



**IR day2024 Opening Session**  
**「The initiatives of the management plan  
to achieve the long-term vision」**

**NIPPON EXPRESS HOLDINGS,INC.**  
**September 13 , 2024**

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# Business Environment: Trends in Economic and Logistics Demand

## ● Global Economic Trends

The global economy shows no major changes as services price inflation continues to persist.  
(IMF World Economic Outlook Update, July 2024)

- The GDP growth rate is expected to be in line with the previous forecast (April 2024) at +3.2% in 2024 and +3.3% in 2025. The world trade growth rate is expected to recover to approx. 3.25% annually after stagnation in 2023. Although inflation rates will continue to decline, the pace of disinflation is expected to slow in developed countries.
- GDP growth forecasts for each country are as follows.

U.S.: +2.6% in 2024, +1.9% in 2025	Europe: +0.9% in 2024, +1.5% in 2025	Japan: +0.7% in 2024, +1.0% in 2025
China: +5.0% in 2024, +4.5% in 2025	India: +7.0% in 2024, +6.5% in 2025	

## ● Logistics Demand (2024)

- Global
    - Ocean forwarding: Cargo volumes are expected to increase by +3.2% year on year due to the gradual recovery of the global economy. (Port Import and Export Reporting Service, Container Trade Statistics, and IHS Markit)
    - Air forwarding: International air cargo transportation volume (ton-kilometers) is expected to increase +5% year on year (air cargo demand is recovering from the decline last year). (International Air Transport Association)
  - Japan
    - Ocean export freight forwarding: Expected to increase for the second consecutive year by 2.7% year on year, in line with moderate positive growth in the global economy.
    - Air export freight forwarding: Expected to increase by 3.4%, marking the first positive growth in three years, due to a recovery in semiconductor-related exports and a resurgence in the airline industry shift.
    - Domestic: Transportation volume, excluding construction-related cargo, is expected decline by 0.6% year on year, but recover slightly in the second half of the year.
- FY2024 Outlook for the Economy and Freight Forwarding, NX Logistics Research Institute and Consulting, Inc. (July 2024)*

First, regarding the business environment, the IMF revised its World Economic Outlook in July, forecasting GDP growth of 3.2% in 2024 and 3.3% in 2025, describing the global economy as at a standstill.

On the other hand, the report notes that global economic activity, such as global trade is picking up in 2024, but also mentions uncertainties stemming from trade frictions and the outcome of elections in various countries.

While global logistics demand is trending toward recovery, domestic logistics demand is sluggish, although it is expected to pick up slightly in the second half of the year.

Under these circumstances, we assume that the global logistics market will continue to expand while responding to changes in the external environment, and we believe that it is important to read changes and respond to risks as well as view them as business opportunities.

We believe that speedy management decisions are important to respond to changes in the external environment, achieve the business growth strategies and promote sustainability management set forth in our management plan, and realize our long-term vision beyond these goals.

With these situations in mind, I would like to begin with an overview of our current business performance.

# FY2024 Results Forecast

Item	1H Results	2H Forecasts	Full-Year Forecast	Prior-Full-Year Results	Difference YoY	Difference YoY (%)	Previous Full-Year Forecasts (Announced May 13)	Difference	Difference (%)
Revenues	12,498	13,201	25,700	22,390	3,309	14.8	25,000	700	2.8
Segment Income (Business Income)	255	444	700	812	(112)	(13.9)	850	(150)	(17.6)
Business Income Margin	2.0	3.4	2.7	3.6	-	-	3.4	-	-
Operating Income	192	457	650	600	49	8.2	820	(170)	(20.7)
Profit Attributable to Owners of Parent	114	285	400	370	29	8.0	550	(150)	(27.3)
Overseas Revenues(*)	4,699	5,170	9,870	6,424	3,445	53.6	8,960	910	10.2
ROE	-	-	4.9	4.8	-	-	6.7	-	-
ROIC (Business Profit Before Taxes)	-	-	4.5	5.6	-	-	5.6	-	-

(\*)Figures for overseas revenues are presented before the elimination of intersegment transactions.

As previously reported, we have revised our forecast for the fiscal year ending December 31, 2024. In Q2 of this fiscal year, logistics demand finally showed a recovery trend. As a result, our revenues are also recovering.

On the other hand, income decreased in Q2 compared to Q1, mainly due to lower gross income per sales in the forwarding business except for the first overseas marine transportation, despite having the recovery phase of logistics demand.

On the other hand, in June, there was a pickup in profitability in the forwarding business, and profitability has generally recovered since July. Based on the assumption of a full-fledged recovery in logistics demand, we expect earnings to recover and expand from Q3 onward, especially in the international forwarding business.

Under these circumstances, we have started a new management plan. We position the new plan as the second step toward realizing our long-term vision of becoming a "logistics company with a presence in the global market" and wish to accelerate our transformation and promote management that is conscious of cost of capital and corporate value improvement, and in line with the new management plan, we have disclosed the future actions to achieve management that is conscious of cost of capital and stock price.

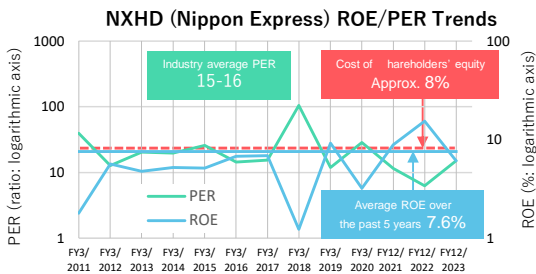
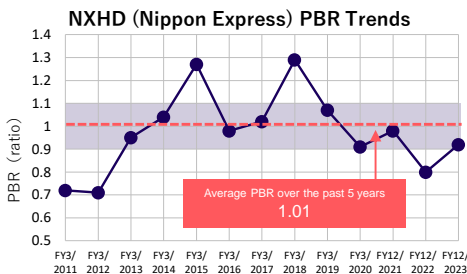
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Analysis and Evaluation of Current Status

- PBR** • Over the past five years, the average P/B ratio has hovered around 1, without remaining consistently above 1, including most recently.
- ROE** • ROE has averaged 7.6% over the past five years, failing to continuously or stably exceed the roughly 8% cost of shareholder equity recognized by the Company. In addition, the low ROE in the most recent forecast of 6.2% is considered to be the reason why PBR remains at the current level.
- PER** • We believe that improving PER is a critical factor in improving PBR. While PER is currently on a par with the industry average (Prime Market, land transportation business), we recognize that there is room for improvement in market expectations for our business growth.

Regarding figures for FY12/2023, ROE is the forecast figure announced in November 2023, while PBR and PER figures are current as of February 2, 2024.

	FY3/2011	FY3/2012	FY3/2013	FY3/2014	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY12/2021	FY12/2022	FY12/2023 ※
PBR	0.72	0.71	0.95	1.04	1.27	0.98	1.02	1.29	1.07	0.91	0.98	0.80	0.97
ROE (%)	1.80	5.68	4.79	5.22	5.14	6.77	6.89	1.23	9.19	3.21	8.9	15.5	6.2
PER	39.68	12.73	20.46	19.71	25.98	14.38	15.4	104.63	11.96	28.59	11.58	6.27	15.9



Regarding our analysis and evaluation of the current situation, our P/B ratio has averaged about 1x over the past five years and is not consistently above 1x.

Breaking this down into ROE and PER, ROE has averaged 7.6% over the past five years, which is below our cost of equity of about 8%. We recognize that this low ROE is the main factor keeping our stock price and P/B ratio at their current levels.

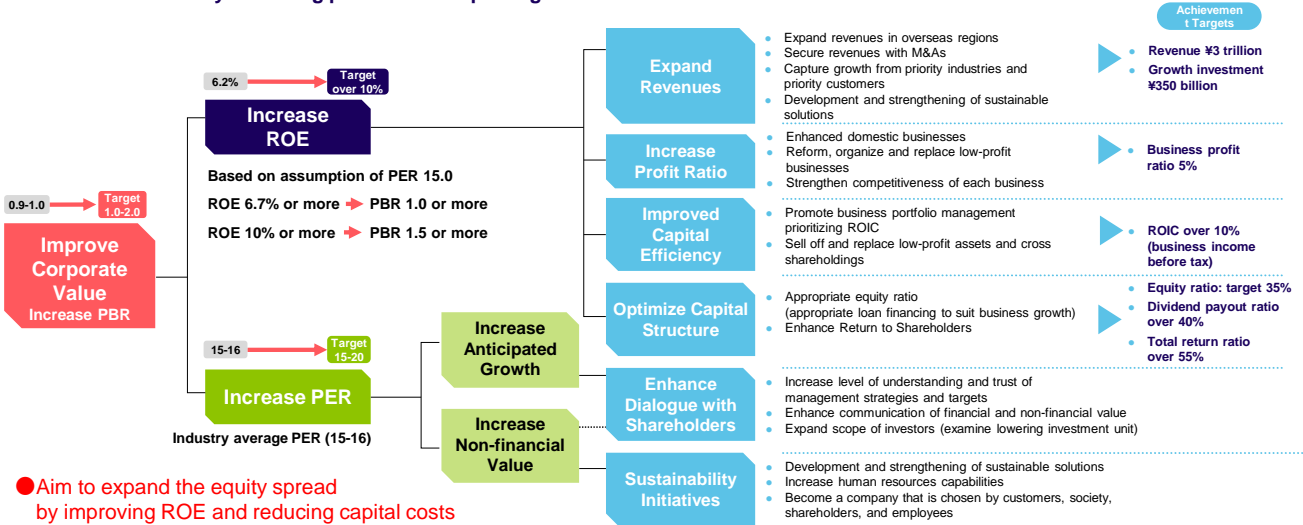
Although our PER is about 15 times to 16 times higher than the industry average level, we believe that there is room for improvement in our business growth expectations given our global growth potential.

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## Improve Corporate Value (increase PBR)

Policies /  
Targets

Achieve the over 10% ROE medium-term target stated in the business plan by steadily implementing the initiatives in the plan, including "increasing ROE" to consistently exceed the cost of capital (around 8%), and "increasing PER, thereby achieving potential anticipated growth."



As part of our efforts to increase corporate value, we believe it is necessary to achieve a return on capital that exceeds the cost of capital and to expand our equity spread.

From this perspective, we recognize that not only efforts to improve return on capital, but also efforts to reduce the cost of capital will be an important factor, but first and foremost, we believe that improving ROE is important.

By steadily implementing the initiatives in the management plan, including financial strategies, we believe that achieving ROE that consistently exceeds the cost of capital, interacting with the capital market to raise growth expectations, and continuously working to improve non-financial value are critical to enhancing corporate value.

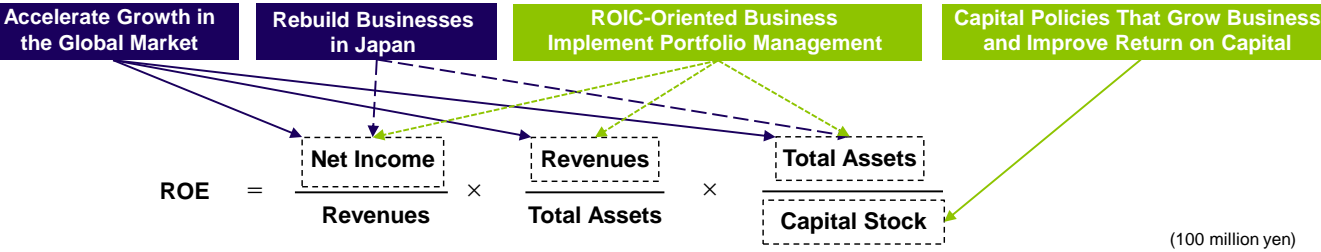


With these perspectives in mind, first, please take a look at the overview of the management plan.

The new plan sets forth three basic policies: to achieve global business growth by focusing on overall group optimization, to engage in business portfolio management as a key to improving corporate value, and to transform ourselves into a corporate group of choice by promoting sustainability management.

We have also formulated corporate strategies for growth and sustainability management that are directly linked to the three basic policies, including human resources, IT and DX strategies, and governance that will serve as the foundation to support our efforts.

# Improving ROE



Results and Planned Figures	(1) 2023 Results	(2) Business Plan	(3) 2024 Forecast	(4) (2) vs. (1)	(5) (3) vs. (1)	(3) vs. (2)
Revenues	22,390	30,000	25,700	7,610	3,310	(4,300)
Net Income	370	1,000	400	630	30	(600)
Total Assets	21,071	26,000 or less	22,130	4,929	1,059	(3,870)
Capital Stock	8,000	10,000 or less	8,580	2,000	580	(1,420)
Sales Profit Ratio	1.65%	3.33%	1.56%	+1.68%	-0.09%	-1.77%
Total Assets Turnover	1.06 x	1.15 x	1.16 x	+0.09 x	+0.10 x	+0.01 x
Leverage	2.63 x	2.60 x	2.58 x	-0.03 x	-0.05 x	-0.02 x

In our new plan, we are targeting ROE of 10% or more. To explain how to achieve it, this document shows the relationship between each of the measures and the components of ROE.

The Company will utilize M&A as one of the measures to expand sales revenue, and will also aim to improve profit margins, especially in the Japan region in order to increase overall profit. In addition, we will improve capital efficiency by promoting ROIC management and optimize our capital structure.

# Business Growth Strategy

## 1. Accelerating Growth in the Global Market: Session 1

- **Basic Concept**
  - Aim to expand client business areas by providing account management and end-to-end solutions.
- **Major Initiatives in Overseas Regions**
  - Conduct PMI with cargo-partner, position establishing a presence in the Indian market as a top priority issue, and focus on the entire group, including Japan.
  - Strengthen inter-regional collaboration, including responding to the China Plus One movement and expanding forwarding in Transatlantic.

## 2. Rebuilding Our Businesses in Japan: Session 2

- **Improve business income margin**
  - FY2023: 3.9%⇒FY2028: 5.9%
- **Nippon Express growth strategy**
  - Reorganize Nippon Express to achieve Business Plan 2028 goals  
(Consider introducing an internal company system for January 2025)

Next, with this mapping in mind, we would like to explain two points related to each measure.

The first point describes major initiatives for business growth strategies. First, with respect to accelerating business growth in the global market, the basic concept is to expand end-to-end solutions starting from account management, and we aim to increase transactions with existing clients and gain new clients.

In addition, we set initiatives for each region to take as an area axis, and strengthen inter-regional collaboration such as taking action for China Plus One. We also achieved the post-merger integration of cargo-partner GmbH as one of our measures to establish our presence in the Indian market as we consider that is the most important issue to be addressed. This progress will be explained in detail in session one .

Next, as we work on business portfolio management as a key to increasing corporate value, we see the restructuring of the Japan business as an important pillar of the new plan, with the goal of increasing the business profit margin of the Japan region to 5.9%.

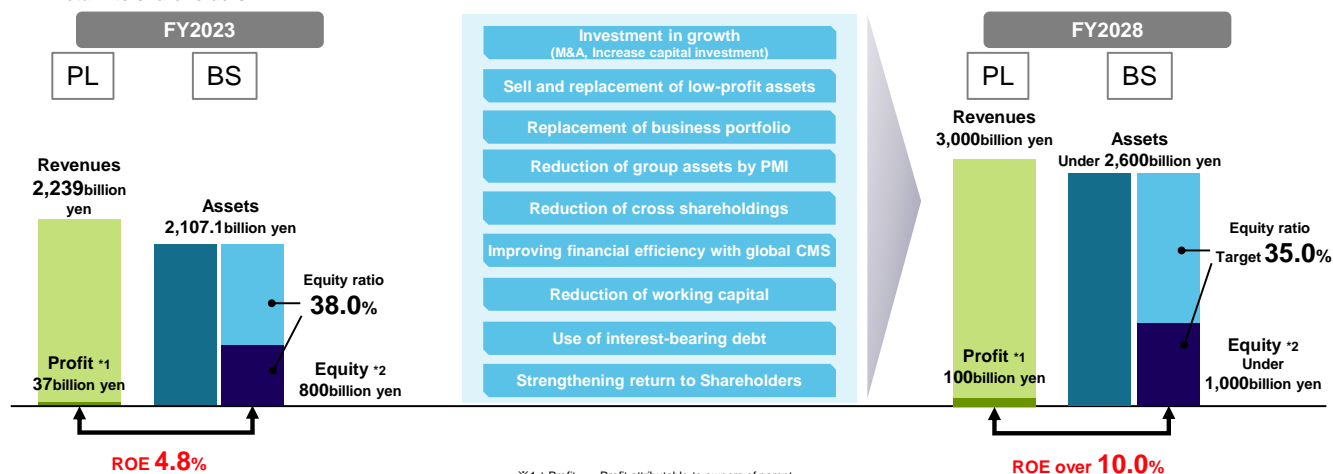
In particular, as a growth strategy for Nippon Express, which is responsible for the Japan business, we will improve profitability and capital efficiency by introducing an internal company system that divides Japan into three regional blocks to capture differences in market characteristics. This progress will be explained in more detail in session two.



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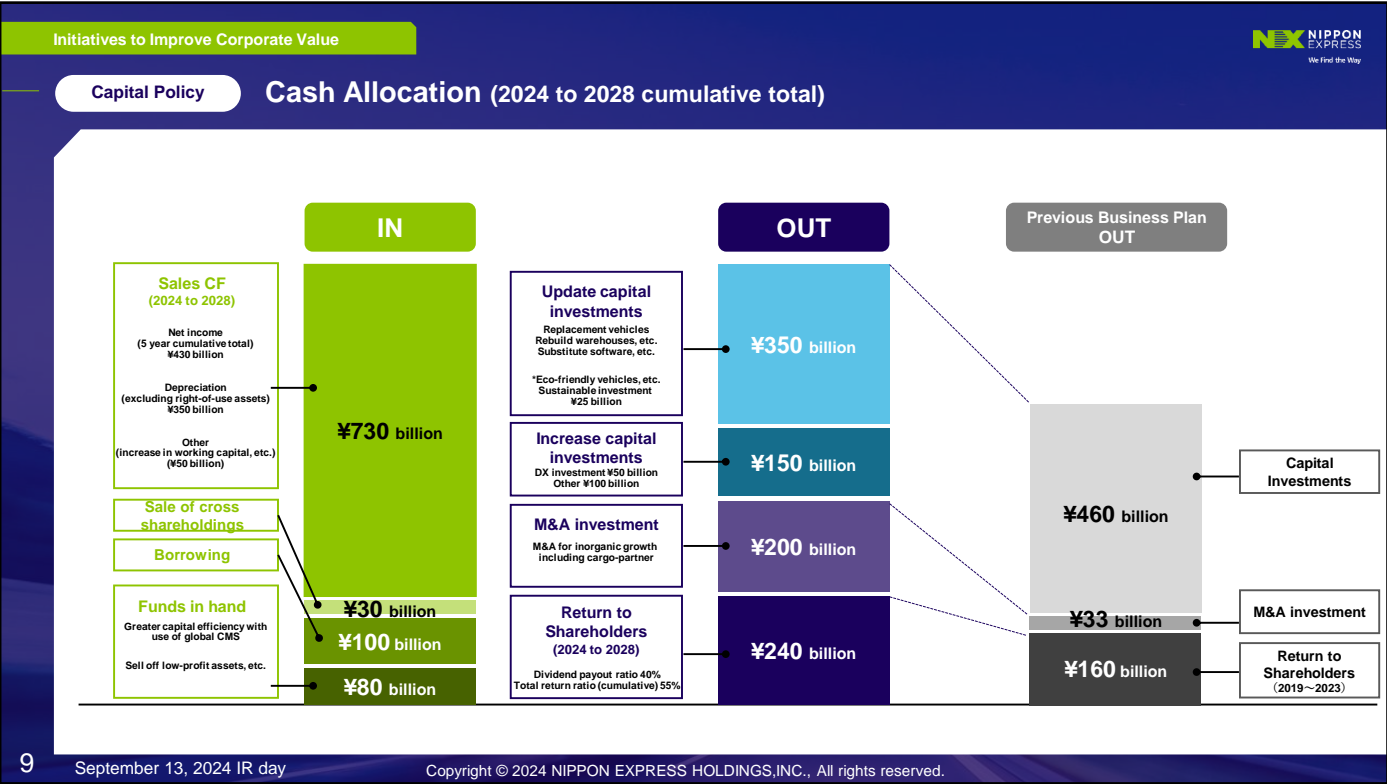
## Strengthen BS management

- Improve profitability by investment in growth with a conscious of capital efficiency and accumulating high quality assets without bloating the balance sheet by replacing the business portfolio, reducing cross shareholdings, and selling low-profit assets.
- Achieve continuous improvement of ROE by optimizing the capital structure through the utilization of interest-bearing debt and strengthening return to shareholders.



Second, our approach to capital policy to improve ROE is to invest in growth with an awareness of capital efficiency, and to accumulate quality assets and improve profitability without bloating the balance sheet by replacing the business portfolio, reducing policy shareholdings, and selling low-profit assets. We view this as our basic policy.

In addition, we hope to achieve continuous improvement in ROE by optimizing our capital structure through the utilization of interest-bearing debt and strengthening shareholder returns.



Next, as a cash flow plan based on this capital policy, we plan to invest JPY700 billion over the five years of the new management plan for capital investment, including growth investment, and M&A investment.

The Group intends to actively make investments that contribute to improving earnings, aiming to increase operating cash flow and enhance shareholder returns.

We hope to create a positive cycle by effectively utilizing cash, improving earnings, and controlling equity capital, which will lead to higher ROE. To achieve this, we set a basic policy related to business portfolio which is an important element for enhancing capital efficiency.

In order to realize our long-term vision, we would like to continue considering how we should allocate cash, such as increasing M&A investment and its financing.

# Optimizing Our Business Portfolio: Past Results and Current Initiatives

## ● Enhancing businesses in Japan

- Sold Seikan ferry business, sold driving school businesses, and liquidated travel business
- Spun off NX Shoji leasing business
- Spun off security transportation business
- Spin off Heavy Haulage & Construction business (in progress)
- Integrate our special combined delivery services with Meitetsu Transportation (in progress)

## ● Reorganizing and integrating overlapping businesses and functions within the group

- Reorganized logistics finance business
- Reorganized real estate business and functions
- Reorganized sub-agent operations

## ● M&A

- (Americas) MD: Pharmaceuticals, logistics
- (Europe) Tramo: High-end furniture, logistics
- (Europe) cargo-partner: Global, forwarding
- Achieve dynamic business growth through M&A, alliances, and strategic investments (ongoing consideration)

Efforts to optimize the business portfolio itself have been ongoing since the previous plan, with the sale of the ferry business and other businesses, the spin-off of NX Trading's leasing and security and transportation businesses, the reorganization and integration of overlapping businesses and functions within the Group, and M&A including cargo-partner GmbH.

With regard to the spin-off of the heavy construction business disclosed in February of this year, the new company has completed the formulation of its management plan and is now in the final stages of obtaining permits and approvals, and developing its information systems and organization, and is expected to begin operations in January next year as scheduled.

In addition, we completed the integration of the special-loading business with Meitetsu Transportation Co., Ltd. in April, and is currently in the process of integrating the same business of NIPPON EXPRESS CO., LTD.

Furthermore, M&A is essential for dramatic growth in overseas markets. We would like to continue engaging in M&A activities in order to expand into India and Africa and strengthen our customer and business base.

## Promote Business Portfolio Management

### Basic policies underpinning the Business Portfolio

#### Basic Policy

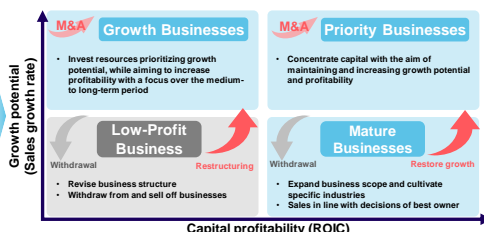
- The NX Group has established the long-term vision of becoming “a logistics company with a strong presence in the global market” based on the NX Group Corporate Philosophy. Our business portfolio comprises operations that align with this corporate philosophy and long-term vision through business that supports sustainable social development.
- In working toward sustained growth of the Group, and increased corporate value over the medium to long term, we evaluate each business operation in terms of criteria that include capital profitability and potential for growth, positioning within the group and creation of synergy, as well as our future growth strategy.
- Having established a system for the implementation of our business portfolio management, the Board of Directors evaluates, reviews and amends the basic policy and strategy of our business portfolio and its implementation on a regular basis.

### Quantitative Evaluation

Capital profitability  
(ROIC)



Growth potential  
(Sales growth rate)



Conduct quantitative analyses and mapping of each business to identify current position of businesses and overall direction

### Qualitative Evaluation

In addition to evaluations from the following perspectives for quantitative evaluations, examine strategies linked to increasing corporate value of NX Group

- Alignment with Corporate Philosophy and long-term vision
- Market trends and competitive tendencies
- Business growth potential, strengths/weaknesses
- Functionality and synergy within Group
- Sustainability and contribution to resolving social issues
- Best-owner perspective

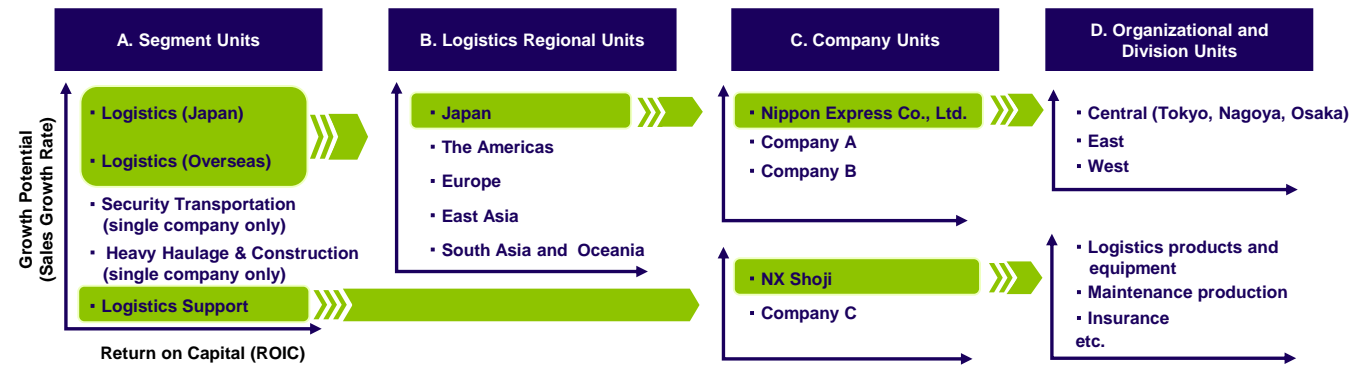
We will develop these efforts into a process to systematically evaluate all the Group's businesses and maximize their business value, and through quantitative evaluation based on return on capital and growth potential of the businesses on a ROIC basis and qualitative evaluation based on their position in the Group, synergies, and best owner perspective, we are strategically allocating investments, including M&A, for growth and priority businesses, and we have begun considering structural reforms, sales, and withdrawal for mature and low-profit businesses.

# Business Portfolio Management Evaluation Units

✓ The following evaluation units are evaluated on a 4-point scale.

- A. Segment units
- B. Regional units for the logistics segment include Japan, the Americas, Europe, East Asia, and South Asia and Oceania
- C. Company units include Logistics Japan and Logistics Support
- D. Nippon Express and NX Shoji are subdivided into organizational units and division units

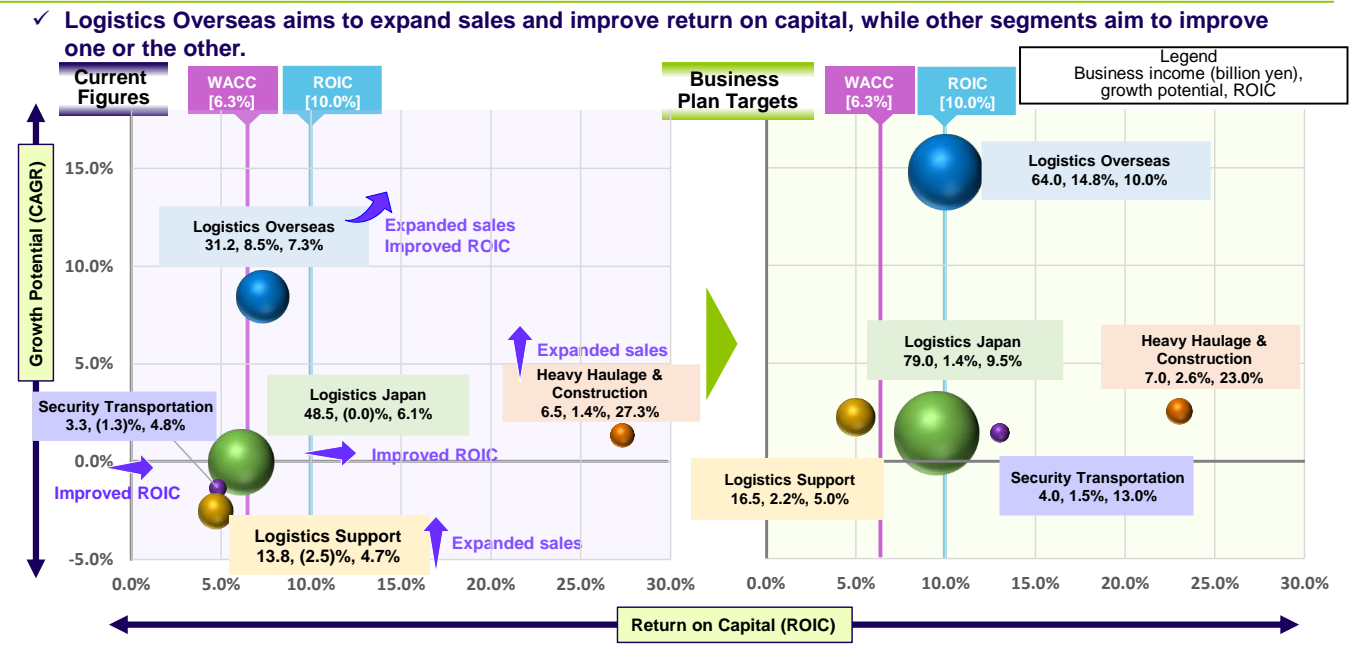
\*We currently use the above evaluation units for business segments, as the valuation of ROIC, etc. is limited to segments and individual companies.



To consider this, as a method of business evaluation in business portfolio management, instead of focusing on individual businesses from the beginning, we are conducting quantitative and qualitative evaluations by segment, by the five regions including Japan, and by individual company.

In addition, NIPPON EXPRESS is being evaluated by area, and NX SHOJI CO., LTD. is being evaluated by business segment.

# Quantitative Evaluations (Segment Units)



The chart shows the future direction of each business segment. Based on the evaluation units explained, we will determine the role and future direction of each business and company, and proceed with structural reforms, etc.

Broadly speaking, the logistics overseas, as a growing business, aims to expand sales and improve return on capital by utilizing M&A as well.

For the other segment, we aim to improve capital profitability or expand sales, but at the same time, we will consider companies and businesses to be sold or withdrawn, and hope to use the cash generated from the sale of low-profit businesses, etc. for M&A and other investments in priority businesses and businesses that are expected to grow. We will continue to consider these to improve the resolution of our business portfolio vision.

So far, I have explained focusing on ROE improvement. Later on, we would like to have a conversation on cash allocation, B/S control, business portfolio management, etc., which are of great interest to market participants.

## Sustainability Management Strategy

### Materiality

These materialities are not limited to new initiatives, but are topics to confront if we are to improve corporate value in the present and future, based on ongoing efforts and intangible assets accumulated over time.

- Compliance
- Ensure Safety and Security
- Respect Human Rights

- Secure and train skilled human resources
- Enhance well-being
- DE&I promotion

- Reduce CO2 Emissions(Scope1,2,3)
  - Reduce Fossil Fuel Use
  - Reduce Electricity Consumption and Expand the Use of Renewable Energy
  - Reduce CO2 Emissions from Consigned Forwarding
  - Reduce Industrial Waste Emissions

KPI	FY2023	FY2026	FY2028
Reduction in CO <sub>2</sub> emissions (SCOPE1-2)	Emissions 746,000 t * FY2022 results	Emissions 641,000t	Emissions 537,000t
Reduction in CO <sub>2</sub> emissions (SCOPE3)		YoY 2.5% reduction	YoY 2.5% reduction



- Strengthen Materiality Solutions
- Strengthen Decarbonization Logistics Solutions
- Strengthen Logistics Solutions through DX Promotion

- Strengthen the Business Foundation for Risks
- Improve IT Infrastructure and Enhancing Security-Level
- High Efficiency, High Quality, and High Profitability Logistics through DX Promotion

Toward sustainable growth, sustainability management is a very important factor when considering the enhancement of corporate value, and we see it as both a serious management risk and an opportunity that can lead to new business.

With regard to sustainability management, we have established a sustainability policy and vision, and in the new management plan, we have positioned it as the foundation for all things we do, and we will implement the plan by promoting sustainability management and resolving key issues.

In particular, we consider decarbonization and securing human capital to be highly important and urgent issues. In addition, efficiency through DX and business visualization are indispensable for promoting sustainability management. Moreover, in order to utilize information, IT infrastructure is essential not only for information accumulation but also as a foundation for operations to realize overall optimization.

Today, in the third session, we would like to explain our IT strategy as our efforts to improve the IT infrastructure that supports our business operations along with the promotion of sustainability management.

These are the key points of the new management plan.

In an era of rapid environmental change, we recognize that the question is how close we can come to our long-term vision of becoming a logistics company with a strong presence in the global market, which we have set as our aspiration for 2037, the 100th anniversary of our founding.

The key lies in the speed of plan execution and change. We believe that even if what we do is right, we will not succeed if we do it too late, and that increasing the speed of change is of utmost importance.

We see the five keywords for increasing this speed as holistic optimization, leadership, innovation, backcasting approach, and data driven. We will also promote reform of our corporate culture.

The entire group will work together to promote the transformation, and we would like to ask for your

continued support. Thank you very much.





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