

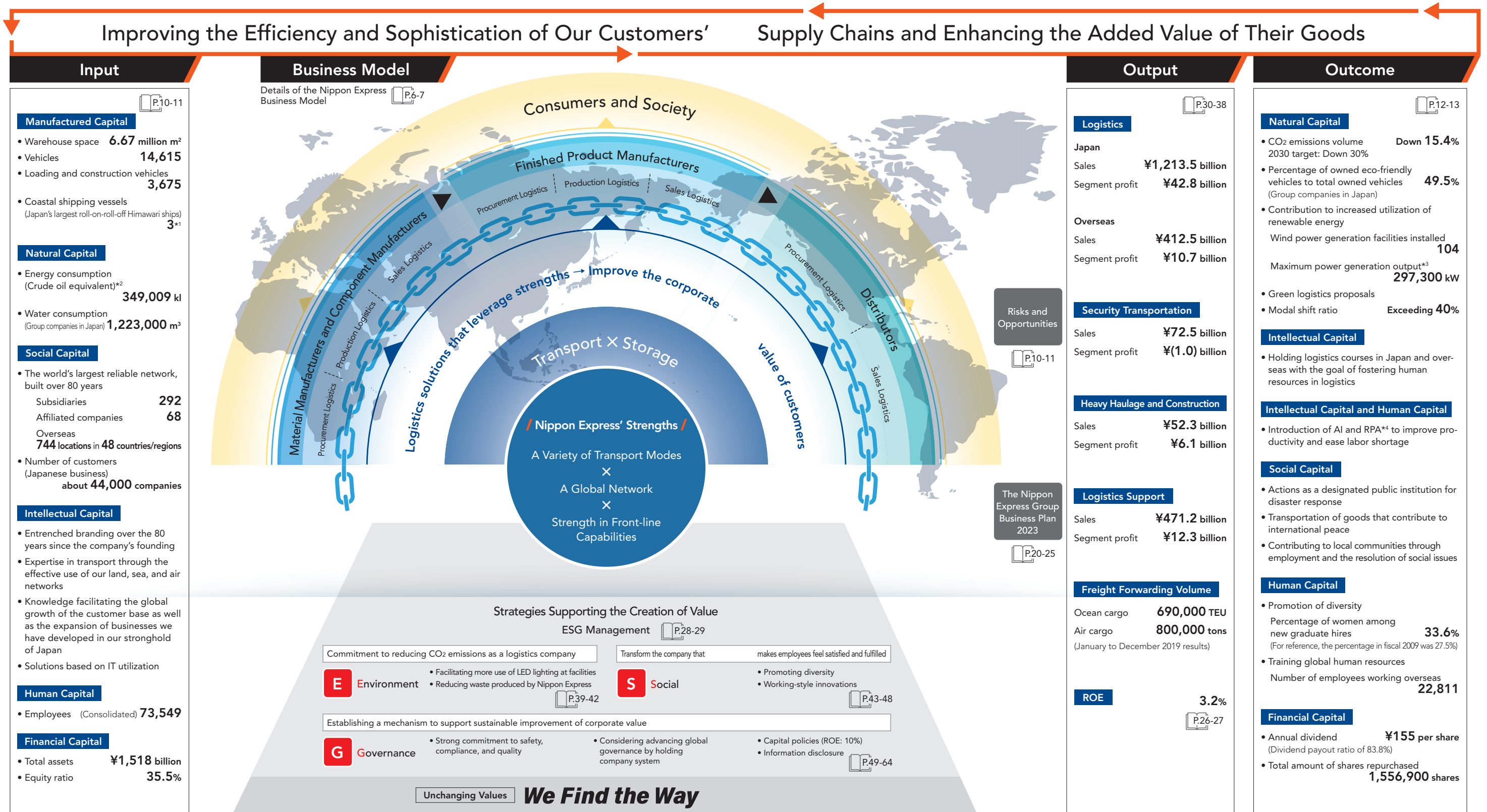
The Value Creation Process

The Nippon Express Group supports the development of society by connecting people, companies, and regions through use of the world's largest logistics network, which itself is comprised of land, sea, and air transport operations. While our mission never changes, we continually advance to meet the world's changing needs. Taking pride in our ability to inspire trust, we maintain our commitment to providing innovative solutions at the next frontier of logistics.



Our strengths include "a variety of transport modes," "a global network," and "strength in front-line capabilities," where we always put the needs of the customer first and maintain a strong awareness of safety, compliance, and quality. Combining these three strengths allows us to handle a wide variety of logistics needs, and though there may often be many solutions, only one way is the way. We believe this is our true strength.

P.10-11



*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 ending March 31, 2020.

Business Model Explanation

This section outlines initiatives for new value creation in line with our business model, shown in the figure on pages 4 and 5.

Value Provided by the Logistics Business

The logistics business essentially provides “transport and storage” services. However, by combining various transport modes, networks, and logistics related services, such as packing, it is possible to provide a wide range of logistics services.

Whereas manufacturers generate economic value by producing goods from raw materials, logistics service providers enhance the economic value of goods by “changing the location of goods (such as materials, merchandise, and products)” or by “seizing the moment (timing)” within the supply chain of their customers.

Enhancing value by changing the location of goods

The value of goods is generated after they reach the people that require such goods, and increase in value when they are transferred to locations where there is high demand or to locations where they are considered rare.

Enhancing the value of goods by seizing the moment (timing)

Just-in-time production systems raise productivity by supplying the required goods to each process in the required volume at the required timing (seizing the timing). In short, goods increase in value when they are provided at the required timing.

Nippon Express’ Strengths and Business Model

Although many logistics service providers offer transport and storage services, there are only a few that can support the supply chains of their customers on a global basis. In today’s world of globally expanding customer supply chains and diversifying logistics needs, “a variety of transport modes” and “a global network” through which services can be provided anywhere in the world are essential to further expanding the value delivered by logistics service providers. In addition to having both of these elements, Nippon Express also maintains a high awareness of safety, compliance, and quality, and “a strength in front-line capabilities” that always puts the customers first. Our “We Find the Way” corporate message

carries our determination and confidence to find the best way to overcome hurdles at any time and to take our customers across the finish line.

The Nippon Express Group brings together the three strengths which includes “a variety of transport modes,” “a global network,” and “strength in front-line capabilities” to enhance the added value of their goods by improving efficiency and sophistication of our customers’ supply chains. At the same time, the Group feels that doing so allows us to contribute to the development of society and more abundant lifestyles. We also contribute to society through prioritizing ESG management.



Undertaking Challenges Towards New Value Creation

In the current atmosphere of challenging Digital Transformation (DX), new technologies, services, and business trends have continued to emerge. Logistics, as well, is no longer about simply moving goods, but is beginning to create new value by leveraging IoT, blockchain, and other technologies. Against this backdrop, the following introduces the pharmaceuticals logistics that we are currently focused on advancing as one of our latest initiatives.

What Can Nippon Express Do for the Health of People?

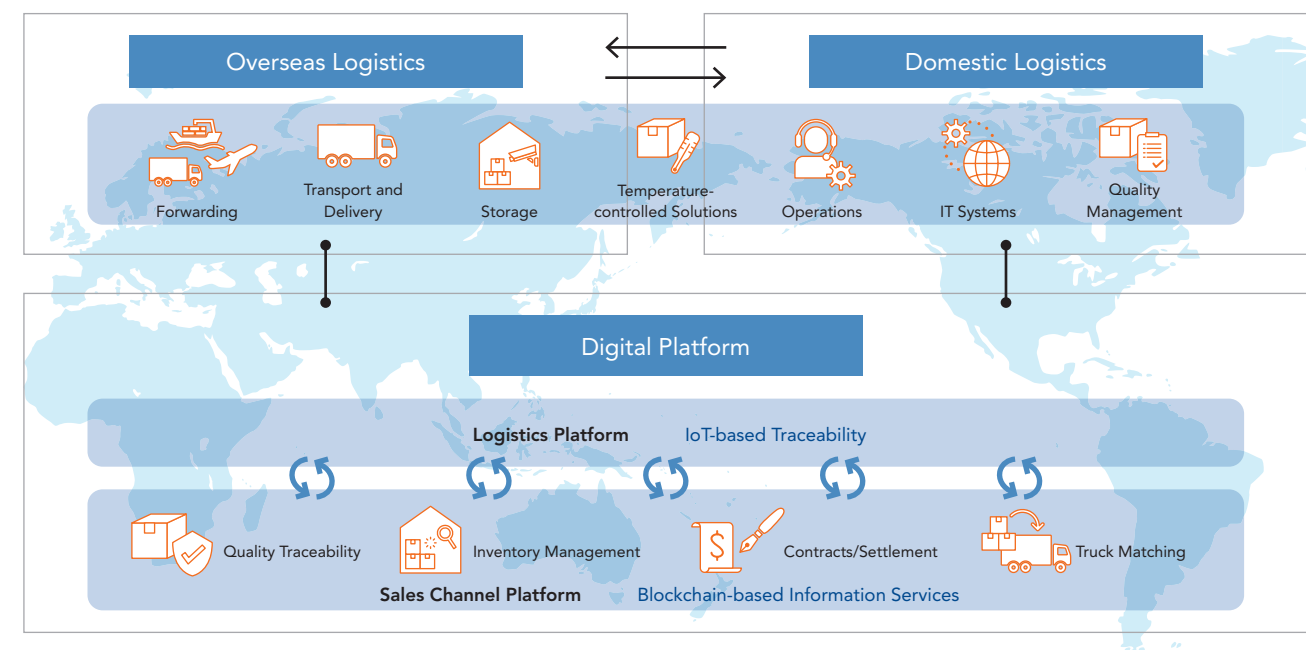
The quality of pharmaceuticals impacts human life—a fact that gives rise to demands for temperature control and other forms of strict quality management that prevent deterioration during manufacture, as well as during transport and storage. In addition, this fact also requires means of preventing counterfeit drugs from entering into formal logistics channels. For the purpose of ensuring the quality of pharmaceuticals during transport and storage, the PIC/S*, issued the Good Distribution Practice (GDP) Guidelines in June 2014. Following this, the Ministry of Health, Labour and Welfare released Japan’s own domestic GDP Guidelines in December 2018, requiring that pharmaceutical logistics be carried out in accordance with these guidelines.

In addition to this situation, the pharmaceuticals supply chain has been undergoing globalization. Nippon Express will begin operating GDP-compliant dedicated pharmaceuticals warehouses starting at the outset of 2021 in addition to our two locations at airports in Japan that serve as export and import hubs. Overseas, we have established a network that covers the US and have acquired GDP certification for locations in London,

Milan, and Hyderabad (India). Along with continuing to expand our pharmaceuticals logistics network across the globe, we will contribute to the health of people by safely and securely ensuring the same level of quality produced by the pharmaceutical plants.

To securely and efficiently realize GDP-compliant pharmaceuticals logistics, we are in the process of developing a dual-layer Digital Platform. This Platform consists of a Logistics Platform that leverages IoT devices to manage logistics data at the individual unit level and a Sales Channel Platform that leverages blockchain technology to provide settlement and asset sharing functions. We are also aiming to transform this concept into an Open Platform that can be freely used by organizations and people involved in the pharmaceuticals industry.

* PIC/S (Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme): Comprising 53 member countries and institutions including Japan as of July 2020, this organization was created primarily at the initiative of pharmaceutical supervisory authorities in Europe to achieve international consistency in the pharmaceutical GMP of member countries (Japan: Ministerial Ordinance on Standards for Manufacturing Control and Quality Control for Drugs and Quasi-drugs) and in the methods for investigating manufacturers to ensure compliance with GMP standards.

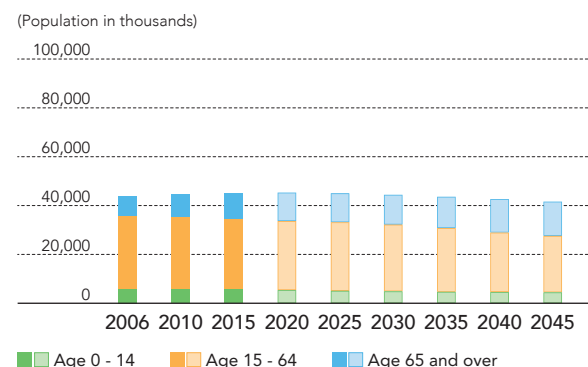


Domestic Logistics Markets, Global Logistics Markets, and Nippon Express Environment

Domestic Logistics Markets

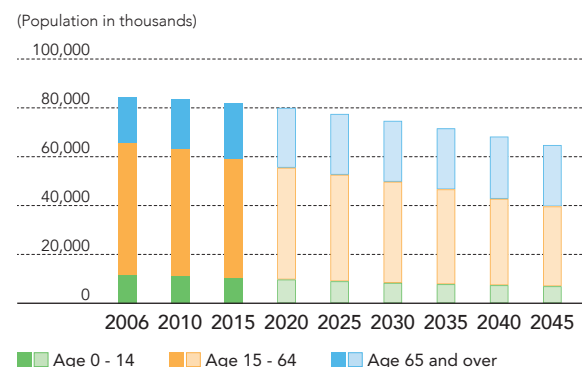
Primarily outside of its major cities, Japan has been undergoing a decline in population and is thus experiencing a particularly broad contraction in the working-age population that serves as the core of consumption. Similarly, domestic freight volumes are also trending downwards, and the outlook for continued population decline and low economic growth makes it difficult to anticipate expansion on the domestic logistics market.

Urban Population Trends



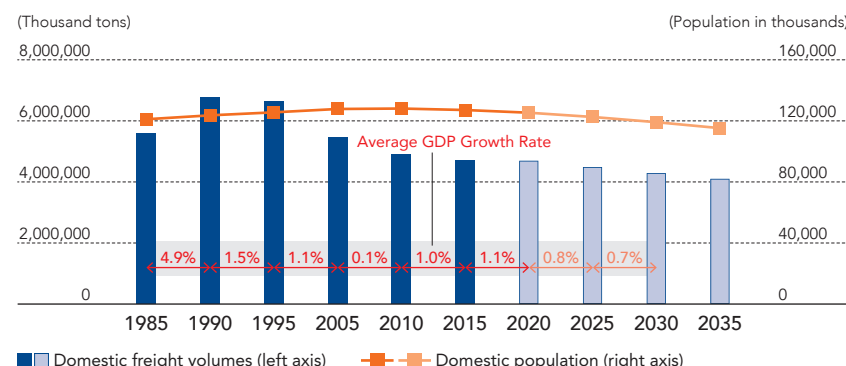
Source: Compiled based on data from the National Institute of Population and Social Security Research, Ministry of Internal Affairs and Communications Tokyo, Osaka, Aichi, Kanagawa, and Chiba Prefectures

Regional Population Trends



Source: Compiled based on data from the National Institute of Population and Social Security Research, Ministry of Internal Affairs and Communications Excluding Tokyo, Osaka, Aichi, Kanagawa, and Chiba prefectures

Domestic Freight Volumes and Population Trends

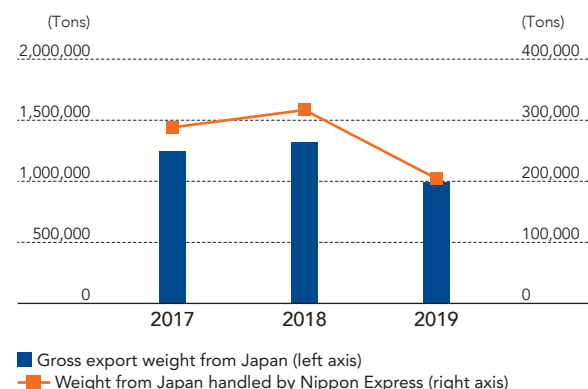


Source: National Institute of Population and Social Security Research (Domestic population)
Ministry of Land, Infrastructure, Transport and Tourism White Paper (Domestic freight volumes)
World Bank Data (Average GDP growth rate for 1985 to 2015)
Mitsubishi UFJ Research and Consulting (Average GDP growth rate for 2020 and after)
Domestic freight volumes for 2020 and beyond are estimated based on the CAGR for 2008 to 2015 (0.9%)

International Logistics Market in Japan

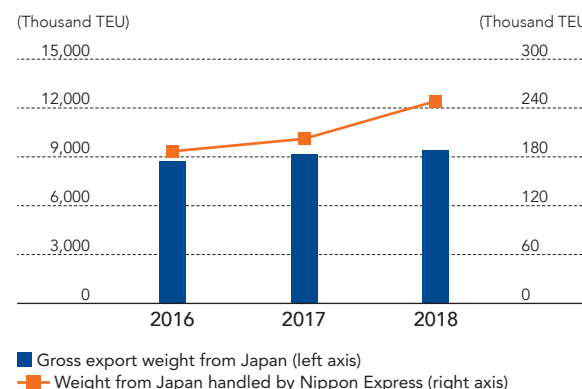
Although air and marine freight exports from Japan temporarily rise and fall with economic fluctuations, in general both are trending upwards and, against a background of growth in the global economy, are expected to remain robust with room for growth.

Air Export Weight Trends (Total for Japan/Nippon Express)



Source: Compiled from the JAFI website and data disclosed by Nippon Express

Marine Export Weight Trends (Total for Japan/Nippon Express)

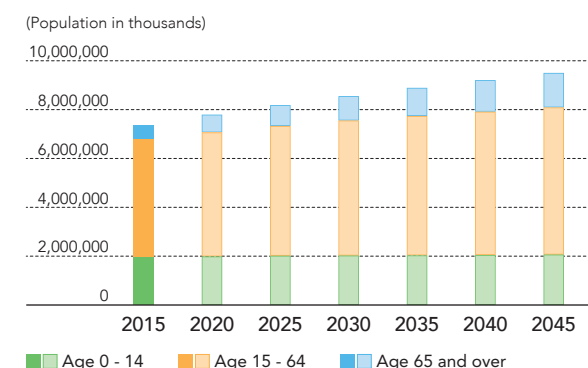


Source: Compiled from the Ministry of Land, Infrastructure, Transport and Tourism Ports and Harbours Statistics and actual figures for Nippon Express

Overseas Logistics Market

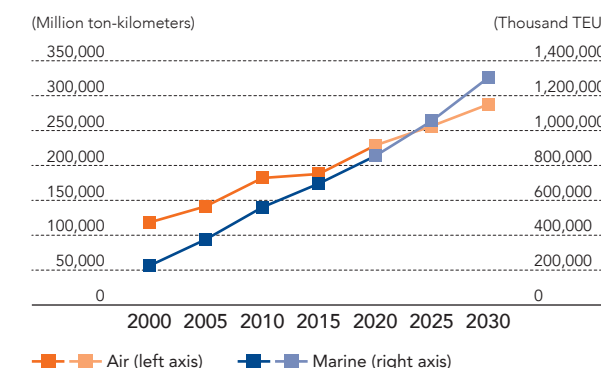
Along with the outlook for population growth focused on emerging countries, the working-age population, including that of advanced countries, is anticipated to grow modestly. Against a backdrop of moderate economic and population growth, international freight volumes are expected to undergo continued growth.

Global Population Trends



Source: United Nations Population Division Department of Economic and Social Affairs

Global Logistics Trends (Air/Marine)



Source: DataBank World Development Indicators
Figures for 2020 and beyond are estimated based on the CAGR for 2010 to 2017

Top 10 Global Logistics Companies

The logistics industry has been undergoing accelerated internationalization following the globalization of the economy. Likewise, global rankings are led by large-scale logistics companies from advanced countries that have developed international logistics networks. Against the backdrop of growth in third-party logistics services and international parcel delivery, cross-border alliances within the logistics industry will continue to become more active.

Rank	Location of Headquarters	Provider	Gross Logistics Revenue (Millions of yen)*	Marine (TEU)	Air (Metric tons)
1	Germany	DHL Supply Chain & Global Forwarding	3,021,785	3,207,000	2,051,000
1	Switzerland	Kühne + Nagel	2,863,845	4,861,000	1,643,000
2	Germany	DB Schenker	2,141,547	2,294,000	1,186,000
3	Denmark	DSV Panalpina	1,588,811	1,907,126	1,071,266
4	China	Sinotrans	1,239,616	3,770,000	502,000
5	USA	Expeditors	904,809	1,125,137	955,391
6	Japan	Nippon Express	2,208,398	703,061	752,942
7	Switzerland	CEVA Logistics	788,484	1,050,000	416,000
8	USA	UPS Supply Chain Solutions	1,029,545	620,000	965,700
9	USA	C.H. Robinson	1,619,248	1,000,000	210,000
10	Hong Kong	Kerry Logistics	583,726	1,250,038	409,408

* Conversion rate as of the end of December 2019 (US\$1=¥110.68)

Source: Armstrong & Associates, Inc. A&A's Top 25 Global Freight Forwarders List, 2019
Ranked by taking a broad perspective of total revenue, marine and air transportation

Competitive Advantage, Risk, and Opportunity

Strengths of the Nippon Express Group

We have been selected and chosen by many customers and developed as a logistics company because we have conducted transportation in the best possible way and employing transportation to deal with any item, to anywhere.

What makes this possible is our modes of transport, networks, and front-line capabilities that we have cultivated since our founding.

A Variety of Transport Modes

Variations occur in specifications—such as size and weight or other physical considerations—and in customer requests—such as degree of urgency. The Nippon Express Group utilizes a comprehensive range of transport modes spanning land, ocean, and air, including trucks, trains, ships, and airplanes. Likewise, the customer is able to choose the optimal transport method, even when shipping freight requires special conditions, including pharmaceutical products and fresh foods that require strict temperature control, precision instruments that require vibration proofing, and fine arts that require humidity control.



A Global Network

During our more than 80 years in business, the Nippon Express Group has built a logistics network that reaches every corner of Japan. In 1962, we made our initial foray overseas with the founding of our first foreign subsidiary in the US. Today, we are able to deliver cargo anywhere in the world through a global network we have built up over many years to include both the Group's business bases and our alliances with trusted local partners.

Strength in Front-Line Capabilities

How is important cargo handled? We believe this is the main concern for customers when choosing a carrier.

We respond on location to transport and store cargo with a keen awareness of safety, compliance, and quality, and with an attitude that always puts the customer first. At first glance, this may seem simple and obvious, but the size, weight, shape, and nature of the cargo, as well as the customers' demands, are truly diverse. While maintaining strict safety and compliance, and ensuring all the above conditions are always catered to, we provide daily training, a system that promptly conveys forwarding instructions, an

autonomous organization that can work on finding and solving issues/problems in the field, and a mindset applicable to all personnel. All of this is not possible without a shared strong ethic in the field to find the best way to overcome hurdles and take our customers across the finish line.

We have the know-how and fertile ground inherited from our predecessors, and we will continue to work hard to strengthen our front-line capabilities.

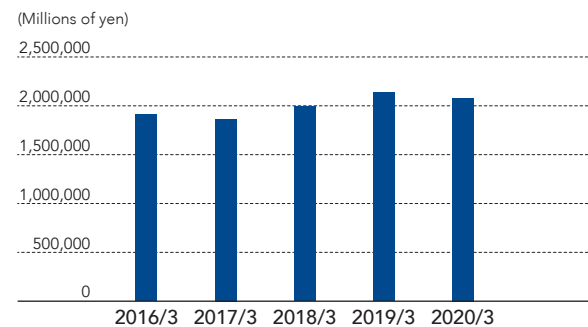
Risk and Opportunity

Changing Business Environments		Opportunities	Risks	Responses/Strategies	Aspirations
Markets	Contracting domestic logistics markets Expanding global logistics markets Declining relative position of Japanese companies	• Global business expansion	• Lost opportunity due to changes in the markets for the Group's core domestic businesses	• Promote core businesses based on a three-dimensional approach: Customer (industry), business, and area • Vigorously promote global expansion utilizing M&As • Build an enhanced Group business foundation in Japan through improved profitability	➔ Grow into a corporate group that is selected by customers around the world and maintains a presence on global logistics markets Continuously ensure reasonable profits
Competition	Oligopolies via overseas mega forwarders New entry from different industries	• Growth through M&As	• Greater disparity with foreign mega forwarders • More severe competition due to entry into logistics by major e-commerce providers and those from different industries		
Advanced Technologies	Digital revolution through AI/IoT, etc. Rapid business model innovation	• Trigger for greater business efficiency and solutions to social problems	• Obsolescence of existing business models • Loss of competitive advantage	• Accelerate response to advanced technologies, strengthen planning and development functions, and construct digital platforms	➔ Increasing corporate value and strengthening Japan's industrial base by solving social issues using advanced technologies
Social	Initiatives for building a sustainable society	• More opportunities to provide value to customers	• Greater disparity between foreign companies advancing such initiatives • Lower relative standing on the market	• ESG-oriented business management to realize sustainable development and improved corporate value	➔ Contributing to customers and society through businesses, contributing to resolving social issues through business
Capital Markets	Market demands for effective use of capital and assets	• Greater corporate value	• Stock price decline, increased pressure from the market	• Make capital investments based on growth strategies, re-examine business portfolio, strengthen governance	➔ Construct mechanisms to support sustained corporate value growth
Employees	Changing labor environment (labor shortages, work style reforms)	• Expectations for industrial reforms	• Shortages of core personnel, major cost increases, relative decline in industry appeal	• Accelerate far-reaching improvements in productivity based on IT strategies, including adoption of RPA, etc., and accelerate work style reforms	➔ A diverse range of employees that take pride in their work supporting customers and society

Note: See our web page for risks that hold the potential to significantly impact business results, etc.

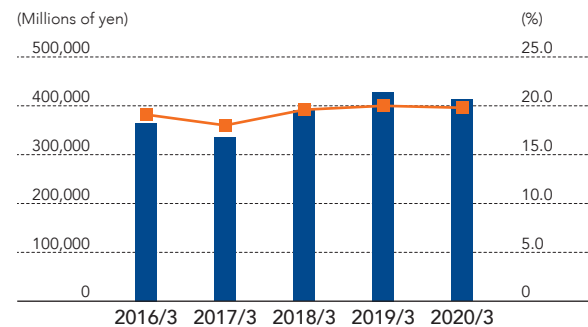
Financial and Non-Financial Highlights

Revenues



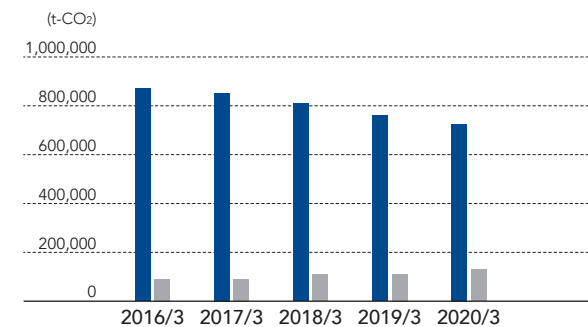
As a growth strategy for core businesses, we will work vigorously to promote activities with a three-dimensional approach—customer (industry), business, and area—while endeavoring to globally expand our customer base and business strengths nurtured in Japan. At the same time, we will pursue growth by improving profitability in the domestic market.

Overseas Revenues/Overseas Sales Ratio



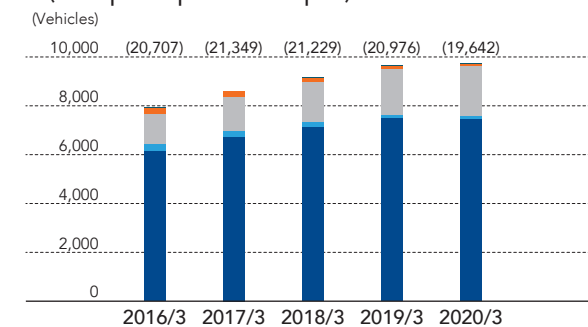
We have positioned efforts to become “a logistics company with a strong presence in the global market” at the heart of our long-term vision. To this end, we are working to lift our overseas sales ratio to 25% in fiscal 2023, the final year of our current business plan.

CO₂ Emissions (Scopes 1, 2)



The reduction of CO₂ emissions is an issue facing the entire logistics industry. As a leading logistics company, we are focusing on reducing CO₂ emissions and aggressively tackling this issue in a bid to achieve our long-term goal by fiscal 2030.

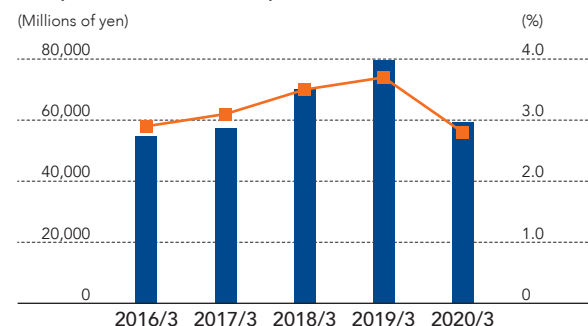
Number of Eco-Friendly Vehicles Owned (Group companies in Japan)



As a logistics company, we are shifting our focus to the reduction of CO₂ emissions. Accordingly, we are engaging in a variety of measures. This includes switching to LED lighting and changing over to eco-friendly vehicles. As a part of the latter, we are actively introducing eco-friendly vehicles that focus on conforming to new as well as post-new long-term regulations.

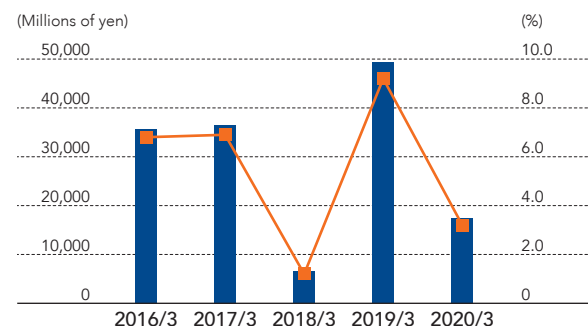
Note: Figures in parentheses represent the total number of vehicles owned.

Operating Income/Operating Income Ratio



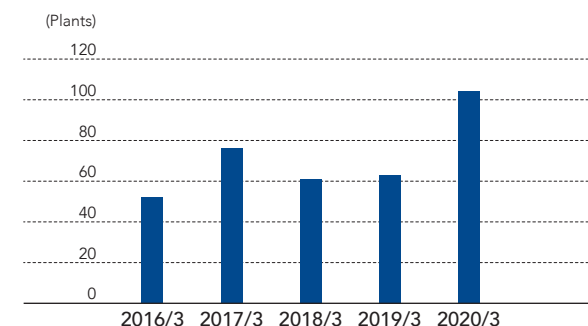
In addition to promoting a growth strategy for core businesses, we are thoroughly dedicated to improving profitability in order to solidify our Group management foundation. Under our strategy to enhance domestic businesses in Japan, we will improve the profitability of specified business segments, improve the productivity of sales and business processes, and pursue drastic reforms to low-profit businesses.

Profit Attributable to Owners of Parent/ROE



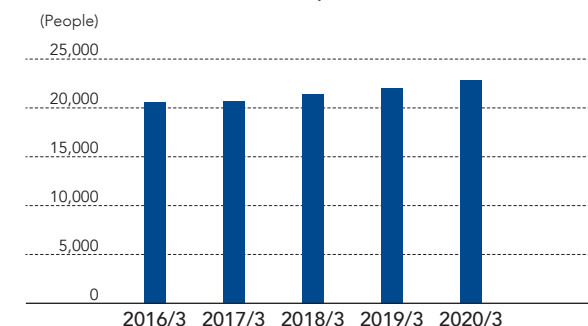
Despite a downturn in earnings in fiscal 2019 due to slowdowns in global trade and manufacturing, which led to a drop in demand for freight forwarding, overall sluggish cargo movement, and other factors, we are steadily promoting a variety of measures while aiming for our ROE target of 10% in fiscal 2023, the final year of our current business plan.

Number of Wind Power Plants Installed



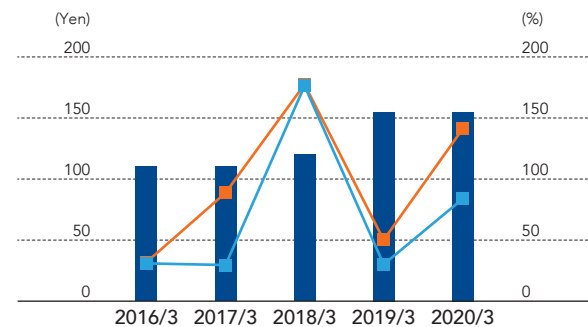
One of the ways we are working to reduce CO₂ emissions through our business is to contribute to the spread of renewable energy through the construction and installation of wind power generation facilities. We began engaging in the transport and installation of wind turbines on a fully fledged basis from 1999, and today we transport 70% of wind turbines in Japan.

Number of Overseas Employees



To further reinforce our global network, an inherent strength, and to demonstrate our presence in the global market, we will continue to bolster our overseas capabilities. In addition to increasing the number of locally hired employees, we are also focusing on the development of executives who will be responsible for global management.

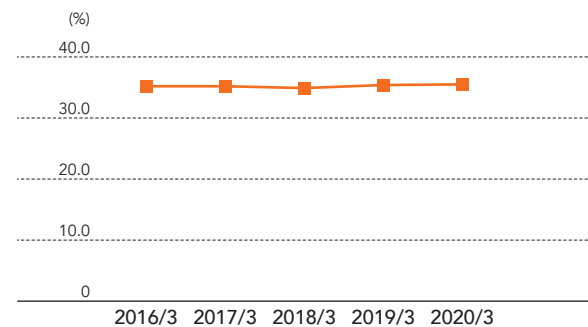
Dividend per Share/Dividend Payout Ratio/ Total Return Ratio



Under the capital policies outlined in our current business plan, we are targeting a dividend ratio of over 30%, and a total return ratio of over 50% (cumulative total of FY2019-FY2023). In addition to boosting sales, reinforcing our financial position, expanding shareholders' equity, and improving our profit ratio, we are working to enhance shareholder returns.

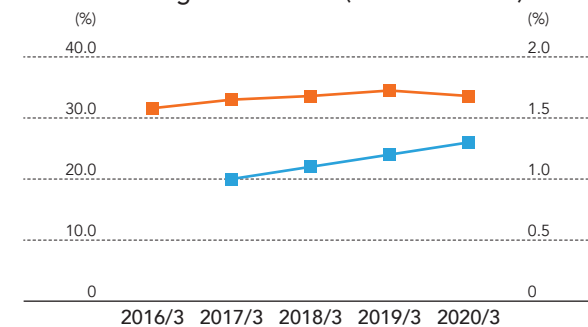
Note: Nippon Express executed a share consolidation on October 1, 2017, at a ratio of 10 shares to one. Per share information prior to the consolidation is also calculated based on the assumption that said consolidation had already occurred.

Equity Ratio



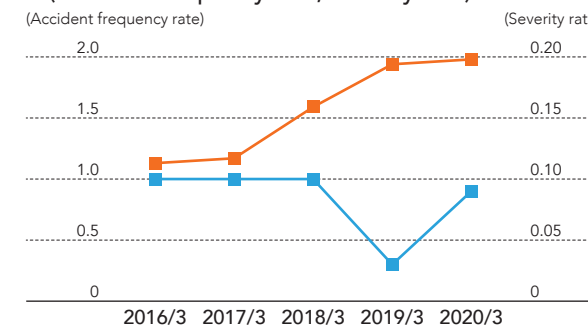
Among the capital policies outlined in the Company's current business plan, we are targeting an equity ratio of 35%. Moving forward, we will look to balance the needs for proactive investments aimed at growth, the appropriate return of profits to shareholders, and a healthy financial position.

Percentage of Women among New Graduate Hires and in Managerial Positions (Unconsolidated)



As both a wellspring for innovation and integral to corporate management, we are working diligently to promote diversity. As one of several efforts to promote the advancement of women, we are endeavoring to increase the number of women employed and to motivate them into careers through a variety of training programs.

Index of Labor Accidents (Accident frequency rate, severity rate)



Under the philosophy of “safety takes precedence over everything else,” we will continue to ensure thorough safety, which is the foundation of our business activities, by raising and extending safety awareness at all Group companies, putting in place a safety and health management program, and providing a variety of training programs to prevent accidents and disasters.

Note: The frequency rate is an international indicator that indicates the incidence rate of occupational accidents. Number of casualties per one million working hours = Number of casualties/Total number of working hours x 1,000,000
Severity rate is an international indicator that indicates the degree of injury caused by occupational injury. Days lost per 1,000 working hours = Work-days lost/Total number of working hours x 1,000.