



We Find the Way

September 9, 2021

IR Day 2021

Growth Strategy for Core Businesses

Session 1

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Nippon Express Co., Ltd.

September 9, 2021

As part of our growth strategy for our core businesses, allow me to explain the status of our forwarding business, priority industries, and future initiatives.

Growth Strategy for Core Businesses

1. Business-Oriented Approach

- A. Impact on the marine and air transportation market supply chains**
- B. Strategy to provide value sought by customers**

2. Five Priority Industries

- A. Automotive industry (mobility industry)**
- B. Semiconductor-related industry**

3. Strengthening Global Account Management

- A. Achieve global vision through account management methods**
- B. Global account management for non-Japanese customers**
- C. Account management for non-Japanese customers in Japan**
- D. Global account management for Japanese customers**

Medium-Term Business Plan Progress (KPIs)



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

Figures for results, progress, and differences have been rounded

Item	2021 Jan-Jun Results	2021 Jan-Dec Forecast	FYE Dec 2021 Business Plan Interim Targets (KPIs)	Interim Progress vs. Forecast (KPIs)	FYE Dec 2023 Business Plan Targets (KPIs)
Expand ocean forwarding business	370,000 TEU	860,000 TEU	1,000,000 TEU	86%	1,300,000 TEU
Expand air forwarding business	470,000 t	865,000 t	1,200,000 t	72%	1,400,000 t

Item	2021 Jan-Dec Forecast	2019 Jan-Dec Results	YoY (%)
Ocean forwarding business	860,000 TEU	695,000 TEU	24%
Expand air forwarding business	865,000 t	802,000 t	8%

Item	2021 Jan-Dec Forecast	2020 Jan-Dec Results	YoY (%)
Ocean forwarding business	860,000 TEU	660,000 TEU	30%
Expand air forwarding business	865,000 t	720,000 t	20%

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Ocean and air forwarding volume results and annual forecasts are as shown in the presentation materials. We also provide comparisons with 2019 and 2020.

Growth Strategy for Core Businesses Business-Oriented Approach

Impact on the marine and air transportation market supply chains			
Item	Status and Outlook		Impact on the Supply Chain
	Ocean cargo transportation	Air cargo transportation	
Cargo Movement (Demand)	<ul style="list-style-type: none"> Transportation demand will recover to pre-COVID-19 (2019) levels driven by increased consumption in Europe and the United States. High demand is expected to continue into next year, mainly from Asia to Europe. 	<ul style="list-style-type: none"> Transportation demand is expected to recover to a level higher than that before COVID-19 (2019) due to increased consumption in Europe and the United States. Demand will continue to shift away from ocean cargo transportation, where space is tight. 	<ul style="list-style-type: none"> Continued space constraints in ocean cargo/air cargo transportation. Longer transportation lead times. Increasing logistics cost burden. Increasing need for alternative means of transportation (e.g., rail) and growing importance of resilience.
Transportation Capacity (Supply)	<ul style="list-style-type: none"> Shortage of empty containers will continue due to schedule delays. The shortage is not expected to recover until next fiscal year. 	<ul style="list-style-type: none"> After a significant decrease in space supply due to the COVID-19 outbreak, space supply will recover gradually due to the use of passenger aircraft for cargo flights. Space supply has not returned pre-COVID-19 levels (2019), standing at -14% (July comparison according to IATA). 	
Freight Market	<ul style="list-style-type: none"> Freight rates continue to skyrocket, especially on routes from Asia to the Americas and Europe. 	<ul style="list-style-type: none"> Beginning in January 2021 and onwards, rates continued to more than double those of 2019. A further surge in freight rates is expected for the Christmas season, and is likely to continue until some time before the Chinese New Year in 2022. 	

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Ocean forwarding volume rose significantly in connection with consumption increases in Europe and the U.S. In particular, import container volume rose significantly, nearly 30% compared to the same period in the prior fiscal year and 20% when compared to the year before last. Since spring of this year, we have seen rising delays in shipping and operations due to port congestion in North America. Delays in vessel schedules have spurred a shortage of ocean containers on the Asian side of the ocean. As a result, there has been a significant shortage of space, and freight rates from Asia to Europe and the United States have risen more than 500% compared to the period before the outbreak. These conditions have had a further impact on the supply chains of our customers. While it is difficult to determine when this situation will be resolved, we expect it to continue at least through the end of this year.

In this environment, the Nippon Express Group ocean forwarding business experienced an increase cargo volume, mainly in the automotive and electric and electronics industries. However, there have also been schedule delays in response to customer transportation demand. Therefore, in addition to negotiating with major charter companies for space, we are making every effort to secure space through flexible selection of shipping companies.

Despite strong air forwarding demand for cargo such as semiconductors, electronic equipment, and automobile-related products, we expect it to take a considerable amount of time before passenger flights return to normal operations. The supply of space is not keeping pace with the increasing demand for transportation. We expect the current situation will continue at least through the end of this year as demand shifts away from ocean forwarding. At the same time, the air forwarding business should experience firm demand. We will continue to exchange information consistently with our customers and the airlines, focusing on securing space to maintain uninterrupted supply chains.

To this point, I have the status of our forwarding business. Due to the shortage of space caused by the outbreak of COVID-19, we do not expect to achieve the interim volume target stated in our FYE December 2021 business plan. This year is an interim year in our business plan, and we intend to revisit the final targets for FYE December 2023. At present, we do not plan to make any significant changes to the targets for ocean and air cargo transportation businesses. However, we will conduct a thorough analysis on the future outlook, reporting the results of this review at a later date.

Growth Strategy for Core Businesses

Business-Oriented Approach



Strategy to Provide Value Sought by Customers

■ Changes in the value sought by customers

Past: Oriented toward obtaining lower freight rates through long-term contracts based on volume

Current: Emphasis on stable supply of space and flexible and reliable transportation routes for unforeseen circumstances

Strategy:

- Respond to environmental changes such as the impact of COVID-19 and provide logistics that never interrupt the supply chain.
- Respond to all transportation needs by making full use of our network and transportation modes.
- Strengthen price competitiveness through strategic alliances with ocean and air partner carriers.
- Make advancements in ocean transportation purchasing functions. (establishment of Global NVOCC Center)
- Engage in account management.

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Now, I will address our future initiatives.

We see the COVID-19 outbreak as an opportunity in an environment that is changing significantly and qualitatively. Our corporate customers are beginning to focus on resilience in their businesses, and securing space as an urgent issue. Given this perspective, the value of logistics companies is under question. We believe it is important to build a position as a partner by understanding the essence of the value sought by our customers and demonstrating our ability to provide that value in practice. At the same time, we believe it is possible to discover the value sought by an industry based on information obtained from individual customers. In other words, providing value in practice depends on the capability of a business.

From the perspective of our business-oriented approach, we place the value demanded by each industry at the center of our strategy to strengthen the functions of our business and to create products. In addition, we strive to strengthen our ocean forwarding business to serve as a transportation mode at the center of supply chains.

In October last year, we established the Global NVOCC Center (GNC), which is responsible for selecting shipping companies and conducting centralized purchasing. The organization is located in our head office currently, operating on a trial basis. We intend to move the center to Singapore early next year to begin full-scale operations, and we believe the center will become the driving engine that strengthens our ocean forwarding business.

In addition, we plan to shift to a holding company structure in January next year, and we are moving forward with group reorganizations to achieve further growth in our global business and build a structure for stronger group management.

As a business focus, we intend to strengthen the functions of the GNC in our forwarding business. We will also engage in organizational reform under the holding company structure, while we consider M&A as another potential means to strengthen our forwarding business. First, however, we intend to become one of the top five forwarders in the world by reaching 1.4 million tons and 1.3 million TEU in air and ocean forwarding volume, respectively. Further, we are striving to achieve the 2 million tons and 2 million TEU each in air and ocean forwarding as detailed on our long-term vision.

Medium-Term Business Plan Progress (KPIs)



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

Item Revenues	Domestic*1			Overseas		
	2021 Jan-Dec Forecast	KPI (FYE Dec 2023)	KPI Progress vs. Forecast	2021 Jan-Dec Forecast	KPI (FYE Dec 2023)	KPI Progress vs. Forecast
Electric and Electronics Industry	¥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 Industry*1	¥21.5 billion	¥45.5 billion	47%	¥11.0 billion	¥15.0 billion	73%

Item (Revenues)	FYE Dec 2021 Forecast (12 months)	KPI (FYE Dec 2023)	KPI Progress vs. Forecast
Expand non-Japanese customers (GAM/GTA*2)	¥44.0 billion	¥43.0 billion	102%

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

*2 GAM is an abbreviation for global account management. GTA is an abbreviation for global target accounts.

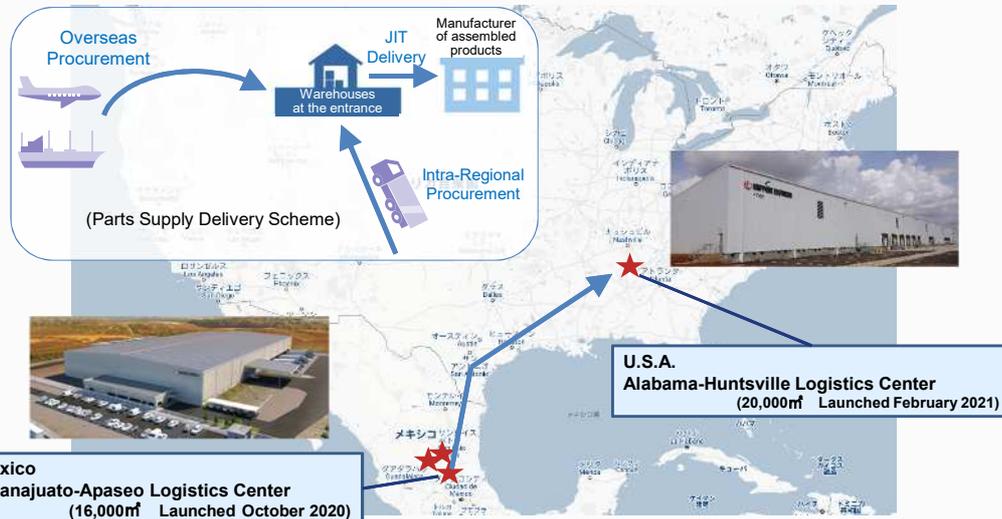
Progress toward the KPIs in our business plan related to our five priority industries and growing our base of non-Japanese customers are as shown in the presentation materials. Allow me to discuss our efforts in the automotive/mobility industry and the semiconductor-related industry.

Nippon Express Group Business Plan 2023 “Dynamic Growth” Numerical Targets & Goals



Automotive Industry (Mobility Industry)

■ Production logistics in North America (cross-border transportation between the U.S. and Mexico)



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We are responsible for supplying parts and materials from Japan and Asia to the production bases of Japanese automobile manufacturers around the world through ocean and air freight forwarding. In addition, we handle the entire supply chain from front-door warehouse operations to JIT delivery to factory lines. By providing visibility for parts supply from Japan/Asia to overseas factories on a per-part basis, we help create supply chains for our customers that support uninterrupted manufacturing lines.

We have been providing front-door warehousing in the U.S. and China, the two largest markets for the automotive industry. In the U.S., in particular, we are accelerating our focus on production logistics.

The U.S. Midwest has been the traditional center of automobile production. Recently, however, production bases have been expanding to the southeastern section of the country. Japanese manufacturers are already expanding production in the southeast. In response, we built the Huntsville Logistics Center, in Huntsville, Alabama, located in the southern region of the U.S. This warehouse is approximately 20,000 square meters in floor space. We are also preparing to launch full-scale operations at the automotive parts DC business beginning in January 2022. Several Japanese automakers have built production centers on the Central Mexican Plateau. In August 2020, we began operations of the Guanajuato-Apaseo Logistics Center, a warehouse of approximately 16,000 square meters in floor space. This warehouse provides DC operations for parts from Japanese set manufacturers and their suppliers.

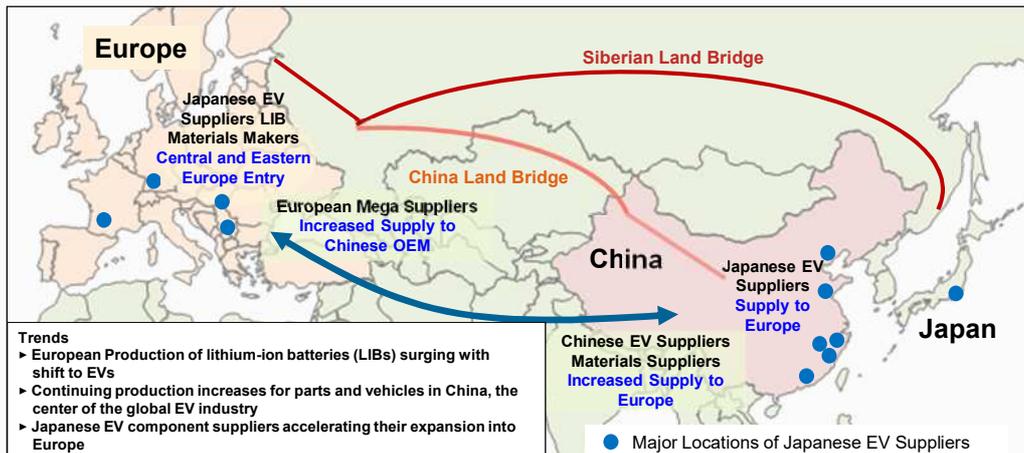
Beginning with this warehouse, we will enhance our parts supply services through cross-border transportation between the U.S. and Mexico to front-door warehouses in the U.S. In this way, we will strengthen one-stop services in North America for the intra-regional procurement of production materials and parts delivery for automobile manufacturing centers straddling the U.S. and Mexico. In 2022 and beyond, we expect to generate annual revenues of ¥6 billion through warehouse operations and cross-border transportation.

Nippon Express Group Business Plan 2023 “Dynamic Growth” Numerical Targets & Goals



Automotive Industry (Mobility Industry)

■ Sales targeting changes in the supply chain caused by electrification



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Next, I will address the expansion of our operating locations in response to the changes in the supply chain stemming from the shift to EVs in the automotive industry. The European market is driving the shift to EVs. Here, central and eastern Europe have become the production center for electric motors and lithium-ion batteries supplied to European set manufacturers. Japanese suppliers, who have strengths in lithium-ion battery component manufacturing, have accelerated their entry into this region.

In response to this trend, we opened a branch in Bratislava, Slovakia in June of this year, in addition to our locations in Poland, Hungary, and the Czech Republic. We are preparing to open a base in Serbia as well, looking to expand our logistics network further in central and eastern Europe to meet the logistics demands of Japanese suppliers. We expect to increase our annual revenues by ¥1.2 billion yen beginning in 2023.

In addition, North Africa is expanding as a supply base for automotive parts within Europe. Here, and Japanese suppliers of wiring harnesses, door parts, and interior parts are moving ahead in production. We also operate a warehouse through our Morocco branch, and we intend to expand our business here as a supply base for parts and materials in the European region.

Since the outbreak of COVID-19, the supply of parts and materials from Japan and other Asian countries to Europe remains unstable. As a BCP route, we have been offering railway transportation actively, using the China land bridge for shipments from China via China-European railways and the Siberian land bridge for shipments from Japan via the Trans-Siberian railway. To date, we have received more than 30 inquiries, and we expect to supply between 5,000 to 6,000 TEU of automobile production materials will be supplied to Europe by rail beginning in 2023.

In the automotive and mobility industry, set manufacturers and European mega-suppliers are playing an important role in responding to the transition to EV, self-driving, and other developments in next-generation mobility. Later, I will explain how we will strengthen our sales in response to these circumstances.

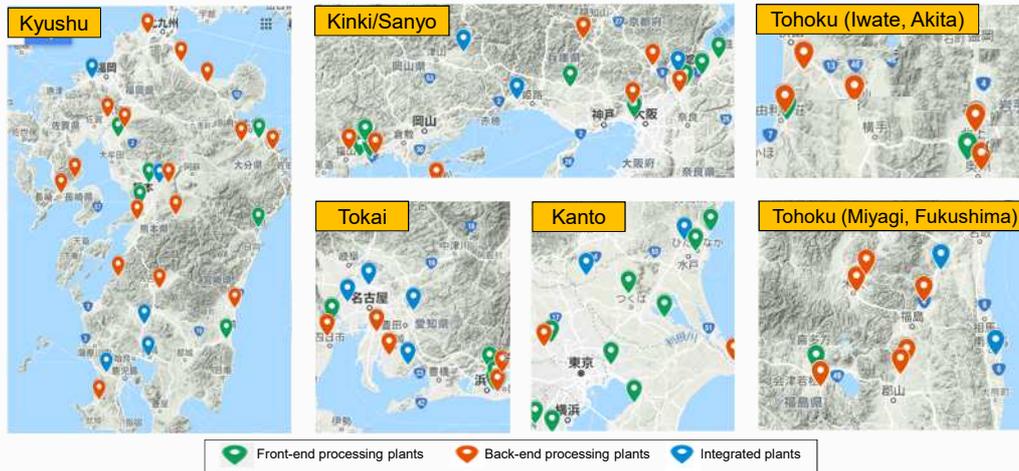
Nippon Express Group Business Plan 2023 “Dynamic Growth” Numerical Targets & Goals



Semiconductor-Related Industry (Initiatives in Japan)

- Concentrated areas in Japan in connection with the semiconductor-related industry
(Front-end processing: 63 plants; Back-end processing: 59 plants;
Integrated processing: 22 plants; 144 plants in total)

*Based on Nippon Express research



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Now, I will address the semiconductor-related industry.

As the competition for semiconductors in the U.S. and China intensifies, the semiconductor-related industry in Japan is also making advancements. There are 144 semiconductor manufacturing plants in Japan today, and with the entry of Taiwanese foundries into the Japanese market in 2023, the domestic distribution and import/export forwarding of semiconductor manufacturing equipment, maintenance parts, and production materials in Japan should increase.

Given these circumstances, we intend to begin operations of a 49,600 square meter warehouse in Yokkaichi, Mie Prefecture, in September 2022. Yokkaichi is one of Japan's leading semiconductor manufacturing bases. In addition to in-plant logistics, we are aiming to provide production logistics solutions to our suppliers from this base and elsewhere.

Nippon Express Group Business Plan 2023 “Dynamic Growth” Numerical Targets & Goals



Semiconductor-Related Industries (Initiatives Overseas)

- Competition between the U.S. and China over semiconductors and the U.S. administration's move toward U.S.-based semiconductor production



• Passage of the National Defense Authorization Act (NDAA 2021), which includes subsidies of **up to 300 billion yen per project** and the establishment of the Multilateral Semiconductors Security Fund
 • President Biden endorsed the CHIPS bill, which includes **\$50 billion** in investment for the semiconductor industry.

(Prepared by Nippon Express based on press materials from various outlets)



Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest semiconductor foundry, has begun construction of a semiconductor plant in Arizona. One year after announcing a plan to **invest \$12 billion**, details revealed by CEO C.C. Wei.
 (Nihon Keizai Shinbun, June 13, 2021)



Intel announced on March 23, 2021, that it will **invest \$20 billion** to build a new semiconductor plant in Arizona. The company will also enter the foundry business, undertaking manufacturing for other companies. The company will build two new plants in Chandler, Arizona, where it already has a production base. (Nihon Keizai Shinbun, March 24, 2021)



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Looking overseas, the U.S. administration passed a law including nearly ¥5.5 trillion in investments for the semiconductor industry, reflecting trends toward production of semiconductors within the nation's borders. One U.S. semiconductor manufacturer plans to invest about ¥2 trillion to expand its manufacturing base in the southwestern U.S. state of Arizona. A Taiwanese foundry is also planning to invest about ¥1.3 trillion to build a plant in Arizona. Nippon Express is planning to construct on a warehouse dedicated to semiconductors in Arizona. Offering floor space of approximately 9,900 square meters, the warehouse should be completed by October 2022. Our reputation in the field of semiconductor production and logistics, especially among U.S. manufacturers, is growing steadily. The volume of goods transported from Japan and Asia we won in annual bidding increased by 30% this year compared to the previous year. We believe this growth is due to the high regard we have received in connection with SOPs developed for our customers, the speed with which we incorporate transportation quality into our global network, and customer-facing account management. As semiconductor manufacturing bases continue to reorganize, we expect our revenues in the semiconductor-related industry to grow by more than 40% annually.

Nippon Express Group Business Plan 2023 “Dynamic Growth” Numerical Targets & Goals



Achieve Global Vision Through Account Management Methods

- January-December 2020 Revenue Composition by Customer Base (Japanese, non-Japanese Customers)

	Revenues	Revenue Composition
Japanese Customers	¥221.4 billion	49%
Non-Japanese Customers	¥232.3 billion	51%
Total	¥453.7 billion	

(Scenario for Achieving Our Vision)

A logistics company with a strong presence in the global market.



Next, I will address how we are strengthening account management. Our business plan stresses increasing revenues in the overseas bloc. Currently, we are running 50-50 in revenues from overseas blocs between Japanese and non-Japanese customers. To increase revenues in the overseas bloc, we intend to implement global account management for both Japanese and non-Japanese customers. To become a logistics company with a presence in the global market, we must pursue detailed customer service in the global market, our main battlefield, building from the business foundation we have formed to date.

Nippon Express Group Business Plan 2023 “Dynamic Growth” Numerical Targets & Goals



Global Account Management for Non-Japanese Customers

■ GAM/GTA* Revenue Growth Forecast

	FY2019 Results	FY2020 Results	2021 Forecast	2023 Target
Revenues	¥29.9 billion	¥40.6 billion	¥44.0 billion	¥43.0 billion

■ GAM/GTA Target Customers

By Head Office Location

Head office	GAM	GTA
Americas	5	14
Europe	4	10
East Asia	1	4
South Asia	0	2
Total	10	30

By Industry

Industry	GAM	GTA
Electric and Electronics	5	6
Automotive	1	5
Apparel	1	1
Pharmaceutical/Medical	0	7
Semiconductors	0	6
Other	3	5
Total	10	30

*GAM/GTA Project: Account management targeting non-Japanese customers globally
GAM: Global Account Management GTA: Global Target Account

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First, I will address account management for our non-Japanese customers. For the past several years, we have been engaged in global sales activities targeting 10 important existing customers, mainly European and American companies. We have also engaged in sales expansion activities that we call GAM and GTA, selecting 30 companies as targets for future sales growth. As show in the breakdown of revenue by industry in this presentation, the customers we selected mainly belong to one of our five priority industries. This year, where market unit prices for ocean and air cargo forwarding have risen due to the COVID-19 outbreak, we expect to clear our FYE December 2023 revenue target of ¥44 billion ahead of schedule, reflecting the accurate services we provide to our customers. We will continue to monitor future trends in the forwarding business to confirm our forecasts for next year and our targets for FYE December 2023.

Nippon Express Group Business Plan 2023 “Dynamic Growth” Numerical Targets & Goals



Account Management for Non-Japanese Customers in Japan

■ European (German) Targets (Set Makers, Mega Suppliers)

Top 10 Component Manufacturers
by Sales in FY2020

Rank	Country	Company
1		Bosch
2		Denso
3		ZF
4		Magna International
5		Aisin
6		Continental
7		Hyundai Mobis
8		Valeo
9		Lear
10		Faurecia

Source: Data published in Nihon Keizai Shimbun and compiled by Nippon Express

Nippon Express Logistics Projects for
German Customers in Japan



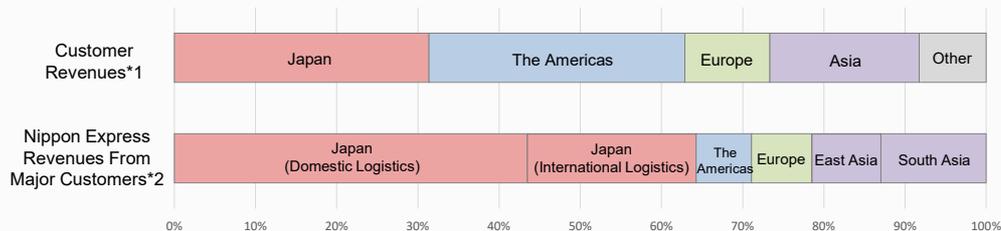
Strengthening the initiatives we launched in Japan will be one effective means to strengthen our account management for non-Japanese customers. As I mentioned when discussing the automotive and mobility industry, Japanese manufacturers, mega-suppliers, and the European companies-- German companies in particular--are leading the next generation of the mobility industry. This is the reason we are bolstering account management for German customers, beginning with initiatives formed in Japan. Allow me to cite a concrete example. Two years ago, we began handling forwarding from Germany to Japan through an annual bidding process. This operation involved more than 200 suppliers. We decided to organize the suppliers into a buyers consolidation ; however, we were unable to standardize delivery information across the suppliers, and we continued to experience delays in providing information upon produce delivery. In response, we have now established SOPs and created links within the customer system. Throughout this process, we built stronger relationships among the parties, forming strong bonds of trust allowing for two-way value and evaluations. We plan to expand our account management services for German suppliers.

Nippon Express Group Business Plan 2023 “Dynamic Growth” Numerical Targets & Goals



Global Account Management for Japanese Customers

Major Global Japanese Customers and Nippon Express Revenue Composition by Region (FY2019)



*1 The revenue composition of global companies selected from our Japanese customers is calculated by Nippon Express based on data published by each company in FY2019

*2 Nippon Express revenue composition is based on sales to relevant customers (2019 results); Japan (International Logistics) represents marine and air freight forwarding to/from Japan

- Overseas revenue ratio for 30 Major Japanese Global Customers account for approximately 70%
- Overseas revenue ratio for Nippon Express from 30 Major Japanese Global Customers account for approximately 35% (2019)
- ⇒ Nippon Express aims to increase overseas revenue ratio from 35% to 75% by implementing global account management

Next, I will address account management for Japanese customers. As mentioned in these presentation materials, many Japanese companies are developing their business in overseas markets aggressively. The ratio of overseas sales of Japanese customers with whom we do business is 70%, while our overseas revenues to these customers is only 35% of total revenues. This shows that we remain limited to dealing with these companies within Japan. Therefore, our goal is to achieve an overseas revenue ratio of between 70% to 80% based on a market-in approach and account management for Japanese global companies. Last, let me address our plan to transition to a holding company structure in January next year. To accelerate top-line growth, we intend to integrate the strategic functions dispersed currently throughout our organization on a segment basis, reorganizing to achieve growth in our global business and strengthen global governance.

Business-Oriented Approach

FYE Dec 2021 Ocean and Air Freight Forwarding Volume Forecast

Ocean Freight (Unit: TEU)	2020 Results (A)	2021 Forecast (B)	2021 Forecast YoY Growth (B/A)	2023 Target (C)	Progress Toward 2023 Target (B/C)
The Americas	37.5	60.0	+60.0%		
Europe	48.5	58.8	+21.2%		
East Asia	213.6	288.2	+34.9%		
South Asia & Oceania	130.3	185.0	+42.0%		
Japan	230.3	268.0	+16.4%		
Global Total	660.2	860.0	+30.3%	1,300	66.2%

Air Freight (Unit: Thousands of tons)	2020 Results (A)	2021 Forecast (B)	2021 Forecast YoY Growth (B/A)	2023 Target (C)	Progress Toward 2023 Target (B/C)
The Americas	70.7	90.0	+27.3%		
Europe	92.0	115.0	+25.0%		
East Asia	159.4	185.0	+16.1%		
South Asia & Oceania	145.6	175.0	+20.2%		
Japan	252.4	300.0	+18.9%		
Global Total	720.1	865.0	+20.1%	1,400	61.8%



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