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IR Day 2022 Session 2
Strategy to Enhance Domestic Businesses in Japan and
Business Reform Project

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NIPPON EXPRESS HOLDINGS, INC.
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Measures for the Strategy to Enhance Domestic Businesses in Japan

Major Initiatives



1. Raise the Level of Marginal Profit from Operations
(continue to reduce outsourcing cost ratio)
2. Maximize the use of Company Strengths
3. Restructure Sub-Agent Operations Companies
4. Raise Overall Level of Warehouse Operations
5. Automate, Streamline Office Work (Accelerate RPA initiatives)
6. Deepen Integration of Land, Sea, and Air - Pursue Cross-mode Sales
7. Increase Sales of Protect BOX Business
8. Expand Sales of Domestic Air Transportation
9. Increase sales of domestic air cargo containers
10. Expand sales of railroad containers
11. Strengthen and pursue Arrow delivery business
12. Structural Reform of the Moving & Relocation Business

We are working on a variety of initiatives to make our Japanese business more resilient. The major initiatives are as listed here. I will explain the 12 initiatives listed here in some detail.

Overview of Measures to Solidify Japanese Domestic Business

		to FY2020	FYE Dec 2021	FY2022	FY2023
■ Continued decrease in outsourcing cost ratio		Outsourcing cost ratio: Cumulative YoY -3.0%	Cumulative YoY -2.9% (6-months)	Jan-Jun 2022 Cumulative YoY -2.5%	
■ Maximize the use of Company Strengths		Utilization rate: 2H YoY +3.2%	Cumulative Avg. YoY +2.1% (Apr-Dec)	Jan-Jun 2022 Cumulative Avg. YoY +0.6%	
■ Restructure Branch Operations Companies	Support for equal pay for equal work	Complete			
	Restructuring				
■ Raise Overall Level of Warehouse Operations		Logistics Boot Camp: Initiative to expand to 435 warehouse locations nationwide			
■ Automate, Streamline Office Work	Accelerate RPA initiatives	Cumulative time created: 14,383 hours	37,743 hours	June 2022 cumulative 54,807 hours	
	Educating human resources to create RPA		677 employees trained	Training planned for 417 employees	
■ Deepen Integration of Land, Sea, and Air	Organizational development of cross-mode sales				
■ Increase Sales of Protect BOX Business		July 2020 Started sales	15,293 (shipping base)	Results for Jan-Jun 2022 15,884 (shipping base)	
■ Expand Sales of Domestic Air Transportation					
■ Increase sales of domestic air cargo containers (Sea & Rail)					
■ Expand sales of railroad containers (NX Train)				Operations began March 14, 2022	
■ Strengthen Arrow delivery business	Improve productivity through operational improvements		Avg. weekday load factor:	Jan-Jun 2022 YoY +3.3%	
■ Structural reform in the Moving & Relocation Business (improve quality)		Quality improvement initiative using NPS50 as a KPI			
■ Further personnel reassignments (certain back office departments)		FY2020 247 employees			

The following is a chronological list of the initiatives, including those that we have been executing to this point in time.

1. Raise the level of marginal profit from operations (continue to reduce outsourcing cost ratio)

- Leverage company (group) land/sea/air strengths (personnel, vehicles) to the fullest, reducing outsourcing costs, and continue pursuing daily cost controls
- While cumulative revenues between January to June 2022 increased 11.1% year on year, outsourcing costs increased 3.7%. However, the outsourcing cost ratio decreased from 37.0% to 34.5% (-2.5%).
- On an actual basis, net of FWD unit price increases, we calculate that we maintained a roughly -1.0 outsourcing cost ratio, compared to our profit structure prior to the outbreak of COVID-19.

2. Maximize the use of Company Strengths

- We are working at all locations to increase company vehicle utilization rates to maximize company strengths
Jan-Jun 2022 cumulative company vehicle utilization rate: YoY +0.6%
(Jan-Jun 2022 cumulative avg. 55.2%, 54.6% in the year-ago period)
- Developed a tool to collect company-wide information on transferable vehicles, pursuing the effective utilization of company-owned by transferring underutilized vehicles

3. Restructure Sub-Agent Operations Companies

- Continue restructuring as sub-agent operating companies under branches in view of changes to roles, revenue, future prospects, and market trends

In Japan, certain industries served by our domestic business have recovered. However, the spread of infections, slow production due to semiconductor shortages, and other factors have had an lingering impact, and in general, circumstances have not returned to pre-COVID-19 levels. While uncertainties will remain going forward, we will continue to monitor the economy and customer trends, in addition to pursuing our own cost controls.

In particular, we are doing everything we can on the front lines of businesses to reduce outsourcing costs, making use of matching tools and other measures to use the in-house capabilities of the group to the greatest extent possible. As a result, the outsourcing cost ratio for the period from January to June 2022 decreased by 2.5 points year on year.

On an actual basis, net of FWD unit price increases, we calculate that we maintained a roughly -1 point outsourcing cost ratio, compared to our profit structure prior to the outbreak of COVID-19.

The utilization rate of company-owned vehicles for the period from January to June 2022 also improved by 0.6 points compared to the same period in the previous year.

Operating companies under branches play an important role in group competitiveness. Here, we are working to improve the profitability and strengthen the financial position of each company. In response to laws and regulations and in light of changes in the business environment and market trends, we intend to proceed with structural reforms to optimize the group. These changes include management integration with branches and operating companies under branches.

4. Raise Overall Level of Warehouse Operations

1 Initiatives to improve productivity at all corresponding warehouse operations facilities

- As a result of pursuing improved levels of operations at 435 locations, we achieved company-wide targets across all locations

2 Education of core personnel to promote improved productivity in warehouse operations

- In 2021, 17 individuals participated in Logistics Boot Camp, a core human resources development program to promote productivity improvement in warehouse operations. Currently, the program is offered nationwide for core human resources to improve warehouse operations. In fiscal 2022, we will offer the program 18 times between July 06, 2022 and January 2023 for 18 individuals selected from across Japan.

3 Logistics-fluent human resources development

- We implemented training on thinking methods and techniques necessary to improve logistics operations via e-learning over five sessions to foster logistics-fluent human resources across the company

To improve the productivity of warehouse operations, we are pursuing automation and labor-saving measures at 40 selected locations nationwide. In the previous fiscal year, in addition to automation and labor-savings measures, we began other initiatives to improve warehouse operations and make advancements in productivity. We have checked the operations of 435 major warehouse locations across Japan. All locations meet company-wide target levels.

In fiscal 2021, 17 individuals participated in Logistics Boot Camp, a core human resources development program to promote productivity improvement in warehouse operations. These individuals now play central roles in improving warehousing operations across Japan. In fiscal 2022, we will offer the program 18 times between July 6, 2022 and January 2023 for 18 individuals selected from across the country.

We are also conducting training on thinking methods and techniques necessary to improve logistics operations via e-learning over five sessions to foster logistics-fluent human resources across the company

5. Automate, Streamline Office Work (Accelerate RPA initiatives)

➤ Voluntary and autonomous development and deployment of RPA on site

In FY2020, we began deploying an RPA tool (WinActor) for use on the front lines, and we continue to automate site-specific business processes.

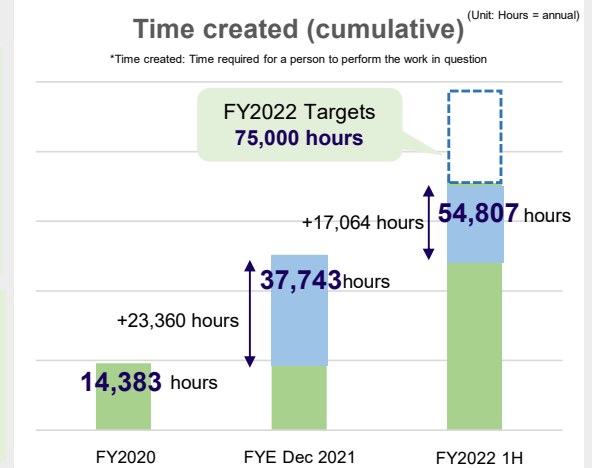
*Development and operation of RPA through consolidation and introduction at head office is promoted by the head office (Information Technology Promotion Division) = RPA (UiPath)

Continue and strengthen training

- Training to broaden usage of WinActor began in FY2021, and a total of 677 people have participated (FY2021 results).
- In FY2022, we plan to change the training system to be more practical and foster higher skills, which should lead to the development of more automation projects (No. of persons scheduled to take the course in FY2022: 417)

Horizontal deployment of already developed, versatile automation examples

- Share automation case studies regularly
- Develop partial scenarios for use in common; make videos of implementation methods
- Identify similar scenarios in each country and make recommendations for standardizing operations



Currently, Nippon Express is pursuing RPA-based back-office productivity in two ways: large-scale company-wide initiatives driven by the Information Technology Promotion Division and simplified local workplace initiatives. For the latter, the Corporate Strategy Headquarters is engaged in efforts to improve efficiency. The headquarters is using RPA software called WinActor to create scenarios for automation and simplification of on-site operations.

Since the start of the initiative, we generated 14,000 hours in fiscal 2020 through RPA. We generated 23,000 hours in fiscal 2021, and another 17,000 hours in the first half of 2022 alone, indicating steady progress.

In the second half of fiscal 2022 and beyond, we intend to continue these initiatives, pursuing further efficiency improvement efforts by introducing examples of automation already in operation horizontally across our organization. Our aim is to achieve 75,000 hours for fiscal 2022.

In fiscal 2021, 677 employees participated in training programs to broaden the scope of training. This year, we expanded the training system for a small number of elite trainees for the purpose of link training with the development of practical projects.

6. Deepen Integration of Land, Sea, and Air - Pursue Cross-mode Sales

Purpose

To expand the scope of transactions with all existing customers and pursue sales beyond the boundaries of transportation modes to acquire new transaction modes.

Initiatives

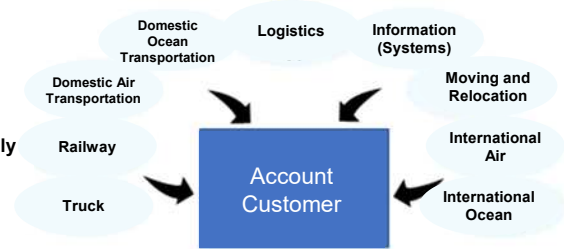
Strengthen initiatives in Japan and cross-mode sales to link international and domestic logistics through seamless logistics



Specific Examples

Account Sales for 266 Major Clients

- We aim to provide end-to-end customer logistics services, with account managers and sales managers driving initiatives across our organization.
- We aim to become an indispensable service provider by focusing exclusively on and strengthening long-term relationships with each client.
- Grow top line revenue by attracting a wide range of customers for our products and services.



As one measure to strengthen area sales in each regional block, we are developing systematic cross-mode sales by utilizing our land, sea, and air sales capabilities. This is a conference of approach to land, sea, and air sales targeting existing customers in all domestic blocks to expand the school of business by acquiring transportation modes other than the modes in current use. We are making strong efforts in this area in addition to sales along industry and business focuses. As one example of our efforts, we are engaging in account sales for 266 selected major customers, aiming for full outsourcing of customer logistics.

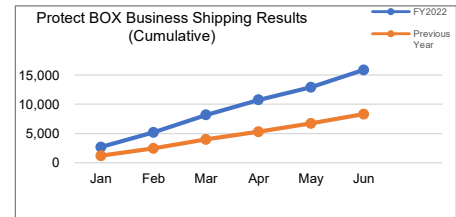
7. Increase Sales of Protect BOX Business

➤ Protect BOX Business Results

Service Features

- ✓ Ideal for small-lot shipments; easy use by businesses
- ✓ Multi-mode unit service that can be used for all transport modes — land, sea, and air

Jan-Jun 2022: Shipment results 15,884 (steady growth at +91% YoY)



➤ Adding to the product lineup to match customer needs

Current Product

Normal Type
Integrated pallet model
1,100×1,100mm

Product Features

- ✓ Reduces cargo damage
- ✓ Eliminates package material costs
- ✓ Repeated use protects the environment

Saves labor on transshipment work



Light Type (pallet separate)

Product Features

- ✓ Customers can use their own pallets
- ✓ Transport pallet as-is from end to end
- ✓ Volume roughly +6%

Support for customers using special size pallets (auto parts manufacturers, etc.)



Wide Type (integrated pallet model)

Product Features

- ✓ Pallet size: 1,400×1,100mm
- ✓ Handles long cargo
- ✓ Volume roughly +28%

We are growing sales of *Protect BOX Business*, which has been very well received as a multi-mode unit service. This service offers boxes of a size convenient for business purposes. This Protect BOX is a pallet-sized transport product featuring a honeycomb core material made of lightweight, strong resin. The BOX can carry a maximum weight of 350kilograms. The BOX is transported on a box unity basis, and has been highly evaluated for its reasonable size and advantages, which include protecting cargo from dirt and damage, significantly reduced packaging materials, and environmental friendliness via repeated usage. Between January and June this year, we handled 15,884 units, representing 91% year on year growth.

We have also added light type and wide type box to our product lineup to meet the needs of our customers. We intend to exploit the features of each type to grow sales across all modes of transportation.

8. Expand Sales of Domestic Air Transportation

➤ Provide air forwarding solutions to meet growing emergency transportation needs

Growing demand for emergency transportation



- **Emergency transportation needs to properly guide disrupted supply chains**
 - Domestic emergency transportation arising from shortage of semiconductors
 - Emergency domestic transportation arising from disruptions in international ocean cargo transportation
 - Domestic emergency transportation arising from increased demand for transportation after the lifting of lockdowns
- **Emergency transportation demand arising from increased demand for medical supplies**
 - Emergency domestic transportation of medical supplies
 - Urgent domestic transportation of COVID-19-related materials (pharmaceuticals, etc.)

Air Forwarding Business Strengths

Shortened delivery times
(Speed)

High quality

Lot freight
(Lot shipments)

High-value cargo

➤ Osaka Airport Cargo Center renovation (October 2021)

Substantial improvement in sorting and processing capacity; more efficient and labor-saving operations
Established a system to transport air cargo to/from Osaka Airport and Kansai Airport more rapidly and reliably
Strengthen the foundation of our domestic air cargo network
Improved capacity and infrastructure at major east-west hubs in our domestic air cargo network through the redesign of our Keihinjima Cargo Center at Haneda Airport



Improve sorting and processing capacity

Automatic sorting capacity increased 1.6 times

Automatic sorting ratio

98%
(29% improvement)

➤ Product Redesign

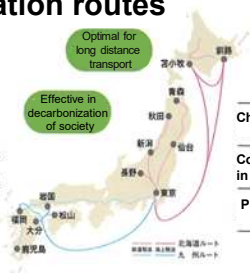
- **Medical Return Service II** (redesigned in June 2022)
Return service for consigned medical devices
(Expanding the scope of this service from the existing catheter-only products to all types of medical devices)
- **Smart Scanning** (redesigned in August 2022)
Document digitization service
(In addition to the box unit service, we introduced a new service digitizing single documents)

In our domestic air transportation business, we are leveraging the strengths of air forwarding to capture growing needs for urgent transportation, driven by recent social developments. After the renovation of the Keihinjima Air Cargo Center at Haneda Airport last year, we plan to renovate the Osaka Airport Cargo Center to increase throughput substantially, to improve work efficiency, and to generate labor savings.

9. Expand sales of domestic air cargo containers

➤ Sea&Rail for multiple transportation routes

- Contribute to ESG management with environmentally friendly and safe transportation services required in a decarbonized society
- Effective solution to overtime limits for drivers under the Labor Standards Act of 2024
- Effective for business continuity plans (BCP), and the use of RSV Hybrid containers can be used to avoid transportation disruption zones in times of disaster
- Shift between rail and ocean without having to remove and reload cargo



Sea & Rail Use Cases



Challenges transporting hazardous materials → Railway transportation for materials that cannot go through the Seikan Tunnel

Concerns about transportation disruptions → Facilitate business continuity, even in natural disasters, in the event of natural disasters by using multiple transportation routes

Pursuit of decarbonization → Environmentally friendly transportation that combines railway and ocean cargo transportation reduces CO2 emissions

➤ Expanding transportation means by handling small-lot cargo shipments



- Commence CFS-CFS consolidation service from the Port of Tokyo to the Port of Tomakomai and the Port of Hakata using containers
- In addition to conventional trailers (20t) and chartered containers (5t), offer a broad lineup for small-lot shipment handling
- Customers can make effective use of vehicles at their convenience by bringing in or picking up cargo at the port.

To expand sales of domestic air cargo containers transportation, we are pushing sales of sea&rail, a domestic intermodal transportation service that combines rail and ocean cargo transportation in a product unique to Nippon Express. This is an environmentally friendly product that offers many advantages, including measures to control work hours of long-distance drivers and the ability to handle transportation disruptions during abnormal weather. We intend to expand sales of this service further by setting up Hokkaido and Kyushu routes to span Japan.

10. Expand sales of railroad containers

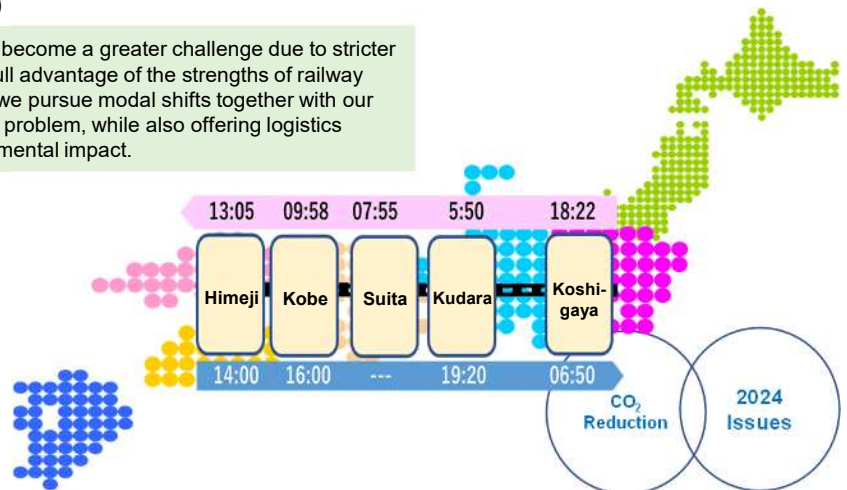
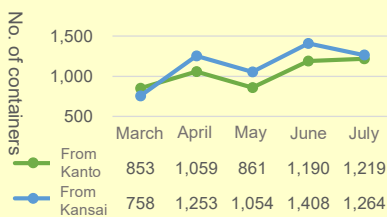
➤ NX Train Sales

- ◆ Chartered railway freight forwarding service [in operation since March 14, 2022].
- ◆ Kanto (Koshigaya) ↔ Kansai (Hyakusai, Suita, Kobe, Himeji)
- ◆ 12 cars of a total 26 (120 round trip)

Long-distance truck transportation is expected to become a greater challenge due to stricter overtime regulations for drivers in 2024. Taking full advantage of the strengths of railway transportation in terms of punctuality and safety, we pursue modal shifts together with our customers as part of our efforts to solve the 2024 problem, while also offering logistics services that reduce CO2 emissions and environmental impact.

Shipping results for Mar-Jul

2022



In terms of growing railroad container sales, we began operating and selling the NX Train service between the Kanto and Kansai regions on March 14, 2022. The NX Train is a product in which a certain number of slots on specific sections and trains in rail container transport are leased out daily. The aim here is to expand sales by leveraging expanded transport capacity and stable supply. We intend to strengthen sales by proposing modal shifts to relieve truck shortages and cost increases due to the 2024 issue. We also intend to sell NX Train as a CO2 emissions reduction logistics service that alleviates environmental impact.

11. Strengthen and Pursue Arrow Delivery Business

➤ Improve productivity through operational improvements

Streamline trunk line system through reviews

Review number of flights on low-load lines; use feeder transportation, etc.

Improve trunk line loading rate Avg. weekday loading rate +3.3% (vs. Jan-Jun 2021 cumulative total)

➤ Expand sales by increasing sales of new products, and cultivating new customers

Increase regular sales of Protect BOX business Jan-Jun 2022: Sales 5,896 (157.3% of previous year)

Pursue cross-mode sales

12. Structural Reform of the Moving & Relocation Business

➤ Improve Quality of the Moving & Relocation Business

➔ Various training initiatives and improvements

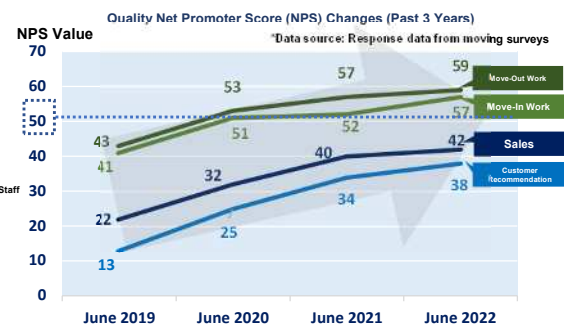
Pursuing quality first as our basic policy, we have enhanced training to improve staff skills to develop professional human resources. We provide a total of 16 different types of training for 7 job levels, including managers, throughout the year

➔ Initiatives using NPS50 as a KPI

Introduced NPS (customer loyalty index) as a quality indicator (June 2019)

Quantify brand loyalty and trust (difficult to measure previously) and implement measures to improve Moving & Relocation Business quality in parallel with expanding workforce

Overall upward trend since June 2019



We will continue to work on both improving efficiency through operational improvements and expanding sales in our Arrow delivery service, which is a combined cargo business. Productivity has been improved to effective significant degree by reviewing our trunk line transportation collection and delivery system. Cross-mode sales in each block and a dedicated team at the head office and sales growth in Protect BOX and other products have been effective, and we will continue our efforts in these areas.

The Moving & Relocation Business pursues a basic concept of quality first. We have improved staff training by level, and we are improving performance in our Net Promoter Score (NPS), which we adopted in 2019 as an indicator of favorability and trust in corporate brands. Before then, these measures had been difficult to quantify. We aim to become the moving service of choice and expand sales further.

Business Structure Reform Project Initiatives

Nippon Express Director: Hiroshi Takahara

Business Structure Reform Project Initiatives

◆ Background

- Achieve the long-term vision of the current business plan
Revenues: ¥3,500 – 4,000 billion Operating income ratio: 5%-plus
Overseas revenue ratio: 50% ROE: 10%-plus

◆ Purpose

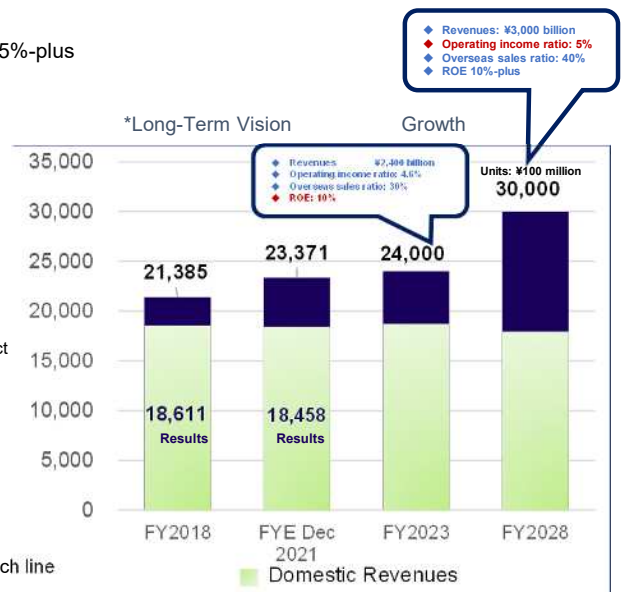
- Determine our ideal state for the final year of the next business plan (tentatively scheduled for FY2028), and build strategies and cornerstones to achieve this vision

◆ To be implemented under the project

- Formulate an action plan backcasted from FY2028 targets
- Reflect action plans and strategies in the next business plan
- Pursue organizational integration and innovation through a cross-functional project
- Build on the current business plan by strengthening and pursuing measures = Prepare for a leap ahead under the next business plan
- Address short-term issues to be resolved by FY2023

◆ Project Implementation Period

- Two years between January 2022 and December 2023 (current business plan fiscal year)
- Phase out over time depending on project progress and execute under each line



Next, I will address our business structure reform project, which we launched this fiscal year as a measure in our strategy to enhance domestic businesses in Japan.

We began this project this fiscal year to win in Japan, our home market, as well as to our foundation for achieving dramatic growth globally and achieving our long-term vision defined under our business plan of becoming a logistics company with a strong presence in the global market.

Under the current business plan, the NX Group is pursuing long-term vision targets of 3.5 to 4 trillion yen in net sales, an operating profit ratio of over 5%, and an overseas sales ratio of 50% by 2037. As you may know, the year 2037 is the 100th anniversary of the founding of the NX Group. And while this 100th anniversary is still 15 years or so away, we recognize that the time will pass quickly, and amid the rising economic uncertainties of today, that we must change gears for further growth beyond the speed of growth to date.

The key elements for this growth include strengthening the ocean and air freight forwarding business and our overseas business, which are currently driving NX Group performance. The other key element is our Japan segment, where we are investing most of our management resources. Another description for this approach is our strategy to enhance domestic businesses in Japan, and we are already underway in this project.

At the start of the project, we selected six areas that we recognize as important issues. Assuming that the next business plan will be implemented over a period of five years, we decided to draw up a vision for each area through the year 2028, which is the final year of the plan. We will examine strategy development, goal setting, and specific issues to be addressed backcasting from this vision.

In this way, we will address short-term issues during the remaining period until the next business plan, strengthen and pursue current measures, and reflect the new strategies and targets defined in this project in the next business plan. We regard this initiative as preparation for a further jump under our next business plan, and we will implement the project over a period of two years.

Business Structure Reform Project Initiatives

◆ Topics to Consider Under Each Project

➤ More than 120 people participated from Nippon Express, NXHD, NX Shipping, NX Transport, etc.

(1) Logistics Division Reform

Optimize and improve functions of SCM by customer Make a positive contribution to customers, designing optimal logistics solutions by mobilizing the collective strength of the NX Group

(2) Railway Utilization Business Reform

Rebuild the NX-brand railway utilization business as a sustainable means of transportation conscious of the decarbonization era; provide market-oriented, high-value-added services, as well as safe and reliable transportation

(3) Small-Lot Shipment Business Reform

Improve profitability by integrating NX Transport and Small-Lot Shipments business and strengthen business by leveraging alliances, etc.

(4) Coastal Shipping Business Reform

Establish the NX Group coastal shipping brand as a brand that covers all ports in Japan and contributes solutions to social issues Reorganize shipping routes and develop new products with a view to forming alliances with other shipping companies

(5) Integrated Business Reform

- Business Focus: Strengthen competitiveness and enhance total logistics solutions
- Sales Focus: Provide one-stop total solutions to customers
- Area Focus: Maximize earnings based on area market characteristics

(6) M&A Strategy

Strengthen competitiveness of forwarding business from Asia (main battlefield) and enhance our ability to respond to market needs in each region tied to industries and businesses Strengthen pursuing M&A structure

At this point, I want to offer a more specific discussion of the business structure reform project.

As I mentioned earlier, we categorized the project into six major areas, forming teams under a cross-organizational structure. The six project categories are the following: (1) Logistics Business Reform; (2) Railway Utilization Business Reform; (3) Small-Lot Shipment Business Reform; (4) Coastal Shipping Business Reform; (5) Integrated Business Reform; and (6) M&A Strategy Each is led by an executive from the line organization with jurisdiction over the area. Approximately 120 members have been selected from Nippon Express, the holding company, and other group companies to engage energetically in these activities.

Since specific discussions began in mid-March of this year, about six months have now passed since the actual activities began. Each category covers a wide range of areas, so we established specialized subcommittees to deepen specific discussions. These subcommittees also work closely with each other in areas that are interrelated. For example, strengthening our network transportation products will require collaboration between transportation and small-lot organizations, as well as between small-lot and integrated, coastal shipping and transportation. To avoid duplication of discussions and other inefficiencies, we ensure that information is shared through regular meetings among leaders and integrate subcommittee meetings.

Through the initiatives of these projects, we aim to provide optimal logistics solutions by mobilizing the collective strength of the NX Group. At the same time, we are performing zero-base reviews of businesses we have nurtured and cultivated historically refusing to be bound by the status quo. In this way, we will rebuild our position as a leader in the industry and foster an unshakable level of competitive strength.

Accordingly, we recognize that we will need to take bold steps to allocate management resources, reorganize, optimize our business portfolio, and implement M&A (including business alliances), and engage in other strategies. In this sense, the transition of the NX Group to a holding company structure this fiscal year has created an environment that makes it easier for us to review our portfolio, etc. We intend to proceed with business structure reform with a sense of urgency.

We will continue to deepen our discussions and implement measures that can be started immediately by incorporating them into line operations as we solidify recommendations for the next business plan. Due to the nature of these projects, it is difficult to present external and quantitative results. But we hope to continue to provide updates on the status of our efforts and other details as appropriate.



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