We Find the Way

September 9, 2021

IR Day 2021: ESG Management

Session 4

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Nippon Express Co., Ltd.

September 9, 2021

ESG Management: Part I (Presenter: Satoshi Horikiri)

1. Introduction

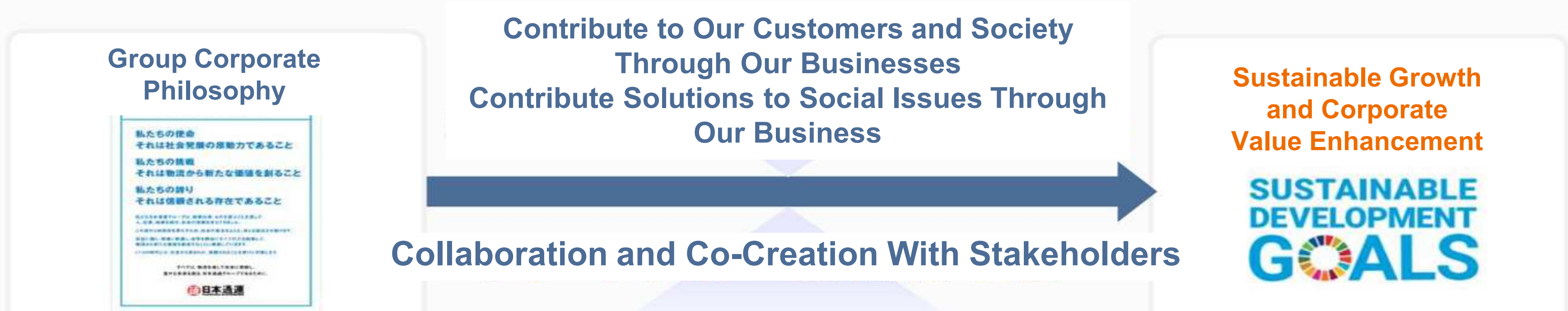
I. ESG Management at Nippon Express

II. Addressing Climate Change

III. Improving Employee Engagement

2. Approach to ESG Management as Defined in Our Business Plan

ESG Management for Sustainable Growth and Corporate Value Enhancement



Group Corporate Philosophy

私たちの使命
それは社会発展の原動力であること
私たちの挑戦
それは物流から新たな価値を創ること
私たちの誇り
それは信頼される存在であること

日本通運

Contribute to Our Customers and Society Through Our Businesses
Contribute Solutions to Social Issues Through Our Business

Collaboration and Co-Creation With Stakeholders

Sustainable Growth and Corporate Value Enhancement

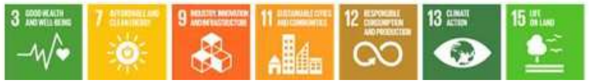
SUSTAINABLE DEVELOPMENT GOALS

Commitment to reducing CO₂ emissions as a logistics company

E Environment

- Facilitating more use of LED lighting at facilities
- Reducing waste produced by Nippon Express

【Contributing through business operations】
- Promoting modal shifts and co-loaded delivery
- Engaging in recycling-oriented sales activities

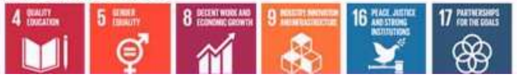

3 GOOD HEALTH AND WELL-BEING
7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

Transform the company that makes employees feel satisfied and fulfilled

S Social

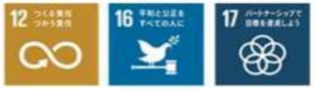
- Promoting diversity
- Working-style innovations

【Contributing through business operations】
- Serving as designated public institutions for disaster response
- Contributing to local communities through job creation and resolving social issues


4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

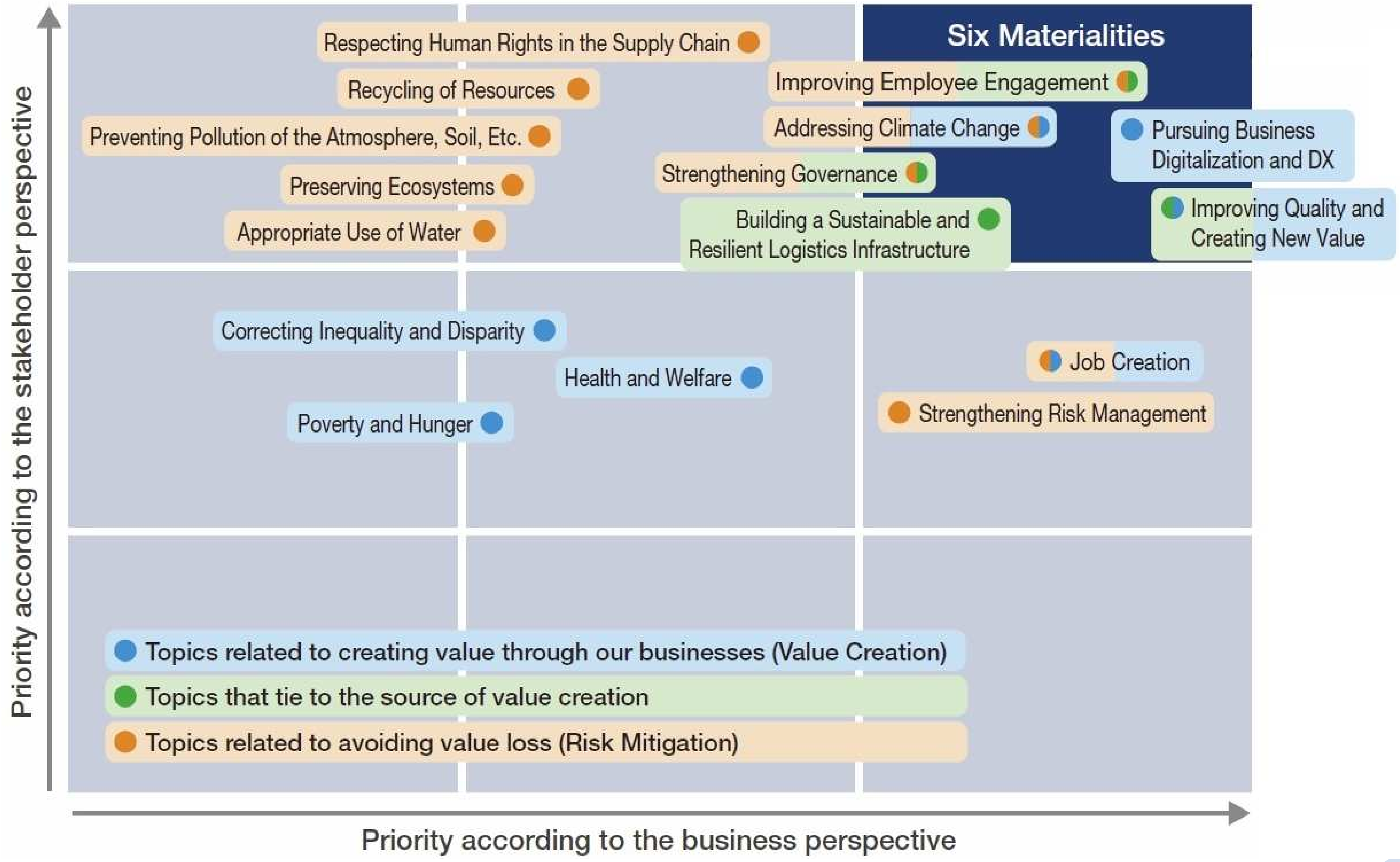
Initiatives that support sustainable corporate value growth

G Governance


12 つくる責任 つかう責任
16 平和と公正をすべての人に
17 パートナーシップで目標を達成しよう

- Ensuring safety, compliance, and quality
- Shift to a holding company structure with an eye toward an evolution in global governance
- Capital policies (ROE 10%)
- Information disclosure

3. Direction Forward for ESG Management



Six Materialities

Respecting Human Rights in the Supply Chain ●

Recycling of Resources ●

Preventing Pollution of the Atmosphere, Soil, Etc. ●

Preserving Ecosystems ●

Appropriate Use of Water ●

Improving Employee Engagement ◐

Addressing Climate Change ◐

Strengthening Governance ◐

Building a Sustainable and Resilient Logistics Infrastructure ●

● Pursuing Business Digitalization and DX

◐ Improving Quality and Creating New Value

Correcting Inequality and Disparity ●

Health and Welfare ●

Poverty and Hunger ●

◐ Job Creation

● Strengthening Risk Management

● Topics related to creating value through our businesses (Value Creation)

● Topics that tie to the source of value creation

● Topics related to avoiding value loss (Risk Mitigation)

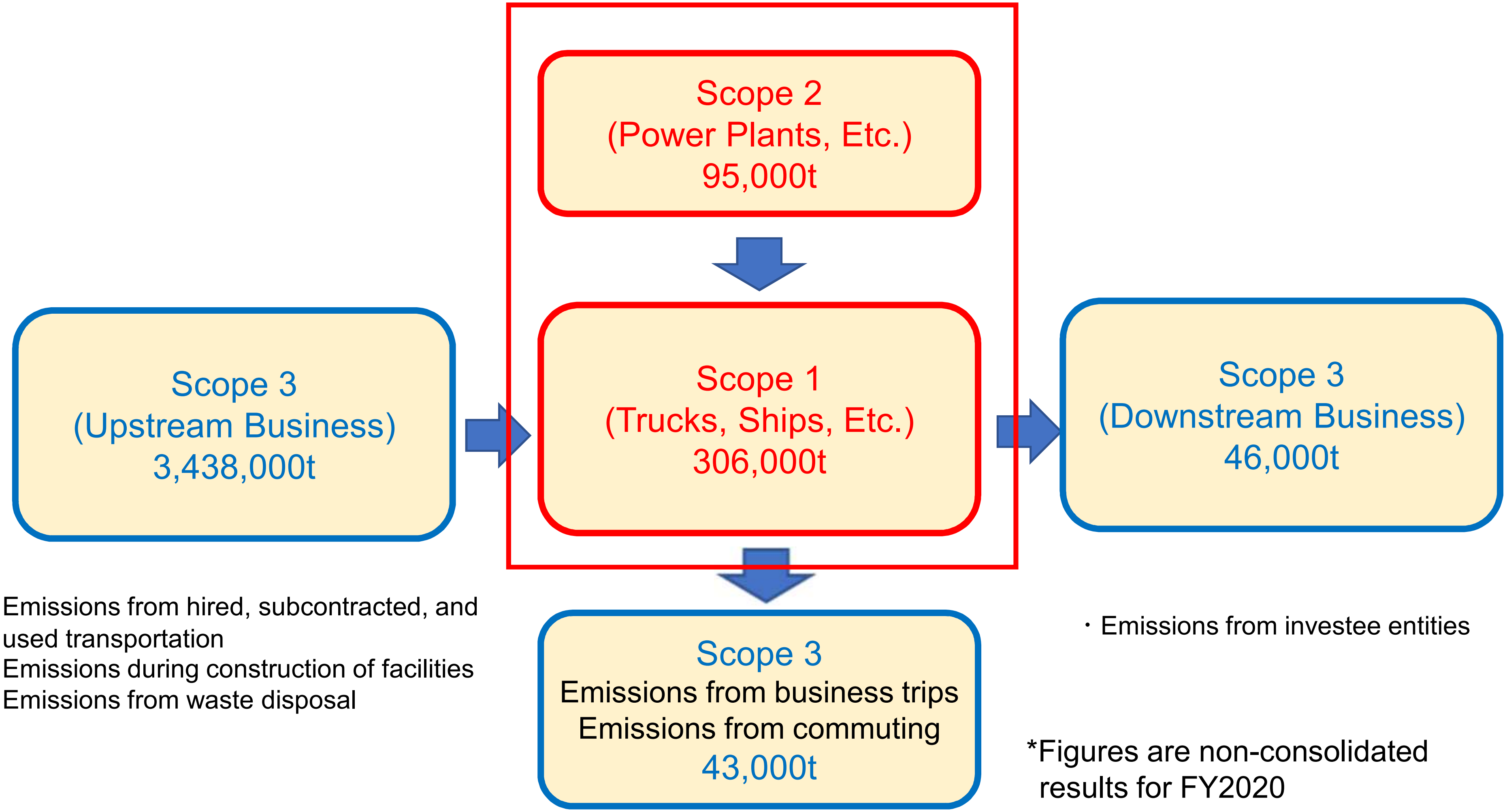
Priority according to the stakeholder perspective
Priority according to the business perspective

4. Reconfirming Materialities

Materiality Topic	Future Ideal	Issues	Risks and Opportunities (Examples)
(1) Pursuing Business Digitalization and DX (P.40-41)	Amid the expected drastic changes in the structure of society and industry, we will adapt to these changes in the environment and create new businesses using digital technology, beginning from the starting point of the future society.	1: Strengthen problem-solving and digital skills in our current businesses 2: Create new business domains that contribute sustainable societies	**Risk:** Harm to our businesses due to the rise of new entrants and competitors **Opportunity:** Win customers through technology that streamlines operations, create new services based on data, and enhance service quality
(2) Improving Quality and Creating New Value (P.42-43)	We will create social value such as security and safety, as well as business growth, through businesses that meet high social demand, adding new intellectual capital reflecting an understanding of the characteristics of industry and our traditional strengths (advanced transportation technologies and relationships with multiple companies).	1: Maintain and improve service quality 2: Create new value by building platforms that match industry characteristics	**Opportunity:** Create demand through new value, such as authenticity assurance for goods in the supply chain
(3) Addressing Climate Change (P.44-45)	We will fulfill our responsibilities as a corporate citizen in response to the government's declaration of carbon neutrality by 2050 and the demands of the international community to address climate change. At the same time, we will achieve business growth by contributing to the Scope 3 initiatives of our customers.	1: Reduce CO_2 emissions in our own businesses 2: Create businesses that contribute to the reduction of customer CO_2 emissions	**Risk:** Loss of existing customers to competitors who pursue environmental measures **Opportunity:** Win new customers by providing services and routes that bring visibility to and reduce environmental impact
(4) Building a Sustainable and Resilient Logistics Infrastructure (P.46-47)	As an essential industry, we will maintain logistics under pandemics and natural disasters, and contribute to social stability by securing lifelines for our stakeholders, continuing to be a trusted company.	1: Strengthen business continuity systems (solidify supply chains) 2: Maintain and secure human resources to avoid logistics crises	**Risk:** Increased procurement costs for land, sea, and air transportation; decline in asset value of warehouses in coastal areas and relocation of warehouses to inland areas
(5) Improving Employee Engagement (P.48-49)	We will prioritize investment and a focus on our employees, who represent the source of value for our businesses. In particular, we will pay attention to the wellbeing of our employees in times of pandemic, securing a stronger foundation for value creation.	1: Pursue employee satisfaction 2: Improve employee engagement 3: Enhance corporate value by leveraging human resources	**Risk:** Shortage of human resources due to inability to secure highly specialized workers, resulting in loss of competitiveness **Risk:** Decline in competitiveness due to insufficient response to labor shortages in the field
(6) Strengthening Governance	We will respond to social demands regarding corporate governance, pursuing efficient management and building a robust foundation for our businesses through the integration of land, sea, and air operations, as well as through stronger global governance.	1: Strengthen global group governance 2: Ensure compliance with the Revised Corporate Governance Code 3: Pursue safety, security, and compliance	**Risk:** Relative decline in reputation in society; damage stemming from risks related to strategy, business operations, finance, etc.

5. Addressing Climate Change (Key Issue)

Key Issue: Reduce CO_2 Emissions



Scope 2
(Power Plants, Etc.)
95,000t

Scope 3
(Upstream Business)
3,438,000t

Scope 1
(Trucks, Ships, Etc.)
306,000t

Scope 3
(Downstream Business)
46,000t

- Emissions from hired, subcontracted, and used transportation
- Emissions during construction of facilities
- Emissions from waste disposal

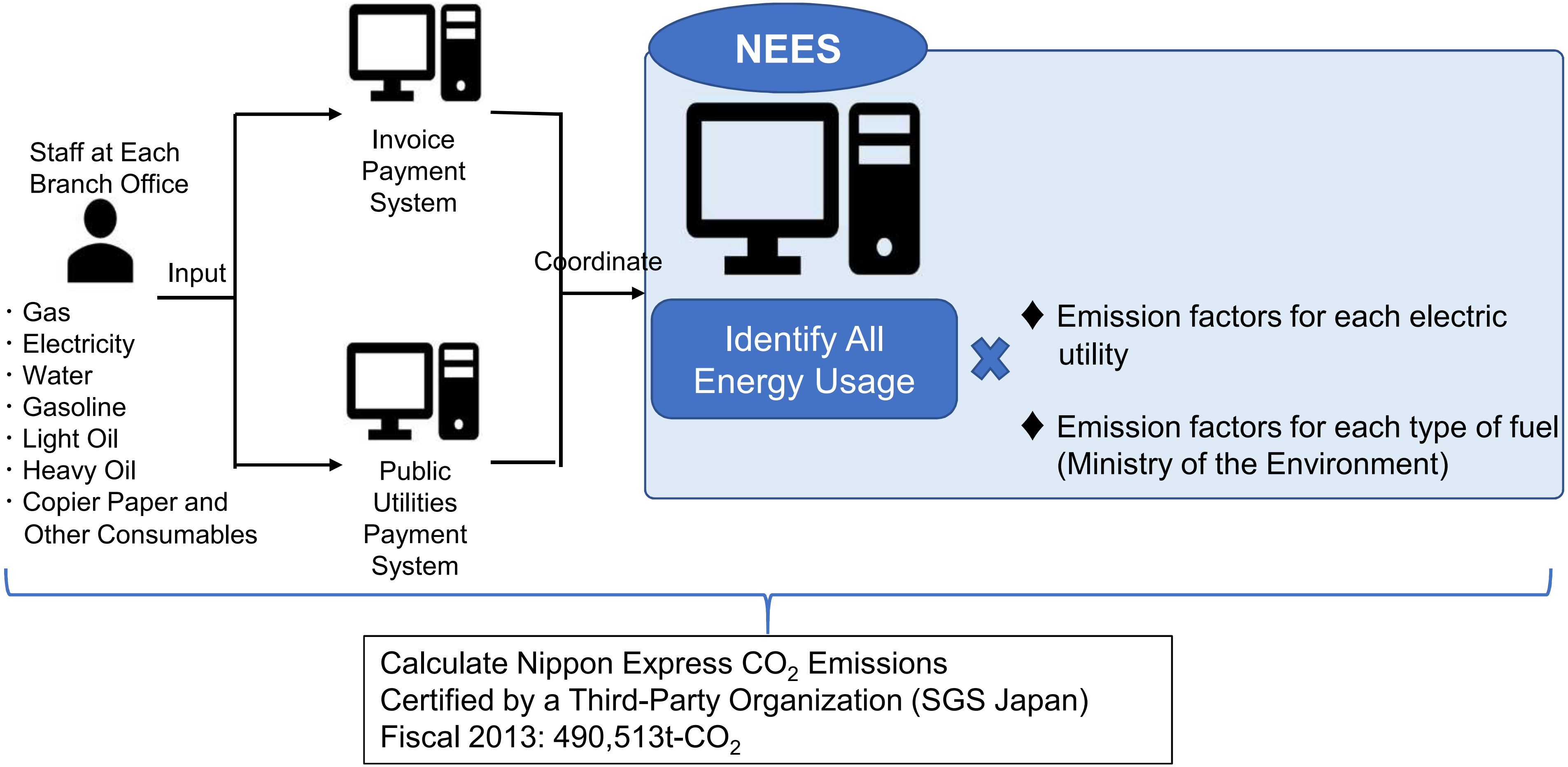
Scope 3
Emissions from business trips
Emissions from commuting
43,000t

- Emissions from investee entities

*Figures are non-consolidated results for FY2020

6. Addressing Climate Change (Calculating CO_2 Emissions)

Development and Adoption of the NITTSU ECOLOGY & ECONOMY SYSTEM (NEES)



Staff at Each Branch Office

Input

- Gas
- Electricity
- Water
- Gasoline
- Light Oil
- Heavy Oil
- Copier Paper and Other Consumables

Invoice Payment System

Public Utilities Payment System

Coordinate

NEES

Identify All Energy Usage

✖

◆ Emission factors for each electric utility

◆ Emission factors for each type of fuel (Ministry of the Environment)

Calculate Nippon Express CO_2 Emissions
Certified by a Third-Party Organization (SGS Japan)
Fiscal 2013: 490,513t-CO_2

14th Logistics Environment Grand Prize 2013: Energy Saving Efforts Using NEES
Won the Logistics Environment Grand Prize

7. Addressing Climate Change (Targets)

A. Conventional Targets

Paris Agreement
Nearly 200 countries around the world have agreed to pursue efforts to keep the global average temperature rise to 1.5℃, well below 2℃ compared to pre-industrial levels.

Japanese Government Global Warming Targets Under the Paris Agreement
By 2030
Japan as a whole to reduce greenhouse gas emissions by 26% (compared to 2013)
Japanese transportation sector to reduce greenhouse gas emissions by 27.6% (compared to 2013)

[Nippon Express Goal] To reduce CO_2 emissions by 30% compared to 2013
FY2013 Baseline: 490,513t
FY2030 Target: 343,359t (-147,154t) *Set in 2017

B. Recent Developments and International Trends

Overseas Trends

U.S.: -26% to -28% in 2055 (compared to 2005) → -50% to -52% in 2030 (compared to 2005)
EU: -55% by 2030 (compared to 1990)
UK: -68% in 2030 (compared to 1990) → -78% in 2035 (compared to 1990)

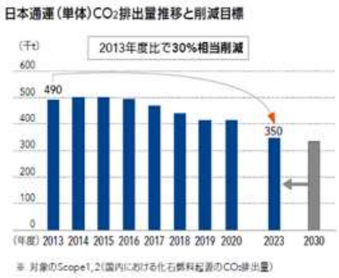
Japan Trends (Government Targets)

Target for 2030: -26% → -46% (compared to 2013)
Target for 2050: Carbon neutral
Japan transportation sector reduction target -27.6% → -38% (compared to 2013)
**Global Warming Countermeasure Plan (draft)*, Ministry of the Environment

C. Revised Targets (Upward Revision)

By 2023, achieve a 30% reduction compared to 2013 levels (350,000t emissions)

2030: -38% (vs. 2013)
2050: Carbon neutral
} Issues for consideration in our next business plan



8. Addressing Climate Change (Initiatives and Results)

A. Electricity - Shift to LED Lighting

- Currently implementing measures to adopt LEDs
  *Prioritize shift away from lighting containing PCBs, mercury lamps
  *462/1,212 locations, up 5P from the previous year

As of March 31, 2021	Results
LED Adoption	38.1%
Electricity Consumption	（36,681,000) kwh
CO$_2$ Emissions	(16,503)t-CO$_2$

B. Light Oil - Environmentally Friendly Vehicles

- Switch to environmentally friendly vehicles and consider, pursue the introduction of EVs and FCVs

(Unit: Vehicles)

Types of vehicles	FY2013	FY2020	Difference
Electric vehicles	21	15	
CNG vehicles	283	62	
Hybrid vehicles	770	1,744	
LPG vehicles	341	90	
Diesel vehicles (new long-term emission-compatible vehicles)	3,796	6,800	
Number of environmentally friendly vehicles Subtotal	5,211	8,711	
Total number of vehicles owned	13,822	13,207	
Environmentally friendly vehicles/total company vehicles	37.7	66.0	
CO$_2$ emissions	200,263t	155,880t	(44,383)t

C. Heavy Oil - Energy Conservation Measures for Coastal Vessels

	2013	2020	Change	Difference (%)
CO$_2$ Emissions	151,920t-CO$_2$	132,743t-CO$_2$	(19,177)t-CO$_2$	(12.6)%

D. Other - CO$_2$ Absorption

Iide Town, Yamagata Prefecture (Contracted Area: 71.4 ha)	Amount of CO$_2$ Absorbed (Since 2007,Cumulative)	Nichinan Town, Tottori Prefecture (Contracted Area: 10.9 ha)	Amount of CO$_2$ Absorbed (Since 2009, Cumulative)	Nittsu Forest Total Amount of CO$_2$ Absorbed
Tree Planting Activities	28.62t-CO$_2$	Tree Planting Activities	41.63t-CO$_2$	
Contracted Area	3,668t-CO$_2$	Contracted Area	749.7t-CO$_2$	
Total	3,696t-CO$_2$	Total	791t-CO$_2$	4,487t-CO$_2$

9. Addressing Climate Change (Initiatives and Results)

E. Reduction Targets and Specific Actions to Achieve FY2023 Targets

	Reduction (Compared to 2013)	**Details**
Amount Achieved Through 2020	(88,933)t-CO_2	
Electricity	(18,692)t-CO_2	Shift to LED Lighting 2020: 38.1% → 2023: 100%
Light Oil	(12,300)t-CO_2	Environmentally Friendly Vehicles Adopt/Replace
New Technologies	(27,229)t-CO_2	Renewable Energy
Total	(147,154)t-CO_2	

10. Addressing Climate Change (Future Issues)

Holding Company Framework

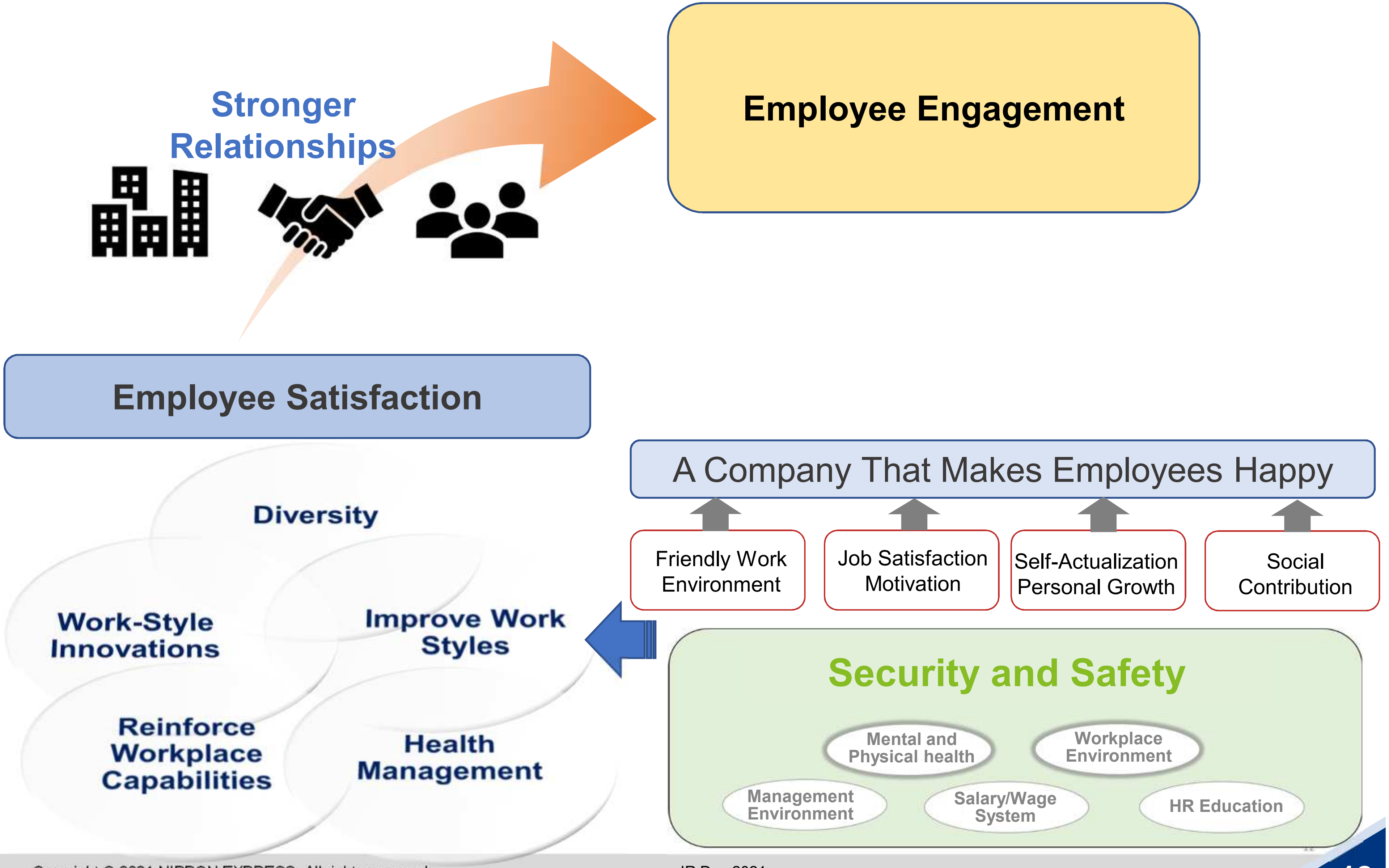
Efforts to Become Carbon Neutral

Identifying Group Status and Setting Targets

Initiatives for Supply Chain Emissions

Contribution to Customer Supply Chains

11. Employee Engagement



Stronger Relationships

Employee Engagement

Employee Satisfaction

Diversity

Work-Style Innovations

Improve Work Styles

Reinforce Workplace Capabilities

Health Management

A Company That Makes Employees Happy

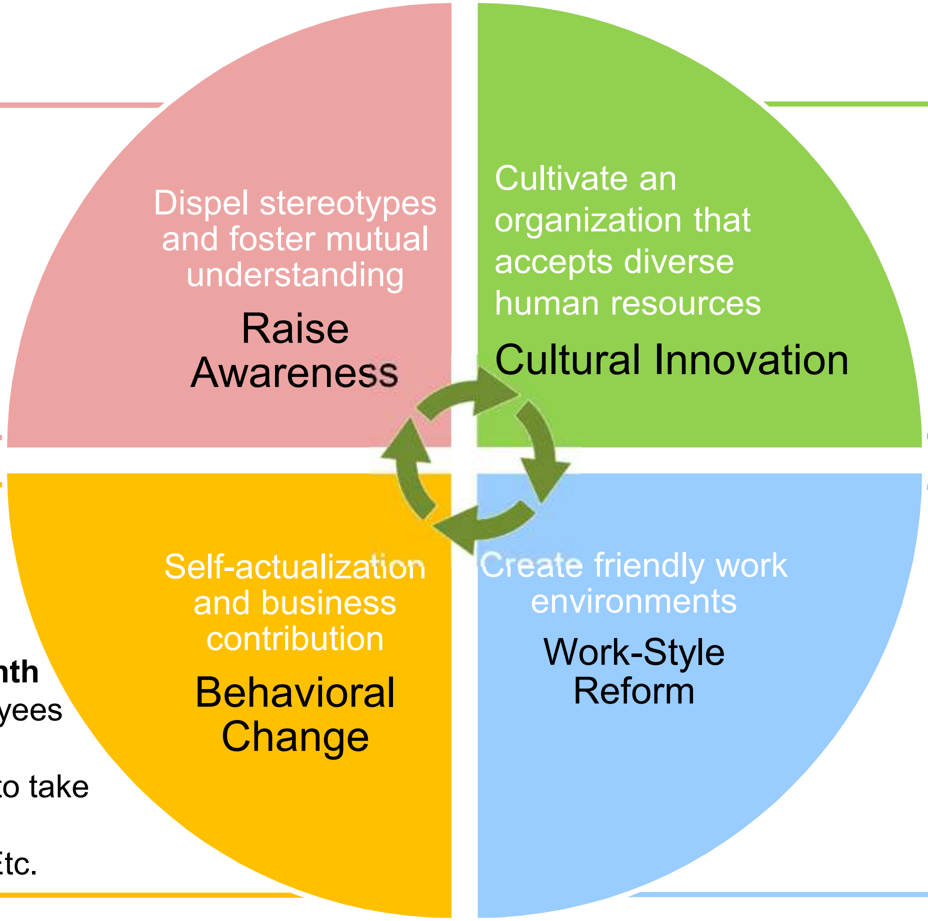
- Friendly Work Environment
- Job Satisfaction Motivation
- Self-Actualization Personal Growth
- Social Contribution

Security and Safety

- Mental and Physical health
- Workplace Environment
- Management Environment
- Salary/Wage System
- HR Education

12. Cycle of Diversity

Foster a Corporate Culture in Which Diverse Personalities Interact Effectively



- Diversity training
- Branch Manager Diversity Declaration
- Dedicated portal site

  Educational activities through in-house newsletters

Etc.

Dispel stereotypes and foster mutual understanding

Raise Awareness

Cultivate an organization that accepts diverse human resources

Cultural Innovation

- Empower women
- Employment of foreign nationals
- Employment of people with disabilities
- Active participation of older workers
- LGBT employee activities

Etc.

Work-Style Innovation

- Address co-workers by respectful names
- Relax dress codes

Diversity Promotion Month

- Encourage male employees to take parental leave
- Encourage employees to take paid vacation days

Etc.

Self-actualization and business contribution

Behavioral Change

Create friendly work environments

Work-Style Reform

- Eliminate long working hours
- Encourage paid vacation
- Systems supporting child, home nursing care
- Systems providing diverse and flexible work arrangements
- Telework

Etc.

13. Diversity Initiatives (Results)

Item	2018	2019	2020	Initiatives
Female employee years of continuous service *Approximately 8 years of employment *Middle: Male employee years of continuous service *Bottom: Difference	48.2% 71.8% 23.6P	50.5% 68.0% 17.5P	55.9% 67.5% 11.6P	By FY2023, female employee continuous years of service will be the same as that of male employees.
Empowering women	43.3% 154	45.0% 191	43.1% 150	(Ratio and number of new female graduates hired for career-track positions) ・Hired 124 new graduates (44.0%) in FYE December 2021 ・Ongoing hiring
Employment of people with disabilities	2.23%	2.27%	2.28%	(Employment rate of people with disabilities) ・July 2021 figure of 2.41% is higher than the legally mandated employment rate of 2.3% ・Consolidation of Nippon Express Group employment management
Employment of foreign nationals	1	3	7	・Ongoing hiring New-hire training
Mid-career hiring	6	15	16	・Strengthen hiring by selecting candidates for targeted management issues by age group
Hire professional personnel	0	0	8	・Strengthen hiring by selecting candidates for targeted individual management issues
Childcare and home nursing care	2.47%	3.11%	14.40%	(Rate of male employees taking childcare leave) ・Encourage male employees to take parental leave ・Encourage remote work ・Provide training on nursing care knowledge
Understand LGBTQ issues	-	-	-	・Implement LGBTQ awareness training

14. Work-Style Innovations

Create Free and Open Work Environments

Address Co-Workers by Respectful Names

- Cultivate mutual respect and recognition among co-workers in the workplace

Relax Dress Codes

- Cultivate a workplace culture that encourages employees to express their individuality

Remote Work

- Pursue flexible work styles not tied to physical workplaces

Annual Paid Vacation Usage

Target: By FY2023, double the rate of paid vacation usage as compared to FY2017

	FY2017	FY2018	FY2019	FY2020
Days Available	21.8	21.8	27.6	27.2
Days Taken	5.3	6.2	11.3	12.2
Rate	24.3%	28.4%	40.9%	44.9%

FYE December 2021 (April 1, 2021 to December 31, 2021)	FYE December 2022 (January 1, 2022 to December 31, 2022)	FYE December 2023 (January 1, 2023 to December 31, 2023)
46%	48%	50%

15. Work-Style Reform and Employee System Reform

Work-Style Reform

■ **Foster mental and physical health, ease of work, job satisfaction and motivation**

•Increase productivity
•Shorten working hours
•Diverse work styles

Consolidate

- ♦Accounting, Payroll, and Office SSC
- ♦Consolidate organizations

Digital transformation (DX)

- ♦RPA
- ♦Paperless
- ♦Remote work
- ♦Online meetings

Revitalize

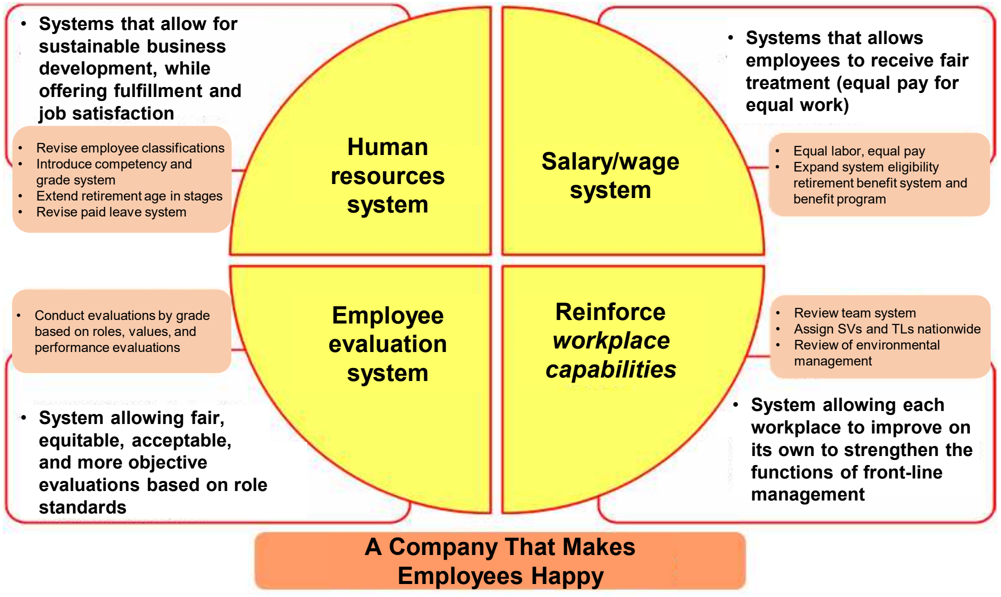
- ♦Employee system reform
- ♦Remote work
- ♦Childcare and home nursing care systems

Changes in overtime work (career-track employees and area employees)

	FY2018	FY2019	FY2020
Overtime hours (average)	37.7	31.0	28.6

Employee System Reform

■ **Improve employee motivation**
■ **Respond to labor shortages and labor-related laws and regulations**



Human resources system

- **Systems that allow for sustainable business development, while offering fulfillment and job satisfaction**
  - Revise employee classifications
  - Introduce competency and grade system
  - Extend retirement age in stages
  - Revise paid leave system

Salary/wage system

- **Systems that allows employees to receive fair treatment (equal pay for equal work)**
  - Equal labor, equal pay
  - Expand system eligibility retirement benefit system and benefit program

Employee evaluation system

- **System allowing fair, equitable, acceptable, and more objective evaluations based on role standards**
  - Conduct evaluations by grade based on roles, values, and performance evaluations

Reinforce *workplace capabilities*

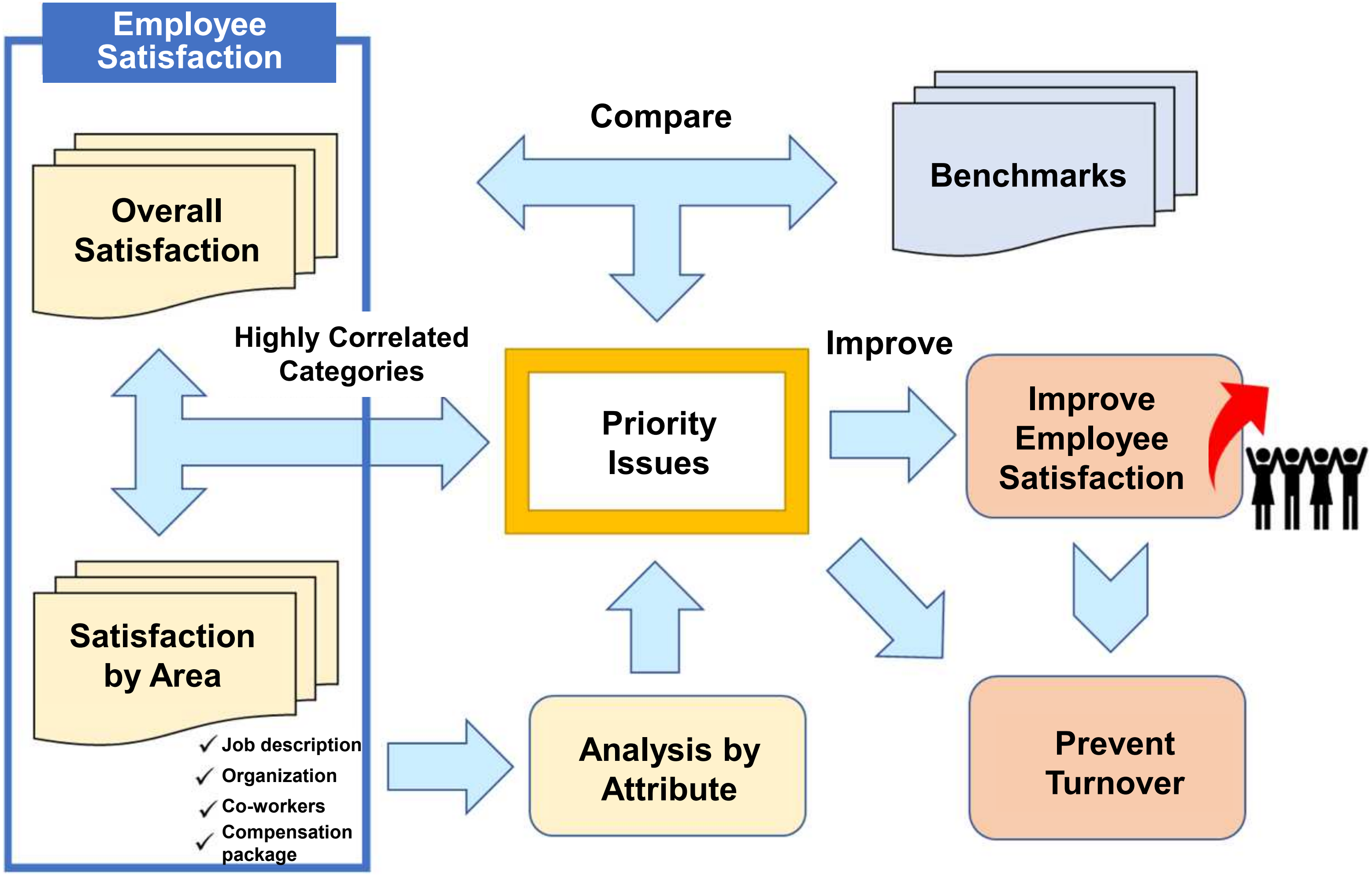
- **System allowing each workplace to improve on its own to strengthen the functions of front-line management**
  - Review team system
  - Assign SVs and TLs nationwide
  - Review of environmental management

A Company That Makes Employees Happy

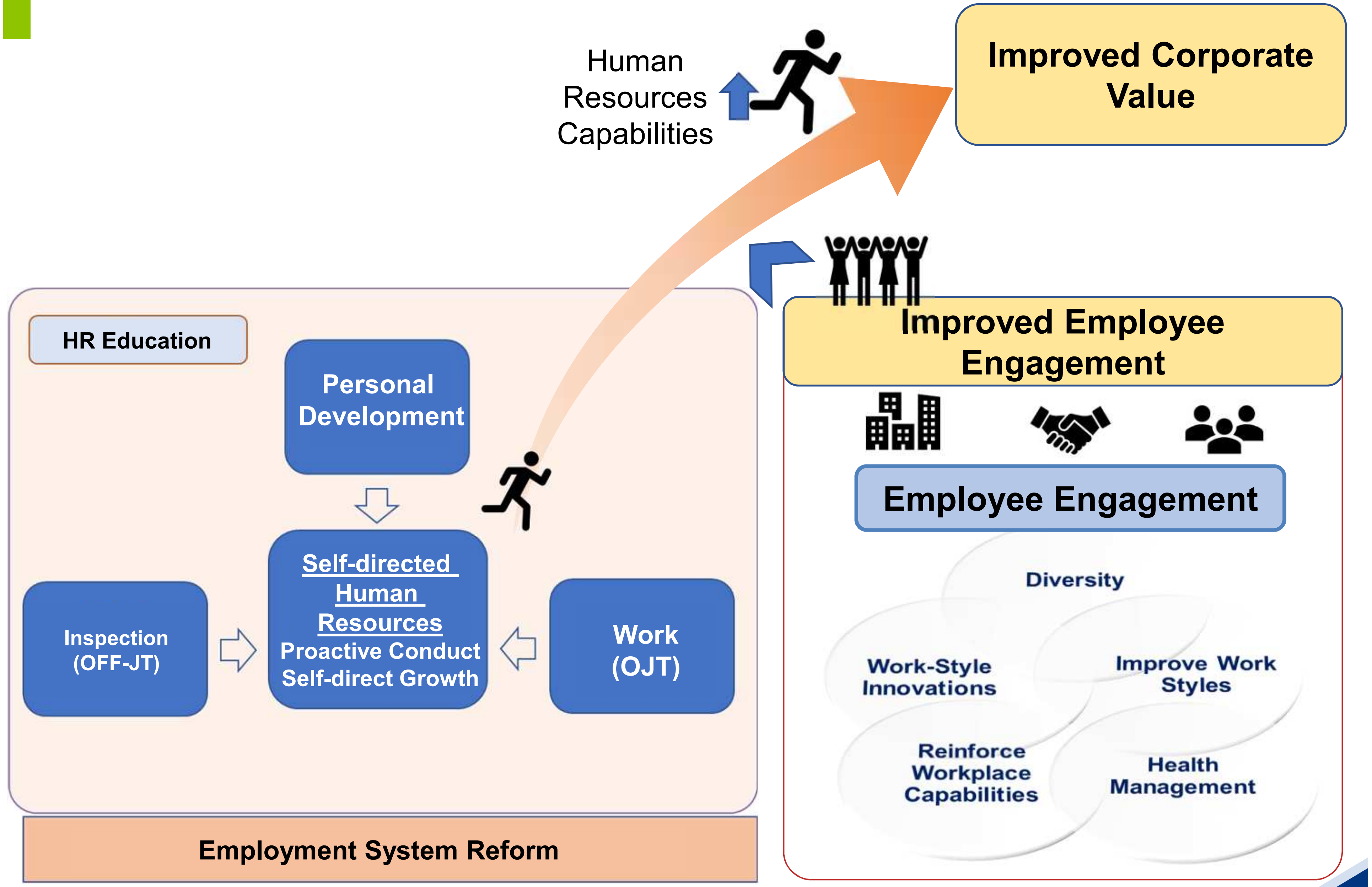
Establish Systems, Improve Productivity, and Reduce Costs

16. Employee Satisfaction Survey

Conduct a regular employee satisfaction survey as a mental health check to improve satisfaction


Employee Satisfaction
Overall Satisfaction
Highly Correlated Categories
Satisfaction by Area
✓ Job description
✓ Organization
✓ Co-workers
✓ Compensation package
Compare
Benchmarks
Priority Issues
Improve
Improve Employee Satisfaction
Analysis by Attribute
Prevent Turnover

17. A New Step Toward Corporate Value Improvement



Improved Corporate Value

Human Resources Capabilities

Improved Employee Engagement

HR Education

Personal Development

Self-directed Human Resources
Proactive Conduct
Self-direct Growth

Inspection (OFF-JT)

Work (OJT)

Employment System Reform

Employee Engagement

Diversity

Work-Style Innovations

Improve Work Styles

Reinforce Workplace Capabilities

Health Management

ESG Management: Part II (Presenter: Takashi Masuda)

18. Materialities Related to Governance

Commitment as a logistics company to reduce CO_2 emissions

E Environment

Become a company that makes employees happy

S Social

Initiatives that support sustainable corporate value growth

G Governance

- **Safety, Compliance, Quality**
- **Shift to a holding company structure with an eye toward an evolution in global governance**
- **Capital Policies**
- **Information Disclosure**

Materiality Topic	Future Ideal	Issues	Risks and Opportunities (Examples)
Strengthen Governance	**Respond to social demands** regarding corporate governance, pursuing **efficient management and building a robust foundation for our businesses** through the integration of land, sea, and air operations, as well as through stronger global governance..	**1. Global group governance** **2. Response to revised CGC** **3. Responses toward safety, security, and compliance**	Risk: Relative decline in reputation in society; damage stemming from risks related to strategy, business operations, finance, etc.

19. Stronger Group Governance via Holding Company Structure

Stronger Group Governance

Offense
(Corporate Strategy Functions)

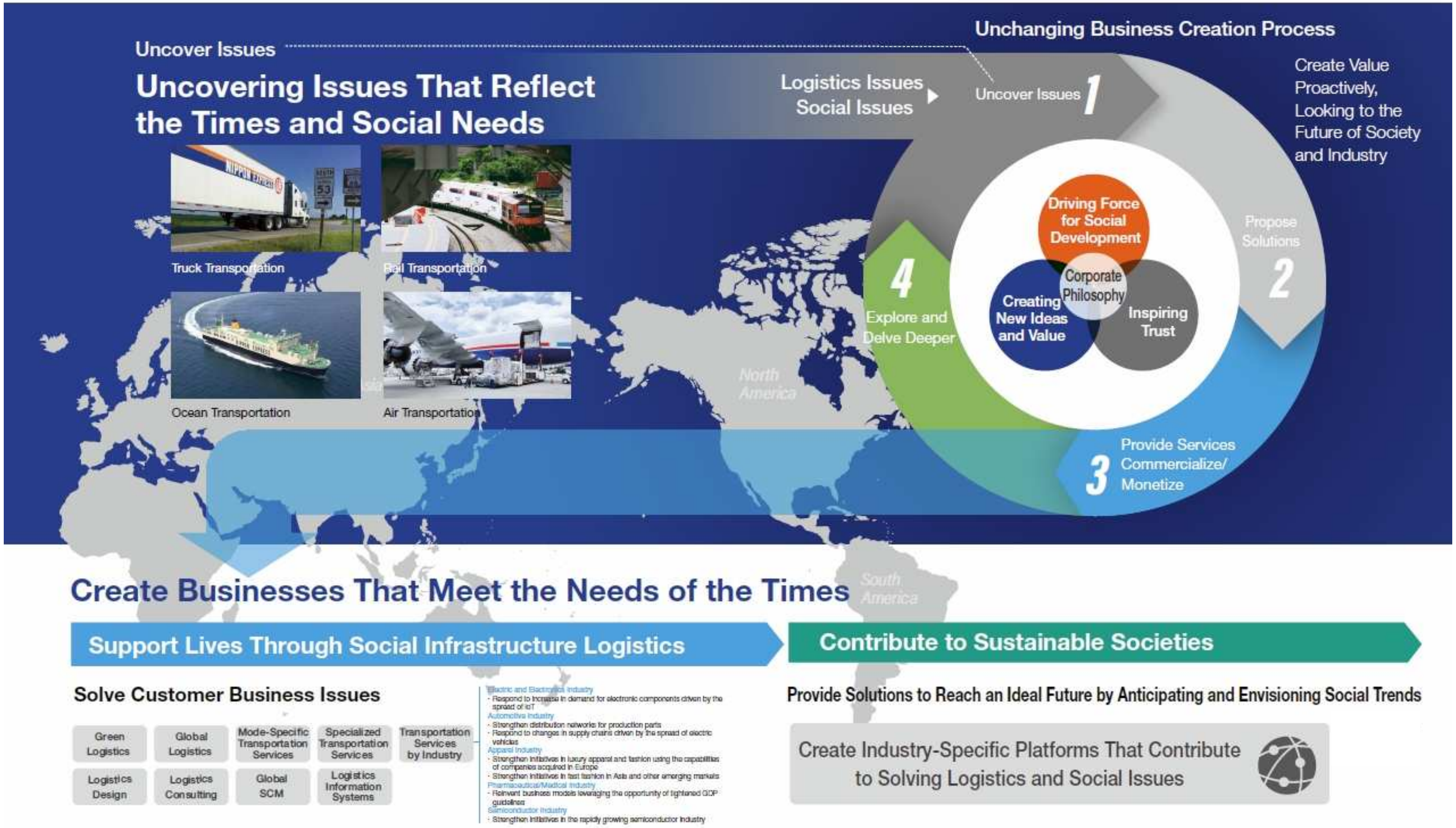
- Group Business Portfolio Management
  - Business portfolio management strategies
  - M&A functions (including Investment Committee)
- Group Strategic Functions Related to DX and Sustainability
  - Sustainability management
  - DX strategy (development and execution)
- Group Finance Governance to Support the Preceding
  - Convert to SAP for advanced business management systems
  - Finance strategy functions

Defense
(Risk Management Functions)

- Restructure Group Management
  - Identify risks affecting the group as a whole
  - Restructure governance by function
- Strengthen Group Compliance Structure, Internal Accounting Systems
  - Pursue compliance; improve safety and quality
  - Global group internal audit functions

20. Business Creation Process

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


Truck Transportation
Rail Transportation
Ocean Transportation
Air Transportation
North America
South America
Logistics Issues
Social Issues
Unchanging Business Creation Process
Uncover Issues 1
Propose Solutions 2
Provide Services Commercialize/ Monetize 3
Explore and Delve Deeper 4
Create Value Proactively, Looking to the Future of Society and Industry
Driving Force for Social Development
Corporate Philosophy
Creating New Ideas and Value
Inspiring Trust

Uncover Issues

Uncovering Issues That Reflect the Times and Social Needs

Create Businesses That Meet the Needs of the Times

Support Lives Through Social Infrastructure Logistics

Solve Customer Business Issues

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

Electric and Electronics Industry
- Respond to increase in demand for electronic components driven by the spread of IoT

Automotive Industry
- Strengthen distribution networks for production parts
- Respond to changes in supply chains driven by the spread of electric vehicles

Apparel Industry
- Strengthen initiatives in luxury apparel and fashion using the capabilities of companies acquired in Europe
- Strengthen initiatives in fast fashion in Asia and other emerging markets

Pharmaceutical/Medical Industry
- Reinvent business models leveraging the opportunity of tightened GDP guidelines

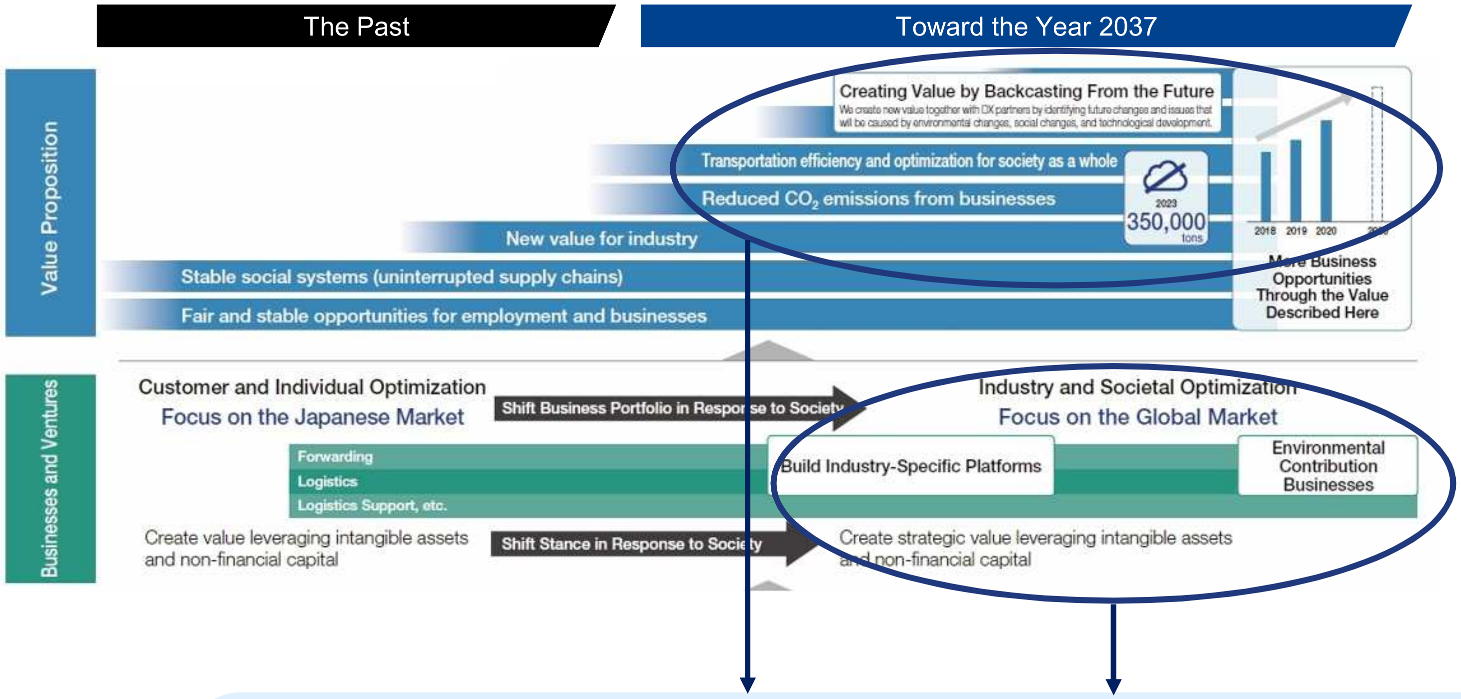
Semiconductor Industry
- Strengthen initiatives in the rapidly growing semiconductor industry

Contribute to Sustainable Societies

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

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

21. Shift Management Resources for ESG Management


The Past
Toward the Year 2037
Value Proposition
Creating Value by Backcasting From the Future
We create new value together with DX partners by identifying future changes and issues that will be caused by environmental changes, social changes, and technological development.
Transportation efficiency and optimization for society as a whole
Reduced CO_2 emissions from businesses
2023
350,000
tons
2018
2019
2020
New value for industry
Stable social systems (uninterrupted supply chains)
Fair and stable opportunities for employment and businesses
More Business Opportunities Through the Value Described Here
Businesses and Ventures
Customer and Individual Optimization
Focus on the Japanese Market
Shift Business Portfolio in Response to Society
Industry and Societal Optimization
Focus on the Global Market
Forwarding
Logistics
Logistics Support, etc.
Build Industry-Specific Platforms
Environmental Contribution Businesses
Create value leveraging intangible assets and non-financial capital
Shift Stance in Response to Society
Create strategic value leveraging intangible assets and non-financial capital

Accumulate New Value

Rebuild Foundation for Business Reform

Reallocate Management Resources for Future Growth

Reinforce Resources Through Alliances and Consortia

・Logistics industry initiatives toward becoming carbon neutral
・Business alliance with NEC in the field of DX

Etc.

NIPPON EXPRESS

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