

(Appendix)

Business Report (From April 1, 2020 to March 31, 2021)

## 1. Status of the Company

### (1) Business Development and Results

During the consolidated fiscal year under review, the global economy experienced historical declines due to the spread of COVID-19. However, with the gradual resumption of economic activities and the impact of economic stimulus measures adopted by countries around the world, the economy began to pick up beginning in the second quarter. The economy continued to recover gradually, driven by the major world economies, including the U.S. and China. On the other hand, amid an uncertain future, we experienced a challenging business environment overall, despite the emergence of demand related to new normal lifestyles and in-home consumption.

Under these economic conditions, the logistic industry saw a shift toward recovery in production and sales activities among all countries, including Japan, having a positive impact on cargo movement, which had fallen sharply. As well, demand for semiconductors experienced a rapid recovery due to the transition to 5G, among other factors, while the U.S. and China drove a recovery in international trade. Demand for electronic commerce and digital-related products associated with the new normal remained strong throughout the fiscal year. However, the impact of COVID-19 remained strong, and cargo movement for daily necessities and production-related cargo was slow, leading to sluggish cargo movement overall.

Given this economic environment, the Nippon Express Group engaged in measures to achieve our Business Growth Strategy and Long-Term Vision as our first step toward reforms for achieving our long-term vision in this second year of our five-year *Nippon Express Business Plan 2023~“Dynamic Growth”~*, which began in April 2019.

#### Business Growth Strategy

We have accelerated progress in our five priority industries to address Customers (Industries) within our growth strategy for our core businesses. Our efforts included advancing our initiatives on the pharmaceutical/medical industry such as the launch of a facility exclusively for pharmaceuticals, strengthening sales proposals for the automotive industry and semiconductor industry to optimize logistics, and providing services adapted to the characteristics of customers in the electric and electronics industry and apparel industry. In the context of our Business focus, we have endeavored to maintain our customer supply chains through expanded air cargo transportation charters amid the COVID-19 pandemic. In addition, we established the Global NVOC Center in an effort to enhance our ocean transportation business. Furthermore, we have captured supply chain revisions and e-commerce demand amid the COVID-19 pandemic, strengthening our logistics business centered around warehousing.

In terms of our area approach, the Group made MD Logistics, Inc. and MD Express, Inc., which have strengths in U.S.-based pharmaceutical logistics networks, part of the Group company family. At the same time, we worked to build a global pharmaceutical logistics network by pursuing GDP certification at logistics centers in each country. In addition, we strengthened our logistics operations within each region by opening new bases in various locations. We also endeavored to maintain and expand the global supply chains such as by expanding services using China-European railways and boosting our efforts to approach non-Japanese companies. Our strategy to enhance domestic businesses in Japan includes generating greater efficiencies in our office operations and warehousing business, reducing outsourcing costs by leveraging our own group strengths, as well as further reassigning back office personnel. Through these efforts, we will move toward greater improvements in profitability for our domestic logistics businesses and a stronger foundation for management in this time of the COVID-19 pandemic. We have also pursued selection and concentration in our businesses, including the transfer of our ferry business and withdrawal from our travel and driving school businesses.

## Efforts to Implement Our Long-Term Vision

In terms of *innovation in IT strategy* toward *reinforcing functions to support initiatives*, we have been striving to strengthen information security and adopt RPA more widely, which will contribute to improved office productivity. We also reviewed our communications infrastructure to respond to the new normal during this time of the COVID-19 pandemic. We have addressed ESG-oriented business management to realize sustainable development and improve corporate value. In terms of environment (E), we focused on CO<sub>2</sub> emissions reductions, pursuing the use of renewable energy in our own facilities, greater adoption of modal shifts, and the development of integrated transport products that utilize railway and ocean cargo transportation. In terms of society (S), we aim to transform into a company in which employees feel happy. Here, we are building an organization in which a diverse base of human resources can play an active role. In addition, we are revising human resources and other systems, striving to eliminate long working hours, and focusing on ensuring the health and safety of employees during the COVID-19 pandemic. The area of governance (G) supports the sustainable improvement of corporate value. In this area, we have been striving to improve capital efficiency by reducing assets, including the liquidation of real estate assets. We have reviewed our business portfolio and are conducting various studies to strengthen group management structure.

As a result of the above, our consolidated business results for the 115th term were as follows: Revenues of ¥2,079.1 billion (down 0.1% year-on-year), operating income of ¥78.1 billion (up 31.9% year-on-year), ordinary income of ¥81.2 billion (up 41.5% year-on-year), and profit attributable to owners of parent of ¥56.1 billion (up 222.3% year-on-year).

Business results by main segment are summarized below.

Logistics		
	Billions of yen	Year-on-year change
Revenues	1,666.5	Up 2.5%
Operating income	74.1	Up 38.5%

Revenues for Logistics for the entire Group were ¥1,666.5 billion (up 2.5% year-on-year), and operating income was ¥74.1 billion (up 38.5% year-on-year). The breakdown for each area is as follows.

Japan		
	Billions of yen	Year-on-year change
Revenues	1,212.8	Down 0.1%
Operating income	51.9	Up 21.3%

In the railway segment, revenues remained weak due to a drop in demand related to beverages as well as paper and pulp caused by COVID-19, despite efforts to acquire new operations such as transportation of hygiene goods between locations nationwide and efforts to reduce costs by curtailing outsourcing costs.

In the motor transportation segment, the Company worked to acquire new customers with the nationwide launch of Protect Box Business in July 2020, using Protect Box as a transportation material to prevent the cargo from being damaged. In addition, the Company made efforts to curtail outsourcing costs and improve operational efficiency by fully leveraging the Group's strengths, but revenues remained weak due to decreases in steel- and beverage-related transportation volume caused by COVID-19.

In the warehousing segment, the Company strengthened its efforts on pharmaceutical distribution with guaranteed quality in terms of temperature control, opening four pharmaceutical centers in Japan to serve as strategic locations in the pharmaceutical supply chain, as one of the Company's efforts in priority industries. Although handling volume related to e-commerce increased as a result of in-home consumption due to the COVID-19 pandemic, handling volume for the warehousing & storage business as a whole remained weak due to a decline in cargo demand caused by COVID-19.

In the moving & relocation segment, the Company strengthened its efforts to introduce new services such as the contactless estimate format *Remomi*, but revenues remained weak due mainly to cancellations and postponements of personnel transfers by corporate customers caused by COVID-19, as well as reductions in new hires and intensification of intra-industry competition. Revenues from relocations also remained weak due mainly to a decline in construction of large-scale office buildings, and changes in demand for offices caused by the COVID-19 pandemic.

In the air freight segment, although international air freight was affected by the global decline in consumption due to COVID-19, export shipment volume increased due to the recovery mainly of automotive- and electronics-related production, as well as a rapid surge in demand for air freight due to disruption of marine transportation. In terms of imports on the other hand, although demand increased for shipments of goods such as products related to preventing infection including face masks and personal protective equipment for medical use, office equipment, and home products, the prolonged impact of COVID-19 caused a slump in demand in Japan overall, and shipment volume declined. In domestic air freight, although shipment volume mainly of printed materials and repair products decreased due to the impact of COVID-19, an increase in shipments of products related to preventing infection including face masks and personal protective equipment for medical use caused the logistics business to grow, and revenues remained strong.

In the marine transportation segment, revenues for overseas shipping remained weak due to a decline in shipping volume mainly of tires and construction equipment-related freight, despite the effect of higher fare levels against the backdrop of a shortage of containers. Revenues for the coastal shipping business also remained weak, in part due to the impact of COVID-19, despite efforts to expand sales of integrated transport products combining railway transport with marine transport using the Company's own fleet of *Himawari* vessels, as a means of ensuring shipping capabilities amid a labor shortage and as BCP measures.

As a result, revenues decreased year on year but operating income increased year on year for Japan (Logistics), due mainly to strong air freight transactions, as well as the effects of cost cutting, despite decreases mainly in railroad transactions and motor transportation transactions.

The Americas		
	Billions of yen	Year-on-year change
Revenues	78.1	Down 14.2%
Operating income	0.4	Down 82.6%

Revenues declined substantially due to the impact of customers halting production activities, mainly in automotive industry-related production. Despite effects primarily from recovery of shipment volume consequent to the resumption of production, consolidation of locations, and personnel cuts, the impact of the halt to production activities was substantial, and both revenues and operating income decreased year on year.

## Europe

	Billions of yen	Year-on-year change
Revenues	117.1	Down 1.8%
Operating income	3.4	Up 91.5%

Although air freight export transactions increased for automotive-related freight and medical equipment-related freight, decreases in warehousing and distribution as well as motor transportation transactions caused revenues to decline. Meanwhile, due to cost reductions, including reduction of warehouse floor space and rent reductions, revenues decreased year on year, while operating income increased year on year.

## East Asia

	Billions of yen	Year-on-year change
Revenues	143.6	Up 28.2%
Operating income	8.4	Up 182.2%

With the resumption of economic activities in China, both revenues and operating income increased year on year, in part due to the effects of rush shipments primarily of products related to preventing infection including face masks, precision equipment related to personal computers, and electronic components, as well as increased charter transports for air freight related to gaming devices.

## South Asia & Oceania

	Billions of yen	Year-on-year change
Revenues	114.7	Up 27.3%
Operating income	9.8	Up 213.1%

Both revenues and operating income increased year on year due to increased charter transports for air freight of hand soap and other hygiene products from Thailand, as well as capturing freight demand primarily of automotive-related freight and electrical- and electronics-related freight following the resumption of production activities by customers.

## Security Transportation

	Billions of yen	Year-on-year change
Revenues	69.2	Down 4.6%
Operating loss	0.9	

Cash transportation transactions decreased substantially due primarily to a decrease in collection and delivery services as a result of financial institutions reorganizing their transportation operations, voluntary closures of stores from the impact of COVID-19, and publicly-operated gambling held without spectators. However, there were effects of acquiring outsourcing operations from financial institutions and cost reductions by streamlining of operations. As a result, revenues for Security Transportation were ¥69.2 billion (down 4.6% year-on-year), and operating loss was ¥0.9 billion, up ¥0.1 billion from the previous fiscal year.

## Heavy Haulage & Construction

	Billions of yen	Year-on-year change
Revenues	45.8	Down 12.4%
Operating income	5.2	Down 15.7%

Domestic transportation of renewable energy-related materials and equipment as well as installation work increased, primarily for eco-friendly wind power and biomass. However, some construction projects were cancelled due to the impact of COVID-19, delays in construction schedule have occurred due mainly to delays in delivery of materials, and there was a decrease in orders received due to curtailment of investments as well as a reactionary fall from the large-scale maintenance work in the previous fiscal year. As a result, revenues for Heavy Haulage & Construction were ¥45.8 billion (down 12.4% year-on-year), and operating income was ¥5.2 billion (down 15.7% year-on-year).

## Logistics Support

	Billions of yen	Year-on-year change
Revenues	447.8	Down 5.0%
Operating income	13.6	Up 10.4%

Export packaging services transactions decreased, due primarily to the impact of decreases in the unit selling prices of oil and LP gas, the U.S.-China trade friction, and COVID-19. However, the sales of distribution equipment remained strong, and various cost reductions and other efforts were fruitful. As a result, revenues for Logistics Support were ¥447.8 billion (down 5.0% year-on-year), and operating income was ¥13.6 billion (up 10.4% year-on-year).

### (2) Capital Investment

Total capital investment for the fiscal year under review was ¥123,002 million, mainly comprising ¥12,870 million in vehicles, ¥58,491 million in buildings including distribution hubs and commercial warehouses that are geared for reform in the logistics structure, and ¥11,860 million in leased assets.

### (3) Funding

The Group raised ¥10.0 billion on June 30, 2020 (for four years) through bank loans to fund the purchase of equipment. In addition, the Group issued its 13th Unsecured Bond totaling ¥30.0 billion (5-year bond) and its 14th Unsecured Bond totaling ¥20.0 billion (7-year bond) on June 16, 2020 to fund the purchase of equipment and redeem bonds.

## (4) Assets, Profit and Loss

(Millions of yen, unless otherwise stated)

Category	112th Term FY2017	113th Term FY2018	114th Term FY2019	115th Term FY2020
Revenues	1,995,317	2,138,501	2,080,352	2,079,195
Operating income	70,269	79,598	59,224	78,100
Ordinary income	74,395	85,802	57,434	81,276
Profit attributable to owners of parent	6,534	49,330	17,409	56,102
Basic earnings per share (Yen)	68.06	515.13	185.06	604.79
Total assets	1,517,060	1,536,677	1,518,037	1,631,855
Net assets	547,494	560,444	556,506	600,707
Net assets per share (Yen)	5,519.09	5,749.60	5,805.12	6,354.98

- Notes: 1. The number of shares used to calculate basic earnings per share is the average number of shares during the period less the average number of treasury stock during the period.
2. The number of shares used to calculate net assets per share is the total number of issued shares at the end of the period less the total number of treasury stock at end of the period.
3. The Company has introduced an Executive Compensation BIP Trust, and the Company's shares held by the Trust are included in the treasury stock to be deducted from the total number of issued shares at the end of the period for the purpose of calculating net assets per share. In calculating basic earnings per share, the Company's shares held by the Trust are included in the treasury stock to be deducted from the average number of shares during the period.
4. The Company consolidated 10 shares of its common stock into 1 share, effective October 1, 2017. Accordingly, basic earnings per share and net assets per share were calculated assuming that the said share consolidation was implemented at the beginning of the 112th term.
5. The Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the 113th term. This accounting standard has been applied retrospectively to total assets for the 112th term.

(5) Issues to Be Addressed

The entire Nippon Express Group continues to make united efforts to implement measures for Business Growth Strategy and Efforts to Implement our Long-term Vision, in order to achieve the targets based on its five-year business plan, *Nippon Express Business Plan 2023~“Dynamic Growth”*~, which started April 1, 2019.

Business Growth Strategy

- We will work on our “growth strategy for core businesses” with an approach on three axes: Customers (Industries), Businesses, and Areas. With respect to our initiatives in the five priority industries on the axis of Customers (Industries), we will precisely capture logistics needs, develop global logistics proposals utilizing our network, and work to build a digital platform centered mainly on pharmaceutical distribution. On the axis of Businesses, we will strive to expand our areas of contribution in our customers’ global supply chains through continued efforts in air charter transports and strengthening of our ocean transportation business and logistics business. On the axis of Areas, we will expand our investments focusing on strengthening the five priority industries, while working to expand our business in emerging areas like India and Africa.
- Regarding the “strategy to enhance domestic businesses in Japan,” we will focus on cost control such as reducing outsourcing costs in an aim to improve profitability. In addition, we will strive to improve productivity in warehouse operations and expand sales of network products through a wide range of methods that leverage our comprehensive strengths.

Efforts to Implement our Long-term Vision

- Under “reinforcing functions to support challenges,” innovations in R&D will strive to solve labor shortages and realize safe and secure operations by actively introducing cutting-edge technologies such as autonomous collaborative picking robots. Innovations in IT strategy will further expand the areas in which AI and RPA are used, to improve productivity and achieve work-style reform.
- Under “establishment of ESG-oriented business management to realize sustainable development and improve corporate value,” in terms of Environment (E), we will reduce CO<sub>2</sub> emissions by introducing eco-friendly vehicles and using LED lighting in our facilities, and further advance modal shift through the development of integrated transport products using railway and ocean transportation. In terms of Social (S), we will promote diversity management while striving to reform workstyles through the opening of the Group’s new integrated headquarters, with an aim to transform into a company where employees can feel satisfied and fulfilled. In terms of Governance (G), we will work to reinforce Group management, strengthen global governance structure for greater overseas business growth, and enhance group corporate management through the transition to a pure holding company structure.

The Nippon Express Group will transition to a pure holding company structure, subject to the approval of this Ordinary General Meeting of Shareholders and other prescribed procedures. To achieve our long-term vision of becoming a “logistics company with a strong presence in the global market,” we need to evolve group management from a medium- and long-term perspective and aim to maximize value as a corporate group. In order to achieve this goal, the Company has determined that the transition to a pure holding company structure that separates the Group’s management strategy function from its business execution function is optimal. The Nippon Express Group will continue to accelerate its transformation to realize the long-term vision, strive for greater growth, and further enhance corporate value, in order to meet the expectations of all shareholders. We would be grateful for your continued understanding and support.

## (6) Significant Subsidiaries (As of March 31, 2021)

## 1) Significant Subsidiaries

Company name	Paid-in capital or investment	Voting right ratio	Main businesses
NITTSU SHOJI CO., LTD.	JPY 4,000 million	100.0%	Logistics Support
NITTSU REAL ESTATE CO., LTD.	JPY 240 million	100.0%	Logistics Support
NIPPON EXPRESS CAPITAL CO., LTD.	JPY 2,000 million	100.0%	Logistics Support
CAREERROAD CO., LTD.	JPY 100 million	100.0%	Logistics Support
NITTSU TRANSPORT CO., LTD.	JPY 410 million	100.0%	Logistics (Japan)
NITTSU NP LOGISTICS CO., LTD.	JPY 1,800 million	66.7%	Logistics (Japan)
NITTSU NEC LOGISTICS, LTD.	JPY 380 million	70.0%	Logistics (Japan)
WANBISHI ARCHIVES CO., LTD.	JPY 4,000 million	100.0%	Logistics (Japan)
NIPPON EXPRESS U.S.A., INC.	USD 6,000 thousand	100.0%	Logistics (The Americas)
NIPPON EXPRESS EUROPE GMBH	EUR 17,898 thousand	100.0%	Logistics (Europe)
NIPPON EXPRESS (DEUTSCHLAND) GMBH	EUR 3,508 thousand	100.0%	Logistics (Europe)
NIPPON EXPRESS (U.K.) LTD.	GBP 2,850 thousand	100.0%	Logistics (Europe)
NIPPON EXPRESS (NEDERLAND) B.V.	EUR 5,448 thousand	100.0%	Logistics (Europe)
NIPPON EXPRESS (BELGIUM) N.V./S.A.	EUR 2,625 thousand	100.0%	Logistics (Europe)
NIPPON EXPRESS FRANCE, S.A.S.	EUR 1,216 thousand	100.0%	Logistics (Europe)
NIPPON EXPRESS (ITALIA) S.p.A.	EUR 980 thousand	100.0%	Logistics (Europe)
NIPPON EXPRESS (H.K.) CO., LTD.	HKD 88,000 thousand	100.0%	Logistics (East Asia)
NIPPON EXPRESS (CHINA) CO., LTD.	RMB 127,500 thousand	100.0%	Logistics (East Asia)
NIPPON EXPRESS (TAIWAN) CO., LTD.	NTD 150,000 thousand	100.0%	Logistics (East Asia)
APC Asia Pacific Cargo (H.K.) LTD.	HKD 1,100 thousand	100.0%	Logistics (East Asia)
NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE. LTD.	SGD 509,174 thousand	100.0%	Logistics (South Asia & Oceania)
NIPPON EXPRESS (SINGAPORE) PTE. LTD.	SGD 300 thousand	100.0%	Logistics (South Asia & Oceania)
NIPPON EXPRESS (THAILAND) CO., LTD.	THB 20,000 thousand	100.0%	Logistics (South Asia & Oceania)
PT NEX LOGISTICS INDONESIA	IDR 809,424,000 thousand	100.0%	Logistics (South Asia & Oceania)
NIPPON SHIPPING CO., LTD.	JPY 1,000 million	100.0%	Logistics (Japan)
Hokuoh Transportation Inc.	JPY 45 million	80.0%	Logistics (Japan)
Shiogama Koun Co., Ltd.	JPY 120 million	100.0%	Logistics (Japan)



Company name	Paid-in capital or investment	Voting right ratio	Main businesses
Osaka Warehouse Co., Ltd.	JPY 240 million	79.4%	Logistics (Japan)
Bingo Express Co., Ltd.	JPY 50 million	100.0%	Logistics (Japan)
Sakaiminato Kairiku Unso Co., Ltd.	JPY 28 million	100.0%	Logistics (Japan)
Tokushima Express Co., Ltd.	JPY 50 million	100.0%	Logistics (Japan)

- Notes: 1. The voting right ratio includes indirect holdings.  
2. Please refer to “(7) Main Businesses” on this page for details of main operations of each company.  
3. For overseas subsidiaries, the status as of December 31, 2020 is stated.

## 2) Significant Affiliates

Company name	Paid-in capital or investment	Voting right ratio	Main businesses
Meitetsu Transport Co., Ltd.	JPY 2,065 million	20.1%	Logistics (Japan)
Future Supply Chain Solutions Limited	INR 438,836 thousand	22.0%	Logistics (South Asia & Oceania)
NITTSU Lease & Finance CO., LTD.	JPY 1,000 million	49.0%	Logistics Support (Japan)

Note: For overseas affiliates, the status as of December 31, 2020 is stated.

## (7) Main Businesses (As of March 31, 2021)

The main businesses of the Nippon Express Group are as follows:

### Logistics business

Reportable segment	Main products and services	Main operations
Japan	Railway utilization transportation, chartered truck services, combined delivery services, air freight forwarding, travel, marine & harbor transportation, moving & relocation, warehousing & distribution processing, in-factory work, information asset management, real estate rental, fine arts transportation, security transportation, heavy haulage & construction	Railway forwarding, motor cargo transportation, air freight forwarding, travel, marine transportation, harbor transportation, warehousing, in-factory work, information asset management, real estate
The Americas	Air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services, travel	Air freight forwarding, harbor transportation, warehousing, motor cargo transportation, travel
Europe	Railway utilization transportation, air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services, travel	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation, travel
East Asia	Railway utilization transportation, air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation
South Asia & Oceania	Railway utilization transportation, air freight forwarding, marine & harbor transportation, warehousing & distribution processing, moving & relocation, chartered truck services, heavy haulage & construction, travel	Railway forwarding, air freight forwarding, harbor transportation, warehousing, motor cargo transportation, heavy haulage and construction, travel

### Security Transportation business

Reportable segment	Main products and services	Main operations
Security Transportation	Security transportation	Security guard, motor cargo transportation

### Heavy Haulage & Construction business

Reportable segment	Main products and services	Main operations
Heavy Haulage & Construction	Heavy haulage & construction	Heavy haulage and construction

### Logistics Support business

Reportable segment	Main products and services	Main operations
Logistics Support	Lease, sale of petroleum, etc., sale of others, real estate, finance, others	Sale of distribution equipment, wrapping and packaging materials, vehicles, petroleum, liquefied petroleum (LP) gas, etc., lease, vehicle maintenance, insurance agency, mediation, planning, designing and management of real estate, investigation and research, logistics finance, automobile driving instruction, employee dispatching

## (8) Main Business Locations (As of March 31, 2021)

### 1) Main Domestic Locations

The Company	Headquarters	9-3, Higashi-Shimbashi 1-chome, Minato-ku, Tokyo
	Branches and other locations	The Company has a total of 272 branches, sub-branches and offices including Sapporo Branch, Sendai Branch, Tokyo Metropolitan District Branch (Chuo-ku, Tokyo), Air Freight Business Branch (Minato-ku, Tokyo), Marine Transport Business Branch (Minato-ku, Tokyo), Nagoya Branch, Osaka Branch, Hiroshima Branch, Fukuoka Branch, and Kanto Security Transport Branch (Koto-ku, Tokyo).
Domestic subsidiaries	NITTSU SHOJI CO., LTD. (Minato-ku, Tokyo), NITTSU REAL ESTATE CO., LTD. (Minato-ku, Tokyo), NIPPON EXPRESS CAPITAL CO., LTD. (Minato-ku, Tokyo), CAREERROAD CO., LTD. (Minato-ku, Tokyo), NITTSU TRANSPORT CO., LTD. (Toshima-ku, Tokyo), NITTSU NP LOGISTICS CO., LTD. (Settsu City), NITTSU NEC LOGISTICS, LTD. (Kawasaki City), WANBISHI ARCHIVES CO., LTD. (Minato-ku, Tokyo), NIPPON SHIPPING CO., LTD. (Minato-ku, Tokyo), Hokuoh Transportation Inc. (Tomakomai City), Shiogama Koun Co., Ltd. (Shiogama City), Osaka Warehouse Co., Ltd. (Osaka City), Bingo Express Co., Ltd. (Fukuyama City), Sakaiminato Kairiku Unso Co., Ltd. (Sakaiminato City), Tokushima Express Co., Ltd. (Tokushima City), etc.	

### 2) Main Overseas Locations

Overseas subsidiaries	NIPPON EXPRESS U.S.A., INC. (U.S.A.) NIPPON EXPRESS EUROPE GMBH (Germany) NIPPON EXPRESS (DEUTSCHLAND) GMBH (Germany) NIPPON EXPRESS (U.K.) LTD. (U.K.) NIPPON EXPRESS (NEDERLAND) B.V. (The Netherlands) NIPPON EXPRESS BELGIUM N.V./S.A. (Belgium) NIPPON EXPRESS (FRANCE) S.A.S. (France) NIPPON EXPRESS (ITALIA) S.p.A. (Italy) NIPPON EXPRESS (H.K.) CO., LTD. (China) NIPPON EXPRESS (CHINA) CO., LTD. (China) NIPPON EXPRESS (TAIWAN) CO., LTD. (Taiwan) APC Asia Pacific Cargo (H.K.) LTD. (China) NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE. LTD. (Singapore) NIPPON EXPRESS (SINGAPORE) PTE. LTD. (Singapore) NIPPON EXPRESS (THAILAND) CO., LTD. (Thailand) PT.NEX LOGISTICS INDONESIA (Indonesia) and others	
-----------------------	--	--

Note: For overseas subsidiaries, the status as of December 31, 2020 is stated.

(9) Employees (As of March 31, 2021)

1) Employees of the Corporate Group

Business	Number of employees (Persons)	Year-on-year change (Persons)
Logistics	60,822	(1,095)
Security Transportation	6,555	(119)
Heavy Haulage & Construction	846	12
Logistics Support	3,990	27
Corporate (common)	153	(8)
Total	72,366	(1,183)

- Notes: 1. The number of employees above indicates the number of active employees.  
2. The average number of temporary employees during the period for Logistics, Security Transportation, Heavy Haulage & Construction and Logistics Support is 12,175, 1,773, 84 and 643, respectively.

2) Employees of the Company

Number of employees (Persons)	Year-on-year change (Persons)	Average age (Years old)	Average years of service (Years)
34,766	317	43.7	16.0

- Notes: 1. The number of employees above indicates the number of active employees, and does not include those seconded outside the Company, on leave, or dispatched.  
2. Average age and average years of service are calculated based on the statistics as of January 1, 2021.  
3. The average number of temporary employees during the period is 6,142.

(10) Main Lenders (As of March 31, 2021)

Lenders	Borrowings (Millions of yen)
Mizuho Bank, Ltd.	89,669
MUFG Bank, Ltd.	46,531
Sumitomo Mitsui Banking Corporation	20,236
Development Bank of Japan Inc.	10,650
Asahi Mutual Life Insurance Company	10,000

2. Shares of the Company (As of March 31, 2021)

(1) Total Number of Shares Authorized to Be Issued	398,800,000 shares
(2) Total Number of Shares Issued	96,000,000 shares
(3) Number of Shareholders	45,434 persons
(4) Major Shareholders	

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Account in Trust)	10,082	11.0%
Custody Bank of Japan, Ltd. (Account in Trust)	8,186	8.9%
Asahi Mutual Life Insurance Company	5,601	6.1%
Nippon Express Employees' Shareholding Association	3,719	4.1%
Sompo Japan Insurance Inc.	3,567	3.9%
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benefit Trust of Mizuho Bank, Ltd. (re-entrusted by Custody Bank of Japan, Ltd.)	2,850	3.1%
Custody Bank of Japan, Ltd. (Account in Trust No. 4)	1,836	2.0%
MUFG Bank, Ltd.	1,492	1.6%
Custody Bank of Japan, Ltd. (Account in Trust No. 7)	1,268	1.4%
State Street Bank West Client – Treaty 505234	1,136	1.2%

- Notes: 1. Although the Company owns 4,215 thousand shares of treasury stock, it is excluded from the major shareholders stated above.  
2. The shareholding ratio above is calculated excluding treasury stock.

(5) Shares Delivered to Company Officers During the Fiscal Year Under Review as Compensation for Execution of Duties

Officer category	Number of shares (Shares)	Number of persons receiving the delivery (Persons)
Directors (excluding Outside Directors)	200 shares	1
Outside Directors	0 shares	0
Audit & Supervisory Board Members	0 shares	0

Note: The shares stated above were delivered to the Director who retired at the closing of the 114th Ordinary General Meeting of Shareholders held on June 26, 2020 as performance-based stock compensation. Please refer to page 36 for details of performance-based compensation.

### 3. Company Officers

#### (1) Directors and Audit & Supervisory Board Members (As of March 31, 2021)

Positions	Responsibilities and significant concurrent positions	Name
Chairman and Representative Director	Chairman of the Board of Directors	Kenji Watanabe
President and Representative Director (Chief Executive Officer)	Chief Executive Officer Corporate Strategy Section Chief Managing Officer of Corporate Strategy Headquarters	Mitsuru Saito
Executive Vice President and Representative Director (Chief Operating Officer)	Business Solutions Section	Takaaki Ishii
Executive Vice President and Representative Director (Chief Operating Officer)	Japan Business Section Chief Managing Officer of Japan Business Headquarters and Network Transport Business Promotion Headquarters In charge of Japan Business Administration Division	Susumu Akita
Executive Vice President and Representative Director (Chief Operating Officer)	Corporate Solutions Section Chief Managing Officer of Corporate Support Headquarters and CSR Headquarters	Satoshi Horikiri
Director (Executive Officer)	In charge of Corporate Planning Division and Financial Planning Division	Takashi Masuda
Director		Masahiro Sugiyama
Director		Shigeo Nakayama
Director		Sadako Yasuoka
Full-time Audit & Supervisory Board Member		Naoya Hayashida
Full-time Audit & Supervisory Board Member		Shigeki Arima
Full-time Audit & Supervisory Board Member		Tadashi Kanki
Audit & Supervisory Board Member		Toshiaki Nojiri
Audit & Supervisory Board Member		Yoshio Aoki

- Notes: 1. Directors Masahiro Sugiyama, Shigeo Nakayama and Sadako Yasuoka are Outside Directors, and have been registered as independent officers with the Tokyo Stock Exchange.
2. Audit & Supervisory Board Members Tadashi Kanki, Toshiaki Nojiri and Yoshio Aoki are Outside Audit & Supervisory Board Members, and have been registered as independent officers with the Tokyo Stock Exchange.
3. Audit & Supervisory Board Member Tadashi Kanki has years of experience at financial institutions and substantial insight into finance and accounting.
4. Audit & Supervisory Board Member Yoshio Aoki is a certified public accountant and has substantial insight into finance and accounting.
5. Significant concurrent positions of Directors Masahiro Sugiyama and Shigeo Nakayama as well as Audit & Supervisory Board Members Toshiaki Nojiri and Yoshio Aoki are stated in “(4) Outside Officers” below.

#### (2) Outline of Liability Limitation Agreements

In accordance with the Articles of Incorporation, the Company has entered into agreements with Directors and Audit & Supervisory Board Members which limit their liability when applicable under the requirements of laws and regulations. The limit of liability under the agreement shall be an amount provided for in the laws and regulations.

(3) Amount of Compensation, etc. for Directors and Audit & Supervisory Board Members

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

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

Notes: 1. The amount of bonuses stated is the amount to be proposed at the 115th Ordinary General Meeting of Shareholders to be held on June 29, 2021.

2. The amount of stock compensation is the amount of provisions recorded for the fiscal year under review in accordance with the performance-based stock compensation plan whose introduction was resolved at the 110th Ordinary General Meeting of Shareholders held on June 29, 2016 (the continuation and partial revision of this plan were resolved at the 113th Ordinary General Meeting of Shareholders held on June 27, 2019), and it differs from the actual total amount of payments.

3. The Board of Directors decided to abolish bonuses for Audit & Supervisory Board Members at a meeting held on June 20, 2008.

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

2) Performance-based Compensation, etc.

The Company's compensation for officers consists of basic compensation and performance-based compensation. Performance-based compensation is awarded for results and performance, based on each officer's expected duties. Compensation is designed so that the higher the position, the higher the ratio of performance-based compensation, requiring those in higher positions to take greater responsibility for results and performance. In addition, bonuses and stock compensation, which are performance-based compensation, are allocated according to the standard amount set for each position.

As for indicators pertaining to performance-based compensation, bonuses, which serve as short-term performance-based compensation, adopt single-year performance as the indicator, and performance-based stock compensation, which serves as medium- to long-term performance-based compensation, uses indicators including consolidated revenues, consolidated operating income, and consolidated ROE.

Performance-based stock compensation is intended to provide incentives for achieving the targets of the business plan, and the Company has selected these indicators because they are set as the numerical targets in the plan. Performance-based stock compensation is basically managed in terms of points, with one point being equivalent to one share of the Company's shares. Each year, the number obtained by dividing the amount of stock compensation for each position by the base stock price of the plan is granted to eligible recipients as base points. The assessment target period is the same fiscal year as the Company's business plan, and an assessment is conducted for each fiscal year with performance assessment indicators set to correspond with the business plan. With the base level corresponding to the attainment of the performance targets set at 100%, points are increased or decreased within the range of 0% to 150% overall for each fiscal year and the mid-term performance assessment conducted after the expiry of the assessment target period, and the points are determined upon conducting a final assessment. After the end of the period covered by the business plan, the same number of shares as the determined points will be delivered. With regard to the details of the delivery of shares, the Company's shares corresponding to a half of the points held by the eligible recipients (the

number of shares less than one trading unit will be rounded down) will be delivered in the form of the Company's shares, and the Company's shares corresponding to the remaining points will be sold for the purpose of paying income tax, etc., and the remaining amount after the payment of taxes will be paid to the eligible recipients.

As for the actual results of the indicators pertaining to performance-based stock compensation for the fiscal year under review, the attainment compared to the budgeted targets was 94.51% for consolidated revenues, 110.78% for consolidated operating income, and 116.28% for consolidated ROE.

3) Details of Non-monetary Compensation, etc.

The details of the performance-based stock compensation adopted by the Company are as described in 2) above. As for the delivery status, 200 shares of the Company's shares were delivered to the Director who retired at the closing of the 114th Ordinary General Meeting of Shareholders held on June 26, 2020. In addition, other compensation in 1) above includes the amount borne by the Company for company housing provided to officers.

4) Resolutions at the General Meeting of Shareholders on Compensation, etc. for Directors and Audit & Supervisory Board Members

The amount of basic compensation for Directors has been resolved to be no more than ¥55.0 million per month (excluding employee salaries for Directors who also serve as employees) at the 100th Ordinary General Meeting of Shareholders held on June 29, 2006. The number of Directors as of the closing of the said Ordinary General Meeting of Shareholders was 14. The amount of basic compensation for Audit & Supervisory Board Members has been resolved to be no more than ¥10.0 million per month at the 100th Ordinary General Meeting of Shareholders held on June 29, 2006. The number of Audit & Supervisory Board Members as of the closing of the said Ordinary General Meeting of Shareholders was four.

In addition, at the 110th Ordinary General Meeting of Shareholders held on June 29, 2016, it was resolved to introduce a performance-based stock compensation plan for Directors and Executive Officers (excluding Outside Directors and those who do not reside in Japan) for the purpose of enhancing their motivation to contribute to improving the business results and corporate value of the Company over the medium to long term, separately from the above compensation limit amount. The continuation and partial revision of this plan were resolved at the 113th Ordinary General Meeting of Shareholders held on June 27, 2019. The number of Directors as of the closing of the said Ordinary General Meeting of Shareholders was six, excluding three Outside Directors.

With regard to bonuses for Directors (excluding Outside Directors), a proposal to pay ¥102,580,000 to six Directors, excluding three Outside Directors, will be submitted to the 115th Ordinary General Meeting of Shareholders to be held on June 29, 2021. For Outside Directors and Audit & Supervisory Board Members, only basic compensation is paid.

5) Decision-making Policy Concerning the Details of Individual Compensation, etc. for Directors, etc.

In order to obtain the opinions of independent Outside Directors concerning important matters such as the compensation of officers, the Company has established a discretionary Compensation and Nomination Advisory Committee, three out of four members of which are independent Outside Directors. Based on the deliberation and report of the Compensation and Nomination Advisory Committee, the Revision of the Standard Amount of Compensation for Directors and Executive Officers and the Process for Determining Compensation was resolved at a meeting of the Company's Board of Directors held on February 16, 2021, and the Company's policy on compensation for officers is as follows.

A. Basic Policy

- (i) Compensation shall be designed to enable the promotion of excellent human resources who will put the corporate philosophy into practice.
- (ii) The compensation system shall be designed to motivate the sustainable improvement of corporate value.
- (iii) The compensation system shall be designed so that it is highly fair and reasonable, taking into consideration explanations to external parties such as the Corporate Governance Code

and the Annual Securities Report.

B. Composition of Compensation

- (i) Compensation for officers consists of basic compensation, which is fixed compensation, and performance-based compensation, which fluctuates in accordance with business performance.
- (ii) Compensation for Outside Directors consists only of basic compensation from the perspective of their roles and independence.

C. Basic Compensation

The amount of basic compensation for officers is determined in accordance with their roles, taking into consideration the levels of other companies based on surveys conducted by external professional organizations.

D. Performance-based Compensation

- (i) Bonuses, whose indicator is single-year performance, are provided as short-term performance-based compensation.
- (ii) Stock compensation linked to the attainment of the medium-term business plan and improvement in corporate value (stock value) is provided as medium- to long-term performance-based compensation.

The amount of compensation for the Company's Directors is determined by the Board of Directors after deliberation and report by the Compensation and Nomination Advisory Committee based on the above policy, taking into consideration the responsibilities of the Directors and the status of management execution. In addition, the amount of compensation for Audit & Supervisory Board Members is determined through discussions among the Audit & Supervisory Board Members.

6) Reasons Why the Board of Directors Has Determined That the Details of Individual Compensation, etc. for Directors Pertaining to the Fiscal Year Under Review Are in Line with the Decision-making Policy

In deciding the details of individual compensation, etc. for Directors, the Compensation and Nomination Advisory Committee has conducted a multifaceted review, including consistency with the decision-making policy. Accordingly, the Board of Directors respects the content of the report and has determined that it is in line with the decision-making policy.

(4) Outside Officers

1) Significant Concurrent Positions at Other Corporations, etc. and Relationship of the Company with That Entity

- Director Masahiro Sugiyama concurrently serves as the Vice Chairman of the Japan Automobile Federation and Director and Auditor of the Japan Automobile Manufacturers Association. There are no special interests between the Company and the above entities.
- Director Shigeo Nakayama concurrently serves as an Outside Corporate Auditor of Shizuoka Daiichi Television Corporation. There are no special interests between the Company and Shizuoka Daiichi Television Corporation.
- Audit & Supervisory Board Member Toshiaki Nojiri concurrently serves as the Director of Nittsu Gakuen Educational Corporation. There are no special interests between the Company and Nittsu Gakuen Educational Corporation.
- Audit & Supervisory Board Member Yoshio Aoki concurrently serves as an Outside Corporate Auditor of NIPPON DENKO CO., LTD. There are no special interests between the Company and NIPPON DENKO CO., LTD.



## 2) Main Activities in the Fiscal Year Under Review

Outside Officer	Attendance		Main activities
	Board of Directors	Audit & Supervisory Board	
Director Masahiro Sugiyama	16/17 (94%)	—	Mr. Masahiro Sugiyama has many years of experience in research in the area of transport and freight as a university professor. Leveraging his abundant experience and wide range of insight, he has made appropriate remarks as necessary regarding the agenda and the matters discussed, and has fulfilled appropriate roles in supervising the business execution and providing advice. In addition to the above, as a member of the Compensation and Nomination Advisory Committee, which deliberates on matters such as personnel matters regarding the Company's senior management, he participated in the Committee meetings and actively expressed his opinions.
Director Shigeo Nakayama	16/17 (94%)	—	Mr. Shigeo Nakayama has expert knowledge in Labor Law and the Labor Relations Act as an attorney. Leveraging his legal knowledge and abundant experience, he has made appropriate remarks as necessary regarding the agenda and the matters discussed, and has fulfilled appropriate roles in supervising the business execution and providing advice. In addition to the above, as a member of the Compensation and Nomination Advisory Committee, which deliberates on matters such as personnel matters regarding the Company's senior management, he participated in the Committee meetings and actively expressed his opinions.
Director Sadako Yasuoka	15/17 (88%)	—	Leveraging her profound culture and abundant experience as an educator engaged in research of the Analects of Confucius (Rongo), Ms. Sadako Yasuoka has made appropriate remarks as necessary regarding the agenda and the matters discussed, and has fulfilled appropriate roles in supervising the business execution and providing advice. In addition to the above, as a member of the Compensation and Nomination Advisory Committee, which deliberates on matters such as personnel matters regarding the Company's senior management, she participated in the Committee meetings and actively expressed her opinions.

Outside Officer	Attendance		Main activities
	Board of Directors	Audit & Supervisory Board	
Audit & Supervisory Board Member Tadashi Kanki	17/17 (100%)	8/8 (100%)	Mr. Tadashi Kanki makes appropriate remarks as necessary at the meetings of the Audit & Supervisory Board regarding the agenda and the matters discussed, leveraging his abundant accounting expertise. He also provides guidance and suggestions at the meetings of the Board of Directors to ensure the validity and appropriateness of decision-making by the Board of Directors.
Audit & Supervisory Board Member Toshiaki Nojiri	16/17 (94%)	8/8 (100%)	Mr. Toshiaki Nojiri makes appropriate remarks as necessary at the meetings of the Audit & Supervisory Board regarding the agenda and the matters discussed, leveraging his expertise as a scholar and insight as a manager of educational institutions. He also provides guidance and suggestions at the meetings of the Board of Directors to ensure the validity and appropriateness of decision-making by the Board of Directors.
Audit & Supervisory Board Member Yoshio Aoki	16/17 (94%)	8/8 (100%)	Mr. Yoshio Aoki makes appropriate remarks as necessary at the meetings of the Audit & Supervisory Board regarding the agenda and the matters discussed, leveraging his abundant experiences as a certified public accountant and expertise in finance and accounting. He also provides guidance and suggestions at the meetings of the Board of Directors to ensure the validity and appropriateness of decision-making by the Board of Directors.

#### 4. Accounting Auditor

(1) Name Ernst & Young ShinNihon LLC

(2) Compensation, etc.

1) Compensation, etc. to be paid by the Company	¥201 million
2) Total of cash and other property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	¥314 million

Notes: 1. The Audit & Supervisory Board has confirmed the actual audit hours and audit fee trends per audit item and audit level in the audit plan of past fiscal years, as well as how the Accounting Auditor's duties were fulfilled, and verified the appropriateness of the audit plan and audit fees for the fiscal year under review pursuant to "Practical Guidelines for Cooperation with Accounting Auditors" announced by the Japan Audit & Supervisory Board Members Association. As a result, the Audit & Supervisory Board agreed to the audit fees, etc. to be paid to the Accounting Auditor referred to in Article 399, Paragraph 1 of the Companies Act.

2. The audit agreement between the Company and the Accounting Auditor makes no clear distinction between the audit fees, etc. for audits based on the Companies Act and those based on the Financial Instruments and Exchange Act, and since it is practically impossible to distinguish between these two types of fees, the sum of these amounts are stated in 1) above.

3. The Company's significant subsidiaries are audited by audit firms other than the Company's Accounting Auditor (Ernst & Young, Deloitte & Touche, PricewaterhouseCoopers, etc.).

(3) Non-audit Services

The Company consigns advisory services, etc. relating to accounting which are services other than those specified in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services).

(4) Policy on Determining Dismissal or Non-reappointment of Accounting Auditor

The Audit & Supervisory Board will determine the contents of proposals to be submitted to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the Accounting Auditor, if it deems it necessary, for example in the event it is difficult for the Accounting Auditor to perform its duties.

Furthermore, the Audit & Supervisory Board will dismiss the Accounting Auditor in the event the Accounting Auditor falls under any of the items set forth in Article 340, Paragraph 1 of the Companies Act upon the unanimous consent of the Audit & Supervisory Board Members. In such case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report the dismissal and the reasons of the dismissal at the first General Meeting of Shareholders convened after the dismissal.

## 5. System for Ensuring Operational Integrity

The system to ensure that business execution by Directors complies with laws and the Articles of Incorporation and other systems to ensure operational integrity resolved by the Board of Directors, are as follows:

### (1) System to Ensure That Business Execution by Directors Complies with Laws and the Articles of Incorporation

- 1) The Company shall establish the “Nippon Express Charter of Conduct” as a standard to ensure Directors comply with laws, the Articles of Incorporation and other internal regulations, as well as socially accepted norms.
- 2) The Board of Directors meetings shall be convened and issues shall be resolved in compliance with provisions stipulated by the “Regulations on the Board of Directors” and “Standards for Discussions in Board of Director Meetings.”
- 3) The Representative Director and other Directors shall report on the status of execution of duties and important issues to the Board of Directors in compliance with provisions stipulated by the “Regulations on the Board of Directors” and “Standards for Discussions in Board of Director Meetings.”
- 4) Pursuant to provisions stipulated by the “Regulations on the Audit & Supervisory Board Members” and “Auditing Standards for Audit & Supervisory Board Members,” Audit & Supervisory Board Members shall conduct audits to ensure that Directors properly execute their duties in compliance with laws, the Articles of Incorporation and others.

### (2) System to Store and Manage Information Concerning Business Execution by Directors

Pursuant to provisions stipulated by the “Document Management Regulations,” documents and other information concerning business execution by Directors must be managed by properly storing or destroying them. Also, inspections on status of application of the management as well as reviews of regulations shall be conducted when necessary.

### (3) Rules to Manage the Risk of Losses and Other Systems

- 1) The Company shall set out a series of “Crisis Management Guidelines” and establish the “Board of Risk Management” at the head office, with the aim of preventing the materialization of risks that would adversely affect business operations and establishing a risk management structure that enables the Company to take prompt and accurate action when a crisis occurs.
- 2) The Internal Audit Division shall provide guidance, advice and recommendations in accordance with provisions stipulated by the “Nippon Express Group Auditing Regulations,” in order to prevent the risk of losses caused by management.

### (4) System for Ensuring Efficient Business Execution by Directors

- 1) The Board of Directors meetings shall be convened and issues shall be resolved in compliance with provisions stipulated by the “Regulations on the Board of Directors” and “Standards for Discussions in Board of Director Meetings.”
- 2) Operations of the Company shall be performed by “Executive Officers” elected and delegated with their designated duties by the Board of Directors in accordance with matters resolved by the Board of Directors. The Board of Directors shall also supervise their performance.

### (5) System to Ensure That Business Execution by Employees Complies with Laws and the Articles of Incorporation

- 1) The Company shall establish the “Nippon Express Charter of Conduct” and “Compliance Regulations.” The Charter of Conduct and Regulations serve as a guideline for employees to comply with laws, the Articles of Incorporation and other internal regulations as well as socially accepted norms.
- 2) In order to ensure thorough compliance by employees, the Company shall establish “Compliance Committee” at the head office and appoint staff members in charge of compliance and compliance promoters at the head office and each branch office.
- 3) The Company shall set up “Nittsu Speak Up,” an internal reporting system for the prevention, early detection and correction of legal violations, dishonesty or ethical misconduct by

- employees.
- 4) In accordance with provisions stipulated by the “Nippon Express Group Auditing Regulations,” the Internal Audit Division shall conduct an audit to confirm that business execution by employees is conducted according to laws, the Articles of Incorporation and others.
- (6) System for Ensuring Operational Integrity of the Corporate Group Comprising the Company, Parent Company and Its Subsidiaries
- 1) Pursuant to regulations stipulated by the Company, Directors of the Group shall report important matters concerning business operations to relevant departments in charge of administrative operations within the Company.
  - 2) In order to respond to various risks related to the Group, each group company shall cooperate with relevant departments in charge of administrative operations within the Company and manage risks.
  - 3) Group companies shall establish “Regulations on the Board of Directors” that clarify responsibilities and roles of the Boards of Directors and shall execute roles accordingly.
  - 4) All operations for the Nippon Express Group are conducted in accordance with provisions stipulated by the “Nippon Express Charter of Conduct” and “Nittsu Group Compliance Guideline.” Business activities shall be sound, transparent and fair; they should be based on social norms such as laws, socially accepted morals and ethics as well as internal norms such as internal regulations.
  - 5) The Company shall set up “Nittsu Speak Up,” an internal reporting system for the prevention, early detection and correction of legal violations, dishonesty or ethical misconduct by the Group.
  - 6) Audit & Supervisory Board Members conduct inspections of the Group in terms of consolidated management and operational enforcement relating to consolidated statements.
  - 7) Audit & Supervisory Board Members shall cooperate and exchange information with Audit & Supervisory Board Members of the Group and perform effective audits, in order to prevent improper transactions or accounting procedures between the Company and the Group and others.
  - 8) In accordance with provisions stipulated by the “Nippon Express Group Auditing Regulations,” the Internal Audit Division shall conduct audits to confirm that business operations of the Group are conducted according to laws, the Articles of Incorporation and others.
- (7) Matters Related to Employees Who Support Audit & Supervisory Board Members and Matters to Ensure the Effectiveness of Instructions Given to Such Employees, in Cases Where Audit & Supervisory Board Members Require Employees to Support Them with Their Duties
- Matters concerning support for the duties of Audit & Supervisory Board Members shall be in accordance with the instructions given by Audit & Supervisory Board Members and implemented by “Audit & Supervisory Board Members’ staff,” which belongs to the Audit Division in charge of internal auditing.
- (8) Matters Related to the Independence from Directors of the Employees Described in the Preceding Item
- For personnel matters concerning “Audit & Supervisory Board Members’ staff,” serious consideration must be given to opinions of the Audit & Supervisory Board.
- (9) System for Directors and Employees to Report to Audit & Supervisory Board Members; System for Directors, Audit & Supervisory Board Members, and Employees Who Execute Operations of the Company’s Subsidiaries and Those Who Received Information from These Persons to Report to Audit & Supervisory Board Members of the Company; System for Ensuring No Person Who Has Reported Such Matters Is Unfavorably Treated on the Grounds for Doing So
- Directors and Directors of the Group shall report promptly to Audit & Supervisory Board Members, either directly or through relevant departments in charge of handling administrative work within the Company, on the matters set out below. The Group must comply with laws to ensure that those who reported such matters will not be treated unfavorably as a result of doing so.

- 1) Important management matters and implementation of internal audits
- 2) Serious violations of laws or Articles of Incorporation, or misconducts on business execution
- 3) Matters that may inflict significant losses on the Company

(10) System for Ensuring Effective Audits by Audit & Supervisory Board Members and Other Matters

- 1) Audit & Supervisory Board Members shall attend Board of Directors' meetings and in order to grasp the important decision-making process and implementation of business execution, shall attend meetings of the Board of Executives, and the Board of Officers as well as other important meetings. In case they do not attend these meetings, Audit & Supervisory Board Members shall receive explanations about the discussions and read relevant materials.
- 2) Audit & Supervisory Board Members and the Audit & Supervisory Board shall meet with the Representative Director on a regular basis and make efforts to enhance mutual understanding and deepen their trust. To this end, they shall exchange their opinions concerning not only management policies, issues to be addressed and risks surrounding the Company but also on status of improvements in the auditing environment of Audit & Supervisory Board Members, important issues in auditing, and others.
- 3) In accordance with regulations on "Important Documents to be Returned to Audit & Supervisory Board Members," Audit & Supervisory Board Members shall review major approval documents and other important documents on business execution, and as needed, they should seek explanations from and provide their opinions to the Directors, Executive Officers or employees.
- 4) If the Audit & Supervisory Board Members deem it necessary, they may utilize lawyers, certified public accountants, consultants or other outside experts who support the audits of Audit & Supervisory Board Members and the Company shall bear the relevant expenses.

(11) Basic Policies for Elimination of Antisocial Forces and Implementation of Policies

Nippon Express will take firm action to practice social justice and recognizes the Company's social responsibility to not conduct any business with forces or groups that cause societal harm.

Our basic policy states clearly that any relationship with forces harmful to society is prohibited as described in the Nippon Express Charter of Conduct and the Compliance Regulations. We have established an educational system to have officers and employees comply with the basic policy.

In addition, we established an internal countermeasures division to collect information daily from outside specialists to familiarize employees with countermeasures against forces harmful to society. To prepare for such contingencies, we are developing a system for prompt action to guard against funding forces harmful to society, in close collaboration with the relevant government institutions, corporate lawyers, and other outside specialists.

## 6. Overview of Operational Status of System for Ensuring Operational Integrity

The Company's Board of Directors has established a compliance promotion division and internal control promotion division regarding financial reporting, and has in place a system to prevent and manage risks.

The Compliance Committee, which is chaired by the President, is briefed on all internal reporting received at the contact points established within and outside the Company, and verifies its contents, policies on addressing the issue, and the operational status of the related system, among other matters. The Director in charge reports on the initiatives of the Compliance Committee to the Board of Directors.

With regard to internal control over financial reporting, the Company monitors company-wide internal control and the developmental and operational status of internal control over business processes through internal audits, etc. The results are reported to the Representative Directors, Audit & Supervisory Board Members and others as appropriate. Furthermore, the Company implements sequential training for its employees.

Audit & Supervisory Board Members attend the meetings of the Board of Directors and other important meetings to grasp the execution status of businesses based on the procedure for important decision-making. In addition, in the event there is insufficient information gathered for auditing, mainly full-time Audit & Supervisory Board Members request Directors and related divisions for explanation, information and materials required. In addition, Audit & Supervisory Board Members meet with the Representative Director on a regular basis and state their opinions concerning not only management policies, issues to be addressed and risks surrounding the Company but also on status of improvements in the auditing environment of Audit & Supervisory Board Members, important issues in auditing, and others.

## 7. Basic Policy on Control of the Company

### (1) Details of the Basic Policy

As an entity listing its stock on the financial instruments exchange, the Company respects the free trading of its stock on the market. Even in the event of a large-scale purchase of its stock by a specific entity, as long as the purchase is conducive to securing and enhancing the corporate value of the Group and in turn the common interests of its shareholders, the Company does not unconditionally reject such a purchase. The Company believes that the decision on whether or not to accept a large-scale purchase proposal of its stock should ultimately be made by the shareholders.

However, some large-scale purchases of stock may prevent the Group from maintaining good relationships with its stakeholders, or have other effects which may impair the corporate value of the Group and in turn the common interests of its shareholders, may not sufficiently reflect the value of the Group, or may not provide sufficient information needed for shareholders to make a final decision.

The Company's Board of Directors believes that it is its duty, as an organ entrusted by shareholders with the management of the Company, to secure sufficient time and information as well as to negotiate with the large-scale purchaser of stock on behalf of its shareholders.

### (2) Initiatives to Contribute to Achieving the Basic Policy

The Company takes measures to secure and enhance the corporate value of the Group and in turn the common interests of its shareholders.

#### 1) Business Plan

The Group has formulated its five-year business plan, "Nippon Express Group Business Plan 2023 – Dynamic Growth–" and has been making united efforts since April 1, 2019. The Group will strive to steadily carry out the key strategies in order to realize the new long-term vision, to become "a logistics company with a strong presence in the global market," which has been set for 2037, the 100th anniversary of the Group, and aim for continued growth and further improvement of corporate value.

#### 2) Initiatives to Strengthen Corporate Governance

##### a. The Company's Basic Views on Corporate Governance

The Company believes that its mission is to resolve societal issues through logistics and support the sustainable development and growth of society, based on the "Nippon Express Group Corporate Philosophy." We also believe that collaborating with all our stakeholders, including shareholders and investors, and respecting their positions will lead to realizing sustainable growth of the Company and increased corporate value. Thorough compliance, ensuring management transparency, as well as maintaining speedy management through rapid decision-making and the clarification of responsibility are vital for achieving this, and building and operating these systems are our basic view to corporate governance. We are working to continually evolve and enhance our corporate governance based on this basic view.

[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

##### b. Specific Measures Taken Regarding Corporate Governance

We are a Company with an Audit & Supervisory Board. In addition to the Board of Directors and Audit & Supervisory Board, the Company has introduced a Board of Officers system with the goal of ensuring rapid decision-making and business execution.

The Board of Directors generally meets once per month or whenever necessary. It makes resolutions on important business execution, makes resolutions on matters prescribed by the laws and regulations as well as the Articles of Incorporation, and oversees business execution. Moreover, in order to obtain the opinions of independent Outside Directors



concerning important matters such as the compensation and nomination of Officers, the Company has established a fair and highly transparent discretionary Compensation and Nomination Advisory Committee, the majority of which are independent Outside Directors, as an advisory body to the Board of Directors. The term for Directors is one year, and Directors have clear responsibilities for management in each fiscal year.

The Audit & Supervisory Board generally meets once every three months or whenever necessary. Audit & Supervisory Board Members attend important meetings such as meetings of the Board of Directors, provide objective and fair opinions on overall management and individual projects, and audit the execution of duties by Directors through examination of legality and internal control status. Audit & Supervisory Board Members also audit the execution of duties by enforcement divisions by inspecting important documents and the like, visiting major business locations, and conducting audits through reviews of subsidiaries, and report these results to the Audit & Supervisory Board and Board of Directors.

The Board of Executive Officers generally meets once per month or whenever necessary. It transmits and gives instructions on decisions made by the Board of Directors, reports the status of business execution, and discusses important matters. As with Directors, the term for Executive Officers is one year.

(3) Framework to Prevent Entities Deemed Inappropriate in Light of the Basic Policy from Controlling Decisions on the Company's Financial and Business Policies

The Company has resolved to discontinue the countermeasures for large-scale purchases of the Company's stock, etc. (the "Takeover Defense Measure") at the meeting of the Board of Directors held on May 9, 2017, and has abolished the Takeover Defense Measure at the closing of the Ordinary General Meeting of Shareholders held on June 29, 2017 due to expiration.

Even after abolishing the Takeover Defense Measure, the Company will interact with entities who intend to make large-scale purchases of the Company's stock to demand that they provide necessary and sufficient information for shareholders to appropriately determine whether or not to accept the large-scale purchase. It will also disclose the opinions, etc. of the Board of Directors, secure time and information for shareholders to examine the purchase, and take other appropriate measures as necessary pursuant to the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations.

The Company will respect shareholders' rights to accept the tender offer and will not unreasonably prevent it.

(4) Decision of the Board of Directors Regarding the Initiative Above and Its Reason

The Company believes that the aforementioned frameworks are compatible with the basic policy stated in (1) above and are conducive to the Company's corporate value and in turn the common interests of its shareholders.

---

Note:

In this Business Report, the amounts and number of shares less than the presented unit are disregarded, while ratios, basic earnings per share and net assets per share less than the presented unit are rounded off.