IR Presentation Materials

Session 2
Strategy to Enhance Domestic Businesses in Japan

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Nippon Express Co., Ltd.
Measures for the Strategy to Enhance Domestic Businesses in Japan

(1) Further Personnel Reassignments
(2) Automate and Streamline Administrative Tasks
(3) Introduce Labor-Saving Measures And Automation
(4) Strengthen Integration of Land, Sea, and Air
(5) Strengthen Sub-Agent Operations
(6) Expand Sales of New Products
(7) Structural Reform of The Moving & Relocation Business
(8) Improve Efficiencies in Small-Lot Shipments
(9) Fee Revisions for the With-COVID-19 Era
(10) Maximize Cost Reductions and Company Strengths
(1) Further Personnel Reassignments (Reduce Back Office Personnel)

- Reorganize offices and streamline administrative work to reduce back office employees; reassign employees to sales departments
  - FY19 Reduced 116 positions
  - Continue to consolidate operations support offices by block, specific branches
  - FY20 Plan to reduce approximately 100 positions in branch back office functions
  - Also plan to reduce 100 positions at HQ
  - Move further in adopting RPA, other administrative streamlining

FY19 to FY20
Sales Divisions, Priority Industries Reinforce Overseas, Workplace Capabilities
(Approx. 300 people)
(2) Automate and Streamline Administrative Tasks

- Pursue RPA through 2WAY at company level and worksite level

Streamline company-level administrative tasks via RPA

- Develop and implement robots through HQ consolidation and leadership (Information Technology Promotion Division)
  - Operations analysis and standardization coordinated with on-site personnel
  - 608 robots in operation (as of the end of July 2020)

Streamline work site administrative tasks via simplified RPA

- Develop and implement simplified robots in conjunction with improved on-site administrative tasks
  - Begin automation tailored to needs of each work site
  - Simplified initial designs and specification changes after release
  - Assign responsible personnel to domestic blocks (50 people) and advanced model branches (10 branches)
(3) Introduce Labor-Saving Measures and Automation

- Pursue labor savings and automation through advanced technology; improve capabilities related to profitability, quality, and DX

1. Improve productivity for increased profits
   (increase sales through expanded processing capacity, reduce operating costs)

2. Improve quality of operations
   (Utilize IoT, robotics, AI, etc., to reform operations)

3. Strengthen response to With-COVID-19 era and labor shortages
   (ensure social distancing, pursue labor savings)

- Assign total of **60** people to be responsible for operational advancements and efficiencies across **34** branches in Japan
- Assign total of **20** people to be responsible for operational labor savings and automation across **16** branches in Japan
- Establish a labor-savings and automation model by industry and business type; expand models gradually company-wide.
(4) Strengthen Integration of Land, Sea, and Air

- **Sales team reorganization**: Restructure integrated land/ocean/air sales teams by customer, industry, and business.

- **Use locations, facilities effectively**: Consolidate sales division offices, share/consolidate operating locations and facilities; reassign to other locations within areas.

- **Pursue cooperative operational structure**: Share vehicles effectively for higher loading and operating capacity; share information related to empty warehouse space; etc.
(5) Strengthen Sub-Agent Operations

- Maximize group work force through work-style reform and labor laws

Maximize Group Synergies

- Maximize company (group) strengths (personnel, vehicles) to reduce outsourcing costs and implement cost controls ⇒ toward greater sub-agent operations

- Strengthen management in terms of labor hours, same pay for same work (work-style reform), and compliance
(6) Expand Sales of New Products (NEX-NET Product BOX)

Allow for small-lot shipments
Prevent damage

Clear fee structure
Significant reduction in packaging materials

Support for all modes
Lockable

Shorter loading/unloading times
Prevent contact with other cargo

Multi-mode unit product
Offer unique services to respond to a variety of customer demands

Unit Product
Select mode according to customer need

Launched July 15
Nationwide
Protect Box Transportation Service
Zone Fare per Box

Transportation Mode

Protect BOX AIR

Basic Service
(Truck Transportation)
Protect BOX Arrow

Protect BOX RAIL
and SEA

Ship/Recover

- Large trucks → 32 unit capacity
- 12-foot container → 12 unit capacity
- Air container → 1 unit capacity

- BOX breaks down for recovery
(7) Structural Reform of the Moving & Relocation Business

■ Develop system that leverages our advantages

- Hire more Moving & Relocation workers (skilled workers)
  - Hire more planners
    - Increase to 441 in Japan
  - Expand workforce
    - Increase to 786 in Japan
  - Conduct pre-inspections, capture weekend (Fri/Sat/Sun) demand (increase number of jobs)
  - Implement more detailed combinations of operations (increase profitability)

Adopt Remomi remote estimate system  July 1~

- Perform pre-inspections tailored to customer availability
- New style of moving in the With-COVID-19 era
- Adopt digital technologies for improved productivity
(8) Improve Efficiencies in Route Motor Transportation Business

**Secure Revenues**

- **Introduce Operating Efficiencies**
  - Revise Product Specifications
    - Revise long/unusual cargo sizes (October 2019)
    - Introduce Sat/Sun delivery (April 2020)
    - Revise holiday delivery (planned for September 2020)
  - Optimize Trunk Line System
    - Improve trunk line load capacity management
    - Share/reduce low-capacity routes
    - Expand terminal relay functions
  - Optimize Operations
    - Improve Margins on Mixed Loads
    - Improve collection delivery efficiency
  - Revise Collection and Delivery Systems
    - Allocate collection and delivery vehicles according to volume fluctuations
    - Expand cooperative area with Meitetsu Transportation

- **Expand Sales**
  - Develop New Products
    - Strengthen sales in major areas (Tokyo, Nagoya, Osaka)
    - Expand sales through ocean and air business unit
    - Bring route motor cargo performed by other companies inside the group
    - Nationwide rollout of new value-added Protect BOX Arrow product in Japan (July 2020)
  - Expand Sales
    - Capture demand in new needs
  - Charge Reasonable Fees
    - Continue negotiations with low-fee customers
    - Negotiate with customers to eliminate wait time and incidental work; negotiate fee collections

**Respond to cost increases**

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(9) Fee Revisions for the With-COVID-19 era

- Continue to persevere in our efforts despite the challenges of the COVID-19 pandemic
  - Propose new products and services
  - Increase prices in real terms through cost reductions by changing cargo handling operations, changing routes, improving wait times, etc.

(10) Maximize Cost Reductions and Company Strengths

- Leverage company (group) land/ocean/air strengths (personnel, vehicles) to the fullest, reducing outsourcing costs, and strengthening daily cost controls
- We are revising business process plans (cost reductions) for a With-COVID-19 world and expending our best efforts
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