

BUSINESS REPORT

 **NIPPON EXPRESS**
Securities Code No. 9062

For the 114th Term From April 1, 2019 to March 31, 2020

The Future
in Logistics



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

I would also like to express my deepest sympathy and condolences for those who have lost their lives to the novel coronavirus disease (COVID-19), those who have contracted the disease, and all others impacted by the pandemic.

President and Chief Executive Officer

Mitsuru Saito



During the consolidated fiscal year ended March 31, 2020 (FY2019), the Japanese economy was affected by the global economy suffering slowdowns in the Chinese and European economies, the impact that the consumption tax hike had on personal consumption and the spread of COVID-19, which became increasingly serious in the fourth quarter. These factors made future prospects remain uncertain.

Under these economic conditions, the logistics industry experienced a decline in demand for international freight forwarding due to slowdowns in global trade and manufacturing, which weakened cargo movement, especially for automobile and steel-related cargo. In terms of domestic freight, although there were signs of growth in transportation demand related to labor savings/efficiency investments and rush demand prior to the consumption tax hike, overall cargo movement remained sluggish.

In this business environment, the Nippon Express Group implemented measures stated in the Business Growth Strategy and the Efforts to Implement Our Long-term Vision of the “Nippon Express Group Business Plan 2 0 2 3 – Dynamic Growth–” as our first step toward reforms for achieving our long-term vision. The fiscal year ended March 31, 2020 was the first year of the plan.

“Business growth strategy”

We have strengthened initiatives in our five priority industries to address customer (industry) axis in our “growth strategy for core businesses,” including the launch of a pharmaceuticals/medical business and sales proposals

coordinated within the Group for the semiconductor industry. At the same time, we have boosted our efforts to approach non-Japanese companies. In terms of businesses axis, we have expanded our forwarding volume of ocean and air cargo, while strengthening initiatives in logistics conducted from our warehouses. The new customer base grew steadily and the performance of the logistics business remained strong, mainly in warehouses and distribution for a variety of industries and businesses. On the other hand, freight forwarding demand was weak in light of a slowdown in the global economy (mainly in China), a decline in automobile sales, and the stagnation of trade caused by rising protectionism, which resulted in sluggish volume. To support our area axis, we formed a capital alliance with Future Supply Chain Solutions Limited, the largest consumer distribution company in India as part of our expanded investment in the fast-growing Indian market. We worked to expand our reach in emerging economies. We opened new locations in Morocco in Africa and Kazakhstan in Central Asia and completed construction of new warehouses in countries in Southeast Asia.

In our “strategy to enhance domestic businesses in Japan,” we restructured our branches in Japan in October 2019 through a major reorganization, consolidating 188 branches into 114. Our objective here is to generate greater profitability of the domestic logistics business, a core business of the Nippon Express Group and solve issues related to labor shortages.

“Efforts to implement our long-term vision”

In our measures to innovate IT strategy for “reinforcing functions to support challenges,” we accelerated our efforts to strengthen the Group governance through improved IT security and efforts to adopt and promote robotic process automation (RPA) for greater sales office productivity. To innovate our R&D strategy, we conducted a variety of trials coordinating with customers and external organizations to put leading-edge logistics technologies into practical use. In addition, we have advanced the adoption of these technologies in warehouse floors.

We also strove to establish “ESG-oriented business management to realize sustainable development and improve corporate value.” In terms of Environment (E), we focused on CO₂ emissions reductions, engaging in modal shifts, expansion of integrated transport products, and other initiatives toward expanding the use of central European railways. In terms of Social (S), we have aimed to transform the company that makes employees feel satisfied and fulfilled. We worked to create an organization in which diverse human resources can contribute actively. At the same time, we took the lead to adopt a new employee system that rewards equal pay for equal work and strive to eradicate long working hours. Under Governance (G), a key to improving corporate value, we worked to improve investor relations presentations and information communications, while also implementing various initiatives such as starting the study of Group management structure.

As a result of the above, our consolidated business results for the 114th term were as follows: **Revenues of ¥2,080.3 billion** (down 2.7% year-on-year), **operating income of ¥59.2 billion** (down 25.6% year-on-year), **ordinary income of ¥57.4 billion** (down 33.1% year-on-year), and **profit attributable to owners of parent of ¥17.4 billion** (down 64.7% year-on-year).

In FY2020, the entire Nippon Express Group will continue making united efforts to implement measures for business growth strategy and efforts to implement our long-term vision, in order to achieve the targets based on “Nippon Express Group Business Plan 2023 – Dynamic Growth –,” the five-year business plan launched on April 1, 2019.

[Business growth strategy]

- We are advancing our “growth strategy for core businesses” with an approach on three axes: customers (industries), businesses, and areas. On the axis of customers (industries), we will strive to accelerate

initiatives in five priority industries (electric and electronics industry, automotive industry, apparel industry, pharmaceutical/medical industry, and semiconductor industry), and build a digital platform centered mainly on pharmaceutical distribution. On the axis of businesses, we will work to expand our forwarding volumes of ocean and air cargo, and we will also work actively to grow the modal shift by using our network goods. On the axis of areas, we will advance business growth in each block through strategies tailored to each area, while working to expand our business in emerging areas like India and Africa.

- Regarding the “strategy to enhance domestic businesses in Japan,” we will strive to improve the profitability of our Japanese businesses by further advancing the reallocation of human resources generated from our major domestic reorganization, strengthening sales capabilities and governance, and improving productivity.

[Efforts to implement our long-term vision]

- In our measures to innovate IT strategy for “reinforcing functions to support challenges,” we will strive to expand the use of RPA and others, improve the productivity of sales and business process, and achieve work style reform. To innovate our R&D strategy, we will work actively to advance automation and labor saving in operations through the practical use of cutting-edge logistics technologies, to enable us to secure a competitive advantage in the logistics industry.

- In our efforts for “ESG-oriented business management to realize sustainable development and improve corporate value,” in terms of Environment (E), we will accelerate modal shift and expanded sales of joint delivery, with a tight focus on reducing CO₂ emissions as a logistics company. In terms of Social (S), we will promote diversity management and strive to reform workstyles through the project to relocate the headquarters building, with an aim to transform into a company where employees can feel satisfied and fulfilled. Finally, in terms of Governance (G), we will strive to further enhance IR activities, and continue to consider the future vision for Group management.

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 2020

Earnings and income both decreased in FY2019 due to increased labor costs and COVID-19

While we **generally reached the figures for revenues and operating income** in the forecasts announced in January, we failed to achieve the targets for ordinary income and net income due to impairment losses

Revenues

¥2,080.3 billion
(down **2.7%** year-on-year)

Operating income

¥59.2 billion
(down **25.6%** year-on-year)

Profit attributable to owners of parent

¥17.4 billion
(down **64.7%** year-on-year)

Year-end dividend

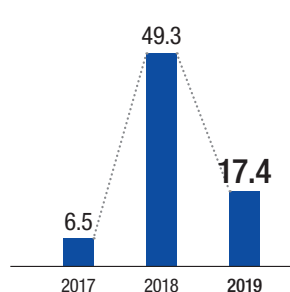
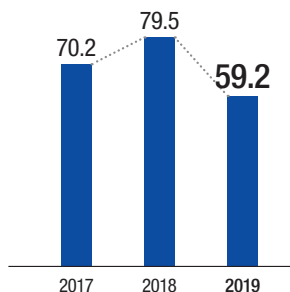
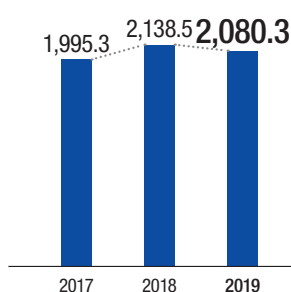
¥80.0

Revenues (Unit: Billions of yen)

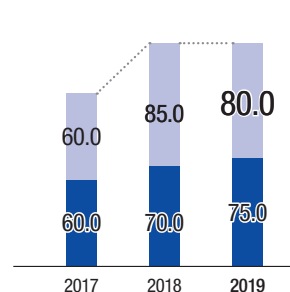
Operating income (Unit: Billions of yen)

Profit attributable to owners of parent (Unit: Billions of yen)

Dividend per share* (Unit: Yen)

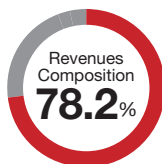


■ Interim ■ Year-end



* The stated dividend amount takes into account the share consolidation (10 shares to 1 share) of October 1, 2017.

Logistics

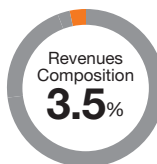


Revenues
¥1,626.1 billion
(down **3.5%** year-on-year)

Operating income
¥53.5 billion
(down **22.6%** year-on-year)

Japan	58.3%
The Americas	4.4%
Europe	5.7%
East Asia	5.4%
South Asia & Oceania	4.3%

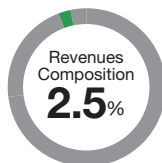
Security Transport



Revenues
¥72.5 billion
(down **0.1%** year-on-year)

Operating loss
¥1.0 billion
(Operating income was ¥1.2 billion for
the previous corresponding period)

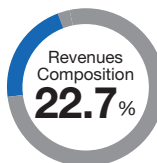
Heavy Haulage & Construction



Revenues
¥52.3 billion
(up **9.6%** year-on-year)

Operating income
¥6.1 billion
(up **37.0%** year-on-year)

Logistics Support



Revenues
¥471.2 billion
(down **2.6%** year-on-year)

Operating income
¥12.3 billion
(down **3.3%** year-on-year)

* Compositions in the above chart exclude adjustments.

Nippon Express Efforts (1)

Global Expansion

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

Nippon Express (India)

GDP Certification Obtained for the Cargo Area of Hyderabad Airport

In November 2019, we obtained GDP (Good Distribution Practice) certification, a standard for appropriate distribution for pharmaceuticals, for our warehouse in the cargo area of Hyderabad Airport in India.

At the warehouse, we built a new air conditioning facility equipped with a temperature-control function that has

three temperature ranges: refrigeration, constant temperature, and room temperature. Moving forward, we will meet the logistics needs of our customers in the pharmaceutical industry by combining warehousing at this facility with our international temperature-controlled transportation products.



Warehouse entrance



Part of freight stored in the warehouse

Nippon Express (Cambodia)

“Phnom Penh Logistics Center” Opened

We completed the construction of our multi-functional logistics warehouse, the “Phnom Penh Logistics Center,” in the Phnom Penh Special Economic Zone (SEZ), and commenced

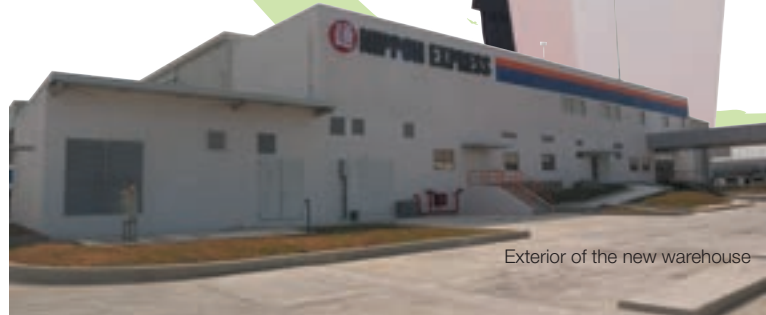
operation in December 2019. We will enhance our logistics function in the SEZ, where growing demand for logistics is expected, to meet all the logistics needs of our customers.



President Saito giving a speech ▶



The opening ceremony



Exterior of the new warehouse

Nippon Express (Malaysia)



Opening of Our Largest Overseas Warehouse

The “Shah Alam Logistics Center” began operation in March 2020, becoming the Nippon Express Group’s largest single-structure, multifunctional logistics warehouse outside Japan in terms of warehouse area.

With the establishment of this center, we will further strengthen our logistics functions and

meet diverse needs of our customers that are becoming increasingly sophisticated, through sales logistics in Malaysia centered on consumer goods, constant temperature storage using air-conditioned facilities, and the storage and delivery of halal products.



View of the warehouse from above



Exterior of the new warehouse

Nippon Express (Italy)



Strengthening Lifestyle-related Logistics Services

In January 2020, the three Group companies Nippon Express Italia Srl, Franco Vago SpA, and Traconf Srl merged into Nippon Express Italia SpA.

Through the merger, we aim to accelerate the synergistic effect in sales and operations, and strengthen our efforts in the high-fashion sector, a priority industry in our management plan.



The merger ceremony



New president Arnaldo Vivoli giving a speech ▶

Nippon Express Efforts (2)

Workplace Improvement

We will contribute to the development of sustainable and strong infrastructure, with the aim of creating value and solving social issues through innovation.

Introduction of Transportation Supporting AGVs to Save Labor in Cargo Handling

Nippon Express will introduce automated guided vehicles (AGVs) to support transportation (remote control loading crawler made by Topy Industries, Ltd.) as a measure to solve problems such as labor shortages at logistics sites. Nippon Express helped the manufacturer develop the AGV.

It used to be difficult to introduce unmanned transportation devices at logistics sites. Therefore, we decided to focus on the roll box* loading function, uneven ground crossing ability, and climbing ability of loading crawlers. Following repeated trials in collaboration with Topy Industries, Ltd. and NITTSU

Trials for Realization of Smart Logistics Utilizing 5G



Wireless City Planning Inc. (WCP) and Nippon Express are collaborating with Sharp Corporation and SoftBank Corp. to build an efficient collection system aimed at alleviating a shortage of truck drivers and realizing work style reform, which are pressing issues in the logistics industry. This collaboration involves conducting trials, including visualization of load status of trucks, to realize smart

SHOJI CO., LTD., Nippon Express has achieved results that will help solve problems at logistics sites, such as expanding the range of positions accessible to seniors and women, and eliminating labor shortages by securing safety, reducing workloads, and using machines.

Having introduced multiple development prototypes in the last fiscal year, Nippon Express will conduct further research into their use at logistics sites, while continuing to cooperate on development to improve the functions of loading crawlers for logistics sites.



Transport support AGV to be introduced:
Remote control loading crawler

* A roll box is a manual carrier with wheels, also known as a cage truck.

logistics using sensors for 5th generation mobile communication systems (5G) and sensors for IoT devices.

Nippon Express and WCP will continue to conduct various studies utilizing 5G and IoT to address such issues and needs.



Two AGFs newly introduced

Logistics Center in Shizuoka Prefecture Introduces Automatic Forklifts

Nippon Express introduced the first automatic laser-guided forklift (AGF) at its logistics center in Shizuoka Prefecture.

It used to be difficult to secure adequate personnel at the logistics center, due to the aging of the staff and the recent labor shortage. There was also a higher risk of products being damaged because it took a long time for new personnel to master work

skills and orders had become more diverse. Based on these circumstances, in order to support the transition to labor-saving and labor-supporting automation technologies in warehouse work, we made preparations such as changing storage layout assuming the AGFs would be introduced from 2018. They are now in full operation.



Transporting roll box

Nippon Express Efforts (3)

Social Contribution

Through social contribution activities utilizing our business, we will contribute to solving local issues and building a better society.

Nippon Express (China) Co., Ltd. and Nippon Express (Shanghai) Co., Ltd. Hold a Scholarship Award Ceremony for Shanghai Maritime University

Nippon Express (China) Co., Ltd. and Nippon Express (Shanghai) Co., Ltd. held a scholarship award ceremony at Shanghai Maritime University in December 2019.

Nippon Express (China) Co., Ltd. and Nippon Express (Shanghai) Co., Ltd. established the “Nippon Express Scholarship Fund” in 2016, and signed a scholarship agreement with Shanghai Maritime University to provide scholarships to students for ten years. This year, the fourth year since the

Strongly Promoting CSR Activities

NIPPON EXPRESS (INDIA) PRIVATE LIMITED has long engaged in various social contribution activities such as making financial donations to flood disaster areas and building or donating washroom facilities to schools. In addition to our activities so far, we decided to conduct employee participation activities that encourage the employees themselves to put their own backbones into the work.

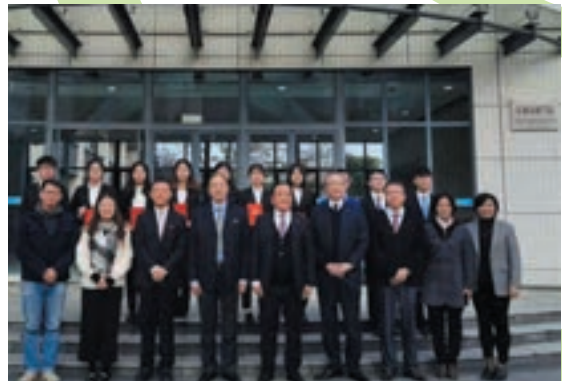
Based on employee proposals, we set the fifth Saturday of the month, which occurs several times per year as

special days for these CSR activities. We have been undertaking such company-wide activities since June 2019. Employees who determine that the schedule does not interfere with their normal working duties participate. The company provides backing to systems that facilitate these activities. Employees have discussions at each major branch and plan their respective activities. Nearly 80% of all employees participated on the fifth Saturdays of June and August 2019.



scholarship was established, we held a scholarship award ceremony for third year students of the university, selecting 10 recipients after a review process by the university from the end of October 2019.

We will continue to actively engage in CSR activities in the Asian region, to help develop professional personnel who can play active roles in the logistics industry.



Commemorative photo at Shanghai Maritime University



1. Donating stationery to students during school visits
2. Participating in community greening events
3. Interacting with residents of nursing homes
4. Serving food in workers' neighborhoods
5. Clean-up activities near our offices

Supporting a Disaster Area That Changes Day by Day with Our Wide-area Goods Transportation Base

Typhoon Hagibis struck Japan in October 2019, causing record-breaking rainfall in the Kanto, Koshinetsu, and Tohoku regions. In Nagano Prefecture, which experienced massive damage from landslides and other disasters, we established a wide-area goods transportation base, the first of its kind in the prefecture. Our Nagano branch took responsibility for operating this transportation center.

Faced with circumstances that changed from day to day, our staff responded flexibly and implemented storage management for shelters, loading and unloading, and sorting work. Thanks to the efforts to strengthen cooperation with the Nagano Prefecture and Nagano City governments, the initial chaos gradually subsided. On December 20 or two months after the disaster, the transportation base ceased operation.



Work at the transportation base



Materials to be delivered



Members of the project team at Nagano branch

Directors, Officers and Corporate Auditors (As of June 26, 2020)

Directors

Representative Director and Chairman



Kenji Watanabe
Chairman of the Board of Directors

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



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



Satoshi Horikiri
Corporate Solutions Section
Chief Managing Officer of Corporate Support Headquarters and CSR Headquarters

Director and Executive Officer



Takashi Masuda
In charge of Corporate Planning Division and Financial Planning Division

Director



Masahiro Sugiyama



Shigeo Nakayama



Sadako Yasuoka

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

Corporate Auditors

Full-time Audit & Supervisory Board Member



Naoya Hayashida



Shigeki Arima



Tadashi Kanki



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

Senior Managing Executive Officer

Makoto Ikeda
Akira Kondo
Eiichi Nakamura
Toshiro Uchida

Managing Executive Officer

Tatsuo Sugiyama
Mitsuru Uematsu
Yutaka Nagai
Tatsuya Suzuki
Masato Nakagawa

Executive Officer

Ryuji Goya
Hiroshi Takahashi
Chihiro Sugiyama
Akiyoshi Sekine

Kazutoshi Hamashima
Shinjiro Takezoe
Masayuki Yamada
Hajime Matsumoto

Atsushi Nagashima
Tadashi Fujishiro
Kenji Kato
Ken Sato

Tadahiro Furue
Hiroyuki Tanaka
Hideshi Otsuki
Tatsuya Akama

Toshiya Abe
Tatsuya Fujimoto
Toshikazu Kitai
Haruyasu Toda

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/>

Formal establishment: October 1, 1937

Paid-in capital: ¥70,175 million

Employees: 34,449

Branches: 291

Consolidated subsidiaries and companies accounted by the equity-method: Consolidated subsidiaries: 266
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.

Status of the Company's Shares

Number of shares

Total number of shares authorized	398,800,000 shares
Total number of shares issued	96,000,000 shares

Number of shareholders 48,798 persons

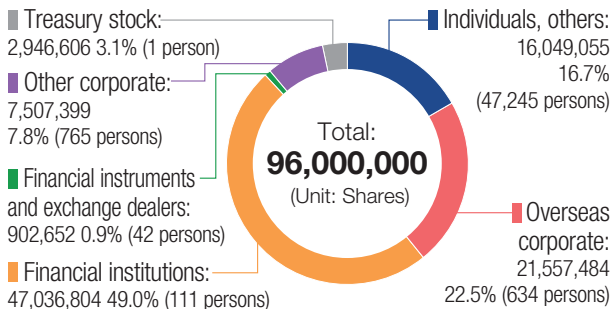
Major Shareholders

Major Shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	9,513	10.2
Japan Trustee Services Bank, Ltd. (Account in Trust)	8,737	9.4
Asahi Mutual Life Insurance Company	5,601	6.0
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	4.5
Nippon Express Employees' Shareholding Association	3,634	3.9

* Shareholding ratio is calculated by excluding 2,946,000 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/> (in Japanese)

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

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



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 Shimbum circulated in Tokyo.
URL for electronic announcement
<https://www.nittsu.com/>

Nippon Express Channel

CORPORATION TVCM

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/>



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 has an affiliation contract with Nippon Express, 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 depicts the story of how pharmaceuticals developed overseas reach a patient. It introduces our temperature-controlled delivery and advanced transportation specializing in pharmaceutical products.

LinkedIn official account

We send various information to business users around the world, mainly focused on businesses conducted by Nippon Express Group companies overseas.

<https://www.linkedin.com/company/nippon-express-group/>



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>



We Find the Way

どんなに困難な環境でも、
ただ一つの最善のルートを見つけ出し、
磨き上げた技術の全てでモノを運ぶ。
日本通運は、原英莉花プロとともに
世界へ挑戦します。

日本通運所属
原 英莉花プロ



www.nittsu.co.jp

 **NIPPON EXPRESS**

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