



IR Day 2023 Session 2

Global Business Growth Strategy and the PMI System to Expand Synergies

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NIPPON EXPRESS HOLDINGS, INC.

September 14, 2023

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Today's Agenda

- **Global Business Growth Strategy**
- **Specific Initiatives for Customers (Industries)**
- **Specific Initiatives in Business Focus (Forwarding/Logistics)**
- **The PMI System to Expand and Achieve M&A Synergies**

In this session, we will reiterate the main points of the three-axis approach being promoted by the global business headquarters, or GBHQ, with regard to global business growth strategies. We will explain our strategies and initiatives in the semiconductor, pharmaceutical, and apparel industries, which are expected to grow and are currently the focus of our efforts, as well as the current status of our account management practices as a method for promoting sales strategies, including in priority industries.

In addition, from the perspective of our business axis, I would like to explain the current status of our forwarding business, our efforts to improve purchasing power to strengthen our competitiveness, and the development of end-to-end logistics solutions to expand our business. In addition, I would like to explain PMI's strategy regarding the M&A projects announced this fiscal year.

Growth Strategy of Global Business

< Promoting the 3-axis approach >

FY2023
Headquarter Policy

Deliver Your Dynamic Growth



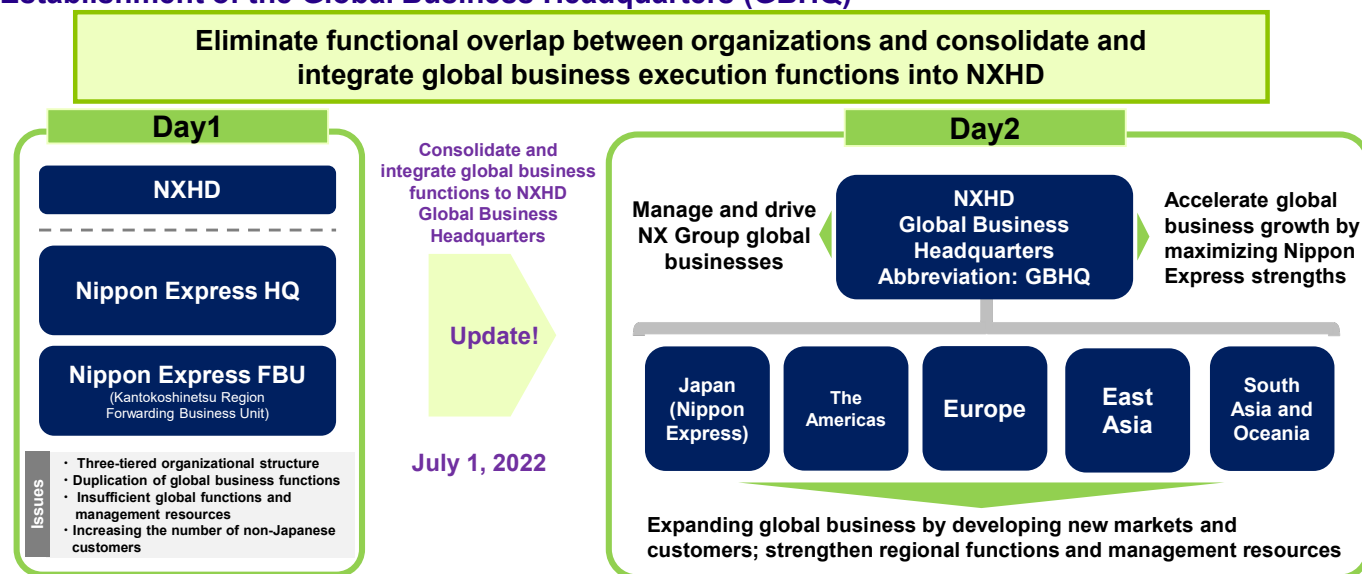
We aim to grow and expand our global business based on the three-axis approach set forth in our management plan. To reiterate the main points of this approach, we aim to expand volume through an industry-axis strategy centered on five priority industries, strengthen our account management system as a sales approach, and in particular, strengthen our sales structure to promote sales to GAM (Global Account Management) and GTA (Global Target Accounts), which we have set as our customers.

At the same time, the basic concept is to expand business by strengthening global purchasing in the forwarding business and reinforcing the system to expand sales in the logistics business, and by rotating both the customer and industry axis and the business axis.

Furthermore, on the area axis, in addition to targeting industries and customers according to area characteristics, we have made it a policy to develop areas and actively invest in areas that contribute to network expansion based on the competitive environment of the business, and we are implementing a series of measures.

Growth Strategy of Global Business

Establishment of the Global Business Headquarters (GBHQ)



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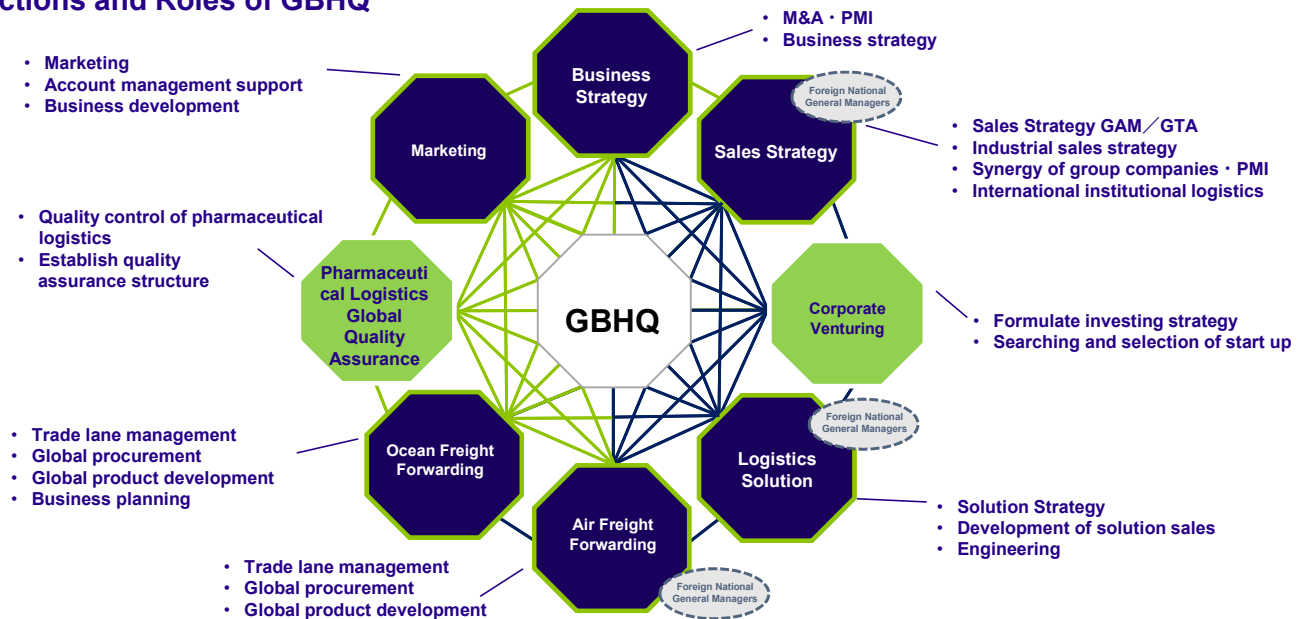
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We Find the Way

We are building an optimal organizational structure to accelerate the implementation of strategies based on this three-axis approach, and I would like to briefly review our efforts to date.

First, for the purpose of expanding functions and reorganizing the organizational structure for global business expansion, the dispersed global business promotion structure was consolidated into the global business headquarters of the Holdings, or GBHQ for short, in July 2022, following the transition to the Holdings structure in January 2022. Now, we are strengthening our capabilities while working to expand our global business by developing new markets and customers.

Growth Strategy of Global Business

Functions and Roles of GBHQ



As for the structure of GBHQ, we are continuing to globalize and optimize the organization by establishing functions necessary to compete with global competitors, such as the newly established global quality assurance office for pharmaceutical logistics and organizing the division of roles between the Holdings and each region.

In addition, led by a team of foreign department heads, we have accelerated our efforts in sales measures related to customer management and measures to strengthen purchasing, such as global bidding, while also using the efforts of global mega forwarders as benchmarks.

As shown in the materials, GBHQ currently consists of seven divisions and one office, including PMI functions related to M&A, and all the functions that need to be led and driven by the headquarters in order to expand the Company's global business. We will discuss this detail again during today's session three.

Specific Initiatives in Business Focus (Forwarding)

Forwarding Volume Results

Figures for results, progress, and differences have been rounded

| Item | 2023 Jan-Aug Results | 2022 Jan-Aug Results | Difference YoY (%) | FY2023 Business Plan Targets | Vs. Business Plan Targets Progress |
|----------------------------------|-------------------------|-------------------------|--------------------|------------------------------------|--|
| Expand ocean forwarding business | 470,000 TEU | 500,000 TEU | (6%) | 1,100,000 TEU | 43% |
| Expand air forwarding business | 450,000 t | 590,000 t | (23%) | 1,200,000 t | 38% |

| Item | 2022 Jan-Dec Results | 2021 Jan-Dec Results | 2020 Jan-Dec Results | 2019 Jan-Dec Results |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Expand ocean forwarding business | 760,000 TEU | 750,000 TEU | 660,000 TEU | 700,000 TEU |
| Expand air forwarding business | 870,000 t | 970,000 t | 720,000 t | 800,000 t |

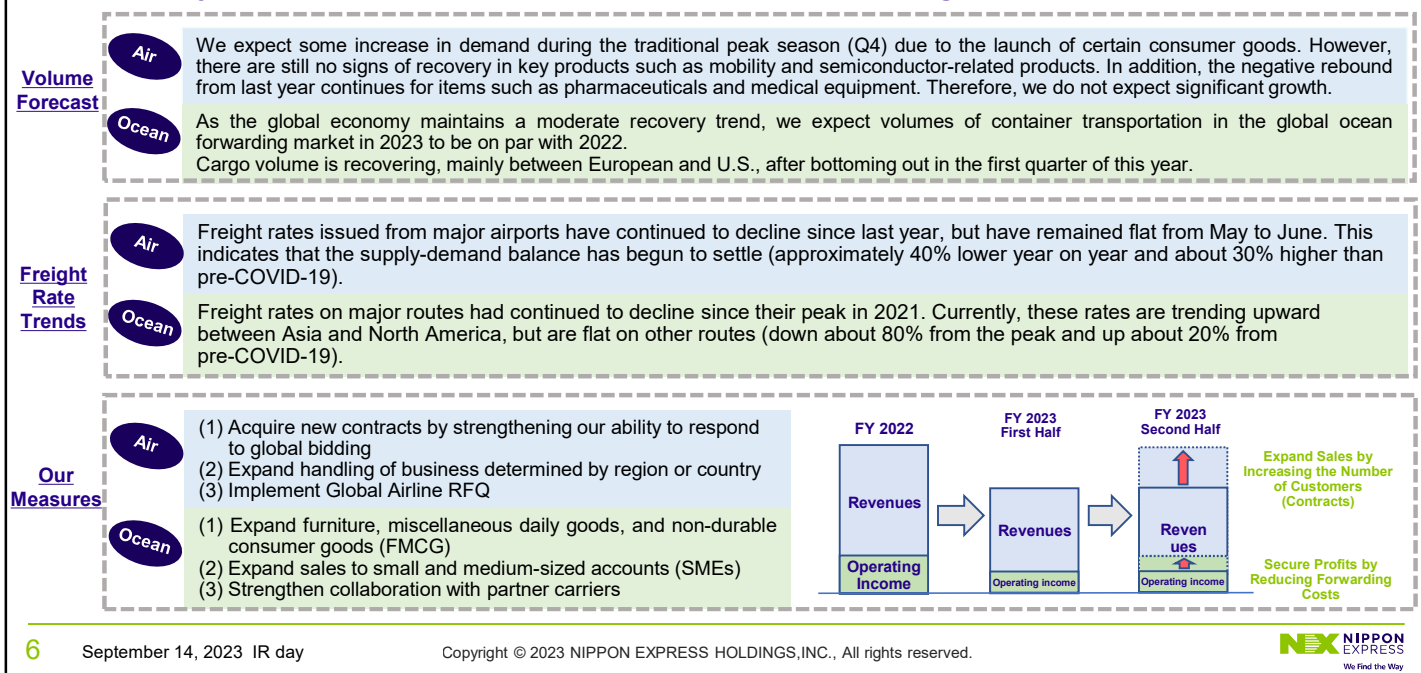
First, regarding the current business strategy environment for air and marine forwarding, as shown in the document, the volume of both air and marine forwarding through August is lower than last year 2022.

The overall market for air and marine forwarding has also been affected by the continued sluggish demand due to multiple factors, such as a reactionary drop in air transportation demand caused by the resolution of the sea transportation disruption, economic slowdown in Europe and China, and delays in inventory adjustment, which has had a significant impact on our handling volume.

There are signs of gradual progress in inventory adjustment, and we expect a certain level of demand increase through Q4, including peak season, but we do not expect a significant increase in demand and view the situation as difficult to achieve the final target of the management plan.

Specific Initiatives in Business Focus (Forwarding)

Market Analysis and Our Responses in Ocean and Air Forwarding



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Under these circumstances, we believe it will be important to enhance our competitiveness and prepare for a significant increase in forwarding volume, an important goal for achieving our long-term vision, so that we can achieve a significant increase in volume during the phase of recovery in the volume of goods handled.

Based on the customer and industry axis approach I have explained so far, we will improve sales by acquiring new customers by strengthening our competitiveness in global bidding and by expanding the handling of so-called FMCG, such as furniture, miscellaneous daily goods, and non-durable consumer goods in ocean freight forwarding. At the same time, the Company will improve profitability by reducing utilization costs through enhanced purchasing power.

During the period of the current management plan, we have promoted the establishment of a centralized purchasing system for shipping forwarding and have achieved a certain level of success in strengthening our purchasing power from handling shipments to and from Japan. We have been accelerating our efforts to strengthen our forwarding infrastructure by expanding our global scope while benchmarking the efforts of global mega forwarders.

Specific initiatives to improve purchasing power in the air and marine forwarding business include global airline bidding initiatives in air and efforts to build strategic partnerships with carriers in marine transportation.

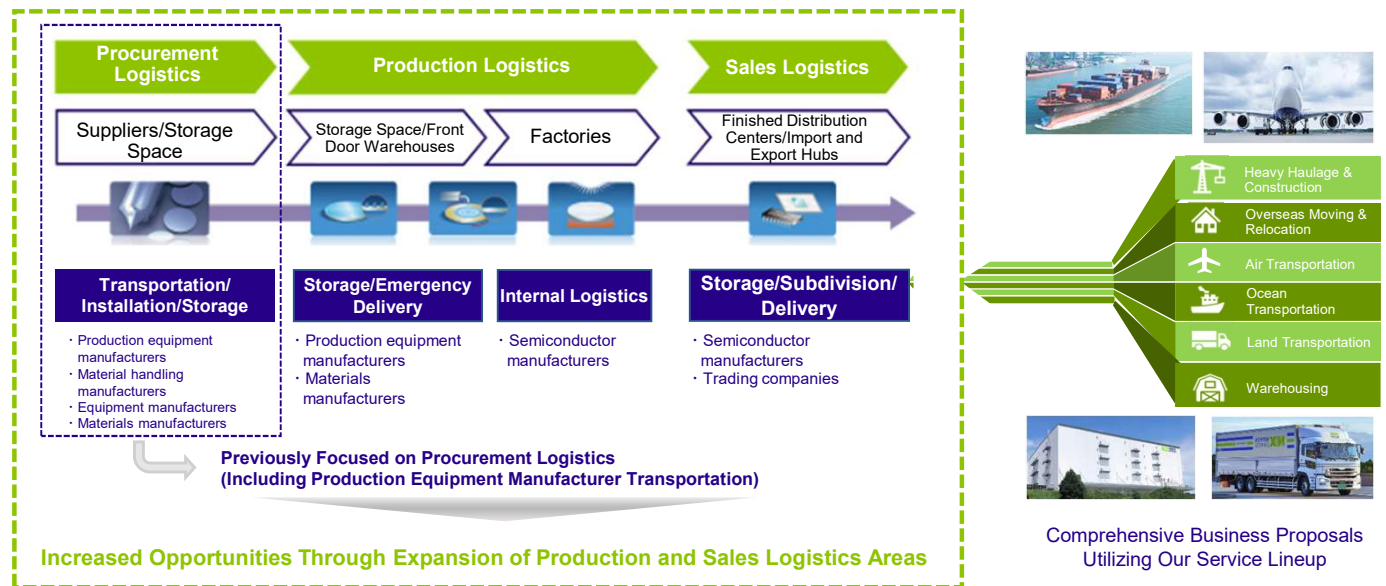
With regard to global airline tenders, we are taking action to achieve highly competitive purchasing by leveraging our high presence on Japanese routes and extracting more desirable terms and conditions from partner carriers, even on intercontinental routes.

We held our first global airline tender for the summer season of 2023 and achieved certain purchase cost reductions. In the future, we will further increase the number of lanes and airlines to be selected, and improve operations to increase the efficiency of consolidation, thereby further increasing the effectiveness of the program.

The objectives of strengthening cooperation with specific carriers in marine transportation are to enhance environmentally friendly transportation services and high value-added services for specific cargoes that we aim to expand our handling, and to improve logistics efficiency and reduce costs through the development of new transportation routes. As an example, we are strengthening our cooperation with global carriers based in Asia and plan to continue working with several major shipping carriers.

Specific Initiatives for Customers (Industries)

Expansion of Sales Areas in the Semiconductor Industry



As for the global market for semiconductors, growth is slowing in semiconductor production in 2023 due to sluggish demand for smartphones and PCs but is expected to expand again from 2024 onward.

On the other hand, there are many plans to build or expand factories amid the trend toward in-house production in many countries, and our policy of taking advantage of this opportunity to expand our semiconductor logistics has not changed.

Up to now, we have focused on the procurement logistics area, such as transportation of semiconductor manufacturing equipment, to win projects. In the future, we will strengthen our marketing activities by investing mainly in dedicated semiconductor warehouses to expand our handling area to the production and sales logistics area, including transportation of products and semi-finished products.

In addition, as we provide end-to-end solutions to the entire semiconductor supply chain by leveraging our broad service lineup, we also hope to capture opportunities to provide services not only to set manufacturers but also to the supplier companies that solidify the periphery of the supply chain.

Specific Initiatives for Customers (Industries)

(Reference) Expanding Bases in the Semiconductor Industry

- Develop dedicated warehousing facilities (front door warehouses) in close proximity to semiconductor manufacturer plants
- Equip with facilities that meet the needs of customers or regional characteristics and widely respond to the needs of semiconductor manufacturers and other suppliers

(Products Handled)

- Manufacturing and measuring equipment
- Materials handling and tools
- Device maintenance parts
- Wafers
- Chemical solutions
- Semi-finished and finished products (IC)

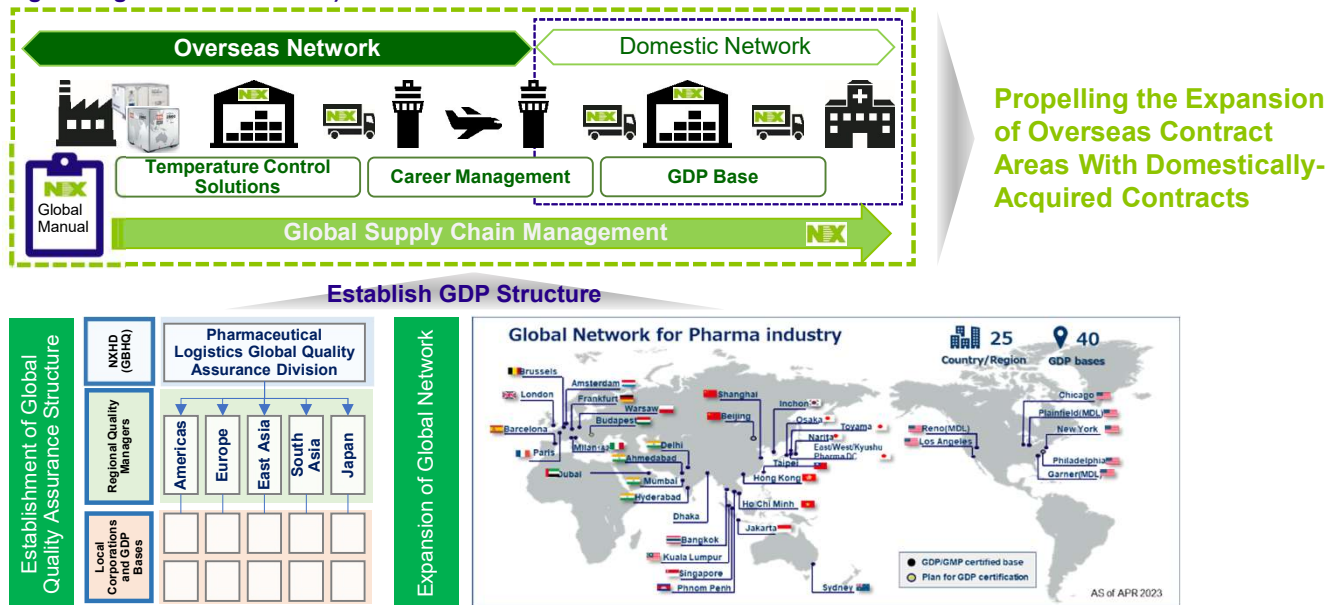


Reflecting such a strategy, we are investing in warehouses at the gates near set manufacturers' factories in clusters in each country where suppliers are clustered around set manufacturers' factories. Dedicated warehouses in Kumamoto, Japan, Arizona, Ireland, and other locations in the US, equipped with functions tailored to customer and regional characteristics, will begin operating from 2023 and are expected to contribute to earnings growth.

By establishing dedicated warehouses and other bases, we aim to expand our business across the entire global supply chain of our customers, including air and marine freight forwarding services such as import/export of raw materials and products connected to these bases.

Specific Initiatives for Customers (Industries)

Making Efforts to Cultivate Non-Japanese Pharmaceutical Companies in the Pharmaceutical/Medical Industry
(Strengthening Global Structures)



Propelling the Expansion of Overseas Contract Areas With Domestically-Acquired Contracts

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Next, I would like to explain our current challenges and efforts in the pharmaceutical industry, where we have made strategic investments during the period of this management plan.

As we have explained in the past, we decided to enter the pharmaceutical logistics business when the GDP regulation was introduced, and we have been making strategic investments centering on four domestic bases. However, due to the unforeseen expansion of new coronavirus infections, we recognize that business expansion has not progressed as initially planned.

As for the domestic pharmaceutical logistics bases, although they have yet to become profitable by the current fiscal year, the number of projects is gradually increasing, and the profitability of the business is improving.

In this context, we have partially revised our targeting, and for the time being, we are promoting sales with the policy to focus on approaching non-Japanese customers who also handle forwarding business to or from Japan and have relatively high interest in high-quality logistics in line with GDP.

Although we are a newcomer to the pharmaceutical logistics industry, we believe that high quality is a necessary condition for the characteristics of the industry, without which growth in the area of pharmaceutical logistics cannot be realized. In addition to the maintenance of hardware such as temperature-controlled warehouses and trucks, we have been focusing on the establishment of a quality management system, including the acquisition of GDP certification at multiple domestic and overseas locations and the establishment of a global quality assurance system led by the global quality assurance office for pharmaceutical logistics at GBHQ, and our ability to meet the expectations of customers in the pharmaceutical industry is increasing.

We will continue to expand overseas projects by strengthening our approach to non-Japanese customers, while identifying opportunities to make proposals to Japanese domestic manufacturers to achieve medium- to long-term business expansion.

Specific Initiatives for Customers (Industries)

Lifestyle Industry Initiatives

Luxury Market Changes

Luxury brands transition to provide a general lifestyle world view



Our Presence in the Expanding Fashion Industry

NIPPON EXPRESS HOLDINGS Existing Logistics Services



① Advanced logistics solutions provision

- ✓ Global expansion of fashion WMS*
- ✓ Labor saving and efficiency improvement proposals through automated warehouses
- ✓ Warehouse proposals with centralized management of products for stores and e-commerce

*Warehouse Management System



② High quality and extensive expertise

- ✓ Group-wide development of NX Italy expertise and experience



③ Sustainability and digital transformation

- ✓ CO₂ emissions



④ M&A

- ✓ Knowledge acquisition of sales and operational aspects of companies specializing in lifestyle logistics

In our approach to the apparel industry, in the high fashion field, we have globally developed a highly specialized business centered in Italy. In the luxury market, however, in recent years, there has been a trend to go beyond apparel and promote a brand's worldview through multiple merchandise items that characterize lifestyle, such as cosmetics, accessories, and furniture.

As for the luxury market, we see it as a market that is expected to grow in the future, as its main consumers, the affluent class, are expanding.

For this expanding area, we will provide one-stop logistics services, leveraging our expertise accumulated to date, including M&A, and offering new services from the perspective of cutting-edge technology and sustainability.

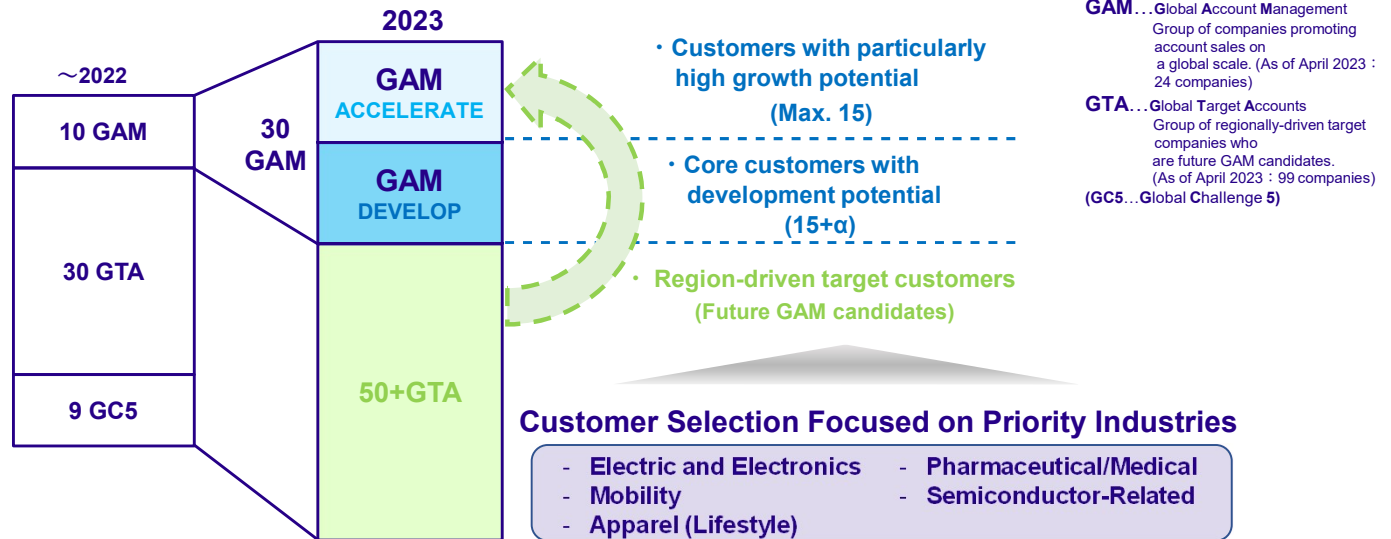
Tramo, which recently announced its decision to be acquired, is a leading logistics company in its two largest markets, North America and Europe, specializing in the transportation and delivery of high-end furniture. By acquiring its functions and expertise in pickup and delivery, etc., we will be able to link up with our international intermodal transportation services and consistently link our customers' supply chains with the NX Group's network.

We will explain again later on the PMI strategy to enhance business synergies through this M&A.

Specific Initiatives for Customers (Industries)

Expanding Global Target Customers

Concentrate sales resources on a global level by re-selecting customers with growth potential



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For GAM/GTA, the target clients of Global Account Management, we are reviewing the program with the aim of expanding our efforts. The target clients for GAM were re-selected from the focus industries and expanded from 10 to 30 clients with high growth potential, and then classified into two categories, accelerate and develop, based on our sales, growth potential, and other criteria.

Of the major global customers that have already achieved a certain level of sales, accelerate is a group of customers with particularly high growth potential, and develop is a group of customers with steady growth potential.

The GTA is a group of customers that we will challenge to expand handling as future GAM candidates, and we are greatly increasing the number of target customers, especially in priority industries.

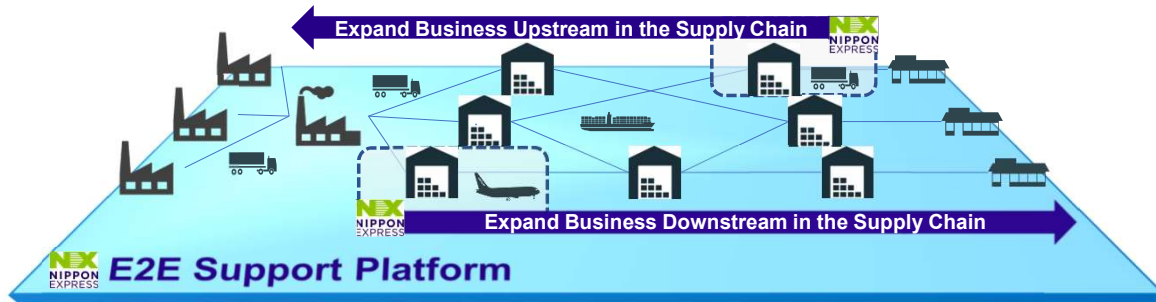
We are working toward further sales expansion and acquisition of projects by allocating sales resources according to each group.

Specific Initiatives in Business Focus (Logistics)

Progress of End-to-End (E2E) Solution Initiatives

E2E Logistics Solution Development ⇒ Lead Logistics Provider (LLP)

- **Behind Our Initiatives**
 - (1) Building E2E solutions and providing new customer value are essential to expand business
 - (2) Our European and U.S. competitors have already widely deployed LLP services



➤ Initiatives In-Progress

- (1) Expand solution areas from the existing contract logistics business to include forwarding and other services
- (2) Create a digital visualization platform covering the entire supply chain
- (3) Hire LLP service experts (overseas) and accelerate infrastructure development and practical application

Next, I will explain our efforts to expand the logistics business, another important issue in our business axis.

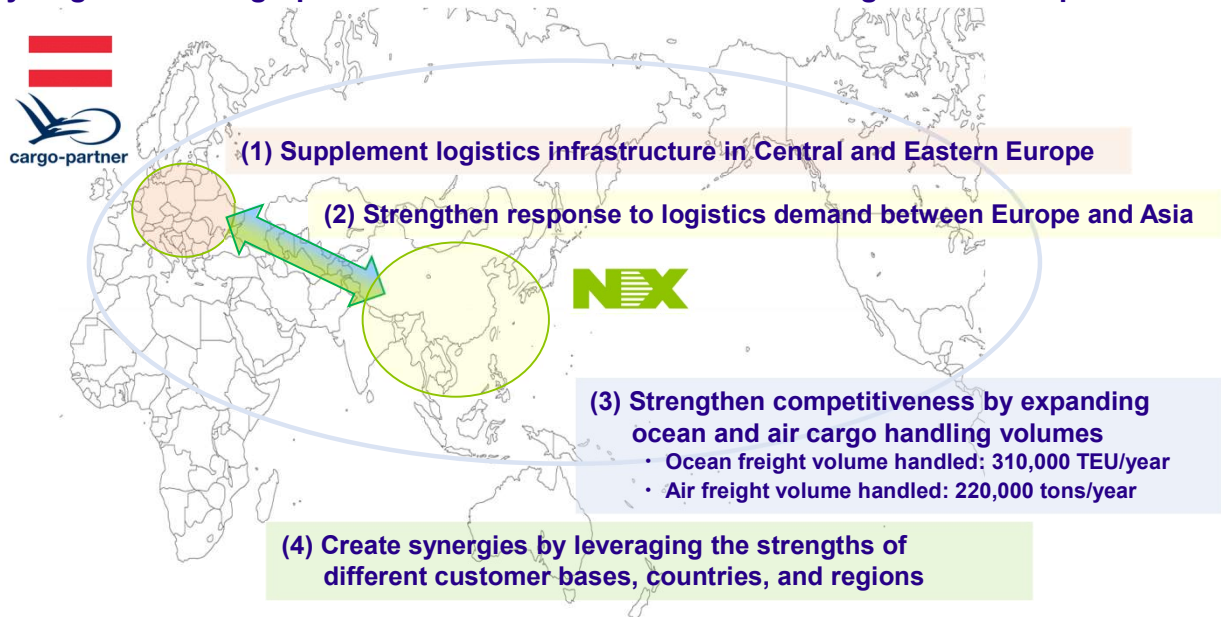
Given the characteristics of the forwarding business, which is subject to relatively large price fluctuations and volume fluctuations associated with changes in the supply-demand balance, we believe it is important to expand not only the forwarding business but also the logistics business in order to achieve stable growth for the Company.

As part of our efforts to expand our logistics business, we believe it is essential to expand our handling scope by building and developing end-to-end solutions, and we will promote the expansion of LLP services as we introduced the case study of the automotive industry at last year's IR Day. We believe that LLP services will allow us to increase our opportunities to provide services such as forwarding as well as warehouse operations, etc., while providing planning and design for our clients' supply chains and overall logistics, and process management for logistics.

In addition to expanding human resources, such as hiring experts, we are building a platform that enables us to visualize transportation, inventory, orders, etc. in our clients' end-to-end supply chain, even when we do not execute logistics. We will help our customers optimize their supply chains through integrated management and visualization of information from various stakeholders.

The PMI System to Expand and Achieve M&A Synergies

Business Synergies with cargo-partner: New Growth Areas From Joining the NX Group



We have described our strategies and specific initiatives in terms of customers, industries, and businesses. To achieve our long-term vision, however, we need to achieve significant growth, and we are emphasizing M&A as a means of achieving discontinuous growth.

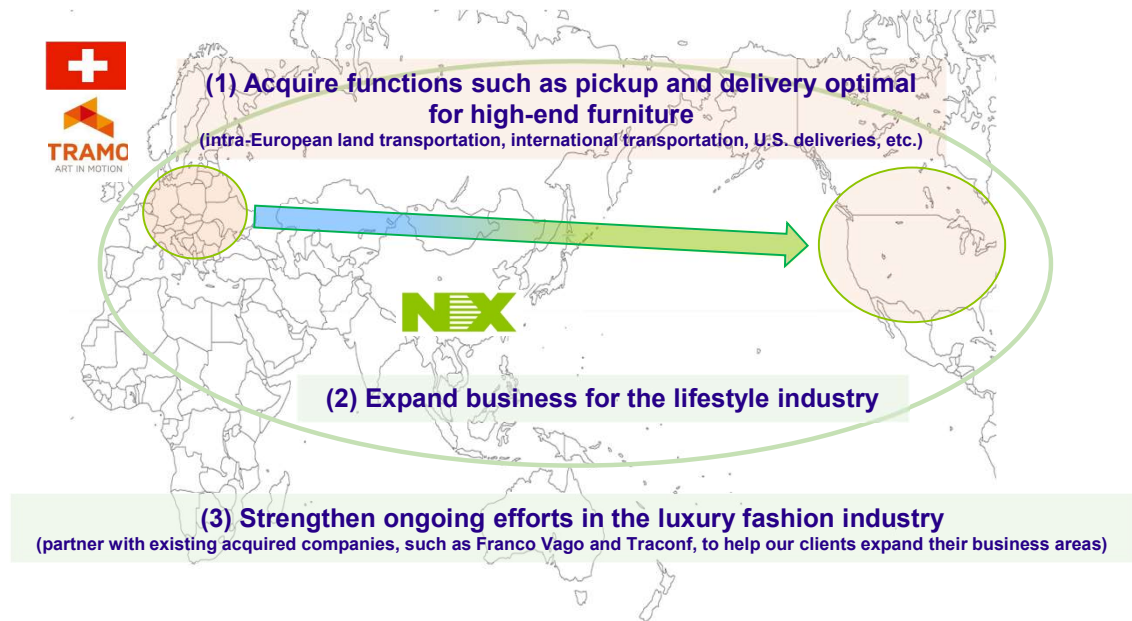
We have been studying the matter during the management plan period, and at the beginning of this fiscal year, we are pleased to announce our decision on two global M&As: cargo-partner in May and Tramo in August.

Today, we will focus on the synergies between these two M&A deals and explain the key points of PMI and the establishment of a PMI system to realize these synergies.

I will briefly summarize the PMI for the two most recent M&A deals, taking into account their strategic significance and the nature of the deals. We expect to acquire a logistics base in Central and Eastern Europe, where we have relatively few bases, strengthen our ability to respond to logistics demand between Europe and Asia, increase our competitiveness by expanding the volume of shipping and air forwarding, and create synergies by leveraging the strengths of each customer base, country, and region.

The PMI System to Expand and Achieve M&A Synergies

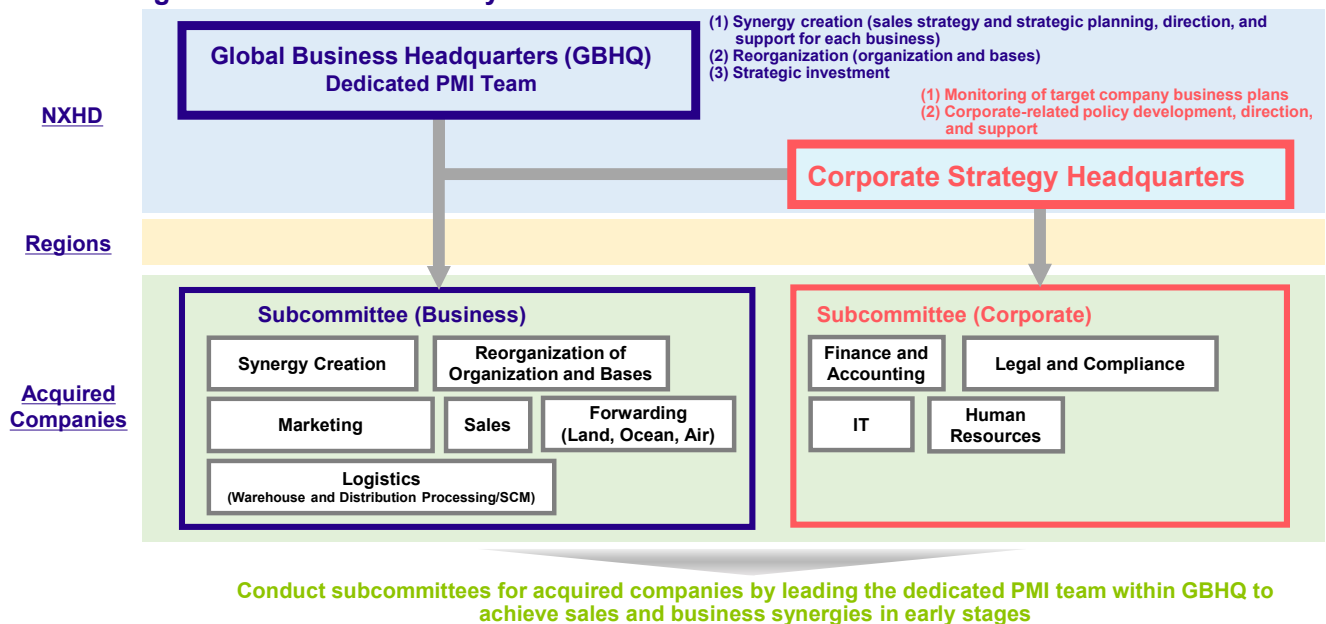
Business Synergies with Tramo: New Growth Areas From Joining the NX Group



As we explained today, Tramo specializes in the transportation and delivery of high-end furniture. The company is a leader in logistics in the two major markets of North America and Europe, and we believe that we will be able to acquire capabilities such as high-end furniture delivery and thereby expand our handling of the lifestyle industry and enhance our efforts in response to the business domain expansion of our customers in the high fashion industry.

The PMI System to Expand and Achieve M&A Synergies

Schematic Diagram of PMI Promotion System



In some of the M&A transactions we have conducted in the past, impairment losses were incurred, and we are keenly aware that we should reflect on our failure to realize the business plan and synergies we have drawn and apply them to the current transaction.

In the past, PMI related to global M&A was led by the acquired company and its regional headquarters, which made it difficult to make management decisions from the perspective of total optimization.

Based on these past reflections, for the M&A deals we are announcing this year, GBHQ is taking the lead in establishing a PMI structure that can accelerate synergy creation between the acquired company and each region across the region.

In addition, we believe it is necessary to take into account the level of practical operations in each field in this structure, and we will establish subcommittees not only in business-related areas such as aviation, shipping, and logistics, but also in IT, finance and accounting, human resources, and governance, to build a structure that will strengthen our efforts in both business and corporate areas without omissions.

On top of that, for the two M&As, we are in the process of formulating a PMI strategy for each of the acquired companies according to their circumstances so that synergies can be created in line with the acquisition objectives I explained earlier. By identifying and advancing the necessary initiatives for each project, we will aim to realize synergies as quickly and reliably as possible.



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