

GOVERNANCE

Management Approach

Build a management platform that supports improvements in sustainable corporate value

We consider establishing and maintaining a fair and efficient management structure while also ensuring the soundness and transparency of management to be one of the key management issues to be addressed in sustainably enhancing our corporate value.



Main ESG Issues

- Strengthening Governance
- Strengthening Risk Management
- Improving Quality and Creating New Value

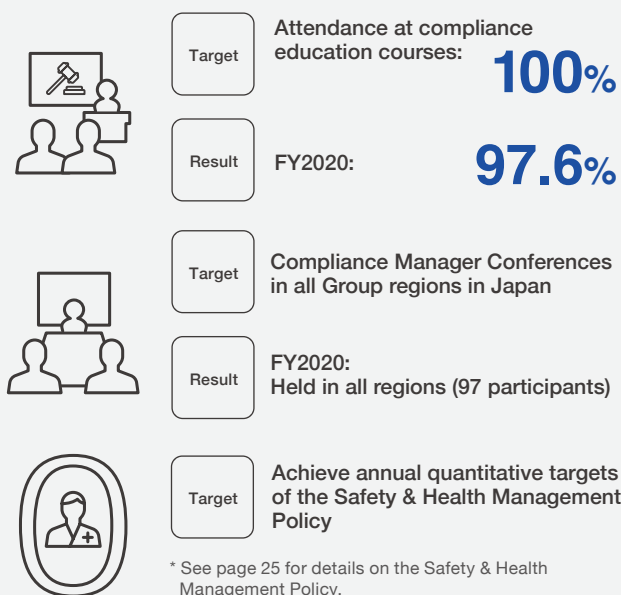
Specific Topics

- Promote fair business practices
- Implement robust anticorruption measures
- Ensure occupational and social safety
- Maintain Social Safety Involving Logistics
- Encourage global quality to meet expectations from customers and society
- Enhance corporate governance
- Personal Data Protection
- Risk management

The Nippon Express Group's Approach

- Strengthen supervisory functions and implement effective operation by leveraging the Board of Directors, Audit & Supervisory Board and Compliance Committee
- Continue to provide compliance education programs to prevent anti-competitive behavior and bribery
- Spread and promote the use of Nittsu Speak Up, a whistleblowing system, among employees
- Use the Nittsu Safety & Health Management System (NSM) to thoroughly inform all staff members of the importance of health and safety
- Provide affiliates and subcontractors with guidance and education on safety

Management Indicators



Sound Company Conduct

Promote Fair Business Practices

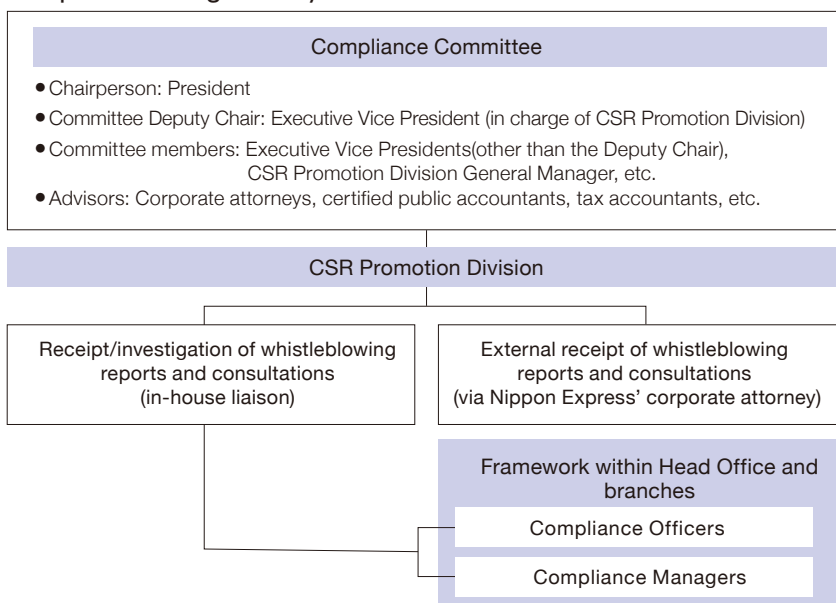
Compliance Management Structure

Organizations and Systems

Nippon Express established its Compliance Division (now the CSR Promotion Division) and Compliance Regulations in 2003 to define a code of conduct for staff members. A Compliance Committee headed by the President has also been set up. In addition, the Nittsu Speak Up whistleblowing system has been put in place to facilitate self-correction, and to promptly detect and prevent violations of laws.

In pursuit of compliance management, the Nippon Express Group takes measures to ensure honesty and fairness in its corporate activities.

Compliance management system



Compliance Training Activities and Achievements

The Nippon Express Group distributes a Compliance Handbook (in Japanese, English, and Chinese) to all Group employees, including overseas employees. The handbook summarizes specific examples of compliance and the Code of Conduct in an accessible manner. We use the handbook for employee training as it is an effective tool for promoting compliance management. In fiscal 2020, we used the Compliance Handbook to train 65,581 employees in Japan.

For sales and administrative employees, we conduct e-learning twice a year to prevent harassment and non-compliance. In fiscal 2020, 36,693 employees participated in this training. We are also working to raise awareness about the importance of thoroughly ensuring compliance within the Group, and we convene an annual conference for Nippon Express Group compliance managers with the aim of sharing information and exchanging opinions related to compliance.

Every month, the CSR Promotion Division distributes a CSR Newsletter and a Compliance Calendar to our workplaces. Besides sharing information about cases of compliance violations, the CSR Newsletter helps readers to obtain more knowledge and raise their awareness about CSR. The Compliance Calendar presents some compliance slogans collected from staff members and is designed to spread compliance throughout the workforce via employee involvement and friendly content.

Compliance Awareness Survey Activities and Achievements

Every year, the Nippon Express Group carries out a compliance awareness survey of all employees in Japan.

The survey conducted in November 2020 (target group: 67,247 persons; respondents: 58,152) addressed compliance awareness, assessments of workplace conditions, compliance awareness improvements, harassment prevention, and misconduct or improper activities among all employees.

Implement Robust Anticorruption Measures

Instilling Compliance Awareness Activities and Achievements

The Compliance Handbook, which is distributed to all Group employees, including overseas staff, as a training tool for employees, describes business entertainment, exchanges in the form of gifts or money, and the provision of favors to civil servants or persons in similar positions as unacceptable. In addition, the Handbook clearly bans accepting or providing gifts or money, or entertainment that is unacceptable according to normal social practices, or exceeds the boundaries of business practices. We are making every effort to reduce the risks by making sure all employees are thoroughly informed. We circulated the Overseas Business Management Handbook, which contains information about the ban on paying bribes to civil servants or persons in similar positions in other countries. In addition, in February 2021, we established the Nippon Express Group Anti-bribery Regulations, which also cover overseas Group companies, and created guidelines to improve our systems and employee education.



Compliance Handbook

Compliance Violations Activities and Achievements

In fiscal 2020, there were no cases of legal action due to anticompetitive conduct, violations of antitrust laws, or violations of the Antimonopoly Act. We were not subject to serious fines or other punitive measures due to violations of environmental laws and regulations, nor did we receive specific complaints concerning infringements of customer privacy.

Ensure Occupational and Social Safety

Safety & Health Management Policy Policies and Targets

Every fiscal year, the Nippon Express Group formulates a Safety & Health Management Policy applicable to all companies in the Group based on the previous fiscal year's safety and health record and the results of Group efforts.

FY2021 Safety & Health Management Policy

The Nippon Express Group Safety Philosophy "Safety takes precedence over everything else."

- **Safety Management Policy Target** **[Company-wide Target]**

Reduce serious accidents and disasters to zero.

30% or more improvement in traffic accidents and occupational accidents compared to the same period of the previous year

- **[Individual Target]**

Reduce day-to-day accidents and disasters to zero in all workplaces.

● **Commitment to Safety**

The Nippon Express Group has composed a Commitment to Safety to raise and extend safety awareness at all Group companies. The Commitment to Safety expresses a strong commitment to prevent accidents and disasters, and the Nippon Express Group undertakes a number of efforts to put this Commitment into regular practice.

● **President's Commitment to Safety**

Since fiscal 2014, posters clearly spelling out the commitment and responsibilities of the President have been created and put up in all workplaces to boost safety awareness.



Safety poster

Commitment to Safety

- We will abide by all applicable laws and rules and prioritize safety above all else.
- We will never forget past accidents and always learn from them.
- We will undertake daily risk prevention activities.
- We will improve our expertise in order to conduct safer operations.
- We will remain conscious of safety and endeavor to prevent accidents.

Nittsu Safety & Health Management System (NSM) Organizations and Systems

In April 2010, after a thorough review of the existing safety and health management program, the Nippon Express Group introduced the Nittsu Safety & Health Management System (NSM) built upon three programs in pursuit of a more reliable system for safety and health management.

The first program is “Open Communication in the Workplace” for effectively disseminating corporate policy and strategic direction from the top management to our front-line colleagues. The second program, “Challenge Circles (CC),” involves small group discussions on addressing problems in workplaces and ensuring safety. The third program is health and safety training/education for supervisors and managers.

NSM makes the three programs continuously function in a PDCA (plan, do, check and act) cycle, thus improving workplace environments.

Safety Measures Taken by Affiliates and Subcontractors Activities and Achievements

Branch operating companies are independent corporations but, as part of the Nippon Express Group, they need to implement safety measures that are on par with those implemented by Nippon Express. The relevant officer at the managing branch provides branch operating companies with safety education and guidance under the supervision of the Head Office and in line with Nippon Express’ practices. Safety council meetings with affiliates and subcontractors are held biannually at each branch office to discuss safety and quality only. The meetings are carefully designed to ensure the provision of safe and secure transport services to customers.

Guiding and Educating Site Workers Organizations and Systems

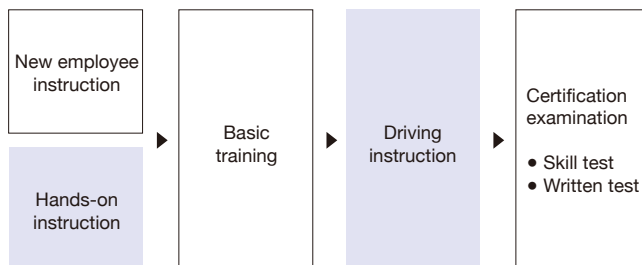
The Nippon Express Group focuses on safety education and training for truck drivers and forklift operators in order to prevent workplace accidents.

Nippon Express has established a proficiency examination system to certify staff members’ knowledge and skills and determine whether they have learned proper driving etiquette and can operate vehicles safely in the manner expected of every staff member of the Nippon Express Group. Only after they complete this in-house training and testing can they assume driving duties.

As our frontline worksite management is changed, supervisors and team leaders lead by formulating instructional and educational plans to completely eliminate accidents and disasters. They also become involved in educating colleagues about safety, for example, by instilling basic behavior and encouraging skill improvements. Head Office Mentors train branch-level instructors who play a central role in passing on high-quality skills in an effort to improve and standardize work quality and boost safety awareness and skill improvement.

In addition, we collect information on traffic and labor accidents at our overseas locations, examine preventive measures, and make necessary improvements.

Training programs for drivers and forklift operators



Instructor system for drivers and forklift operators



Specialist Training Activities and Achievements

● **Specialist Training in Heavy Haulage Techniques**

In order to safely carry out heavy haulage and construction, it is extremely important to have access to the latest information, knowledge and technical capabilities as well as strong communication and negotiation skills for collaborating with customers and subcontractors. Nippon Express’ Heavy Haulage & Construction Business Division previously based its human resources development on OJT, and we

established an educational system designed to standardize and further improve our service level. Specialist training is systematically carried out through our own unique curriculum, and we plan to provide training by job level, from beginner to instructor training, in heavy haulage and construction operations.

• **Create New Approaches to Keep the Economy Going**

With regard to cash, which is the bloodstream of the economy, our company is responsible for transportation services as well as warehousing services such as the storage and calculation of cash for financial institutions and retail stores and the procurement of funds for financial institutions and ATM funds.

Because productivity and digitalization pose major challenges, we are reviewing our existing system of operations and are beginning to shift some “human” activities to machinery to reduce personnel and costs. The Chubu Security Transport Branch’s Business Center has partly introduced robots into the automatic transportation of goods such as cases containing cash and other business activities and has taken other actions to continue changing its operational system and build a new mechanism to keep the economy going.

• **Efforts to Improve Quality**

As security transport professionals, we transport our customers’ valuables safely and unfailingly by assigning highly-skilled security guards and using transport vehicles equipped with GPS and other sophisticated security devices. Each November, as the crime-prone year-end and New Year holidays approach, Nippon Express organizes extensive training at its security transport sites to raise security alertness and skills. In the future, we will continue to introduce remote training to meet the needs of the times, and to build on our efforts to further improve quality through daily operations and training in the security transportation business, where ensuring safety and security is a crucial mission.

Commitment to Safety in Logistics Activities and Achievements

With “Safety takes precedence over everything else” as its Safety Philosophy, the Nippon Express Group is committed to completely eliminating accidents and disasters on a company-wide basis. By disseminating messages from senior management on achieving zero accidents and communicating the safety principles of each branch and section via workplace-wide meetings, we aim to spread safety awareness among all staff members. At workplaces, small group bottom-up activities are held to address challenges in ensuring safety and organize safety patrols by safety teams in an effort to prevent accidents. We also train technical and practical instructors to increase our staff members’ skill levels and safety awareness.

• **Measures to Ensure Drivers’ Safety**

The Safety and Health Promotion Division regularly conducts aptitude tests on drivers, who are the bedrock of our business operations, and provides safe driving guidance in accordance with the drivers’ characteristics as determined by the test results. Sleep apnea syndrome (SAS) screening tests are also conducted on a regular basis. We make thorough efforts to ensure workers’ safety. For example, complete checkups and medical treatment may be required and driving restrictions may be imposed as necessary.

Safety panels are established when accidents or disasters occur to prevent any recurrences through actions such as safety drills, ride-along instruction by supervisors and team leaders and reviews of safe working procedures.

• **Use of an Eye Tracking System**

The system visualizes the safety checks of drivers and forklift operators, and verifies the points and timing of the checks. In addition, users are able to improve their skills by comparing videos with their instructors.

• **Training Equipment for Accident Prevention When Backing Up**

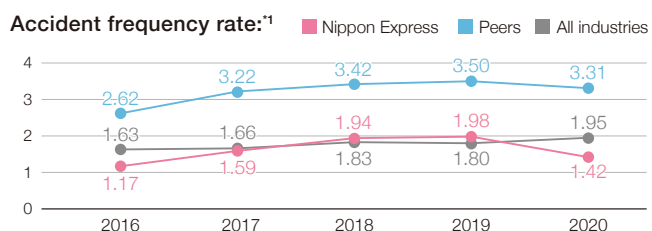
By installing a device that resembles an eave at the rear of the vehicle and viewing the backward movement at the same time as the rear-view camera image from outside the vehicle, we can verify visibility and blind spots. It can be demonstrated that a rear-view camera also has blind spots (patent pending).

• **Introduction of Special Vehicle for Accompanied Driving Lessons**

In June 2021, a special vehicle for training (W-cab truck with auxiliary brake on the passenger seat) will be introduced and accompanying instruction will be provided. If the instructor senses danger when instructing a new employee, the instructor will step on the brakes to avoid it. Multiple people can be provided instruction at the same time in a 2t vehicle because of the double cab.

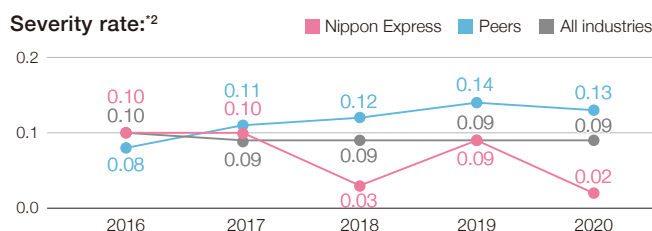
Maintain Social Safety Involving Logistics

Safety-related Data • Index of labor accidents



*1 The frequency rate is an international indicator that indicates the incidence rate of occupational accidents.

$$\text{Number of casualties per one million working hours} = \frac{\text{Number of casualties}}{\text{Total number of working hours}} \times 1,000,000$$



*2 Severity rate is an international indicator that indicates the degree of injury caused by occupational accidents.

$$\text{Days lost per 1,000 working hours} = \frac{\text{Workdays lost}}{\text{Total number of working hours}} \times 1,000$$

- **Rules on recording and reporting accident statistics**

Nippon Express has established Safety & Health Rules and has safety management systems in place at all of its offices. Safety Officers at our business locations prepare and collect safety-related materials, keep important records, investigate the causes of accidents and analyze these accidents to apply the lessons learned to our day-to-day safety activities.

- **Workers engaged in activities with a high incidence or high risk of disease**

Nippon Express has established Safety & Health Rules and has health management systems in place at all of its offices. Health Officers at our business locations are required to investigate risks, hazards or other matters concerning our operations before taking measures accordingly.

Expenses for transport safety (FY2020)

Item	(Unit: million yen)
Labor cost of safety-related positions (domestic)	1,101
Educational costs (training at Head Office)	386
Material publishing	2
Driving control system (digital tachograph) related	584
Accident and disaster prevention awareness materials, etc.	5
SAS screening tests	23
Other safety measures	117
Total	2,218

Acquisition of certification as safety excellence enterprise (G-Mark*3) (as of January 2021)

	Number of authorized offices	Number of G-Mark certified offices	Rate of certification
Total number of certified offices in Nippon Express	501	489	97.6 %
Number of certified offices in the Nippon Express Group	244	234	95.9 %

Number of accidents relating to Article 2 of the Automobile Accident Reporting Regulations (FY2020)

Item	(Unit: number of accidents)
Vehicle malfunction	17
Fall	0
Fire	0
Collision	3
Death or injury	0
Total	20

Reference) Industry certification status (as of December 2020)

	Number of authorized offices	Number of G-Mark certified offices	Rate of certification
Nationwide	85,445	27,065	31.3 %

*3 G-Mark: A certification issued by the Japan Trucking Association to truck transportation businesses that satisfy certain criteria in traffic safety efforts, etc. It is a system to make user selection of safer companies easier, and to raise awareness about improving the safety of truck transport companies as a whole.

Encourage Global Quality to Meet Expectations from Customers and Society

Our View on Quality Policies and Targets

The Nippon Express Group is committed to the maintenance and improvement of its service quality as an effective means of achieving sustainable corporate growth and performance improvements. To support the enhancement of customers' lives through logistics, we are endeavoring to acquire ISO9001 certification, an international quality control system, so that we can respond sincerely to customer feedback and offer high-quality service to continue earning customers' trust and satisfying customers. Our ISO-certified branches set targets in their customer surveys and conduct monitoring to achieve the targets.

Quality Management System Organizations and Systems

In addition to ISO9001 certification, we have introduced our own original system for handling cargo accidents and remained consistently committed to quality improvements. In particular, an accident with damage amounting to 5 million yen or more may be handled under supervision by the division in charge (Business Division).

Customer Consultation System Organizations and Systems

Nippon Express has introduced a customer consultation system (VOCS) that allows the entire company to share customers' inquiries, opinions and requests directed to its website.

The inquiry page on the website is periodically redesigned by the Website Administration Committee so that customers can submit inquiries more easily. These improvements have led to further inquiries from customers. We will compile the opinions and requests received from customers into a database to keep up with changes in social and economic conditions as we endeavor to develop new products and improve our service quality.

Inquiries/requests received in FY2020	
Inquiries	12,306
Requests	711

Customer Questionnaire Survey Organizations and Systems

Nippon Express air cargo transport organizations across the country have been obtaining ISO9001 certification. To qualitatively improve our transport service, we set targets for customer satisfaction on a nationwide basis and consistently check our performance by means of customer questionnaire surveys. Whenever we receive opinions and requests, we discuss them in our periodic “Review Meetings” in order to improve our work and bring about continued enhancements in the quality of our transport service.

Customer Survey on Our Removals Services Activities and Achievements

We have been asking customers who make use of our removals services to respond to a questionnaire survey on our removals services. The opinions we receive from this survey will be utilized in making future business improvements and developing services in the hope that these will lead to greater customer satisfaction and improved service quality.

Our Actions on Halal Certification Activities and Achievements

In March 2021, we developed a speedy halal logistics service that can handle small-quantity cargo such as single cardboard boxes by introducing the work procedures for halal logistics system certification to our domestic air transportation product, Express High Speed.

In 2014, we became the first Japanese company to obtain Halal Logistics Certification in Malaysia, and we are working to establish global halal logistics services. In Japan, we obtained halal certification for our warehouses for the first time in 2016 and we have since been building a network of halal logistics services, including the introduction of halal roll boxes for mixed transport of small-lot cargo less than a truckload, and halal rail containers for large-lot cargo.

Corporate Governance

Enhance Corporate Governance

Basic Views on corporate governance Policies and Targets

The Nippon Express Group upholds its mission to resolve social issues through logistics and support social sustained development and growth in accordance with the “Nippon Express Group Corporate Philosophy.” We also believe that working hand-in-hand with all stakeholders, including shareholders and investors, and respecting their viewpoints is indispensable to the realization of sustained growth and improvement of corporate value. To this end, ensuring compliance and guaranteeing management transparency, as well as speedy management through rapid decision-making and the clarification of responsibility, are important.

Building such a system and ensuring that it functions properly comprises our basic policy on corporate governance. On the grounds of these basic views, our company strives for continuous progress and reinforcement of its corporate governance.

*Please see the Integrated Report for detailed information on our corporate governance.

Evaluation Process for ESG Management Performance Organizations and Systems

We are aware that the initiatives for ESG management are essential challenges. With this in mind, the Board of Directors and the Board of Officers are always prepared to discuss them as part of their important risk management efforts. In addition, with the establishment of the Environmental Management Promotion Committee and the Compliance Committee, both of which are chaired by the President, we are ready to steadily implement measures to understand and solve issues in related fields. To this end, we will regularly conduct internal audits on our labor environment, safety management and other elements of our business operations.

Personal Data Protection

Personal Data Protection Policy Policies and Targets

Nippon Express handles a variety of personal information, including customer information, as necessary for business. To this end, we have established a Personal Data Protection Policy, and we comply with rules and regulations as well as other norms pertaining to the protection of personal data, while simultaneously working on the establishment of autonomous rules and appropriate implementation systems that match our corporate philosophy and businesses. We are working to acquire and certify personal information protection, including acquisition of the Privacy Mark.

Certifications Received Relating to the Protection of Personal Data Activities and Achievements

- **Privacy Mark**
Nippon Express, Nittsu Shoji, Nippon Express Travel, Careerroad, Nago E-Technology, Okinawa Nittsu Air Cargo Service, Wanbishi Archives
- **ISMS (Information Security Management System) Certifications**
Nippon Express, Nittsu Shoji, Nippon Express Capital, Nittsu Information Systems, Nittsu NP Logistics, Nittsu NEC Logistics, Wanbishi Archives (As of March 31, 2021)

Risk Management

Regulations and Policies for Risk Management Organizations and Systems

Nippon Express has established four sets of rules based on its Crisis Management Rules: Disaster Management Rules, Overseas Crisis Management Rules, IT System Risk Management Rules, and Pandemic Management Rules. These various rules lay out the measures to be taken in response to the various risks posed by wide-area disasters, outbreaks of new strains of influenza and other infectious diseases, information system risks, emergencies overseas, etc., and we are hoping to strengthen collaboration within the Group on the basis of the Nippon Express Group Disaster Measures Regulations.

System to Ensure Business Continuity (BCM/BCP) Organizations and Systems

Nippon Express has developed a Business Continuity Plan (BCP) in order to continue its operations even in an emergency situation such as a major disaster or the spread of a new influenza strain or other infectious disease. We are ensuring our resilience by systematically preparing advance measures, disaster drills, initial responses and relief activities to implement during an emergency.

The various Head Office divisions and other key business locations throughout Japan have stocked up on emergency supplies as well as hygiene products to combat new strains of influenza and other infectious diseases, and have been equipped with satellite telephones and priority mobile phones for use during disasters if telephone lines are cut. A liaison system for quick contact during emergencies has also been established.

Disaster Management System Organizations and Systems

Based on its disaster management rules and disaster reporting guidelines, Nippon Express stipulates that, when a disaster subject to reporting occurs in a region in which the company operates, information must be collected by each of the relevant locations and the necessary items reported in the Disaster Management System on its intranet in order to promptly confirm the safety of employees, assess the extent of damage to facilities, and expedite relief efforts.

Safety Confirmation System Organizations and Systems

Confirming the safety of employees is one of the most important tasks among the initial responses taken during an emergency. In accordance with its Basic Policy for Business Continuity Management (BCM) that has been formulated within the Business Continuity Plan (BCP), Nippon Express has adopted a Safety Confirmation System that automatically sends safety confirmation emails to employees, in response to earthquakes of a certain severity or warnings issued by the Japan Meteorological Agency, in order to rapidly confirm the safety of employees during disasters.