December 16, 2025

NIPPON EXPRESS HOLDINGS, INC.

Questions and Answers (Summary) From the Small Meeting With Outside Director Speakers

The small meeting held on December 16 was conducted online and live formats. The following summarizes questions received and explanatory answers.

Main Speaker: NIPPON EXPRESS HOLDINGS, INC.

Outside Director	Yojiro Shiba
Outside Director	Yumiko Ito
Outside Director	Tsukiko Tsukahara



Q1. How do you assess the company's post-merger integration activities to date, including cargo-partner? Your integrated report and other reports touch on past M&A deals, but how do you see these mergers? What post-merger integration capabilities has the company demonstrated?

A1. (Shiba)

It is true that certain M&A projects in the past have not produced the results expected. At the same time, recent M&A deals have become more effective due to improvements based on lessons learned from the past. In the past, the company would select a target from a list of deals presented by advisors, and then make the acquisition. Today, we request proposals from advisors after ensuring they understand our desired conditions. We do not do business with advisors who cannot bring deals that meet our conditions. Further, the company intends to narrow down the number of M&A targets from the initial stages, assuming a reasonable acquisition price and aiming for an acquisition price multiple of approximately 13 times EBITDA. Accordingly, efforts to improve at the acquisition stage have been impactful, including participating in fewer bids and looking for targets that can be acquired through direct transactions.

In terms of post-acquisition systems, the company established a division called the Global Business Headquarters (GBHQ) within the holding company to manage global operations in contrast to previous M&A deals, where the post-merger integration had been left to local subsidiaries. In the past, we entrusted post-merger integration for M&A projects in Europe to the European regional headquarters. Now, the holding company takes the lead in these activities, working with the

European regional headquarters.
While some insufficiencies remain, this system is beginning to function, and recent M&A targets have enjoyed relatively smooth post-merger integration.
In terms of cargo-partner, we haven't yet seen the earnings anticipated, given the sluggish European economy. We must explain the extent to which market conditions have been a factor in weak results at cargo-partner. While it is difficult to categorize the impact of the company's initiatives and efforts, including post-merger integration, we must offer explanations that foster understanding.
We are studying the issue diligently at present, but the answers may take some more time.
While we have little experience in post-merger integration for a forwarding company like cargo-partner—and there have been some matters that differ from our initial assumptions—we are resolving issues carefully one by one. As an outside director, I receive detailed reports and continue discussions on how to proceed with post-merger integration in the future.

A1. (Tsukahara)
cargo-partner is a forwarding-focused company with high volatility. I was not an outside director at the time of the acquisition, and we cannot deny that there may have been some laxness in valuation, which became apparent to us after the acquisition has already been completed. Our years of experience with highly volatile businesses means we must estimate valuations more rigorously in future mergers and acquisitions.
We receive detailed reports on the progress of post-merger integration from the executive divisions and whether organizational consolidation, etc., is leading to synergies. Organizational consolidation appears to be progressing smoothly, and synergy creation is not only the domain of the European regional headquarters, but is also led by the holdings company as part of a global structure. The quicker the response, the quicker the company will reach a stage where the contribution to profits will be clear, and we plan to keep a close eye on developments in this area.

A1. (Ito)
The company has incorporated a 50 billion yen impairment loss on goodwill in Europe for the fiscal 2025 full-year forecast. In light of this situation, we must conduct a comprehensive review of M&A. Although the European economy is sluggish at present, potential valuation and post-merger integration issues remain, of course, and we believe in the need for a comprehensive review of issues and areas for improvement.
In terms of synergies, we receive reports about business acquisitions and expansion; however, quantitative information appears to be lacking. I'm sure the company will create synergies between cargo-partner and the NX Group. Generating a quantitative visualization is one of the challenges in this area.

Q2. Is there insufficient sales capabilities, internal rules, or other matters that inhibit the creation of synergies with cargo-partner and their contribution to profits? What issues do you perceive as insufficiencies hampering a rapid response?

A2. (Tsukahara)

We receive qualitative progress reports on the cargo-partner post-merger integration, including the acquisition of new customers. In the end, however, we do not have a clear picture of the quantitative degree of contribution to profits. We understand the efforts to create synergies; however, we want to see more aggressiveness toward securing profits, even taking into account the worst-case scenario. This desire is not limited to post-merger integration for cargo-partner. For example, amid a focus on global key account management, the company is building a system to compile revenue data by account. Without visualized data, even if daily sales activities generate profits, the impact and areas requiring improvement remain unclear. As a result, the PDCA cycle does not operate properly, leading to delays in decision-making.

Q3. What is the justification for continuing to make M&A a mainstay of your business strategy?

We note that goodwill impairments have occurred for many of your past M&A transactions. Is there a fundamental issue at play, or is it also due to the impact of the external environment? With the company making M&A a mainstay of business strategy, investors tend to expect high returns relative to the cost of equity. Does the company have the capability to maintain M&A as a mainstay of its business strategy?

A3. (Shiba)

We understand that the company's growth includes growing sales overseas. We also understand that it will be a challenge to achieve the goals of the management plan through organic growth alone, and that the use of M&A will be necessary to achieve this goal. We believe the company has the ability to make M&A a mainstay of its business strategy, but the company also needs to resolve M&A-related issues one by one in a detailed manner.

A3. (Ito)

We understand that from an outside perspective, there have been failures with respect to M&A in the past. At the same time, the Japanese economy is in decline, and the company has no choice but to consider the global market for growth.

In the mid-1990s, Japan's GDP was nearly 20% of the world's total. Today, that figure is only around 4%, and with expectations of a further decline, the company needs a strategy that incorporates a global perspective. Given the circumstances, it is understandable to believe that growth in the global market through solely organic means will take too much time, and that inorganic growth must be considered.

Currently, a large portion of overseas sales traces back to past M&A activities. While the company must review past M&A and strengthen weaknesses, any future insufficiencies may call for the need to review this M&A strategy. However, we think the current M&A strategy should continue in this general direction.

A3. (Tsukahara) Giving up on growth would mean losing future potential. We believe that M&A

should be at the center of the company's global strategy to ensure continued growth. With respect to the question of a lack of M&A and post-merger integration capabilities, we think the company is moving in the right direction, even while encouraging the company to review past M&A activities, learn from mistakes, and improve. Rather than a lack of capability, we see the need for a more aggressive pursuit of profit, not only through M&A, but also generally. While we expect the company will record a goodwill impairment with the latest acquisition, the results of M&A should not be measures only in the short term. The strategic merits of M&A should not be assessed solely on the basis of current results.

Q4. What are the challenges of strengthening governance in the new in-house company system that launched in January?

A4. (Shiba)

Since the in-house company system is in the early stages, making any assessment is difficult at this time. The company is integrating work subsidiaries into various companies and restructuring relationships with customers in each region. I think the start has been commendable to a large degree, particularly with the establishment of a regionally focused sales structure, with a focus on regional companies outside of Tokyo and Osaka. While the company has endeavored to improve profitability and ROIC as a management indicator, the company as a whole recognizes that increasing employee understanding of ROIC is an important issue. The East Company has achieved a relatively high ROIC, while the West Company is currently at a lower level than the East. We expect the West to increase as understanding of ROIC becomes more widespread.

A4. (Ito)

It appears that in the past, there may have been situations where each office of a Japanese company operated its business independently. Dividing Nippon Express into Tokyo-Nagoya-Osaka, West, and East allows the presidents of each company to make decisions on many matters now under their own authority, whereas previously, decisions were required at higher levels. This structure lets the presidents of each company exercise governance within their organization with all the attendant authority and responsibility. We think governance is better now than under the previous system. Despite the difficult economic environment, I commend Nippon Express for their performance through the third quarter, and revenue and profits were higher year on year (after excluding the impact of the spin-off of the Heavy Haulage & Construction business).

In addition to reports on the restructuring of the Japanese business, the Board of Directors receives reports focusing on the business of the East Company and West Company. The reports frequently mention the term ROIC. I believe this change marks significant progress since I first became a director in 2023.

A4. (Tsukahara)

I was concerned at first whether the new company system would ensure the revitalization of the Japanese business. At this point, I see the change as a very positive step in the right direction. In particular, the ROIC of the East Company has been improving, and I commend the company's efforts and commitment to ensuring profitability through a focus on ROIC and profits, rather than the excessive pursuit of sales, volume, and scale. We will continue to monitor these trends, and we expect the business to grow.

Q5. Business profit ratio—a most important measure—is very low, and is an issue demanding priority above M&A activity. Since investments require a source of funds, I want to understand your view of the issue. Does the low degree of business profit ratio call for restructuring? Business profit ratio for the overseas business has been around 5% traditionally. What is your policy to improve profitability?

A5. (Shiba)

I think we have a shared understanding regarding low business profit ratio. Considering the domestic and overseas businesses separately, number one, the company is taking several measures to address significantly low income margins in the domestic business. Under the new company system, the company pursues ROIC-based management, focusing on revised sales methods and developing products that will yield high profit margins in growth areas. While it is true that the measures have not yielded sufficient results, given the deterioration of overall market conditions in Japan, we believe the policy itself is appropriate.

Last month, three outside directors visited the warehouse of a Taiwanese subsidiary to confirm the situation on the ground. As in Japan, the Taiwanese subsidiary is engaged in various value-added businesses, in addition to cargo storage for Japanese companies. We learned that business profit ratio for the business was surprisingly high at around 10%. Despite the differences in situations—for example, being overseas and striving for added value—we also looked at factors that contribute to the difference in income margins in Japan, one of which is the difference in the competitive environment. In Japan, tough competition and the high barrier to rate revisions are two factors considered to be the main reasons for the decline in income margins. Under these circumstances, we believe it appropriate for the company to move toward high-margin projects, concentrating on priority industries, revising its sales structure, and aiming to improve overall profits through end-to-end solutions.

In the Overseas Business, securing profits in the short term is no easy task, particularly in forwarding, where economies of scale are at work. Here, the company is testing lower purchase prices through collaboration with cargo-partner to win customers and grow sales through integrated sales activities. A policy to increase volume and decrease purchase price seems to be most rational in this case.

A5. (Ito)

We have presented specific policies for business portfolio initiatives and other restructuring measures at financial results briefings and other meetings. The issue, we believe, is the speed of implementation.

A5. (Tsukahara)

The company has been able to secure profits in the Overseas Business in markets with relatively high growth potential, but we have recently seen a sharp decline in earnings. There is room for further discussion of future possibilities and implementation, including restructuring.

Q6. When announcing measures to improve profitability, other overseas companies include plans for major headcount reductions. Are you considering a similar restructuring?

Also, has there been any discussion on cost control plans, such as estimating future costs and maintaining or changing headcount according to need and growth potential?

A6. (Tsukahara)

There are advantages and disadvantages to being a company with global headquarters overseas and being a company that manages operations strictly by the Japanese book. While large-scale headcount reduction is one approach, we recognize the importance of securing human resources capable of handling logistics and forwarding operations at a high level, both in Japan and overseas. So, while we understand that personnel reductions from the perspective of cost reductions is effective in securing short-term profits, reductions must be approached with caution from the perspective of business growth. We are debating cost controls, but we do not see the current measures as sufficient right now. We will continue to communicate with management on an ongoing basis.

A6. (Ito)

While there may be issues with restructuring and business portfolios, we have identified securing profits in the upcoming year to be a major challenge. We believe cost reductions are achievable through a systematic approach.

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