

Appendix

# NX Group Business Plan 2028

## Dynamic Growth 2.0

“Accelerating Sustainable Growth”

**NIPPON EXPRESS HOLDINGS, INC.**

February 14, 2024



# Looking Back on our Previous Business Plan & Management Issues Requiring Attention

## Looking Back on our Previous Business Plan

Business Plan Figures (Based on Japanese GAAP)	FY2023	FY2023 Plan (Amended February 2022)	Change (Compared to Plan)		(Reference) FY2019 Actual	Change (Compared to 2019)	
			(Amount)	(Ratio)		(Amount)	(Ratio)
Revenues	¥2,243.2 billion	¥2,400.0 billion	(¥156.7 billion)	(6.5%)	¥2,080.3 billion	¥159.7 billion	7.7%
Operating Income	¥69.1 billion	¥110 billion	(¥40.8 billion)	(37.1%)	¥59.2 billion	¥9.9 billion	16.8%
Operating Income Margin	3.1 %	4.6 %	-	-	2.8 %	-	-
Net income	¥45.9 billion	¥72 billion	(¥26.0 billion)	(36.2%)	¥17.4 billion	¥28.5 billion	163.9%
Overseas sales	¥642.4 billion	¥720 billion	(¥77.5 billion)	(10.8%)	¥412.5 billion	¥229.8 billion	55.7%
ROE	5.9 %	10.0 %	-	-	3.2 %	-	-

# Looking Back on our Previous Business Plan

Business Segment	FY2023			FY2023 Plan (Amended February 2022)			Amount of Change (Compared to Plan)		Ratio of Change (Compared to Plan)	
	Revenues	Segment Income	Operating Income Margin	Revenues	Segment Income	Segment Income Margin	Revenues	Segment Income	Revenues	Segment Income
Japan	¥1,267.4 billion	¥37.0 billion	2.9 %	¥1,373.0 billion	¥65.8 billion	4.8 %	(¥105.5 billion)	(¥28.7 billion)	(7.7 %)	(43.7 %)
Americas	¥151.2 billion	¥9.2 billion	6.1 %	¥121 billion	¥7.2 billion	6.0 %	¥30.2 billion	¥2 billion	25.0 %	28.6 %
Europe	¥192.6 billion	¥9.8 billion	5.1 %	¥186 billion	¥8.7 billion	4.7 %	¥6.6 billion	¥1.1 billion	3.6 %	13.0 %
East Asia	¥157.6 billion	¥3.7 billion	2.4 %	¥231 billion	¥8.9 billion	3.9 %	(¥73.3 billion)	(¥5.1 billion)	(31.7 %)	(57.7 %)
South Asia and Oceania	¥140.8 billion	¥8.3 billion	5.9 %	¥182 billion	¥14.2 billion	7.8 %	(¥41.1 billion)	(¥5.8 billion)	(22.6 %)	(41.2 %)
Security Transportation	¥68.1 billion	¥2.5 billion	3.8 %	¥69 billion	¥1.1 billion	1.6 %	(¥0.8 billion)	¥1.4 billion	(1.3 %)	132.4 %
Heavy Haulage and Construction	¥51.1 billion	¥6.5 billion	12.8 %	¥53 billion	¥6.1 billion	11.5 %	(¥1.8 billion)	¥0.4 billion	(3.6 %)	6.9 %
Logistics Support	¥419.0 billion	¥14.1 billion	3.4 %	¥382 billion	¥12 billion	3.1 %	¥37.0 billion	¥2.1 billion	9.7 %	17.9 %

# Looking Back on our Previous Business Plan

## A KPI <Growth Strategy for Core Businesses>

Approach based on customer (industry) Revenues	FY2023 Results		FY2023 Target		Progress	
	Japan*1	Overseas	Japan*1	Overseas	Japan	Overseas
Electric and Electronics Industry	¥101.2 billion	¥146.1 billion	¥120 billion	¥174 billion	84 %	84 %
Automotive Industry	¥83.2 billion	¥110.9 billion	¥110 billion	¥120 billion	76 %	92 %
Apparel Industry	¥15.5 billion	¥100.9 billion	¥20 billion	¥80 billion	78 %	126 %
Pharmaceutical / Medical Industry	¥18.4 billion	¥36.3 billion	¥30 billion	¥40 billion	61 %	91 %
Semiconductor-Related Industry	¥29.7 billion	¥14.7 billion	¥45.5 billion	¥20 billion	65 %	74 %
Non-Japanese Customer Accounts (GAM, GTA *2)	¥38.5 billion		¥86.9 billion		44 %	
Approach based on business	FY2023 Results		FY2023 Target		Progress	
Ocean Cargo Forwarding	720,000 TEU		1,100,000 TEU		65 %	
Air Cargo Forwarding	690,000 t		1,200,000 t		57 %	

\*1. Results and KPI values are the total values of Nippon Express and NX Cash Logistics businesses. \*2. GAM is an abbreviation for Global Account Management. GTA is an abbreviation for Global Target Accounts.

## B KPI <Strategy to Enhance Domestic Businesses in Japan>

	Cumulative through	Cumulative FY2023 Targets	Progress
Further reorganization of organizations/streamlining of administrative departments	(¥4.35 billion)	(¥4.5 billion)	97 %
Reform of back office processes	(¥0.97 billion)	(¥5 billion)	19 %
<b>Total</b>	<b>(¥5.32 billion)</b>	<b>(¥9.5 billion)</b>	<b>56 %</b>

# Looking Back on our Previous Business Plan

		Main Initiatives and Results During Previous Business Plan	Challenges for Business Plan 2028
Growth Strategy for Core Businesses	Approach based on customer (industry)	<ul style="list-style-type: none"> <li>Development of global management system                             <ul style="list-style-type: none"> <li>Strengthen sales of account management to non-Japanese customers</li> </ul> </li> <li>Initiatives for priority industries                             <ul style="list-style-type: none"> <li>Strategic investments in the pharmaceutical/medical, semiconductor and mobility industries</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Development of global account management system</li> <li>Provide solutions for overview of customer supply chains</li> <li>Propose industry-specific strategies, development of platforms</li> </ul>
	Approach based on business	<ul style="list-style-type: none"> <li>Promotion of volume strategy with development of global purchasing system for forwarding business</li> <li>Training program for logistics human resource</li> <li>Promotion of global strategy by establishing GBHQ</li> </ul>	<ul style="list-style-type: none"> <li>Development of trade lane management promotion system</li> <li>Sales system linking origin to destination</li> <li>Deployment of operation system for the promotion of digitalization and labor-saving</li> </ul>
	Approach based on area	<ul style="list-style-type: none"> <li>Also strengthen initiatives for enhancing infrastructure in priority industry fields (Americas: pharmaceutical/medical industry, Europe: lifestyle, etc.)</li> <li>Network expansion (Northern and Eastern Africa, etc.)</li> <li>Promotion of localized management and hiring of skilled professional human resources</li> <li>Expansion of the Contract Logistics Business</li> </ul>	<ul style="list-style-type: none"> <li>Securing skilled professional human resources and training of existing human resources</li> <li>Collaboration between overseas regions (strengthen Trans-Atlantic lanes, coordinate economic spheres of India, the Middle East and Africa)</li> <li>Development of BCP in response to geopolitical risks</li> <li>Capture domestic logistics demand (consumables-related)</li> </ul>
Strategy to Enhance Domestic Businesses in Japan	Improving specialty business profitability	<ul style="list-style-type: none"> <li>Strengthen competitiveness through business transformation due to spinning off specified security transportation business</li> <li>Organize overlapping businesses within the Group, such as the real estate business</li> </ul>	<ul style="list-style-type: none"> <li>Invest in human capital and technical capital</li> <li>Differentiation with use of digital technology, etc.</li> <li>Respond to changes in the business environment</li> </ul>
	Improve sales and business profitability	<ul style="list-style-type: none"> <li>Back office personnel reassignments</li> <li>Expand shift to SSC for accounting and salary work</li> <li>Cost limitations with innovation in business processes (such as use of RPA and business concentration)</li> </ul>	<ul style="list-style-type: none"> <li>Clarification of selection and concentration, responsibility and authority</li> <li>Set policy-based KPIs</li> </ul>
	Promoting fundamental reform in low profit businesses	<ul style="list-style-type: none"> <li>Revision of business portfolio from the perspective of selection and concentration</li> <li>Achieve increased revenue with ongoing price revisions</li> </ul>	<ul style="list-style-type: none"> <li>Develop strategies and policies for strengthening domestic sales platform</li> <li>Set target indicators and standard values to improve profitability of sections with low profits, and achieve fundamental reforms</li> </ul>

# Looking Back on our Previous Business Plan

		Main Initiatives and Results During Previous Business Plan	Challenges for Business Plan 2028
Efforts to Implement Our Long-term Vision	Inorganic growth strategy	<ul style="list-style-type: none"> <li>Strengthen the pharmaceutical logistics business with the acquisition of United States-based MD Logistics</li> <li>Strengthen the forwarding logistics business with the acquisition of cargo-partner</li> <li>Off-balance sheet financing of the leasing business</li> </ul>	<ul style="list-style-type: none"> <li>Synchronization of business portfolio strategies and M&amp;A strategies</li> <li>Establishment of M&amp;A and PMI promotion systems</li> </ul>
	Strengthen functions supporting initiatives	<ul style="list-style-type: none"> <li>Secure human resources with professional hires (mid-career recruits)</li> <li>Introduction of a group brand, and focus on a brand strategy to raise global recognition</li> <li>Strengthen group global information security and development of communication infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Development of global human resources strategy and human resources training program</li> <li>Inner branding of the NX brand</li> <li>Enhance coordinated system between Business Divisions/DX Division/IT Division</li> </ul>
	ESG management to achieve sustainable growth and enhance corporate value	<ul style="list-style-type: none"> <li>Development of an integrated risk management system following shift to a holding company structure</li> <li>Generate cash with asset sales and asset liquidation, slimming down the balance sheet</li> <li>Strengthen sustainability management by developing sustainability policy and vision, etc.</li> <li>Address climate change (update medium- to long-term targets for reducing CO2 emissions)</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of promotion system for global management function</li> <li>Promotion of ROIC management</li> <li>Framework that allows sustainability approaches, targets and policies to be addressed and revised as needed</li> </ul>

# Summary of Analysis of Business Environment



## Internal Issues

- Clarification of group global strategic businesses
- Framework to achieve "overall optimization"
- Visualization of information and data used as platform
- Coordination and unification of business and DX/IT
- Quantitative & qualitative enhancement to human resources, etc.



## External Environment

- The global economy is expected to recover to some extent even if it starts at a slow start
- High economic security risks
- Rebuilding supply chains
- Acceleration of focus on sustainability (particularly decarbonization and low-carbon initiatives)



## Competition Environment

- Enhancing overall supply chain strategies, such as LLP and 4PL
- Enhancing digitalization and transforming business models with DX
- M&As, partnerships and joint ventures, etc. throughout Asia



## Technical Trends

- Quantum computing, AI, clean technology, automated driving
- Reform business models with robotics, DX and technological innovation, and introduction of game changers, etc.



## Return on Invested Capital by Segment (ROIC)

(Millions of yen %)

		ROIC			Segment Income (Business Income)			Invested capital		
		FY2028 Plan	FY2023		FY2028 Plan	FY2023		FY2028 Plan	FY2023	
				fluctuation			fluctuation			fluctuation
Logistics	Japan	9.5%	6.1%	3.4%	79,000	48,579	30,420	876,000	841,553	34,446
	Americas	13.0%	10.4%	2.6%	13,500	9,262	4,237	114,000	95,969	18,030
	Europe	13.0%	11.7%	1.3%	13,000	9,746	3,253	105,000	87,913	17,086
	East Asia	13.0%	5.1%	7.9%	11,000	3,763	7,236	85,000	73,126	11,873
	South Asia &Oceania	10.0%	7.1%	2.9%	12,500	8,348	4,151	136,000	119,943	16,056
	inorganic	7.0%	-	-	14,000	107	13,893	266,000	128,402	137,598
	(Logistics Overseas)	10.0%	7.3%	2.7%	64,000	31,228	32,771	706,000	505,356	200,643
	Total	9.5%	6.5%	3.0%	143,000	79,807	63,192	1,582,000	1,346,910	235,089
	Security Transportation	13.0%	4.8%	8.2%	4,000	3,386	613	30,000	28,562	1,437
	Heavy Haulage and Construction	23.0%	27.3%	△4.3%	7,000	6,520	479	30,000	25,905	4,095
	Logistics Support	5.0%	4.7%	0.3%	16,500	13,844	2,655	348,000	337,900	10,099
	Adjusted (internal elimination)	-	-	-	△ 20,500	△22,302	1,802	△268,000	△ 204,214	△ 63,785
	NX Group Total	10.0%	5.6%	4.4%	150,000	81,256	68,743	1,722,000	1,535,063	186,936

1. Invested capital for FY2023 is calculated as (FY2022 + FY2023)/2, and for FY2028 as (FY2027 + FY2028)/2.



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