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.

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Unchanging Values

We Find the Way

Strategies Supporting the Creation of Value

ESG Management

Commitment to reducing CO2 emissions as a logistics company

Environmental

Facilitating more use of LED lighting at facilities

Reducing waste produced by Nippon Express

E

Establishing a mechanism to support sustainable improvement of corporate value

Social

Social

Promoting diversity

Working-style innovations

S

Considering advancing global governance by holding company system

Governance

Financial

Capital

Total assets ¥1,518 billion

Equity ratio 35.5%

G

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Total assets ¥1,518 billion

Equity ratio 35.5%

G

*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.

Human Capital

Employees (Consolidated) 73,549

Employment

Total amount of shares repurchased 1,556,900 shares

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Financial Capital

Dividend payout ratio of 63.9%

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Risks and Opportunities

Supply Chains and Enhancing the Added Value of Their Goods

Logistics

Japan

Sales ¥1,213.5 billion

Segment profit ¥42.8 billion

Overseas

Sales ¥412.5 billion

Segment profit ¥10.7 billion

Security Transportation

Sales ¥22.5 billion

Segment profit ¥(1.0) billion

Heavy and Specialized Transportation

Sales ¥52.3 billion

Segment profit ¥6.1 billion

Logistics Support

Sales ¥471.2 billion

Segment profit ¥12.3 billion

Freight Forwarding Volume

Ocean cargo 690,000 TEU

Air cargo 800,000 tons (January to December 2019 results)

ROE

3.2%

Financial Capital

Annual dividend ¥155 per share

Dividend payout ratio of 63.9%

Total amount of shares repurchased 1,556,900 shares

Note: Figures quoted as of March 31, 2020 or actual results for the fiscal year ending March 31, 2020.
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.

While 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” 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.

Value Provided by the Logistics Business

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,” “a global network,” and “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.

Value Provided by the Logistics Business

Nippon Express’ Strengths and Business Model

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 pharmaceutical logistics that we are currently focused on advancing as one of our latest initiatives.

Undertaking Challenges Towards New Value Creation

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 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 GDP regulations. It also has Co-operation Schemes with Japan and in the methods for investigating manufacturers to ensure compliance with GDP 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.

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.

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.

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.
**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 demand, 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.

**Competitive Advantage, Risk, and Opportunity**

**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**

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**Aspirations**

- 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
- Increasing corporate value and strengthening Japan’s industrial base by solving social issues using advanced technologies
- Contributing to customers and society through businesses, contributing to resolving social issues through businesses
- Construct mechanisms to support sustained corporate value growth
- A diverse range of employees that take pride in their work supporting customers and society
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.

As a growth strategy for core businesses, we will work vigorously to motivate them into careers through a variety of training programs. We will continue to ensure thorough safety, which is the foundation of our Group management foundation. Under the philosophy of “safety takes precedence in every action,” we will continue to ensure thorough safety, which is the foundation of our Group management foundation.

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.

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 female employees, we are also focusing on the development of executives who will be responsible for global management.

As both a wellspring for innovation and integral to corporate management, we are focusing on reducing CO2 emissions and aggressively tackling this issue in a bid to achieve our long-term goal by fiscal 2030.

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.