The Value Creation Process

By providing solutions that leverage the Group’s strengths to address a diverse range of needs, the Nippon Express Group supports the supply chain and raises the corporate value of our customers from the stance of logistics. Moreover, we also support everyday lifestyles through our involvement in the social infrastructure. We will continue to create new value and contribute to society through the business of logistics.

Strategy & Action

In the Long-Term Vision, formulated to take us to our centennial anniversary in 2037, it states that we will become “a logistics company with a strong presence in the global market.” Under the Nippon Express Group Business Plan 2023 –“Dynamic Growth”–, which defines the milestones required to achieve our Long-Term Vision, we will work to strengthen the business through a three-dimensional approach that has been defined as the growth strategy for our core business, and aim to enhance the business by increasing the profitability of domestic businesses in Japan. We will aim for business growth by implementing this plan in step with our efforts to implement our long-term vision.

Supporting Sustainable Development and Greater Corporate Value

The contributions we make through our business to customers, society, and the solutions to social issues are an essential part of achieving sustainable corporate growth and greater corporate value. We will achieve these two goals by deepening our engagement with our customers, society, shareholders, employees, and a wide range of other stakeholders while we address the expectations of and work together with our stakeholders to build up these contributions. For this purpose, the Nippon Express Group Business Plan 2023 established ESG-oriented business management to realize sustainable development and improve corporate value as one of our efforts to implement our long-term vision.
Since its founding, the Nippon Express Group has employed its logistical strengths to connect people, businesses, and regions throughout the world. In so doing, we have continuously supported social development.

While our mission never changes, we continuously advance to meet the world’s changing needs. Making no compromise in safety and maintaining a deep focus on environmental issues, we continuously strive to deliver innovative solutions at the next frontier of logistics.

We will forever take pride in our ability to inspire trust and answer the call of society. Every move we make is aimed at advancing society and bringing an enriched life to future generations.

Our unified strength makes us unique, driving everything we do on the frontline and in the background to deliver unparalleled logistics services. The word “we” speaks to a complex system of individuals with specialized skills that work together to become an unstoppable force.

Every client, project, and task is different, and sometimes we have to innovate to achieve our goals. Our work demands exploration and thinking outside the box. It’s how we find the best way. The verb “find” in its present form tells a story of a company willing to dig deeper for the best results.

Sure, there are many solutions, but there’s only one best way. We don’t find a way or some way; we find the best way, and we do it with passion and perseverance. Our efforts build connections to and between individuals and businesses.

The Nippon Express Group Corporate Message

We Find the Way

The NIPPON EXPRESS Group brings customers’ possibilities to reality. There are often many solutions, but only one way is the way. We use our determination to find the best way to overcome hurdles and take our customers across the finish line.

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Growth Trajectory

Logistics and Nippon Express Support the Development of Society

Under our mission of efficiently transporting cargo over a network that connects every corner of Japan, Nippon Express Group has continued to transform along with the evolution in logistics that has coincided with the development of Japanese society. By forging ahead in our core work of raising the economic value of the important cargo our customers have entrusted to us through transport and storage, we are taking the first steps on the road to becoming a corporate group that is the first choice of customers around the world and that has a strong presence in the global logistics market.

Innovation and Moving Forward

The Nippon Express Group

From a Semi-Government Enterprise to a Private Enterprise

Founded to bundle together modern transport and communication service providers, Nippon Express was launched as a semi-government enterprise for the purpose of seamlessly supplying materials in wartime. Despite having been designated as a company in 1948 subject to the Elimination of Excessive Concentration of Economic Power Law, which aimed to democratize Japan’s economy, after the war Nippon Express maintained its status as a company required to secure a transport and communication service provider. Following a restructuring, Nippon Express was established as a company required to secure a transport service provider.

Providing All Modes of Land, Ocean, and Air Transport

Having achieved its start as a transportation business intended to consolidate the small-scale transport companies that operated at the start of Japan’s railways, Nippon Express focused on developing domestic land transport. Later, Nippon Express extended its motor (truck) transport network, which reached every corner of Japan by the start of the 1960s, along with the growth in domestic road building following the war. In the ocean and air cargo businesses, the Company was also an early entrant into forming alliances with both domestic and foreign shipping and airline companies to advance the development of a complex, integrated transport system that organically combines the various land, ocean, and air transport modes. Moreover, the Company focused on developing modern transport modes, like 300-ton trailers.

Early Response to Internationalization

During the 1950s as Japan’s economy underwent full recovery, Nippon Express joined forces with other Japanese companies that had ventured overseas, thereby enabling the Company to launch its international freight forwarding business. In addition to a mutual agency contract with a West German company, Nippon Express also formed alliances with companies in North America and Southeast Asia to expand its transport routes. In 1958, the Company stationed a representative in New York, USA, and in 1962 established Nippon Express USA Inc., its first local subsidiary, in Singapore. In the same year, the Company also opened branches in San Francisco, Los Angeles, and Chicago in the United States to secure the foundations for international transport.

Accelerating Overseas Expansion

Given its aim to internationalize as a comprehensive logistics service provider, upon entering the 1970s Nippon Express recognized the shift in Japan’s economy to an export-driven industrial structure, the rise of Asian countries, and other changes in the global environment. Therefore, one of the Company’s policies was to strengthen the international transport network. In 1973, Nippon Express established its first local subsidiary in Singapore to secure the international framework. Leveraging the strengths of its comprehensive, integrated transport system, the Company extended its transport network in Europe and Southeast Asia, while at the same time deploying its Heavy Haulage & Construction Business in Europe and the Middle East. Following internationalization, Nippon Express has advanced earth-friendly transportation, including the introduction of low-pollution vehicles, resource-saving packaging materials, greater efficiency through co-loaded delivery, and modal shift to train from road and rail. Since the late 1990s, Nippon Express has continued to strive to fulfill its mission of supporting the social infrastructure of logistics by formulating Crisis Management Guidelines and establishing the Board of Risk Management in normal times.

Supporting Social Infrastructure

At the time of the Great Hanshin-Awaji Earthquake in 1995, Nippon Express was the only trucking company designated as a public institution following the Disaster Countermeasures Basic Act. Immediately after the earthquake, the Company therefore established a disaster response headquarters to undertake the responsibility of coordinating with the related agencies while implementing emergency transport services for relief supplies from both Japan and overseas.

Towards the Sustainable Development of Society

With the emergence of global warming and other environmental problems at the outset of the 1990s as a leading company in an industry that accounts for roughly 20% of CO2 emissions in Japan, Nippon Express was one of the first companies to launch initiatives targeting exhaust gas issues. The Company established a dedicated department and formulated its basic policy for global environmental conservation in 1993. Nippon Express has taken steps to develop and use fuel-efficient vehicles, reengineer product packages, improve operation and capacity planning, and adjust transport routes based on CO2 emissions. The Company has also given priority to the development of new, low-pollution vehicles, use of alternative fuels, and the deployment of alternative transport methods to reduce greenhouse gas emissions and carbon dioxide emissions.
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.

Nippon Express' Strengths

A Variety of Transport Modes
A Global Network
Strength in Front-line Capabilities

Strategies Supporting the Creation of Value

ESG Management

Commitment to reducing CO2 emissions as a logistics company
Transform the company that:
- makes employees feel satisfied and fulfilled
- focuses on sustainability

Environmental
- Facilitating more use of LED lighting at facilities
- Reducing waste produced by Nippon Express
- Commitment to reducing CO2 emissions

Social
- Promoting diversity
- Working-style innovations
- Promoting sustainability

Governance
- Strengthening commitment to safety, compliance, and quality
- Considering advancing global governance in logistics
- Capital policies (ROE: 19%)
- Information disclosure

Strategic Objectives

- Enhancing the added value of our customers' goods
- Enhancing the added value of our customers' supply chains

Unchanging Values

We Find the Way

Improving the Efficiency and Sophistication of Our Customers’ Supply Chains and Enhancing the Added Value of Their Goods

The Value Creation Process

The Value Creation Process

Input

Business Model

Details of the Nippon Express Business Model

Manufactured Capital

- Warehouse space: 6,670,000 m²
- Vehicles: 14,615
- Loading and construction vehicles: 3,627
- Coastal shipping vessels (Japan and overseas consolidated companies): 748

Natural Capital

- Energy consumption (Crude oil equivalent)*1: 27,251 barrels
- Water consumption: 5,418,000 m³

Social Capital

- The world’s largest reliable network, built over 80 years
- Number of customers (Japanese business): 1,223,000
- Number of customers (Group companies in Japan): 1,223,000

Human Capital

- Employees: 73,549

Financial Capital

- Total assets: ¥1,518 billion
- Equity ratio: 35.5%

Output

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: ¥72.5 billion
- Segment profit: ¥(1.0) billion

Heavy Haulage and Construction

- Sales: ¥52.3 billion
- Segment profit: ¥6.1 billion

Sales Logistics

- Sales: ¥471.2 billion
- Segment profit: ¥12.3 billion

Freight Forwarding Volume

- Ocean cargo: 690,000 TEU
- Air cargo: 800,000 tons

R&D

- Research and development expenditure: ¥42.8 billion

Financial Capital

- Annual dividend: ¥155 per share
- Dividend payout ratio: 40%
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 packaging, 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," "a global network," and "strength in front-line capabilities" that always puts the awareness of safety, compliance, and quality, and "a service that requires 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.

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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 Creation Process

Business Model Explanation

Value Provided by the Logistics Business

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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 pharmaceutical 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 33 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 (Good Manufacturing Practice) standards. The Japan GMP Guidelines are based on this scheme and in the methods for investigating manufacturers to ensure compliance with GMP standards.
Domestic Logistics Markets, Global Logistics Companies, and Nippon Express Environment

Domestic Logistics Markets

- **Urban Population Trends**
  - Population in thousands
  - Age 0 - 14
  - Age 15 - 64
  - Age 65 and over
  - Source: Compiled based on data from the National Institute of Population and Social Security Research.

- **Regional Population Trends**
  - Population in thousands
  - Source: Compiled based on data from the National Institute of Population and Social Security Research.

- **Domestic Freight Volumes and Population Trends**
  - Thousand tons
  - Domestic freight volumes (left axis)
  - Domestic population (right axis)

International Logistics Market in Japan

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

- **Marine Export Weight Trends (Total for Japan/Nippon Express)**
  - Thousand TEU

Overseas Logistics Market

- **Global Population Trends**
  - Population in thousands

- **Global Logistics Trends (Air/Marine)**
  - Million ton-kilometers
  - Thousand TEU

Nippon Express Group

- **Top 10 Global Logistics Companies**
  - Ranked by taking a broad perspective of total revenue, marine and air transportation.

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.

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.

Although air and marine freight exports from Japan temporarily rise 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.

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.
The Value Creation Process

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 problem, 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.

Risk and Opportunity

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<th>Opportunities</th>
<th>Risks</th>
<th>Responses/Strategies</th>
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<tr>
<td>Markets</td>
<td>• Global business expansion • Lost opportunity due to changes in the markets for the Group’s core domestic businesses</td>
<td>• Promote core businesses based on a three-dimensional approach: Customer (industry), business, and area • Vigorously promote global expansion utilizing M&amp;As • Build an enhanced Group business foundation in Japan through improved profitability</td>
<td></td>
</tr>
<tr>
<td>Competition</td>
<td>• Growth through M&amp;A • Greater disparity with foreign mega forwarders • More severe competition due to entry into logistics by major e-commerce providers and those from different industries</td>
<td>• Accelerate response to advanced technologies, strengthen planning and development functions, and construct digital platforms</td>
<td></td>
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<tr>
<td>Advanced Technologies</td>
<td>• Trigger for greater business efficiency and solutions to social problems • Obsolescence of existing business models • Loss of competitive advantage</td>
<td>• ESG-oriented business management to realize sustainable development and improved corporate value</td>
<td></td>
</tr>
<tr>
<td>Social</td>
<td>• More opportunities to provide value to customers • Greater disparity between foreign companies advancing such initiatives • Lower relative standing on the market</td>
<td>• Make capital investments based on growth strategies, re-examine business portfolio, strengthen governance</td>
<td></td>
</tr>
<tr>
<td>Capital Markets</td>
<td>• Greater corporate value • Stock price decline, increased pressure from the market</td>
<td>• Accelerate far-reaching improvements in productivity based on IT strategies, including adoption of RPA, etc., and accelerate work style reforms</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>• Expectations for industrial reforms • Shortages of core personnel, major cost increases, relative decline in industry appeal</td>
<td>• Construct mechanisms to support sustained corporate value growth</td>
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<td></td>
<td></td>
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<td>A diverse range of employees that take pride in their work supporting customers and society</td>
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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.
The Value Creation Process

Financial and Non-Financial Highlights

- Revenues (Millions of yen)
  - 2016/3: 1,200,000
  - 2017/3: 1,400,000
  - 2018/3: 1,600,000
  - 2019/3: 1,800,000
  - 2020/3: 2,000,000

- Overseas Revenues/Overseas Sales Ratio
  - 2016/3: 50%
  - 2017/3: 55%
  - 2018/3: 60%
  - 2019/3: 65%
  - 2020/3: 70%

- Operating Income/Operating Income Ratio
  - 2016/3: 3.0%
  - 2017/3: 4.0%
  - 2018/3: 5.0%
  - 2019/3: 6.0%
  - 2020/3: 7.0%

- Profit Attributable to Owners of Parent/ROE
  - 2016/3: 6.0%
  - 2017/3: 8.0%
  - 2018/3: 10.0%
  - 2019/3: 12.0%
  - 2020/3: 14.0%

- Dividend per Share/Dividend Payout Ratio/
  Total Return Ratio
  - 2016/3: 25%
  - 2017/3: 30%
  - 2018/3: 35%
  - 2019/3: 40%
  - 2020/3: 45%

- Number of Eco-Friendly Vehicles Owned
  - 2016/3: 200 (Vehicles)
  - 2017/3: 400
  - 2018/3: 600
  - 2019/3: 800
  - 2020/3: 1,000

- CO2 Emissions (Scoops, 2)
  - 2016/3: 900 (t-CO2)
  - 2017/3: 850
  - 2018/3: 800
  - 2019/3: 750
  - 2020/3: 700

- Number of Wind Power Plants Installed
  - 2016/3: 10 (Plants)
  - 2017/3: 20
  - 2018/3: 30
  - 2019/3: 40
  - 2020/3: 50

- Number of Overseas Employees
  - 2016/3: 10,000
  - 2017/3: 12,000
  - 2018/3: 14,000
  - 2019/3: 16,000
  - 2020/3: 18,000

- Index of Labor Accidents
  - Accident frequency rate (left axis)
    - 2016/3: 0.5
    - 2017/3: 0.6
    - 2018/3: 0.7
    - 2019/3: 0.8
    - 2020/3: 0.9
  - Severity rate (right axis)
    - 2016/3: 0.1
    - 2017/3: 0.2
    - 2018/3: 0.3
    - 2019/3: 0.4
    - 2020/3: 0.5

As a growth strategy for core businesses, we will vigorously 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.

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.

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

Among the capital policies outlined in our 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 increasing our ROE target of 10% in fiscal 2023, the final year of our current business plan.

We are working to reduce CO2 emissions through our business 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.

As a logistics company, we are shifting our focus to the reduction of CO2 emissions. Accordingly, we are engaging in a variety of measures while aiming for our ROE target of 10% in fiscal 2023, the final year of our current business plan.

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 fully trained employees, we are also focusing on the development of executives who will be responsible for global management.
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 to contributing to society through logistics will endure unchanged as we move forward. As we publish our integrated report, 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.

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

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, our framework is built on our efforts creating new value through innovation while cherishing our unchanged values and meeting the expectations of our stakeholders. 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 allows 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 companies 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 work. We 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 “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 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 other than 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.

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, it is increasingly important for logistics operations to effectively manage information, which includes strict traceability, quality management, and the transportation process for raw materials through to finished products, with control over the environment in which items are transported, how they are stored, and when they are delivered. For high-added-value products other
The Nippon Express Group Business Plan 2023

Looking Back on Our Previous Three Corporate Strategies

In anticipation of our centennial in 2037, the Nippon Group has formulated a 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.

In the customer (industry) approach, we are further strengthening customer-based sales, including in the one-stop business promotion and account management fields we have been working on to date, while simultaneously identifying the five priority industries (electric and

Outline of Initiatives

Growth Strategies for Our Core Businesses

In the core businesses, we will promote the expansion of our business and the customer base cultivated in Japan on a global level through a three-dimensional approach focused on “customer (industry),” “business,” and “area.”

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Strategy & Action
The Nippon Express Group Business Plan 2023
~“Dynamic Growth”~

Electronics, automotive, apparel, pharmaceutical/medical, semiconductor) where we will focus the efforts of the Nippon Express Group around the world. In particular, we will focus on changes in these areas and respond accordingly in order to capture new logistics demand. In the approach based on business, we look to strengthen our ocean cargo and air cargo forwarding businesses, and implement measures designed to strengthen the logistics sales 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.

Priorities Measures

• Reinforcing Group sales support base
• One-stop business promotion/account sales promotion, account management
• Sales approach by industry and business type
• Responding to changes due to the rapidly expanding ecommerce market
• Expanding sales to non-Japanese accounts

Control functions and mechanisms to support these three-dimensional approaches

Approach based on industry
• Japan
• Americas
• Europe
• East Asia
• South Asia and Oceania

Approach based on area
• Japan
• Americas
• Europe
• East Asia
• South Asia and Oceania

Control functions and mechanisms to support these three-dimensional approaches

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 process through the utilization of cutting-edge AI and RPA technologies and reconceiving the domestic organizations 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 formenting an inorganic growth strategy, reinforcing functional 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.

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 entrusting 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.
Growth Strategies for Businesses

Looking back on the first year in the current business plan

In our approach based on customer (industry), we focused 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.

In our approach based on area, as part of our drive to strengthen 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 expanding number of customers and strong in logistics operations centering on warehouse and deliveries for industries and businesses, freight transport demand slumped on reduced trade due to the rise of protectionism, a downturn in automobile sales volume, and a slowdown in the global economy, particularly in China, which contributed to a slump in overall handling volume.

In our approach based on area, as part of our drive to invest in India, where growth is indeed strong, we cemented a capstone deal with Future Supply Chain Solutions Limited, a leading consumer-based logistics company in the country. We also moved to expand our business in emerging markets, completing construction of new warehouses and a number of Southeast Asia 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 businesses, in October 2019 we consolidated our branches through a large-scale reshuffling of the domestic organizational structure.

Our efforts in “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, as well as introductions to warehouse facilities.

“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 also aimed to transform the company into one in which employees feel satisfied and fulfilled in their work (the “S” in ESG is for “social”), 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 aim of increasing corporate value (the “G” in ESG is for “governance”), we sought to improve the dissemination of information and the quality of our briefings as part of our IR activities, while simultaneously launching a variety of measures, including in regard to the Group’s management structure.

Strategies and initiatives for the second year

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.

The Group governance through enhancements to IT security.

Strategies and initiatives for the second year

Looking back on the first year in the current business plan

“Improving efficiencies in customers’ countries, 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 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.

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.

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.

“Improving 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, as well as introductions to warehouse facilities.

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Strategies and initiatives for the second year

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.

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 under control, and adapting quickly to those changes.

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Looking back on the first year in the current business plan

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Capital Policy/Dividend Policy

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.

Financial Trends

<table>
<thead>
<tr>
<th>Financial Metrics</th>
<th>FY2012</th>
<th>FY2015</th>
<th>FY2018</th>
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<tr>
<td>Total assets (Billions of yen)</td>
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<td>522.2</td>
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<td>Cash and cash equivalents at end of year (Billions of yen)</td>
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<td>Free cash flow (Billions of yen)</td>
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Investment Target Planned Amount (Five-year cumulative total)

| Equipment | ¥360.0 billion |
| IT | ¥40.0 billion |
| Vehicles | ¥50.0 billion |
| Group total | ¥450.0 billion |

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

Our Thoughts on Shareholder Returns

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<td>522.2</td>
<td>543.6</td>
<td>539.4</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>
<td>96.1</td>
</tr>
<tr>
<td>Free cash flow (Billions of yen)</td>
<td>31.0</td>
<td>(44.0)</td>
<td>(18.2)</td>
<td>6.3</td>
</tr>
<tr>
<td>Return on equity (ROE) (%)</td>
<td>4.8</td>
<td>6.8</td>
<td>9.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Dividend payout ratio (%)</td>
<td>43.7</td>
<td>30.9</td>
<td>30.1</td>
<td>83.8</td>
</tr>
<tr>
<td>Total return ratio (%)</td>
<td>81.4</td>
<td>31.9</td>
<td>50.1</td>
<td>141.1</td>
</tr>
<tr>
<td>Shareholders’ equity ratio (%)</td>
<td>41.2</td>
<td>35.2</td>
<td>35.4</td>
<td>35.5</td>
</tr>
</tbody>
</table>

Investment Target Planned Amount (Five-year cumulative total)

| Equipment | ¥360.0 billion |
| IT | ¥40.0 billion |
| Vehicles | ¥50.0 billion |
| Group total | ¥450.0 billion |

Note: Includes planned asset securitization (e.g., ¥70.0 billion for the new headquarters)
ESG Management Supporting Sustainable Growth and Improvements in Corporate Value

Our Thoughts on ESG

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 our efforts. 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 our independently set long-term environmental targets, we believe that if we can provide our customers in e-commerce businesses a solution to work 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 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 the 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 enhance 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 in order to further expand our business overseas.

The Nippon Express Group

Our Thoughts on ESG

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The Nippon Express Group Corporate Philosophy

Commitment to customers and society through businesses

Contributing to 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.

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The Nippon Express Group Initiatives

- **Environment**
  - **Commitment to Reducing CO2 Emissions as a Logistics Company**
    - Establishment of Long-Term Group Targets
      - Nippon Express Parent: Reduce CO2 emission by 30% vs. the FY2013 level by FY2030
      - Overseas Group Companies: Establish voluntary targets in accordance with the standard for Japan while taking into account the local conditions
      - Promote a shift to LED lighting in facilities, an incremental shift to environmentally friendly vehicles, and the use of solar power generation (investment to promote environmental management over five years ¥5.0 billion)
      - Reduce copier paper use through increased use of electronic documentation
    - Promoting modal shifts and co-loaded delivery
      - Customer logistics through modal shifts and co-loaded delivery operations
      - Contribute to increased use of renewable energy through the construction and installation of wind power generation facilities
      - Contribute to resolution of global environmental issues through the promotion of recycling-oriented sales activities
      - Promote eco-driving
    - Contributing through business operations
      - Promote eco-driving
      - Contribute to a lower environmental impact in customer logistics through modal shifts and co-loaded delivery operations

- **Social**
  - **Transform the Company that Makes Employees Feel Satisfied and Fulfilled**
    - Promoting Diversity
      - Create an environment where members of a diverse workforce can play an active role
      - Promote the participation of women in the workplace and expand recruitment of foreign nationals
    - Working-Style Innovations
      - Transform work styles to promote the self-driven creation of value while continuing to deliver maximum performance
      - Achieve flexibility in work styles
      - Eliminate long working hours and increase the percentage of annual leave taken
      - Ensure equal treatment (take a proactive stance on equal pay for equal work)
      - Ensure the complete elimination of harassment
      - Promote Health and Productivity Management

- **Governance**
  - **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
        - Strengthen Group strategic functions
        - Strengthen global management functions
        - Optimize Group businesses
        - Establish Group financial governance (Consider use of ROIC)*
    - Capital Policies
      - ROE: 10% (cumulative FY2019–FY2023)
      - Dividend payout ratio of 30% or more
      - Total returns ratio of 50% or more (cumulative FY2019–FY2023)
    - Information Disclosure
      - Increase the disclosure of information
      - Promote dialogue with the market
      - Shift to publishing an integrated report

* ROIC: 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.

**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** Nippon Express was established.
- **1956** Nippon Express Europe (Frankfurt) GmbH established.
- **1979** Nippon Express (Philippines) Corporation established.
- **1997** Recycle transportation business established.
- **2000** Nippon Express (Vietnam) Co., Ltd. established.
- **2011** Nippon Express (Europe) Grant established.
- **2012** Nippon Express Europe South Asia & Oceanica Pte. Ltd. established.
- **2014** Nippon Express Engineering (Vietnam) Co., Ltd. established.
- **2015** Nippon Express Myanmar Co., Ltd. established.
- **2016** NEX Global Engineering Pte. Ltd. established in Singapore.
- **2019** New business collaboration agreement with Future Supply Chain Solutions Limited began.
- **2020** Nippon Express Ibiden S.r.l. established.
- **2021** Nippon Express Europe (France) S.A.R.L. established.

**Breakdown by Business**

- Air Freight Forwarding
- Marine & Harbor Transportation
- Motor Transportation
- Warehousing
- Other

**Areas of Operation/Products and Services**

- **Logistics**
  - Japan
  - Americas
  - Europe
  - East Asia
  - South Asia & Oceania

- **Security Transportation**
  - Heavy haulage and construction
  - Logistics Support

- **Main Products and Services**
  - Rail/utilization transportation, rail freight forwarding, railway maintenance and repair services, safety management, Logistics support.
  - Motor transportation, distribution processing, moving and storage, security and distribution processing, motor transportation, motor vehicle leasing.
  - air transportation, air freight forwarding, marine and harbor transportation, air transportation, marine and harbor transportation.
  - Heavy haulage and construction

**Reportable Segment Breakdown**

- Japan: 22.7%
- Americas: 58.3%
- Europe: 9.1%
- East Asia: 4.3%
- South Asia & Oceania: 5.4%
- Heavy haulage & construction: 2.5%
- Logistics Support: 4.4%

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

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue (Billions of yen)</th>
<th>Segment Income (Operating Income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>2,080,300</td>
<td>213.5</td>
</tr>
<tr>
<td>Americas</td>
<td>319.0</td>
<td>27.6</td>
</tr>
<tr>
<td>Europe</td>
<td>119.3</td>
<td>1.7</td>
</tr>
<tr>
<td>East Asia</td>
<td>112.0</td>
<td>2.9</td>
</tr>
<tr>
<td>South Asia &amp; Oceania</td>
<td>96.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Heavy haulage &amp; construction</td>
<td>72.5</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Logistics Support</td>
<td>471.2</td>
<td>12.3</td>
</tr>
</tbody>
</table>

**Strategy & Action**

At a Glance

The Company’s largest distribution center Tokyo C NEX opened.
The Nippon Express Group through our 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 specific products such as fine arts and pharmaceuticals, by employing a logistics information system that combines our distribution centers, which boast one of the largest warehouse floor areas in Japan, with our experience and know-how.

**Strategy & Action**

**Results by Reportable Segment**

**Japan**

- **Business Overview**
  - The Nippon Express Group through our employees— 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 specific products such as fine arts and pharmaceuticals, by employing a logistics information system that combines our distribution centers, which boast one of the largest warehouse floor areas in Japan, with our experience and know-how.

**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 air 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 in February, revenues decreased ¥13.2 billion, or 3.4%, year on year to ¥3,713.5 billion. Similarly, sector income decreased ¥13.1 billion, or 23.4%, year on year to ¥42.8 billion.

**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 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 focusing on providing services that address the needs of major customers in the region.

**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 “CEIV Pharma”, a pharmaceutical transport quality certification accredited by IATA. In February 2020, we acquired this certification for our “Good Distribution Practice” (GDP) service. In May 2020, we commenced a new office 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 being constructed in Japan with the rest of the world. In turn, this will enable the global provision of safe, high-quality pharmaceutical transport services.

- **Reception of the First Ocean Cargo Modal Shift Award**
  - In February 2020, together with Gekkeikan Sake Co., Ltd., Nippon Express received the “Ocean Cargo Modal Shift Award” established by the Ministry of Land, Infrastructure, Transport and Tourism. The award was recognized in recognition of having enabled a modal shift for products shipped by Gekkeikan Sake from Kisho to six prefectures in northeastern Japan. This move was made in response to the desire of Gekkeikan Sake to reduce CO2 emissions during product transport and to cope with truck driver shortages. Specifically, the move involved phasing 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.

**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.

**Fiscal 2019 Performance**

- **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.

**Initiatives for Sustainable Growth**

- **Warehouse Relocation to Long Beach, Los Angeles**
  - Nippon Express USA relocated its distribution center to Long Beach, California in January 2020. This consolidation of locations 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 district that does not require special authorization when shipping heavy loads, which we intend to use to further captures 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 Colimar 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 plant derived from Nippon's know-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.
Europe

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 (Italia) 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.

Strategy and Policy
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 rail 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.

Fiscal 2019 Performance
Due to new business in China operated by Franco Vago, firm transactions in newly launched warehousing and distribution services by TransConf and Nippon Express (Deutschland), and robust charted 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 personnel expenses, segment income decreased ¥400 million, or 21.7%, year on year to ¥1.7 billion.

Initiatives for Sustainable Growth
Deployment of Service to Morocco in Africa via Europe
As its second base in the country, in June 2019 Nippon Express France completed construction of and began operations at the “Tanger Med Logistica Center,” located in the Tanger Med Port in the northern part of Morocco. With connections to 186 ports in 77 countries, Tanger Med Port is one of the largest container ports in Africa. Likewise, automotive-related companies from around the world, including many Japanese companies, have set up production facilities in the neighboring Tanger Free Zone (TF2).

Moreover, in February 2020, we began sales of “NEX-Freight (Gibraltar Lines),” a service offering consolidated air cargo transport from Japan to Casablanca and Tanger in Morocco via Paris, France. This service offers faster transport from Japan to Paris and, once forwarding procedures have been completed, ships and delivers the cargo by truck to Nippon Express Morocco business locations in Morocco. Utilizing space on one of the many regular flights to Paris enables us to offer lower costs and reliable scheduling.

Model Schedule for Shipments from Japan

East Asia

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 our motor transport network in working to expand domestic and regional logistics solutions, particularly for electronics and automotive parts. Moreover, we are also building a cross-border transport system that extends beyond the region, including establishing overlaid routes between Shanghai, China, and Singapore, and offering transport services by railway between China and Europe.

Strategy and Policy
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.

Fiscal 2019 Performance
Primarily due to a decline in air freight exports stemming from sluggish demand for international transport and a decline in ocean exports to Europe and Asia, which had been robust during the first half, revenues decreased ¥10.7 billion, or 8.7%, year on year to ¥122.0 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 ¥2.9 billion.

Initiatives for Sustainable Growth
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.

Results by Reportable Segment
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 and delivery of automotive parts and JIT logistics. Moreover, we are obtaining GDP certification for pharmaceutical logistics and expanding temperature-controlled transport services.

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.

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.

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 consolidation 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.

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, attracting potential new business opportunities from Nippon Express’ existing Japanese and MNC clients.

Completion of a Multifunctional Logistics Warehouse in Malaysia

In March 2020, Nippon Express (Malaysia) began operations at the Shah Alam Logistics Center, the most extensive single-structure Nippon Express warehouse outside Japan, in the Shah Alam 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 warehouse services. This Center will further bolster its logistics 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 storage/delivery of hazardous products.

Fiscal 2019 Performance

Due to the growth in transport and installation related to wind turbines, and shutdown maintenance for petrochemical plants particularly in Japan, revenues grew ¥4.6 billion, or 9.5%, year on year to ¥52.3 billion, and sector income grew ¥1.6 billion, or 37.0%, year on year to ¥4.1 billion.
surveys and research into logistics needs, logistics finance, and insurance agency business, and Nippon Express Group business locations in Japan and overseas (equivalent to Scopes 1 and 2). For natural gas, 13A city gas (calorific value of 45 GJ/thousand cubic meters) applies.

**Main Environment-Related Results in FY2019**

<table>
<thead>
<tr>
<th>Environmental Parameters</th>
<th>Japan</th>
<th>Overseas (equivalent to Scopes 1 and 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 emissions (Scope 1, 2)</td>
<td>854,530t-CCO 2</td>
<td>854,530t-CCO 2</td>
</tr>
<tr>
<td>Energy consumption (crude oil equivalent)*1</td>
<td>349,096t</td>
<td>349,096t</td>
</tr>
<tr>
<td>Water consumption (Group companies in Japan)</td>
<td>1,223,000m³</td>
<td>1,223,000m³</td>
</tr>
<tr>
<td>Industrial waste volume (Group companies in Japan)</td>
<td>39,802t</td>
<td>39,802t</td>
</tr>
<tr>
<td>Power generated from renewable energy resources*2 (Group companies in Japan)</td>
<td>6,914,910,648kWh</td>
<td>6,914,910,648kWh</td>
</tr>
<tr>
<td>Percentage of owned eco-friendly vehicles to total owned vehicles (Group companies in Japan)</td>
<td>49.5%</td>
<td>49.5%</td>
</tr>
<tr>
<td>Number of eco-friendly vehicles owned in Japan (Group companies in Japan)</td>
<td>9,721</td>
<td>9,721</td>
</tr>
</tbody>
</table>

*1 The amount of energy consumption (crude oil equivalent) is calculated by converting the energy consumption of the Group companies in Japan and overseas to the equivalent amount of crude oil. The conversion method is based on crude oil for industrial and commercial use.

*2 The energy generated by wind turbines, solar panels, and other renewable energy sources is adopted as power generated from renewable energy resources.
Supporting Sustainable Development and Greater Corporate Value

Environment and Social

Long-Term Environmental Management Fiscal 2030 Targets and Progress

Reduce CO2 emissions by 30% from FY2013 levels by no later than FY2030

<table>
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</thead>
<tbody>
<tr>
<td>490,513 Tons</td>
<td>343,359 Tons</td>
<td>414,884 Tons</td>
<td>339,763 Tons</td>
<td>15.4% decrease</td>
<td>30% decrease compared to FY2013</td>
</tr>
</tbody>
</table>

CO2 output units per million yen in revenue (non-consolidated)

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>469,726 Tons/million yen</td>
<td>388,563 Tons/million yen</td>
<td>307,763 Tons/million yen</td>
<td>21.1% decrease</td>
<td>30% decrease compared to previous year</td>
<td></td>
</tr>
</tbody>
</table>

Reduce industrial waste generation vis-à-vis revenue each year by 1% from the previous year (until FY2030)

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</thead>
<tbody>
<tr>
<td>21,964 Tons/year</td>
<td>22,113 Tons/year</td>
<td>24,732 Tons/year</td>
<td>17.3% increase</td>
<td>15.4% decrease</td>
<td>21.1% decrease compared to previous year</td>
</tr>
</tbody>
</table>

Promotion of Reductions to CO2 Emissions Based on Long-Term Targets

Nippon Express aims to reduce CO2 emissions by 30% compared to fiscal 2013 levels by no later than fiscal 2030 as its long-term goal. In addition, in terms of basic unit revenue we have set a fiscal 2030 target value of 328.80 kg/million yen, which is a 30% decrease compared to fiscal 2013. Moreover, the goal for domestic Group companies is set at a 20% reduction of CO2 emissions compared to fiscal 2013 levels, while overseas-based Group companies will establish their own targets taking into consideration the levels at companies in Japan and the situation in each country. In these and other ways, we are making Group-wide efforts to reduce CO2 emissions.

As one measure to realize these, the Nippon Express Group has developed standards for the installation of equipment that are applicable to the construction of logistics facilities and offices. These standards include endeavors to ensure our equipment is more effective in utilizing renewable energy and promoting LED usage to reflect our concern for the environment, giving consideration to biodiversity, to enhance the safety and health of staff members and people in the neighboring communities and to contribute to the continuation of our business operations. In addition, the Nippon Express Group actively introduces environmentally friendly vehicles that mainly include low-emission diesel trucks such as those complying with the post new long-term standards, as well as CNG, hybrid and LPG trucks.

Highly Specialized Environmental Contribution Businesses

The Nippon Express Group has businesses that require highly specialized technology—namely the Heavy Haulage & Construction business. In transport for wind power generation equipment, in which we place particular strategic importance, we boast a domestic share of 70%, contributing to the prevalence of renewable energy. In addition, with industrial waste treatment as well, we offer safe and secure collection and shipping services based on diverse modes of transport, specialized expertise, and thorough safety training.

CO2 Reduction through Modal Shift

The Nippon Express Group facilitates cooperation between customers and logistics companies to make numerous modal shifts, switching from truck-centered transport to transport using railways and ships. Modal shifts, organically link the different modes of transport—trucking, railways, shipping and air transport. These measures are promoted throughout the transport industry to reduce environmental impact and make transport more efficient and as effective measures in business continuity plans (BCPs). The Nippon Express Group has also introduced Railway Container NAVI, a unique railway container information service to encourage railway use by customers, which calculates CO2 emissions and energy used when shipping is conducted by rail, for each respective customer. While simultaneously promoting shifts in transport modes, we are also endeavoring to develop technologies that will boost modal shifts, such as 12-foot hybrid containers that can be loaded on both trains and coastal vessels.

CO2 Reduction through Truck Transport

While using modal shift to increasingly reduce reliance on trucks, we are also tackling the reduction of CO2 through truck transport itself. We are contributing to cutting emissions through the aforementioned introduction of environmentally friendly vehicles and the promotion of eco-driving*. We are also categorizing products that aggregate in co-loaded delivery centers, and by co-delivering these in batches that are loaded according to recipient locations, we realize efficient and low-cost deliveries. This co-loaded delivery is a combination of our unique “milk run” cargo collection, route delivery, IT systems and other capabilities that we provide as a streamlining support service for customers’ overall sales logistics.

CO2 Reduction through Air Transport

In air transport, which is known for its high CO2 emissions, we offer an eco-friendly service that combines the CO2 credit schemes “ECO2 ABW*" and “Offset Eco2” to support customers’ CSR and environmental preservation activities from the perspective of logistics.

Recycling and Resource Conserving Services

In utilizing our accumulated expertise in environment-related operations we seek to contribute to a recycling-oriented society. The numerous services we offer range from the solutions treatment and recycling for paper resources generated as waste from offices, pick up and shipping of recycled appliances, and resource conserving-type moving services based on the repeated use of packing materials for moving operations, and to the specialized transport of industrial waste and the collection and transport of disaster waste. Together with keeping environmental burden to a minimum, in transporting such waste we also contribute to the providing of recovery assistance to disaster-hit areas.
Raising Transport Capabilities and Reducing CO2 Emissions through Joint Trunk Transport Routes

Four domestic shipping companies were honored with the 18th Special Award for the Green Logistics Partnership Conference in December 2019 for their joint trunk transport routes between Kanto and Kansai regions that utilize the Super Full Trailer SF25. By increasing cargo volume, they reduced the number of vehicles and streamlined transport, which ultimately shortened the distance travelled. As a result, the four companies reduced CO2 emissions by a cumulative 36.4%, which was the reasoning behind the award. In October of the same year, this project was certified by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) as Japan’s first “Cargo-passenger Transportation Coordinative Energy-efficiency Plan.*2”

Having overcome the barriers between companies, this project gained attention not only for lowering environmental burden, but also because it is anticipated to contribute to alleviating the shortage of labor, which is a topic of discussion throughout the logistics industry.

*1 Green Logistics Partnership Conference

The Green Logistics Partnership Conference is a meeting body established in April 2005 through joint efforts between METI, MLIT, and related industrial organizations to expand collaborative efforts between shippers and logistics businesses for reducing CO2 emissions in the logistics sector in Japan. Awards are presented respectively by METI and MLIT to recognize valuable efforts which have contributed to the establishment of sustainable logistics systems, in particular.

*2 Cargo-passenger Transportation Coordinative Energy-efficiency Plan Certification

In the event that multiple cargo/passenger transportation companies that have collaborated to achieve efficiencies with their transportation capabilities, and the measure is expected to contribute to the share of energy conservation, the companies will be able to allocate the volume of energy conserved amongst themselves in their regular reporting.

Overview

Award for Best Company Working on Modal Shift

In November 2019, at the 6th Awards Ceremony for Excellent Business Entities Working on Modal Shift sponsored by the Japan Association for Logistics and Transport, Nippon Express received the award for Best Company Working on Modal Shift in two categories, the Effective Utilization and New Developments. The reasoning behind the Effective Utilization Award was Nippon Express’ Company-wide efforts at modal shift that resulted in achieving over 40% usage rate for railway and ship transport out of its overall cargo transport volume on trunk routes. In New Developments Award, the transport of construction materials from Mie Prefecture to Fukuoka Prefecture was recognized as a modal shift achieved by shifting a part of the truck transport to ship transport via coastal vessels.

Respect for Human Rights

Basic Policy on Respect for Human Rights

The Nippon Express Group has set forth its “respect for human rights” as a way to address the rising risk of human rights violations that may occur in the course of expanding our global business domain, and have established our policy to refrain from engaging in conduct that violates human rights, such as discriminatory treatment, and will reject child labor or forced labor. In addition, the Nippon Express Group Compliance Regulations also include respect for human rights and dignity and we are conducting initiatives to achieve a supply chain that respects the human rights of all stakeholders.

Enlightenment on Human Rights

We distribute the Compliance Handbook (Japanese, English and Chinese) to staff members of the Nippon Express Group companies in Japan and overseas. The handbook prohibits child labor, transactions with a company that uses child labor, and any act that violates the other party’s human rights and causes mental suffering by means such as discrimination or harassment. The abovementioned prohibition is thoroughly emphasized in our staff training.
A Workplace that Supports Sustainable Growth

Promotion of Diversity

In implementing diversity-related efforts, branch managers and others at managerial level from the Nippon Express Group disseminate extensive information about their diversity related commitments as well as the president’s commitment and clarify the objectives and necessities of their commitments and their determination to proceed with these commitments on a company-wide level. Our goal in promoting diversity is to achieve “growth as a global logistics company” and “self-fulfillment of employees,” and to create a company where all employees can play an active role and feel satisfied and fulfilled. For this reason, we have formulated our Diversity Promotion Master Plan that calls for steady progress through four reform cycles: mindset reform, corporate climate reform, work style reform, and behavioral reform. We are working on the Diversity Promotion Master Plan along with innovating work styles as set forth in the business plan.

In addition, to promote the active participation of women, we are working to foster career motivation through training and seminars specialized for female employees such as for those involved in childcare as well as conducting activities such as disseminating information related to the working styles of women when recruiting, and working to expand the number of women employed.

More specifically, at seminars for female employees in rural areas, who are relatively small in number, we are actively promoting initiatives such as female officers making in person visits to help alleviate anxiety and provide networking support.

Employing Foreign Students Full-Time

For a Japanese company to achieve growth in global business operations, it is indispensable to train human resources that can function as a bridge between Japan and the rest of the world.

In parallel with its efforts to train local staff, Nippon Express employs foreign students under a full-time employment system with the aim of maximizing their aptitudes and broadening the scope of their activities. We have high hopes that the foreign employees will serve as a driving force in fusing diverse values to create new business domains, in addition to augmenting the operations of our overseas business locations.

Working Hours

Allowing staff members to proudly and energetically assume a leading role requires the enhancement of not only their work but also their lifestyles. The achievement of work style innovation is indispensable for the growth of the Nippon Express Group’s operations and, by enhancing the private lives and work of our staff members, to create a workplace culture where colleagues can recognize and respect each other's circumstances.

In addition, to promote the active participation of women, we are working to foster career motivation through training and seminars specialized for female employees such as for those involved in childcare as well as conducting activities such as disseminating information related to the working styles of women when recruiting, and working to expand the number of women employed.

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In addition to addressing laws related to work style reforms such as equal pay for equal work, mandatory taking of annual leave and setting upper limits on overtime hours, we also addressed extending the retirement age in stages and the company benefits and retirement allowance systems. This series of system reforms, we believe, are tied to keeping human resources within the company, to increasing employee motivation and vitality.

Supporting Employees Balancing Child/Nursing Care and Work

Nippon Express provides support to employees balancing child/nursing care and work with the aim of helping human resources from a variety of backgrounds to pursue their careers and keep them from having to quit their job against their will to take care of a child or an ailing family member.

To enable employees to fulfill their work responsibilities even when they find it difficult to commute to work due to child/nursing care or other such obligations, we have introduced an at-home work program to help individuals continue their careers. We work on improving our personal systems by, for example, allowing staff members to take leave or work shorter hours to undertake childcare. In addition, our male staff members are encouraged to be involved more in childcare, and we also try to reduce overtime work.

Furthermore, we hold seminars for employees immediately after or during their childcare period in our efforts to have participants pass along their insights and to nurture the motivation to continue their careers. We also offer seminars for the supervisors of those taking child leave, among other concerted efforts we make to facilitate mutual understanding in the workplace.

Given that the number of employees facing nursing care responsibilities is expected to increase sharply in the future, we use educational programs and materials to convey accurate information about nursing care and the importance of work-life balance, endeavoring to create a workplace culture where colleagues can recognize and respect each other’s circumstances.

Organizational Improvements to Eliminate Long Working Hours

Nippon Express is managing working hours through links to the start and finish times of personal computers and digital records of operations. In addition, we are eliminating long working hours by taking full advantage of IT and R&D innovation, to streamline the efficiency through technological development such as automation and mechanization. In addition, we are enhancing productivity through satellite offices that cut travel times and ensure effectiveness.

Measures to Deal with COVID-19

To address the spread of COVID-19, in February 2020, Nippon Express established at the head office counterfeit measures headquarters led by the president, and counterfeit measures headquarters were also established in principal branches in Japan and overseas regions and these bodies collect and respond to information. To ensure the safety of employees and their families, we promptly responded to the travel alerts based on infection levels provided by the Ministry of Foreign Affairs and employees posted overseas temporarily returned to Japan.

We commenced telework from March in response to the spread of COVID-19 in Japan. For those operations where telework was possible, from April we moved to telework as the default practice to radically reduce attendance at head office.

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Developing Cutting-Edge Logistics Technologies

The Nippon Express Group is proactive about the use of advanced technologies to innovate logistics sites, treating this as one element of its corporate strategy. We are considering the use of material-handling equipment, cargo-handling robots and drones to streamline operations and save manpower at our warehouses and distribution centers. In addition, by taking such a global perspective, we are creating the venues where participants can gain the experience to solve management issues as future executive candidates.

Introduction of Automation and Manpower-Saving Systems at Logistics Centers

In line with the full-fledged operation of the warehouse automation systems we had been considering since fiscal 2017, we introduced automated guided forklifts (AGF) at the Hokkaido warehouse in July 2019, and to the Shizuoka Prefecture logistics center in January 2020. This has allowed us to realize automation during nighttime delivery operations and save on labor for forklift operators. In addition, to March 2020 we deployed automated guided vehicles (AGV). The AGV deployment is expected to solve labor shortage issues and allow us to secure the safety of staff operations and expand our elderly and female workforce by reducing workloads.

Providing Special Transport Services

Fine arts transportation and heavy haulage and construction are among some of Nippon Express’ transport services requiring specialized skills and a wealth of experience as well as special facilities and equipment. We are also revolutionizing the logistics of medicinal products and contributing to the enhancement of the value of medicinal products and people’s health through transportation by developing a unique network to allow for our adaptation to business continuity plans (BCPs), co-loaded transportation and round-trip use of vehicles for the supply of medicinal products, in addition to quality control in accordance with the Japanese GDP guidelines (the standards for the proper distribution of medicinal products).

Field Trials to Realize 5G-Driven Smart Logistics

From January 2020, we have collaborated with IT service providers to conduct field trials to pave the way for smart logistics that leverage 5G technology to enhance efficiency. By sending the data acquired by LiDAR*1 (laser scanner) using 5G, we have been able to verify that this technology enables a manager working remotely to confirm in real time such details as the load status. In the future, we expect more effective use of truck spaces and we expect to save on labor related to the driver checking on the status of loading.

*1 LiDAR: “Light Detection and Ranging” is a remote sensing technology that uses light in the form of a pulsed laser to measure ranges to an object, or an object’s structural make-up.
Supporting Sustainable Development and Greater Corporate Value

Environment and Social

Contributing to Local Communities

Basic Policy on Community Involvement

The Nippon Express Group’s business activities rely on local social infrastructure such as roadways, railways, ports, and airports and are closely involved in the relevant communities and societies. Recognizing the Group’s social and public missions as a logistics company, we will engage in social action programs rooted in these communities, providing support through our business activities.

Our Role as a Designated Public Institution

Nippon Express is a designated public institution in the transport industry under the Disaster Countermeasures Basic Act, Citizens Protection Act (law concerning measures to protect the public in cases of armed attack), and Act on Special Measures for Pandemic Influenza.

By maintaining a crisis management system and other various systems, we will continue to operate while ensuring the safety of the lives of employees and their families in the event of an emergency, and will continue to operate as a “designated public institution.” We fulfill our social responsibilities such as the transportation of emergency supplies based on requests from such as the national government and prefectures.

Start of Import Freight Delivery Solution for BCP

In April 2019, Nippon Express launched “NEX Ocean-Solution BCP Pack,” an import freight delivery solution for the business continuity plans (BCP) that combines ocean and rail-based shipping. Avoiding the port of Tokyo that becomes congested as volumes of cargo rise, and by going through Nagoya, Hakata, and other ports with utilization of railway and coastal vessels to reach the Kanto and Tohoku areas from Western Japan, import cargo is delivered to its destination with stability. Our transportation services provide an important link to BCP measures and enable our customers to differentiate themselves from other companies by providing a hedge risk against disasters and other emergency situations.

Receiving a Letter of Appreciation for Disaster Response from the Head of Hokuriku-Shin’etsu District Transport Bureau

Having rendered assistance to those affected by the disaster caused by the disastrous downpour that came with 2019’s Typhoon Hagibis (Reiwa 1 East Japan Typhoon), in February 2020 the Nagano Branch of Nippon Express was honored for its significant contribution with a letter of appreciation from the head of the Hokuriku-Shin’etsu District Transport Bureau. The catastrophe occurred in October 2019 in Nagano Prefecture when torrential rains caused the Chikuma River to flood, was the first time for a prefecture to be designated as a wide-area material transportation base. Nippon Express’ Nagano Branch worked through the Nagano Trucking Association to receive dispatched logistics specialists from the prefecture, and requests from base operations, being responsible for operations in the wide-area material transportation base in line with directions from Nagano Prefecture. Starting with the layout and setting up of a logistics facility that in ordinary times was used as an indoor exercise area, Nagano Branch made up plans for inventory management and vehicle assignments for the supply of materials to some 20 evacuation sites, as well as shipping and receiving, sorting and a variety of coordination operations.

Corporate Governance System Chart

The Nippon Express Group believes that establishing corporate governance is important for sound corporate management and sustainable growth, increasing corporate value as well as representing a responsibility the Group has to its shareholders.

The Group positions governance as the foundation for conducting management with an emphasis on the environment (E) and social (S). Under its current business plan, the Group will undertake ongoing governance reforms with the theme of “establishing a mechanism to support sustainable improvement in corporate value.”

The Group will promote initiatives to ensure “safety, compliance, and quality” that form the basis of the Group’s management and are the source of its competitiveness. The Group will also endeavor to enhance the disclosure of information and proactively disseminate information to ensure management transparency and invigorate dialogue with shareholders and investors.
Supporting Sustainable Development and Greater Corporate Value

Goverance

Directors, Executive Officers, Audit & Supervisory Board Members

(As of June 26, 2020)

Directors and Executive Officers

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Years Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenji Watanabe</td>
<td>Chairman and Representative Director</td>
<td>1972-2020</td>
</tr>
<tr>
<td>Mitsuhiro Sato</td>
<td>President, Chief Executive Officer and Representative Director</td>
<td>1977-2020</td>
</tr>
<tr>
<td>Takashi Ishi</td>
<td>Executive Vice President, Chief Operating Officer and Representative Director</td>
<td>1974-2019</td>
</tr>
<tr>
<td>Nana Hayashida</td>
<td>Full-Time Audit &amp; Supervisory Board Member</td>
<td>1982-2019</td>
</tr>
<tr>
<td>Shigeki Arima</td>
<td>Full-Time Audit &amp; Supervisory Board Member</td>
<td>2016-2019</td>
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</table>

Executive Officers

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Years Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Makato Ikeda</td>
<td>Senior Managing Executive Officer</td>
<td>2009-2020</td>
</tr>
<tr>
<td>Akira Kondo</td>
<td>Managing Executive Officer</td>
<td>2017-2020</td>
</tr>
<tr>
<td>Eichi Nakamura</td>
<td>Managing Executive Officer</td>
<td>2017-2020</td>
</tr>
<tr>
<td>Toshiro Uchida</td>
<td>Managing Executive Officer</td>
<td>2017-2020</td>
</tr>
</tbody>
</table>

Supporting Sustainable Development and Greater Corporate Value
How do you see your responsibilities and roles in terms of your expertise and as outside directors?

Sugiyama: I specialize in researching transport economics and transport policy at a university. So, I feel it is my responsibility to focus on economics as a whole and the trends in transportation and logistics to ascertain the details of any changes that have occurred, for example whether the change was inevitable or what the causes were, and to offer advice.

Nakayama: I am a lawyer specializing in corporate law, and labor relations in particular. In my case, my responsibilities and roles are to monitor the Board of Directors’ decision-making process, goals, and content from a legal compliance standpoint, and thereby help validate management decisions. In addition to the Board of Directors, I also cooperate in heading off, improving upon, and preventing the recurrence of problems based on compliance violation cases from both inside and outside the Company.

Yasuoka: My expertise lies in Chinese literature and I am constantly aware that my presence should be uncomfortable and therefore work to offer harsh opinions at the Board of Directors. As part of corporate decision-making, I verify the credibility of reports prepared by consulting companies and state my honest opinion if I have any concerns. I also feel similarly about promoting the participation of women, and have stated my opinion that women should be assigned to executive officer positions. Other countries have different histories and local characteristics to those of Japan, so the Company will require a foundation that employs women and accepts diversity overall to expand globally. Although the Company also has few employees from science backgrounds today, I think that going forward employees should be uncomfortable and contribute to society in new fields like pharmaceutical and food logistics by maintaining a broad vision that is not bound to existing methods.

How does the Company acknowledge and apply the opinions and expertise of the outside directors to management?

Nakayama: Although some say that half the Board of Directors should be from outside the company, outside directors account for one third of the Board at Nippon Express. On the other hand, the way in which discussions are actually held between the outside directors and full-time management is important, so the ratio of outside directors to the total number of directors alone is not the issue. At Nippon Express, the full-time management takes the lead in conducting business, whereas the outside directors play the role of sounding warnings and actively holding discussions from their areas of expertise. And I feel that the results of these then become reflected in the management of the Company. To give one example from a discussion regarding compliance, when I mentioned that one effective way of preventing recurrence after there is a violation was to also inform those employees who were not involved in the incident about specific cases, the Company considered this idea constructively and began publishing such cases in the “CSR Newsletter” that is regularly issued within the Company.

Yasuoka: I already spoke about my responsibilities as an outside director, but I feel the Company values the opinions of the outside directors and addresses our questions in a sincere manner. Although there are many themes to choose from, one example is promoting the participation of women. Today, there is a growing number of women among new employees, which means the number of females has come to rival that of males in the younger employee age groups. This shift has also led to changes in awareness and thinking. Although not yet perfect, the Company is also actively undertaking related initiatives by holding seminars on returning to work after having children, so I expect that the Company’s image will improve in the coming years.

Sugiyama: I am constantly aware that my presence should be uncomfortable and therefore work to offer harsh opinions at the Board of Directors. As part of corporate decision-making, I verify the credibility of reports prepared by consulting companies and state my honest opinion if I have any concerns. I also feel similarly about promoting the participation of women, and have stated my opinion that women should be assigned to executive officer positions. Other countries have different histories and local characteristics to those of Japan, so the Company will require a foundation that employs women and accepts diversity overall to expand globally. Although the Company also has few employees from science backgrounds today, I think that going forward employees should be uncomfortable and contribute to society in new fields like pharmaceutical and food logistics by maintaining a broad vision that is not bound to existing methods.

What is your sense of the issues in terms of what the Company must do to fulfill its social roles or to achieve future growth?

Sugiyama: Nippon Express is actively expanding overseas, and although global expansion is also desirable for the economy, as I mentioned earlier, the history and local characteristics of Japan differ from those of other countries. Applying the ways of Japan without modification will therefore likely not work outside Japan. It is important to understand this point before fully considering how to plan for overseas expansion.

Nakayama: The logistics industry is often criticized for its anti-power harassment, so I expect the Company to steadily put this plan into practice. ESG management is one of the major pillars on which this plan is founded, and I look forward to the promotion of effective measures that contribute to raising Nippon Express’ corporate value.

Yasuoka: President Sato has said that he “hopes to transform Nippon Express into a company where the employees feel satisfied and fulfilled and also their families feel happy, and in which the employees maintain the will to work,” but the Company must therefore impart this concept to each and every employee. I believe that the employees’ acceptance of this idea and their ability to work in a fulfilling manner will become a strength of the Company. Moreover, I expect that when it becomes normal for women to be appointed as executive officers, the Company’s atmosphere and its future potential will expand even further.

What are your expectations for the Company?

Sugiyama: As a leading company in the logistics industry, Nippon Express must respond to social demands. However, I feel that the Company’s approach that both achieves growth as a company as it works to addresses these demands. And I look forward to the Company achieving this.

Nakayama: The current business plan was launched in April 2019, so I expect the Company to steadily put this plan into practice. ESG management is one of the major pillars on which this plan is founded, and I look forward to the promotion of effective measures that contribute to raising Nippon Express’ corporate value.
### Basic Views on Corporate Governance

The Nippon Express Group upholds its mission to resolve social issues through logistics and support social sustainable development and growth in accordance with the “Nippon Express Group Corporate Philosophy.” The Company also believes that working hand in hand with all stakeholders, including shareholders and investors, and respecting their viewpoints is indispensable to the realization of sustained growth and improvement of corporate value. To this end, ensuring compliance and guaranteeing management transparency, as well as speedy management through rapid decision-making and the clarification of responsibility, are important. Building such a system and ensuring that it functions properly comprises our basic policy on corporate governance. On the grounds of these basic views, Nippon Express Group strives for continuous progress and reinforcement of its corporate governance.

### Corporate Governance System

Nippon Express is a company based on an Audit & Supervisory Board structure. In addition to the Board of Directors and Audit & Supervisory Board, the Company has introduced a Board of Officers system with the goal of ensuring rapid decision-making and business execution. Consisting of nine members, including three outside Directors, the Board of Directors passes resolutions on important business execution as well as on matters stipulated by laws and regulations and the Company’s Articles of Incorporation, and supervises business execution. To obtain the opinions of independent outside Directors concerning important matters such as the compensation and nomination of Officers, the Company established the Compensation and Nomination Advisory Committee, of which the majority of members are independent outside directors, as an advisory body to the Board of Directors. The Company makes deliberations based on the reports of these committees. Board members serve a one-year term, which enables the clarification of the Board’s responsibilities for each fiscal year.

The Audit & Supervisory Board consists of five members, including three outside Audit & Supervisory Board members. The Audit & Supervisory Board members attend important meetings, including Board of Directors and the Board of Executives, and provide oversight of company Directors in the execution of their duties. The Audit & Supervisory Board will also carry out inspections of Group companies in terms of consolidated management and operational enforcement relating to consolidated financial statements.

With regard to execution, on the basis of an executive structure consisting of four units and seven headquarters under the President, Chief Executive Officer and Representative Director, a certain amount of authority is delegated to each unit/headquarters, and business plans are quickly executed as one management unit. Established in Japan for the first time, the Board of Executives discusses matters to be put before the Board of Directors and makes resolutions on important matters to the extent delegated by the Board of Directors. Board of Officers comprises 34 members, including five serving concurrently as Directors. While communicating the decisions made and instructions issued at Board of Directors, the Board of Officers discusses instructions from each general manager and the chief managing officer, reports on the status of business execution from each executive officer and deliberates important matters.

### Initiatives to Enhance Corporate Governance

#### Chart Showing Changes

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<tbody>
<tr>
<td>Directors</td>
<td>11 (5%)</td>
<td>14 (6.2%)</td>
<td>14 (6.2%)</td>
<td>15 (20.0%)</td>
<td>14 (14.2%)</td>
<td>14 (14.2%)</td>
<td>9 (33.3%)</td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members</td>
<td>5 (60.0%)</td>
<td>4 (50.0%)</td>
<td>5 (60.0%)</td>
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<tr>
<td>Optional Committees</td>
<td>2</td>
<td>3</td>
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<tr>
<td>Director and Audit &amp; Supervisory Board Member Compensation</td>
<td>2016 Established Compensation and Nomination Advisory Committee as an advisory body to Board of Directors</td>
<td></td>
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<tr>
<td>2015 Started questionnaire surveys for evaluations of director and corporate auditor effectiveness</td>
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<tr>
<td>2016 Introduction of Performance-based Stock Compensation Plan</td>
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#### Compliance with the Corporate Governance Code

The Company is in compliance with all of the principles of the Tokyo Stock Exchange’s Corporate Governance Code. Since the introduction of the Corporate Governance Code, we have understood the aims of each principle and been constantly working to improve them.

WEB Nippon Express Policy and Implementations of JPX’s Corporate Governance Code.


#### Evaluating the Effectiveness of Board of Directors

Using an external institution, the Board of Directors implements a survey on the effectiveness of the entire Board of Directors and Audit & Supervisory Board members, including outside officers, and collects their opinions. The main points of the evaluation are the structure and operation of the Board of Directors, management and business strategies, corporate ethics, risk management, the evaluation of the management team and the status of its members’ remuneration. The results of the analysis and evaluated results from the external institution are discussed and verified at a Board of Directors. With regard to the evaluation conducted at the end of fiscal 2019, the Company evaluated each question and the voluntary comments and evaluated that the effectiveness of the entire Board of Directors is secure.

As an example of the issues identified in this survey and improved in recent years, the composition of the Board of Directors was improved by deciding to have outside directors make up one third of its members. The Company is working to further improve effectiveness by, for example, enhancing the explanations provided at Board of Directors with regard to progress reports on important strategies. For more details on the evaluation of effectiveness, please see the summary in the Corporate Governance Report issued by the Company.

WEB Corporate Governance

https://www.nipponexpress.com/en/governance/
Implementation of Corporate Governance

Attention Rate for Board of Directors and Audit & Supervisory Board

<table>
<thead>
<tr>
<th>Directors</th>
<th>FY2019 Board of Directors attendance rate</th>
<th>FY2019 Audit &amp; Supervisory Board attendance rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman and Representative Director</td>
<td>Kenji Watansabe</td>
<td>17/17</td>
</tr>
<tr>
<td>Executive, Chief Executive Officer, and Representative Director</td>
<td>Mitsuuru Saito</td>
<td>17/17</td>
</tr>
<tr>
<td>Executive Vice-President, Chief Operating Officer, and Representative Director</td>
<td>Takashi Ishi</td>
<td>17/17</td>
</tr>
<tr>
<td>Executive Vice-President, Chief Operating Officer, and Representative Director</td>
<td>Hisao Takatake</td>
<td>17/17</td>
</tr>
<tr>
<td>Executive Vice-President, Chief Operating Officer, and Representative Director</td>
<td>Susumu Akita</td>
<td>17/17</td>
</tr>
<tr>
<td>Director</td>
<td>Takashi Masuda</td>
<td>17/17</td>
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<tr>
<td>Masahiro Sugiyama (Outside director)</td>
<td>17/17</td>
<td></td>
</tr>
<tr>
<td>Shigeki Nakayama (Outside director)</td>
<td>17/17</td>
<td></td>
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<tr>
<td>Sadako Yasuoka (Outside director)</td>
<td>17/17</td>
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</tbody>
</table>

### Board of Directors’ Implementation Summary

- Number of agenda items: 65
- Meeting hours (total): 14 hours 13 minutes

Appointments of Directors

**Reasons for Selection**

**Directors**

**Chairman and Representative Director**

- Kenji Watansabe

**President, Chief Executive Officer, and Representative Director**

- Mitsuuru Saito

**Executive Vice-President, Chief Operating Officer, and Representative Director**

- Takashi Ishi

**Executive Vice-President, Chief Operating Officer, and Representative Director**

- Hisao Takatake

**Executive Vice-President, Chief Operating Officer, and Representative Director**

- Susumu Akita

**Director**

- Takashi Masuda

- Masahiro Sugiyama

- Shigeki Nakayama

- Sadako Yasuoka

**Outside Directors**

- Takashi Kanki
- Toshiaki Nojiri
- Yoshio Aoki

Officer Appointment Policy and Decision Procedures

When selecting director candidates and representative directors, the Board of Directors selects after discussions those individuals who possess diverse skills—including the appropriate character, knowledge, experience of business management, expertise in law, accounting and other fields and skills as well as academic backgrounds—from among the individuals who are capable of demonstrating their ability in achieving the Nippon Express Group’s global management. When selecting candidates for Audit & Supervisory Board members, in addition to the above criteria, one or more individuals who have knowledge in finance and accounting is selected. Moreover, when selecting candidates for outside directors and outside Audit & Supervisory Board members, individuals are selected who meet all criteria for these positions, as stipulated in Articles 15 and 16, Article 2 of the Companies Act and from the viewpoints of whether or not they are suitable candidates for monitoring the overall operation of the Company with excellent character and knowledge and abundant prior management experience. For the appointment and dismissal of these officers, the Company has established a discretionary Compensation and Nomination Advisory Committee—with three out of four committee members as independent outside directors—as an advisory body for our Board. The Company makes hiring decisions based on the Committee’s reports.

Outside Directors and Outside Audit & Supervisory Board Members

Three of the Company’s nine directors are outside directors. The outside directors provide expert insight from an outside perspective when making important management decisions and strengthen the oversight of the Board of Directors’ business execution. A member of the Compensation and Nomination Advisory Committee, which includes all three outside directors, will formulate policies with regard to executive compensation and nominations, discuss proposals, and ensure fairness and transparency by reporting to the Board of Directors. In addition, the Audit & Supervisory Board members, including outside Audit & Supervisory Board members, conduct audits on the business execution of directors and for the Group’s companies. We believe that adopting this structure sufficiently ensures the objectivity and neutrality of management oversight.

Independence Criteria for Independent Outside Officers

Taking into consideration the requirement for outside directors stipulated in the Companies Act and the criteria set by securities exchanges, the Company has established its own criteria and appoints outside directors and outside Audit & Supervisory Board members in accordance with these criteria. When candidates for outside director and outside Audit & Supervisory Board member do not fall under all the items, the Company considers that they have the appropriate independence.

1. An individual who is an executive* of the Company or a Group company or was an executive of the Company or a Group company within the ten-year period prior to his/her appointment;
2. A shareholder and its executive who own 10% or more of the total voting rights of the Company’s shares;
3. An executive of a business partner whose transaction with the Group exceeds 2% of the Company’s consolidated revenues;
4. An individual who has received more than ¥10 million per business year from the Company as remuneration for consultation, a lawyer or a certified public accountant;
5. An individual who has been a director or member of a publicentity for more than three years;
6. An individual who belongs to the audit firm which is the Company’s Accounting Auditor;

* An “executive” signifies an executive director, an executive officer or other employee.
The Company’s basic policy for officer remuneration is that the policy should allow the Company to employ excellent individuals who can achieve our corporate philosophy, and that the remuneration system should provide the motivation for continuous improvement to our corporate value. The Company has established guidelines for director and Audit & Supervisory Board member compensation and bonuses. Based on such factors as individual duties and performance, compensation and bonuses for directors are determined by the Board of Directors and compensation for Audit & Supervisory Board members is determined by deliberation among the Audit & Supervisory Board members. These decisions are made with input from the Compensation and Nomination Advisory Committee, which Nippon Express has voluntarily established as an advisory body to the Board of Directors. A majority of the members of this committee are independent outside directors. Specific compensation amounts were set within the limits decided by resolution of the 100th General Shareholders’ Meeting held on June 29, 2006, reflecting such considerations as corporate performance, industry standards, and employee salary levels.

The remuneration of officers consists of basic remuneration and performance-based remuneration that fluctuates according to business performance, but the remuneration of outside directors consists only of basic remuneration because of their role and independence. Performance-based remuneration consists of bonuses based on single-year performance and stock compensation linked to medium- to long-term performance. With regard to the latter, with the aim of further enhancing their sense of contribution to the improvement of the Company’s medium- to long-term corporate value and shareholder value, the Company introduced a performance-based stock compensation plan that uses an executive compensation Board Incentive Plan (BIP) trust (the “BIP Trust”) for directors and executive officers (excluding outside directors and those who do not reside in Japan). This plan uses part of the existing basic remuneration as funds for share-based remuneration and grants, varying the numbers of Company shares depending on the recipient’s position and level of attainment of performance goals of the Company as a whole.

At the end of each fiscal year and at the end of the period for evaluation, the Company will evaluate consolidated performance based on indicators, such as revenue, operating income and return on equity (ROE). At the same time as the granting of shares, a portion of the shares are paid in cash after being converted within the trust to use this amount for the payment of taxes, including income tax. The number of Company shares to be granted is determined based on share delivery rules that stipulate the calculation method, time of delivery, and other relevant matters.

### Cross-Shareholdings

**Policy on Cross-Shareholdings and Rationality of Ownership Verification**

On the basis of reducing its cross-shareholdings, in principle the Company does not conduct new acquisitions, for example in response to requests for stock acquisitions for the purpose of securing stable shareholders. Exceptionally, the Company may hold such shares if it is decided that the action would improve its medium- to long-term corporate value by increasing the number of business transactions, expanding the scope of its business, strengthening its relationships with business partners and promoting collaboration.

For cross-shareholdings, the Board of Directors will annually review the rationality of holding each share name, including capital costs and benefits of holding. The benefits will be evaluated not only from quantitative aspects, but also from qualitative aspects. The specific verification points and the details of Board of Directors’ verification are described in the securities reports issued by the Company. The securities report can be viewed on the Company’s website.

### Structure of Internal Control System

**Basic Concept of Internal Control System and Maintenance Status**

An internal control system is necessary for corporate operations to be carried out appropriately and efficiently. Nippon Express maintains an effective control system that ensures proper operations. The Company has established the Nippon Express Group Charter of Conduct as a standard for directors and employees to act in compliance with laws and regulations, the Articles of Incorporation, other internal rules, and generally accepted ideas and beliefs. With regard to compliance, risk management, internal audit, and ensuring that Group companies operate correctly, the Company has put in place effective control systems that allow appropriate operations to be performed under their respective regulations and organizational structures.
Risk Management

Risk Management Basic Policy

The Nippon Express Group has created a series of “Crisis Management Guidelines” to reduce risks that would adversely affect business operations and, in times of crisis, when we are exposed, to facilitate risk management in the most rapid and concise format. In addition, we have established a “Board of Risk Management” to develop and implement risk management systems.

Crisis Management System

Based on the four previously mentioned codes, the Nippon Express Group has established measures to be taken against widespread disasters, outbreaks of new types of disease, other infectious diseases, information system risks, emergencies overseas, and various other risks, while reinforcing collaboration within the Group.

Nippon Express is a designated public institution under the Disaster Measures Basic Law and the Civil Protection Act (the Act Concerning the Measures for Protection of the People in Armed Attack Situations) as well as the Act on Special Measures concerning the Relief of Pandemic Influenza. The Company has fulfilled this role by transporting emergency supplies in the immediate aftermath of many disasters and working to assist the recovery of affected areas. Furthermore, besides preparing emergency stockpiles of supplies that include food and drinking water as well as hygienic items such as masks and gloves as countermeasures against infectious diseases, we have brought in satellite phones in times of disaster to enable us to respond to disruptions in telephone networks due to natural disasters. By distributing them to related divisions at the head office and major branches across Japan, we ensure prompt communication in the event of an emergency.

Business Continuity Framework (BCM and BCPs)

The Company has established a basic policy on business continuity management (BCM) as well as business continuity plans (BCPs) in order to continue operations even during emergencies while also fulfilling its responsibility as a designated public institution through such operations as transporting emergency relief supplies.

Going forward, the Nippon Express Group will continue to act as a maintainer of social function contributing to the operation of supply chains, even during emergencies caused by natural disasters, industrial disasters, and man-made disasters, and thus contribute to society.

Safety

As the core of our business activities, safety is of utmost importance. Under our Commitment to Safety, which summarizes our thoughts, we declare that we will obey the rules, learn from past accidents and disasters, improve our skills and strive to predict danger every day.

Basic Policy on Safety

Based on its policy of “Safety takes precedence over everything else,” every fiscal year the Nippon Express Group formulates a Safety & Health Management Policy that is common to all companies in the Group based on the previous fiscal year’s safety and health record and the results of Group efforts. In fiscal 2019, we set “reduce major accidents/disasters to zero” and “reduce culpable traffic accidents and labor accidents (including those with no lost days) by at least 30% versus the previous year as a target for all Group companies.

Commitment to Safety

- We will abide by all applicable laws and rules and prioritize safety above all else.
- We will never forget past accidents and always learn from them.
- We will undertake daily risk prevention activities.
- We will improve our expertise in order to conduct safer operations.
- We will remain conscious of safety and endeavor to prevent accidents.

Safety Initiatives

Nittsu Safety & Health Management System

In 2010, after a thorough review of the existing safety and health management program, the Nippon Express Group introduced the Nittsu Safety & Health Management System (NSM) built upon three programs, thereby addressing the construction of a more reliable system for safety and health management.

The first program is “Open Communication in the Workplace” for effectively disseminating corporate policies and strategic direction from the top management to our front-line colleagues. The second program, “Challenging Circles” (CC), involves small group discussions on addressing problems in workplaces and ensuring safety. The third program is health and safety training/education for supervisors and managers.

Having also composed a “Commitment to Safety” to raise and extend safety awareness at all Group companies, the Nippon Express Group undertakes a number of efforts to put this commitment into regular practice with a strong commitment to preventing accidents and disasters.

Structure of NSM

- Front-line
- Feedback
- Guidelines/Instructions
- Top management
- Education and training for managers/employees
- Health and safety training and education
- Managers/supervisors
- Forum for giving instructions
- Forum for feedback
- Open Communication in the Workplace
- Minutes taken
- Proposal for improvement
- Feedback for improvement
- Front-line occasions
- Managers/supervisors
- Education and training for managers/employees
- Health and safety training and education
- Feedback/evaluation

President’s Commitment to Safety

Since fiscal 2014, posters clearly spelling out the commitment and responsibilities of the president have been created and put up in all workplaces to boost safety awareness.
All Types of Training Programs

The Nippon Express Group focuses on the training of truck drivers and forklift operators in order to prevent workplace accidents. Nippon Express has established a proficiency examination system to certify staff members’ knowledge and skills and determine whether they have learned proper driving etiquette and are capable of operating vehicles safely in the manner expected of every staff member of the Nippon Express Group. Having put in place instructors as those who will play a central role in such training, we are working to improve and standardize work quality by passing on high-quality skills and to raise safety awareness.

We also offer specialized training and practice for highly specialized operations, such as heavy haulage techniques and security transportation.

Safety Training Overseas

Aiming to conduct business operations centered on national staff, the Nippon Express Group’s overseas subsidiaries are promoting the creation of a system that can locally train drivers and forklift operators. Mentors from the head office in Japan travel locally to train not only new hires but also to conduct education for teaching staff to promote the establishment of a training system at each local corporation.

Members of staff from overseas companies participate in the Nippon Express Group Nationwide Contest for Drivers and Forklift Operators, which is held with the aim of encouraging staff members to improve their driving skills and work quality.

Driver Safety Measures

Regularly conducting driving aptitude tests for drivers, who are the key to our business, the Safety and Health Promotion Division provides safe driving instruction based on the inspection results according to the driving characteristics. We also carry out sleep apnea syndrome (SAS) screening tests on a regular basis and work to thoroughly ensure safety by, as and when necessary, imposing detailed tests, treatments, and driving restrictions. In the unlikely event of an accident or disaster, we would set up a Safety Study Group to prevent a recurrence by, for example, conducting safety training sessions, coaching guidance by driver instructors, and reviewing safe work procedure manuals.

Drivers and Forklift Operators, which is held with the aim of encouraging staff members to improve their driving skills and work quality. The Nippon Express Group focuses on the training of all types of employees, including overseas employees. The handbook summarizes specific examples of compliance management. In fiscal 2019, we used the Compliance Handbook to train 64,635 employees. For sales and administrative employees, we conduct e-learning twice a year on the themes of harassment prevention and non-compliance prevention. In fiscal 2019, 35,839 employees participated in the training. We are also working to improve compliance within the Group by convening an annual conference for the Nippon Express Group compliance managers with the aim of sharing information and exchanging opinions.

Every month, the CSR Promotion Division distributes the CSR Newsletter, which is a tool for providing information on compliance and CSR, and the Compliance Calendar, which lists compliance slogans received from employees.

Compliance Awareness Survey

Every year, the Nippon Express Group carries out a compliance awareness survey of all employees in Japan. The survey conducted in November 2019 (target group: 68,581 persons; respondents: 57,752 persons) addressed compliance awareness, understanding of workplace reality, compliance awareness improvements, prevention of harassment, misconduct or improper activities among all employees.

In May and June 2019, we also carried out a survey of safety and compliance awareness targeting approximately 18,000 overseas employees.

Specialized training for heavy haulage techniques

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Supporting Sustainable Development and Greater Corporate Value

Quality

Alongside safety and compliance, quality is the foundation of improvements in our corporate value. We will maintain tools, such as customer consultations and questionnaires, to listen to the customer feedback and work to maintain and improve global quality to meet the expectations of customers and society.

Basic Policy on Quality

The Nippon Express Group is committed to the maintenance and improvement of its service quality as an effective means of achieving sustainable corporate growth and performance improvements. To support the enhancement of customers' lives through logistics, we are endeavoring to acquire ISO 9001 certification, an international quality control system, so that we can respond sincerely to customer feedback and offer high-quality service to continue obtaining customers' trust and satisfying customers. Our ISO-certified branches set targets in their customer surveys and conduct monitoring to achieve the targets.

Initiatives to Maintain /Improve Quality

Quality Management System

In addition to ISO 9001 certification, the Nippon Express Group has introduced its own original system for handling cargo accidents and remained consistently committed to quality improvements. In particular, an accident with damage amounting to ¥5 million or more may be handled under supervision by the division (Business Division) in charge.

Customer Consultation System

Nippon Express has introduced a customer consultation system (Voice of Customer Solution or VoCS) which allows the entire company to share customers' inquiries, opinions, and requests that are directed to its website.

The inquiry page on the website is periodically redesigned so that customers can submit inquiries more easily. These improvements have led to further inquiries from customers. We will compile the opinions and requests received from customers into a database to keep up with changes in social and economic conditions as we endeavor to develop new products and improve our service quality.

Customer Questionnaire Survey

Nippon Express air cargo transport organizations across the country have been obtaining ISO 9001 certification. To qualitatively improve our transport service, we set targets for customer satisfaction on a nationwide basis and consistently check our performance by means of customer questionnaire surveys. The various opinions and requests we receive in these surveys are discussed in periodic “Review Meetings,” and we are continually endeavoring to upgrade and improve the quality of our transport services.

Example of Action Taken After a Customer Questionnaire Survey

Air Freight Business Branch, International Cargo Sales Division No.4, Commercial Sales Dept. No.6 ascertained from a customer questionnaire survey that “rust that formed on the exterior packaging of cargo due to the environment inside a container during transportation was troubling customers.” Having received this feedback, the section liaised with the relevant departments in the Company and proposed “the use of ventilated containers that would allow air to pass through.” We are working to further improve the quality of transport services and customer satisfaction based on the opinions we receive from customer questionnaire surveys.

Customer Survey on Our Moving Business

We have been asking customers who make use of our moving services to respond to a questionnaire survey on our services. The opinions and requests we receive from this survey will be utilized in making future business improvements and developing services in the hope that these will lead to greater customer satisfaction and improved service quality.

Sharing Value with Our Stakeholders

The Nippon Express Group’s business stands on the basis of trust with a wide range of stakeholders. The Group emphasizes engagement to address the expectations of our stakeholders, work with our stakeholders to achieve and grow our business, and share the resulting value with our stakeholders through interactive communication.

Basic Policy for Dialogue

For dialogues with shareholders and investors, the Investor Relations Promotion Group of the Corporate Planning Division within the Corporate Strategy Unit, which is managed by our top managers, responds to requests. Our top managers, the director in charge and/or senior managers attend the meetings. We hold one-on-one base meetings in Japan and overseas as well as telephone conferences, financial settlement briefings, site visits, business result presentations, small meetings. We attend small meetings and Investor Relations Conferences held by securities firms to create opportunities for dialogues with shareholders and investors. Opinions gained from shareholders and investors through dialogues are reported at the board meetings regularly. We also send feedback to outside directors and senior managers as well as other relevant internal divisions to reflect our corporate activities.

Initiatives for Dialogue with Shareholders and Investors

In addition to proactively disclosing information to deepen understanding of the Company’s management policies and business operations, we hold meetings for shareholders and investors with management and report the opinions gleaned from such meetings to the Board of Directors. Through such efforts, we seek to improve the quality of dialogue.

We hold results briefings four times a year, during which the president and the IR representative each speak twice. In addition, we hold meetings, briefings, site visits, and other activities for Japanese institutional investors, overseas institutional investors, and private investors as means of advancing initiatives to strengthen engagement.

Inquiry/Requests Received in FY2019

| Inquiries | 10,669 |
| Requests | 750 |

Major Initiatives

Stakeholder Major dialogue methods and opportunities

- Customers
  - Exhibitions, briefings and seminars (as necessary)
  - Telephone and internet consultations (daily)

- Shareholders and investors
  - General Shareholders’ Meetings (annually)
  - Results briefings (quarterly)
  - Dialogue-based ESG programs (as necessary)
  - Reporting such as integrated reports (as necessary), etc.

- Affiliates and subcontractors
  - Safety council meetings (biannually)
  - Meetings and briefings (as necessary), etc.

- Employees
  - Internal social networking system “Twitter (daily)
  - Individual interviews (as necessary)
  - Internal questionnaires (as necessary)
  - Compliance awareness survey (annually)
  - Company newsletter (monthly), etc.

- Administrative institutions
  - Committees, conferences and meetings (as necessary), etc.

- Communities
  - Participation in business industry organizations (as necessary)
  - Dispatch of personnel to provide lectures and training (as necessary)
  - Social contribution activities (as necessary), etc.

FY2019 Results

For domestic institutional investors

- One-on-one meetings between institutional investors and the president, the director in charge of IR, and the IR representative.
- Meetings with the president, the director in charge of IR, and the IR representative.
- Small meetings at which the president spoke: 3
- Business result presentations at which three vice presidents in charge of the divisions spoke: 1
- Interviews addressed by the IR representative: 46

For overseas institutional investors

- Overseas investor visits (North America, Europe, Asia)
- Visits by the president: 7
- Visits by the director in charge of IR: 17
- Visits by the IR representative: 7
- Participation in conferences organized by securities firms: 4

For private investors

- Briefings and meetings: 7
- Site visits
  - Domestic: Wind turbine transport and installation (Seiyo City, Ehime): 1
  - Overseas: Nippon Express (South Asia & Oceania Pte., Ltd. (Singapore): 1
Due to the application of the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued September 13, 2013) and other accounting standards, the financial statements for the fiscal year ended March 31, 2011 have been restated to reflect this change. The fiscal 2017 results have been adjusted to reflect this change.

As a result of the organizational reforms of the security transportation business, part of the Japan (Logistics) segment was reorganized as the Security Transportation segment from the fiscal year ended March 31, 2011 onward.

Nippon Express underwent an organizational change in the consolidated fiscal year ended March 31, 2011. Consequently, for Distribution & Transportation, overseas companies, goods sales, security transportation, heavy haulage & construction, combined business, security transportation, and the logistics segment, results for the fiscal year ended March 31, 2010 were presented in line with this reorganization. However, the scope of funds (i.e., cash and cash equivalents) has been changed and the results from the fiscal year ended March 31, 2009 have been presented in line with this reorganization. The effect of this change has been retrospectively applied to the figures presented above for net cash provided by operating activities as well as cash and cash equivalents at end of year for the fiscal years ended March 31, 2011 through 2014. The related ratio figures for fiscal 2017 have been retroactively adjusted to reflect this application.

For the purpose of calculating basic earnings per share, the Company adopted a consolidation of shares at a ratio of 10 common shares to 1 effective October 1, 2017. Accordingly, per share and earnings per share are calculated on the assumption that said consolidation of shares was implemented at the beginning of the fiscal year ended March 31, 2017.

The Nippon Express Group Corporate Strategy 2023

The Nippon Express Group Corporate Strategy 2015 - 2020

- 2020
- 2019
- 2018
- 2017
- 2016
- 2015
- 2014
- 2013
- 2012
- 2011
- 2010

For the year:

(Millions of yen)

Revenues

2,080,352
2,138,501
1,955,317
1,864,301
1,909,105
1,924,929
1,752,468
1,613,327
1,628,027
1,617,185
1,569,633

Revenues by reportable segment from the consolidated year ended March 31, 2011 to 2016:

Distribution & Transportation

Domestic Companies

Combined Business

—

—

Security Transportation

—

—

Heavy Haulage & Construction

—

—

Air Freight Forwarding

—

—

Marine & Harbor Transportation

—

—

Overseas Companies

America

—

—

Asia & Oceania

—

—

East Asia

—

—

South Asia & Oceania

—

—

Goods Sales

—

—

Other

—

—

Adjustment

—

—

11-Year Financial Summary

Data Section

Logistics

Japan

1,213,597
1,256,802*1
1,188,695*1
1,155,713
1,158,390

Americas

91,068
98,699
91,396
83,831
94,697

Europe

119,338
114,812
96,048
79,286
84,579

East Asia

112,048
122,754
117,487
101,746
115,068

South Asia & Oceania

90,112
91,874
85,382
70,343
70,225

Security Transportation

72,589
72,647*2
72,022*2
54,781
53,803

Heavy Haulage & Construction

52,358
47,751
47,402
46,985
51,395

Logistics Support

471,201
483,965
443,264
403,994
410,906

Adjustment

(141,962)
(150,806)
(146,582)
(132,381)
(129,962)

Operating income

59,224
79,598
70,269
57,431
44,354

Profit attributable to owners of parent

17,409
19,430
16,364
17,256
12,954

At year-end:

(Millions of yen)

Total net assets

556,506
560,444
547,494
552,985
547,494

Total assets

1,518,037
1,536,677
1,517,060*3
1,521,801
1,517,060

Net cash provided by operating activities*4

98,206
72,608
91,865
102,360
78,844

Cash and cash equivalents at end of year*5

96,171
102,092
137,891
163,386
146,007

Per share**

Net assets per share

5,805.12
5,749.60
5,519.09
5,586.52
5,271.77

Basic earnings per share

185.06
515.13
68.06
371.32
35.61

Return on equity (ROE)

3.7
3.5
3.1
3.1
2.9

Equity ratio

35.5
35.4
34.9
35.2
35.2

Operating income ratio

2.8
3.7
3.5
3.2
3.2

Ratio:

3.6
4.1
3.6
3.6
4.1

9.2
1.2
6.8
5.1
5.2

1.8
2.6
2.3
2.1
2.3

2.4
2.4
2.0
40.7
40.3

*1 Revenue figures do not include consumption taxes.

*2 Effective from the consolidated fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standards for Disclosure about Segments of an Enterprise and Related Information" (IASB Statement No. 11) issued on March 27, 2008 and the "Guidance on Accounting Standards for Disclosure about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17) issued on March 27, 2009 and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20) issued on March 21, 2008. The above listed revenues by segment do not include internal sales or money transfers between segments.

*3 Nippon Express underwent a reorganization in the consolidated fiscal year ended March 31, 2011. Consequently, in Distribution & Transportation, overseas companies, marine & harbor transportation, logistics, and security transportation, the results were reorganized to reflect this change. In overseas companies, goods sales, security transportation, and the logistics segment, results from the fiscal year ended March 31, 2010 were presented in line with this reorganization. However, the scope of funds (i.e., cash and cash equivalents) has been changed and the results from the fiscal year ended March 31, 2009 have been presented in line with this reorganization. The effect of this change has been retrospectively applied to the figures presented above for net cash provided by operating activities as well as cash and cash equivalents at end of year for the fiscal years ended March 31, 2011 through 2014.

*4 In accordance with organizational reforms of the security transportation business, part of the logistics segment was reorganized as the Security Transportation segment effective from the fiscal year ended March 31, 2011. The fiscal 2017 results have been adjusted to reflect this change.

*5 Due to this reorganization, the Revised Accounting Standard for Business Combinations (IASB Statement No. 21), issued September 13, 2013, and other accounting standards, the accounting has previously presented as "net income" has been revised "profit attributable to owners of parent" from fiscal year 2015 onward.

*6 The Nippon Express Group’s executive compensation BIP trust was established as of the fiscal year ended March 31, 2017. For the purpose of calculating basic earnings per share, the Company’s shares held by the trust are included in treasury stock, which is excluded from the calculation of shares of common stock at the end of the year. For the purpose of calculating basic earnings per share, the Company’s shares held by the trust are included in treasury stock, which is excluded from the calculation of the weighted average number of shares of common stock during the year.

*7 Adjusted to reflect the conversion of 1 common share to 10 effective October 1, 2017.

*8 The Company executed a consolidation of shares at a ratio of 10 common shares to 1 effective October 1, 2017. Accordingly, per share and earnings per share are calculated on the assumption that said consolidation of shares was implemented at the beginning of the fiscal year ended March 31, 2017.

*9 The Company adopted a consolidation of shares at a ratio of 10 common shares to 1 effective October 1, 2017. Accordingly, net assets and earnings per share are calculated on the assumption that said consolidation of shares was implemented at the beginning of the fiscal year ended March 31, 2017.
### Environment

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy consumption</strong></td>
<td>349,009</td>
<td>351,802</td>
<td>366,671</td>
<td>370,122</td>
<td>373,367</td>
<td>381,386</td>
<td></td>
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<tr>
<td>(crude oil equivalent) (Unit: kiloliter)</td>
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<tr>
<td><strong>Water consumption</strong></td>
<td>1,223</td>
<td>1,401</td>
<td>1,292</td>
<td>974</td>
<td>1,208</td>
<td>1,041</td>
<td>1,237</td>
<td>1,110</td>
<td>1,760</td>
<td></td>
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<tr>
<td>(unconsolidated) (Unit: thousand cubic meters)</td>
<td></td>
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<tr>
<td><strong>CO2 emissions (Scope 1, 2)</strong></td>
<td>854,530</td>
<td>873,089</td>
<td>918,388</td>
<td>942,363</td>
<td>961,431</td>
<td>970,994</td>
<td>970,438</td>
<td>976,884</td>
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<tr>
<td>(Unit: tons CO2)</td>
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</tr>
<tr>
<td><strong>CO2 emissions (Scope 1, 2, Group companies in Japan)</strong></td>
<td>725,342</td>
<td>761,242</td>
<td>809,864</td>
<td>851,831</td>
<td>869,875</td>
<td>876,159</td>
<td>885,066</td>
<td>890,995</td>
<td>947,411</td>
<td>1,201,552</td>
<td>1,249,832</td>
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<tr>
<td>(Unit: tons CO2)</td>
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<tr>
<td><strong>CO2 emissions (Scope 1, 2, Group companies overseas)</strong></td>
<td>129,188</td>
<td>111,847</td>
<td>108,524</td>
<td>90,532</td>
<td>91,556</td>
<td>94,835</td>
<td>85,372</td>
<td>85,890</td>
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<tr>
<td>(Unit: tons CO2)</td>
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<tr>
<td><strong>Industrial waste volume (Group companies in Japan)</strong></td>
<td>39,802</td>
<td>36,902</td>
<td>35,698</td>
<td>33,250</td>
<td>39,769</td>
<td>35,869</td>
<td>39,206</td>
<td>36,352</td>
<td>33,627</td>
<td>41,041</td>
<td>43,235</td>
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<tr>
<td>(Unit: ton)</td>
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<tr>
<td><strong>Number of eco-friendly vehicles owned (Group companies in Japan)</strong></td>
<td>9,727</td>
<td>9,650</td>
<td>9,169</td>
<td>6</td>
<td>14</td>
<td>6</td>
<td>4</td>
<td>4</td>
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<tr>
<td>(Unit: vehicle)</td>
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### Social

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of employees (unconsolidated)</strong></td>
<td>34,449</td>
<td>32,280</td>
<td>31,871</td>
<td>32,008</td>
<td>32,094</td>
<td>32,510</td>
<td>33,153</td>
<td>34,312</td>
<td>35,717</td>
<td>36,746</td>
<td>35,174</td>
</tr>
<tr>
<td><strong>Female employee ratio (unconsolidated) (%)</strong></td>
<td>17.3</td>
<td>15.1</td>
<td>14.2</td>
<td>14.0</td>
<td>13.6</td>
<td>13.0</td>
<td>13.3</td>
<td>14.4</td>
<td>13.9</td>
<td>13.9</td>
<td>13.7</td>
</tr>
<tr>
<td><strong>Female hiring ratio (unconsolidated) (%)</strong></td>
<td>33.6</td>
<td>34.5</td>
<td>33.5</td>
<td>32.9</td>
<td>31.5</td>
<td>30.7</td>
<td>26.6</td>
<td>31.1</td>
<td>29.0</td>
<td>25.4</td>
<td>29.1</td>
</tr>
<tr>
<td><strong>Number of mid-career hires (unconsolidated)</strong></td>
<td>15</td>
<td>6</td>
<td>14</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of mid-career female hires (unconsolidated)</strong></td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ratio of females in managerial positions (unconsolidated) (%)</strong></td>
<td>1.3</td>
<td>1.2</td>
<td>1.1</td>
<td>1.0</td>
<td></td>
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<tr>
<td><strong>Ratio of employees who return to work after childcare leave: males (unconsolidated) (%)</strong></td>
<td>100</td>
<td>100</td>
<td></td>
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<tr>
<td><strong>Ratio of employees who return to work after childcare leave: females (unconsolidated) (%)</strong></td>
<td>96</td>
<td>90</td>
<td>97</td>
<td></td>
<td></td>
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<tr>
<td><strong>Average years with the company (unconsolidated) (years)</strong></td>
<td>16.2</td>
<td>18.0</td>
<td>17.8</td>
<td>17.6</td>
<td>17.5</td>
<td>18.3</td>
<td>17.7</td>
<td>17.4</td>
<td>17.0</td>
<td>15.6</td>
<td>16.7</td>
</tr>
<tr>
<td><strong>Employment rate of persons with disabilities*3 (unconsolidated) (%)</strong></td>
<td>2.29</td>
<td>2.23</td>
<td>2.12</td>
<td>2.08</td>
<td>2.06</td>
<td>1.96</td>
<td>1.98</td>
<td>1.95</td>
<td>1.92</td>
<td>2.04</td>
<td>2.05</td>
</tr>
<tr>
<td><strong>Number of overseas employees</strong></td>
<td>22,811</td>
<td>22,068</td>
<td>21,403</td>
<td>20,651</td>
<td>20,602</td>
<td>19,954</td>
<td>18,563</td>
<td>17,846</td>
<td>16,395</td>
<td>15,773</td>
<td>15,398</td>
</tr>
<tr>
<td><strong>Number of overseas locally hired employees</strong></td>
<td>22,369</td>
<td>22,068</td>
<td>21,403</td>
<td>20,651</td>
<td>20,602</td>
<td>19,954</td>
<td>18,563</td>
<td>17,846</td>
<td>16,395</td>
<td>15,773</td>
<td>15,398</td>
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</tbody>
</table>

### Governance

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Board of Directors' resolutions (items)</strong></td>
<td>65</td>
<td>60</td>
<td>67</td>
<td>55</td>
<td>60</td>
<td>57</td>
<td>60</td>
<td>72</td>
<td>65</td>
<td>49</td>
<td>70</td>
</tr>
<tr>
<td><strong>Directors' meetings (hours)</strong></td>
<td>14</td>
<td>18</td>
<td>20</td>
<td>17</td>
<td>17</td>
<td>18</td>
<td>26</td>
<td>32</td>
<td>27</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td><strong>Occupational accidents: Accident frequency rate*4</strong></td>
<td>1.98</td>
<td>1.94</td>
<td>1.59</td>
<td>1.17</td>
<td>1.13</td>
<td>1.78</td>
<td>1.53</td>
<td>1.68</td>
<td>1.66</td>
<td>1.70</td>
<td>1.65</td>
</tr>
<tr>
<td><strong>Occupational accidents: Severity rate</strong></td>
<td>0.09</td>
<td>0.03</td>
<td>0.10</td>
<td>0.10</td>
<td>0.19</td>
<td>0.03</td>
<td>0.03</td>
<td>0.26</td>
<td>0.03</td>
<td>0.17</td>
<td></td>
</tr>
</tbody>
</table>

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1. The data shown here is the aggregate of the energy consumption by Nippon Express and its consolidated companies in Japan and overseas (equivalent to Scopes 1 and 2).
2. For natural gas, 13A city gas (heat value of 45 GJ/thousand cubic meters) applies.
3. Figures based on the calculation method in the Levy and Grant System for Employing Persons with Disabilities.
4. The frequency rate is an international indicator that indicates the incidence rate of occupational accidents.
5. Days lost per 1,000 working hours = Workdays lost/Total number of working hours x 1,000
6. Severity rate is an international indicator that indicates the degree of injury caused by occupational injury.
**Status of Business Environment**

The global economy in fiscal 2019 witnessed the increasingly pronounced impact of trade protectionism, primarily the trade friction between the US and China. Moreover, a deceleration in China’s economy and an economic slowdown in Europe on the back of Brexit and a sluggish automotive industry, a cooling off in emerging economies such as India, and rising geopolitical risks have led to a future where prospects remain uncertain. Japan’s economy also performed poorly, particularly in the second half, due to factors such as a deceleration of exports and the manufacturing industry that had been buffeted by the impact of the global economy. Other factors included the aftermath of Typhoon Hagibis (Typhoon No. 19) and other massive disasters, and the effect on consumer spending caused by raising the consumption tax. The fourth quarter was characterized by an especially severe business environment in which both the global and Japanese economies were hit hard by the spread of COVID-19.

In this business environment, the logistics industry was not immune to the impact. The slowdown in global trade and the manufacturing industry placed downward pressure on cargo transport demand, with particular softening in shipping of automobile-related freight, as well as by manufacturing-related freight especially steel and construction machinery-related freight. Moreover, for domestic business demand for freight delivery, while the Company had seen growing freight demand associated with investments into energy conservation and business restructuring machinery-related freight. For emerging factors included the aftermath of Typhoon Hagibis (Typhoon No. 19) and other massive disasters, and the effect on consumer spending caused by raising the consumption tax. The fourth quarter was characterized by an especially severe business environment in which both the global and Japanese economies were hit hard by the spread of COVID-19.

**Business Results**

**Revenues and Operating Costs**

- Revenues decreased by ¥38.1 billion, or 2.7%, year on year to ¥2,080.3 billion. The main factor in the decline on revenues was a drop of ¥4.2 billion due to the spread of COVID-19. Operating income came to ¥1,911.0 billion, a decrease of ¥18.5 billion, or 2.0% from the previous fiscal year. The decline in operating costs was mainly due to decreased forwarding costs. Gross profit declined ¥19.5 billion, or 10.4%, year on year, to ¥1,693.3 billion.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses were essentially on par with the previous fiscal year, having increased ¥0.8 billion, or 0.7%, year on year to ¥1,100.0 billion.

**Operating Income and Ordinary Income**

Operating income came to ¥59.2 billion, down ¥20.3 billion, or 25.6%, from the previous fiscal year. Included in this is the impact the spread of COVID-19 had on operating income, which amounted to a decline of ¥1.3 billion. Ordinary income amounted to ¥57.4 billion, down ¥28.3 billion, or 33.1%, from the previous fiscal year.

**Other Income and Expenses and Profit Attributable to Owners of Parent**

Extraordinary income was ¥4.4 billion, an increase of ¥1.4 billion, or 26.6%, compared with the previous fiscal year. Ordinary income amounted to ¥57.4 billion, down ¥28.3 billion, or 33.1%, from the previous fiscal year.

**Revenues/Gross Profit/Net Profit**

<table>
<thead>
<tr>
<th>Revenues (left axis)</th>
<th>Gross profit (left axis)</th>
<th>Net profit (left axis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Millions of yen)</td>
<td>(Millions of yen)</td>
<td>(Millions of yen)</td>
</tr>
<tr>
<td>¥2,080.3</td>
<td>¥1,692.3</td>
<td>¥38.1</td>
</tr>
</tbody>
</table>

**Segment Information**

For information on business performance of reportable segments, please refer to pages 30-38.

**Financial Position**

Total assets as of March 31, 2020 amounted to ¥1,518.0 billion, a decrease of ¥18.6 billion or 1.2%, from the previous fiscal year-end. Current assets amounted to ¥672.3 billion, a decrease of ¥39.9 billion or 5.6%, from the end of the previous fiscal year, mainly due to a decrease in cash and cash in banks. Non-current assets totaled ¥845.7 billion, an increase of ¥21.3 billion or 2.6%, from the end of the previous fiscal year, mainly due to an increase in leased assets.

Current liabilities amounted to ¥465.2 billion, an increase of ¥10.8 billion, or 2.4%, from the end of the previous fiscal year, mainly due to an increase in commercial paper. Non-current liabilities amounted to ¥496.3 billion, a decrease of ¥25.5 billion, or 4.9%, from the end of the previous fiscal year, mainly because of a decrease in long-term loans payable.

Net assets as of March 31, 2020 amounted to ¥556.5 billion, a year-on-year decrease of ¥3.9 billion, or 0.7%. This was attributable largely to a decrease in valuation differences on available-for-sale securities.

**Cash Flows**

Cash and cash equivalents for the year ended March 31, 2020 amounted to ¥96.1 billion, a decrease of ¥9.9 billion year on year.

Net cash provided by operating activities amounted to ¥98.2 billion, a year-on-year increase of ¥25.5 billion. This was mainly due to an increase in trade receivables recovered.

Net cash used in investing activities totaled ¥91.8 billion, a year-on-year increase of ¥2.9 billion. This was mainly due to an increase in income gained from the issue of commercial paper.

**Capital Investment**

Total capital investment by the Nippon Express Group in the fiscal year under review amounted to ¥103.3 billion. For fiscal 2019, capital investment in Japan came to ¥65.6 billion, and outside of Japan, ¥37.7 billion. Major items included investments aimed at future business development, including changes to logistics systems and improvements to such infrastructure as distribution depots for international freight operations and commercial warehouses, as well as the replacement of vehicles and transportation equipment.

**Shareholder Returns**

Please refer to page 26 for information on the Company’s shareholder returns policy.
### Consolidated Balance Sheets

#### As of March 31, 2019 and 2020

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>FY2018</th>
<th>FY2019</th>
<th>Thousand of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>¥ 173,338</td>
<td>¥ 141,319</td>
<td>¥ 1,299,531</td>
</tr>
<tr>
<td>Notes receivable—trade</td>
<td>27,927</td>
<td>25,745</td>
<td>236,545</td>
</tr>
<tr>
<td>Accounts receivable—trade</td>
<td>331,586</td>
<td>305,843</td>
<td>2,810,288</td>
</tr>
<tr>
<td>Inventories</td>
<td>8,027</td>
<td>9,105</td>
<td>83,667</td>
</tr>
<tr>
<td>Advance payments—trade</td>
<td>5,595</td>
<td>6,076</td>
<td>55,833</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>14,168</td>
<td>16,446</td>
<td>151,119</td>
</tr>
<tr>
<td>Lease investment assets</td>
<td>119,522</td>
<td>133,018</td>
<td>1,222,257</td>
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<tr>
<td>Other</td>
<td>33,063</td>
<td>35,835</td>
<td>329,275</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td></td>
<td>14,977</td>
<td>1,122,257</td>
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<tr>
<td>Total current assets</td>
<td>¥ 712,283</td>
<td>¥ 672,312</td>
<td>¥ 6,177,640</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>¥ 629,116</td>
<td>¥ 626,931</td>
<td>¥ 5,760,846</td>
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<tr>
<td>Less: accumulated depreciation</td>
<td></td>
<td>(374,336)</td>
<td>(3,444,492)</td>
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<tr>
<td>Structures, net</td>
<td>¥ 97,388</td>
<td>¥ 77,328</td>
<td>¥ 655,410</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td></td>
<td>(55,282)</td>
<td>(511,460)</td>
</tr>
<tr>
<td>Structures, net</td>
<td>14,705</td>
<td>15,666</td>
<td>143,950</td>
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<tr>
<td>Machinery and equipment</td>
<td>¥ 65,535</td>
<td>¥ 66,679</td>
<td>¥ 612,692</td>
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<tr>
<td>加快建设</td>
<td>¥ 16,720</td>
<td>¥ 15,724</td>
<td>¥ 192,887</td>
</tr>
<tr>
<td>Leased assets, net</td>
<td>¥ 12,347</td>
<td>¥ 11,381</td>
<td>¥ 1,051,014</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td></td>
<td>(89,209)</td>
<td>(812,934)</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td></td>
<td>¥ 845,724</td>
<td>¥ 7,771,061</td>
</tr>
</tbody>
</table>

#### Total assets

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>Thousand of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>¥ 1,536,677</td>
<td>¥ 1,518,037</td>
<td>¥ 13,948,701</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>FY2018</th>
<th>FY2019</th>
<th>Thousand of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable—trade</td>
<td>¥ 8,175</td>
<td>¥ 5,599</td>
<td>$ 51,452</td>
</tr>
<tr>
<td>Accounts payable—trade</td>
<td>173,323</td>
<td>162,287</td>
<td>1,491,199</td>
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<tr>
<td>Short-term loans payable</td>
<td>43,226</td>
<td>67,136</td>
<td>616,893</td>
</tr>
<tr>
<td>Other payables</td>
<td>35,667</td>
<td>39,767</td>
<td>365,412</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>15,845</td>
<td>14,925</td>
<td>137,144</td>
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<tr>
<td>Consumption taxes payable</td>
<td>9,430</td>
<td>9,329</td>
<td>85,729</td>
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<tr>
<td>Unpaid expenses</td>
<td>24,608</td>
<td>20,544</td>
<td>188,778</td>
</tr>
<tr>
<td>Advances received</td>
<td>12,289</td>
<td>11,098</td>
<td>101,976</td>
</tr>
<tr>
<td>Notes payable—trade</td>
<td>74,421</td>
<td>46,609</td>
<td>428,274</td>
</tr>
<tr>
<td>Deposits from employees</td>
<td>306</td>
<td>314</td>
<td>2,890</td>
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<tr>
<td>Provision for bonuses</td>
<td>22,697</td>
<td>25,918</td>
<td>238,154</td>
</tr>
<tr>
<td>Provision for directors’ bonuses</td>
<td>156</td>
<td>107</td>
<td>983</td>
</tr>
<tr>
<td>Other</td>
<td>34,252</td>
<td>61,571</td>
<td>565,755</td>
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<tr>
<td>Total current liabilities</td>
<td>454,402</td>
<td>465,209</td>
<td>4,274,644</td>
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</table>

<table>
<thead>
<tr>
<th>Non-current liabilities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable</td>
<td>110,000</td>
<td>100,000</td>
<td>918,864</td>
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<tr>
<td>Long-term loans payable</td>
<td>232,082</td>
<td>219,006</td>
<td>2,012,376</td>
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<tr>
<td>Deferred tax liabilities</td>
<td>7,631</td>
<td>5,572</td>
<td>51,199</td>
</tr>
<tr>
<td>Provision for directors’ retirement benefits</td>
<td>478</td>
<td>312</td>
<td>2,867</td>
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<tr>
<td>Provision for special repairs</td>
<td>183</td>
<td>201</td>
<td>1,852</td>
</tr>
<tr>
<td>Provision for loan guarantees</td>
<td>470</td>
<td>436</td>
<td>4,011</td>
</tr>
<tr>
<td>Other provisions</td>
<td>307</td>
<td>458</td>
<td>4,216</td>
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<tr>
<td>Net retirement benefit liability</td>
<td>144,624</td>
<td>133,134</td>
<td>1,223,325</td>
</tr>
<tr>
<td>Other</td>
<td>26,053</td>
<td>37,198</td>
<td>341,801</td>
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<tr>
<td>Total non-current liabilities</td>
<td>521,830</td>
<td>496,320</td>
<td>4,560,515</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>976,232</td>
<td>961,530</td>
<td>8,335,160</td>
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</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>FY2018</th>
<th>FY2019</th>
<th>Thousand of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ equity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>70,175</td>
<td>70,175</td>
<td>644,815</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>22,832</td>
<td>22,637</td>
<td>208,004</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>471,176</td>
<td>461,499</td>
<td>4,240,556</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(9,854)</td>
<td>(18,251)</td>
<td>(167,707)</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>544,329</td>
<td>536,060</td>
<td>4,925,668</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation differences on available-for-sale securities</td>
<td>40,704</td>
<td>29,573</td>
<td>271,738</td>
</tr>
<tr>
<td>Deferred gains (losses) on hedges</td>
<td>236</td>
<td>124</td>
<td>(1,141)</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>3,110</td>
<td>(5,062)</td>
<td>(46,519)</td>
</tr>
<tr>
<td>Remeasurements of retirement benefit plans</td>
<td>(88,471)</td>
<td>(812,934)</td>
<td>(192,794)</td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td>(712)</td>
<td>3,404</td>
<td>31,283</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>544,329</td>
<td>536,060</td>
<td>4,925,668</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>¥ 1,536,677</td>
<td>¥ 1,518,037</td>
<td>¥ 13,948,701</td>
</tr>
</tbody>
</table>
Consolidated Statements of Income
Nippon Express Co., Ltd. and consolidated subsidiaries
For the years ended March 31, 2019 and 2020

<table>
<thead>
<tr>
<th>FY2018</th>
<th>FY2019</th>
<th>Thousands of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>¥2,138,501</td>
<td>¥2,080,352</td>
</tr>
<tr>
<td>Operating costs</td>
<td>1,949,635</td>
<td>1,911,049</td>
</tr>
<tr>
<td>Gross profit</td>
<td>188,866</td>
<td>169,303</td>
</tr>
</tbody>
</table>

 Selling, general and administrative expenses:
- Personal expenses: 63,139
- Depreciation and amortization: 8,072
- Advertising expenses: 4,093
- Provision of allowance for doubtful accounts: 44
- Other: 33,917

Total selling, general and administrative expenses: 109,268

Operating income: 79,598

Non-operating income:
- Interest income: 788
- Dividend income: 2,986
- Gain on sales of vehicles: 527

Total non-operating income: 12,507

Non-operating expenses:
- Loss on sale and retirement of vehicles: 170
- Loss of shares of loss accounted for using equity method: –
- Compensation for damage and settlement package: 1,201

Total non-operating expenses: 4,257

Ordinary income: 85,802

Extraordinary income:
- Gain on sales of non-current assets: 3,273
- Gain on sales of investment securities: 181

Total extraordinary income: 6,454

Total income before taxes: 92,256

Income taxes—deferred (3,057)

Profit before income taxes: 89,199

Extraordinary loss:
- Impairment loss: 5,245
- Other: 60

Total extraordinary loss: 5,305

Profit attributable to owners of parent: ¥ 49,330

Consolidated Statements of Changes in Net Assets
Nippon Express Co., Ltd. and consolidated subsidiaries
For the year ended March 31, 2019

<table>
<thead>
<tr>
<th>Thousands of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>¥ 70,175</td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
</tr>
<tr>
<td>Changes during the year</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
</tr>
<tr>
<td>Total changes during the year</td>
</tr>
<tr>
<td>Balance at end of the year</td>
</tr>
</tbody>
</table>

For the year ended March 31, 2020

<table>
<thead>
<tr>
<th>Thousands of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>¥ 70,175</td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
</tr>
<tr>
<td>Changes during the year</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
</tr>
<tr>
<td>Total changes during the year</td>
</tr>
<tr>
<td>Balance at end of the year</td>
</tr>
</tbody>
</table>

For the year ended March 31, 2020

<table>
<thead>
<tr>
<th>Thousands of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>¥ 70,175</td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
</tr>
<tr>
<td>Changes during the year</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
</tr>
<tr>
<td>Total changes during the year</td>
</tr>
<tr>
<td>Balance at end of the year</td>
</tr>
</tbody>
</table>

Data Section
Consolidated Financial Statements
### Consolidated Statements of Cash Flows

Nippon Express Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 2019 and 2020

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>Thousand of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>¥ 77,850</td>
<td>¥ 38,392</td>
<td>$ 352,778</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>52,147</td>
<td>59,649</td>
<td>548,096</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>1,286</td>
<td>1,217</td>
<td>11,184</td>
</tr>
<tr>
<td>Loss (gain) on sale or write-down of investment securities, net</td>
<td>328</td>
<td>(1,495)</td>
<td>(13,737)</td>
</tr>
<tr>
<td>Loss (gain) on sale or disposal of property and equipment, net</td>
<td>1,231</td>
<td>4,709</td>
<td>43,277</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>5,245</td>
<td>13,928</td>
<td>127,980</td>
</tr>
<tr>
<td>Increase (decrease) in provisions for bonuses</td>
<td>212</td>
<td>3,236</td>
<td>29,735</td>
</tr>
<tr>
<td>Increase (decrease) in net retirement benefit liability</td>
<td>8,015</td>
<td>13,154</td>
<td>120,869</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(3,774)</td>
<td>(4,224)</td>
<td>(38,815)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>2,858</td>
<td>2,864</td>
<td>26,317</td>
</tr>
<tr>
<td>Increase (decrease) in consumption taxes payable</td>
<td>(3,608)</td>
<td>6,660</td>
<td>61,198</td>
</tr>
<tr>
<td>Share of (profit) loss of entities accounted for using equity method</td>
<td>13</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>(Gain) loss on step acquisitions</td>
<td>(15,270)</td>
<td>9,734</td>
<td>89,443</td>
</tr>
<tr>
<td>(Increase) decrease in trade receivables</td>
<td>(1,059)</td>
<td>(1,076)</td>
<td>(9,887)</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>7,806</td>
<td>(12,633)</td>
<td>(116,086)</td>
</tr>
<tr>
<td>(Increase) decrease in accounts payable</td>
<td>(247)</td>
<td>(545)</td>
<td>(5,016)</td>
</tr>
<tr>
<td>Other</td>
<td>(32,854)</td>
<td>(10,165)</td>
<td>(93,408)</td>
</tr>
<tr>
<td>Sub-total</td>
<td>103,181</td>
<td>123,405</td>
<td>1,133,990</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>3,960</td>
<td>4,413</td>
<td>40,557</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(2,898)</td>
<td>(3,137)</td>
<td>(28,827)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(31,544)</td>
<td>(26,475)</td>
<td>(243,274)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>72,698</td>
<td>98,206</td>
<td>902,386</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for purchase of property and equipment</td>
<td>(78,739)</td>
<td>(92,124)</td>
<td>(846,497)</td>
</tr>
<tr>
<td>Proceeds from sales of property and equipment</td>
<td>1,662</td>
<td>9,706</td>
<td>89,186</td>
</tr>
<tr>
<td>Payment for purchase of investment securities</td>
<td>(64)</td>
<td>(13,275)</td>
<td>(121,986)</td>
</tr>
<tr>
<td>Proceeds from sales of investment securities</td>
<td>2,320</td>
<td>3,504</td>
<td>32,203</td>
</tr>
<tr>
<td>Payment for purchase of shares of subsidiaries resulting in change in scope of consolidation</td>
<td>(17,931)</td>
<td>(78)</td>
<td>(723)</td>
</tr>
<tr>
<td>Other</td>
<td>1,791</td>
<td>454</td>
<td>4,176</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(90,960)</td>
<td>(91,813)</td>
<td>(843,643)</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease) in short-term loans payable</td>
<td>10,387</td>
<td>15,577</td>
<td>143,136</td>
</tr>
<tr>
<td>Proceeds from long-term loans payable</td>
<td>30,650</td>
<td>21,010</td>
<td>193,053</td>
</tr>
<tr>
<td>Payment for long-term loans payable</td>
<td>(38,223)</td>
<td>(25,971)</td>
<td>(238,645)</td>
</tr>
<tr>
<td>Redemption of bonds</td>
<td>–</td>
<td>(15,000)</td>
<td>(137,829)</td>
</tr>
<tr>
<td>Payment for purchase of interests in subsidiaries that do not result in change in scope of consolidation</td>
<td>(3,639)</td>
<td>(464)</td>
<td>(4,271)</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>(12,480)</td>
<td>(15,123)</td>
<td>(138,962)</td>
</tr>
<tr>
<td>Payment for purchase of treasury stock</td>
<td>(10,081)</td>
<td>(10,549)</td>
<td>(96,931)</td>
</tr>
<tr>
<td>Other</td>
<td>8,694</td>
<td>18,801</td>
<td>172,760</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(14,693)</td>
<td>(17,720)</td>
<td>(107,691)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>(2,943)</td>
<td>(593)</td>
<td>(5,456)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>(20,779)</td>
<td>(5,920)</td>
<td>(54,404)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>137,891</td>
<td>102,092</td>
<td>938,089</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>¥102,092</td>
<td>¥96,171</td>
<td>$883,685</td>
</tr>
</tbody>
</table>
Data Section
Global Network (As of March 31, 2020)

East Asia
NIPPON EXPRESS (H.K.) CO., LTD.
NPC ASIA PACIFIC CARGO (H.K.) LTD.
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