



NIPPON EXPRESS GROUP

Integrated Report 2023



NIPPON EXPRESS GROUP Corporate Philosophy

Our Mission

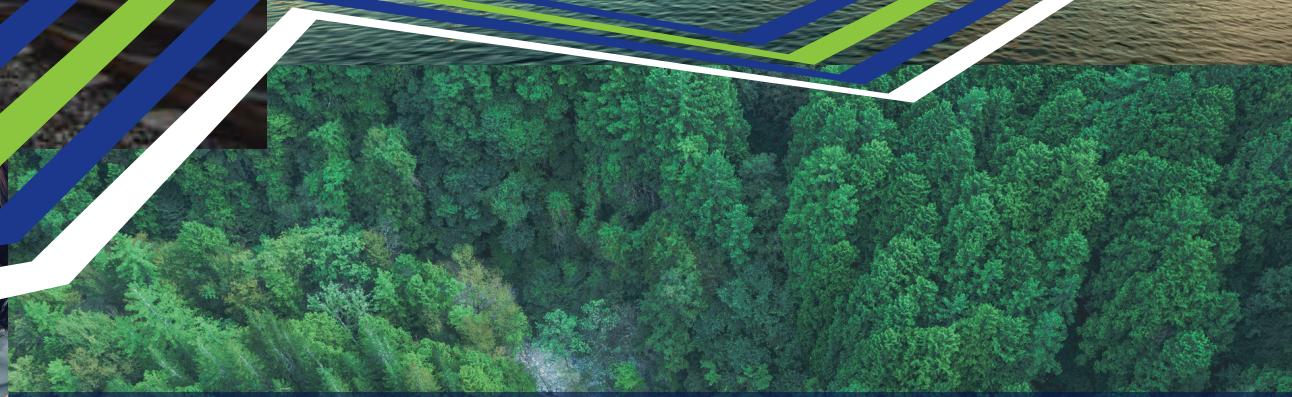
Our Challenge

Our Pride

Be a Driving Force for Social Development

Create New Ideas and Value that Expand the Field of Logistics

Inspire Trust Every Step of the Way



Since its founding, the NIPPON EXPRESS GROUP has employed its logistical strengths to connect people, businesses and regions throughout the world. In so doing, we have continuously supported social development.

While our mission never changes, we continuously advance to meet the world's changing needs.

Making no compromise in safety and maintaining a deep focus on environmental issues, we continuously strive to deliver innovative solutions at the next frontier of logistics.

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



NIPPON EXPRESS GROUP
Corporate Message

We Find the Way

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
Find
the Way

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

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

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

Sustainability Vision

Supporting a Better Life for People Around the World and
the Development of Sustainable Society Through Our Business

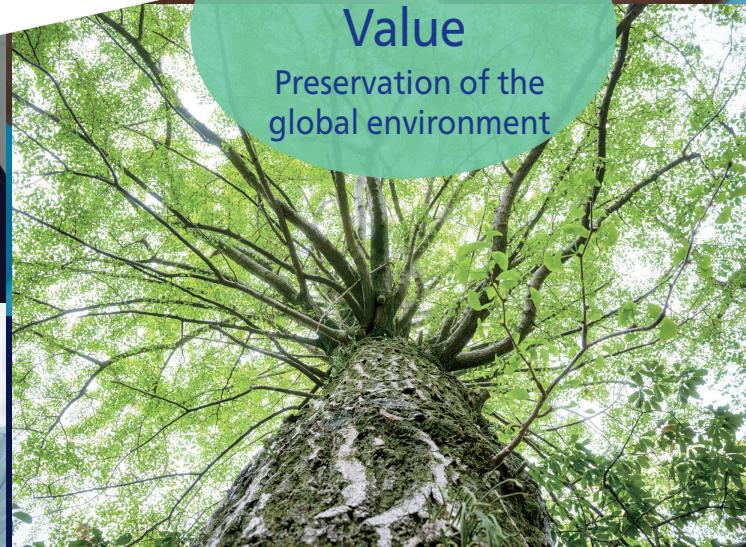
Social Value

Providing security
and stability & The
happiness of workers



Environmental Value

Preservation of the
global environment



Economic Value

Our sustainable
growth



Financial Highlights

Note: Figures for Revenues, operating income, operating income ratio, overseas sales ratio, and ROE are based on Japanese GAAP.

Revenues

FY2019
(first fiscal year of the
NIPPON EXPRESS GROUP
Business Plan 2023)

¥2.0803
trillion

FY2022
¥2.6197
trillion

Overseas sales ratio

FY2019
(first fiscal year of the
NIPPON EXPRESS GROUP
Business Plan 2023)

19.8%

FY2022
32.1%

Operating Income and Operating Income Ratio

FY2019
(first fiscal year of the
NIPPON EXPRESS GROUP
Business Plan 2023)

¥59.2 billion
2.8%

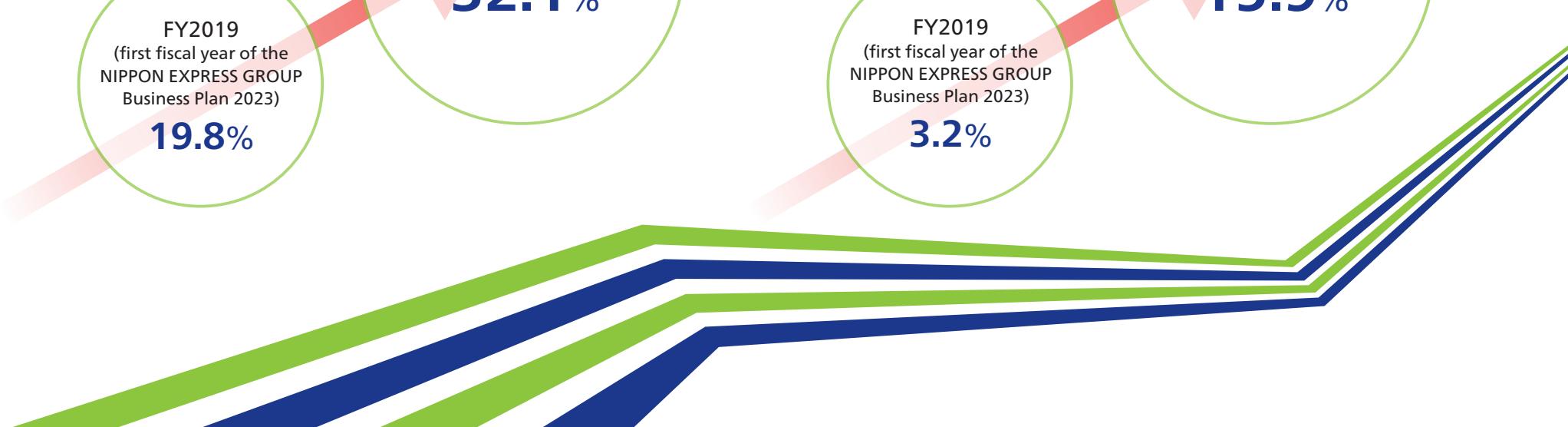
FY2022
¥128.7 billion
4.9%

ROE

FY2019
(first fiscal year of the
NIPPON EXPRESS GROUP
Business Plan 2023)

3.2%

FY2022
15.9%



Editorial Policy

In the Integrated Report 2023, the fourth Integrated Report we have published, our editorial focus is on the progress of our efforts to strengthen our global business and improve capital efficiency as well as the implementation of sustainability management to further strengthen and transform our structure after the transition to a holding company structure in order to become “a logistics company with a strong presence in the global market” as stated in our long-term vision.

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

Major Updates

POINT 1



POINT 2



POINT 3



Establishment of a Structure and Implementation of Measures to Strengthen Global Business

We are consolidating and strengthening our controlling organization for global business into the Global Business Headquarters of the holding company and accelerating growth in global markets through large-scale M&A overseas.

Structural Reform of Japanese Operations to Improve Capital Efficiency

The Group is allocating management resources in line with the market and promoting capital efficiency improvement through the reorganization of Japanese operations, etc.

Implementation of Sustainability Management

Establishing our Sustainability Policy and Vision, we promote setting KPIs and initiatives centered on materiality, including the re-establishment of climate change targets.

Contents

Introduction

- 1 Corporate Philosophy
- 2 NIPPON EXPRESS GROUP Corporate Message
- 3 Sustainability Vision
- 4 Financial Highlights
- 5 Editorial Policy/Major Updates
- 6 Contents

NIPPON EXPRESS GROUP Value Creation

- 7 NIPPON EXPRESS GROUP's History of Value Creation
- 8 NIPPON EXPRESS GROUP's Value Creation Engine
- 9 Strengths of the NIPPON EXPRESS GROUP
- 10 Strengths of the NIPPON EXPRESS GROUP and Position in the Market
- 11 Value Creation Process
- 13 Risk/Opportunity
- 14 Materialities Related to the Medium- to Long-Term Enhancement of Corporate Value
- 15 Critical Capital Utilization and Reinforcement
- 16 Sustainability Management for the Support of Medium- to Long-Term Sustainable Growth and Enhancement of Corporate Value

Top Message

- 17 Interview with the CEO

Business Plan Progress and Finance

- 22 Medium-Term Business Plan Progress
- 23 The NIPPON EXPRESS GROUP Plan 2023
- 26 Business Growth Strategy
- 28 Acquisition of Shares of cargo-partner (Turning into a Subsidiary)
- 30 Business Structural Reform Project Efforts
- 31 Message from the Chief Managing Officer of Corporate Strategy Headquarters
- 33 Message from the Chief Managing Officer of Global Business Headquarters
- 35 Capital and Dividend Policy

Sustainability Management Promotion

- 37 Sustainability Policy and Vision, Sustainability Promotion Structure/Process, and Materiality Identification Process
- 39 Goals for Each Materiality/Status of Initiatives
- 40 Messages from the Chief Managing Officer of Corporate Management Headquarters and IT Digital Solution Headquarters
- 42 Addressing Climate Change
- 47 Improving Quality and Creating New Value
- 49 Interview with Employees
- 51 Building a Sustainable and Resilient Logistics Infrastructure
- 53 Pursuing Business Digitalization and DX
- 55 Improving Employee Engagement
- 57 Strengthening Governance (Compliance and Safety)

Corporate Governance

- 59 Corporate Governance
- 67 Outside Directors Roundtable
- 70 Stakeholder Engagement
- 71 List of Directors and Audit & Supervisory Board Members

Business Segment Information

- 73 At a Glance
- 74 Segment Information

Financial Information

- 82 11-Year Financial Summary
- 83 11-Year Non-financial Summary
- 84 Management Discussion and Analysis
- 86 External Evaluations
- 87 Company Information/Share Information

Scope of This Report

This integrated report addresses the NIPPON EXPRESS GROUP, including domestic and overseas group companies. The NIPPON EXPRESS GROUP has been voluntarily adhering to the International Financial Reporting Standards (IFRS) since the time our Annual Securities Report for the fiscal year ended December 31, 2022 was published. This integrated report has been prepared using IFRS-compliant figures, with the exception of some pages.

Reporting Period

Fiscal 2022 (January 1, 2022 to December 31, 2022)

(Certain information references time frames on or prior to fiscal 2021 and subsequent to fiscal 2023)

Publication Date

June 2023

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 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 Sustainability page (<https://www.nipponexpress-holdings.com/en/sustainability/>).

Reference Guidelines

- IIRC International Integrated Reporting Framework
- GRI Standards for Sustainability Reporting (reference)
- 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 Responding to Risk/Opportunity on [P.13](#) 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 Sustainability Data Book, and more detailed information is available on our website.



Voluntary Disclosures

- Sustainability Data Book
<https://www.nipponexpress-holdings.com/en/sustainability/report/>
- Sustainability page on our website
<https://www.nipponexpress-holdings.com/en/sustainability/>

Legal Disclosures

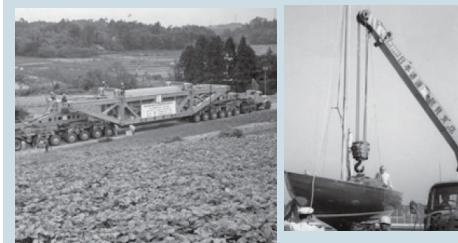
- Securities Reports (Japanese only)
<https://www.nipponexpress-holdings.com/ja/ir/library/>
- Corporate Governance Report
<https://www.nipponexpress-holdings.com/en/ir/governance/>

NIPPON EXPRESS GROUP's History of Value Creation

1872- Wartime and Postwar Reconstruction

Establishing a nationwide domestic transport network

While expanding our truck transportation network throughout Japan, we established an intermodal transportation system that combined land, sea, and air transportation in an organic manner.



Photos: Museum of Logistics collection

1960- Rapid Economic Growth and Manufacturing Industry Globalization

Building a global 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.



1990- Growth in the Service Industry and Rising Uncertainty

Maintaining supply chains in Japan and overseas; diversifying our services

At the time of the Great Hanshin-Awaji Earthquake in 1995, Nippon Express Co., Ltd. established a disaster-response headquarters and carried out emergency transportation of relief supplies and other goods from Japan and overseas.

In the aftermath of the Great East Japan Earthquake in 2011, we maintained the infrastructure by means of transportation by land, sea, and air to cope with the widespread disruption of road and rail networks.

2010- Environmental and Social Sustainability

Contributing to environmental and social sustainability

We took the lead in addressing the issue of exhaust gas emissions when environmental problems became more prominent in the beginning of the 1990s. We pursued environmentally friendly transportation through low pollution vehicles, saving resources used in packaging materials, improving efficiency through joint deliveries, and using modal shifts to move to rail- and ship-based transportation.

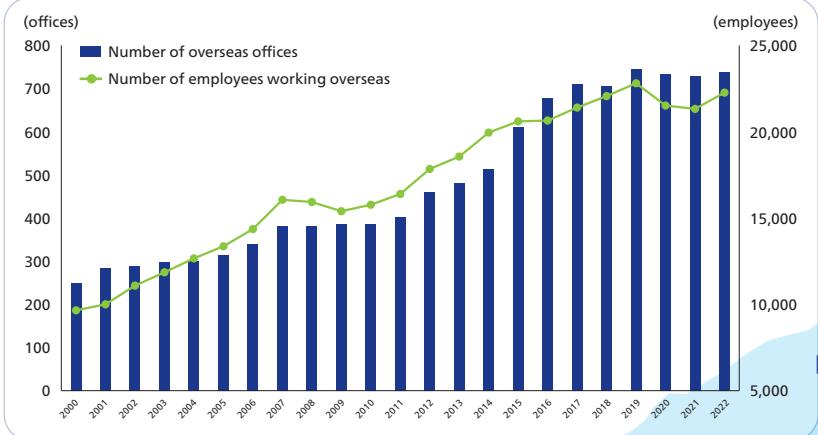
2037 Vision
A logistics company with a strong presence in the global market

Revenues

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



Number of Overseas Offices and Number of Overseas Employees



NIPPON EXPRESS GROUP's 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



Create Businesses That Meet the Needs of the Times

Support Lives Through Social Infrastructure Logistics

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

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

Unchanging Business Creation Process

Uncover Issues 1

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

Solution Proposal 2

Provide Services
Commercialize/
Monetize 3

Contributing to Sustainable Societies

Driving Force
for Social
Development

Corporate
Philosophy

Creating
New Ideas
and Value

Inspiring
Trust

4
Explore
and Delve
Deeper

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

Pharmaceutical/Medical Industry

- Reinvent business models leveraging the opportunity of tightened GDP guidelines

Semiconductor Related Industry

- Strengthen initiatives in the rapidly growing semiconductor industry

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

Strengths of the NIPPON EXPRESS GROUP

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.

**Strength
1**

Diverse Transport 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.

Vehicles*

Japan 22,108
Oversea 8,427

Cargo handling and construction vehicles*

Japan 7,618
Oversea 1,310

Warehousing Space

Japan
(Nippon Express Co., Ltd.)
3.91 million m²

Overseas Warehousing Space

3.82 million m²

Forwarding Volume (January 2022 to December 2022)

Ocean 760,000 TEU / Air 870,000t
(TEU: Twenty-foot Equivalent Unit, equal to the volume of one twenty-foot shipping container)



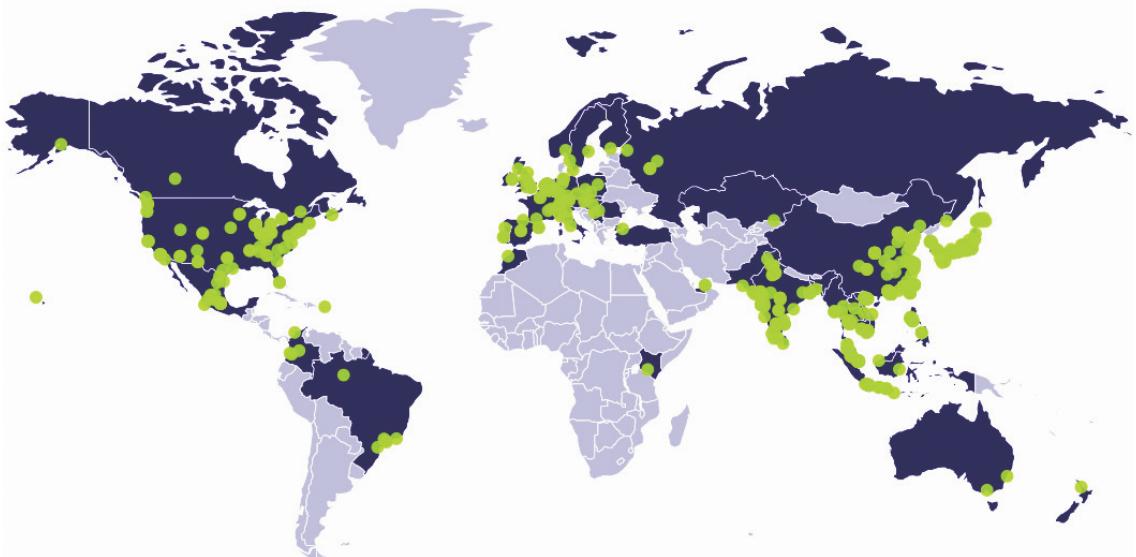
* The numbers of vehicles, as well as cargo handling and construction vehicles in Japan are the sums of vehicles owned by Nippon Express Co., Ltd. as of December 31, 2022 and those owned by domestic affiliated companies as of December 31, 2021. The number of overseas vehicles is the number owned as of December 31, 2021.

**Strength
2**

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.

Countries/Regions with NIPPON EXPRESS GROUP Presence



Overseas Network

49 countries/regions 312 cities 739 locations

Group Total

309 Companies Consolidated 73,482 Overseas 22,228

Employees

- Countries/regions with NIPPON EXPRESS GROUP locations
- Cities with NIPPON EXPRESS GROUP locations

Strengths of the NIPPON EXPRESS GROUP and Position in the Market

Strength
3

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 success of the customer first based on a deep understanding of the customer's business. 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.



Position in the Market

The depth of the Group's customer base has led to our proven track record in the global market. The internationalization of the logistics industry is occurring along with economic globalization. The global rankings are almost dominated by major logistics companies of advanced economies that have established international logistics networks. Driven by the growth of 3PL and international parcel delivery services, the restructuring of cross-border logistics services will continue to gain momentum.

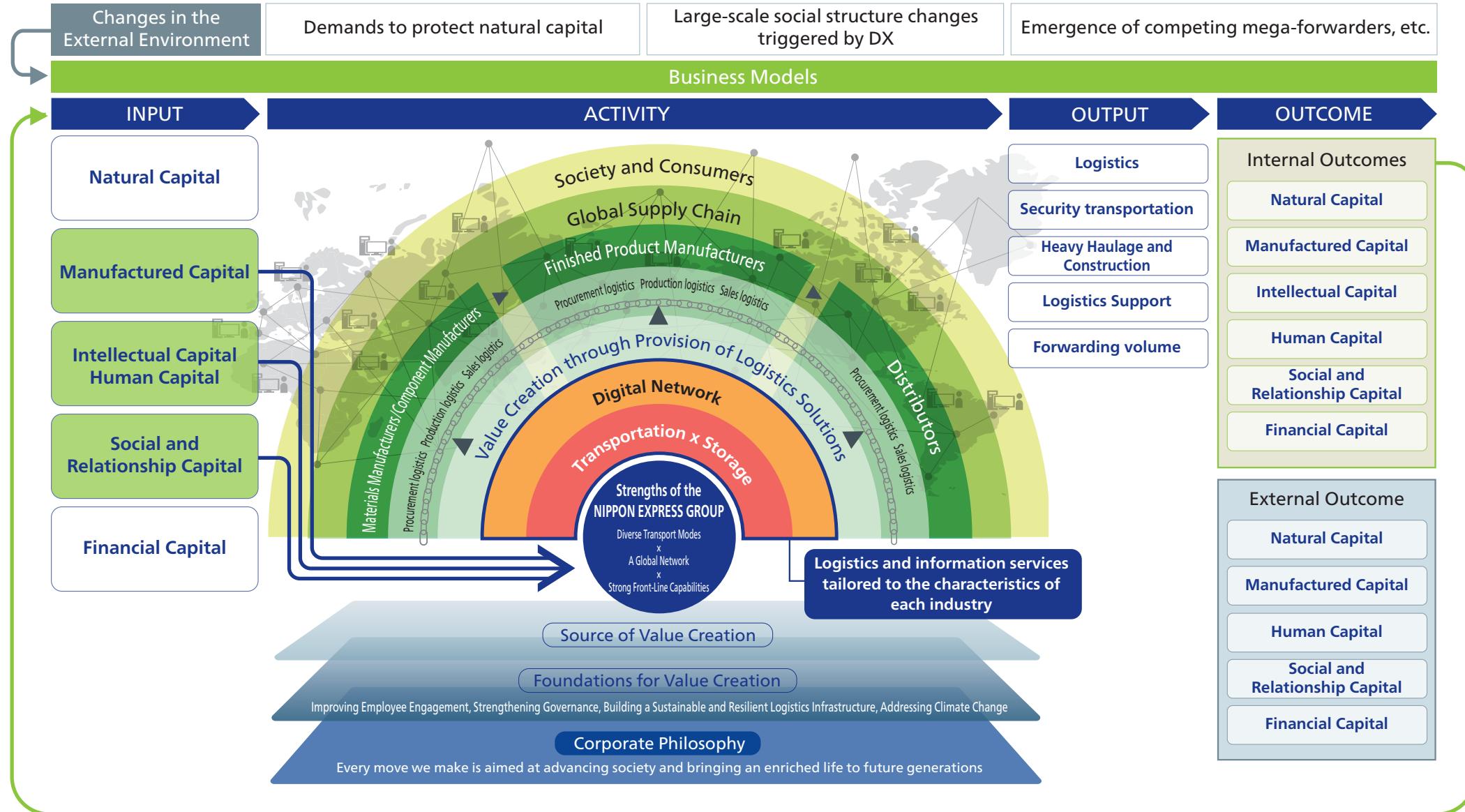
Rank	Location of Headquarters	Provider	Gross Logistics Revenue (Millions of yen)*	Marine (TEU)	Air (Metric tons)
1		Kühne + Nagel	4,738,024	4,613,000	2,220,000
2		DHL Supply Chain & Global Forwarding	4,374,766	3,142,000	2,096,000
3		DSV	3,353,094	2,493,951	1,510,833
4		DB Schenker	3,207,720	2,003,000	1,438,000
5		Sinotrans	2,215,633	3,940,000	804,000
6		Expeditors	1,916,998	1,047,725	1,047,200
7		C.H. Robinson	2,593,743	1,500,000	300,000
7		CEVA Logistics	1,392,240	1,269,000	474,000
7		Nippon Express	2,159,364	747,624	971,763
8		Kerry Logistics	1,220,066	1,229,298	520,415
9		UPS Supply Chain Solutions	1,667,091	620,000	988,880

* Based on the exchange rate as of December 2021 (US\$1 = ¥116.02).

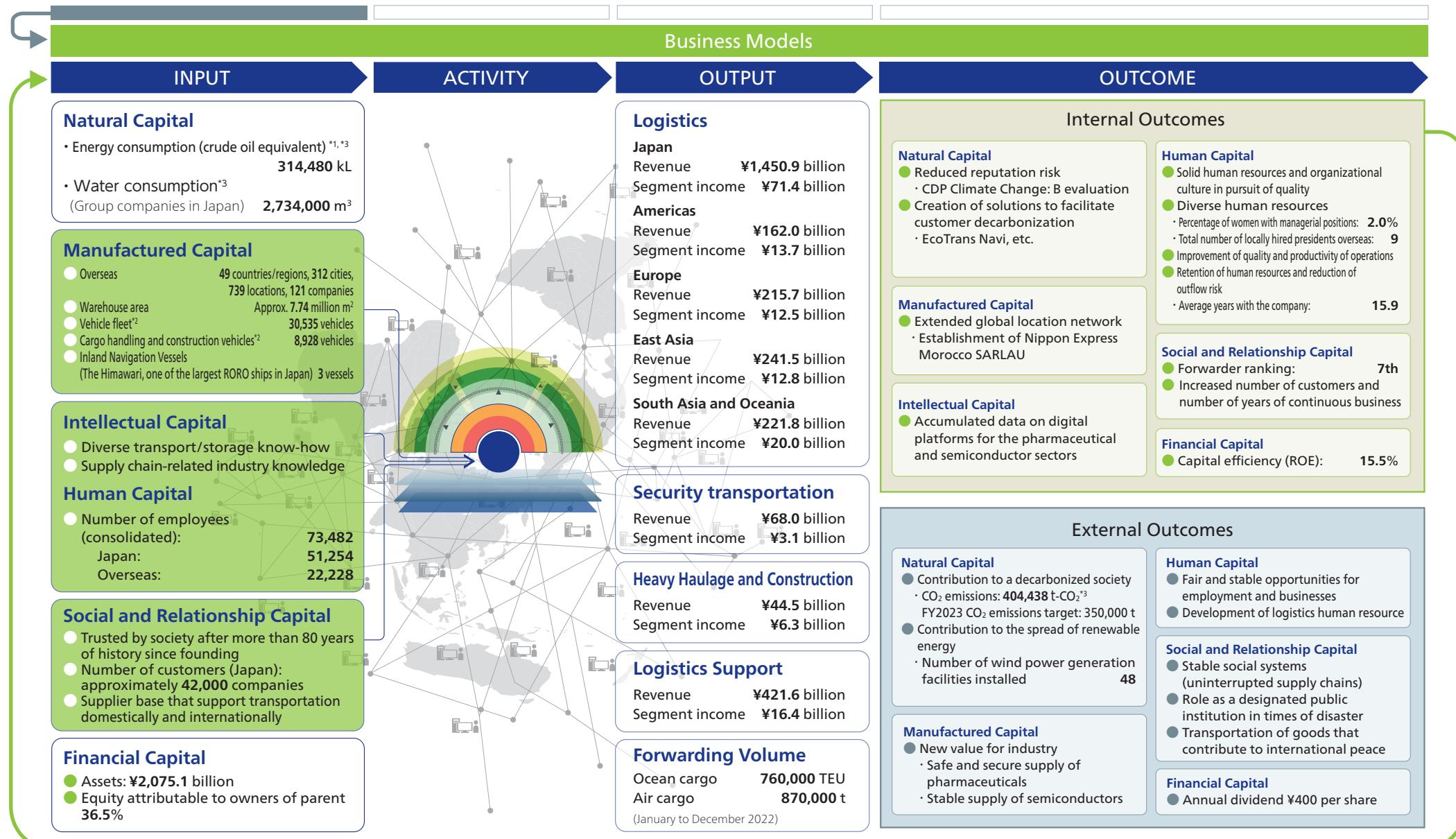
Source: Armstrong & Associates, Inc. A&A's Top 25 Global Freight Forwarders List 2021.

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.



Value Creation Process



*1 The data shown here aggregate the energy consumption by Nippon Express Co.,Ltd. and its consolidated companies in Japan and overseas (equivalent to Scope 1 and 2). Natural gas is 13A city gas (heat value of 45 GJ/thousand m³).

*2 The numbers of vehicles, as well as cargo handling and construction vehicles in Japan are the sums of vehicles owned by Nippon Express Co., Ltd. as of December 31, 2022 and those owned by domestic and overseas affiliated companies as of December 31, 2021.

*3 Figures for the amount of energy consumption, water consumption, and CO₂ emissions are from January 2022 to December 2022.

Risk/Opportunity

Risks that may have a significant impact on NIPPON EXPRESS GROUP businesses are as follows. These risks are reviewed regularly. For more on policies related to risks and opportunities, see our latest Annual Securities Report, as well as Materialities 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	<ul style="list-style-type: none"> • Global business expansion • Increase of entry opportunities due to supply chain changes 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Growth through M&As 	<ul style="list-style-type: none"> • 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 by AI/IoT, etc. Rapid business model innovation	<ul style="list-style-type: none"> • Trigger for greater business efficiency and solutions to social problems • Increased corporate value due to service creation 	<ul style="list-style-type: none"> • Obsolescence of existing business models • Loss of competitive advantage
Capital Markets	Market demands for effective use of capital and assets	<ul style="list-style-type: none"> • Greater corporate value 	<ul style="list-style-type: none"> • Stock price decline, increased pressure from the market
Employees	Changing labor environment (labor shortages, work style reforms, diversity)	<ul style="list-style-type: none"> • Expectations for industrial reforms • Opportunity to transform corporate culture and image 	<ul style="list-style-type: none"> • Shortages of core personnel, major cost increases, relative decline in industry appeal
Society	Initiatives for building a sustainable society Supply chain disruption due to infections including novel influenza strains/COVID-19	<ul style="list-style-type: none"> • More opportunities to provide value to customers • Expansion of areas of contribution to logistics related to production and procurement 	<ul style="list-style-type: none"> • Greater disparity between foreign companies advancing such initiatives • Lower relative standing on the market • Lost opportunity due to supply chain revision • Suspension of business activities and transportation infrastructure
Environment	Trends toward carbon neutrality	<ul style="list-style-type: none"> • Promotion of green logistics by such means as joint transportation and modal shift 	<ul style="list-style-type: none"> • Increased pressure from rapid legislative changes and environmental regulations introduction related to climate change

Materialities Related to the Medium- to Long-Term Enhancement of Corporate Value

In our current business plan, we have identified materiality as an important issue for improving corporate value based on our understanding of medium- to long-term changes in the environment as we promote the establishment of ESG management.

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

	Materiality Topic	Future Ideal	Issues	Risks and Opportunities (Examples)	Create Value Through Our Businesses	Source of Value Creation	Avoid Loss of Value
1	Addressing Climate Change (P.42-46)	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: Contribute to Customer CO ₂ Emission Reductions	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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	Improving Quality and Creating New Value (P.47-48)	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).	Develop and provide logistics solutions tailored to industry characteristics	Opportunity: Create demand through new value, such as authenticity assurance for goods in the supply chain	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	Building a Sustainable and Resilient Logistics Infrastructure (P.51-52)	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: Business continuity during emergencies 2: Respond to labor shortages	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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	Pursuing Business Digitalization and DX (P.53-54)	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: Business reform 2: Establish data utilization infrastructure 3: Create businesses 4: Research/Fixed point observation 5: DX promotion system	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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5	Improving Employee Engagement (P.55-56)	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 well-being of our employees in times of pandemic, securing a stronger foundation for value creation.	1: Enhance well-being 2: Promote D&I 3: Develop 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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6	Strengthening Governance (Compliance and Safety) (P.57-58)	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: Adhere to compliance policies 2: Ensure safety 3: Ensure compliance with the Revised Corporate Governance Code	Risk: Relative decline in reputation in society; damage stemming from risks related to strategy, business operations, finance, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 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.

Critical Capital Utilization and Reinforcement

NIPPON EXPRESS GROUP's key capital, the source of our value creation, is shown below along with efforts to utilize and reinforce this capital.

* We are creating new value based on our business activities (logistics, specialized transportation, logistics support, and others). Activities are included with a focus on those relevant to new value creation.

Value creation through capital utilization

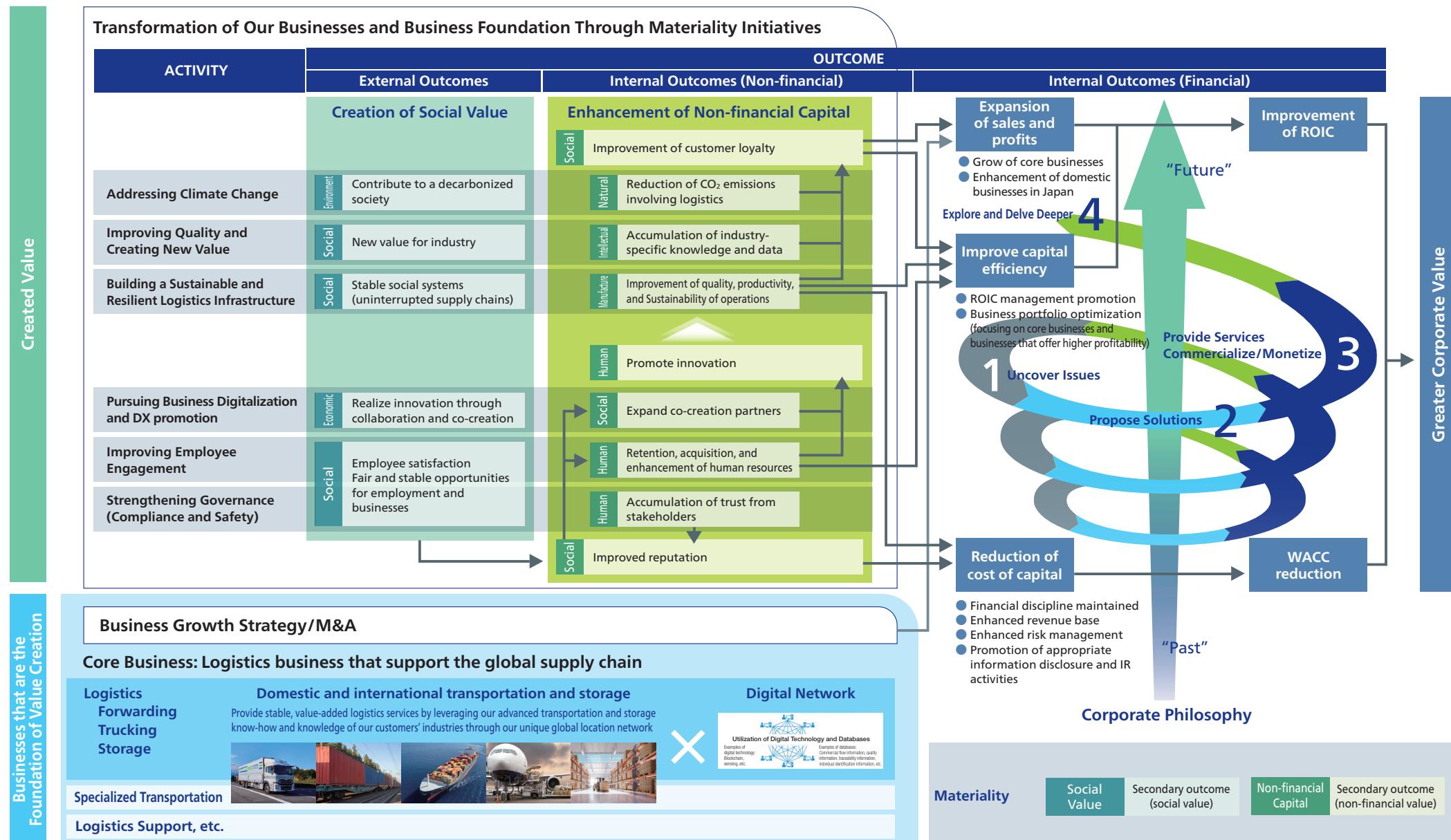
Strengthen capital through materiality initiatives and business activities

INPUT		ACTIVITIY (Priority Issues)	INTERNAL OUTCOME
Capital by Category	Capital in Relation to Value		
Natural Capital	While logistics requires the consumption of natural resources such as energy, the negative impact of business activities on the environment must be considered	<ul style="list-style-type: none"> Energy consumption (crude oil equivalent): 314,480 kL Water consumption (Group companies in Japan): 2,734,000 m³ 	<ul style="list-style-type: none"> Reduction of our own CO₂ emissions (Scope 1, 2, 3) Development and deployment of CO₂ reduction products and services
Manufactured Capital	A unique global network of business sites, as well as vehicles and warehouses that meet a variety of industrial needs, support quality of service, response to diverse value, and stable supply.	<ul style="list-style-type: none"> 49 overseas countries/regions, 312 cities, 739 locations, 121 companies Warehouse area: Approx. 7.74 million m² Vehicle fleet 30,535 vehicles Cargo handling and construction vehicles 8,928 vehicles Inland Navigation Vessels (The Himawari, one of the largest RORO ships in Japan) 3 vessels 	<ul style="list-style-type: none"> Improvement of quality/productivity through digitization of operations Intellectual capital to improve quality and provide customer/industry-optimized services Even more stable supply of services through strengthening of bases against disasters, etc. Expansion of our own location network using M&A
Intellectual Capital	The sophistication and diversification of quality and value are supported by diverse transportation and storage know-how accumulated through the pursuit of quality in meeting various needs of various industries, and by deep industry knowledge in the supply chains of various industries.	<ul style="list-style-type: none"> Diverse transport/storage know-how Supply chain-related industry knowledge 	<ul style="list-style-type: none"> Provide services to solve industrial issues through logistics platforms, etc. Social implementation in new business domains accessed by leveraging intellectual capital and relationships with diverse partners
Human Capital	The source of our value creation and competitiveness is our diverse human resource base and organizational culture. These are imbued with a strong awareness of safety, compliance, and quality, so that, under our philosophy, we always strive for the best in every situation to advance our customers' businesses and society.	<ul style="list-style-type: none"> Number of employees (consolidated): 73,482 Japan: 51,254 Overseas: 22,228 	<ul style="list-style-type: none"> Improve employee happiness and engagement by promoting diversity, work style innovation, and health management Recruitment/training to achieve a human resources portfolio with which to realize strategies for global human resources, DX human resources, and more Strengthening digital skills through digitalization of current operations Thoroughgoing safety/quality/compliance through the pervasiveness of our philosophy and "We Find the Way" mindset Group governance to ensure NX quality
Social and Relationship Capital	Trust built up over 80 years, as well as a domestic and international customer base that includes many leading companies upstream and downstream in the supply chain in a variety of industries—these form the cornerstone of our business stability and our ability to provide value across the supply chain.	<ul style="list-style-type: none"> Trusted by society after more than 80 years of history since founding Number of customers (Japan): approx. 42,000 companies A supplier base that supports transportation domestically and internationally 	<ul style="list-style-type: none"> Risk/crisis management, or building resilient logistics infrastructure by reducing manpower while maintaining human resources Build relationships of trust with stakeholders, leading to co-creation Expand our customer/supplier bases through M&A Expand market share through a thorough volume strategy
Financial Capital	A strong and disciplined financial base is the basis for sustainable growth	<ul style="list-style-type: none"> Assets: ¥2,075.1 billion Equity attributable to owners of parent: 36.5% 	<ul style="list-style-type: none"> Generate cash for M&A and lead to innovation by optimizing the business portfolio Strengthen financial governance by establishing an Investment Committee and promoting pervasive ROIC management

Enhanced capital returns

Sustainability Management for the Support of Medium- to Long-Term Sustainable Growth and Enhancement of Corporate Value

We will enhance corporate value by expanding non-financial capital while creating social value through the promotion of sustainability management and materiality initiatives based on the logistics business.



To Our Stakeholders

Creating New Value Through Logistics

To become a logistics company with a strong presence in the global market, we will speed up organizational reform and execution of business strategies while promoting the implementation of Sustainability management.

FY2023 is the final year of the NIPPON EXPRESS GROUP Business Plan 2023 - "Dynamic Growth". In the midst of a drastically changing external environment, we interviewed President Mitsuru Saito who says, "The most important thing is to speed up the pace of reform because risk does not change in response to changes in the environment." We also asked him about his efforts to realize the Group's long-term vision, how he plans to transform the NIPPON EXPRESS GROUP, create new value from logistics in the future, the progress of the Business Plan, and about management policies.

(Interviewed by members of the Integrated Report production team)

—FY2022 was a year during which significant changes in the external environment occurred, including the continuation of the pandemic, the emergence of geopolitical risks such as the situation in Russia and Ukraine, and global inflation. Please tell us your thoughts about FY2022.

Looking back on FY2022 from a performance standpoint, revenue, operating income and other profits reached

record highs. However, those results were different from those envisioned in the current business plan. In particular, supply-demand conditions were tough due to the continued supply constraints of space in international logistics and the disruption of global supply chains. Freight unit prices remained at a high level, and other factors contributed to earnings growth. On the other hand, domestic logistics in Japan remained sluggish for the year caused by the impact of production cuts in the automobile industry due to a shortage of semiconductors and other factors.

In international logistics, since the outbreak of COVID-19 caused extreme space constraints, customers were unable to move goods even if they wanted or were on the verge of suspending production. In order to overcome this situation, our Group has placed the highest priority on helping customers by securing and supplying space as much as possible. Since the COVID-19 pandemic has given us an opportunity to reaffirm our responsibilities in the global supply chain, we have become more aware of the need to be closer to our customers and to deeply understand the structure of their supply chains.



Mitsuru Saito

President, Chief Executive Officer and Representative Director

As for our corporate organization, we transitioned to a holding company structure in FY2022 and we will work to further strengthen and reform the structure in the future. In this context, I believe that the key point is how we will reorganize ourselves into a structure that can achieve global growth as well as stronger Group management.

**"I want to create a company where employees feel happy"
Reforming the organization and corporate climate to promote the happiness and success of employees, the people who serve as the starting point for value creation**

—FY2023 is the final year of the current business plan. How do you feel the external environment and the Company have changed during the current business plan or in the six years since you assumed the position of President?

When our current business plan was formulated in 2018, I could not anticipate the changes that would have such a large impact, such as COVID-19 and the Russian invasion of Ukraine. Although there were some difficulties responding to these changes, speed is important when dealing with the changing external environment. Since it is important to put things into action when it is 70% ready, we take every opportunity to make sure that we are aware of the time frame. As I mentioned earlier, in terms of business performance, we are progressing ahead of plan. I would like to continue our efforts to achieve our final year targets.

Also, since I became president, I have been communicating that "I want to create a company where employees feel happy." Among various stakeholders, I believe that the source of value creation is our employees, meaning

that we perform best when our employees are happy. This is because I believe it will have a positive impact on all of our stakeholders, including our customers and shareholders. I feel that through promoting various initiatives based on this idea, we are gradually realizing an environment where everyone can work with peace of mind.

Also, when I became the President, I had decided that in the course of managing the company, I would not lay off any employees or negatively change working conditions. To date, we have taken steps to reform our business portfolio, including the liquidation of our travel business and the transfer of our driving school and Seikan Ferry businesses. However, we did so based on the premise that their employment would be secured. We also did not make changes that would worsen the working conditions of our employees. This is a non-negotiable point regarding my management policy.

I believe that at least three factors are important when considering the happiness of employees. One is for them to take pride in their work by contributing to our customers, the community, and society through our business. The second is to ensure an open working environment. The third is fair compensation.

To cite just a few examples, we have created systems to change the work environment and corporate climate, from minor changes like increasing the degree of freedom in clothing that can be worn by employees and addressing employees by "san" instead of by their job titles. In 2022, the Group moved its Head Office to Kanda-Izumicho, Chiyoda-ku. We consolidated all of our land, sea, and air businesses as well as affiliates that were scattered throughout Tokyo there, creating an environment where the most suitable people can gather together and hold discussions in the most suitable places regardless of organization or function. I believe that this kind of work

environment will stimulate communication throughout the Group and further promote the strengthening of a one-stop system that enables us to exert our comprehensive capabilities. It seems that the effects of this work environment are gradually starting to appear.

I also think that fair compensation is not only about wages, but also about ease of work, including working conditions, work styles, and diversity. As such, we have been working to establish a system that allows for diverse work styles. For example, we have been expanding maternity leave and childcare leave systems for some time now. These systems have become more established, and now the number of male employees taking childcare leave is increasing. In addition, we have intentionally created opportunities for women to play more active roles in the workplace.

I believe that it is my responsibility not only to create an organization and structure but also to create working environments. Over the past six years, I believe we have changed what needs to be changed and have prepared working environments and a foundation where employees can work with peace of mind.

Optimal allocation of management resources to improve capital efficiency

—Next, we would like to learn about specific details regarding the progress of the business management plan. First, how is the progress of strengthening the resilience of the domestic businesses?

Recognizing that the Japanese market will inevitably shrink in the future due to the declining population, I consider building a business structure that is in tune with the market to be an important theme.

Until now, Japan has been lumped together from north





to south, with a uniform approach to expected earnings and customers, but Tokyo, Nagoya, and Osaka should be viewed as different markets from the rest of Japan in terms of size and quality. In Japan, which is our home market, Tokyo, Nagoya and Osaka are directly connected to the global supply chain and there are many decision-making bodies for our customers. Therefore, it is the most important market for us as we aim to grow in the global market. Although still in the planning stage, we are envisioning a system consisting of a platform for Tokyo, Nagoya, and Osaka by further gathering management resources as well as an area for Tohoku and Hokkaido and an area for Chugoku, Shikoku and Kyushu for other regions.

Traditionally, we have focused on how to improve low-profit and low-margin businesses and organizations. However, instead of taking this approach of improvement, I believe that we need to eliminate the imbalance in the allocation of our management resources and make them fit the market. Even if there are land and buildings that

have been owned for a long time with people who work there and they are being useful to customers, if they cannot break away from low profitability and low earnings, I believe that it is necessary to change the organization and the business model rather than adhering to what we have now. As the move to fit management resources to the market has already started, the strengthening of our domestic businesses will enter the next phase, shifting from focusing on reducing costs to improving capital efficiency.

—While reviewing the allocation of management resources, are there any changes in values in terms of contributing to the stability of social infrastructure?

As a logistics company, we will continue to contribute to the stability of social infrastructure. However, I think there will be changes in our position, the role we should play, and what is required of the Company.

For example, we will continue to fulfill our responsibilities as a company responsible for social infrastructure, such as acting as a designated public agency in the event of a disaster. However, I would like to see us change our thinking and strengthen our capabilities to respond to unforeseen circumstances and strengthen our BCP and similar protocols while allocating resources in line with the market during normal operations.

**Global Business Headquarters:GBHQ
Strengthening functions to drive global business expansion**

—Moving on, please tell us about the future development of the Group's global business.

Under the current business plan, we have invested a lot of resources overseas, and in FY2022, operating income in four overseas regions exceeded that of Nippon Express Co., Ltd. for the first time. This was something that was

unimaginable in the past, and I was deeply moved to realize that such a day had finally arrived.

In the next business plan, we will continue to concentrate our management resources overseas. In July of last year, we established the Global Business Headquarters (GBHQ) as an organizational structure to oversee our global operations. At GBHQ, we have appointed three foreign nationals as general managers who are treated as officers. Since many of the employees under their supervision are also foreign nationals, English is the language used during meetings. In addition, official internal documents are prepared in both Japanese and English to ensure a high level of information sharing.

Furthermore, under the existing structure, each region was subject to individual optimization, which sometimes resulted in missing out on global-level and cross-regional projects. The Group has set its sights on becoming a company with a strong presence in the global marketplace and wants to catch up with the mega forwarders of Europe and the United States, so it is necessary to take a more global perspective on supply chains and logistics. I would like for us to accelerate our global business by making GBHQ exert its control functions and achieve overall optimization.

In addition, in order to catch up with mega forwarders, it is essential to acquire non-Japanese customers. We have been expanding our business overseas in line with the overseas expansion of Japanese companies. Inevitably, the percentage of our non-Japanese clients we handle is still low. Mega forwarders, on the other hand, their employees consist from different nationalities and their customers are also diverse. Such difference is very significant and I think it is difficult for us to compete on a global scale if we consist primarily of Japanese employees and customers. Given these circumstances, we appointed foreign nationals as general managers and will further strengthen

the functions of GBHQ in the future. We also want to move the GBHQ overseas as soon as possible. When it is moved, I do not think it is necessary for top management to be Japanese.

In order to acquire non-Japanese customers, there are many things that need to be done, including M&A. In particular, we have been viewing the expansion of our ocean freight handling volume, which we are lacking compared to European and U.S.-based forwarders, as a materiality issue. The difference in handling volume leads to a difference in bargaining power with shipping companies and differences in purchasing prices. For this reason, we are working to improve the competitiveness of purchasing and procurements by consolidating procurement functions in Singapore and centralizing them.

—In regard to M&A, the Company announced the acquisition of cargo-partner on May 12, 2023. What does the company aim to do through this acquisition and what is the Company's future M&A strategy?

In order to realize our long-term vision, we have positioned the advancement of reforms under the holding company structure based on an M&A strategy as an important management issue. In this context, we have been exploring M&A projects with high synergy potential from multiple perspectives, and decided to acquire cargo-partner, a forwarding company based in Vienna, Austria. The acquisition value is in excess of ¥120 billion, or ¥200 billion if earn-out* is included, making this the largest M&A transaction ever undertaken by the NIPPON EXPRESS GROUP.

There are three points about the strategic significance of this acquisition. First, we will be able to strengthen our logistics base in Central and Eastern Europe, a region

where there is significant room for growth but where the NIPPON EXPRESS GROUP has an insufficient presence, thereby expanding our network and enhancing the services we provide in Europe. We currently have a small base of operations in Eastern Europe, including Slovakia and Serbia, but these were just spots. I believe that we have acquired a wide coverage at once this time and can add a powerful force to the Central and Eastern European regions. In addition, cargo-partner's trade lanes extend from Asia to Europe. By capturing cargo originating from Asia, which accounts for the majority of international logistics, cargo-partner expects to increase its global presence.

Second, the increased volume of air and ocean freight handled will enhance our competitiveness in the global marketplace, such as by increasing our purchasing power from carriers.

And third, which is extremely important because we have different customer bases and strengths in different countries and regions, we can create synergies by mutually complementing each other. This enables us to expand and develop our business. Post Merger Integration is extremely important in fulfilling these three strategic objectives, so we will focus on this more than ever before.

Although this is the largest M&A in our Company history, this does not mean that we are finished with M&A. I believe that the Company has secured funds for investments that will contribute to growth in the range of ¥300 to ¥400 billion through the carve-out of non-core and low-profit businesses and the sale of our former Head Office building in Shiodome, meaning that we still have funds to spare. We will work to enhance synergies throughout the entire

* Earn-out: A provision where additional payments are made by the buyer to the seller if sales, profit, or other targets are set and achieved during a certain period of time after share acquisition (closing).

Group through expanding in In regions where we have not yet fully expanded, such as Africa , we will use using M&A to further expand the Group's business as well as expanding into new areas. We will work to enhance synergies throughout the entire Group. As a result, I think that our business portfolio will evolve into something different than before, enabling us to move to higher levels in terms of profitability and capital efficiency.

Sustainability Management Promotion and responding to digital transformation

—Next, we would like you to talk about Sustainability management, specifically regarding related initiatives, results and challenges over the past year.

We are aware of and working on ESG and sustainability in our current business plan, and with the next business plan in mind, we believe that we need to further promote sustainability management by considering all matters related to sustainability from a strategic standpoint.

In addition to economic value, the Group has pursued the creation of social value as its purpose, under the corporate philosophy of "advancing society through logistics." While I feel a sense of crisis that we will be eliminated if we do not meet society's demands for Sustainability, I also believe that responding to this crisis will lead to business opportunities. The Group's Sustainability management is being conducted from both a defensive (risk mitigation) and an offensive (value creation) perspective that leads to value creation and business growth.

In January 2023, in order to further promote the Group's sustainability management, we formulated our Sustainability Policy and Vision based on our Corporate Philosophy and clarified that we aim to create social , environmental and economic values.

At the same time, we also set medium- to long-term goals for CO₂ emissions reduction, with the goal of reducing the Group's emissions by 50% from 2013 levels by 2030 and contribute to the realization of a carbon-neutral society by 2050. While this is undoubtedly a high hurdle, we recognize that reducing CO₂ emissions is the first issue we must tackle as a logistics company.

In addition to environmental issues, we will take on the challenge of creating new value by promoting initiatives for six materiality issues based on our logistics business.

—DX(digital transformation) is essential when considering a long-term vision. What are your thoughts on DX and DX investment?

As a basic stance in preparation for DX, I believe it is important to have an ambidextrous form of DX where the digitization of existing businesses and the exploration of new business models are pursued in parallel. We will continue to steadily advance the automation and labor-saving of warehouses, efficiency improvement using IT and logistics data, and work style reform. In addition, as co-creation through the development of DX human resources and alliances with non-Group companies are also necessary, we are already moving forward with initiatives aimed at this. On the other hand, looking ahead to the next 10 to 20 years, what kind of value the NIPPON EXPRESS GROUP can provide to the world as a logistics platformer is more important. I believe it is necessary to create a platform that includes a payment system for the entire supply chain, functionality for the visualization of CO₂ emissions, and other capabilities.

In the future, the logistics industry will see the entry of many players from different industries. In fact, players with IT technology and funds are beginning to enter the market, but while AI can be used to provide customers with optimal cost and lead-time transportation routes, build-

ing realistic logistics solutions with routing that consider risks is still a challenge. In contrast, we have knowledge based on decades of "touching" handling actual cargo. In order to take advantage of these accumulated strengths and refine them, we will strengthen our DX initiatives.

—As the Company aims for its long-term vision, what are your ideas regarding the next business plan?

In the next business plan, our long-term vision of becoming "a logistics company with a strong presence in the global market" remains unchanged. I believe that the main theme is to improve capital efficiency by further advancing the Growth Strategies for Our Core Businesses and Strategy to Enhance Domestic that we have pursued so far, including our M&A strategy, without being bound by tradition.

In addition, we will work to deepen and enhance Sustainability management. Procedure would be to prepare for transformation at the same time but the reality is that we have not yet established a concrete and clear vision. However, I believe that this is why we should focus on re-organizing our business portfolio and preparing for the forthcoming transformation.

To Our Stakeholders

—In closing, we would like to ask you this: As the future becomes increasingly difficult to predict, what is your ideal image of the NIPPON EXPRESS GROUP?

When I think of the changes in the external environment over the past few years, such as the outbreak of the COVID-19 pandemic and the emergence of geopolitical risks, it is conceivable that even more unimaginable changes will occur in the future. However, I believe that employees, or more specifically, our fundamental and unchanging universal values as human beings, should be valued. In addition, consideration and contribution to the

global environment will become even more important as a prerequisite. Although this is more about our sense of values than value creation, the Group has the purpose of "advancing society and bringing an enriched life to future generations." I am convinced that our employees have the DNA for contributing to society. I would like to see us become a company that contributes to the realization of a sustainable society by tackling various issues even if the external environment changes drastically.

I would like us to be a company that contributes to the realization of a sustainable society by tackling various issues even if the external environment changes drastically.



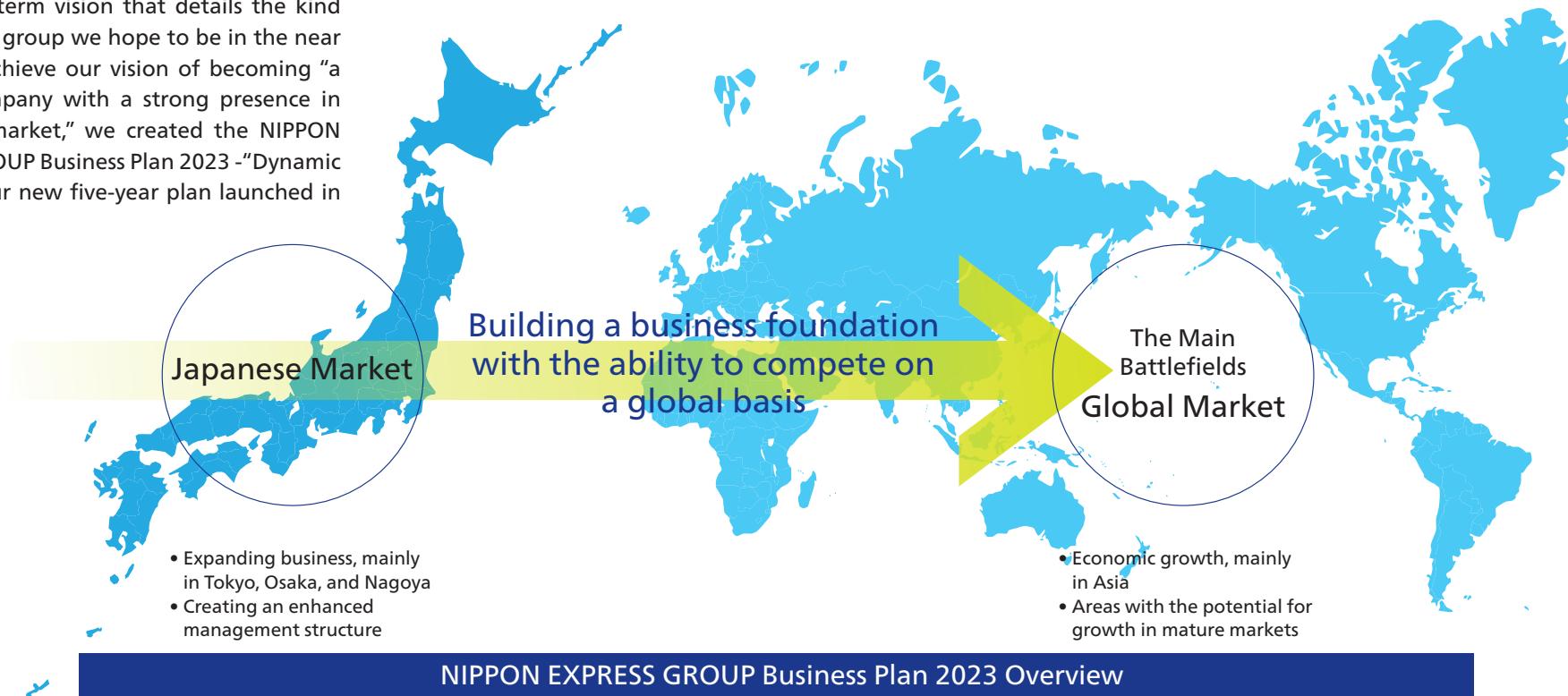
Medium-Term Business Plan Progress

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 —			
	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>Raise 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 	<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 FY2009</p> <p>* Compared to FY2012</p>		
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* Number of countries: +4 Number of bases: +55 Employees: +1,970 Warehouse area: 470,000m² 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) 	<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>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 FY2012</p>	<p>* Compared to FY2015</p>		
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 Improving sales and business profitability 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.



NIPPON EXPRESS GROUP Business Plan 2023 Overview					
Growth Strategy for our Core Businesses		Strategy to Enhance Domestic Businesses in Japan			
Expand Revenues	<ul style="list-style-type: none"> • Growing in the global market • Concentrate management resources in major cities in Japan 	Improve Profitability	<ul style="list-style-type: none"> • Improve profitability of specialized businesses • Improving sales and business profitability • Engage in dramatic reform of low-profit businesses 		
Approach based on customer (industry), business, and area					
Efforts to Implement Our Long-Term Vision					
<ul style="list-style-type: none"> • Inorganic Growth Strategy • Reinforce functions to support challenges • Establishing ESG-oriented business management to realize sustainable development 					

Outline of Initiatives

Growth Strategy 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.

Growth Strategy for Our Core Businesses - Priority Measures

Approach based on customer (industry)

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

Increased sales

Based on customer (industry)

Approach based on business

- Forwarding business
- Logistics business
- Network transport business
- Packaging solution business

Based on business

Approach based on area

- Japan
- Americas
- Europe
- East Asia
- South Asia and Oceania

Control functions and mechanisms to support these three-dimensional approaches

- Establishing a system to support sales activities based on sales and operational data
- Introducing KPIs to the sales process
- Reinforcing Group sales support base

Strategy to Enhance Domestic Businesses in Japan

In businesses in Japan, we will work to improve profitability of specified businesses such as heavy haulage and construction, security transportation, and fine arts transportation. As part of these efforts, the security transportation business was

Expansion based on an assumed improvement in profitability



spun off from Nippon Express Co., Ltd. on January 1, 2023 as NX Cash Logistics Co., Ltd. with the aim of further improving profitability through the creation of services required by the times based on flexible and speedy decision making.

In addition, we will bolster 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, group optimization, 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 logistics company with a strong presence in the global market, create a global network and business base, and secure non-Japanese global customers.

In reinforcing functions to support challenges, we aim to accelerate efficiency and management sophistication through the digitalization of conventional operations while at the same time innovating through advances in DX to increase the value we provide to customers, and promote the creation of new business areas through innovation through DX and co-creation with non-Group companies. We are also working on innovations in our management foundation, including a brand strategy introduced in January 2022 to make the NIPPON EXPRESS GROUP brand globally pervasive, as well as a human resources strategy.

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

Note: Figures based on Japanese GAAP are provided on this page for comparison with FY2023 targets.

		FY2022 Results	FY2023 Forecast		FY2023 Targets (Business Plan Targets)	
Revenues		¥2,619.7 billion	¥2,450.0 billion		¥2,400.0 billion	
Operating income		¥128.7 billion	¥110.0 billion		¥110.0 billion	
Operating income ratio		4.9%	4.5%		4.6%	
Net income		¥109.8 billion	¥75.0 billion		¥72.0 billion	
Overseas sales		¥841.6 billion	¥702.7 billion		¥720.0 billion	
ROE		15.9%	10.0%		10.0%	
Forwarding volume	Ocean	760,000 TEU	–		1,100,000 TEU	
	Air	870,000 t	–		1,200,000 t	

		FY2022 Results			FY2023 Forecast			FY2023 Targets (Business Plan Targets)		
Targets by segment		Revenues	Operating income	Operating income ratio	Revenues	Operating income	Operating income ratio	Revenues	Operating income	Operating income ratio
Logistics	Japan	¥1,457.2 billion	¥65.8 billion	4.5%	¥1,378.9 billion	¥59.6 billion	4.3%	¥1,373.0 billion	¥65.8 billion	4.8%
	Americas	¥162.0 billion	¥13.3 billion	8.2%	¥170.9 billion	¥12.4 billion	7.3%	¥121.0 billion	¥7.2 billion	6.0%
	Europe	¥215.6 billion	¥12.4 billion	5.8%	¥198.2 billion	¥10.9 billion	5.5%	¥186.0 billion	¥8.7 billion	4.7%
	East Asia	¥242.0 billion	¥12.4 billion	5.1%	¥187.0 billion	¥8.1 billion	4.3%	¥231.0 billion	¥8.9 billion	3.9%
	South Asia & Oceania	¥221.8 billion	¥20.0 billion	9.0%	¥171.1 billion	¥11.0 billion	6.4%	¥182.0 billion	¥14.2 billion	7.8%
Security transportation		¥68.4 billion	¥0.9 billion	1.4%	¥69.0 billion	¥2.4 billion	3.5%	¥69.0 billion	¥1.1 billion	1.6%
Heavy haulage and construction		¥44.5 billion	¥6.3 billion	14.1%	¥47.0 billion	¥5.6 billion	11.9%	¥53.0 billion	¥6.1 billion	11.5%
Logistics support		¥414.8 billion	¥16.3 billion	3.9%	¥422.2 billion	¥14.6 billion	3.5%	¥382.0 billion	¥12.0 billion	3.1%

Business Growth Strategy

Growth Strategy for our Core Businesses

Looking Back on the Fourth Year of the Current Business Plan

With regard to our strategy for growth in core businesses, as a result of our one-stop business promotion and account management, we have established a global sales structure and we are working to further strengthen our sales structure and organization by placing global account management at the core of our sales strategy. By identifying value as our customers conceive it and providing products and services that meet those needs, we have strengthened our customer (industry)-based approach, which has led to the growth of our core business by also strengthening our business- and area-based approaches. We have been continuously strengthening our business by seeking new growth in the supply chain area of industries that are expected to expand and change in the future, such as the pharmaceutical industry, which requires high quality control such as GDP, the semiconductor industry, which is strengthening its industry as a national project in many countries, and the mobility industry, led by automobile manufacturers that are reforming SCM in the changing environment such as CASE. In July, with the aim of further expanding the global business, the global business management function of Nippon Express Co., Ltd. was transferred to the Global Business Headquarters of NIPPON EXPRESS HOLDINGS, Inc. to consolidate and strengthen our global business management function.

As a result, our international forwarding business and overseas business performed particularly well despite some changes resulting from global supply chain disruptions and reviews. In Japan, overall demand for cargo transportation remained weak, partly due to stagnant production in some industries and semi-state of emergency COVID-19 measures being taken. Although there were signs of recovery in some businesses, handling volumes remained generally sluggish.



Revenues	FY2022 Results	FY2021 Results	YoY Change	FY2023 Target	Progress in Comparison to FY2023 Targets
Electric and electronics industries	¥118.3 billion	¥112.3 billion	5.3%	¥120.0 billion	98.6%
Automobile industry	¥92.8 billion	¥85.4 billion	8.7%	¥110.0 billion	84.4%
Apparel industry	¥16.7 billion	¥15.5 billion	7.7%	¥20.0 billion	83.5%
Pharmaceutical/medical industry	¥19.4 billion	¥15.9 billion	22.0%	¥30.0 billion	64.7%
Semiconductor industry	¥53.5 billion	¥28.5 billion	87.7%	¥45.5 billion	117.6%

Revenues	FY2022 Results	FY2021 Results	YoY Change	FY2023 Target	Progress in Comparison to FY2023 Targets
Electric and electronics industries	¥208.3 billion	¥186.5 billion	11.7%	¥174.0 billion	119.7%
Automobile industry	¥131.7 billion	¥108.1 billion	21.8%	¥120.0 billion	109.8%
Apparel industry	¥114.7 billion	¥78.7 billion	45.7%	¥80.0 billion	143.4%
Pharmaceutical/medical industry	¥41.9 billion	¥24.1 billion	73.9%	¥40.0 billion	104.8%
Semiconductor industry	¥23.9 billion	¥16.7 billion	43.1%	¥20.0 billion	119.5%

Forwarding Volume ^{*2} and Revenues	FY2022 Results	FY2021 Results	YoY Change	FY2023 Target	Progress in Comparison to FY2023 Targets
Increase in non-Japanese customers (GAM, GTA ^{*1})	¥113.1 billion	¥74.1 billion	52.6%	¥86.9 billion	130.1%
Ocean cargo forwarding	760,000 TEU	750,000 TEU	1.2%	1,100,000 TEU	68.8%
Air cargo forwarding	870,000 t	970,000t	(10.8%)	1,200,000t	72.3%

Note: Domestic (Japan) performance and target figures are for NIPPON EXPRESS CO., LTD. only.
Results for FY2021 and FY2022 are figures for the period from January to December during both fiscal years for both Japan-based business and overseas business.

*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 Fifth 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 will work to build industry-specific platforms by strengthening global account management and accurately capturing customer needs while developing global solution proposals that leverage our network.

As for the forwarding business (business focus), under the market environment that has changed drastically from the previous year, we will focus on expanding the handling of areas that we have not been able to take up until now while simultaneously expanding the handling volume and reducing usage costs, and strengthen centralized purchasing power. We will work to expand economies of scale and strengthen trade lane management.

Strategy to Enhance Domestic Businesses in Japan

Looking Back on the Fourth Year

In pursuit of our strategy to enhance our domestic businesses in Japan, which is the core of our Group business, we have been reallocating indirect department personnel, introducing advanced technologies mainly at warehouse operation sites, training core human resources, and improving operational efficiency and productivity through operational improvement activities while also operating our dedicated "NX Train" cargo container service and strengthening cross-mode sales in the rail transportation business. In addition, we have made efforts to thoroughly control costs by strengthening our management base through the restructuring of branch operating companies and curbing outsourcing costs by maximizing the use of the Group's internal work force.

Strategies and Initiatives for the Fifth Year

In our strategy to enhance domestic businesses in Japan, we will continue to focus on cost control measures, such as reducing outsourcing costs, to improve profitability and further focus on improving productivity in warehouse operations.

In addition, we will strengthen our business by transforming

Strategy to Enhance Domestic Businesses in Japan	Item	FY2019 Results (vs. previous year)	FY2020 Results (vs. previous year)	FY2021 Results (vs. previous year)	FY2022 Results (vs. previous year)	Cumulative (April 2019 to December 2022)	Business Plan FY2023 Targets (5 year cumulative)
Further reorganization of organizations/ streamlining of administrative departments	Branch back office personnel reassessments	(¥1.10 billion) (124 persons)	(¥1.40 billion) (156 persons)	—	—	(¥2.5 billion) (280 persons)	(¥4.5 billion) (500 persons)
	Reassignment of HQ employees	—	(¥0.82 billion) (91 persons)	(¥0.04 billion) (4 persons)	(¥0.38 billion) (42 persons)	(¥1.24 billion) (137 persons)	
Reform of back office processes	Overtime [back office personnel]	(¥1.10 billion)	(¥1.32 billion)	+¥0.55 billion	+¥0.27 billion	(¥1.6 billion)	(¥5.0 billion)
	Personnel dispatching cost [back office]	+¥0.15 billion	(¥1.04 billion)	(¥0.20 billion)	+¥0.91 billion	(¥0.18 billion)	

Efforts to Implement Our Long-Term Vision

Looking Back on the Fourth Year

Regarding innovation in public relations strategy section designed to reinforce functions to support initiatives, as the first step of a branding strategy to build a global competitive advantage, we promoted a branding strategy aimed at global penetration and recognition through the Group brand "NX," which was introduced in January 2022. In addition, regarding Innovation in IT Strategy, we promoted the strengthening of global information security and the development of Group's global communication infrastructure.

With regard to establishing ESG-oriented management to realize sustainable development and improve corporate value, as the first year of our transition into a pure holding company structure, we will work to realize a global group governance structure and strengthen its effectiveness, and strengthen risk and crisis management in order to strengthen the group management structure. In addition, to achieve sustainable growth

of the NIPPON EXPRESS GROUP and contribute to a sustainable society, the NIPPON EXPRESS GROUP has been building a system to address various Sustainability issues and promoting Sustainability management. In particular, we have positioned "Addressing Climate Change" as one of our materiality issues, declared our support for the Task Force on Climate-related Financial Disclosures (TCFD), and are promoting measures to address climate change based on TCFD recommendations.

In order to realize our long-term vision, we believe that human resources are the source of our competitiveness and have set up a policy for promoting diversity as a group. In addition to advancing initiatives aimed at mindset reform, corporate climate reform, workstyle reform and behavioral reform, we have also promoted the recruitment of multinational human resources and experienced personnel in areas that require a high level of expertise, such as legal affairs and accounting, as part of our human resources strategy with a view to global growth.

our security transportation business, which was spun off as NX Cash Logistics Co., Ltd. on January 1, 2023. We will also work extensively to organize overlapping businesses within the Group, such as the real estate business, and to pursue an optimal business portfolio for our domestic businesses.

Future Strategy and Measures

As part of our efforts for open innovation through co-creation with external companies designed to reinforce functions to support initiatives, we established the Corporate Venturing Division in January 2023. Through co-creation with partner companies and startups through investment in venture capital funds, we will further promote initiatives to increase Group value.

For establishing ESG-oriented management to realize sustainable development and improve corporate value, we have established the NIPPON EXPRESS GROUP Sustainability Policy and Vision, and are promoting Sustainability management. In the second year of the transition to a holding company structure, we will further strengthen global group governance, evolve global control functions, enhance risk management and crisis management, strengthen business portfolio strategies as well as establish management systems, and reorganize Group businesses.

Acquisition of Shares of cargo-partner (Turning into a Subsidiary)

Background of the Transaction

As part of an effort to execute timely growth strategies to realize growth toward becoming a "a logistics company with a strong presence in the global market" as stated in the NIPPON EXPRESS GROUP Business Plan 2023.

Basic Information on Target Company

cargo-partner GmbH (one representative target company)

Date of Incorporation : November 30, 1983 Headquarter located in Austria



Description of business: Transportation service, mainly focused on Air / Sea freight forwarding

Area: Western Europe, Eastern Europe, Central Europe, North-Eastern Asia, East-Southern Asia, India, Oceania, North America

Purchase Price

Ordinary shares of the Target Companies: EUR 845 million (approx. JPY 126,750 million)

(the actual purchase price will be determined after adjustments in relation to net debt and net working capital of cargo-partner are made at time of completion of the Transaction)

In addition, a maximum of EUR 555 million (approx. JPY 83,250 million) will be paid in cash to the sellers, subject to the Target Companies' earnings reaching a certain financial threshold agreed to in the agreement.

Closing Date of the Transaction

November 2023 to May 2024 (Planned)

Strategic Rationale of the Acquisition

A	Expand our network and services	<ul style="list-style-type: none"> Strengthening our network and services in the European area by supplementing the logistics foundation in the Central and Eastern Europe region, where, as the production base for the European region, strong growth is expected
B	Strengthen our competitiveness by expanding the amount of freight forwarding volume	<ul style="list-style-type: none"> Strengthening our competitiveness in the global markets through an increase in air and sea freight forwarding volume
C	Strengthen our ability to meet global logistics demand	<ul style="list-style-type: none"> Addressing a variety of needs of our customers who operate their business globally, especially by strengthening our ability to meet logistics demand between Asia and Europe as well as reinforcing our global accounts team
D	Create synergies and expand / develop the business	<ul style="list-style-type: none"> Developing and creating synergies between our logistics businesses which are complementary due to the different areas of strengths in terms of customer base and coverage countries and areas

PMI (Post Merger Integration) Policy

Establish a Steering Committee

Management



NX Group will second some Directors and employees. Reinforce a rapid coordination by deepening mutual understanding and expanding trusted relationships

Governance



Establish a governance structure to realize the integration of respective managements from cargo-partner and NX group

Growth Strategy



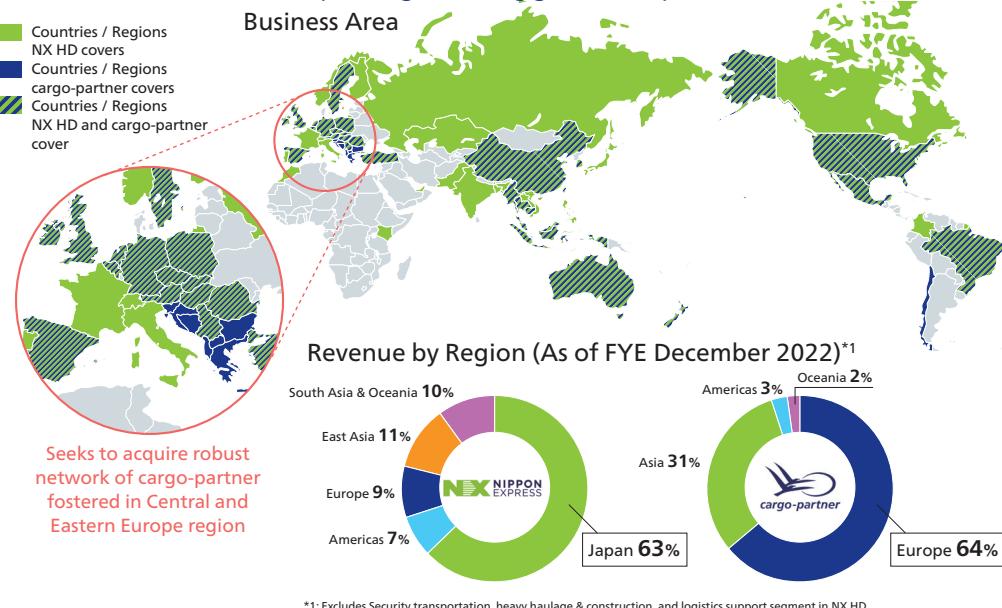
Promote and implement execution plans to realize growth strategy by both NX Group and cargo-partner, via GBHQ

Acquisition of an Equity Stake in cargo-partner (Subsidiary): Strategic Significance of the Acquisition

A

Expand our network and services

Strengthening our network and services in the European area by supplementing the logistics foundation in the Central and Eastern Europe region, where, as the production base for the European region, strong growth is expected

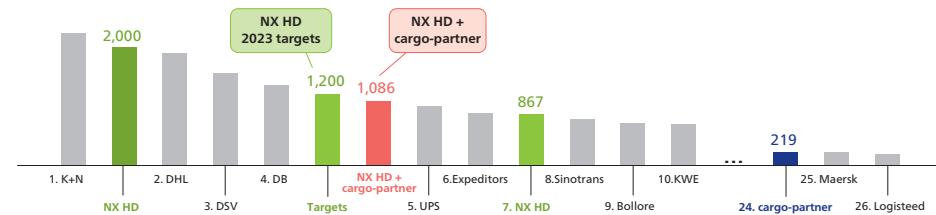


B

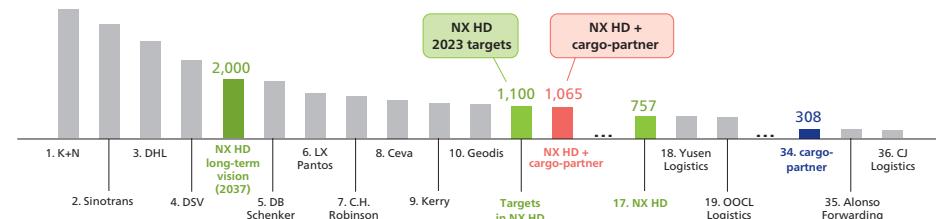
Strengthen our competitiveness by expanding the amount of freight forwarding volume

Strengthening our competitiveness in the global markets through an increase in air and sea freight forwarding volume

Air Freight Volume*2 Thousands ton (as of 2022)



Ocean Freight (FCL) Volume*2 Thousands TEU (as of 2022)



*2: Referred to the ranking published in Transport Topics

Source: Transport Topics "Top100 Logistics Companies 2023"

C

Strengthen our ability to meet global logistics demand

Addressing a variety of needs of our customers who operate their business globally, especially by strengthening our ability to meet logistics demand between Asia and Europe as well as reinforcing our global accounts team



Focus on Japanese Companies	
●	Electric & telecommunication
●	Automotive
●	Pharmaceutical
●	Apparel
●	Semiconductor

Focus on Non-Japanese Companies	
●	High Tech & electronics
●	Automotive & industrial spare parts
●	Pharmaceuticals & healthcare
●	Fashion & lifestyle
●	Foodstuffs, perishables & retail

D

Create synergies and expand / develop the business

Developing and creating synergies between our logistics businesses which are complementary due to the different areas of strengths in terms of customer base and coverage countries and areas



Business Structural Reform Project

With regard to the Business Structural Reform Project, we identify issues and conduct concrete discussions on the following six themes.

Themes 1 through 4 are aimed at reforming and strengthening each business while Theme 5 encompasses each business while considering the ideal business structure in Japan.

For Theme 6, we will focus on each overseas region to maximize the contribution to the Group as a whole, the synergies generated, and the strengthening of the PMI of acquired companies. We aim to strengthen our M&A promotion structure in cooperation with the Global Business Headquarters and other divisions of the holding company.

Although the purpose of this project is to solidify proposals for the next business plan, measures that should be taken immediately will be implemented while shifting to line operations.

At the same time, we would like to promote business reforms from the perspective of improving capital efficiency and optimizing our business portfolio rather than simply making improvements as an extension of conventional operations.

Reforming and Strengthening Each of Our Businesses

1 Logistics business reform

Optimization and enhancement of customer-based SCM. We will contribute to our customers through the design of optimal logistics solutions by bringing together the full power of the NIPPON EXPRESS GROUP.

2 Rail transport business reform

Positioning it as a sustainable means of transportation while being aware that we are in the era of decarbonization, we are restructuring our NX brand rail transport business to provide customer-oriented high value-added services and safe and secure transport.

3 Small-lot cargo business reform

We are enhancing our businesses through alliances and other means by improving profitability by integrating NX Transport Service Co., Ltd. and route businesses, and strengthening our capital and business alliance with Meitetsu Transportation Co.,Ltd.

4 Domestic ocean transport business reform

We are establishing the NIPPON EXPRESS GROUP domestic shipping brand, which covers ports throughout Japan, and are contributing to solving social issues. In addition, we are reorganizing our shipping routes and developing new products with the aim of creating alliances with other shipping companies.

5 Combined store business reform

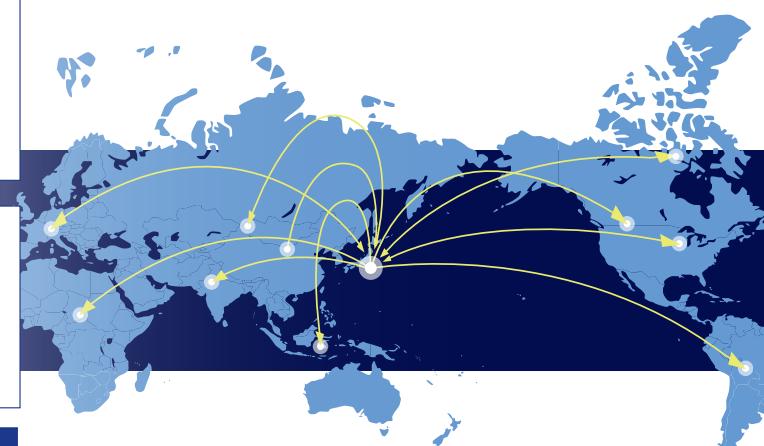
- Business-focused approach Strengthening total logistics solutions by enhancing competitiveness
- Sales-focused approach Provision of one-stop total solutions to our customers
- Area-focused approach Maximization of earnings based on area market characteristics

6 M&A strategy promotion

- We are strengthening the competitiveness of our forwarding business for cargo originating from Asia and strengthening the ability to respond to market needs in each region rooted in industry and business
- Establishment of M&A promotion system

Concentration of management resources in Tokyo, Nagoya, and Osaka and allocation of management resources in accordance with the characteristics of area markets

Expansion of businesses by combining enhanced businesses



We are concentrating management resources in Tokyo, Nagoya, and Osaka, the largest markets in Japan, which is our home market. These cities provide a direct connection with the global supply chain.



**Shinjiro
Takezoe**

Managing Executive Officer
Chief Managing Officer of
Corporate Strategy Headquarters

Message from the Chief Managing Officer of Corporate Strategy Headquarters

Comments on Performance and Initiatives for Better Capital Efficiency

I would like to present details on our business performance, our business plan, our progress with efforts to improve capital efficiency, and other topics.

Business performance

In order to promote global management through unification of group accounting standards and to improve comparability of financial information in the capital markets, we started the voluntary application of International Financial Reporting Standards (IFRS) in FY2022, replacing the existing Japanese GAAP. In principle, figures based on IFRS are used in this report as well.

First, regarding the consolidated financial results for the fiscal year ending December 31, 2022, the supply-demand balance in the forwarding business has been easing since August or September of last year due to a decrease in demand and other factors. Amid this trend, in the fourth quarter we saw a reactionary decline in the overseas and international logistics businesses, which had previously driven our performance. Domestic logistics remained sluggish partly due to a poor harvest of agricultural products and the impact of reduced automobile production. While some industries recovered from the COVID-19 pandemic by September of last year and there was a rush of demand due to October price hikes, the fourth

quarter saw a reactionary drop in demand.

Although these circumstances resulted in lower sales and profits in the fourth quarter, the increase in sales and profits through the third quarter resulted in higher sales and profits for the Company's consolidated results for the full year. ([Related page: Management Discussion and Analysis \(P.84 -85\)](#))

Next, regarding the outlook for the current fiscal year, we expect a reactionary decline in the supply-demand balance in the forwarding business and positive impact of the COVID-19 pandemic. In addition, the global economic business conditions are expected to be challenging as growth is expected to slow. As a result of calculations based on comprehensive consideration of these circumstances, we expect a decrease in both sales and profits compared to the previous year. ([Related page: Management Discussion and Analysis \(P.84 -85\)](#))

FY2023 will be the final year of the current Business Plan, and as we begin the application of IFRS, we will not change the targets of the management plan, but will evaluate the progress of the management plan based on pro forma Japanese GAAP figures, which are IFRS figures retroactively converted to Japanese GAAP figures. Among the main numerical targets of the Business Plan, we expect to achieve the operating income target of ¥110 billion in the final year of the plan. ([Related page: Financial Targets and Progress \(P.25\)](#))

We are currently in the process of formulating the next

Business Plan. To achieve our long-term vision, we will promote Sustainability management under the main themes of further advancing the growth strategy for core businesses and strategy to enhance domestic businesses in Japan that we have been promoting, including our M&A strategy. We are also promoting considering measures and preparations for DX. Furthermore, we hope to improve ROE and capital efficiency by combining enhanced shareholder returns, etc., with capital adequacy controls.

Initiatives to improve capital efficiency

Next, to improve capital efficiency, we have been working on the themes of optimizing our portfolio through selection and concentration and slimming down our balance sheet, and engaging in cash flow management. At the same time, we will generate cash and use this money to invest in our core businesses, including mergers and acquisitions, as well as more profitable businesses. We aim to improve capital efficiency by replacing assets or optimizing our business portfolio.

In last year's Integrated Report, we reported that this initiative had produced positive results in cash generation. In addition, we sold the our Head Office building in Shiodome in FY2022. As a result, we believe that we were able to secure investment funds for M&A, etc. on a scale of ¥300 to ¥400 billion with an eye on future growth. With the transition to a holding structure in FY2022, we have been working on restructuring to create a system that can accelerate transformation, achieve global growth, and allow for stronger group management based on the M&A strategy. Finally, the Company decided to acquire cargo-partner on May 12, 2023.

Headquartered in Vienna, Austria, cargo-partner has a solid business base in Central and Eastern Europe, regions that are attracting attention as industrial hubs in Europe. The company is expanding its business in Europe, Asia, and North America with a focus on the ocean and air cargo forwarding businesses for the automotive, electric/electronics, and pharmaceutical

industries. In order to realize our long-term vision, we will leverage the advantages of both companies to further expand our forwarding business, strengthen our customer base, and activate sales activities through synergies. I believe that we will be able to increase our presence in the global market.

In addition, our M&A strategy is to respect the corporate culture of acquired companies while seeking collaboration with a focus on pursuing synergies, aiming to achieve "win-win" M&A. The acquisition of cargo-partner shares is also in line with our M&A strategy ([Related page: Acquisition of Shares of cargo-partner \(P.28-29\)](#)). The acquisition value is in excess of ¥120 billion, or ¥200 billion if earn-out* is included, making this the largest M&A transaction ever undertaken by the NIPPON EXPRESS GROUP. However, we view this acquisition price to be within an appropriate range. This acquisition is a step toward realizing our long-term vision. For PMI, we will make every effort to make full use of the knowledge we have gained so far under the leadership of the Global Business Headquarters (GBHQ).

Although we have decided to acquire cargo-partner through M&A, this does not mean that our M&A efforts are complete. As the company still has a surplus of investment funds for growth, we will continue to pursue M&A that contribute to management while confirming synergies, and realize the optimization of our business portfolio.

In Japan, we will allocate management resources in accordance with the market and reorganize our domestic business by expanding business globally. We regard the consolidation and integration of overlapping businesses and functions within the Group as an important theme. In addition, there are important issues that need to be transformed, such as strengthening GBHQ functions to expand global business. With speed in mind, in regard to the structural reform of our Japanese operations and strengthening of our global business structure, we will determine what direction these efforts are heading in

FY2023 and consider how to pass it on in the next Business Plan. We will present the status of the findings and the direction we are heading in future financial results and when we have opportunities to do so, such as on IR Day.

* Earn-out: A provision where additional payments are made by the buyer to the seller if sales, profit, or other targets are set and achieved during a certain period of time after share acquisition (closing).

Sustainability Management Promotion and preparation for DX

In addition to promoting Sustainability management, players that possess IT technology and capital are beginning to enter the logistics industry with many more players from other industries likely to enter the industry in the future. As a basic stance in preparation for DX, premised on contributing to a sustainable society, I believe it is important to have an ambidextrous form of DX where the digitization of existing businesses and the exploration of new business models are pursued in parallel.

In terms of the digitization of existing businesses, we are not only responding to labor shortages but are also actively digitizing administrative work through the use of RPA and other means to generate time for focusing on value-added operations. In terms of exploring new business models, we will focus on innovation through co-creation with external companies, mainly through our holdings company. In addition, in order to further promote DX and create new value, we believe it is important to utilize logistics-related data obtained from the physical layer that we have accumulated so far. To this end, we are building a platform for the use of data across the entire Group, and at the same time, we are working to organize the necessary data governance concepts and develop human resources to promote the use and utilization of data. We will further strengthen our DX initiatives so that we can take advantage of the major changes that may occur in the future.





Message from the Chief Managing Officer of Global Business Headquarters

Initiatives to Strengthen Our Competitiveness in the Global Market and Organizational Optimization

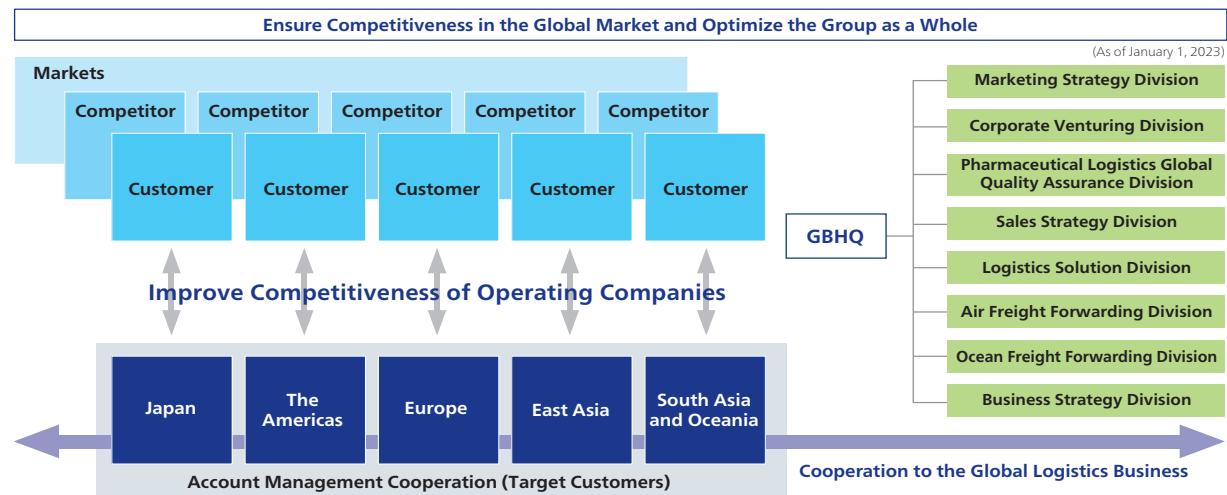
The NIPPON EXPRESS GROUP established the Global Business Headquarters (hereinafter "GBHQ") in July 2022 to oversee and lead the Group's global business in order to achieve its 2037 Long-Term Vision of becoming a logistics company with a presence in the global market.

The establishment of the GBHQ as an organization was Day 1 in strengthening our global business structure. We have assigned not only Japanese nationals but also three foreign nationals as general managers and their subordinates to eight Divisions, including the Air and Ocean Cargo Forwarding Division, Logistics Solution Division, and Sales Strategy Division,

with a current staff of about 170. As Day 2, we will work to expand our global business by cultivating new markets and customers, and as Day 3, we will further strengthen our functions and systems, targeting January 2024, while building a complete framework with GBHQ at the core.

In strengthening these functions and systems, first, on the sales side, we are developing an account sales system to expand our handling of non-Japanese company clients. In addition to standardizing the sales structure in each region to facilitate coordination between regions, we are strengthening sales expansion to customers with key initiatives such as

Global Business Headquarters (GBHQ) System - Promotes further strengthening of functions and systems



GAM (Global Account Management) and GTA (Global Target Account) by coordinating sales activities by holding roundtable meetings where sales representatives from each region gather. The top management of each region has established a system to manage the progress of initiatives for these key customers and provide guidance to account managers.

GBHQ will monitor each initiative and follow up on subsequent processes to steadily promote each client's project. In addition, GBHQ divisions will provide various types of support, such as effective use of tools to visualize the sales situation. For industry-specific sales, such as semiconductor and pharmaceutical sales, which require cooperation among regions and branches, GBHQ divisions, both in Japan and overseas, will provide support for sales expansion.

Furthermore, as bidding response teams within the Sales Strategy Division, we have established Global Business Solution (GBS) and APCC/OPCC (Airfreight/Ocean Freight Pricing Competence Center), the latter being a pricing team selected from the Air Freight Forwarding Division and the Ocean Freight Forwarding Division. We have strengthened our system for responding to global bidding in order to work together with our sales departments to strategically price and improve the quality of bids. However, in addition to pricing-related issues, we have identified issues that need to be improved in terms of sales activities. While working to improve the quality of bids, we would like to improve the bid acquisition rate for non-Japanese customers by thoroughly implementing the PDCA cycle, such as strengthening marketing and sales prior to bidding, and collecting and analyzing feedback on bidding results.

Next, on the business front, we have conducted global tenders to airlines in the area of air cargo forwarding and entered into strategic partnerships with non-Japanese airlines. In the semi-annual bidding with major airlines, the company reduced air travel costs by consolidating and consolidating space purchases that were previously conducted on a country-

by-country basis. In addition, the company concluded a strategic partnership with specific airlines to realize bulk purchasing by combining multiple lanes. The introduction of a new purchasing method has been effective in reducing usage costs. These strategic partnerships will be extended to shipping companies and will also be expanded to ocean cargo forwarding. In addition, we plan to expand the scheme to improve transportation efficiency on a global level, such as consolidating cargo from Asia in Japan, re-consolidating it, and transporting it in bulk to the Americas.

In shipping forwarding, the NGO (NX Global Ocean Network) established in Singapore in January 2022 will play a central role in strengthening both NVOCC's business base and purchasing power. With regard to strengthening our sales structure, we will strengthen the sales structure of marine transport products by utilizing the sales capabilities of departments other than marine transport-related departments by raising the awareness of sales personnel and optimizing the organization. Additionally, we are building a system to support sales through plans to promote sales, providing support at the time of start-up, and enhancing administrative operations functions. In parallel with the establishment of these systems, we will strongly promote sales expansion of marine transportation cargo by selecting targets focusing on merchandise unique to marine transportation, such as FMCG (Fast Moving Consumer Goods/Daily Consumer Goods).

In the area of contract logistics, we will expand our warehouse delivery business with a focus on warehousing management and distribution processing through sales development that includes transportation modes such as shipping and air forwarding and utilizes existing capabilities such as know-how and knowledge gained through business operations. We are promoting the development of end-to-end solutions that comprehensively support customers' supply chain needs from upstream (procurement) to downstream (sales).

In addition to the above efforts for organic growth, an M&A strategy is essential to achieve inorganic growth, and a dedicated PMI team has been newly established within GBHQ for the PMI system that is important for M&A. Recently, on May 12 of this year, the Company decided to acquire cargo-partner through its largest M&A ever. We are currently building a PMI structure that aims to generate synergies from this M&A. However, collaboration with each division of NIPPON EXPRESS HOLDINGS is essential to create synergies from acquisitions and discussions with each region are also necessary. This team will take the lead in promoting initiatives to accelerate growth while pursuing overall optimization of the Group, including companies already under the group's umbrella through past M&A.

As we prepare for Day 3 of building the GBHQ system, we are working to organize the functions of GBHQ and each region, as well as to consider a new evaluation system. In order to ensure that the policies and measures established by GBHQ are fully permeated at the national level through the regional supervisory organization, it is necessary to reorganize the roles and responsibilities of each company in terms of sales and business. When sales targets are set across regions just as account managers are, in addition to the evaluation from the region to which the employee belongs, the employee is required to add the degree of contribution to the group. As an evaluation system that conforms to this, we are considering the introduction of matrix evaluation, etc.

In addition, there are a wide range of themes to consider, such as the further appointment of foreign nationals and highly skilled human resources, and the optimal location of GBHQ in accordance with the purpose and function, regardless of whether they are in Japan. We will accelerate the expansion of our global business by pursuing overall optimization on a global basis and building a sales structure on a par with mega forwarders in Europe and the United States.



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 ¥110 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 (Includes approx. ¥50 billion in liquidization related to pharmaceutical centers, etc.). Here, capital investment to strengthen our efforts in the medical industry is one of the most important strategies in our business plan.

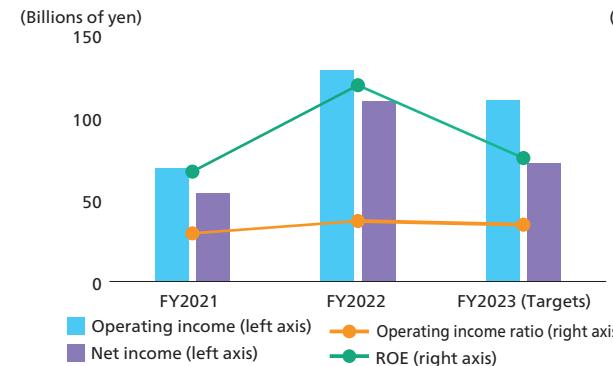
At the same time, we plan to improve efficiency in terms of assets and capital. Our equity ratio target in the past has been 40%. We will now target an equity ratio of 35% as we strive to enhance capital efficiency while maintaining a stable financial base.

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%



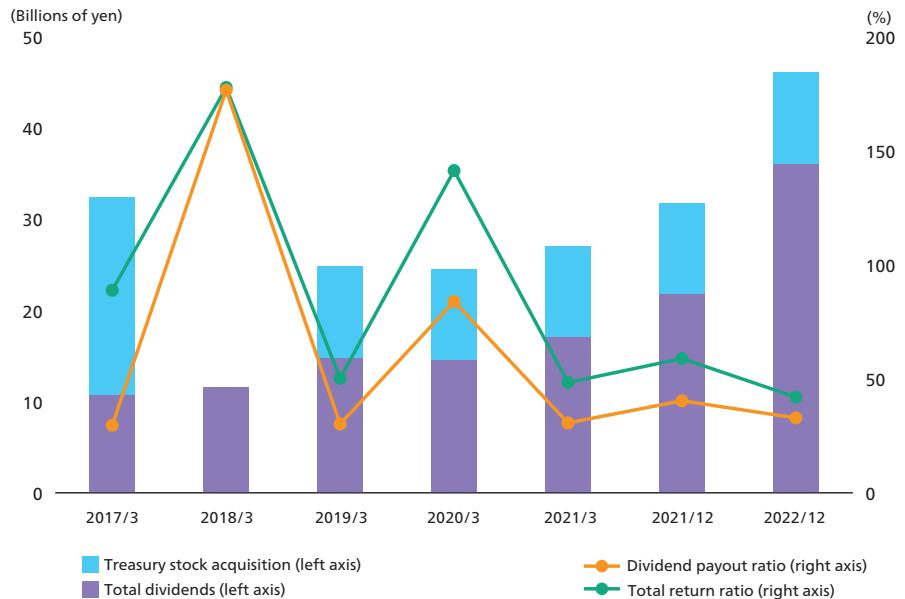
Note: Figures provided in the graph are based on Japanese GAAP.

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

Financial Trends

	FY2012	FY2015	FY2018	FY2022 (JGAAP)	FY2022 (IFRS)
Total assets (Billions of yen)	1,247.6	1,484.9	1,536.6	1,730.9	2,075.1
Equity attributable to owners of parent (Billions of yen)	513.6	522.2	543.6	748.2	756.5
Cash and cash equivalents at end of year (Billions of yen)	113.6	146.0	102.0	274.0	276.6
Free cash flow (Billions of yen)	31.0	(44.0)	(18.2)	256.0	-
ROE (%)	4.8	6.8	9.2	15.9	15.5
Dividend payout ratio (%)	43.7	30.9	30.1	32.8	33.3
Total return ratio (%)	81.4	31.9	50.1	41.9	-
Equity ratio attributable to owners of parent (%)	41.2	35.2	35.4	43.2	36.5

Shareholder Dividends and Treasury Stock Acquisition



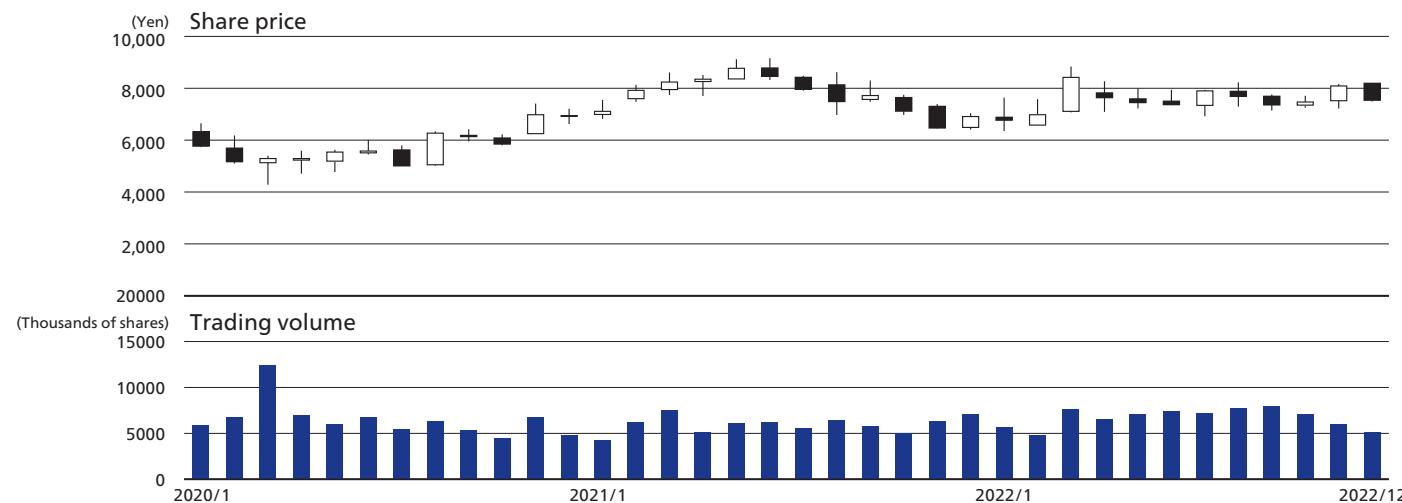
Note: Figures provided in the graph are based on Japanese GAAP.

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

	FY2018	FY2019	FY2020	FY2021	FY2022
Annual dividend per share (Yen)	155	155	185	240	400
Dividend yield (As of the end of the year)	2.52%	2.93%	2.25%	-	5.31%
High (Yen)	9,130	7,070	8,610	9,160	8,840
Low (Yen)	5,660	4,280	4,710	6,410	6,350
End of the year (Yen)	6,160	5,290	8,240	-	7,540

* Nippon Express Co., Ltd., a market-listed company prior to the transition to a holding company structure, was delisted on December 28, 2021 and dividend yield and share price as of December 31, 2021 are not indicated.

Stock Price Movement



Note: Information on Nippon Express Co., Ltd. is for the period from January 2020 through December 2021. (In accordance with the establishment of the pure holding company, Nippon Express Co., Ltd. was delisted on December 28, 2021, and NIPPON EXPRESS HOLDINGS, INC. was newly listed on January 4, 2022.)

Sustainability Policy and Vision

The NIPPON EXPRESS GROUP embodies a corporate philosophy of being a driving force for social development, creating new ideas and value that expand the field of logistics, and inspiring trust every step of the way. It strives to achieve a sustainable society and sustainable growth while enhancing corporate value. In order to further deepen our Sustainability management and implement highly effective measures as a Group as a whole, we formulated the Sustainability Policy and Vision which clarifies the Group's stance on Sustainability and the value created which was approved on January 18, 2023 by the Board of Directors.

Sustainability Policy

- The NIPPON EXPRESS GROUP fosters sustainable societies by co-creating a fruitful future with our stakeholders, including employees, business partners, customers, and local communities.
- The NIPPON EXPRESS GROUP contributes to carbon-neutral societies and the preservation of the global environment through businesses that reduce the environmental impact of the group and our customers.
- The NIPPON EXPRESS GROUP pursues sustainable growth as an entity needed by society, connecting people to people and business to business globally, and providing solutions that solve social issues.

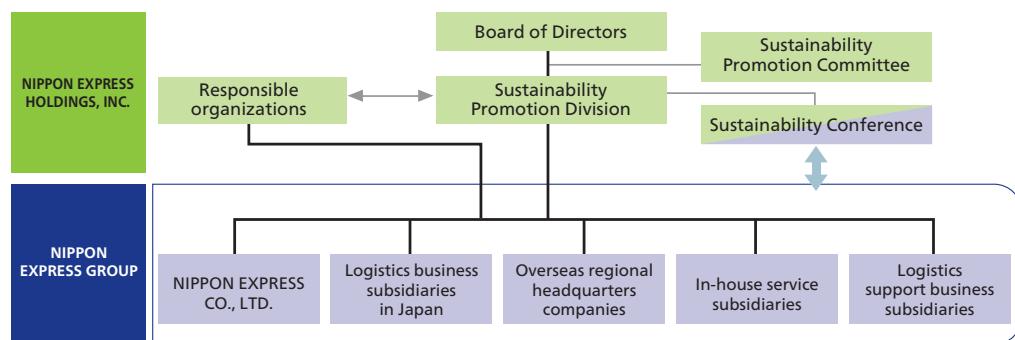
Sustainability Vision

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											
Sustainability Vision	<p>Supporting a Better Life for People Around the World and the Development of a Sustainable Society through our Business</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Social Value Providing security and stability & The happiness of workers</td> <td style="padding: 5px;">Environmental Value Preservation of the global environment</td> <td style="padding: 5px;">Economic Value Our sustainable growth</td> </tr> </table> <p>Creating new ideas and value through innovation (values that must be changed)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Businesses Improving Quality and Creating New Value</td> <td style="padding: 5px;">Addressing Climate Change</td> </tr> <tr> <td style="padding: 5px;">Business foundation Pursuing Business Digitalization and DX</td> <td style="padding: 5px;">Building a Sustainable and Resilient Logistics Infrastructure</td> </tr> <tr> <td style="padding: 5px;">Business foundation Pursuing Business Digitalization and DX</td> <td style="padding: 5px;">Improving Employee Engagement</td> </tr> <tr> <td style="padding: 5px;">Business foundation Pursuing Business Digitalization and DX</td> <td style="padding: 5px;">Strengthening Governance</td> </tr> </table> <p style="text-align: center;">Safety, Compliance, and Quality (unchanging values)</p>	Social Value Providing security and stability & The happiness of workers	Environmental Value Preservation of the global environment	Economic Value Our sustainable growth	Businesses Improving Quality and Creating New Value	Addressing Climate Change	Business foundation Pursuing Business Digitalization and DX	Building a Sustainable and Resilient Logistics Infrastructure	Business foundation Pursuing Business Digitalization and DX	Improving Employee Engagement	Business foundation Pursuing Business Digitalization and DX	Strengthening Governance
Social Value Providing security and stability & The happiness of workers	Environmental Value Preservation of the global environment	Economic Value Our sustainable growth										
Businesses Improving Quality and Creating New Value	Addressing Climate Change											
Business foundation Pursuing Business Digitalization and DX	Building a Sustainable and Resilient Logistics Infrastructure											
Business foundation Pursuing Business Digitalization and DX	Improving Employee Engagement											
Business foundation Pursuing Business Digitalization and DX	Strengthening Governance											
Materialities (Critical Issues)												

Sustainability Promotion Structure

The NIPPON EXPRESS GROUP is engaged in Sustainability management through the Sustainability Promotion Division, which was established within NIPPON EXPRESS HOLDINGS, INC..

In addition, the Sustainability Promotion Committee, which is responsible for promoting Sustainability of the NIPPON EXPRESS GROUP, is led by the Company's executive officers and promotes general Sustainability initiatives, including climate change issues.



1. Committee functions/ objectives
 - Planning, drafting, and proposal of basic management policies, business activities and other policies and strategies related to Sustainability management
 - Reporting to the Board of Directors and the Board of Officers on information and progress related to Sustainability management
2. Committee Members:
 - Chairperson: President
 - Deputy Chairperson: Chief Managing Officer in charge of the Sustainability Promotion Division
 - Members: Executive Officers
 - Secretariat: Sustainability Promotion Division
3. Meeting frequency

Two sessions per year, in principle * Ad hoc meetings are to be held when there are important matters to be discussed.

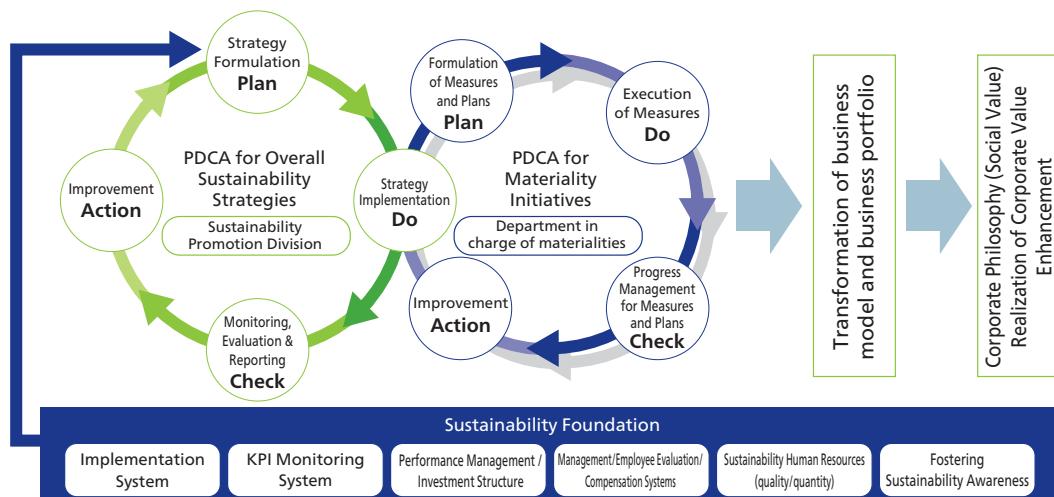
Sustainability Promotion Committee Meeting Data

Meeting	Month held	Main issues addressed
First meeting	Jan. 2022	<ul style="list-style-type: none"> ● NIPPON EXPRESS GROUP'S Sustainability management ● Sustainability promotion structure ● Climate change initiatives
Second meeting	Sep. 2022	<ul style="list-style-type: none"> ● Formulation of climate change related targets ● Sustainability Policy and Vision ● Strengthening of the Sustainability Promotion Committee structure

Sustainability Promotion Process

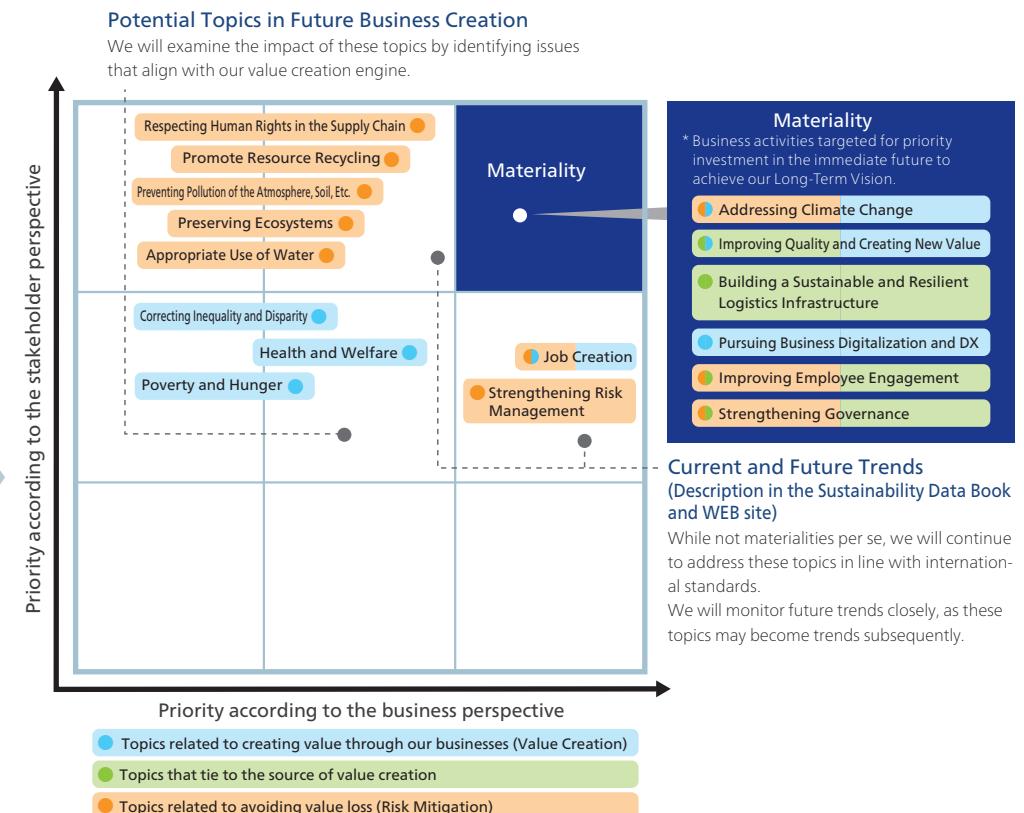
The Sustainability Promotion Division is responsible for planning, monitoring-evaluation-reporting, and improving strategies related to Sustainability. We will update our Sustainability strategies, taking into account the progress of each materiality initiative and social conditions.

Sustainability initiatives are implemented by the department in charge of each materiality, which promotes the transformation of the business model and business portfolio while incorporating Sustainability strategies into the business of each Group company.



The Materiality Identification Process

NIPPON EXPRESS GROUP materialities are identified through the following four steps. In Step 1, a list of candidate topics is compiled from major Sustainability frameworks. 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 critical for the group to address. The materialities identified are periodically re-evaluated and reviewed as issues that the Group should address.



Goals for Each Materiality/Status of Initiatives

Materialities/Goals		Progress of Major Initiatives in FY2022		
Business Business Foundation	Addressing Climate Change	<p>Reduce CO₂ emissions in our own businesses</p> <p>Nippon Express Co., Ltd.: Scope 1 and 2 404,438 t-CO₂ (17.5% reduction compared to 2013 levels)</p> <p>Targets</p> <ul style="list-style-type: none"> ● Reduce Scope 1 and 2 emissions of Nippon Express Co., Ltd. by 30% by 2023 (compared to 2013 levels) ● Reduce Scope 1 and 2 emissions of the NIPPON EXPRESS GROUP by 50% by 2030 (compared to 2013 levels) ● Contribute to the NIPPON EXPRESS GROUP becoming a carbon-neutral company by 2050 	<p>Contribute to customer CO₂ Emission Reductions</p> <ul style="list-style-type: none"> ■ Customer-based CO₂ visualization We offer EcoTrans Navi and NX-GREEN Calculator ■ Development and provision of low-carbon transport products and services Promotion of modal shift, joint deliveries, etc. 	
	Improving Quality and Creating New Value	<p>Develop and provide logistics solutions tailored to industry characteristics</p> <p>■ Pharmaceutical Industry We have obtained GDP and CEIV Pharma certification in 24 countries and regions and at 34 offices worldwide Distribution of NX-Pharma Global Quality Manual (available in Japanese and English) Establishment of an independent headquarters organization for the purpose of quality assurance</p>	<p>■ Automotive Industry New and expanded dedicated VMI facilities approx. 39,000 m² (3 sites in North America) Network expansion and enhancement (North America and Europe)</p> <p>■ Semiconductor Industry New dedicated VMI facilities approx. 45,000 m² (2 sites in Japan 2022) Approx. 98,000 m² (3 sites in Japan, planned for 2024) Approx. 5,400 m² (1 site in North America, as of March 2023)</p>	
	Building a Sustainable and Resilient Logistics Infrastructure	<p>Strengthen the business foundation against risks</p> <p>■ Risk management for stable business continuity Inventory of risks at Group companies and identification of significant risks</p> <p>■ Cyber security enhancement Improve cyber security by reviewing email filtering settings</p>	<p>Avoid logistics crises by maintaining human resources and improving work efficiency</p> <p>■ Retention of human resources 1.0% turnover rate of skilled personnel (2.7% in 2021)</p> <p>■ Improvement of efficiency in the logistics business Locations that achieve Group-wide productivity improvement targets: 435 main warehouse locations Amount of working hours reduced by introducing RPA tools: Approx. 1.73 million hours Note: Compared to 2018 level at Nippon Express Co., Ltd.</p>	
	Pursuing Business Digitalization and DX	<p>Develop DX strategy, roadmap, and guidebook</p> <p>■ Development of a DX roadmap The five promotion items for realizing the DX strategy and the initiatives for each item are clarified</p> <p>■ Creation of DX Guidebook and distribution to Group companies We have formulated a DX Guidebook for Group companies to promote specific initiatives, which is distributed along with the DX Roadmap</p>	<p>Establish data utilization infrastructure</p> <p>■ NX Data Station creation NX Data Station is the Group's integrated data utilization platform that inputs, stores, and processes data generated in business activities, and makes it available for data viewing, analysis, and machine learning</p>	
	Improving Employee Engagement	<p>D&I promotion</p> <p>■ Diversity promotion and creation of inclusive workplace climates Percentage of women in managerial positions: 2.0% Experienced hires: 14 Professional hires: 21 Foreign nationals hired: 11</p> <p>■ Workstyle Innovation Annual paid leave utilization rate: 57.8% Percentage of male employees who took childcare leave: 35.7%</p> <p>Note: NIPPON EXPRESS HOLDINGS INC. and Nippon Express Co., Ltd. combined results for FY2022</p>	<p>Human resource development</p> <p>■ Human resource development and training Investment in human resource development and training ¥1.21 billion</p>	<p>Enhance well-being</p> <p>■ Initiatives to improve employee engagement Town hall meetings Held 31 times with a total of 494 people attending</p>
	Strengthening Governance (Compliance and Safety)	<p>Adherence to compliance policies</p> <p>■ Compliance Training Number of employees receiving training using the Compliance Handbook and other materials: 71,560 in total</p> <p>■ Establishment and utilization of whistleblowing system Number of reports/consultations: 385</p>	<p>Ensuring safety and security</p> <p>■ Promotion of occupational health and safety on a Group-wide global basis Accident frequency rate: 1.99, Severity rate: 0.03</p> <p>Note: Figures for Nippon Express Co., Ltd.</p>	

**Akira Kondo**

Executive Vice President
Chief Managing Officer of Corporate
Management Headquarters,
Risk Management Headquarters,
and IT Digital Solution Headquarters

This year, I took charge of Corporate Management Headquarters, Risk Management Headquarters, and IT Digital Solution Headquarters. In this context, I consider it an important mission to strengthen human resources and IT utilization, which are the engines for increasing corporate value.

First, regarding human resources, the NIPPON EXPRESS GROUP has always had a human resources strategy from the perspective of respect for people. However, from the viewpoint of linking it to management strategies, there were aspects that were not sufficient, so I consider it important to focus on human resources as the ability to execute management and sales strategies, and to secure and develop the necessary human resources. From this perspective, we formulated the NIPPON EXPRESS GROUP Human Resources Policy this year as a Group-wide guideline for human resources in order to secure and develop human resources who can realize our long-term vision. Based on this policy, we will formulate a human resources strategy for the Group to expand our global business. Among these efforts, we are promoting diversity and inclusion (D&I), which is the foundation for strengthening human resources, and considering personnel and evaluation systems that suit the diversification of human resources.

We asked Executive Vice President Akira Kondo, Chief Managing Officer of Corporate Management Headquarters and IT Digital Solution Headquarters about the key points and the status of efforts to enhance the corporate value of the NIPPON EXPRESS GROUP.

Strengthen Human Resources and IT Utilization to Accelerate Global Business Growth

With regard to the use of IT, in the midst of the rapid evolution of technology, it is necessary to advance the use of IT systems and data as a foundation for implementing strategies on a global scale. It is necessary to secure and develop IT human resources. Our existing IT systems have been optimized individually for each business, country, and company. In the forwarding and logistics businesses, which require a global perspective due to overlaps and omissions, we believe that the effectiveness of IT systems and utilization has not been fully demonstrated.

So we're going to optimize the whole group and the global, and we're going to do that with data and IT technology. The company decided to implement an Enterprise Architecture (EA) to make it more effective. With EA, we would like to visualize the IT structure and business processes, and build systems in line with management strategies across the entire Group.

Initiatives for strengthening human resources

The first priority measure for strengthening human resources is Diversity & Inclusion (D&I). Since the Company currently consists of a large number of male staff, the active participation of women and gender-free initiatives are to be discussed for the diversification of human resources. In addition to addressing the gender ratio, I believe it is necessary to acquire and increase the number of female management professionals not only through internal development but also externally. In addition, with regard to multinational and non-Japanese human resources, although the majority of our overseas subsidiaries have local human resources, I believe that it is necessary to have foreign nationals play an active role in domestic and NX HD management as well.

While the Group has promoted the diversification of its human

resources, such as the employment of women, foreign nationals, and people with disabilities, there have been some areas where specific initiatives regarding inclusion have not been sufficient. Since it is necessary to create a system for employees and the entire Group to understand diversity, we are considering the continuation of unconscious bias training and the introduction of an inclusive leader system in each workplace in the future.

The second topic that I will address is well-being. Although D&I will be continued from the current management plan, I would like to make well-being a central part of our human resources strategy in the next business plan. Physical and mental health, improved employee engagement, and a satisfying work environment are important. Health management is one of the initiatives to achieve them. Although measures for health management existed in the past, compared to safety management, some parts of those measures were left it up to the individual. As a company, I believe that the key is to reduce lifestyle-related diseases and mental health problems, and to reduce not only absenteeism^{*1} but also presenteeism^{*2}.

In addition, in order to improve employee engagement, we conducted an employee satisfaction survey of approximately 40,000 employees of Nippon Express Co., Ltd. two years ago and last year. The satisfaction rate is over 60%, which is favorable compared to other companies. However, we need to focus on the remaining 40% and increase engagement. In addition, in order to increase employee engagement across the NIPPON EXPRESS GROUP, including overseas, we plan to conduct an engagement survey of approximately 75,000 Group employees in 23 languages starting in FY2023. Based on these results, although we will formulate well-being measures in the next management plan, there are parts that cannot be drawn out from the questionnaire

survey alone. Therefore, we conducted a town hall meeting where I myself directly listened to the voices of employees at various levels and engaged in dialog. Although this initiative was first implemented in Japan, we plan to emphasize hearing activities overseas as well. In addition, in order to contribute to the pursuit of social satisfaction and personal happiness, it is necessary to think about career support at the company and career support after retirement. To respond to this, we are considering initiatives in the next business plan.

*1 Absenteeism: A condition in which the employee is unable to perform the work itself, such as being late or leaving early due to mental or physical illness, or being absent from work or taking a leave of absence that makes it difficult to work.

*2 Presenteeism: A condition in which, despite the employee being present in the workplace, mental and/or physical health problems affect performance and productivity.

Considering the introduction of a job-based personnel system

The third topic that I want to address is securing and developing professional and global human resources. I think that it is not easy to develop human resources that possess the specialized experience and knowledge in global forwarding and logistics or in specialized industries required to drive business and sales strategies. Last year, we established GBHQ as a part of NIPPON EXPRESS HOLDINGS and appointed three foreign general managers, one from Nippon Express Europe GmbH and the other two from outside of the Company. Our number of specialists, including foreign nationals, has expanded with specialists working in areas such as legal affairs, accounting, IT, and risk management. In 2022, we hired approximately 20 specialists (of whom 8 are foreign nationals). Enhancing the employment of specialized human resources is one of the human resources strategy measures linked to management and business strategies. In order to increase the number of such human resources, we are also considering the development and introduction of a job-based personnel and compensation system in highly specialized fields.

Additionally, I believe that a fair and equitable evaluation system is even more necessary than it was in the past to utilize our "membership type" human resources, which make up the majority of our employees. Specifically, I believe that there is a limit to the evaluation of global human resources who are responsible for expanding business across regions based solely on the performance of the region to which they belong. We are promoting an evaluation system that can completely optimize the entire Group and global operations, such as evaluation based on the

contribution to the overall performance of the global business, even if it is not linked to the performance regions to which the employee belong.

Organizational restructuring and system visualization for group and global operations optimization through Enterprise Architecture (EA)

When introducing an enterprise architecture aimed at strengthening IT utilization capabilities, it is first necessary to perform organizational restructuring. As the Group has had IT departments established in each country and Group company up to this point, our IT functions and IT-related human resources have been dispersed throughout the Group. In January 2023, the IT Digital Solution Headquarters was established as part of NIPPON EXPRESS HOLDINGS to consolidate domestic IT strategy and IT governance functions. and the system was reorganized so that businesses of Group companies as well as the planning, development, and maintenance for individual customer needs are handled by each business subsidiary. Additionally, we would like for us to consolidate overseas functions related to global business, including forwarding, logistics, and logistics support, to reorganize our organization on a global level.

Next, as we move forward with the introduction of an enterprise architecture, we have begun to inventory and visualize the systems we have throughout the Group, and will formulate a future vision of the entire group's IT systems, including system consolidation and elimination, and a roadmap for their realization. The goal of these efforts is standardization throughout the Group and on a global level with the aim of building an IT platform for overall optimization.

Providing solutions that utilize data

With the introduction of an EA, we hope to optimize the entire system while effectively utilizing data generated from our logistics business to provide advanced solutions and services. So far, we have been utilizing customer data with the intent of improving our logistics services. We intend to further advance these efforts to improve the operational efficiency of our customers and provide new services based on an overhead view of the industry and its characteristics. To promote this, as it is necessary to centrally manage data dispersed across businesses and companies

on a Group and global level, NX Data Station was created to serve as the data infrastructure. By analyzing the data collected, we can propose solutions to optimize the entire supply chains of customers, including, for example, optimal production locations, storage locations, and inventory storage methods. Since we provide logistics services globally, rather than supporting only a portion of our customers' logistics needs, we want to contribute to their entire supply chains, from production sites to consumption sites. I think that data generated from logistics is the most important tool for achieving this.

In addition, in preparation for DX, the Group's basic stance is to have an ambidextrous form of DX in which the digitization of existing businesses and the exploration of new business models are pursued in parallel. I believe that the effective utilization of data that we possess generated from logistics can also be utilized for DX promotion in the future.

Although I have explained about enhancing our human resources and IT utilization for increasing corporate value, the NIPPON EXPRESS GROUP is currently moving forward with the formulation of the next business plan. We will continue to pursue our long-term vision of becoming a logistics company with a presence in the global market and further advance the growth strategy for core businesses and strategy to enhance domestic businesses in Japan that we have been promoting. Since is human resources that execute and realize these strategies, with the next business plan in mind, I would like for the Company to present strategies and measures by viewing human resources as the means for strategy execution and utilization of IT and data as the foundation, as important themes.



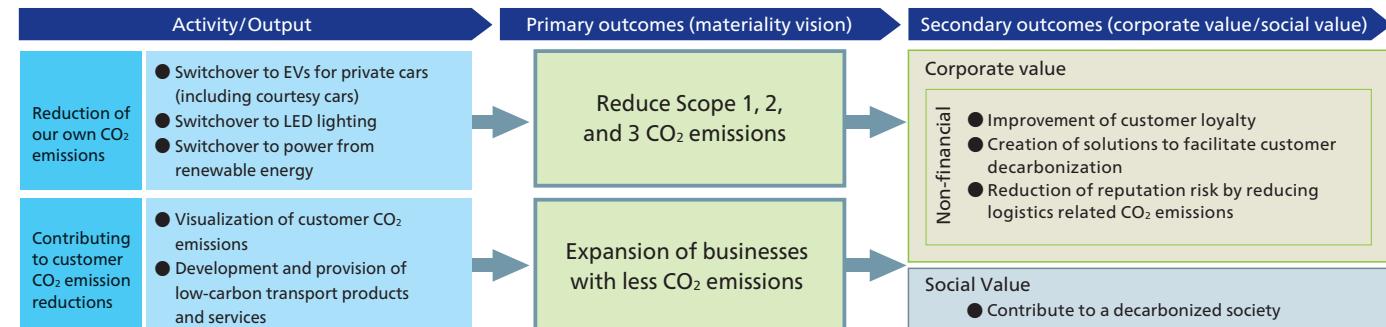
Addressing Climate Change

Why we are working on this project

CO₂ emissions are unavoidable due to the nature of the logistics business. Therefore, reducing these emissions is the most effective way to address climate change. The NIPPON EXPRESS GROUP has positioned the reduction of CO₂ emissions as an important issue which it is actively addressing. In addition, as there is a growing requirement from customers to reduce CO₂ emissions during the transportation of cargo (customer Scope 3 emissions), 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. At the same time, we will work to provide products and services that contribute to the reduction of CO₂ emissions by our customers. 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.

Overall picture of the materiality vision and initiative goals (value structuring tree)



Progress of Initiatives

1. Reduction of our own CO₂ emissions

Emission Reduction Activities in FY2022

Nippon Express Co., Ltd. has moved up its original 2030 target of reducing CO₂ emissions by 350,000 tons (equivalent to a 30% reduction from FY2013 level) to FY2023. It has been working to reduce CO₂ emissions in its own operations by introducing environmentally friendly vehicles and switching to LED lighting in its warehouses.

CO ₂ Reductions Target/Results (Nippon Express Co., Ltd.)	Switchover to LED Lighting Target/Results (Nippon Express Co., Ltd.)	Results Based on Introduction of Eco-Friendly Vehicles (Group companies in Japan)
FY2023 target 350,000 t-CO₂	FY2023 target 100%	FY2022 Results Vehicles conforming to the new long-term regulations, post-new long-term regulations, or post-post-new long-term regulations: 10,466 LPG trucks: 73 Hybrid vehicles: 2,132 CNG trucks: 33 Electric vehicles: 22
FY2022 Results 404,438 t-CO₂	FY2022 Results 83.5%	

■ Establishment of Group CO₂ Reduction Targets

In order to contribute to the achievement of the global goal of limiting the global average temperature rise to 1.5°C compared to pre-industrial levels, we have set the following new reduction targets.

Medium- to Long-term CO₂ Emission Reduction Targets

FY2030 Target	Aim to reduce the NIPPON EXPRESS GROUP's CO ₂ emissions by 50% from 2013 levels (Scope 1 and 2) Contribute to the realization of a carbon-neutral society through the NIPPON EXPRESS GROUP as a whole (Scope 1, 2, and 3)
FY2050 Target	

Although there are many challenges that the Group will face as it attempts to achieve these targets, we will continue to promote initiatives, including the introduction of EV vehicles, switchover to LED lighting, and promoting the switchover to renewable energy sources, in order to contribute to the realization of a decarbonized society.

■ Submission of letter of commitment to SBTi

In order to contribute to a sustainable society and bring an enriched life to future generations through logistics, the NIPPON EXPRESS GROUP has been promoting controls on climate change with the aim of achieving the 1.5°C target. In order to accelerate those efforts, we have recently submitted a letter of commitment to the SBT Initiative (SBTi)*, which certifies that corporate greenhouse gas emission reduction targets are scientifically consistent with the targets set by the Paris Agreement. Moving forward, we will make further efforts to set and achieve targets consistent with the 1.5°C goal set by the Paris Agreement.

* SBTi(Science Based Targets initiative)
A joint initiative established by four organizations: CDP, the United Nations Global Compact, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

Addressing Climate Change

2. Contribute to Customer CO₂ Emission Reductions

In response to the growing demand from customers to reduce CO₂ emissions, the NIPPON EXPRESS GROUP has positioned initiatives to address Scope 3 emissions, which account for more than 95% of the Group's CO₂ emissions, as a key issue for sustainable business growth in addition to efforts to reduce Scope 1 and 2 emissions.

The NIPPON EXPRESS GROUP is promoting activities to solve this issue through both CO₂ emission visualization and emission reductions. As a comprehensive logistics company we provide a wide variety of services aimed at the reduction of CO₂ emissions across a wide range of business fields.

CO₂ Emission Visualization

In order to engage in low-carbon transportation and provide value to customers in a way that is visible to them, it is important to visualize CO₂ emissions associated with transportation services.

The NIPPON EXPRESS GROUP offers EcoTrans Navi for domestic transportation use and NX-GREEN Calculator for international transportation use as tools for visualizing CO₂ emissions.

CO₂ Emission Reductions

Reduction of Emissions Intensity

The NIPPON EXPRESS GROUP has established a system to develop and provide low-carbon transportation products that contribute to the reduction of Scope 3 emissions. Specifically, the NIPPON EXPRESS GROUP is developing and studying low-carbon transportation products and other options where aircraft utilize SAF^{*1} and ships utilize SMF^{*2}, aiming to start offering these options in 2023.

We will engage in procurement activities for SAF and similar fuels because of their limited availability in the market.

Reduction of Emission Activity Amount

The Group is promoting a modal shift from truck-centered transport to rail, ship, and other forms of transport that have less of an environmental burden through cooperation between client companies and logistics providers, joint delivery, where products are collected at joint delivery centers, divided into categories, accumulated for each delivery destination, and then delivered together in batches, and transportation efficiency by improving loading rates through the use of Protect BOX and other products that are general-purpose pallet size that supports multimodal transport.

*1 SAF (Sustainable Aviation Fuel): A type of aviation fuel made using either renewable materials or waste products that meet Sustainability criteria

*2 SMF (Sustainable Marine Fuel): A type of marine fuel made using either renewable materials or waste products that meet Sustainability criteria

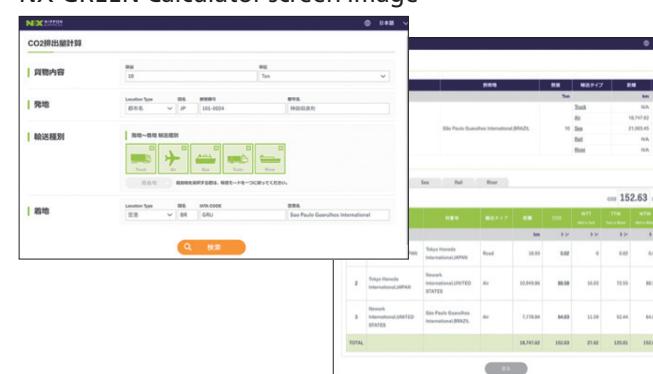
TOPICS

Offering NX-GREEN Calculator, a tool for customers to calculate the CO₂ emissions generated during international deliveries Supports three languages: Japanese, English, and Chinese

NX-GREEN Calculator is a tool that calculates and visualizes CO₂ emissions from origin to destination simply by entering the origin-destination, number of pieces, freight volume, and transportation mode type. It can be used for each type of transportation mode (air, sea, road, and rail deliveries) used for international transport.

CO₂ emissions can be calculated through detailed calculation of the distance between departure and arrival points by specifying airports, ports, and railroad freight stations around the globe as well as city names and global zip codes. NX-GREEN Calculator is also equipped with functions for calculating emissions of each stage of a detailed transport route by specifying transit points and functions for calculating emissions for multiple deliveries at once based on transportation data for a certain period of time.

NX-GREEN Calculator screen image



Please see our website for more information on NX-GREEN Calculator.

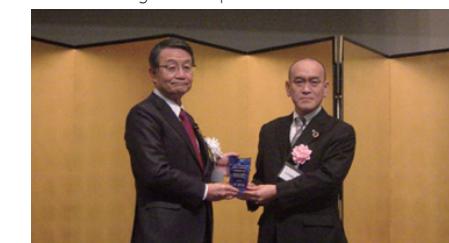
<https://www.nipponexpress-holdings.com/en/press/2023/08-Mar-23-1.html>

TOPICS

Receives Award for Best Company Working on Modal Shift in the Implementation Category at the Awards Ceremony for Excellent Business Entities Working on Modal Shift

The NIPPON EXPRESS GROUP is promoting a modal shifts, switching from truck-centered transport to transport using railways and ships.

At the 9th Awards Ceremony for Excellent Business Entities Working on Modal Shift held by the Japan Association for Logistics and Transport in 2022, the NIPPON EXPRESS GROUP received the award for Best Company Working on Modal Shift in two categories: Implementation and Effective Utilization.



Director and Executive Officer Kenji Kato (right) receives award from Junichiro Ikeda, Chairman, Japan Association for Logistics and Transport (left)

Addressing Climate Change

Initiatives on TCFD Recommendations

Policy on Addressing Climate Change

The NIPPON EXPRESS GROUP will actively work to reduce CO₂ emissions to help limit the atmospheric temperature increase to +1.5°C above the level of the Industrial Revolution in order to bring an enriched life to future generations through logistics. We view this initiative as a critical management item that is necessary for our Group to achieve sustainable growth and increase corporate value. We believe that by responding to these social changes, we will be able to minimize risk and create new business opportunities.

In May 2022, the NIPPON EXPRESS GROUP declared its support for the Task Force on

Climate-related Financial Disclosures (TCFD*) recommendations, and in June 2022, based on the recommendations, the Group disclosed information in accordance with the TCFD disclosure framework. We are working to further expand the content of our disclosures based on the revisions made to the TCFD recommendations in October 2021.

* TCFD: The Task Force on Climate-related Financial Disclosures is an international initiative established by the Financial Stability Board in 2015 to encourage companies to disclose information about the financial implications of the risks and opportunities that climate change presents to their businesses



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

1. Governance

■ Roles of Management and Board of Directors

In order to promote Sustainability management, the NIPPON EXPRESS GROUP is engaged in Sustainability management through the Sustainability Promotion Division, which was established within NIPPON EXPRESS HOLDINGS, INC.. In addition, the Sustainability Promotion Committee, which is responsible for promoting Sustainability of the NIPPON EXPRESS GROUP, is chaired by the President and CEO and is comprised of Company's executive officers. It promotes general Sustainability initiatives, including climate change issues. The Board of Directors discusses Sustainability management initiatives once a quarter. (See page 37 for details)

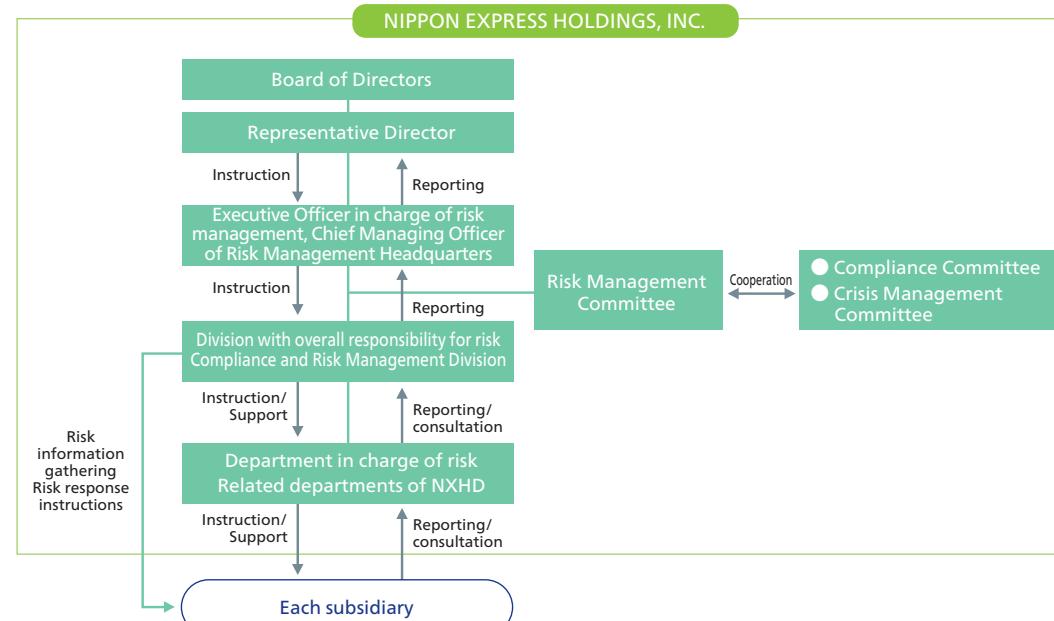
2. Indicators and Targets

Recognizing climate change as a global social issue, our Group has set as medium- and long-term CO₂ emission reduction targets for the entire Group with the goal of reducing the Group's own emissions by 50% by 2030 and contributing to the realization of a carbon-neutral society by 2050. We will continue to implement various measures to achieve the 2030 and 2050 targets. Furthermore, in May 2023, we submitted a letter of commitment to the SBT Initiative (SBTi) in order to conform with the 1.5°C target set by the Paris Agreement. (See page 42 for details)

3. Risk Management

Our Group established the Risk Management Headquarters and the Compliance and Risk Management Division to promote risk and crisis management for the entire Group, enhancing risk management. In addition, climate change risk is identified as a key issue in our environmental analysis for

the realization of our long-term vision, and the Risk Management Committee, which meets annually, monitors the status of identifying and addressing risks, including climate change risk, and confirms the impact on our Group's business from a long-term perspective.



Addressing Climate Change

4. Strategy

In the NIPPON EXPRESS GROUP Business Plan 2023, our Group has set the establishment of ESG-oriented management for sustainable growth and improve corporate value as an initiative to realize our long-term vision. We are implementing measures to reduce CO₂ emissions to achieve the 1.5°C target. (For details, see [P.43](#)). In order to enhance our business resilience, we are also working to understand the various risks and opportunities that might be anticipated to result from climate change.

■ Identification of Climate-Related Risks and Opportunities

With logistics as its core business, the NIPPON EXPRESS GROUP operates logistics-related businesses on a global scale. In order to understand the impact of climate change on our various businesses, we identify risks and opportunities in accordance with TCFD categories.

■ Scenario Analysis

Scenario analysis is conducted for each climate-related risk and opportunity identified to assess the impact caused by climate change. In addition to the 1.5°C scenario that our Group is aiming for, a 4°C scenario was used as the scenario for analysis^{*1}, in which decarbonization efforts do not proceed from the current level.

Additionally, we conducted a detailed analysis of things that are particularly affected by climate change. In 2023, we conducted a review of carbon costs analyzed in 2022, as well as a detailed analysis of physical risks (acute risks) and opportunities (products and services) ([see next page for details](#)). Our Group plans to continue examining measures correlated with risks and opportunities other than those covered in this detailed analysis, and further evaluate the quantitative impact.

	Risk classification	Risks and Opportunities	Business Impact ^{*2}		Response
			1.5°C Scenario	4°C Scenario	
Transition risk	Legal, regulatory	Risk of increased costs due to introduction of carbon tax and other regulations	High	Low	Set CO ₂ emission reduction targets and promote emission reduction efforts
		Risk of increased costs for introduction of eco-friendly vehicles	Moderate	Low	Systematically introduce eco-friendly vehicles based on market trends
		Risk of reduced demand for products and services that emit CO ₂	Low to moderate	Low	Advance initiatives to reduce CO ₂ and enhance environmentally friendly products and services
	Technology, markets	Risk of increased cost of capital financing due to lower valuation resulting from insufficient climate change measures	Low	Low	Enhance environmentally friendly products and services
		Risk of suspension of business activities due to weather related disasters such as torrential rain, flooding, and typhoons	Low	Low	Asset liquidation, decentralization of locations, modal shift
	Physical risks	Risk of increased costs associated with damage to company assets due to weather-related disasters	Low	Moderate	Strengthen BCP countermeasures
		Risk of increased illness and decreased employee productivity due to rising outdoor temperatures	Low	Low	Increase, enhance cooling equipment
		Risk of relocation of logistics facilities, capital expenditures and increased insurance premiums associated with relocation of logistics facilities due to sea level rise	Low	Low to moderate	Asset liquidation, decentralization of locations
	Opportunities	Risk of reduced logistics due to climate change impact on customer businesses	Low	Low to moderate	Inventory storage for supply and-demand adjustment, building a broad customer base
		Opportunities to reduce fuel costs, delivery work hours, and carrier procurement costs through improved transportation and delivery efficiency	Moderate	Low	Enhance environmentally friendly products and services
		Opportunities to increase revenues through environmentally friendly services ^{*3}	High	Low	

*1: For the 1.5°C scenario, see IEA Net Zero Emissions by 2050 Scenario (NZE), IPCC Special Report (SR15), etc. (When information for the 1.5°C scenario is not available, it is supplemented by information for the 2.0°C scenario.) For the 4°C scenario, see IEA Stated Policies Scenario (STEPS), IPCC RCP8.5, etc.

*2: The financial impact on the Group under each scenario is rated on a three-point scale of high (more than ¥10 billion), moderate (¥1 billion to ¥10 billion), and low (less than ¥1 billion). The 1.5°C scenario is at 2030 and the 4°C scenario is at 2050.

*3: Some environmentally-friendly services include products where SAF are utilized by aircraft (see next page for details).

Addressing Climate Change

1. Transition risk (carbon costs)

In 2022, based on the assumption that CO₂ emissions in 2022 would be reduced by 35%*1 compared to 2013 levels, the calculation indicated that the risk of an increase in costs due to the introduction of regulations such as carbon taxes under the 1.5°C scenario is high. However, this year we have set a 2030 target (50% reduction of CO₂ emissions by 2030 compared to 2013 levels) and recalculated the carbon cost assuming that the reduction target will be achieved, resulting in a financial impact rated at "moderate".

2. Physical risk (acute)

Regarding physical risks (acute), we calculated the risk of business suspension due to weather disasters such as heavy rains, floods and typhoons, and the risk of cost increase due to damage to our own assets for some sites in Japan. It was found that the risk of suspension of business activities due to weather disasters is limited and that the risk of damage to our own assets is also ¥0.72 billion within the scope of this calculation.

This estimate does not take into account disruption of critical infrastructure and similar issues caused by flooding. In the future, the Group plans to expand the scope of calculation, etc., and continue evaluation and confirmation.

3. Opportunities (Products, services)

The NIPPON EXPRESS GROUP has established a system to develop and provide low-carbon transportation products designed to reduce Scope 3 emissions. In particular, the use of SAF is important as a measure to reduce CO₂ emissions in the aviation field. As a result, our Group is actively promoting such initiatives (See [P.43](#) for details). Therefore, in 2023, we estimated the financial impact of the opportunity to increase revenues from the sale of air transportation products using SAF. As a result, we expect a revenue opportunity of between ¥3.22 billion and ¥6.45 billion. The Group will focus on this area and continue to consider other services in order to take advantage of market changes due to decarbonization and to gain a competitive edge.

■ Transition Plan to Achieve 1.5°C Target

In order to contribute to the realization of the global goal of limiting the global average temperature rise to 1.5°C compared to pre-industrial levels, the NIPPON EXPRESS GROUP has set medium- to long-term targets: Reducing CO₂ emissions by 50% compared to 2013 levels (Scopes 1 and 2) by 2030 and achieve carbon neutrality by 2050 (Scope 1, 2 and 3). The Group has also submitted a letter of commitment to SBTi and promotes initiatives to reduce CO₂ emissions. In order to reach these targets, we are actively introducing environmentally friendly vehicles, including EV vehicles, switching to LED lighting, and promoting the switchover to renewable energy in a systematic manner. Moving forward, in order to accelerate the initiatives of each Group company, we will clarify the indicators and targets of each company and set incentives.

Category	Evaluation Item	Business impact
Transition risk	Risk of increased costs due to introduction of carbon tax and other regulations*2	<ul style="list-style-type: none"> Calculation for 2022 (35% reduction compared to 2013 levels): ¥9.0 billion to ¥11.0 billion Calculation for 2023 (50% reduction compared to 2013 levels): ¥5.93 billion to ¥6.98 billion
Physical risks	Risk of increased costs associated with damage to company assets due to weather-related disasters*3	<ul style="list-style-type: none"> Business impact at 70 sites, equivalent to 30% of our total floor space at warehouses in Japan and overseas*4 ¥0.72 billion
Opportunities	Opportunities to increase revenues through environmentally friendly services (Trial calculation of the introduction of SAF-related transport products*5)	<ul style="list-style-type: none"> ¥3.22 billion to ¥6.45 billion

*1: CO₂ emissions in fiscal 2030 are set to achieve the reduction target (35%) for the transportation sector in the Global Warming Countermeasures Plan

*2: It is assumed that the NIPPON EXPRESS GROUP'S FY2030 CO₂ emission reduction target (50% less than 2013 levels) will be achieved. Carbon tax and electricity unit prices are based on the 2022 version (latest version as of March 2023) of Net Zero 2050 (scenario of 1.5°C or less) from the Network for Greening the Financial System (NGFS) (Carbon tax price in 2030 of approximately ¥12,500 and an electricity unit price of approximately ¥10.0/kWh)

*3: 70 of the Company's key warehouses are included in the calculation. Information related to flood damage is obtained from hazard maps provided by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and it is assumed that flooding would be caused by the overflow of rivers that are located near our locations.

*4: 70 locations were selected, mainly among warehouses in Japan that would be significantly impacted (equivalent to 30% of the total floor space of warehouses in Japan and overseas).

*5: The results of trial calculation show the financial impact for a single year, assuming a SAF adoption rate of 15% in 2030, taking into account market trends and the achievement of the Group's Scope 1, 2, and 3 reduction targets.

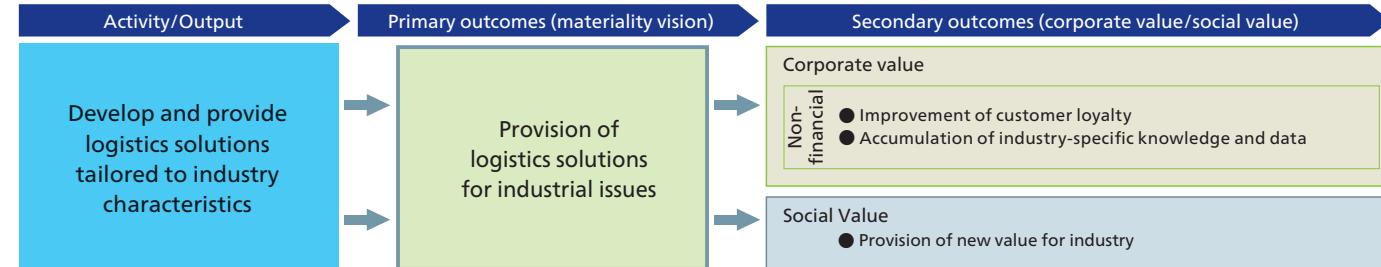
Improving Quality and Creating New Value

Why we are working on this project

As Sustainability of the natural environment, society, and industry on which every company operates is becoming more important, it is important to provide services that not only maintain and improve the quality of services to individual customers, as we have done in the past, but also to maintain and optimize society and industry as a whole.

The NIPPON EXPRESS GROUP aims to create new value to solve industrial issues by leveraging its strengths in advanced transportation technologies, connections with many customers in all industries and sectors, and understanding of industrial characteristics.

Overall picture of the materiality vision and initiative goals (value structuring tree)



Progress of Initiatives

Develop and provide logistics solutions tailored to industry characteristics

To continue providing logistics solutions that satisfy our customers, we are developing and providing logistics solutions that meet the characteristics of each of our key industries based on a customer-oriented approach, aiming for optimization at the industrial level rather than at the individual company level, and identifying changes in industrial and industry trends in each of our key industries.

Pharmaceutical Industry

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. Our Group aims to contribute to the health of people around the world by creating a reliable and secure global pharmaceutical logistics platform to support our customers in the global pharmaceutical industry from a logistics point of

view. Therefore, we are working to obtain GDP (Good Distribution Practice for Drugs) and IATA (International Air Transport Association) CEIV Pharma certifications worldwide.

In FY2022, three bases in Japan (East Japan Pharmaceutical Center, West Japan Pharmaceutical Center, and Kyushu Pharmaceutical Center) acquired the industry's first GDP certification for the storage and transportation of pharmaceuticals with two levels of temperature control (Room temperature: 15°C to 25°C, Refrigerated: 2°C to 8°C). In addition, the West Japan Pharmaceutical Center confirmed compliance with Good Manufacturing Practice (GMP) standards related to pharmaceutical manufacturing.

In addition, we established the NX-Pharma Global Quality Manual in order to establish a globally standardized quality management system, and established the Pharmaceutical Logistics Global Quality Assurance Division as part of GBHQ in NIPPON EXPRESS HOLDINGS as an independent headquarters organization for quality assurance in the pharmaceutical supply network.

Acquisition of certifications for the handling of pharmaceuticals (as of March 2023)

- Acquired GDP and CEIV Pharma certifications at 34 offices globally located in 24 countries/regions



NX-Pharma Global Quality Manual
(available in Japanese and English)

Improving Quality and Creating New Value

■ Automotive Industry

The NIPPON EXPRESS GROUP has built a supply chain for its customers, handling everything from marine and air cargo forwarding to JIT deliveries from VMI facilities to the factory lines, from Asia to production bases around the world with a focus on Japan and Japanese automakers.

We provide VMI facility operations in various parts of the world, including the United States and China, which are the two major markets in the automobile industry, and are particularly focused on production logistics in the United States. In the United States, although the midwest has traditionally been the main region for automobile production bases, production bases are now also located in the southeast and Mexico with Japanese manufacturers already expanding their production systems. In the southeastern US and Mexico, we have newly started the operation and expansion of warehouses, and are working to expand the handling of Japanese set manufacturers and their suppliers.

In response to changes in the supply chain accompanying the shift to EVs in the industry, the NIPPON EXPRESS GROUP is expanding its logistics network in Central and Eastern Europe, which is a production base for electric motors and lithium-ion batteries, in the European market, which is driving the shift to EVs.

Amid a drastic change in the environment, such as the

outbreak of infectious diseases and CASE, automobile manufacturers have started supply chains reforms and are considering measures such as diversifying their suppliers and local production for local consumption. As a Lead Logistics Provider (LLP), in addition to providing logistics services, the Group also engages in SCM planning, design, and process management.

■ Semiconductor Industry

Semiconductors are built into the electronics found in all kinds of devices, such as smartphones, PCs, and automobiles. They are a staple critical to the future of industry and society, and the stability of their supply is extremely critical that they are referred to in Japanese as the "rice" of industry. However, as competition in the industry intensifies, especially between the U.S. and China, there is a movement in Japan to return semiconductor production to the domestic market from the standpoint of economic security. Under these circumstances, the new domestic semiconductor business that will emerge will be a rush to build new domestic semiconductor plants and expand existing plants through 2024, creating new industry clusters in Iwate, Mie, Hiroshima, and Kyushu.

Based on the concept of "providing high value-added logistics services by locating high-performance VMI facilities near front-end process factories," our Group is developing bases in

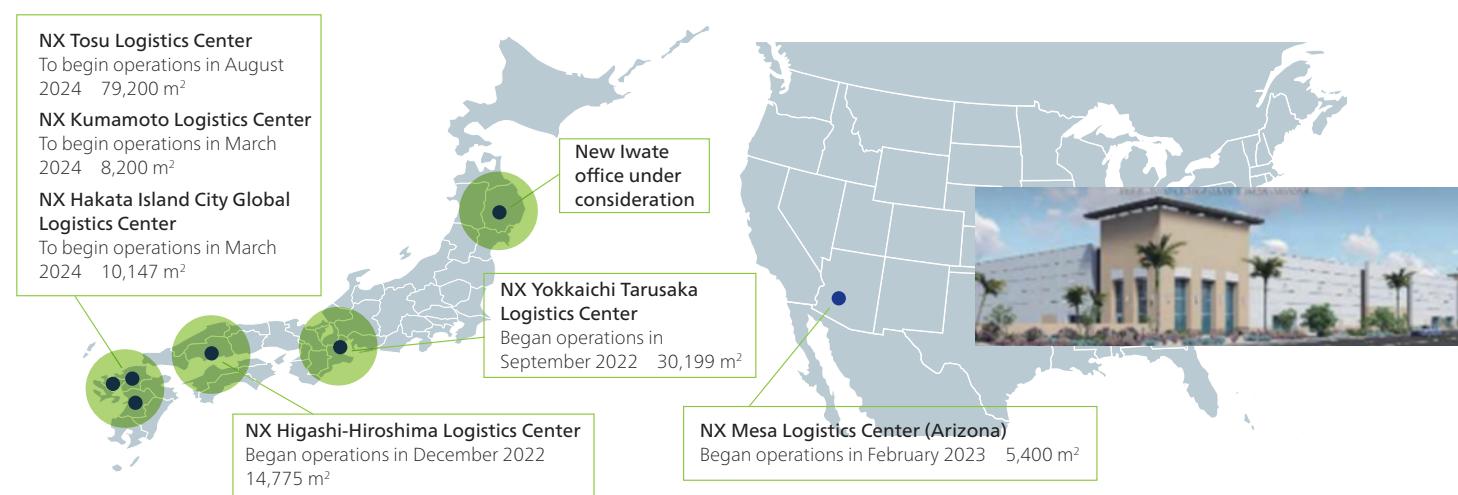
these areas and promoting approaches to the three industries of semiconductors, manufacturing equipment, and materials in a cross-sector sales project covering six blocks in Japan. The NIPPON EXPRESS GROUP is highly regarded by top global manufacturers for its wide range of contributions to industries, including equipment delivery at the time of construction, production, sales, maintenance, and venous logistics after the start of production.

Overseas, the movement to manufacture semiconductors in the U.S. is accelerating, with a focus on expanding sales of aviation and shipping forwarding to selected non-Japanese semiconductor manufacturers. In Arizona, where major semiconductor manufacturers are building new plants, the Group opened its first dedicated semiconductor warehouse in February 2023, the first of its kind opened by the Group overseas, through which we approach Japanese and Taiwanese suppliers for business.

In Ireland, where a major semiconductor company has expanded its existing plant, our new warehouse is scheduled to start operation in 2023. We are also planning to build a new warehouse facility in Germany where major semiconductor companies are planning to build new semiconductor plants.

In this way, we are working to expand the handling of products related to the semiconductor industry while keeping up with the trend of global supply chain restructuring.

Area	Our Solutions
North America	<p>Construction and expansion of VMI facilities</p> <p>*Figures denote total warehouse floorspace</p> <ul style="list-style-type: none"> ■ Huntsville Logistics Center Began operations in January 2021 19,500 m² ■ Huntsville Logistics Center 2 Began operations in July 2022 13,400 m² ■ Guanajuato-Apaseo Logistics Center Expansion in December 2022 added 6,000 m² in floor space (Total floorspace: 20,800 m²) <p>Network expansion and enhancement</p> <ul style="list-style-type: none"> ■ Enhancement of parts supply services through cross-border transportation between the U.S. and Mexico ■ Network expansion and enhancement
Europe	<p>Network expansion and enhancement</p> <ul style="list-style-type: none"> ■ Opened offices in Poland, Hungary, Czech Republic, and Slovakia, with a representative in Serbia



Interview with Employees

Toward a Safe and Secure Pharmaceutical Supply Chain

- From the Site of the GDP-certified East Japan Pharmaceutical Center -

The NIPPON EXPRESS GROUP ranks the pharmaceutical industry as one of its key industries and is working to realize a safe and secure pharmaceutical supply chain in Japan and overseas.

In Japan, we established new pharmaceutical centers in East Japan, West Japan, Kyushu, and Toyama, which will serve as the core of our logistics bases, and our pharmaceutical supply network became operational in February 2021. Since then, we have been working to provide our customers with the high-quality pharmaceutical logistics services that are the pride of the NIPPON EXPRESS GROUP, while stabilizing and equalizing the quality of logistics.

The East Japan Pharmaceutical Center, which is engaged in the storage, loading, and delivery of pharmaceutical products, has acquired GDP certification* with an effective date of July 29, 2022. They are also promoting efforts toward the global unification and standardization of quality standards in pharmaceutical logistics, which is a goal of the NIPPON EXPRESS GROUP.

* Good Distribution Practice (GDP): A standard for proper distribution. Regarding appropriate distribution standards for pharmaceutical products, the Japanese Ministry of Health, Labour and Welfare (MHLW) issued the Japanese version of the GDP guidelines on December 28, 2018.



Q. What is the background of your GDP certification?

A. In recent years, the pharmaceutical industry has been required to meet strict quality standards worldwide, and customers are demanding higher quality standards in terms of temperature control during transportation and storage.

We have therefore acquired GDP certification to demonstrate our compliance with the requirements for providing a logistics platform that complies with global quality standards, both domestically and internationally.

Q. What difficulties did you encounter in your efforts to obtain certification?

A. Our acquisition of GDP certification for transportation and storage was the first time our Group had done so in Japan. In addition, the certification process had to be carried out in parallel with our normal operations, making it difficult to allocate time. With the cooperation of the Pharmaceutical Business Division and the Pharmaceutical Logistics Global Quality Assurance Division, preparations began in January of last year and included a thorough reading of the GDP guidelines to understand each standard and inspect the status of compliance at our sites. The actual audit by the external certification body lasted multiple days, and communicating with the auditor took more time than we had expected. To give an example, we had a hard time explaining the differences in perception of



East Japan Pharmaceutical Center members

vehicle temperature validation* between here and overseas, but we successfully obtained GDP certification. Although the road to GDP certification was one of repeated trial and error, the staff in charge of operations gained extensive knowledge about the quality of storage and transportation of pharmaceutical products through this audit, which has become a great asset.

* Temperature validation: Verifying that the correct temperature conditions are in place for the transportation and storage of pharmaceuticals and medical devices.

Q. Are there any unique aspects of quality standards for pharmaceutical products compared to other items?

A. Pharmaceutical products may require strict storage temperature control and special care in product handling due to various legal regulations and product characteristics. The NIPPON EXPRESS GROUP has responded to these requirements by strengthening both our hardware, such as warehouses and vehicles, and our software, such as management systems and training systems.



Q. Please describe each of your hardware and software strengths in detail.

A. The dedicated pharmaceutical transport vehicles that we have introduced have on-board equipment specifications that we have developed through extensive independent study in order to meet the strict quality standards required by GDP. Two temperature zones, 5°C and 20°C, can be operated simultaneously to achieve reliable temperature control verified by validation. Unlike ordinary general warehouses, the center has adopted equipment specifications that place the highest priority on ensuring the quality of pharmaceutical products, such as truck berths where trucks can be stored, dock shelters, front rooms, air curtains, and air showers. In addition, we have infrastructure in place to maintain a stable supply of

pharmaceutical products in the event of a disaster, with an emergency power generation facility and an on-site fueling station.

On the software side, we have achieved a high level of quality control through various operational innovations. For example, we comply with the specified temperatures by taking care of details such as pre-cooling and temperature-controlling the vehicle to the appropriate temperature at the preparation stage prior to transportation and opening and closing the rear doors in a short time during loading and unloading. In addition, we have established an annual education plan and conduct monthly education on a wide range of topics, including various laws and regulations related to pharmaceuticals, GDP guidelines, key points of product management, and important functions of the quality system, in order to improve the knowledge and skills of our employees.

Q. In the area of pharmaceutical transportation, where do you see the NIPPON EXPRESS GROUP's front-line capabilities being put particularly to use?

A. In principle, we run our own transportation and storage operations in accordance with GDP using dedicated pharmaceutical facilities and employee staff, and we have implemented a high level of management to meet the requirements. I believe that the Group's strength lies in our ability to control the quality of pharmaceuticals, which are difficult to handle, and to design both the hardware and software aspects based on our experience and track record of thoroughgoing work in extensive warehouse operations.

Expansion of NIPPON EXPRESS GROUP's pharmaceutical transportation system

The East Japan Pharmaceutical Center has grown from one client when it first began operations about a year and a half ago to several clients today, and we are gradually increasing staff numbers and equipment as we work to meet their needs. The center currently has a total of 160 staff members and 49 pharmaceutical vehicles.

Following the acquisition of GDP certification by the East Japan Pharmaceutical Center, the West Japan Pharmaceutical Center and the Kyushu Pharmaceutical Center have also acquired GDP certification in the same manner. Globally, the NIPPON EXPRESS GROUP has also obtained GDP certification in the Netherlands, France, Italy, China, South Korea, Taiwan, Malaysia, Bangladesh, Cambodia, Thailand, and India, and we plan to expand both domestically and internationally.

In the future, we will globally implement the knowledge we gain through our acquisition of GDP certification, share quality and safety awareness that complies with GDP certification, and provide even higher-quality pharmaceutical logistics services.

Building a Sustainable and Resilient Logistics Infrastructure

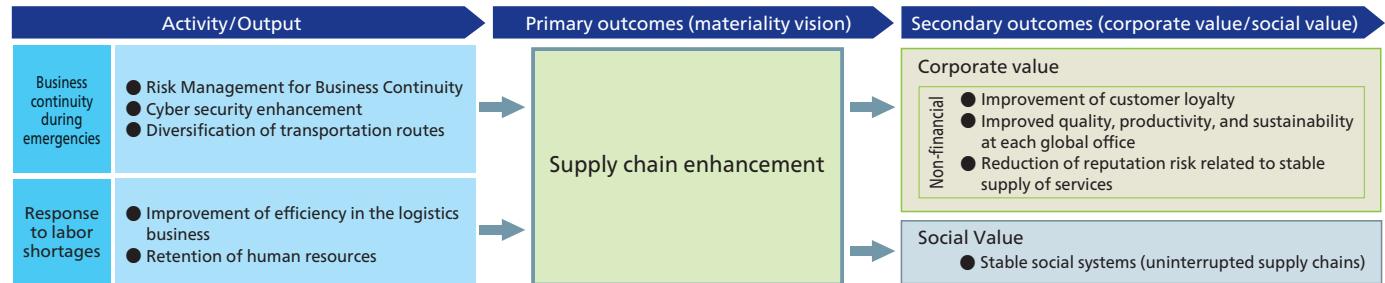


Why we are working on this project

Amid increasing risks such as natural disasters, infectious diseases, and cyber terrorism, logistics companies are required by society to develop action and preparation plans in advance and take the necessary measures to ensure the continuation or early recovery of critical operations in the event of a sudden emergency situation.

As an industry that supports the social infrastructure that forms the basis of people's daily lives, the NIPPON EXPRESS GROUP aims to maintain the resilience of supply chains in emergency situations and to maintain logistics from a medium- to long-term perspective by promoting initiatives to secure and maintain a stable workforce.

Overall picture of the materiality vision and initiative goals (value structuring tree)



Progress of Initiatives

1. Business continuity during emergencies

■ Risk Management for Business Continuity

The NIPPON EXPRESS GROUP defines risk management as preventive activities to control the occurrence of risks and to minimize damage when risks do occur, and we define crisis management as measures to deal with risks when they do occur. We have a system in place to manage these matters in an integrated manner. In risk management, the departments that manage risks take inventory of risks for the entire Group, promotes risk assessment, identifies and monitors critical risks, and works with the departments with risks and Group companies to respond to risks. We have also established escalation criteria and various responses in the event of a crisis.

As a designated public institution, Nippon Express Co., Ltd. has traditionally played an important role in the government's disaster prevention administration in times of emergency, such as disasters and outbreaks of contagion.

In order to continue our business in the event of an emergency, we have formulated BCPs for each area, such as wide-area disasters and new strains of influenza, based on our Business Continuity Management (BCM) Basic Policy.

In January and February 2023, NIPPON EXPRESS HOLDINGS, INC. and Nippon Express Co., Ltd. jointly conducted an initial response drill for the Disaster Response Control Headquarters based on the scenario of an earthquake directly under the Tokyo metropolitan area, as well as a drill for crisis events overseas.

In addition, each company in our Group is promoting the formulation and maintenance of business continuity plans (BCP).

■ Cyber security enhancement

The Group is working to strengthen cyber security under the Cyber Security Medium-Term Plan (2022-2023), formulated last fiscal year.

In fiscal 2023, in order to enhance our ability to detect and respond to cyber security risks in the e-mail environment, we plan to review e-mail filtering settings and introduce a new system that enables employees to report suspicious e-mails themselves, enabling early risk detection, defense, and initial response.

■ Diversification of transportation routes

The NIPPON EXPRESS GROUP provides multimodal transportation services that combine ocean and rail transportation, among others. In the event of an emergency, the NIPPON EXPRESS GROUP takes advantage of its diverse transportation modes and global network to quickly secure alternative means of transportation and ensure the stable continuation of our customers' supply chains.

Building a Sustainable and Resilient Logistics Infrastructure



2. Response to Labor Shortage

■ Improving Efficiency of Logistics Operations

The NIPPON EXPRESS GROUP is working to improve the efficiency of our logistics operations by promoting operational improvements and automation in both warehouse and office operations.

In warehousing operations, we are working to improve the productivity of operations at 435 major warehousing sites, and all sites have achieved the Groupwide common target level. Nippon Express Co., Ltd. is also engaged in data analysis using the Lojitan work performance measurement service and in improving on-site work efficiency using the Theory of Constraints (TOC), while at the same time implementing e-learning for the purpose of developing logistics human resources. We also offer a Logistics Boot Camp, a core human resource development program for proactively promoting operational efficiency.

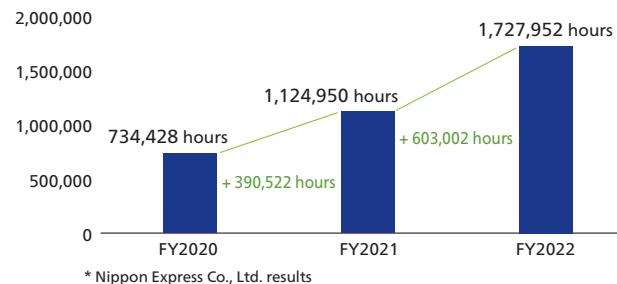
In office operations, we are promoting the automation of site-specific business processes by deploying RPA tools, and we are working on training for skill acquisition and horizontal

deployment of versatile automation case studies to improve business efficiency.

Reducing working hours by implementing RPA tools

Reduced working hours	1,727,952 hours (compared to FY2018)
-----------------------	--------------------------------------

Working hour reduction by RPA (cumulative)



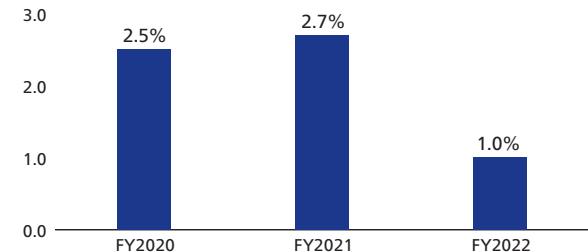
■ Human Resource Retention

We will avoid a shortage (logistics crisis) of truck drivers,

forklift operators, and other skilled technical employees who support the logistics infrastructure with their on-site capabilities. To accomplish this, the NIPPON EXPRESS GROUP is moving forward with the creation of an attractive work environment and partially automating operations to provide a comfortable working environment for people of all ages.

We are also developing training programs specifically for skilled technical human resources, with 945 participants in fiscal 2022.

Turnover rate of skilled technical human resources



* Combined results of NIPPON EXPRESS HOLDINGS, INC and Nippon Express Co., Ltd.

TOPICS Maintaining the Supply Chain with Multimodal Transportation Services to Central Asia via China

Since Russia's invasion of Ukraine in February 2022, there has been a growing trend to avoid transportation services through Russia from a risk perspective.

In April 2022, we developed a Caspian Sea route, through which cargo is transported to various parts of Europe via Kazakhstan, and we began offering it as a BCP mode of transport between China and Europe.

The avoidance of transportation services via Russia has also affected transportation to Central Asian countries such as the landlocked Republic of Kazakhstan and Kyrgyz Republic, and there is a growing need for transportation to the Central Asian countries by sea from overseas points of origin including Japan, via railroad trailer through China.

NIPPON EXPRESS (CHINA) CO., LTD. leverages its representative office in Kazakhstan while also maintaining close relationships with agents and government agencies in Central Asia, enabling it to provide a stable service.

This initiative, a complex transportation service that makes full use of rail, marine, and land transportation, is an example of how our Group has leveraged our strengths in diverse transportation modes to make society's needs into business. We will continue to build a more resilient supply chain by leveraging our diverse transportation modes and global network to instantly provide alternative transportation options.



Via Kazakhstan
BCP Caspian Sea Route



Trailer used in transit
to Kazakhstan

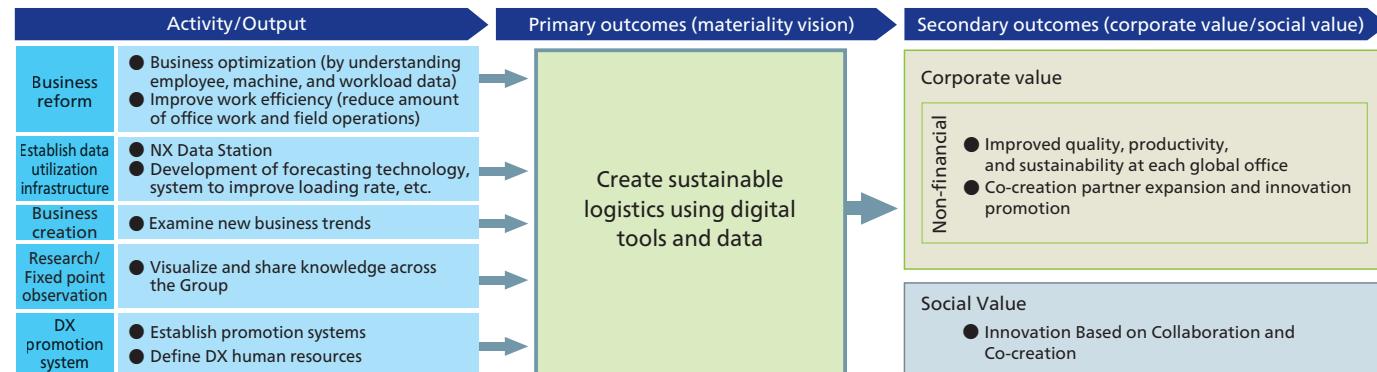
Pursuing Business Digitalization and DX

Why we are working on this project

Many changes are beginning to emerge in the logistics environment. In addition to industry-specific challenges, the emergence of new social issues and the need to respond to new needs are demanding changes from the way logistics has been conducted up to now.

The NIPPON EXPRESS GROUP sees responding to these changes as a management issue that the Group must address in order to maintain and develop a sustainable societal-industrial-logistics market, and we aim to build a sustainable logistics system that utilizes digital technology and data to solve this issue.

Overall picture of the materiality vision and initiative goals (value structuring tree)



Progress of Initiatives

NIPPON EXPRESS GROUP's View of "Ambidextrous" DX

We believe that, rather than a step-by-step approach that would start digitalization before proceeding to DX, we need to move ahead in parallel with digitalization, which is the execution phase, and DX, which is the seed discovery phase. We link "defensive" digitalization efforts to strengthen the company by improving existing businesses and increasing efficiency with "offensive" digitalization aimed at creating added value. In this process, the accumulated data will be used to take on the challenge of a new stage in the Group's concept of DX.

Development of DX Strategy, Roadmap, and Guidelines

NIPPON EXPRESS GROUP's DX Strategy

In 2021, we formulated our DX Strategy for the Group.

This is a long-term vision for the year 2037, the 100th anniversary of the company's founding, and it clearly outlines a large-scale conceptual scheme, coping methods, mechanisms, and systems

based on hypotheses that consider possible future game-changing events.

We plan to specify detailed plans, KPIs, and specific initiatives based on the DX Strategy. In addition, in order to analyze and utilize the Group's data across companies, we will focus on the systematic development of human resources capable of doing so.

Until now, each Group company has pursued individual DX initiatives, which varied according to business type and business environment. In the future, the DX Action List will be used to maximize group value by mutually coordinating the efforts of each Group company. Then, the entire Group will work together to sustainably grow logistics through the evolution of value provided to customers and the creation of new value by making full use of digital technology and data.

DX Roadmap for DX Strategy Promotion * On the next page

As part of the Group's path in promoting DX, we have set milestones (continuity, resilience and consideration for the global environment) to achieve our long-term vision of becoming a logistics company with a strong presence in the global market. As a path

toward reaching these three milestones, the DX Roadmap specifies what needs to be done for each of the five promotion items: Business Reform, Establishment of Data Utilization Infrastructure, Business Creation, Research and Fixed Point Observation, and a DX Promotion System.

DX Guidebook that Complement the DX Roadmap

In addition, the DX Guidebook was created in 2022 to help realize the DX Strategy and promote specific initiatives. Using the DX Roadmap and DX Guidebook as a reference, each Group company will create a DX Action List to promote specific initiatives such as business improvement, data utilization, business research, and establishment of necessary systems to realize DX.

We believe that we can solve a variety of problems by incorporating the initiatives of this materiality into all the initiatives of other materialities. We regard this as one of the engines that drive the Group's materialities, and by positioning it as an element that contributes to the creation of various kinds of value, we will effectively promote each initiative in coordination with other materialities.

Pursuing Business Digitalization and DX

DX Roadmap (2023 version)

▼ Promotion Items Current ▼

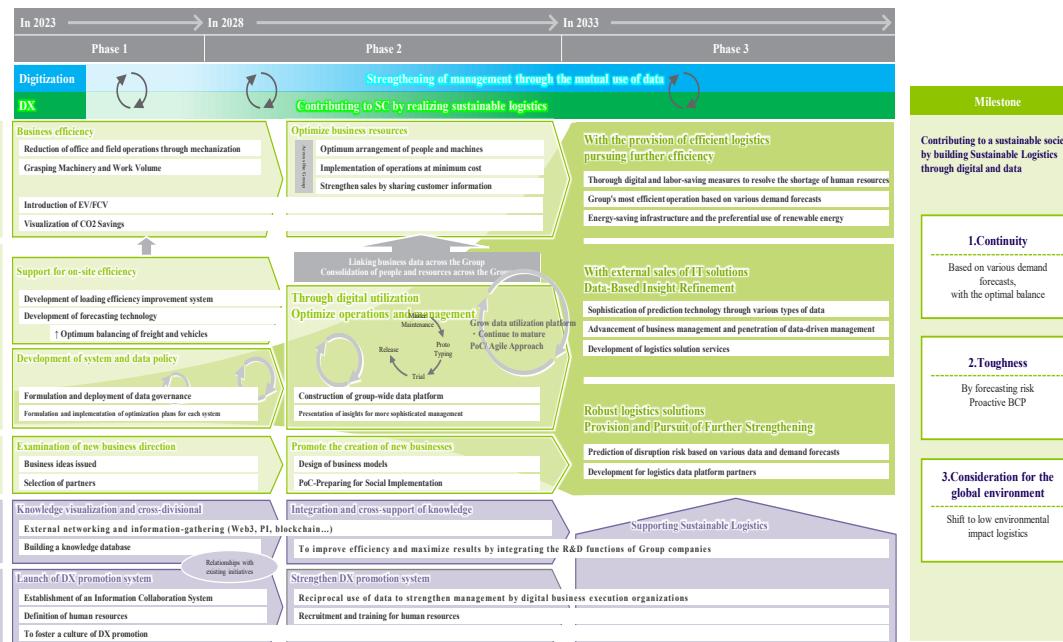
- A. Business reforms**
- Handwritten works
 - Routine work by man power
 - Excess or shortage of trucks, warehouses, drivers, and workers
 - Utilized diversity of group companies
 - CO2 emissions

- B. Building a foundation for data utilization**
- Similar systems
 - Preparation of data lake for data utilization
 - Unified programming language and development methodology
 - Utilized data touch points
 - Lack of IT solutions as a weapon for existing businesses
 - Lack of IT solutions available for external sales

- C. Business creation**
- Limited to the development of digital-related businesses at individual companies
 - Failure to meet customer needs regarding forecasts
 - Deliveries awaiting instructions

- D. Research and fixed-point**
- Individual ways to collect information and R&D
 - Personal knowledge
 - Personal contacts/networks

- E. DX Promotion System**
- Systematic reorganization of communication, corporate culture, human resources, promotion system, etc. has not started
 - Lack of digital and business human resources



Contribute to a sustainable society by building Sustainable Logistics that utilizes digital and data. Aim to become a "logistics company with a presence in the global market."

Establishing Data Utilization Infrastructure

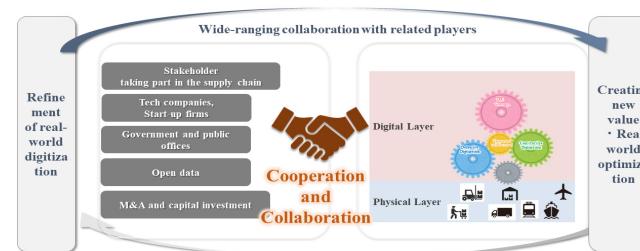
The NIPPON EXPRESS GROUP can obtain a great deal of data on logistics from our accumulated stratum of physical operations.

As a first step in this effort, we have built a new data utilization infrastructure for the Group that allows data generated in our business activities to be entered, stored, processed, and utilized for data viewing, analysis, and machine learning.

In the future, we will collect the data necessary to create new value and realize our vision through data utilization, and work to build and operate an environment that facilitates utilization through AI and BI.

Promoting DX through value co-creation

In order to solve social issues and help make a sustainable society a reality, the NIPPON EXPRESS GROUP will actively promote collaboration with various DX-related players in the public and private sectors and promote value co-creation.



TOPICS Promote Open Innovation

We promote business co-creation with promising startups in Japan and overseas that have strengths in new technologies and business ideas that contribute to the promotion of DX and Sustainability of the NIPPON EXPRESS GROUP, as well as in areas that contribute to new businesses in the medium to long term.

In January 2023, we established the NX GLOBAL INNOVATION FUND, an NX Global limited investment partnership, and the Corporate Venturing Division to strengthen these activities. We will invest ¥5 billion in promising startups over the next five years, aiming for open innovation while strengthening our relationships with startups.

Paving the way for new challenges



NX NIPPON EXPRESS

NX Group's investment fund that invests
¥5 billion over 5 years into promising startups

NX NIPPON EXPRESS X **NX GLOBAL INNOVATION FUND**

Needs from
i) customers and
ii) on-site staff

Investment

Business Co-creation



New
technologies
& services

For more information on the NX GLOBAL INNOVATION FUND, please visit our website:
<https://www.nipponexpress-holdings.com/en/cvc/>

Improving Employee Engagement

Why we are working on this project

At the NIPPON EXPRESS GROUP, we believe that the relationship between employees and the Company should be one of equality and mutual respect, and that, as "human resources," employees are assets to us. We believe that happy and motivated employees create value for customers, shareholders, and society.

The Group aims to create an environment in which diverse human resources can make the most of their abilities and play active roles through the promotion of diversity and inclusion as well as human resource development. Our aim is to become a company where employees feel happy by helping them enhance their well-being, thereby maintaining their physical and mental health and a feeling of fulfillment and being rewarded.

Progress of Initiatives

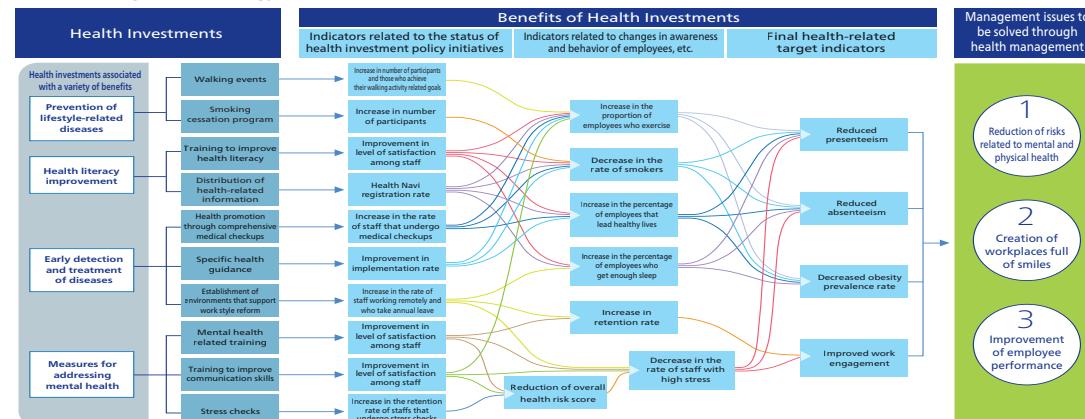
1. Enhancement of well-being

Promoting Health Management

The NIPPON EXPRESS GROUP has formulated the NIPPON EXPRESS GROUP Health Declaration, a common groupwide policy to promote employee health.

In promoting health management, each of our domestic Group companies has formulated a Health Management Strategy Map to clarify the linkage between management issues and health-related measures, and is promoting health management.

Health Management Strategy Map



Overall picture of the materiality vision and initiative goals (value structuring tree)



Excellent health management corporation certification*



* Certification acquired by NIPPON EXPRESS HOLDINGS, INC., Nippon Express Co., Ltd., and Wanbishi Archives Co., Ltd.



Initiatives to Improve Engagement

In order to identify measures that should be taken to improve employee engagement, Nippon Express Co., Ltd. conducted an Internal Employee Satisfaction Survey and found that there were issues with items related to job fulfillment, an intrinsic factor, as well as organizational openness.

As measures to resolve these issues, we are working on townhall meetings, leadership diagnosis based on 360-degree evaluations, supportive management training, and an internal posting system.

Mutual understanding between employees and management	
Townhall meeting	Number of meetings held: 31 Number of participating employees (total administrative and skilled technical employees): 494
Awareness and behavior change of management that supports employee autonomy and opportunities to utilize their abilities	
Leadership assessment by 360-degree evaluation	Officers and executives: 539
Supportive management training	Managers: 836
Creating an environment in which employees can choose their careers and play active roles autonomously	
Implementation of in-house posting system	Applicants: 55, Results: 6

* Nippon Express Co., Ltd. results for FY2022

Improving Employee Engagement

2. Promoting D&I

Promoting Diversity and Creation of inclusive workplace climates

In order to achieve a 10% ratio of female managers by 2030, Nippon Express Co., Ltd. conducts Work-Life Design Seminars for learning to achieve work-life balance, NEWS for thinking about careers, and Leadership Training in which female assistant managers who are candidates for management positions learn management skills.

We are also moving ahead with efforts to secure and train highly specialized human resources. In particular, we are further advancing globalization in Japan by building a system for accepting foreign nationals that includes their living environment, so that they can fully apply their abilities in Japan.

Promoting the advancement of women FY2022 results at Nippon Express Co., Ltd.

Ratio of female managers: 2.0% (up 0.3 pt from the previous year)

Female employee retention rate (percentage point difference from males): 2.9 pt (6.4 pt improvement from the previous year)

(Female employee retention rate: 64.9%, Male employee retention rate: 67.8%)

Employment of diverse human resources

Combined results of NIPPON EXPRESS HOLDINGS, INC. and Nippon Express Co., Ltd. for FY2022

Hiring category	Number of hires	Domestic of which are foreign nationals
Professional hiring	21	8
Global Business Headquarters	12	7
Risk Management Headquarters	2	—
IT Digital Solutions Headquarters	1	—
Sales Strategy Division	5	1
Corporate Solutions Division	1	—
Hiring of experienced personnel	14	3

Promoting LGBTQ understanding Nippon Express Co., Ltd. FY2022 Results

Number of LGBTQ training participants: 19,233

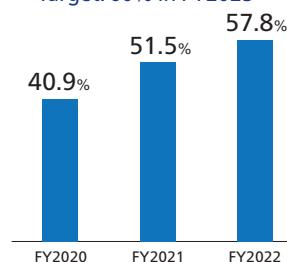
Workstyle innovation

Nippon Express Co., Ltd. is promoting bottom-up activities at each branch to improve the annual paid leave utilization rate.

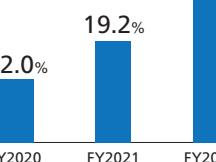
In addition, we have introduced a lump-sum allowance for childcare leave to support and encourage male employees to take childcare leave, and have created a handbook for employees and a guidebook for managers for learning how to balance work and childcare, among other initiatives to realize a comfortable work environment.

Annual paid leave utilization rate

Target: 60% in FY2023



Male childcare leave utilization rate

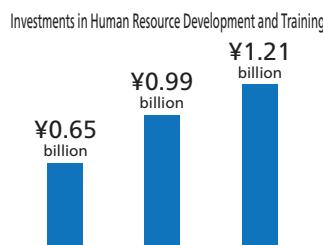


* Combined results of NIPPON EXPRESS HOLDINGS, INC and Nippon Express Co., Ltd.

3. Human Resource Development

The essence of our Group's education policy is to develop self-driven human resources who 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. Specifically, we are working on the basic axis of on-the-job training (OJT), Group training, and self-development.

In addition, as part of our efforts to develop human resources for leadership, we are focusing on the development of human resources who will lead our Group in the future by conducting selective long-term training by rank, from junior employees to the management level.



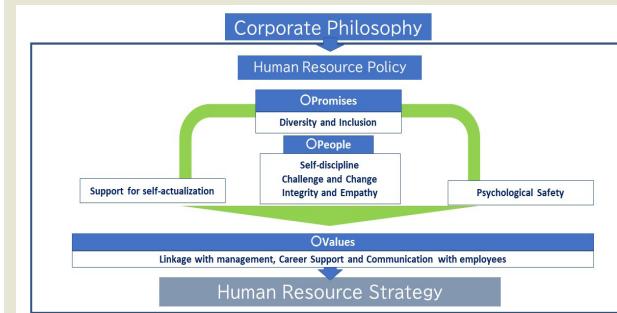
* Combined results of NIPPON EXPRESS HOLDINGS, INC and Nippon Express Co., Ltd.

Initiatives for the Next Management Plan

Formulation of NIPPON EXPRESS GROUP Human Resources Policy

In order to secure and develop human resources capable of realizing our long-term vision of becoming a logistics company with a strong presence in the global marketplace, we have formulated the NIPPON EXPRESS GROUP Human Resources Policy as a guideline for the entire Group regarding human resources.

The Group's human resources strategy will be developed around this policy.



Launch of the Group Engagement Survey

We plan to launch a groupwide engagement survey in 2023 in order to improve engagement throughout the Group.

Through this survey, we will analyze the current status of employee engagement for the Group as a whole and for each company, identify issues, and work to improve engagement through the PDCA cycle. In addition, by making comparisons with various benchmarks, we intend to use it in our efforts to secure human resources through retention measures, etc.

Strengthening Governance (Compliance and Safety)

Why we are working on this project

The NIPPON EXPRESS GROUP's on-site capabilities, based on the NIPPON EXPRESS GROUP Corporate Philosophy and the values of safety, compliance, and quality, are the foundation of the NIPPON EXPRESS GROUP's value creation and the trust society places in the NIPPON EXPRESS GROUP.

We will continue to promote Groupwide efforts to ensure compliance and safety based on our unchanging values, aiming to enhance our corporate value through further strengthening our on-site capabilities.

Overall picture of the materiality vision and initiative goals (value structuring tree)



Progress of Initiatives

1. Adherence to compliance policies

■ Compliance Training

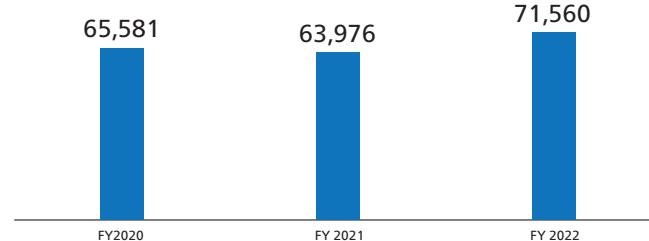
The NIPPON EXPRESS GROUP distributes a Compliance Handbook (in 16 languages) to all Group employees, including overseas employees. The handbook summarizes specific examples of compliance and the Code of Conduct in an accessible manner. We use the handbook for employee training as it is an effective tool for promoting compliance management. In fiscal 2022, we used the Compliance Handbook to train a total of 71,560 employees (of our domestic Group).

For sales and administrative employees, NIPPON EXPRESS HOLDINGS, INC. and Nippon Express Co., Ltd. conduct e-learning twice a year to prevent harassment and non-compliance. In fiscal 2022, a total of 39,196 employees participated in this training. We also convene an annual conference for the compliance managers in the Group to extensively share and exchange information and opinions, aiming to increase compliance awareness.

Every month, our Group distributes a Compliance Newsletter and a Compliance Calendar to workplaces throughout our domestic Group. Besides sharing information about cases of compliance violations, the Compliance Newsletter helps

readers to obtain more knowledge and raise their awareness about compliance. 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.

Number of employees trained using the Compliance Handbook, etc.
(total domestic Group employees)



NIPPON EXPRESS GROUP Compliance Handbook (Japanese version)

Contents

1 Introduction	3	4 Personal Information Protection	53
Message from the President	4	Promoting the Protection of Personal Information	54
Industry Compliance	6	Personal Information Handling: Keep It This Safe!	56
2 NIPPON EXPRESS GROUP's Compliance Promotion Efforts	13	Personal Information Protection Management Initiatives	60
Corporate Philosophy	14		
NIPPON EXPRESS GROUP Charter of Conduct	16		
Compliance System	20		
5 NX Speak Up	63	5 NX Speak Up	63
NX Speak Up	64	NX Speak Up	64
NX Speak Up Q&A	66	NX Speak Up Q&A	66
3 NIPPON EXPRESS GROUP Compliance Regulations	23	Compliance Self-check	68
Chapter 1 General Provisions	24		
Chapter 2 Code of Business Conduct	25		
Chapter 3 Code of Good Corporate Citizenship in Society	46		

Strengthening Governance (Compliance and Safety)

■ Compliance Awareness Survey

The NIPPON EXPRESS GROUP carries out an annual Group-wide compliance awareness survey targeting all employees of the group in Japan. In fiscal 2022, we also conducted a safety and compliance awareness survey of all employees in our Group overseas.

The survey results are shared with employees via reports and internal bulletins, and initiatives are carried out that lead to a greater awareness of compliance among employees, workplace issues being raised and improvements being made. Also, we are working to improve compliance awareness even further, and to prevent misconduct, improper activities and harassment through using the data at various meetings.

■ Establishment and Operation of an Internal Whistleblowing System

In order to promote self-cleansing in the Group's compliance management, and to prevent or detect violations of laws and regulations at an early stage, the domestic Group has been operating the NX Speak Up internal reporting system. In fiscal year 2022, the NIPPON EXPRESS GROUP established NX Global Speak Up for its overseas Group companies to accept whistleblowing reports from all employees of the Group.

NIPPON EXPRESS GROUP FY2022 Results

Number of whistleblowing system notifications and consultations	
NX Speak Up and NX Global Speak Up:	385

2. Ensuring Safety

■ Promote occupational health and safety on a Group-wide global basis

In order to promote occupational health and safety on a Group and global basis, the Group has appointed a safety promotion officer and manager at each business subsidiary, and has established a safety promotion system centering on each business subsidiary.

In June 2022, we formulated the Group's Safety and Quality Management Standard in 16 languages. Using a checklist based on this standard, we will continue to conduct voluntary

inspections on a semi-annual basis, mainly at Group companies with work sites. After inspection, a meeting of safety promotion managers is held in each global region to review the inspection results and exchange opinions on various safety-related initiatives.

Each business subsidiary is striving to prevent accidents and disasters by formulating safety policies and safety initiatives for fiscal 2023 based on an understanding of trends in accidents and disasters that occurred in the previous fiscal year. We will continue to strengthen our group and global safety and quality management systems.

Data on Our Commitment to Safety

Accident frequency rate:^{*1}

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

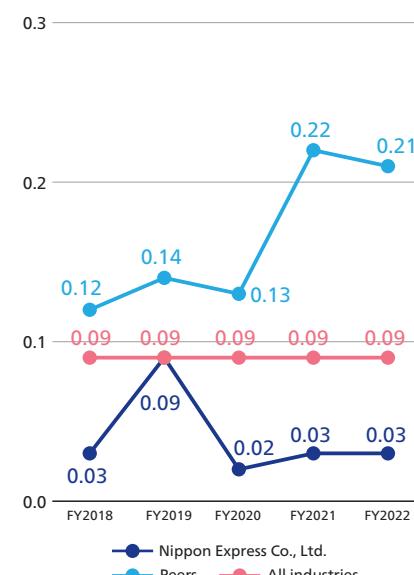
$$\text{Number of casualties per million working hours} = \frac{\text{Number of casualties}}{\text{Total number of working hours}} \times 1,000,000$$



Severity rate:^{*2}

*2 Severity rate is an international indicator that indicates the degree of severity of occupational accidents.

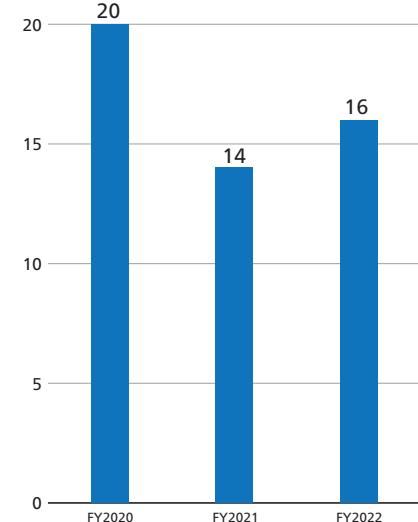
$$\text{Days lost per 1,000 working hours} = \frac{\text{Workdays lost}}{\text{Total number of working hours}} \times 1,000$$



As stipulated in Article 2 of the Automobile Accident Reporting Regulations

Statistics on accidents (Nippon Express Co., Ltd.)

(number of accidents)



Corporate 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 established the basic policies, shown at right, for Group governance toward practicing the corporate philosophy and realizing the long-term vision.

For corporate governance to function properly, it is essential to evolve Group management, promote Group-wide strategies, and establish a governance structure. The transition to a holding company structure with NIPPON EXPRESS HOLDINGS, INC. as the Group headquarters can be understood as a means to properly implement these measures and to optimize Group management with the aim of realizing our long-term vision.

NIPPON EXPRESS GROUP Basic Policy on Governance

[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

Business Growth

Clients and Society

Shareholders

Employees

Long-Term Vision (2037 Vision, excerpt)

- : A logistics company with a strong presence in the global market
- : A company that contributes to the realization of a sustainable society through logistics
- : A company that achieves sustainable growth by establishing corporate governance
- : A company whose employees come from a variety of backgrounds, are proud of their work, support customers and society, and play active roles

Basic View toward Realizing the Long-Term Vision

- The NIPPON EXPRESS GROUP upholds its mission to contribute to the sustainable development and growth of customers and society by solving social issues through logistics in accordance with the NIPPON EXPRESS GROUP Corporate Philosophy
- Toward realizing the long-term vision that depicts the ideal image of the NIPPON EXPRESS GROUP for 2037 founded on our Corporate Philosophy, we will meet the expectations of stakeholders and create value together
- To realize this, we shall establish corporate governance and construct the optimal Group governance systems that form the basis of that

Basic Views Toward Establishing Corporate Governance

To realize increased corporate value and sustainable growth, we will respect the positions of stakeholders, such as our shareholders, and build appropriate governance of offense and defense.

Corporate Governance to Aim for

- Expansion of global business based on "prompt/decisive decision-making and clarification of responsibility"
- Growth of a robust corporate group based on "ensuring thorough compliance and transparency of management"

Approaches Aimed at Establishing Corporate Governance

- Continuous improvement of governance in line with the meaning of each principle in the Corporate Governance Code
- Promotion of compliance management
- Construction of a strong group governance structure

Basic Concept Oriented Towards Evolving Group Governance

To ensure that corporate governance functions appropriately, and to realize maximization of value as a corporate group, the group governance structure will continue to be evolved globally.

Group Governance to Aim for

- Establishment of a group management structure that realizes "maximized value as a corporate group"
- Construction of a global governance structure that realizes "further expansion of overseas business"
- Sophistication of a business management structure that realizes "appropriate business portfolio management" and "customer-oriented optimization of the entire group"

Initiatives to Evolve Group Governance

- Strengthening of group management strategy functions based on a holding company structure, clarification of roles and responsibilities of Group companies, structural and organizational design for realizing an optimized Group as a whole
- Construction of a global risk management system based on linkage between holding companies and presiding companies
- Sophistication of group databases and promotion of data-oriented management

Compliance with the Corporate Governance Code

NIPPON EXPRESS GROUP is in compliance with all of the principles of the Tokyo Stock Exchange's Corporate Governance Code. We have prepared Our Policy and Implementations of JPX's Corporate Governance Code, which sets forth our policy and latest implementation details for principles of the Corporate Governance Code, and released it on our website.

WEB Our Policy and Implementations of JPX's Corporate Governance Code.
https://www.nipponexpress-holdings.com/en/pdf/ir/governance/2022-corporate-governance-policy-effort_en.pdf?2023

Our company is 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. An overview of the Company's corporate governance bodies and organization is shown to the right.

A. Directors/Board of Directors

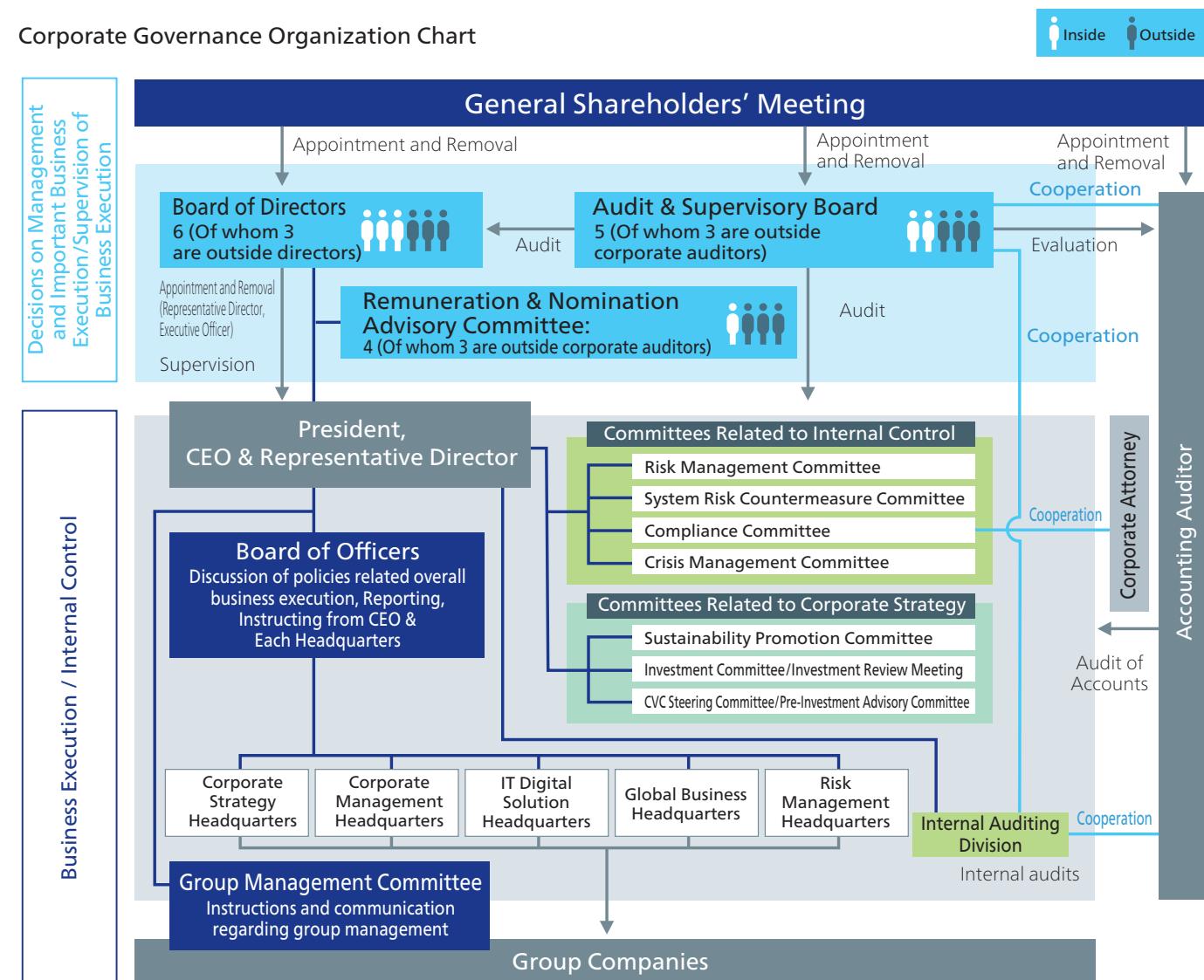
The Board of Directors, consisting of six directors including three outside directors, meets once a month in principle and as needed to make decisions on important business operations and statutory matters, and to supervise the execution of business operations. The term for Directors is one year. We aim to clarify the responsibilities of Directors for the management of each fiscal year.

[Overview of the Board of Directors]

- Authority: Matters stipulated by laws and regulations and the Articles of Incorporation, decisions on the execution of important business operations, and supervision of execution of business operations
- Chairperson: Non-executive Chairperson of the Board
- Composition: 6 directors (as of March 31, 2023, the number in the Articles of Incorporation is 15), including 3 inside directors (including 2 concurrently serving as executive officers) and 3 outside directors (including 2 female directors) Attendance of corporate auditors (supervision of directors' execution of duties, 2 inside corporate auditors and 3 outside corporate auditors)
- Conduct of meetings: In principle, meetings are held once a month and as needed.
 In fiscal 2022, the Board of Directors held 18 meetings (including 1 resolution in writing).

Corporate Governance System

Corporate Governance Organization Chart



● Major deliberations and reports at Board of Directors meetings
The Company held a total of 18 Board of Directors meetings, including one written resolution, during the fiscal year ended December 31, 2022.

The main agenda items included resolutions on matters related to officers at the time of the Company's establishment and various important policies, important restructuring and reorganization of Group companies, establishment and revision of various rules and regulations, endorsement of TCFD, formation of CVC funds, and other important investment projects and various reporting items related to risk management.

Based on the opinions of outside officers obtained through the evaluation of the effectiveness of the Board of Directors, the Board of Directors also discusses and revises the agenda items for deliberation as necessary, such as annual planning of reporting items and reporting in the process of formulating important management strategies, etc., to ensure the implementation of the reporting items specified in the agenda standards for the Board of Directors.

Main Agenda Items for the fiscal year ended December 31, 2022

Governance	Determination of policy and implementation details in response to the Corporate Governance Code
	Decision on selecting the new section of the Tokyo Stock Exchange
	Decision on director renumerations and bonuses
	Verification of the appropriateness of cross-shareholding and decision to sell shares held by the Company
	Report on management policy and business plan for NX Cash Logistics Co., Ltd.
	Decision to form CVC fund
	Decision to reorganize the business of a Group company
	Decision to set the agenda for the Board of Directors meetings in fiscal 2023 and beyond
	Determination of the budget for the fiscal year
	Decision to amend the NIPPON EXPRESS GROUP Business Plan 2023

Corporate Strategy	Progress Report on the NIPPON EXPRESS GROUP Business Plan 2023
	Decision to transition from Japanese accounting standards to International Financial Reporting Standards
	Resolution on quarterly financial results
Financial/ Business Results	Monthly business report

Risks Management	Report on the impact of the situation in Russia and Ukraine on the NIPPON EXPRESS GROUP's business and countermeasures
	Periodic reports on compliance, safety management, and system risks
	Situation report on measures to deal with COVID-19
Sustainability	Decision on TCFD endorsement and disclosure

B. Remuneration and Nomination Advisory Committee

To obtain the opinions of independent outside directors concerning important matters such as remuneration and nomination

of officers, our Company has established a fair, highly transparent, discretionary Remuneration and Nomination Advisory Committee. Consisting majority from independent outside directors, the committee function as an advisory body to the Board of Directors, and the Board of Directors makes decisions based on the opinions of the committee to the maximum extent possible. Committee members are appointed by resolution of the Board of Directors, and the committee performs the functions of both a nominating committee and remuneration committee. The Committee deliberates mainly on officer personnel matters, including candidates for directors and officer positions, the establishment of the skill matrix that represents the composition of the Board of Directors, and the policy and system of remuneration, in consultation with the President and CEO. It reports to the Board of Directors based on its decisions (seven times during the fiscal year under review).

The chair and members of the committee are as follows

(As of March 31, 2023)

(Chairperson)

Kenji Watanabe, Director (Chairman and Representative Director)

(Committee Member)

Sadako Yasuoka, Director (Independent Outside Director)

Yojiro Shiba, Director (Independent Outside Director)

Yumiko Ito, Director (Independent Outside Director)

C. Auditors/Audit and Supervisory Board

The Audit and Supervisory Board, consisting of five corporate auditors including three outside auditors, meets once every three months in principle and as needed to report, discuss, or pass resolutions on important matters related to audits, including audit policies. Corporate auditors audit the execution of duties by directors by attending meetings of the Board of Directors, the Board of Officers, and other important meetings, providing objective and impartial opinions on overall management and individual issues, and examining the legality and status of internal controls. In addition, the Company conducts audits by inspecting important documents and by visiting subsidiaries, and reports the results of these audits to the Audit and Supervisory Board and the Board of Directors to audit the execution of duties by the business execution departments.

* For the attendance rate of each corporate auditor at the Board of Directors meetings, please refer to the "List of Directors and Audit & Supervisory Board Members" A summary of the audits by corporate auditors is included in the Securities Report issued by the Company.



Securities Report

<https://www.nipponexpress-holdings.com/ja/ir/library/securities/>

*Japanese Only

D. Business Execution

Business execution is carried out under an executive structure consisting of the President and CEO and five headquarters. A specified level of authority is delegated to each headquarter so that it can swiftly execute management plans as a single management unit. In advancing business operations, each Group company carries out its role and responsibility within the scope of its own responsibility as delegated by the Company, which constitutes the Group headquarter, which supervises the advancement of business operations at each Group company. The NIPPON EXPRESS GROUP Governance Regulations and the Group Authorization Table accompanying the regulations stipulate the Group management system and matters delegated to Group companies. These are reviewed from time to time to promote efficient and effective Group management.

The following is a summary of the various meetings related to the execution of business operations.

[Board of Officers]

● Role: To discuss important matters related to overall management, communicate and give instructions to executive officers on matters resolved by the Board of Directors, report on the status of business execution by executive officers, and discuss important related matters.

● Chairperson: President and CEO

● Composition: Inside corporate directors, executive officers (18 as of March 31, 2023), attendance of full-time corporate auditors, attendance of general managers, etc.

● Frequency: Once a month and as needed (16 meetings in 2022)

[Group Management Committee]

● Role: To strengthen inter-group cooperation and foster a sense of unity by instructing and communicating Group management policies and implementing reports on business promotion from business subsidiaries, etc.

● Chairperson: President and CEO

● Composition: Executive officers, presidents of major Group companies, senior management, attendance of full-time corporate auditors, etc.

● Frequency: Once a quarter and as needed (4 meetings in 2022)

[Overview of Other Committees of Business Execution Departments]

● The following committees discuss important issues and make the necessary reports related to internal control: The Risk Management Committee (held four times a year)

responsible for formulating risk management policies and establishing the Group's risk management system. The Compliance Committee (held four times a year) responsible for establishing and promoting the Group's compliance system. The Crisis Management Committee (held twice a year) responsible for discussing the system in the event that risks emerge and a crisis becomes apparent, and responding to such risks after they emerge. The System Risk Management Committee (held twice a year) responsible for developing a structure for information system security and responding to the occurrence of security incidents. Important matters discussed by each committee are submitted to the Board of Directors for resolution or regularly reported to the Board of Directors, depending on the criteria for approval, and the Board of Directors supervises these activities.

● The following committees are among those established to discuss important issues and make the necessary reports related to management strategy: The Sustainability Promotion Committee (held twice a year) that addresses issues related to sustainability and formulates Group policies. The Investment Committee (held as needed) that discusses M&A-related matters. The CVC Steering Committee (held as needed) that discusses investment intentions for selected investments in CVC funds in which the Board of Directors has resolved to make an investment. Important matters discussed by the Sustainability Promotion Committee are submitted to the Board of Directors for resolution or regularly reported to the Board of Directors, depending on the criteria for approval, and the Board of Directors supervises these activities. In addition, the Investment Committee discusses and decides on corporate acquisitions and other matters, which are submitted to the Board of Directors for resolution in accordance with the criteria for decision-making. The progress of investment projects is reported regularly at meetings of the Board of Directors, and necessary discussions are held among the responsible departments and business subsidiaries at PMI Committee meetings and other meetings. The status of investments in CVC funds is also reported to the Board of Directors on a regular basis.

● The Group Management Committee and other committees have established subcommittees for individual themes such as human resources, DX, and safety, as well as councils with Group companies to promote Groupwide strategies and strengthen internal controls.

Efforts to Improve Governance Effectiveness

Evaluating the Effectiveness of the Board of Directors

Once each year, our Board of Directors uses an outside institution to conduct a survey of all directors and corporate auditors regarding the effectiveness of the Board of Directors as a whole, including the Remuneration and Nomination Advisory Committee, to evaluate the effectiveness of the Board of Directors and gather opinions on how to improve it. The Board of Directors will discuss and verify the results of the analysis and evaluation, and will evaluate its effectiveness based on the aggregate results from external institutions. In addition, based on the issues and opinions identified through the questionnaire, we will make improvements to enhance the effectiveness of the Board of Directors.

Major areas for improvement by the Board of Directors

- Started questionnaire surveys for evaluations of director and corporate auditor effectiveness (2015)
- Established Remuneration and Nomination Advisory Committee as an advisory body to Board of Directors (2016)
- Introduction of Performance-based Stock Compensation Plan (2016)

- FY2018

FY2019

FY2020

FY2022

WEB Corporate Governance
<https://www.nipponexpress-holdings.com/en/ir/governance/>

Training Policy for Directors and Corporate Auditors

We provide regular opportunities such as seminars and social gatherings to directors and corporate auditors, intended to enable them to deepen their awareness of the Company's management issues as well as to acquire essential knowledge regarding corporate governance, finance, as well as laws and regulations. The Company bears the cost of such events.

Together with internal orientations for directors and corpo-

<Reference> Major themes of the evaluation of Board of Directors effectiveness conducted in December 2022: (1) board composition and operation, (2) management and business strategies, (3) corporate ethics and risk management, (4) management evaluation and renumeration, (5) dialogue with shareholders, etc., (6) free descriptions for each major category, and others.

The Board of Directors secretariat has taken the lead in developing systems to make improvements with respect to the issues identified in past effectiveness evaluations, including Nippon Express Co., Ltd, which was a listed company prior to the transition to a holding company structure. Please refer to the chart for a description of improvements made at the company in recent years.

An overview of the effectiveness assessment can be found in the Corporate Governance Report published by the Company.

- Reviewed periodic reports on the status and results of the execution of important matters that have been resolved
- Expanded opportunities for discussion at Board of Directors meetings by reporting on the process of formulating important strategies and policies, such as management plans, sustainability, DX, etc.

rate auditors at the time of appointment and as necessary, we provide training opportunities as needed, including participation in external seminars for newly appointed directors and corporate auditors, in order to deepen their knowledge of corporate governance, particularly with respect to the performance of their duties, and to help them acquire the necessary knowledge of their roles and responsibilities as directors and corporate auditors.

After they assume their positions, the Company continues to provide opportunities for seminars and social events, as

appropriate, to enable them to acquire the necessary knowledge regarding the Company's management issues, financial matters, and legal compliance. With regard to corporate auditors, we are acquiring extensive knowledge through various meetings as a member of the Japan Audit & Supervisory Board Members Association, and through seminars hosted by the Japan Industrial Management & Accounting Institute. We provide opportunities for outside directors and outside corporate auditors to acquire knowledge of our business and related matters by allowing them to participate in various company events, facility tours, etc. In addition, in order to seek out management judgment from an independent perspective, we hold monthly 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.

For internal executive officers and senior management candidates who are candidates for the representative directorship, we provide opportunities to attend external MBA and other senior management development courses to acquire the knowledge of global management, financial literacy, management strategy, and governance that are necessary for senior management.

The above series of trainings are positioned as part of succession planning for senior management.

In order to confirm whether or not outside directors and outside corporate auditors are being appropriately responsive, the Company conducts surveys regarding opportunities to provide information to outside directors and outside corporate auditors in its questionnaire for evaluating the effectiveness of the Board of Directors. The results of the survey are reported to the Board of Directors rare discussed for future improvements and reflected in the next and subsequent activities.

Holding Liaison Meetings for Outside Directors

To ensure the objectivity and neutrality of the management oversight function, a lead outside director is elected by mutual agreement from among the directors and liaison meetings are held for outside directors to freely discuss a wide range of topics, including the Group's management and corporate governance, and to deepen cooperation among the outside directors. In addition, a system is in place to report discussions to the Board of Directors as necessary.

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 insight. In addition, selection or dismissal will be carried out to maintain a balance of knowledge, experience, and abilities of the board as a whole, utilizing the skills matrix for the Board of Directors established in line with business strategies such as increasing the ratio of overseas sales and promoting ESG management.

In appointing corporate auditor candidates, we evaluate them from a variety of perspectives. This includes evaluating the status of achievement of management plans in the businesses and areas for which the candidate has been responsible, whether the candidate has the experience and expertise required to serve in the post, and his or her personality and insight. In addition, at least one person with knowledge of finance, accounting, and legal affairs is appointed. In addition, when appointing candidates for outside directors and outside corporate auditors, we also select 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. These boards consist of human resources with experience in corporate management, expert knowledge of law and accounting, etc., as well as academic knowledge. We appoint candidates who are suitable for positions of monitoring the overall management of our business.

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

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.

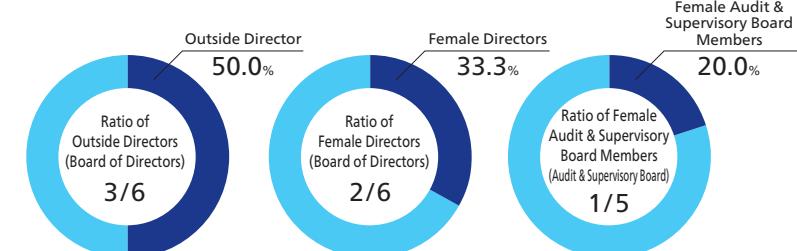
We consider candidates for outside Directors and outside Corporate Auditors to be independent if none of the following items apply to them.

- 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 candidates – A person who we can expect to make effective proposals to the Board of Directors regarding our management policies and management improvement.

Composition of Directors and Corporate Auditors



Human Resource Development for Senior Management

The Group recognizes that succession planning of human resources for future management is an important issue in corporate management, and the current management team is proactively involved in the planning and selection process for the development of human resources who will be responsible for sustainable corporate management based on the Group's philosophy.

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 Remuneration and Nomination Advisory Committee will reevaluate the qualifications of the final candidates as senior management. 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.

We have established Outside Directors and Outside Corporate Auditors Seminar, in which only outside directors and outside corporate auditors participate. Executive officers who are candidates for director and senior management who are candidates for executive officer give presentations on their management visions and the progress of 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 Report

<https://www.nipponexpress-holdings.com/ja/ir/library/securities/>

*Japanese Only

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. The Company has established Basic Policies on Internal Control Systems, and we are building and operating internal control systems in accordance with these policies.

For more on our Basic Policies on Internal Control Systems and the current status of implementation, please refer to our website, or our published Corporate Governance Report, and Securities Report.



Matters Related to Internal Control Systems

<https://www.nipponexpress-holdings.com/en/ir/governance/systems/>

Officer Remuneration

Policy and Procedure for Determining Officer Remuneration

Our Company has established a discretionary Remuneration and Nomination Advisory Committee, of which three out of four members are independent outside directors, in order to obtain the opinions of independent outside directors on important matters such as the remuneration of directors and corporate auditors. The Company's Policy on officer remuneration is established by resolution of the Board of Directors, based on the deliberations and reports of the Remuneration and Nomination Advisory Committee.

The policy for officer remuneration will be as follows.

Policy on Officer Remuneration

a. Basic policy	1. Compensation 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.
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	
a. Fixed compensation	We determine the remuneration (monthly) for each individual according to the role they play, based on the standard amount for their position.
b. Bonuses	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.
c. Performance-based stock compensation 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.

The Remuneration and Nomination Advisory Committee deliberates and reports on the amount of remuneration for the Company's directors based on the aforementioned policies, taking into consideration their responsibilities and the status of management execution, and the Board of Directors makes a decision on the amount of remuneration. The amount of remuneration for corporate auditors will be determined through discussions among the corporate auditors.

Specific remuneration amounts are set forth in the Articles of Incorporation, and will be paid within the specified range.

We have also introduced a performance-linked stock compensation plan using a Board Incentive Plan (BIP) Trust* for directors and corporate auditors, with the aim of further enhancing their awareness of their contribution to improving the Company's corporate value and shareholder value over the medium to long term. This plan is partially funded by the existing basic remuneration. It provides for the delivery of a variable number of our shares as remuneration. 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 return on equity (ROE). 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 116.95%. Consolidated operating income was 147.95% Consolidated ROE was 163.27%.

* 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. This system was introduced by Nippon Express Co., Ltd., and our Company succeeded to the contractual status, rights and obligations of Nippon Express Co., Ltd. as of January 4, 2022.

Total Remuneration by Officer Category, by Type, and by Number of Eligible Officers (fiscal year ended December 31, 2022)

Officer category	Total amount of compensation, etc.	Total amount of compensation, etc. by type			Number of eligible officers	
		Fixed compensation	Performance-based compensation			
			Bonuses	Stock compensation		
Directors [of which, Outside Directors]	354 million yen [39 million yen]	265 million yen [39 million yen]	67 million yen -	14 million yen -	6 million yen - 9 [3]	
Corporate Auditors [of which, Outside Auditors]	90 million yen [32 million yen]	87 million yen [32 million yen]	- -	- -	3 million yen - 5 [3]	
Total [of which, Outside Officers]	445 million yen [72 million yen]	353 million yen [72 million yen]	67 million yen -	14 million yen -	9 million yen - 14 [6]	

Notes: 1. The total portion of remuneration, etc., to be paid in cash to directors from the date of the Company's establishment to the close of the Ordinary General Meeting of Shareholder for the fiscal year ending December 31, 2023 shall not exceed ¥660 million per year (not including salaries of company employees serving concurrently as employee and director), as provided for in Article 2, Paragraph 1 of the Supplementary Provisions of the Company's Articles of Incorporation. The number of directors at the time of the effective date of the said Articles of Incorporation is nine.

2. Of the compensation, etc., for the Company's directors (excluding outside directors), the stock compensation plan for the period from the date of the Company's establishment to the fiscal year ending December 31, 2023 is provided for in Article 2, Paragraph 2 of the Supplementary Provisions of the Company's Articles of Incorporation, but the above stock compensation is the amount of the provisions recorded for the fiscal year under review in accordance with the plan, and it differs from the total amount of payment.

3. The total amount of remuneration, etc., to be paid to corporate auditors from the date of the Company's establishment to the close of the Ordinary Meeting of Shareholders for the fiscal year ending December 31, 2023 shall not exceed ¥120 million per year, as provided for in Article 3 of the Supplementary Provisions of the Company's Articles of Incorporation. The number of corporate auditors at the time of the effective date of the said Articles of Incorporation is 5.

4. Other remuneration includes the amount borne by the Company for company housing provided to officers.

Risk Management

Risk Management Basic Policy

The NIPPON EXPRESS GROUP has established the NIPPON EXPRESS GROUP Risk Management Regulations and the NIPPON EXPRESS GROUP Crisis Management Regulations as basic policies for the purpose of building a risk management system for the Group to reduce risks that may have a significant impact on corporate management, and to build a crisis management system for the Group that enables prompt and appropriate responses in the event of a crisis.

Risk Management System

The Group has established a Risk Management Committee, chaired by the president, to develop a Group-wide risk management system. Activities related to risk management in the Group are reported to the Risk Management Committee on a regular basis.

In fiscal 2022, we conducted a risk inventory, assessment, and identification of significant risks for each of our Group companies, and the results were discussed by the Risk Management Committee. In fiscal 2023, we will continue our efforts to inventory, assess, and identify critical risks at each of our Group companies, as well as promote follow-up and feedback on risk response measures at each of our Group companies.

Crisis Management System

The Group has established a Crisis Management Committee, chaired by the president, to develop a Group-wide crisis management system. Activities related to crisis management in the Group are reported to the Crisis Management Committee on a regular basis. In responding to a crisis, we will take all possible measures in cooperation with related companies and divisions to minimize damage, ensure the safety of employees, and prevent disruption of Group business operations.

Based on the above-mentioned rules, the Group responds 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 Co., Ltd. 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 Event of Armed Attacks), and the 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, in each region overseas, and at 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.

Business Continuity Plan (BCP)

NIPPON EXPRESS GROUP companies are moving forward with the establishment and maintenance of business continuity plans (BCPs).

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

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.

In order to identify materiality, we take risks and opportunities into consideration from the viewpoint of Sustainability.

Compliance

Fair Business Practice Promotion

● Compliance management system

The NIPPON EXPRESS GROUP has established the NIPPON EXPRESS GROUP Charter of Conduct as a set of rules governing its day-to-day activities and providing specific directions for action, and has established the NIPPON EXPRESS GROUP Compliance Regulations to ensure sound, transparent, and fair business activities in accordance with the NIPPON EXPRESS GROUP Charter of Conduct. In addition, Anti-bribery Regulations, Competition Law Compliance Regulations, and Personal Information Protection Regulations have been established as Group regulations, and a code of conduct for employees has been established. We have also prepared guidelines for each Group regulation and a Compliance Handbook in

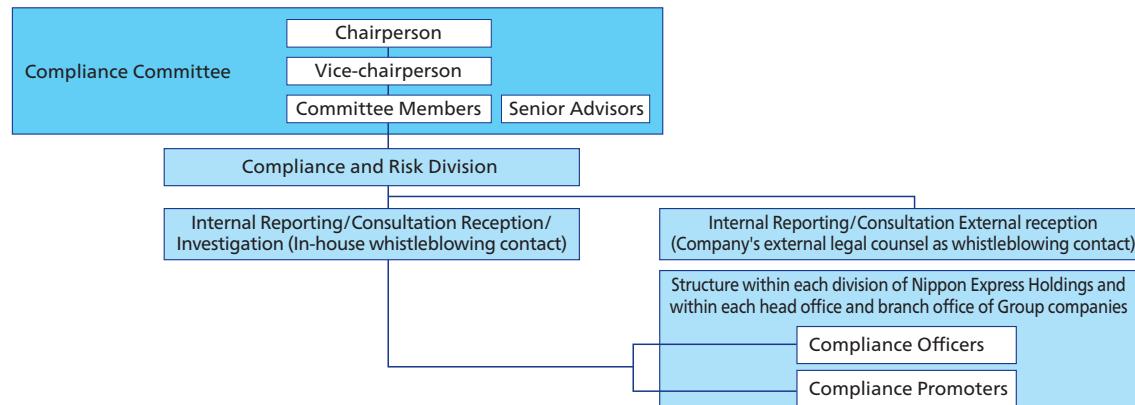
various languages to ensure that all employees of the Group are familiar with compliance.

Chaired by the President, the Compliance Committee discusses important policies and important cross-functional issues across departments and groups, and promotes various compliance-related measures. Reports, deliberations, and resolutions made by the Compliance Committee are reported to the Board of Directors, which confirms, based on the opinions of Outside Directors and Audit and Supervisory Board, that appropriate remedial measures have been taken and are functioning effectively with regard to compliance violations and matters pointed out, and if there are any shortcomings, they are reviewed and efforts are made to prevent recurrence.

NIPPON EXPRESS HOLDINGS Compliance Systems and Roles

	Compliance management system			Roles
Compliance Committee	Chairperson	President		The Committee consists of the chairperson, vice chairperson, committee members, senior advisors, observers, and the secretariat and works to promote compliance for the entire Group.
	Vice-chairperson	Chief Managing Officer of the Risk Management Headquarters		(Attendance by persons other than committee members)
	Committee Members	Executive Vice President Chief Managing Officer of the Global Business Headquarters Chief Managing Officer of the Corporate Management Headquarters Chief Managing Officer of the Corporate Strategy Headquarters Other members as prescribed in the Regulations		The Compliance Committee may request the attendance of persons other than Members when necessary in order to receive their opinions and reports.
	Senior Advisors	Legal counsels, certified public accountants, tax accountants, and others (Some advisors will be summoned when necessary)		
	Secretariat	Compliance and Risk Management Division		

NIPPON EXPRESS HOLDINGS, INC. Compliance Structure Chart



Outside Directors Roundtable

Reflections on the First Year Since Conversion to Holdings

We asked outside directors about the NIPPON EXPRESS GROUP's efforts to strengthen Group governance, to improve capital efficiency and Sustainability management, and to enhance corporate value.

Role as Outside Director

Yasuoka: My specialty is Chinese thought and philosophy. I have been an instructor of courses on the Analects of Confucius for more than 20 years, while also providing employee training and education for women at various companies. I have been an outside director at NIPPON EXPRESS GROUP for the past eight years. Initially, there were still few women in management positions, and nurturing the next generation of female officer candidates was a major theme. I have spent about three years getting to know all of our female career-track employees through seminars, and since the year before last I have been focusing effort on training women in area positions. Feedback gathered through these get-togethers, along with experiences at other companies, are reported to the Board of Directors from an outside director's perspective and we exchange opinions.

Shiba: After working for a bank for 31 years, I gained experience in management at two entertainment companies, and have served as outside director for several companies. I believe that making the most of my knowledge of corporate management based on this experience is what is expected of me on the Board of Directors.

Ito: My background is in law, having practiced law at a law firm and then as in-house counsel and general counsel for several companies. As the NIPPON EXPRESS GROUP continues to grow its global business under its vision of becoming a logistics company with a strong presence in the global market, I believe that I am expected to make use of my experience at global companies in areas such as risk management and Group governance. I also hope to contribute in terms of diversity. I recognize that, ultimately, my job responsibility is to contribute to the enhancement of corporate value from the viewpoint of stakeholders.



Strengthening Group Governance

Yasuoka: The launch of the Global Business Headquarters (GBHQ) was a major change in terms of clearly indicating both externally and internally that HD would be the center of governance for the entire Group and global operations as the Group expands its global business.

In order for governance to be effective in the Group and globally, it is important not only to reorganize the structure, but also to demonstrate the philosophy first. I believe that one's philosophy as human being and Corporate Philosophy for employees can be established regardless of country, race, or culture. We definitely need a single, unifying pillar that will show from the start how the NIPPON EXPRESS GROUP is

contributing to the world as a whole team. When the Group converted to a holding company, I asked if the Group had something to show the world as a group at a Board of Directors meeting. At that time, the response was that it was in the process of being formulated, but a Sustainability policy and vision have since been developed. In the future, I would like to see us thoroughly incorporate this Sustainability vision through communication. If employees can incorporate these things into the work they are involved in as an individual, then I think they can also incorporate the significance of the organization to which they belong.

Amid drastic change, values are also bound to change, but a company with an unchanging philosophy has the ability to overcome hardships. And since such companies focus on

human resource development, I hope that the NIPPON EXPRESS GROUP will also develop its human resources based on this philosophy to become a strong company.

Shiba: One of the major changes over the past year has been in the composition of the Board of Directors, which since January has become 50% outside directors and 67% non-executive directors, with the Board of Directors now focusing more on oversight. I think the discussions have also become more centered on supervision. The separation of the Presidents of HD and the operating companies has made it easier to discuss the Group's overall management strategy and individual business strategies separately. In addition, with the addition of Ms. Ito, two of the three outside directors are women, as are half of the total outside directors and outside corporate auditors. I feel that the discussions are becoming more diverse and active.



I think the focus is on governance to achieve global business expansion. First, in terms of business and offensive governance, the Group is in the process of focusing on building an organizational structure to encourage local employees to play an active role in the Company as the Group focus not only on following up on the overseas expansion of Japanese companies as in the past, but also on developing large non-Japanese clients, transporting goods between overseas locations, and other businesses that it has not been able to do enough of in the past. To this end, HD's GBHQ has had appointed three general managers of foreign national since last July, and the number of foreign employees in the department has also increased, with about half of the meetings being conducted in English. Local employees will also be more motivated with a new career path. It is also important to develop

governance in parallel, as the Group has announced that it will have non-Japanese presidents of its overseas subsidiaries as well. I believe that defensive governance, such as risk management and internal auditing, is in the process of being strengthened, especially for the overseas divisions.

Ito: In terms of Group governance, control from HD is necessary from the perspective of risk management, but the Group must not allow opportunities to be lost by doing so. I believe that it is important to design an organization and system design that balances control with speed, and that this will enable the Group to achieve the ideal global governance. I would like to see if the NIPPON EXPRESS GROUP has also accomplished that.

In addition, I believe there will be more M&A opportunities in the future, and post-merger integration (PMI) is very important in M&A. For me, of the elements of COSO's internal control framework,* information and communication is probably the most important, and I believe that the true foundation of Group governance is to make sure that the Group's purposes and principles are spread to every corner of the Group. I think Ms. Yasuoka is right.

* An integrated framework for internal control of the Committee of Sponsoring Organizations (COSO) of the Treadway Commission

Improvement of Capital Efficiency

Yasuoka: In the selection and concentration of the Group's business portfolio, I think it is right to concentrate on businesses with high profitability, but it is important to have the foresight not only to make selections of existing businesses, but also of new businesses in which the NIPPON EXPRESS GROUP should invest, and to have foresight on what to do when things go wrong, as with climate change, the COVID-19 pandemic, and other changes in the external environment.

I believe the Group should closely scrutinize what it can do, what its essential strengths and weaknesses are, and what is unique about the NIPPON EXPRESS GROUP, then take it to the next level before making its selections. It may take time at first, but if the Group can identify that and build a secure foundation, we will be strong later.

Shiba: While the major theme of the business plan is to improve ROE, which is the goal of the plan, from the perspective of cash flow generation, the Group is liquidating unprofitable businesses as a way to improve its business portfolio. In doing so, as Ms. Yasuoka mentioned, I believe that the Group is proceeding with the reorganization after looking at not only profitability but also

strategic factors such as the uniqueness of the NIPPON EXPRESS GROUP. I also believe that significant progress has been made over the past year or two in streamlining the balance sheet, including the sale of the former Shiodome Head Office and other real estate, and the separation of the leasing division.

As for M&A, the investment destination for the funds generated, the market is very tight, even when looking at EBITDA multiples. However, the basic M&A policy has been well discussed and clarified between President Saito and other executive-side and outside directors. I believe that the system is capable of generating decisions quickly when a project is in the process of taking shape.

ROIC is the key that should be tracked internally. The Group is in the process of raising awareness of ROIC management and a business portfolio and management that is conscious of cost of capital, and spreading this awareness through the front lines.

Ito: I believe that ROE can be improved in some areas through management-level decisions, such as the sale of a head office or a review of the business portfolio, but ROIC is an excellent KPI for improving capital efficiency at the day-to-day operational level. This is because the Group can expect that the development of the ROIC tree will help front-line employees understand the connection between their work and the improvement of corporate value, and raise their awareness of this connection. I believe that NIPPON EXPRESS GROUP's ROIC management is in the developing stage as Mr. Shiba mentioned, but I will closely monitor the progress of ROIC utilization as well as ROE improvement.

Sustainability Management Promotion

Yasuoka: Sustainability has been thoroughly discussed, but I think the important and difficult thing is to put it into practice in each business and business category of the NIPPON EXPRESS GROUP. When I asked at the Board of Directors how they are putting it into practice, I was told it was the biggest issue for them.

There are many examples at other companies where, even if management is extremely enthusiastic about putting things into practice, the enthusiasm is lost as it trickles down to the front-line, and as the front-line is pressed with their daily workload, they become unable to fully process. While it is important to explain the work they are doing as an organization, I suggested that it is also important to show how the work they are doing at the front-line is connected to social value, to make each person realize that he or she is contributing to society, and that it is important for each business and business category to realize this.

Shiba: The NIPPON EXPRESS GROUP's Sustainability Policy and Vision were formulated in January of this year, and the Board of Directors had discussed on it several times. I feel that you need to be creative in communicating internally and externally in order to achieve both offensive and defensive approach.

For example, in employee engagement, the key is for each employee to practice and realize the Group's corporate philosophy of advancing society through logistics to bring an enriched life to future generations. In order to accomplish that, I think it is very important to do things the way Ms. Yasuoka described.

While climate change is a pressing issue for the logistics industry, it is also an area where NIPPON EXPRESS GROUP can take advantage of its greatest strength, its diverse modes of transportation. The Group is discussing the fact that as a leading company, it can create and propose new business models, which will be a great opportunity.

Ito: I think all six materialities are important for the NIPPON EXPRESS GROUP. Human capital is directly related to employee engagement, but will also become an increasingly important issue in building a sustainable and resilient logistics infrastructure. Also, the digitalization of business and the promotion of DX are important in the phase of creating business opportunities, but they are also important in the sense that the business foundation is formed by their combination with human capital. With regard to climate change, I believe that the NIPPON EXPRESS GROUP, which can take on the entire supply chain, has the potential to make a significant contribution to the visualization and reduction of Scope 3 CO₂ emissions, which is becoming a major issue for its customers.

Key Points for Improving Corporate Value

Yasuoka: Considering that the Group will gain strength in new areas such as DX and business overseas, it is important to have a human resources strategy and to acquire and train human resources. The Group has already started, but as the Group increase the number of professional human resources, it will be important to have a compensation structure and culture to accommodate them. The Group will need a compensation system that is commensurate with ability based on global standards, and when that happens, there will be a portion of the evaluation criteria that will be adapted to existing personnel. If there is a revision of the evaluation system that better rewards those who are competent, I believe it will motivate them.

Any organization, not just a company, is a collection of

individuals, and the quality of the organization will not improve unless the quality of the individuals improves. It is important to recognize each individual to increase engagement and to improve the quality of the individual. With the conversion to a holding company, all kinds of things are changing, but I believe that a sense of unity will be created not only by building its organization, but also by sending out the message that the Group is looking out for each and every one of its employees.



In addition, the NIPPON EXPRESS GROUP has a calm, cheerful, and honest organizational culture. On the other hand, I have the impression that they are not very adventurous. The Group's organizational culture is one of committing to their decisions, and I think it is even better when culture of taking on challenges are added to the mix. The Remuneration and Nomination Committee has also suggested that it is necessary to promote younger people, even if there is a possibility that they will fail. The next decade will see a different pace of change and a different way of approaching logistics. In anticipation of this, I think it is important to challenge giving the younger people more opportunities.

Shiba: As I mentioned in the Sustainability section, I think employees are the key. Since it is the employees who make the business grow, a culture and climate in which employees can work freely and openly is a management issue. The culture is characterized by a tendency for bad things to be difficult to change and good things to be easily changed, but what President Saito and his management team are strongly promoting is a culture of speed and a fearlessness of failure. I have the impression that they are getting much faster than before.

I think the most important thing is not to be afraid of failure, and this will be the key to the NIPPON EXPRESS GROUP's tremendous growth.

In addition, from what I hear from general managers every month, I believe that many of those with overseas experience have a very broad perspective and a strong managerial viewpoint. Even domestic-centered carriers are also becoming much more aware through training their human resources development departments. We have developed human resources who can create work autonomously, so I think it is important for the company's growth to have them put this into practice.

Ito: PBR is currently attracting a lot of attention, but I believe that corporate value is ultimately not the sum of tangible assets, and that its improvement is made possible by intangible assets supported by human assets.

And I recognize that the NIPPON EXPRESS GROUP has strengths in intangibles. Ms. Yasuoka mentioned organizational culture. For example, strong front-line capabilities are a very important intangible asset for the NIPPON EXPRESS GROUP that cannot be created overnight. I believe that how to create and utilize intangible assets is important to enhance corporate value.

The revision of the Corporate Governance Code includes references to intellectual property. If we view this as an intangible asset, value creation is about creating intangible assets, and this relates to everything, including capital efficiency. As Outside Director, I would like to help promote the creation and utilization of these intangible assets.



Stakeholder Engagement



Shareholders and investors

Basic Policy for Dialogue with Shareholders and Investors

While dialogue with shareholders and investors is the responsibility of the Investor Relations Promotion Group of the Corporate Planning Division within the Corporate Strategy Unit, depending on the nature of the dialogue, top management, the director and executive officer in charge, and senior management from the Sustainability Management Promotion Department or the relevant business unit, and other departments, are invited to attend the meetings.

In addition to individual meetings (including telephone and web conferences) in Japan and overseas, we strive to create opportunities for dialogue with shareholders and investors by holding financial results briefings, IR Days in which executive officers and others provide briefings, small meetings hosted by the Company, and we participate in small meetings and IR conferences hosted by securities companies. 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.

Initiatives for Constructive Dialogue with Shareholders and Investors

In addition to proactively disclosing information to deepen

The NIPPON EXPRESS GROUP believes that it is vitally important to engage in two-way communication with a diverse range of stakeholders in order to achieve sustained growth and to create medium- to long-term corporate value as we aim to grow together with society.

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.

As restrictions on activities due to the pandemic gradually eased, we resumed some site visits and face-to-face events. We also created opportunities for dialogue with shareholders and investors and enhanced information disclosure by streaming live video of financial results briefings and held events in a hybrid format of telephone or web conferencing and in-person meetings.

FY2022 Results (January to December 2022)

For domestic institutional investors

- Individual meetings with institutional investors
 - 3 meetings with the representative director
 - 1 meeting with the director in charge of IR
 - 77 meetings with person in charge of IR
- 1 small meeting with the President as speaker
- 1 IR Day with speakers including the President, three executive vice presidents who oversee each division, and the officer in charge of finance, as well as the officer in charge of each theme
- 46 interviews by person in charge of IR with securities analysts, etc.

For overseas institutional investors

- Meetings with foreign investors
 - 4 meetings with the representative director
 - 1 meeting with the director in charge of IR
 - 42 meetings with the person in charge of IR
- Participation in conferences organized by securities firms: 3

For private investors

- Briefings: 1

Customers

Exhibitions, briefings and seminars (as necessary)

- Nippon Express Co., Ltd. exhibits at Logistics Solution Fair 2022 and at Logis-Tech Tokyo INNOVATION EXPO in 2022
- NIPPON EXPRESS (DEUTSCHLAND) GMBH exhibits at BIO-EUROPE2022
- Telephone and internet consultations (daily)
- Questionnaires for customers (as necessary) etc.

Employees

Townhall Meeting

- Townhall Meetings begin at Nippon Express Co., Ltd. In fiscal 2022, the program was implemented 31 times at 15 branches in Japan, with 494 employees participating, as an initiative for direct dialogue between employees and senior management.

Whistleblowing system

- NX Speak Up (regularly)
- Individual interviews (as necessary)
- Internal questionnaire (as necessary)
- Compliance Awareness Survey (annually)
- Internal newsletter (monthly) etc.
- Internal Awareness Survey to improve employee satisfaction (annually)

Affiliates and subcontractors

Meetings and briefings (as necessary) etc.

- Exchange of opinions with customers on information and knowledge obtained from exhibitions, interviews with vendors and demonstration experiments (once in 2022)
- Invited pharmaceutical manufacturers and related organizations to visit the Pharmaceutical Center and conducted tours

Safety council meetings (semiannually)

Communities

Participation in business/industry organizations (as necessary)

- NIPPON EXPRESS HOLDINGS, INC. and Hokuto City, Yamanashi Prefecture, sign comprehensive collaboration agreement on regional revitalization

Dispatch of personnel to provide lectures and training (as necessary)

Social contribution activities (as necessary) etc.

Administrative institutions

Committee meetings, council meetings, conferences (as necessary) etc.

- The Declaration of Partnership Building was issued in support of the purpose of the Promotion Council for Building Partnerships for the Future, whose members include the Chairman of the Japan Business Federation (Keidanren), the President of the Japanese Chamber of Commerce and Industry, the President of the Japanese Trade Union Confederation, and relevant government ministers (Cabinet Office, Ministry of Economy, Trade and Industry, Ministry of Health, Labor and Welfare, Ministry of Agriculture, Forestry and Fisheries, and Ministry of Land, Infrastructure, Transport and Tourism).

List of Directors and Audit & Supervisory Board Members

(as of March 31, 2023)

Directors



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

Stock ownership 29,903 shares (As of December 31, 2022)
June 2005 Director, Nippon Express Co., Ltd.
January 2022 Director, NIPPON EXPRESS HOLDINGS, INC.
Board meeting attendance 17/17 (100%)



Mitsuru Saito
President and
Chief Executive Officer
and Representative
Director

Stock ownership 19,000 shares (As of December 31, 2022)
June 2012 Director, Nippon Express Co., Ltd.
January 2022 Director, NIPPON EXPRESS HOLDINGS, INC.
Board meeting attendance 17/17 (100%)



Mamoru Akaishi
Director
Executive Officer

Stock ownership 1,231 shares (As of December 31, 2022)
March 2019 Group General Manager of Businesses
Development Division, Nippon Express Co., Ltd.
January 2022 Executive Officer, NIPPON EXPRESS
HOLDINGS, INC.
March 2023 Director, NIPPON EXPRESS HOLDINGS, INC.



Sadako Yasuoka
Outside Director

Stock ownership 300 shares (As of December 31, 2022)
June 2015 Director, Nippon Express Co., Ltd.
January 2022 Director, NIPPON EXPRESS HOLDINGS, INC.
Board meeting attendance 17/17 (100%)



Yojiro Shiba
Outside Director

Stock ownership 0 shares (As of December 31, 2022)
June 2021 Director, Nippon Express Co., Ltd.
January 2022 Director, NIPPON EXPRESS HOLDINGS, INC.
Board meeting attendance 16/17 (94%)



Yumiko Ito
Outside Director

Stock ownership 0 shares (As of December 31, 2022)
March 2023 Director, NIPPON EXPRESS HOLDINGS, INC.

Audit & Supervisory Board Members



Shigeki Arima
Full-Time Audit &
Supervisory Board Member

Stock ownership 3,302 shares (As of December 31, 2022)
June 2020 Full-Time Audit & Supervisory Board Member
Nippon Express Co., Ltd.
January 2022 Full-Time Audit & Supervisory Board
Member, NIPPON EXPRESS HOLDINGS, INC.
Board meeting attendance 17/17 (100%)



Koji Mizota
Full-Time Audit &
Supervisory Board Member

Stock ownership 2,600 shares (As of December 31, 2022)
January 2022 Full-Time Audit & Supervisory Board
Member, NIPPON EXPRESS HOLDINGS, INC.
Board meeting attendance 17/17 (100%)



Toshiaki Nojiri
Outside Audit & Supervisory
Board Member

Stock ownership 300 shares (As of December 31, 2022)
June 2016 Corporate Auditor, Nippon Express Co., Ltd.
January 2022 Audit & Supervisory Board Member, NIPPON
EXPRESS HOLDINGS, INC.
Board meeting attendance 17/17 (100%)



Yoshio Aoki
Outside Audit & Supervisory
Board Member

Stock ownership 0 shares (As of December 31, 2022)
June 2016 Corporate Auditor, Nippon Express Co., Ltd.
January 2022 Audit & Supervisory Board Member, NIPPON
EXPRESS HOLDINGS, INC.
Board meeting attendance 17/17 (100%)



Nobuko Sanui
Outside Audit & Supervisory
Board Member

Stock ownership 0 shares (As of December 31, 2022)
June 2021 Corporate Auditor, Nippon Express Co., Ltd.
January 2022 Audit & Supervisory Board Member,
NIPPON EXPRESS HOLDINGS, INC.
Board meeting attendance 17/17 (100%)

Skills Matrix / Reasons for Selection

Directors

Name	Areas in which the Company has particular expectations for its directors								Main career, current position, and special notes	
	Corporate Management		Legal/Risk Management	Finance/Accounting	Global Business	ESG/Sustainability	HR Strategy, Labor Management	On-site Management	Group Companies Other than Nippon Express Co., Ltd.	
	Corporate Management Experience Within the Group	Corporate Management Experience Outside the Group								
Kenji Watanabe	●		●			●	●	●	●	2011-2017 President, Chief Executive Officer and Representative Director, Nippon Express Co., Ltd. He possesses the strong leadership and superb insight that is essential to strengthening the management foundation of the entire NIPPON EXPRESS GROUP to realize the long-term vision for the business plan.
Mitsuru Saito	●		●	●	●	●	●	●	●	2017-2022 President, Chief Executive Officer and Representative Director, Nippon Express Co., Ltd. He possesses the strong leadership and extremely incisive insight that is essential for the NIPPON EXPRESS GROUP to grow into a logistics company with a global market presence.
Mamoru Akaishi	●				●			●	●	Current position Executive Officer in charge of the Corporate Planning Division, NIPPON EXPRESS HOLDINGS, INC. He has experience in departments that contribute to the expansion of NIPPON EXPRESS GROUP's business, such as new business development, and in planning and executing strategies for the inorganic growth of the NIPPON EXPRESS GROUP.
Sadako Yasuoka <small>Outside Independent</small>		●				●	●			Her educational activities for people of all generations, including her study of the Analects of Confucius, have given her a social perspective based on deep education and extensive experience.
Yojiro Shiba <small>Outside Independent</small>		●		●	●					He has a wealth of experience in corporate management, including at Mizuho Bank, Ltd., Oriental Land Co., Ltd., and AMUSE INC., as well as a broad perspective cultivated through his responsiveness to a wide range of client needs.
Yumiko Ito <small>Outside Independent</small>		●	●			●				She is an attorney who has held important positions as a legal director in several companies of diverse backgrounds, including GE Healthcare Japan (present), International Business Machines Corporation Japan, Microsoft Corporation, and SHARP CORPORATION. She possesses a global perspective cultivated by a high level of specialized knowledge and extensive work experience.

●: The mark indicates that each director has knowledge and expertise in each field. As of March 31, 2023.

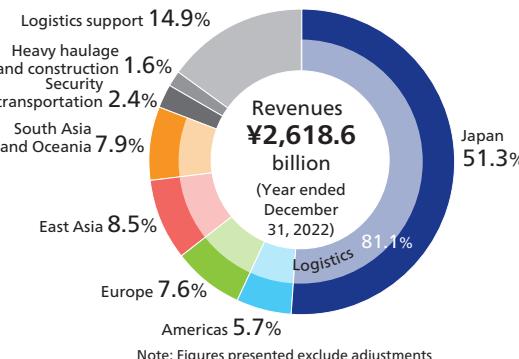
Audit & Supervisory Board Members

Shigeki Arima	2018-2020 Executive Officer, General Manager, Corporate Planning Division, Nippon Express Co., Ltd. He has in-depth experience and knowledge of business finance.
Koji Mizota	2019-2021 General Manager, Business Operation Division Nippon Express Co., Ltd. He is familiar with a wide range of business law and has in-depth experience and a proven track record of working on business law compliance.
Toshiaki Nojiri	He specializes in the study of antitrust law and transportation business policy, and as an academician has held numerous public positions, including in government and industry associations.

Yoshio Aoki	As a certified public accountant, he has extensive experience and expertise in finance and accounting.
Nobuko Sanui	She has experience in formulating international rules in the labor field for the Japan Federation of Economic Organizations, and in formulating policy proposals that contribute to corporate overseas expansion.

At a Glance

Reportable Segment Breakdown



Sales Revenue by Reportable Segment/ Reportable Segment Income (Unit: billion yen)

	Sales Revenue	Segment Income (Business income)
Logistics	Japan	1,450.9
	Americas	162.0
	Europe	215.7
	East Asia	241.5
	South Asia and Oceania	221.8
	Security transportation	68.0
	Heavy haulage and construction	44.5
	Logistics support	421.6

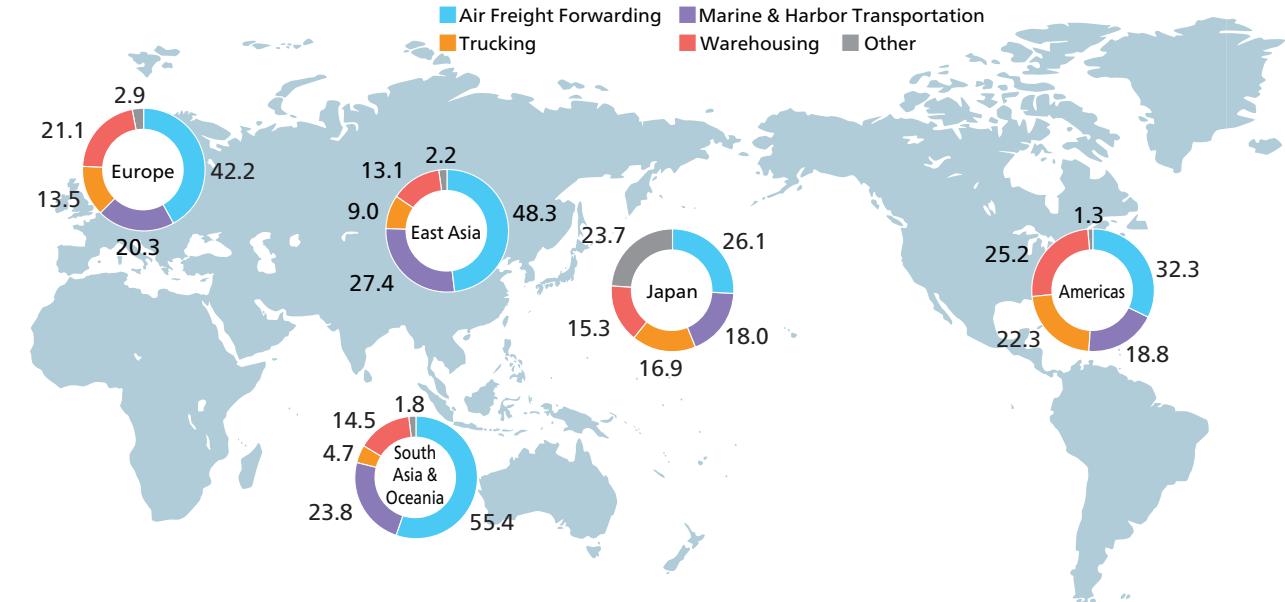
The NIPPON EXPRESS GROUP provides a range of services via diverse transport modes in all regions in Japan and throughout the world to improve the efficiency and sophistication of our customers' supply chains and to enhance the added value of their goods.

Areas of Operation/Products and Services

Segment	Areas of Operation									Main Products and Services
	Railway forwarding	Trucking	Air freight forwarding	Marine transportation	Harbor transportation	Warehousing	In-factory work	Information asset management	Real estate	
Logistics										
Japan	●	●	●	●	●	●	●	●	●	Railway utilization transportation, chartered truck services, combined delivery services, air freight forwarding, marine and harbor transportation, moving and relocation, warehousing and distribution processing, in-factory work, information asset management, real estate rental, fine arts transportation, heavy haulage and construction
Americas		●	●		●	●				Air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services
Europe	●	●	●		●	●				Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services
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
Security transportation	Security guard, motor cargo transportation									Security transportation
Heavy haulage and construction	Heavy haulage and construction									Heavy haulage and construction
Logistics support	Sales of distribution equipment, wrapping and packaging materials, vehicles, petroleum, liquefied petroleum (LP) gas, etc., vehicle maintenance, insurance agency, brokerage, design, supervision, and management of real estate, survey and research business, logistics finance, employee dispatching									Sale of petroleum, other sales, real estate, finance, etc.

Breakdown Revenues by Business (Unit: %)

Legend: Air Freight Forwarding (Blue), Marine & Harbor Transportation (Purple), Trucking (Orange), Warehousing (Red), Other (Grey)



Segment Information

Japan

Main Initiatives in FY2022

Nippon Express Co., Ltd. East Japan Pharmaceutical Center Receives GDP Certification in Accordance with WHO Standards

Nippon Express Co., Ltd. has acquired Good Distribution Practice (GDP) certification, a standard for appropriate distribution of pharmaceutical products, at its East Japan Pharmaceutical Center (Kuki City, Saitama Prefecture), effective July 29, 2022.

The East Japan Pharmaceutical Center obtained GDP certification in accordance with World Health Organization (WHO) standards for storage and transportation of pharmaceutical products under dual temperature zone control (room temperature, 15 to 25°C, and cold storage, 2 to 8°C). The NIPPON EXPRESS GROUP has acquired GDP certification for pharmaceutical logistics at 32 sites in 24 countries and regions around the world (including two sites that have also acquired CEIV Pharma certification), and will continue to provide safe, high-quality pharmaceutical logistics services on an end-to-end global basis centered on these sites.

Nippon Express Co., Ltd. Begins Service at the NX Yokkaichi Tarusaka Logistics Center, a High-performance Warehouse

Nippon Express Co., Ltd. began service at the NX Yokkaichi Tarusaka Logistics Center in Yokkaichi City, Mie Prefecture, on September 28, 2022.

The Hokusei area of Mie Prefecture, which includes Yokkaichi City, is an area of bustling production activity, with a concentration of diverse industries, including semiconductor and automotive, combined with international hub ports (Yokkaichi and Nagoya ports) and an expressway network.

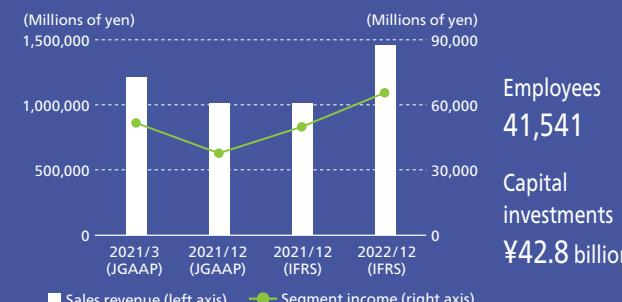
The NX Yokkaichi Tarusaka Logistics Center is located adjacent to the plant of a major semiconductor manufacturer and has good access to the Higashi-Meihan Expressway, as well as low risk of liquefaction and flooding in the event of a disaster, making it an excellent BCP base. In addition, each floor and section is equipped with air conditioning and security equipment as standard equipment for products that require a high quality storage environment, such as semiconductor production parts, and emergency power supply is also provided to ensure 24/7 operation 365 days a year.



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, ocean and air transportation. 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.

■ Revenues and Segment Income



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 each region.

FY2022 Performance

Despite soaring fuel prices and other factors, unit sales prices continued to rise for air and marine freight, and sales revenue was ¥1.4509 trillion, Segment income was ¥71.4 billion.

Segment Information Americas

Main Initiatives in FY2022

New warehouse opened in San Antonio, Texas

NIPPON EXPRESS U.S.A., INC. has opened the San Antonio Cross-Dock Center in San Antonio, Texas in April 2022. It is mainly engaged in storage, inspection, and sorting of automotive parts. Our ability to provide just-in-time delivery in accordance with customers' production line plans helps mitigate the effects of supply chain disruptions such as port congestion on the West Coast and semiconductor shortages.



New warehouse in San Antonio, Texas

Opening of new warehouse in Huntsville, Alabama

NIPPON EXPRESS U.S.A., INC. has opened the Huntsville Logistics Center 2 in Huntsville, Alabama in July 2022. The new warehouse is located approximately 5 km south of the Huntsville Logistics Center, which began operation in February 2021, and stores and sorts auto parts imported mainly from Japan and Mexico for delivery to more than 30 companies.

With the establishment of the new warehouse, we plan to further expand our logistics services in the U.S. and strengthen our efforts in the automotive industry, which is positioned as a priority industry in our management plan.



New warehouse in Huntsville, Alabama

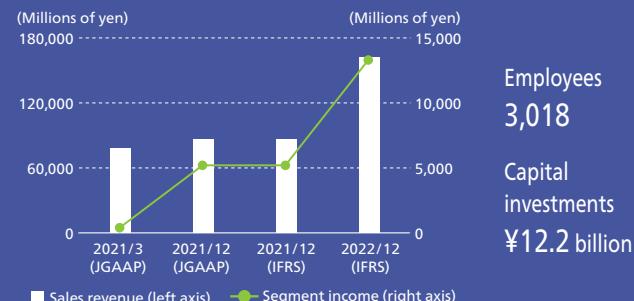


Business Overview

In addition to our own offices in the U.S., Canada, Mexico, and Brazil, we also provide services throughout the Americas by establishing distributors in countries where we do not have local subsidiaries, thereby supporting the NIPPON EXPRESS GROUP's global network.

In addition to marine and air transport, we have established a cross-border transportation system and warehousing capabilities for truck transportation between USMCA countries (U.S., Canada, and Mexico), where demand is high, and provide logistics solutions that strongly support our customers' supply chains.

■ Revenues and Segment Income



Strategy and Policy

As the return to production in the Americas (near-shoring) in the semiconductor and automotive industries is expected to further expand, we will work to further expand and enhance our cross-border business between the U.S. and Mexico.

We will further improve our services to the automotive, semiconductor, and pharmaceutical industries, which are our priority industries, by developing our own logistics bases and strengthening our functions.

Moreover, we will implement measures to expand specialized human resources in order to extend sales to these priority industries and thereby reinforce the customer base.

FY2022 Performance

Air and marine freight handling remained strong, especially in the automotive and medical-related sectors, with sales revenue of ¥162.0 billion and segment income of ¥13.7 billion.

Segment Information

Europe

Main Initiatives in FY2022

Start of operations at NIPPON EXPRESS (BELGIUM)

N.V./S.A. Genk Logistics Center

NIPPON EXPRESS (BELGIUM) N.V./S.A. opened its Genk Logistics Center, its fourth domestic location in the Genk Green Logistics Park in eastern Belgium, and began operations on April 25, 2022.

In Europe, the growth of the e-commerce market due to the spread of COVID-19 infections has led to a growing trend of relocation, consolidation, and expansion of Distribution Centers, especially among customers in the apparel industry.

The Center is located adjacent to the terminal port for barge transportation from the Port of Antwerp, and is connected with the rail terminal to the European region and Liège International Airport, thus ensuring geographical advantage as the center of the European logistics network surrounded by Germany, the Netherlands, and France, all of which are mass consumption areas. In addition, as part of our effort to achieve carbon neutrality, we have introduced various energy-saving facilities (solar power generation, water recycling, wind power generation, etc.) and plan to obtain Building Research Establishment Environmental Assessment Method (BREEAM) certification in the future.

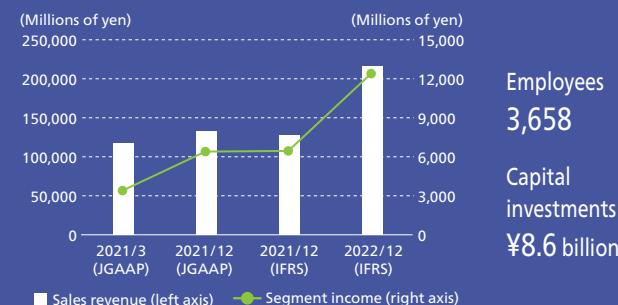
The NIPPON EXPRESS GROUP will strengthen our efforts in the apparel industry, which is positioned as a priority industry in the management plan, and will continue to contribute to the development of customers' business activities by further expanding our logistics functions in Europe.



Business Overview

NIPPON EXPRESS GROUP operates locations in Germany, Italy, the Netherlands, and other major countries in Europe, as well as Türkiye and the United Arab Emirates. In July 2022, we established Nippon Express Morocco SARLAU in Morocco, where we had already been operating in the form of a branch office. We will further expand our logistics capabilities in the country and the African region, and aggressively expand into emerging regions such as Africa and Central and Eastern Europe.

■ Revenues and Segment Income



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 semiconductors, mobility, 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 the apparel industry are aimed at expanding sales into 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.

FY2022 Performance

Despite the impact of Russia's invasion of Ukraine, unit selling prices continued to rise for air and marine freight, resulting in revenue of ¥215.7 billion and segment income of ¥12.5 billion.

Segment Information

East Asia

Main Initiatives in FY2022

Efforts to increase the NIPPON EXPRESS GROUP's name recognition in the East Asia region and to expand the domestic logistics business in China

For the fifth consecutive year, our East Asia Region exhibited at the China International Import Expo (CIIE), a national-level event held annually since 2018 in Shanghai. We also participated for the first time as the NIPPON EXPRESS GROUP in the China International Consumer Products Expo, a national-level event held in Hainan Province, which is similarly attracting attention due to various tax exemption policies, to introduce the NIPPON EXPRESS GROUP brand and our services in China, the most massive consumer market in East Asia.



Establishment of industry-specific sales organizations

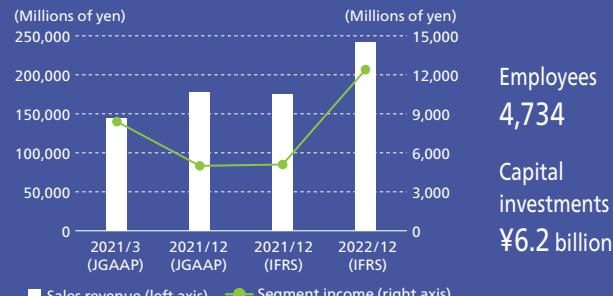
In the pharmaceutical industry, we established a healthcare branch within NIPPON EXPRESS (CHINA) CO., LTD. and greatly expanded our handling of export business for pharmaceutical manufacturers with capital in China. In the semiconductor industry, a sales organization specializing in semiconductors was established within NIPPON EXPRESS (TAIWAN) CO., LTD. to expand business through the combined strengths of the NIPPON EXPRESS GROUP, including the handling of overseas moving operations for employees posted overseas, and equipment transportation services for overseas factory expansion.



Business Overview

We have offices in the East Asian region including China, Hong Kong, Taiwan, and South Korea. In China, where domestic demand is large, we utilize mainline transport connecting major cities, an intra-city automobile delivery network, and warehouse bases located throughout the country to implement domestic logistics, including procurement and production logistics of home appliances and automotive parts, and sales logistics of general merchandise and apparel. In addition, to meet the growing demand for pharmaceutical logistics, we have established a dedicated branch to work on obtaining GDP certification and expanding our temperature-controlled transport services. Amid the trend toward increased trade with the rest of the region due to strengthened economic ties, we are expanding our cross-border transportation services with the Southeast Asian region in addition to our China-Europe rail transport services.

■ Revenues and Segment Income



Strategy and Policy

In addition to expanding sales to the semiconductor, mobility, and pharmaceutical industries, which are our priority industries, we are also working to establish a sales structure to expand our base of non-Japanese companies with capital in China and Taiwan that are aggressively expanding overseas. In the mobility industry, we will strengthen our response to the changes in players and supply chains associated with the shift to EVs. In the pharmaceutical industry, we are working to improve quality by upgrading facilities at distribution centers, including the expansion of GDP-certified bases, and by establishing a quality control system. Moreover, we will implement measures to expand specialized human resources in order to extend sales to these priority industries and thereby reinforce the customer base.

FY2022 Performance

Despite the impact of the lockdown in the Shanghai area, handling in other regions in China and in other countries remained strong, resulting in revenue of ¥241.5 billion and segment income of ¥12.8 billion.

Segment Information

South Asia & Oceania

Main Initiatives in FY2022

Automated warehouse introduced at NIPPON EXPRESS (SINGAPORE) PTE., LTD.

The company installed the AutoStore robotic storage system in February 2022. The warehouse was introduced to meet customer needs amid insufficient warehouse space and manpower, and utilized VNA racks (racks with narrower-than-usual aisles) and Pallet Shuttle Racks (cart-type flow-rack shelving) in addition to AutoStore.

As a result, storage capacity, picking efficiency, and staging capacity have increased, not only reducing costs but also improving operational efficiency.

NIPPON EXPRESS (MALAYSIA) SDN, BHD. opens a new warehouse in Kuala Lumpur International Airport

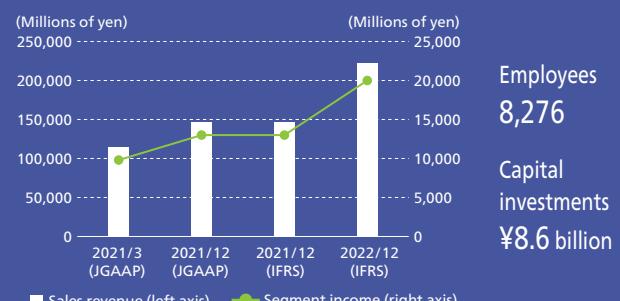
The company opened a new warehouse in the Free Commercial Zone (FCZ) at Kuala Lumpur International Airport in April 2022, expanding its operations and cargo storage space. The new warehouse, combined with the existing warehouse, has a total floor space of approximately 9,700 m², enabling more efficient and safer operations in response to the increasing demand for cargo in recent years.



Business Overview

NIPPON EXPRESS GROUP operates bases in 15 countries, including ASEAN nations such as Singapore and Thailand, as well as India, Bangladesh, and Australia. As intra-regional trade becomes increasingly active due to strengthened economic partnerships, we are developing 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



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 consumer goods and chemicals industries as additions to our 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. We will also continue to expand our network in the Indian Ocean Rim trade zone, which links India with the Middle East and East Africa, and the Indian subcontinent, including Bangladesh and Pakistan.

FY2022 Performance

Mainly due to firm handling of automotive and electrical/electronics-related cargo in Air and marine freight forwarding and higher unit selling prices resulting from surging freight rates, sales revenue was ¥221.8 billion and segment income was ¥20.0 billion.

Segment Information

Security Transportation Segment

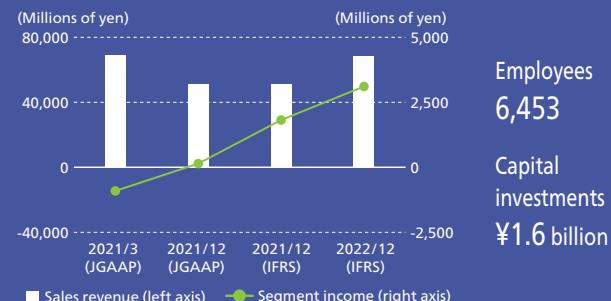
Business Overview

Since its establishment in 1965, the Security Transport Business Division has been a pioneer in the field of security for transporting valuables, and to this day holds the No. 1 market share in Japan. Effective January 1, 2023, its business was transferred to NX Cash Logistics Co., Ltd. The new company aims to fulfill our vision of becoming a cash logistics platform provider, reforming cash distribution in Japan. It will create a rational, low-cost, and low-social-impact system that drastically eliminates waste and contributes to cost reductions for customers and society, thereby creating a "triple win" for customers, society, and our Group.

FY2022 Performance

Despite a decrease in set-up and pickup/delivery services, the segment posted sales revenue of ¥68.0 billion and segment income of ¥3.1 billion due to various cost reductions and other results.

■ Revenues and Segment Income



Major Future Initiatives

Establishment of NX Cash Logistics Co., Ltd.

With respect to future business expansion, we aim to differentiate ourselves from competitors and become a 3PL business that handles overall cash logistics through the establishment and implementation of a platform as we strengthen our efforts in the following three areas.

(1) Expansion of cash logistics operations

We will expand our integrated operations, including transport, by offering new operations for cash and deposits in circulation and related items, targeting two main objectives: outsourcing to financial institutions, and serving general customers such as retail chain stores and commercial facilities.

(2) Rectification and standardization of operations

While expanding cash distribution operations, we will promote the rectification and standardization of operations such as business methods and layouts conducted within the company based on the 5S&F concept.

(3) Promotion of data utilization

The Core System, currently under construction, will be introduced to acquire real-time data for each work process. The data acquired will be visualized, quantified and used to improve productivity, quality, and other on-site improvements.



Segment Information

Heavy Haulage and Construction Segment

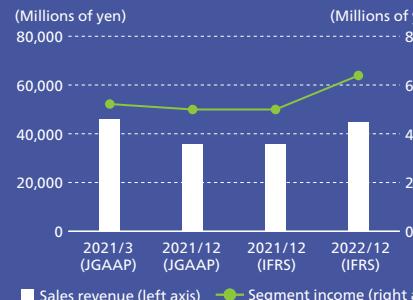
Business Overview

NIPPON EXPRESS GROUP seamlessly carries out everything from the transportation of equipment to the installation and assembly for power plants and petrochemical plants. In addition, NIPPON EXPRESS GROUP uses its unique technology to transport and install precision equipment such as equipment for clean rooms at semiconductor manufacturing plants. Since 1999, NIPPON EXPRESS GROUP has been fully engaged in the transportation and installation of wind power generation equipment, which has been in high demand in recent years due to its environmental friendliness. We currently transport and install approximately 70% of the wind power generation equipment in Japan, with plans to increase this number in the future. In fiscal 2023, we also plan to handle orders for renewal work performed to address aging road infrastructure, which is a matter of concern for society.

FY2022 Performance

Despite a decrease in plant-related construction work, sales revenue was ¥44.5 billion and segment income was ¥6.3 billion due to growth in wind power generation-related work and industrial machinery-related work.

■ Revenues and Segment Income



Employees
959
Capital
investments
¥0.7 billion



Main Initiatives in FY2022

Top Share of Wind Turbine Transport in Japan

Many construction sites for terrestrial wind turbine facilities are built on mountain ridge lines, so transporting the blades, which can be 40 to 60 m in length, and the nacelles (generators), which can weigh several tens of tons, while avoiding obstacles requires sophisticated technologies. Nippon Express Co., Ltd. overcomes these challenges using trailers (blade standing systems) developed specifically for this purpose, together with detailed trans-

port plans drafted by our highly experienced staff. In addition, we accepted an order in fiscal 2022 for the first commercial offshore wind turbine facilities in Japan (Akita Noshiro), and successfully completed construction. In order to play a role in promoting the spread of renewable energy, which will expand as a global trend in the future, we will ensure high quality and safe operations and aim for the top share of the Japanese market for transporting wind power generation equipment.

Segment Information

Logistics Support Segment

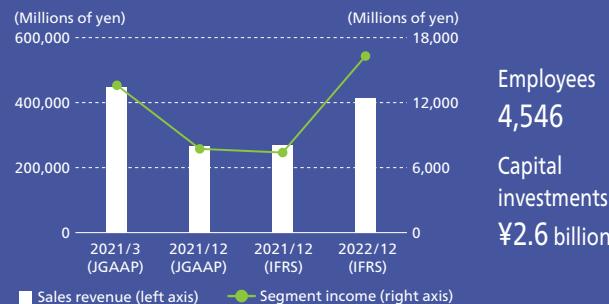
Business Overview

NIPPON EXPRESS GROUP is developing businesses that make use of its network related to, or which are an extension of, its core business of logistics. They sell a variety of products essential for transportation, such as packaging materials, vehicles, oil and LP gas, and provide services in the industries of vehicle maintenance, insurance agency, logistics need research and surveys, logistics financing, worker dispatch, and real estate.

FY2022 Performance

Due to an increase in the Petroleum Division's handling volume and higher unit sales prices, sales revenue amounted to ¥421.6 billion and segment income was ¥16.4 billion.

■ Revenues and Segment Income



Employees
4,546
Capital
investments
¥2.6 billion



Main Initiatives in FY2022

NX Shoji Co., Ltd. to integrate its real estate business and take over the logistics finance business

NX Shoji Co., Ltd. integrated the real estate business of NX Real Estate Co., Ltd. and the logistics finance business of NX Capital Co., Ltd.

Taking advantage of the integration of the real estate business, NX Shoji will improve management efficiency by strengthening the sharing function of the group's real estate operations in logistics facilities and real estate owned by NIPPON EXPRESS GROUP companies. In addition, by accumulating know-how within the NIPPON EXPRESS GROUP and further improving our expertise, the company will strengthen

its real estate management and operational functions, and by utilizing our sales network, which includes sales of logistics equipment and facilities, consulting services and offices throughout Japan, we will provide optimal services for our customers' businesses regarding logistics facilities and offices, thereby growing our real estate business.

Furthermore, NX Capital's logistics finance business will be integrated with NX Shoji Co., Ltd., which is strong in international trade of goods, and by sharing and utilizing the sales networks and know-how of both companies, we will improve our expertise and competitiveness and strengthen our business to support our clients' trading business on a global scale.

NX Shoji Co., Ltd. begins handling carbon neutral LP gas

In handling CNLPG, NX Shoji Co., Ltd. purchases carbon credits certified by an international NGO in the U.S. to offset the CO₂ emitted from the mining and combustion of LP gas, thereby reducing to virtually zero the CO₂ emissions that come from LP gas use.

The company is actively engaged in energy solution activities to meet all customer needs and will utilize CNLPG for LP gas used at all NIPPON EXPRESS GROUP locations. In addition, in order to promote CNLPG among a wide range of customers, we plan to create an original logo to be used on supply certificates and stickers.

Financial Information 11-Year Financial Summary

For 2012-2020, the consolidated fiscal years ended on March 31 of the following year
From 2021, the consolidated fiscal year ends on December 31 of the current year

* The end of a fiscal year for the NIPPON EXPRESS GROUP has been changed from March 31 to December 31 from FY2021.
As such, consolidated results for the FY2021 reflects values of nine month from April 1, 2021 to December 31, 2021.

	Business plan 2023						Business plan 2018			Business plan 2015			Business plan 2012	
	2022(IFRS)	2021(IFRS)	2021(JGAAP)	2020	2019	2018	2017	2016	2015	2014	2013	2012		
For the fiscal year: (Millions of yen)	Sales Revenue ^{**}	2,618,659	1,756,633	1,763,282	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	
	Sales revenue by reportable segment ^{**2} from the fiscal year through March 2011 to the fiscal year through March 2016.													
	Distribution & Transportation													
	Domestic Companies													
	Combined Business	—	—	—	—	—	—	—	736,568	742,356	721,717	699,287		
	Security transportation	—	—	—	—	—	—	—	53,803	55,401	54,651	58,842		
	Heavy haulage and construction	—	—	—	—	—	—	—	51,395	46,886	36,656	37,186		
	Air transportation	—	—	—	—	—	—	—	182,533	210,763	181,720	182,143		
	Ocean transportation	—	—	—	—	—	—	—	118,205	118,836	131,708	124,207		
	Overseas Companies													
	Americas	—	—	—	—	—	—	—	94,697	79,160	69,066	54,028		
	Europe	—	—	—	—	—	—	—	84,579	83,609	72,788	44,230		
	East Asia	—	—	—	—	—	—	—	115,068	101,321	92,156	68,812		
	South Asia and Oceania	—	—	—	—	—	—	—	70,225	64,607	51,367	44,291		
	Sales	—	—	—	—	—	—	—	367,328	420,155	412,846	383,738		
	Other	—	—	—	—	—	—	—	173,632	143,602	61,460	41,802		
	Adjustment	—	—	—	—	—	—	—	(138,935)	(141,773)	(133,672)	(125,242)		
	Sales revenue by reportable segment from the consolidated year ended March 31, 2017 ^{**2}													
	Logistics													
	Japan	1,450,991	1,007,871	1,008,278	1,212,803	1,213,597	1,256,802 ^{**3}	1,188,695 ^{**3}	1,155,713	1,158,390	—	—	—	
	Americas	162,080	86,498	86,650	78,141	91,068	98,699	91,396	83,831	94,697	—	—	—	
	Europe	215,707	127,937	132,834	117,134	119,338	114,812	96,048	79,286	84,579	—	—	—	
	East Asia	241,529	174,706	178,079	143,689	112,048	122,754	117,487	101,746	115,068	—	—	—	
	South Asia & Oceania	221,886	146,400	146,838	114,738	90,112	91,874	85,382	70,343	70,225	—	—	—	
	Security transportation	68,088	51,362	51,361	69,239	72,589	72,647 ^{**3}	72,022 ^{**3}	54,781	53,803	—	—	—	
	Heavy haulage and construction	44,542	35,806	35,806	45,877	52,358	47,751	47,602	46,985	51,395	—	—	—	
	Logistics Support	421,609	269,687	267,132	447,837	471,201	483,965	443,264	403,994	410,906	—	—	—	
	Adjustment	(207,775)	(143,637)	(143,699)	(150,266)	(141,962)	(150,806)	(146,582)	(132,381)	(129,962)	—	—	—	
	Operating income	155,510	85,497	68,754	78,100	59,224	79,598	70,269	57,431	54,778	50,811	40,865	33,206	
	Profit attributable to owners of parent	108,318	59,244	54,049	56,102	17,409	49,330	6,534	36,454	35,659	26,382	26,345	23,831	
At year-end: (Millions of yen)	Total capital	779,150	664,453	656,952	600,707	556,506	560,444	547,494	552,985	538,018	550,137	509,954	518,409	
	Total assets	2,075,197	1,926,852	1,618,221	1,631,855	1,518,037	1,536,677	1,517,060 ^{**4}	1,521,800	1,484,953	1,453,617	1,377,443	1,247,612	
	Net cash provided by operating activities ^{**5}	295,206	86,931	44,024	146,605	98,206	72,698	91,865	102,360	78,844	74,519	57,892	60,937	
	Cash and cash equivalents at end of year ^{**5}	276,679	133,922	131,837	168,362	96,171	102,092	137,891	163,386	146,007	148,942	125,900	113,689	
Per share ^{**6} : (Yen)	Equity attributable to owners of parent ^{**7}	8,485.15	7,124.45	7,035.33	6,354.98	5,805.12	5,749.60	5,519.09	5,586.52	521.77	531.06	483.38	489.39	
	Net income ^{**7}	1,202.34	652.39	595.19	604.79	185.06	515.13	68.06	371.32	35.61	25.87	25.62	22.89	
Ratios (%):	Operating income ratio	5.9	4.9	3.9	3.8	2.8	3.7	3.5	3.1	2.9	2.6	2.3	2.1	
	Ratio of equity attributable to owners of parent	36.5	33.5	39.3	35.7	35.5	35.4	34.9 ^{**4}	35.2	35.2	36.6	36.0	41.2	
	ROE attributable to owners of parent	15.5	9.5	8.9	10.0	3.2	9.2	1.2	6.9	6.8	5.1	5.2	4.8	

*1 Sales revenues 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" (ASBI Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBI 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 Nippon Express Co.,Ltd. has applied Implementation Guidance on Tax Effect Accounting (ASBI 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.

*5 From the fiscal 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, 2012 through 2014.

*6 Ten shares of common stock were consolidated into one share effective as of 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.

*7 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.

Non-financial Information

11-Year Non-financial Summary

For 2012-2020, the consolidated fiscal years ended on March 31 of the following year
 From 2021, the consolidated fiscal year ends on December 31 of the current year

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Environment											
Energy consumption ^{*1} (crude oil equivalent) (kl)	314,480	317,317	328,322	347,244	351,783	366,671	370,122	373,367	381,386	—	—
Water usage ^{*2} (thousand m ³)	2,734	1,161	1,140	1,223	1,401	1,292	974	1,208	1,041	1,237	1,110
CO ₂ emissions (Scope 1, 2) (t-CO ₂)	745,465	756,861	791,382	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) (t-CO ₂)	649,300	661,242	675,854	726,264	761,182	809,864	851,831	869,875	876,159	885,066	890,995
CO ₂ emissions (Scope 1, 2, Group companies overseas) (t-CO ₂)	96,164	95,621	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)	37,117	37,968	38,883	39,802	36,902	35,698	33,250	39,769	35,869	39,206	36,352
Number of eco-friendly vehicles owned (Group companies in Japan) (Unit: vehicle) ^{*3}	12,726	12,426	12,076	11,972	11,300	10,176	9,166	7,922	7,393	6,652	6,131
Social^{*4}											
Number of employees	34,697	35,253	34,766	34,449	32,280	31,871	32,008	32,094	32,510	33,153	34,312
Female employee ratio (%)	18.9	18.4	17.6	17.3	15.1	14.2	14.0	13.6	13.0	13.3	14.4
Female hiring ratio ^{*5} (%)	45.1	47.1	40.9	33.6	34.5	33.5	32.9	31.5	30.7	26.6	31.1
Number of mid-career hires	14	8	17	15	6	14	6	7	4	4	—
Number of mid-career female hires	2	2	4	5	2	4	1	2	1	0	—
Percentage of women with managerial positions	2.0	1.7	1.5	1.3	1.2	1.1	1.0	—	—	—	—
Ratio of employees who return to work after childcare leave: males (%)	100	100	95	100	100	100	100	—	—	—	—
Ratio of employees who return to work after childcare leave: females (%)	97.5	97	97	96	90	97	98	—	—	—	—
Average years with the company	15.9	16.4	16.0	16.2	18.0	17.8	17.6	17.5	18.3	17.7	17.4
Employment rate of persons with disabilities ^{*6} (%)	2.33	2.30	2.28	2.29	2.23	2.12	2.08	2.06	1.96	1.98	1.95
Number of overseas employees	22,269	21,327	21,520	22,811	22,068	21,403	20,651	20,602	19,954	18,563	17,846
Number of overseas locally hired employees	21,803	20,858	21,094	22,369	21,615	20,941	20,176	20,131	19,500	18,144	17,435
Governance											
Number of Board of Directors' resolutions ^{*7} (items)	69	58	66	65	60	67	55	60	57	60	72
Directors' meetings ^{*7} (hours)	18	14	16	14	18	20	17	17	18	26	32
Occupational accidents: Accident frequency rate ^{*8}	1.99	1.83	1.42	1.98	1.94	1.59	1.17	1.13	1.78	1.53	1.68
Occupational accidents: Severity rate ^{*9}	0.03	0.03	0.02	0.09	0.03	0.10	0.10	0.10	0.19	0.03	0.03

*1 The data shown here aggregate the energy consumption by Nippon Express Co.,Ltd. and its consolidated companies in Japan and overseas (equivalent to Scope 1 and 2). For natural gas, city gas 13A: calorific value of 45 GJ/ 1,000 m³ is applied. 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 FY2018 are the aggregate for the NIPPON EXPRESS GROUP companies in Japan. The figures for FY2009 - FY2017 refer to Nippon Express Co.,Ltd.

*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 from "Number of employees" to "Employment rate of persons with disabilities*5 (%)" refer to Nippon Express Co.,Ltd., which was an operating holding company until FY2021.

*5 Until FY2019, figures were calculated by including those who changed employment categories.

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

*7 Until FY2021, the figures include the results of the Board of Directors meetings at Nippon Express Co.,Ltd., which was a business holding company until FY2021.

*8 Frequency rate is an international indicator that expresses the rate of occupational accidents.

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

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

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

Management Discussion and Analysis

Status of Business Environment

In FY2022, the global economy was affected by restrictions imposed on economic activities in some countries and regions due to the spread of a new Omicron mutant strain of COVID-19, which affected supply chains. In addition, there was a reversal of the longstanding quantitative easing policies and reductions of financial, monetary and economic stimulus measures in developed countries, including the U.S., in response to factors including high inflationary pressures. This put the brakes on the global economy, which had previously been on a gradual recovery path. In addition, the military invasion of Ukraine by Russia in February 2022 led to a significant rise in global energy and food raw material prices and concerns about procurement. The resulting further rise in prices cooled consumer confidence, leading to heightened concerns about a global economic recession, resulting in a generally harsh business environment given the uncertain future.

In this economic climate, the logistics industry also saw a gradual change from the situation in the previous fiscal year, when cargo movement recovered due to the overall gradual economic recovery. Conditions remained lackluster, with the exception of a few sectors such as machinery for production in line with corporate capital investment and electrical and information communications equipment, which were affected

by a reactionary increase following the lockdown. In addition, the automotive industry failed to achieve the full-fledged recovery that had been expected due to the global shortage of in-vehicle semiconductors that had been continuing since the previous fiscal year and the stagnation of parts procurement from overseas due to the lockdown of the industry. Overall personal consumption also remained weak, as consumer prices rose due to inflation and other factors, and demand for food services and other services stagnated due to priority measures taken in Japan to prevent the spread of disease. As a result of these factors, overall cargo movement remained weak.

In international marine transport, the first half of the current fiscal year was also significantly affected by container stoppages at major European ports due to the suspension of marine transportation to Russia and a temporary imbalance between supply and demand caused by the lockdown in the Shanghai area of China. In addition, international air transport was further affected by the delayed recovery of passenger demand due to the impact of the COVID-19 pandemic, and has yet to fully recover. Flight route changes due to flight restrictions over Russia have also resulted in flight reductions. As a result, both marine and air freight rates continued to soar, as had been the case since the previous fiscal year, but from the second half of the current fiscal year, the supply-demand

balance in both areas began to ease in some areas, so that although fuel costs remained high, there was a marked trend toward the resolution of the overall freight rate situation.

Business Results

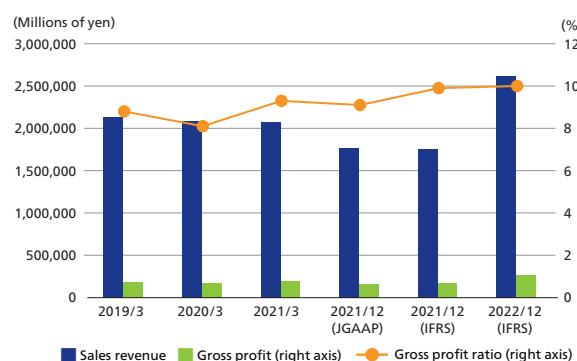
This is the economic environment surrounding the NIPPON EXPRESS GROUP, now in the fourth year of NIPPON EXPRESS GROUP Business Plan 2023 -"Dynamic Growth"-, our five-year plan launched in April 2019. We have all joined together in making concerted efforts to achieve the various indicators set as the final targets for 2023, and to realize our long-term vision of becoming a logistics company with a strong presence in the global market by the 100th anniversary of our founding in 2037.

As a result, revenue was ¥2.6186 trillion, operating income was ¥155.5 billion, income before income taxes was ¥160.1 billion, and net income attributable to owners of the parent was ¥108.3 billion.

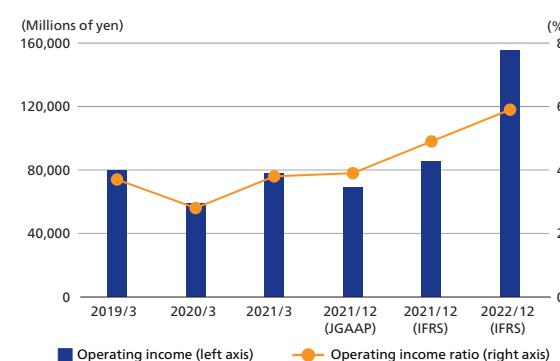
Segment Information

For information on business performance of reportable segments, please refer to [P.73-81](#).

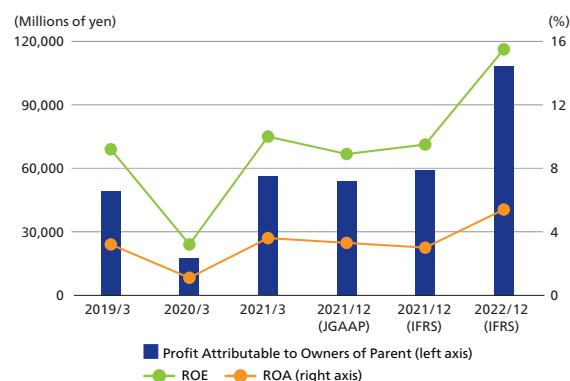
Sales Revenue/Gross Profit/Gross Profit Ratio



Operating Income/Operating Income Ratio



Net income attributable to owners of the parent/ROE/ROA



Management Discussion and Analysis

Financial Position

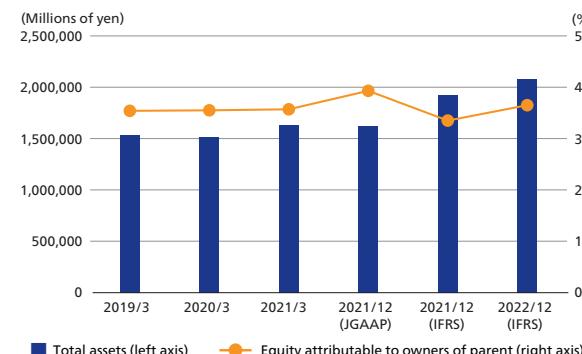
Total assets amounted to ¥2.0751 trillion at the end of FY2022.

Current assets totaled ¥907.8 billion, including ¥276.6 billion in cash and cash equivalents and ¥497.7 billion in trade and other receivables, while non-current assets totaled ¥1.1673 trillion, including ¥535.4 billion in tangible fixed assets and ¥305.4 billion in right-of-use assets.

Total liabilities at the end of the current consolidated fiscal year amounted to ¥1.2960 trillion.

The main breakdown is ¥695.9 billion in current liabilities, including ¥257.3 billion in trade and other payables, ¥84.8 billion in lease liabilities, and ¥600.1 billion in non-current liabilities, including ¥281.8 billion in lease liabilities and ¥105.6 billion in liabilities for retirement benefits. Total equity at the end of the current consolidated fiscal year amounted to ¥779.1 billion, and the ratio of equity attributable to owners of the parent was 36.5%.

Total Assets/Ratio of Equity Attributable to Owners of Parent



Overview of Cash Flows

The balance of cash and cash equivalents at the end of FY2022 totaled ¥276.6 billion.

Net cash provided by operating activities amounted to ¥295.2 billion, mainly due to income before income taxes.

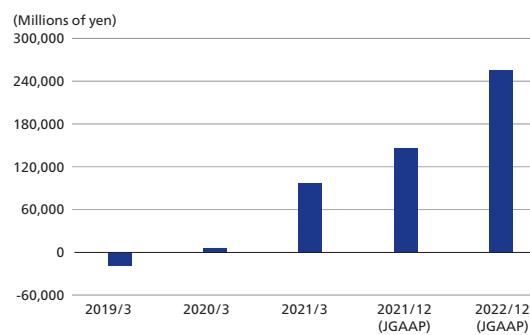
Net cash provided by investing activities amounted to ¥4.0 billion, mainly due to payments for acquisition of tangible fixed assets.

Net cash resulting from financing activities amounted to ¥163.2 billion, mainly due to repayment of short-term borrowings.

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 FY2022, we invested a total of ¥84.4 billion.

Free Cash Flow



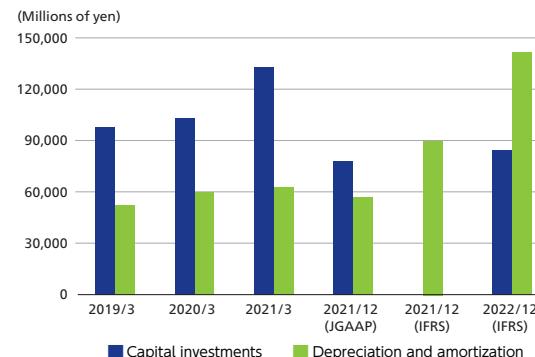
Return to Shareholders

Please refer to [P.35-36](#) for information on the Company's shareholder returns policy.

Results Forecast

The NIPPON EXPRESS GROUP's forecast for FY2023 calls for revenue of ¥2.450 trillion, operating income of ¥105.0 billion, income before income taxes of ¥103.0 billion, and net income attributable to owners of the parent of ¥72.0 billion. (as of May 12, 2023)

Capital investments/Depreciation and Amortization



External Evaluations

The principal ESG investment indices for which the NIPPON EXPRESS GROUP has been selected are as follows. (As of March 2023)

MSCI Japan ESG Select Leaders Index

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.

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

THE INCLUSION OF NIPPON EXPRESS HOLDINGS, INC. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NIPPON EXPRESS HOLDINGS, INC. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

S&P/JPX Carbon Efficient Index

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).



MSCI Japan Empowering Women (WIN) Select Index

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.

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

THE INCLUSION OF NIPPON EXPRESS HOLDINGS, INC. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NIPPON EXPRESS HOLDINGS, INC. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

FTSE Blossom Japan Sector Relative Index

In addition to FTSE Russell's ESG ratings, this selective ESG composite index screens using an assessment of the magnitude of a company's environmental impact and its management of climate change risk.



FTSE Blossom Japan Sector Relative Index

The various initiatives carried out by NIPPON EXPRESS GROUP have been evaluated highly by stakeholders

(Dates here indicate the release date of the news on our website, or of award receipt)

2022 June 7	Nippon Express Co., Ltd. wins double honors at the 23rd Logistics Environmental Awards: Logistics Environment Grand Prize and Special Award
2022 June 17	NX-NP Logistics Co., Ltd. receives the top prize for the second straight year at the All-Japan Logistics Improvement Case Study Competition 2022
2022 September 14	NIPPON EXPRESS (CHINA) CO., LTD. honored among the Top 50 Logistics Companies in China in 2022
2022 October 20	Nippon Express Co., Ltd. wins prize at the 37th National Forklift Operating Competition
2022 October 28	Nippon Express Co., Ltd. wins prize at the 54th National Truck Driver Contest
2022 December 9	Nippon Express Co., Ltd. receives Award for Best Company Working on Modal Shift
2023 March 7	NIPPON EXPRESS HOLDINGS, INC. wins Award for Excellence at 2nd Nikkei Integrated Reporting Awards

Company Information/Share Information

(As of December 31, 2022)

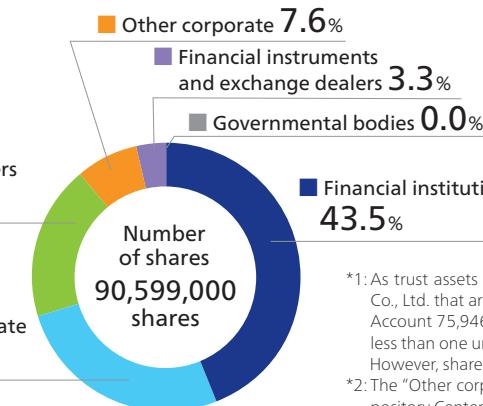
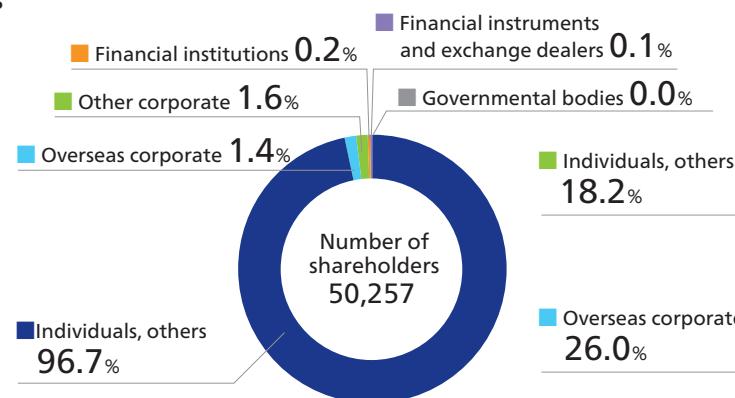
Company Information (As of December 31, 2022)

Company name	NIPPON EXPRESS HOLDINGS, INC.
Headquarters	Kanda-Izumicho 2, Chiyoda-ku, Tokyo, 101-0024 Japan TEL: +81-3-5801-1000 https://www.nipponexpress-holdings.com/
Formal establishment	January 4, 2022
Paid-in capital	¥70,175 million
Business description	Management and administration of Group companies engaged in the trucking business and peripheral operations

Share Information

Stock exchange	Tokyo
Number of shares	Total number of shares authorized: 340,000,000 Total number of shares outstanding: 90,599,225
Number of shareholders	50,257
Administrator of shareholder registry Account managing institution of special account	Mitsubishi UFJ Trust and Banking Corporation

Distribution of Shares



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)	14,890	16.7
Custody Bank of Japan, Ltd. (Trust Account)	6,652	7.5
Asahi Mutual Life Insurance Company	5,601	6.3
NX Shareholding Association	3,950	4.4
Sompo Japan Insurance Inc.	3,567	4.0
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	3.2
STATE STREET BANK WEST CLIENT- TREATY 505234	1,541	1.7
STATE STREET BANK AND TRUST COMPANY 505103	985	1.1
JP MORGAN CHASE BANK 385781	914	1.0
Hino Motors, Ltd.	844	0.9

* The number of shares owned by each trust bank company is related to trust business.

Breakdown in Shareholding Ratio by Shareholder Category

