September 22, 2025

NIPPON EXPRESS HOLDINGS, INC.

IR Day 2025: Questions and Answers (Summary)

Nippon Express Holdings, Inc. held IR Day on September 22, 2025, in both video and live formats. The following summarizes questions received and explanatory answers.

Session 1: The initiatives of the management plan to achieve the long-term vision

Speakers: Satoshi Horikiri, President and CEO, NXHD; Hideshi Otsuki, Managing Executive Officer, NXHD; Shinjiro Takezoe, President and CEO, Nippon Express Co., Ltd.

Q1. How do you expect the U.S. tariff hikes to affect the business environment for air and ocean forwarding in the next fiscal year (2026)? Also, what is your current view of the cargo demand from customers who had been taking the wait-and-see approach before?

A1. The business environment for forwarding will be the subject of Session 2 of our presentation, and we will discuss that in detail. Suffice to say that the situation is not good, and we expect demand to remain somewhat sluggish during the fiscal year and the first half of next year.

Overseas sales have been declining considerably since the Q2 of this year. Domestic air forwarding had been growing until around June, but activity began to decline slightly in July and August.

The U.S. and Japan agreed to tariffs, but these agreements are considerably higher than the original tariff rates. For automobiles, a 25% tariff was added to the existing 2.5%, and the rate has now settled at 15%. Customers were taking a wait-and-see approach, but there may also be a time when they take action in response to a given situation. We did not see any change in the situation between June and September, and consequently, no uptick in cargo movement. We are hearing from our local entity in the U.S. that consumer spending has dropped, and that equipment-related activity in U.S. companies has been a bit sluggish due to the higher tariffs. We expect the global situation to remain somewhat slow for some time.

Q2. In connection with M&A, you are allocating resources to the PMI, etc., of cargo-partner. It appears that you may engage in further M&A if the opportunity presents itself. What are the specific areas and types of business you plan to target? Also, have recent M&A multiples gone up?

A2. We will also discuss M&A in detail in Session 2. Our targets will be for acquiring overseas customer bases, forwarding volume, and functional enhancements.

We are looking for M&A targets with a specific area in mind, working from the perspective of the growth potential of certain markets and how to compensate for areas in which we have weaknesses. I can't get into specifics now, but we are exploring a few projects, and we are negotiating more aggressively than in the past. We have been using an average of 13x as a guideline for M&A multiples. However, it will be difficult to maintain 13x for global forwarding businesses, as multiples will be higher in many light-asset type businesses. At the same time, companies that focus on the logistics business are asset-heavy, so we can keep multiples relatively low. This does not mean that we will focus only on multiples. Rather, we are considering end-to-end solutions and areas in which we are strong or weak. Each industry should be addressed based on the multiples and the competitive landscape; the concept of multiples must be viewed in the context of each industry and area.

Q3. Under the in-house company system, you have set fiscal 2028 ROIC targets differently for companies in the east and west, with greater improvements planned for the west. What are the current issues and where is the upside for the East company and the West company?

A3. We adopted an in-house company system this fiscal year and began to manage our organization according to regional characteristics. Tohoku and Hokkaido are the East company, while Chugoku, Shikoku, and Kyushu represent the West company. After nine months since starting the system, we know it will take some time before the results show up in significant numbers; however, we are moving forward with what we need to do, step-by-step. For example, the East company have traditionally been biased toward handling agricultural and mining products. In Hokkaido, however, Rapidus in Eniwa has been making capital investments, so our investments and volume in response have been expanding gradually. In response to changes in the traditional commercial products we have handled and emerging changes in business structures, we have begun work related to offshore wind power, new energy, and more. In terms of challenges, our operational capacity as impacted by the 2024 Problem, particularly with regard to drivers, has not been a serious concern with respect to business continuity. However, this is an area that will be most strongly affected by Japan's population decline of young workers and driver shortages in the future. In addition to our recruitment efforts and human resources development, we want to tie up with partners in preparation to meet demand.

The West company are capturing semiconductor-related demand, particularly in Kumamoto.

Similarly, in the energy sector, the West is gradually capturing demand for biomass power generation and offshore wind power. The challenge for the West company is that some of the large warehouse locations representing upfront investments are not yet at capacity. The company are pursuing proposal-based marketing to increase warehouse utilization as soon as possible.

The ROIC targets for the East company and the West company differ slightly because we reviewed the business plans of each at the time we set targets. More projects were expected to increase in scale among the West company.

Over the final two years of the previous medium-term business plan, we launched a structural reform project for our Domestic Business. We discussed internal spin-offs, as well as targets after internal spin-offs. In this context, the Company plans to grow revenues and maximize profits in the Tokyo, Nagoya, and Osaka areas, while maintaining a global mindset. Meanwhile, we will focus on ROIC among the East company and the West company. When we set ROIC target levels, we understood that the west had greater market potential than the east in terms of manufactured goods shipments and so forth, according to industrial statistics. The potential was also greater in terms of the area's substantial functions, such as ports and airport facilities. Looking to the future, we established targets based on discussions with the presidents of company in each area, reflecting the situation of each company's customers and other factors.

Q4. What properties will you select for sale from among those with ROIC of less than 5% of market value and prospects for selling at 50 billion or perhaps more? Or do you plan to change the ROIC hurdle? Also, to what extent and how you intend to generate the additional properties in the future?

A4. To achieve ¥50 billion in property sales, we are identifying properties that are less than 5% in market value ROIC, regarding these as low-profit real estate. The goal here is not only to sell the land, but also to improve the profitability of warehousing and logistics; smaller facilities that do not have prospects for profitability improvements will be targets for sale. For example, small-scale sites having warehouse space of less than 1,000 *tsubo* (35,583sq. ft.) or a market value of less than 100 million yen will probably have challenges in improving profit margins and ROIC by significant margins in the future. We are looking to sell about 50 billion yen in low-profit and small-scale locations, while increasing efficiency and integrating facilities into medium- or large-scale locations.

Looking further ahead, we are also investigating possible sale-and-leaseback locations. We need to sort out which locations we want to own and which would be better to sell and lease back.

Since the NXHD Group aims for 10% ROIC throughout the current business plan, we believe we must gradually raise the current 5% standard for ROIC as we define low-profit. Certain company-owned locations involve relatively low selling price, depending on the customer, since taxes are the primary expense related to the land in terms of P/L. For company-owned property, we recognize the market price of facilities and warehouses. We revise sales prices to be lower commensurate with the property cost on a market value basis. We know it will take time, but we intend to change the Logistics Business to one that is profitable even when locations are converted to a sale-and-leaseback or rental. We do not want to simply sell the land and be done with it, but rather, in parallel, we want to combine these transactions with making the logistics locations we continue to use more profitable.

Q5. Have you conducted any simulations or created a list of properties in terms of raising the 5% ROIC to 6% or 7% to increase the number of candidates?

A5. We have not yet performed such a detailed study, but we are identifying locations in terms of scale, as the level changes from 1% to 2% year to year, with customers coming and going. We have examined all 1,200 or so locations at this time, so we have finished sorting through the data in general, and we are getting ready for the next part.

Q6. What are the targets for ROIC in the Tokyo-Nagoya-Osaka areas?

You indicate that you expect an increase in revenue from those areas. However, as assets increase, profit margins must also increase to maintain ROIC. If the fiscal 2024 ROIC is 7% or 8% for the East company and the West company and 3% to 4% for the company as a whole, it appears as if the ROIC for Tokyo-Nagoya-Osaka is quite low. In that light, can you explain the targets for Tokyo-Nagoya-Osaka?

A6. The East company and the West company will focus on improving profitability and capital efficiency, rather than sales growth, to improve ROIC. On the other hand, Tokyo-Nagoya-Osaka will be treated as business units based on business and customer focuses in our aim to maximize profits as sales increase with greater customer transactions across more fields. Accordingly, we have not set ROIC targets for each business and customer focus unit in Tokyo-Nagoya-Osaka. However, our fiscal 2028 ROIC target for Nippon Express as a whole (non-consolidated), including head office costs, is 9%, while our results for fiscal 2024 were 3.9%. In Kanto, Koshinetsu, Chubu, and Kansai, many customers have reached a certain scale of business or conduct business on a global scale, and we are working to secure those sales and appropriate profits. Since last year, we have been working toward an Account Management Structure. As of April this year, we had dedicated accounts for 111 companies, compared to 84 last year. We increased this number to 176 as of July. Dedicated account managers confirm transaction status and other logistics needs with the customer, including domestic and international needs, offering proposals as appropriate. During the process, we strive to improve by communicating with each location where the cargo is actually transported and stored to ensure that the transaction details, including profitability, are appropriate.

Through these efforts, we increased sales for 176 companies by 6% year on year over the first half of 2025. This year, we have assigned offices and personnel for about 100 accounts, and we will work hard to produce an even greater impact. Of the 176 companies under account management, more than half are customers whose ratio of overseas sales exceeds 50%. Our account managers based in Japan will focus efforts on the overseas businesses of their accounts as well. We are working closely with our overseas subsidiaries, providing firm support for the overseas businesses of our customers as part of our strategy to generate greater volume in Japan, as well.

Q7. You expect 10 billion yen in cost reductions and a 100 billion yen increase in profit next year. Have you made a distinction between reducing SG&A expenses by approximately 18 billion yen on a gross basis by fiscal 2028 and the 5 billion yen personnel expense reduction impact you expect from the Second Career Support program?

A7. Page 3 of our presentation materials indicates the relationship between SG&A expense reductions and personnel expenses. The second item on the page is cost control and Second Career Support. Our target is 10 billion yen in reductions next fiscal year, including reduced SG&A expenses and personnel expenses from the impact of Second Career Support. Page 8 of the presentation materials provides a breakdown of the 18 billion yen in cost controls. Personnel expenses are not included, and the 18 billion yen reduction in SG&A expenses does not include the 5 billion yen effect of Second Career Support.

Q8. In connection with the sale of land, what is your policy regarding properties used as rental properties? Would you decide not to sell such property, as a profit would result as soon as it was sold? The impression might be different in that selling such property could provide an offset for the downward revision. Is it the case that you cannot sell such property? Is there a reason why you won't sell?

A8. We identify both business assets and investment properties as targets for the 5% ROIC based on market value. We do not treat these items separately. For urban areas, a 5% ROIC on market value is quite demanding, so we need to look at rates by area. Investment real estate has generated profits in excess of 10 billion yen. We do not want to reduce profit by losing profits after a sale, so we want to proceed in a way that allows us to replace our logistics business with the real estate business. Once we set the bar at 5% as low profit, we will make adjustments by area, hoping to include some of the investment properties among the sales.

Q9. Won't a sale-and-leaseback increase ROIC and ROA? Under international accounting standards, a longer lease term essentially has no meaning, and the total amount of the asset will remain the same in certain cases. In that sense, there might be no difference compared with simply taking on debt. What are your thoughts?

A9. For sale-and-leaseback under international accounting standards, the unexpired rent is on-balance sheet, depending on the lease terms. The Company is considering the sale of land, including sale-and-leaseback arrangements, as well as the sale counterparty and method of sale. Leases do not all require a 10- or 15-year term, and we believe we should consider shorter lease terms. In addition, there will be cases where the Company would like to sell immediately, if possible, but must continue to operate the location in question for two or three years due to customer relationships. In this case, the Company would lease the space under a two or three year contract. We expect to address this issue as we decide sales methods and sale-and-leaseback agreement details for each location.

Q10. You mentioned that the asset-light approach is gaining momentum overseas. Could the reason this approach is not progressing well in Japan be due to the Japanese business environment? Your balance of total assets is larger than that of your foreign competitors. Conversely, there are companies three times the size of your business that have fewer assets. It appears that even when your overseas competitors use leases, lease terms are short, and smaller amounts are recorded on the balance sheet. In your case, the company owns or engages in long-term leases, and in the end, your balance sheet is much larger. This would seem to indicate that you should aim for leases in the two- to three-year range where possible, as soon as possible. Are there challenges to accomplishing this?

A10. There may be some differences between Japanese and Western companies, but that largely depends on whether forwarding or logistics is a major part of a company's business. If the business is mainly forwarding, then it can be asset-light. If a larger percentage of the business is logistics, lease terms will be longer, depending on the details of customer contracts. Alternatively, ownership might be in the best interest of a company. We do not intend to go to the extreme of the asset-light approach, but rather replace assets appropriately as a general framework. To achieve our long-term vision, we must grow dramatically, with M&A being an essential part. Our perception is that the M&A market is ramping up and that foreign competitors such as DSV are also using M&A to grow at an increasingly faster pace. To compete in this environment, our company must grow at a speed that allows for dramatic growth, and we must achieve this growth amid M&A activity. We are in the process of putting more emphasis on this area, including the search for new acquisitions. We plan to use the funds from real estate sales to conduct M&A. In the end, this approach will result in relatively light assets. Progress in M&A will inevitably lead to land sales, including investment properties, as well as an increase in scale and speed for sale-and-leaseback transactions.

Q11. Selling land and replacing assets are tied to how targets for ROE, ROA, and ROIC are determined. Do you think it necessary to document and explain these aspects?

A11. Selling land and replacing assets involves realizing unrealized gains and converting to cash. Accordingly, the balance sheet will be inflated by the amount of the sale at the moment of execution, since the B/S will reflect something not originally recorded in the B/S. The key will be how to narrow our focus, how much to focus on assets with strong earning power, and how much to increase asset turnover.

Q12. The Session 1 slide about rebuilding our businesses in Japan mentioned that you now have dedicated account managers for 176 companies. You previously stated that you would want to have account management for 300 companies. Can you discuss the relationship between these two numbers?

A12. This topic relates to our efforts toward account management, as explained in Session 2, and will be discussed in the Session 2 Q&A.

Q13. You discussed business support, sales support, and system integration in relation to IT last year. At what stage are these matters in relation to account management?

A13. We use Salesforce to share information about account management among sales representatives. Such information includes what kind of transactions we engage in with customers in Japan and overseas. More than ever, we are creating an environment in which we share information to conduct sales more quickly and in a more coordinated manner.

Q14. It appears that the impact of IT strategy on the results of talks with customers and profit trends won't be visible until the next fiscal year. Can we expect to see the emerging impact of account management during the next fiscal year?

A14. We will provide updates on the effectiveness and progress of our account management efforts as a whole in the future.

End