

We Find the Way
 **NIPPON EXPRESS**

We Find the Way



For Where You'll Go Next

Introduction

The Nippon Express Group Corporate Philosophy

Our Mission Be a Driving Force for Social Development

Our Challenge Create New Ideas and Value that Expand the Field of Logistics

Our Pride Inspire Trust Every Step of the Way

Since our 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 advance continuously 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.



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.

We

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.

Find

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.

the Way

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.

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Editorial Policy

Integrated Report 2021 is the second integrated report to be published by Nippon Express Co., Ltd. In this report, we have reformatted our presentation of ESG management, which is increasingly important as international trends and social conditions change dramatically. We have edited this report from the perspective of how the group creates value through the practice of ESG management and how the group intends to grow.

We hope this report helps our stakeholders better understand the Nippon Express Group and our efforts to continue to grow by creating new value through innovation, while staying true to our unchanging values of safety, compliance, and quality.

For more detailed information regarding Nippon Express Group CSR, see our CSR website and CSR Data Book.

Reference Guidelines and Assurances

We used the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI). The information disclosed in our sustainability report conforms to the Core option of the GRI Standards for Sustainability Reporting.

* GRI: Global Reporting Initiative

An organization that aims to create and promulgate international guidelines for sustainability reporting. The GRI content index is available on our CSR website (<https://www.nittsu.co.jp/corporate/csr/>).

Scope of This Report

This integrated report addresses the Nippon Express Group, including domestic and overseas group companies. Certain portions of this report reference Nippon Express Co., Ltd. on a non-consolidated basis.

Reporting Period

Fiscal 2020 (April 1, 2020 to March 31, 2021) (Certain information references time frames on or prior to fiscal 2019 and subsequent to fiscal 2021)

Publication Date July 2021

Reference Guidelines

- GRI Standards for Sustainability Reporting (Core option)
- IIRC International Integrated Reporting Framework
- Ministry of the Environment's Environmental Reporting Guidelines (2018 Edition)
- SASB Standards

Caution Regarding Forward-Looking Statements

The forward-looking statements in this report, including the company's future plans, forecasts, and strategies, are based on certain assumptions that the company considered reasonable at the time of disclosure. Actual business performance may differ significantly from forecasts due to future economic conditions and other factors. See Competitive Advantages, Risks and Opportunities on page 5 of this report for the major factors that may cause such differences.

Information Systems

The Integrated Report is a compilation of financial and non-financial information for the purpose of deepening stakeholder understanding of the Group's medium- to long-term value creation.

In addition, non-financial information that complements the Integrated Report is provided in the CSR Data Book, and more detailed information is available on our website.

Integrated Report



Voluntary Disclosures	
CSR Data Book	https://www.nittsu.co.jp/corporate/csr/report/
Website (CSR Activities)	https://www.nittsu.co.jp/corporate/csr/
Legal Disclosures and Timely Disclosures	
Annual Securities Report	https://www.nittsu.co.jp/ir/library/securities/
Corporate Governance Report	https://www.nittsu.co.jp/ir/governance/

Major Updates Integrated Report 2021 Highlights

The Nippon Express Group Approach to ESG Management

The Nippon Express Group Business Plan 2023 addresses ESG-oriented business management to realize sustainable development and improve corporate value as one initiative in our efforts to implement our Long-Term Vision. The group believes that working to solve social issues through our business activities and contributing to a sustainable society ties to sustainable growth and enhancement of corporate value. This is our view of ESG management.

Meanwhile, we are seeing dramatic changes in international trends and social conditions. We find ourselves in a situation in which we face many environmental and social issues directly, and social systems that affect the entire planet are in a deep crisis. Amid these conditions, society expects corporations to behave more responsibly and offer greater value, and we recognize the increasing importance of ESG management in this respect.

In response to these circumstances, we reconfirmed the direction of Nippon Express Group ESG management in the process of publishing our second integrated report. In this process, we organized our understanding and our stance regarding ESG management, clarifying the Nippon Express Group approach to ESG management, which we describe as follows.

Our unchanging philosophy is to advance society and bring an enriched life to future generations. Based on this philosophy, we contribute to sustainable societies through risk mitigation (environmental and social issues) and new value creation (value demanded by society), aiming for business growth. At the same time, we strive to strengthen corporate governance to achieve these contributions and growth.

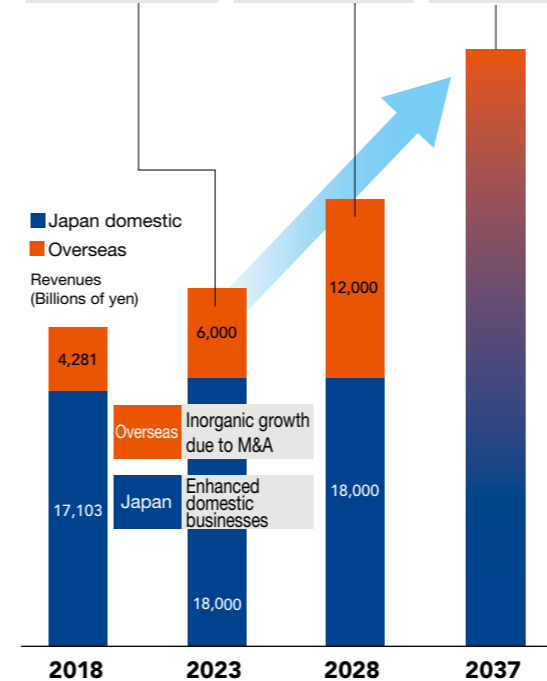


Long-Term Vision (2037 Vision)

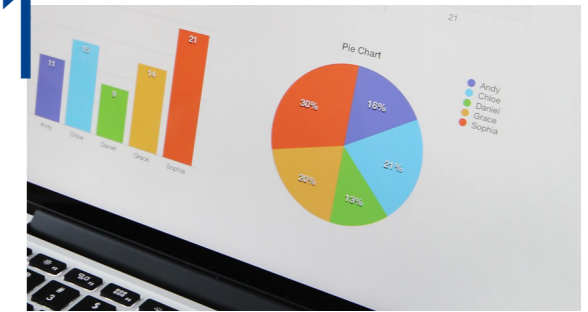
A logistics company with a strong presence in the global market

Growth Image

5 years from 2018	10 years from 2018	100th anniversary
Sales (Revenue): ¥2,400 billion	Sales (Revenue): ¥3 trillion	Sales (Revenue): ¥3.5 to 4 trillion
Operating income ratio: 4%	Operating income ratio: 5%	Operating income ratio: 5+%
Overseas sales ratio: 25%	Overseas sales ratio: 40%	Overseas sales ratio: 50%
ROE 10%	ROE: 10+%	ROE: 10+%



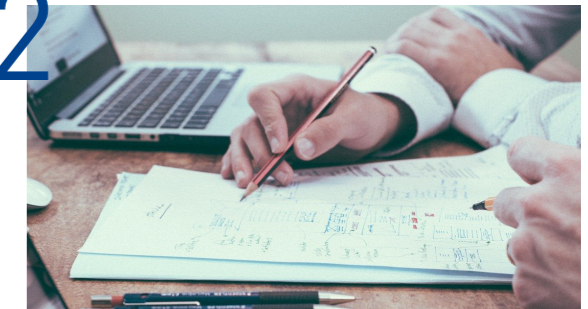
Point 01



The Nippon Express Group Value Creation Engine

The Nippon Express Group creates and offers new value based on our corporate philosophy and an understanding of changing social and customer issues. We clarify our unchanging business creation process as our value creation engine.

Point 02



Pivoting Business Models to Meet Society

We provide optimized business solutions to industry and society by building business models tailored not only to individual customers, but also to industries and society as a whole.

Point 03



Reconfirming Materialities

We leverage past, present, and future initiatives to reconfirm the materialities (key issues) necessary for Nippon Express to answer the demands of society and to grow as a business.

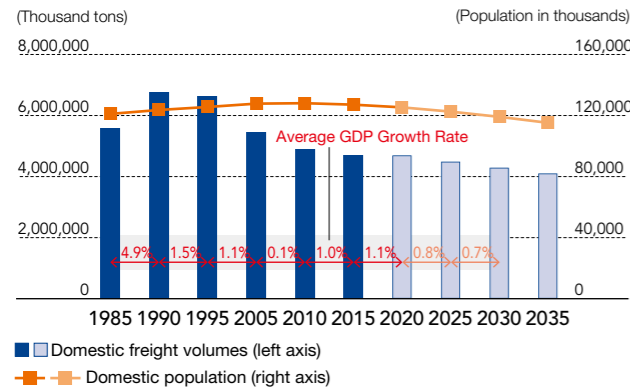
Nippon Express and the Logistics Markets of Japan and the World

Domestic and Overseas Logistics Markets

The population of Japan is declining, especially in rural areas. We are seeing a particularly large decline in our working-age, which represents the core of consumption. Similarly, the volume of freight forwarding is on a downward trend. Given the declining population and low economic growth prospects, it is difficult to expect future growth in the domestic logistics market.

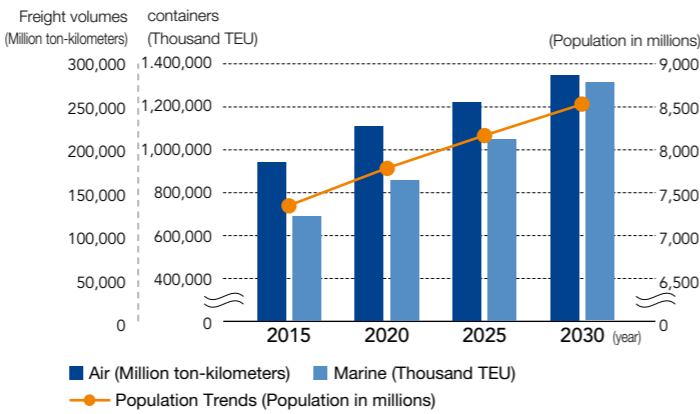
At the same time, populations are expected to grow among the emerging economies. Including the advanced economies, the global working-age population should increase gradually. Backed by moderate economic and population growth, international freight volume should continue trending upward.

Domestic Freight Volumes and Population Trends



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

World Cargo Volume (Air and Ocean) and Population



Source: world development indicators databank Figures for 2020 and beyond are estimated based on the CAGR for 2010 to 2017 United Nations Population Division Department of Economic and Social Affairs

World Cargo Volume (Air and Ocean) and Population

The internationalization of the logistics industry is accelerating with economic globalization. The global rankings are dominated by major logistics companies in advanced economies that have established international logistics networks. Driven by the growth of 3PL and international parcel delivery services, cross-border logistics services will merge at an increasing pace.

Rank	Location of Headquarters	Provider	Gross Logistics Revenue (Millions of yen)*	Marine (TEU)	Air (Metric tons)
1	Germany	DHL Supply Chain & Global Forwarding	2,973,339	2,862,000	1,667,000
1	Switzerland	Kühne + Nagel	2,694,742	4,529,000	1,433,000
2	Germany	DB Schenker	2,169,525	2,052,000	1,094,000
2	Denmark	DSV Panalpina	1,909,111	2,204,902	1,272,405
3	China	Sinotrans	1,272,183	3,750,000	532,300
4	USA	Expeditors	1,057,122	1,012,600	926,730
5	Japan	Nippon Express	2,021,762	660,152	720,115
6	Switzerland	CEVA Logistics	773,300	1,081,000	363,000
7	USA	C.H. Robinson	1,618,705	1,200,000	225,000
8	Hong Kong	Kerry Logistics	717,602	1,019,924	493,903
8	USA	UPS Supply Chain Solutions	1,154,516	620,000	988,880

* Based on the exchange rate as of December 2020 (US\$1 = ¥104.50). Source: Armstrong & Associates, Inc. A&A's Top 25 Global Freight Forwarders List 2020. Rank reflects overall consideration of total revenues, ocean transportation, and air transportation

Competitive Advantages, Risks, and Opportunities

Nippon Express Group Strengths

We have become the increasing choice of numerous customers due to our ability to transport anything, anywhere, using every means of transportation in the best possible manner. And what has made this possible are the transportation modes, networks, and front-line capabilities we have cultivated since our founding.

Diverse Transportation Modes

Customers have a variety of requirements, including cargo size, weight, and urgency. The Nippon Express Group offers a full range of transportation modes, including truck, rail, ship, and air. We provide the most suitable method of transportation for shipments requiring special care, such as pharmaceuticals and perishable foods that require strict temperature control, precision instruments that require vibration control, and art works that require humidity control.

A Global Network

In our more than 80-year history, the Nippon Express Group has built a logistics network covering the entire country of Japan. In 1962, we established our first overseas subsidiary in the U.S., and took steps to expand overseas. Today, we deliver goods to anywhere in the world through the world's largest network, when considering group companies and reliable local partners.

Strong Front-Line Capabilities

How will my precious cargo be handled? This is the single most important question when customers choose a transportation service. The Nippon Express Group transports and stores cargo in the field, strongly committed to safety, compliance, and quality, and always placing the customer first. At first glance, this approach may seem simplistic and obvious. However, customers widely varying demands in terms of cargo size, weight, shape, and nature. We must meet every one of these demands, while maintaining strict safety and compliance. We can only accomplish this task through constant daily training, systems support prompt communications, an autonomous organization capable of identifying and resolving issues in the field, a sense of ownership on the part of all employees, and a strong shared will on our front lines to find the single best way and to accomplish our mission, no matter what the situation.

We have the expertise and groundwork passed down from our predecessors, and we will continue pressing forward to strengthen our front-line capabilities.

(As of March 31, 2021)

- Vehicles**
 - Domestic: 22,758
 - Overseas: 10,294
- Loading and Construction Vehicles**
 - Domestic: 7,530
 - Overseas: 1,322
- Warehousing Space**
 - Non-consolidated: 3.40 million m²
- Overseas Warehousing Space**
 - 3.57 million m²
- Forwarding Volume (January to December)**
 - Ocean cargo: 660,000 TEU
 - Air cargo: 720,000 tons (TEU: Twenty-foot Equivalent Units, equal to the volume of one twenty-foot shipping container)
- Subsidiaries**
 - 278
- Overseas Network**
 - 47 countries/regions
 - 314 cities
 - 733 locations
- Affiliates**
 - 63
- Employees**
 - Consolidated: 72,366
 - Non-consolidated: 34,766

Risks and Opportunities

Risks that may have a significant impact on Nippon Express Group businesses are as follows. For more on policies related to risks and opportunities, see our latest Annual Securities Report, as well as Materialities (page 37) for more on sustainability-related opportunities and risks.

Changing Business Environments	Opportunities	Risks
Markets Contracting domestic logistics markets Expanding global logistics markets Declining relative position of Japanese companies	• Global business expansion	• Lost opportunity due to changes in the markets for the Group's core domestic businesses
Competition Oligopolies via overseas mega forwarders New entry from different industries	• Growth through M&As	• Greater disparity with foreign mega forwarders • More severe competition due to entry into logistics by major e-commerce providers and those from different industries
Advanced Technologies Digital revolution through AI/IoT, etc. Rapid business model innovation	• Trigger for greater business efficiency and solutions to social problems	• Obsolescence of existing business models • Loss of competitive advantage
Social Initiatives for building a sustainable society	• More opportunities to provide value to customers	• Greater disparity between foreign companies advancing such initiatives • Lower relative standing on the market
Capital Markets Market demands for effective use of capital and assets	• Greater corporate value	• Stock price decline, increased pressure from the market
Employees Changing labor environment (labor shortages, work style reforms)	• Expectations for industrial reforms	• Shortages of core personnel, major cost increases, relative decline in industry appeal

Nippon Express and Logistics Supporting the Advancement of Society

Historical Background

Major Initiatives of the Nippon Express Group

1872~ Wartime and Postwar Reconstruction

Establishing a nationwide domestic transport network and land, sea, air intermodal transport

Our company was founded as a consolidation of early modern transportation and communications companies, nationalized to ensure the smooth supply of goods during the war. After the war, the company underwent a reorganization, and in 1950, we listed our shares on the stock exchange, transitioning from a nationalized entity to a private entity.

We began as a railway forwarding company handling items from small carriers. From there, we expanded our truck transportation network throughout Japan. We were among the first to form alliances with shipping companies and airlines in Japan and abroad, establishing an intermodal transportation system that combined land, sea, and air transportation in an organic manner.



1960~ Rapid Economic Growth and Manufacturing Industry Globalization

Establishing a global supply chain network

As Japan entered a full-scale economic recovery in the 1950s, we launched an international forwarding business in cooperation with Japanese companies expanding overseas. In 1962, we established our first local subsidiary in New York, U.S.A., Nippon Express USA Inc. In the 1970s, Japan's industrial structure shifted to an export-driven economy, while the Asian nations began to emerge, signaling a change in the world situation. In response, we established a policy to strengthen our presence in international transport, solidifying our international transport systems and in 1973, establishing an Asian subsidiary in Singapore, among other measures. Subsequently, we established a firm foothold in the Americas, Europe, and Hong Kong. In the 1990s, we began to expand actively into China, Southeast Asia, and India.



1990~ Growth and Rising Uncertainty in the Service Industry

Maintaining supply chains in Japan and overseas; diversifying our services

At the time of the Great Hanshin-Awaji Earthquake in 1995, we were the only trucking company designated as a public organization under the Basic Act on Disaster Management. In the immediate aftermath, we established a disaster-response headquarters and fulfilled our duties by carrying out emergency transportation of relief supplies and other goods from Japan and overseas in cooperation with relevant government agencies. Since that time, we have endeavored to carry out our mission to support social infrastructure logistics, formulating crisis management regulations and establishing a crisis management committee in preparation for emergencies. In the aftermath of the Great East Japan Earthquake in 2011, we used all available means of transportation by land, sea, and air to cope with the widespread disruption of road and rail networks.

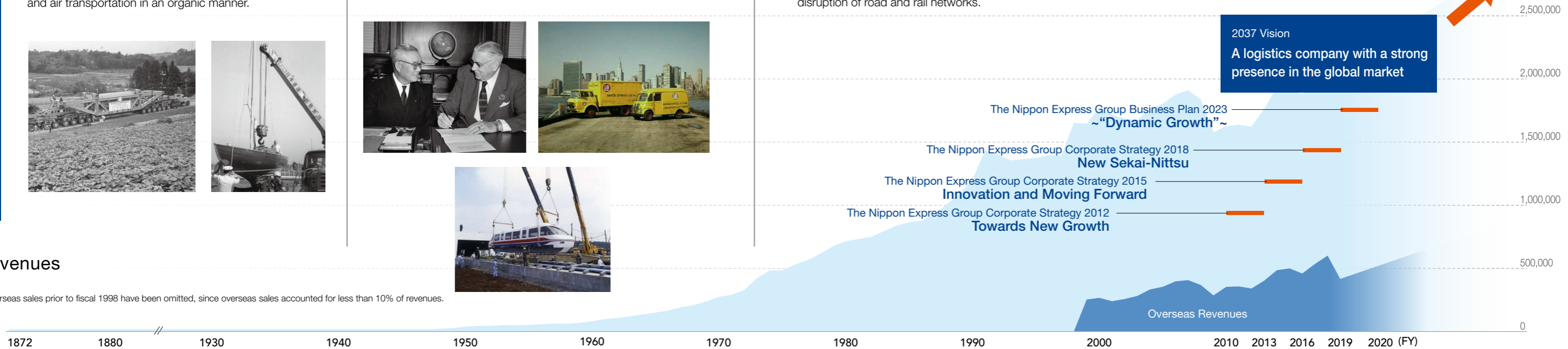
2010~ Environmental and Social Sustainability

Sustainable development of society and business

Global warming and other environmental problems became more prominent in the beginning of the 1990s. As a leading company in the transportation industry--an industry that accounts for 20% of Japan's CO₂ emissions, we took the lead in addressing the issue of exhaust gas emissions. We established a dedicated department, and in 1993, we formulated a basic philosophy for global environmental conservation. We pursued environmentally friendly transportation through low pollution vehicles, saving resources used in packaging materials, improving efficiency through joint deliveries, and using modal shifts from truck-based to rail- and ship-based transportation. In addition to environmental conservation activities through our business, we also engaged in resource recycling and ecosystem conservation.

Revenues

* Overseas sales prior to fiscal 1998 have been omitted, since overseas sales accounted for less than 10% of revenues.



Major Events and Changes in Japan

- 1872 Riku-un Moto Kaisha established (predecessor of Nippon Express)
- 1937 Nippon Express Co., Ltd. established
- 1957 Nippon Express shares are listed on the stock exchange, marking a fresh start as a purely private company
- 1959 First use of 300-ton trailers for transportation

- 1964 Transportation for the Tokyo Olympics, Transported the Venus de Milo
- 1970 Transportation for the Japan World Exposition in Osaka
- 1972 Transportation for the Sapporo Winter Olympics
- 1974 Transported the Mona Lisa
- 1985 Transportation for the International Exposition in Tsukuba, Japan
- 1990 Transportation for the The International Garden and Greenery Exposition

- 1995 Transported relief supplies and other items as a designated public institution in the wake of the Great Hanshin-Awaji Earthquake
- 1997 Launched recycling transportation business
- 1999 Began full-scale operations of internet order deliveries
- 2002 Fleet of low-pollution vehicles exceeds 1,000 vehicles
- 2009 Transported national treasure Asura statue of the Kofukuji Temple
- 2010 Transferred parcel delivery service business transferred to Japan Post Co., Ltd.

- 2011 Transported relief supplies and other items in the wake of the Great East Japan Earthquake
- 2013 Established Nittsu NEC Logistics, Ltd.
- 2014 Established Nittsu Panasonic Logistics Co., Ltd.
- 2015 Converted Wanbishi Archives Co., Ltd. to a subsidiary
- 2017 Opened Tokyo C-NEX
- 2018 Conducted Tsukiji Market relocation work

Major Events and Changes Overseas

- 1957 Began international air freight forwarding consolidation business
- 1959 Dispatched first representative to New York

- 1962 Established Nippon Express USA, Inc.
- 1973 Established NIPPON EXPRESS (SINGAPORE) PTE., LTD.
- 1977 Established Nippon Express (Nederland) B.V.
- 1981 Established Nippon Express (U.K.) Ltd., and Nippon Express (Deutschland) GmbH

- 1992 Overseas offices exceed 200 locations
- 1994 Established Shanghai Express International Co., Ltd.
- 2001 Overseas workforce exceeds 10,000 employees
- 2006 Established Nippon Express (St.Petersburg) LLC
- Nippon Express (St. Petersburg)
- 2007 Established Nippon Express (India) Private Limited

- 2013 Acquired Italian logistics company Franco Vago S.p.A. as a subsidiary
- 2014 Overseas offices exceed 500 locations
- 2015 Overseas workforce exceeds 20,000 employees
- 2017 Opened Kenya and Morocco branches in Africa
- 2018 Acquired Italian logistics company Traconf as a subsidiary
- 2020 Acquired MD Logistics, LLC and MD Express, LLC, a logistics company in the U.S.

The Nippon Express Group Value Creation Engine

Creating and commercializing solutions to logistics and social issues through an unchanging business creation process based on our corporate philosophy.

Uncover Issues

Uncovering Issues That Reflect the Times and Social Needs



Truck Transportation



Rail Transportation



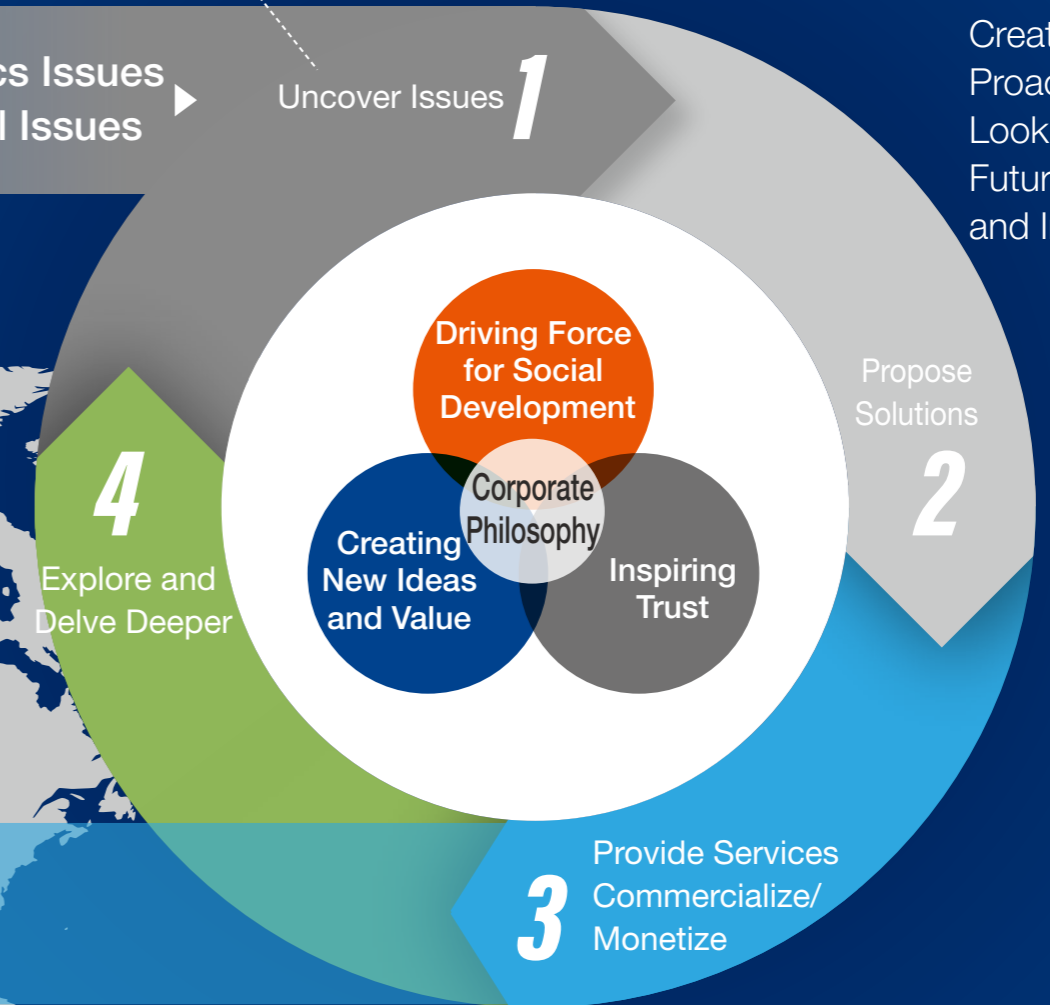
Ocean Transportation



Air Transportation

Logistics Issues
Social Issues

Unchanging Business Creation Process



Create Value Proactively, Looking to the Future of Society and Industry

Create Businesses That Meet the Needs of the Times

Support Lives Through Social Infrastructure Logistics

Contribute to Sustainable Societies

Solve Customer Business Issues

- Green Logistics
- Global Logistics
- Mode-Specific Transportation Services
- Specialized Transportation Services
- Transportation Services by Industry
- Logistics Design
- Logistics Consulting
- Global SCM
- Logistics Information Systems

- Electric and Electronics Industry**
 - Respond to increase in demand for electronic components driven by the spread of IoT
- Automotive Industry**
 - Strengthen distribution networks for production parts
 - Respond to changes in supply chains driven by the spread of electric vehicles
- Apparel Industry**
 - Strengthen initiatives in luxury apparel and fashion using the capabilities of companies acquired in Europe
 - Strengthen initiatives in fast fashion in Asia and other emerging markets
- Pharmaceutical/Medical Industry**
 - Reinvent business models leveraging the opportunity of tightened GDP guidelines
- Semiconductor Industry**
 - Strengthen initiatives in the rapidly growing semiconductor industry

Provide Solutions to Reach an Ideal Future by Anticipating and Envisioning Social Trends

Create Industry-Specific Platforms That Contribute to Solving Logistics and Social Issues

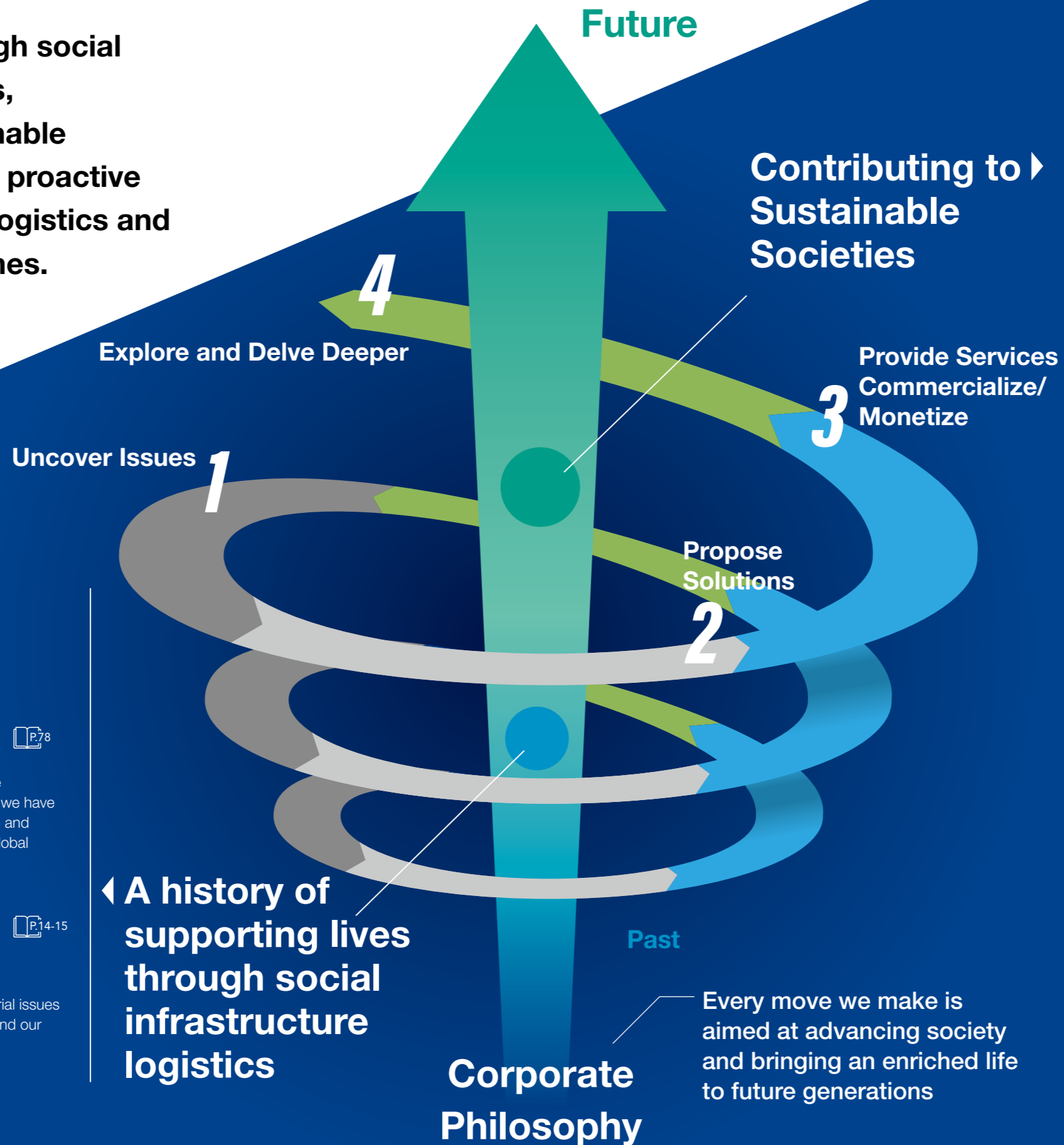


P.38-39

The Nippon Express Group Value Creation Engine

~Solving Social Issues Through Logistics~

To support lives through social infrastructure logistics, contributing to sustainable societies by seeking a proactive understanding of the logistics and social needs of the times.



Building a strong social infrastructure and pursuing efficient supply chains

Building a Global Network

P.78

In response to the recovery and growth of the Japanese economy, as well as the globalization of our customers, we have built a land, sea, and air logistics network in each region and country of the world, providing solutions that optimize global supply chains.

Services Tailored to Industry Characteristics

P.14-15

The Nippon Express Group provides solutions to industrial issues through our understanding of industrial characteristics and our strengths in logistics, including advanced transportation technologies and relationships with multiple companies.

◀ A history of supporting lives through social infrastructure logistics

Corporate Philosophy

Every move we make is aimed at advancing society and bringing an enriched life to future generations

Contributing to Sustainable Societies

We maintain global and social environments that are the foundation for social development through logistics

Industry-Specific Platforms

P.38-39

We build platforms that combine logistics and advanced technologies to provide solutions that solve industrial issues, tailored to the current state and characteristics of each industry.

Creating New Business Domains Through DX

P.40-41

With the objective of contributing to sustainable societies through backcasting based on future changes and social issues, we form hypotheses leveraging the use of digital technologies that lead to new business fields, which will form the future pillars of our company. At the same time, we aim to commercialize these new businesses by creating value in collaboration with other companies.

Creating Businesses That Contribute to the Environment of a Carbon-Neutral Era

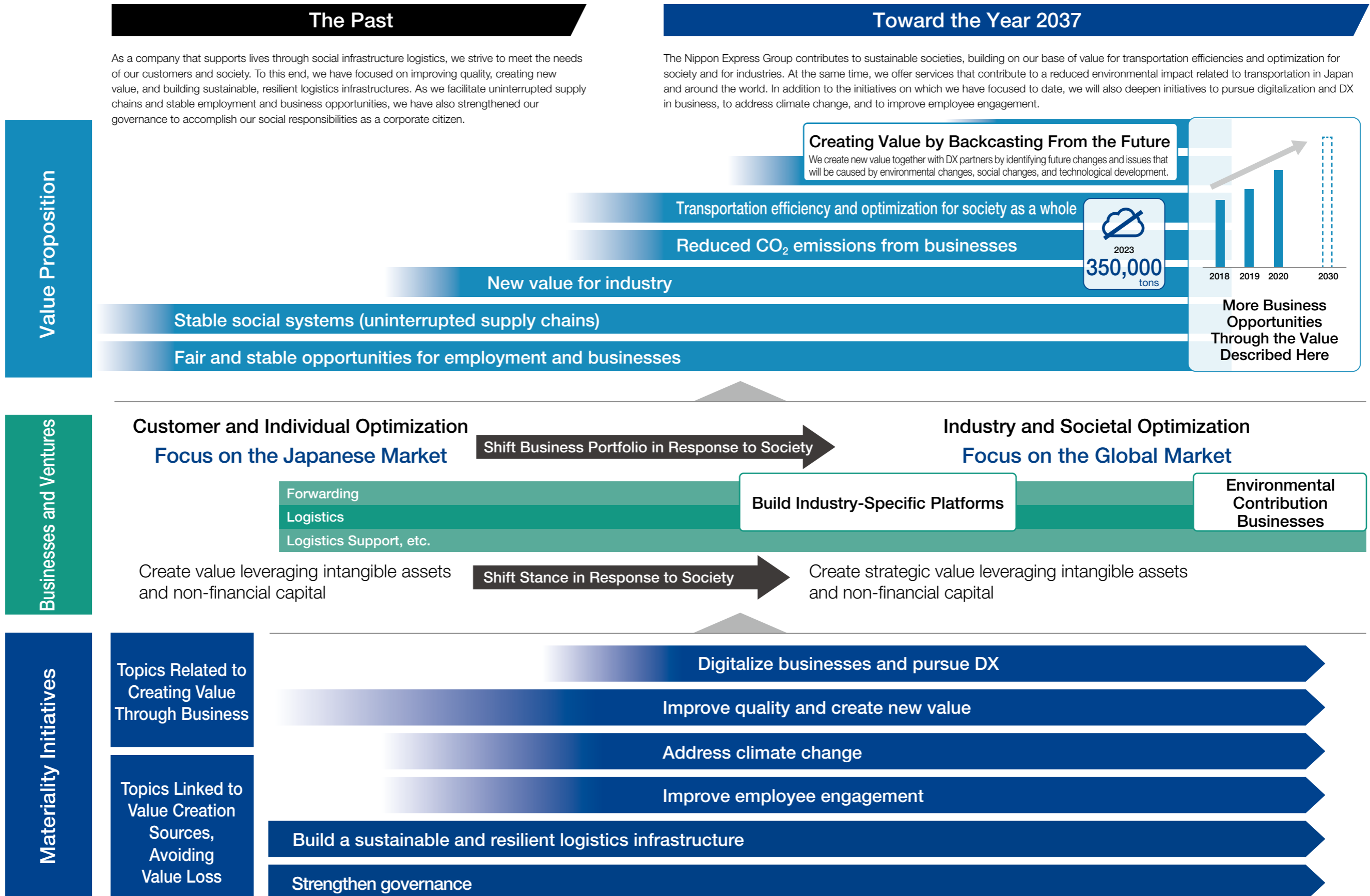
P.44-45

We provide solutions that meet customer needs to reduce CO₂ emissions in their logistics processes. Our efforts include bringing visibility to not only our own emissions, but also to emissions across logistics processes of the supply chains of our partners and customers.

Nippon Express Group Value Creation

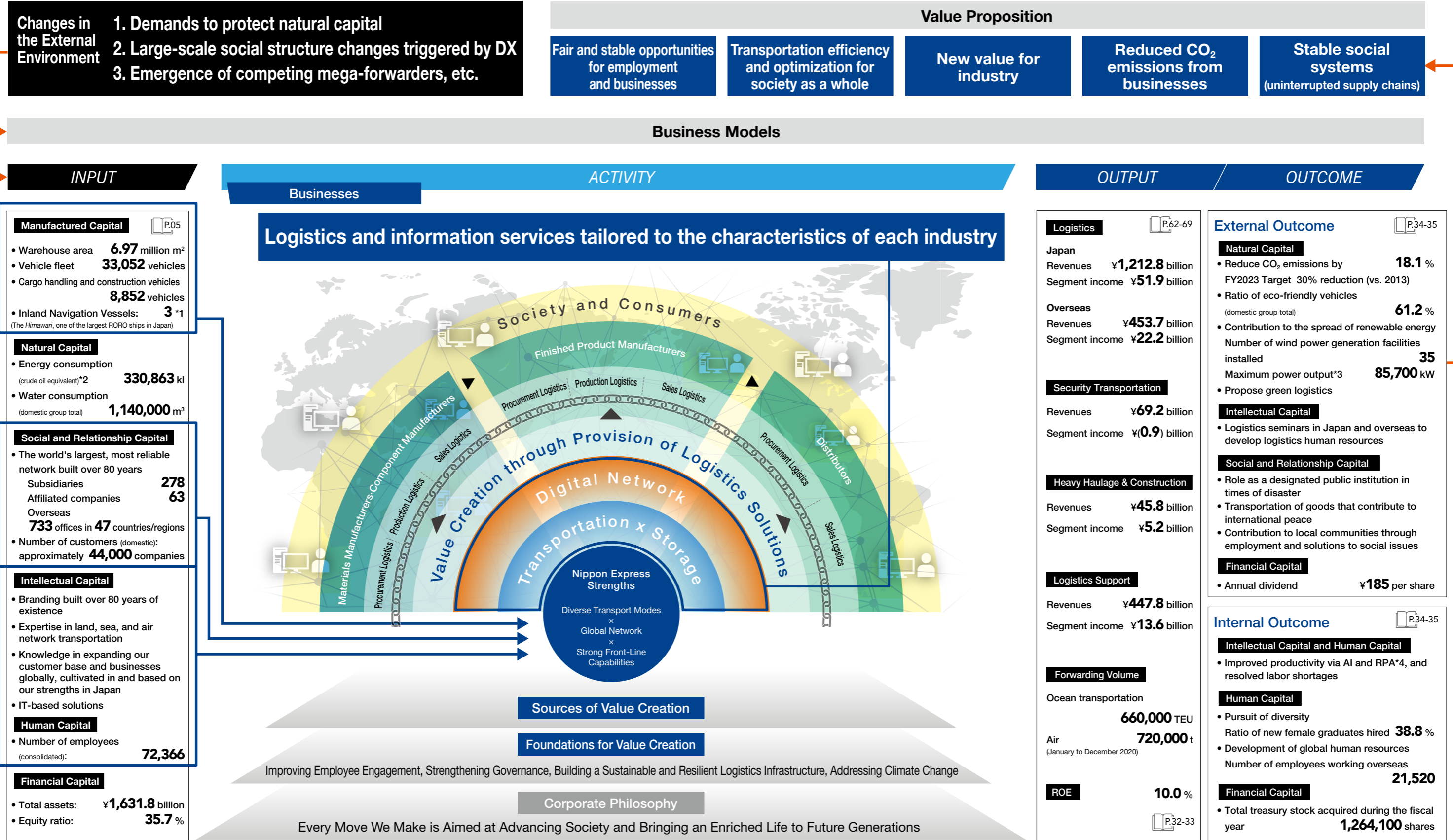
We strengthen our businesses and business foundations by engaging with materialities, creating new value toward achieving our vision

An Unchanging Corporate Philosophy
Every Move We Make is Aimed at Advancing Society and Bringing an Enriched Life to Future Generations



Value Creation Process

We offer new value by expanding our logistics services in global markets and creating industry-specific platforms that solve societal and logistics issues



*1 Including joint holdings.
 *2 Aggregate of the energy consumption by Nippon Express and its consolidated companies in Japan and overseas (equivalent to Scopes 1 and 2). Natural gas is 13A city gas (heat value of 45 GJ/thousand cubic meters).

*3 Maximum power generation output for our group installations. *4 RPA: Robotic Process Automation (Note) Figures are as of March 31, 2021, or actual results for the fiscal year ended March 31, 2021.

Top message

Message From Top Management to
All Our Stakeholders



Creating New Value Through Logistics and Contributing to Sustainable Societies

President and Representative Director
Chief Executive Officer

Mitsuru Saito

I wish to extend my sincerest gratitude to all Nippon Express stakeholders for your continued support. COVID-19 has had an unprecedented impact on our lives, and the future of our societies and economies remain uncertain. Please allow me to express my deepest condolences to the families and friends who have lost loved ones due to the pandemic, as well as everyone else who has been affected. I also extend heartfelt gratitude to the medical personnel and others who have worked so hard to prevent the spread of infections and maintain social functions. The Nippon Express Group has a responsibility as an entity that provides social infrastructure through logistics. In meeting this responsibility, we protect the supply chains of our customers, linking people, companies, and communities to support social development.

Last year, the Nippon Express Group published our first-ever integrated report. Through this report, we provided an overall picture of our group, including our long-term vision, our business plan, and the story of how we create value. In publishing this year's integrated report, we launched an internal ESG Promotion Project. We once again confirmed the direction of ESG management, while also reconfirming relevant materialities and conducting gap analysis related to our targets compared with global standards. Allow me to discuss our business over the past year and our efforts to achieve our long-term vision.

Business Plan Progress

The year 2037 will mark the 100th anniversary of the Nippon Express Group. As we head toward this milestone, we aim to expand and strengthen the foundation of our earnings based on a growth strategy for our core businesses and strategy to enhance our domestic businesses in Japan under our latest business plan. In so doing, we also pursue a long-term vision of becoming a logistics company with a strong presence in the global market. To achieve this long-term vision, we have completed a two-year initiative in inorganic growth strategy, reinforcing functions to support challenges, and establishing ESG-oriented business management to realize sustainable development and improve corporate value.

Looking back on our fiscal 2020 results, we see that consolidated earnings underperformed the previous fiscal year, mainly due to COVID-19 and the impact of the pandemic on reducing demand for freight forwarding. We do note, however, that demand has been recovering since reaching a low point in May 2020. At the same time, our efforts to reduce costs, increased income in our air export freight forwarding business, and other factors combined to raise every profit measure including operating income. And while we have delivered positive results by leveraging company resources to reduce outsourcing costs, we have not yet reached a satisfactory level in our cost reductions. We can improve in many areas, including truck loading efficiency and efficiencies in back-office operations. Our immediate goal is to achieve a 5% operating income margin. We expect to find room for more cost reductions by calculating costs related to sales, breaking down and identifying costs within an acceptable range. In so doing, we intend to change entire structures, rather than simply negotiating for price breaks.

We were established in 1937 as a state-run company under the *Nippon Tsu-un Kaisha Law*. Formed from the merger of the major transport companies in Japan at the time, we tended to be vertically divided and decentralized according to organization and function. This approach has the

advantage of providing flexible and prompt response to regional and transport mode demands. It also has disadvantages, including inefficiencies when a centralized and uniform response is called for. For this reason, one of my tenets as president has been to create a structure that consolidates where warranted, while maintaining appropriate areas of independence and decentralization as strengths. This structural reform will not happen overnight. We still have work ahead of us, but we continue to take on challenges and pursue reform. I believe the results are becoming visible. Further, the COVID-19 pandemic has served as an opportunity to make significant progress on employee work-style reform. We still have much room to improve profitability by changing our organization, improving how we work, and changing our work styles. We believe we can achieve operating income of ¥100 billion at our current scope of approximately ¥2 trillion in net sales. To build this profit structure, we intend to engage in strategies that include a January 2022 transition to a holding company structure, transforming ourselves into a highly profitable group organization.

Next, I wish to discuss the status of our business plan for achieving our long-term vision.

First, let's discuss inorganic growth strategy. Simply put, inorganic growth strategy means growing into a global mega-forwarder through M&A. We believe that M&A is an essential part of reaching our long-term vision. As most of the world's logistics originates and terminates in Asia, we focus on companies in Asia with strengths in ocean freight handling as promising options for M&A. In so doing, it is important that we optimize our portfolio through selection and concentration, slim down our balance sheet, and engage in cash flow management in preparation for pursuing this M&A strategy. At the same time, we aim to improve capital efficiency, while emphasizing ROIC. Based on this perspective, we are conducting business transfers and acquisitions, etc., in order to focus on our core businesses that offer higher profitability. To slim down our balance sheet, we entered into a liquidization mechanism to improve our distribution centers, while we converted the Nittsu Shoji leasing business to a joint

business. We will continue to engage actively in optimizing our portfolio through selection and concentration, slimming down our balance sheet, and engaging in cash flow management.

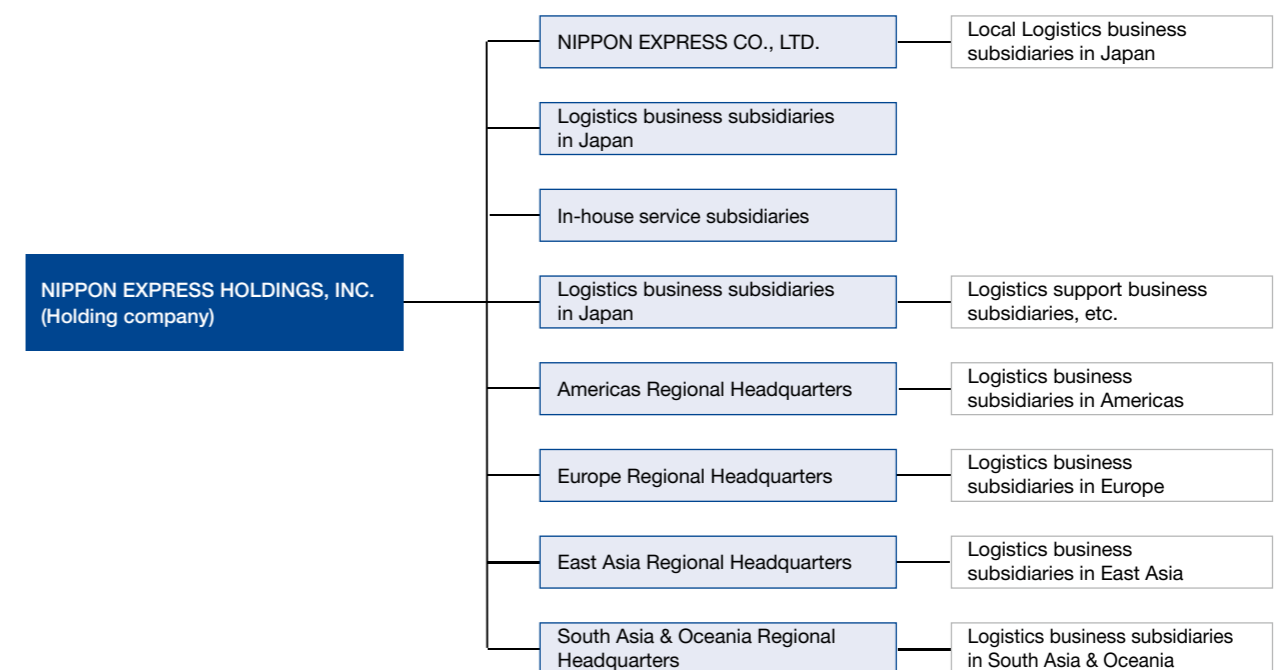
Next, I will address reinforcing functions to support challenges. In January 2021, we announced our decision to prepare for transitioning to a holding company structure. After subsequent deliberations, we chose the name Nippon Express Holdings, Inc. for the new holding company.

For the group to achieve dramatic growth toward our long-term vision, we must make the global market our main battlefield. With this in mind, we understand the need to strengthen Nippon Express as an individual company, while also striving for group growth through the cooperation of all group companies in Japan and around the world. A mountain of issues remain to be addressed on a global level. These issues include strengthening governance, sustainability management, and digital transformation (DX). Nippon Express is finding it increasingly difficult to engage in its own

business, while also attempting to develop strategies rapidly as a parent company of numerous group companies. We needed to shift into a new formation to contribute to the growth of the entire group. The holding company structure will allow us to divide the functions of the group into functions for creating overall, high-level strategies and functions for business execution. In this way, we will coordinate among all companies, while strengthening each individual function and engaging in highly advanced group management.

Third, I will discuss ESG-oriented business management to realize sustainable development and improve corporate value. We have seen positive results from work-style reform and reducing our CO₂ emissions. However, in response to rising global interest in the environment, we wish to accelerate our efforts to become carbon neutral. As I mentioned earlier, we established a project to organize the direction of ESG management, which I will discuss in the following section.

Transition to a Holding Company (effective January 4, 2022)



Recognizing and Responding to Changes in the External Environment

To achieve our long-term vision, it is important that we keep a close eye on changes in the external environment, accurately identifying risks and opportunities, and engaging in a proper response. At this time, we are aware of three issues in particular: labor shortages, increasing interest in climate change among our customers, and technology developments that are causing changes in logistics industry players.

Every company is working individually to secure and adjust the number of drivers and warehouse workers in response to the labor shortage. I believe this issue must be addressed by the logistics industry as a whole. The transportation industry must establish systems for joint operations to improve truck load ratios. These systems will also serve as a measure to reduce CO₂ emissions. We can only create these systems through close coordination among those companies involved, the Ministry of Land, Infrastructure, Transport and Tourism, and local governments. The major logistics industry players, including Nippon Express, must take the lead and drive this effort.

We see an increasing interest in climate change and rising awareness of the environment among our customers. More customers are asking for specific measures to reduce CO₂ emissions stemming from logistics activities. Our company has endeavored to reduce our own CO₂ emissions in light of the governmental targets resulting from the Paris Agreement. More recently, our government called for carbon neutrality by the year 2050, setting an interim target of 46% reductions by the year 2030. We must do more in addressing climate change and environmental issues, and our company is considering new long-term targets and initiatives. However, there are limits to what a single company can do on its own. I believe this is another issue that requires greater government-industry cooperation.

Regarding the third issue of technology and our industry, I envision significant potential changes among the logistics industry players as we embrace evolving

technologies at an accelerated pace. The key here will be whether our company, who has played a central role in logistics historically, faces the risk of becoming just another cog in the machine as systems emerge to control the flow of goods or IT firms and large funds with significant resources enter the logistics industry. On the other hand, it is not enough to simply transport goods. Goods must be transported properly and delivered in a way that satisfies the customer. To do this requires experience and technical expertise in handling and moving goods. We at the Nippon Express Group pride ourselves in this ability to offer logistics through our capabilities in this area. In addition to these capabilities, we intend to leverage digitalization and digital transformation, offering businesses that create new value. One initiative here is our work to build industry-specific platforms. A key point in this initiative is how to combine logistics with digital and other advanced technologies, and I will discuss a specific example of a pharmaceutical distribution platform in the following sections. Accumulating knowledge of digitalization and preparing for the coming DX society, as well as projecting the details of this future DX society, requires strategic design based on backcasting. We have already begun to take action in this area. For more about our efforts here, please see Pursuing Business Digitalization and DX on pages 40 and 41 of this report.

The Nippon Express Stance on Value Creation and Social Issues

Our mission is to be a driving force for social development. Our challenge is to create new ideas and value that expand the field of logistics. Our pride is to inspire trust every step of the way. This is the corporate philosophy of the Nippon Express Group, and our significance as a company is to contribute to society through logistics to bring an enriched life to future generations. This corporate philosophy was founded by those who came before us, and, whether intended or not, we believe this philosophy aligns with the principles of sustainability and ESG in our generation. Under our ESG promotion project, we revisited the

processes that led to our current business models and the creation of our business. You will find the visual concept of this value creation engine on pages 8 and 9 of this report.

Centered on our corporate philosophy, this value creation engine consists of a four-cycle process: 1) identify issues; 2) find solutions to those issues; 3) develop businesses and profitable models; and 4) explore further and delve deeper. One can describe this process as the history of business creation at Nippon Express. This process is our stance on value creation and social issues, and the result is our current diverse modes of logistics and the foundation of our global logistics network. Moving forward, however, we must create value that contributes to sustainable societies beyond the efficiencies required in the era of mass production and mass consumption. We believe our value creation engine will remain unchanged as we take on the challenges of creating new value. One such result is our pharmaceutical distribution platform.

Every year, many people around world are affected by counterfeit medicines. Reports estimate that between 500,000 and 1 million people lose their lives annually to this crime. We have seen confirmed cases of counterfeit medicines in Japan as well. Movements are under way to tighten management of the pharmaceutical distribution process in countries around the world. In response to this issue, Nippon Express intends to leverage logistics for the secure and safe use of medicines by patients. We have proposed solutions that utilize IoT, blockchain, and other advanced technologies, beginning our staged launch of new systems in February of this year. Many issues remain to be solved before we have truly sustainable societies. We believe the meaning to our existence as a company is in identifying these issues, finding solutions, and contributing to society through logistics. We know that many possibilities lie ahead in this process.

Identifying Materialities to Achieve Our Long-Term Vision and Value Creation

We continue to engage in a variety of initiatives under the banner of exercising ESG-oriented business



West Japan Pharmaceutical Center

management to realize sustainable development and improve corporate value. We understand the rising importance of ESG management, and in our ESG promotion project, we have decided to reexamine our materialities and targets completely from a zero base.

Our first step in identifying materialities was to analyze issues from the perspectives of our stakeholders and our own businesses, looking to define value creation and risk mitigation. In this process, we maintained a comprehensive approach, prioritizing the use of limited management resources and identifying appropriately defined issues to address as a group. The results of this exercise are summarized under *Identification of Materialities* on page 36. We identified six materialities plotted on the upper right quadrant of a matrix that has been divided into nine quadrants. These are our top-priority issues aligned with the issues we address in our current business plan. We believe our direction in addressing these issues is generally correct.

At the same time, a gap analysis between our materiality targets and the global standards showed some discrepancies. However, we do not consider the materialities we have identified to be fixed, and we will conduct reviews in accordance with the changing times. For this reason, we plan to reexamine our targets, establish a PDCA system to review materialities regularly, and establish a department in our new holding company dedicated to sustainability.

Materiality

1. Pursuing Business Digitalization and DX
2. Improving Quality and Creating New Value
3. Addressing Climate Change
4. Building a Sustainable and Resilient Logistics Infrastructure
5. Improving Employee Engagement
6. Strengthening Governance

The specifics of each materiality and our report on governance can be found on pages 40 to 49 and pages 50 to 58, respectively. I do want to discuss our stance and framework for addressing materiality here, however.

In *Recognizing and Responding to Changes in the External Environment*, I explained the preparations we believe necessary for building industry-specific platforms and ushering in the DX society. These preparations deal with the digitalization of our business and pursuit of DX, our initiatives in response to climate change, and how we improve quality and create new value. As supply chains globalize, we see inefficiencies in some industries, not to mention new regulations and other changes in the pharmaceutical industry, specifically. Our industry-specific platforms will not be based on the conventional approach to optimizing individual companies. Rather, we intend to create social infrastructure by providing new logistics services tailored to the characteristics, situations, and changes of the global logistics of the industry to which our customers belong. We believe this approach will lead to greater industry-wide efficiencies, and is likely to offer significant benefits in terms of reducing CO₂ emissions from logistics. However, as also mentioned in *Recognizing and Responding to Changes in the External Environment*, it takes more than a single company to solve carbon neutrality and other major issues. In

addition to working with our customers and with other companies in the same industry, we must create a Japan-wide consortium that includes advanced IT companies and other entities outside our industry, as well as the support of relevant ministries and agencies. If we are slow to take action, Japan will see diminished value as a country. Japan could even find itself excluded or playing only a minor role in the future. This is why we must create a structure that facilitates collaboration across companies and the ability to battle as an industry under a unified national banner.

Nippon Express must take the initiative to play a leading role in addressing carbon neutrality and other logistics sector issues too difficult for a single company to address on its own.

We see our industry-specific platforms as a new social infrastructure, and we aim to offer these as open platforms that provide functions contributing to the public interest.

To Our Stakeholders

In closing, I want to say that the recent pandemic has reminded me of the Great East Japan Earthquake of 2011. In 2011, I was in Sendai as the officer in charge of the Tohoku block. Thinking back, I recall that our employees in the affected areas were not only victims, but also heroes carrying out their duties as logistics personnel to ensure the supply of goods would not be interrupted. These acts were only possible through the corporate philosophy embedded in the DNA of every Nippon Express employee. We believe that employees who act with a sense of mission are a great asset to our group.

We achieve our corporate philosophy of advancing society and bringing an enriched life to future generations only through the action of every employee. This is the foundation of everything we are as a business, and the Nippon Express Group will continue to contribute to a better society and to strive to achieve our long-term vision. I ask for your continued understanding and kind support.



Topics

Establishing a New Group Brand Identity

To respond to rapid changes in the social environment and in technological innovation, as well as to provide more advanced and higher quality services to customers in Japan and overseas, Nippon Express (and our group companies) has decided to introduce a new unified group brand identity from January 4, 2022 as part of an effort to strengthen our brand.

About the New Group Brand Symbol



[Vertical Alignment]

[Horizontal Alignment]

<What the Symbol Represents>

- The symbol is "NX," a shortened form of the new holding company, Nippon Express, which has become a trusted name in Japan and overseas.
- This symbol will serve as a banner for group branding as we evolve in Japan and overseas through our united efforts, striving to achieve our group vision of becoming a logistics company with a strong presence in the global market.
- The symbol embodies our corporate message, *We Find the Way*, and expresses our strong desire to support the development of businesses, industries, and society.

* Long-term vision: Vision for the year 2037 as described in the Nippon Express Group Business Plan 2023 "Dynamic Growth"

<Our Thoughts Behind the Design>

- The NX design, with its combination of strength and precision, represents our *reliability* and *ability to execute without fail*.
- The multiple lines bridging the N and the X represent the fact that we support the development of companies, industries, and society by connecting them in various ways through logistics.
- These lines also combine to form a large big arrow, indicating that we are a driving force in finding the best way to move society forward.
- We will represent the diversity of the group that make up by modifying the design of the "NX" and the thickness of the NIPPON EXPRESS text.



About the Group Colors



<Fresh Green>

- *Creativity* upon which we rely to take on new challenges, as described in our corporate philosophy*
- *Safety*, an unchanging value
- *Sustainability*, which is important for achieving our long-term vision

* Nippon Express Group Corporate Philosophy: <https://www.nittsu.co.jp/corporate/philosophy-charter/philosophy.html>

<Navy Blue>

- *Trust* from society, which is a source of pride as stated in the our corporate philosophy
- *Ability to execute*, backed by our advanced technological capabilities
- *Deep expertise* to support businesses, industries, and society

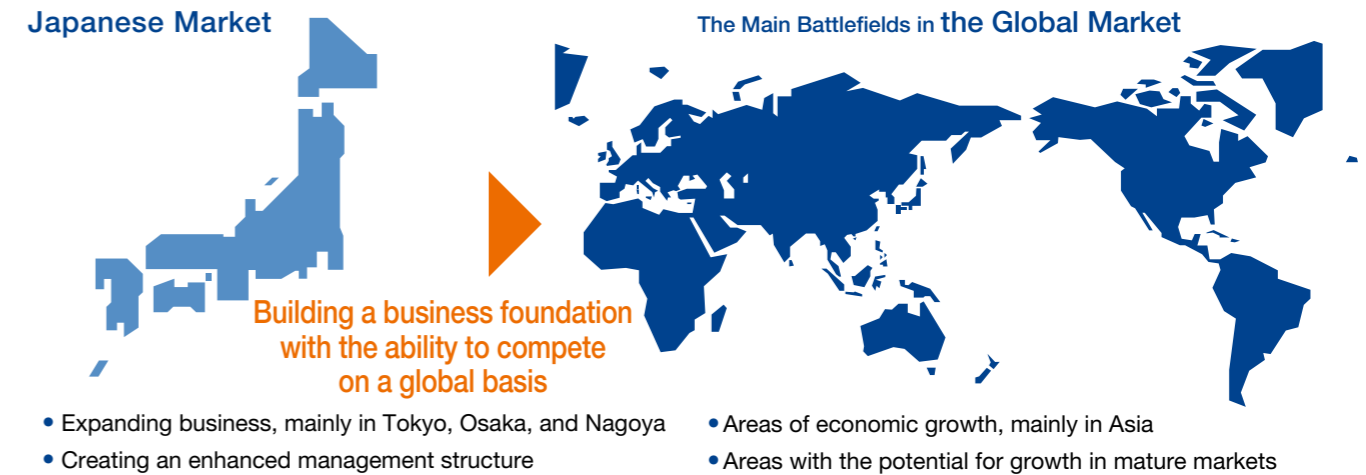
Medium-Term Business Plan Progress

Looking Back on our Previous Three Business Plans

	The Nippon Express Group Business Plan 2012 April 1, 2010–March 31, 2013	The Nippon Express Group Business Plan 2015 April 1, 2013–March 31, 2016	The Nippon Express Group Business Plan 2018 April 1, 2016–March 31, 2019								
Positioning	— Towards New Growth —	— Innovation and Moving Forward —	— New Sekai-Nittsu —								
	Enhancement of management infrastructure		Foundation for growth								
Framework Plan	<p>Establishment of long-term goals for global growth and structural reforms</p> <ul style="list-style-type: none"> Growth as a Global Logistics Company Promotion of Strategic Environmental Management Enhancement of Management Infrastructure Promotion of Corporate Social Responsibility (CSR) Management 	<p>Raised the profit ratio of combined business in Japan to 3%</p> <ul style="list-style-type: none"> Further Expanding Our Global Logistics Business Strengthening Management Practices for Our Domestic Businesses Expanding Business by Utilizing the Diversity of Group Companies Contributing to Society through Our Businesses in Accordance with CSR Management 	<p>Expanded transactions in Tokyo, Nagoya, and Osaka, and focused investment in South Asia</p> <p>Area Strategies:</p> <ul style="list-style-type: none"> Japan: Achieve both growth and profitability Overseas: Drive growth of the Nippon Express Group <p>Functional Strategies:</p> <ul style="list-style-type: none"> Thoroughly strengthen sales activities Strengthen and upgrade core businesses Enhance Group management Reinforce the management infrastructure Further strengthen the Group's CSR management 								
Major Results	<ul style="list-style-type: none"> Growth as a Global Logistics Company Overseas-related business sales ratio: +2.7 points* Overseas base expansion* <table border="1"> <tr><td>Number of countries:</td><td>+4</td></tr> <tr><td>Number of bases:</td><td>+55</td></tr> <tr><td>Employees:</td><td>+1,970</td></tr> <tr><td>Warehousing space:</td><td>+470,000 m²</td></tr> </table> Promotion of Strategic Environmental Management Increased the number of eco-friendly vehicles: [+1,646*] Enhancement of management infrastructure Consolidated bases in the Tokyo Metropolitan Area Promotion of Corporate Social Responsibility (CSR) Management Reviewed business continuity plans (BCP) <p>* Compared to FY2009</p>	Number of countries:	+4	Number of bases:	+55	Employees:	+1,970	Warehousing space:	+470,000 m ²	<ul style="list-style-type: none"> Further Expanding Our Global Logistics Business Expanded the transport network in Southeast Asia [Overseas-related business sales ratio: +6.5 points*] Strengthening Management Practices for Our Domestic Businesses Operating income ratio for combined business segments in Japan: [+2.1%*] Expanding Business by Utilizing the Diversity of Group Companies M&A and business alliances with domestic logistics companies Contributing to Society through Our Businesses in Accordance with CSR Management Average CO₂ emissions reduction during the business plan period: 4.1% [Numerical target: Annual average of 1% or more] <p>* Compared to FY2012</p>	<p>Area Strategies:</p> <ul style="list-style-type: none"> Japan: Build a foundation that can ensure both growth and profitability [Revenues: +¥229.3 billion*] Overseas: Strengthen the network and expand sales to non-Japanese companies [Overseas revenues: +¥63.5 billion*] <p>Functional Strategies:</p> <ul style="list-style-type: none"> Thoroughly strengthen sales activities Promoted one-stop sales and account management Strengthen and upgrade core businesses Strengthened the purchasing power of global freight forwarding Implement Group management M&A and optimized internal Group management resources Reinforce the management infrastructure Improved productivity through use of IT, etc. Further strengthen the Group's CSR management Promoted diversity management and revised long working hours <p>* Compared to FY2015</p>
Number of countries:	+4										
Number of bases:	+55										
Employees:	+1,970										
Warehousing space:	+470,000 m ²										
Major Issues	<ul style="list-style-type: none"> Expanding Our Global Logistics Business Expand Our Global Logistics Business in Japan and overseas Implement M&A to accelerate the speed of growth Nurture global personnel Strengthening Management Practices for Our Domestic Businesses Improve profitability of our domestic businesses Expanding Business by Utilizing the Diversity of Group Companies Contributing to Society through Our Businesses Establish a system that is resilient to disasters and safe for the environment 	<ul style="list-style-type: none"> Ensure both growth and profitability for our domestic businesses Grow our overseas business Bolster customer-oriented sales capabilities through one-stop sales and account management Strengthen and enhance the global forwarding business and logistics business Optimize management resources for the entire Group 	<ul style="list-style-type: none"> Expand areas of contribution in customer supply chains by thoroughly implementing one-stop sales and account management Strengthen sales to non-Japanese customers Strengthen global forwarding Utilize IT and advanced technologies Strengthen governance as a global corporate group Improve productivity of sales and business process Implement specific initiatives for achieving long-term environmental targets Address diversity and working-style reforms 								

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

In anticipation of our centennial in 2037, the Nippon Express Group has formulated a new long-term vision that details the kind of corporate group we hope to be in the near future. To achieve our vision of becoming “a logistics company with a strong presence in the global market,” we created the Nippon Express Group Business Plan 2023 ~“Dynamic Growth”~, our new five-year plan launched in April 2019.



An Outline of the Nippon Express Group Business Plan 2023 Initiatives	
<p>Growth Strategies for Our Core Businesses</p> <p>Expand Sales</p> <ul style="list-style-type: none"> Growing in the global market Focusing on management resources in large Japanese cities <p>Approach based on customer (industry), business, and area</p>	<p>Strategy to Enhance Domestic Businesses in Japan</p> <p>Improve Profitability</p> <ul style="list-style-type: none"> Improving specialty business profitability Improving sales and business profitability Promoting fundamental reform in low profit businesses
<p>Efforts to Implement Our Long-Term Vision</p> <ul style="list-style-type: none"> Inorganic growth strategies Reinforcement of functions to support challenges Establishment of an ESG-oriented business management to realize sustainable development and improve corporate value 	

Outline of Initiatives

Growth Strategies for Our Core Businesses

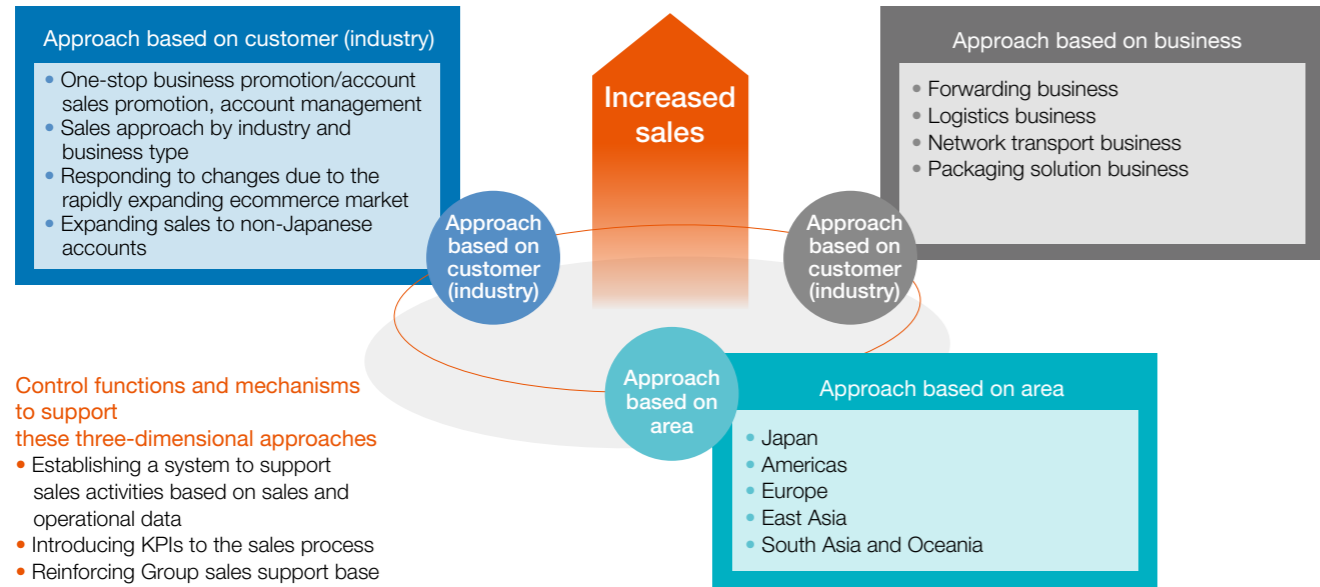
In the core businesses, we will promote the expansion of our business and the customer base cultivated in Japan on a global level through a three-dimensional approach based on customer (industry), business, and area.

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 electronics, automotive, apparel,

pharmaceutical/medical, semiconductor) where we will focus the efforts of the Nippon Express Group around the world. In the approach based on business, we look to strengthen our marine and air freight forwarding businesses, and implement measures designed to strengthen logistics sales and strategic functions. In the approach based on area, we are strongly promoting a growth strategy for our core businesses tailor-made to each regions' specific characteristics.

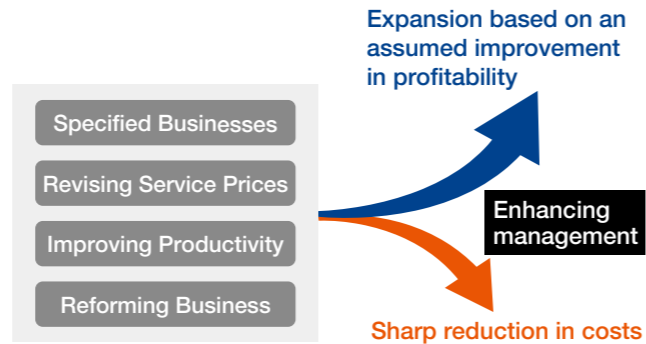
■ Priority Measures

Control functions and mechanisms to support these three-dimensional approaches



Strategy 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 sales and operations by reforming the business process through the utilization of cutting-edge AI and RPA technologies and reorganizing 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-forwarder with a strong presence in the global market, create a global network and business base, and secure non-Japanese global customers.

In terms of reinforcing functions to support challenges, we are using IT strategy-based innovations to bolster value

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

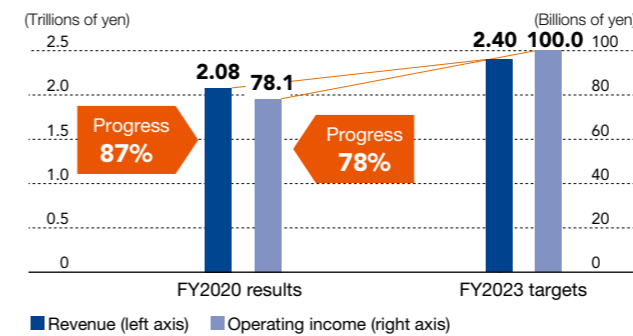
Financial Targets and Progress

	FY2020 Results	FY2023 Targets
Revenues	¥2,079.1 billion	¥2,400.0 billion
Operating income	¥78.1 billion	¥100.0 billion
Operating income ratio	3.8%	4.2%
Net income	¥56.1 billion	¥63.0 billion
Overseas sales	¥453.7 billion	¥600.0 billion
ROE	10.0%	10%
Forwarding volume	Ocean 660,000 TEU / Air 720,000 tons	Ocean 1.3 million TEU / Air 1.4 million tons

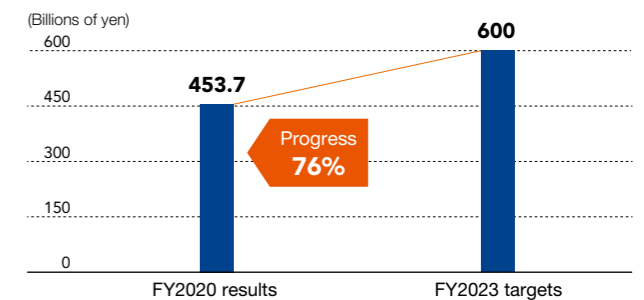
		FY2020 Results			FY2023 Targets		
Numerical targets by segment		Revenues	Operating income	Operating income ratio	Revenues	Operating income	Operating income ratio
Logistics	Japan	¥1,212.8 billion	¥51.9 billion	4.3%	¥1,340.0 billion	¥62.0 billion	4.6%
	Americas	¥78.1 billion	¥0.4 billion	0.6%	¥135.0 billion	¥7.2 billion	5.3%
	Europe	¥117.1 billion	¥3.4 billion	2.9%	¥160.0 billion	¥6.4 billion	4.0%
	East Asia	¥143.6 billion	¥8.4 billion	5.9%	¥170.0 billion	¥5.1 billion	3.0%
	South Asia & Oceania	¥114.7 billion	¥9.8 billion	8.6%	¥135.0 billion	¥6.3 billion	4.7%
Security Transportation		¥69.2 billion	¥(0.9) billion	(1.3%)	¥76.0 billion	¥1.1 billion	1.4%
Heavy Haulage & Construction		¥45.8 billion	¥5.2 billion	11.4%	¥54.0 billion	¥4.5 billion	8.3%
Logistics Support		¥447.8 billion	¥13.6 billion	3.0%	¥530.0 billion	¥14.4 billion	2.7%

Note: Before elimination of intersegment transactions

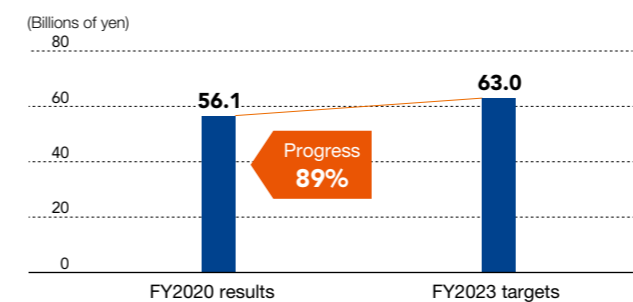
■ Revenues/Operating Income



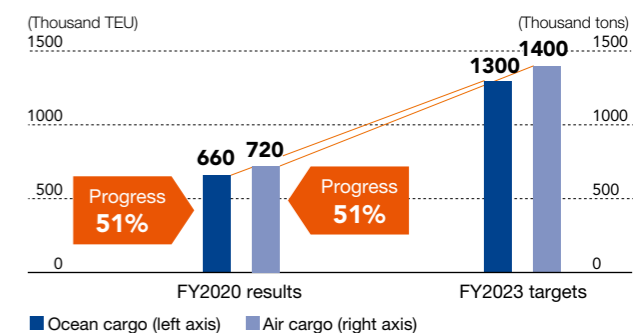
■ Overseas Sales



■ Net Income



■ Forwarding Volume



Business Growth Strategy

Growth Strategy for our Core Businesses

Looking back on the second year of the current business plan

We have accelerated progress in our five priority industries, including the launch of a pharmaceuticals business and stronger sales proposals for the semiconductor industry to address Customers (Industries) within our growth strategies for our core businesses. At the same time, we have boosted our efforts to approach non-Japanese companies.

In our approach based on business focus, we have endeavored to contribute to the maintenance of our customer supply chains through expanded air cargo transportation charters. In addition, we established the Global NVOC Center to upgrade the foundation of our ocean transportation business related to purchasing and other factors. We have also strengthened our efforts in warehousing and other logistics functions. Logistics services, mainly warehousing and distribution for various industries and sectors, performed well against the backdrop of supply chain revisions and e-commerce

demand amidst the COVID-19 pandemic. However, the impact of production and international trade during the pandemic resulted in weak overall cargo volume, despite a gradual recovery in demand for freight forwarding beginning in the second half of the fiscal year.

In terms of our area approach, the group made MD Logistics, Inc. and MD Express, Inc., which have strengths in U.S.-based pharmaceutical logistics networks, part of the group company family. At the same time, we worked to build a global pharmaceutical logistics network by pursuing GDP certification at logistics centers in each country. In addition, we strengthened our domestic logistics operations by opening new bases in China. We also endeavored to maintain and contribute to the global supply chains of our customers by expanding services using China-European railways.

(Rounded to the nearest ¥100 million)

Region	Sales	FY2020 Actual	FY2020 Estimate	Vs. Forecast (%)	FY2023 KPI	Progress (%)
Japan	Further development with the electric and electronics industries	¥108.7 billion	¥99.0 billion	9.8%	¥120.0 billion	91%
	Further development with the automobile industry	¥67.9 billion	¥53.5 billion	26.9%	¥110.0 billion	62%
	Further development with the apparel industry	¥17.2 billion	¥17.0 billion	1.2%	¥24.5 billion	70%
	Further development with the pharmaceutical/medical industry	¥14.5 billion	¥15.0 billion	(3.3%)	¥36.0 billion	40%
	Sales					
Overseas	Further development with the electric and electronics industries	¥144.5 billion	¥109.5 billion	32.0%	¥145.0 billion	99%
	Further development with the automobile industry	¥69.7 billion	¥61.5 billion	13.3%	¥110.0 billion	63%
	Further development with the apparel industry	¥53.1 billion	¥43.0 billion	23.5%	¥80.0 billion	66%
	Further development with the pharmaceutical/medical industry	¥13.3 billion	¥11.0 billion	20.9%	¥40.0 billion	33%
	Sales					
Domestic + Overseas	(Forwarding Volume *2)	FY2020 Actual	FY2019 Actual	YoY (%)	FY2023 KPI	Progress (%)
	Increase in non-Japanese customers (GAM, GTA *1)	¥40.6 billion	¥29.9 billion	36%	¥43.0 billion	94%
	Expansion in ocean cargo forwarding	660,000 TEU	700,000 TEU	(5%)	1,300,000 TEU	51%
	Expansion in air cargo forwarding	720,000 t	800,000 t	(10%)	1,400,000 t	51%

Note: Domestic figures, KPI targets are for the Nippon Express parent only.
 *1 GAM is Global Account Management. GTA is Global Target Accounts.
 *2 Forwarding volume on a cumulative calendar-year basis.

Strategies and initiatives for the third year

For Growth Strategies for our Core Businesses, we are working with a three-dimensional strategy with approaches focused on Customers (Industries), business, and area. As initiatives in our five priority industries in the Customers (Industries) focus, we are actively incorporating customer needs, using our network to develop global logistics proposals, and are working to build an industry-specific platform centered around pharmaceutical logistics.

In our business focus, we are working to expand our area of contribution in customer global supply chains through continued initiatives for air cargo transportation charters and enhancing our ocean transportation and logistics business. In terms of our area focus, we are working to heighten investment centered around the strengths of our five priority industries, and to expand our business in emerging economies such as India and Africa.

Strategy to Enhance Domestic Businesses in Japan

Looking back on the second year

Our strategy to enhance domestic businesses in Japan includes generating greater efficiencies in our office operations and warehousing business, as well as reducing outsourcing costs by leveraging our own group strengths. Through these efforts, we will move toward greater improvements in profitability for our domestic logistics businesses and a stronger foundation for management in this time of the COVID-19 pandemic. We have also pursued selection and concentration in our businesses, including the transfer of our ferry and driving school businesses, and withdrawal from our travel business.

Strategy to Enhance Domestic Businesses in Japan	Item	FY2019 Results	FY2020 Results	Cumulative [FY2019 + FY2020]	FY2023 Business Plan (5 year cumulative)
Further reorganization of organizations/streamlining of administrative departments	Further branch back office personnel reassignments	¥(1.10) billion	¥(1.40) billion	¥(3.32) billion	¥(4.5) billion
	Reassignment of HQ employees	—	¥(0.82) billion		
Reform of back office processes	Overtime [back office personnel]	¥(1.10) billion	¥(1.32) billion	¥(3.31) billion	¥(5.0) billion
	Personnel dispatching cost [back office]	¥0.15 billion	¥(1.04) billion		

- **Improve Profitability**
Leverage Company Strengths to the Fullest, Reducing Outsourcing Costs, and Pursue Daily Cost Controls
· Cumulative FY3/2021 annual results (YoY)
· Outsourcing costs reduced by ¥32.4 billion (-6.9%)
· Outsourcing cost ratio 37.7% (-4.2%)

- **Further Back Office Personnel Reassignments**
· Reassign 247 employees during the year (156 in block, 91 at head office)
- **Automate, Streamline Office Work**
· Streamline work site tasks via RPA (78 projects underway)
- **Strengthen Network Transportation Products**
· Begin deployment of Protect BOX nationwide, across all modes

Efforts to Implement Our Long-Term Vision

Looking back on the second year

In terms of innovation in IT strategy toward reinforcing functions to support initiatives, we have been striving to strengthen information security and adopt RPA more widely, which will contribute to improved office productivity. We also reviewed our communications infrastructure to respond to the new normal during this time of the COVID-19 pandemic.

We have addressed ESG-oriented business management to realize sustainable development and improve corporate value. In terms of environment (E), we focused on CO₂ emissions reductions, pursuing the use of renewable energy in our own facilities, greater adoption of modal shifts, and the creation of integrated transport products through railway and ocean cargo transportation products. In terms of society (S), we aim to transform into a company in which employees feel happy. Here, we are building an organization in which a diverse base of human resources can play an active role. In addition, we are revising human resources and other systems, striving to eliminate long working hours, and focusing on ensuring the health and safety of employees during the COVID-19 pandemic. The area of governance (G) supports the sustainable improvement of corporate value. In this area, we have been striving to improve capital efficiency by reducing assets, including the liquidation of real estate assets. We have reviewed our business portfolio and are conducting various studies to strengthen group management structure.

Strategies and initiatives for the third year

In terms of innovation in R&D toward reinforcing functions to support challenges, we are introducing cutting-edge technology such as autonomous picking robots, and are working to resolve labor shortages and provide safe and secure operations. Regarding innovation in IT strategy, we will work to improve productivity by further expanding the use of AI and RPA, which will achieve improvements in the way we work.

For ESG-oriented business management to realize sustainable development and improve corporate value, in environment (E) we are working to reduce CO₂ emissions by introducing eco-friendly vehicles and switching to LED. We are also further promoting modal shifts through the development of integrated transport products using railway and ocean cargo transportation products. In society (S), we aim to transform into a company in which employees feel happy, as well as promote diversity management, and are making efforts to reform work styles through the opening of new integrated group sites. In governance (G), we will strengthen group management through a transition to a pure holding company structure, as well as strengthen our global governance system and enhance our group management control system in order to further expand our overseas business.

Financial and Corporate Planning

Director and Executive Officer **Takashi Masuda**



Comments on Performance and Initiatives for Better Capital Efficiency

I would like to present details on our business performance, on our efforts to improve capital efficiency, and on our promotion of ESG management. As stated on page 70 of this report, the consolidated financial results for the fiscal year ended March 2021 showed a decrease in revenues and an increase in profit. Revenues and profits declined in the Security Transportation, Heavy Haulage & Construction, and Logistics Support business segments, primarily due to a decrease in transaction volumes from COVID-19. On the other hand, in the Logistics business, revenues and profits increased with steady air freight and transportation performance in Japan and Asia overall, as well as cost reduction effects and increasing spot transaction volumes in domestic emergency freight forwarding. However, a number of special factors, such as those from the external environment, also greatly affected this. These factors included demand for switching to air transportation driven by shortages in ocean transportation containers and increasing spot transaction volumes for emergency freight forwarding. Though we expect a recovery and expansion in economic activity going forward, dealing with the reactionary decline from these special factors is something we consider an important topic.

Moving on to the business outlook for the current fiscal year, we have decided to change the fiscal year end from March 31 to December 31, making the fiscal year coincide with the calendar year (January to December). Our purpose in doing this is to unify the fiscal year end of domestic and overseas Group companies to December 31, which is a global standard closing date, to ascertain and disclose Group performance in a timely and accurate manner, and to improve management transparency in order to achieve our long-term vision. In addition, in line with our current transition to a holdings system, we seek to strengthen our governance as a global enterprise. Due to this change in the fiscal year end, the first year after the change, FY2021, will consist of the nine months from April to December. However, in order to facilitate a year-on-year comparison over a 12-month period, the business outlook for the current fiscal year will be estimated for the calendar year from January to December. Within this framework, as described on page 75, revenues and profits are expected to increase.

In the preparation of this outlook, we have presumed

uncertainty about the resolution of the COVID-19 situation and about future economic developments, and we believe that the fundamentals must be carefully monitored. In addition, we assume that there will be decreasing positive effects on business performance from the aforementioned special factors, and we intend to take a two-pronged response to this reactionary decline. Firstly, in the short term, we should improve profit margins through cost controls, primarily focused on outsourcing costs. Secondly, in the medium to long term, we should work to use our growth strategy for core businesses and our strategy to enhance domestic businesses in Japan, two elements of our business plan, to expand and strengthen our revenue base.

Note that FY2021 is also the third year of our business plan, and the benchmark year when we publish our interim targets. We will continue to observe our progress in this fiscal year and our achievement status of targets for the final year of the business plan. Though we will consider adjustments to our business plan as necessary, we intend to check this progress and evaluation vis-a-vis interim and final targets on a calendar year basis for 2021.

Next, I will provide an update on our efforts to improve capital efficiency and relevant to progress in optimizing our portfolio through selection and concentration. In FY2020, we transferred the Kita-Nihon Kaiun Co., Ltd. ferry business and the Nittsu Driving School driving school business. In addition, though we liquidated Nippon Express Travel and NTS, removing them from the travel business, we acquired United States-based MD Logistics, LLC. and MD Express, LLC., firms with strengths in the pharmaceutical logistics business.

Further, in our work to slim down balance sheets and promote cash flow management, we consolidated Company-held distribution centers worth more than ¥50 billion total in a liquidity scheme, and used share transfer to merge Nittsu Shoji's leasing business into Tokyo Century Corporation and Sompo Japan Insurance, Inc. This integration of business can be expected to have synergistic effects strengthening and expanding our business through the alliance with Tokyo Century Corporation, while simultaneously offering a slimming effect on the balance sheet, leading to impact of over ¥130 billion in the lease

investment assets account.

With regard to optimizing our business portfolio through selection and concentration, we will work to expand our overseas business with mindfulness toward the effective choice at our disposal of M&A targeting corporations in Asia with strengths in handling ocean freight. Also, in keeping with our progress transitioning to a holdings system, we feel that an important issue is to reorganize ourselves into a Group that can demonstrate the maximum level of performance, consolidating and integrating the overlapping businesses and

functions among our family of Group companies.

Furthermore, in regard to slimming down balance sheets and promoting cash flow management, we are working to leverage liquidity schemes in consolidating centers, and simultaneously looking to pivot our funds allocation as well. We believe that it is necessary to re-balance fund allocation weighting toward businesses that are expected to have higher profitability, in promotion of ESG management in the future, in the shift to digital, and in the promotion of digital transformation (DX).

Toward Establishing ESG Management

With the aim of achieving our long-term vision, the Group is working to establish ESG-oriented business management to realize sustainable development and improve corporate value. Until we have secured sustainability for the planet, society and companies cannot survive, and we therefore consider sustainability for the planet as an underlying primary issue for the establishment of ESG management. In order to realize a carbon-neutral and decarbonized society, it goes without saying that the Group will promote reductions in in-house emissions.

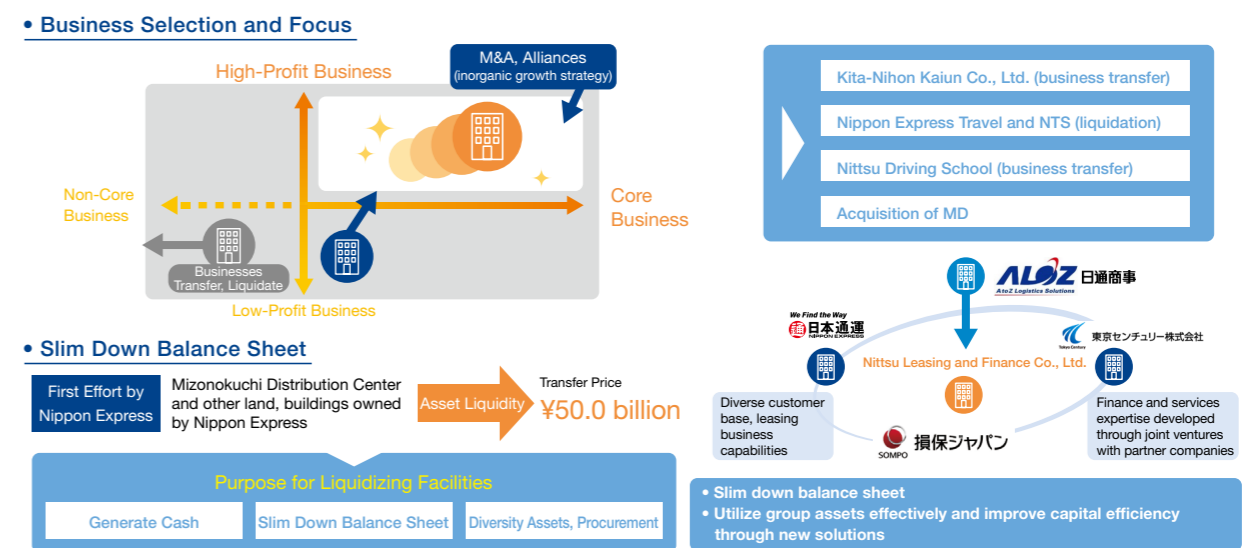
It is also an important issue that we offer customers logistics services that contribute to CO₂ emission reductions. From this perspective, we recognize that we need to redefine and reform our business under ESG management, and to transform our business through innovation. In addition, in order to establish ESG management, it is necessary to be aware of the shift to digital and to the changes and transformations that come with digital transformation (DX) when we consider our future direction and vision. It has been predicted that from the mid-2030s, the logistics industry will undergo dramatic changes like self-driving and automation in warehouse operations driven by factors such as advances in digital technologies and the

introduction of AI. There is great potential that the logistics industry will transform from a labor-intensive industry to an equipment-focused industry. We believe that it is necessary to anticipate this new world transformed by DX, consider the significance of the Group's existence and its businesses within this world, and start preparing accordingly.

Based on this recognition, we believe that it is important to consider the utilization and allocation of management resources (people, goods, money, information, time, intellectual property) and at the same time to reinforce the resources that are in short supply. In addition, there are limits to how much one company can address major issues like going carbon neutral. We believe that it is important to proactively work toward establishing alliances to reinforce management resources that are in short supply, and to form consortiums that can address such major issues.

Recently, the concept of *purpose management* has been attracting attention. The Group maintains a long-cultivated philosophy that *every move we make is aimed at advancing society and bringing an enriched life to future generations*. We will continue to contribute to society knowing that the Company, and every action we take, is rooted in the practice of this philosophy.

Strategies for Business Selection and Focus, Strategies to Slim Down Balance Sheet (FY3/2021 Initiatives)



Capital and Dividend Policy

Improving Corporate Value

The Nippon Express Group Business Plan 2023 redefined our key management indicator from return on assets (used in past plans) to return on equity (ROE). Our goal under this plan is to achieve an ROE of 10% during the period covered by the plan. Assuming that we will achieve an operating income of ¥100 billion, we intend to return cash generated to our shareholders, balanced by maintaining financial discipline and a proactive approach to investments for future growth.

We have already engaged in off-balance sheet financing of assets via liquidization mechanisms. We are also reducing our strategic shareholdings and pursuing other means to manage our balance sheet more actively. We plan to invest a cumulative ¥450 billion over the next five years through fiscal 2023 (including ¥70 billion in liquidization related to our new head office building, etc.). Here, capital investment to strengthen our efforts in the medical industry is one of the most important strategies in our business plan.

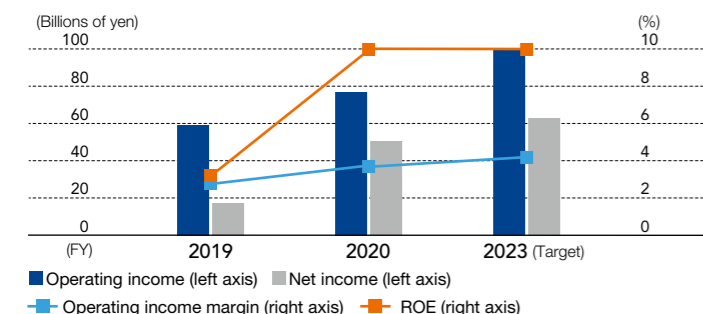
At the same time, we plan to improve efficiency in terms of assets and capital. Our equity ratio target in the past has been 40%. We will now target an equity ratio of 35% as we strive to enhance capital efficiency while maintaining a stable financial base.

Approach to Shareholder Returns

We regard the return of profits to shareholders as one of our most important policies. We maintain capital policies that reflect a return of profit, while also expanding our business operations, improving our business structure, increasing shareholders' equity, and improving profit ratios.

Our current business plan calls for a dividend payout ratio of at least 30% and a total return ratio of at least 50% (cumulative from fiscal 2019 through fiscal 2023). We have engaged in share buybacks, and we will continue to do so in an opportunistic manner, making strategic investments for business growth while also meeting the expectations of our investors.

The Road to ROE of 10%



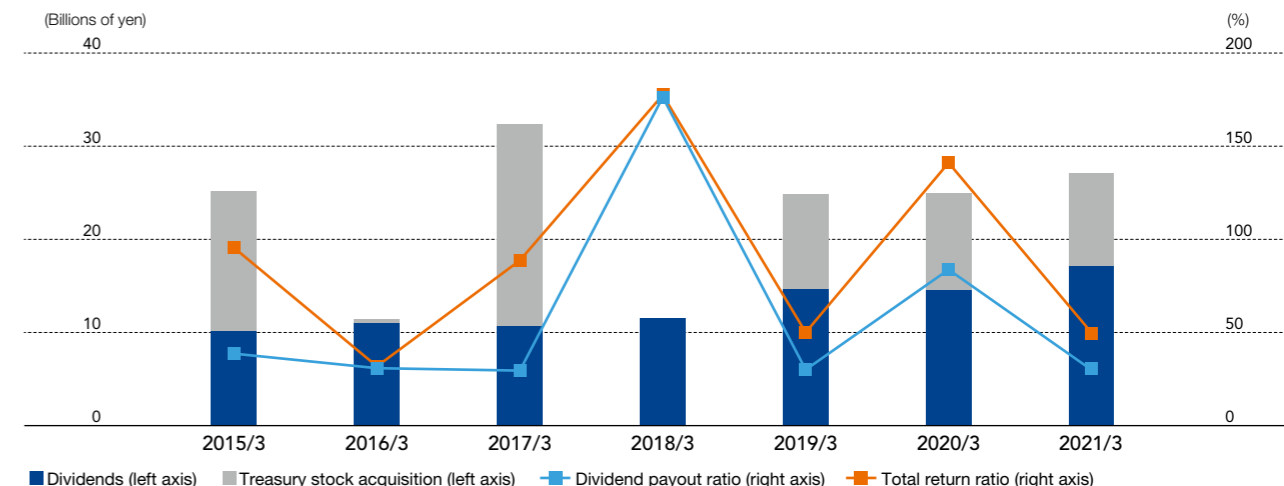
Investment Target	Planned Amount (Five-year cumulative total)
Equipment	¥360.0 billion
IT	¥40.0 billion
Vehicles	¥50.0 billion
Group total	¥450.0 billion

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

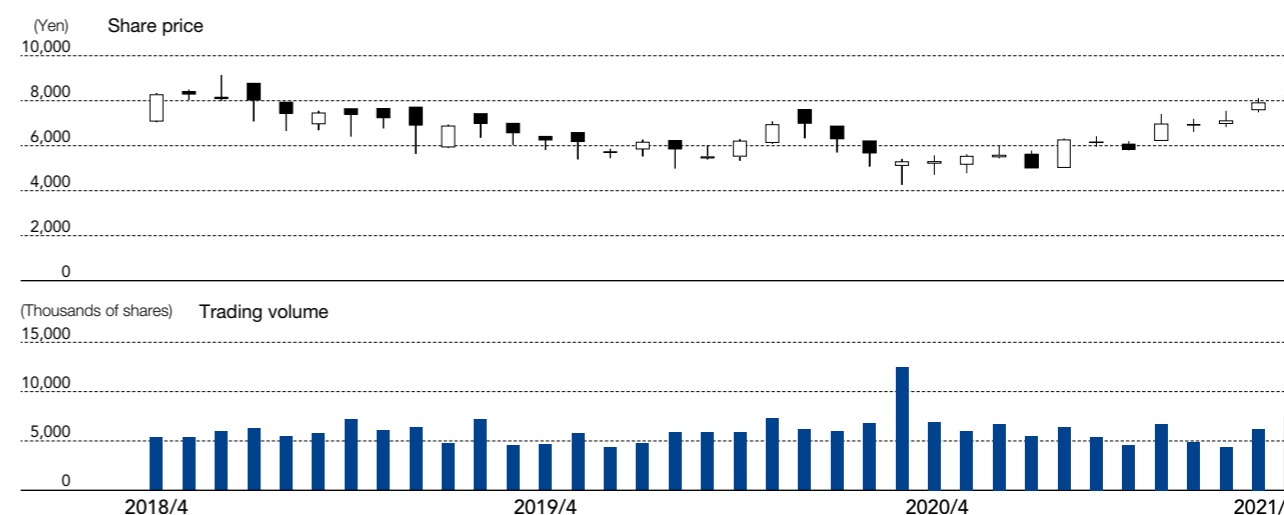
Financial Trends

	FY2012	FY2015	FY2018	FY2020
Total assets (Billions of yen)	1,247.6	1,484.9	1,536.6	1,631.8
Shareholders' equity (Billions of yen)	513.6	522.2	543.6	582.5
Cash and cash equivalents at end of year (Billions of yen)	113.6	146.0	102.0	168.3
Free cash flow (Billions of yen)	31.0	(44.0)	(18.2)	97.2
Return on equity (ROE) (%)	4.8	6.8	9.2	10.0
Dividend payout ratio (%)	43.7	30.9	30.1	30.6
Total return ratio (%)	81.4	31.9	50.1	48.3
Shareholders' equity ratio (%)	41.2	35.2	35.4	35.7

Shareholder Dividends and Treasury Stock Acquisition



Stock Price Movement



Note: Nippon Express executed a share consolidation on October 1, 2017, at a ratio of 10 shares to one. Figures for all periods in the above graph are calculated based on the assumption that this consolidation had already occurred.

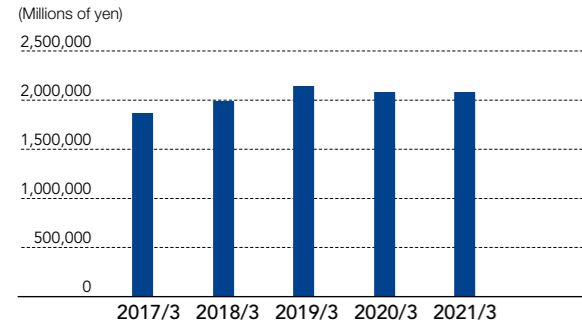
Stock Price, Dividends and Dividend Yields Over the Last Five Years

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Annual dividend per share (Yen)	11	11	120	155	155	185
Dividend yield (As of the end of the year)	2.15%	1.92%	1.69%	2.52%	2.93%	2.25%
High (Yen)	773	645	770	9,130	7,070	8,610
Low (Yen)	464	420	563	5,660	4,280	4,710
End of the year (Yen)	512	572	7,120	6,160	5,290	8,240

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

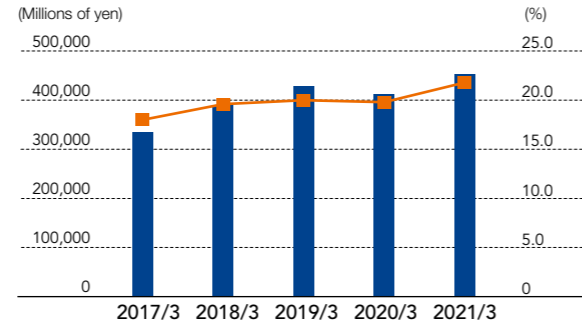
Financial and Non-Financial Highlights

Revenues



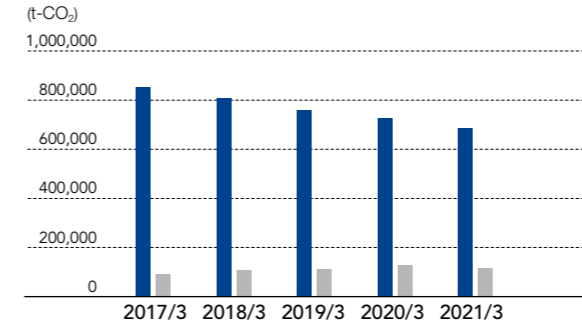
We focus on a three-dimensional approach as a growth strategy for our core businesses: (1) customers (industries), (2) business, and (3) area. At the same time, we endeavor to expand our customer base and businesses globally, built on the strengths we have developed in Japan. We also strive to improve profitability in our domestic market.

Overseas Revenues/Overseas Sales Ratio



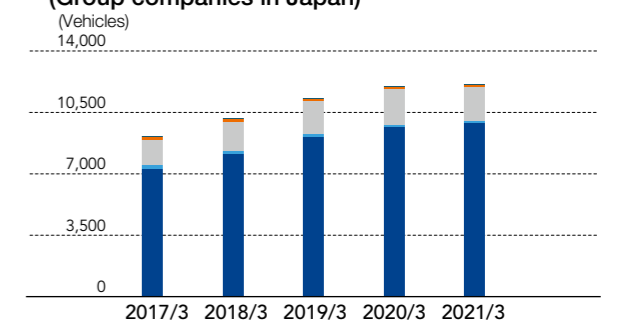
Our long-term vision is to become a logistics company with a strong presence in the global market. Our current business plan established a target for overseas sales ratio at 25% by fiscal 2023, which is the final year of this plan.

CO₂ Emissions (Scopes 1, 2)



Reducing CO₂ emissions is an issue shared by the entire logistics industry. As a leading logistics company, Nippon Express is committed deeply to reducing CO₂ emissions and working actively to achieve this goal.

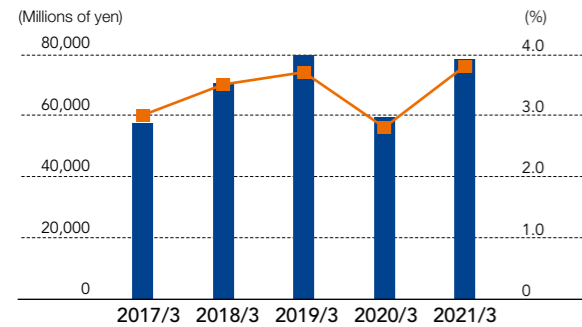
Number of Eco-Friendly Vehicles Owned (Group companies in Japan)



As a logistics company, we have committed to reducing our CO₂ emissions. As part of our efforts, we are switching to LED lighting in our facilities and transitioning to eco-friendly vehicles, mainly those that comply with the new long-term and post long-term emissions regulations.

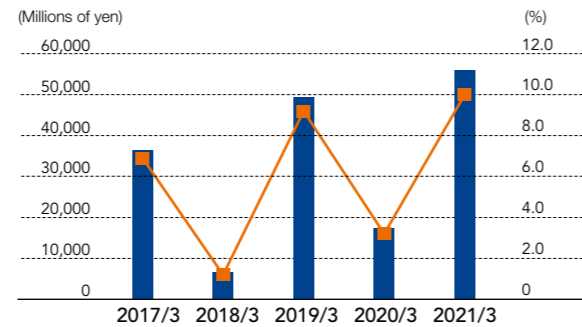
(Note) We revised the calculation method for vehicles complying with the new long-term emissions regulations and post new long-term emissions regulations. We also revised the number of vehicles prior to fiscal 2020. In addition to vehicles that meet the fuel efficiency standards for heavy-duty vehicles, we included vehicles that meet the fuel efficiency standards for heavy-duty vehicles at +5%, +10%, and +15%.

Operating Income/Operating Income Ratio



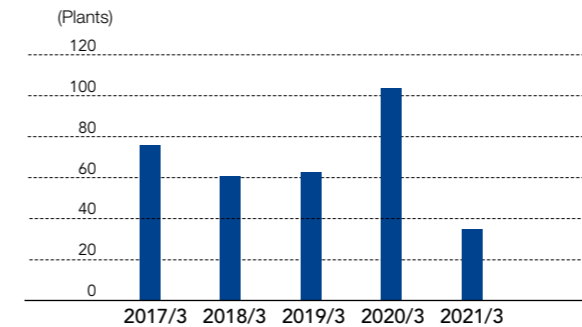
In addition to pursuing a growth strategy for our core businesses, we also pursue a strategy to enhance domestic businesses in Japan to solidify a foundation for resilient group management. Here, we are engaged in improving the profitability of specialized businesses, improving sales and office productivity, and drastically reforming low-profit businesses.

Profit Attributable to Owners of Parent/ROE



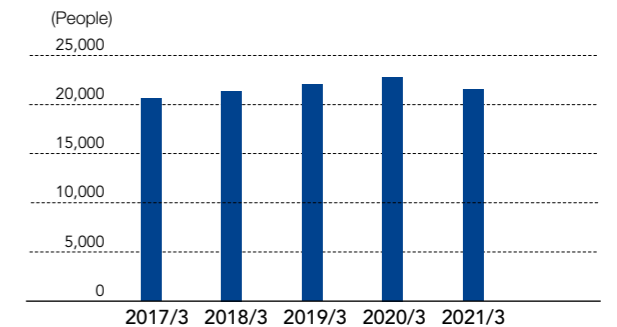
Due to COVID-19, fiscal 2020 cargo movement was generally sluggish. However, profits increased thanks to effective cost reductions, higher profits in our air export freight forwarding business, and other factors. We plan to implement the measures of our current business plan in a steady manner, aiming to achieve our target of 10% in ROE by fiscal 2023, the final year of the plan.

Number of Wind Power Plants Installed



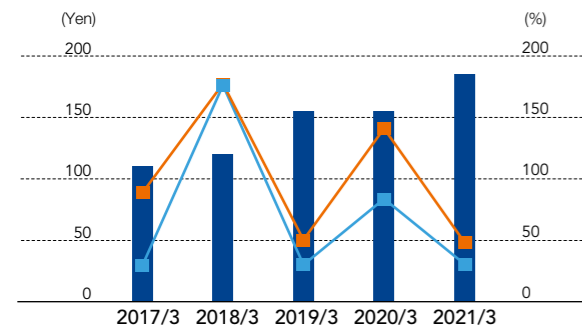
One of the ways we reduce CO₂ emissions through our businesses is by contributing to the spread of renewable energy through the construction and installation of wind power generation facilities. We began full-scale transportation and installation of wind power generation equipment in 1999. Today, we transport 70% of the wind power generators used in Japan. The number of wind power projects in fiscal years 2020 and 2021 will be lower than usual due to a review of design standards. In fiscal 2022 and later, however, we plan to undertake a large number of projects, mainly in the Wakkanai area of Hokkaido.

Number of Overseas Employees



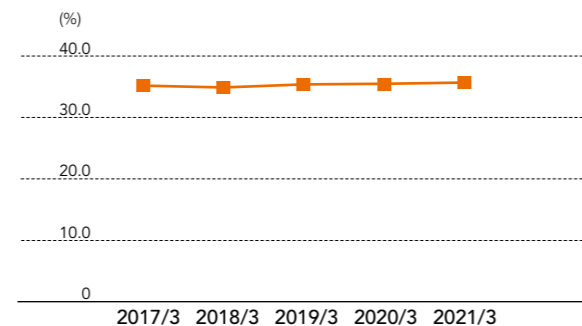
We will continue to strengthen our capabilities overseas to bolster our global network, which is one of our strengths, as well as establish a greater presence in the global market. In addition to increasing the number of locally hired employees, we also focus on developing executives capable of fulfilling global management roles.

Dividend per Share/Dividend Payout Ratio/Total Return Ratio



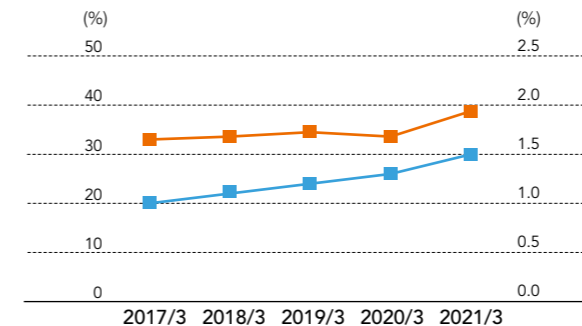
Our current business plan defines our capital policy of a dividend payout ratio of at least 30% and a total return ratio of at least 50% (cumulative from fiscal 2019 through fiscal 2023). We maintain capital policies that reflect a return of profit to shareholders, while also expanding our business operations, improving our business structure, increasing shareholders' equity, and improving profit ratios. (Note) Nippon Express Co., Ltd. conducted a one-for-ten reverse stock split of common shares on October 1, 2017. Per-share information prior to this reverse split is calculated assuming said reverse split had already occurred.

Equity Ratio



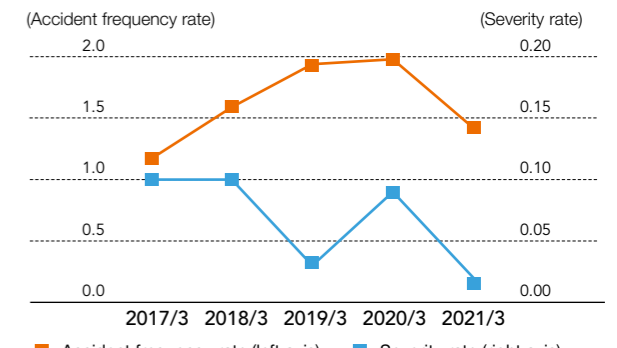
As stated in the capital policy of our current business plan, we aim to maintain an equity ratio of 35%. In this way, we strive to achieve a balance among active investment for growth, shareholder returns, and financial health.

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



We believe that diversity is the source of innovation and is an essential part of corporate management. Driven by this belief, we strive to promote diversity in our organizations. As part of our efforts, we endeavor to create workplace environments in which women play meaningful roles, offering a variety of training and revising programs to this end.

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



We believe safety takes precedence over all else. Based on this philosophy, we continue to focus on safety as the foundation of our business activities, raising and communicating awareness of safety throughout our group, developing safety and health management programs, and providing a variety of training programs to prevent accidents and disasters. (Note) Frequency rate is an international indicator representing the number of occupational accidents. The number of casualties per 1 million work hours is the number of casualties/total number of work hours x 1,000,000. Severity rate is an international indicator of the degree of injury caused by occupational accidents. The number of days lost per 1,000 work hours is the number of work days lost/total number of work hours x 1,000.

Identifying Materialities

Reconfirming Materialities

The Nippon Express Group reconfirmed six materialities as priority investments to achieve our Long-Term Vision of becoming a logistics company with a strong presence in the global market. In the selection process, we analyzed risk mitigation and value creation from perspectives of our business as well as our stakeholders, who continue to be an important part of our vision. In so doing, we selected issues consistent with our business plan.

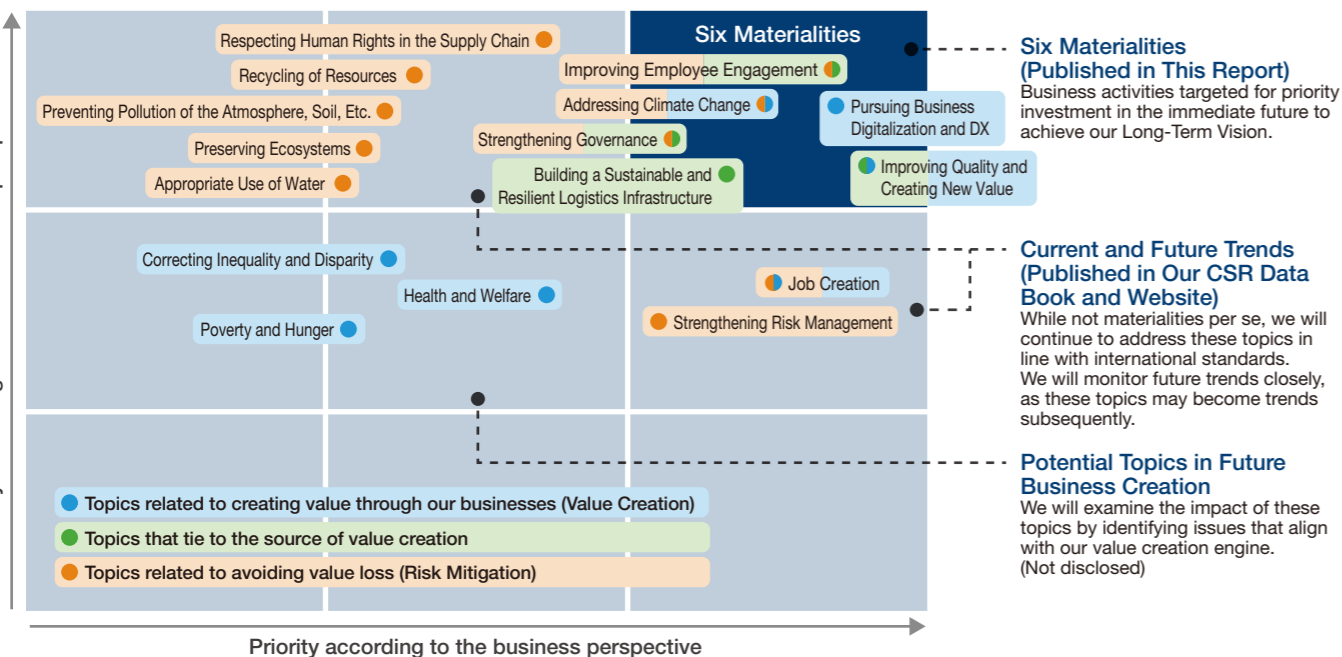
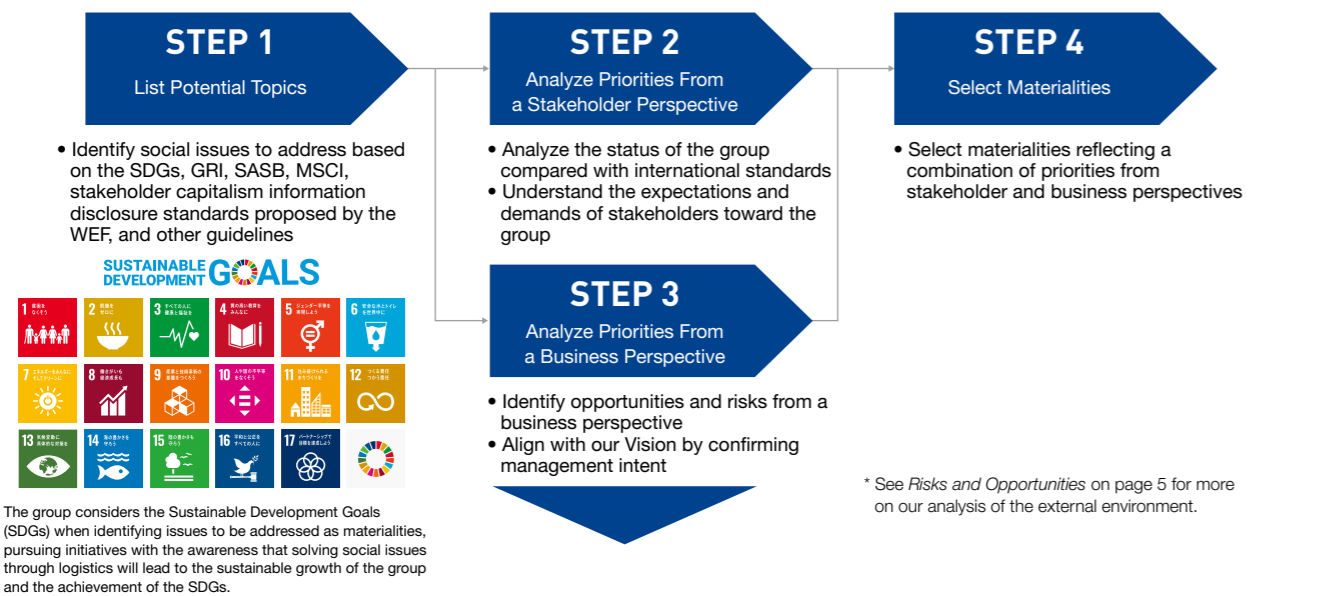
Materiality Objectives - To indicate and accelerate the practice of ESG management at the Nippon Express Group -

The Nippon Express Group considers materiality to be an extremely important tool in pursuing the effective practice of ESG management to achieve the Long-Term Vision defined in our business plan. Materialities indicate to our stakeholders our approach and initiatives, leading to higher engagement.

1. Use resources strategically and effectively
2. Strengthen our ability to respond to changes in the external environment
3. Conduct effective communications and engagement with stakeholders

The Materiality Identification Process

We identify materialities through the following four steps. In Steps 2 and 3, we identify international standards, regulatory trends, receive feedback from our key stakeholders, and conduct interviews with outside experts and internal stakeholders to define issues most critical for the group to address.



List of Materialities

These materialities are not limited to new initiatives, but are topics to confront if we are to improve corporate value in the present and future, based on ongoing efforts and intangible assets accumulated over time.

Materiality Topic	Future Ideal	Issues	Risks and Opportunities (Examples)	Create Value Through Our Businesses	Source of Value Creation	Avoid Loss of Value
(1) Pursuing Business Digitalization and DX (P.40-41)	Amid the expected drastic changes in the structure of society and industry, we will adapt to these changes in the environment and create new businesses using digital technology, beginning from the starting point of the future society.	1: Strengthen problem-solving and digital skills in our current businesses 2: Create new business domains that contribute sustainable societies	Risk: Harm to our businesses due to the rise of new entrants and competitors Opportunity: Win customers through technology that streamlines operations, create new services based on data, and enhance service quality	✓		
(2) Improving Quality and Creating New Value (P.42-43)	We will create social value such as security and safety, as well as business growth, through businesses that meet high social demand, adding new intellectual capital reflecting an understanding of the characteristics of industry and our traditional strengths (advanced transportation technologies and relationships with multiple companies).	1: Maintain and improve service quality 2: Create new value by building platforms that match industry characteristics	Opportunity: Create demand through new value, such as authenticity assurance for goods in the supply chain	✓	✓	
(3) Addressing Climate Change (P.44-45)	We will fulfill our responsibilities as a corporate citizen in response to the government's declaration of carbon neutrality by 2050 and the demands of the international community to address climate change. At the same time, we will achieve business growth by contributing to the Scope 3 initiatives of our customers.	1: Reduce CO ₂ emissions in our own businesses 2: Create businesses that contribute to the reduction of customer CO ₂ emissions	Risk: Loss of existing customers to competitors who pursue environmental measures Opportunity: Win new customers by providing services and routes that bring visibility to and reduce environmental impact	✓		✓
(4) Building a Sustainable and Resilient Logistics Infrastructure (P.46-47)	As an essential industry, we will maintain logistics under pandemics and natural disasters, and contribute to social stability by securing lifelines for our stakeholders, continuing to be a trusted company.	1: Strengthen business continuity systems (solidify supply chains) 2: Maintain and secure human resources to avoid logistics crises	Risk: Increased procurement costs for land, sea, and air transportation; decline in asset value of warehouses in coastal areas and relocation of warehouses to inland areas		✓	
(5) Improving Employee Engagement (P.48-49)	We will prioritize investment and a focus on our employees, who represent the source of value for our businesses. In particular, we will pay attention to the wellbeing of our employees in times of pandemic, securing a stronger foundation for value creation.	1: Pursue employee satisfaction 2: Improve employee engagement 3: Enhance corporate value by leveraging human resources	Risk: Shortage of human resources due to inability to secure highly specialized workers, resulting in loss of competitiveness Risk: Decline in competitiveness due to insufficient response to labor shortages in the field		✓	✓
(6) Strengthening Governance	We will respond to social demands regarding corporate governance, pursuing efficient management and building a robust foundation for our businesses through the integration of land, sea, and air operations, as well as through stronger global governance.	1: Strengthen global group governance 2: Ensure compliance with the Revised Corporate Governance Code 3: Pursue safety, security, and compliance	Risk: Relative decline in reputation in society, damage stemming from risks related to strategy, business operations, finance, etc.		✓	✓

* See pages covering materiality details for specific KPI targets related to materialities. We are considering supplementing and revising undetermined matters and targets established in past years through a PDCA cycle for managing materialities.

Reference for Current and Future Trends

Current and Future Trends*	Reference
Preserving Ecosystems	CSR Data Book 2021 Protect Terrestrial and Marine Ecosystems (P.10)
Preventing Pollution of the Atmosphere, Soil, Etc.	CSR Data Book 2021 Accurately Controlling Fluorocarbons (P.07)
Recycling of Resources	CSR Data Book 2021 Promote Resource Recycling (P.09)
Appropriate Use of Water	CSR Data Book 2021 Water Usage (P.11)
Respecting Human Rights in the Supply Chain	CSR Data Book 2021 Ensure Robust Respect for Human Rights in the Supply Chains (P.13)
Employment Opportunity Creation	Integrated Report 2021 Employee-Related Information (P.72)
Strengthening Risk Management	Integrated Report 2021 Risk Management (P.57)

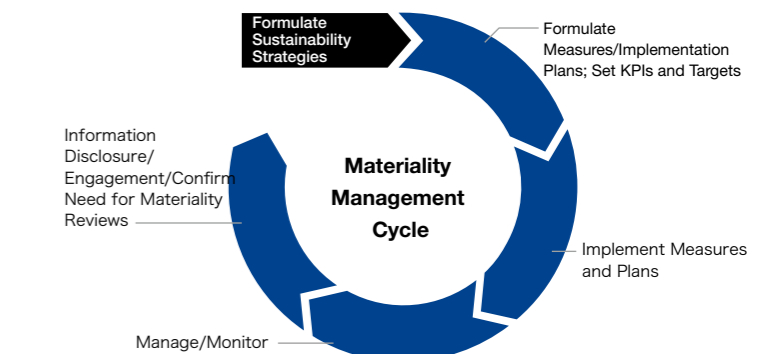
* Disclosures of Materialities and Current and Future Trends encompass SASB industry-specific standards.

Planning Initiatives for Pursuing and Strengthening Materialities

We will pursue specific initiatives for each of the materialities and issues detailed above. We will consider targets for topics without KPIs or targets, and we will evaluate progress by monitoring the status of each materiality.

To reflect changes in our external environment, in our opportunities, and in our risk factors, we plan to conduct a regular review of materiality and the details of initiatives. We will do so through analyses of our external environment and through stakeholder engagement.

Materiality Management Cycle



The Nippon Express Group Creates New Value



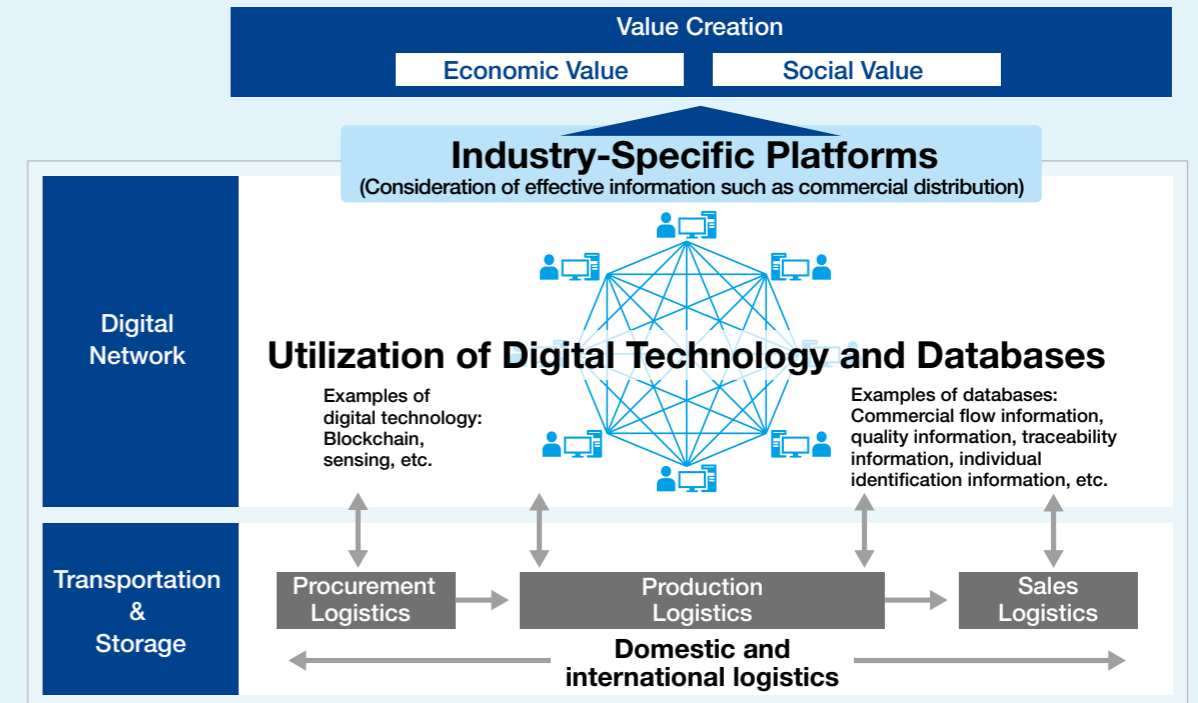
Takaaki Ishii

Executive Vice President,
Chief Operating Officer and Representative Director

The Nippon Express Group Creates New Value with Industry-Specific Platforms

The Nippon Express Group has supported supply chains from its position as a logistics player for many years. The Group also boasts a history of deriving and commercializing solutions with a mission of efficiently building and providing logistics with a focus on forwarding and storage throughout our customer's value chain: procurement, production, and sales. Today, in addition to optimizing their supply chains, companies face demands to overcome social issues and provide value toward social change and sustainability. Given this, and with our desire to take on the challenge of creating new value beyond logistics services in and of themselves, I would like to offer a detailed presentation on the work the Group is doing with its industry-specific platforms.

Industry-Specific Platform Schematic



What is an Industry-Specific Platform?

In short, an industry-specific platform refers to the provision of new logistics services in the form of social infrastructure, addressing the particular characteristics and environments of each industry. There are three key points to this. The first key point is expanding perspectives to understand issues and creating new value. When it comes to grasping the problems that need to be solved, this is not just about conventional economic needs like the pursuit of efficiency, but also about deriving solutions focused on a number of social issues and related needs, like environmental problems and public health. The second key point is pivoting from individual company optimization to industry overall optimization. Traditionally, the logistics industry has been focused on a piecemeal resolution of each customer's issues, which in some cases has not been necessarily conducive to overall supply chain optimization. There is also the problem that individual companies are unable to make progress with or resolve social issues. With this awareness in mind, our intent is to push optimizations in a new platform format for shared industry issues. In addition, with rapid progress toward incorporating the many evolving digital technologies, new domains are emerging where we can take on problems that would have been difficult to resolve before, offering us great potential to leverage advanced technologies. I believe that the third key point is innovation through a fusion of logistics and advanced technologies.

In the Group's business plan, we focus our efforts in five priority industries: electric and electronic components, automobiles, apparel, pharmaceuticals, and semiconductors.

Of these five industries, we began by building a platform for the pharmaceutical/medical industry in February of this year, gradually phasing in business to this platform.

A Safety and Security-Focused Value Creation in our Pharmaceuticals Distribution Platform

Quality in pharmaceutical products can be the difference between life and death. Therefore, strict quality controls, including temperature control, are called for not only during production but also during forwarding and storage so that they do not deteriorate. Furthermore, counterfeit pharmaceuticals must also be prevented from infiltrating logistics channels for genuine pharmaceuticals. Therefore, more and more countries are adopting what are called good distribution practices (GDP). In Japan, the Ministry of Health, Labour and Welfare issued a Japanese edition of the GDP guidelines in 2018, calling on companies to handle pharmaceuticals in line with these. Though Nippon Express has not traditionally had a great deal of transaction volume in pharmaceuticals, we decided to make a full-fledged entry into pharmaceuticals logistics in the desire to facilitate patients' safe and secure use of the medicines given this situation.

Logistics players are called to handle pharmaceuticals in accordance with GDP, and the supply chains handling these products are globalizing. At Nippon Express, in addition to our two airport facilities in Japan that serve as import and export hubs, we began full-scale operation of four GDP-compliant pharmaceutical warehouses in Japan in February of this year. We are also working to acquire GDP certification at our overseas bases, and we are looking to support the stable

supply of pharmaceuticals as we form a global network.

In addition, in order to ensure and efficiently achieve GDP-compliant pharmaceutical distribution, we are working to develop our digital platform with cooperation from Intel and a number of other companies possessing advanced technologies. This digital platform is a dual-layer platform, comprised of the logistics platform, which leverages IoT devices to manage logistics quality information down to the single item level, and the commercial distribution platform, which leverages blockchain technology to offer payment functions and asset sharing functions. In our January demonstration testing of the logistics platform, which included disaster BCP testing, we were able to complete two test cycles with the cooperation of pharmaceutical manufacturers, wholesalers, medical institutions, and other stakeholders. This testing was successful in demonstrating traceability from manufacturing plant to medical institution in pharmaceutical logistics. Our entry into the pharmaceutical/medical industry has moved from preparatory stages to implementation stages, and while we are looking forward to seeing results going forward, we would also like to shift our digital platform for the pharmaceutical/medical industry toward a more open platform, open for free use by the various organizations and people involved in the pharmaceuticals industry. While we will need the approval of all pharmaceutical stakeholders involved - from production to logistics to medical institutions - we would like to create an open platform in order to ensure quality of pharmaceuticals for all stakeholders and contribute to the realization of a society where patients can take medicines with safety and security.

Future Outlook for Industry-Specific Platforms

Our first and highest priority is the establishment of a pharmaceutical digital platform business. But, looking out over the future developments of industry-specific platforms, we are also currently investigating and analyzing each industry, with a focus on the priority industries listed in our business plan. If we look at not only the economic needs but also the social needs within each industry, we can surmise that there are many more issues remaining to be addressed, like ensuring robustness of supply chains and dealing with environmental issues. Furthermore, in industries where the supply chain is globalized, it will be necessary to take actions toward issue resolution on a global level. Naturally, each industry has its own issues and characteristics, and the predicted future and the speed of change are different for each. Therefore, our pioneering pharmaceutical digital platform may not be adaptable to other industries as-is. However, we would like to leverage the portions that we are able to, such as the Group's global network and advanced technologies.

From this perspective, there is a great deal of potential in how we use industry-specific platforms to approach the creation of value that will contribute to industries overall, and we would like to focus our efforts in developing this going forward. Moving forward, we will take on the challenge of creating new value by uncovering issues faced in each industry and deriving solutions that address these.

(1) Pursuing Business Digitalization and DX



Background

The social environment is changing dramatically and we expect to see drastic changes in the structure of society and industry. Responding to these changes has become an important management issue for the Nippon Express Group. Rather than viewing these changes as business risks or constraints, in line with our corporate purpose and philosophy of *every move we make is aimed at advancing society and bringing an enriched life to future generations*, we see them as issues that our group must address to maintain and develop a sustainable society, industry, and logistics market. To respond to these changes in society, we are using digital technology.

Issues to be Addressed

Efforts for new business creation utilizing digital technology: Short-term digitization and medium- to long-term DX

To respond to future society and industrial structural changes, we recognize that it is essential to create new businesses that utilize future digital technology. In preparation for DX, we will strengthen our digital skills while solving issues related to our current businesses through digitization. By examining businesses that can become future pillars for the Group, we will promote DX, leading to the creation of a prosperous future.

- 1 Short-Term Initiatives for Digitalization: Solving Issues in Current Businesses and Strengthening Digital Skills
- 2 Medium- to Long-Term Initiatives for DX: Creation of New Business Areas That Contribute to Achieving a Sustainable Society

Business Area
(Value provided to customers)

New

Current

New Businesses Business Transformation Entry Into New Business Areas	DX Digital Innovative Business Transformation Leveraging Digital Technology to Expand Into New Business Areas	Medium- to long-term Create businesses that can contribute to achieving a sustainable society and become future pillars Back casting from future social issues
Current Businesses	Digitalization Using digital technology to improve efficiency and save on labor in current businesses	Short-term Resolve issues in current businesses and strengthen DX-readiness Forecasting from current businesses

Low ← Importance of Using Digital Technology as a Key Resource → High

Issue 1: Short-Term Initiatives for Digitalization: Solving Issues in Current Businesses and Strengthening Digital Skills

Current Status And Plans for Future Initiatives

As a part of our digitalization initiative, we are strengthening our employees' digital skills while resolving the following issues related to current businesses: Improving efficiency of office work through RPA/AI-OCR; Improving the quality, efficiency, and safety of field operations using robots; Optimization and sustainability improvement of the supply chain including customers and partners by utilizing big data, etc. To advance our efforts going forward, we will continue to strengthen our promotion systems and cooperation with other companies to demonstrate and implement various technologies.

* Technology that reads handwritten text and automatically inputs it into the core system.

Purpose	Initiatives (excerpt)
Improved efficiency of office work	<ul style="list-style-type: none"> ■ Head Office led efforts to improve work efficiency through the development and operation of robots • Business analysis in collaboration with field staff • Promotion of standardization -980 cases of RPA, 11 cases of AI-OCR, work reduction effect of 728,721 hours/year (as of March 31, 2021, Nippon Express non-consolidated) ■ Improving operational efficiency in the workplace through the development and operation of simple robots • e-learning educational activities for all employees as well as RPA masters training • 78 robots in operation (as of the end of March 2021, Nippon Express non-consolidated)
Improve quality, efficiency, and safety of field operations	<ul style="list-style-type: none"> ■ Establishment of promotion systems • Established the Logistics Engineering Strategy Division • Across 34 branches nationwide, assigned 60 employees the responsibility for promoting operation advancement and efficiency ■ Save on labor and automate operations through the use of robots • Opened the NEX-Auto Logistics Facility; an art showroom-type logistics facility utilizing AI and IoT technology • Speed up the implementation of autonomous mobile robot (AMR), automated guided vehicles (AGV), and automated guided forklift (AGF) in warehouses.
Optimization and sustainability of the supply chain, including customers and partners	<ul style="list-style-type: none"> ■ Utilizing big data to improve quality and optimize and sustain the supply chain (including customers and partners) • Visualization of truck loading status (quantity, temperature, condition, etc.) using 5G • Optimal allocation of logistics bases using order and warehouse data, etc. • Proposal of optimal transportation modes and routes based on cost, lead time, CO₂ emissions, etc. • Provision of a cloud-based vehicle allocation support service for logistics companies

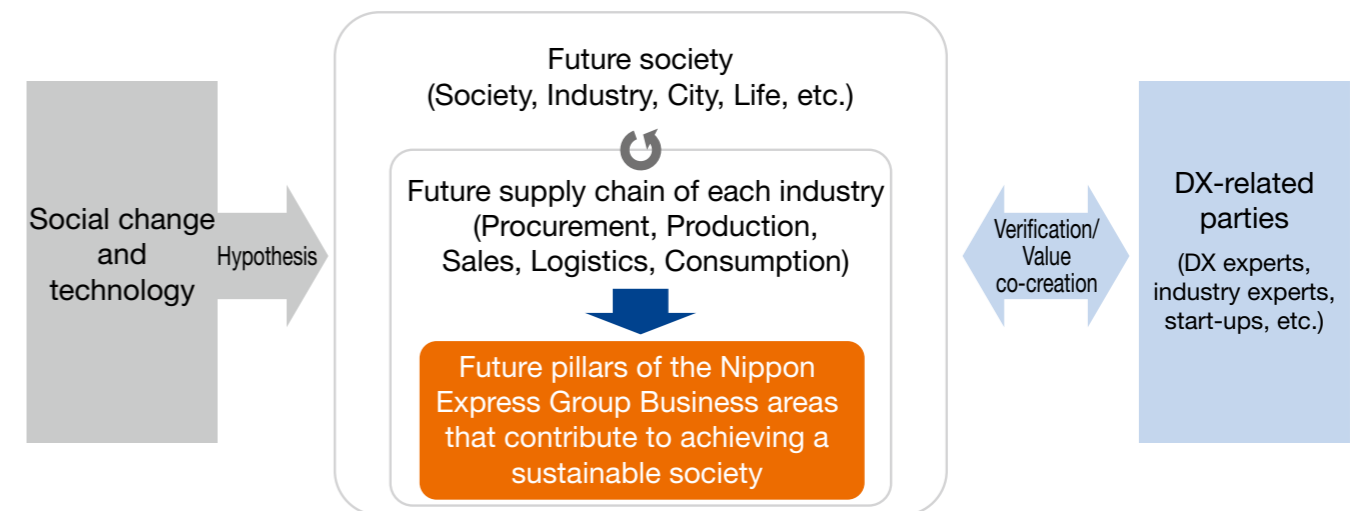
Issue 2: Medium- to Long-Term Initiatives for DX: Creation of New Business Areas That Contribute to Achieving a Sustainable Society

Current Status And Plans for Future Initiatives

Formulate overall strategy (formulate and verify hypothesis for 2037): Examine business areas that could become future pillars through back casting

In the DX initiative, we are looking at 2 main areas: 1) Future societal changes, and 2) How these future changes affect the supply chain of each industry and what challenges they pose. By analyzing and examining both of these areas, we can develop hypotheses for future changes and challenges which we can then back cast to determine ways to contribute to achieving a sustainable society. In addition, we can use this data to examine potential business areas that could become future pillars for the Group. Through discussions with various DX-related parties, including DX and industry experts as well as startups, we are currently testing these hypotheses. Based on these results, we will develop an action plan for the creation of new DX-related businesses and the strengthening of our business base.

In addition, in creating new DX related businesses, we will actively promote networking and value co-creation with DX-related parties so as to have a greater impact on social issues.



TOPICS

Discovering and Creating New Businesses Through Value Co-Creation With NEC Three Initiatives for Achieving a Sustainable Society ~From Digitalization to DX~

Nippon Express will contribute to achieving a sustainable society by solving social issues through our new businesses. To this end, we are working together with IT companies to promote value co-creation with an eye on both short-term digitization and medium- to long-term DX.

Time Frame	Initiatives	Issues to be solved
Short-term	Digitizing workers' know-how and implicit knowledge	<ul style="list-style-type: none"> ■ Maximize warehouse performance, contribute to solving labor shortages, and provide a safe and secure work environment for workers. ■ In the future, achieve zero accidents and optimize the allocation of personnel at all logistics sites, including transportation and delivery sites.
Medium- to long-term	Exploring the possibility of creating a society where people are able to overcome distance to support each other	<ul style="list-style-type: none"> ■ Use AI and remotely operated robots to provide work in places where it has been difficult to provide human labor such as industries with a decreasing workforce, places with poor working conditions, dangerous locations, and areas located on the other side of the world, etc. In doing so, we can solve the problem of labor shortages and avoid workplace health and safety risks.
Medium- to long-term	Visualization and reduction of CO ₂ emissions in logistics processes	<ul style="list-style-type: none"> ■ Work to visualize and reduce CO₂ emissions in the logistics process, not only for ourselves but also for the entire supply chain, including partners and customers. In doing so, we can contribute to achieving a decarbonized society.

(2) Improving Quality and Creating New Value

Background

With a bigger emphasis now on the sustainability of the nature, society and industry in which our businesses are based, it has become more important to provide services that not only maintain and improve the quality of services for individual customers, but also maintain and optimize society, and industry as a whole.

The Nippon Express Group will continue to improve the quality of transportation, storage, and other aspects of logistics, which we have long been committed to. In addition, efforts are underway to build platforms for new value creation and contribute to various industries through logistics by making use of our strengths such as our advanced transportation technology, relationships with a large number of customers in various industries, and understanding of industry characteristics.



- Issues to be Addressed
- 1 Maintaining and Improving Service Quality
 - 2 Building Platforms for New Value Creation According to Industry Characteristics

Issue 1: Maintaining and Improving Service Quality

Current Status

The Nippon Express Group is committed to maintaining and improving service quality as a useful tool for sustainable corporate development and performance improvement. We support the enrichment of our customers' lives through logistics. To this end, we provide high quality services that earn the trust and satisfaction of our customers by sincerely listening to their voices. In addition to obtaining ISO 9001 certification, an international quality management system, we have obtained WHO (World Health Organization) GDP (Good Distribution Practices for Medicines) certification in countries around the world for pharmaceutical distribution. Based on the premise that these quality standards are required as global standards, we are working to maintain and improve the quality of services for the entire Group.

Plans for Future Initiatives

In April 2020, we reviewed our team system with the aim of maintaining and improving safety, compliance, and quality. To resolve the issues faced by front-line workers, IT-based education, instruction, communication, and information sharing to core field personnel has become indispensable. We will utilize digital technology to promote enhanced communication, efficiency, visualization, and sharing, and further strengthen our field capabilities. For this purpose, we plan to distribute IT terminals to the supervisors and team leaders of each team by October 2021. In addition, as part of our quality improvement efforts, we will launch initiatives related to 5S (Sorting, Setting-in-order, Shining, Standardizing, Sustaining the discipline), 3F (Fixed position, Fixed quality, Fixed quantity), and KPIs sequentially.

Issue 2: Building Platforms for New Value Creation According to Industry Characteristics

Current Status

We are working to understand the characteristics and social issues of each industry, rather than the conventional optimization of individual companies. Following on from that, we are building and providing systems to achieve total optimization by industry by combining logistics and advanced technology.

As the first step in our overall optimization efforts by industry, we are focusing our efforts on the pharmaceutical/medical industry, one of our key industries. It is of high social importance due to its high quality control, Business Continuity Plan (BCP) compliance, and anti-counterfeiting and anti-theft measures. We are building a logistics and digital platform and are starting to provide services in stages.

Plans for Future Initiatives

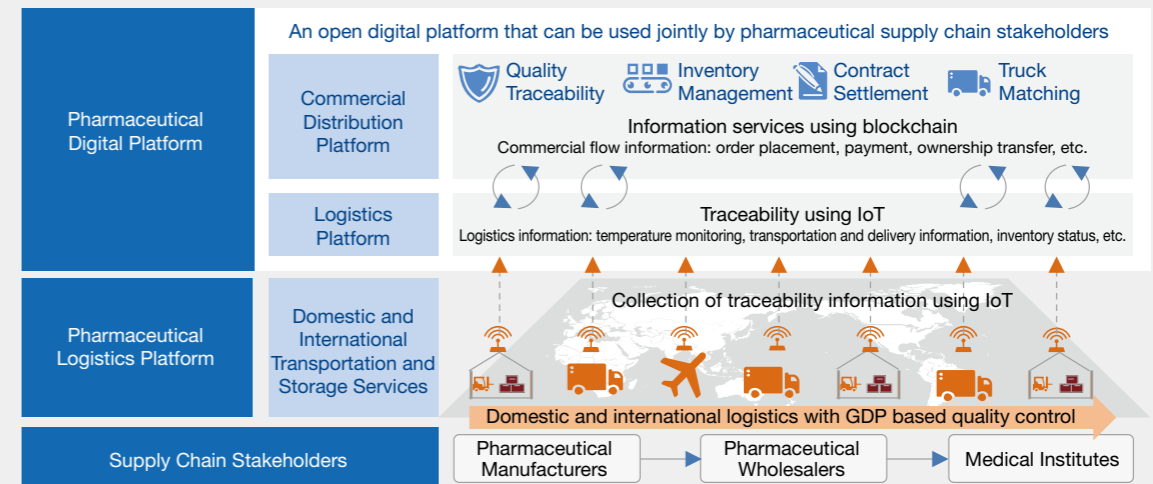
For the pharmaceutical digital platform of, we are aiming to build a system that benefits all entities involved. Together with our supply chain stakeholders who share our vision of contributing to a safe society by eliminating counterfeit medicines and ensuring pharmaceutical quality, we will move forward with discussions for social implementation as an open platform. We will also consider building new social infrastructure for other key industries according to the characteristics and issues of each industry.

TOPICS

Building a Global Pharmaceutical Supply Network Contributing to Health by Enhancing the Value of Pharmaceuticals Through Transportation and Ensuring We Deliver to Those Who Need Them

Pharmaceutical products require strict temperature control and security control during transportation and storage. At the same time, with the globalization of the market, counterfeiting and theft of pharmaceuticals have become major problems.

To play a role in pharmaceutical logistics, a role which requires a high level of expertise and strict quality control, we will contribute to the safe and secure supply of pharmaceuticals by meeting both the soft and hardware requirements of GDP.



Global Expansion of Pharmaceutical Logistics Platform

Domestic Building a platform with functions for joint logistics and round-the-clock use of vehicles

- In addition to GDP based quality control, the company has also established a platform that enables it to respond to BCP that can improve business efficiency for the supply of pharmaceuticals such as joint storage and transportation at warehouses, which has traditionally been carried out by individual customers, and respond to the shortage of truck drivers through round-the-clock use of vehicles



Dedicated Pharmaceuticals Vehicles

Establishment and operation of new bases specializing in pharmaceuticals, and allocation of pharmaceutical dedicated vehicles

- Narita International Airport and Kansai International Airport have been the so-called medical hubs, which are the traditional import/export bases for raw materials and products. In addition to these hubs, we now operate new hubs in East Japan, West Japan, Kyushu, and Toyama that specialize in pharmaceuticals, and each of these locations have vehicles dedicated to pharmaceuticals



Dedicated Pharmaceuticals Base (East Japan)

Overseas We have obtained GDP Certification around the world (Chicago, London, Singapore, Hyderabad, Shanghai, etc.)

- We are providing consistent and high-quality end-to-end operations from shipping to arrival
- We have established a local quality assurance team that works closely with the Pharmaceutical Logistics Quality Assurance Division at our headquarters, and we are gradually expanding our global quality control system



Dedicated Pharmaceuticals Temperature-Controlling Cabinet (Chicago)

Development of a logistics network through M&A

- We have acquired a company with a strong position in the pharmaceutical/medical industry logistics business in the U.S. and have covered the country with our global pharmaceutical supply network
- We plan to continue to expand our logistics network in Europe and Asia, including through M&A

Pharmaceutical Digital Platform for Supply Chain Visualization and Optimization Across the Pharmaceutical/Medical Industry

Logistics Platform

- Starting from temperature control, we are building a digital platform that uses IoT devices and blockchain to connect end-to-end logistics information
- We have launched a service that utilizes traceability data in logistics from July 2021

Trading Platform

- As other services, we plan to implement inventory optimization, payment functions, and asset sharing functions
- Currently we are developing a plan for an open platform (cross-industry consortium) for the future



Subsidiary With Strength in Pharmaceutical Logistics (MDLogistics, U.S.)

(3) Addressing Climate Change

Background

Climate change is an important social issue that needs to be addressed by every country and company in the world. We must respond to the Japanese government's declaration of carbon neutrality by 2050 and the strong demands of the international community. Furthermore, the logistics industry accounts for a high percentage of total CO₂ emissions among all industries. We recognize that our responsibility as a corporate citizen is significant. In addition, there is a growing requirement from customers to reduce CO₂ emissions in Scope 3. In response, the Nippon Express Group has positioned this as an issue to be addressed for sustainable business growth.

Based on this recognition, we will strive to reduce CO₂ emissions from our own operations by actively introducing environmentally friendly vehicles and promoting the use of LEDs. At the same time, we will work to provide products and services that contribute to the reduction of CO₂ emissions by our customers, such as joint delivery and modal shift. In this way, we will contribute to the conservation of the global environment, which is a prerequisite for the survival of our business, as we pursue opportunities for business growth.

- Issues to be Addressed **1** Reduction of CO₂ Emissions by our Company
(Key performance indicators: 350,000 tons of CO₂ emissions by FY2023*1 (equivalent to a 30% reduction from FY2013)*2)
- 2** Creation of Businesses that Contribute to Customer CO₂ Emission Reductions

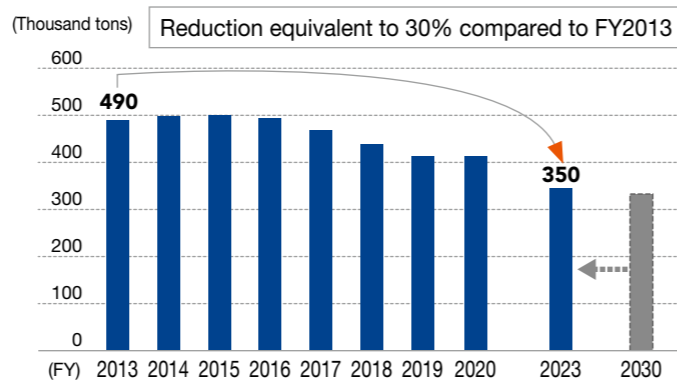
Issue 1: Reduction of CO₂ emissions by our Company

Progress of Initiatives

Based on the actual reductions in CO₂ emissions, Nippon Express has now decided to set a new target for fiscal 2023, ahead of the previous deadline of fiscal 2030. It is a reduction of 350,000 tons of CO₂ emissions (equivalent to a 30% reduction from FY2013).

Our Group is thoroughly committed to reducing CO₂ emissions and has established standards for the installation of equipment when constructing new logistics facilities and offices. We are working to reduce CO₂ emissions by promoting the use of renewable energy and LEDs. We are also actively promoting the introduction of environmentally friendly vehicles such as compressed natural gas (CNG) vehicles, hybrid vehicles, LPG vehicles, and vehicles that comply with the Post New Long-term Emissions Standards. Our company is also reducing CO₂ emissions and fuel consumption by increasing our fuel efficiency. At the same time, we are also promoting ecodriving, which contributes to safety.

Nippon Express (non-consolidated) CO₂ Emissions Trends and Reduction Targets



*Scope 1 and 2 (CO₂ emissions from fossil fuels in Japan)

Plans for Future Initiatives

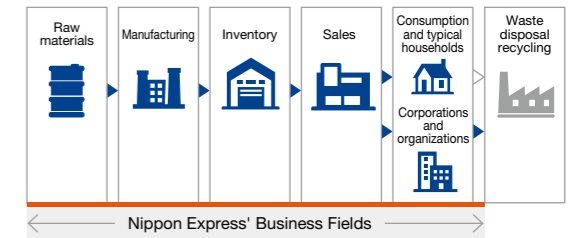
We will continue the above activities and aim to achieve the newly set target for fiscal 2023. We will also consider setting new long-term targets and implementation plans, keeping in mind international trends and regulations related to addressing climate change. Our targets will be consistent with the long-term targets set by the Japanese government, such as carbon neutrality by 2050 and 46% reduction by 2030 (compared to FY2013). Achieving carbon neutrality by 2050 will be difficult by extending existing initiatives or by working on our own. For this reason, we believe it is important to promote cooperation and collaboration with other companies and stakeholders in other industries to drive the movement of the entire industry.

Issue 2: Creation of Businesses that Contribute to Customer CO₂ Emission Reductions

Progress of Initiatives

Green Logistics Initiatives (Environmentally Friendly Logistics)

As a comprehensive logistics company, the Nippon Express Group provides a wide variety of services aimed at the reduction of CO₂ emissions across a wide range of business fields, such as modal shifts, joint deliveries, and improved loading efficiency.



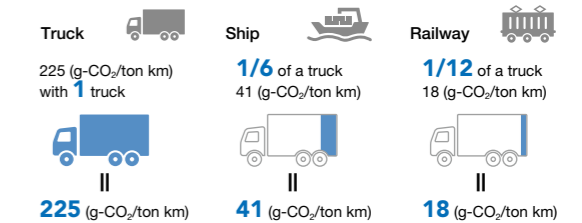
Shift to Low-carbon Transportation Modes

Modal shift

The Nippon Express Group is promoting cooperation and collaboration between customer companies and logistics providers. We are also striving to reduce CO₂ emissions by promoting a *modal shift* —switching from a truck-centered form of transportation to one that uses railroads and ships. Our Group also provides the following services: *Sea&Rail*, which combines ocean cargo and railway transportation, and *Eurasia Train Direct*, which utilizes China-European Railways for railway transportation between Asia and Europe.



CO₂ emission units by transportation mode



Source: Ministry of Land, Infrastructure, Transport and Tourism website, Carbon Dioxide Emissions in the Transportation Sector https://www.mlit.go.jp/sogoseisaku/environment/sosei_environment_tk_000007.html

Initiatives for Improving Transportation Efficiency

Joint delivery

We categorize the products collected at the joint distribution center and deliver in batches by delivery destination. With joint delivery, we will achieve delivery efficiency.

We provide this joint delivery service as a support service for improving the overall efficiency of our customers' sales logistics, combining it with our unique milk run pickup, route delivery, information system, etc.

Improved loading rate

The service we provide, *Protect BOX* is a general-purpose pallet size that supports multimodal transport. This is a form that is easy to use in a variety of business situations and contributes to a reduction of CO₂ emissions by improving loading efficiency.

TOPICS

Visualization Tool for CO₂ Emissions (one-stop navigation)

We have added a unique function that can calculate CO₂ emissions for the freight and lead-time simulation system (One-Stop Navigation) that we use internally. This is against the backdrop of customer requirements and societal demands to address climate change. We pre-released this function as an internal service in August 2020 and are planning to expand it as an external service in the future. This system allows users to sort transportation modes such as air, charter, coastal, *Sea&Rail*, and railway in order of CO₂ emissions. Users will be able to select the transportation mode that best suits their purpose by comparing it with the lead time and freight rate conditions. For the calculation of CO₂ emissions, we are using the guidelines*3 by the Ministry of Economy, Trade and Industry. Furthermore, in the future, we are considering acquiring certification from a third-party organization to disclose the calculation results publicly. In addition, we are planning the following to gain more accurate understanding of emissions. Accurate pickup and delivery distances linked to map data and development of a tool that calculates CO₂ emissions based on past delivery data and proposes more effective transportation modes to achieve reductions.

Through this service, we will respond to our customers' requirements to reduce CO₂ emissions. At the same time, we will expand our business to contribute to the mitigation of climate change, including sales that propose decarbonization.

Plans for Future Initiatives

The Nippon Express Group is considering projects that will contribute to the energy economy by externally disclosing the above-mentioned visualization tool for CO₂ emissions and utilizing hydrogen as a medium- to long-term initiative. As demands from society to respond to climate change increase day by day, we will consider expanding our businesses that contribute to the environment by identifying customer needs (from environmental consideration to environmental contribution).

*1 Targets for 2030 have been brought forward from last year.

*2 Target values are for non-consolidated Nippon Express. Targets for the entire Group, Scope3 compliance, and business operations will be discussed in the future.

*3 Ministry of Economy, Trade and Industry, Method for calculating CO₂ emissions in the logistics sector. Joint Guideline Ver. 3.1.

(4) Building a Sustainable and Resilient Logistics Infrastructure

Background

The risk of natural disasters such as large-scale earthquakes and typhoons, triggered by climate change, is intensifying. In addition, there is the new threat posed by the spread of COVID-19. Despite these recent developments, even in the event of sudden emergencies, logistics companies must be able to continue or quickly recover essential operations. To make this possible, we need to make action plans and preparation plans in advance. Society is counting on us to take the necessary measures.

As a designated public institution and an essential industry that supports people's daily lives, Nippon Express will maintain the resilience of its supply chain in emergency situations. At the same time, from a medium- to long-term perspective, we are working to secure and maintain a stable workforce to avoid a logistics crisis caused by driver shortages.

Going forward, we will continue to fulfill our role as "inspire trust every step of the way," which we view as "our pride" in our corporate philosophy. We will continue to enhance our systems and structures to ensure that our logistics operations will never be interrupted.



- Issues to be Addressed **1** Strengthening the System for Business Continuity (Solidify the Base of the Supply Chain)
- 2** Maintaining and Securing Human Resources to Avoid Logistics Crises

TOPICS

Social Responsibility as a Designated Public Institution

We have been designated as a Designated Public Institution in the freight forwarding business under the following laws: *Basic Act on Disaster Management*, *Civil Protection Law (Law Concerning Measures for the Protection of Citizens in Armed Attacks, etc.)*, and the *Act on Special Measures against Novel Influenza*.

At the time of the Kyushu floods that occurred in July 2020, we carried out emergency goods transportation based on a request from the government. We transported food, beverages, temporary toilets, air-conditioning equipment, and other supplies to Kumamoto Prefecture, which had suffered extensive damage.

Regarding COVID-19, we will place the highest priority on the safety and health of our customers, employees, and their families. We will also fulfill our mission as a social infrastructure company and a designated public institution. To this end, we have taken thorough measures to prevent infection and the spread of infection, and have transported medical supplies such as masks and protective clothing to medical facilities.

We have a crisis management structure in place along with various systems. This allows us to continue operating while ensuring the lives and safety of our employees and their families in the event of an emergency. And as a designated public institution, we are fulfilling our social responsibilities, such as transporting emergency supplies at the request of the national and prefectural governments.



Transportation of emergency supplies



Issue 1: Strengthening the System for Business Continuity (Solidify the Base of the Supply Chain)

Current Status

As a designated public institution, Nippon Express has traditionally responded to disasters, the spread of infection, and other emergencies (see topics on the left). We have formulated a *Business Continuity Plan (BCP)* to ensure that we can continue our business in the event of any emergency. This is based on the cross-disciplinary basic policy *Business Continuity Management (BCM)*. We have this plan in place for each of the following areas: wide-area disasters, local disasters, novel strains of influenza, etc., and system failures. We are ensuring resilience by systematically organizing advance measures, disaster drills, initial actions under emergency situations, and recovery activities. In fiscal 2021, we are improving our training to meet the changing times. For example, we will conduct drills for the initial response of the Pandemic Response Team in a remote work setting.

In addition, in terms of disaster and infectious disease countermeasures, we have stockpiled emergency supplies and hygiene products. And to be able to cope with the disconnection of telephone lines due to a disaster, satellite cell phones and disaster priority cell phones have been deployed. These are in each department of the head office as well as in major bases nationwide. With these measures, we have established a rapid communication system to be employed during emergencies.

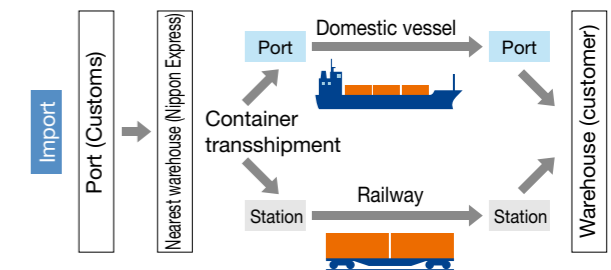
To prepare for internal information leaks and external cyber-attacks, we have established response policies and procedures. In addition, we have established a risk management system, including a dedicated security response team.

We also provide BCP-ready services to ensure the stable continuation of our customers' supply chains. For example, the *NEX OCEAN-SOLUTION BCP PACK*, an import cargo delivery solution that combines ocean cargo and railway transportation. This transportation service leads to a stable supply of imported cargo to the delivery destination. It avoids congested routes in addition to hedging risks against disasters and other emergencies.

In response to a decrease in available air freight and ocean cargo space due to the COVID-19 pandemic, we are working to ensure the continued stability of our customers' supply chains. Utilizing various transportation modes and a global network, we are quickly securing alternative transportation methods such as air charter flights and China-European railways.

BCM Basic Policy

- 1. Top Priority on Human Life and Safety**
We shall place the highest priority on the lives and safety of our employees, their families, and related parties in the event that any of the following occur: widespread disaster, novel strains of influenza, fire, terrorism, or system failures.
- 2. Contribution to Society**
We shall carry out our social mission even in times of emergency. We shall also contribute to society by responding to requests for cooperation from the national government, local governments, and local communities to the greatest extent possible.
- 3. Minimizing the Impact on Customers**
In the event of an emergency, if our business is interrupted, and it becomes difficult to continue all operations, we shall strive to minimize the impact on customers by continuing or restoring pre-determined priority operations.
- 4. Thorough Legal Compliance**
We shall comply with all applicable laws and regulations when carrying out operations in the event of an emergency.
- 5. Preparing for Normal Times**
In cooperation with each company in the Nippon Express Group, we shall promote the stockpiling of emergency foodstuffs, hygiene products, etc., in normal times. We shall also carry out necessary drills in a systematic manner and strive to secure the management resources necessary to continue our business and prepare for the occurrence of disasters.



EX OCEANSOLUTION BCP PACK— a BCP-compliant import cargo delivery solution

Plans for Future Initiatives

So that we can further strengthen our system for business continuity during emergencies, we are conducting ongoing improvement activities by identifying risks, taking preliminary measures, and conducting disaster drills. Specifically, we are studying improvements such as the development of a BCP that considers not only wide-scale disasters, but that also anticipates local disasters and fires. Furthermore, we have started information exchange meetings with designated public institutions in other industries from fiscal 2021. By using the experience and lessons learned in emergency responses to this point to enhance our network with other designated public institutions, we hope to strengthen the social system as a whole.

Issue 2: Maintaining and Securing Human Resources to Avoid Logistics Crises

Current Status

We will avoid a shortage (logistics crisis) of truck drivers, forklift operators, and other skilled employees who support the logistics infrastructure with their on-site capabilities. To accomplish this, the Nippon Express Group is promoting the creation of an attractive work environment (see ⇒P.48-49 Improving Employee Engagement) and the provision of a comfortable working environment for people of all ages by partially automating operations.

One of the specific efforts to partially automate operations involves transitioning some of the tasks that are handled by people to machines. We are embarking on an initiative to reduce labor hours and at the same time improve the cost side. (CSR Data Book, page 19: Development of cutting-edge logistics technology)

Plans for Future Initiatives

We will continue to create a work environment that is attractive and safe for skilled employees. To this end, we will actively promote the introduction of semi-automated equipment and other technologies that support the workforce. In particular, for seniors to work safely and energetically, we will enhance the environment by creating manuals and adjusting shifts to suit the characteristics of seniors.

(5) Improving Employee Engagement



Background

We feel that employees are the very source of creating value at the Nippon Express Group, and that happy, motivated employees will lead to value creation for our customers, shareholders, and society.

The logistics industry in particular has high expectations for improved work styles, and given the current COVID-19 pandemic, we need to pay attention to the physical and mental health of employees engaged in essential operations.

Towards achieving our management goal of “creating a company that makes employees feel satisfied and fulfilled,” Nippon Express has established the “Employee Satisfaction Improvement Project” based upon the three elements that comprise satisfaction and fulfilment — an open work environment, fair compensation, and contributions to society through work and evaluations, and is working to bring this to reality. Employees are the source of created value, and by creating an environment in which they can enjoy their work, we will both improve employee engagement and increase our corporate value by leveraging our human resources.

Issues to be Addressed

- 1 Pursue Employee Satisfaction and Fulfilment**
 - (1) Pursuit of diversity (interaction between diverse human resources)
(Key performance indicators: By fiscal 2023, the number of female employees who have been at the company for approximately eight years will be at a similar level to male employees)
 - (2) Work-style innovations (an open workplace in which all employees can perform to the best of their abilities)
(Key performance indicators: By fiscal 2023, aim to double the amount of annual paid leave utilized over fiscal 2017 levels)
 - (3) Improved work styles (update employee systems to improve the working environment)
- 2 Improve Employee Engagement (Enhancement of Management Infrastructure)**
- 3 Enhance Corporate Value by Leveraging Human Resources (Contributions to Society and Evaluations)**

Issue 1: Pursue Employee Satisfaction and Fulfilment

(1) Pursuit of Diversity

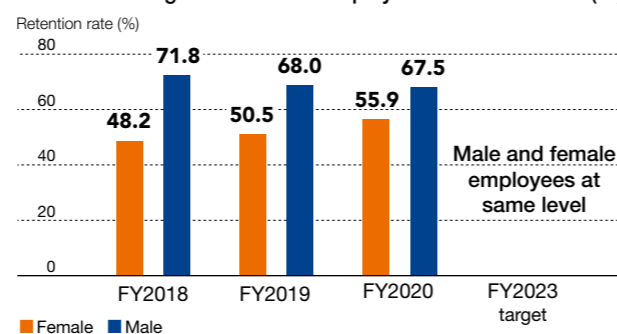
Current Status

In implementing diversity-related initiatives, branch managers and others at managerial-level from Nippon Express put forth messages about their diversity related commitments as well as the president’s commitment, and clarify the objectives and necessities of these diversity initiatives and their determination to proceed with these initiatives on a company-wide level.

To put this into action, we have formulated our diversity promotion master plan in addition to the work style innovation described below, and are promoting activities through an effective PDCA cycle.

Also, as one means by which we can promote women in the workforce, we have included in our management plan the goal of increasing the retention rate of female employees, and we are working towards making this a reality. Specifically, we are working to increase the numbers of female employees by aggressively publishing information on their working styles in our recruitment activities, and are trying to improve career motivation through training and seminars for employees engaged in childcare. We hope that these initiatives will reduce the unwelcome turnover of female employees, thereby leading to their medium- to long-term development.

Trends and Targets for Female Employee* Retention Rates (%)



*Female employees who have been at the company for approximately eight years

(2) Work-Style Innovations / (3) Improved Work Styles

Current Status

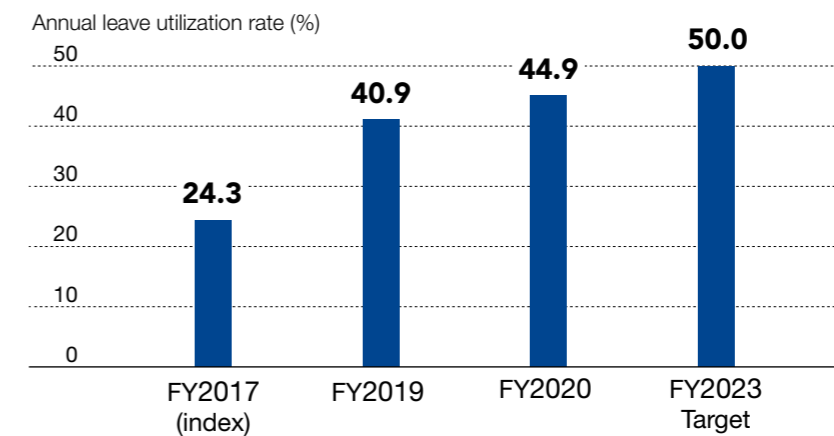
Allowing staff members to proudly and energetically assume a leading role requires the enhancement of not only their work but also their lifestyles. The achievement of work style innovation is indispensable for the growth of the Nippon Express Group’s operations and, by enhancing the private lives and work of our staff members, it will also generate a multiplier effect and ensure that our staff members lead healthy lives.

Nippon Express is working to expand the scope and penetration of remote working so that we can achieve diverse, flexible work styles. In fiscal 2021, we introduced three new initiatives — namely addressing employees as “-san,” a casual dress code, and promoting remote work. We are working to promote these company-wide initiatives aimed at altering the behavior of all employees.

We are also working to bring about diverse, flexible work styles, and we have been working to reduce the average annual overtime hours by improving productivity (compared to the previous year) and promote the taking of annual paid leave.

In fiscal 2019, we also reformed the entire range of employee systems, including the human resources system, salary/wage system, and evaluation system. Specifically, 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. We believe these measures are tied to keeping human resources within the company, and to increasing employee motivation and vitality.

Trends and Targets for Annual Leave Utilization Rates (%)



Plans for Future Initiatives

As well as promoting initiatives towards achieving targets for rate of annual paid leave taken and the retention rate of female employees as set out in our business plan, we will conduct a survey of employee satisfaction for all employees so that we can visualize the current situation, and will study setting targets and implementing measures required for employee satisfaction and fulfilment.

Issue 2: Improve Employee Engagement

Current Status

The Nippon Express Group proactively invests in our workforce, by providing training for all employees, whether administrative and technical, aimed at improving their business knowledge and skills. We will continue to hone these intangible assets and thereby promote the development of a workplace in which diverse human resources can actively participate while enjoying their work, and creating new value. The education and training policy of the Nippon Express Group is to develop self-driven human resources so that they will put into practice our corporate philosophy, seize the initiative for continuous growth, and based on social harmony, take independent action without fear of change.

We have established a human resources development framework that integrates this education and training policy with business plans and human resource systems, and we are advancing initiatives that underpin growth. In addition, we are broadening our human resources strategy vision, going from “Japan oriented, Nippon Express (non-consolidated)/partial optimization” to a “global, Nippon Express Group/overall optimization.” We will foster executives who will shoulder the responsibilities of global business, and secure and nurture professional human resources.

Plans for Future Initiatives

We will plan out a path in which employee satisfaction and fulfilment leads to an improvement employee engagement and enhancing corporate value by leveraging human resources. We will determine plans and implementation methods.

Issue 3: Enhance Corporate Value by Leveraging Human Resources

Governance

The establishment of corporate governance is important for sound corporate management, sustainable growth, and improving corporate value. We also believe that it is an obligation to our shareholders.

The Nippon Express Group has positioned governance as the foundation for management that places importance on the environment (E) and society (S). The theme of the current business plan is to build a system that supports sustainable enhancement of corporate value as we strive to achieve continuous governance reform.

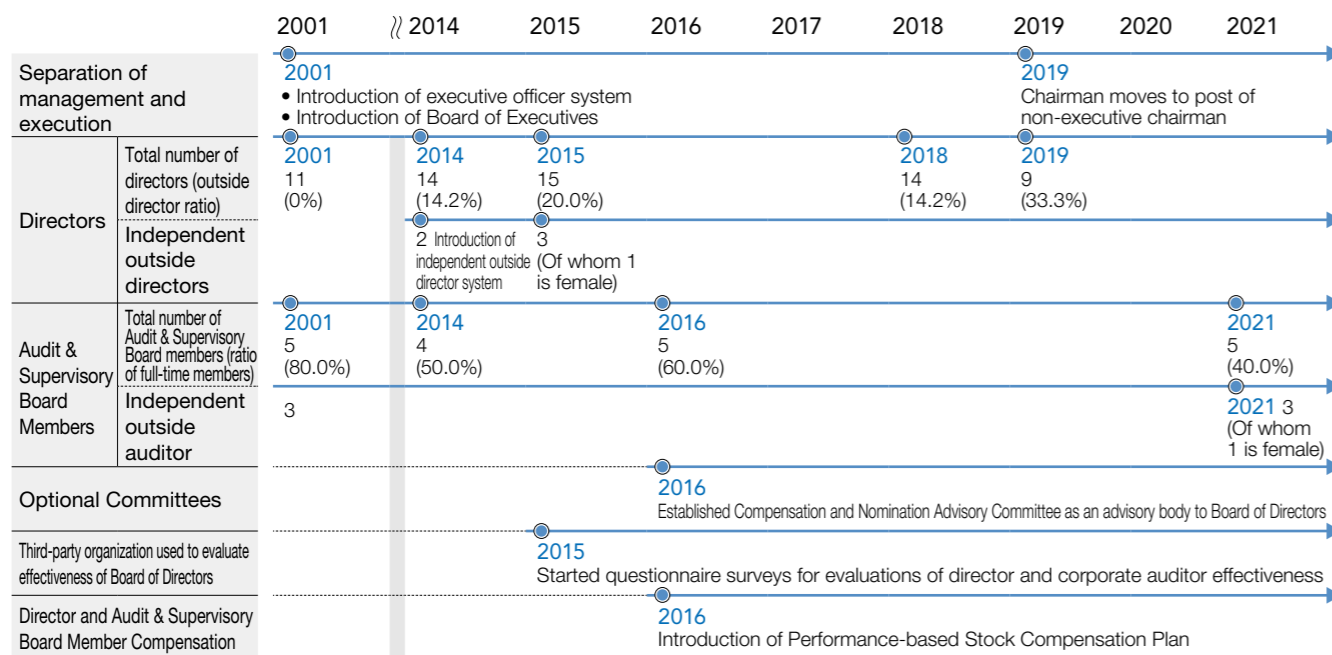
We will promote efforts to ensure "safety, compliance, and quality," which form the foundation of our group's management and the source of our competitiveness. In addition, we will strive to enhance disclosure and proactively disseminate information in order to ensure management transparency and stimulate dialogue with our shareholders and investors.

Basic Stance on Corporate Governance

Nippon Express Group upholds its mission to resolve social issues through logistics and support social sustained development and growth in accordance with the Nippon Express Group Corporate Philosophy. We also believe 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, our company strives for continuous progress and reinforcement of its corporate governance.

Chart Showing Changes



Corporate Governance Structure

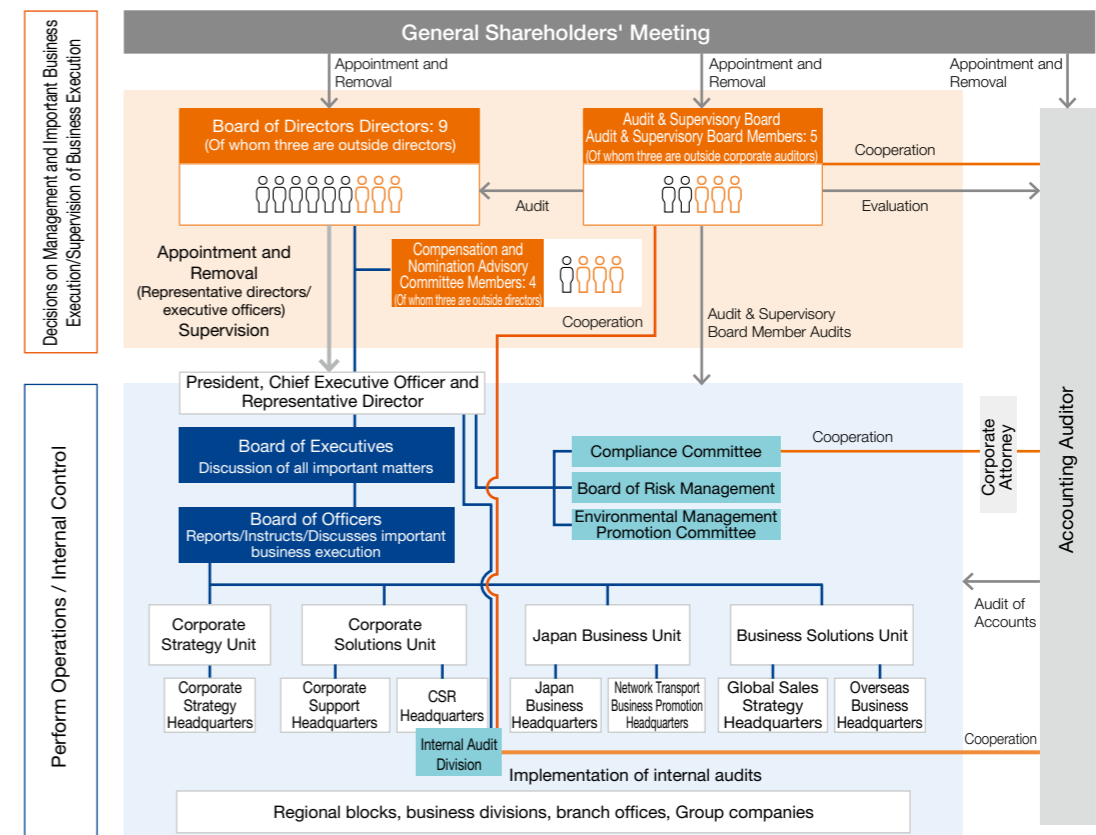
Our Company is a company based on an Audit & Supervisory Board structure. In addition to the Board of Directors and the Audit & Supervisory Board, the Company has introduced an Executive Officer system. The purpose of this system is to facilitate rapid decision-making and business execution.

The Board of Directors consists of nine directors, including three outside directors. It is responsible for adopting resolutions regarding the execution of important business and matters stipulated by laws and regulations and the Articles of Incorporation, as well as the oversight of business execution. To obtain the opinions of independent outside Directors concerning important matters such as the compensation and nomination of executive officers, our company has established a discretionary Compensation and Nomination Advisory Committee. Consisting of a majority of the independent outside directors, the committee members function as an advisory body to the Board of Directors. We make decisions regarding resolutions based on the reports we receive from the Committee. The term for Directors is one year. We aim to clarify the responsibilities of Directors for the management of each fiscal year. The Audit & Supervisory Board consists of five Corporate Auditors, including three Outside Corporate Auditors.

The Corporate Auditors attend the Board of Directors meetings, the Board of Executives meetings and other important meetings to audit the execution of duties by the Directors. In addition, they perform auditing duties for our group companies in order to fulfill their duties in connection with the consolidated management perspectives and consolidated financial statements. Our operational framework consists of four divisions and seven headquarters under the President and Representative Director. Under this system, we have delegated a certain amount of authority to each division and headquarters, and our company executes business plans swiftly as a single management unit. We have established the Board of Executives as a consultative body for all important matters related to business execution. It discusses matters to be submitted to the Board of Directors and resolves important matters to the extent delegated by the Board of Directors.

The Board of Officers consists of 34 executive officers, including five who also serve as directors. In addition to discussing important matters, it communicates and directs the decisions made by the Board of Directors. At the same time, it provides reports regarding the instructions received from each general manager and the chief managing officer and the status of business execution from each Executive Officer.

Corporate Governance System Chart



Corporate Governance Implementation Status

Compliance with the Corporate Governance Code

Nippon Express is in compliance with all of the principles of the Tokyo Stock Exchange's Corporate Governance Code. In addition, since the introduction of the Corporate Governance Code, we have come to understand the purpose behind each principle and are constantly striving for improvement. Since fiscal 2020, we have prepared "Nippon

Express Policy and Implementations of JPX's Corporate Governance Code" and released it publicly on our website and other media. In this document, we set forth policy and implementation details for all 78 principles of the Corporate Governance Code.

 Nippon Express Policy and Implementations of JPX's Corporate Governance Code.
<https://www.nipponexpress.com/pdf/ir/governance/Nippon-Express-Policy-and-Implementations-of-JPX%60s-Corporate-Governance-Code.pdf>

Evaluating the Effectiveness of the Board of Directors


Our Board of Directors use an outside institution to conduct a survey and gather opinions regarding the effectiveness of the entire Board of Directors and Audit & Supervisory Board members, including outside officers. The main evaluation points are as follows: Composition and operation of the Board of Directors. Management strategy and business strategy. Corporate ethics and risk management. Status of management evaluation and compensation. Dialogue with shareholders, etc. The board evaluates its effectiveness based on the congregated results from the institution.

For the survey conducted at the end of fiscal 2020, we evaluated each question and any related comments and confirmed the overall effectiveness of the Board of Directors.

As for the issues identified through this survey, we have established a system in which the secretariat of the Board of Directors takes the lead in promoting improvements. The following are examples of improvements made in recent years. Reviewing the composition of the Board of Directors

to increase the ratio of outside directors to at least one-third. Enhancement of explanations at Board of Directors meetings regarding progress reports on important strategies, etc. Through these measures, we have strengthened the supervisory function of the Board of Directors. In addition, the following are examples of improvements made in fiscal 2020. Regular reports on the status and results of the execution of important matters that have been resolved in the Board of Directors. Regular reports on the progress of management plans, compliance, safety management, system risks, etc. Holding of liaison meetings for independent outside officers. Holding of seminars for outside officers, etc. We are committed to further improving the effectiveness of the Board of Directors in the future.

Please refer to the Corporate Governance Report published by the Company for an overview of the effectiveness assessment.

 Corporate Governance
<https://www.nipponexpress.com/ir/governance/>

Training Policy for Directors and Audit & Supervisory Board Members

We provide regular opportunities such as seminars and social gatherings to directors and Audit & Supervisory Board Members. The purpose of these is to deepen their awareness of the Company's management issues as well as to acquire essential knowledge regarding finance, laws, and regulations. The Company bears the cost of such events. Corporate Auditors strive to acquire a wide range of knowledge. This is accomplished by attending meetings for members of Japan Audit & Supervisory Board Members Association and seminars held by the Japan Industrial

Management & Accounting Institute.

We provide opportunities for outside Directors and outside Auditors to acquire knowledge of our business and related matters by allowing them to participate in various company events, facility tours, etc. In addition, we hold "outside officer seminars," where Executive Officers and senior management make presentations. By doing so, we ensure that they have opportunities to understand our management issues, and the management vision, goals, and challenges of the divisions under their purview.

Appointments of Directors

Officer Appointment Policy and Decision Procedures

Our Board of Directors appoints or dismisses candidates for director positions after assessing them from various perspectives. This includes evaluating the success of the management plan utilized in the business and area of which the candidate has been in charge, whether or not the candidate has the necessary experience and expertise to play an active role in the post to be assumed, as well as the candidate's personality and views.

When selecting candidates for Audit & Supervisory Board members, in addition to the above criteria, one or more individuals that have knowledge in finance and accounting is selected. In addition, when appointing candidates for outside directors and outside Audit & Supervisory Board members, we also select the following personnel. Persons who satisfy the requirements for outside Directors and outside Corporate Auditors as stipulated in Article 2, Items 15 and 16 of the

Companies Act, and possess integrity and insight. We seek persons with experience in corporate management, an expert knowledge of law and accounting, etc., as well as academic knowledge. We appoint candidates who are suitable for the position of monitoring the overall management of our business from various perspectives.

To assist us with candidate appointment and dismissal, we will establish a discretionary Compensation and Nomination Advisory Committee and, to the greatest extent possible, take into account its reports when adopting resolutions. As an advisory body to the Board of Directors, three of the four committee members are independent outside Directors.

In addition, in accordance with the revised Corporate Governance Code, we are considering disclosing the skill matrix of directors in the Corporate Governance Report.

Outside Directors and Outside Audit & Supervisory Board Members

We have nine Directors, three of whom are outside Directors. In this way, we incorporate the knowledge of outside experts when making decisions on important management matters. At the same time, we are working to strengthen the supervisory function of the Board of Directors in the execution of its duties. All outside directors are members of the Compensation and Nomination Advisory Committee. It formulates policies and deliberates on proposals related to officer remuneration and nomination, and reports to the Board of Directors. Through their activities, we ensure fairness and transparency.

In addition, Corporate Auditors, including three outside Corporate Auditors, supervise the execution of duties by

directors and conduct audits of group companies.

We also hold liaison meetings for outside directors. This is led by the lead independent outside director, who is elected by mutual agreement. They freely discuss a wide range of topics, including our management and corporate governance. By holding these meetings, we are working to promote closer cooperation among the independent outside directors. At the same time, we have also put a system in place to report the content of those discussions to the Board of Directors as necessary.

We believe that by establishing this system, we have sufficiently ensured the objectivity and neutrality of the management oversight function.

Criteria for Determining the Independence of Independent Outside Directors

We have established the following criteria for determining independence. In addition to the requirements for outside directors set forth in the Companies Act, we take into account the independence standards set forth by the financial instruments exchanges. We appoint outside

Directors and outside Corporate Auditors based on those standards.

We consider candidates for outside Directors and outside Corporate Auditors to be independent if none of the following items apply to them.

1. Persons who are currently Executive Officer at our company or one of our group companies. Persons who have been Executive Officers at our company or one of our group companies within the 10 years prior to the relevant appointment.
2. Shareholders who hold 10% or more of the total voting rights of the Company's shares and business executors of such shareholders.
3. Business executors of business partners whose transactions with the Company Group exceed 2% of the Company's consolidated net sales.
4. Persons who have received remuneration in excess of 10 million yen in a single year from the Company as consultants, attorneys, certified public accountants, etc.
5. Persons belonging to the audit corporation acting as the accounting auditor for our Company.
6. Persons who belong to an organization, etc. that has received an average of 10 million yen or more in donations from us and our group companies for the past three fiscal years.

(Note) Executives refers to executive Directors, Executive Officers, and other employees.

In appointing independent outside directors, we strive to appoint the following type of candidate – A person who we can expect to make effective proposals to the Board of Directors regarding our management policies and management improvement.

Human Resource Development for Senior Management

There is a long-term process for selecting and training the Executive Officers who will lead the Nippon Express Group.

We will assign important responsibilities to the top performers in each department: Branch manager positions that encompass many elements of company management, including customer relations and business management; Presidents of related and overseas subsidiaries; and general managers at the head office who plan and execute company-wide management policies, etc. Based on the results of this process, we will evaluate the candidates' qualifications as management executives. Several people, including the representative director, the director in charge of human resources, and the director in charge of the relevant department participate in these evaluations. We will repeat this process for different positions and select the final candidates.

The Compensation and Nomination Advisory Committee will reevaluate the qualifications of the final candidates as management executives. It will also deliberate on whether each candidate can demonstrate the abilities expected of the position. It will then report to the Board of Directors, and the Board of Directors will select the Executive Officers.

In November 2020, we established the "Outside Directors and Outside Corporate Auditors Seminar," in which only outside directors and outside Audit & Supervisory Board

Members participated. Executive Officers who were candidates for director and management executives who were candidates for Executive Officer positions gave presentations on their management vision and the progress of their efforts to address management issues.

By providing opportunities for outside directors to have direct contact with candidates, we ensure fair and transparent deliberations by the Compensation and Nomination Advisory Committee.

The director in charge of each division is not only a member of the Board of Directors, but also integrally involved in the entire process of selection, guidance, and evaluation.

The Compensation and Nomination Advisory Committee will evaluate and deliberate regarding the selection of the chief Executive Officer. It will then report to the Board of Directors and the Board of Directors will make its decision. We will provide our CEO candidates with various opportunities to develop broad perspectives and management literacy. Along with that, we will put them in charge of departments that are handling important issues in line with our business strategy.

The Board of Directors keenly evaluates not only the results, but also the processes employed by the department heads.

Cross Shareholdings

Policy on Cross Shareholdings and Rationality of Ownership for Cross Shareholdings

Our basic policy regarding cross shareholdings is to reduce them. We do not respond to requests to acquire shares for the purpose of securing stable shareholders, and, in principle, we do not make new acquisitions. In exceptional cases, we may hold shares on a policy-specific basis. Examples include the expansion of business transactions and operations, strengthening of relationships with business partners, and the promotion of collaboration. These are cases in which we judge that such actions will contribute to the enhancement of

our corporate value over the medium- to long-term.

Every year, our Board of Directors evaluates and verifies our cross shareholdings from both quantitative and qualitative perspectives. The rationale for holding each stock is based on a consideration of the cost of capital and the benefits of holding the stock. We describe specific verification points and the details of verification at Board of Directors meetings in the Annual Securities Report that we publish. Please refer to our website for the Annual Securities Report.

 Securities Reports (Japanese only)
<https://www.nittsu.co.jp/ir/library/securities/>

Structure of an Internal Control System

Basic Policies on Internal Control Systems and Implementation Status

For a company to carry out its operations properly and efficiently, it is important to establish an internal control system. Our company has established the Nippon Express Charter of Conduct as a standard to ensure board members and employees comply with laws, regulations, the Articles of Incorporation, other internal rules, and socially accepted

norms. In addition, this acts as an effective control system in which proper operations are carried out under the respective regulations and organizational systems with respect to the following: Compliance, Risk Management, Internal Auditing, and Ensuring Proper Operations at Group Companies.

Officer Remuneration

Policy and Procedure for Determining Officer Remuneration

We have established bylaws concerning the basic policies underlying the process for determining officer remuneration and compensation structure, etc.

The discretionary Compensation and Nominating Advisory Committee deliberates this process and basic policy and acts as

an advisory body to the Board of Directors. Its chairperson is a non-executive director, three out of four members of the committee shall be independent outside directors, and the Board of Directors makes decisions based on the reports it issues. The policy for officer remuneration will be as follows.

(Policy on Officer Remuneration)	1. Remuneration that enables the promotion of talented people who put our corporate philosophy into practice. 2. Remuneration system should motivate sustainable enhancement of corporate value. 3. A remuneration system that employs "fairness" and "reasonableness," and takes into consideration the explanations provided to outside parties, such as the Corporate Governance Code and annual securities reports.
a. Basic policy	
b. Remuneration structure	1. Remuneration for officers shall consist of base remuneration, which is fixed, and performance-linked remuneration, which fluctuates in accordance with business performance. 2. Remuneration for outside directors shall consist of base remuneration only, based on their roles and independent status.
c. Base remuneration	The amount of base remuneration for an executive shall be determined by taking into consideration the standards at other companies based on surveys conducted by outside expert organizations and the role which the executive will fulfill.
d. Performance-based compensation	1. As short-term, performance-based compensation, our company pays bonuses indexed to single-year performance. 2. As medium- to long-term performance-linked compensation, our company provides share-based remuneration which reflects the level of achievement of our medium-term business plan and the increase in corporate value (stock value).
(Determination of officer remuneration)	We determine the remuneration (monthly) for each individual according to the role they play, based on the standard amount for their position.
a. Fixed remuneration	We determine the bonus for each individual by assessing the company's performance and their contribution to that performance for a single year, in accordance with their role.
b. Bonuses	
c. Performance-based stock compensation	We will evaluate the degree to which the business plan has been achieved for each fiscal year during the medium-term business plan period and the degree to which the business plan has been achieved for the final year of the medium-term business plan period in accordance with the Group and the individual's role. The shares to be granted to an individual and the amount equivalent to the cash value of the shares to be used for the payment of income taxes will then be determined on that basis.

We will determine specific amounts within the scope of the amount resolved at the 100th annual shareholder meeting held on June 29, 2006. The amount of remuneration for directors is deliberated on and reported by the Compensation and Nomination Advisory Committee and decided by the Board of Directors. It will be deliberated on in accordance with the above policy based on the directors' roles and business performance status. The amount of remuneration for Audit & Supervisory Board members is determined through discussions among the Audit & Supervisory Board members.

In addition to the conventional remuneration and bonuses for officers and corporate auditors, we introduced a performance-based stock compensation plan in September 2016. It is for directors and Executive Officers (excluding outside directors and those who do not reside in Japan). Its purpose is to further enhance the motivation of officers to contribute to the improvement of our company's corporate value and shareholder value over the medium- to long-term. It utilizes the BIP (Board Incentive Plan) Trust (BIP Trust) *. This plan is partially funded by the existing basic remuneration. It provides for the delivery of a variable number of shares of our shares as compensation. The number of shares will fluctuate depending on the position of the person subject to the plan and the degree of achievement of company-wide performance targets. Every fiscal year and at the end of the period under evaluation, we will conduct a performance evaluation based on indicators such as consolidated net sales, consolidated operating income, and consolidated ROE (return on equity). The range of increase or decrease corresponding to the achievement of performance targets, etc. is as follows. The level corresponding to the achievement of performance targets, etc. is set at 100%. This is set for the entire standard annual performance evaluation and mid-term performance evaluation. The level can range from 0% to

150%. Compared to target budget figures, the actual results of the indices related to the performance-based stock compensation for the current fiscal year are as follows: Consolidated net sales were 94.51%. Consolidated operating income was 110.78%. Consolidated ROE was 116.28%.

We deliver our shares. At the same time, we convert a portion of the shares we deliver into cash in the trust for use in paying income taxes. Then we deliver them in cash. We determine the number of our shares to be delivered based on the Share Handling Regulations that stipulate rules for calculation methods, timing of delivery, etc.

* The BIP Trust is a trust-type incentive plan. It is based on the Performance Share Plan and Restricted Stock Plan in the United States. It is a mechanism to deliver the Company's shares to directors, etc. in accordance with the Company's performance, etc.

Total Amount of Compensation, etc. by Officer Category, Total Amount of Compensation, etc. by Type, and Number of Eligible Officers

Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type				Number of eligible officers (Persons)
		Fixed compensation (Millions of yen)	Bonuses (Millions of yen)	Stock compensation (Millions of yen)	Other compensation (Millions of yen)	
Directors (of which, Outside Directors)	501 [39]	361 [39]	102 —	20 —	16 —	9 [3]
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	99 [49]	97 [49]	— —	— —	1 —	5 [3]
Total (of which, Outside Officers)	600 [88]	458 [88]	102 —	20 —	18 —	14 [6]

Notes: 1. The amount of bonuses stated is the amount to be proposed at the 115th Ordinary General Meeting of Shareholders to be held on June 29, 2021.
 2. The amount of stock compensation is the amount of provisions recorded for the fiscal year under review in accordance with the performance-based stock compensation plan whose introduction was resolved at the 110th Ordinary General Meeting of Shareholders held on June 29, 2016 (the continuation and partial revision of this plan were resolved at the 113th Ordinary General Meeting of Shareholders held on June 27, 2019), and it differs from the actual total amount of payments.
 3. The Board of Directors decided to abolish bonuses for Audit & Supervisory Board Members at a meeting held on June 20, 2008.
 4. Other compensation includes the amount borne by the Company for company housing provided to officers.

Outside Directors Discuss Corporate Governance in the Nippon Express Group

Outside Director Masahiro Sugiyama

ESG and the Corporate Governance Code are not corporate-driven in nature. I believe we can say that in the former, the question of G (governance) comes after taking E (environment) and S (social) into question. The latter is a product of the government's Japan Revitalization Strategy, stipulating what Japanese corporations should do and how they should act. The nature of the times demand the extent to which appropriate information is disclosed to society. Assuming an acceptable response to these demands, private corporations are not necessarily bound uniformly to the same degree of disclosure.

As long as the corporate culture handed down in each company provides a positive impact on the future, each company should be allowed room to express their individuality under their own responsibility. In making progress under the Nippon Express Group business plan, the group cites ESG management alongside a *strategy to enhance domestic businesses in Japan and reinforcing functions to support challenges*. E is characterized by whether CO₂ emissions reductions exceed targets. S is characterized by whether the company values its important human capital as part of fulfilling its corporate responsibility. G reflects whether the company is creating systems and measures actively that form the basis of corporate sustainability. These are outcomes that can be measured. At the same time, we can only look to the future in evaluating G based on a harmony of E and S, since the company is in a period of corporate management reform at present. The transition to a holding company, in particular, requires the addition of new value, while building on the management achievements of the past. To ensure a smooth transition to the new structure, every employee must share a clear understanding of what will remain the same and what must change in the future. This is not always easy to do. But to make steady progress in becoming a logistics company with a strong presence in the global market, creating a shared understanding must include perspectives that are further ahead of the times and outside the perspectives of the executive officers. In this sense, I believe the role of independent outside directors will become even more important in the future.

* Mr. Sugiyama's term of office expired at the conclusion of the general shareholders' meeting held June 29, 2021, at which point he retired from service.

Outside Director Shigeo Nakayama

Corporate governance is the foundation for building an organization capable of improving corporate value on a sustainable basis. The Nippon Express Group is unique in its drive to reinforce group management while pursuing policies to strengthen safety and quality, to improve work environments, to engage in consistent compliance and the prevention of misconduct, and to reform and abolish inappropriate business practices. In this regard, the transition to a holding company structure in January 2022 will strengthen the group's global strategy and have a significant impact on group companies. In April 2022, the Japanese securities market is scheduled to be reorganized into Prime, Standard, and Growth markets. In advance of this change, the Corporate Governance Code of the Tokyo Stock Exchange is being revised currently. It is safe to say that the Nippon Express Group will be challenged to raise its presence amid a management environment that emphasizes corporate governance to an even greater degree.

Given these circumstances, I wish to make two points in particular. The first is the reorganization of domestic and overseas business organizations optimized for a holding company structure. A study is already underway from multiple angles, but it is incumbent upon the company to establish a new business organization under the holding company as quickly as possible to strengthen the strategic functions and governance structure of the group.

The second point is to ensure compliance and prevention of misconduct. From the perspective of global governance, Nippon Express must ensure that all group companies, including overseas companies, comply with laws and regulations and prevent misconduct and corruption. To this end, the group will be required to strengthen its audit systems based on an understanding of the laws and regulations of each country. The Nippon Express Group has already established rules and regulations for compliance and for conformance with competition laws and anti-bribery laws. The group has information systems and cyber security measures in place. However, the key point moving forward will be the people operating these systems. The group will need to focus even more on the education and training of employees in Japan and overseas, as well as the use of and coordination with various specialized organizations and professionals.

Outside Director Sadako Yasuoka

The Revised Corporate Governance Code ("CGC") came into effect this year, and corporate governance in Japan has entered a deeper stage from *form to substance*. The key points to the revision include environmental issues such as CO₂ emissions reductions, social trends such as ensuring diversity among essential corporate human resources, and the nature and effectiveness of the board of directors. I believe that Nippon Express addresses each case with great care, demonstrating its position and pride as a leading company in the logistics industry.

As one example, the company has implemented seminars for outside directors in response to requests for opportunities to gain a more concrete understanding of management policies and issues. Other new initiatives and improvements are underway, and I believe Nippon Express is responding in an appropriate manner to strengthen corporate governance. The company also provides detailed explanations in response to our questions, which is an attitude that has led to good public relations activities outside the company.

In 2015, the company began revising its CGC compliance policies and initiatives in line with changing social values and the company's own growth, continuing to be engaged in strengthening corporate governance. The company clearly articulates policies and initiatives to foster a common understanding and recognition. But, of course, these initiatives become valuable only when put into actual practice. It is important for employees to understand why CO₂ emissions must be reduced, what is meant by diverse human resources, etc. Employees must consider and practice ways to reduce CO₂ emissions and create an environment that accepts diversity. Only when every employee is aware of the importance of serving society, of serving others, and of course, serving their families and friends, that they will truly come alive in their work.

Mission, Challenge, and Pride, as stated in the Nippon Express Group corporate philosophy, are the three unchanging pillars that will support the company into the future. The ideal would be for every employee to act with confidence, the results of their actions in line with CGC and strengthening governance in the group.

Risk Management

Risk Management Basic Policy

The Nippon Express Group has established the Crisis Management Rules to reduce risks that may adversely affect business operations and to facilitate the functioning of its risk management system for prompt and appropriate response to emergencies.

Crisis Management System

Based on the above-mentioned four rules, the Group stipulates responses to a wide range of risks, including wide-area disasters, outbreaks of new strains of influenza and other infectious diseases, information system risks, emergencies overseas, and other risks, while reinforcing collaboration within the Group. Furthermore, Nippon Express has also played a role in supporting the restoration and recovery of areas affected by disasters, including transporting emergency supplies as a designated public institution prescribed by the Basic Act on Disaster Management, Civil Protection Act (Act on the Protection of the People in the

Risk Management System

The Company has established the Board of Risk Management, Disaster Management Committee, Overseas Risk Management Committee, IT System Risk Management Committee, and Pandemic Management Committee

Ensuring Business Continuity (BCM/BCP)

The Company has established a basic policy on business continuity management (BCM) as well as business continuity plans (BCPs) to ensure continue operations even when encountering the spread of contagious diseases and other disasters or threats. Through the systematic determination of first response and recovery measures, the Group is increasing its resilience to emergencies. Under this framework, the Company places the highest priority on

Major Nippon Express Group Risks

We listed risks that have significant potential to impact financial state, business results, and cash flow in the Securities Report.

The Group has established a crisis management system comprising four codes under the Crisis Management Rules: Disaster Management Code; Overseas Crisis Management Code; IT System Risk Management Code; and Pandemic Management Rules.

Event of Armed Attacks), and Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response. In addition to 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, the Company has stationed satellite-based mobile phones in departments and divisions at the head office and major domestic bases. This enables us to respond to disruptions in telephone networks due to disasters, and ensures prompt communication in the event of emergencies.

headed by the president to improve the risk management system, minimize damage, ensure the safety of employees, and prevent disruption of Group business operations in cooperation with related departments and divisions.

ensuring the safety of employees and their families 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 ensure social function by contributing to the operation of supply chains, even during emergencies caused by natural, industrial, and man-made disasters, and thus contribute to society.

In order to identify materiality, we take risks and opportunities from the viewpoint of sustainability into consideration. (See pp.36-37.)

Compliance

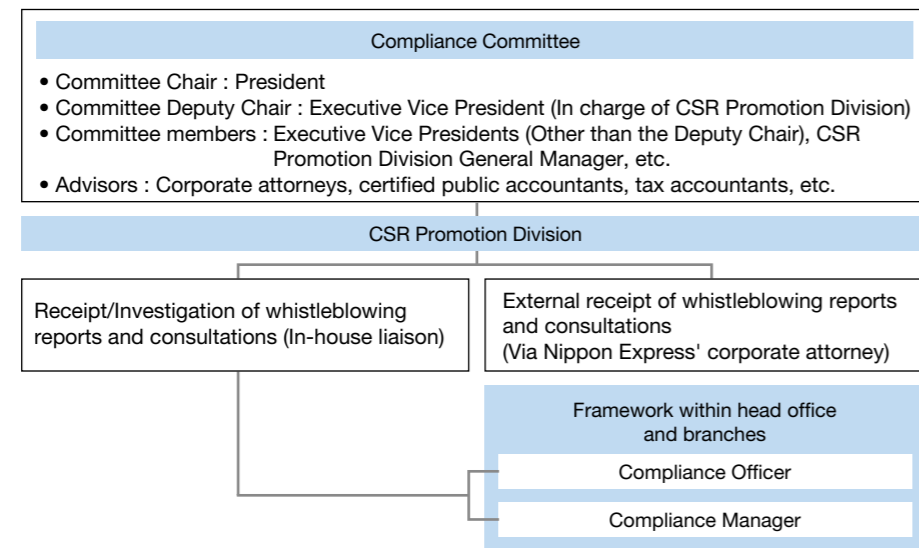
Fair Business Practice Promotion

Compliance Management Structure

The Company established its Compliance Division (current CSR Promotion Division) in 2003 to promote compliance management. In the same year, the Company also established its Compliance Regulations, the Compliance

Committee headed by the president in the head office, and the Nittsu Speak Up whistleblowing system to take necessary measures to ensure fair and honest corporate activities.

Compliance Management System



Compliance Training

The Nippon Express Group distributes its Compliance Handbook (in Japanese, English, and Chinese) to all Group employees both at home and abroad. The handbook contains specific cases regarding compliance and the Code of Conduct presented in an accessible manner. We use the handbook as an effective tool for employee education to promote compliance management. In fiscal 2020, 65,581 employees in Japan took compliance training using the Compliance Handbook.

For employees engaged in sales and administrative affairs, we provide an e-learning program twice a year on the themes of harassment and non-compliance prevention. In fiscal 2020, 36,693 employees learned through the program.

Compliance Awareness Survey

The Nippon Express Group carries out an annual Group-wide compliance awareness survey targeting all employees in Japan.

The survey conducted in November 2020 (target group: 67,247 persons; respondents: 58,152) addressed

We also convene an annual conference for the compliance managers in the Group to share and exchange information and opinions aiming to increase compliance awareness throughout the Group.

The CSR Promotion Division distributes the CSR Newsletter and Compliance Calendar to all workplaces. Besides sharing information about cases of compliance violations, the CSR Newsletter helps readers to obtain more knowledge and raise their awareness about CSR. The Compliance Calendar presents some compliance slogans collected from staff members and is designed to spread compliance throughout the workforce via employee involvement and friendly content.

compliance awareness, assessments of workplace conditions, compliance awareness improvements, harassment prevention, and misconduct or improper activities among all employees.

Stakeholder Engagement

Sharing Value with Our Stakeholders

The Nippon Express Group's business stands on the foundation of a trusting relationship with a wide range of stakeholders.

The Group emphasizes stakeholder engagement to address the expectations of our stakeholders, works with our stakeholders to achieve and grow our business, and shares the resulting value with our stakeholders through interactive communication.



Basic Policy for Dialogue

The Investor Relations Promotion Group of the Corporate Planning Division within the Corporate Strategy Unit, which is led by our top management, is in charge of holding meetings with shareholders and investors with the participation of the top management, the director in charge of IR, and the senior managers. We hold one-on-one base meetings in Japan and overseas as well as telephone conferences, financial result briefings, site visits, IR Meetings, and small meetings. We also attend other 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 periodically reported at the Board of Directors' Meetings, and fed back to outside directors and senior managers as well as other relevant internal divisions to reflect to our corporate activities.

Major Initiatives

Stakeholder	Major dialogue methods and opportunities
Customers	<ul style="list-style-type: none"> • Exhibitions, briefings, and seminars (as necessary) • Telephone and internet consultations (daily) • Questionnaires for customers (as necessary), etc.
Shareholders and investors	<ul style="list-style-type: none"> • General Shareholders' Meetings (annually) • Results briefings (quarterly) • Dialogue-based ESG programs (as necessary) • Reports such as integrated reports (as necessary), etc.
Affiliates and subcontractors	<ul style="list-style-type: none"> • Safety council meetings (semiannually) • Meetings and briefings (as necessary), etc.
Employees	<ul style="list-style-type: none"> • Internal whistleblowing system "Nittsu Speak Up" (daily) • Individual interviews (as necessary) • Internal questionnaires (as necessary) • Compliance awareness survey (annually) • Company newsletter (monthly), etc.
Administrative institutions	<ul style="list-style-type: none"> • Committees, conferences and meetings (as necessary), etc.
Communities	<ul style="list-style-type: none"> • Participation in business/industry organizations (as necessary) • Dispatch of personnel to provide lectures and training (as necessary) • Social contribution activities (as necessary), etc.

Initiatives for Constructive Dialogue with Shareholders and Investors

In addition to proactively disclosing information to deepen understanding of the Nippon Express Group's management policies and business operations, we hold meetings for shareholders and investors with our top management and report the opinions gleaned from such meetings at the Board of Directors' Meetings to improve the quality of dialogues.

We hold financial results briefings four times each year. The president and the IR representative attend twice separately as main speakers. We also hold meetings, briefings, site visits and other activities for Japanese institutional investors, overseas institutional investors, and private investors as a means of advancing initiatives to strengthen shareholder engagement.

During the fiscal year ended March 31, 2021, we were prevented from holding site visits and face-to-face events due to COVID-19; however, we held telephone or online conferences, financial results briefings via live streaming, and other online events to create opportunities for dialogues with shareholders and investors, and improve information disclosure.

FY2020 Results

For domestic institutional investors

- One-on-one meetings between institutional investors with the president, the director in charge of IR, and the IR representative – Meetings with the director in charge of IR: 1, Meetings with the IR representative: 98
- Small meetings with the president participating as a speaker: 2
- IR Meetings with three executive vice presidents participating as speakers: 1
- Securities analyst interviews addressed by the IR representative: 47

For overseas institutional investors

- Meetings with overseas investors (North America, Europe, Asia) – Meetings with the president: 1, Meetings with the director in charge of IR: 7, Meetings with the IR representative: 36
- Participation in conferences organized by securities firms: 6

For private investors


- Briefings and meetings: 2

Site visits

- None due to COVID-19

Directors, Executive Officers, Audit & Supervisory Board Members (As of June 29, 2021)

Directors and Executive Officers




Kenji Watanabe
Chairman and Representative Director
Chairman of the Board of Directors

Reappointed

Stock ownership 28,803 shares
Years of service as a director 16
Board meeting attendance 16 of 17 meetings (94%)

Reasons for Selection
Mr. Kenji Watanabe was appointed president and representative director of the Company in June 2011. Since that time, he has been responsible for strengthening the Company's domestic business, driving the growth of the entire Nippon Express Group and building a management foundation for Nippon Express to become a truly global logistics company. Mr. Watanabe assumed the position of representative director and chairman in May 2017. He has been selected for this position in the judgment that his strong leadership and management skills based on his excellent insights are indispensable for strengthening the management foundation of the Nippon Express Group to achieve the long-term vision defined in the new business plan.



Mitsuru Saito
President, Chief Executive Officer and Representative Director
General Manager, Corporate Strategy Unit and Chief Managing Officer, Corporate Strategy Headquarters

Reappointed

Stock ownership 17,900 shares
Years of service as a director 9
Board meeting attendance 17 of 17 meetings (100%)

Reasons for Selection
Mr. Mitsuru Saito was appointed as representative director and executive vice president of the Company in May 2014. As chief managing officer of the Administration Headquarters, he implemented swift and sure business structural reforms have led to the ongoing growth of the Company. Mr. Saito assumed office as president and representative director in May 2017. He has been selected for this position in the judgment that his management skills founded on strong leadership and excellent insights as chief executive officer are indispensable for the prompt and reliable implementation of our new business plan strategies, as well as for the growth of the Nippon Express Group into a logistics company with a presence in the global market.




Takaaki Ishii
Executive Vice President, Chief Operating Officer and Representative Director
Representative Director General Manager, Business Solutions Unit

Reappointed

Stock ownership 14,400 shares
Years of service as a director 7
Board meeting attendance 17 of 17 meetings (100%)

Reasons for Selection
Since his appointment as executive officer in June 2011, Mr. Takaaki Ishii has contributed significantly to the management of the Company, fulfilling executive responsibility for operations across a broad range of businesses primarily in the Kanto Region. He was appointed executive vice president, chief operating officer, and representative director in May 2017. He has been selected for this position in the judgment that his leadership and management capabilities, based on profound experience and knowledge, are indispensable for strengthening our customer- and business-based approaches, while also developing our global logistics business by ensuring competitiveness.

Audit & Supervisory Board Member




Naoya Hayashida
Full-Time Audit & Supervisory Board Member

Reappointed

Stock ownership 6,300 shares
Years of service as a director 3
Board meeting attendance 17 of 17 meetings (100%)

Reasons for Selection
Mr. Naoya Hayashida has served as General Manager, Finance & Accounting Division of Nippon Express USA, Inc. and Director and Executive Officer of Nittsu Shoji Co., Ltd. In May 2015, he was appointed Executive Officer and General Manager, Finance & Accounting Division, and in June of the same year, he was appointed director. He has been appointed to his current position in the judgment that his business management skills, based on his experience as an officer in charge of the Finance Department, are indispensable for the company to carry out sound and appropriate corporate operations.



Shigeki Arima
Full-Time Audit & Supervisory Board Member

Reappointed

Stock ownership 2,502 shares
Years of service as a director 1
Board meeting attendance 13 of 13 meetings (100%)

Reasons for Selection
After serving as general manager of the Group Corporate Management Division and Corporate Planning Division, Mr. Shigeki Arima was appointed executive officer of the Company in May 2018. Since that time, he has driven business forward as the individual in charge of the Chugoku and Shikoku region. He has been appointed to his current position in the judgment that his business management skills, based on deep experience and expertise, are indispensable for the company to establish corporate governance, as well as to carry out sound and appropriate corporate operations.

Executive Officer

Senior Managing Executive Officer

Akira Kondo

Eiichi Nakamura

Toshiro Uchida

Managing Executive Officer

Tatsuo Sugiyama

Tatsuya Suzuki

Masato Nakagawa

Atsushi Nagashima

Chihiro Sugiyama

Kazutoshi Hamashima

Shinjiro Takezoe

Executive Officer

Masayuki Yamada

Tadashi Fujishiro

Kenji Kato

Ken Sato

Tadahiro Furue

Hiroyuki Tanaka

Hideshi Otsuki

Tatsuya Akama

Toshiya Abe

Tatsuya Fujimoto

Toshikazu Kitai

Haruyasu Toda

Sumitoshi Matsuo

Yoichi Satake


Toru Hirose

Shinichi Kakiyama

Tatsuya Toda

Satoshi Otsuji

Hiroshi Takahara




Susumu Akita
Executive Vice President, Chief Operating Officer and Representative Director,
General Manager, Japan Business Unit, Chief Managing Officer, Japan Business Headquarters
Chief Managing Officer, Network Transport Business Promotion Headquarters

Reappointed

Stock ownership 5,800 shares
Years of service as a director 5
Board meeting attendance 17 of 17 meetings (100%)

Reasons for Selection
Since his appointment as executive officer in May 2014, Mr. Susumu Akita has contributed to our businesses in the Tohoku region. He has a record of significant achievements across important sections of our company, including general affairs, human resources, and business operations. Mr. Akita was appointed vice president and representative director in April 2019. He was appointed to his current position in the judgment that his leadership and management expertise based on extensive insights are indispensable for overseeing our businesses in Japan, as well as for implementing strategies that strengthen our businesses and improve profitability and productivity.




Satoshi Horikiri
Executive Vice President, Chief Operating Officer and Representative Director
General Manager, Corporate Solutions Unit, Chief Managing Officer, Corporate Support Headquarters and Chief Managing Officer, CSR Headquarters

Reappointed

Stock ownership 5,300 shares
Years of service as a director 1
Board meeting attendance 13 of 13 meetings (100%)

Reasons for Selection
Since his appointment as executive officer in May 2015, Mr. Satoshi Horikiri has made significant contributions to the development of the Company's business in the North Kanto & Shin-Etsu region. He has delivered many successes as head of important sections, including the Corporate Planning Division and Overseas Business Headquarters. Mr. Horikiri was appointed executive vice president and chief operating officer in April 2020, and as executive vice president and representative director in June of the same year. He was appointed to his current position in the judgment that his management skills in cross-organizational coordination and record of past achievements in every important section of our business are indispensable for strengthening our management base to support the resilience of our businesses in Japan and the rapid growth of overseas business in the increasingly uncertain business environment.




Takashi Masuda
Director and Managing Executive Officer
in Charge of Corporate Planning Division and Financial Planning Division

Reappointed

Stock ownership 3,500 shares
Years of service as a director 3
Board meeting attendance 17 of 17 meetings (100%)

Reasons for Selection
Mr. Takashi Masuda has been engaged in measures to strengthen the Company's financial base and improve the efficiency of companywide accounting operations in his role as the individual in charge of finance since his appointment as executive officer in May 2018 and director in June 2018. In 2019, he became the individual in charge of the Corporate Planning Division and Financial Planning Division. He was appointed managing executive officer in April 2021. He was appointed to his current position in the judgment that his management skills based on diverse experience and in-depth knowledge, including in the field of finance, are indispensable in strengthening our business foundations through sophisticated strategic investments and the implementation of capital policies for ESG management.




Toshiaki Nojiri
Outside Audit & Supervisory Board Member

Reappointed
Outside
Independent

Stock ownership 300 shares
Years of service as a director 5
Board meeting attendance 16 of 17 meetings (94%)

Reasons for Selection
Mr. Toshiaki Nojiri was appointed as an outside member of the Company's Audit & Supervisory Board in June 2016 in recognition of his outstanding character, insight, and suitability for the position of monitoring management in all aspects of the Company's business based on his specialization in research on antitrust law and transportation business policy, as well as his experience as an academic expert in a number of public positions, including positions in government agencies and industry organizations. He was appointed to his current position in the judgment that his extensive experience and insight are indispensable for the continued performance of sound and appropriate corporate management in the Nippon Express Group. While Mr. Nojiri has no experience in corporate management other than as an outside director, it is our judgment based on the reasons above that he will be able to perform his duties appropriately as an outside member of the Audit & Supervisory Board.



Yoshio Aoki
Outside Audit & Supervisory Board Member

Reappointed
Outside
Independent

Stock ownership 0 shares
Years of service as a director 5
Board meeting attendance 16 of 17 meetings (94%)

Reasons for Selection
Mr. Yoshio Aoki was appointed as an outside member of the Company's Audit & Supervisory board in June 2016 in recognition of his outstanding character, insight, and suitability for the position of monitoring management in all aspects of the Company's business based on his extensive experience as a certified public accountant and professional knowledge of finance and accounting. He was appointed to his current position in the judgment that his extensive experience and insight to be indispensable for the continued performance of sound and appropriate corporate management in the Nippon Express Group. While Mr. Aoki has no experience in corporate management other than as an outside director, it is our judgment based on the reasons above that he will be able to perform his duties appropriately as an outside member of the Audit & Supervisory Board.




Shigeo Nakayama
Outside Director

Reappointed
Outside
Independent

Stock ownership 300 shares
Years of service as a director 7
Board meeting attendance 16 of 17 meetings (94%)

Reasons for Selection
Mr. Shigeo Nakayama is an attorney-at-law with particular expertise in labor law and labor-related laws. Mr. Nakayama has provided advice, etc., necessary for the sound development of the Company with respect to proposals, deliberations, etc., based on his legal knowledge cultivated over many years and his abundant experience in corporate legal affairs. He has been appointed to his current position in the expectation he will play a role in supervising and advising on the execution of our businesses. While Mr. Nakayama has no experience in corporate management other than as an outside director or outside member of an Audit & Supervisory Board, it is our judgment based on the reasons above that he will be able to perform his duties appropriately as an outside director.




Sadako Yasuoka
Outside Director

Reappointed
Outside
Independent

Stock ownership 300 shares
Years of service as a director 6
Board meeting attendance 15 of 17 meetings (89%)

Reasons for Selection
Ms. Sadako Yasuoka has been a researcher of the Analects of Confucius and conducts educational activities for people of all generations. Ms. Yasuoka has provided advice, etc., necessary for proposals and deliberations, from a social perspective based on her depth of education and abundant experience. She has been appointed to her current position in the expectation that she will play a role in supervising and advising on the execution of our businesses. While Ms. Yasuoka has no experience in corporate management other than as an outside director or outside member of an Audit & Supervisory Board, it is our judgment based on the reasons above that she will be able to perform her duties appropriately as an outside director.




Yojiro Shiba
Outside Director

Newly Appointed
Outside
Independent

Stock ownership 0 shares

Reasons for Selection
Mr. Yojiro Shiba has a wealth of experience in corporate management and broad perspectives cultivated through responding to a wide range of customer needs. He has been appointed to his current position in the expectation that he will play a role in supervising and advising on our businesses based on his deep insight into corporate management and business execution as the Nippon Express Group accelerates global business development and enhances group management, and it is our judgment that he will be able to perform his duties appropriately as an outside director.



Nobuko Sanui
Outside Audit & Supervisory Board Member

Newly Appointed
Outside
Independent

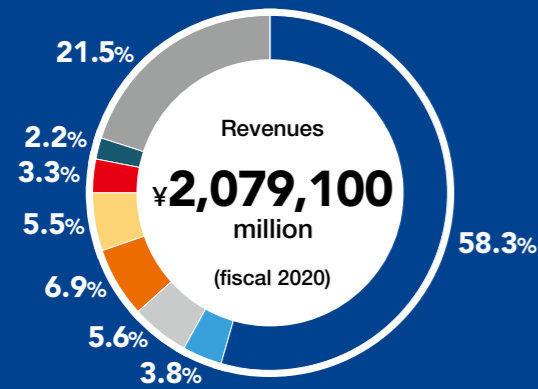
Stock ownership 0 shares

Reasons for Selection
Ms. Nobuko Sanui has experience in the formulation of international rules in the field of labor at an employers' association and formulating policy recommendations that contribute to overseas expansion of companies. Judging her suitable to monitor Nippon Express Group global business operations based on her detailed experience and expertise in international and labor domains, as well as her experience and knowledge in managing an association, the Company has nominated Ms. Sanui will play a role in offering advice for the greater strength of the Company's audit system.

At a Glance

The Nippon Express Group provides a range of services via diverse transport modes in all regions in Japan and throughout the world to improve the efficiency and sophistication of our customers' supply chains and to enhance the added value of their goods.

Reportable Segment Breakdown



Note: Figures presented exclude adjustments.

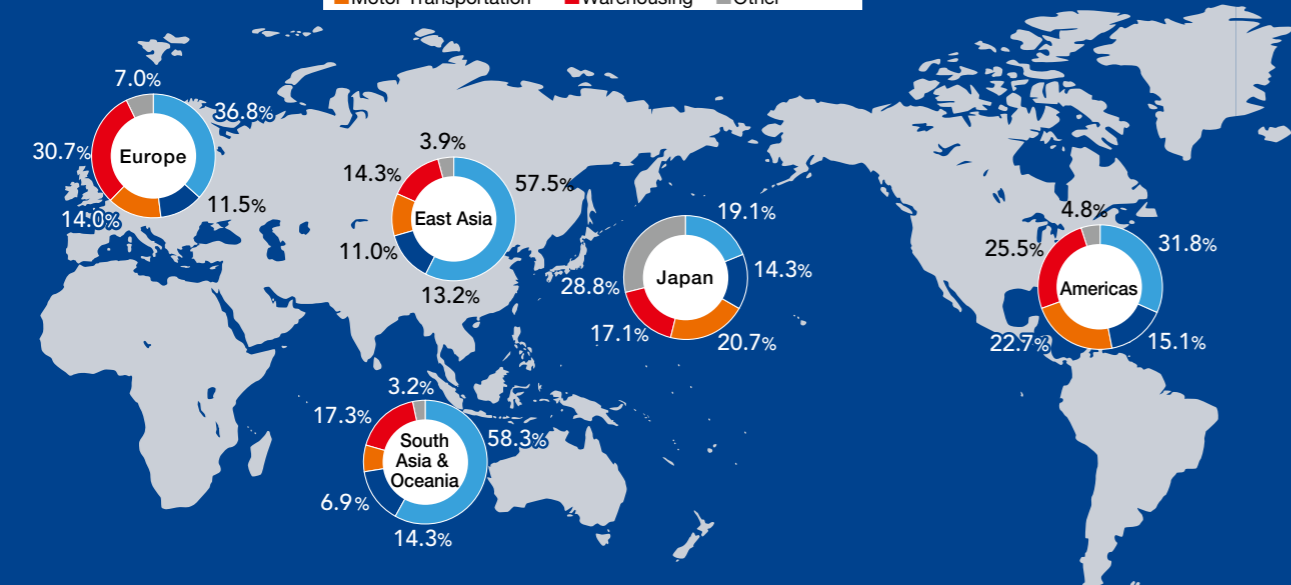
Revenues by Reportable Segment/Reportable Segment Income

	Revenues	Segment Income (Operating Income)
Japan	1,212.8	51.9
Americas	78.1	0.4
Europe	117.1	3.4
East Asia	143.6	8.4
South Asia & Oceania	114.7	9.8
Security Transportation	69.2	(0.9)
Heavy Haulage & Construction	45.8	5.2
Logistics Support	447.8	13.6

Areas of Operation/Products and Services

Segment	Areas of Operation											Main Products and Services
	Railway forwarding	Motor cargo transportation	Air freight forwarding	Marine transportation	Harbor transportation	Warehousing	Travel	In-factory work	Information asset management	Real estate	Heavy haulage and construction	
Logistics	●	●	●	●	●	●	●	●	●	●	●	Railway utilization transportation, chartered truck services, combined delivery services, air freight forwarding, travel, marine and harbor transportation, moving and relocation, warehousing and distribution processing, in-factory work, information asset management, real estate rental, fine arts transportation, security transportation, heavy haulage and construction
Japan	●	●	●	●	●	●	●	●	●	●	●	Railway utilization transportation, chartered truck services, combined delivery services, air freight forwarding, travel, marine and harbor transportation, moving and relocation, warehousing and distribution processing, in-factory work, information asset management, real estate rental, fine arts transportation, security transportation, heavy haulage and construction
Americas	●	●	●	●	●	●	●	●	●	●	●	Air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, travel
Europe	●	●	●	●	●	●	●	●	●	●	●	Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, travel
East Asia	●	●	●	●	●	●	●	●	●	●	●	Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services
South Asia & Oceania	●	●	●	●	●	●	●	●	●	●	●	Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, heavy haulage and construction, travel
Security Transportation	Security guard, motor cargo transportation											Security Transportation
Heavy Haulage & Construction	Heavy haulage and construction											Heavy Haulage and Construction
Logistics Support	Sale of distribution equipment, wrapping and packaging materials, vehicles, petroleum, liquefied petroleum (LP) gas, etc., leasing, vehicle maintenance, insurance agency, mediation, planning, designing and management of real estate, investigation and research, logistics finance, automobile driving instruction, employee dispatching											Leasing, sale of petroleum, other sales, real estate, finance, etc.

Breakdown by Business



Results by Reportable Segment



Japan

Business Overview

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, we provide the right solution for different needs in every area from business-to-business logistics to moving & relocation and transport of special goods, like fine arts and pharmaceuticals, by employing a logistics information system that combines our distribution centers, which boast one of the largest warehousing floor areas in Japan, with our experience and know-how.

Main Initiatives in FY2020

720,000 hours reduction in working hours from the introduction of RPA

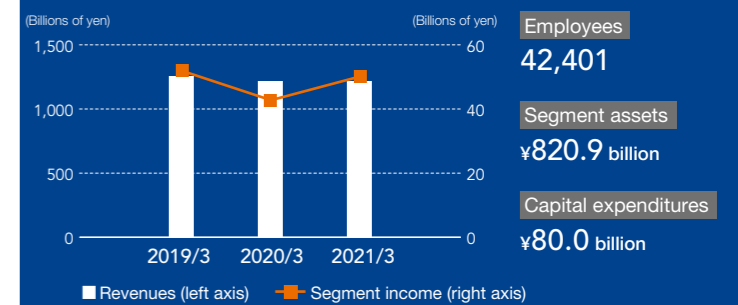
The introduction of RPA by March 2021 at our locations in Japan resulted in an annual reduction of 728,721 hours spent on routine tasks. Significant changes in the social environment such as labor shortages because of the declining birthrate and aging population, as well as reforms in working styles mean that efforts to increase productivity have become major points of concern for companies. Also, improvements in IT in recent years have dramatically increased the usability of RPA. Given this situation, we launched our RPA promotion initiative in March 2018 with the aim of achieving a new way of working. We have been actively striving towards its aim of reducing the annual number of hours worked by 1 million by the end of FY2021. This has resulted in us reaching 728,721 hours, exceeding our March 2021 goal of 700,000 hours, and we are 270,000 hours away from our FY2021 year-end target.

Reception of the Second Ocean Cargo Modal Shift Award

In March 2021, together with Isuzu Tokai Corporation (President: Tomoyuki Iwashina), Nippon Express received the “Ocean Cargo Modal Shift Award” from the Eco-ship modal shift business execution committee (with support from the Ministry of Land, Infrastructure, Transport and Tourism). This award, the second presented, went to our Nagoya Branch, following the award given to our Kyoto Branch last year.

Nippon Express proposed the integration of ocean-land transport using ferries with semitrailers capable of driverless operation as ways to deal with reducing problem CO₂ emissions and to cope with truck driver shortages. In response, Isuzu Tokai Corporation took the step of a modal shift to ferry transportation from Nagoya Port to Sendai Port (operated by Taiheiyō Ferry Co., Ltd.). This took into consideration the fact that the delivery destination was a major automobile manufacturer that paid heed to environmental issues, as well as future increases in volume transported to Japan's Tohoku region. Further, we have reduced overland shipping distances by consolidating our shipping bases in Shizuoka and Gifu into a single base in Gifu that is closer to Nagoya Port, thus reducing CO₂ emissions, shortening driving times, and achieving more reliable transport.

Revenues and Segment Income



Employees
42,401

Segment assets
¥820.9 billion

Capital expenditures
¥80.0 billion

Strategy and Policy

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

Fiscal 2020 Performance

Despite an increase in air freight volume, revenues amounted to ¥1,212.8 billion, a decrease of ¥0.7 billion, or 0.1%, from the previous fiscal year. This result was mainly due to a decrease in automobile transportation volume. In contrast, operating income rose ¥9.1 billion, or 21.3% compared to the previous fiscal year, reaching ¥51.9 billion. This increase was mainly due to an increase in air freight volume and a decrease in the unit selling price of oil.

Results by Reportable Segment

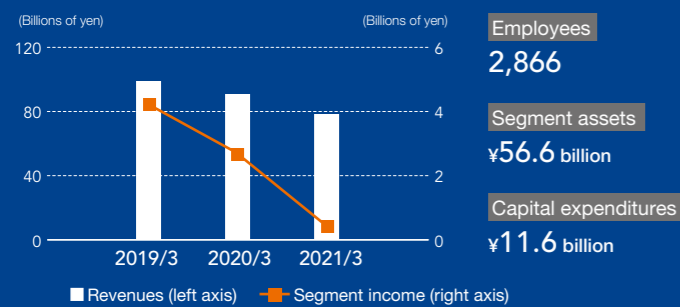
Americas

Business Overview

Nippon Express has operations in the United States, Canada, Mexico, Brazil, Colombia, and Panama, offering network services connecting the 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 the 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.



Revenues and Segment Income



Employees
2,866

Segment assets
¥56.6 billion

Capital expenditures
¥11.6 billion

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 the 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, in order to extend sales to non-Japanese customers and thereby reinforce the customer base.

Fiscal 2020 Performance

Sales dropped precipitously because of suspended production activities by customers primarily in automotive manufacturing as a result of the COVID-19 pandemic. In spite of a recovery after the resumption of production, the consolidation of bases, and a reduction in personnel, this suspension of production had a major impact resulting in net sales decreasing by ¥12.9 billion, or 14.2%, to ¥78.1 billion, and operating income decreasing by ¥2.3 billion, or 82.6%, to ¥0.4 billion, over the previous fiscal year.

Main Initiatives in FY2020

Acquisition of an Equity Stake in US Logistics Company

Through Nippon Express USA, Inc., in September 2020 we acquired a total equity interest in US logistics companies MD Logistics, LLC. and MD Express, LLC. (below: collectively "MD Logistics") concluding their acquisition as a subsidiary.

Under the internal management system that complies with licensing and guidelines with regards to the handling of pharmaceuticals, MD Logistics provides storage at a range of temperatures from -40°C to +25°C as well as distribution processing operations such as packing, proving their strength in tailor-made services that meet the needs of each customer. By including MD Logistics in our Group as a subsidiary, we have acquired domestic logistics functions in the United States, which accounts for about 40% of global pharmaceutical demand. Going forward, we look to provide integrated logistics services by combining our Group's international transportation network to support the globalization of our customers' supply chains.

Completion of Chicago Logistics Center

In March 2021, Nippon Express USA, Inc. completed its Chicago Logistics Center in Chicago, Illinois. The newly opened location will be capable of meeting the diverse needs of the customers of automotive products, including incidental operations such as repacking and inspections as well as cross-docking. We are looking to pair this new location with another large-scale Nippon Express facility already operating near O'Hare International Airport to strengthen the logistics functions and expand the business of its most important hub in the Midwest.

The Nippon Express USA head office will be relocated from New York to the new facility with the intent of enhancing the speed and efficiency of operations by integrating head office, sales, and operational functions into a single location and thereby improving Nippon Express' operations across the US.



Main Initiatives in FY2020

Establishment of a Netherlands Logistics Center in Gelderland

Nippon Express (Netherlands) B.V. has opened a Nijmegen Logistics Center in Nijmegen, a city located in the southeastern province of Gelderland (start of operation March 2021).

The Netherlands sits at the heart of Europe's largest consumer region comprising France, Germany, and the UK. In addition to serving as a gateway for both air and ocean cargo and possessing a highly developed intra-regional transport network, the country offers non-resident customs clearance and tax incentives that have enticed many customers to select it as a logistics hub. The southern part of the country is particularly close to Germany's largest markets, making it an optimal site for setting up logistics locations.

The new Logistics Center will be used as a European parts center that meets the storage, distribution, and other needs of Takeuchi Mfg. Co., Ltd., which develops, manufactures and sells small construction machines.

With the establishment of this Logistics Center, NE Netherlands will have more than 200,000m² of warehouse space across the Netherlands, and it will be working to further enhance its logistics operations in the country's south.

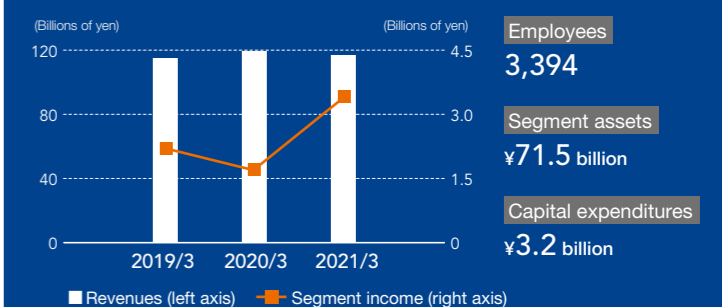


Europe

Business Overview

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.

Revenues and Segment Income



Employees
3,394

Segment assets
¥71.5 billion

Capital expenditures
¥3.2 billion

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 life-style industry. In addition to extending rail freight via a 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 2020 Performance

Despite an increase in air freight volume related to automobiles and medical equipment, revenues amounted to ¥117.1 billion, a decrease of ¥2.2 billion, or 1.8%, from the previous fiscal year as a result of a drop in warehousing and distribution processing and automobile transportation. In contrast, operating income rose ¥1.6 billion, or 91.5% compared to the previous fiscal year, reaching ¥3.4 billion because of lower costs including reductions in warehouse space and lower rents.

Results by Reportable Segment

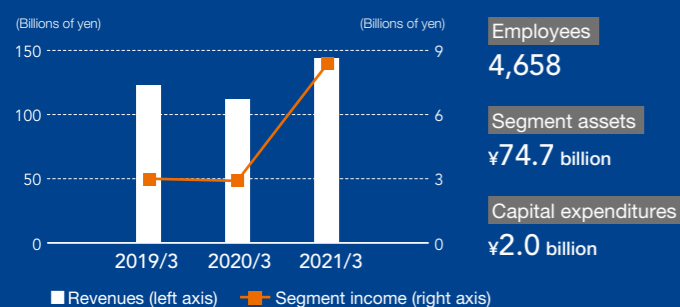
East Asia

Business Overview

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 overland routes between Shanghai, China, and Singapore, and offering rail transport services between China, and Europe.

Revenues and Segment Income



Employees

4,658

Segment assets

¥74.7 billion

Capital expenditures

¥2.0 billion

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 our shares by acquiring China's global companies. Outside the region, we will deploy highly convenient cross-border transport using China-European rail services, while at the same time actively venturing into expanding business to areas along the line in Central Asia.

Fiscal 2020 Performance

The resumption of economic activity in China meant emergency shipments of infection prevention products such as masks, PCs and other precision equipment, and electronics, as well as increased charter transports for air freight of game consoles. These were major factors resulting in a revenue increase of ¥31.6 billion, or 28.2%, to ¥143.6 billion. Operating income increased by ¥5.4 billion, or 182.2%, to ¥8.4 billion.



Main Initiatives in FY2020

Start of China-Vietnam Cross-border Transportation Service

The East Asia Region of Nippon Express launched a new cross-border rail freight service from Suzhou, China to Hanoi, Vietnam on February 24, 2021 using international rail lines connecting China and Vietnam.

Ocean cargo transport from China to Southeast Asia is currently plagued by shortages of space aboard vessels, and the need to secure a transport route offering reliable lead times led to the development of this new environmentally friendly transport service as a BCP initiative in the event of congestion in ocean cargo or truck transportation.

Nippon Express will be looking to develop rail transport services from Vietnam to China, and will be considering transport services that combine rail with other transport modes.



First Japanese Company to Obtain GDP certification in China

Nippon Express (China) Co., Ltd. has obtained Good Distribution Practice (GDP) certification effective March 29, 2021 for its Shanghai Pudong Airport CFS, making it the first Japanese company in China to evidence its compliance with GDP standards for the proper distribution of pharmaceuticals in its short-term storage services.

China's pharmaceutical market, the world's second largest, is enjoying steady expansion driven by an aging society along with increasing per capita income and consequently rising medical spending, and further growth is anticipated in the future. We will continue enhancing our services to meet even more sophisticated and diverse pharmaceutical logistics needs, and strengthening our initiatives on behalf of the pharmaceutical industry, positioned as a priority industry in our business plan.



Main Initiatives in FY2020

GDP Certification for Domestic Transport Services in Malaysia

Nippon Express (Malaysia) Sdn. Bhd. has obtained Good Distribution Practice (GDP) certification effective January 14, 2021 for its Kuala Lumpur International Airport (KLIA) Branch, evidencing its compliance with standards for the proper distribution of pharmaceuticals while providing transport within Malaysia.

Recent years have seen Malaysia's population become increasingly health-conscious, and pharmaceutical manufacturing is a new growth sector that the country's government is seeking to expand and develop. NE Malaysia has already been contracted to provide hospitals in Malaysia with pharmaceutical distribution services and, with its Klang Logistics Center and Kuala Lumpur International Airport Branch having demonstrated their conformity to quality standards for medical device logistics by obtaining GDPMD certification, the company has been boosting its handling of medical devices.

Integration of Two Local Subsidiaries in Thailand

The core businesses of Nippon Express (Thailand) Co., Ltd. and Nippon Express Logistics (Thailand) Co., Ltd. were integrated in April 2021.

This business integration will entail a shift to an organizational structure that will bring various transport modes together, further improving operations within the Nippon Express Thailand group and strengthening its sales structure so that it can better provide a variety of services to meet the ever-changing needs of customers.

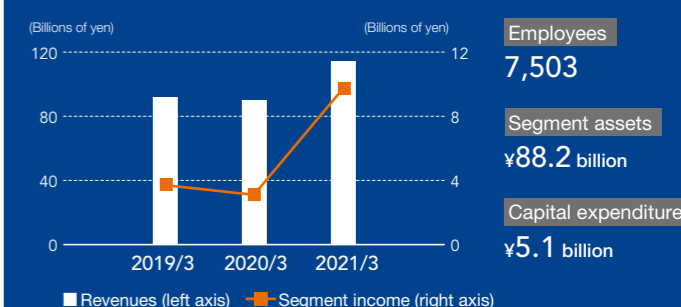


South Asia & Oceania

Business Overview

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.

Revenues and Segment Income



Employees

7,503

Segment assets

¥88.2 billion

Capital expenditures

¥5.1 billion

Strategy and Policy

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

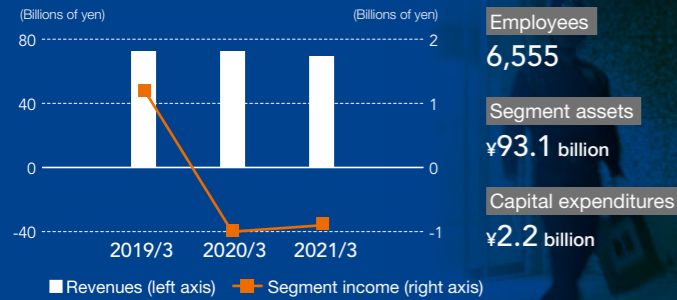
Fiscal 2020 Performance

Increased charter transports for air freight from Thailand for hand soap and other hygiene products, along with the resumption in production by customers leading to more demand for automotive, electrical, and electronics cargo were major factors resulting in a revenue increase of ¥24.6 billion, or 27.3%, to ¥114.7 billion. Operating income increased by ¥6.7 billion, or 213.1%, to ¥9.8 billion.

Results by Reportable Segment

Security Transportation Segment

Revenues and Segment Income



Employees
6,555

Segment assets
¥93.1 billion

Capital expenditures
¥2.2 billion



Business Overview

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. The high-level security from Nippon Express' highly trained guards provides 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.

We will continue to develop the technologies we have acquired thus far and deploy various solutions that offer total support for cash logistics.

Fiscal 2020 Performance

As a result of COVID-19, revenue saw a steep, ¥1.2 billion drop in publicly-managed gambling, Cash Safety Delivery (CSD) services for online cash dispensers, and ATM replenishment operations. A drop in secure transportation services due to branch consolidation among financial institutions and a drop in the numbers of branches to which deliveries were made meant revenue decreased ¥3.3 billion to ¥69.2 billion. However, our efforts to reduce costs by improving operation efficiency (reviewing courses, etc.) meant operational loss was ¥0.9 billion, an improvement of ¥0.1 billion.

Main Initiatives in FY2020

Top Share of Wind Turbine Transport in Japan

Many construction sites for terrestrial wind turbine facilities are located near mountain ridge lines, so transporting the blades, which can be 40 to 60 meters in length, and the nacelles (turbine housing), which can weigh several tons, while avoiding obstacles requires sophisticated technologies. Nippon Express overcomes these challenges using unique trailers (blade standing systems) developed specifically for wind turbine facilities together with detailed transport plans drafted by our highly experienced staff. On the other hand, for offshore wind power we have accepted an order for port operations for the first commercial offshore wind turbine facilities (Akita Noshiro) in Japan, and this is currently under construction. In the future, we will be aiming for the top share in terrestrial and offshore wind power generation in Japan.

We will continue to contribute to the greater use of renewable energy through wind turbine transportation and installation services.

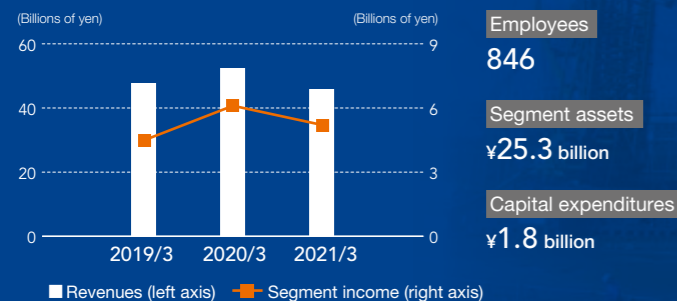


TAO (The University of Tokyo Atacama Observatory) Project

The TAO project is building the world's largest infrared telescope with a 6.5 m diameter at an altitude of 5,600 m on the summit of Cerro Chajnantor in northern Chile's Atacama Desert. The research team, led by the University of Tokyo, plans to delve into the mysteries of the universe, from the early formation of galaxies to the formation of exoplanets. The Heavy Haulage & Construction Business Division has been contracted by the University of Tokyo to transport the telescope equipment from Japan and the U.S. to the summit of Cerro Chajnantor, and this is currently underway. The expertise of the Heavy Haulage & Construction Business Division has been fully utilized in collaborating in the design of roads for transporting large loads up the steep slope to the summit and contributing to the local community by working together with Chilean transport companies.

Heavy Haulage & Construction Segment

Revenues and Segment Income



Employees
846

Segment assets
¥25.3 billion

Capital expenditures
¥1.8 billion



Business Overview

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 2020 Performance

A decrease in wind power-related freight transactions in Japan in particular and other factors led to a decrease in revenue of ¥6.4 billion, or 12.4%, to ¥45.8 billion. Operating income decreased by ¥0.9 billion, or 15.7%, to ¥5.2 billion.

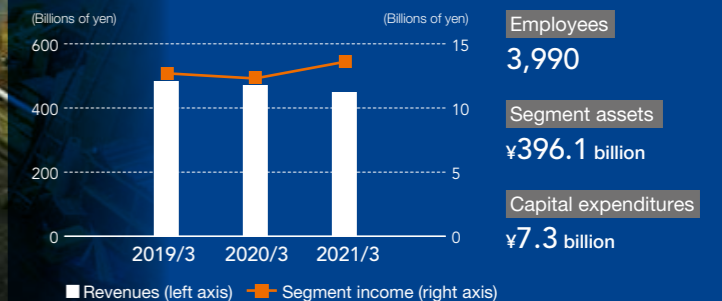
A revision of design standards means that there will be fewer wind projects for FY2020 and FY2021 than in previous years. However, a number of projects are planned for the Wakkanai area of Hokkaido from FY2022 onwards.

Business Overview

Nippon Express is developing businesses that make use of its network related to, or which are an extension of, its core business of logistics. Nittsu Shoji Co., Ltd., which sells various products that are indispensable for transportation such as packaging materials, vehicles, oil, LP gas, along with vehicle maintenance and insurance agency businesses, along with Nippon Express Japanese and overseas group companies conduct surveys and research into logistics needs, logistics finance, worker dispatch, and real estate.

Logistics Support Segment

Revenues and Segment Income



Employees
3,990

Segment assets
¥396.1 billion

Capital expenditures
¥7.3 billion



Fiscal 2020 Performance

In addition to a drop in the unit selling prices for oil, a decrease in export packing service transactions as a result of the impact of the spread of COVID-19, among other factors, meant revenues in the logistics support segment fell ¥23.3 billion, or 5.0%, to ¥447.8 billion. Meanwhile, operating income rose ¥1.2 billion, or 10.4%, to ¥13.6 billion, mainly due to the impact of various cost reductions.

11-Year Financial Summary

For the consolidated fiscal year ended March 31

		Business plan 2023		Business plan 2018			Business plan 2015			Business plan 2012		
		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
For the fiscal year:	Revenues**1	2,079,195	2,080,352	2,138,501	1,995,317	1,864,301	1,909,105	1,924,929	1,752,468	1,613,327	1,628,027	1,617,185
(Millions of yen)	Revenues by reportable segment from the consolidated year ended March 31, 2011 to March 31, 2016*											
	Distribution & Transportation											
	Domestic Companies											
	Combined Business	—	—	—	—	—	736,568	742,356	721,717	699,287	704,717	717,439
	Security Transportation	—	—	—	—	—	53,803	55,401	54,651	58,842	58,764	59,542
	Heavy Haulage & Construction	—	—	—	—	—	51,395	46,886	36,656	37,186	40,048	34,356
	Air transportation	—	—	—	—	—	182,533	210,763	181,720	182,143	205,407	203,408
	Marine and Harbor Transportation	—	—	—	—	—	118,205	118,836	131,708	124,207	125,654	124,216
	Overseas Companies											
	Americas	—	—	—	—	—	94,697	79,160	69,066	54,028	42,963	42,806
	Europe	—	—	—	—	—	84,579	83,609	72,788	44,230	46,453	45,069
	East Asia	—	—	—	—	—	115,068	101,321	92,156	68,812	72,967	76,955
	South Asia & Oceania	—	—	—	—	—	70,225	64,607	51,367	44,291	44,811	45,564
	Goods Sales	—	—	—	—	—	367,328	420,155	412,846	383,738	374,076	352,507
	Other	—	—	—	—	—	173,632	143,602	61,460	41,802	40,368	35,980
	Adjustment	—	—	—	—	—	(138,935)	(141,773)	(133,672)	(125,242)	(128,206)	(120,662)
	Revenues by reportable segment from the consolidated year ended March 31, 2017**2											
	Logistics											
	Japan	1,212,803	1,213,597	1,256,802**3	1,188,695	1,155,713	1,158,390	—	—	—	—	—
	Americas	78,141	91,068	98,699	91,396	83,831	94,697	—	—	—	—	—
	Europe	117,134	119,338	114,812	96,048	79,286	84,579	—	—	—	—	—
	East Asia	143,689	112,048	122,754	117,487	101,746	115,068	—	—	—	—	—
	South Asia & Oceania	114,738	90,112	91,874	85,382	70,343	70,225	—	—	—	—	—
	Security Transportation	69,239	72,589	72,647**3	72,022	54,781	53,803	—	—	—	—	—
	Heavy Haulage & Construction	45,877	52,358	47,751	47,602	46,985	51,395	—	—	—	—	—
	Logistics Support	447,837	471,201	483,965	443,264	403,994	410,906	—	—	—	—	—
	Adjustment	(150,266)	(141,962)	(150,806)	(146,582)	(132,381)	(129,962)	—	—	—	—	—
	Operating income	78,100	59,224	79,598	70,269	57,431	54,778	50,811	40,865	33,206	37,497	31,629
	Profit attributable to owners of parent**4	56,102	17,409	49,330	6,534	36,454	35,659	26,382	26,345	23,831	26,949	8,541
At year-end :	Net assets	600,707	556,506	560,444	547,494	552,985	538,018	550,137	509,954	518,409	494,205	479,898
(Millions of yen)	Total assets	1,631,855	1,518,037	1,536,677	1,517,060**5	1,521,800	1,484,953	1,453,617	1,377,443	1,247,612	1,230,964	1,147,539
	Net cash provided by operating activities**6	146,605	98,206	72,698	91,865	102,360	78,844	74,519	57,892	60,937	80,754	76,019
	Cash and cash equivalents at end of year**6	168,362	96,171	102,092	137,891	163,386	146,007	148,942	125,900	113,689	135,882	78,383
Per share**7:	Net assets**8	6,354.98	5,805.12	5,749.60	5,519.09	5,586.52	521.77	531.06	483.38	489.39	461.63	448.29
(Yen)	Net income**8	604.79	185.06	515.13	68.06	371.32	35.61	25.87	25.62	22.89	25.85	8.19
Ratios (%) :	Operating income margin	3.8	2.8	3.7	3.5	3.1	2.9	2.6	2.3	2.1	2.3	2.0
	Shareholders' equity ratio	35.7	35.5	35.4	34.9**5	35.2	35.2	36.6	36.0	41.2	39.1	40.7
	Return on Equity (ROE)	10.0	3.2	9.2	1.2	6.9	6.8	5.1	5.2	4.8	5.7	1.8

*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 Standard for Disclosures 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 In accordance with organizational reforms of the Security Transportation business, part of the Japan (Logistics) segment was reorganized as the Security Transportation segment effective from the fiscal year ended March 31, 2019. The fiscal 2017 results have been adjusted to reflect this change.

*4 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 accounting item previously presented as "net income" has been renamed "profit attributable to owners of parent" from fiscal 2015 onward.

*5 Nippon Express has applied Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, issued February 16, 2018) since April 1, 2018. The total assets and equity ratio figures for fiscal 2017 have been retroactively adjusted to reflect this application.

*6 From the year ended March 31, 2015 onward, cash related to CSD services and exchange money delivery services in the Security Transportation Business has been excluded from the scope of funds (i.e., cash and cash equivalents).

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.

*7 The Company executed a consolidation of shares at a ratio of 10 common shares to 1 effective October 1, 2017.

Accordingly, net assets and basic 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.

*8 The Company adopted an executive compensation BIP trust as of the fiscal year ended March 31, 2017. For the purpose of calculating net assets per share, the Company's shares held by the trust are included in treasury stock, which is excluded from the number 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.

11-Year Non-Financial Summary

For the consolidated fiscal year ended March 31

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Environment											
Energy consumption* ¹ (crude oil equivalent) (Unit: kiloliter)	330,863	347,244	351,783	366,671	370,122	373,367	381,386	—	—	—	—
Water consumption* ² (unconsolidated) (Unit: thousand cubic meters)	1,140	1,223	1,401	1,292	974	1,208	1,041	1,237	1,110	1,760	1,726
CO ₂ emissions (Scope 1, 2) (Unit: tons CO ₂)	803,624	855,452	873,029	918,388	942,363	961,431	970,994	970,438	976,884	—	—
CO ₂ emissions (Scope 1, 2, Group companies in Japan) (Unit: tons CO ₂)	688,097	726,264	761,182	809,864	851,831	869,875	876,159	885,066	890,995	947,411	1,201,552
CO ₂ emissions (Scope 1, 2, Group companies overseas) (Unit: tons CO ₂)	115,528	129,188	111,847	108,524	90,532	91,556	94,835	85,372	85,890	—	—
Industrial waste volume (Group companies in Japan) (Unit: ton)	38,883	39,802	36,902	35,698	33,250	39,769	35,869	39,206	36,352	33,627	41,041
Number of eco-friendly vehicles owned (Group companies in Japan) (Unit: vehicle) ³	12,076	11,972	11,300	10,176	9,166	7,922	7,393	6,652	6,131	5,638	5,138
Social											
Number of employees (unconsolidated)	34,766	34,449	32,280	31,871	32,008	32,094	32,510	33,153	34,312	35,717	36,746
Female employee ratio (unconsolidated) (%)	17.6	17.3	15.1	14.2	14.0	13.6	13.0	13.3	14.4	13.9	13.9
Female hiring ratio (unconsolidated) (%)	39.0	33.6	34.5	33.5	32.9	31.5	30.7	26.6	31.1	29.0	25.4
Number of mid-career hires (unconsolidated)	17	15	6	14	6	7	4	4	—	—	—
Number of mid-career female hires (unconsolidated)	4	5	2	4	1	2	1	0	—	—	—
Ratio of females in managerial positions (unconsolidated) (%)	1.5	1.3	1.2	1.1	1.0	—	—	—	—	—	—
Ratio of employees who return to work after childcare leave: males (unconsolidated) (%)	95	100	100	100	100	—	—	—	—	—	—
Ratio of employees who return to work after childcare leave: females (unconsolidated) (%)	97	96	90	97	98	—	—	—	—	—	—
Average years with the company (unconsolidated) (years)	16.0	16.2	18.0	17.8	17.6	17.5	18.3	17.7	17.4	17.0	15.6
Employment rate of persons with disabilities* ⁴ (unconsolidated) (%)	2.28	2.29	2.23	2.12	2.08	2.06	1.96	1.98	1.95	1.92	2.04
Number of overseas employees	21,520	22,811	22,068	21,403	20,651	20,602	19,954	18,563	17,846	16,395	15,773
Number of overseas locally hired employees	21,094	22,369	21,615	20,941	20,176	20,131	19,500	18,144	17,435	15,988	15,367
Governance											
Number of Board of Directors' resolutions (items)	66	65	60	67	55	60	57	60	72	65	49
Directors' meetings (hours)	16	14	18	20	17	17	18	26	32	27	28
Occupational accidents: Accident frequency rate* ⁵	1.42	1.98	1.94	1.59	1.17	1.13	1.78	1.53	1.68	1.66	1.70
Occupational accidents: Severity rate* ⁶	0.02	0.09	0.03	0.10	0.10	0.10	0.19	0.03	0.03	0.26	0.03

*¹ Aggregate of the energy consumption by Nippon Express and its consolidated companies in Japan and overseas (equivalent to Scopes 1 and 2).
For natural gas, 13A city gas (heat value of 45 GJ/thousand cubic meters) applies. Energy consumption numbers (crude oil equivalent) have been revised as a result of third-party verifications of energy consumption in December 2020.

*² The figures after fiscal 2018 are the aggregate for the Nippon Express Group companies in Japan. The figures for fiscal 2010 - fiscal 2017 refer to Nippon Express alone.

*³ We revised the calculation method for vehicles complying with the new long-term emissions regulations and post new long-term emissions regulations. We also revised the number of vehicles prior to fiscal 2020. In addition to vehicles that meet the fuel efficiency standards for heavy-duty vehicles, we included vehicles that meet the fuel efficiency standards for heavy-duty vehicles at +5%, +10%, and +15%.

*⁴ Figures based on the calculation method in the Levy and Grant System for Employing Persons with Disabilities.

*⁵ The frequency rate is an international indicator that indicates the incidence rate of occupational accidents.

Number of casualties per one million working hours = Number of casualties/Total number of working hours x 1,000,000

*⁶ Severity rate is an international indicator that indicates the degree of injury caused by occupational injury.

Days lost per 1,000 working hours = Workdays lost/Total number of working hours x 1,000

Management Discussion and Analysis (April 1, 2020 to March 31, 2021)

Status of Business Environment

During FY2020, the global economy experienced historical declines due to the spread of COVID-19 and measures taken to control the spread. However, with the gradual resumption of economic activities and the impact of economic stimulus measures adopted by countries around the world, the economy began to pick up beginning in the second quarter. Even in the midst of a second and third wave of infections, the economy continued to recover gradually, driven by the major world economies, including the U.S. and China.

Overall, we experienced a challenging business environment. Under these economic conditions, the logistics industry saw a shift toward recovery in production and sales activities among all countries, including Japan, having a positive impact on cargo movement, which had fallen sharply due to supply chain disruptions and other factors. In addition, demand for semiconductors experienced a rapid recovery due to the transition to 5G, among other factors, while the U.S. and China drove a recovery in international trade.

Even in the midst of the COVID-19 pandemic, Japanese domestic warehouse demand has been strong due to supply chain revisions and e-commerce demand. Truck driver shortages have become chronic. During the summer, fewer container ships were scheduled for international transport. Although global cargo movement recovered, leading to more opportunities for return trips, lack of vessel space and empty containers caused a tightening in the balance of supply and demand. Further, the air cargo business experienced chronic shortages of space due to the continued cancellation of international passenger flights.

Business Results

Revenues and Operating Costs

Revenues decreased by ¥1.1 billion, or 0.1% year on year, to ¥2,079.1 billion. The main component of the decrease in revenues was a drop in ¥3.8 billion because of the COVID-19 pandemic. Operating costs amounted to ¥1,885.8 billion, a decrease of ¥25.1 billion, or 1.3%, and

the main component of this decrease was a drop in charter vehicle subcontracting costs and fuel costs. Gross profit amounted to ¥193.3 billion, an increase of ¥24 billion, or 14.2%, from the previous fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to ¥115.2 billion, an increase of ¥5.1 billion, or 4.7%, from the previous fiscal year. The main component of the increase in selling, general and administrative expenses was an increase in consulting costs.

Operating Income and Ordinary Income

Operating income came to ¥78.1 billion, up ¥18.8 billion or 31.9% from the previous fiscal year, and the main factors in this increase were a rise in handled air freight volume and reduced fuel costs.

Ordinary income amounted to ¥81.2 billion, a year-on-year increase of ¥28.3 billion, or 42.5%.

Other Income and Profit Attributable to Owners of Parent

Extraordinary income amounted to ¥34.2 billion, a year-on-year increase of ¥29.8 billion, or 669.8%, and extraordinary losses increased by ¥30.7 billion, an increase of ¥7.2 billion, or 30.8%, from the previous fiscal year. The main factors of this increase in extraordinary income included an additional ¥12.1 billion gain on sales of non-current assets, an additional ¥13.0 billion gain on sales of investment securities, and a ¥4.6 billion gain on transfer of the Nittsu Driving School. The increase in extraordinary loss was mainly attributable to an increase in loss on disposition of non-current assets of ¥8.8 billion.

The increase in profit before income taxes amounted to ¥84.8 billion, with income taxes, residents and enterprise taxes, income taxes-deferred, and profit attributable to owners of parent factoring in current net income attributable to non-controlling interests coming to ¥56.1 billion, up ¥38.6 billion, or 222.3% year-on-year.

Segment Information

For information on business performance of reportable segments, please refer to pages 62-69.

Financial Position

Total assets as of the end of FY2020 amounted to ¥1,631.8 billion, an increase of ¥113.8 billion, or 7.5%, from the previous fiscal year. Current assets amounted to ¥771.8 billion, an increase of ¥99.5 billion, or 14.8% year-on-year, and non-current assets totaled ¥859.9 billion, an increase of ¥14.2 billion, or 1.7%. The increase in current assets was mainly attributable to an increase in cash and deposits and accounts receivable-trade. In addition, lease investment assets declined in relation to the absorption-type company split of our leasing business, while short-term loans receivable increased. The increase in non-current assets was mainly due to increases in investment securities, goodwill, and intangible fixed assets, including software.

Current liabilities amounted to ¥515.4 billion, a year-on-year increase of ¥50.2 billion, or 10.8%. Non-current liabilities amounted to ¥515.6 billion, an increase of ¥19.3 billion, or 3.9%. The increase in current liabilities was mainly attributable to increases in accounts payable-trade and commercial paper. In addition, consumption taxes payable assets increased in relation to the absorption-type company split of our leasing business. The increase in non-current liabilities was mainly attributable to an increase related to the issuance of bonds.

Net assets amounted to ¥600.7 billion at the end of FY2020, an increase of ¥44.2 billion, or 7.9%, from the end of the previous fiscal year. The increase in net assets was mainly attributable to an increase in retained earnings.

Overview of Cash Flows

Cash and cash equivalents at the end of FY2020 amounted to ¥168.3 billion, an increase of ¥72.1 billion compared to the previous fiscal year.

Net cash provided by operating activities amounted to ¥146.6 billion, an increase of ¥48.3 billion in proceeds over the previous fiscal year. This result was mainly due to an increase in profit before income taxes.

Net cash used in investing activities amounted to ¥49.3 billion, a decrease of ¥42.4 billion in expenditures over the previous fiscal year. This result was mainly due to proceeds from the sale of purchase property and equipment.

Net cash used in financing activities amounted to ¥23.5 billion, an increase of ¥11.8 billion in expenditures over the previous fiscal year. This result was mainly due to an increase in cash outlays to repay long-term loans payable.

Capital Investment

In view of future business developments, the Nippon Express Group is making capital investment in infrastructure such as distribution bases and commercial warehouses, and replacing vehicles and other transport equipment in order to respond to reforms in logistics structures and international logistics. In FY2020, we invested a total of ¥132.8 billion into the logistics segment: ¥80 billion in Japan and ¥22.1 billion overseas.

Return to Shareholders

Please refer to page 32 for information on the Company's shareholder returns policy.

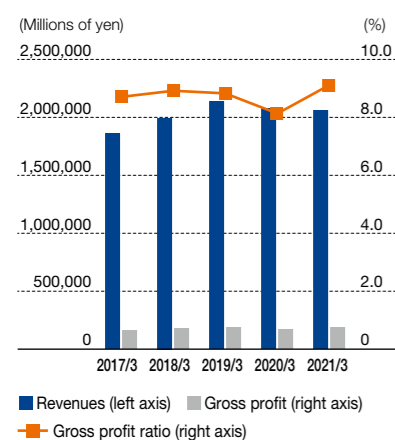
Results Forecast

The Group changed our fiscal year end from March 31 to December 31, beginning with fiscal year 2021.

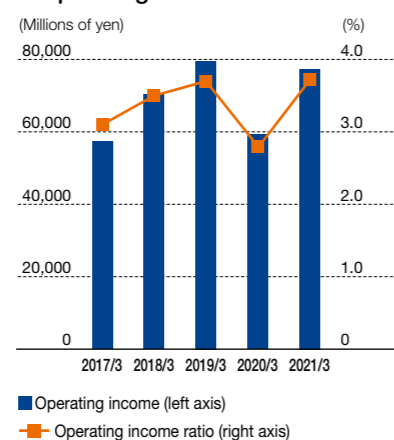
As a result of the change in fiscal year-end, we are disclosing our FY2021 results forecast on a financial reporting basis (summary) and on a supplementary converted 12-month basis (January to December period). Financial results forecast for FY2021 (converted 12-month basis) as shown below. Increases/decreases are against the previous fiscal year (converted 12-month basis).

Forecast revenue of ¥2,140 billion, up ¥87.7 billion, or 4.3%. Forecast operating income of ¥83 billion, up ¥10 billion, or 13.8%. Forecast ordinary income of ¥87 billion, up ¥17.7 billion, or 25.7%. Forecast net profit attributable to owners of parent of ¥53 billion, up ¥2.6 billion, or 5.3%.

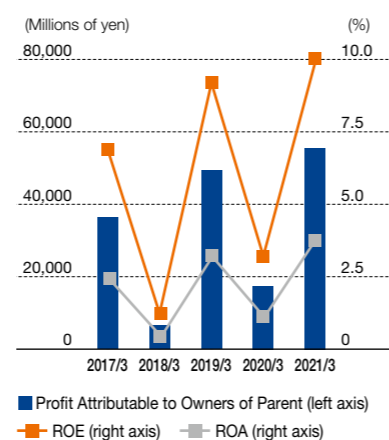
■ Revenues/Gross Profit/ Gross Profit Ratio



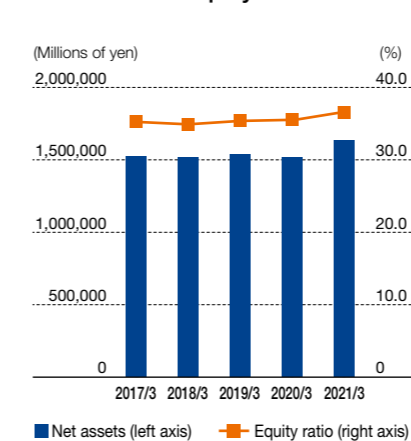
■ Operating Income/ Operating Income Ratio



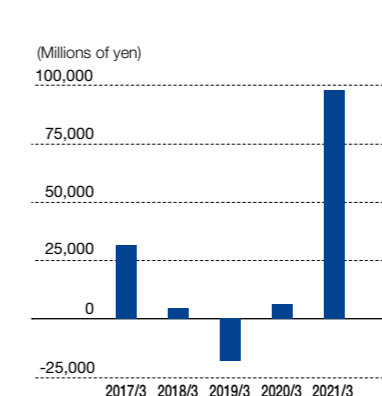
■ Profit Attributable to Owners of Parent/ROE/ROA



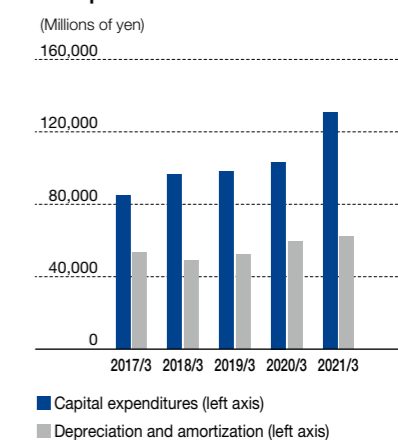
■ Net Assets/Equity Ratio



■ Free Cash Flow





■ Capital Expenditures/ Depreciation and Amortization



External Evaluations

The principal ESG investment indices and ratings for which the Nippon Express Group has been selected and the main external evaluations of its ESG activities are as follows.

<p>• MSCI Japan ESG Select Leaders Index</p> <p>The MSCI Japan ESG Select Leaders Index picks out the comprehensive ESG risks of the top 700 Japanese stocks by market capitalization from each industry, and is put together by selecting companies that have outstanding ESG ratings within each of these industries.</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>2020 CONSTITUENT MSCIジャパン ESGセレクト・リーダーズ指数</p> </div>	<p>• MSCI Japan Empowering Women (WIN) Select Index</p> <p>This index selects companies that it expects to attain sustainable, long-term growth by calculating a score based upon disclosed information about the ratio of women employed and in management positions, and about diversity. This index will be selected by the Government Pension Investment Fund for Japan (GPIF) as one of its selection guidelines for ESG investment.</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>2020 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)</p> </div>
<p>• S&P/JPX Carbon Efficient Index</p> <p>This is formulated by S&P Dow Jones Indices based on carbon emissions data provided by environmental assessment company Trucost. This uses the TOPIX stock universe, and determines the weighting of its constituent stocks with a focus on levels of environmental information disclosure and carbon efficiency (carbon emissions per unit of sales).</p> 	<p>• Sompo Sustainability Index</p> <p>This index is used for the SOMPO Sustainable Management investment product for pension funds and institutional investors that invests in a wide range of companies with a strong reputation for environmental, social, and corporate governance (ESG).</p> 

The various initiatives carried out by Nippon Express Group have been evaluated highly by stakeholders.

(Period covered: April 1, 2020 to March 31 2021. Dates here indicate the release date of the news on our website, or of award receipt)

July 6, 2020	Received three rewards at the 21st Logistics Environment Awards, in the categories of Logistics Environmental Conservation Activities Award, Logistics Environmental Awareness Award, and Logistics Environmental Special Award. https://www.nittsu.co.jp/press/2020/20200706-1.html (Japanese only)
November 16, 2020	At the 7th Awards Ceremony for Excellent Business Entities Working on Modal Shift, Nippon Express received the award for Best Company Working on Modal Shift in two categories; Effective Utilization and New Developments https://www.nittsu.co.jp/press/2020/20201116-1.html (Japanese only)
February 4, 2021	Nippon Express Co., Ltd. has been ranked fifth in the Delivery Industry category of the 2021 list of the "World's Most Admired Companies" published by the American business magazine Fortune. https://www.nipponexpress.com/press/release/2021/04-Feb-21-1.html
February 12, 2021	Nippon Express Co. Ltd. has earned the highest rating of "A" in the Supplier Engagement Rating released by CDP, an international NGO engaged in researching and disclosing environmental information on companies and cities. https://www.nipponexpress.com/press/release/2021/10-Feb-21-1.html

Concerning the Nippon Express Group Integrated Report 2021

The Nippon Express Group issued our first integrated report last year, aiming to deepen stakeholder understanding of our approach and initiatives in value creation. This year marks the issuance of our second integrated report. At present, there are no signs that the COVID-19 infections will be brought under control. Even after the pandemic subsides, society is likely to experience major and irreversible changes. This is the era of the *new normal*, and our world view has changed in dramatic ways. We also recognize that ESG management is rising in importance as the world becomes more aware of global sustainability and we face an increasing number of social issues.

The Nippon Express Business Plan 2023 describes our goals for ESG-oriented business management to realize sustainable development and improve corporate value. We are now pursuing initiatives to achieve the goals of our plan. In our approach to publishing this integrated report, we reviewed our approach to ESG management and reconfirmed our materialities. We also conducted a gap analysis with respect to global standards. This integrated report reflects the results of our considerations and this analysis.

We will continue to refine our policies and action plans to address the materialities identified in this process. As we work toward the transition to a holding company structure in January 2022, we will strengthen our structure for sustainability. We intend to report the progress and results of our efforts toward ESG management in next year's integrated report.

The Nippon Express Group provides logistics as an important part of the social infrastructure. We create new value under the philosophy of contributing to society through logistics to create a more abundant future, and we strive in various ways to contribute to sustainable societies. For the sustainable growth of the Nippon Express Group, it is essential that we create relationships of trust with our stakeholders. We will endeavor to enhance the content of our integrated reports, explaining the direction and progress of future business development and deepening relationships of trust with you, our stakeholders, through constructive dialogues.

It is our hope that this integrated report will help our stakeholders gain a deeper understanding of the Nippon Express Group. We ask that you read this report thoughtfully, and we look forward to your honest opinions and requests.

Takashi Masuda

Director and Executive Officer
Corporate Planning Division
Financial Planning Division

July 2021

Global Network (As of March 31, 2021)

Americas

NIPPON EXPRESS USA, INC.
 NEX TRANSPORT, INC.
 ASSOCIATED GLOBAL SYSTEMS, INC.(AGS)
 NIPPON EXPRESS CANADA, LTD.
 NIPPON EXPRESS DO BRASIL TRANSPORTES INTERNACIONAIS LTDA.
 NIPPON EXPRESS DE MEXICO, S.A. DE C.V.
 NEX GLOBAL LOGISTICS DE MEXICO, S.A. DE C.V.
 ADELTA LOGIS,INC.
 MD Logistics,LLC / MD Express,LLC
 Map Cargo S.A.S.

Europe

NIPPON EXPRESS EUROPE GMBH
 NIPPON EXPRESS (DEUTSCHLAND) GMBH
 NEX LOGISTICS EUROPE GMBH
 NIPPON EXPRESS (U.K.) LTD.
 NIPPON EXPRESS (IRELAND) LTD.
 NIPPON EXPRESS (NEDERLAND) B.V.
 NIPPON EXPRESS EURO CARGO B.V.
 NIPPON EXPRESS (BELGIUM) N.V./S.A.
 NIPPON EXPRESS FRANCE, S.A.S.
 NIPPON EXPRESS ITALIA S.p.A.
 NIPPON EXPRESS (SCHWEIZ) AG
 NIPPON EXPRESS DE ESPAÑA, S.A.
 NIPPON EXPRESS PORTUGAL, S.A.
 NIPPON EXPRESS (MIDDLE EAST) L.L.C.
 NIPPON EXPRESS (ISTANBUL) GLOBAL LOGISTICS A.S.
 Nippon Express (RUSSIA) L.L.C.

East Asia

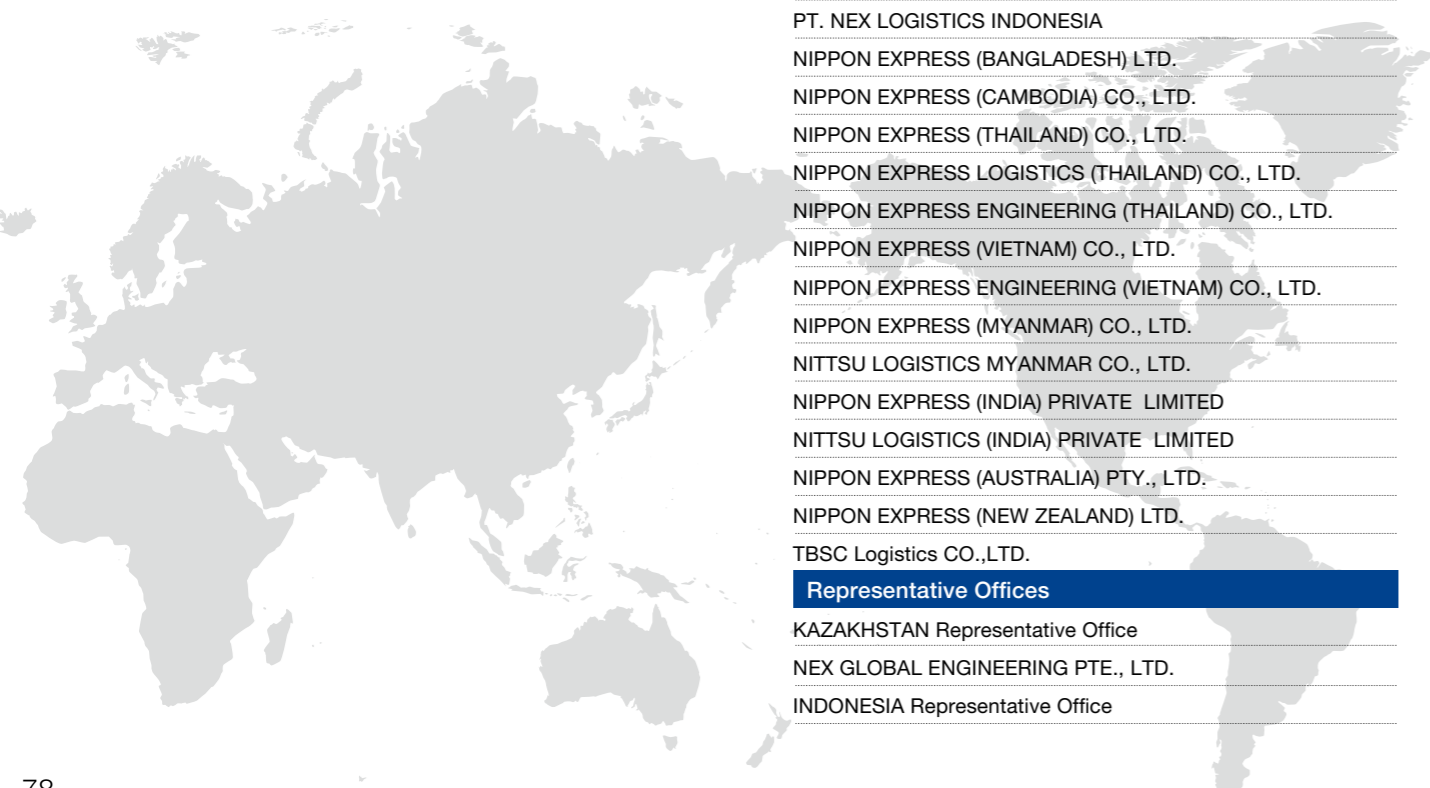
NIPPON EXPRESS (CHINA) CO., LTD.
 NIPPON EXPRESS (H.K.) CO., LTD.
 NIPPON EXPRESS (SUZHOU) CO., LTD.
 NIPPON EXPRESS LOGISTICS (CHINA) CO., LTD.
 NIPPON EXPRESS (ZHUHAI) CO., LTD.
 NIPPON EXPRESS AUTOMOTIVE LOGISTICS (CHINA) CO., LTD.
 NIPPON EXPRESS CARGO SERVICE (SHENZHEN) CO., LTD.
 NIPPON EXPRESS GLOBAL LOGISTICS (SHANGHAI) CO., LTD.
 NIPPON EXPRESS (XIAMEN) CO., LTD.
 APC ASIA PACIFIC CARGO (H.K.) LTD.
 BEACON INTERNATIONAL EXPRESS CORP.
 NIPPON EXPRESS GLOBAL SCM (SHANGHAI) CO., LTD.
 SHANGHAI E-TECHNOLOGY CO., LTD.
 NIPPON EXPRESS KOREA CO., LTD.
 NIPPON EXPRESS (TAIWAN) CO., LTD.
 Nippon Express (GUANGSHOU) CO.,LTD.
 Nippon Express (XIAN) CO.,LTD.
 Nippon Express (SHANGHAI) CO.,LTD.
 NIPPON EXPRESS (DALIAN) CO.,LTD.

South Asia & Oceania

NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE., LTD.
 NIPPON EXPRESS (SINGAPORE) PTE., LTD.
 NEX GLOBAL ENGINEERING PTE., LTD.
 NIPPON EXPRESS (MALAYSIA) SDN. BHD.
 NITTSU TRANSPORT SERVICE (MALAYSIA) SDN. BHD.
 NIPPON EXPRESS PHILIPPINES CORPORATION
 NEP LOGISTICS, INC.
 PT. NIPPON EXPRESS INDONESIA
 PT. NITTSU LEMO INDONESIA LOGISTIK
 PT. NEX LOGISTICS INDONESIA
 NIPPON EXPRESS (BANGLADESH) LTD.
 NIPPON EXPRESS (CAMBODIA) CO., LTD.
 NIPPON EXPRESS (THAILAND) CO., LTD.
 NIPPON EXPRESS LOGISTICS (THAILAND) CO., LTD.
 NIPPON EXPRESS ENGINEERING (THAILAND) CO., LTD.
 NIPPON EXPRESS (VIETNAM) CO., LTD.
 NIPPON EXPRESS ENGINEERING (VIETNAM) CO., LTD.
 NIPPON EXPRESS (MYANMAR) CO., LTD.
 NITTSU LOGISTICS MYANMAR CO., LTD.
 NIPPON EXPRESS (INDIA) PRIVATE LIMITED
 NITTSU LOGISTICS (INDIA) PRIVATE LIMITED
 NIPPON EXPRESS (AUSTRALIA) PTY., LTD.
 NIPPON EXPRESS (NEW ZEALAND) LTD.
 TBSC Logistics CO.,LTD.

Representative Offices

KAZAKHSTAN Representative Office
 NEX GLOBAL ENGINEERING PTE., LTD.
 INDONESIA Representative Office



Company Information/Share Information (As of March 31, 2021)

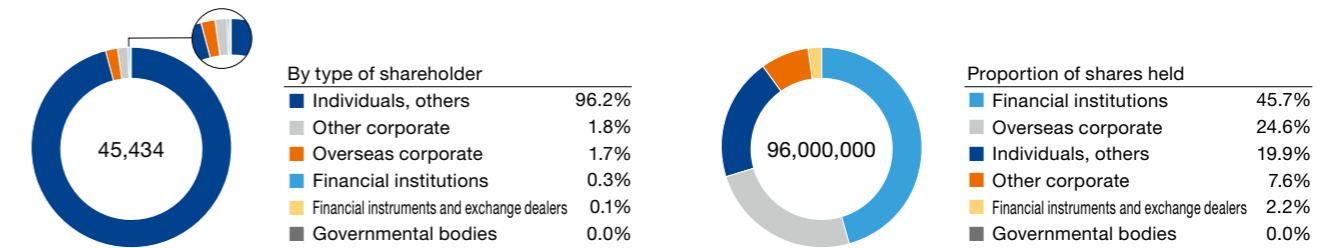
Company Information

Company name	Nippon Express Co., Ltd.
Headquarters	1-9-3, Higashi Shimbashi, Minato-ku, Tokyo 105-8322, Japan Tel: +81 (3) 6251-1111
Formal establishment	October 1, 1937
Paid-in capital	¥70,175 million
Employees	34,766

Share Information

Stock exchange	Tokyo
Number of shares	Total number of shares authorized: 398,800,000 Total number of shares issued: 96,000,000
Number of shareholders	45,434
Administrator of shareholder registry/Account managing institution of special account	Mitsubishi UFJ Trust and Banking Corporation

Distribution of Shares



Note: As trust assets for the performance-based stock compensation plan, the Company's shares that are held by The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account 75,946) include 1,223 shares under "financial institutions" and 54 shares under "shares less than one unit." However, shares are recorded as treasury stock in the consolidated financial statements. The "Other corporate" category contains 10 units of shares in the name of Japan Securities Depository Center Inc., in "Individual, others" 42,152 units of treasury stock are included and 58 treasury shares are included under "shares less than one unit."

Major Shareholders

Name	Shares held (Thousands of shares)	Shareholding ratio: Total shares held to total number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,082	11.0
Custody Bank of Japan, Ltd. (Trust Account)	8,186	8.9
Asahi Mutual Life Insurance Company	5,601	6.1
Nippon Express Employees' Shareholding Association	3,719	4.1
Sompo Japan Insurance Inc.	3,567	3.9
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.)	2,850	3.1
Custody Bank of Japan, Ltd. (Trust Account No.4)	1,836	2.0
MUFG Bank, Ltd.	1,492	1.6
Custody Bank of Japan, Ltd. (Trust Account No.7)	1,268	1.4
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1,136	1.2

Note 1: In addition to the above, there are 4,215 thousand shares of treasury stock owned by the Company.
 Note 2: The number of shares owned by each trust bank company is related to trust business.

Breakdown in Shareholding Ratio by Shareholder Category

