



We Find the Way

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

**Nippon Express Co., Ltd. Executive Vice President**  
**and Representative Director: Eiichi Nakamura**

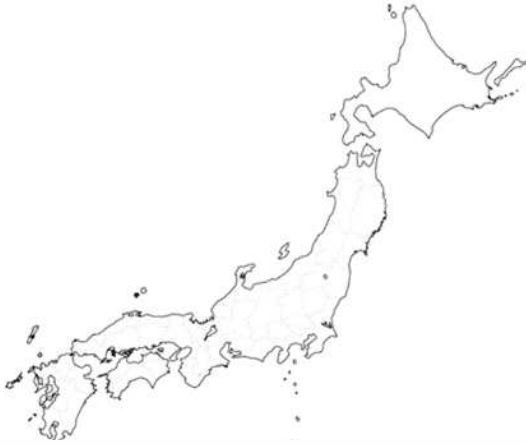
**Director: Hiroshi Takahara**

**NIPPON EXPRESS HOLDINGS, INC.**  
**September 15, 2022**

# 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



# 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% (9-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			

## 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

## 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

## 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.

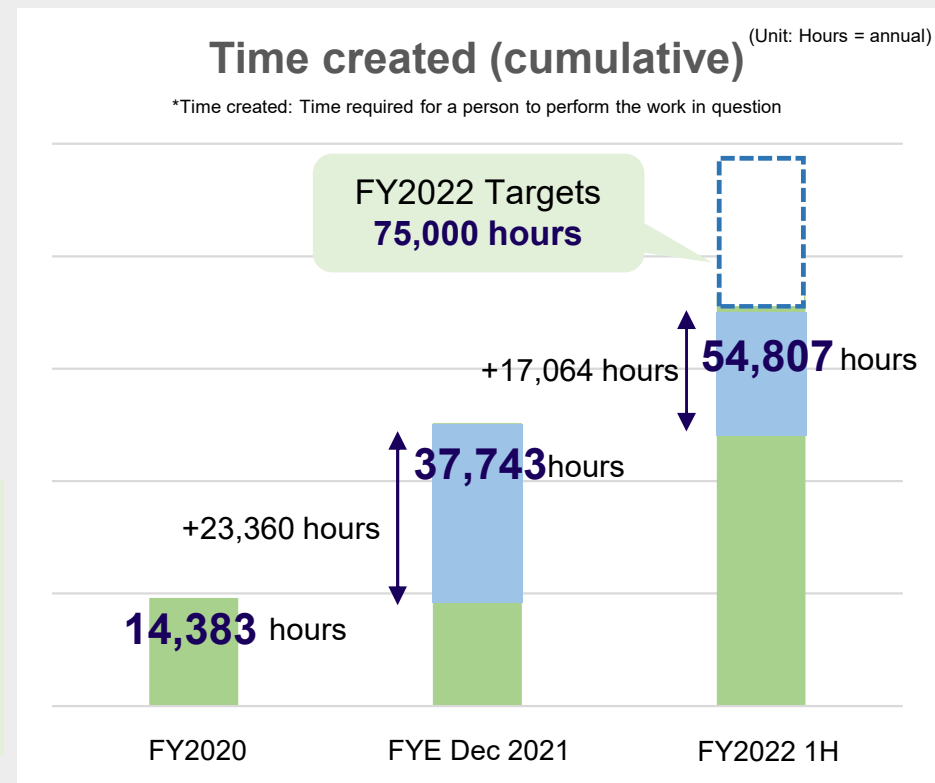
\*Development and operation of RPA through consolidation and introduction at head office is promoted by the head office (Information Technology Promotion Division) = RPA (UiPath)

#### Continue and strengthen training

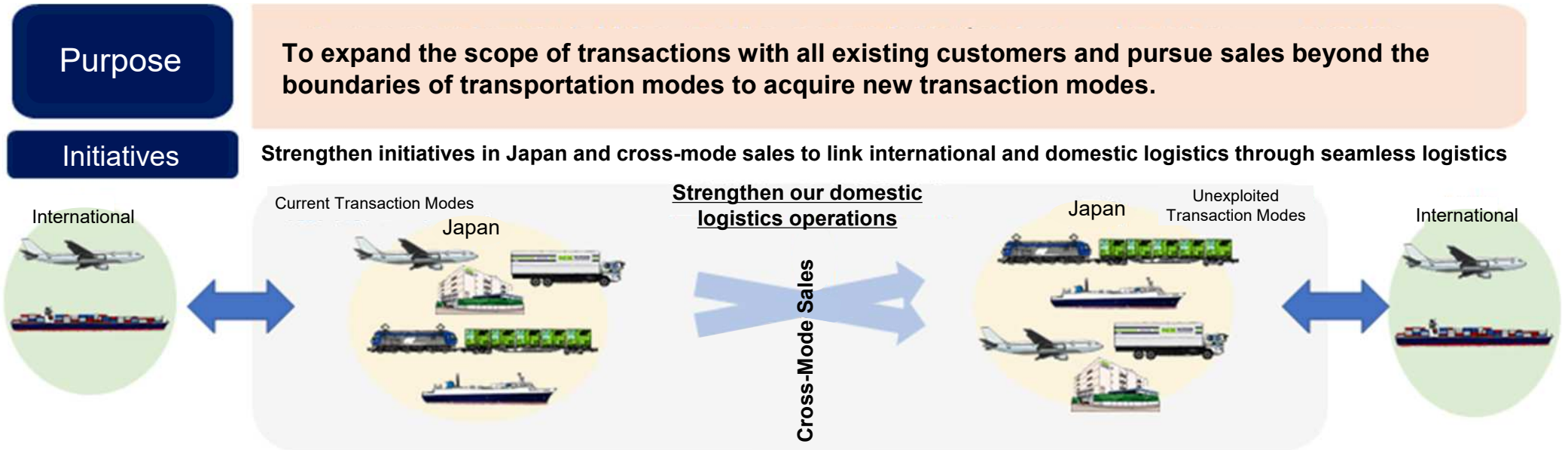
- Training to broaden usage of WinActor began in FY2021, and a total of 677 people have participated (FY2021 results).
- In FY2022, we plan to change the training system to be more practical and foster higher skills, which should lead to the development of more automation projects (No. of persons scheduled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



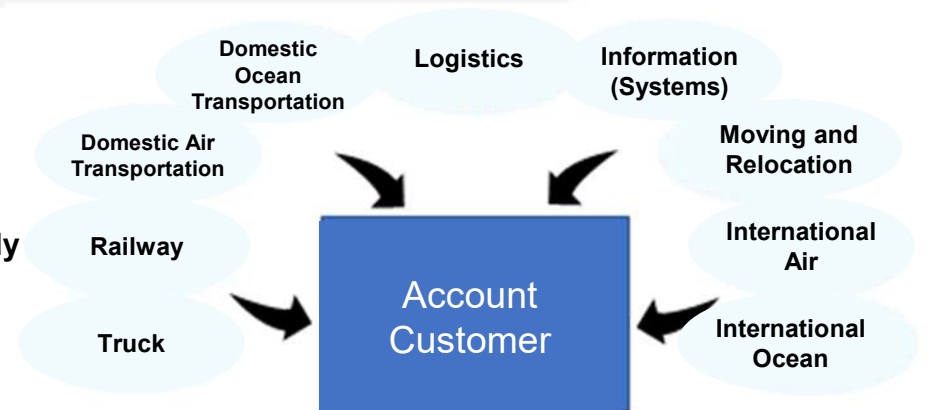
# 6. Deepen Integration of Land, Sea, and Air - Pursue Cross-mode Sales



## ➤ 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.



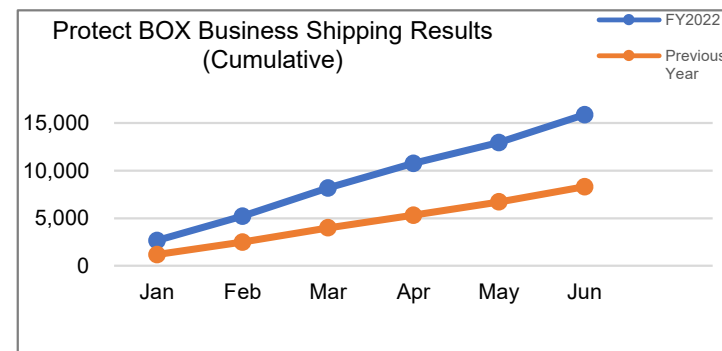
# 7. Increase Sales of Protect BOX Business

## ➤ 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



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



### Light Type (pallet separate)

#### Product Features

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

### Wide Type (integrated pallet model)

#### Product Features

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



## 8. Expand Sales of Domestic Air Transportation

### ➤ Provide air forwarding solutions to meet growing emergency transportation needs

Growing demand for emergency transportation



Air Forwarding Business Strengths

Shortened delivery times  
(Speed)

High quality

Lot freight  
(Lot shipments)

High-value cargo

#### ■ 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.)

### ➤ 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)

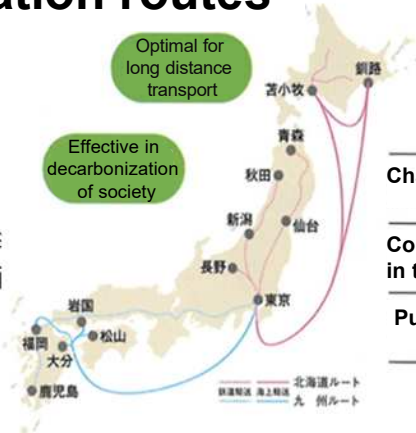
#### ■ Smart Scanning (redesigned in August 2022)

Document digitization service  
(In addition to the box unit service, we introduced a new service digitizing single documents)

# 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 in the event of natural disasters** → Facilitate business continuity, even in 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



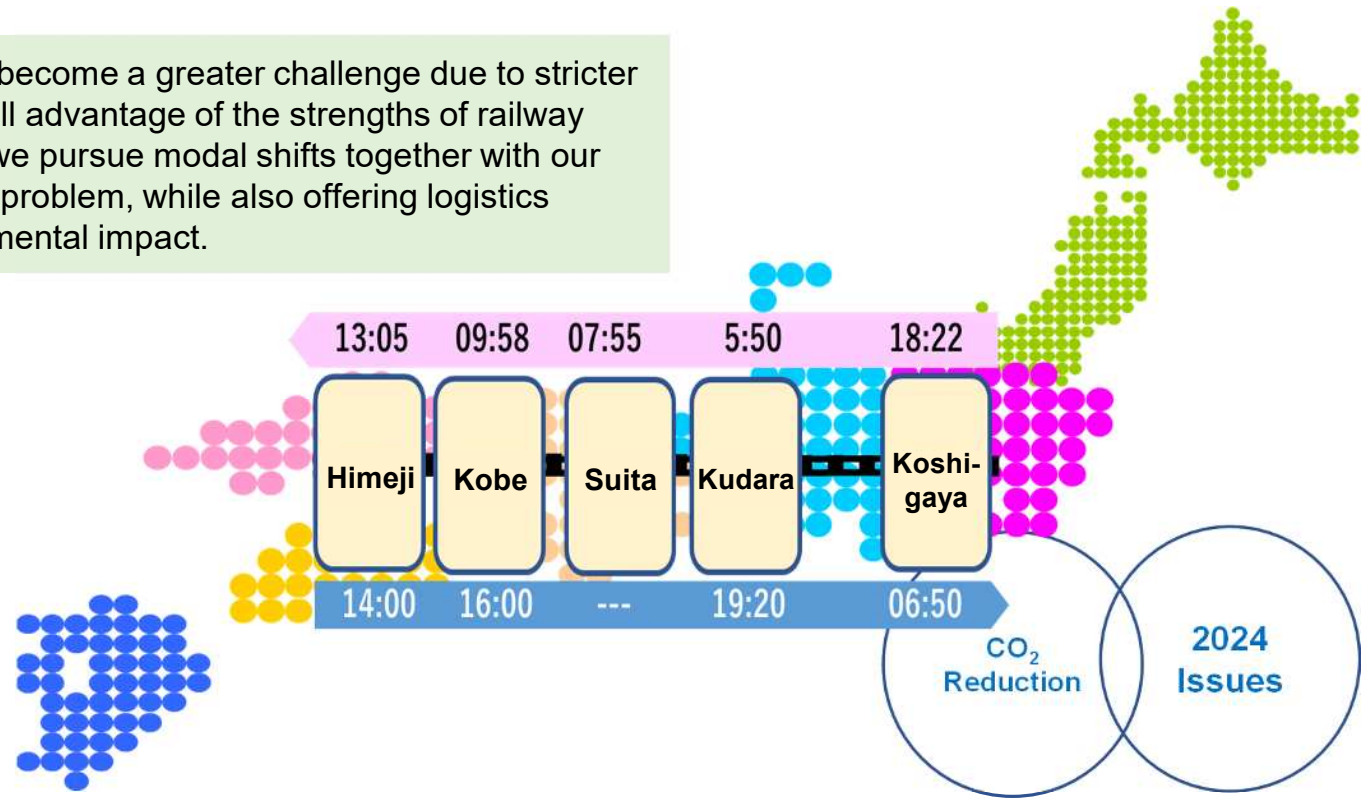
- Commence CFS-CFS consolidation service from the Port of Tokyo to the Port of Tomakomai and the Port of Hakata using containers
- In addition to conventional trailers (20t) and chartered containers (5t), offer a broad lineup for small-lot shipment handling
- Customers can make effective use of vehicles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

# 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.



# 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

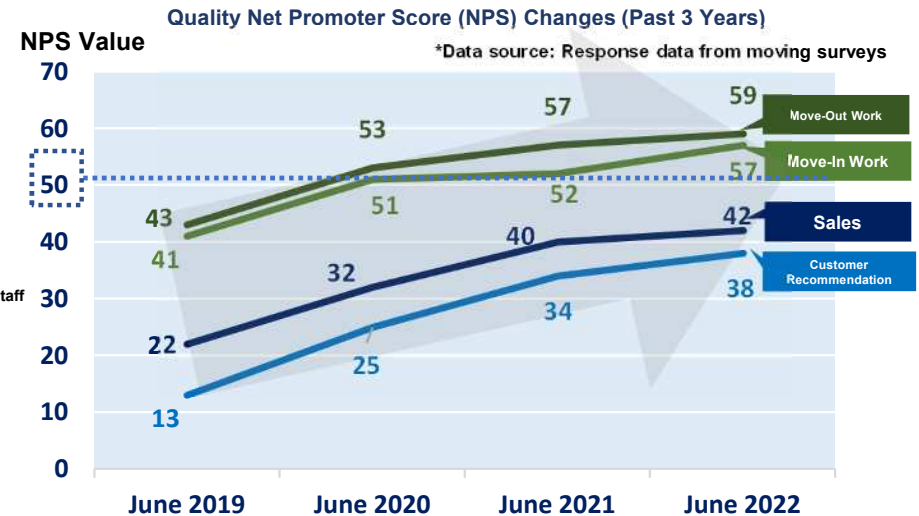
Pursuing quality first as our basic policy, we have enhanced training to improve staff skills to develop professional human resources. We provide a total of 16 different types of training for 7 job levels, including managers, throughout the year

### ➔ 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



# 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

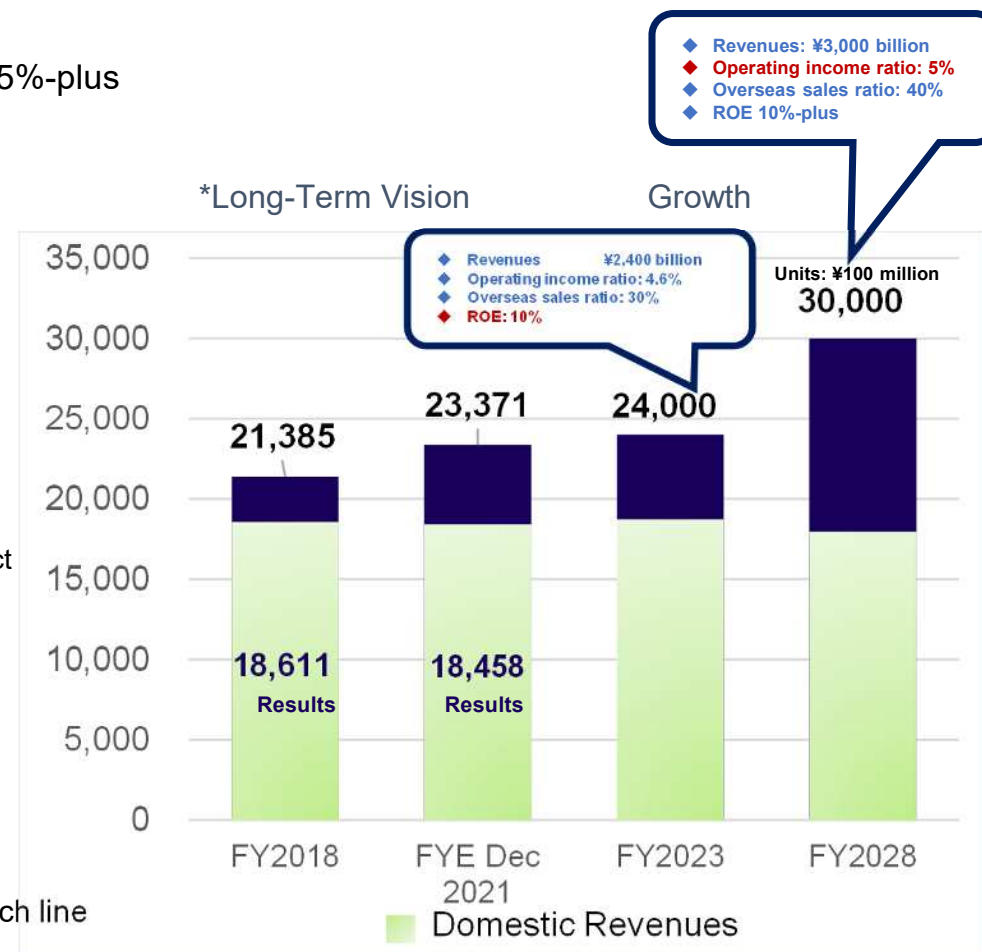
- Determine our ideal state for the final year of the next business plan (tentatively scheduled for FY2028), and build strategies and cornerstones to achieve this vision

## ◆ 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



# Business Structure Reform Project Initiatives

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## ◆ 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



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