

(Summary) Session 1

Takaaki Ishii, Executive Vice President, Chief Operating Officer, and Representative Director Growth Strategy of Core Businesses

Japan Overview and Outlook P.1

- The spread of COVID-19 and slowdown in economic activity had a significant impact on Q1 results in Japan. Nittsu Research Institute and Consulting forecasts a 6.9% decrease in overall domestic freight volume for FY2020.
- We forecast business related to the apparel industry and pharmaceutical/medical industry to increase compared to the previous year, while business related to the electric and electronics industry will decline slightly. We expect the automotive industry-related business to experience a decline of about 20% or ¥53.5 billion.
- We expect total priority industry sales for this fiscal year to amount to 63.5% of our FY2023 target (final year of current management plan).

Overseas Overview and Outlook P.2

- City lockdowns in China and other countries as countermeasures to COVID-19 resulted in stagnant logistics and had a significant impact on our priority industries*. Overseas results represent performance from January through December (12 months).
- Despite signs of recovery in some areas, the impact of COVID-19 infections continue. It will take some time for cargo movement to recover in full.
- Our priority industry sales forecasts for FY2020 call for an expected increase in electric and electronics and pharmaceutical/medical compared to the previous year. We expect automotive industry-related and apparel industry-related business to decline by about 10% and 20%, respectively.
- We expect total priority industry sales for this fiscal year to amount to 60% of our FY2023 target (final year of current management plan).

Priority Industry Initiatives P.3

- In this time of the new normal, we will focus on revising our approach to new needs and the global supply chain. At the same time, our growth strategy reflects our view of next-generation society brought about by technological innovation.
- In the electric and electronic industry, we intend to strengthen sales targeting equipment related to the transition to remote work and automation, as well as base stations and servers, which will see higher demand with the expansion of 5G.
- In the automotive industry, we intend to develop logistics services closer to overseas production bases in order to respond to changes in the supply chain. In addition, we will strengthen our business with Japanese and non-Japanese global suppliers involved in CASE and other next-generation automotive production.

- In the apparel industry, we will engage in horizontal expansion of our luxury apparel and fashion warehouse logistics in Europe to North America (largest global market) and Asia (region of expected future growth). Warehouse operations for the growing e-commerce sector are strong, driven by the expansion of at-home work needs. We will continue to expand in the future, including operations in Asia.
- The pharmaceutical/medical industry demands advanced traceability in logistics due to issues that include counterfeit drugs. We will continue to offer GDP-compliant high-quality transportation services in Japan and in our international forwarding business. In addition, we are working on the construction of an open digital platform utilizing blockchain.
- In the semiconductor industry, we expect demand for memory semiconductors to increase due to advancements in remote work. We also expect the rising popularity of next-generation vehicles to increase demand for automotive semiconductors. Nippon Express intends to continue capital investments for global production logistics related to the expected worldwide growth in semiconductor manufacturing facilities.

Priority Industry Initiatives P.4

- Based on our growth strategy focused on priority industries, we have defined the global market as our main battleground. Here, we will be active in strengthening our sales efforts toward global customers. In addition to strengthening sales to Japanese global customers, which is a strength, we have also established a sales structure for non-Japanese global customers.

Initiatives for Global Customers (Non-Japanese) P.5

- Our account sales approach has been successful in handling non-Japanese customers and continues to progress well.
- Of the ¥36.6 billion in our sales forecast for FY2020, we expect ¥29.1 billion to be overseas sales.
- From FY2018 through FY2019, overall company sales decreased in Japan and overseas. In contrast, sales to non-Japanese customers increased steadily over the same period. Overseas sales accounted for 48% of total sales at ¥198.0 billion. The key to our growth strategy in the future will be expanding sales to non-Japanese global customers, mainly in our priority industries.

Initiatives for Global Customers (Non-Japanese) P.6

- Our global customer sales structure consists of a Global Key Account (GKA) team in our head office, which is responsible for leading sales for global customers.
- Ten of our major global customers and 29 of our main target customers have been selected from our priority industries, and by strengthening our sales to global customers, we expect to capture business in peripheral industries as well.

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