

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 2: Accelerate Growth in the Global Market

Speakers: Satoshi Horikiri, President and CEO, NXHD; Tadahiro Furue, Senior Managing Executive Officer; Hideshi Otsuki, Managing Executive Officer, Satoshi Otsuji, Managing Executive Officer

*At the beginning of the session, additional clarification was provided related to the Session 1 Q&A. (Q1.-Q3.)

Q1. Has the impact of the U.S. tariff policy largely receded now, particularly for the wait-and-see approach to customer cargo? Have you noted a shift to ocean freight? What is your view of the latest developments? Also, can you speak to the current business environment for forwarding and the outlook for air and ocean freight forwarding this fiscal year?

A1. The tariff negotiations with the U.S. have been settled, and we are seeing changes in the movements of our customers (Japanese companies). The major trends we observed include the relocation of production from China to Vietnam, the Philippines, and Thailand, as well as the shift in shipments from these countries to the United States. We also noted a move to expand factories and production lines in the U.S. Certain customers have made the U.S. their hub for North, Central, and South America, particularly Latin America, and are keeping their inventory in the U.S. We are seeing new business opportunities emerge with the high tariffs for importing into the U.S. These opportunities include the use of free trade zones, shipping directly to Canada and Mexico, and setting up new warehouses in Canada.

At the same time, we are seeing a move to pass on prices, where in the past, each manufacturer had absorbed the increase in tariffs through internal efforts. We have heard cases of major U.S. retailers demanding price reductions of approximately 10% from suppliers, mainly from Chinese suppliers. Logistics providers such as us may come under even greater pressure to reduce logistics costs in the future.

On the other hand, we are also seeing cases of new work requests, such as for replacing price tags in response to price increases. As the tariff burden makes sales more challenging, we have heard reports of retailers, in particular, replacing their product lineup with products that are not affected by tariffs.

In terms of inventories, the U.S. as a whole continues to maintain high levels compared to pre-COVID levels, and we have not seen any movement toward reductions. Of course, inventory strategies vary by customer, and while some are moving toward a JIT-type inventory squeeze following the conclusion of tariff negotiations, many others are maintaining stable inventories. Given the situation, we will continue to monitor trends while maintaining close communication with customers.

Last, our outlook for the market is that conditions are likely to remain challenging until the first half of next year. With the Fed's announcement of interest rate cuts, however, changes may occur in the second half of this year and into next year, so we will keep a close eye on the situation.

Q2. Based on the acquisition of cargo-partner (CP), can you comment regarding whether you have enough resources for post-merger integration (PMI) as you proceed with M&A in the future?

A2. We have conducted various M&A since 2012. After the acquisition of CP last year, we established a dedicated PMI unit inside the Global Business Headquarters, staffed by around 10 professionals. Under this structure, we have accumulated a wealth of experience and expertise in PMI, and we will continue to leverage this expertise in this area. Our policy is to add personnel as needed, and we believe we have sufficient capacity at present.

Q3. 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?

A3. The nearly 300 companies that account for about 50% of Nippon Express sales are major shippers that we serve using account management. These 300 companies include several customers that we should approach as one group. We also conducted a name sort, which revealed other companies in the same industry and customers who were not actual shipping companies. After sorting further, we narrowed the list down to the current 176. These 176 companies are major customers, accounting for approximately 40% of Nippon Express sales. We have finally established a system that combines global account management (GAM; selected global accounts), global industry target (GIT), and Japan account management (JAM). Going forward, we will utilize this structure to expand cargo volume.

Q4. What is your approach to and assessment regarding non-Japanese customers? In particular, you commented in your presentation that you are beginning to see results. What is the status of your account management efforts for these customers?

A4. Globally, we employ just under 40 Global Key Account Managers (GKAM), each of whom is responsible for approaching global account customers. Our strength is our high-quality services in Japan, which are highly regarded by our global customers. Our work in Japan leads to cases where customers entrust us with logistics services across Asia. GKAM then delves deeper into our customers to establish relationships with top tier of global shippers. Our global and Japanese executives, including Mr. Furue and Mr. Otsuji, work with the top managers at our customers, and have received positive responses and recognition. From a global perspective, we may simply be an Asian forwarder and our share of the market is still small at present, but we hope to expand our presence in the future.

GKAM gathers by industry for an annual meeting to share their policies and the results of their initiatives. The situation is one of friendly competition among the less than 40 GKAM members, who work every day to grow their market share.

Q5. Of the global forwarding strategies on Slide 15, the third initiative in the ocean forwarding seems to indicate a significant increase in volume compared air forwarding. What specific measures will you pursue to secure this volume?

A5. Unlike air forwarding, ocean forwarding uses a contract called beneficial cargo owner (BCO), under which the shipping line and the customer contract directly. One of the reasons for the sluggish volume growth and the year-on-year decline was that customers switched from our transportation services to direct contracts with shipping lines.

Since we have no control over this area of direct contracting, we must increase volume in other areas. Further, there is talk of imposing a surcharge on Chinese ships entering U.S. ports as one of the U.S. tariff measures. While we have seen no significant impact to date, we can propose that customers to switch to Japanese or European-owned shipping companies. In addition to our NVO services, we often handle the domestic operations for cargo where the customer contracts directly with the shipping line. Services here include customs clearance and land transportation costs under FOB. Our policy is to internally track and manage this volume overall. The figures we disclose externally exclude these direct contracts with shipping lines. In this field, we work with CP to grow sales of less-than-container load (LCL) services.

Cargo for destinations where we do not provide NVO services is transported by another company's consolidation service, called co-load. Example 2 on page 15 of the presentation shows change hub location for co-load cargo. Cargo originating in Japan for destinations where we do not provide NVO services were previously handed over to a business partner (co-loader) in Japan. We changed this method to one in which cargo is transported to the port of Busan, South Korea, under our NVO consolidation service. We consolidate cargo in Busan, and then deliver to the co-

loader. We expect to improve efficiency and increase sales under this new method. Ultimately, we aim to establish a system to organize our own consolidation services for destinations where we do yet not provide NVO services. We lack the wherewithal currently, but we continue to explore the possibility of managing our own transportation from Busan to other destinations by increasing and consolidating CP cargo and our cargo. The first step is to pursue cargo consolidation and efficiency as we switch to internal consolidation. This is a medium- to long-term initiative, but we are already underway and we expect to grow ocean forwarding volume.

Q6. How is the progress of PMI and your efforts to create synergies in terms of earnings and other factors? Do you have any comments on the future direction of M&A on the business side when considering goodwill or the risk of weaker profits or impairments?

A6. We established a new structure for PMI with the CP acquisition, and we are working to create synergies through a dedicated unit within the business headquarters. This is an established approach, to a certain extent, and we are beginning to see results. The business side is responsible for creating synergies through sales projects, which are underway in each region. More specifically, we have installed Salesforce, which allows us to visualize sales projects worldwide by business, area, and industry. We have a better understanding of which projects and impacts are generated in which countries. We share the best results globally to roll out across the organization. We understand the importance of creating synergies, even while being fully aware of goodwill and impairment risks. We approach M&A actively to find deals that will lead to initiatives for our customer base and Industry Focus, contributing to business growth overall. On the business side, we have identified areas, customer segments, and Industry Focus in cooperation with the Group Corporate Planning Division.

Q7. How do you plan to improve business income margins overseas?

A7. When we formulated the current business plan, overseas business income margin was around 5%. Our plan was based on the assumption that we would maintain that level in growth regions. However, income margins have declined over the past few years due to environmental changes and other factors. One of the main reasons was that our customer base was heavily weighted toward Japanese-affiliated companies. We were highly dependent on specific clients and did not make sufficient progress in sales activities to broaden our customer base. In addition, our business mix was biased toward forwarding.

In response to these challenges, we have been working to secure forwarding handling volume, particularly for major global customers (GAM). We aim to strengthen purchasing power through increased volume and expand into logistics operations through account management. As one measure to improve profitability, we are focusing on deepening our business with respect to small and medium-sized enterprises (SMEs). In growing our customer base, we recognize the need for

measures to increase our order win rate without incurring costs. To this end, we are expanding the use of digital forwarding services (e.g., online quotation functions). We are also redesigning our domestic and global websites to step up marketing and make proposals to clients interested in our services. To correct the bias toward forwarding and the high volatility involved, we must strengthen efforts in the logistics and warehousing and distribution businesses to ensure stable earnings. More specifically, we intend to increase warehouse space and improve the efficiency of warehouses for existing customers. We also believe that an approach that increases the usable area available in the existing space will also be effective. In cases where profitability is low, we may replace customers as necessary. Our aim here will be to grow our operations through new business, while protecting the profitability of existing business.

Through the consistent implementation of these measures, we expect to have the capacity to secure an income margin of around 5%. We also expect these measures to lead to greater profits when logistics demand picks up. In parallel, we will move forward with efforts to collect appropriate fees from existing customers and reduce costs, as explained on page 25.

Q8. In addition to reducing costs, will it be possible to increase income margin by growing your top line?

A8. We must pursue income margin growth through both cost reductions and enlarging our top line.

It is essential to meet our profit target in the final year of our business plan. In the short term, we are working on detailed cost reductions and, as explained in Session 1, controlling indirect costs strictly (e.g., administration outsourcing costs and personnel expenses), cutting steadily where we can cut. At the same time, we recognize that we must make advancements in sales and marketing, since there are limits to growth imposed by customer demographic bias, if we do nothing more than review our current customer base. Accordingly, we intend to improve income margin through both cost reduction and top-line growth.

In terms of income margin, the types of initiatives and timing of the results differ from area to area. In South Asia and Oceania, we are expanding warehouse space through upfront investments, mainly looking to grow our top line and improve warehouse utilization rates. In Europe, on the other hand, the overall economy is cooling down. We also have some overlap between organizations as a result of the multiple acquisitions.

For the time being, cost initiatives will be the main focus, as a major economic recovery is unlikely. The economic slowdown in China (East Asia) continues, particularly for real estate. We began cost-cutting measures last year in that market. And while we have seen some signs of a recovery, we need to make further reductions. Plus-one support in South Asia will be an important pillar for us. We have had concerns about inflation in the Americas for some time. In that market,

we are making progress with rate revisions and other measures. We maintain a business income margin of about 5% at present, but we must continue to revise rates and expand top line revenues. As you can see, the details and focus of initiatives vary from area to area.

Q9. Your presentation highlights Europe mainly in the context of efforts to improve profitability.

Would you like to comment further regarding the extent to which profitability can improve over the next fiscal year?

A9. We have yet to see concrete figures. However, as part of an organization-wide effort to reduce overhead costs, our budget plan for the next fiscal year incorporates the assumption that we will reduce operating expenses by between 10% and 15% by fiscal 2028 as compared to fiscal 2025.

We have scrutinized costs in the past, but this time we will be making an exhaustive review based on urgency and necessity. We are also implementing rate revisions for all types of customers.

While raising rates on forwarding is not easy due to the target market and market environment, we are looking at each case to determine whether appropriate rates are being received for collection fees, charges at origin and destination, and, in the case of ocean cargo, drayage charges. We have captured details of these negotiations in Salesforce, managing results based on goals for the coming year. Salesforce also allows us to manage progress centrally, comparing where we are with overall targets. We expect to explain our initiatives again when the figures and targets become somewhat clearer.

As part of standardizing operations, we plan to begin installing CargoWise One later this year, rolling it out worldwide in stages. The main impact of this system will be to improve productivity by an estimated 3% to 5% on the low end and 10% to 15% on the high end. Similar efforts are underway at other companies, which have seen productivity gains of approximately 20% at the most successful companies, and 5% at the lowest. We expect the same positive impact within our company.

Last, the GBHQ is leading discussions with every overseas region to formulate country-specific and site-specific improvement programs, as shown in the slide on page 25. We will finalize these figures into a budget early in the next year to solidify how much profitability improvement we expect.

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