



Revision of NIPPON EXPRESS GROUP Business Plan 2023 ~“Dynamic Growth”~

NIPPON EXPRESS HOLDINGS, INC.

February 14, 2022

Business Plan Progress to Date

KPIs

*1: Pro forma basis *2: Financial results for April to December 2021

| | | FY2018 | | | FYE December 2021 Interim Target | | | FYE December 2021 Results | | |
|---|---------------------------------|---------------------------------|------------------|-------------------------|-------------------------------------|------------------|-------------------------|------------------------------------|------------------|-------------------------|
| Revenues | | ¥2,138.5 billion | | | ¥2,250.0 billion | | | ¥2,337.1 billion *1 | | |
| Operating income | | ¥79.5 billion | | | ¥83.0 billion | | | ¥97.0 billion *1 | | |
| Operating income margin | | 3.7% | | | 3.7% | | | 4.2% *1 | | |
| Net income | | ¥49.3 billion | | | ¥54.0 billion | | | ¥66.1 billion *1 | | |
| Overseas sales | | ¥427.9 billion | | | ¥520.0 billion | | | ¥686.1 billion *1 | | |
| ROE | | 9.2% | | | 9.0% | | | 8.9% *2 | | |
| Forwarding volume | | Ocean 680,000 TEU/Air 900,000 t | | | Ocean 1,000,000 TEU/Air 1,200,000 t | | | Ocean 750,000 TEU/Air 970,000 t *1 | | |
| Progress by Segment | | Revenues | Operating income | Operating income margin | Revenues | Operating income | Operating income margin | Revenues | Operating income | Operating income margin |
| Logistics | Japan | ¥1,256.8 billion | ¥55.9 billion | 4.4% | ¥1,300.0 billion | ¥52.0 billion | 4.0% | ¥1,338.2 billion | ¥54.6 billion | 4.1% |
| | Americas | ¥98.6 billion | ¥4.2 billion | 4.3% | ¥120.0 billion | ¥6.2 billion | 5.2% | ¥109.7 billion | ¥6.5 billion | 5.9% |
| | Europe | ¥114.8 billion | ¥2.2 billion | 1.9% | ¥135.0 billion | ¥4.6 billion | 3.4% | ¥165.3 billion | ¥7.6 billion | 4.6% |
| | East Asia | ¥122.7 billion | ¥3.0 billion | 2.4% | ¥150.0 billion | ¥4.1 billion | 2.7% | ¥224.7 billion | ¥8.3 billion | 3.7% |
| | South Asia & Oceania | ¥91.8 billion | ¥3.7 billion | 4.0% | ¥115.0 billion | ¥5.1 billion | 4.4% | ¥186.3 billion | ¥16.6 billion | 9.0% |
| Heavy haulage & construction | | ¥47.7 billion | ¥4.5 billion | 9.4% | ¥50.0 billion | ¥4.0 billion | 8.0% | ¥45.3 billion | ¥5.9 billion | 13.2% |
| Security Transportation | | ¥72.6 billion | ¥1.2 billion | 1.7% | ¥75.0 billion | ¥0.3 billion | 0.4% | ¥68.8 billion | ¥(0.1) billion | (0.2%) |
| Logistics Support | | ¥483.9 billion | ¥12.7 billion | 2.6% | ¥505.0 billion | ¥12.7 billion | 2.5% | ¥393.4 billion | ¥12.9 billion | 3.3% |

Business Plan Progress to Date

Major Initiatives Implemented Between FY2019 and FYE Dec 2021

NX Group Business Plan 2023 Overview

Growth Strategy for Core Businesses

Customer-Oriented Approach

- Expanded business with non-Japanese customers through account management, GAM/GTA initiatives, etc.
- Expanded volume in key industries (particularly in mobility and semiconductors)
- Endeavored in the pharmaceuticals/medical business (developed pharmaceutical centers, acquired MDL in the U.S., and obtained GDP certification in various parts of the world)

Business-Oriented Approach

- Established a global purchasing system by establishing the Global NVOCC Center (GNC)
- Growth in forwarding volume (70,000 TEU ocean freight and 70,000 tons air freight increase compared to March 2019, before the COVID-19 pandemic)

Area-Oriented Approach

- Steady growth in Overseas Business

Strategy to Enhance Domestic Businesses in Japan

Improve the Profitability of Specialized Businesses

- Consideration of spinning off the security transportation business (spin-off scheduled for January 2023)
- Real estate development business growth

Improved Business and Administrative Productivity

- Consolidated branches and streamlined of administrative organizations (March 2018: 54 specified branches ⇒ Jan. 2021: 31 specified branches)
- Expanded accounting SSC operations; initiatives for payroll SSC operations

Dramatic Reform of Low-Profit Businesses

- Transferred Seikan ferry business · Transferred driving school business · Liquidated travel business

Efforts to Implement Our Long-Term Vision

Inorganic Growth Strategy

- Strengthened pharmaceutical logistics business through the acquisition of MDL (U.S.)
- Nittsu Shoji (currently NX Shoji) shifted leasing business to off-balance sheet
- Established mechanism to liquidize logistics real estate

ESG Management for Sustainable Growth and Corporate Value Enhancement

- Work-style reforms (telework, easing of dress code, paperless operations, no assigned seating, organizational culture reform (call co-workers by name rather than by title), etc.)
- Employee system reform · Equal pay for equal labor across the group
- Group management structure · Stronger group governance (transition to holding company structure, integrated risk management structure)

Reinforcing Functions to Support Challenges

- Adopted Microsoft Office365 to reform communications (allows for telework, operations continuity during the COVID-19 pandemic)
- Secured human resources through professional recruitment (mid-career hiring)
- Introduced Group brand and launched new brand strategy initiatives

Steady Results Over the Past Three Years

Direction Forward for Business Plan Review

No major changes will be made to the plan; we will continue to work toward achieving our long-term vision.

Numerical Targets

Revenues, operating income (margin), net income, overseas revenues, ROE, FWD volume
By Segment (Logistics, Heavy Haulage & Construction, Security Transportation, Logistics Support)

NX Group Business Plan 2023 Overview

Growth Strategy for Core Businesses

- Growth in global markets
- Concentrate management resources in major cities in Japan

Strategy to Enhance Domestic Businesses in Japan

- Improve profitability of specialized businesses
- Improve sales and administrative productivity
- Engage in dramatic reform of low-profit businesses

Efforts to Implement Our Long-Term Vision

- Inorganic Growth Strategy
- Reinforce functions to support challenges
- Exercise ESG-oriented business management to realize sustainable development

FY2022 - FY2023

Birth of the NX Group Accelerate Reform Through a Holding Company Structure

- Restructure Business Portfolios
 - Restructure group businesses
- Strengthen Specialized Businesses
 - Strengthen businesses by spinning off the security and transportation business
- Inorganic Growth
 - Strengthen M&A overseas
- Strengthen Governance
 - Evolve global management functions
- Brand Strategy
 - Global penetration and strengthening of the NX Group brand

2037 Long-Term Vision
A logistics company with a strong presence in the global market.

Key Performance Indicators (KPIs)

| | | FY2023 Targets (Initial) | | | FY2023 Targets (Revised) | | |
|------------------------------|----------------------|-------------------------------------|------------------|-------------------------|-------------------------------------|------------------|-------------------------|
| Revenues | | ¥2,400.0 billion | | | ¥2,400.0 billion | | |
| Operating income | | ¥100.0 billion | | | ¥110.0 billion [+¥10.0 billion] | | |
| Operating income margin | | 4.2% | | | 4.6% [+0.4%] | | |
| Net income | | ¥63.0 billion | | | ¥72.0 billion [+¥9.0 billion] | | |
| Overseas sales | | ¥600.0 billion | | | ¥720.0 billion [+¥120.0 billion] | | |
| ROE | | 10.0% | | | 10.0% | | |
| Forwarding volume | | Ocean 1,300,000 TEU/Air 1,400,000 t | | | Ocean 1,100,000 TEU/Air 1,200,000 t | | |
| Targets by Segment | | Revenues | Operating income | Operating income margin | Revenues | Operating income | Operating income margin |
| Logistics | Japan | ¥1,340.0 billion | ¥62.0 billion | 4.6% | ¥1,373.0 billion | ¥65.8 billion | 4.8% |
| | Americas | ¥135.0 billion | ¥7.2 billion | 5.3% | ¥121.0 billion | ¥7.2 billion | 6.0% |
| | Europe | ¥160.0 billion | ¥6.4 billion | 4.0% | ¥186.0 billion | ¥8.7 billion | 4.7% |
| | East Asia | ¥170.0 billion | ¥5.1 billion | 3.0% | ¥231.0 billion | ¥8.9 billion | 3.9% |
| | South Asia & Oceania | ¥135.0 billion | ¥6.3 billion | 4.7% | ¥182.0 billion | ¥14.2 billion | 7.8% |
| Heavy haulage & construction | | ¥54.0 billion | ¥4.5 billion | 8.3% | ¥53.0 billion | ¥6.1 billion | 11.5% |
| Security Transportation | | ¥76.0 billion | ¥1.1 billion | 1.4% | ¥69.0 billion | ¥1.1 billion | 1.6% |
| Logistics Support | | ¥530.0 billion | ¥14.4 billion | 2.7% | ¥382.0 billion | ¥12.0 billion | 3.1% |

Growth Strategy for Core Businesses

KPI

Customer-Focused Approach (KPIs)

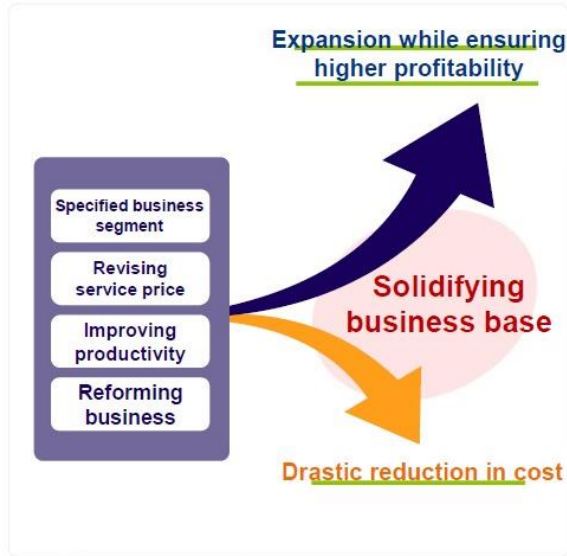
| Growth Strategy of Core Businesses | Indicator | FYE December 2021 Results | | FY2023 Target | | FY2023 Targets (Revised) | |
|---|-----------|---------------------------|----------------|----------------|----------------|--------------------------------|---------------------------------|
| | | Japan | Overseas | Japan | Overseas | Japan | Overseas |
| Electric and Electronics Industry | Revenues | ¥112.3 billion | ¥186.5 billion | ¥120.0 billion | ¥130.0 billion | → (No change) | ¥174.0 billion [+¥44.0 billion] |
| Automotive Industry | Revenues | ¥85.4 billion | ¥108.1 billion | ¥110.0 billion | ¥110.0 billion | → (No change) | ¥120.0 billion [+¥10.0 billion] |
| Apparel Industry | Revenues | ¥15.5 billion | ¥78.7 billion | ¥24.5 billion | ¥80.0 billion | ¥20.0 billion [-¥4.5 billion] | → (No change) |
| Pharmaceutical/Medical Industry | Revenues | ¥15.9 billion | ¥24.1 billion | ¥36.0 billion | ¥40.0 billion | ¥30.0 billion [-¥6.0 billion] | → (No change) |
| Semiconductor-Related Industry | Revenues | ¥28.5 billion | ¥16.7 billion | ¥45.5 billion | ¥15.0 billion | → (No change) | ¥20.0 billion [+¥5.0 billion] |
| Expand non-Japanese customers (GAM/GTA) | Revenues | ¥74.1 billion | | ¥43.0 billion | | ¥86.9 billion [+¥43.9 billion] | |

Business-Oriented Approach (KPIs)

| | | | | |
|--------------------------------|--------------|-----------------|----------------------------|------------------------------|
| | | USD 673 million | USD 391 million (¥110/USD) | USD 790 million (¥110/USD) |
| Ocean forwarding business | Volume (TEU) | 750,000 TEU | 1,300,000 TEU | 1,100,000 TEU [-200,000 TEU] |
| Expand air forwarding business | Volume (t) | 970,000 t | 1,400,000 t | 1,200,000 t [-200,000 t] |

Strategy to Enhance Domestic Businesses in Japan

Business Plan Post-Revision



- Priority measures**
- Improving profitability of specified business segment
 - Heavy Haulage & Construction business
 - Security Transportation business
 - Fin Art business
 - Removal and Relocation
 - Real estate development
 - Improving productivity of sales and business process
 - Further reorganization of Japanese domestic organizations to avoid marginalization
 - Streamlining of administrative organizations
 - Reform business process
 - Drastic reforms to low-profitable businesses
 - Improving profitability of main businesses
 - Revising service price
 - Restructuring business portfolios

Strengthen Businesses by Spinning off the Security Transportation Business

Spin off business to shift from traditional cash transportation business to a cash logistics business.

Restructure Business Portfolios

Conduct further business portfolio restructuring after transition to a holding company structure

- ✓ Reorganize overlapping group businesses (logistics finance and real estate businesses)
- ✓ Pursue an optimal business portfolio for the NX Group

Etc.

Thorough dedication to improving profitability in order to solidify group management foundations

- We will also pursue and strengthen other strategies and measures without changing the plan

KPIs

| | Indicator | FYE Dec 2021 Interim Targets | FYE Dec 2021 Results | FY2023 Targets (Initial) | FY2023 Targets |
|---|---------------------------|------------------------------|----------------------|--------------------------|---------------------------------|
| Further reorganization of organizations/ streamlining of administrative departments | Cost Reduction Effect | ¥3.0 billion | ¥3.37 billion | ¥4.5 billion | In line with plan |
| Business Process Reform | Cost Reduction Effect | ¥3.0 billion | ¥2.96 billion | ¥5.0 billion | In line with plan |
| Rate Revision | Profit Improvement Effect | ¥3.0 billion | ¥4.78 billion | ¥5.0 billion | In line with plan |
| Improve Nippon Express Profitability | Cost Reduction Effect | ¥2.0 billion | (Not calculated) | ¥2.5 billion | Deleted from the list of KPIs*1 |

*1: In the beginning, we listed improvement figures for specific business areas. Today, we strive to improve the profitability of our businesses as a whole. Therefore, we decided to remove this indicator from KPIs in consideration of appropriateness.

Efforts to Implement Our Long-Term Vision

Reinforce Functions to Support Challenges

IT Strategy Innovation

- Improve value provided to customers
- Achieve productivity improvements and work-style reform
- Develop infrastructure for group-wide optimization

R&D Innovation

- Strengthen the coordination of R&D functions within the group
- Streamline operations (automation and mechanization) and achieve labor savings
- Create new businesses through digitalization

Human Resources Strategy Innovation

- Develop executives capable of global management
- Secure and develop professionals

Public Relations Strategy Innovation

- Branding strategy to establish competitive advantage in the world
- Raise awareness of quality, competence, and achievements
- Improve name recognition overseas

Business Plan Post-Revision

Innovation Through Digital Transformation (DX)

Business Transformation and Innovation Through DX

- Increase efficiencies and management sophistication by digitizing routine operations
- Strengthen the strategic nature of and coordinate R&D functions within the group
- Leverage DX to provide innovative value and create new business domains

Public Relations Strategy Innovations

Develop a Branding Strategy Leverage the NX Group brand

- Formulate an NX Brand awareness strategy to establish competitive advantage in the world
- Link quality, products, and services; DX, and ESG management with marketing efforts
- Establish a global public relations system and strategies for cutting-edge media and overseas media

(Additional) Engage in Open Innovation Through Co-Creation With Outside Entities

Strengthen Businesses and Explore New Business Areas Through Co-Creation With Outside Entities

- Pursue co-creation with partner entities
- Co-create with start-up companies through investment in VC funds

■ We will also pursue and strengthen other strategies and measures without changing the plan

Efforts to Implement Our Long-Term Vision

ESG Management for Sustainable Growth and Corporate Value Enhancement

Commit to Reduce CO₂ Emissions as a Logistics Company

E Environment

- Switch to LED lighting for facilities
- Switch to environmentally friendly vehicles

Contribute Through Our Businesses

- Pursue modal shift and joint deliveries
- Resource recycling sales initiatives

Become a Company that Makes Employees Happy

S Social

- Pursue diversity
- Work-style innovation

Contribute Through Our Businesses

- Designated public institution for disasters
- Contribute to local communities through employment and solutions to social issues

Initiatives That Support Sustainable Corporate Value Growth

G Governance

- Ensuring safety, compliance, and quality
- Shift to a holding company structure with an eye toward an evolution in global governance
- Capital policy (ROE 10%)
- Information disclosure

Business Plan Post-Revision

E Environment

KPI Revisions
 (Upward revision of CO₂ emissions reduction target)

S Social

Additional:

- Improve employee engagement

Additional KPIs and Numerical Revisions
 (Added rate of male employees taking childcare leave)

G Governance

Additional:

- Strengthening global group governance through our holding company
- Strengthen risk management and crisis management

Additional: ESG Management Overall: Respond to Climate Change

KPI

| E Environment | Indicator | Initial Target (FY2023) | FY2023 Target (Revised) |
|--|---|--|--|
| Reduce CO ₂ Emissions (Nippon Express Non-Consolidated) | Vs. 2013 | 10% reduction equivalent (440,069 tons in emissions) | 30% reduction equivalent (350,000 tons in emissions) |
| S Social | Indicator | Initial Target (FY2023) | FY2023 Target (Revised) |
| Pursue Diversity | Annual paid vacation usage | Double vs. FY2017 (50%) | Usage rate 50% ⇒ Revised to 60% |
| | Rate of male employees taking childcare leave | *New KPI | Usage rate 40% |

Efforts to Implement Our Long-Term Vision

ESG Management for Sustainable Growth and Corporate Value Enhancement

Additional Measures for New Topics to be Addressed



Governance

Strengthening Global Group Governance Through Our Holding Company

Transition to a holding company structure to pursue and strengthen strategies for management resource procurement, appropriate management resource allocation, business portfolio strategy, and risk management

- Evolve global control functions (area control functions and global business control functions)
- Strengthen risk management and crisis management
- Strengthen business portfolio strategy and establish business portfolio management system
- Restructure group businesses
- Continue to improve corporate governance
- Strengthen group financial governance (through the use of ROIC)

Efforts to Implement Our Long-Term Vision

ESG Management for Sustainable Growth and Corporate Value Enhancement

KPIs

G Capital Policies

Business Plan Post-Revision

| | 5-Year Cumulative through 2023 (Initial) | 5-Year Cumulative through 2023 (Revised) |
|---------------------------|---|---|
| Operating CF | ¥520.0 billion | ¥520.0 billion |
| Investing CF | ¥(360.0) billion | ¥(180.0) billion |
| Free CF | ¥160.0 billion | ¥340.0 billion |
| Financing CF | ¥(140.0) billion | ¥(320.0) billion |
| Dividend | Dividend payout ratio: Over 30% Total return ratio: Over 50% | Per initial plan |
| Acquiring treasury shares | | |
| Investment Area | Plan (5-Year Cumulative) (Initial) | Plan (5-Year Cumulative Total) |
| Equipment | ¥360.0 billion | Per initial plan |
| IT | ¥40.0 billion | Per initial plan |
| Vehicles | ¥50.0 billion | Per initial plan |
| Group Total | ¥450.0 billion | Per initial plan |

Note, however, that the Company may engage in additional investments or reclassify investments according to future changes in the business environment.



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