

BUSINESS REPORT




NIPPON EXPRESS

Securities Code No. 9062

For the 115th Interim Term | From April 1, 2020 to September 30, 2020

The Future in Logistics





I would like to take this opportunity to thank our shareholders for their continued support and understanding. I, hereby, present the Business Report for the 115th Interim Term.

President and Chief Executive Officer

Mitsuru Saito

During the six months ended September 30, 2020, the global economy experienced unprecedented stagnation due to the novel coronavirus disease (COVID-19) and restrictions on economic activities to prevent it from spreading. As economic activities restarted in a phased manner, the economy showed signs of recovery, supported by the economic stimulus measures taken by national governments. However, under the restrictions imposed to prevent the spread of COVID-19, the pace of economic recovery of countries around the world, including Japan, was sluggish, and the business environment remained extremely harsh.

Under these economic conditions, the logistics industry saw cargo movement recover from the sharp decrease in April and May with the gradual restart of production activities in countries around the world including Japan. However, the impact of COVID-19 remains very much evident among consumers and corporations, and movements of cargo for daily

necessities and facility-related cargo such as production machinery were slow. Despite recovery in some industries including autos, it remained far from the level prior to the COVID-19 pandemic, and the cargo movement was generally slow.

In response to the spread of COVID-19, the Nippon Express Group made its utmost effort to help customers maintain and rebuild their supply chain at a time of emergency, and strived to respond to all the logistics needs. Meanwhile, we engaged in infection prevention from an early stage to provide peace of mind to our employees and their family members, who are our greatest assets.

In this business environment, the entire Nippon Express Group maintains our vision, and is working as one to achieve the key strategies outlined in “Nippon Express Group Business Plan 2023 – Dynamic Growth –,” the five-year business plan launched on April 1, 2019, while enhancing our business foundation.

“Business growth strategy”

- Through the approach on the customer (industry) axis we adopt in our “growth strategy for core businesses,” we have strengthened initiatives in our priority industries, such as further reinforcement of our account sales including measures aimed at expanding business with non-Japanese companies and initiatives for the growing semiconductor industry boosted by the migration to 5G and digital transformation demands, and we have established hubs and strengthened sales in order to create a supply network for pharmaceuticals.

On approach on the axis of business, we focused on providing support for the customers’ supply chain with BCP-based logistics proposal and use of charter flights in response to the on-going suspension of ocean and air freight operation due to the spread of COVID-19.

- In our “strategy to enhance domestic businesses in Japan,” we further promoted reassignment of back office personnel with our domestic reorganization to improve productivity and efficiency, strengthening our CSR management and enhancing our sales force. We also strived to maximize use of Group workforce to implement cost controls and reduce outsourcing costs.

“Efforts to implement our long-term vision”

- In our measures to innovate IT strategy for “reinforcing functions to support challenges,” we strived to expand the use of robotic process automation (RPA) and other technologies for greater sales office productivity, and promoted new work-style for the era of coexistence with COVID-19, including the use of remote working. In our effort to innovate R&D strategy, we worked to improve productivity and quality by the use of robotics and IoT at logistics sites.
- In our efforts for “ESG-oriented business management to realize sustainable development and improve corporate value,” we further promoted environmental management such as implementing modal shift, as well as reducing long working hours and acquisition of annual paid leave, and other initiatives to enable flexible workstyle, which is a prerequisite for diversity as part of our challenges for workstyle reform.

As a result, our consolidated business results for the first six months of the 115th term were as follows:

Revenues of ¥964.4 billion (down 7.2% year-on-year),

Operating income of ¥20.8 billion (down 28.3% year-on-year),

Ordinary income of ¥24.0 billion (down 26.7% year-on-year), and

Profit attributable to owners of parent of ¥23.0 billion (up 21.4% year-on-year).

Concerning the interim dividend payments for the 115th term, it was decided at the Board of Directors meeting held on October 30, 2020 to pay an interim dividend of ¥75 per common share with the starting day for payment being December 2, 2020.

In terms of the economic trend for the second half of the fiscal year, major countries including the US and China are expected to drive the recovery of the economy overseas, but it is ridden with downside risks such as rising geopolitical risks in various regions, and economic outlook remains uncertain. As full recovery of the domestic economy is expected to take time and concerns remain over the resurgence of COVID-19 infections in Japan and overseas, downside risk for the economy is likely to persist.

In this business environment, the logistics industry as a whole is being called upon to transform into a value-creation industry that supports sustainable growth of society, ranging from the conversion of management strategy in preparation for the era after COVID-19, implementation of workstyle reforms and efforts to secure and nurture human resources, and response to digital transformation (DX) in addition to development of new logistics services that incorporate cutting-edge technologies, to reductions in environmental impact.

Aspiring to become a logistics company with a strong presence in the global market, the Nippon Express Group will 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.

December 2020

At a Glance

Revenues

¥**964.4** billion

(down **7.2%** year-on-year)

Operating income

¥**20.8** billion

(down **28.3%** year-on-year)

Profit attributable to owners of parent

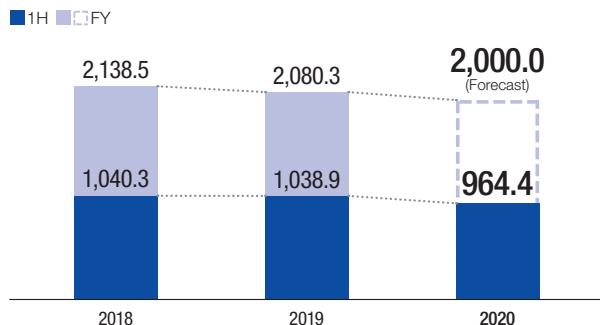
¥**23.0** billion

(up **21.4%** year-on-year)

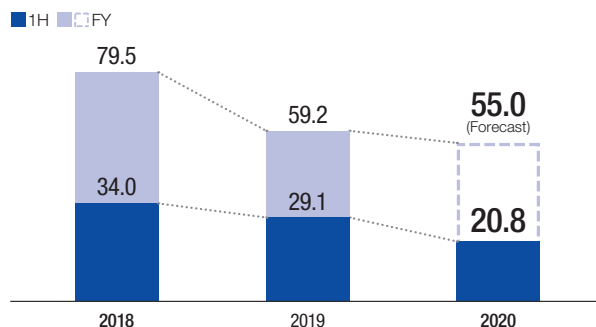
Interim dividend

¥**75.0**

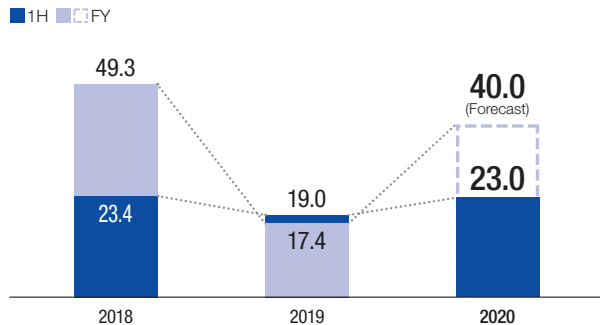
Revenues (Unit: Billions of yen)



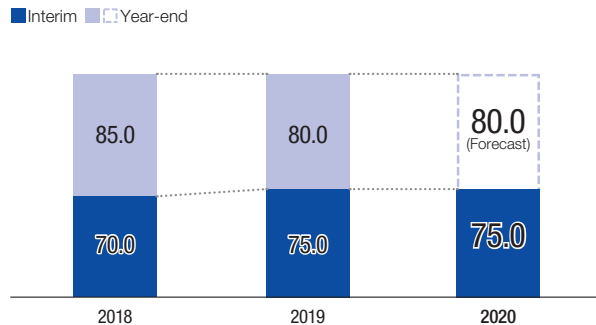
Operating income (Unit: Billions of yen)



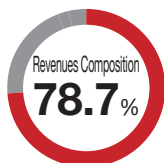
Profit attributable to owners of parent (Unit: Billions of yen)



Dividend per share (Unit: Yen)



Logistics



Japan58.2%
The Americas3.9%
Europe.....5.4%
East Asia6.1%
South Asia & Oceania...5.1%

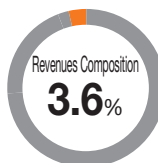
Revenues

¥**759.1** billion
(down **7.1%** year-on-year)

Operating income

¥**20.2** billion
(down **24.6%** year-on-year)

Security Transport



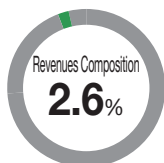
Revenues

¥**34.3** billion
(down **5.8%** year-on-year)

Operating loss

¥**0.9** billion
(Operating loss was ¥1.2 billion for the previous corresponding period)

Heavy Haulage & Construction



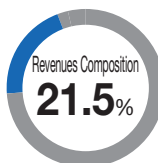
Revenues

¥**25.0** billion
(down **8.0%** year-on-year)

Operating income

¥**2.8** billion
(up **5.7%** year-on-year)

Logistics Support



Revenues

¥**207.6** billion
(down **9.1%** year-on-year)

Operating income

¥**5.3** billion
(down **6.8%** year-on-year)

*Compositions in the above chart exclude adjustments.

The Value Creation Process

The value creation process diagram illustrates the kinds of value the Nippon Express Group creates for society through its business

The Nippon Express Group supports the development of society by connecting people, companies, and regions through use of the While our mission never changes, we continually advance to meet the world's changing needs. Taking pride in our ability to inspire

Improving the Efficiency and Sophistication of Our Customers' Supply Chains and Enhancing the Added Value of Their Goods

Input

Manufactured Capital

- Warehouse space **6.67 million m²**
- Vehicles **14,615**
- Loading and construction vehicles **3,675**
- Coastal shipping vessels
(Japan's largest roll-on-roll-off Himawari ships) **3*1**

Natural Capital

- Energy consumption (Crude oil equivalent)*2 **349,009kl**
- Water consumption
(Group companies in Japan) **1,223,000 m³**

Social Capital

- The world's largest reliable network, built over 80 years
- Subsidiaries **292**
- Affiliated companies **68**
- Overseas **744 locations in 48 countries/regions**
- Number of customers (Japanese business) **about 44,000 companies**

Intellectual Capital

- Entrenched branding over the 80 years since the company's founding
- Expertise in transport through the effective use of our land, sea, and air networks
- Knowledge facilitating the global growth of the customer base as well as the expansion of businesses we have developed in our stronghold of Japan
- Solutions based on IT utilization

Human Capital

- Employees (Consolidated) **73,549**

Financial Capital

- Total assets **¥1,518.0 billion**
- Equity ratio **35.5%**

Business Model



Risks and Opportunities

The Nippon Express Group Business Plan 2023

activities and how it is attempting to grow.

world’s largest logistics network, which itself is comprised of land, sea, and air transport operations. trust, we maintain our commitment to providing innovative solutions at the next frontier of logistics.

Output	Outcome
Logistics	Natural Capital
Japan	• CO2 emissions volume Down 15.4% 2030 target: Down 30%
Revenues ¥1,213.5 billion	• Percentage of owned eco-friendly vehicles to total owned vehicles 49.5% (Group companies in Japan)
Segment profit ¥42.8 billion	• Contribution to increased utilization of renewable energy Wind power generation facilities installed 104 Maximum power generation output*3 297,300kw
Overseas	• Green logistics proposals
Revenues ¥412.5 billion	• Modal shift ratio Exceeding 40%
Segment profit ¥10.7 billion	
Security Transportation	Intellectual Capital
Revenues ¥72.5 billion	• Holding logistics courses in Japan and overseas with the goal of fostering human resources in logistics
Segment profit ¥(1.0) billion	
Heavy Haulage and Construction	Intellectual Capital and Human Capital
Revenues ¥52.3 billion	• Introduction of AI and RPA** to improve productivity and ease labor shortage
Segment profit ¥6.1 billion	
Logistics Support	Social Capital
Revenues ¥471.2 billion	• Actions as a designated public institution for disaster response
Segment profit ¥12.3 billion	• Transportation of goods that contribute to international peace
	• Contributing to local communities through employment and the resolution of social issues
Freight Forwarding Volume	Human Capital
Ocean cargo 690,000 TEU	• Promotion of diversity Percentage of women among new graduate hires 33.6% (For reference, the percentage in fiscal 2009 was 27.5%)
Air cargo 800,000 tons	• Training global human resources Number of employees working overseas 22,811
(January to December 2019 results)	
ROE 3.2%	Financial Capital
	• Annual dividend ¥155 per share (Dividend payout ratio of 83.8%)
	• Total amount of shares repurchased 1,556,900 shares

Nippon Express’ Strength

Our strengths lie in “a variety of transport modes,” “a global network,” and “strength in front-line capabilities,” which always put the needs of the customers first and maintain a strong awareness of safety, compliance, and quality. Combining these three strengths allows us to meet a wide variety of logistics needs. Sure, there are many solutions, but there’s only one best way. We’ll find the way and do it. We believe this is our true strength.

*1 Includes joint ownership.
*2 Aggregate of Nippon Express non-consolidated/Japanese and overseas consolidated companies (equivalent to Scope 1+2). The natural gas used is city gas category 13A, calorific value 45GJ/1,000m³.
*3 The maximum power output refers to the amount installed by our group.
*4 RPA: Robotic Process Automation
Note: Figures quoted as of March 31, 2020 or actual results for the fiscal year ended March 31, 2020.

■ For detailed information, please see the “Nippon Express Group Integrated Report 2020.”





For detailed information, visit our website.

Nippon Express Group Integrated Report 2020

Efforts Toward the Sustainable Development Goals (SDGs)

Today, many serious problems have become evident worldwide, including abnormal weather patterns caused by climate change and the accompanying natural disasters, shortages of water and food due to the destruction of the natural environment and population growth, economic and educational disparity and growing poverty. Aiming to solve the world's common problems in the 21st century, the UN General Assembly adopted the Sustainable Development Goals (SDGs) in 2015 and defined 17 goals and 169 targets for sustainable development, which are considered to be the common goals of the international society.

Under our medium-term business plan, the Nippon Express Group linked the three ESG themes to the SDGs. We have identified risks and opportunities in the value chain by scrutinizing specific topics for each of the three key issues and analyzing the importance of the 169 SDG targets and their relevance to our business.

As we push forward with these efforts, we will remain aware that contributing to a sustainable society through our business operations will enhance the Nippon Express Group's sustained growth and corporate value and lead to the achievement of the SDGs.

SUSTAINABLE DEVELOPMENT GOALS



■ Risks and Opportunities in the Value Chain

Opportunities

- Introduction of energy-efficient technologies, LED and renewable energy (Nippon Express/transport and storage companies)
- Procurement of eco-friendly vehicles, ships, fuel (Nippon Express/transport and storage companies)
- Promotion of partnerships in joint warehouses/transport (Nippon Express)
- Provision of new transport services (routes, products) (Nippon Express)
- Promotion of HR training, diversity, work-life innovation (Nippon Express)



Risks

- Bribery, violation of competitive laws, etc.

- Human rights issues in the procurement stages (transport and storage companies)
- Procurement of fuel and transport equipment (vehicles, ships) (Nippon Express)
- Inadequate environmental regulations, environmental measures (Nippon Express/transport and storage companies)
- Insufficient safety training, safety measures (Nippon Express/transport and storage companies)
- Labor shortages (Nippon Express/transport and storage companies)
- Insufficient responses to natural disasters (Nippon Express/transport and storage companies)
- Invasive species introduced with shipments (Nippon Express/transport and storage companies)
- Accidents involving waste matter (Nippon Express/transport and storage companies)



- Traffic accidents
- Air pollution



For details on ESG management, please refer to the Nippon Express CSR Report.

Nippon Express CSR Report



Introduction of New Services

Remomi, a new service for moving & relocation, launched in Japan

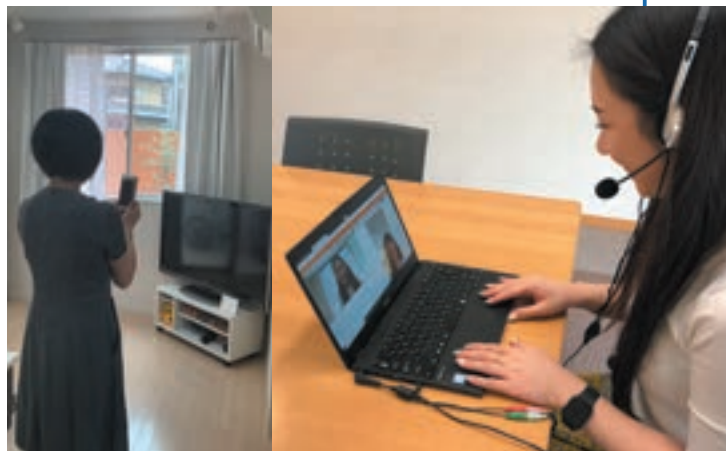
The remote estimate system allows customers to get an estimate without having sales staff visit their houses—a new style of relocation in the era of coexistence with COVID-19.

Nippon Express launched the *Remomi* remote estimate service in Japan on July 1, 2020. The new service responds to the needs of customers who find difficulty in setting a date for a sales staff visit and staying home on the day or have concerns over having contacts with sales staff and letting them in. This system allows customers to more quickly and easily set a date for sales staff visit and get an estimate.

[Procedures in the Past]



[New Procedures]



Nippon Express launches *Protect BOX Arrow*, a new domestic transport service combining Arrow Express with new shipping containers



Protect Box



Boxes loaded on the truck



Protect Boxes in use

On July 15, 2020, we began providing *Protect Box Arrow*, a new domestic transport service combining an existing service and new-type containers, in major cities across Japan. The existing service, launched in Tokyo, Yokohama, Nagoya and Osaka in April, is Arrow Express, a small-lot B-to-B cargo transport service, whereas the new-type containers are the Protect Box containers.

Protect Box containers give customers a designated space of approximately 1 m³ (maximum load: 350 kg). It uses a strong and lightweight honeycomb core material, providing protection from dirt damage and prevention of sliding during pallet transportation. The containers are very durable and can be used repeatedly, meaning less use of protective/packing material, less waste generated, and more eco-friendly transport.

Global Expansion



Acquisition of US logistics companies, making them subsidiaries

We completed the acquisition of the entire equity interests of MD Logistics, LLC and MD Express, LLC (together, “MD Logistics”) on September 1, 2020, through our subsidiary, Nippon Express USA, Inc.

MD Logistics, established in 1996, is a domestic logistics provider for the pharmaceutical and retail industries in the United States. Under the internal management system that complies with licensing and guidelines with regards to the handling of pharmaceuticals, MD Logistics provides distribution processing operations such as storage and packing at a range of temperature from -40°C to $+25^{\circ}\text{C}$, proving their strength in tailor-made services that meet the needs of each customer.

By including MD Logistics into our Group as a subsidiary, we acquired domestic logistics functions in the United States, which accounts for about 40% of global pharmaceutical demand and represents the largest consumer goods market in the world. Going forward, we look to provide integrated logistics services by combining our Group’s international transportation network to support the globalization of our customers’ supply chains.



Toshiya Abe, President and Chief Executive Officer of Nippon Express USA, Inc., (left) and Mark Sell, President and Mark Sell, Chief Executive Officer of MD Logistics



Warehouse of MD Logistics in Plainfield, Indiana

Efforts against COVID-19



Supporting the fight against COVID-19

Nippon Express donated one million yuan (approximately 16 million yen) as relief money to the Shanghai Charity Foundation in Shanghai City where one of our subsidiaries is located in March 2020 to support the China's efforts to combat the spread of the infectious disease. As emergency relief supply, 50,000 face masks and 2,000 bottles of sanitizers were donated to Shanghai City. The relief supplies were donated to medical institutions in Shanghai City through the Shanghai Charity Foundation.



Shipping works



Relief supplies before shipment



Delivery of government-procured medical protective equipment across Japan

Nippon Express was requested by the Ministry of Health, Labour and Welfare to deliver COVID-19 related supplies. From late-February, we were engaged in emergency delivery of medical protective equipment such as face masks, gowns and face shields provided by the government to medical institutions and social welfare facilities across Japan. We will continue our efforts to provide speedy response at times of emergency.



Loading works



Face masks in storage



Delivered from local logistics bases to medical institutions across Japan

Directors, Officers and Corporate Auditors

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



Shigeo 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	Kazutoshi Hamashima	Atsushi Nagashima	Tadahiro Furue	Toshiya Abe
Hiroshi Takahashi	Shinjiro Takezoe	Tadashi Fujishiro	Hiroyuki Tanaka	Tatsuya Fujimoto
Chihiro Sugiyama	Masayuki Yamada	Kenji Kato	Hideshi Ootsuki	Toshikazu Kitai
Akiyoshi Sekine	Hajime Matsumoto	Ken Sato	Tatsuya Akama	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:	35,193
Branches:	277
Consolidated subsidiaries and companies accounted by the equity-method:	Consolidated subsidiaries: 252 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	96,000,000 shares
Number of shareholders		47,990 persons

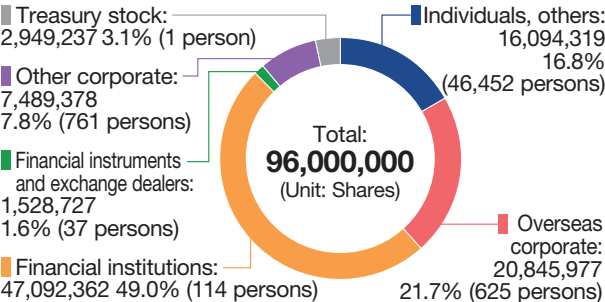
Major Shareholders

Major shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Account in Trust)	9,976	10.7
Custody Bank of Japan, Ltd. (Account in Trust)	8,981	9.7
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 Custody Bank of Japan, Ltd.)	4,150	4.5
Nippon Express Employees' Sharehold- ing Association	3,810	4.1

* Shareholding ratio is calculated by excluding 2,949,000 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.



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/> (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: Shin-Tokyo Post Office Box No.29
137-8081
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division

Method of Announcement:

Electronic announcement
If the Company is unable to make electronic announcement due to an accident or any other compelling circumstance, it will make an alternative announcement on the Nihon Keizai Shimbun circulated in Tokyo.

URL for electronic announcement
<https://www.nittsu.com/>

CORPORATION

We provide a wide range of up-to-date information, including description of our business and services, latest news, and investor relations materials.

<https://www.nipponexpress.com/>



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)



TVCM

We communicate various initiatives pursued by Nippon Express to a wide audience through television commercials and television programs currently on air.

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



“Professional Golfer Erika Hara” version

Women's professional golfer Erika Hara, who 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.”



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/UCatNmOs5hJzVWMfQeUnaQ>



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

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