



## **IR Day 2022 Opening Session**

**Progress Toward and Future Initiatives for the Achievement  
of Our Long-Term Vision and Business Plan**

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**NIPPON EXPRESS HOLDINGS, INC.**

**September 15, 2022**

## Overseas and Domestic Economic Trends (Business Environment)

### ■ Global Economic Trends

Decelerating global economic growth with an uncertain and bleak outlook (IMF World Economic Outlook, July 2022)

- GDP growth rate of 3.2% in 2022, revised downward by 0.4 % from the previous forecast (April 2022)
  - The global economy is slowing due to higher-than-expected inflation in the U.S. and Europe, the lockdowns in China, and the Russian invasion of Ukraine.
  - Japan's GDP growth rate is now estimated at 1.7%, revised down 0.7 % from the previous forecast.
  - Downside risks continue to dominate, with uncertainty due to inflation, the spread of COVID-19, and the impact of the Russian invasion of Ukraine.
- GDP growth for 2023 is now projected at 2.9%, revised down 0.7 % from the previous forecast
  - The growth rate is projected to decline further from 2022 to less than half of last year's 6.1%.
  - Japan's GDP growth rate is projected to be 1.7%, revised downward by 0.6 % from the previous forecast.

### ■ Domestic Economic Trends

Fiscal 2022 growth rate to be lower following the previous announcement (Bank of Japan Economic Activity and Prices Outlook, July 2022)

- GDP growth rate for Fiscal 2022 expected to be 2.4%, down 0.5 % from the previous announcement (April 2022)
  - The main reason was the negative impact on corporate production and exports due to supply constraints resulting from the lockdowns in China and the shortage of semiconductors.
  - The CPI for Fiscal 2022 is projected to be 2.3%, up 0.4 % from the previous forecast.
  - The economy is expected to face significant downside risks in the near term, while also being subject to many upside risks in terms of prices.
- A seventh wave of COVID-19 infections affected economic decisions (Cabinet Office Economy Watchers Survey, August 8, 2022)
  - The DI for current economic conditions fell for a second consecutive month to 43.8, down 9.1 % from the previous month, mainly due to the spread of the seventh wave of COVID-19 infections in July and a sharp rise in prices.
  - The DI for food and beverage and service-related industries declined by a significant 31.2 % and 16.8 %, respectively, month on month.
  - The confidence index for DI is 42.8, down 4.8 % from month on month.

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On the topic of the business environment, the IMF revised its World Economic Outlook in July, setting the 2022 GDP growth rate at 3.2%, a downward revision of 0.4 points from the figure announced in April. Downside risks continue to dominate, with uncertainty due to inflation, the spread of infections, and the impact of the Russian invasion of Ukraine. Amid these conditions, the forecast for Japan was revised downward 0.7 points to 1.7%.

The growth rate for 2023 has been revised downward by 0.7 points to 2.9%, while the growth rate for Japan has been revised downward by 0.6 points to 1.7%. These revisions indicate that the global and Japanese economies are expected to grow at even lower rates than in 2022.

On the other hand, we believe that the global logistics market will continue to expand as the industry responds to changes in the external environment. This, despite changes in the economy and social structure occurring amid a rising awareness of sustainability and a shift toward a with-COVID-19 lifestyles and socioeconomic activities.

We believe it is important to decipher changes and respond to risks, seeing these changes and risks as business opportunities. Therefore, speedy management decisions will be extremely important if we are to respond to changes in the external environment and achieve our growth strategy for our core businesses and strategy to enhance domestic businesses in Japan as described in our business plan, not to mention achieving our long-term vision beyond these goals.

## Financial Results Forecast for FY2022

### Forecast for FY2022

Item	Full-Year Forecast (Jan-Dec 2022)	Previous Forecast (Jan-Dec 2022)	Difference YoY	Difference YoY (%)	Prior-Year Results (Jan-Dec 2021) Pro Forma	Difference YoY	Difference YoY (%)
Revenues	26,000	25,500	500	2.0	23,371	2,628	11.2
Operating Income	1,200	1,100	100	9.1	970	229	23.6
Operating Income Margin	4.6	4.3	—	—	4.2	—	—
Ordinary Income	1,250	1,120	130	11.6	1,010	239	23.7
Profit Attributable to Owners of Parent	1,250	1,160	90	7.8	661	588	88.9

With this direction in mind, I will discuss our current business performance.

As we have already announced, we revised earnings forecasts for the fiscal year ending December 31, 2022.

Although the supply-demand environment has been tight in the air and ocean forwarding businesses, we have not changed our assumption that the supply-demand balance will gradually loosen and earnings will decline. However, the easing of the supply-demand balance did not develop as we projected, resulting in an upward swing in first-half results.

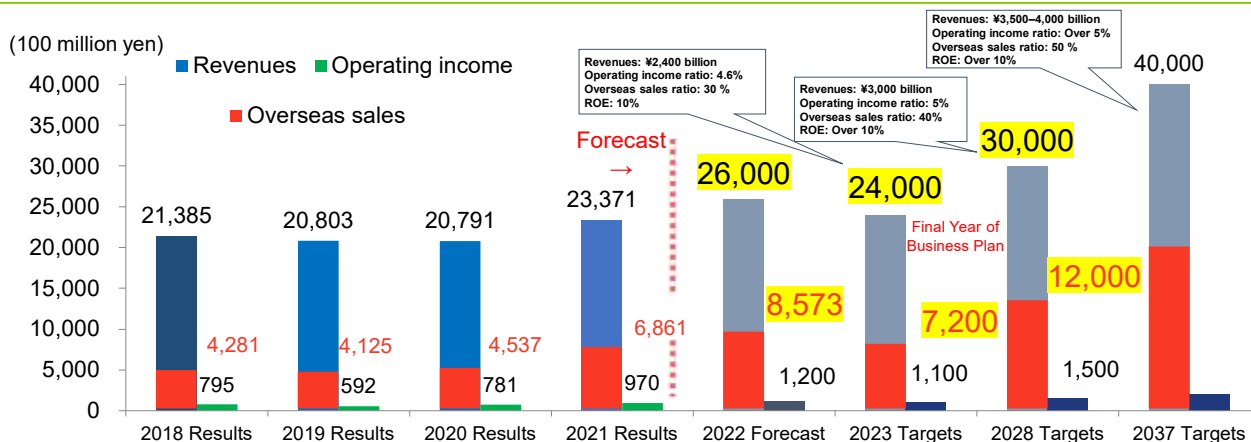
Entering the third quarter, there have been no marked changes in air and ocean forwarding volume, and we expect air and ocean forwarding businesses to remain firm over the second half of the year.

In addition, there is some positive information in the form of an expected resolution to the shortage of semiconductors and a future recovery in the automotive industry. However, as mentioned earlier, strong negative factors exist in the business environment, and we believe we must continue to monitor future trends closely.

At the same time, as we move into the with-COVID-19 era, we forecast a reactionary decline in the overseas and international logistics businesses, which have been business performance drivers. In contrast, we expect expanded volume in our priority industries on a global basis and a recovery in our domestic logistics business to absorb this decline to a certain degree. We will make effective use of our cost control efforts to date throughout the recovery phase.

As of the end of the second quarter, we have not revised our key performance indicators for fiscal 2023, the final year of our business plan. However, we plan to explain our forecast for next year, as well as our dividend policy, at our year-end financial results presentation as we keep a close eye on this year's progress.

## Growth (NX Group Business Plan 2023)



Progress	2018 Results (Apr 2018 to Mar 2019)	2019 Results (Apr 2019 to Mar 2020)	2020 Results (Apr 2020 to Mar 2021)	2021 Results (Pro Forma) (Jan 2021 to Dec 2021)	2022 Forecast (Jan 2022 to Dec 2022)	2023 Targets
Revenues	¥2,138.5 billion	¥2,080.3 billion	¥2,079.1 billion	¥2,337.1 billion	¥2,600.0 billion	¥2,400.0 billion
Operating income	¥79.5 billion	¥59.2 billion	¥78.1 billion	¥97.0 billion	¥120.0 billion	¥110.0 billion
Operating income margin	3.7%	2.8%	3.8%	4.2%	4.6%	4.6%
Overseas sales ratio	20.0%	19.8%	21.8%	29.4%	33.0%	30.0%
ROE	9.2%	3.2%	10.0%	*9-month results 8.9%	18.5%	10.0%

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Now I will discuss the status of our business plan for achieving our long-term vision.

Our long-term vision for the future is to become a logistics company with a strong presence in the global market. Our growth vision is to achieve revenues of 3.5 to 4 trillion yen, half coming from our overseas business, by the year 2037, which will be the 100th anniversary of our founding.

To achieve this goal, the themes of our current business plan 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.

# Progress Toward and Future Initiatives for the Achievement of Our Long-Term Vision and Business Plan

## NX Group Business Plan 2023

### Growth Strategy of Core Businesses

#### Customer-Oriented Approach

- Expanded business with non-Japanese customers through account management, GAM/GTA initiatives, etc.
- Expanded volume in key industries (particularly in mobility and semiconductors)
- Endeavored in the pharmaceuticals/medical business (developed pharmaceutical centers, acquired MDL in the U.S., and obtained GDP certification in various parts of the world)

#### Business-Oriented Approach

- Established a global purchasing system by establishing the Global NVOCC Center (GNC)
- Growth in forwarding volume (70,000 TEU ocean freight and 70,000 tons air freight increase compared to March 2019, surging the COVID-19 pandemic)

#### Area-Oriented Approach

- Steady growth in Overseas Business

### Strategy to Enhance Domestic Businesses in Japan

#### Improve the Profitability of Specialized Businesses

- Consideration of spinning off the security transportation business (spin-off scheduled for January 2023)
- Real estate development business growth

#### Improved Business and Administrative Productivity

- Consolidated branches and streamlined of administrative organizations (March 2018: 54 specified branches ⇒ Jan 2021: 31 specified branches)
- Expanded accounting SSC operations; initiatives for payroll SSC operations

#### Dramatic Reform of Low-Profit Businesses

- Transferred Seikan ferry business · Transferred driving school business
- Liquidated travel business

## Efforts to Implement Our Long-Term Vision

### Inorganic Growth Strategy

- Strengthened pharmaceutical logistics business through the acquisition of MDL (U.S.)
- Nittsu Shoji (currently NX Shoji) shifted leasing business to off-balance sheet
- Established mechanism to liquidize logistics real estate

### ESG Management for Sustainable Growth and Corporate Value Enhancement

- Work-style reforms (telework, easing of dress code, paperless operations, no assigned seating, organizational culture reform (call co-workers by name rather than by title), etc.)
- Employee system reform · Equal pay for equal labor across the group
- Group management structure · Stronger group governance (transition to holding company structure, integrated risk management structure)

### Reinforcing Functions to Support Challenges

- Adopted Microsoft Office365 to reform communications (allows for telework, operations continuity during the COVID-19 pandemic)
- Secured human resources through professional recruitment (mid-career hiring)
- Introduced Group brand and launched new brand strategy initiatives

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 framework for our strategy for strengthening, 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. 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 achieve sustainable development and improve corporate value. These efforts include the details of our long-term initiatives. All strategies and measures are aimed at achieving our long-term vision, and we are sparing no effort to achieve this vision.

# Progress Toward and Future Initiatives for the Achievement of Our Long-Term Vision and Business Plan

## Numerical Targets

Revenues, operating income (margin), net income, overseas revenues, ROE, FWD volume  
By Segment (Logistics, Heavy Haulage & Construction, Security Transportation, Logistics Support)

## NX Group Business Plan 2023 Overview

### Growth Strategy of Core Businesses

- Growth in global markets (Accelerate global business strategy, driven by GBHQ)
- Concentrate management resources in major cities in Japan

### Strategy to Enhance Domestic Businesses in Japan

- Improve profitability of specialized businesses
- Improve sales and administrative productivity
- Engage in dramatic reform of low-profit businesses (Domestic business structural reform)

### Efforts to Implement Our Long-Term Vision

- Inorganic growth strategy
- Reinforce functions to support challenges
- Exercise ESG-oriented business management to realize sustainable development (A Company that makes employees happy)

## FY2022 - FY2023

### Birth of the NX Group

#### Accelerate Reform Through a Holding Company Structure

- Restructure Business Portfolios
  - Restructure group businesses (Reorganize and integrate overlapping businesses and functions among Group companies, Reorganize CF and logistics finance business)
- Strengthen Specialized Businesses
  - Strengthen businesses by spinning off the security and transportation business
- Inorganic Growth
  - Strengthen M&A overseas
- Strengthen Governance
  - Evolve global management functions (Strengthen governance related to risk management and group finance)
- Brand Strategy
  - Global penetration and strengthening of the NX Group brand

**2037 Long-Term Vision**  
A logistics company with a strong presence in the global market

In terms of growth strategy for our core businesses, we are focusing on the customer (industry) axis to expand volume to expand market share and top line revenues by placing account management at the center of our sales approach. At the same time, our basic strategy is to strengthen the Business focus axis as a lever to implement logistics services.

In July, we established the Global Business Headquarters (GBHQ), reorganizing to accelerate the implementation of our business strategy by consolidating and strengthening global business control functions, while clarifying the roles of each group company.

In addition to creating a structure in which the customer (industry) focus and business focus function in tandem, we are promoting foreign nationals to work in the GBHQ. We believe our business structure and human resources must become truly global if we are to expand our non-Japanese client base and compete worldwide.

This transition is not finished, and we will endeavor to strengthen functions and expand our business. We intend to develop a global sales structure and conduct account management as a means to expand sales.

We have achieved results in reducing back office costs and outsourcing costs with respect to our strategy to enhance domestic businesses in Japan. But it is important that we expand market share and generate top-line growth, which is why we focus on these topics.

Underlying these efforts is our growth strategy for core businesses, and we are expanding target industries to those in which we expect future expansion. These industries include the pharmaceutical/medical industry and the semiconductor industry. We believe we must redesign and reform our businesses to accommodate new business models.

This initiative has just begun, but in terms of direction, we endeavor to increase the profitability of our domestic businesses, beginning with growth in our global businesses, concentrating management resources in the Tokyo-Nagoya-Osaka regions, and restructuring our organization to match the market characteristics of each region. At the same time, we believe we can differentiate ourselves and demonstrate our strengths through enhanced railway, small-lot cargo, coastal shipping, domestic air transportation, and other transport modes, or by combining network services.

Now I will address efforts to implement our long-term vision.

First, I will cover the transition to a holding structure and how we are strengthening this structure. Under the previous structure, decision-making tended to focus on the domestic business, which accounted for 70% of revenues. I envisioned the transition to a holding structure when I was named president, seeing this move as an essential step for the further growth of the group. The transition finally came to fruition in January of this year.

With the launch of a new company structure, it will be easier to review our business portfolio, including which businesses to focus on and which businesses to carve out, etc. The holding company structure will also facilitate M&A strategies, which are indispensable for medium- to long-term corporate value enhancement.

At present, we are looking at specific M&A projects from a variety of angles. We consider suitability, including corporate culture, when selecting targets, and proceed after confirming potential synergies and other factors, such as the option of a business alliance prior to the actual M&A transaction.

In conjunction with the transition to a holding company structure, we are strengthening risk management from the aspects of risks and opportunities. In addition, we strengthened the group's financial governance structure, establishing an investment committee and by taking other measures.

We study the allocation of management resources to appropriate regions and businesses on a continual basis to improve capital efficiency, optimize our business portfolio, and reorganize group businesses.

We made the decision to spin off the security transportation business in January next year. Further, we view the reorganization and integration of overlapping businesses and functions within the group, as well as the reorganization of the Japan business, as important matters to address.

Recently, we decided to restructure the logistics finance business. Other specific studies are also underway, which will be implemented gradually beginning with projects that are ready to go.

# Progress Toward and Future Initiatives for the Achievement of Our Long-Term Vision and Business Plan

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**2037 Long-Term Vision**  
A logistics company with a strong presence in the global market

There are two points I want to address in particular, today. The first of these is the optimization of our business portfolio.

Our approach here is not to begin by improving existing businesses, but rather to clearly identify each selected business that leads to our long-term vision of becoming a logistics company with a strong presence in the global market. We move to strengthen those businesses requiring attention, while reorganizing non-core businesses and unprofitable businesses, ensuring a final conclusion for each.

The most important issues as we move forward with reform under a holding company structure is how to raise our top line through M&A strategy and other means, how to optimize our portfolio, and how will the answers to these questions drive us toward achieving our business plan and long-term vision. In answering this question, we envision a company entering a new dimension and standing on the next stage.

Next, I want to address ESG-oriented business management to achieve sustainable development and improve corporate value.

These efforts have been successful in terms of work-style reform, reducing CO2 emissions, etc. In conjunction with the transition to a holding company structure, we established the new Sustainability Promotion Division and DX Promotion Division. In this way, we have enhanced our systems for sustainability management and PDCA in connection with each materiality.

At present, safety and sustainability issues have become a focus under circumstances in which changes have occurred in supply chains due to outbreaks of infectious diseases and the Russian invasion of Ukraine.

At the same time, we see these developments as important changes in the external environment, as we accelerate responses to digital transformation around the world. In particular, we are receiving an increasing number of questions in connection with climate change about the status of Scope 3 initiatives among our customers. We recognize that this is one of the key points of concern when discussing business.

As the external environment changes, we intend to transform ourselves, continue to evolve, and contribute to the creation of sustainable societies.

At the same time, we believe our employees are our most important management resource. After all, our people are the ones who will continue our business and create value through innovation. A company in which employees work cheerfully and energetically with positive attitudes will be a company that is useful to our customers and, by extension, to our shareholders and society as a whole.

I have felt that our efforts from the perspective of employee happiness had been lacking. This is not simply a matter of raising working conditions. I believe it is essential for everyone to feel comfortable at work and take pride in their own job.

Given this premise, I have implemented various approaches under the important message of creating a company in which employees feel satisfied. Since my appointment as president, this idea has been at the core of our management. This is the second specific point I want to make today.

Again, making employees feel satisfied does not mean creating a lukewarm environment.

The first priority is physical and mental health. To this end, I believe it is important to be fair, in addition to improving the openness of the work environment. Fairness means, specifically, that work and jobs are evaluated fairly and that fair wages are paid. It also means that the work performed is recognized and appreciated by the world.

In other words, fairness means that the performance of each employee is properly evaluated. It is important that employees can play an active role autonomously, and it is necessary to create an environment and mechanisms to this end.

We have pursued strategies and measures under our business plan, executing organizational and structural reforms, including the shift to a holding company structure, to achieve our long-term vision.

We have an organization and structure in line with our strategies, and our employees have changed their views, ways of thinking, and ways of acting, reaching a new stage. Our employees truly understand the group's long-term vision, and I can't help but feel a change of corporate culture is taking place.

## Medium-Term Business Plan Progress (KPIs)

### NX Group Business Plan 2023 KPIs of Growth Strategy for Core Businesses

Item Revenues	Japan*1			Overseas		
	2022 Jan-Dec Targets	2023 Business Plan Final Goals (KPIs)	Progress	2022 Jan-Dec Targets	2023 Business Plan Final Goals (KPIs)	Progress
Electric and electronics	¥116.0 billion	¥120.0 billion	97%	¥174.0 billion	¥174.0 billion	100%
Automotive Industry	¥100.0 billion	¥110.0 billion	91%	¥110.0 billion	¥120.0 billion	92%
Apparel Industry	¥18.0 billion	¥20.0 billion	90%	¥77.0 billion	¥80.0 billion	96%
Pharmaceutical/Medical Industry	¥22.0 billion	¥30.0 billion	73%	¥30.0 billion	¥40.0 billion	75%
Semiconductor-Related Industries	¥37.8 billion	¥45.5 billion	83%	¥18.0 billion	¥20.0 billion	90%

Item	2022 Jan-Aug Results	2022 Jan-Dec Forecast	FY2022 Progress	2023 Business Plan Final Goals (KPIs)	Business Plan Goals vs. Forecast (KPIs) Progress
Ocean Forwarding Business*2	500,000 TEU	950,000 TEU	53%	1,100,000 TEU	86%
Air Forwarding Business*2	590,000 TEU	1,100,000 t	54%	1,200,000 t	92%

\* Results, KPI figures for Nippon Express only. \*2 Results, differences (%) rounded to the nearest whole number



## Medium-Term Business Plan Progress (KPIs)

### NX Group Business Plan 2023 KPIs of Growth Strategy for Core Businesses

Item Revenues	2022 Jan-Dec Forecast	2023 Business Plan Final Goals (KPIs)	Progress
Non-Japanese Customer Accounts (GAM · GTA*3)	¥79.2 billion	¥86.9 billion	91%

### NX Group Business Plan 2023 KPIs of Back Office Cost Reductions

\*3 GAM is an abbreviation for global account management. GTA is an abbreviation for global target accounts.

Strategy to Enhance Domestic Businesses in Japan	FY2019 Results	FY2020 Results	FYE December 2021 Results (Apr-Dec)	FY2022 Targets	Cumulative (Apr 2019 to Dec 2022)	2023 Business Plan Final Goals (KPIs)	Forecast vs. KPIs (2023) Progress
Further reorganization of organizations/ streamlining of administrative departments*4	¥1.1 billion	¥2.22 billion	¥0.04 billion	¥0.36 billion	¥3.73 billion	¥4.5 billion	83%
Reform back office processes	¥0.95 billion	¥2.36 billion	-¥0.35 billion	¥1.59 billion	¥4.55 billion	¥5.0 billion	91%
Rate revision	¥2.4 billion	¥1.6 billion	¥0.7 billion	¥1.1 billion	¥5.8 billion	¥5.0 billion	118%

\*4 Figures for results and targets related to "Further reorganization of organizations/ streamlining of administrative departments" indicate the scale and approximate amounts for measures that are to be implemented.



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