori Tateyama of Japan's national team "Samurai Japan." It was a sight to behold with a total of 102 vibrant baseball-loving boys and girls racing after the ball and absorbing the wisdom of the professional and amateur players with pure enthusiasm.

We received many comments of joy from the participating children, "Baseball is so much fun!"



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

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



Pursuing quality in transportation services



Renewed automatic cargo-sorting system at Haneda Airport Cargo Center, our most important domestic airfreight hub

In December 2017, we upgraded our automatic cargo-sorting system at the Nippon Express Cargo Center at Haneda Airport* in order to handle the increase in inbound and outbound freight and to further improve productivity.

This automatic cargo-sorting system will lead to improved safety and certainty during sorting operations thanks to low impact on cargo and less variance in processing capacity caused by the shape of the cargo.

Along with the increase in sorting capacity, we roughly doubled our processing capacity per hour from a maximum of 6,000 items to 11,250 items, by adding more truck berths and cargo intake doors.

Through the use of this automatic cargo-sorting system, we will be able to respond to future increases in the number of flights into and out of Haneda Airport, and to provide transportation services of higher quality.



* Haneda Airport Cargo Center Favorably located within the Haneda Airport domestic cargo area, our most important domestic airfreight transportation hub operates 24 hours a day, 365 days a year. The facility handles as many as 500 inbound and outbound airfreight containers each per day, mainly of apparel and precision equipment.



Making the world expressly Japan lovers

Nippon Express Food Logistics – Making the world expressly Japan lovers –

With a wide range of services and the latest technology, we deliver delicious foods from various parts of Japan to the world. We take advantage of our globe-spanning network, unique technologies for maintaining freshness during transport, and high-quality specialized transportation services tailored to the characteristics of each product to support the export of Japanese food. Somewhere in the world today, food that was delivered through Nippon Express food logistics is bringing smiles to many faces.



Fresh Fish Express
(Flying Fish Box)

Main products

Fresh Fish Express



Use of a high-performance styrofoam box, known as the “Flying Fish Box,” has made it possible to offer transportation services that can keep fish fresh. This air transportation service is able to deliver fish that retains its delicate flavor to consumers overseas.

Fresh Vegetable and Fruit Express



This freshness maintenance system keeps vegetables and other produce fresh for long periods using original humidifying technologies developed by Nippon Express. By regulating the humidity inside the container and limiting changes in humidity levels, the impact on vegetables is reduced, and they can be delivered to consumers overseas just as fresh and juicy as when they were collected from the farmer, thanks to this marine transportation service.

Please see our website for information on other products.

▶ <https://www.nittsu.co.jp/food/>
(Japanese only)



The commercial “Sekai-Nittsu – Nippon Express Food Logistics version” has also been released on the official Nippon Express YouTube channel.

▶ Details on page 13.



Launch of Kaigai Tenkai (Overseas Expansion) Highway

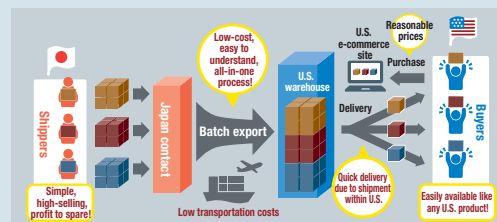
Complete support for online sales in the U.S.

Kaigai Tenkai Highway was created as part of the Japanese Products Export Promotion Project devised by the Small and Medium Enterprise Agency to address export challenges including human resources, language, sales channels, and acquisition costs of overseas information faced by companies that are ambitiously expanding overseas.

Kaigai Tenkai Highway provides a series of services offered as a package to cover the process leading up to sale of Japanese products overseas via online sales. It began operations in the U.S., the home of online sales, as a new export service that connects Japanese companies' products to overseas markets through an easy, low-cost, and “leave-it-to-us” approach, including agency for trade administration and other procedures, and shipping cost reductions through batch transportation.

Nippon Express will continue to support all enterprises looking to export Japanese products to the world.

Kaigai Tenkai Highway



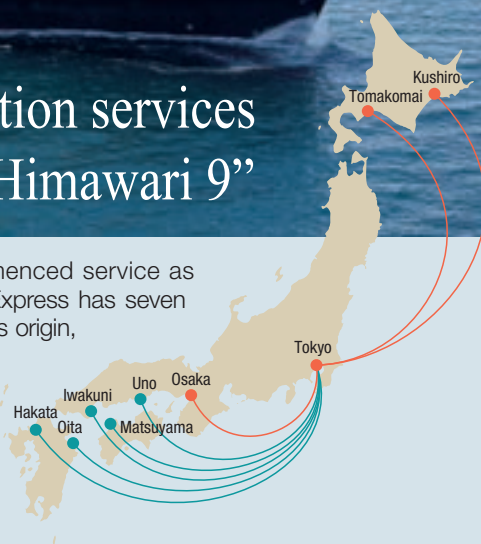


Marine Transportation



Further enhancement of coastal transportation services with the operation of “Himawari 8” and “Himawari 9”

In 2017, the “Himawari 8” and “Himawari 9,” our newest coastal ships, commenced service as replacement vessels on routes between Tokyo and Hokkaido. Currently, Nippon Express has seven high-speed liners that connect eight major ports nationwide, with the Port of Tokyo as origin, and operates daily transportation to Tomakomai and Hakata. As marine transportation can offer services that pose less impact on cargo and with greater safety compared to other modes of transport, items handled have expanded from the traditional papers, beverages, and construction materials to agricultural products and precision equipment. This transportation service also plays a powerful role in promoting modal shift as an environmentally-friendly means of transportation.



Unloading of motorized tricycles



First coastal container ship, the Akashimaru

Trivia

Nippon Express made its full-scale expansion into marine transport business in 1949. In 1957, we introduced Japan's first full automobile carrier, the Dai-ichi Kintsunamaru, to meet demand for transportation of motorized tricycles.

In the 1970s, use of containers in marine transportation increased, and Nippon Express introduced its first coastal full container carrier, the Akashimaru. This ship fulfilled the role to support land transportation, which was about to overflow at the time.

The newly constructed ships “Himawari 8” and “Himawari 9” are designed so that trucks and trailers loaded with cargo can go directly on board through gangways in the side and stern of the ship, and can be driven on and off immediately at points of departure and destination, enabling speedier handling.



Bow side ramp



Stern side ramp



Upper deck with space for loading hazardous goods



Stem part of deck

Overview of “Himawari 8” (“Himawari 9” is the same type)

Gross tonnage: Around 10,620 t

Sea speed: 23.0 kn

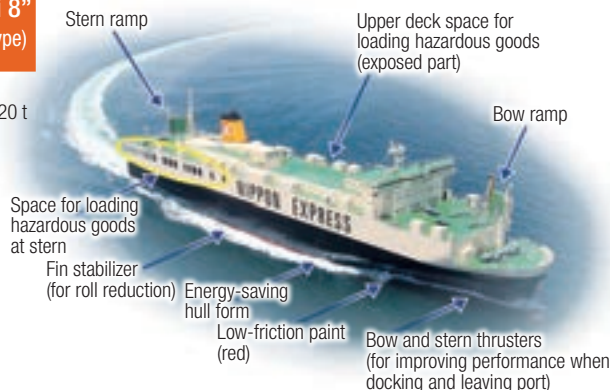
Overall length: 166.9 m

Overall width: 27.0 m

Trailer capacity: 177 trailers

Passenger vehicle capacity:

Around 95 cars



The “Himawari 8,” equipped with the latest facilities, is our newest high-speed ship. In line with customer needs, it features space for loading hazardous goods on the upper deck and uses a range of energy-saving systems to bolster environmental and energy-saving performance.

Furthermore, we have also begun multi-modal transportation utilizing containers that can be used in both marine and rail transport. The coastal transportation of Nippon Express offers a full line of services to meet customer needs.



Other

Relocation of Headquarters

A one-stop structure to deliver integrated services in land, sea and air

Nippon Express announced that it would build and relocate to new headquarters in Kanda-izumicho, Chiyoda-ku, Tokyo.

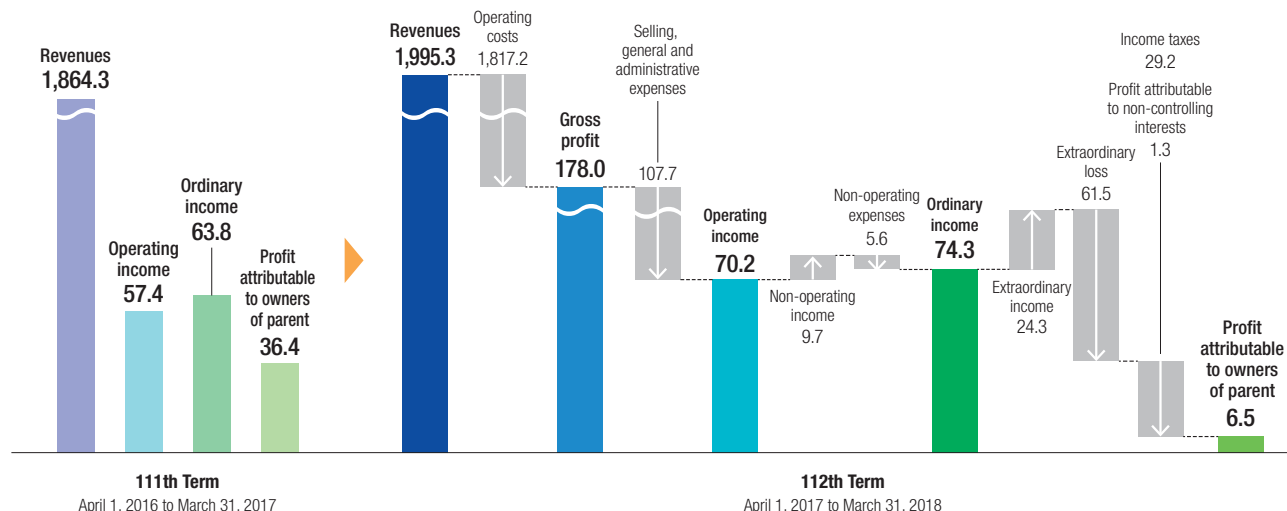
The plan for the new headquarters building includes 13 floors above ground and 1 floor underground. By bringing all headquarters divisions and Group companies, in addition to the nearby Tokyo Metropolitan District Branch, the Air Service Freight Business Branch, and the Marine Transport Business Branch together in a single hub, we will further promote a one-stop structure that can leverage the Group's comprehensive capabilities in land, sea and air.

We are making preparations with the aim of moving in September 2021.

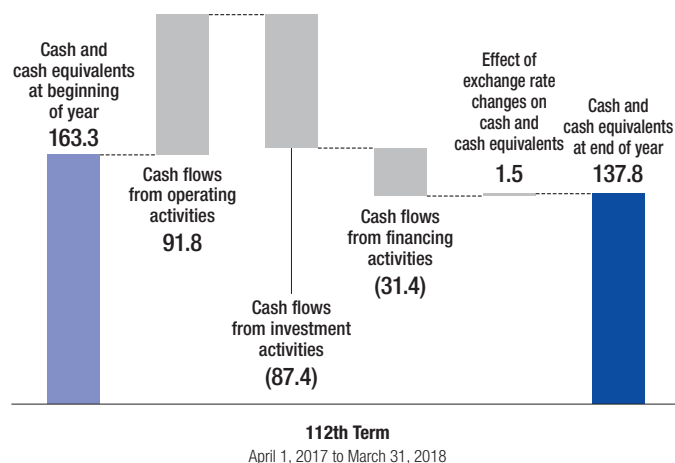


Consolidated Financial Position at a Glance

Overview of Consolidated Statements of Income (Unit: Billions of yen)



Overview of Consolidated Statements of Cash Flows (Unit: Billions of yen)



■ Cash Flows from Operating Activities

Cash flows from operating activities resulted in a net inflow of ¥91.8 billion, a decrease of ¥10.4 billion compared to the previous fiscal year. This was mainly due to the increase in payment for change in trade receivables.

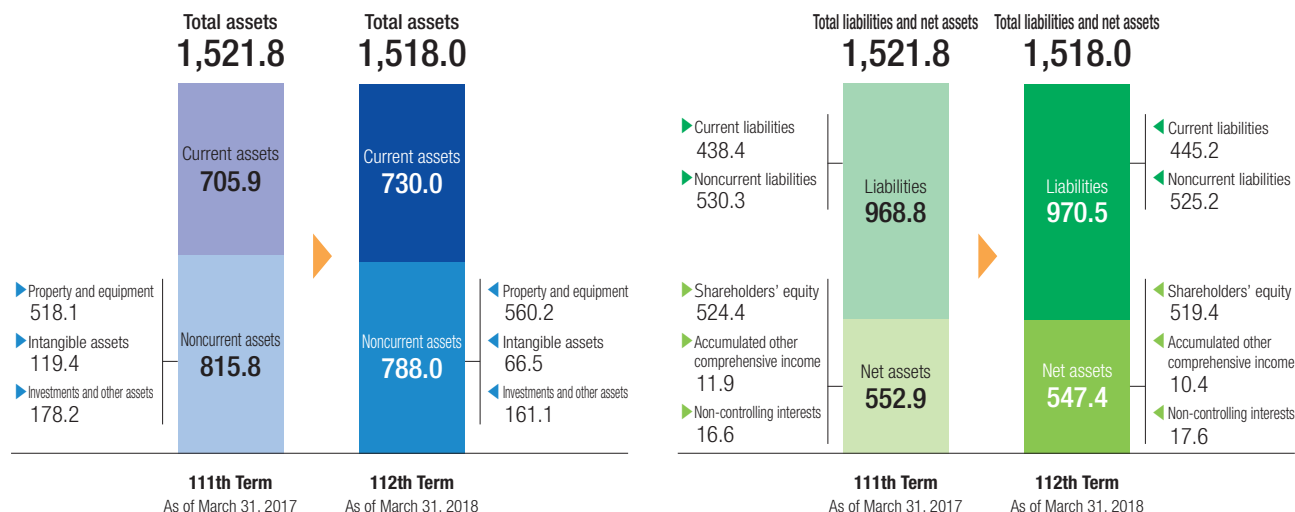
■ Cash Flows from Investment Activities

Cash flows from investment activities resulted in a net outflow of ¥87.4 billion, an increase of ¥16.4 billion compared to the previous fiscal year. This was mainly due to the increase in payment for purchase of property and equipment.

■ Cash Flows from Financing Activities

Cash flows from financing activities resulted in a net outflow of ¥31.4 billion, an increase of ¥19.6 billion compared to the previous fiscal year. This was mainly due to the decrease in proceeds from issuance of bonds.

Overview of Consolidated Balance Sheet (Unit: Billions of yen)



Current assets

Current assets amounted to ¥730.0 billion, an increase of ¥24.0 billion or 3.4% compared to the end of the previous fiscal year. This was mainly due to the increase in accounts receivable-trade.

Noncurrent assets

Noncurrent assets amounted to ¥788.0 billion, a decrease of ¥27.7 billion or 3.4% from compared to the end of the previous fiscal year. This was mainly due to the decrease in goodwill and investment securities.

Liabilities

Total liabilities amounted to ¥970.5 billion, an increase of ¥1.7 billion or 0.2% compared to the end of the previous fiscal year. Current liabilities amounted to ¥445.2 billion, an increase of ¥6.7 billion or 1.5% compared to the end of the previous fiscal year, while noncurrent liabilities amounted to ¥525.2 billion, a decrease of ¥5.0 billion or 1.0% compared to the end of the previous fiscal year. The increase in current liabilities was mainly due to the increase in deposits. The decrease in noncurrent liabilities was mainly due to the decrease in net defined benefit liability.

Net assets

Net assets amounted to ¥547.4 billion, a decrease of ¥5.4 billion or 1.0% compared to the end of the previous fiscal year. This was mainly due to the decrease in valuation difference on available-for-sale securities.

General Overview of the Company (As of March 31, 2018)

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:	31,871
Branches:	345
Consolidated subsidiaries and companies accounted by the equity-method:	Consolidated subsidiaries: 265 Companies accounted by the equity-method: 24
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.

Topics

Touring the
Nippon Express Group

Bringing Aomori Nebuta to Hollywood



The Los Angeles Household Goods Branch of Nippon Express U.S.A., INC. handled assembly and transportation of the Aomori Nebuta float that took part in the Hollywood Christmas Parade held on November 26, 2017.

Nippon Express served as the bridge for this Japan-U.S. regional contribution project, transporting the materials by air from the home of the Nebuta festival in Aomori to Los Angeles for the float, which was created by an Aomori Nebuta craftsman.



The Nippon Express Aomori Branch participates in the Aomori Nebuta Festival every year. In 2017, our 71st consecutive entry, the theme of the festival was "Great Sage, Equal of Heaven," based on the Chinese legend of Sun Wukong, the Monkey King. Aomori Branch employees and their families, along with participants from our partner companies, danced through the streets of Aomori-shi with Sun Wukong.

Directors, Officers and Corporate Auditors (As of June 28, 2018)

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



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 Wasei Group University



Satoshi Horikiri

In charge of Corporate Planning Division and 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



Toshiaki Nojiri



Yoshio Aoki

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

Audit & Supervisory Board Member

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

SPORTS



Nittsu Sports

Search

<https://www.nittsu.co.jp/sports/> (Japanese only)



Through our support for sports activities, we share with people throughout the world the dreams, hopes, emotions and challenges that sports inspire, while working to spread, promote and internationalize various sports.

TVCM

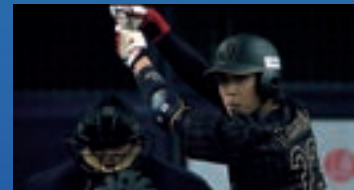


"Celebrating New Acquaintances" version

Nippon Express engages in various businesses under the philosophy of "contributing to society through logistics and bringing an enriched life to future generations." This commercial communicates those efforts to a wide audience.



"Singles Moving Package" version



"SAMURAI SPIRIT 2017" version

Nittsu CM

Search

<https://www.nittsu.co.jp/corporate/cm/> (Japanese only)



YouTube official channel

Nippon Express commercials, corporate activities, archives of logistics footages, etc. are available on YouTube.

<https://www.youtube.com/channel/UCatNmOs5hJzVWMfOfQeUnaQ>



Share-related Information (As of March 31, 2018)

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

$$60\text{shares} - 60\text{shares} = \text{Convert to cash}$$

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

$$60\text{shares} + 40\text{shares} = 100\text{shares} \quad \text{One share unit (100 shares)}$$

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 9062 Number:

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/>

SAMURAI
JAPAN



世界日通。

日本通運は侍ジャパンを応援しています。

© 2017 SAMURAI JAPAN



NIPPON EXPRESS

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

Tel. +81-3-6251-1111

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