



We Find the Way

September 9, 2021

IR Day 2021: Progress and future of our business plan for achieving
our long-term vision

Opening

Mitsuru Saito, President , Chief Executive Officer and Representative Director

Nippon Express Co., Ltd.

September 9, 2021

Today, I would like to talk about three topics: the direction of the business environment, business performance, and progress toward and future initiatives for the achievement of our long-term vision and business plan.

Overseas and Domestic Economic Trends (Business Environment)

■ Overseas Economic Trends

GDP growth rate of 6.0% in 2021, and of 4.9% in 2022 (IMF World Economic Outlook, revised in July 2021)

- Forecasts for 2021 are unchanged from the previous forecasts (released in April 2021), with a GDP growth rate of 6.0%.
 - This has been revised upwards for advanced economies, and downwards for emerging economies, meaning it remains unchanged overall.
 - The U.S. has been revised upwards 0.6 points to 7.0% for 2021, and 1.4% points to 4.9% for 2022.
 - Japan has been revised downwards 0.5 points to 2.8% for 2021.
 - For 2022, the GDP growth rate for the U.S. has been revised upwards 0.5 points to 4.9%, and for Japan upwards 0.5% to 3.0%.
- High downside risks in the growth forecast.
 - (Downside risks) Increase in mutations of the COVID-19 virus due to vaccination delays in emerging countries, and a reduction in economic growth in the U.S. due to reduced fiscal support measures.
 - (Upside risks) Prevention of infection and new viral mutations through global cooperation in vaccinations.

■ Domestic Economic Trends

Economic assessment unchanged due to weakening economic improvements
(Cabinet Office, July 2021 Monthly Economic Report)

- The overall economic assessment remained unchanged, with individual assessments on business conditions revised upwards.
 - Despite the first upwards revision in four months of corporate business conditions, there was weak consumer spending, with the overall outlook remaining unchanged.
 - In Exports, while automobile-related goods have seen production adjustments attributable to semiconductor shortages and thus remained flat, a recovery in overseas economies has led to a moderate increase in exports driven by information-related goods and capital goods, therefore the overall judgment remains unchanged.
 - The forecast of "picking up" remains for Production given the continuing recovery in particular for electronic components and devices, and for production machinery for capital investment.
- Domestic real GDP for FY2021 has been revised downwards by 0.2% from previously, to 3.8% (Outlook for the Economy and Prices, Bank of Japan)
 - The impact of COVID-19 continues, meaning that the growth rate for real GDP has been revised downwards by 0.2%.
 - In the short term, consumer prices are expected to increase gradually due to both the impact of increased energy prices, and because of the impact of the stripping away of reductions in cell phone charges.

On the topic of the short-term business environment, the IMF revised its World Economic Outlook in July, setting the 2021 GDP growth rate at 6.0%, unchanged from the figure announced in April.

While many developed countries revised their GDP growth forecasts upward, this was offset by the downward revisions of many emerging and developing countries. Japan's growth forecast was revised downward half a percentage point to 2.8%. The growth rate for 2022 is forecast to be 4.9%. This is an upward revision of half a percentage point from the figure announced in April. Japan's growth rate was also revised upward by half a percentage point to a 3.0% forecast, but there are significant downside risks due to delays in vaccination and other factors, and economic outlooks remain uncertain for Japan and the world at large.

Furthermore, with the dawn of the new normal era, not only are the economy and social structures changing, we recognize that ESG management is growing in importance amid stronger mindsets toward sustainability and confrontations with many social issues.

In addition to these uncertainties, the business environment is undergoing major changes on a global scale. However, our approach is to leave unchanged our long-term vision of being a logistics company with a strong presence in the global market and the basic strategy of our business plan. Based on this premise, our management direction is to come up with solutions from both a perspective of mitigating risk and creating new value demanded by society.

Financial Results Forecast for FYE December 31, 2021 (Converted to 9-month Pro Forma)



Forecast for the FYE December 2021 (Apr-Dec 2021)

(100 million yen, %) (rounded down to 100 million yen)

Item	Revised Forecast Apr-Dec 2021 (Announced August 13)	Previous Forecast (Announced April 28)	Difference	Results for Apr-Dec 2020	Difference YoY	Difference YoY (%)
Revenues	16,500	15,600	900	15,450	1,049	6.8
Operating income	560	560	—	581	(21)	(3.7)
Operating income margin	3.4	3.6	—	3.8	-	-
Ordinary income	580	580	—	617	(37)	(6.1)
Profit attributable to owners of parent	390	390	—	486	(96)	(19.9)
Overseas sales	4,255	3,766	489	3,572	682	19.1

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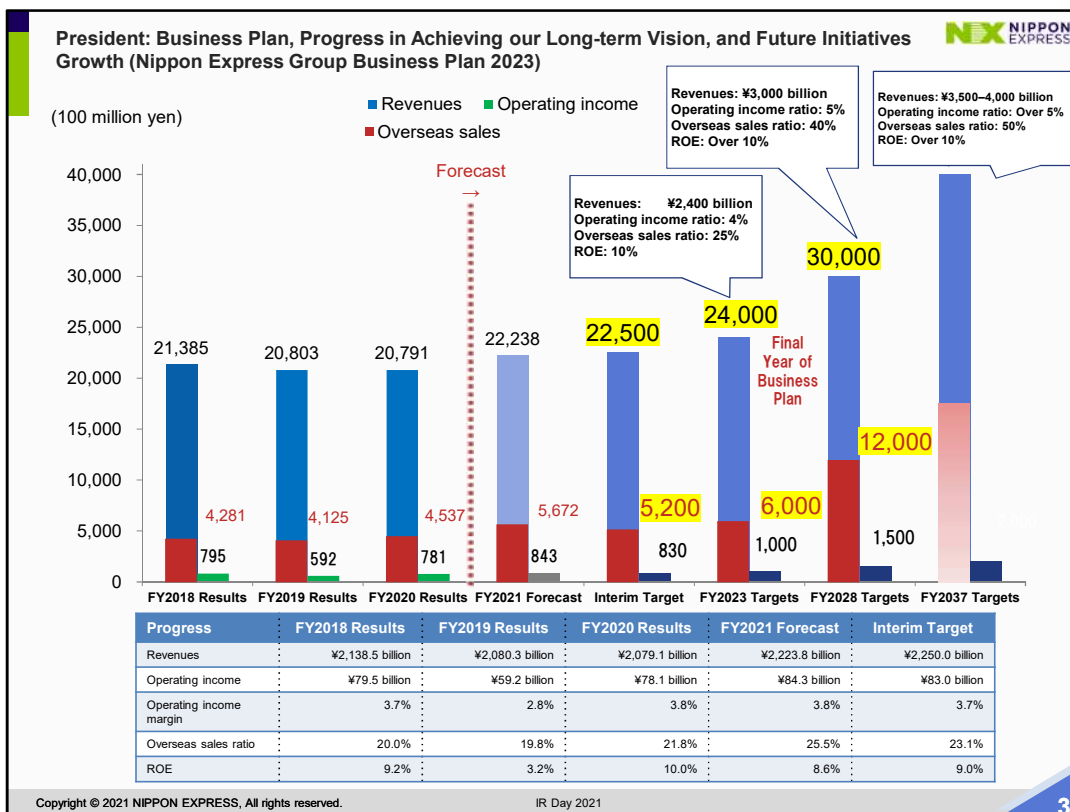
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As we have already reported in our forecast for the fiscal year ending December 31, 2021, in terms of sales, we have upwardly revised the growth in demand for international freight volume, while leaving each profit stage below operating income unchanged.

In the first quarter, the Logistics Segment and Japan Segment fell short of the previous forecast due to a rise in purchase prices for oil and other expenses, as well as other factors; however, international logistics and overseas logistics performed well, and as a result, consolidated operating income for the first quarter was ¥20.1 billion. Although our view is that this figure is not a bad start, there is no clear prospect for when the pandemic will be brought under control, and there is uncertainty in economic trends both inside and outside of Japan, making predictions a challenging start. Therefore, we have left our operating income forecast unchanged.

On the other hand, with regard to the current situation, overseas and international logistics have continued to be strong since July in the second quarter; however, domestic logistics are yet to recover due to the impact of ongoing declarations of emergency to combat the spread of COVID-19. While it is still difficult to provide a future outlook, we intend to make a decision regarding our earnings forecast for this fiscal year based on the situation in and results from the second quarter.




Next, I would like to discuss the status of our business plan for achieving our long-term vision. As explained earlier, there is no change in the basic strategy of our long-term vision and business plan. As we approach the 100th anniversary since our founding in 2037, our long-term vision is to become a logistics company with a strong presence in the global market, and our growth vision is to a target significant increases in overseas sales, which we would like to exceed 50% of total sales by 2037.

Our current business plan is the first step toward the realization of our long-term vision, which calls for increasing overseas sales to ¥600 billion over the plan's five-year period, with the aim of using a certain amount of M&A projects to achieve our target of ¥1.2 trillion in overseas sales by 2028. For our current business plan, the themes are Business Growth Strategy and Efforts to Implement Our Long-Term Vision. Business Growth Strategy consists of two elements: Growth Strategy of Core Businesses and Enhancing Domestic Businesses in Japan. With regard to the Growth Strategy of Core Businesses, we are using a three-axis approach of Customers (Industries), Businesses, and Areas to seek significant development. In Enhancing Domestic Businesses in Japan, we are currently implementing a solidification strategy, working to improve the profitability of each of our high-net sales businesses in Japan and to use them as foundations for our global strategy. We would like to achieve the goals of this business growth strategy in the five years of our current business plan period.

For our efforts to implement our long-term vision, we have set forth an inorganic growth strategy, reinforcing functions to support challenges, and exercising ESG-oriented business management to realize sustainable development and improve corporate value; these include ongoing initiatives. All of our strategies and measures are geared toward achieving our long-term vision, and we are making every effort to implement these. See pages 6 and 7 of these materials for our progress against set KPIs.

I believe that we have achieved a certain level of success here, but I will leave the presentation of details and progress for each strategy and measure to each responsible Executive Vice President and Director at the individual sessions, while I will be focusing on the key points about our future initiatives.

President: Business Plan, Progress in Achieving our Long-term Vision, and Future Initiatives Inorganic Growth "Dynamic Growth" 

·Current: Main Strategy is the Japan Segment⇒Global: A logistics company with a strong presence in the global market

Facility/Time frame	Initiatives - April 2019 to present	Initiatives toward the 2023
Business Growth Strategy		Future Initiatives (strategies)
Growth Strategy of Core Businesses Three-axis approach	<ul style="list-style-type: none"> ·Three-axis approach focused on customers (Industry), business, and area ·Promote one-stop business, account business ·Per-industry and sector initiatives ·Expanding business for non-Japanese customer businesses 	<ul style="list-style-type: none"> ·Shift to global account management ·Business expansion through the concept of market orientation ➤ Three-axis approach to drive a growth strategy for core businesses
Strategy to Enhance Domestic Businesses in Japan	<ul style="list-style-type: none"> ·Further expansion of domestic organization ·Streamline administrative organizations ·Reductions in outsourcing costs by maximizing use of company strengths ·Reform back office processes, rate revisions 	<ul style="list-style-type: none"> ·Further initiatives to solidify base ·Operating and production efficiencies through the introduction of advanced technologies ➤ Promote growth strategy for core businesses + further strategy to enhance domestic businesses in Japan

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First, with regard to our growth strategy of core businesses, we have been promoting one-stop business and account business; this approach has become widespread and our global sales structure has begun to come together. Going forward, we will further strengthen our sales structure and organization by placing global account management at the core of our sales strategy. We will promote a *customers (industries)* approach, identifying value from the customer’s perspective and gaining a solid understanding of the decision-making mechanisms within our customers’ organizations. Then we will develop a market in strategy providing products and services that meet our customers’ needs. At the same time, this is directly linked to the business and area axis approaches, and we believe that we have entered a phase where we will drive the growth of our core businesses with a three-axis approach: industry, business, and area. Next, with regard to our strategy to enhance domestic businesses in Japan, although we have achieved a certain level of success in reducing indirect costs and reducing outsourcing costs by maximizing the use of company strengths, we believe that there are many areas that need to be improved, such as improving the productivity of warehouse operations. Our immediate goal is to achieve a 5% operating income margin. Toward this goal, we expect that there are a number of domains where more cost reductions can be effected by calculating costs related to sales, breaking down and identifying allowable costs. In so doing, we intend to change entire structures, rather than simply negotiate for price breaks. On the other hand, there is a limit to what can be achieved by cost reductions alone, and we are tasked with maintaining our top line and promoting the strategy of solidifying our base in the face of a presumed contraction in the Japanese market. To do this, in addition to increasing market share, we will seek new business growth in areas where expansion is expected, such as logistics for the pharmaceutical and medical industries, which address aging societies, as well as logistics for the semiconductor industry, which is strengthening its foundation as a national business. In addition, the development of technology is allowing us to achieve previously-impossible feats in more domains, and we hope to improve productivity through efforts like partial automation of warehouse operations. Some of these have already entered implementation and deployment phases, and we are looking forward to future results. Recently, we announced a business tie-up for joint value creation through digital transformation (DX) with NEC. With the advent of the DX era in mind, we have determined specific targets to work on over the short, medium and long terms, and will continue to actively pursue alliances with companies possessed of cutting-edge technologies.

President: Business Plan, Progress in Achieving our Long-term Vision, and Future Initiatives Inorganic Growth “Dynamic Growth”		NEX NIPPON EXPRESS
·Current: Main Strategy is the Japan Segment⇒Global: A logistics company with a strong presence in the global market		
Facility/Time frame	Initiatives - April 2019 to present	Initiatives toward the 2023
Efforts to Implement Our Long-Term Vision		Future initiatives (strategies)
Inorganic Growth Strategy (Pursue M&A strategies) (Streamline business portfolio, slim down balance sheet)	<ul style="list-style-type: none"> ·Business transfer, spin-off businesses (Focus on high profit and core businesses) ·Slim down balance sheet by liquidizing distribution centers 	<ul style="list-style-type: none"> ·Reorganization and integration of overlapping businesses and functions amongst Group companies ➡ Use M&A to grow into a global mega-forwarder, towards achieving the long-term vision
Reinforcing functions to support challenges (Branding strategy)	<ul style="list-style-type: none"> ·Promoting IT, human resources, and PR strategies ·Establishing a New Group Brand Identity 	<ul style="list-style-type: none"> ·Enhance corporate management information ·Develop branding for global markets ➡ Further promote IT, human resources, and PR strategies
Exercising ESG-oriented business management to realize sustainable development (ESG-oriented business, move to HD)	<ul style="list-style-type: none"> ·Transition to a holding company structure (announced) ·Work style reform ·Establishment of ESG-oriented business management ·New integrated locations (new head office building) 	<ul style="list-style-type: none"> ·Create new value through ESG-oriented business management ·Carbon-neutral initiatives ·Promote work style reforms with the transition to the new integrated base ➡ Promote risk management and creating new value
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There are three points I would like to share about our efforts to implement our long-term vision.

First, I would like to talk about our inorganic growth strategy, which simply means our growth into a global mega forwarder through M&A. As President, this concern is at the very forefront of my mission.

With much of the world's logistics originating in Asia, we focus on companies with strengths in ocean freight handling as promising options. In the preparatory stages of any M&A deal, however, there are two key points: that we optimize our portfolio through selection and concentration, and that we slim down our balance sheet and engage in cash flow management.

In order to improve capital efficiency while emphasizing ROIC, seek higher profits, and concentrate on core businesses, we have taken action to advance business transfers and company acquisitions, and we have reorganized our distribution centers for liquidity, and spun off the Nittsu Shoji leasing business.

While we will continue to work aggressively on these two points, we believe that we have broadly succeeded with the projects necessary to optimize our business portfolio through selection and concentration before the transition to a holding company structure. In the next phase, we will reorganize and integrate overlapping businesses and functions within group companies as the transition to a holding company structure progresses, and proceed with optimization as well as reorganization into an organization that can work at maximum performance levels.

In addition, with regard to slimming down our balance sheet and engaging in cash flow management, we have generated approximately ¥200 billion in funds through reorganizing distribution centers for liquidity and spinning off the Nittsu Shoji leasing business, and we believe that we are approaching readiness for M&A to realize our long-term vision.

Next, we announced our decision to prepare for transitioning to a holding company structure, and our most recent meeting of shareholders approved the name Nippon Express Holdings, Inc. for the new holding company.

In order to achieve dramatic growth for the group with the global market as our main battleground, we understand the need to not only strengthen Nippon Express as an individual company, but also strive for overall group growth through the cooperation of all group companies, both in Japan around the world. A mountain of issues remain to be addressed on a global level. These issues include strengthening governance, sustainability management, and digital transformation. Our intent is to transition to a structure that will divide the group's functions into functions for creating overall, high-level strategies and functions for business execution. In this way, we will coordinate among all companies while strengthening each individual function. We are preparing for the transition to the new structure in January next year, and we will not make any major changes in the first stage of our changeover so as to maintain steady progress ahead of this transition to a holding company system. We will continue to reorganize the group while drawing a concrete picture of a structure that will realize further growth of our global business and stronger group management.

Medium-Term Business Plan Progress (KPI)

Nippon Express Group Business Plan 2023 KPIs (Growth Strategy for Core Businesses)

Item revenues	Domestic*1			Overseas		
	2021 Jan-Dec Forecast	KPI (FY2023)	Forecast vs. KPI Progress	2021 Jan-Dec Forecast	KPI (FY2023)	Forecast vs. KPI Progress
Strengthen initiatives in electric and electronics Industries	¥97.0 billion	¥120.0 billion	81%	¥137.5 billion	¥130.0 billion	106%
Automotive Industry	¥74.0 billion	¥110.0 billion	67%	¥85.0 billion	¥110.0 billion	77%
Apparel Industry	¥16.5 billion	¥24.5 billion	67%	¥55.0 billion	¥80.0 billion	69%
Pharmaceutical/Medical Industry	¥15.0 billion	¥36.0 billion	42%	¥18.5 billion	¥40.0 billion	46%
Semiconductor-related industries*2	¥21.5 billion	¥45.5 billion	47%	¥11.0 billion	¥15.0 billion	73%

Item	2021 Jan-Dec Forecast	2021 Business Plan Interim Goals (KPI)	Forecast vs. KPI Progress
Expand ocean forwarding business*3	860,000 TEU	1,000,000 TEU	86%
Expand air forwarding business*3	865,000 t	1,200,000 t	72%

*1 Japan results. KPI figures are for non-consolidated Nippon Express

*2 Revenues for the semiconductor-related industries represent a new figure combining semiconductor revenues in Electric and Electronics Industry with manufacturing equipment sales. We have left our initial figures for 2023 KPI and for the domestic Electric and Electronics Industry unchanged. *3 Forecast, differences(%) rounded to the nearest whole number

Furthermore, in conjunction with the transition to a holding company structure, we decided to implement a new brand identity unified across the group as part of our efforts to bolster our brand power. NX will be the common brand for all group companies as we develop global branding. NX is the shortened form of NIPPON EXPRESS, itself the name of our new holding company.

With this change, we will be relocating our head office functions to a building currently under construction in Kanda-izumicho, Chiyoda-ku, Tokyo.

The new building will serve as an integrated base for the Nippon Express Group, with a grand opening scheduled for January of next year. In addition to the organizations currently housed in the head office building in Shiodome, branches and group companies with land, sea, and air functions in Tokyo will also be consolidated in this integrated base to further promote a system enabling demonstration of comprehensive capabilities. We will also enhance the group's management capabilities by promoting intra-group business process outsourcing for overhead operations. Next January's transition to a holding company system, the introduction of a new brand, and the launch of a new integrated base are important measures to achieve our long-term vision.

However, this year of 2021, the mid-point of our business plan, is where we intend to make a decision on whether we need to reviewing the plan's targets based on the progress of the plan and outlooks on the global economy and economic recovery trends. Though we are currently in a harsh environment, we are making steady progress in each of the measures outlined in our business plan, and we hope to achieve our goals with a dual approach of executing M&A while focusing on accelerating organic growth centered on our business growth strategy.

Thirdly, with regard to the establishment of ESG-oriented business management, we have aligned our ESG management direction; the launch of our new integrated base will serve as an opportunity to reform our work processes, workplace environment and work styles, and we will accelerate our efforts toward carbon neutrality in the area of global sustainability. Mr. Horikiri and Mr. Masuda, the Executive Vice President and Managing Executive Officer in charge of this area, will explain more about this later, but the Nippon Express Group continues to define "advancing society and bringing an enriched life to future generations" as a value in its corporate philosophy. This corporate philosophy was founded by those who came before us, and, whether intended or not, we believe this philosophy aligns we base principles of sustainability and ESG in our generation. We recognize, however, that we must create value that contributes beyond the efficiencies required in the era of mass production and mass consumption. With this recognition, we would like to take on a variety of challenges toward new value creation.

We believe that we have sown the seeds for the realization of the aforementioned long-term vision, which are without a doubt beginning to bear fruit.

As the head of the Nippon Express Group, I will do my utmost to promote management that produces results.

Medium-Term Business Plan Progress (KPI)

Nippon Express Group Business Plan 2023 KPIs (Growth Strategy for Core Businesses)

Item Revenues	FYE December 2021 Forecast (12-Month)	KPI (FY2023)	Forecast vs. KPI Progress
Non-Japanese Customer Accounts (GAM・GTA*1)	¥44.0 billion	¥43.0 billion	102%

*1 GAM is an abbreviation for global account management. GTA: Global Target Accounts.

Nippon Express Group Business Plan 2023 KPIs (Back Office Cost)

Strategy to Enhance Domestic Businesses in Japan	FY2019 Results	FY2020 Results	FYE December 2021 Cumulative Forecast (Apr-Dec)	Cumulative (Apr 2019 to Dec 2021)	FY2021 Business Plan Interim Goals (KPI)	Forecast vs. KPI (2021) Progress
Further reorganization of organizations/ streamlining of administrative departments*2	¥1.1 billion	¥2.22 billion	¥0.07 billion	¥3.39 billion	¥3.0 billion	113%
Reform back office processes	¥0.95 billion	¥2.36 billion	¥1.55 billion	¥4.86 billion	¥3.0 billion	162%
Rate revision	¥2.4 billion	¥1.6 billion	¥0.8 billion	¥4.8 billion	¥3.0 billion	160%

*2. "Further reorganization of organizations/ streamlining of administrative departments" actual and forecast figures indicates the scale and approximate amounts for measures that are to be implemented.



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