Message from Top Management to All Our Stakeholders

Creating New Value from Logistics
Improving the efficiency and sophistication of our customers’ supply chains and enhancing the added value of their goods

Mitsuru Saito
President and Representative Director

I would like to take this opportunity to thank our stakeholders for their continued support and understanding. I would also like to express my deepest sympathy and condolences for those who have lost their lives to COVID-19, as well as those who have contracted the disease, and all others impacted by the pandemic. Our thoughts are with you.

Nippon Express has decided that it is time to issue an integrated report. In creating this report, we have reviewed our thoughts on what it means to create new value. As a result, we have come to believe that our mission as a key component in the social infrastructure, something we have cultivated since our founding, and our commitment to contributing to society through logistics will endure unchanged as we move forward. As we publish our integrated report for the first time, I would like to offer my thoughts concerning our long-term vision, ESG management, and efforts to create new value. We hope that this report will help our stakeholders better understand the overall state of the Company’s management.

Long-Term Vision
The Nippon Express Group Business Plan 2023 –“Dynamic Growth”–, which covers the period from fiscal 2019 to fiscal 2023 was formulated with the idea of answering the question of what the Nippon Express Group wanted to be as it approached the 100th anniversary of its founding in 2037. The plan also established the goal of being “a logistics company with a strong presence in the global market” as our long-term vision. The image for growth targets sales in fiscal 2037 of about ¥4.0 trillion and an overseas sales ratio of 50%, equating to overseas sales of roughly ¥2.0 trillion. In working to achieve this long-term vision, we believe “transformation” is key to achieving our long-term vision and are accordingly moving forward with changes to our business, organization, and corporate culture. With this in mind, I would like to discuss in greater detail the concepts and direction of our long-term vision.

As the population of Japan shrinks, logistics volume is also expected to decline, though I believe we can at the same time expect an increasing number of business opportunities in the overseas business. In particular, I believe emerging economies may represent a real opportunity for Nippon Express. We have already launched operations in India and see a number of opportunities in Africa, which could be considered the last frontier in logistics. As examples, we have moved into the markets of Morocco and Kenya, but note that Japanese companies lag behind their European and Chinese competitors in Africa as a whole. We believe a number of Japanese manufacturers, including automakers, are likely to expand operations on the continent moving forward, and think that this could represent a significant opportunity for the company to get in at an early stage.

We are also strengthening our efforts in industries in which we have not participated thus far, including pharmaceuticals, semiconductors, and apparel. The semiconductor industry is characterized by complex production and manufacturing processes, and we believe we can increase our handling volume in the industry by offering solutions that simplify sector supply chains. On the other hand, the pharmaceutical industry is moving toward tighter and more optimal management standards in the distribution process. In light of these challenges and changes, we believe we can create new value and expand logistics volume by making effective use of cutting-edge technologies, including IoT and blockchain, and by proposing strategic and global solutions.

That being said, achieving the goals of our long-term vision require us to not only ensure organic growth, but also to achieve non-continuous growth through M&A activity, as well as growth as a company that is different than that seen to date. We also note the increasing trend toward dominance by just a few companies, particularly...
Creating New Value and the ESG Management That Supports This Creation

Nippon Express has created new value thus far by supporting the advancement of society and people’s lives through its efforts to improve the efficiency and sophistication of our customers’ supply chains and enhance the added value of their goods. 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 represents our true strength and is a key component in our corporate message, “We Find the Way.” Effective ESG management will lead our company to contribute to a sustainable society through its business activities, while ensuring improvements in corporate value and sustainable growth moving forward.

The “E” in ESG stands for environment, and as a logistics company in this field, Nippon Express is committed to reducing CO2 emissions and promoting modal shifts and joint transportation operations. In particular, we note that our efforts to promote co-loaded deliveries with manufacturers and advance the efficiency of our distribution network are beginning to take root. There are currently more than 60,000 trucking companies in Japan, with more than 99% of these being small and medium-sized companies. In contrast, there are only ten major distribution companies in the country. We believe the major logistics companies can take the lead in contributing to society, the environment, and their customers through the joint operations of warehouses and deliveries. Nippon Express uses a variety of transport modes, including railways, trucks, ships, and airplanes, though we also note the necessity of offering proposals to customers that align with their needs and reduce the overall impact of business activities on the environment and society. We believe that offering the optimal transportation mode for each industry’s unique supply chain allows us to contribute not only to customer cost savings, but also a reduced environmental impact. As an example of this, our long-term vision touches on supply chains in the semiconductor industry, and we believe that we can reduce the environmental impact of business activity in this sector through the simplification of its supply chains.

The “S” in ESG stands for social, and in this area Nippon Express plays its role as a designated public institution by fulfilling its responsibilities in any and all situations, even amid the COVID-19 pandemic. Moreover, with the goal of transforming Nippon Express into a company where employees are satisfied and fulfilled in their work, we are working to promote diversity and work style reforms. Given the closeness of our business with our stakeholders, we believe it is vitally important to value each of our stakeholders. That said, we consider our employees especially important stakeholders as they represent the true source of new value creation for both our customers and society. In the three years since I became president of Nippon Express, I have devoted myself to making sure we are a company where employees are satisfied and fulfilled in their work. I believe that if a company has employees that are happy and have a proactive attitude towards their work, then that company is also one that can play a useful role to its customers and shareholders, and ultimately society. With an eye toward global development, we launched the Human Resources Strategy Division in April 2020. This division will be focusing on the establishment of compensation systems, welfare benefits, and personnel changes under a uniform standard that encompasses not only Japan, but overseas locations as well.

The “G” in ESG, of course, stands for governance. Given their importance to our overall strength, we believe entrenchment of “safety, compliance, and quality” forms the foundation of our management efforts. Moreover, we believe it important to have mechanisms that boost the awareness of our employees in these areas, and we are promoting the strengthening of our governance through the incorporation of effective human resources and external knowledge. More specifically, our focus is on establishing a thorough level of compliance among Nippon Express employees. While I will on many occasions provide direct guidance, I also believe it important that leaders at the head of each organizational level, branch managers being an example, make a strong commitment to the creation of an organization with open communication and where employee education is an ongoing effort. We are currently considering revisions to our management structure, including a transition to a pure holding company structure, as part of our effort to strengthen Group management and global governance as we focus on expanding our overseas business. Our goal is to build a better system and one with mechanisms capable of supporting sustainable improvements in corporate value.

A Company Aiming for Sustainable Growth

Labor Shortages
• Declining population (working-age population)
• Declining appeal of the distribution industry

Working-Style Reforms
• Tightening of regulations on working long hours
• Flexible working styles
• Promotion of work-life balance

Promotion of Diversity
• Supporting career success for women
• Effectively utilizing diverse labor force

Nippon Express needs to become a company where employees can throw themselves into their work and continue to create new value.
Changes in the External Environment and Our Responses

In addition to the growing protectionism in the world, as evidenced in US-China trade friction, society as a whole and Nippon Express in particular are being sharply impacted by the effects of the COVID-19 pandemic. In response to the COVID-19 threat, Nippon Express moved to fulfill its responsibilities as a designated public institution and assisted in the transportation of medical supplies. We believe our mission in this respect is not just to follow the requests of the national government, but to serve the needs of society at large. In a world where economies are globally intertwined, so are supply chains, and we recognize that disruptions in any portion of these chains can result in their complete breakdown. Since the maintenance of supply chains is essential to the continuation of social activities, we believe our responsibility as a part of the social infrastructure includes giving our full support to these supply chains on the logistics side.

While we have been working to review and revise our organization, areas of strength, and overall business, and have made some level of progress, I believe that progress has been insufficient in the face of the current changes in the operating environment. It appears that we need to lower our break-even point further, including through a renewed review of our earnings structure, by entrenching variable costs management, and by reducing fixed costs even more than we already have. On the other hand, we have made significant progress in work style reforms. In terms of improving efficiency through the use of IT, the head office has taken the lead in the use of a variety of tools and has made steady progress in this respect, with remote meetings becoming an established in-house occurrence. At present, about 70% of head office employees work from home, and we believe this has given us important insights into which operations are essential to our day-to-day efforts and which may be superfluous. Based on the lessons learned in this experience, we intend to continue pursuing work style reforms and improvements in efficiency. We believe this will prove one of the Company’s key assets as we move forward.

While the COVID-19 pandemic is expected to eventually be brought under control through the development of treatments, including a vaccine, there is also a strong likelihood that the experience will result in business and lifestyle changes, which could change our customers’ outlook on supply chains. While we believe the launch of efforts aimed at logistics reforms is likely to expand both in Japan and overseas, we are making no changes to our long-term vision. Our focus in fact is on how we can best provide support during these major changes. We are at the start of a new kind of business environment, one which offers significant opportunities if we can provide the best solutions to the changing requirements of our customers. Accordingly, we will continue to move forward in the implementation and realization of our current business plan strategies.

New Technologies and the Path Forward for Logistics

Logistics has always evolved in line with the times. However, in today’s world, logistics is more than the simple movement of goods. As seen with pharmaceuticals as well, the use of technologies such as IoT and blockchain allow us to clearly understand the product’s position in transportation and ensure product quality through the digitization of data related to storage, transport status, temperature, humidity, product code and vibration. We have high expectations for new businesses that can make the best use of these cutting-edge technologies. We also note that the development of autonomous driving is progressing in developed economies such as Japan that is suffering from truck driver shortages, and believe this could contribute to further improvements in logistics-based added value moving forward as its introduction to warehousing operations contributed to reduced personnel, labor, and space requirements.

Collaboration with external parties will be vital if we are to develop businesses that can make the best use of open innovation, digitization, and digital transformation, which will all be essential to management moving forward. With this in mind, we are working to accelerate development by forming partnerships and alliances with companies specializing in a variety of different areas, including high-tech and IT companies both in Japan and overseas. We also believe it important to promote diversity, but note that our efforts so far still appear somewhat insufficient. For particularly specialized fields, our goal is to bring together highly knowledgeable individuals, including mid-career workers, that can help shape the future as they work as an advanced group of professionals to improve added value by more than ever before. That being said, even at this technological turning point, we must hold close the basic skills and techniques of transporting goods. We believe this is where the core quality of our logistics business lies, and where we place our strongest commitment.

“Creating new value through innovation while cherishing our unchanging values.”

The Nippon Express group will continue to strive to contribute to society and achieve the goals of its long-term vision. We gratefully look forward to your continued heartfelt support and understanding.
In anticipation of our centennial in 2037, the Nippon Express Group has formulated a new long-term vision that details the kind of corporate group we hope to be in the near future. To achieve our vision of becoming "a logistics company with a strong presence in the global market," we created the Nippon Express Group Business Plan 2023 ~"Dynamic Growth~", our new five-year plan launched in April 2019.

A Scenario for Achieving Our Vision

In terms of sales, the Nippon Express Group is a top-tier logistics company in Japan. However, when looking at the world today, it is clear that the major European and US distribution companies are achieving growth by expanding their distribution networks as the global logistics market grows larger. For the Nippon Express Group to take on these global players and establish for itself a presence in the worldwide market, we will need to not only expand our business in Japan, particularly in the major metropolitan areas, but also create an enhanced management structure capable of generating funds for growth investment and the building of a business foundation with the ability to compete on a global basis.

The Nippon Express Group Business Plan 2023 ~"Dynamic Growth~". launched in April 2019, outlines the efforts we need to take over the next five years that will mark the first steps in achieving our long-term vision. Moreover, as part of our drive to realize our long-term vision, the Nippon Express Group will fundamentally revise its approach and way of thinking in order to become a corporate group that creates new value through innovation, the company of choice for customers around the world, and establish for itself a strong presence in the global logistics market.
efficiency, and improve corporate value, we are using IT strategy-based innovations to bolster our ocean cargo and air cargo forwarding businesses, and implement measures designed to strengthen the logistics services and strategic functions. In the approach based on area, we are strongly promoting core business growth initiatives through the implementation of strategies tailor-made to each region’s specific characteristics.

### Strategies to Enhance Domestic Businesses in Japan

For businesses in Japan, the Nippon Express Group aims to improve profitability in specified businesses such as the heavy haulage & construction, security transportation, and fine art transportation businesses, while simultaneously bolstering productivity in the sales and operations by reforming the business processes through the utilization of cutting-edge AI and RPA technologies and reorganizing the domestic operations and operational support systems. As part of fundamental reforms to low-profit businesses, the company aims to enhance its businesses through operating portfolio revisions and service price adjustments.

### Efforts to Implement Our Long-Term Vision

We intend to continue the three major efforts implementing an inorganic growth strategy, reinforcing functions to support challenges, and establishing ESG-oriented management to realize sustainable development and improve corporate value even after the end of the current five-year business plan. In terms of implementing an inorganic growth strategy, we aim to achieve this type of growth through M&A to become a mega forwarder with a strong presence in the global market, creating a global network and business base, and secure non-Japanese global customers.

In terms of reinforcing functions to support challenges, we are using IT strategy-based innovations to bolster value offered to customers and realize improved productivity and work style reforms, while also promoting innovation in our management base, including in areas such as research and development, human resources, and brand strategies. Finally, as part of our effort to establish ESG-oriented management to realize sustainable development and improve corporate value, we are committed to reducing CO2 emissions while entrenching employee awareness of safety, compliance, and quality. Our goal is to contribute to a sustainable society by addressing social issues, and to become a company where a diverse workforce can play an active role in the company and each employee can feel satisfaction and fulfillment in their work.

### Financial Targets and Progress Update

#### Revenues/Operating Income

<table>
<thead>
<tr>
<th></th>
<th>FY2019 Results (Billions of yen)</th>
<th>FY2023 Targets (Billions of yen)</th>
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<tbody>
<tr>
<td>Japan</td>
<td>¥1,340.0 billion</td>
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<tr>
<td>Americas</td>
<td>¥135.0 billion</td>
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<tr>
<td>Europe</td>
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<td>East Asia</td>
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<tr>
<td>South Asia &amp; Oceania</td>
<td>¥90.1 billion</td>
<td>¥3.1 billion</td>
</tr>
<tr>
<td>Security Transportation</td>
<td>¥135.0 billion</td>
<td>¥6.3 billion</td>
</tr>
<tr>
<td>Japan</td>
<td>¥1,213.5 billion</td>
<td>¥42.8 billion</td>
</tr>
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#### Overseas Sales

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<th>FY2019 Results (Billions of yen)</th>
<th>FY2023 Targets (Billions of yen)</th>
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<tr>
<td>Ocean cargo 690,000 TEU</td>
<td>¥471.2 billion</td>
<td>¥12.3 billion</td>
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<tr>
<td>Air cargo 800,000 tons</td>
<td>¥530.0 billion</td>
<td>¥14.4 billion</td>
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Note: Before elimination of intersegment transactions
Growth Strategies for Businesses

Looking back on the first year in the current business plan

In our approach based on customer (industry), we fortified our efforts with non-Japanese companies while strengthening measures targeting the five priority industries, including by offering group-based sales proposals to companies in the semiconductor industry and launching the pharmaceutical products business.

In our approach based on business, we expanded handling volume in ocean and air cargo forwarding while boosting logistics-related efforts, starting with our warehouses. Despite an expansion in new customers and strength in handling volume in ocean and air cargo forwarding while boosting the pharmaceutical products business.

In our approach based on area, we will promote business in emerging markets, completing construction of new warehouses in a number of Southeast Asian countries, and establishing new bases in the Central Asian country of Kazakhstan, as well as in Morocco in Africa.

**Strategies to Enhance Domestic Businesses in Japan**

Looking back on the first year in the current business plan

With the aim of solving the labor shortage problem and further improving profitability in the logistics business in Japan that forms the core of the Nippon Express Group’s business, in October 2019 we consolidated our branches through a large-scale reshuffling of the domestic organizational structure.

- Strengthen integration of land, sea, and air
- Pursue greater synergies among organizations, human resources, and capital equipment
- Revenue growth in each block by adopting strategies based on area and modal shifts.
- Further development with the pharmaceutical industry
- Further development with the semiconductor industry
- Further development with the automotive industry
- Further development with the chemical and medical industry

**Efforts to Implement Our Long-Term Vision**

Looking back on the first year in the current business plan

*“Innovation in IT strategy” as part of our effort in “reinforcing functions to support challenges” included an acceleration in measures aimed at introducing and increasing the use of RPA systems to boost sales office productivity as well as efforts designed to strengthen the Group governance through enhancements to IT security. “Innovation in research and development” has focused on promoting the commercialization of cutting-edge logistics technologies, including through demonstration testing in cooperation with customers and external organizations.

- Establishing ESG-oriented business management to realize sustainable development and improve corporate value
- “Establishing ESG-oriented business management to realize sustainable development and improve corporate value” is centered on our commitment to reducing CO2 emissions (the “E” in ESG is for “environment”) and in line with this commitment we worked to expand sales of combined transport products and promote modal shifts, which included efforts to promote the increased use of rail-based transport between China and Europe. We aim to transform the company into one in which employees feel satisfied and fulfilled in their work the “S” in ESG is for “societal”, and in this area we worked to create an organization where each member of a diverse workforce can actively contribute to the whole, an employment system in which equal work was rewarded with equal pay, and where long working hours were a thing of the past.

In line with our commitment to reducing CO2 emissions and will accelerate the expansion of modal shifts and joint transport sales. On the social front, we are focused on becoming a company in which employees feel satisfied and fulfilled in their work and will work actively to promote diversity management and work style reforms. Our efforts in “Innovation in research and development” will involve putting cutting-edge technologies to practical use in order to further advance automation and reduced labor in operations. We will also work actively to ensure our competitive advantages in the logistics industry.

In “Establishing ESG-oriented business management to realize sustainable development and improve corporate value,” we will expand the use of RPA to boost sales and business productivity while actively working to achieve work style reforms.

In implementing “Innovation in IT strategy” as part of our effort in “reinforcing functions to support challenges,” we will expand the use of RPA to boost sales and business productivity while actively working to achieve work style reforms.

With the aim of solving the labor shortage problem and further improving profitability in the logistics business in Japan that forms the core of the Nippon Express Group’s business, in October 2019 we consolidated our branches through a large-scale reshuffling of the domestic organizational structure.

- Strengthen integration of land, sea, and air
- Pursue greater synergies among organizations, human resources, and capital equipment
- Further development with the pharmaceutical industry
- Further development with the chemical and medical industry

We will work to improve the profitability of our business in Japan by enhancing productivity, strengthening governance and our capabilities in sales, and promoting the relocation of human resources by way of a large-scale reshuffling of the domestic organizational structure.

- Structural reform of the moving & relocation business
- Strengthening moving capability to leverage Nippon Express advantages
- Improve efficiencies in the motor transportation business
- Reinforce human resources for group workforce; adapt to work style reform and labor laws
- Expand sales of new products

**Strategies and initiatives for the second year**

In implementing “Innovation in IT strategy” as part of our effort in “reinforcing functions to support challenges,” we will expand the use of RPA to boost sales and business productivity while actively working to achieve work style reforms.

In our approach based on business, we are working to expand air cargo and ocean cargo forwarding volume while utilizing network transport products to expand modal shifts.

In our approach based on area, we will promote business growth in each block by adopting strategies based on the special characteristics of each area. We are also working to expand our business in emerging economies such as India and countries in Africa.

under control, and adapting quickly to those changes. In our approach based on business, we are working to expand air cargo and ocean cargo forwarding volume while utilizing network transport products to expand modal shifts.

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Note: Domestic figures, KPI targets are for the Nippon Express parent only.

**Growth Strategies for Our Core Businesses**

Looking back on the first year in the current business plan

In our approach based on customer (industry), we fortified our efforts with non-Japanese companies while strengthening measures targeting the five priority industries, including by offering group-based sales proposals to companies in the semiconductor industry and launching the pharmaceutical products business.

In our approach based on business, we expanded handling volume in ocean and air cargo forwarding while boosting logistics-related efforts, starting with our warehouses. Despite an expansion in new customers and strength in handling volume in ocean and air cargo forwarding while boosting the pharmaceutical products business.

In our approach based on area, we will promote business in emerging markets, completing construction of new warehouses in a number of Southeast Asian countries, and establishing new bases in the Central Asian country of Kazakhstan, as well as in Morocco in Africa.

**Strategies and initiatives for the second year**

We will continue to promote a three-dimensional strategy with approaches based on customer (industry), business, and area. For the approach based on customer (industry), in addition to accelerating our efforts in the electric and electronics, automobile, apparel, pharmaceutical and medical, and semiconductor industries, we are creating a digital platform, mainly for use in pharmaceutical and medical product logistics. We will also focus on accurately predicting changes in the supply chains of customers after the COVID-19 pandemic is brought to an end and adapting quickly to those changes.

In our approach based on business, we are working to expand air cargo and ocean cargo forwarding volume while utilizing network transport products to expand modal shifts.

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Improving Corporate Value

The Nippon Express Group Business Plan 2023 revises our key management indicator from ROA, which we have used in past business plans, to ROE. In this new plan, we have established an ROE target of 15%. We are targeting operating income in the last year of the plan of ¥100.0 billion, and aim not only to return cash generated to our shareholders, but also to aggressively invest in order to ensure future growth while also maintaining a certain level of financial discipline. In addition to considering the off-balance sheet financing of assets through liquidation, we will continue to take an active approach to the management of our balance sheets, including reducing our strategic shareholdings. We target cumulative investment over the five years through fiscal 2023 of ¥450.0 billion (including planned asset liquidation, e.g., ¥70.0 billion for the new headquarters). This investment includes capex aimed at bolstering our efforts in the pharmaceutical and medical industry, which we view as particularly important among the business plan growth strategies. We are also focused on further improving asset and capital efficiency. While maintaining a goal for equity ratio in the past of 40%, our goal moving forward is to further improve capital efficiency while maintaining a stable financial base in line with shareholders’ equity ratio target of about 35%.

Our Thoughts on Shareholder Returns

We recognize that returning profits to shareholders is one of our most important management functions. Our policy is to increase sales and strengthen our corporate structure in line with the goal of increasing shareholder equity, improving profit margins, and enhancing profitable returns. With that in mind, our current business plan focuses on maintaining stable dividends and establishes a dividend payout ratio target of at least 30% and a total returns ratio target of at least 50% (cumulative total for the fiscal 2019–fiscal 2023 period). We have continued to purchase treasury stock, but we will continue to flexibly carry out our strategic investment for business growth while meeting the expectations of our investors.

<table>
<thead>
<tr>
<th>Investment Target</th>
<th>Planned Amount (Five-year cumulative total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>¥360.0 billion</td>
</tr>
<tr>
<td>IT</td>
<td>¥40.0 billion</td>
</tr>
<tr>
<td>Vehicles</td>
<td>¥50.0 billion</td>
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<tr>
<td>Group total</td>
<td>¥450.0 billion</td>
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</table>

Note: Includes planned asset securitization (e.g., ¥70.0 billion for the new headquarters)

Financial Trends

<table>
<thead>
<tr>
<th>FY2012</th>
<th>FY2015</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (Billions of yen)</td>
<td>1,247.6</td>
<td>1,484.9</td>
<td>1,536.6</td>
</tr>
<tr>
<td>Shareholders’ equity (Billions of yen)</td>
<td>513.6</td>
<td>522.2</td>
<td>543.6</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year (Billions of yen)</td>
<td>113.6</td>
<td>146.0</td>
<td>102.0</td>
</tr>
<tr>
<td>Free cash flow (Billions of yen)</td>
<td>31.0</td>
<td>(44.0)</td>
<td>(18.2)</td>
</tr>
<tr>
<td>Return on equity (ROE) (%)</td>
<td>4.8</td>
<td>6.8</td>
<td>9.2</td>
</tr>
<tr>
<td>Dividend payout ratio (%)</td>
<td>43.7</td>
<td>30.9</td>
<td>30.1</td>
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<tr>
<td>Total return ratio (%)</td>
<td>81.4</td>
<td>31.9</td>
<td>50.1</td>
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<tr>
<td>Shareholders’ equity ratio (%)</td>
<td>41.2</td>
<td>35.2</td>
<td>35.4</td>
</tr>
</tbody>
</table>

Note: Ten shares of common stock were consolidated into one share effective as of October 1, 2017. The highest and lowest stock prices before the share consolidation are listed for the stock price for the fiscal year ended March 31, 2018, and the highest and lowest stock prices after the share consolidation are listed in brackets.

Strategy & Action

Capital Policy/Dividend Policy

The Nippon Express Group Business Plan 2023 revises our key management indicator from ROA, which we have used in past business plans, to ROE. In this new plan, we have established an ROE target of 15%. We are targeting operating income in the last year of the plan of ¥100.0 billion, and aim not only to return cash generated to our shareholders, but also to aggressively invest in order to ensure future growth while also maintaining a certain level of financial discipline. In addition to considering the off-balance sheet financing of assets through liquidation, we will continue to take an active approach to the management of our balance sheets, including reducing our strategic shareholdings. We target cumulative investment over the five years through fiscal 2023 of ¥450.0 billion (including planned asset liquidation, e.g., ¥70.0 billion for the new headquarters). This investment includes capex aimed at bolstering our efforts in the pharmaceutical and medical industry, which we view as particularly important among the business plan growth strategies. We are also focused on further improving asset and capital efficiency. While maintaining a goal for equity ratio in the past of 40%, our goal moving forward is to further improve capital efficiency while maintaining a stable financial base in line with shareholders’ equity ratio target of about 35%.

Our Thoughts on Shareholder Returns

We recognize that returning profits to shareholders is one of our most important management functions. Our policy is to increase sales and strengthen our corporate structure in line with the goal of increasing shareholder equity, improving profit margins, and enhancing profitable returns. With that in mind, our current business plan focuses on maintaining stable dividends and establishes a dividend payout ratio target of at least 30% and a total returns ratio target of at least 50% (cumulative total for the fiscal 2019–fiscal 2023 period). We have continued to purchase treasury stock, but we will continue to flexibly carry out our strategic investment for business growth while meeting the expectations of our investors.

<table>
<thead>
<tr>
<th>Investment Target</th>
<th>Planned Amount (Five-year cumulative total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>¥360.0 billion</td>
</tr>
<tr>
<td>IT</td>
<td>¥40.0 billion</td>
</tr>
<tr>
<td>Vehicles</td>
<td>¥50.0 billion</td>
</tr>
<tr>
<td>Group total</td>
<td>¥450.0 billion</td>
</tr>
</tbody>
</table>

Note: Includes planned asset securitization (e.g., ¥70.0 billion for the new headquarters)

Financial Trends

<table>
<thead>
<tr>
<th>FY2012</th>
<th>FY2015</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (Billions of yen)</td>
<td>1,247.6</td>
<td>1,484.9</td>
<td>1,536.6</td>
</tr>
<tr>
<td>Shareholders’ equity (Billions of yen)</td>
<td>513.6</td>
<td>522.2</td>
<td>543.6</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year (Billions of yen)</td>
<td>113.6</td>
<td>146.0</td>
<td>102.0</td>
</tr>
<tr>
<td>Free cash flow (Billions of yen)</td>
<td>31.0</td>
<td>(44.0)</td>
<td>(18.2)</td>
</tr>
<tr>
<td>Return on equity (ROE) (%)</td>
<td>4.8</td>
<td>6.8</td>
<td>9.2</td>
</tr>
<tr>
<td>Dividend payout ratio (%)</td>
<td>43.7</td>
<td>30.9</td>
<td>30.1</td>
</tr>
<tr>
<td>Total return ratio (%)</td>
<td>81.4</td>
<td>31.9</td>
<td>50.1</td>
</tr>
<tr>
<td>Shareholders’ equity ratio (%)</td>
<td>41.2</td>
<td>35.2</td>
<td>35.4</td>
</tr>
</tbody>
</table>

Note: Ten shares of common stock were consolidated into one share effective as of October 1, 2017. The highest and lowest stock prices before the share consolidation are listed for the stock price for the fiscal year ended March 31, 2018, and the highest and lowest stock prices after the share consolidation are listed in brackets.
In line with our corporate philosophy, the Nippon Express Group believes that creating new value alongside our stakeholders and contributing to society through our business activities will lead to sustainable growth and an ongoing improvement in our corporate value.

As we target growth as part of our long-term vision ahead of the 100th anniversary of the company’s founding, we are focused on becoming a “logistics company with a strong presence in the global market” and view ESG management as essential to this effort. Based on this recognition, the Nippon Express Group Business Plan 2023 – “Dynamic Growth” – positions ESG management targeting “establishing ESG-oriented business management to realize sustainable development and improve corporate value” as central to the foundation of our growth strategy and efforts that need to be strengthened over the medium to long term. We have also identified priority issues for action in each of the ESG components (Environment, Social, and Governance) and have clarified our involvement with the Sustainable Development Goals (SDGs).

In terms of the environment (E) aspect, the Nippon Express Group operates a logistics business that emits a substantial volume of CO2. We view the reduction of CO2 emissions as part of our social responsibility and with the theme of “commitment to reducing CO2 emissions as a logistics company,” see this as an area in which we can make a contribution not only to our customers, but also to society as a whole. Alongside the establishment of concrete measures aimed at achieving independently set long-term environmental targets, we believe that if we can provide for our customers solutions focused on working together to reduce CO2 in logistics operations, it will prove a competitive advantage and allow us to actively contribute to CO2 reductions through our business activities.

In regard to the social (S) aspect, our theme of “transforming into a company that makes employees feel satisfied and fulfilled” is based on the idea that the active participation of a diverse workforce is key to achieving our long-term vision. With this in mind, we are working to change our way of working and thinking so that employees can work to the best of their abilities. At the same time, we will continue to contribute through our business to the betterment of society in countries and regions by utilizing cutting-edge technologies to deal with logistics crises and by fulfilling our role as a designated public institution.

Finally, in terms of governance (G) aspect, we have built our efforts around a theme of “establishing a mechanism to support the sustainable improvement of corporate value.” While we believe safety, compliance, and quality to be the main goals of corporate management, we are also working to entrench and improve achievements in these areas as not only the source of our strength but also the foundation supporting sustainable growth. In order to realize our long-term vision, we believe it is essential to maximize Group corporate value and will continue to consider changes to the Group’s management structure with the aim of strengthening in Group management and enhancing our global governance system to further expand our business overseas.

The Nippon Express Group

Corporate Philosophy

Commitment to reducing CO2 emissions as a logistics company

Facilitating more use of LED lighting at facilities

Reducing waste produced by Nippon Express

Contribute to customers and society through businesses

Collaboration and co-creation with stakeholders

Contribute to resolving social issues through business

Transform the company that makes employees feel satisfied and fulfilled

Promoting diversity

Working style innovations

Contribute to a lower environmental impact in customer logistics through modal shifts and co-loaded delivery operations

Contribute to resolution of global environmental issues through the promotion of recycling-oriented sales activities

Role as a designated public institution during disasters

Participate in international social contribution projects

Contribute to the development of countries and regions through employment and engagement with partner companies

Address social issues through the promotion of innovation in logistics technologies

Promote Health and Productivity Management

Establishing a Mechanism to Support the Sustainable Improvement of Corporate Value

Strong Commitment to Safety, Compliance, and Quality

Considering Advancing Global Governance by Holding Company System

Governance

Establishing a mechanism to support sustainable improvement of corporate value

Strong commitment to safety, compliance, and quality

Considering advancing global governance by holding company system

Capital policies (ROE of 10%)

Information disclosure

* ROE: Return on invested capital

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Considering advancing global governance by holding company system

Capital policies (ROE of 10%)

Information disclosure

* ROE: Return on invested capital
The Nippon Express Group provides a range of services via diverse transport modes all regions in Japan and throughout the world to improve the efficiency and sophistication of our customers’ supply chains and enhancing the added value of their goods.

**Areas of Operation/Products and Services**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Railway Transportation</th>
<th>Motor Transportation</th>
<th>Air Freight Transportation</th>
<th>Sea Freight Transportation</th>
<th>Advertising</th>
<th>In-Factory Transportation</th>
<th>Warehousing</th>
<th>Main Products and Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Security transportation, heavy haulage and construction, information asset management, real estate, marine and harbor transportation, warehousing, and distribution processing, moving and relocation, chartered truck services, rail services, travel, storage of other goods, and IT services.</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Railway transportation, motor transportation, air freight transportation, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, rail services, travel, storage of other goods, and IT services.</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Railway transportation, motor transportation, air freight transportation, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, rail services, travel, storage of other goods, and IT services.</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Railway transportation, motor transportation, air freight transportation, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, rail services, travel, storage of other goods, and IT services.</td>
</tr>
<tr>
<td>East Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Railway transportation, motor transportation, air freight transportation, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, rail services, travel, storage of other goods, and IT services.</td>
</tr>
<tr>
<td>South Asia &amp; Oceania</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Railway transportation, motor transportation, air freight transportation, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, rail services, travel, storage of other goods, and IT services.</td>
</tr>
</tbody>
</table>

**Logistics Segment**

The Nippon Express Group logistics business has grown as transport modes have expanded from railways to automobiles, ships, and airplanes. In addition to extending our transport network to every corner of Japan, we have also ventured out to the rest of the world, first by moving into the Americas, followed by South Asia, Europe, East Asia, and today into India and Africa.

Along with this growth in scale, we also continue to adjust and change the content of our services to track the evolution in logistics that is coinciding with advancements in society.

**Developments in the Logistics Segment**

- 1951: Test transport of Nippon Express-style containers
- 1991: Super Pelican service launched
- 1997: Recycle transportation business established
- 1999: Nippon Express’ “No-fit-box containers” introduced
- 2000: Nippon Express (H.K.) Ltd. established
- 2001: Nippon Express (Philippines) Corporation established
- 2007: Nippon Express (Vietnam) Co., Ltd. established
- 2011: Nippon Express Europe Grant established
- 2012: Nippon Express South Asia & Oceania Pte. Ltd. established
- 2013: Nippon Express (Italia) S.r.l. and two other companies, acquired
- 2014: Nippon Express Engineering (Vietnam) Co., Ltd. established
- 2015: Nippon Express Myanmar Co., Ltd. established
- 2016: NEX Global Engineering Pte. Ltd. established in Singapore
- 2018: Throat of Italy acquired
- 2019: Branches established in Laos and Panama
- 2020: Nippon Express (Malaysia) Sdn. Bhd., established through a merger of two Thai and two other companies

**Revenues by Reportable Segment/Reportable Segment Income**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenues (Billions of yen)</th>
<th>Segment Income (Operating Income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,213.5</td>
<td>42.8</td>
</tr>
<tr>
<td>Americas</td>
<td>91.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Europe</td>
<td>119.3</td>
<td>1.7</td>
</tr>
<tr>
<td>East Asia</td>
<td>122.0</td>
<td>2.9</td>
</tr>
<tr>
<td>South Asia &amp; Oceania</td>
<td>56.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Heavy Haulage &amp; Construction</td>
<td>72.5</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Logistics Support</td>
<td>52.3</td>
<td>6.1</td>
</tr>
<tr>
<td>Total</td>
<td>471.2</td>
<td>12.3</td>
</tr>
</tbody>
</table>

Note: Figures presented exclude adjustments.
### Strategy & Action

#### Results by Reportable Segment

**Japan**

- **Business Overview**
  - The Nippon Express Group through its employees—who maintain a strong awareness of safety, quality, and compliance, as well as a stance of placing the customer first—provides the optimal logistics service to the customer by leveraging our nationally available network and various transport modes, including railways, automobiles, ships, and airplanes. In addition, they provide the right solution for different needs in every area from business-to-business logistics to moving & relocation and transport of specialized goods such as fine arts and pharmaceuticals, by employing a logistics information system that combines our distribution centers, which boast one of the largest warehousing floor areas in Japan, with our experience and know-how.

- **Strategy and Policy**
  - At the same time that we expand sales into those priority industries (electric and electronics, automotive, apparel, pharmaceutical/medical, and semiconductors) and we are working on aims for sustainable growth, for example by raising productivity through the improved efficiency of operations. We also work to expand the areas in which we can contribute to our customers by enhancing our customer-driven approach and account management, and work to acquire new businesses that see the transformation in the supply chains of our customers as an opportunity. Moreover, along with expanding sales by focusing management resources on the metropolitan areas of Tokyo, Nagoya, and Osaka, where needs are concentrated, we are also focused on providing services that address the needs of major customers in the region.

- **Fiscal 2019 Performance**
  - Despite firm transactions in the warehousing & storage business, railway and motor cargo transport service rate revisions, and the impacts of overtime reductions, due to service suspensions caused by natural disasters, lower freight exports stemming from a worsening global economy, and the impact of increased personnel expenses following Employee System Reform, as well as due to the spread of COVID-19 since February, revenues decreased ¥13.2 billion, or 3.4%, year on year to ¥1,213.5 billion. Similarly, sector income decreased ¥13.1 billion, or 23.4%, year on year to ¥28.2 billion.

- **Initiatives for Sustainable Growth**
  - **Establishment of a Pharmaceutical Transport System in the Narita Region**
    - In October 2019, Nippon Express joined a community organized by the Narita International Airport Corporation to acquire “CEV Pharma,” a pharmaceutical transport quality certification advocated by JATA. In February 2020, we acquired this certification for our “Good Distribution Practice” (GDP) storage services related to air transport of pharmaceuticals at the “Narita Temperature Controlled HUB,” our temperature-controlled facility in our distribution center located nearby Narita Airport. The acquisition of these certifications is part of a series of improvements in export/import bases that will link bases specialized in pharmaceuticals in various locations as a means to restock.

- **Reception of the First Ocean Cargo Modal Shift Award**
  - In February 2020, together with Nikken Sake Co., Ltd., Nippon Express received the “Ocean Cargo Modal Shift Award” established by the Ministry of Land, Infrastructure, Transport and Tourism. We received this award in recognition of having enabled a modal shift for products shipped by Nikken Sake from Kojito to six prefectures in northeastern Japan. This move was made in response to the desire of Nikken Sake to reduce CO2 emissions during product transport and to cope with truck driver shortages. Specifically, the move involved passing new bases through a change in the transport format to an inventory-based system that relies on relay warehouses, establishing efficient inventory management, and moving from conventional truck transport for the entire volume to integrated ocean-land transport using ferries as a means to restock.

- **Strategic/medical initiatives**
  - **Strategic/medical initiatives**
    - **Strategic/medical initiatives**
  - **Strategic/medical initiatives**

**Americas**

- **Business Overview**
  - Nippon Express has operations in the United States, Canada, Mexico, Brazil, Colombia, and Panama, offering network services connecting Americas. We also provide transport services through agencies in countries where we do not operate local subsidiaries. One of the solutions we offer that leverages the characteristics of this region and that supports supply chain management among our customers, is a cross-border transport system that runs through the United States, Canada, and Mexico, three countries which have formed a free trade agreement.

- **Strategy and Policy**
  - Nippon Express will further strengthen initiatives targeting automotive industry production and logistics networks by leveraging our long-distance cross-border transport system that links automotive industry hubs in Americas. In terms of the priority pharmaceutical/medical and perishable food industries, we will work to further expand transactions by acquiring GDP certification, improving temperature-control functions, and advancing other similar initiatives that improve facilities and reinforce functional aspects at our logistics centers. Moreover, we will implement measures to expand human resources, for example, in order to extend sales to non-Japanese customers and thereby reinforce the customer base.

- **Fiscal 2019 Performance**
  - Primarily due to a decline in air freight exports related to automobiles resulting from US-China trade friction and a slowing trend in warehousing and deliveries, which had been robust during the first half, revenues decreased ¥7.6 billion, or 7.7%, year on year to ¥91.0 billion. Despite a decrease in forwarding costs due to lower air exports and a reduction in personal expenses and other administration costs, segment income declined ¥1.4 billion, or 34.5%, year on year to ¥2.7 billion.

- **Initiatives for Sustainable Growth**
  - **Warehouse Relocation to Long Beach, Los Angeles**
    - Nippon Express USA relocated its principle location for West Coast ocean cargo transport and warehousing operations to Long Beach, California in January 2020. This consolidation of operations with another Group company is expected to produce considerable synergy by efficiently integrating the trunk transport of cargo to/from Los Angeles. The new site is equipped with temperature-control capabilities that enable storage of perishables, and is also designed to improve storage and operational efficiency. Moreover, the new location is in a distinct that does not require special authorizations when shipping heavy loads, which we intend to use to further capture transactions for transport of large plant equipment and other heavy haulage.

  - **Construction of a New Warehouse in Guanajuato, Mexico**
    - Nippon Express de Mexico is constructing a new warehouse within the Colinar de Apaseo Industrial Park in the Mexican state of Guanajuato. In recent years, Guanajuato has emerged as a major hub for the automotive industry in part due to the entry of many Japanese companies. This new facility was designed in-house using basic plans derived from NE Mexico’s known how in automotive-related logistics. Consolidating business locations will make it possible to improve efficiency and profitability while providing high-value-added services synchronized with customers’ production lines.
Nippon Express operates locations in Germany, the Netherlands, and other major countries in Europe, the Russian Federation, and the United Arab Emirates. In January 2020 we integrated Group companies with experience in apparel-related logistics, particularly luxury apparel and fashion items, into Nippon Express (Italy) and we are deploying logistics services that integrate every aspect, from international transport to product storage and delivery to market. Moreover, we are actively expanding emerging regions with the opening of bases in Kenya and Morocco in Africa.

In China, where domestic demand is large, we have extended mainline transport connecting major cities and other parts of the country, including the establishment of routes between Shanghai, China, and Singapore, and offering transport services by railway between East Asia and Europe.

Nippon Express has built up a network in the closely intertwined economic sphere of China, Hong Kong, Taiwan, and Korea. In China, where domestic demand is large, we have extended mainline transport connecting major cities and other parts of the region, including the establishment of routes between Shanghai, China, and Singapore, and offering transport services by railway between East Asia and Europe.

Leveraging our network that spans broadly throughout Central and Eastern Europe, the Middle East, and Africa, we will expand sales to the priority industries of luxury apparel and fashion items, automobiles, and pharmaceuticals/medical, while at the same time working to establish a sales system that targets the expansion of the non-Japanese account base. Meanwhile, initiatives for luxury apparel and fashion items are aimed at expanding sales to, and strengthening our presence in, the lifestyle industry. In addition to extending rail freight via China-Europe railway service and developing cross-border transport services to Africa by way of Europe, we will also work to expand warehousing and distribution at existing bases in hub ports and other business fields.

Due to new business in China operated by Franco Vago, firm transactions in newly launched warehousing and distribution services by Traconf and Nippon Express (Deutschland), and robust chartered truck services, revenues rose ¥45.5 billion, or 3.9%, year on year to ¥119.3 billion. Meanwhile, primarily due to a decline in air freight forwarding transactions related to automobiles and an increase in personal expenses, segment income decreased ¥440 million, or 21.7%, year on year to ¥17.1 billion.

Due to the success of air forwarding transactions, sector income rose ¥6.7 billion, or 8.7%, year on year to ¥82.3 billion. Meanwhile, revenues decreased ¥10.7 billion, or 8.7%, year on year to ¥112.0 billion. Meanwhile, due to continued cost reductions resulting from the success of air forwarding cost efficiency improvements at Nippon Express (H.K.), sector income remained steady year on year at ¥29.1 billion.

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As a measure for expanding the logistics business within China, we will extend initiatives beyond Japanese companies to non-Japanese companies in the automobile industry, while at the same time strengthening our response to changes in the supply chain coinciding with the shift to electric vehicles. In regard to pharmaceuticals/medical, we will work to enhance quality by improving the facilities at our logistics bases. Moreover, we will also work to expand share by capturing China’s global companies. Outside the region, we will deploy highly convenient cross-border transport using China-Europe rail service, while at the same time actively venturing into expanding business to areas along the line in Central Asia.

Launch of BCP Solutions in Response to Logistics Restrictions

In March 2020, the East Asia Region of Nippon Express began providing BCP solutions that leverage collaborative services between international railways and domestic railways in China to cope with the various restrictions that have been imposed on logistics within China following the spread of COVID-19. As a solution for the temporary suspension/reduction of flights from China and the restrictions imposed on domestic trucking within China, this service links cross-border freight-only rail transport between China and Europe, which is not affected by passengers, with domestic rail transport, thereby providing shorter lead times than maritime transport.
South Asia & Oceania

Nippon Express operates bases in nine ASEAN countries, including Singapore and Thailand, as well as in India and Australia. Against a backdrop of steadily growing activity in intraregional trade due to the strengthening of economic cooperation, we have built a cross-border transport network that connects the region by various transport routes and modes. In India, the largest economic sphere in the region, we are working to optimize the supply chain by offering milk-run services for the efficient consolidation of various types of automotive parts and JIT logistics. Moreover, we are obtaining GDP certification for pharmaeutical logistics and expanding temperature-controlled transport services.

Business Overview

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Initiatives for Sustainable Growth

Formation of a Strategic Partnership Agreement with FSC

In December 2019, Nippon Express entered a Business Collaboration Agreement with Future Supply Chain Solutions Limited (FSC) of Mumbai, India, to build a strategic partnership and business collaboration. This move aims to jointly leverage Nippon Express’ know-how in a diverse range of sectors and to enable both companies to emerge as leaders in India’s logistics sector. FSC will demonstrate its 3PL and express logistics operations as well as cash collection and delivery services for large retail stores and restaurants. In addition to transport services, we also address the needs for Cash Safety Delivery (CSD) services for online cash dispensers.

Completion of a Multifunctional Logistics Warehouse in Malaysia

In March 2020, Nippon Express (Malaysia) began operations at an industrial park in the Malaysian state of Selangor. Malaysia is experiencing remarkable growth in personal consumption, which has led to an outlook for increased demand for more sophisticated domestic logistics and warehousing services. This Center has led to an outlook for increased demand for more sophisticated domestic logistics and warehousing services. This Center will further bolster its logistic functions and thereby meet increasingly diverse and sophisticated needs, including domestic sales logistics, manufacturing logistics (JIT delivery), temperature-controlled storage using air-conditioned facilities, and storages/delivery of halal products.

Heavy Haulage & Construction Segment

Nippon Express seamlessly carries out everything from the transportation of equipment to the installation and assembly for power plants, and petrochemical plants. In addition, Nippon Express uses its unique technology to transport and install precision equipment such as equipment for clean rooms at semiconductor manufacturing plants. Since 1999, Nippon Express has been fully engaged in the transportation and installation of wind power generation equipment, which is in high demand in recent years due to its environmental friendliness. The Company currently transports and installs about 70% of the wind power generation equipment in Japan and going forward the Company plans to continue to expand its handling in this field.

Security Transportation Segment

Since Nippon Express launched this business in 1965, we have prided ourselves as a pioneer in the security transport of valuables, having earned the largest market share in Japan. We ensure safe and secure transportation of customers’ valuables by dispatching advanced security teams consisting of highly trained guards and advanced security devices in providing transportation between financial institutions as well as cash collection and delivery services for large retail stores and restaurants. In addition to transport services, we also address the needs for Cash Safety Delivery (CSD) services for online cash dispensers.

Fiscal 2019 Performance

Due to increased sales of safety deposit machines to external customers and the success of service rate revision negotiations, revenues remained steady year on year at ¥72.5 billion. There was a reduction in deliveries resulting from branch consolidations among financial institutions, a reduction in ATM loading frequency, and increased personnel expenses resulting from employee system reform; however, sector loss was ¥1.0 billion, a decline of ¥2.3 billion year on year.

Fiscal 2019 Performance

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Strategy & Action

Results by Reportable Segment

Strategy & Policy

In response to expanding international logistics demand due to economic cooperation between countries within the region and the growing demand for consumables due to rising purchasing power, we will work to strengthen sales in the miscellaneous daily goods industry in addition to the priority industries of automobiles, electric and electronics, semiconductors, pharmaceuticals/medical, and apparel. Similarly, we will work to establish an intraregional operations foundation by developing new, high-quality facilities that leverage multifunctional warehouses. Moreover, we are working to capture the growing demand for logistics in India, which has the largest population in the region and a domestic economy with a very high prospect for growth.

Fiscal 2019 Performance

Despite firm transactions in ocean cargo and warehousing and distribution, primarily for the automotive- and apparel-related industries, due to a reactionary decrease in spot transactions for air freight exports and fewer transactions from existing customers, revenues decreased ¥1.7 billion, or 1.9%, year on year to ¥90.1 billion. Moreover, despite reduced forwarders’ costs coinciding with this decline in transactions, due to continued increases in strategic capital investment, personnel expenses and other overhead costs, sector income decreased ¥500 million, or 15.0%, year on year to ¥31.1 billion.

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Climate change is an important social issue that all countries and companies in the world must tackle. Natural disasters caused by global warming have grown in size and increased in frequency in recent years and will have a major impact on the business of the Nippon Express Group. We believe these risks will increase further in the future. We have positioned this as an issue that must be overcome to achieve our long-term vision.

CO2 emissions from the transportation industry account for about 20% of Japan’s emissions. As a leader in the transportation industry, the Nippon Express Group recognizes that environmentally friendly management is necessary to become a driving force for social development and to become a trusted presence we are proactively developing business that focuses on the environment.

We will not only work to reduce carbon dioxide emissions in our own activities, through such measures as the introduction of environmentally friendly vehicles, modal shifts, and the use of renewable energy, but also provide an opportunity for business growth and promote product development that solves customer logistics issues from an environmental perspective such as co-loaded delivery.

### Initiatives for Sustainable Growth

#### Addressing Projects for Special Transport and Installation Work

The Nippon Express Group has been involved from our earliest days in the transport of heavy goods and construction with a strong public nature, including bridge erection and removal work and transport of the high-speed Shinkansen and other railway vehicles from railway vehicle factories to rail yards. Leveraging our experience of continuous involvement in the transport and construction of Japan’s high-speed railways since the beginning, we handled the track-laying work and every aspect of international transport for the construction materials related to Taiwan’s high-speed railway, which was built under the technical cooperation of Japan. We handle every aspect from transport to installation for all manner of goods, including ultra-heavy, high-tech, and uniquely shaped items.

#### Top Share of Wind Turbine Transport in Japan

Many construction sites for wind turbine facilities are located near mountain ridge lines, so transporting the blades, which can be 40 to 80 meters in length, and the nacelles (turbine housing), which can weigh several tons, while avoiding obstacles requires sophisticated technologies. Nippon Express overcomes these challenges using unique trailers (blade standing systems) developed specifically for wind turbine facilities and detailed transport plans drafted by our highly experienced staff. We will continue to contribute to the greater use of renewable energy through wind turbine transportation and installation services.

### Supporting Sustainable Development and Greater Corporate Value

#### Environment

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#### Basic Policy on Environmental Management

The Nippon Express Group has formulated its Basic Philosophy and Code of Conduct to guide environmental activities as expressed in the 2001 Nippon Express Group Environmental Charter, and we seek to instill these throughout the Group. We promote the acquisition of ISO 14001 certification, which is the international standard for environmental management systems, and Green Management Certification at each of the Nippon Express Group’s locations so as to further deepen our environmental preservation activities. As of the end of March 2020, 72 Nippon Express trucking offices and four warehousing offices have received this certification. Among Group companies, 17 trucking offices have been granted Green Management Certification. Moreover, Group-wide, the 22 Nippon Express Group business locations in Japan and overseas have been ISO 14001 certified as of March 2020.

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