



# NX GROUP Integrated Report 2024

**NX**  
**NIPPON**  
**EXPRESS**

We Find the Way

# NX GROUP Corporate Philosophy

**Our Mission** Be a Driving Force for Social Development

**Our Challenge** Create New Ideas and Value that Expand the Field of Logistics

**Our Pride** Inspire Trust Every Step of the Way



Since its founding, NX GROUP has employed its logistical strengths to connect people, businesses and regions throughout the world.

In so doing, we have continuously supported social development.

While our mission never changes, we advance continuously to meet the world's changing needs.

Making no compromise in safety and maintaining a deep focus on environmental issues, we continuously strive to deliver innovative solutions at the next frontier of logistics.

We will forever take pride in our ability to inspire trust and answer the call of society.

Every move we make is aimed at advancing society and bringing an enriched life to future generations.



NX GROUP Corporate Message

# We Find the Way

NX GROUP brings customers' possibilities to reality.

There are often many solutions, but only one way is the way.

We use our determination to find the best way to overcome hurdles and take our customers across the finish line.

**We**

**Find**

**the Way**

Our unified strength makes us unique, driving everything we do on the frontline and in the background to deliver unparalleled logistics services. The word "we" speaks to a complex system of individuals with specialized skills that work together to become an unstoppable force.

Every client, project, and task is different, and sometimes we have to innovate to achieve our goals. Our work demands exploration and thinking outside the box. It's how we find the best way. The verb "find" in its present form tells a story of a company willing to dig deeper for the best results.

Sure, there are many solutions, but there's only one best way. We don't find a way or some way; we find the best way, and we do it with passion and perseverance. Our efforts build connections to and between individuals and businesses.

# Long-Term Vision

## NX GROUP Corporate Philosophy

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NX GROUP  
Corporate  
Philosophy

2037 Vision  
(Ideal Vision)

## 2037 Vision

A logistics company with a strong presence in the global market

### Clients/Society

A company that contributes to achieving a sustainable society through logistics

### Shareholders

A company that achieves sustainable growth by establishing corporate governance

### Employees

A company whose employees come from a variety of backgrounds, are proud to be active in their work, support customers and society, and feel happy

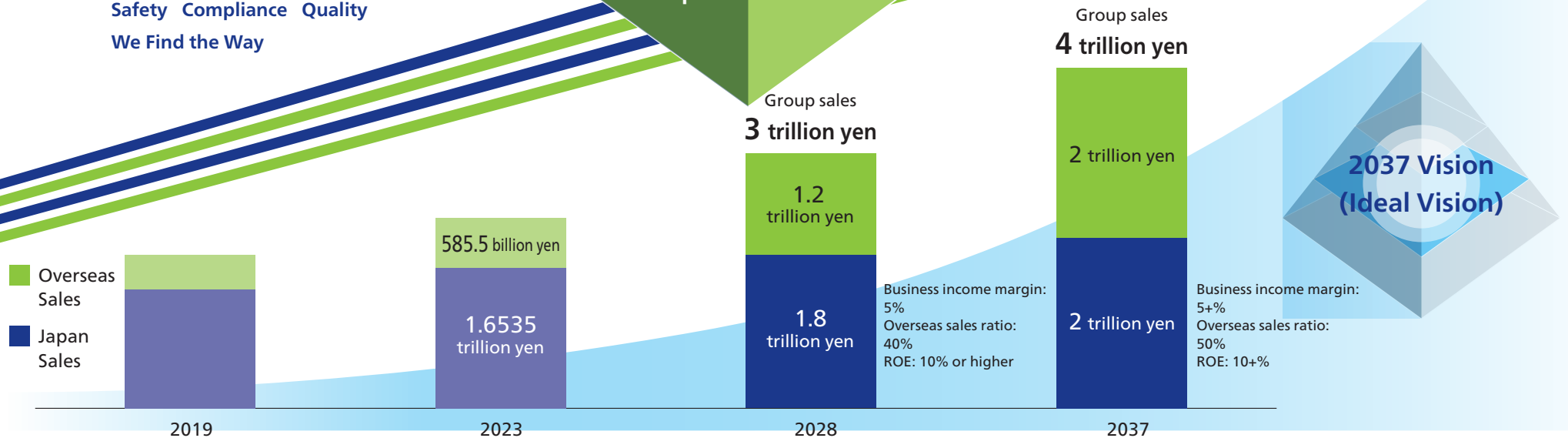
## Important Values

Creating new value through innovation

Safety Compliance Quality

We Find the Way

Important Values

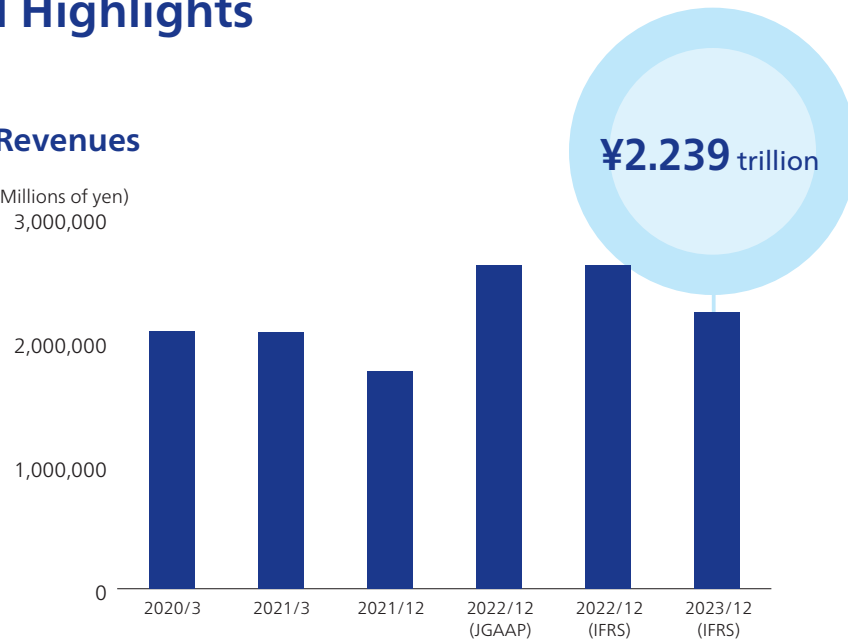


2037 Vision  
(Ideal Vision)

# Financial Highlights

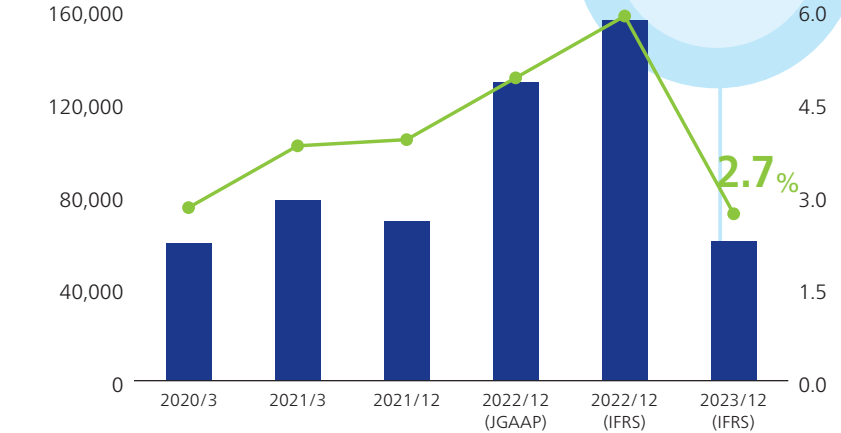
## Revenues

(Millions of yen)  
3,000,000



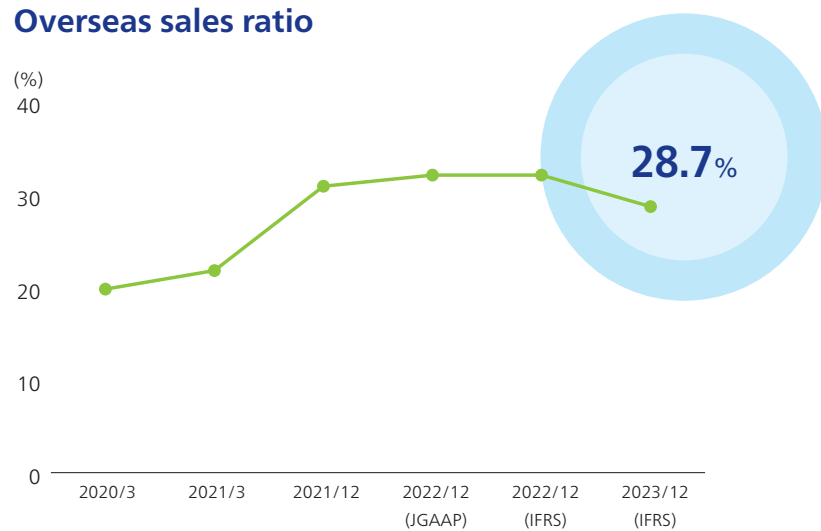
## Operating Income and Operating Income Ratio

(Millions of yen)



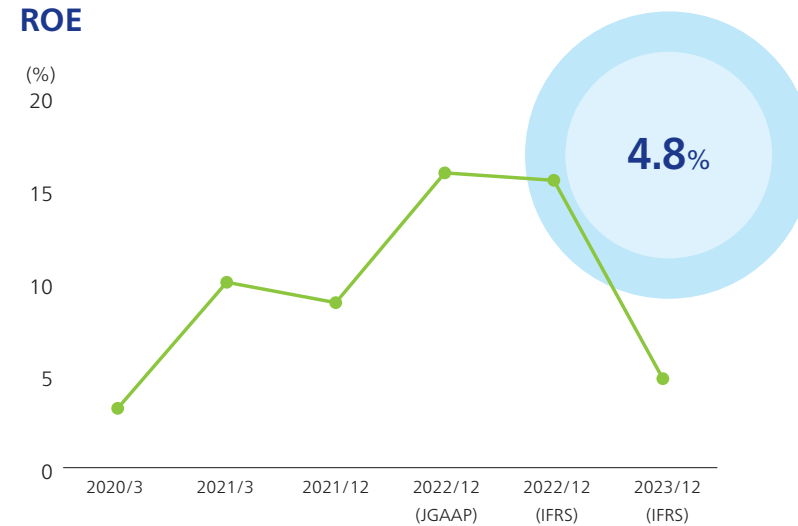
## Overseas sales ratio

(%)



## ROE

(%)



\* Details on FY2023 business performance are provided in [Management Discussion and Analysis](#)

\* The end of a fiscal year for NX GROUP has been changed from March 31 to December 31 from FY2021. As such, consolidated results for the FY2021 reflects values of nine month from April 1, 2021 to December 31, 2021.

## Major Updates

### “Accelerating Sustainable Growth”

By promoting NX GROUP Business Plan 2028 with a sense of urgency, we will improve profitability, increase capital efficiency, and reduce risk, thereby increasing corporate value over the medium to long term and achieving sustainable growth.

#### POINT 1 Improve Global Competitiveness and Achieve Business Growth

We are expanding business areas for each customer by providing account management-based End to End solutions. Through solid PMI (post merger integration) and establishing a presence in the Indian market, we are accelerating rapid growth in the global market.



#### POINT 2 Improve Business Competitiveness and Profitability to Increase Corporate Value

The Group is working to improve capital efficiency in order to increase ROE that steadily exceeds the cost of capital by promoting business portfolio management, strengthening balance sheet management, and optimizing cash allocation.



#### POINT 3 Promote Sustainability Management to Serve as the Foundation for All Business Activities

We are re-identifying Material Issues through review and are accelerating the resolution of social issues and enhancement of corporate value by addressing the five Material Issues through our business activities.



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# Editorial Policy

In the Integrated Report 2024, our editorial focus is on the progress of our efforts to strengthen our global business, improve capital efficiency, and promote sustainability management to enhance our corporate value over the medium to long term under our new structure and Business Plan in order to become “a logistics company with a strong presence in the global market” as stated in our long-term vision.

We hope this report helps our stakeholders better understand NX GROUP Corporate Philosophy and our efforts to continue to grow by creating new value through innovation, while staying true to our unchanging values of safety, compliance, and quality.

## Information Systems

The Integrated Report is a compilation of financial and non-financial information for the purpose of deepening stakeholder understanding of NX GROUP’s medium- to long-term value creation.

In addition, non-financial information that complements the Integrated Report is provided in the Sustainability Data Book, and more detailed information is available on our website.

## Voluntary Disclosures

### ● Sustainability Data Book

<https://www.nipponexpress-holdings.com/en/sustainability/report/>

### ● Sustainability page on our website

<https://www.nipponexpress-holdings.com/en/sustainability/>

## Legal Disclosures

### ● Securities Reports (Japanese only)

<https://www.nipponexpress-holdings.com/ja/ir/library/>

### ● Corporate Governance Report

<https://www.nipponexpress-holdings.com/en/ir/governance/>

## Scope of This Report

This integrated report addresses NX GROUP (including domestic and overseas Group companies). NX GROUP has been voluntarily adhering to the International Financial Reporting Standards (IFRS) since the time our Annual Securities Report for the fiscal year ended December 31, 2022 was published. This Integrated Report, with the exception of certain pages, has been prepared in accordance with IFRS.

## Reporting Period

Fiscal 2023 (January 1, 2023 to December 31, 2023)

(Certain information references time frames on or prior to 2022 and subsequent to 2024)

## Publication Date

June 2024

## Reference Guidelines and Assurances

We used the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI).

The information disclosed in our sustainability report conforms to the GRI-Standards for Sustainability Reporting.

\* GRI: Global Reporting Initiative An organization that aims to create and promulgate international guidelines for sustainability reporting. The GRI content index is available on our Sustainability page (<https://www.nipponexpress-holdings.com/en/sustainability/>).

## Reference Guidelines

- IIRC International Integrated Reporting Framework
- GRI Standards for Sustainability Reporting (reference)
- Ministry of the Environment’s Environmental Reporting Guidelines (2018 Edition)
- SASB Standards

## Caution Regarding Forward-Looking Statements

The forward-looking statements in this report, including NX GROUP’s future plans, forecasts, and strategies, are based on certain assumptions that the company considered reasonable at the time of disclosure. Actual business performance may differ significantly from forecasts due to future economic conditions and other factors.

# NX GROUP's History of Value Creation

Major Initiatives of NX GROUP

**1872-** Wartime and Postwar Reconstruction

## Establishing a nationwide domestic transport network

While expanding our truck transportation network throughout Japan, we established an intermodal transportation system that combined land, sea, and air transportation in an organic manner.

**1960-** Rapid Economic Growth and Manufacturing Industry Globalization

## Building a global network

As Japan entered a full-scale economic recovery in the 1950s, we launched an international forwarding business in cooperation with Japanese companies expanding overseas.

**1990-** Growth in the Service Industry and Rising Uncertainty

## Maintaining supply chains in Japan and overseas; diversifying our services

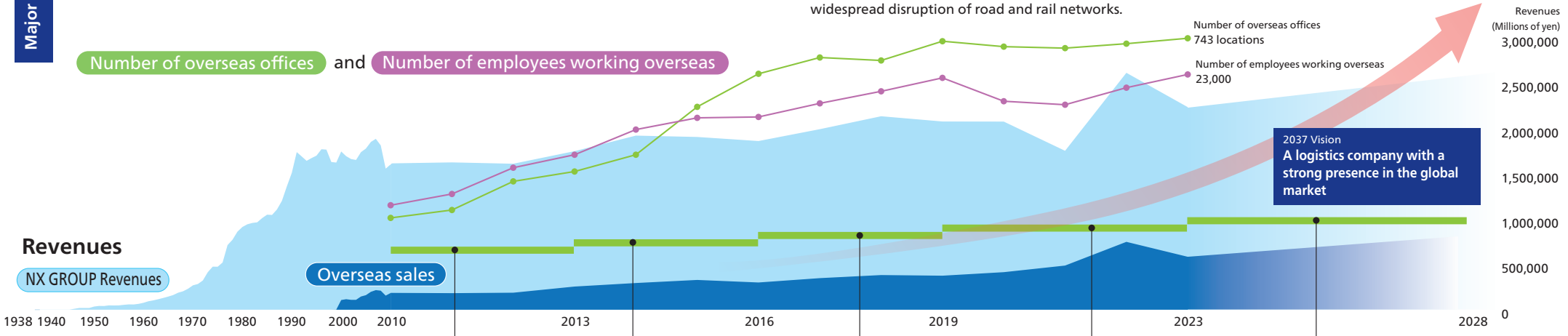
At the time of the Great Hanshin-Awaji Earthquake in 1995, Nippon Express Co., Ltd. established a disaster-response headquarters and carried out emergency transportation of relief supplies and other goods from Japan and overseas.

In the aftermath of the Great East Japan Earthquake in 2011, we maintained the infrastructure by means of transportation by land, sea, and air to cope with the widespread disruption of road and rail networks.

**2010-** Environmental and Social Sustainability

## Contributing to environmental and social sustainability

We took the lead in addressing the issue of exhaust gas emissions when environmental problems became more prominent in the beginning of the 1990s. We pursued environmentally friendly transportation through low pollution vehicles, saving resources used in packaging materials, improving efficiency through joint deliveries, and using modal shifts to move to rail- and ship-based transportation.



### Revenues

NX GROUP Revenues

Overseas sales

**2037 Vision**  
A logistics company with a strong presence in the global market

\* Overseas sales prior to fiscal 1998 have been omitted, since overseas sales accounted for less than 10% of revenues.

<p><b>NX GROUP Business Plan 2012</b> <b>Towards New Growth</b></p> <p><b>Establishment of long-term goals for global growth and structural reforms</b></p> <ul style="list-style-type: none"> <li>● Growth as a Global Logistics Company</li> <li>● Promotion of Strategic Environmental Management</li> <li>● Enhancement of Management Infrastructure</li> <li>● Promotion of Corporate Social Responsibility (CSR) Management</li> </ul>	<p><b>NX GROUP Business Plan 2015</b> <b>Innovation and Moving Forward</b></p> <p><b>Raise the profit ratio of combined business in Japan to 3%</b></p> <ul style="list-style-type: none"> <li>● Further Expanding Our Global Logistics Business</li> <li>● Strengthening Management Practices for Our Domestic Businesses</li> <li>● Expanding Business by Utilizing the Diversity of Group Companies</li> <li>● Contributing to Society through Our Businesses in Accordance with CSR Management</li> </ul>	<p><b>NX GROUP Business Plan 2018</b> <b>New Sekai-Nittsu</b></p> <p><b>Expanded transactions in Tokyo, Nagoya, and Osaka, and focused investment in South Asia</b></p> <p><b>Area Strategies:</b></p> <ul style="list-style-type: none"> <li>● Japan: Achieve both growth and profitability</li> <li>● Overseas: Drive growth of NX GROUP</li> </ul> <p><b>Functional Strategies:</b></p> <ul style="list-style-type: none"> <li>● Thoroughly strengthen sales activities</li> <li>● Strengthen and upgrade core businesses</li> <li>● Enhance Group management</li> <li>● Reinforce the management infrastructure</li> <li>● Further strengthen the Group's CSR management</li> </ul>	<p><b>NX GROUP Business Plan 2023</b> <b>Inorganic growth "Dynamic Growth"</b></p> <p><b>Growth Strategy for Our Core Businesses</b></p> <ul style="list-style-type: none"> <li>● Growing in the global market</li> <li>● Focusing on management resources in large Japanese cities</li> </ul> <p><b>Strategy to Enhance Domestic Businesses in Japan</b></p> <ul style="list-style-type: none"> <li>● Improving specialty business profitability</li> <li>● Improve sales and administrative profitability</li> <li>● Promoting fundamental reform in low profit businesses</li> </ul> <p><b>Efforts to Implement Our Long-Term Vision</b></p> <ul style="list-style-type: none"> <li>● Inorganic growth strategy</li> <li>● Reinforcement of functions to support challenges</li> <li>● Establishment of an ESG-oriented business management to realize sustainable development and improve corporate value</li> </ul>	<p><b>NX GROUP Business Plan 2028</b> <b>Dynamic Growth 2.0</b></p> <p><b>Business Growth Strategy</b></p> <ul style="list-style-type: none"> <li>● Accelerating growth in the global market</li> <li>● Rebuilding Japanese businesses</li> </ul> <p><b>Sustainability Management Strategy</b></p> <p><b>Corporate strategy supporting business growth</b></p> <p><b>Initiatives to Improve Corporate Value</b></p>
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# NX GROUP's Value Creation Engine

Creating and commercializing solutions to logistics and social issues through an unwavering business creation process based on our corporate philosophy.

## Uncovering Issues That Reflect the Times and Social Needs

Logistics Issues  
Social Issues



Truck Transportation



Ocean Transportation

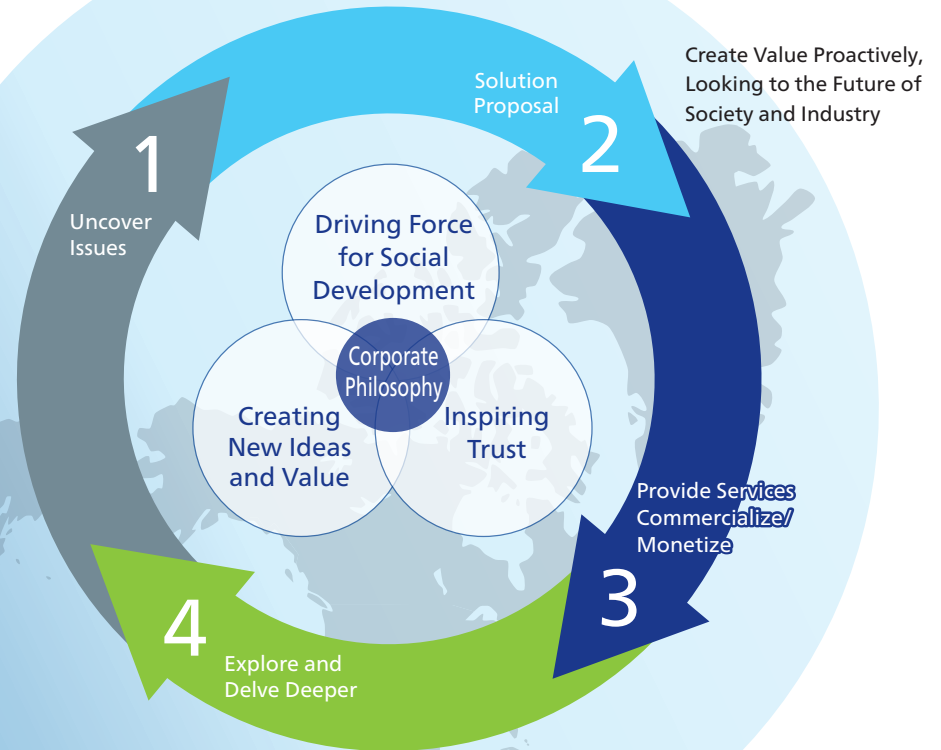


Rail Transportation



Air Transportation

## NX GROUP Business Creation Process



## Create Businesses That Meet the Needs of the Times

### Support Lives Through Social Infrastructure Logistics

Green Logistics	Logistics Consulting	Specialized Transportation Services
Logistics Design	Mode-Specific Transportation Services	Logistics Information Systems
Global Logistics	Global SCM	Transportation Services by Industry

#### Technology (for electric/electronic applications and industrial equipment)

- Respond to increase in demand for electronic components driven by the spread of IoT

#### Mobility (automotive, construction, agricultural, rail, and aerospace industries)

- Strengthen distribution networks for production parts
- Respond to changes in supply chains driven by the spread of electric vehicles

#### Lifestyle (apparel, furniture, decorations, and cosmetics)

- Strengthen initiatives in the luxury apparel, fashion, and furniture industries using the capabilities of companies acquired in Europe

- Strengthen initiatives in fast fashion in Asia and other emerging markets
- **Healthcare (pharmaceuticals and medical devices)**
- Reinvent business models leveraging the opportunity of tightened GDP guidelines
- **Semiconductor**
- Strengthen initiatives in the rapidly growing semiconductor industry

### Contributing to Sustainable Societies

#### Provide Solutions to Reach an Ideal Future by Anticipating and Envisioning Social Trends

- Create Industry-Specific Platforms that Contribute to Solving Logistics and Social Issues and End to End platform
- Decarbonization logistics solutions

## Strengths of NX GROUP

We have become the increasing choice of numerous customers due to our ability to transport anything, anywhere, using every means of transportation in the best possible manner.

And what has made this possible are the transportation modes, networks, and front-line capabilities we have cultivated since our founding.

### Strength 1 Diverse Transport Modes

Customers have a variety of requirements, including cargo size, weight, and urgency. NX GROUP offers a full range of transportation modes, including truck, rail, ship, and air. We provide the most suitable method of transportation for shipments requiring special care, such as pharmaceuticals and perishable foods that require strict temperature control, precision instruments that require vibration control, and art works that require humidity control.

#### Vehicles\*

Japan 21,494  
Oversea 8,389

#### Cargo handling and Construction Vehicles\*

Japan 7,559  
Oversea 1,467

#### Warehousing Space

Japan  
(Nippon Express Co., Ltd.)  
4.02 million m<sup>2</sup>

#### Overseas Warehousing Space

4.28 million m<sup>2</sup>

#### Forwarding Volume (January 2023 to December 2023)

Ocean 720,000 TEU / Air 690,000t

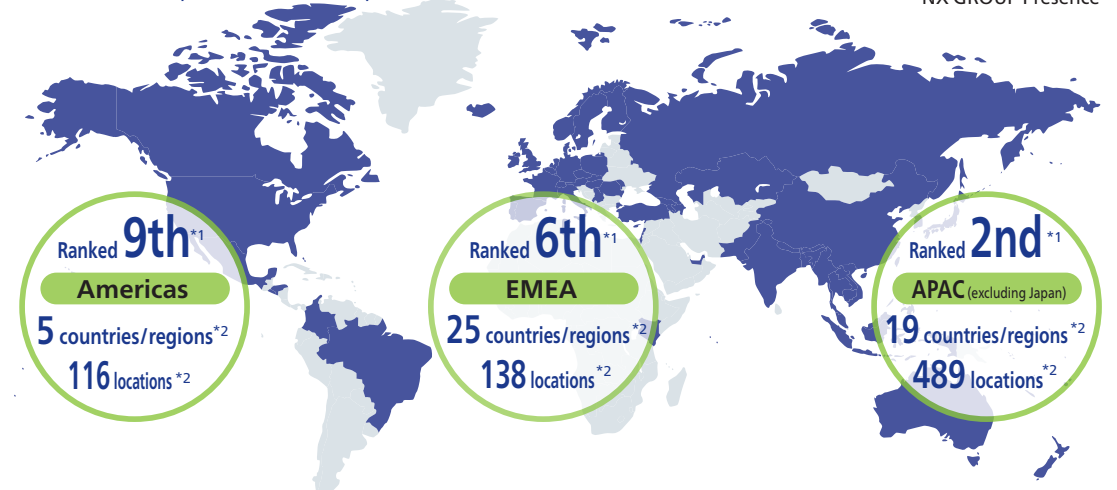
(TEU: Twenty-foot Equivalent Unit, equal to the volume of one twenty-foot shipping container)

\* The numbers of vehicles, as well as cargo handling and construction vehicles in Japan are the sums of vehicles owned by Nippon Express Co., Ltd. and NX Cash Logistics Co., Ltd. as of December 31, 2023 and those owned by other affiliated companies as of December 31, 2022. The numbers of vehicles, as well as cargo handling and construction vehicles overseas is the number of vehicles owned as of December 31, 2022.

### Strength 2 Global Network

NX GROUP operates in 49 countries/regions, including countries/regions in the Americas, EMEA and APAC, with 743 locations worldwide

Countries/Regions with NX GROUP Presence



\*1: Calculated the rankings by referring the revenues in Americas, EMEA and APAC in disclosed materials of the companies selected as the top 20 in forwarding industry (including DHL, K+N, DSV, Expeditors, and C.H. Robinson) by revenue in Transport Intelligence "Global Freight Forwarding 2023". NX includes cargo-partner.

\*2: Figures for countries/regions and number of locations are current as of December 2023 and do not include cargo-partner figures.

### Strength 3 Strong Front-Line Capabilities

How will my precious cargo be handled? This is the single most important question when customers choose a transportation service. NX GROUP transports and stores cargo in the field, strongly committed to safety, compliance, and quality, and always placing the success of the customer first based on a deep understanding of the customer's business. At first glance, this approach may seem simplistic and obvious. However, customers have widely varying demands in terms of cargo size, weight, shape, and nature. We must meet every one of these demands, while maintaining strict safety and compliance. We can only accomplish this task through constant daily training, systems support prompt communications, an autonomous organization capable of identifying and resolving issues in the field, a sense of ownership on the part of all employees, and a strong shared will on our front lines to find the single best way and to accomplish our mission, no matter what the situation.

We have the expertise and groundwork passed down from our predecessors, and we will continue pressing forward to strengthen our front-line capabilities.

150+ years since our establishment

More than 78,000 logistics experts\*

Knowledge of the characteristics of each industry

\* "Logistics experts" mean employees. (Includes cargo-partner employees. NX GROUP's figure as of December 2023. cargo-partner figure as of December 2022)

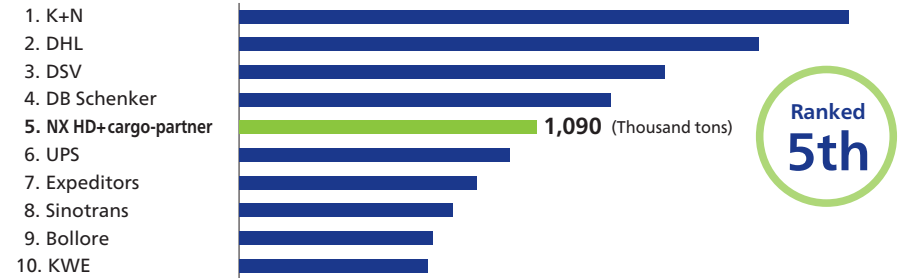
## Position in the Global Market

The depth of NX GROUP's customer base has led to our proven track record in the global market. The internationalization of the logistics industry is occurring along with economic globalization. The global rankings are almost dominated by major logistics companies of advanced economies that have established international logistics networks. Driven by the growth of 3PL and international parcel delivery services, we believe that the restructuring of cross-border logistics services will continue to gain momentum.

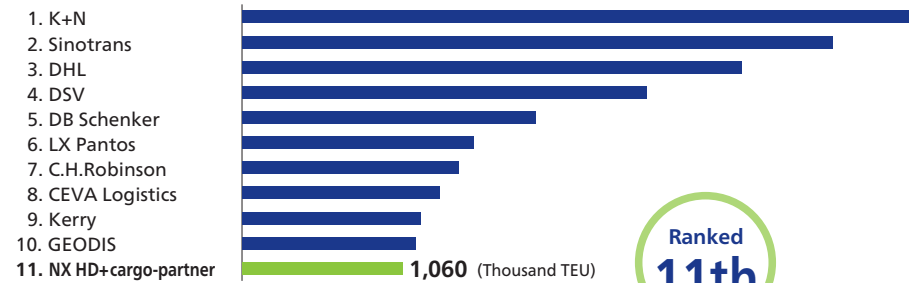
Rank	Location of Headquarters	Provider	Gross Logistics Revenue (Millions of yen)*	Marine (TEU)	Air (Metric tons)
1		Kühne + Nagel	4,686,400	4,386,000	2,232,000
2		DHL Supply Chain & Global Forwarding	4,559,000	3,294,000	1,902,000
3		DSV	3,488,300	2,665,147	1,557,972
4		DB Schenker	3,039,200	1,909,000	1,326,000
5		Sinotrans	1,640,500	3,890,000	781,000
6		Expeditors	1,707,100	942,500	869,000
7		CEVA Logistics	1,870,000	1,300,000	520,000
8		Nippon Express (cargo-partner not included)	1,993,200	756,741	867,038
9		C.H. Robinson	2,387,400	1,425,000	285,000
10		Kerry Logistics	1,048,300	1,176,370	515,419
11		GEODIS	1,262,400	1,146,100	293,984
		⋮			
-		cargo-partner	309,509	308,000	218,607

\* Based on the exchange rate as of December 2022 (US\$1 = ¥133.70). For cargo-partner, the rate of EUR 1=¥150 was used.  
Source: Armstrong & Associates, Inc. A&A's Top 25 Global Freight Forwarders List 2022.

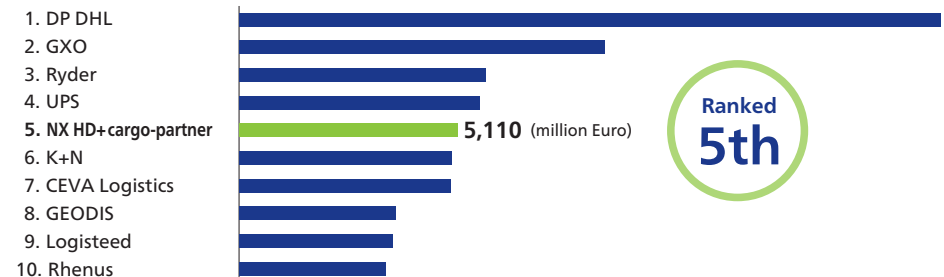
### Air Freight Forwarding\*<sup>1</sup>



### Ocean Freight Forwarding\*<sup>1</sup>



### Contract Logistics\*<sup>2</sup>



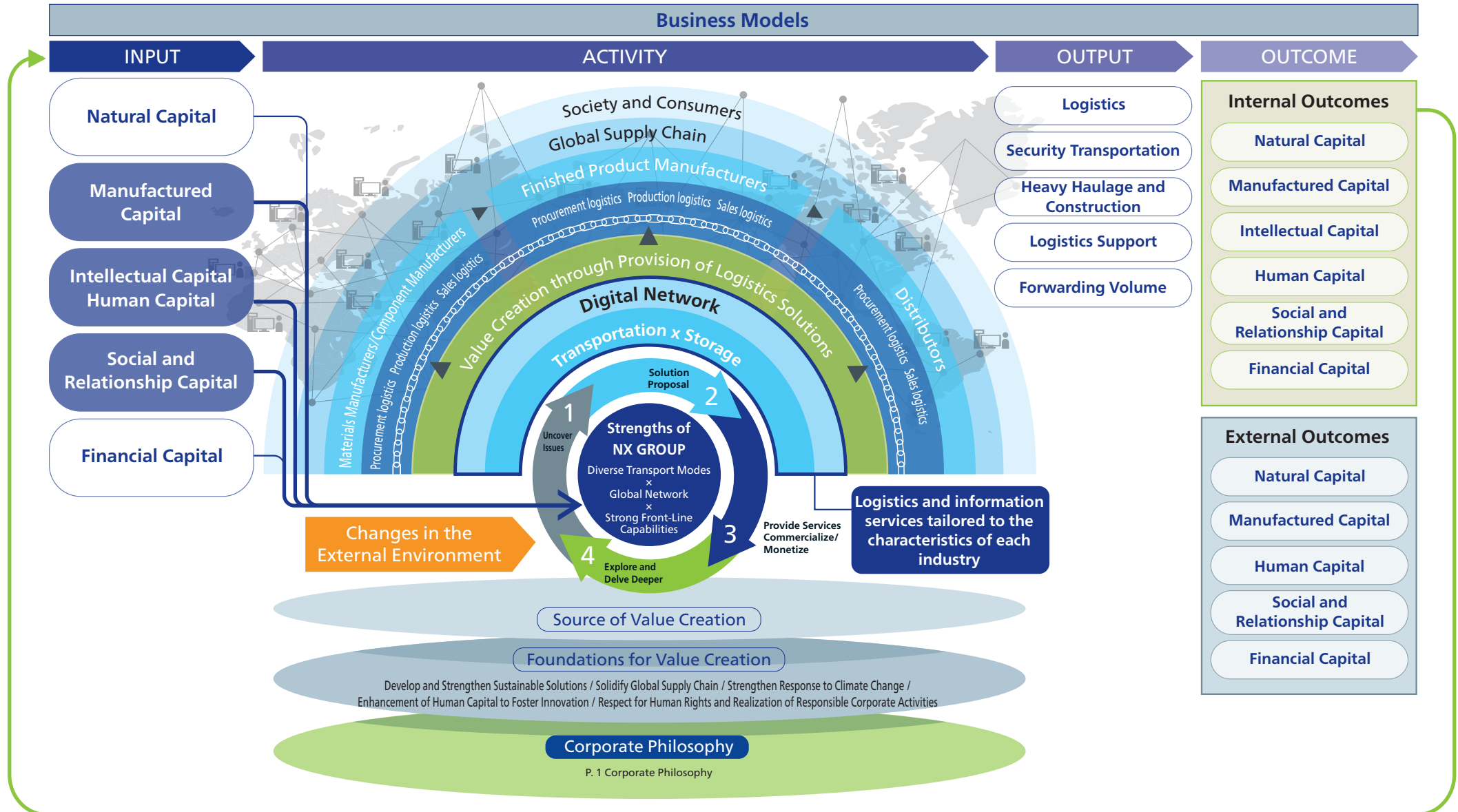
Source: Transport Topics "Top100 Logistics Companies 2023"; Transport Intelligence "Global Contract Logistics 2023"

\*1: Calculated, including cargo-partner, based on the ranking published in Transport Topics. Air freight is measured in metric tons and Ocean freight is measured in TEU (Twenty-foot equivalent unit)

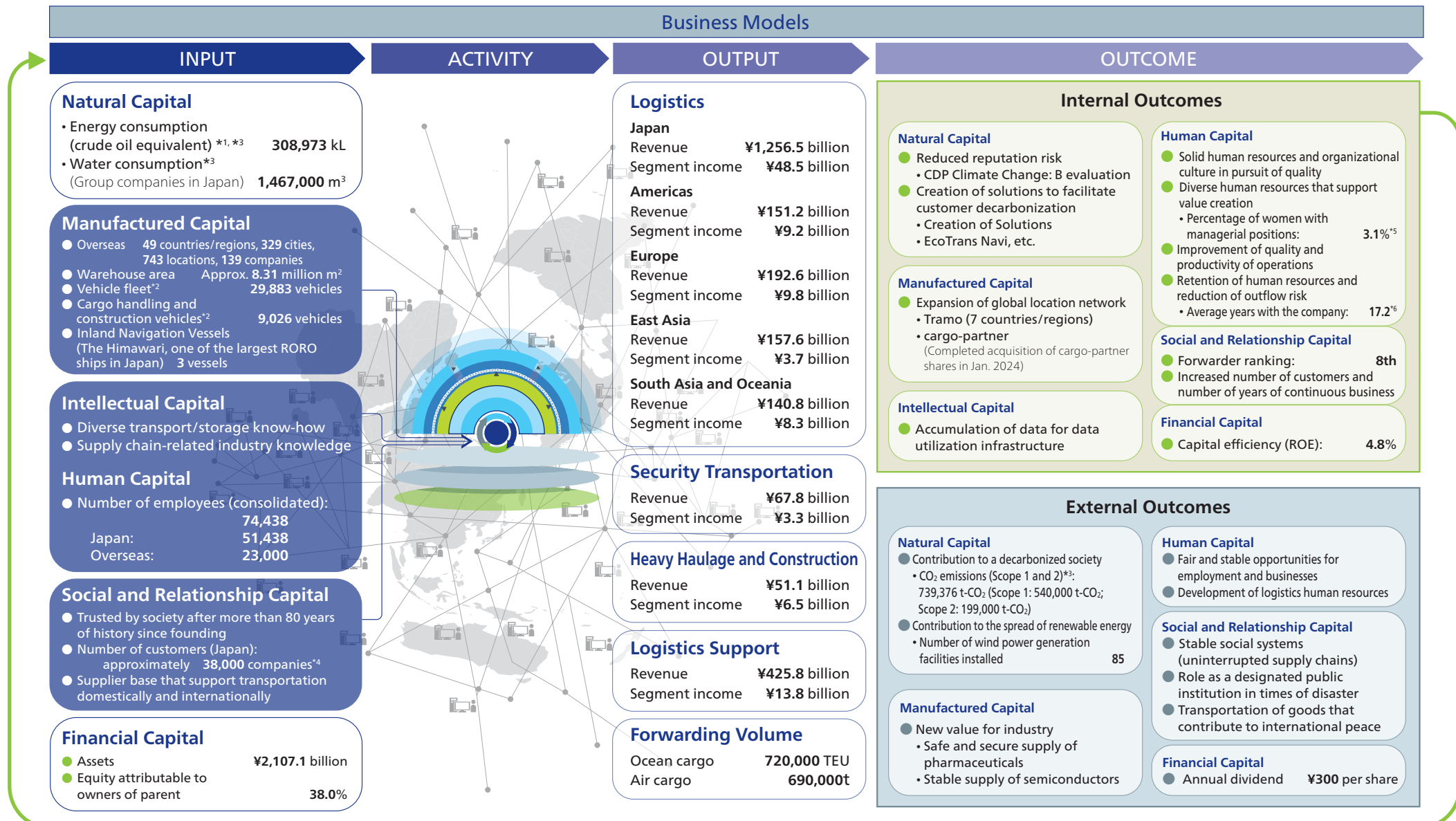
\*2: Calculated, including cargo-partner, based on the ranking published in Transport Intelligence. Logistics is measured in revenue

# Value Creation Process

We offer new value by expanding our logistics services in global markets and providing logistics solutions that solve societal and logistics issues.



# Value Creation Process



\*1 The data shown here aggregate the energy consumption by Nippon Express Co., Ltd. and its consolidated companies in Japan and overseas (equivalent to Scope 1 and 2). Natural gas is 13A city gas (heat value of 45 GJ/thousand m<sup>3</sup>).

\*2 The numbers of vehicles, as well as cargo handling and construction vehicles are the sums of vehicles owned by Nippon Express Co., Ltd. and NX Cash Logistics Co., Ltd. as of December 31, 2023 and those owned by other affiliated companies in Japan and overseas as of December 31, 2022.

\*3 Figures for the amount of energy consumption, water consumption, and CO<sub>2</sub> emissions are from January 2023 to December 2023.

\*4 Number of Nippon Express Co., Ltd. customers. The decrease was mainly due to the spin-off of the security transportation business.

\*5 Six main companies in Japan

\*6 NIPPON EXPRESS HOLDINGS, INC. and Nippon Express Co., Ltd. (Employees (general staff), employees (global), employees (area-based staff), employees (elderly), and temporary employees under direct contract)

## Analysis of the Business Environment (Risks/Opportunities)

We regularly review changes in the external environment that affect the management of NX GROUP, evaluate and identify risks and opportunities based on such changes, and respond to such changes as a group. See our latest Annual Securities Report, as well as Material Issues for more on sustainability-related opportunities and risks.

### NX GROUP 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.

### Responses by NX GROUP

1

Growth strategies for businesses not readily affected by economic trends and business portfolio strategies for accelerating growth

2

Actively focusing and allocating management resources on regions, customers and businesses in which long-term economic growth is expected

3

Rather than viewing businesses from the stance of transportation modes or services, business strategies should focus on customer supply chains

4

Provide solutions covering entire supply chains and respond with digitalization that is competitive with other companies

5

Strengthen and accelerate expansion of areas responding to changes in supply chains of customers and the global economy

6

Develop and strengthen products for each region in which services are provided

7

Strengthen and reform businesses with DX and IT brought about with technological innovation

8

Strategic investments (investment areas, investment methods) that incorporate geopolitical risks and new opportunities with technological innovations

9

Reform the business management system to achieve maximum value for the Group

## Material Issues Related to the Medium- to Long-Term Enhancement of Corporate Value

We have reviewed materiality as an important issue for improving corporate value based on our understanding of medium- to long-term changes in the business environment. These Material Issues 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.

Material Issues	Reasons for Selection	Internal Outcomes (Examples)		Value Provided to Stakeholders
		Risk	Opportunities	
<b>Develop and Strengthen Sustainable Solutions</b>	To provide services to maintain and optimize society and industry as a whole, as sustainability of the natural environment, society, and industry on which every company's operations are based is becoming more important	<ul style="list-style-type: none"> <li>● Loss of existing customers to competitors that provide solutions to social issues</li> </ul>	<ul style="list-style-type: none"> <li>● Increased sales from responding to customer needs</li> </ul>	<ul style="list-style-type: none"> <li>● New value for industry</li> <li>● Contribution to a decarbonized society</li> </ul>
<b>Solidify Global Supply Chain</b>	To contribute to social stability as a company that supports social infrastructure by maintaining logistics even in emergencies such as natural disasters, pandemics, and declining working population	<ul style="list-style-type: none"> <li>● Damage to customer trust due to operational disruptions</li> <li>● Impedance of business growth due to human resource shortages</li> </ul>	<ul style="list-style-type: none"> <li>● Increased sales from improving trust for stable provision of services</li> </ul>	<ul style="list-style-type: none"> <li>● Stable social systems (uninterrupted supply chains)</li> </ul>
<b>Strengthen Response to Climate Change</b>	To fulfill our responsibilities as a corporate citizen in response to the government's declaration of carbon neutrality by 2050 and the demands of the international community to address climate change.	<ul style="list-style-type: none"> <li>● Risk of suspension of business by customers and suppliers</li> <li>● Loss of existing customers to competitors who pursue environmental measures</li> </ul>	<ul style="list-style-type: none"> <li>● Increased sales from responding to customer needs</li> </ul>	<ul style="list-style-type: none"> <li>● Contribution to a decarbonized society</li> </ul>
<b>Enhancement of Human Capital to Foster Innovation</b>	To strengthen the foundation for value creation by encouraging employees to pursue well-being, improve engagement, and demonstrate the capabilities of diverse human resources through investing in employees who serve as the source of the value of our business	<ul style="list-style-type: none"> <li>● Risks associated with retaining and acquiring human resources with a high level of expertise</li> <li>● Decline in competitiveness due to labor shortages in the field</li> </ul>	<ul style="list-style-type: none"> <li>● Improved productivity and quality through human resource development</li> <li>● Promote Innovation</li> </ul>	<ul style="list-style-type: none"> <li>● Employee satisfaction</li> <li>● Fair and stable opportunities for employment and businesses</li> </ul>
<b>Respect for Human Rights and Realization of Responsible Corporate Activities</b>	To respond to social demands for corporate governance, anti-corruption, and respect for human rights, foster a strong business foundation, and continue to be a Group trusted by employees and society	<ul style="list-style-type: none"> <li>● Litigation risk</li> <li>● Risk of suspension of business by customers and suppliers</li> </ul>	<ul style="list-style-type: none"> <li>● Improved efficiency in acquiring human resources and developing customers and business partners by improving reputation</li> </ul>	

# Critical Capital Utilization and Reinforcement

NX GROUP's key capital, the source of our value creation, is shown below along with efforts to utilize and reinforce this capital.

\* We are creating new value based on our business activities (logistics, specialized transportation, logistics support, and others). Activities are included with a focus on those relevant to new value creation.



INPUT		ACTIVITY	INTERNAL OUTCOME	
Capital by Category	Capital in Relation to Value	(Priority Issues)	(Internal Outcomes)	
Natural Capital	While logistics requires the consumption of natural resources such as energy, the negative impact of business activities on the environment must be considered.	<ul style="list-style-type: none"> <li>■ Energy consumption (crude oil equivalent): 308,973kL</li> <li>■ Water consumption (Group companies in Japan): 1,467,000 m<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ Reduction of our own CO<sub>2</sub> emissions (Scope 1, 2, 3)</li> <li>■ Development and deployment of CO<sub>2</sub> reduction products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Creation of solutions to facilitate customer decarbonization</li> <li>• Reduction of reputation risk related to climate change</li> </ul>
Manufactured Capital	A unique global network of business sites, as well as vehicles and warehouses that meet a variety of industrial needs, support quality of service, response to diverse value, and stable supply.	<ul style="list-style-type: none"> <li>• 49 overseas countries/regions, 329 cities, 743 locations, 139 companies</li> <li>• Warehouse area: Approx. 8.31 million m<sup>2</sup></li> <li>• Vehicle fleet: 29,883 vehicles</li> <li>• Cargo handling and construction vehicles: 9,026 vehicles</li> <li>• Inland Navigation Vessels (The Himawari, one of the largest RORO ships in Japan): 3 vessels</li> </ul>	<ul style="list-style-type: none"> <li>■ Improvement of efficiency/quality/profitability through digitization of operations</li> <li>■ Strengthen Logistics Solution offerings</li> <li>■ Even more stable supply of services through strengthening of bases against disasters, etc.</li> <li>■ Expansion of our location network through M&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of our global location network while improving quality, productivity and sustainability at each site</li> <li>• Expansion of End to End solutions that cover customer supply chains</li> </ul>
Intellectual Capital	The sophistication and diversification of quality and value are supported by diverse transportation and storage knowhow accumulated through the pursuit of quality in meeting various needs of various industries, and by deep industry knowledge in the supply chains of various industries.	<ul style="list-style-type: none"> <li>• Diverse transport/storage know-how</li> <li>• Supply chain-related industry knowledge</li> </ul>	<ul style="list-style-type: none"> <li>■ Provision of services that solve industrial issues through logistics platforms, etc.</li> <li>■ Social implementation in new business domains accessed by leveraging intellectual capital and relationships with diverse partners</li> </ul>	<ul style="list-style-type: none"> <li>• Accumulation of industry knowledge and data that contribute to supply chain and logistics optimization in major industries</li> </ul>
Human Capital	The source of our value creation and competitiveness is our diverse human resource base and organizational culture. These are imbued with a strong awareness of safety, compliance, and quality, so that, under our philosophy, we always strive for the best in every situation to advance our customers' businesses and society.	<ul style="list-style-type: none"> <li>• Number of employees (consolidated): 74,438 Japan: 51,438 Overseas: 23,000</li> </ul>	<ul style="list-style-type: none"> <li>■ Improve employee happiness and engagement by promoting diversity, work style innovation, and health management</li> <li>■ Recruitment/training to achieve a human resources portfolio with which to realize strategies for global human resources, DX human resources, and more</li> <li>■ Strengthening digital skills through digitalization of current operations</li> <li>■ Thoroughgoing safety/quality/compliance through the pervasiveness of our philosophy and "We Find the Way" mindset</li> <li>■ Human Rights Initiatives</li> <li>■ Group governance to ensure NX quality</li> </ul>	<ul style="list-style-type: none"> <li>• In keeping with our corporate philosophy, a solid human resources and organizational culture in pursuit of quality</li> <li>• Diverse human resources                             <ul style="list-style-type: none"> <li>• Women with managerial positions</li> <li>• Global management leadership candidates</li> <li>• Highly specialized human resources</li> </ul> </li> <li>• Improvement of quality and productivity of operations</li> <li>• Facilitate innovation in business and operations</li> <li>• Retention of human resources and reduction of outflow risk</li> <li>• Reduce risks related to safety/health and compliance</li> </ul>
Social and Relationship Capital	Trust built up over 80 years, as well as a domestic and international customer base that includes many leading companies upstream and downstream in the supply chain in a variety of industries—these form the cornerstone of our business stability and our ability to provide value across the supply chain.	<ul style="list-style-type: none"> <li>• Trusted by society after more than 80 years of history since founding</li> <li>• Number of customers (Japan): approx. 38,000 companies</li> <li>• Supplier base that support transportation domestically and internationally</li> </ul>	<ul style="list-style-type: none"> <li>■ Risk/crisis management, or building resilient logistics infrastructure by reducing manpower while maintaining human resources</li> <li>■ Build relationships of trust with stakeholders for co-creation</li> <li>■ Enhance supplier management and engagement</li> <li>■ Expand our customer/supplier bases through M&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>• Improve stability of End to End business service infrastructure</li> <li>• Create solutions to social and industrial issues through co-creation with customers and partners</li> <li>• Improve customer loyalty based on trust toward quality and business continuity as foundation</li> </ul>
Financial Capital	A strong and disciplined financial base is the basis for sustainable growth.	<ul style="list-style-type: none"> <li>• Assets: ¥2,107.1 billion</li> <li>• Equity attributable to owners of parent: 38.0%</li> </ul>	<ul style="list-style-type: none"> <li>■ Generate cash for M&amp;A and lead to innovation by optimizing the business portfolio</li> <li>■ Strengthen financial governance by promoting pervasive ROIC management</li> </ul>	<ul style="list-style-type: none"> <li>• Improve capital efficiency (ROE and ROIC)</li> </ul>

Enhanced capital returns





**Satoshi Horikiri**

President, Chief Executive Officer  
and Representative Director

To Our Stakeholders

## Long-term vision: We have commenced the second stage of our quest to become a logistics company with a strong presence in the global market

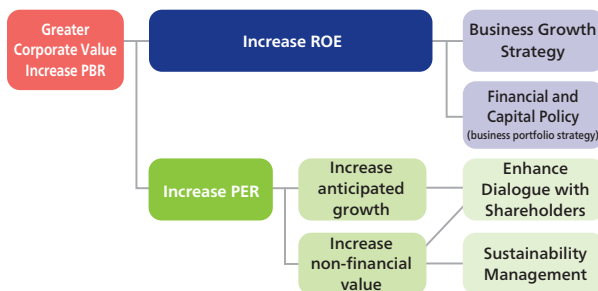
I wish to extend my sincerest gratitude to all Nippon Express stakeholders for your continued support. Taking over from my predecessor, Mitsuru Saito, I will be managing our Group as CEO of NIPPON EXPRESS HOLDINGS, INC. I look forward to your continuing support.

The current external environment is uncertain due to factors like heightened geopolitical and economic security risks, and the logistics business faces an era with a difficult environment and radical change. Against this backdrop, NX GROUP launched a new business plan in January 2024: NX GROUP Business Plan 2028 “Dynamic Growth 2.0 – Accelerating Sustainable Growth”. In this year’s Integrated Report, I would like to provide an overview of the new business plan, and explain efforts to realize our long-term vision of becoming “a logistics company with a strong presence in the global market”.

### Overview of new business plan

Looking back on the five years of our previous business plan, we have worked to achieve various transformations as a first step, based on our approach of “pursuing initiatives through backcasting from our [long-term vision](#).” Our business approaches are determined by this long-term vision, and we have set to work in areas like shifting to an HD structure, introducing IFRS, establishing a GBHQ, and reorganizing the group’s businesses. As we implement these transformations, I am seeing positive changes in employee mindset and corporate culture away from conservative tendencies. We were unable to achieve our targets in a difficult management environment, but I feel like we gained the ability to earn profits, so we did achieve some results. On the other hand, there are issues with our sense of speed. It took time to achieve company-wide commitment to our vision and policies, overall coordination, and consensus. Large projects, like spinning off our security transportation business and realizing business integration of the small-lot cargo business, have been delayed by about six months more than expected. Going forward, we will try to accelerate our transformation and catch up, through efforts like transitioning to a company with an audit and supervisory

**Initiatives to Improve Corporate Value (Increase PBR)**



\* Expand the equity spread through initiatives to improve ROE and reduce capital costs

committee, spinning off our heavy haulage and construction business, and introducing an internal company system for Nippon Express Co., Ltd. in 2025. In terms of improving corporate value, our average PBR over the past five years has been about 1.0, but the situation has not been stable, and further efforts will be needed.

In light of the above, I want to accelerate our transformation, positioning the new plan as the second step toward realizing our long-term vision, and move forward with management that is attuned to capital cost and improved corporate value. We have disclosed our "Response to achieve management conscious of capital cost and share price" together with the new plan, but I feel it is important to improve the quality of that response as we expand our business. To improve corporate value, it is extremely important to faithfully execute the initiatives in the business plan, and achieve ROE that consistently exceeds the cost of capital. It is also crucial to engage in dialogue with capital markets to raise growth expectations, and actively work to improve non-financial value.

From this perspective, the new plan establishes three basic policies: "Enhance global competitive edge and achieve business growth with a group-wide optimization approach," "Increase competitiveness and profitability, and enhance corporate value based on clear business portfolios and separation of roles," and "Implement sustainability management helping to resolve social issues and achieve a sustainable society, and reform the company group to one that is chosen by customers, society,

shareholders, and employees." We have established promotion of growth strategy and sustainability management directly linked with these three basic policies. Furthermore, we have formulated corporate strategies for strengthening human resources, IT/DX, and governance as foundations for supporting these two areas.

**Realizing global business growth by emphasizing group overall optimization**

**An enhanced three-dimensional approach based on provision of account management and End to End solutions**

As my first point, the previous plan employed a three-dimensional approach: a customer and industry approach as the starting point, a business approach for developing

and realizing logistics solutions, and an area approach for growing our business according to area characteristics. In implementing these approaches, we clarified our strengths in providing total support for the global supply chain from the logistical side. In the new plan, we aim for global growth by further evolving this three-dimensional approach. The point of this strategy is to increase transactions with existing customers and grow the number of our customers. Previously, we have extolled general sales, yet we have often only provided a single service, such as forwarding service. In orienting ourselves toward overall optimization, I believe there is substantial room for growth of our Group's global business by expanding the range of services offered to customers, and increasing the number of customers. As we proceed in that direction, Provision of account management and End to End solutions will be important themes.



In terms of account management, we will work systematically to expand our customer base and heighten our activity level. We will analyze the potential of each customer, formulate an account vision and account plan, and develop activity rules covering things like responsibility and authority. We have also started developing infrastructure and strengthening human resources to support activities. To address individual needs identified through account management activities, we will offer individual solutions, develop platforms for things that can be shared for each industry, and provide efficient solutions. As a result, we will strive to increase business per customer and the total number of accounts.

Next are End to End logistics solutions. A global supply chain is currently being built, but it is increasingly complex, has inefficient parts, faces problems in BCP, and has sustainability issues in terms of carbonization. Under these conditions, the key point will be understanding the entire supply chain, and solving customer problems through total logistics solutions. We have previously developed solutions suited to the characteristics of specific industries, such as the pharmaceutical/medical industry and the semiconductor industry. We plan to establish End to End service infrastructure by exploiting that knowledge.

### **Growth in overseas markets through M&A and expansion of business in India**

To achieve business growth in the global market, we will implement [initiatives in each region](#) as our approach based on area, and strengthen collaboration between regions, such as responding to China-plus-one, and growing our transatlantic forwarding business. Our most important issues are PMI of cargo-partner (CP), and establishing a strong presence in the Indian market.

M&A are essential for rapid growth in overseas markets, and we have especially high expectations for our recent

acquisition CP. We will move steadily forward with PMI. Furthermore, we will continue our M&A, with objectives such as expanding into India and Africa, and strengthening our customer base and business foundation. However, there are regions where our presence is still thin, so we will consider a wide range of projects that contribute to our growth, without limiting ourselves to specific areas, businesses, or business categories. In searching out such projects, M&A will be more desirable overseas than in Japan, in India as an area, and in ocean cargo forwarding, where we compare unfavorably in terms of volume. We will select partners while prioritizing conditions.

In our initiatives in the Indian market, we are focusing not just on M&A but also on organic growth strategies. Certain aspects of management are difficult for Japanese people in regions outside Japan, and we have appointed local talent as top management at two local subsidiaries. By expanding both forwarding that originates and terminates in the same country and domestic logistics, we intend to increase annual sales to the ¥50.0 billion level by 2028, and we will also consider and implement strengthening of this function as a starting point for expanding into the Middle East and Africa.

### **Striving for business portfolio management as the key to improved corporate value**

#### **Rebuilding Japanese Businesses**

My second point is that "[Rebuilding Japanese businesses](#)" is a crucial pillar of our new plan. As part of its growth strategy of Nippon Express Co., Ltd., which is responsible for the company's operations in Japan, will improve profitability and capital efficiency by introducing an internal company system system that divides Japan into three regional blocks, taking into account differences in

market characteristics. These market characteristics include, for example, differences in market scale and industry characteristics between Tokyo and Hokkaido Prefectures. The key points for management inevitably change as well. I realize there is a problem in that we cannot focus in on key points when everyone tries to discuss these issues at the same table. The discussion always tends to revolve around large markets like Tokyo, and does not lead to optimal management for each area. We need to clarify the role of each area, and transition to management suited to the circumstances and characteristics in each market. Our greatest objective will be to shift to an organizational system that allows us to do that with a sense of speed. There is major potential in metropolitan areas like Tokyo, Nagoya, and Osaka with their large market scale and concentration of head office organizations of global companies, but I do not think we have sufficiently tapped that potential thus far. I believe we can achieve further growth of our Japan-originated global business by taking the Tokyo-Nagoya-Osaka area as a starting point for global business, and we will allocate the management resources necessary to achieve this growth. In other areas, we will invest in regions where growth is likely in accordance with their characteristics. From the perspective of capital profitability, on the other hand, if there are cases of low profit in business in any areas, including Tokyo, Nagoya, and Osaka, we will withdraw or shrink them, and move to optimize management resource allocation.

#### **Improve business competitive edge, profitability, and corporate value through implementation of business portfolio strategies**

In the new plan, we have clearly articulated [business portfolio strategies](#) as initiatives to boost corporate value. These initiatives themselves are a continuation from the previous plan. We have done things like withdraw from the travel business, sell off things like our driving

school, and spin off our security transportation business and the leasing business of NX Shoji Co., Ltd. We will evolve these efforts into a process of systematically evaluating all Group businesses and maximizing business value, and thereby promote our business portfolio strategies. So far, we have started this process on almost all of our businesses that are easy to understand or notice, but we want to go beyond this large-scale reorganization and look at things in more detail. For example, while comparing against the business portfolios strategy—e.g., “at a glance, this looks like it is doing well as an entity, how would it do as an individual business?”—we will carry out a quantitative evaluation based on business capital profitability and growth potential, and a qualitative evaluation of things like positioning and synergy in the Group, and the best-owner perspective.

As part of that process, we have decided, in our business in Japan, to split off the Special Combined Delivery Service Business of NX Transport Service Co., Ltd. and Nippon Express Co., Ltd., and integrate that business into Meitetsu Transportation Co., Ltd. Our Group’s business in this area has not been ranked very high in the industry, but this is an important transport mode as a network business, and an important function that is essential for providing End to End solutions. Our thinking was that the competitiveness of such an important business could not be allowed to stay low, and we must improve it. On the other hand, our regions for growth are overseas, so there is no way we can invest significant management resources into the Special Combined Delivery Service Business, and we will inevitably change direction to a partnership strategy. Thus, we decided to engage in various consultations and integrate our business over the last one or two years with Meitetsu Transportation Co., Ltd., a firm we have a cooperative, trusting relationship with. Through this integration, we will build the No. 3 position in the Special Combined Delivery Service Business, and secure a certain degree of business scale and competitiveness.

## Transforming into a corporate group that people choose by implementing sustainability management

### Decarbonization and response to labor shortages are urgent issues

As my third point, I believe sustainability management will be the foundation point for considering all aspects of our business. The importance of addressing social issues has increased dramatically, and this constitutes a major risk for management. At the same time, it is also a chance to develop new business. We have previously established a Sustainability Policy and Vision, and specified [five Material Issues](#) relating to overall management. We will proceed with proactive efforts on that basis.

Decarbonization and securing human resources are particularly urgent issues of high importance. The difficult point of these two issues is that at present there is no definitive approach that might “solve everything.” Therefore, it will be important to consider how to overcome these two issues in the various aspects of our business activities, and we must make this our foundation point for considering everything.

In the area of decarbonization, we support TCFD, and have set reduction targets as KPI to achieve a carbon-neutral society in 2050. We plan to achieve these targets in stages by choosing the most reasonable techniques available as time goes on. For example, there is no way we can switch tens of thousands of vehicles all to EVs at the current stage, and large trucks in particular cannot be easily converted to EVs. If we tentatively assume that Fuel Cell Vehicles (FCV) will appear on the market five years from now, we will introduce them at that time. Until then we will achieve KPIs in other areas. This may seem low-key, but I think this is the optimal method of achieving both management and decarbonization.

To cope with labor shortages, it is vital to be chosen by

employees, and for that to happen, it is essential to increase wages and improve working conditions. We too will raise wages and continue forward-looking efforts in the future, but I feel that job satisfaction and ease of work are also important points. As part of our efforts to achieve these objectives, we have been carrying out employee satisfaction surveys and engagement surveys for the last three years. This is an initiative for objectively visualizing areas where employees are satisfied, areas where they are not, and what they regard as problematic. In the new plan, we have set a target of raising this engagement score by five points in the next five years, and we are reviewing, through backcasting, what we must do to achieve that. We will do what is necessary based on that review.

## Management to strive for as senior management

### Speeding up transformation through evolution of corporate culture

Thus far, I have explained the key points of our new business plan, but in an era of drastic change in the business environment, I am aware of the heavy responsibility that comes with taking the helm of management. I know people are wondering how closely we can approach our Long-Term Vision of “becoming a logistics company with a strong presence in the global market”, which we established as our ideal for 2037, the 100th anniversary of our founding. The keys here are plan execution and speed of transformation. Even if we do the correct thing, we will not succeed if we do not do it in time, and the most important thing is increasing the speed of transformation. To increase this speed, it is essential to transform



our corporate culture, and our five keywords are: “overall optimization”, “leadership”, “innovation”, “backcasting approach”, and “data-driven”.

First of all, one strength of NX GROUP is End to End solutions, but previously there have been aspects where we tended to steer too close to partial optimization. It is important to manifest the benefits of each organizational level of the customer and our company, but the “overall optimization” perspective is more important, and we will accelerate this transformation. Next, the employees of our group are basically serious, and they put everything into their work, but our speed will definitely slow down if we operate through top-down leadership only. If there are human resources at each workplace who take the lead on smaller issues, we can move forward quickly. I want people to go beyond a conservative mindset and I want more employees to think that “innovation” is routine. The “backcasting approach” serves as the basis for our thinking in business operations, both in the old and new business plan. “Data-driven” means that we will not get anywhere on the global stage based on experience and intuition alone. To achieve our long-term vision, it is essential that we transform ourselves and evolve into a company where we check each other with figures, establish targets, and numerically measure the degree of attainment.

### The stance I value as president

During my 40-year career with NX GROUP, the longest period has been in the human resources strategy department, and I take pride in having a stronger commitment to human resources than anyone else. The greatest source of competitiveness for our Group is our employees, and I believe the foundation of corporate management is employees growing together with a company in a win-win relationship. The goals of our long-term vision are set high, and to achieve them I want to evolve our corporate culture so that employees have a mindset that is open to change and as many employees as possible become change agents.

Furthermore, I believe that a consistent attitude is important as I lead the group as a manager. Under the management structure of my predecessors, Chairman Watanabe and President Saito, the business environment changed drastically due to the outbreak of infectious diseases and other factors, but their leadership enabled us to focus on the roles we were given with peace of mind. I would like to continue their management style.

We formulated our long-term vision five years ago, and at that time, envisioned where we hoped to be 20 years in the future. To achieve a major goal over a long period time, it is crucial to keep employee mindsets aligned in the same direction, and maintain continuity of the same ideas as the people and structure change. Minds vacillate as the business environment changes with time, but to achieve our long-term vision I want to move forward without wavering.

### The world of the future

The year 2037, when we aim to realize our long-term vision, is 13 years away. In those 13 years, issues like protecting and contributing to the global environment will become even more important. We will be working toward supply chain optimization, and responding to social issues like labor shortages and decarbonization, and as various advanced technologies are developed, we will move forward in areas like developing data utilization infrastructure and training human resources in line with our digitalization and DX strategies. We can expect further environment changes and technological innovations going forward, but I believe logistics will continue to be essential, although things will surely be quite different for the younger generation who come after us. In that future world, I want NX GROUP to be a company that accomplishes major changes, confronts the globally critical theme of “how to transform the supply chain to achieve carbon neutrality”, works out solutions through consultation with customers based on partnership, and is

recognized worldwide as a global logistics company.

In moving toward that vision of the future, the objective of our Group will be to advance society and bring an enriched life to future generations. We have a globally expanding network and many employees with the DNA for contributing to society. Our in-the-field strength is high, and we are highly trusted by our customers. I would like us to be a company that contributes to the realization of a sustainable society by tackling various issues even if the external environment changes drastically. As we do that, our employees will work with confidence and pride, and as a result, will be appreciated by customers and benefit society. If we can create this favorable environment, I believe we can approach our ideal. Bringing out that potential is my role.

### Conclusion: To our stakeholders

NX GROUP aims to achieve our long-term vision. It is a very ambitious goal, and if we want to stand on a par with global competition in an era of drastic change, we can be sure that the future of our group will not simply be an extension of our past. I believe that our long-term vision will come to fruition after many aspects of our business have been transformed, including our management thinking, organizational approach, how we deal with customers, and the relationship between employees and the company.

Our Group has definitely taken a step forward through our efforts thus far. I have the conviction that “we can do it.” I want us to be a company where employees work with confidence, pride, and a sense of happiness. I think that will help grow our company, and ensure NX GROUP is chosen all over the world.

Through our new system, our Group will come together to continue our transformation, so I hope we can count on your continuing support.

## Looking Back on our Previous Business Plan

### FY2023 Performance

#### Overview

In fiscal 2023, the final fiscal year of NX GROUP Business Plan 2023 -“Dynamic Growth”-, our five-year plan launched in April 2019, NX GROUP all joined together in making concerted efforts to achieve the various indicators set as final targets, and to realize our long-term vision of becoming a “logistics company with a strong presence in the global market,” while strengthening our current management infrastructure and not making any major changes in direction.

Results in fiscal 2023 did not achieve any of our targets for the final fiscal year. This was due to a slowdown in cargo movement, rising costs for energy and labor, and other factors in the external environment. On the other hand, results were higher than for fiscal 2019, before the COVID-19 pandemic, in terms of both revenue and operating income, and this shows that efforts based on the business plan are definitely achieving results.

Business Plan Values (Pro Forma GAAP)	FY 2023	FY2023 Targets (Amended February 2022)	Change (Compared to Targets)		(Reference) FY2019 Actual	Change (Compared to FY2019)	
			(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	¥110.0 billion	(¥40.8 billion)	(37.1%)	¥59.2 billion	¥9.9 billion	16.8%
Operating income ratio	3.1%	4.6%	-	-	2.8%	-	-
Net income	¥45.9 billion	¥72.0 billion	(¥26.0 billion)	(36.2%)	¥17.4 billion	¥28.5 billion	163.9%
Overseas sales	¥642.4 billion	¥720.0 billion	(¥77.5 billion)	(10.8%)	¥412.5 billion	¥229.8 billion	55.7%
ROE	5.9%	10.0%	-	-	3.2%	-	-

Segment	FY 2023			FY2023 Targets (Amended February 2022)			Amount of Change (Compared to Targets)		Ratio of Change (Compared to Targets)	
	Revenues	Segment Income	Income Ratio	Revenues	Segment Income	Income Ratio	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%	¥121.0 billion	¥7.2 billion	6.0%	¥30.2 billion	¥2.0 billion	25.0%	28.6%
Europe	¥192.6 billion	¥9.8 billion	5.1%	¥186.0 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%	¥231.0 billion	¥8.9 billion	3.9%	(¥73.3 billion)	(¥5.1 billion)	(31.7 %)	(57.7 %)
South Asia & Oceania	¥140.8 billion	¥8.3 billion	5.9%	¥182.0 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%	¥69.0 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%	¥53.0 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%	¥382.0 billion	¥12.0 billion	3.1%	¥37.0 billion	¥2.1 billion	9.7%	17.9%

## Looking Back on our Previous Business Plan

### Business Growth Strategy

#### Growth Strategy for Our Core Businesses

We have placed “global account management” at the core of our sales strategy, and worked hard to further strengthen our global sales structure and organization, centered on our Global Business Headquarters (GBHQ).

In our approach based on customer (industry), we regard the five areas of electric and electronics, automotive, apparel, pharmaceutical/medical, and semiconductor as priority industries, and to continually approach customers and build a new customer base, we have worked to cultivate non-Japanese customers with a presence in the global market.

In our approach based on business, we have expanded sales in our aviation and shipping forwarding business, as well as contract logistics, and striven to develop a sales system allowing us to offer a solution business covering the customer’s supply chain.

As a result, we implemented a volume strategy and trained logistics human resources by developing a global sales system for the approach based on customer (industry), and by constructing a global purchasing system for forwarding business for the approach based on business. However, we were unable to achieve the fiscal 2023 targets for either the approach based on customer (industry) or the approach based on business, and issues remain for NX GROUP Business Plan 2028.

Customer (industry) Approach Revenues	FY2023 Results		FY2023 Targets		Progress	
	Japan*1	Overseas	Japan*1	Overseas	Japan	Overseas
Electric and electronics industries	¥101.2 billion	¥146.1 billion	¥120.0 billion	¥174.0 billion	84%	84%
Automobile industry	¥83.2 billion	¥110.9 billion	¥110.0 billion	¥120.0 billion	76%	92%
Apparel industry	¥15.5 billion	¥100.9 billion	¥20.0 billion	¥80.0 billion	78%	126%
Pharmaceutical/medical industry	¥18.4 billion	¥36.3 billion	¥30.0 billion	¥40.0 billion	61%	91%
Semiconductor industry	¥29.7 billion	¥14.7 billion	¥45.5 billion	¥20.0 billion	65%	74%
Increase in non-Japanese customers (GAM, GTA <sup>*2</sup> )	¥38.5 billion		¥86.9 billion		44%	

Approach Based on Business	FY2023 Results	FY2023 Targets	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 Co., Ltd. and NX Cash Logistics Co., Ltd. businesses.

\*2 GAM is Global Account Management. GTA is Global Target Accounts.

		Main Initiatives and Results During Previous Business Plan	Challenges for Business Plan 2028
Core Business Growth Strategy	Customer (industry) approach	<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>● Strengthen 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>
	Business approach	<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>
	Area approach	<ul style="list-style-type: none"> <li>● Also strengthen initiatives while 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>● Strengthen collaboration between overseas regions</li> <li>● Development of BCP in response to geopolitical risks</li> <li>● Capture in-area logistics demand (consumables-related)</li> </ul>

## Looking Back on our Previous Business Plan

### Business Growth Strategy

#### Strategy to Enhance Domestic Businesses in Japan

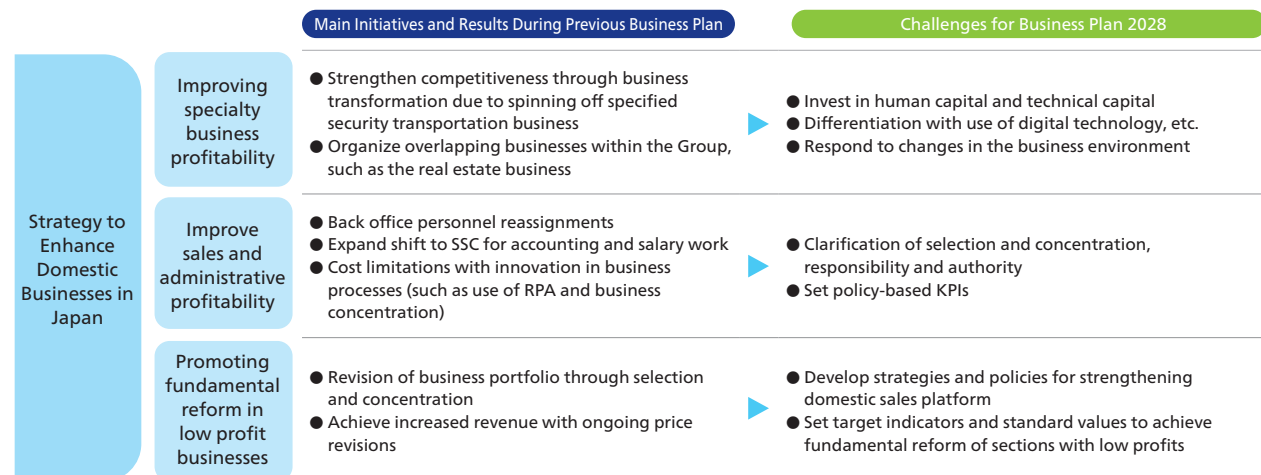
To further boost the profitability of our logistics business in Japan, which is the core of NX GROUP, and strengthen our management infrastructure, we have reallocated indirect department personnel, strengthened warehouse operations through the introduction of advanced technologies and training of logistics human resources, and improved productivity through greater automation and streamlining of office work.

We have also worked hard to promote modal shifts using trains and coastal vessels—useful transport modes for solving future logistics issues such as reduction of CO<sub>2</sub> emissions and dealing with the shortage of transportation capacity due to the 2024 problem. We have also tried to strengthen our network transportation products, by for example developing a backup transportation system in case of natural disaster.

However, in terms of KPI, our progress was 56%, below the target of (¥9.5 billion). We need to broaden our focus from previous efforts centered on Nippon Express Co., Ltd. to the entire Group, and work to reduce indirect department costs. Resetting appropriate prices and passing cost increases through in prices are also important issues amid increases in energy and other costs.

	Cumulative FY2023 Results	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>

As Results and Targets figures for "Further reorganization of organizations/streamlining of administrative departments", the table lists the implementation scale and rough amounts for policies





## Accelerate Growth in the Global Market [Expand revenues]

### Growth of Logistics Businesses from a Customer-Oriented and Customer Supply Chain Perspective

#### Strengthen account management and End-to-End solutions

Currently, supply chains are built globally, but they have become complex and are rife with inefficiencies, BCP issues, and sustainability issues such as decarbonization. In such a state, it is crucial that we gain an understanding of the entire supply chain to solve customer issues through total logistics solutions.

NX GROUP has been creating solutions tailored to industry characteristics, such as in pharmaceuticals and semiconductors. We utilize our knowledge in these areas to continue providing infrastructure for end-to-end services.

Also, an approach of our business is to systematically strengthen account management. We provide individual solutions according to the individual needs we ascertain through such activities, and develop platforms for common areas of industries and provide efficient solutions.

As a result, we aim to increase the volume of work we do for each customer and to expand our core accounts.

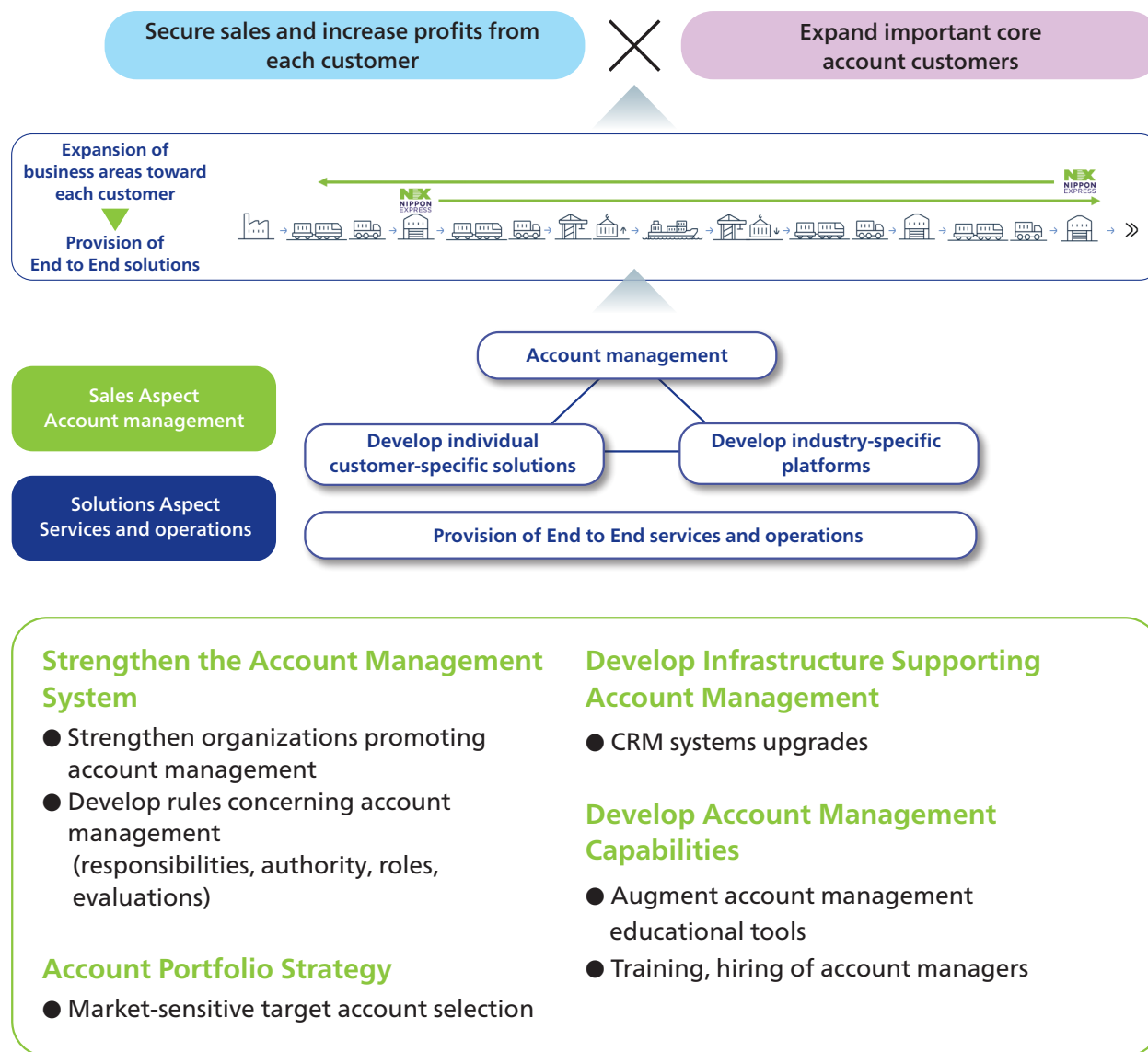
#### Upgrade Account Management

##### Reform and develop management system by industry and by accounts

For account management, we will strengthen the system and expand the number of applicable customers.

For the execution of account management, we will analyze the potential of each customer and formulate account visions and account plans. We formulated activity rules concerning responsibilities, authorities, and the like, and created infrastructure and started strengthening human resources to support such activities.

We will systemically tackle expanding applicable customers and improving the level of our activities.



# Accelerate Growth in the Global Market [Expand revenues]

## Provision of End to End solutions

### Strengthen/prepare Logistics Solution offerings

In logistics, we aim to strengthen our initiatives in un-gained areas throughout the entire supply chain. We will do this by preparing functions and services in response to industry and customer needs, creating cutting-edge solutions, and deploying operation systems that promote digitalization and labor-saving. We will monitor the status through KPIs such as expansion of sales of warehouses, distribution, etc.

### Expand sales in forwarding

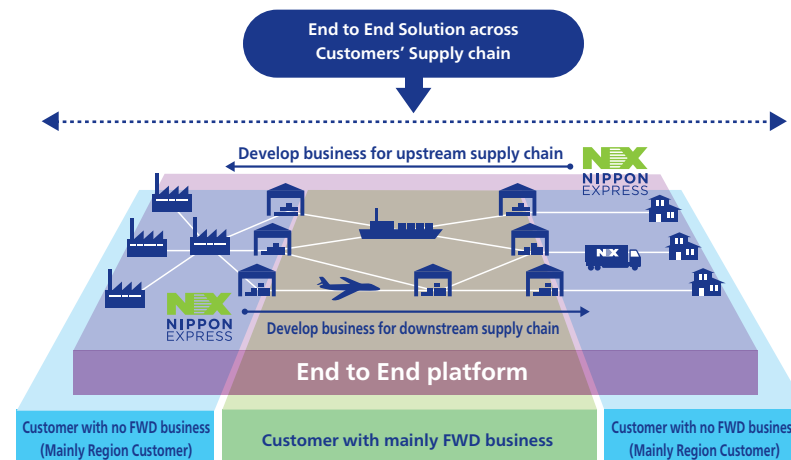
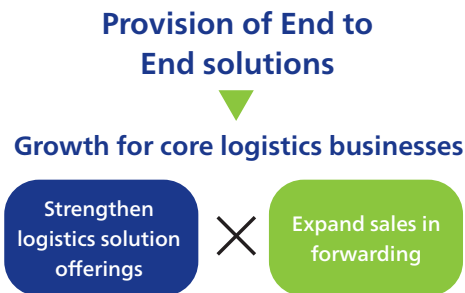
In forwarding, we will make efforts to expand our share in priority trade lanes (Asia-Europe and the United States, Intra-Asia) by constructing trade lane management systems and operation systems in coordination between the source and destination of cargo and by standardizing and improving operations.

We will also set new quantitative objectives and focus efforts on expanding volume.

## Initiatives for Priority Industries

In the previous business plan, we identified five priority industries of electric and electronics, automotive, apparel, pharmaceutical/medical, semiconductor. However, we expanded our target industries as technology, mobility, lifestyle, health care, and semiconductors.

We will expand target industries as growth and pursuit domains in order to grow our business activities.



### Strengthen Logistics Solution offerings

	Main KPI		
	FY 2023	FY 2026	FY 2028
Warehousing and distribution etc. sales	¥451 billion	¥520 billion	¥590 billion

### Expand sales in forwarding

	Main KPI		
	FY 2023	FY 2026	FY 2028
Air Freight Forwarding Quantity	690,000 t	1,100,000 t	1,300,000 t
Ocean Freight Forwarding Quantity	720,000 TEU	1,200,000 TEU	1,400,000 TEU

Priority Industry		Main Products	FY 2026 sales target	FY 2028 sales target	Compared to FY 2023 Growth rate
Technology	Core domain	Electric and Electronics	¥360 billion	¥400 billion	+27%
	Growth, pursuit domains	Industrial Machinery			
Mobility	Core domain	Automobile	¥240 billion	¥260 billion	+17%
	Growth, pursuit domains	Construction and Agriculture Machinery			
		Train and Airplane			
Lifestyle	Core domain	Apparel	¥140 billion	¥160 billion	+23%
	Growth, pursuit domains	Furniture, Jewelry, cosmetics			
Healthcare	Core domain	—	¥110 billion	¥130 billion	+51%
	Growth, pursuit domains	Pharmaceutical			
		Medical Devices			
Semiconductor	Core domain	—	¥70 billion	¥100 billion	+125%
Growth, pursuit domains	Semiconductor				

\* Red are new priority Industry domains added from NX GROUP Business Plan 2028

# Accelerate Growth in the Global Market [Expand revenues] (Examples of initiatives for priority industries)

## Mobility Industry

### Measures concerning shipment of lithium-ion batteries for customers in the automotive industry, to respond to the electrification of vehicles

Shipment of lithium-ion batteries involves three primary points: "demand for shipment has increased sharply due to increased production of EVs", "smooth, long-distance shipment from production factories to container yards at import harbors and to EM production factories is required", and "the perspectives of work time restrictions of drivers and environmental issues indicated by many customers in the 2024 issues in logistics means there is a trend to avoid shipments by truck". NX GROUP is constructing services to address these points.

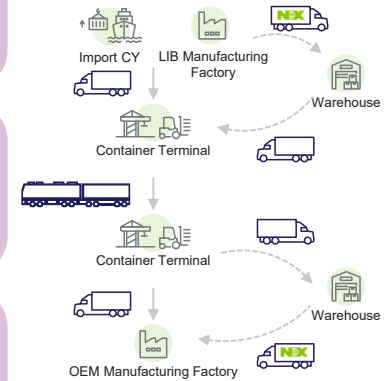
With regards to the first point, we utilize the knowledge we have fostered to forecast the demand of the next generation and establish and provide solutions for prompt delivery of lithium-ion batteries. With regards to the second point, we have constructed end-to-end solutions that combine, rail, vessels, trucks, numerous warehouses throughout Japan, and containers. Moreover, we provide smooth shipments through our systems that enable centralized management of the supply chain. With regards to the third point, we promote modal shifts, particularly in long-distance shipments, from trucks to rail and vessels.

#### Demand in LIB Shipping

- 1 Expansion of demand for LIB shipping
- 2 Smooth long-distance shipping
- 3 Avoiding truck shipments, with an awareness of the 2024 issues in logistics and of carbon neutrality

#### Strengthening Our Company by Providing End-to-End Solutions

- **Foresight that** ascertains demand for the next generation
- **Free combination** of various shipping methods such as trucks, rail, and warehouses
- **Centralized management of supply chain** to realize smooth shipping
- In long-distance shipping, **prioritize rail and marine-based shipping**



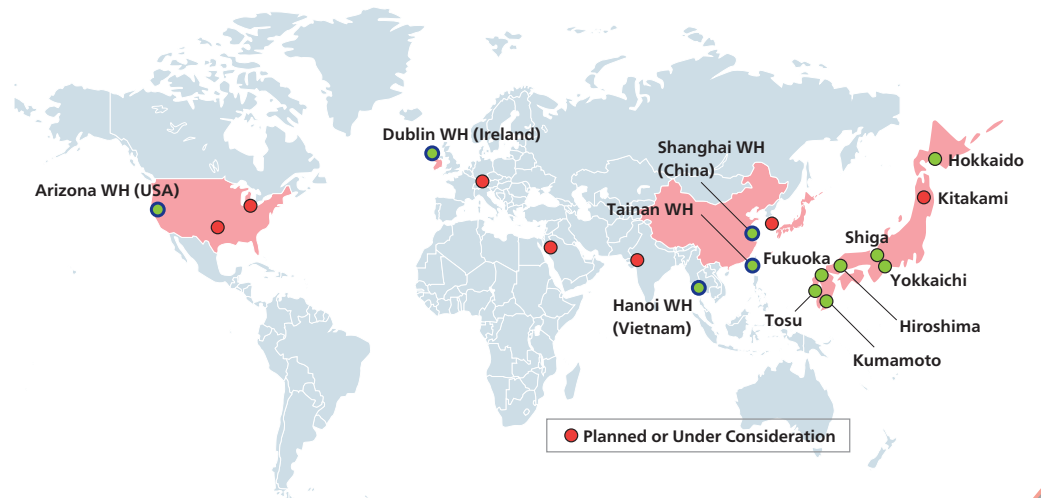
## Semiconductor Industry

### Initiatives for growing the semiconductor industry and expansion of sales regions

NX GROUP has focused on conventional procurement logistics regions such as shipment of semiconductor manufacturing equipment to acquire new cases. However, going forward, we are strengthening our operations through investments concentrated on warehouses for semiconductors in order to expand the regions that we handle to include production logistics and sales logistics, including both shipment of finished goods and semi-finished goods. Moreover, as well provide end-to-end solutions throughout the entire semiconductor supply chain by utilizing our broad service lineup, we aim to acquire opportunities to provide services to both semiconductor manufacturers and suppliers who solidify the peripheral aspects.

With this strategy, in country clusters with a large concentration of suppliers and with a focus on the factories of semiconductor manufacturers, we are continuing to invest in VMI facilities near the factories of semiconductor manufacturers. Since 2023, we have been operating our dedicated warehouses in various regions, such as Kumamoto in Japan, Arizona in the United States, and in Ireland, which are equipped with functions that match the characteristics of customers and regions, and we see that this will contribute to the expansion of profits. By capturing locations such as dedicated warehouses, we push forward initiatives while aiming to expand our volume throughout the global supply chains of our customers, with aircraft/marine forwarding for the import/export of raw materials and finished goods that connect these locations.

#### Developing Bases in the Semiconductor Industry



# Accelerate Growth in the Global Market [Expand revenues] (Examples of initiatives for priority industries)

## Healthcare Industry

### Providing logistics solutions in the pharmaceuticals industry, which requires advanced shipping services

GDP (Good Distribution Practices), which are being legislated in many countries, are requiring distributors to ensure quality and integrity of pharmaceuticals from the factory to delivery to patients. Compliance with GDP prevents the inclusion of counterfeit medicine and assures the integrity of biological pharmaceuticals, vaccines, and the like that are extremely sensitive to changes in temperature.

Under such circumstances, NX GROUP has constructed a certification facility network, and we have acquired GDP certification in 35 countries. Also, we also make efforts to construct digital platforms to visualize temperature, humidity, impact, and light throughout the entire shipping process of sensitive finished goods such as pharmaceuticals.

Moreover, based on environmental changes such as the COVID-19 pandemic, we have partially revised our targeting for logistics of pharmaceuticals and we are currently handling the forwarding business for shipments to and from Japan. We are promoting operations with an emphasis of an approach to non-Japanese customers with a relatively high interest in high-quality logistics according to GDP.

NX GROUP is newly involved in logistics of pharmaceuticals, and the nature of this industry requires quality. We cannot grow in the region of pharmaceuticals logistics without quality. In addition to providing physical solutions such as temperature-controlled warehouses and trucks, the Group is focused on constructing quality management systems such as by, for example, acquiring GDP certification from multiple domestic and foreign locations and by constructing global quality assurance systems centered around the GBHQ's Pharmaceutical Logistics Global Quality Assurance Division. Through such efforts, we have increased our ability to meet the expectations of our customers in the pharmaceuticals industry.

### Pharmaceutical Distributors

Advanced quality control of pharmaceuticals Assurance of integrity is required

### Strengthening Our Company by Providing End-to-End Solutions

#### Good Distribution Practice

- Standards that aim to assure the quality of pharmaceuticals during the shipping and warehousing processes in order to maintain the quality of pharmaceuticals
- We have acquired GDP certification at 35 locations in 25 countries and regions \*1

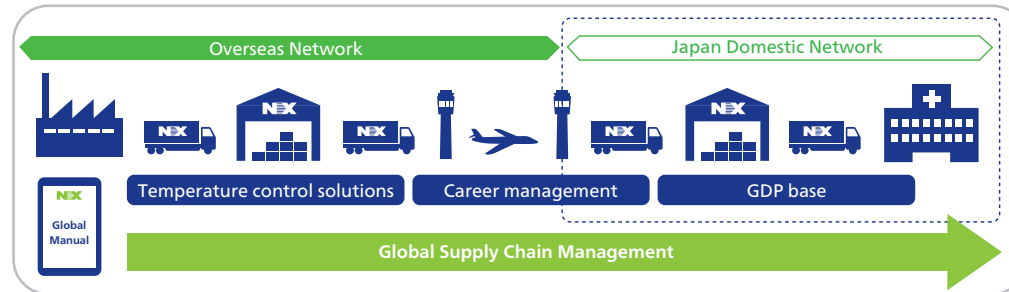
#### Center of Excellence for Independent Validators in Pharmaceutical Logistics

- Air transport quality certification issued by IATA \*2
- With a globally-consistent and well-known certification concerning the handling of pharmaceuticals, we respond to various needs such as safety, security, compliance, and improvements in efficiency
- Three locations have acquired the IATA CEIV Pharma Certification \*3

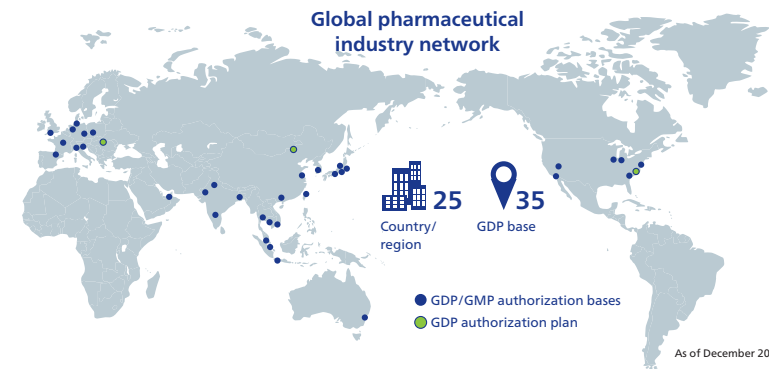
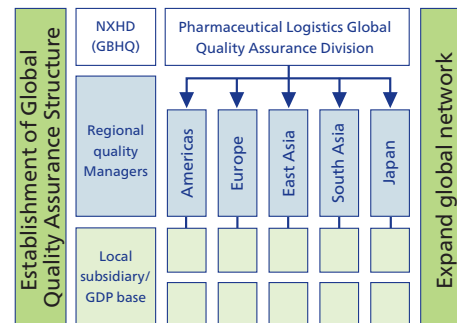
\*1 Current as of 2023/12

\*2 IATA: The International Air Transport Association

\*3 2021/2 certification of Narita Temperature Controlled Hub (East Japan), 2022/4 certification of NX-PHARMA Logistics Hub Kansai Airport (West Japan), 2023/2 certification of NX Singapore



### Establish GDP Structure



# Accelerate Growth in the Global Market [Expand revenues]

## Main Initiatives for Overseas Regions

During the five years of “NX GROUP Business Plan 2028”, we will focus on the PMI of cargo-partner which we purchased in January 2024 and expansion of business in India. Rather, these two strategies are group-wide effort positioned as a crucial strategy throughout the Group but not strategies for specific areas. Also, we aim to expand our revenues globally by strengthening coordination between regions such as through response to China-plus-one and Transatlantic forwarding.

### Implement PMI for cargo-partner

Establish position as a leader in NX GROUP’s Eastern European business

- Create group synergy
- Expand existing and new global customers
- Reduce costs by integrating functions of European, China and American sites

### Strong presence in Indian market

Potential of the Indian subcontinent as a new region

- Expand domestic logistics business structure in India with the aim of capturing growth in the Indian economy
- Develop global supply chain with India as the base
- Enhance global logistics functions of “Indian subcontinent”
- Strategic expansion and enhancement of Middle East and African trade lanes departing from India

#### Americas

- Expand forwarding business in transatlantic, Latin American Lanes
- Expand American domestic cross-border truck transportation business
- Expand contract logistics business for mobility and healthcare

#### Europe

- Expand business operations in the Middle East, Africa, Northern Europe, and Eastern Europe
- Implement PMI for acquired companies
- Expand forwarding business in transatlantic Lanes
- Expand lifestyle-related logistics business with Italy as the base of origin

#### East Asia

- Expand forwarding volume in the mobility industry
- Expand contract logistics business for semiconductors and healthcare
- Shift production sites to ASEAN countries and capture Chinese companies with plans to expand overseas as global brands

#### South Asia and Oceania

- Expand business in the Indian subcontinent and Indian Ocean Rim
- Expand forwarding volume in trade lanes for Europe and the United States and within Asia
- Expand warehousing and trucking business with an understanding of market growth in each country in the region, partly as a response to the China-plus-one trend

## Accelerate Growth in the Global Market [Expand revenues]

### Policy for M&A and Post Merger Integration (PMI)

#### Carry out further M&A into target areas based on business growth strategy

M&A is one crucial initiative for accelerating business growth aimed at by NX GROUP in global markets. With the completion of the conversion of Italian company Tramo in October 2023 and Austrian company cargo-partner in the beginning of January 2024 into subsidiaries, we have invested more than 100 billion yen into these two companies. During the five years from 2024 to 2028 in the new business plan period, we plan to invest a total of 200 billion yen into M&A (including cargo-partner, which became a subsidiary in January 2024).

In terms of investment areas, there are still many regions, businesses, and industries in which the Group has little presence, so we are broadly considering projects that will contribute to growth, with a focus on expanding our overseas forwarding business.

#### cargo-partner PMI initiatives

In NX GROUP's M&A activities, PMI has so far been carried out primarily by each region. On one hand, the M&A of cargo-partner is our largest to date and that network is mainly in Eastern and Central Europe. However, since we have expanded in areas such as North America, Asia, and Northern Europe, we need to integrate regions with our Group's current network. To that end, we do not position PMI of cargo-partner as a regional strategy of Europe but as a cross-regional global strategy, and we have established a dedicated PMI team at GBHQ of HD will supervise for everything related to PMI.

#### cargo-partner PMI initiatives

#### Boost presence in the global market with synergy that exploits both companies' dominant strengths

Network expansion and expansion of service offerings

Expansion of **network and of services offered in the European region** by complementing our **logistics infrastructure in Central and Eastern Europe**, which is expected to grow as a production base within the European region.

Improvement of competitiveness through expansion of quantity of cargo handled

**Enhanced competitiveness** in the global market by expanding Ocean and air cargo handling volume

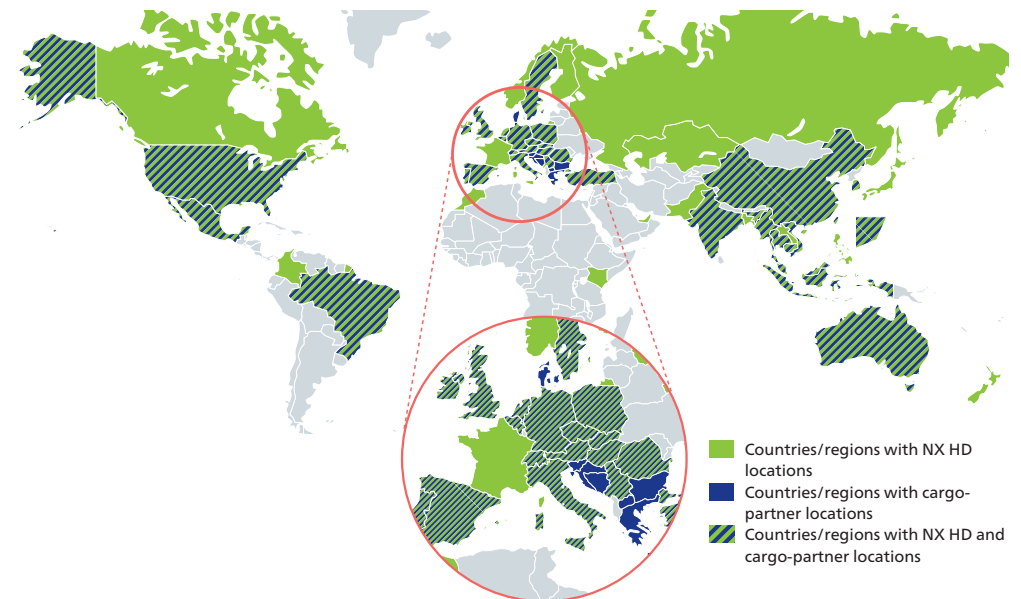
Enhancement of ability to respond to global logistics demands

This acquisition will allow us to respond to the various demands of our global customers. In particular, it will enable us to increase our **ability to respond to the demand for logistics between Asia and Europe as well as strengthen our global account structure**.

Creation of synergies and business expansion/development

**Creation, expansion, and development of synergies in the logistics business through mutual complementation** based on each other's different customer bases and strengths in different countries and regions.

#### Acquire cargo-partner's robust network in Central and Eastern Europe



# Accelerate Growth in the Global Market [Expand revenues]

## State of cargo-partner PMI

### Initiatives and achievements to date

In the 100 days following the start of collaboration between NX GROUP and cargo-partner (CP), we have established 15 work stories and over 100 contact persons and conducted presentations at various meetings, to promote construction of relevant initiatives between NX/CP. As a result, we formulated approximately 200 action plans in the first quarter of FY2024. Some of these plans are being implemented and have started to yield achievements.

The Group has a network of approximately 50 countries, while CP has a network of approximately 40 countries. These networks involve ongoing global PMI initiatives.

### Primary global and regional initiatives and expected synergy

PMI region	Initiatives	Europe	Americas	East Asia	South Asia and Oceania	Japan	Expected synergy
Air/Ocean Forwarding	<ul style="list-style-type: none"> <li>Assurance of more beneficial negotiation positions in global incentive programs with European and Japanese Shipping companies and Airlines</li> </ul>						<ul style="list-style-type: none"> <li>Improve competitiveness and expand sales through low-price procurement</li> </ul>
	<ul style="list-style-type: none"> <li>Enter into global agency agreements between NX and CP (Convert CP agencies in countries in which NX operates to NX, and convert NX agencies in countries in which NX does not operate to CP)</li> </ul>						<ul style="list-style-type: none"> <li>Expand sales through expansion of selling opportunities</li> </ul>
	<ul style="list-style-type: none"> <li>Develop consolidation services between NX and CP</li> </ul>	<ul style="list-style-type: none"> <li>Expand sales of ocean cargo consolidation services (Adriatic/Express)</li> </ul>	<ul style="list-style-type: none"> <li>Investigate joint ocean cargo consolidation services for Europe and Asia</li> </ul>	<ul style="list-style-type: none"> <li>Implement consolidation services between NX and CP to inside Asia and to Europe and the Americas</li> </ul>	<ul style="list-style-type: none"> <li>Investigate Air cargo consolidation services for Japan</li> </ul>	<ul style="list-style-type: none"> <li>Start provision of ocean cargo consolidation services from Tokyo to Vienna</li> </ul>	<ul style="list-style-type: none"> <li>Improve competitiveness and expand sales through low-price procurement</li> </ul>
	<ul style="list-style-type: none"> <li>Other</li> </ul>	—	<ul style="list-style-type: none"> <li>Investigate consolidation of CFS duties in the United States, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Investigate consolidation of CFS duties in the China, etc.</li> </ul>	—	—	<ul style="list-style-type: none"> <li>Reduce costs and improve work quality through effective utilization of personnel</li> </ul>
Logistics	<ul style="list-style-type: none"> <li>Transfer CP warehouses to NX warehouses, and consolidate work duties</li> </ul>	—	<ul style="list-style-type: none"> <li>Relocate CP Chicago warehouse</li> <li>Consider the consolidation of domestic truck operations</li> </ul>	<ul style="list-style-type: none"> <li>Consider the use of NX warehouses by CP in each area of the region</li> <li>Consider the collaboration of warehouses and CFS operations</li> </ul>	<ul style="list-style-type: none"> <li>Consider the consolidation of warehouse operations in each nation of the region</li> </ul>	—	<ul style="list-style-type: none"> <li>Reduce costs and improve work quality through effective utilization of existing facilities and personnel</li> </ul>
Sales	<ul style="list-style-type: none"> <li>Collaboration of joint strategies for GAM<sup>*1</sup>/GTA<sup>*2</sup> by NX/CP sales works team leaders</li> </ul>						<ul style="list-style-type: none"> <li>Expand sales through expansion of selling opportunities</li> </ul>
	<ul style="list-style-type: none"> <li>Other collaborations</li> </ul>	<ul style="list-style-type: none"> <li>Perform collaborations with common customers</li> </ul>	<ul style="list-style-type: none"> <li>Perform collaborations with common customers</li> </ul>	<ul style="list-style-type: none"> <li>Investigate joint sales to major EC operators, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Investigate collaborative business in India</li> </ul>	<ul style="list-style-type: none"> <li>Create a list of CP customers and start sales activities in unison</li> </ul>	<ul style="list-style-type: none"> <li>Expand sales through expansion of selling opportunities</li> </ul>
Business structure reforms	<ul style="list-style-type: none"> <li>Integrate offices in each country and city</li> </ul>	<ul style="list-style-type: none"> <li>Integrate offices in each country and city</li> </ul>					<ul style="list-style-type: none"> <li>Reduce costs through effective utilization of existing facilities, etc.</li> </ul>

\*1 GAM: Global Account Management

\*2 GTA: Global Target Accounts

# Restructuring Japanese Businesses [Increase Profit Ratio/Improved Capital Efficiency]

## Strengthen each business to improve profitability, and reform, organize and replace low-profit businesses

### Reform into a highly profitable, customer-oriented organization

Nippon Express Co., Ltd. tackles three reforms to confront social issues with customers head on. We will continue the initiatives that we have tackled to strengthen our Japanese business, and further advance the structure of our organization.

At the same time, we will tackle growth strategies, such as account management as a single global region. Moreover, in Japan, a developed country facing challenges, initiatives for responding to worker shortages and achieving decarbonization will contribute to business growth.

### Introduction of internal company system

As a result of investigating the state of our business in line with the characteristics of the area in the business structure reform PJ, we have specifically started investigating introduction of an internal company system.

In this investigation, we clarify the roles of each area and consider the key to be increasing management freedom. Specifically, we are investigating a system of three blocks: "Kantoukoushin'etsu, Chubu, Kansai", "Hokkaido, Tohoku", and "Chugoku, Shikoku, Kyushu".

Targets, strategies, required management resources, and fields of specialization needing strengthening differ depending on area, so we want to make it possible to allocate management resources and execute strategies according to the characteristics of those differences.



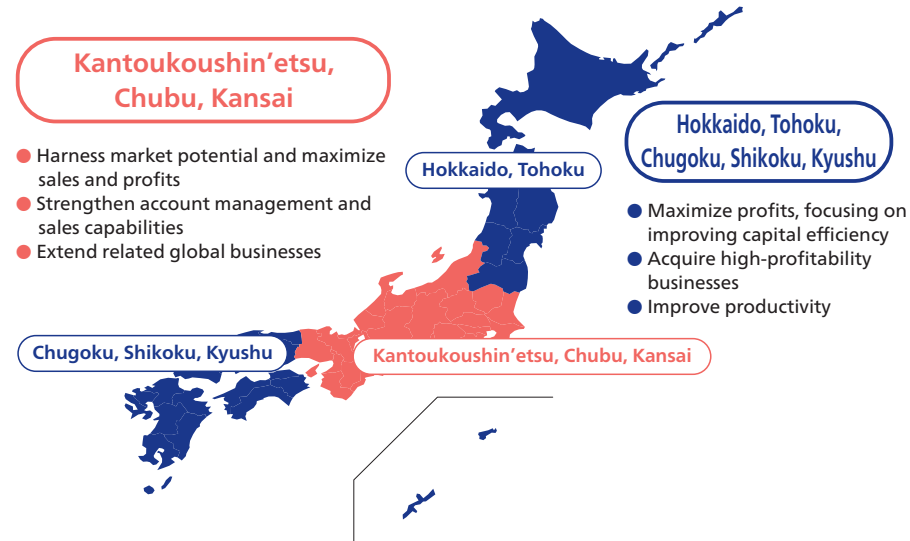
## Investigating Organizational Restructuring



### Aim of organizational restructuring

#### Introduction of internal company system to clarify roles of each area and increase management freedom

- Create strategies for each area, and achieve management to suit market characteristics for the goals set based on the characteristics of each area
- Develop system for hiring, assigning and training personnel suited to each area, increase employee engagement, and aim to strengthen competitive edge





Message from the Chief Managing Officer of Global Business Headquarters

## Accelerate Growth in the Global Market

### Key points for growth, the largest mission of the Chief Managing Officer of the Global Business Headquarters

The Basic Policies of the new Business Plan mention an important factor of “realizing global business growth with an importance on the overall optimality of the Group” in order to accelerate growth of NX GROUP, and my mission is “to accelerate business growth in global markets”. To that end, I think there are two particularly important strategies and measures.

The first one is advancing three types of approaches (customer and industry approach, business approach, and area approach) by providing end-to-end solutions based on account management. I realize, with regards to

the strategies that make up the framework of these three approaches that were advanced in the previous business plan, it is crucial to advance them in the correct direction and in a more expedient manner than before. It is important that we expand the regions in which we do business by providing global end-to-end logistics solutions in regions to which our existing customers do not do business, and to construct contact points with potential customers with the aim to increase the number of new customers.

The second one is growth in foreign markets through M&A and expand business in India. With regards to expansion of business in India, as stated in the Top Message, we are advancing organic and inorganic initiatives with the aim to expand business into the Middle East and



**Tadahiro Furue**

Chief Managing Officer of the Global Business Headquarters  
Senior Managing Executive Officer

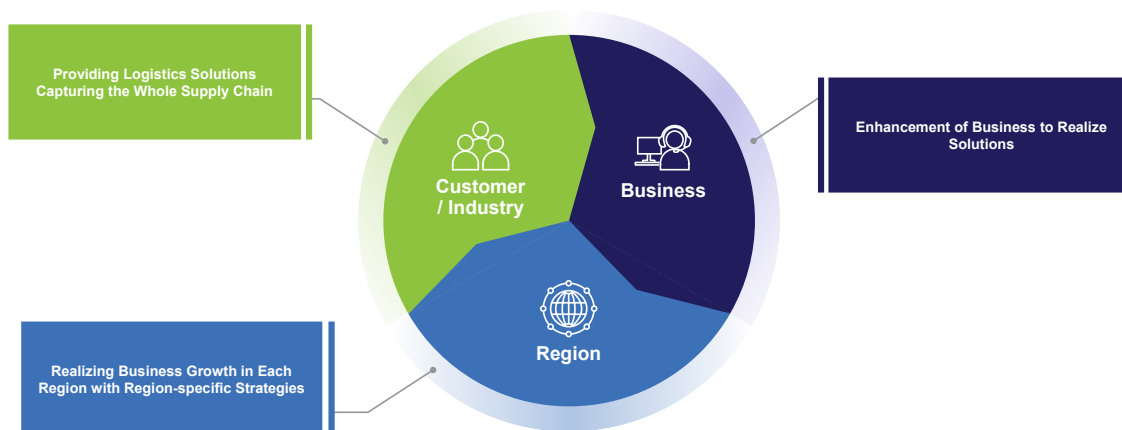
Africa. With regards to growth in foreign markets through M&A, the first issue is achieving successful PMI for cargo-partner (hereinafter, “CP”), which is our largest acquisition to date. Here, I will focus on explaining the second theme.

Also, I believe that it is important to promote data-driven management in order to increase the speed of these strategies and measures, so I will explain in detail items such as how to use data and information platforms.

### Provide end-to-end logistics solutions based on account management

The concept of providing end-to-end solutions involves providing total logistics with an understanding of the entire supply chain to determine customer issues, and this is the starting point for this strategy. We have knowledge from constructing solutions according to the characteristics of industries. On one hand, this knowledge

### Basic philosophy in growth strategy (three approaches)



is limited to customers in specific areas, it is difficult to expand globally, and there are customers who have not been able to incorporate the logistics field that can be incorporated at the initial stage. Account management, as a business approach, overcomes these problems and promotes the provision of new solutions. In the previous business plan, we started account management for some customers, but an important theme for us is to systematically strengthen this management and speedily expand business.

The persons responsible for account management are account managers and the account organization, and assuring and educating these human resources is key. At the same time, we will continue strengthening organizations and systems and expand applicable customers. Now, I will explain how to strengthen this account management system.

### **Strengthen the account management system**

First, with regards to which customers are subject to account management, we have deployed GAM (Global Account Management) for target accounts, taking into account customer and market growth, and we selected target customers from major global accounts, both Japanese and non-Japanese customers, who require comprehensive and strategic support on a global level. For future GAM targets, we select GTAs (Global Target Account) from target accounts in each region. Moreover, the execution of account management requires an understanding of the customer, so our target business status depends on each customer. Accordingly, it is important that we start by examining the potential of each account and then formulate an account vision and plan that detail the ideal state, and this is the starting point of an account

portfolio strategy. We carry out account management by collecting knowledge for realizing this account portfolio and then developing and executing strategies. Here, I will explain the three points regarding strengthening of the systems, etc. that aim to promote these activities.

### **(1) System for promoting account management**

The first one, with regards to the account management promotion system, is that it is important for account managers to have a total understanding of global supply chains and logistics, but there are deviations in specialist knowledge, information, etc. As the systematic backup system that covers these, the GBHQ (Global Corporate Head Office), which is part of the organization of NIPPON EXPRESS HOLDINGS, INC., functions to provide support for the entirety of account management. GBHQ staffs a large number of foreign nationals in positions such as general managers, in order to approach global customers. Among such human resources are outstanding members with years of experience with mega-forwarders. These human resources create synergy between the knowledge of our company and that of mega-forwarders to promote and enhance account management. Also, we have a specialist team in bit-pricing, and have created a system in which we indicate the price ranges of high-probability orders to support decision-making for global bits in account management from practical business perspectives.

Also, we have a vast of knowledge of logistics in Japan, but we had not shared this knowledge as common infrastructure. We would like to clarify information that makes it possible for anyone to utilize such knowledge. In the initial stage, we would like to utilize the functions of the organization and systems constructed by Nippon Express Co., Ltd. while yielding more successful cases in

design, proposal, and sales of logistics solutions and then expanding them horizontally throughout Japan and outside Japan.

### **(2) Develop infrastructure supporting account management**

The second point, for the information infrastructure that is essential in account management, we improved SFA (Sales Force Automation) as a framework for individually managing cases under the action plan in the account plan, and we introduced Salesforce globally this year. We believe that developing the visualization of business processes and accumulating information will make it possible to utilize them for predicting orders, sales, and other items. We are also making progress with regards to improving, standardizing, and creating knowledge regarding solutions proposal materials. Also, based on information gained from past transaction results from approximately 60,000 companies, we have sorted customers into 58 categories and created a master list that details transaction status by business unit at our company, counterparts, and analysis of issues that customers face such as decarbonization. Moreover, based on over 2,000 case studies for expanding business and creating proposals for solutions, we have created standard proposal materials for each category, which can be customized to enable general-purpose and efficient proposal work.

### **(3) Assure human resources responsible for account management capabilities and develop their capabilities**

The third point, with regards to assuring account managers, we are proactively hiring mid-career employees who have the potential to deliver immediate results. Also,

we have tackled developing the capabilities of and training human resources, with a specific focus on education in the regions of logistics in which there are insufficient human resources. In 2021, we started a human resources training program called “Logistics Boot Camp” at Nippon Express Co., Ltd. This program, for sales to new customers, aims to educate specialists in logistics who have a series of knowhow and skills such as defining requirements and then operating the logistics sector and performing improvement activities. Approximately 20 employees per year receive this education. Also, in order to raise the standard of logistics human resources, we hold a program called “Logistics Academy” with the aim to improve skills, such as productivity improvements, for director-class employees in the logistics sector, and approximately 100 employees per year receive this education. We plan to make the text of this Logistics Academy program available in multiple languages and to expand it outside Japan.

This concludes my explanation of how to strengthen the account management system. In addition to providing organization and information infrastructure, the key is definitely human resources who are responsible for strategies. Through assuring human resources and education initiatives to promote strengthening of a human resources foundation centered around Japan. We would like to proactively dispatch such human resources abroad to accelerate the provision of end-to-end logistics solutions based on account management.

#### **About PMI of cargo-partner**

Next, I will explain PMI for CP. The strategic significant of our acquisition of CP were our aims of: (1) Network expansion and expansion of service offerings, (2) Improvement of competitiveness through expansion of quantity

of cargo handled, (3) Enhancement of ability to respond to global logistics demands, and (4) Creation of synergies and business expansion/development. This is made possible through the PMI of CP, but there are cases where our previous M&A have resulted in loss. PMI is centered around the acquired company and the presiding companies, etc. in the area, and we understand that we could not realize our formulated business plans and synergy in a state in which it is difficult to make management decisions from an overall optimal perspective. As a result of this introspection, the PMI system of CP has a dedicated PMI team at GBHQ and a PMI system that makes it possible to quickly create synergy between purchased companies and regions across regions from the perspective of optimizing globally. In this system, we think it is necessary to consider the business level of each field, and we are strengthening systems in business regions such as Air forwarding, ocean forwarding and logistics, and also in corporation regions such as IT, finance and accounting, human resources, and governance.

In the business region, we have advanced negotiations with carriers about how to make use of scale merits by expanding forwarding volume with the aim to create instant synergy, and we have already built consensus with numerous carriers. Also, we have shared lists about customers for which we should perform cross-selling and have started sales activities, and we have also started a switchover of CP agencies to our company. Also, we investigated combining and reorganizing multiple locations and started consulting with owners on multiple leased properties. We have already yielded the initial synergy and we would like to accelerate the creation of synergy by globally sharing examples of successful negotiations of purchases and of cross sales.

Next, our themes in the corporate region are providing report lines, system integration, and integrating/enhancing governance. One of our achievements is that we were able to consolidate accounts without issue for the first quarter of FY2024, the initial hurdle, by preparing a report line of accounting information. Also, with regards to system integration, we aim to first create EDI coordination in trace information and customer transactions and continue compliance assessments of the governance system.

This concludes my explanation of the status of PMI at CP. Since, the closing of January 2024, we have aimed to closely communicate with the top management of CP and we feel that there is an affinity between our corporate cultures when it comes to customer-first approaches. We recognize that this is a strong moving force for advancing PMI, and we recognize the effects of assuring the creation of future synergy and that the knowledge we gained from initiatives of PMI for CP can be utilized in future M&A.



# Corporate Strategy Supporting Business Growth - IT Strategy -

In order to develop cutting-edge digital solutions and realize sustainable logistics, we will advance digitalization in a globally unified way throughout the Group with the aim to increase value provided to customers through “visualization of supply chain”, improving our efforts to “streamline operations and save manpower”, and improve decision-making processes through “the provision of a framework and governance for the standardization, concentration, and use of data throughout the entire group”. We have established the following six items as an outline of the strategy for achieving these goals.

## Outline of IT strategy

- 1 Create and implement future vision of system aimed at overall global optimization
- 2 Creation of solutions contributing to increasing value provided to customers
- 3 Promote data utilization across the group
- 4 Develop robust group IT infrastructure and improve security level
- 5 Strengthen group IT governance
- 6 Advance digital human resources training and procurement

With regards to creating solutions and to education and procurement of human resources involved in digital solutions, we will continue initiatives according to business strategies, with coordination between business divisions and the Human Resources Division.

## Promoting Optimization of IT Globally

At NX GROUP, with a grasp on the current state of the system and issues, we are formulating an image of future systems based on the approach of enterprise architecture. Through regular workshops between the IT Digital Solution Headquarters and the relevant divisions of each business region, we are creating a more detailed image of future systems, while properly using partial optimization and specific optimization. For example, in the shipping region and sales region, we are investigating streamlining of work systems by revising operations to allow business divisions and IT divisions to come together to improve work efficiency and service quality.

## Strengthening IT Governance

NX GROUP aims to maximize the effects of IT investments, improve project quality, and minimize project risks by improving checks on the three points of “sound IT investment management”, “improvement of production quality”, and “accumulation and visualization of performance”.

We started with revising the IT Governance Rules at Nippon Express Co, Ltd. Going forward, we will expand to other group companies.

## Improving Security Level

In order to improve the level of security throughout the entire Group, NX GROUP has formulated the “Security

### Takeshi Kunitani

IT Digital Solution  
Headquarters  
Executive Officer



Medium-Term Plan” based on the following six initiatives, and we have started carrying out the measures.

- (1) Making security measures standard across the globe
- (2) Globalization of incident response
- (3) Visualization of the status of global security
- (4) Inspection and evaluation of new technologies such as generative AI
- (5) Optimization of systems and resources
- (6) Improvement in cyber security

Through efforts such as unifying tools and services and providing cross-sectional system operation beyond the scopes of the company and status visualization, we will construct a unified security system throughout the entire group and implement countermeasures and provide prompt response in the event of cyber attacks. Fundamentally, regions respond in the event of an incident. However, the entire group makes efforts to promptly come together with support from other regions or to provide knowhow, and exhausts efforts, and shares information throughout the group of the status of an incident, to allow us to prevent reoccurrence of the incident. Moreover, in addition to introducing tools and constructing frameworks, we will conduct educational activities, such as e-mail training and e-learning, to improve the IT literacy of all our employees.

Message from the Chief Managing Officer of Corporate Strategy Headquarters

## Comments on Performance and Initiatives for Better Capital Efficiency

I would like to present details on our business performance, as well as on efforts and policies related to our business plan with a focus on the improvement of capital efficiency.

### FY2023 Results and FY2024 Results Forecast

First, regarding the consolidated financial results for the fiscal year ending December 31, 2023, in the international forwarding business, we saw a decline in gross profit per unit due to the supply-demand balance, and a reactionary decline from the COVID-19 pandemic resulting from decrease in the handling volume. Regarding domestic logistics, although there was an increase in the handling of company clients in some industries such as those related to the automobile industry, overall cargo movement remained sluggish, resulting in a decrease in both sales and profits compared to the previous year.

Next, regarding the 2024 results forecasts, our business conditions are expected to be challenging as growth is expected to stagnate in the global economy. On the other hand, as domestic and international logistics demand seems to have bottomed out, we think it will recover since late 2024, and that the effect of the growth strategy for core businesses and strategy to enhance domestic businesses in Japan, which NX GROUP has been promoting, will increase, expecting an increase in sales and profits compared to the previous year.

Under these circumstances, we started the NIPPON EXPRESS GROUP Business Plan 2028, in which our “response to achieve management conscious of capital cost and share price” is disclosed.

### Response to achieve management conscious of capital cost and share price

First, regarding the analysis and evaluation of current conditions, our average PBR ratio has hovered around

one over the past five years, without remaining consistently above one. When this is broken into ROE and PER, average ROE has been 7.6% over the past five years, falling below the cost of shareholders’ equity of the Company of 8%. We recognize that this is the main factor for our PBR to remain at the current level.

In addition, although our PER is about 15 to 16 times as high as the industry average, considering our potential for global growth, we believe that there is more room for improving expectations for our business growth.

It will be necessary to expand equity spread after achieving capital profitability exceeding capital cost. From this perspective, we recognize that in addition to simply working to improve capital profitability, making efforts to reduce capital cost will also be an important factor.

Based on this analysis, we will work to increase ROE to consistently exceed capital cost by steadily implementing the business plan and further strengthening ROIC management, toward the enhancement of corporate value. At the same time, we also believe it is important to work to reduce capital cost through active dialogue with capital markets that improve non-financial value of sustainability initiatives and boost expectations of the growth of such initiatives.

Next, as the concept of our capital policy toward improving ROE, we recognize that it is basically important for us to accumulate sound assets and improve profitability without allowing our balance sheet to get bloated, through replacing business portfolio, reducing our strategic shareholdings, and selling off low-profit assets, in addition to making growth investments in consideration of capital efficiency. In addition, we hope to achieve ongoing ROE growth by utilizing interest-bearing debt, and optimizing a capital structure through the enhancement of returns to shareholders.

As a cash flow plan based on this capital policy, we



**Hideshi Otsuki**

Chief Managing Officer of the  
Corporate Strategy Headquarters  
Managing Executive Officer

plan to invest ¥700 billion as capital investment including growth investment as well as M&A investment during the five years of the new business plan. Thus, we will proactively implement investments that will contribute to increasing profitability with the aim of expanding operating cash flow.

At the same time, we wish to enhance shareholder returns by expanding operating cash flow while maintaining financial stability. Regarding the return policy, after considering a balance with the investment, we determined to keep a dividend payout ratio at 40% or more, a five-year cumulative total return ratio at 55% or more, and an equity ratio at 35%, which is the same as the one in the previous business plan, taking into account both the maintenance of a stable financial base and the improvement of capital efficiency.

Intending to create a virtuous cycle contributing to an increase in ROE by effectively utilizing cash, increasing profitability and controlling equity capital, we have established a basic policy underpinning the business portfolio important for the improvement of capital efficiency.

We will implement the allocation of strategic investments including M&A to growth businesses and priority

businesses based on the results of the quantitative evaluation of capital profitability and potential for growth of business as well as on the qualitative evaluation of positioning and synergy within the Group and best-owner perspective, while considering the structural reform and sell-off of mature businesses and low profit businesses, and withdrawal from them. Furthermore, through working toward sustained growth of the entire Group, we will examine strategies leading to an increase in corporate value, and promote the optimal allocation of management resources.

On the grounds of this basic policy, as a basic approach of business portfolio strategies of each segment, for example, we expand sales, improve capital profitability over the medium-to-long term, and continue proactive investments in overseas businesses.

We will bring our specific business portfolio vision into the open, clarify its consistency with the corporate philosophy and its roles for achieving long-term vision, and advance business portfolio management, with the aim of enhancing corporate value.

### Sustainability management promotion and preparation for DX

Thinking the promotion of sustainability management promotion and DX is an important factor in the consideration of the enhancement of corporate value, we view our sustainability management from the two perspectives of value creation and risk mitigation.

As for sustainability management, positioning this as a foundation based on which everything is considered in NX GROUP Business Plan 2028, we will promote sustainability management and work to implement the plan by striving to solve Material Issues. Presently, we hold up five items of "Develop and Strengthen Sustainable Solutions," "Solidify Global Supply Chain," "Strengthen Response to Climate Change," "Enhancement of Human Capital to Foster Innovation" and "Respect for Human Rights and Realization of Responsible Corporate Activities" as Material Issues, and are proactively working on these issues.

Individual materiality initiatives are reported in this integrated report, but they are not something that can be resolved overnight. Therefore, it is necessary to face up to reality and steadily carry out whatever we can do one

step at a time to accumulate achievements while painting an ideal vision for each materiality, which we believe should be our basic approach.

For example, in response to decarbonization and labor shortages, we are proactively promoting the creation of Sea & Rail transportation products. Rail transportation and ocean transportation generate less CO<sub>2</sub> emissions compared to truck transportation, and also, they can serve as transportation means that can make up for the declining capacity of truck transportation.

Of course, we cannot solve all the problems with this approach, but if we keep a wait-and-see attitude, there will be no progress. While providing solutions implementable at the present moment, we wish to incorporate technical innovations to further evolve such solutions.

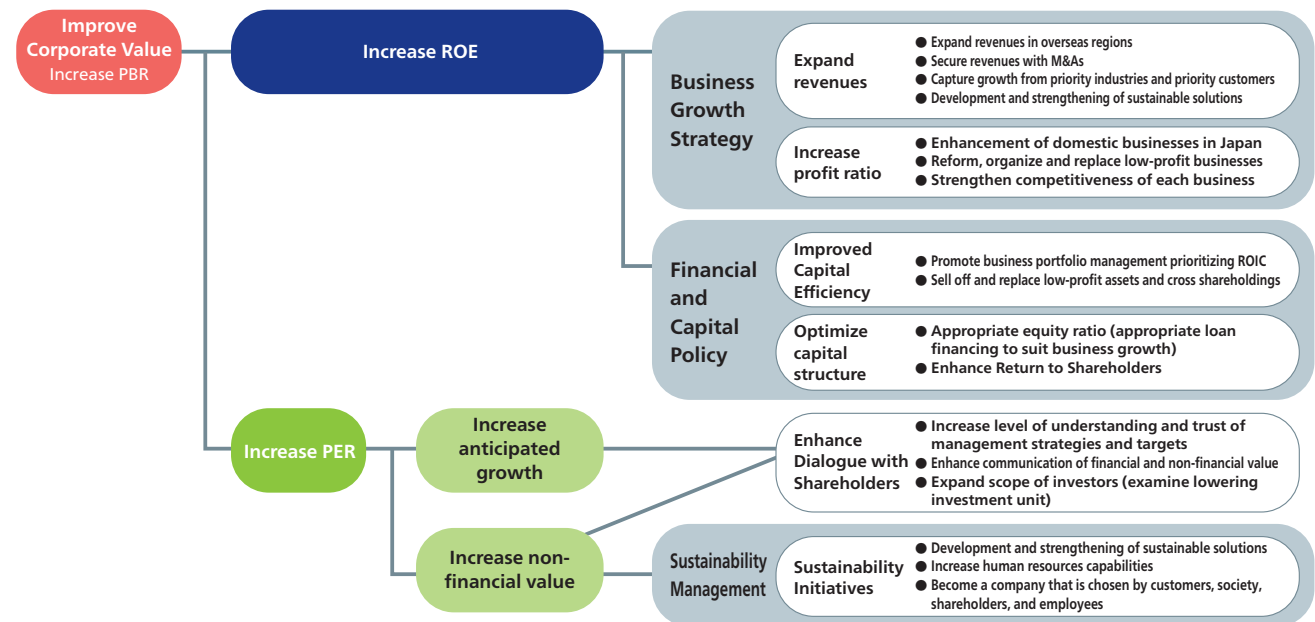
Since DX strategy is important from this point of view, the Group will promote an ambidextrous form of DX in which the digitization of existing businesses and the exploration of new business models are pursued in parallel toward the realization of DX.

With regard to DX, it is important to produce results in a short time frame while bearing in mind that what kind of value the Group can provide to the world, looking to the medium and longer term. To this end, as it is also necessary to implement AI and other cutting-edge technologies and promote co-creation through alliances with non-Group companies, we are already advancing collaboration with other industries and capital participation in start-up companies.

We believe that these efforts will make it possible to build a sustainable logistics system with the combination of continuity and resilience that can respond to social issues such as labor shortages and climate change.

We are also advancing the development of DX human resources with the ability to come up with conceptual ideas and get things done, and the creation of a data utilization infrastructure that allows data viewing and analysis. Through providing solutions to social issues, we will further strengthen our DX initiatives so as to take advantage of major changes to create business opportunities.

### Initiatives to Improve Corporate Value (Increase PBR)



● Expand equity spread through initiatives for ROE increase and capital cost reduction

# Management Discussion and Analysis

## Status of Business Environment

In fiscal 2023, although the global economy was experiencing gradual recovery with internal demand remaining resilient and resource price escalation slowing down in some countries and regions, it is still midway to its full-fledged recovery with policy interest rates remaining high mainly in European countries, putting downward pressure on economic activities. In addition, there was an increase in geopolitical risks and economic security risks including Russia's invasion of Ukraine, the Hamas-Israeli conflict, and the US-China confrontation, resulting in a generally harsh business environment given the uncertain future.

In this economic climate, the logistics industry also remained sluggish as a whole although in international logistics, some areas and industries saw the recovery of cargo movement following a round of inventory adjustment, with the tough supply-demand conditions of air and marine transport that had been lasing since the COVID-19 pandemic being greatly alleviated, leading to advancing the normalization of supply chains. Domestic logistics in Japan saw some positive developments such as the improvements in retail and service sectors due to the recovery of the number of foreign tourists

visiting Japan, and the recovery of automobile production due to the alleviation of in-car semiconductor shortages. However, it was greatly affected by production decline in the manufacturing industry linking to the deceleration of the world economy, resulting in overall cargo movement remaining lackluster. It is necessary for us to continue to pay attention to future trends such as an increase in various procurement costs associated with high property prices and yen's depreciation and the logistics 2024 problem, in addition to geopolitical risks and economic security risks.

## Business Results

This is the management environment surrounding NX GROUP, now in the final year, fiscal 2023, of NX GROUP Business Plan 2023 -"Dynamic Growth"-, our five-year plan launched in April 2019. We have all joined together, without greatly changing its direction, in making concerted efforts to achieve the various indicators set as the final targets while strengthening the current management foundation, as well as to realize our long-term vision of becoming a logistics company with a strong presence in the global market.

In fiscal 2023, affected by changes in the external

environment including sluggish cargo movement, increase in costs such energy costs and personnel expenses, we were not able to achieve any of the targets for the final fiscal year. On the other hand, both revenues and operating income exceeded those of fiscal 2019 before the COVID-19 pandemic amid the harsh external environment, which we believe represents the steady progress made by our effort in the management plan.

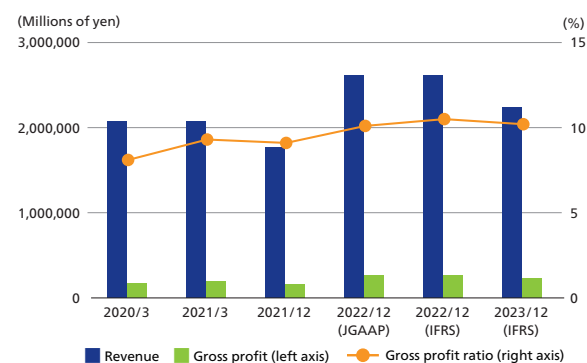
Thus, the fiscal 2023 results were affected by the normalization of unit sales prices and a decrease in transport volume due to the significant alleviation of tough supply-demand conditions of international logistics, as well as by sluggish cargo movement in domestic logistics in Japan, resulting in revenue being ¥2.2390 trillion, operating income ¥60 billion, income before income taxes ¥61.2 billion, and net income attributable to owners of the parent ¥37 billion.

## Results Forecast

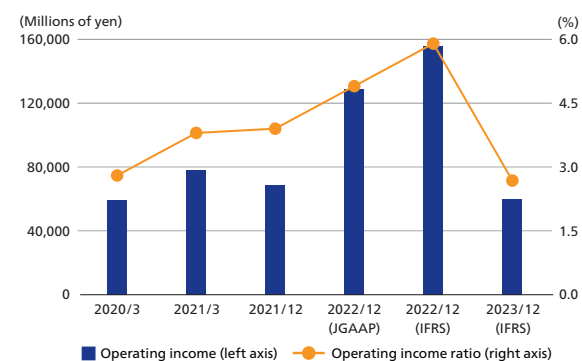
The fiscal 2024 results forecast calls for revenue of ¥2.5 trillion, operating income of ¥82.0 billion, income before income taxes of ¥79.0 billion, and net income attributable to owners of the parent of ¥55.0 billion.

(As of February 14, 2024)

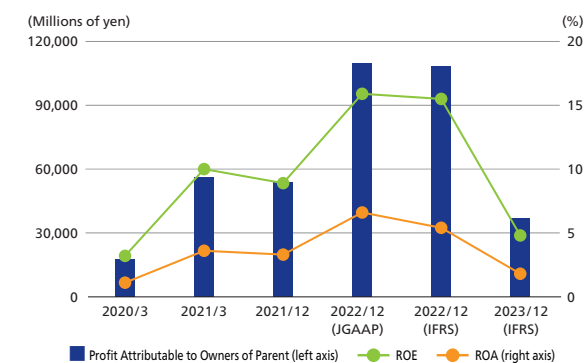
### Revenue/Gross Profit/Gross Profit Ratio



### Operating Income/Operating Income Ratio



### Net income attributable to owners of the parent/ ROE/ROA



\* End of the fiscal year has been changed from March 31 to December 31 from FY2021.

As such, consolidated results for the FY2021 reflects values of nine month from April 1, 2021 to December 31, 2021.

# Management Discussion and Analysis

## Financial Position

Total assets as of the end of fiscal 2023 amounted to ¥2.1071 trillion, an increase of ¥31.9 billion, or 1.5%, compared to the previous fiscal year.

Current assets amounted to ¥896.0 billion, a decrease of ¥11.7 billion, or -1.3%, from the previous fiscal year, and non-current assets totaled ¥1.2110 trillion, an increase of ¥43.6 billion, or 3.7%, from the previous fiscal year.

The decrease in current assets was mainly attributable to a decrease in trade and other receivables.

The increase in non-current assets was mainly attributable to an increase in right-of-use assets.

Current liabilities amounted to ¥591.0 billion, a decrease of ¥104.8 billion, or -15.1%, from the previous fiscal year, and non-current liabilities totaled ¥698.2 billion, an increase of ¥98 billion, or 16.3%, from the previous fiscal year.

The decrease in current liabilities was mainly attributable to

a decrease in trade and other receivables.

The increase in non-current liabilities assets was mainly attributable to an increase in bonds payable and loans payable.

Total capital as of the end of fiscal 2023 amounted to ¥817.8 billion, an increase of ¥38.6 billion, or 5.0%, from the end of the previous fiscal year.

## Overview of Cash Flows

Cash and cash equivalents at the end of fiscal 2023 amounted to ¥315.0 billion, an increase of ¥38.3 billion from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥185.7 billion, a decrease of ¥109.5 billion in proceeds from the corresponding period of the previous year. This result was mainly due to a decrease in income before income taxes.

Net cash used in investing activities amounted to ¥59.2 billion, an increase of ¥63.3 billion in expenditures from the

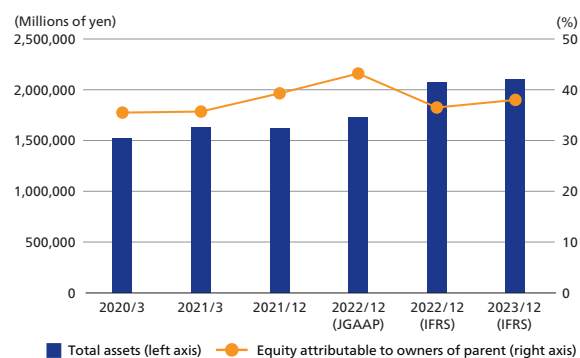
corresponding period of the previous year. This result was mainly due to a decrease in proceeds from sales of property, plant and equipment.

Net cash provided by financing activities amounted to ¥100.1 billion, an increase of ¥63.1 billion in expenditures from the corresponding period of the previous year. This result was mainly due to an increase in proceeds from long-term loans payable.

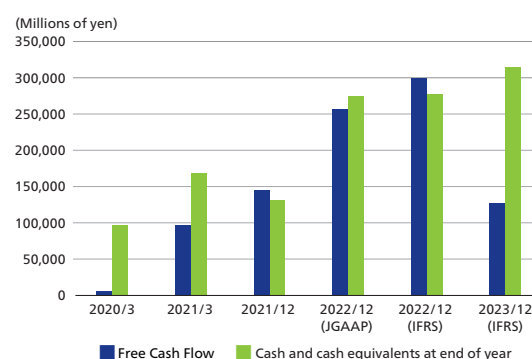
## Capital Investments

In view of future business developments, NX GROUP is making capital investment in infrastructure such as distribution bases and commercial warehouses, and replacing vehicles and other transport equipment in order to respond to reforms in logistics structures and international logistics. In FY2023, we invested a total of ¥72.9 billion.

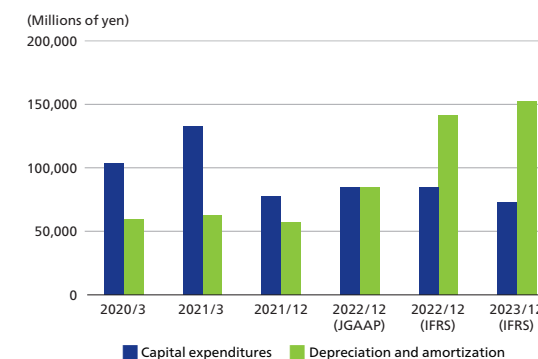
### Total Assets/Ratio of Equity Attributable to Owners of Parent



### Free Cash Flow/ Cash and cash equivalents at end of year



### Capital investments/ Depreciation and Amortization



\* End of the fiscal year has been changed from March 31 to December 31 from FY2021.

As such, consolidated results for the FY2021 reflects values of nine month from April 1, 2021 to December 31, 2021.



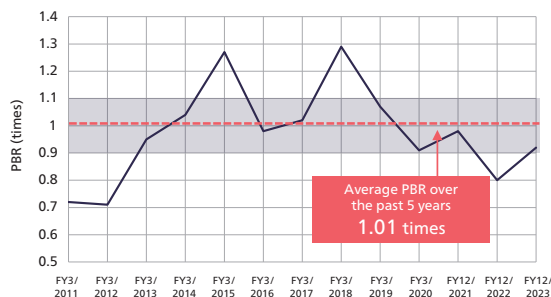
# Initiatives to Improve Corporate Value [Overall Picture of Current Status/Evaluation and Enhancement of BS Management]

## Analysis and Evaluation of Current Status for PBR, ROE, PER, etc.

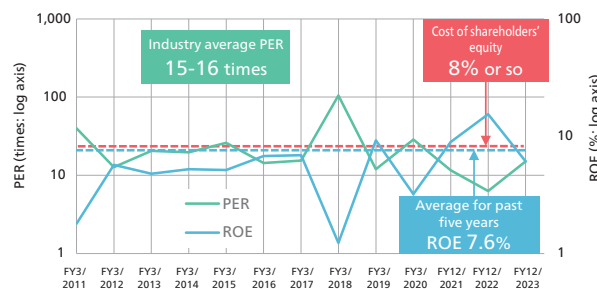
The average PBR ratio of NX GROUP has hovered around one over the past five years, without remaining consistently above one. When this is broken into ROE and PER, average ROE has been 7.6% over the past five years, falling below the cost of shareholders' equity of the Company of 8%. In addition, the most recent forecast ROE is as low as 6%, which is recognized as the main factor for our PBR to remain at the current level.

PER is an important factor for PBR to increase. Although the PER of the Group is as high as the industry average (Prime Market, land transportation business), considering our potential for global growth, we believe that there is more room for improving expectations for our business growth.

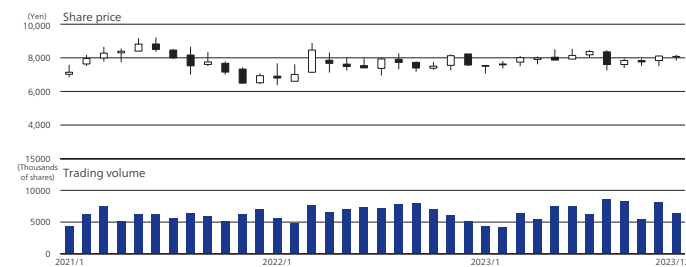
**NIPPON EXPRESS HOLDINGS, INC.**  
(Nippon Express Co., Ltd.) Changes in PBR



**NIPPON EXPRESS HOLDINGS, INC.**  
(Nippon Express Co., Ltd.) Changes in ROE and PER



Stock Price Movement



\* Information on Nippon Express Co., Ltd. is for the period until December 2021. (In accordance with the establishment of the pure holding company, Nippon Express Co., Ltd. was delisted on December 28, 2021, and NIPPON EXPRESS HOLDINGS, INC. was newly listed on January 4, 2022.)

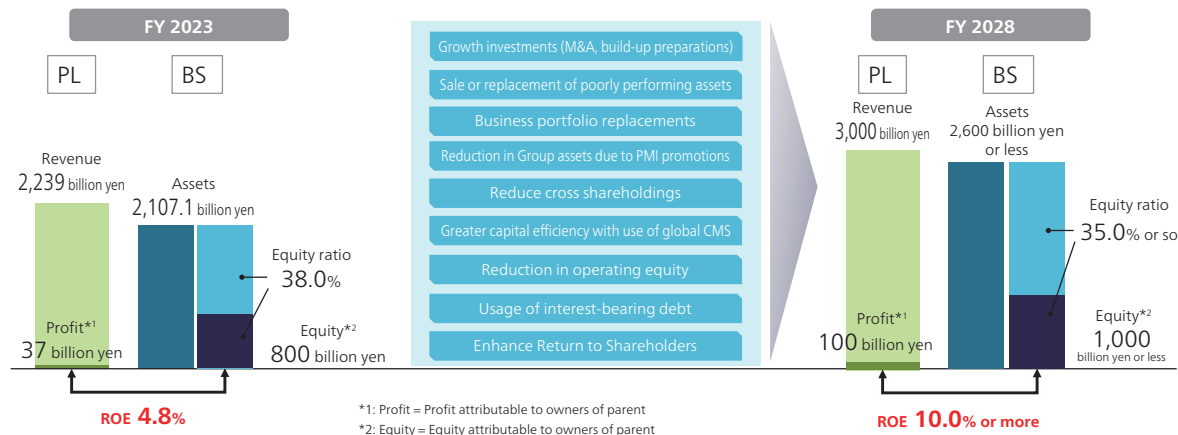
## BS Management

In the light of the analysis and evaluation of current status, achieving ROE that consistently exceeds capital cost, conducting dialogue with capital markets that boost expectations of the growth, and proactively working on the improvement of non-financial value are positioned as extremely important for the enhancement of corporate value.

NX GROUP will continue to employ ROE, which was used as a management indicator in the previous management plan, in the NIPPON EXPRESS GROUP Business Plan 2028 as a management indicator, aiming to achieve an ROE of 10% during the period covered by the current management plan.

Assuming that we will achieve an operating income of ¥150.0 billion, we intend to return cash generated to our shareholders, taking a proactive approach to investments toward accelerating growth.

In addition, while ensuring a shareholders' equity ratio of about 35% in principle to maintain financial discipline, we will achieve sound and sustainable growth with a well-balanced asset and liability structure, and work on the enhancement of corporate value from a medium- to long-term perspective.

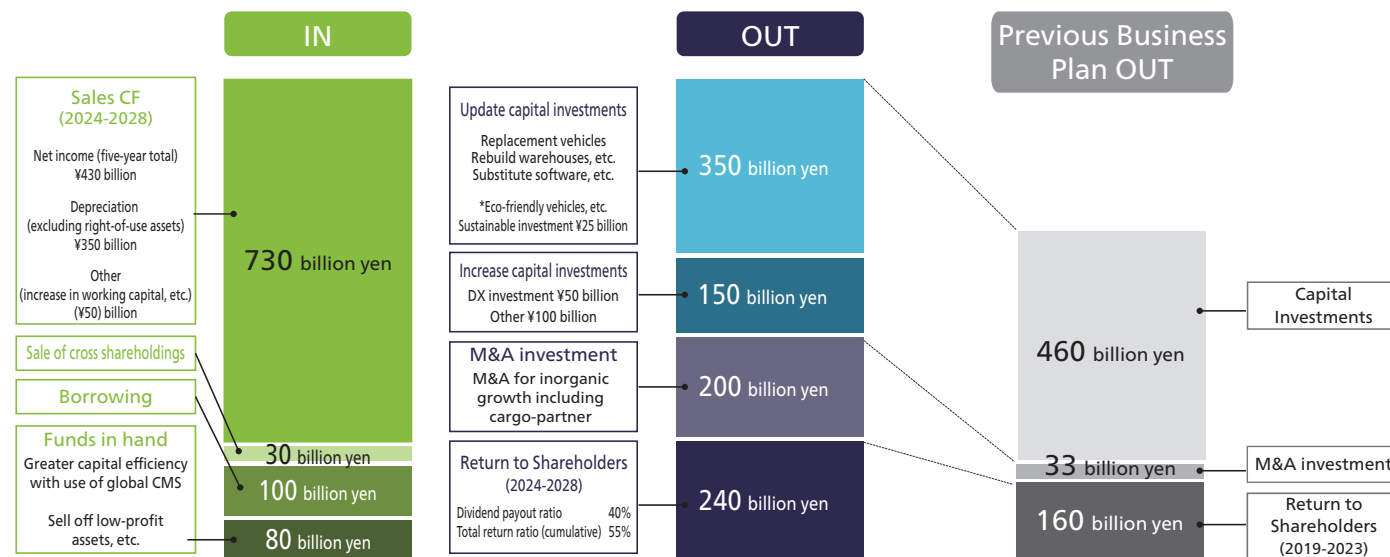


\*1: Profit = Profit attributable to owners of parent  
\*2: Equity = Equity attributable to owners of parent

# Initiatives to Improve Corporate Value [Acceleration of Growth with Strategic Investments and Enhancement of Return to Shareholders]

## Cash Allocation

We are planning to invest a total of ¥700.0 billion (including DX investments and sustainability-related investments) over a period of five years up to fiscal 2028, in which ¥200.0 billion is planned for M&A as investments necessary for inorganic growth.



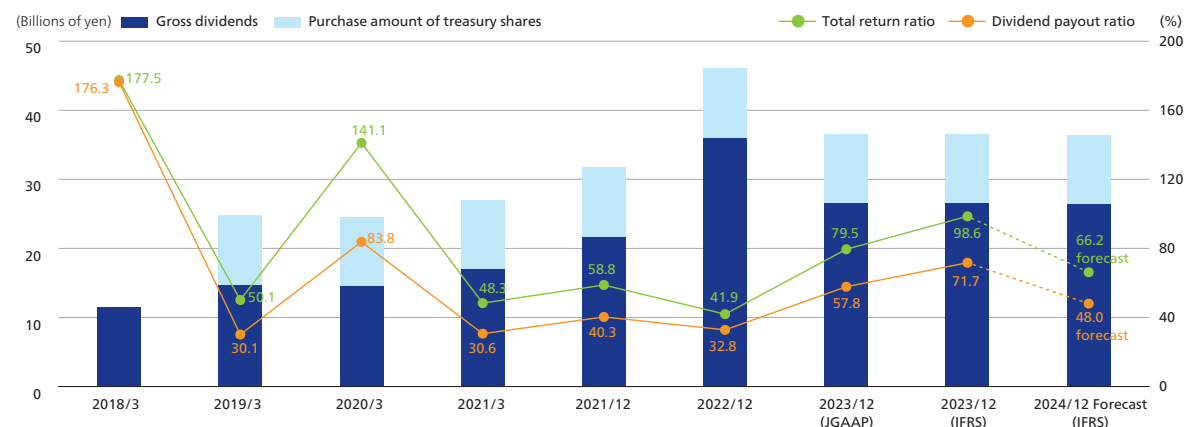
## Approach to Shareholder Returns

NX GROUP regards the return of profits to shareholders as one of our most important policies. By accelerating business growth in the global market, restructuring domestic businesses in Japan and promoting sustainability management, we will achieve stable and continuous dividend distribution and enhance the return of profits, in addition to increasing profitability and corporate value.

NX GROUP Business Plan 2028 calls for a dividend payout ratio of 40% or more and a total return ratio including treasury stock acquisition of 55% or more (cumulative from fiscal 2024 through fiscal 2028). We will meet the expectations of our investors by strategic investments for our business growth and enhanced shareholder returns.

Target Item	Business plan 2023 target	Business plan 2028 target
Dividend payout ratio	30.0% or more	40.0% or more
Total return ratio (5 years cumulative)	50.0% or more	55.0% or more
Shareholders' equity ratio	Around 35.0%	Around 35.0%

## Changes in Shareholder Dividends, Treasury Stock Acquisition, etc.



# Initiatives to Improve Corporate Value [Improved Capital Efficiency]

## Promote Business Portfolio Management

Recognizing that it is important to consider the optimal allocation of management resources in order to improve capital efficiency, we have established a basic policy underpinning the business portfolio as guidelines for this.

Based on this basic policy, we will examine strategies leading to the enhancement of corporate value by conducting quantitative evaluation on capital profitability and potential for growth of business, as well as qualitative evaluation on positioning and synergy within the Group, business growth potential, and best-owner perspective.

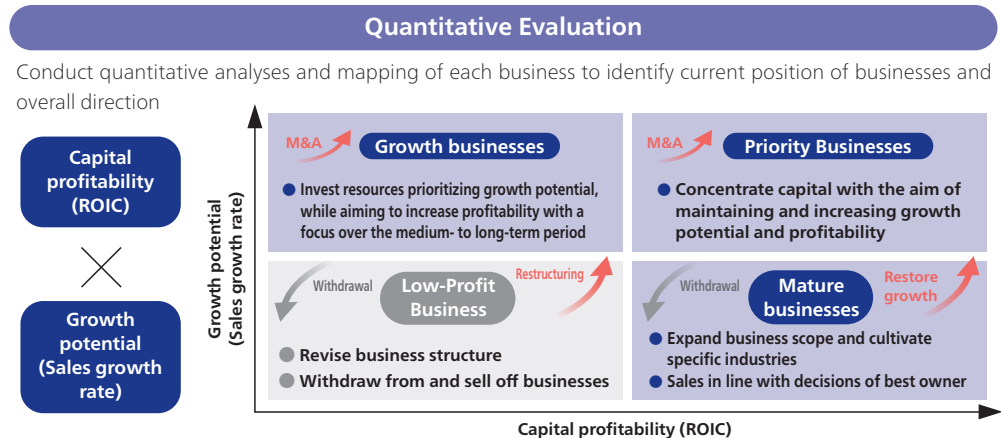
We will implement the allocation of strategic investments to growth businesses and priority businesses while considering the structural reform and sell-off of mature businesses toward achieving sustainable growth of the entire Group.

We will also establish a system for the implementation of our business portfolio management, which will be reviewed and amended by the Board of Directors on a regular basis.

Basic Policy

### Basic policies underpinning the Business Portfolio

- NX GROUP has established the long-term vision of becoming “a logistics company with a strong presence in the global market” based on 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.



### 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

### Strategic Orientation by Segment

<div style="background-color: #003366; color: white; padding: 2px; border-radius: 5px; font-weight: bold;">Growth Drivers</div> <h4 style="text-align: center; margin: 5px 0;">Logistics Overseas</h4> <p style="text-align: center; margin: 5px 0;">Use aggressive investment and M&amp;A to accelerate growth</p> <div style="background-color: white; color: #003366; padding: 5px; border-radius: 10px; text-align: center; margin: 5px 0;">Expand sales while maintaining a high level of capital profitability</div>	<div style="background-color: #003366; color: white; padding: 2px; border-radius: 5px; font-weight: bold;">Foundation of Sales and Profit</div> <h4 style="text-align: center; margin: 5px 0;">Logistics Japan</h4> <p style="text-align: center; margin: 5px 0;">Greatly increase profitability by restructuring operations Strengthen alliances with respect to network business</p> <div style="background-color: white; color: #003366; padding: 5px; border-radius: 10px; text-align: center; margin: 5px 0;">Greatly improve capital profitability</div>	
<h4 style="text-align: center; margin: 5px 0;">Security transportation</h4> <p style="text-align: center; margin: 5px 0;">Enhance specialized expertise and profitability through company spin-off (implemented in January 2023)</p> <div style="background-color: white; color: #003366; padding: 5px; border-radius: 10px; text-align: center; margin: 5px 0;">Improve capital profitability</div>	<h4 style="text-align: center; margin: 5px 0;">Heavy haulage and construction</h4> <p style="text-align: center; margin: 5px 0;">Enhance specialized expertise and expand scale Consider strengthening business through company spin-offs</p> <div style="background-color: white; color: #003366; padding: 5px; border-radius: 10px; text-align: center; margin: 5px 0;">Expand sales while maintaining a high level of capital profitability</div>	<h4 style="text-align: center; margin: 5px 0;">Logistics Support</h4> <p style="text-align: center; margin: 5px 0;">Improve competitiveness and profitability Promote portfolio management at the level of individual business units within a segment</p> <div style="background-color: white; color: #003366; padding: 5px; border-radius: 10px; text-align: center; margin: 5px 0;">Improve capital profitability</div>

## Message from the Executive Officer of Sustainability Promotion Division

By promoting initiatives to address Material Issues through our businesses, we aim to solve social issues, create a prosperous future, and increase corporate value.

### Sustainability Management for NX GROUP

Based on NX GROUP Corporate Philosophy that is “to contribute to society through logistics and to create a prosperous future,” we have established NX GROUP Sustainability Policy and Vision and are pursuing initiatives aimed at Material Issues.

In light of this, we set forth three basic policies in our NX GROUP Business Plan 2028 that begins in fiscal 2024, one of which is to “Implement sustainability management helping to resolve social issues and achieve a sustainable society, and reform the company group to one that is chosen by customers, society, shareholders, and employees”.

Under the new business plan, we established our business and corporate strategies and have been conducting our business activities using the efforts aimed at the five Material Issues that were re-identified in a 2023 review as a foundation for pursuing all of our business activities.



### Initiatives Addressing Material Issues

#### Develop and Strengthen Sustainable Solutions

Based on our understanding that the environment and social issues are important to our customers, and that they also represent business opportunities for us, we are developing and offering solutions connected to

de-carbonization and resource recycling (circular economy) in order to seize those business opportunities and solve environmental and social issues. For example, with investors becoming increasingly vocal in their calls to reduce CO<sub>2</sub> emissions including Scope 3 throughout the transport network, we launched a service that allocates the volume of CO<sub>2</sub> emissions reduced via Sustainable Aviation Fuel (SAF) to air cargo shipping companies that handle semiconductors and pharmaceuticals.

#### Solidify Global Supply Chain

In recent years, a variety of risks have been on the rise, including natural disasters, infectious diseases, cyber terrorism, and chronic labor shortages. Against this backdrop, in order to improve the continuity, efficiency, and soundness of the supply chain and make it more resilient, we have been working such matters as managing risks for business continuity and improving the efficiency of logistics by harmonizing human and digital resources.

#### Strengthen Response to Climate Change

Due to the nature of the business, there are great expectations regarding emissions reductions for logistics companies with their large volume of CO<sub>2</sub> emissions. NX GROUP is committed to SBTs aimed achieving the 1.5°C target set under the Paris Accords. On the other hand, there are difficulties such as technological matters and economic rationality when it comes to reductions. The Group is pursuing initiatives based on measures that will be quite rational economically at that point in time in a manner consistent with the Group’s medium to long-term goals, such as converting its headquarters building to renewable energy.

#### Enhancement of Human Capital to Foster Innovation

We believe the facts our human resources themselves are the source of our competitiveness, and that our employees working happily and with great engagement



**Hiroko Kishida**

Sustainability Promotion Division

Executive Officer

generates innovation, leads to the creation of value for our customers, our shareholders, and society. Based on this, we are pursuing initiatives to enhance our diverse and talented human resources, improve the performance of every single person, and give rise to an inclusive workplace culture. At the same time, we are also using engagement surveys to measure and improve engagement.

#### Respect for Human Rights and Realization of Responsible Corporate Activities

NX GROUP believes that its on-site capabilities grounded in its respect for human rights and its values regarding safety, compliance, and quality provide the foundation for the Group’s creation of value and the trust of society. Based on this, we have been carrying out initiatives concerned with abiding by compliance and respect for human rights, as well as initiatives to ensure the safety and security of our employees. Going forward, we plan to expand the scope of these initiatives to our suppliers.

As an enterprise seeking to become “a logistics company with a strong presence in the global market,” through sustainability management NX GROUP is working to solve social issues and create a prosperous future while accelerating our activities aimed at improving corporate value.

## Sustainability Policy and Vision

NX GROUP will further deepen the sustainability management it has been pursuing to date and work as a group to carry out highly effective measures. To achieve this, the Group has established a sustainability policy and vision that makes clear the Group’s stance toward sustainability and the values to be created. Based on this policy and vision, by embodying “being a driving force for social development, creating new ideas and value from logistics, and being a presence that inspires trust” while achieving sustainable growth and improving corporate value, and further encouraging the creation of value, we are pushing forward with initiatives where possible as a Group that will have a presence in the global market in the area of sustainability activities as well.

### Sustainability Policy

- NX GROUP fosters sustainable societies by co-creating a fruitful future with our stakeholders, including employees, business partners, customers, and local communities.
- NX GROUP contributes to carbon-neutral societies and the preservation of the global environment through businesses that reduce the environmental impact of the Group and our customers.
- NX GROUP pursues sustainable growth as an entity needed by society, connecting people to people and business to business globally, and providing solutions that solve social issues.

### Sustainability Vision

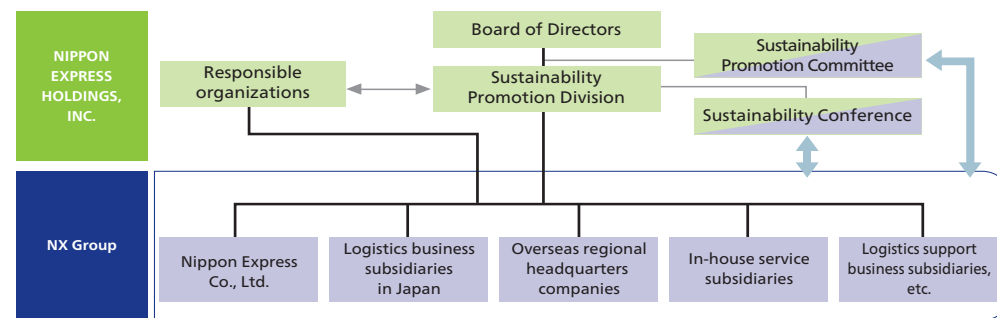


## Sustainability Promotion Structure

NX GROUP is engaged in sustainability management through the Sustainability Promotion Division, which was established within NIPPON EXPRESS HOLDINGS, INC..

Furthermore, the Sustainability Promotion Committee, which is charged with promoting sustainability in the Group, has expanded participation from just the executive officers of NIPPON EXPRESS HOLDINGS, INC. to now include sustainability promotion officers at all Group companies. The Group is working to further accelerate and improve the efficiency of initiatives for sustainability overall, including the issue of climate change.

### NX GROUP's Sustainability Promotion Structure



1. The Committee's Functions and Purpose	<ul style="list-style-type: none"> <li>● Planning, drafting, and proposal of basic management policies, business activities and other policies and strategies related to sustainability management</li> <li>● Reporting to the Board of Directors and the Board of Officers on information and progress related to sustainability management</li> </ul>
2. Committee Members	<ul style="list-style-type: none"> <li>● Chairperson: NIPPON EXPRESS Holdings President</li> <li>● Deputy Chairperson: Chief Managing Officer in charge of the Sustainability Promotion Division</li> <li>● Members: Operating Officers of NXHD and Officers in charge of Sustainability at Group companies</li> <li>● Secretariat: Sustainability Promotion Division</li> </ul>
3. Meeting frequency	Two sessions per year, in principle *Ad hoc meetings are to be held when there are important matters to be discussed.

### Sustainability Promotion Committee Meeting Data

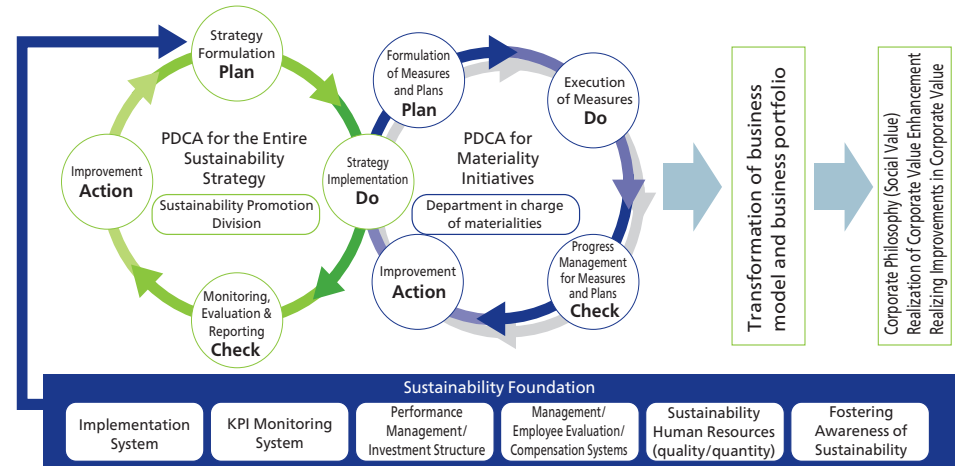
Meeting	Month held	Main issues addressed
3rd	March 2023	<ul style="list-style-type: none"> <li>● Address Science Based Targets (SBTs)</li> <li>● Status of initiatives related to respect for human rights</li> <li>● State of progress en route to the next management plan</li> <li>● Reviewed the composition of the Sustainability Promotion Committee</li> <li>● Results of a review of Material Issues and objectives and measures for the next medium-term management plan</li> </ul>
4th	Sep. 2023	<ul style="list-style-type: none"> <li>● Formulation of NX GROUP human rights policy and plans for the future</li> <li>● Initiatives to reduce CO<sub>2</sub> emissions</li> <li>● Assess and respond to trends in non-financial disclosure both domestically and internationally, including with regard to the CSRD</li> </ul>

## Sustainability Promotion Process

The Sustainability Promotion Division is responsible for planning, monitoring-evaluation-reporting, and improving strategies related to sustainability. We will update our sustainability strategies, taking into account the progress of each materiality initiative and social conditions.

Sustainability initiatives are implemented by the department in charge of each Material Issue, which promotes the transformation of the business model and business portfolio while incorporating sustainability strategies into the business of each Group company.

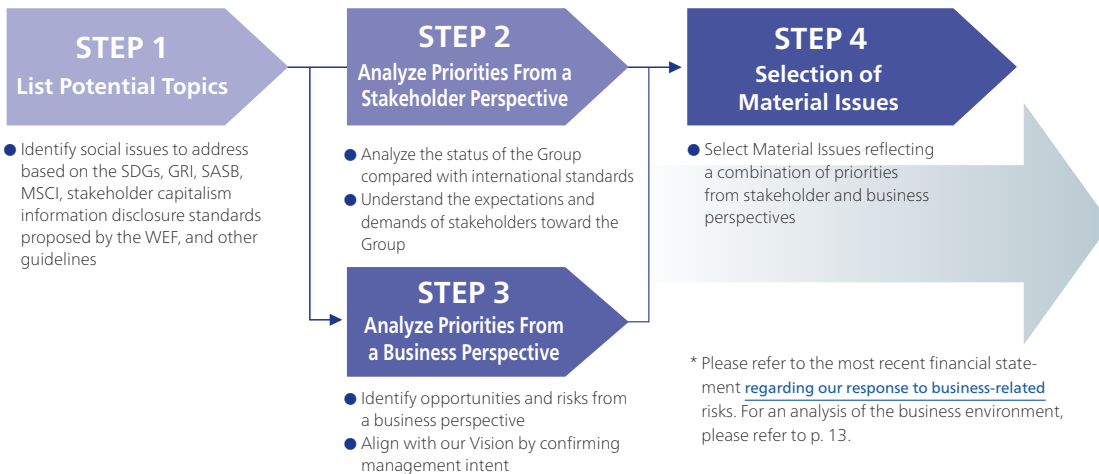
With the goal of strengthening the sustainability infrastructure that provides the foundation for the above-mentioned process, NX GROUP monitors key performance indicators (KPIs) that use Sustainability Promotion Committee meetings and Sustainability Conference gatherings as milestones. Also, in order to hasten the promotion of our sustainability management, we will include in our director compensation plan such performance indicators as consolidated sales revenues along with such indicators as non-financial information related to ESGs. Our plan is to put these into operation first at NIPPON EXPRESS HOLDINGS, INC. and Nippon Express Co., Ltd. following the results from fiscal 2024, and then put them into operation for the entire group following the results from fiscal 2025. Furthermore, in terms of efforts toward dissemination throughout the company, we have set dissemination targets for fiscal 2024 broken down by position and are conducting training and the like.



## Process of Identifying and Reviewing Material Issues

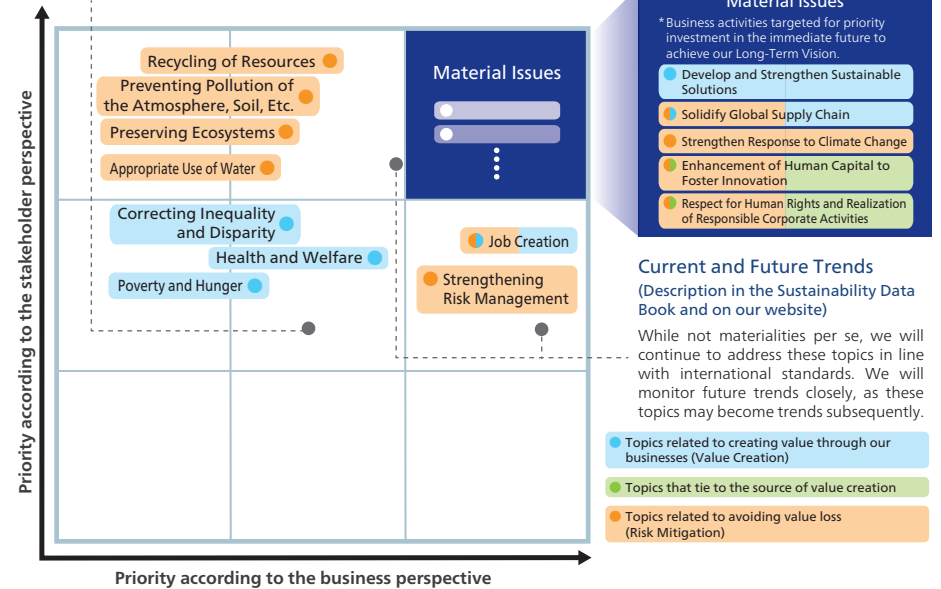
Material Issues for NX GROUP are identified using a four-step process. In Step 1, a list of candidate topics is compiled from major sustainability frameworks. In Steps 2 and 3, we identify international standards, regulatory trends, receive feedback from our key stakeholders, and conduct interviews with outside experts and internal stakeholders to define issues critical for the Group to address. Material Issues identified are reevaluated on a regular basis. In fiscal 2023, we reevaluated Material Issues that the Group should address.

Going forward, the Group will continue to reevaluate them regularly based on international trends, and review the issues that the Group should address.



### Potential Topics in Future Business Creation

We will examine the impact of these topics by identifying issues that align with our value creation engine.

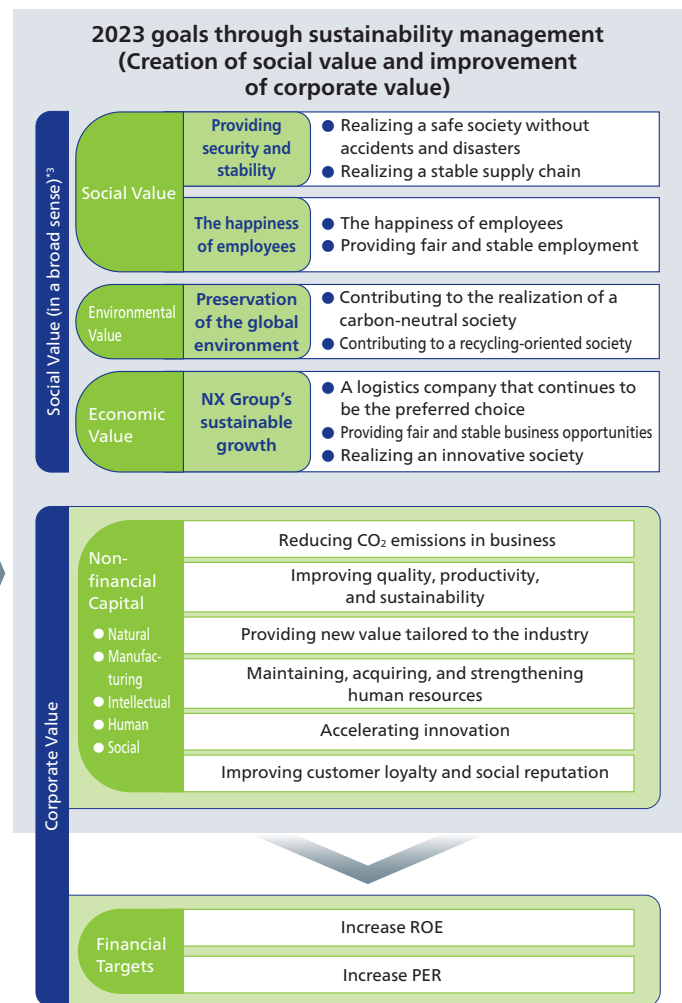


### Background to Review of Material Issues

- Establish "Develop and Strengthen Sustainable Solutions" in order to stimulate NX GROUP synergies and promote creation of economic value
- Added a Human Rights Item Based on the International Trend of Increased Importance Attached to Human Rights and Their Rising Importance for Business
- Position DX as an engine for promoting Material Issues and undertake initiatives to address those Material Issues
- Review for simple wording to encourage shared understandings throughout the Group and further disseminate sustainability management

# Measures and Objectives for Material Issues

Material Issues and Measures	Items regarding Setting Targets	Target Values for 2028
<b>Develop and Strengthen Sustainable Solutions</b> <ul style="list-style-type: none"> <li>Strengthen materiality solutions</li> <li>Strengthen decarbonisation logistics solutions</li> <li>Strengthen logistics solutions by promoting DX</li> </ul>	Increasing number of customers/transaction volume	
	Total sales of railway transportation in tons	7,595 thousand tons <sup>*1</sup>
	Total sales of coastal shipping in tons	2,270 thousand tons <sup>*1</sup>
	Total sales of Sea&Rail in tons	13.8 thousand tons <sup>*1</sup>
	Establishing a business model to solve supply chain issues	
	Accumulated amount of profit contribution from business creation	8.7 billion yen
	Total number of participants in the education program specialized for DX human resources	400
<b>Solidify Global Supply Chain</b> <ul style="list-style-type: none"> <li>Strengthen the business foundation to decrease risks</li> <li>Improve IT infrastructure and security level</li> <li>Improve efficiency, quality, and profitability of logistics by promoting DX</li> </ul>	Reducing critical risks	
	Eliminating critical security incidents	No incident in each year
	Accumulated amount of productivity improvement effects from business reforms	73.0 billion yen
	Reducing amount of workload by introducing automation technology (compared to 2023)	2.18 million hours reduction
	Total number of participants in the education program specialized for DX human resources	400
<b>Strengthen Response to Climate Change</b> <ul style="list-style-type: none"> <li>Scope 1: Reduce CO<sub>2</sub> emissions from fossil-fuels</li> <li>Scope 2: Reduce power consumption and expand the usage of renewable energy</li> <li>Scope 3: Reduce CO<sub>2</sub> emissions from transportation and industrial waste</li> </ul>	Total Scope 1 and 2 emissions	537,000 t CO <sub>2</sub>
	Reducing Scope3 emissions	
<b>Enhancement of Human Capital to Foster Innovation</b> <ul style="list-style-type: none"> <li>Secure and develop talented human resources</li> <li>Enhancing their well-being</li> <li>Promoting DE&amp;I</li> </ul>	Improvement of overall capability <sup>*2</sup>	
	NX core engagement score	76pt
<b>Respect for Human Rights and Realization of Responsible Corporate Activities</b> <ul style="list-style-type: none"> <li>Thorough enforcement of compliance</li> <li>Ensure safety and security</li> <li>Initiatives to respect human rights</li> </ul>	Eliminating legal measures due to compliance violations	Zero critical incidents
	Eliminating compliance violations by employees (cases of illegal actions)	
	Eliminating discrimination and harassment (internal reporting cases)	
	Respect for human rights in business activities	



\*1: Nippon Express Co., Ltd.

\*2: "Overall Abilities" = "Enhancement of diverse and valuable human resources" + "Improvement of each and every person's performance" + "Creating an inclusive workplace culture"

\*3: Social value is the general term for social value, environmental value, and economic value



# Develop and Strengthen Sustainable Solutions

## Why we are working on this project

With the importance of the natural environment and sustainability in society and industry growing in importance for all companies, NX GROUP provides services that help to solve such social issues as the environmental reconsiderations that confront our customers and the logistics industry. This is the delivery of new value to satisfy the needs of our customers, and for our Group is also a business growth opportunity that will increase the number of customers and the volume of transactions.

## Progress of Initiatives

### Strengthen materiality solutions

NX GROUP views its contributions to solving the “key issues” that its customers face as opportunities for business growth, and is working to develop and deploy products and services toward that end.

Nittsu NEC Logistics, Ltd. offers a “packaging design and prototyping service” wherein it proposes packaging and packing that are optimal from the

### Overall View of Packaging Design and Testing Services



perspectives of quality, cost, and environmental protection (the 3Rs of packaging resources, etc.) in accordance with the features of the customer’s cargo and transport methods. In fiscal 2023, we introduced at the Quality Evaluation Center—which carries out tests to evaluate products, packaged cargo, and materials—new small constant temperature and humidity chambers to go with the existing large and medium-sized constant temperature and humidity chambers. By expanding the scope of our evaluation testing, we are working to build up the services we provide that contribute to our customers’ sustainability management and supply chain efficiency improvements.

Furthermore, NX Shoji Co., Ltd. is engaged with constructing a supply chain for supplying in Japan low-carbon energy source biomass fuels aimed at realizing a sound material-cycle society. Specifically, it uses biodiesel fuel as the in-house fuel for the Aikō-maru, the NX Shoji bunker ship that supplies fuel to RORO and other vessels. We are also doing other work to reduce CO<sub>2</sub> emissions, such as using biodiesel fuel for NX GROUP Company LP gas delivery vehicles.



LP gas delivery vehicle using biodiesel fuel

## Details of Material Issues Initiatives and Connections with Corporate Value

	Activity	Performance			Primary outcome	Secondary outcome	
		23 Performance	24 Target	28 Target			
<b>Strengthen materiality solutions</b>	<ul style="list-style-type: none"> <li>Grasping key issues for customers and investigating solutions</li> </ul>	Develop and strengthen solutions for customers’ materiality			Creating Solutions to Resolve Customer Materialities Increasing number of customers/ transaction volume	<b>Corporate value (non-financial capital)<sup>17</sup></b>	
		Develop and strengthen energy conservation/energy creation/renewable energy/3R business					
<b>Strengthen decarbonisation logistics solutions</b>	<ul style="list-style-type: none"> <li>Expansion of modal shifts</li> <li>Develop and Provide Low-Carbon Transport</li> <li>Visualization of Customer CO<sub>2</sub> Emissions</li> </ul>	Railway transportation: annual 3.9% growth (total sales, thousands of tons) <sup>3</sup>	6,277	6,521	7,595	Realizing the Visualization and Reduction of CO <sub>2</sub> Emissions in Distribution	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions in our businesses</li> <li>New value for industry</li> <li>Promote Innovation</li> <li>Customer loyalty and improved social reputation</li> </ul>
		Coastal shipping: annual 1.8% growth (total sales, thousands of tons) <sup>3</sup>	2,018	2,110	2,270		
		Sea & Rail: annual 5% growth (total sales, thousands of tons) <sup>3</sup>	9.8	11.3	13.8		
		Protect BOX: annual 5% growth (total units sold, 1,000 units) <sup>3</sup>	37.7	42.0	51.1		
		Development of environmental value-added transport (use of credits <sup>4</sup> , SAF <sup>5</sup> , SMF <sup>6</sup> , etc.) Ocean freight LCL transport credit offset rate (%)	100	100	100		
<b>Strengthen logistics solutions by promoting DX</b>	<ul style="list-style-type: none"> <li>Excavating the Seeds for and Creating Co-Creator Partners and New Businesses</li> <li>Foster and Strengthen DX Human Resources</li> </ul>	Promote the use and functional enhancement of the transportation emissions visualization tool (NX-GREEN Calculator, One-stop Navi, Ecotrans Navi)				Increasing the Number of Customers and Volume of Transactions	<b>Social Value</b>
		Amount of profit contribution from business creation (billion yen)	-	0.4	4		
		Total number of participants in the education program specialized for DX human resources (persons)	20	80	400	Achieve more flexible and optimal logistics, capable of responding to changes in customer and industry supply chains	<ul style="list-style-type: none"> <li>Realize a Safe Society with No Accidents or Disasters</li> <li>Contribute to the Realization of a Carbon-Neutral Society</li> <li>Contributing to a Sound Material-Cycle Society</li> <li>Realize an Innovative Society</li> </ul>
			*1, *3	*1, *2		Cumulative Value of Contribution to Profit from Business Creation 2028 target: 8.7 billion yen	

\*1: NIPPON EXPRESS HOLDINGS, INC.

\*3: Nippon Express Co., Ltd.

\*5: SAF = Sustainable Aviation Fuel

\*7: Plans going forward are to verify the link to corporate value by implementing initiatives

\*2: Group companies in Japan (including Nippon Express Co., Ltd.)

\*4: Carbon credits for offsetting CO<sub>2</sub> emissions

\*6: SMF = Sustainable Marine Fuel





# Develop and Strengthen Sustainable Solutions



## Progress of Initiatives

### Strengthen decarbonization logistics solutions

#### ● Expansion of Modal Shifts

NX GROUP has been actively engaged with a modal shift away from truck-centered transport to other forms of transport using railways and ships. We have been working to provide flexible logistics solutions that combine multiple transport modes, and to create services that contribute to our customers reducing their CO<sub>2</sub> emissions.

In light of this, Nippon Express Co., Ltd. has been operating an "NX Train" service that leases out segments of trains for transport. In April 2024, we began operating the service on new sections. Further modal combinations are also being promoted by strengthening our transshipment operations (Truck

NX Train Service Sections	
Starting March 2022	Tokyo (Koshigaya Kamotsu Terminal) to Osaka (Kudara, Suita, Kobe, Himeji Terminal)
Starting April 2024 (Expanded)	Tokyo (Koshigaya Kamotsu Terminal) to Osaka (Kudara, Osaka Kamotsu Terminal)

& Rail) between trucks and railroad containers at NX GROUP logistics depots adjacent to the departure/arrival stations.

Additionally, we are working to expand our Sea & Rail transport routes and increase their convenience.

The combination of rail transport and sea transport stands as the environmentally friendly transport service that a decarbonized society demands. It contributes to our customers' sustainability management and is also effective as a BCP measure.

Going forward, we will join with other companies in our efforts to develop new routes matched to our customers' needs.

#### Expanded transport routes Sea & Rail series



#### ● Develop and Provide Low-Carbon Transport

In addition to modal shifts, NX GROUP is engaged in a variety of efforts to reduce its environment impact.

In the area of promoting the use of sustainable aviation fuels (SAFs) to reduce environmental impact in air transport, NX Europe concluded a contract in June 2023 with Lufthansa Cargo (LH) on the use of SAFs. The Group also launched the NX-Green SAF Program, which makes it possible to reduce CO<sub>2</sub> emissions in the supply chain through the apportionment of environmental costs.

The Group further announced in December 2023 the launch of a carbon offset transport service for all ocean freight LCL transport. This service, which covers all ocean freight LCL shipments to/from any part of the world for which NX GROUP issues B/Ls, sees the Group procure carbon credits equal to the amount of CO<sub>2</sub> emissions to offset them.

Going forward, the Group will continue to offer environmental value-added products as we work to enhance the environmental value we are able to deliver to our customers.

#### ● Visualizing Our Customer's CO<sub>2</sub> Emissions

To convey the value of low-carbon transport in a form that our customers can see, it is important to visualize the CO<sub>2</sub> emissions associated with transport.

In addition to our EcoTrans Navi tool for visualizing CO<sub>2</sub> emissions from domestic transport, we offer our NX-Green Calculator, which covers international transport.

EcoTrans Navi's functions for reports to be submitted to public agencies were expanded in fiscal 2023, and the tool received the "Logistics Environment Prize" in the 23rd competition for such. Furthermore, in March 2024 the tool was relaunched as a SaaS-type tool that can be directly checked via the website.

The goal for the NX-GREEN Calculator is to go from its current use as a stand-alone tool to one that visualizes CO<sub>2</sub> emissions in all the transport that our Group handles by linking it with backbone systems of all types.

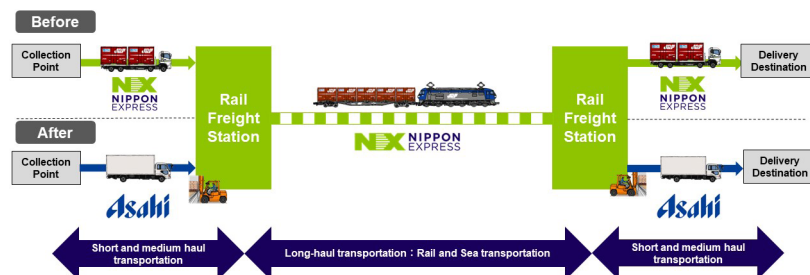
Going forward, we will work to further improve the tool's convenience, and provide new value-added services helpful to our customers in reducing CO<sub>2</sub> emissions.

## Topics

### Strengthening Cooperation with the Asahi Group on Modal Shifts

Nippon Express Co., Ltd. has been handling pickup and delivery operations at cargo departure/arrival stations using trucks specialized for railroad container use known in Japan as "kinteisha"\* from Asahi Group company Asahi Logistics. Our goal is to promote the use of Truck & Rail, and to reduce environmental impact and address drivers shortages by reducing long-haul truck transport.

\* "Kinteisha" = "Restrained-equipped truck": A vehicle specially equipped with restraining devices for securing railroad containers





# Develop and Strengthen Sustainable Solutions



## Progress of Initiatives

### Strengthen logistics solutions through DX advancement

#### ● Digital Technology's Impact on Society and NX GROUP

Many changes are beginning to emerge in the logistics environment. In addition to industry-specific challenges, the emergence of new social issues and the need to respond to new needs are demanding changes from the way logistics has been conducted up to now.

The opportunities and risks to NX GROUP management that the digital revolution and sudden changes to business models due to AI, IoT, and the like may pose are shown below.

Opportunities	Trigger for greater business efficiency and solutions to social problems, increased corporate value due to service creation, etc.
Risk	Existing business models become obsolete, loss of competitive advantage, etc.

NX GROUP sees grasping such opportunities and dealing with risks as management issues it should address toward maintaining and developing a sustainable society, industry, and logistic market. To solve these problems, our goal is the construction of sustainable logistics that use digitalization and data.

#### ● NX GROUP's "Ambidextrous" DX Strategy

NX GROUP has sketched an "Ambidextrous" DX Strategy that encourages "digitalization," which entails using digital technologies to improve efficiency and reduce manpower for work on the ground, and "digital transformation" in those business domains that may well be pillars for the future. As an organization for promoting our DX strategy, the Group has established a DX Promotion Division under the umbrella of the NIPPON EXPRESS HOLDINGS, INC.'s Management Strategy Headquarters.

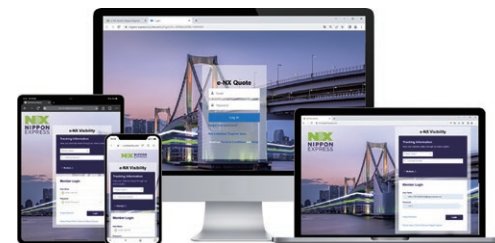
In our promotion of DX, we believe that what is needed is not a step-by-step approach in which digitalization precedes DX, but rather one where digitalization in the implementation phase is pursued in parallel with DX at the seed discovery phase.

We link "defensive" digitalization efforts to strengthen the company by improving existing businesses and increasing efficiency with "offensive" digitalization aimed at creating added value. In this process, the accumulated data will be used to take on the challenge of a new stage in the Group's concept of DX.

#### ● Creation of New Business by Promoting DX

To make it possible for us to respond to changes in the supply chain that go with the development in recent years in the digital environment, NX GROUP has been working to optimize and increase the flexibility of logistics by employing IT and digital technologies.

In light of this, as digital forwarding services for international transport, the Group has launched "e-NX Quote," which makes possible giving freight quotes online, and "e-NX Visibility," which makes it possible to track transport status across the distribution network. As of February 2024, these services are available for international transport in 35 countries and regions. Combined with our CO<sub>2</sub> emissions calculation tool (NX-Green Calculator), it is possible to calculate CO<sub>2</sub> emissions in addition to freight charges.



Screens Using "e-NX Quote" and "e-NX Visibility"

## Topics

### Develop an autonomous remote control solution for forklifts to improve the efficiency and safety of transportation operations in distribution warehouses

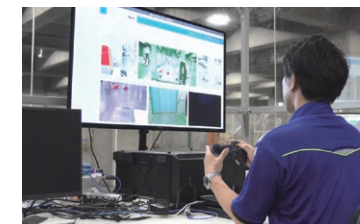
NIPPON EXPRESS HOLDINGS, INC. has developed together with NEC Corporation an autonomous remote-controlled transportation system that will improve the efficiency and safety of warehouse operations using forklifts for the transport and the loading and unloading of goods in distribution.

By retrofitting existing forklifts with actuators, cameras, sensors, and similar, this solution makes possible autonomous remote transport with forklifts that guarantees the automated design and safety of transport routes appropriate to conditions based on simulations. Furthermore, this solution helps toward realizing sustainable logistics in the senses of eliminating manpower shortages and improving safety by making it possible to centrally manage remotely with a small number of people multiple forklifts at multiple bases of operation.

Going forward, our aim is to introduce it to worksites throughout the Group, sell it as a solution to outside parties, and develop operation services.



Forklifts compatible for autonomous remote control



Remote control illustration



# Solidify Global Supply Chain

## Why we are working on this project

A variety of risks have been on the rise, including natural disasters, infectious diseases, cyber terrorism, and chronic labor shortages. Against this backdrop, NX GROUP, which supports the global supply chain that is a foundation for society, regards improving the continuity, efficiency, and soundness of the supply chain and making it more resilient as key issues.

This Group aims for continuous delivery in an unbreakable supply chain through such initiatives as managing risks to prevent them from becoming manifest, managing crises to improve business continuity in emergencies, and making logistics more efficient by harmonizing human and digital resources.

## Progress of Initiatives

### Strengthen the business foundation against risks

#### Risk Management

NX GROUP defines risk management as preventive activities to control the occurrence of risks and to minimize damage when risks do occur, and we define crisis management as measures to deal with risks when they do occur. We have a system in place to manage these matters in an integrated manner.

As part of this, based on "NX GROUP Risk Management Regulations," the Group annually inventories and evaluates risks and also formulates and implements response plans for all of the Group's business companies, and identifies key risks for the Group.

Also, to strengthen risk management throughout the Group, we are promoting the development of risk management systems and risk management training at all Group companies.

In fiscal 2024, we will carry out risk management-literacy training for executives and managers throughout the Group.

We are working to reduce important risks by identifying such risks and monitoring the status of responses at a regularly convened Risk Management Committee.

#### Crisis Management

NX GROUP in July 2023 established NX GROUP Business Continuity Policy as its basic policy regarding business continuity plans for the Group.

By disclosing this also to our customers and stakeholders, this policy clarifies the Group's basic stance on such matters as "prioritize human lives and safety," "contribute to society," "support customers," "promote the formulation of business continuity plans at each operating company," and "make preparations during normal times."

Our Group companies in Japan and overseas including Nippon Express Co., Ltd. have been working for some time on formulating business continuity plans. In fiscal 2024 and beyond, we will continue to promote the establishment and development of business continuity plans based on NX GROUP Business Continuity Policy, and carry out initiatives toward carrying out crisis management drills at all companies.

## Details of Material Issues initiatives and connections with corporate value

Activity	Performance			Primary outcome	Secondary outcome
	23 Performance	24 Target	28 Target		
<b>Strengthen the business foundation to decrease risks</b> <ul style="list-style-type: none"> <li>Risk Management for Stable Business Continuity</li> <li>Crisis Management for Business Continuity in Times of Crisis</li> </ul>	Completion of the development of a risk management system for the entire group			Reducing critical risks	<b>Corporate value (non-financial capital)*8</b> <ul style="list-style-type: none"> <li>Improvements in Quality, Productivity, and Continuity</li> <li>Customer loyalty and improvements in societal reputation</li> </ul>
	Identify key risks				
	Providing support for the formulation of BCP for each group company				
	Providing support and information for crisis management training for each group company				
<b>Improve IT infrastructure and security level</b> <ul style="list-style-type: none"> <li>Strengthening Measures for Handling Emergencies in IT Infrastructure</li> <li>Cyber security enhancement</li> </ul>	RTO**1 achievement rate (%) for BCP training*6	100	90+	90+	Eliminating critical security incidents No. of incidents 2023 record: 0 2024 target: 0 2028 target: 0
	Employee participation rate in security training (%)	94*4,6,7	90+	90+	
	Reporting rate of simulated phishing emails (%)**2	31.36-72.31*4,6,7	80+	80+	
	Open rate of simulated phishing emails (%)**2,3	3.39-8.71*4,6,7	Under 10	Under 10	
<b>Improve efficiency, quality, and profitability of logistics by promoting DX</b> <ul style="list-style-type: none"> <li>Improve Business Efficiency</li> <li>Use Data for Optimal Distribution of Resources</li> <li>Foster and Strengthen DX Human Resources</li> </ul>	Amount of productivity improvement effects from business reforms (billion of yen)	-	9	23	Improved Resilience of Logistics Due to Harmonization of Human and Digital Resources Cumulative Value of Productivity Improvement Contributions Made by Business Reforms 2028 Target: 73 billion yen
	Reduction of work time by introducing automation technology (compared to 2023, 10,000h)	-	(22)	(218)	
	Total number of participants in the education program specialized for DX human resources (persons)	20*4,6	80*4,5	400	

\*1: RTO: Recovery Time Objective

\*2: FY2023 results are the actual figures for each company for two annual drills.

Also, it should be noted that fiscal 2023 was the first in which attack mail drills were developed and used

\*3: It should be noted that the opening rate depended on the content of the email from each drill

\*4: NIPPON EXPRESS HOLDINGS, INC.

\*5: Group companies in Japan (including Nippon Express Co., Ltd.)

\*6: Nippon Express Co., Ltd.

\*7: NX Cash Logistics Co., Ltd.

\*8: Plans going forward are to verify the link to corporate value by implementing initiatives



## Solidify Global Supply Chain



### Progress of Initiatives

#### Develop IT infrastructure and improve security level

NX GROUP has formulated a “Cyber Security Medium-Term Plan,” and is promoting strengthening security.

In fiscal 2023, the final year of the “Cyber Security Medium-Term Plan (2022–2023),” we implemented security measures at all NX GROUP affiliates based on the “NX GROUP Basic Policy on Cyber Security” and “NX GROUP Standards for Cyber Security Measures.”

Under the Cyber Security Medium-Term Plan (2024–2028) launched in fiscal 2024, we will adopt and deploy tools and services with a sense of unity; operate a cross-sectional system where companies are irrelevant; build a uniform security system for the entire Group by visualizing conditions and other measures; and realize countermeasures and prompt responses when attacks occur.

For example, to strengthen our abilities to “detect” and “respond” to cyber security risks in the email environment, we plan to deploy to our overseas Group companies a system promoted at Nippon Express Co., Ltd. that can issue notifications about suspicious emails and discover and defend against risks at an early stage as well as carry out first responses.

#### Improve Efficiency, Quality, and Earnings of Logistics by Promoting Digital Transformation

##### ● Improve Business Efficiency

NX GROUP is proactively taking on the challenges of business reform and business creation through the adoption of digital technologies with the goal of deploying highly expert know-how throughout the Group to grow together.

In fiscal 2023, we carried out a usage study of Magellan Blocks from Groovenauts, whose strengths lie in the use of AI and quantum technologies.

Working Example Directed to Use of MAGELLAN BLOCKS
Demonstration Experiment Regarding Optimization of Warehouse Layout
Simulation Regarding Truck Sharing for Regional Transport
Simulation of Effective Use of Trucks for Moving and Transport

Our Group in March 2024 made an investment in Groovenauts. The Group is looking to optimize its personnel, vehicular operations, and warehousing. At the same time, we are also looking into its application toward, for example, choosing optimal modes in light of customer production plans and demand forecasts, as well as the creation of new value based on the data collected.

Going forward, our plan is to share best practices within and outside the company regarding business reform and business creation; identify those domains and methods for making great contributions toward productivity improvements; and conducting verification tests for applications to similar products.

##### ● Use Data for Optimal Distribution of Resources

NX GROUP aims to improve the efficiency of both the front and back offices, based on its use of data.

We analyze the data that has been generated and accumulated about people, machines, workloads, and so forth. We then identify issue areas, create models for optimal resource distribution, and work to improve productivity in both office work and labor.

##### ● Train/Initiate Human Resources to Promote DX

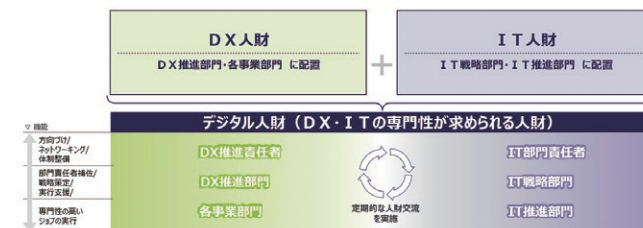
Thanks to employees who have newly acquired the needed specialized skills becoming engaged, being valued, and handling DX in a distributed, autonomous fashion, we have been aiming to become a corporate group with harmonized human and digital resources and are promoting activities to train and initiate human resources for promoting DX.

In fiscal 2023, we defined four types of DX human resources for promoting DX. Furthermore, a new DX human resources training program was launched for the Group’s 58,000 employees.

In fiscal 2024, we will expand the scale of the DX Project Leader Training Program, which is one of our DX Human Resources Training Programs. Beyond this, we are also looking into deploying it globally and implementing training to nurture other DX human resources.

Furthermore, to spread DX throughout the Group, we have created a Group portal website and are sharing within NX GROUP a variety of knowledge, information, and examples of initiatives with regard to DX. Still further, we will continue to make efforts to accelerate the creation of innovations by stimulating communities. These efforts include the creation of “DX for ALL,” a DX community whose objective is the interactive sharing of information and exchange, and our efforts toward sharing knowledge, exchanging views, and creating business ideas.

#### “Digital Human Resources” as Defined by NX GROUP



“Digital Human Resources” = Comprises “DX Human Resources” + “IT Human Resources”

- DX Human Resources: Human resources with particularly high levels of expertise from a business perspective
- IT Human Resources: Human resources with particularly high levels of expertise from an IT perspective



## Strengthen Response to Climate Change

### Why we are working on this project

The logistics business generates a large amount of CO<sub>2</sub> emissions, which are a cause of global warming (17.4% of Japan's CO<sub>2</sub> emissions by industry in 2021\*). Therefore, efforts to reduce CO<sub>2</sub> emissions are an urgent task. We also recognize that reducing CO<sub>2</sub> emissions during the transportation of customer cargo (Scope 3) is also an Material Issue. In response, NX GROUP has positioned reducing CO<sub>2</sub> emissions as an important issue to be addressed for sustainable business growth and is actively working on this issue. NX GROUP has set as medium- and long-term CO<sub>2</sub> emission reduction targets for the entire Group with the goal of reducing Scope 1 and 2 emissions by 50% from 2013 levels by 2030 and contributing to the realization of a carbon-neutral society by 2050. Aiming to achieve these targets, we will strive to reduce CO<sub>2</sub> emissions from our own operations. At the same time, we will work to provide products and services that contribute to the reduction of CO<sub>2</sub> emissions during the transportation of customer cargo. In this way, we will contribute to the conservation of the global environment, which is a prerequisite for the survival of our business, as we pursue opportunities for business growth.

\* Data from Japan's National Greenhouse Gas Emissions and Removals in Fiscal Year 2021 (Final Figures), Ministry of the Environment

### Progress of Initiatives

#### Emission Reduction Efforts in FY2023

##### Scope 1,2

In FY2023, NX GROUP's CO<sub>2</sub> emissions (Scope 1 and 2) were 739,000 t-CO<sub>2</sub> (99% of the previous year's level). As a major initiative to reduce Scope 1 CO<sub>2</sub> emissions in FY2023, we promoted the introduction of eco-friendly vehicles, mainly in Japan, with the number of eco-friendly vehicles owned by the Group in Japan reaching approximately 12,811 vehicles. In addition, we promoted the switchover to LED lighting and the adoption of renewable energy for power as main initiatives to reduce Scope 2 CO<sub>2</sub> in the same fiscal year. As of fiscal 2023, 100% of Nippon Express Co.,Ltd. locations have switched over to LED lighting for lighting in their facilities. With regard to the adoption of renewable energy for power, we switched to 100% renewable energy use for NX GROUP Building in FY2024. In the future, we will expand these initiatives to other Group locations (see NX GROUP Sustainability Data Book 2024 for detailed performance figures on climate change).

##### Scope 3

In FY2023, NX GROUP's Scope 3 CO<sub>2</sub> emissions were 8,708,000 t-CO<sub>2</sub>. As part of our efforts to reduce Scope 3 CO<sub>2</sub> emissions in FY2023, we continued to promote initiatives such as the use of SAF<sup>\*1</sup> and SMF<sup>\*2</sup>, resulting from the development of low-carbon transportation products, and modal shift through collaboration with customers (for details, see [P. 48](#)). We have also started supplier engagement initiatives (for details, see [P. 53](#)). Furthermore, we have started efforts to improve the accuracy of calculations for emissions from transportation by use (Category 1), which accounts for the majority of NX GROUP's Scope 3 emissions, in order to obtain more accurate figures.

\*1 SAF: Sustainable Aviation Fuel

\*2 SMF: Sustainable Marine Fuel

### Details on Material Issues and Their Relationship with Corporate Value

Activity	Primary outcome	Secondary outcome
<b>Scope1: Reduce CO<sub>2</sub> emissions from fossil-fuels</b> <ul style="list-style-type: none"> <li>● Introduction of eco-friendly vehicles</li> </ul>	<b>Scope 1 and 2 emissions (Unit: thousand tons CO<sub>2</sub>)</b> FY2023 Result: 739 FY2026 Target: 641 FY2028 Target: 537	<b>Corporate value (non-financial)<sup>*4</sup></b> <ul style="list-style-type: none"> <li>● Reduction of CO<sub>2</sub> emissions in our businesses</li> <li>● Customer loyalty and improvements in societal reputation</li> </ul>
<b>Scope2: Reduce power consumption and expand the usage of renewable energy</b> <ul style="list-style-type: none"> <li>● Energy conservation: Switchover to LED lighting, etc.</li> <li>● Energy creation: Promotion of the introduction of renewable energy power generation facilities</li> <li>● Renewable energy: Use of electricity derived from renewable energy through the use of environmental value</li> </ul>		
<b>Scope3: Reduce CO<sub>2</sub> emissions from transportation and industrial waste</b> <ul style="list-style-type: none"> <li>● Modal shift</li> <li>● Supplier engagement initiatives</li> </ul> <p>Understanding of emissions in forwarding (by transportation mode and ton-kilometer method) FY2024 Target: Introduction of visualization tools</p>	<b>Reduction of Scope 3 emissions<sup>*3</sup> (year-on-year, %)</b> FY2023 Result: - FY2026 Target: (2.5) FY2028 Target: (2.5)	<b>Social Value</b> <ul style="list-style-type: none"> <li>● Contribute to the Realization of a Carbon-Neutral Society</li> </ul>

\*3: Covers Scope 3 Category 1 (purchased products and services) including forwarding

\*4: Plans going forward are to verify the link to corporate value by implementing initiatives



# Strengthen Response to Climate Change



## Progress of Initiatives

### ● Development of a Roadmap for Achieving Carbon Neutrality by NX GROUP

NX GROUP considers CO<sub>2</sub> emission reduction initiatives to be Material Issues necessary for the sustainable growth of the Group and the enhancement of corporate value, and is actively working on them. We have recently developed an emissions reduction roadmap that shows NX GROUP's path to decarbonization by 2050. The roadmap outlines current specific key measures and milestones to ensure the steady achievement of the Group's 2030 and 2050 CO<sub>2</sub> emission reduction targets. In the future, we plan to develop a more detailed roadmap based on technological development and market trends for eco-friendly vehicles and alternative fuels. In order to steadily implement measures to achieve these targets, the entire NX GROUP will further focus on efforts to reduce CO<sub>2</sub> emissions.

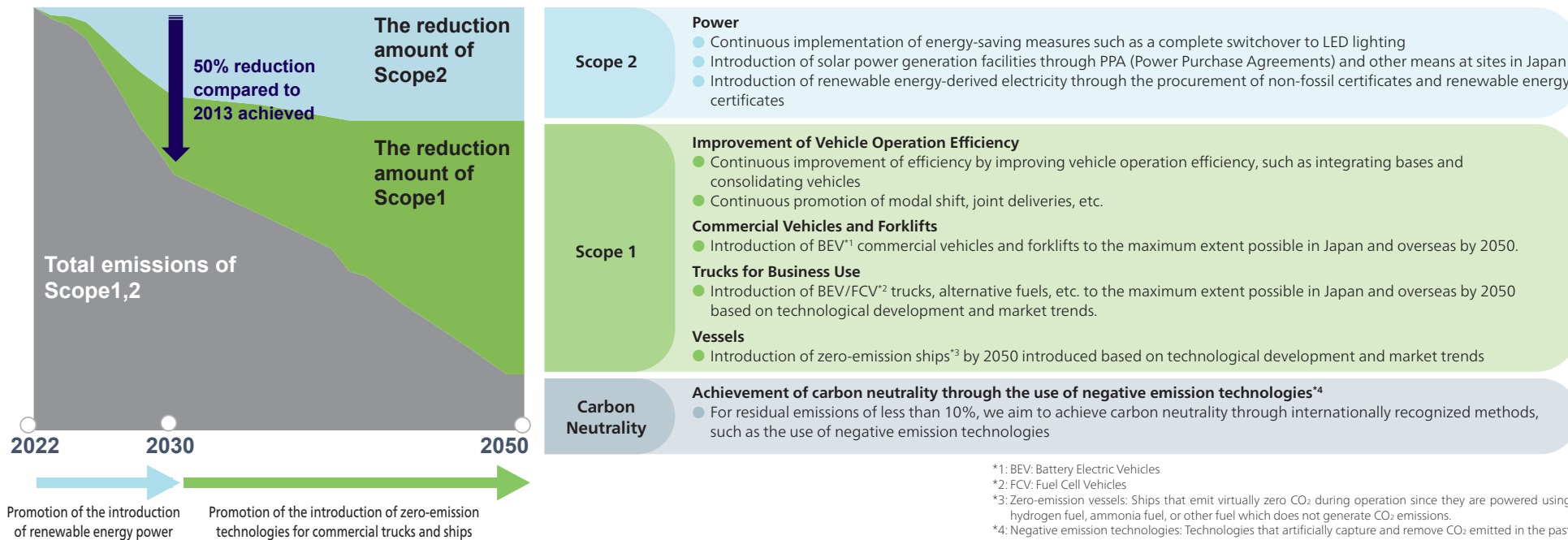
### ● Initiatives to Reduce CO<sub>2</sub> Emissions Provided in NX GROUP Business Plan 2028

In NX GROUP Business Plan 2028, NX GROUP has positioned strengthening its response to climate change as one of the most important and urgent issues, and is focusing on initiatives to respond to this issue. During the period covered by the plan, we will set interim targets for reducing Scope 1, 2, and 3 emissions as KPIs, establish specific action plans, and manage the progress of various initiatives. In addition, to achieve the interim targets we have set, we plan to make a capital investment of ¥25 billion for sustainability investment, including the acquisition of eco-friendly vehicles.

### ● Supplier Engagement Initiatives

In regard to NX GROUP's CO<sub>2</sub> emissions, CO<sub>2</sub> emissions (Scope 3) associated with forwarding account for the largest share of emissions (Category 1 emissions, including forwarding, accounted for approximately 87% of total emissions in FY2023). To reduce CO<sub>2</sub> emissions, it is essential to cooperate with suppliers in the supply chain responsible for forwarding. In 2023, we started dialogues with subcontractors to promote initiatives to reduce CO<sub>2</sub> emissions in the land transportation sector in Japan. Specifically, we exchanged opinions on the status of efforts to reduce CO<sub>2</sub> emissions and cooperation for reducing CO<sub>2</sub> emissions in the future. In FY2024, we plan to expand these activities, conduct a questionnaire survey to understand the status of efforts to reduce CO<sub>2</sub> emissions at partner companies, and develop measures for future activities.

Roadmap For Achieving Carbon Neutrality by NX GROUP (elimination of Scope 1 and 2 emissions)





## Strengthen Response to Climate Change

### Initiatives on TCFD Recommendations

#### Policy on Addressing Climate Change

NX GROUP will actively work to reduce CO<sub>2</sub> emissions to help limit the atmospheric temperature increase to +1.5°C above the level of the Industrial Revolution in order to bring an enriched life to future generations through logistics. We view this initiative as Material Issues that are necessary for our Group to achieve sustainable growth and increase corporate value. We believe that by responding to these social changes, we will be able to minimize risk and create new business opportunities.

In May 2022, NX GROUP declared its support for the Task Force on Climate-related Financial Disclosures (TCFD\*) recommendations, and in June 2022, based on the recommendations, the Group disclosed information in accordance with the TCFD disclosure framework. We are working to further expand the content of our disclosures based on the revisions made to the TCFD recommendations in October 2021.



\* TCFD: The Task Force on Climate-related Financial Disclosures is an international initiative established by the Financial Stability Board in 2015 to encourage companies to disclose information about the financial implications of the risks and opportunities that climate change presents to their businesses

#### 1. Governance

##### ● NX GROUP Sustainability Management Promotion Structure

We have established the Sustainability Promotion Committee for the purpose of promoting the sustainability management of NX GROUP. The Committee is chaired by the President & CEO of NIPPON EXPRESS HOLDINGS, INC. with the Chief Managing Officer in charge of the Sustainability Promotion Division serving as Deputy Chairperson. In addition to the executive officers of NIPPON EXPRESS HOLDINGS, INC., officers in charge of sustainability promotion at major Group companies were newly added as Committee members in July 2023. The Committee discusses policies and strategies related to the promotion of the Group's overall sustainability initiatives, including the Group's response to climate change, and reports the results of these discussions to the Board of Directors at least once each quarter depending on report content.

The Board of Directors oversees and reviews business execution of overall sustainability initiatives, including measures to address climate change, and deliberates and resolves basic policies and important matters (for details, see [P. 44](#)).

Furthermore, in order to accelerate the promotion of sustainability management, in addition to performance indicators such as consolidated revenue, ESG-related non-financial information including climate change is also included as an indicator in the directors' compensation system.

#### 2. Risk Management

##### ● Implementation of Risk Management

NX GROUP has established the Risk Management Committee, chaired by the President & CEO of NIPPON EXPRESS HOLDINGS, INC., in an effort to strengthen risk management throughout the Group. In addition, the Sustainability Promotion Committee conducts Material Issues analysis and identifies strengthening our response to climate change as Material Issues. The Material Issues are reported to the Risk Management Committee (for details, see [P. 74](#)).

#### 3. Indicators and Targets

##### ● NX GROUP CO<sub>2</sub> Emission Reduction Targets

In order to contribute to the achievement of the global goal of limiting the global average temperature rise to 1.5°C compared to pre-industrial levels, NX GROUP set medium- to long-term targets for the entire Group in January 2023 although reduction targets had previously been set for Nippon Express Co., Ltd. alone.

##### Medium- to Long-term CO<sub>2</sub> Emission Reduction Targets

###### 2030 Target

Aim to reduce NX GROUP's CO<sub>2</sub> emissions by 50% from 2013 levels (Scope 1 and 2)

###### 2050 Target

Contribute to the realization of a carbon-neutral society through NX GROUP as a whole (Scope 1, 2, and 3)

Furthermore, in May 2023, we submitted a letter of commitment to the SBT Initiative (SBTi)\*. Moving forward, we will make further efforts to set and achieve targets consistent with the 1.5°C goal set by the Paris Agreement.

\* SBTi (Science Based Targets initiative)  
A joint initiative established by four organizations: CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).



# Strengthen Response to Climate Change



## 4. Strategy

### ● Identification of Risks and Opportunities posed by Climate Change

Since 2021, NX GROUP has been continuously conducting scenario analysis with the aim of evaluating and improving the resilience of its business and strategy against climate change. In order to understand and evaluate the various risks and opportunities assumed to result from climate change, we assessed the business impact and financial impact using multiple scenarios. Multiple scenarios were used\*1 in the business impact assessment, including the 1.5°C scenario that our Group is aiming for, and the 4°C scenario, in which decarbonization efforts do not proceed from the current level\*1.

Scenario analysis results evaluated as having relatively high business impact are "Risk of increased emission reduction costs," (transition risks category), and "Opportunities to increase revenues through environmentally friendly services" (opportunity category).

Among the risks and opportunities that were evaluated to have a particularly large business impact in 2024, we conducted a financial impact analysis on the transition risks related to the core businesses of the Group companies in Japan, namely the risk of increase in emissions reduction costs (see next section).

### ● Financial Impact Analysis of Transition Risks

In order to achieve NX GROUP's medium- to long-term targets, it is necessary to select reduction measures to be implemented in light of social trends, such as zero-emission technology for large trucks and the state of infrastructure development for new fuels. While multiple scenarios are envisioned as measures to achieve medium- and long-term goals, we conducted scenario analysis of multiple reduction measures in 2030 and 2050 for Group companies in Japan in order to understand the financial impact of each scenario.

Risk classification	Risks and Opportunities	Business impact <sup>2</sup>			Response	
		1.5°C Scenario		4°C Scenario		
		2030	2050			
Transition risk	<b>Legal, regulatory</b>	Risk of increased costs due to introduction of carbon tax and other regulations	Moderate	Low	Low	Set CO <sub>2</sub> emission reduction targets and promote emission reduction efforts
	<b>Technology, markets</b>	Risk of increased emission reduction costs	Low to moderate	High	Low	Systematically introduce renewable energy power and eco-friendly vehicles based on market trends
		Risk of reduced demand for products and services that emit CO <sub>2</sub>	Low to moderate	Low to moderate	Low	Advance initiatives to reduce CO <sub>2</sub> and enhance environmentally friendly products and services
	<b>Reputation</b>	Risk of increased cost of capital financing due to lower valuation resulting from insufficient climate change measures	Low	Low	Low	Enhance environmentally friendly products and services
Physical risks	<b>Acute</b>	Risk of suspension of business activities due to weather related disasters such as torrential rain, flooding, and typhoons	Low	Low	Low	Asset liquidation, decentralization of locations, modal shift
		Risk of increased costs associated with damage to company assets due to weather-related disasters	Low	Low	Moderate	Strengthen BCP countermeasures
	<b>Chronic</b>	Risk of increased illness and decreased employee productivity due to rising outdoor temperatures	Low	Low	Low	Increase, enhance cooling equipment
		Risk of relocation of logistics facilities, capital expenditures and increased insurance premiums due to sea level rise	Low	Low	Low to moderate	Asset liquidation, decentralization of locations
		Risk of reduced logistics due to climate change impact on customer businesses	Low	Low	Low to moderate	Inventory storage for supply and-demand adjustment, building a broad customer base
Opportunities	<b>Resource efficiency</b>	Opportunities to reduce fuel costs, delivery work hours, and carrier procurement costs through improved transportation and delivery efficiency	Moderate	Moderate	Low	Enhance environmentally friendly products and services
	<b>Products, services</b>	Opportunities to increase revenues through environmentally friendly services	High	High	Low	
	<b>Resilience</b>	Opportunities to stabilize business and ensure reliability by diversifying means of transportation and delivery	Moderate	Moderate	Moderate	

\*1: For the 1.5°C scenario, see IEA Net Zero Emissions by 2050 Scenario (NZE), IPCC Special Report (SR15), etc. (When information for the 1.5°C scenario is not available, it is supplemented by information for the 2.0°C or less scenario.) For the 4°C scenario, see IEA Stated Policies Scenario (STEPS), IPCC RCP8.5, etc. Scenario analysis was conducted based on the assumption that NX GROUP will achieve its medium- and long-term targets.

\*2: The financial impact on NX GROUP under each scenario is rated on a three-point scale of high (¥10 billion or higher), moderate (¥1 to ¥10 billion), and low (under ¥1 billion). Impact levels under the 1.5°C scenario are those envisioned for 2030 and 2050 and those under the 4°C scenario are those envisioned for 2050.





## Strengthen Response to Climate Change

As a result of the analysis, although the impact of carbon tax taxation on profit and loss will be mitigated by implementing reduction measures in Japan, the total impact on profit/loss, including the cost of implementing reduction measures, was calculated to be (¥0.7) to (¥1.2) billion annually in 2030 and (¥19.7) to ¥10.0 billion annually in 2050 (refer to the TCFD disclosures on our website for detailed analysis conditions and results). On the other hand, as the world makes a shift to a “1.5°C society,” taking into account factors that will

increase profits, such as avoiding the risk of shrinking demand for multi-emission services by reducing in-house emissions, developing low-carbon services such as low-carbon transportation, and reducing the cost of implementing reduction measures, we expect to avoid a decrease in profits associated with the transition.

Based on the results of this analysis, technological trends, and social trends, we will consider reduction measures to achieve our medium- to long-term targets.

### 5. Transition Plan to Achieve 1.5°C Target

In order to transition to a society that limits global average temperature increase to 1.5°C above pre-industrial levels, NX GROUP sets medium- and long-term CO<sub>2</sub> emission reduction targets for the entire NX GROUP with the goal of reducing the Group’s own emissions by 50% from 2013 levels by 2030 and contributing to the realization of a carbon-neutral society by 2050. Furthermore, in May 2023, we submitted a letter of commitment to the SBT Initiative (SBTi) in order to conform with the 1.5°C target set by the Paris Agreement and are currently preparing to submit our targets for official validation.

As a transition plan to achieve the Group’s medium- to long-term targets, we have formulated a reduction roadmap that shows the major measures and milestones at this time. We are planning measures such as actively introducing environmentally friendly vehicles, including BEV vehicles, switching to LED lighting, and introducing renewable energy power in a systematic manner to serve as specific emission reduction efforts.

In addition, in NX GROUP Business Plan 2028, we plan to invest ¥25 billion in sustainability, including measures to address climate change, such as the introduction of eco-friendly vehicles.

Moving forward, we will steadily move forward with the transition toward achieving the 1.5°C target, and will review and update our roadmap and CO<sub>2</sub> emission reduction measures as appropriate, taking into account scientific progress, technological trends, and social trends.

See our website for details on TCFD disclosures.



<https://www.nipponexpress-holdings.com/en/sustainability/materiarity/tcfd/>

Carbon tax amount of in the BAU scenario <sup>*1</sup>		2030	2050
Emissions Reduction Implementation Scenario <sup>*1</sup>	Main emissions reduction measures	¥3.7 to ¥6.0 billion	¥13.8 to ¥40.4 billion
	Amount of carbon tax avoidance due to implementation of emissions reduction measures	Introduction of BEV Introduction of renewable energy	Introduction of BEV/FCV Introduction of zero-emission ships Introduction of new fuels (for vehicles and ships)
	Impact of the cost of implementing emissions reduction measures <sup>*2</sup> on profit/loss	+¥0.9 to +¥1.4 billion (carbon taxes: ¥2.8 to ¥4.5 billion)	+¥12.6 to +¥38.4 billion (carbon taxes: ¥0.7 to ¥1.4 billion)
	Total impact of emissions reduction measures on profit/loss	(¥1.7) to (¥2.7) billion	(¥23.2) to (¥35.0) billion
		(¥0.7) to (¥1.2) billion	(¥19.7) to ¥10.0 billion

Profit-increasing factors	Increase in profits from low-carbon businesses and services	<ul style="list-style-type: none"> <li>Prevention of profit decline by avoiding the risk of shrinking demand for high-emission services by reducing CO<sub>2</sub> emissions</li> <li>Increase in profits from low-carbon transportation and other low-carbon services</li> </ul>	<ul style="list-style-type: none"> <li>Prevention of profit decline by avoiding the risk of shrinking demand for high-emission services by reducing CO<sub>2</sub> emissions</li> <li>Increase in profits from low-carbon transportation and other low-carbon services</li> </ul>
	Emissions reduction measures Reduction of implementation costs	<ul style="list-style-type: none"> <li>Reduction of vehicle introduction costs through subsidies and other means</li> <li>Reduction of renewable energy procurement costs through the introduction of energy-saving equipment and solar power generation equipment</li> <li>Implementation of efficient reduction measures through the introduction of ICP</li> </ul>	<ul style="list-style-type: none"> <li>Active information gathering and trial introduction of new technologies and fuels in order to grasp trends in the market and infrastructure development</li> <li>Implementation of efficient reduction measures through the introduction of ICP</li> </ul>

\*1: The BAU scenario is a scenario in which NX GROUP companies in Japan do not implement reduction measures from the current status quo, and the reduction implementation scenario is a financial impact analysis based on multiple scenarios assuming that NX GROUP will achieve its medium- and long-term emissions targets.

\*2: The cost of implementing emissions reduction measures covers annual energy costs and additional vehicle and ship introduction costs at NX GROUP companies in Japan.

Message from the Chief Managing Officer of the Corporate Management Headquarters

In order to enhance our human resources/human capital, which serve as the source of our competitive edge, we will implement strategies and policies coordinated with management strategies across the group and globally, improving employee engagement.



**Tatsuya Akama**

Chief Managing Officer of the Corporate Management Headquarters  
Managing Executive Officer

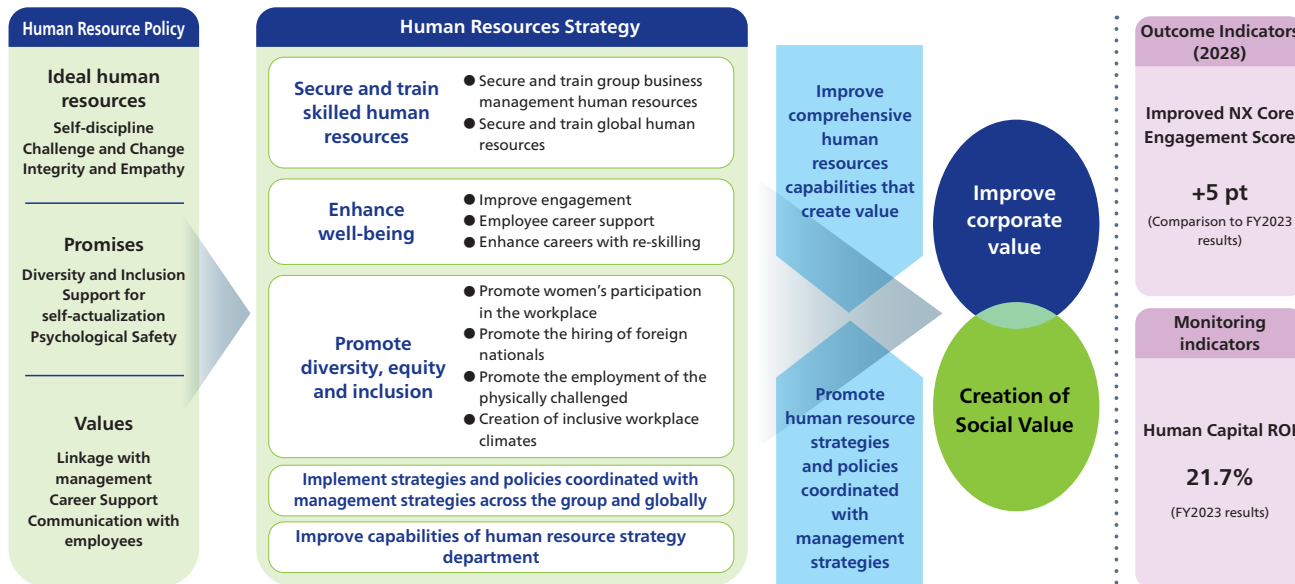
**Ideas and Strategies for Human Capital**

NX GROUP, with logistics as its core business and offers no tangible products, has traditionally positioned human resources as the source of its competitive edge, focusing on human resource development since its establishment. At the same time, however, I believe that there were some aspects that were not sufficiently linked to management strategies.

Based on this, as a medium- to long-term human capital management policy, we will focus on human resources as the ability to execute management strategies, secure and develop human resources based on management strategies, and improve the engagement of each and every

employee as important points. We have established the NX Core Engagement Score as a performance indicator for human capital management, and will promote, evaluate, and improve our human capital management initiatives. By monitoring “human capital-based ROI (return on Investment)”, we will measure the effects of our investment in human resources, and continue our efforts while reviewing them by adding appropriate indicators and measures. I hope that our efforts will lead to medium- to long-term improvements in corporate value and the creation of social value through productivity enhancement and the creation of new value through innovation.

**Overall Picture of NX GROUP’s Human Capital Management**



**Major Initiatives in Our Human Resources Strategy**

NX GROUP’s human resources strategy is comprised of five major initiatives.

The first is to secure and train skilled human resources. We will develop a succession plan that includes the training of next-generation management, strengthen strategies by deepening and utilizing information on the talent of human resources, and continue to promote global human resource development programs in Japan. To strengthen strategies by deepening and utilizing information on the talent of human resources, NIPPON EXPRESS HOLDINGS, INC. and Nippon Express Co.,Ltd. currently have a talent management system in place, and we plan to promote the use of this system. We would like to see talent information, such as individual skills and competencies, be collected and visualized and linked to human resource measures including the formulation of a human resource portfolio and the formation of a human resource pool. By unifying the human resource system across the group, I would like us to consider expanding the system to Group companies as it will enable us to find human resources on a wider scale.

The second initiative is to enhance well-being. Priority measures under this initiative are to improve engagement, support the career of employees, and enhance careers with

re-skilling. With the diversification of work styles and drastic changes in the workplace, building a fulfilling career for employees has become an important issue for both companies and individuals. In the past, a company could only prepare uniform career paths for its employees. However, now it is necessary to have a mindset that supports autonomous career development, skill improvement, and skill shift. We will encourage behavioral change by changing the mindset of employees so that they become aware of issues themselves and to build their own careers through learning and working. Additionally, we plan to formulate a career-related policy for NX GROUP as a whole, including indicating how the ideal career support system should be.

The third initiative is to promote diversity, equity, and inclusion. We will focus on promoting the active participation of women, promoting the active participation of foreign nationals, promoting the employment of people with disabilities, and building an inclusive workplace culture. I believe that promoting the active participation of women in management positions and other initiatives will become increasingly important for the Company in terms of securing talented human resources, strengthening the competitiveness generated by diversity, and revitalizing the organization. Although we have set the percentage of women in managerial positions as a KPI for promoting female advancement and the employment rate of persons with disabilities as a KPI for promoting

employment of the physically challenged, the percentage of women in managerial positions is low compared to the average ratio for Japanese companies. Despite this current large gap, I would like to see us achieve the KPIs we have set. As creating a working environment in which diverse human resources such as women, persons with disabilities, and foreign nationals can play an active role is a necessary strategy for a company to survive, we will continue to focus on this initiative.

**Percentage of Women in Managerial Positions and Employment Rate of Persons with Disabilities (set as KPIs)**

	FY 2023 Results	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Percentage of women with managerial positions (6 main companies in Japan)	3.1%	4%+	5%+	6%+	7%+	8%+
Employment of persons with disabilities*	2.34%	2.5%+	2.5%+	2.7%+	2.7%+	2.7%+

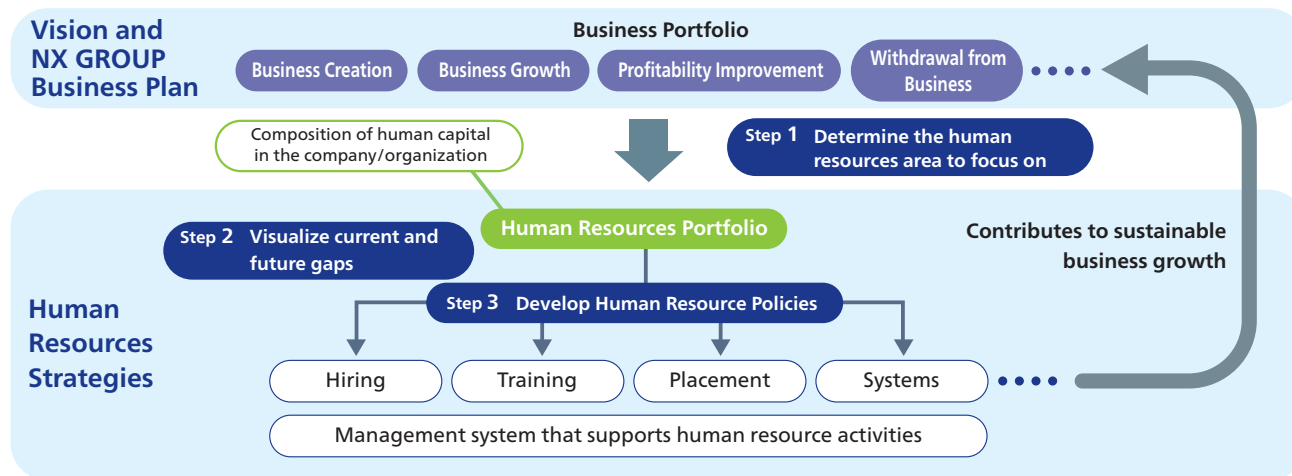
\* Total for NIPPON EXPRESS HOLDINGS, INC. and Group companies with applicable certifications (calculated based on the Act on Employment Promotion etc. of Persons with Disabilities)

The fourth initiative is to implement strategies and policies coordinated with management strategies across the group and globally. We will focus on formulating and utilizing a human resources portfolio, securing and developing specialized human resources, reviewing our compensation system, utilizing human resources throughout the Group and globally, and creating a framework to promote

personnel exchange. Among these efforts, the creation and utilization of a human resources portfolio will lead to the visualization of the gap between the current and ideal composition of human capital to realize management strategies. To close this gap, the entire NX GROUP will promote human resource measures such as recruitment, training, and reassignment. We are currently in the process of designing an outline of our human resources portfolio. In FY2024, we plan to determine which human resources should be focused on and set indicators to evaluate human resources, such as the skills and competencies required.

The fifth and last initiative is to improve capabilities of the Human Resource Strategy Department. I believe that it is necessary to improve the level of the Human Resource Strategy Department in order to advance the human resources strategy that I have talked about thus far. In order to improve the level of individuals, we will conduct specialized training for human resources personnel and promote data-driven human resources as a means of improving the level of the organization. Specifically, by enriching human resource data and making the most of the results obtained from that data, we will improve the accuracy of human resource measures and formulate human resource strategies that are synchronized with management and business strategies. I would like to be able to focus on strategic human resources such as execution. With regard to the promotion of data-driven technologies, we will first consider these technologies for use at Nippon Express Co.,Ltd. and then think about rolling them out to Group companies.

**Creation and Utilization of Human Resources Portfolio (Process)**



Through our human resources strategy, NX GROUP will secure and train skilled human resources, improve the performance of each employee, and build an inclusive workplace culture, thereby increasing the comprehensive strength of our human resources and enhancing our competitive edge.

Initiatives that comprise our human resources strategy, such as securing and developing human resources, career support and re-skilling, and promoting diversity, equity, and inclusion, require a certain amount of time before their results can be verified. In order to continue to be a company that contributes to the realization of a sustainable society through continuous growth, we will systematically implement initiatives from a medium- to long-term perspective, confirm their results, and enhance our corporate value and create value for society.



## Enhancement of Human Capital to Foster Innovation

### Why we are working on this project

Since its founding, NX GROUP, which offers no tangible products, has positioned its human resources as the source of its competitive edge. In the midst of various environmental changes, although the image of the human resources that we seek has changed, we believe that our human resources are one of our most important assets, and that happy, engaged employees and innovation will lead to value creation for our customers, shareholders, and society.

NX GROUP aims to increase the comprehensive strength of our human resources by enriching our diverse and talented workforce, improving the performance of each individual, and building an inclusive workplace culture.

### Progress of Initiatives

#### Secure and Train Skilled Human Resources

##### ● Training of Group Business Management Human Resources

NX GROUP has formulated an education policy linked to NX GROUP Business Plan 2028, and is working to develop human resources who will contribute to the execution of management strategies. In formulating the education policy, we emphasize the development of human resources that continue to grow by having each employee identify issues and solve them on their own, based on NX GROUP Human Resources Policy.

In particular, securing and training management personnel who will lead the Group in the future is essential for the sustainable growth of the Group. As part of these efforts, we expanded the scope of leader training in FY2023 to include young people and management.

In FY2024, in addition to leader training, we will formulate a succession plan and start initiatives to develop mid- to long-term management candidates based on Succession plan. We plan to create a pool of management talent that selects excellent human resources and develop future management candidates.

Investment in human resource development and training	Nippon Express Co.,Ltd. results for FY2023
Investment amount: ¥1.453 billion	

##### ● Secure and Train Global Human Resources

It is important to have global human resources in order to realize our long-term vision of becoming "a logistics company with a strong presence in the global market."

To this end, we will continue to promote global human resource development programs (for developing language abilities and mindset) for domestic human resources, and formulate/implement NX GROUP common education programs to provide an environment for NX GROUP employees to play an active role on a global scale.

##### Utilization of Human Resources Data and Human Resources Portfolio Initiatives

In addition to the initiatives above, We will further utilize the talent management systems introduced by NIPPON EXPRESS HOLDINGS, INC. and Nippon Express Co.,Ltd. to strengthen human resource strategies by deepening and utilizing talent information, and expand these systems for use at Group companies.

We intend to use this system to collect and visualize talent information, such as individual skills and competencies, and link it to human resource policies, such as the formulation of human resource portfolios coordinated with the directions that management and businesses are headed.

Securing of foreign nationals	Nippon Express Co., Ltd. results for FY2023
Experienced and professional hires	4
New employees (general staff)	5

### Details on Material Issues and Their Relationship with Corporate Value

Activity	23 Performance			24 Target			Primary outcome	Secondary outcome
	23 Performance	24 Target	28 Target	23 Performance	24 Target	28 Target		
<b>Secure and develop talented human resources</b> <ul style="list-style-type: none"> <li>● Training of Group Business Management Human Resources</li> <li>● Secure and train global human resources</li> </ul>	Utilizing succession planning						<b>Enrich our diverse and talented workforce</b> Survey score of self-discipline, challenge/innovation, integrity (points) FY2023 Result: 68 FY2024 Target: 69+ FY2028 Target: 73+	<b>Corporate value (non-financial)*4</b> <ul style="list-style-type: none"> <li>● Retention, acquisition, and enhancement of human resources</li> <li>● Promote Innovation</li> </ul>
	Number of placements through post-career G	35	120+	120+	Creation and utilization of human capital portfolio			
<b>Enhancing their well-being</b> <ul style="list-style-type: none"> <li>● Improve engagement</li> <li>● Employee career support</li> <li>● Enhance careers with re-skilling</li> </ul>	Number of participants in global human resource development related training	883	1,000+	1,000+			<b>Improved performance of each individual</b> Work engagement score (points) FY2023 Result: 71 FY2024 Target: 72+ FY2028 Target: 76+	<b>Increased comprehensive strength*3</b>  NX Core engagement score (points) FY2023 Result: 71 FY2024 Target: 72+ FY2028 Target: 76+
	Absenteeism (days)*1	1.71	1.67-	1.54-				
	Percentage of men taking childcare leave (%)*1	34.6	50+	70+				
	Enhancement of career support							
<b>Promoting DE&amp;I</b> <ul style="list-style-type: none"> <li>● Promote women's participation in the workplace</li> <li>● Promote the hiring of foreign nationals</li> <li>● Promote the employment of the physically challenged</li> <li>● Creation of inclusive workplace climates</li> </ul>	Planned personnel relocation through re-skilling						<b>Creation of inclusive workplace climates</b> DE&I survey score (points) FY2023 Result: 63 FY2024 Target: 64+ FY2028 Target: 68+	<b>Social Value</b> <ul style="list-style-type: none"> <li>● Employee happiness</li> <li>● Provision of fair and stable opportunities for employment</li> <li>● Continue to be a logistics company of choice</li> </ul>
	Ratio of female managers (%)*1	3.05	4+	8+				
	Improving the environment for foreign talents in the region of Japan							
	Employment rate of people with disabilities (%)*2	2.34	2.5+	2.7+				
	Psychological safety survey score (points)	64	65+	69+				

\*1: 6 main companies in Japan

\*2: Total for NIPPON EXPRESS HOLDINGS, INC. and Group companies with applicable certifications (calculated based on the Act on Employment Promotion etc. of Persons with Disabilities)

\*3: Comprehensive strength = enriching our diverse and talented workforce, improving the performance of each individual, and building an inclusive workplace culture

\*4: Plans going forward are to verify the link to corporate value by implementing initiatives



## Enhancement of Human Capital to Foster Innovation

### Progress of Initiatives

#### Enhance Well-Being

##### ● Improve Engagement

###### (1) Promoting Health Management

NX GROUP has formulated NX GROUP Health Declaration, a common Groupwide policy to promote employee health. In promoting health management, each of our Group companies in Japan has formulated a Health Management Strategy Map to clarify the linkage between management issues and health-related measures, and is promoting health management.

NIPPON EXPRESS HOLDINGS, INC. and three NX GROUP companies in Japan were selected for 2024 Health and Productivity Management Brand (Large Enterprises) certification by the Ministry of Economy, Trade and Industry after corporate results from FY2022 to FY2023 were highly regarded in an inspection by a certification board. The Company has earned a reputation in society as a corporation that considers employee health management from a managerial perspective and engages in strategic initiatives.

Nippon Express Co.,Ltd. is implementing workplace improvement measures based on results of group analyses of stress checks to improve work engagement. Specifically, we promote workplace environment improvement activities using group work and line care training for managers. Additionally, we plan to conduct mental health training for young employees to acquire assertions and enhance resilience.

###### (2) Conducting Engagement Survey and Responding to Issues

In order to identify issues that need to be addressed to improve employee engagement, the Group has conducted an engagement survey since FY2023. We aim to improve engagement by quantitatively grasping the current situation

of the entire Group and each Group company to identify issues. The engagement survey will be conducted annually to measure changes over time and verify the effectiveness of the measures.

Engagement Survey FY2023 Results	
NX Core Engagement Score	71Pt
Response rate	78%

##### ● Employee Career Support

In response to changes in the working environment and the diversification of work styles, NX GROUP also needs to change its mindset to one in which workers themselves are aware of issues, learn, and build their careers through their work.

In FY2023, we promoted a group-wide internal posting system. However, in response to the changes in the environment described above, from FY2024 onward, we will formulate a career policy for the entire Group in addition to the internal posting system, we will promote specific initiatives for career support.

Creating an environment in which employees can choose their careers and play active roles autonomously	
Utilization of internal posting system* * Number of placement posts: 35	Applicants: 130 Results: 25

##### ● Enhance Careers with Re-skilling

In order to respond flexibly to changes in the work environment, NX GROUP needs to encourage employees to shift their skills to achieve fulfilling career development.

In FY2024, we plan to define the areas of re-skilling, define necessary skills, and consider education programs.

We will build a system in which employees can acquire new skills and play an active role in the business fields that the Group focuses on.

#### DE&I Promotion

##### ● Promote women's participation in the workplace

NX GROUP believes that the promotion of women, including the promotion of women to management positions, is important not only for securing capable human resources, but also for strengthening competitiveness and revitalizing the organization through diversity.

Nippon Express Co., Ltd. has sought to improve the working environment for women by changing the evaluation system during absence from work and expanding the remote work system. In addition, we worked to improve the female employee retention rate by providing career support such as work-life design seminars to consider how to respond to life events and leadership training for female management candidates.

In FY2024, we will continue to provide employment support to create an environment where women can play an active role with peace of mind.

###### Promoting the advancement of women FY2023 results at Nippon Express Co., Ltd.

Female employee retention rate  
(percentage point difference from males): 5.3 pt  
(Female employee retention rate: 60.9%,  
Male employee retention rate: 66.2%)

##### ● Creation of Inclusive Workplace Climates

Nippon Express Co.,Ltd. will continue to provide supportive management training and LGBTQ training for all managers to acquire knowledge and skills in management that recognizes the differences of diverse members and transforms them into organizational strengths and creating an inclusive workplace, which are necessary for diversity management.

Training necessary for diversity management Nippon Express Co., Ltd.'s achievements in FY2023	
Supportive management training participants (managerial-level)	2,414
LGBTQ basic awareness training participants	17,883



# Respect for Human Rights and Realization of Responsible Corporate Activities



## Why we are working on this project

NX GROUP's corporate philosophy is to "inspire trust every step of the way." NX GROUP's on-site capabilities, based on the values of respect for human rights, safety, compliance, and quality, are the foundation of NX GROUP's value creation and the trust society places in NX GROUP.

Based on these values, we are promoting initiatives related to compliance, respect for human rights, and ensuring the safety and security of our employees, which leads to the reduction of safety risks and the risk of personnel outflow.

## Progress of Initiatives

### Ensure Compliance

#### ● Establishment and Utilization of Whistleblowing System

In order to promote self-cleansing in NX GROUP's compliance management, and to prevent or detect violations of laws and regulations at an early stage, the domestic Group has been operating the NX Speak Up internal reporting system. Also, the Group established NX Global Speak Up for its overseas Group companies to accept whistleblowing reports from all employees of the Group.

Number of whistleblowing system notifications and consultations NX GROUP FY2023 results
NX Speak Up and NX Global Speak Up: 376

#### ● Monitoring of Group Companies

NX GROUP regularly carries out a Groupwide compliance awareness survey targeting all employees of the Group in Japan. The results of survey, such as the degree of awareness of compliance among employees and the actual workplace conditions, are shared in meetings and in-house newsletters, leading to improvements.

#### ● Compliance Training

NX GROUP strives to raise compliance awareness throughout the Group by conducting compliance education.

Measure	Target
NX GROUP Compliance Handbook Made available in 16 languages and posted on NX GROUP intranet	All Group employees
Compliance education via e-learning	approx. 19,000 employees*1

\*1: NIPPON EXPRESS HOLDINGS, INC. and Nippon Express Co., Ltd.

## Details on Material Issues and Their Relationship with Corporate Value

Activity	Primary outcome	Secondary outcome
<ul style="list-style-type: none"> <li>● Introduction of a global whistleblowing system at each Group company</li> <li>● Compliance training</li> <li>● Monitoring</li> </ul>	<p>Elimination of non-compliance and misconduct cases</p> <p>Number of serious incidents involving legal action due to compliance violations 2023 record: 0 2024 target: 0 2028 target: 0</p>	<p><b>Corporate Value (non-financial)<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>● Retention, acquisition, and enhancement of human resources</li> <li>● Customer loyalty and improvements in societal reputation</li> </ul>
<ul style="list-style-type: none"> <li>● Promote occupational health and safety on a Group-wide basis</li> </ul>	<p>Compliance rate of voluntary inspections based on the safety and quality management standards</p> <p>Completion of tasks by persons in charge of safety promotion in each company</p> <p>Continuous implementation of meetings for persons in charge of safety promotion</p> <p>Implementation of safety measures</p> <p>Percentage of education for persons in charge of safety promotion <small>FY2023 Result: Training completed Annual target up to FY2028: Hold training on a yearly basis</small></p>	<p>Terminate traffic accidents, labor accidents, and cargo accidents</p> <p>Reduction of traffic accidents and labor accidents</p>
<ul style="list-style-type: none"> <li>● Establish human rights policy and procurement policy</li> <li>● Identify and assess human rights risks</li> <li>● Prevent and correct human rights risks</li> <li>● Establish a system to promote human rights initiatives</li> </ul>	<p>Conducting human rights due diligence at NX Group and tier 1 suppliers</p> <p>Formulation of a supplier management policy</p> <p>Establish a complaints process mechanism</p> <p>Creation and implementation of training programs by the level of employees</p>	<p><b>Social Value</b></p> <ul style="list-style-type: none"> <li>● Realization of a safe society free of accidents and disasters</li> <li>● Employee happiness</li> <li>● Provision of fair and stable opportunities for employment</li> <li>● Continue to be a logistics company of choice</li> <li>● Fair and stable business opportunities</li> </ul>

\*2: Relationship to corporate value will be verified in the future through the implementation of the initiatives



## Respect for Human Rights and Realization of Responsible Corporate Activities

### Progress of Initiatives

#### Ensuring Safety and Security

##### ● Promoting Occupational Health and Safety on a Group-wide Global Basis

To achieve the goal of "Zero serious accidents and disasters," NX GROUP holds meetings twice a year in each region which is attended by safety promotion personnel from each operating company, and promotes both top-down and bottom-up safety and quality improvement activities across the Group and on a global basis.

In FY2023, we established NX GROUP Guidelines for Handling Traffic Accidents, Occupational Accidents, and Cargo Accidents, which unify the standards for accidents and disasters across the entire Group, and started using a checklist for the purpose of improving the safety and quality of partner companies. Work is being conducted at Group Company to prevent accidents and disasters by identifying trends in accidents and disasters that occurred in the previous fiscal year and formulating safety targets and safety initiatives for FY2024.

In FY2024, we are conducting safety quality training to promote exchanges among the Group on safety quality, actively introducing advanced (or "the latest") technologies that can reduce accident risk, and improve quality in cooperation with subcontractors by utilizing safety and quality checklists at subcontractors, strengthening safety and quality management systems across the Group and on a global basis.



Japanese trailer truck driver instructors provide skills training at a location in Vietnam

#### Human Rights Initiatives

##### ● Establishing Human Rights Policy and Procurement Policy

In August 2023, we formulated and announced NX GROUP Human Rights Policy in order to realize consistent efforts to respect human rights across the entire NX GROUP in light of the growing social demand for human rights in business in Japan and overseas and the expectations of our business partners, including customers.

In December 2023, we formulated and announced NX GROUP Sustainable Procurement Policy to serve as the foundation for responsible procurement activities. We will continue to contribute to the realization of a sustainable society while valuing communication with our stakeholders so that we can continue to inspire trust every step of the way (see "Positioning of NX GROUP Human Rights Policy and NX GROUP Sustainable Procurement Policy" (right)).

##### ● Identifying and Assessing Human Rights Risks

NX GROUP identifies and assesses human rights risks within the Group. In FY2023, the first year of the initiative, we conducted interviews with departments in charge of human rights risks at major Group companies in Japan and overseas, and identified risks based on existing internal information, such as whistle-blowing systems, as well as external information, such as various international standards and reports from international organizations.

##### ● Preventing and Correcting Human Rights Risks

In order to give priority to preventing and correcting human rights risks identified in FY2023, we inventory existing preventive and corrective measures at each Group company. In the future, we will take preventive and corrective measures that we have considered and monitor the status of those efforts.

##### ● Future Initiatives

###### (1) Extending Initiatives to Include Suppliers

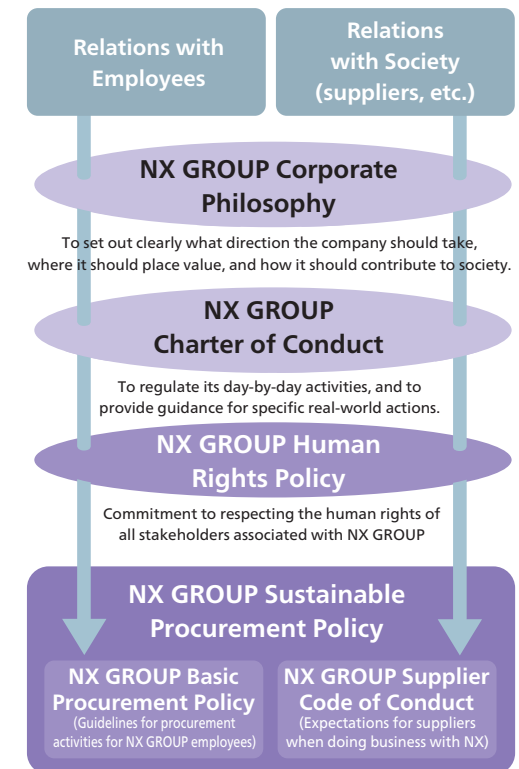
In preparation for launching human rights due diligence initiatives for suppliers, we will work to identify targets, implement them, and establish a system for management.

In the future, we will expand the number of Group companies and target suppliers, and aim to enhance human rights due diligence by deepening our understanding of human rights risks and risk prevention/correction.

###### (2) Organize Grievance Mechanism

In establishing an internal grievance mechanism based on the UN Guiding Principles, we will grasp the current state of the existing whistleblowing system (NX Speak Up and NX Global Speak Up) and consider additional measures necessary to respect human rights.

#### Positioning of NX GROUP Human Rights Policy and NX GROUP Sustainable Procurement Policy



## Outside Directors Roundtable

### New System Construction

# About the effectiveness of governance in the appointment of the president, transition to a company with an audit and supervisory committee, and the formulation of business plans

#### My role as Outside Director and Audit and Supervisory Committee Member

**Shiba:** After working for a bank for 31 years, I gained experience in management at two entertainment companies, and have served as outside director for several companies. I have seen the management of a wide range of industries and companies. I would like to utilize that experience and knowledge.

**Ito:** After working as a lawyer at a law firm, I worked as an in-house lawyer and legal officer for a total of four foreign and Japanese companies, and also served as an executive director at a Japanese company. As an outside officer, I have experience serving as an auditor for one company other than our company and as an outside director for another company. Since global success is a major strategic issue for our company, I would like to contribute particularly in the areas of global governance and global risk management.



**Yoshio Aoki**

Outside Director  
Audit and Supervisory  
Committee Member

**Yojiro Shiba**

Outside Director  
Compensation and  
Nomination Advisory  
Committee Chairperson

**Yumiko Ito**

Outside Director  
Compensation and  
Nomination Advisory  
Committee Member

**Nobuko Sanui**

Outside Director  
Audit and Supervisory  
Committee Member

**Aoki:** After working for an auditing firm for around 40 years, I became an outside auditor for our company in 2016 and currently serve as an Audit and Supervisory Committee member. I believe that I am expected to utilize the knowledge I have gained from working on accounting audits for both listed and unlisted companies in a variety of industries in internal control and risk management. While I became an Audit and Supervisory Committee member this year, I would like to contribute to the company's governance, including auditing the directors'

performance of their duties, audits related to the internal control system, and accounting audits.

**Sanui:** I have worked in business organization, mainly in the fields of social labor and international relations, as well as corporate social responsibility and human resource development. At our company, we would like to focus on human resources, who are the source of increasing corporate value, global governance under the HD structure, and sustainability management.



## Appointment of a new president

**Shiba:** I believe that the selection of the president is the ultimate form of corporate governance. While the new structure has only just begun, I understand that it is progressing smoothly.

As part of the selection process, there were two opportunities for communication with the candidates prior to discussions at the Remuneration and Nomination Advisory Committee. The first is the Outside Directors Seminar, where outside directors listen to one or two senior management speakers each month and hold question-and-answer sessions. This provides an opportunity to understand the company's business operations as well as the personality of the presenters. The second is a pre-boarding briefing. The question-and-answer session provides an opportunity to understand basic aspects such as the way the presenter thinks.

There were three topics discussed at the Remuneration and Nomination Advisory Committee. The first was about the qualifications of the top executive. Since the role of a top executive and the selection criteria change significantly depending on the environment, we first discussed the qualities that are currently required in a top executive. Given the major management themes of global business growth and strengthening domestic operations, the topics of discussion included experience overseas and experience as a branch manager in Japan. The second consideration was the timing of the transition. Our company had previously changed presidents approximately every six years, but due to changes in the end of the fiscal year caused by the switch to HD, former president Saito served for six years and eight months. The timing of a change of appointment is very important, and this time the timing was appropriate as the new management plan was about to start. The third was the development plan, and we confirmed how it had progressed.

Rather than being selected at a single point in time, new president Horikiri was selected after building strong relationships with the candidates over a period of several

years and holding discussions based on the information gained from those relationships.

**Itō:** After going through the preliminary process that Mr. Shiba mentioned, the final discussion took place at the Compensation and Nomination Advisory Committee. The committee consisted of three outside directors and one chairman from inside the company, who reviewed and discussed the executive proposals from an outside perspective. President Horikiri is well versed in the field through his experience working overseas and as a branch manager in Japan, and has a very strong background in both of our two major management issues: global growth and strengthening our Japanese business. Moreover, he most recently served as president of our main operating company, Nippon Express Co., Ltd., and worked with former president Saito to formulate and implement the previous management plan. In everyone's eyes, he is the right person for the job.

In addition, with regards to future appointments, I expect that with Mr. Shiba serving as Chairman of the Compensation and Nomination Advisory Committee, discussions will be led more by outside directors.

**Sanui:** Due to the change in organizational structure from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee, Audit and Supervisory Committee Members will also be involved in the appointment and remuneration of directors. In addition, with the start of the succession plan, we will decide on a successor through a more systematic selection process. In this context, I hope to be able to fulfill my role as an Audit and Supervisory Committee Member.

**Aoki:** In terms of my hope for the future, I believe that if the outside directors who serve on the Remuneration and Nomination Advisory Committee provide explanations about the content of the committee's discussions at board meetings, this would enable deeper discussions, including about expectations for the new president.

## Transition to a company with an Audit and Supervisory Committee

**Aoki:** Following approval at the General Meeting of



Shareholders in March 2024, our company transitioned to a company with an Audit and Supervisory Committee. The purpose is to speed up decision-making and strengthen the monitoring function of the Board of Directors. With this transition, the Audit and Supervisory Committee will be required to check the status of the development and operation of the internal control system for the entire Group, which is one of the areas that they will be auditing. Previously, the Audit and Supervisory Board received monthly reports from the Internal Audit Division on the results of audits of domestic and overseas business sites, and discussed the assessment and findings for improvement. However, we are now strengthening cooperation with the Internal Audit Division to monitor whether the internal control system is being properly established and operated.

**Sanui:** Due to the change in organizational structure, deliberations at the Board of Directors meetings will be prioritized, and the role of the Audit and Supervisory Committee Members will be to oversee not only legality but also appropriateness. As for how to improve effectiveness, our Group has been conducting proper audits through the three-way audit (a general term for three types of audits: an audit by auditors, audits by accounting auditors, and internal audits) and monthly reports from

the Internal Audit Office, so I would like to contribute to the process of further institutionalizing and upgrading these audits. Since I will also have voting rights, judging appropriateness will be a major issue. I believe it is extremely important to consider how we can obtain various types of information, particularly information that is closely related to the field, and to share that information with inside and outside directors. I would like to make decisions only after fully understanding the management policies and other policies that serve as the basis for judging appropriateness.

**Shiba:** When changing the organizational structure from a management board to a monitoring board, a major issue was how much authority to transfer to the executive side, and this was discussed thoroughly beforehand. I think we have created a solid system for things like approval amounts and regular reporting.

As a monitoring board, I think there are two key points for strengthening governance and risk management. The first is that Ms. Abe, an executive officer in charge of the Internal Audit Office, has become a new internal director. The Internal Audit Office has traditionally provided regular reports to the Board of Directors, but I think it will become easier to share information. The second is information sharing between directors who are Audit and Supervisory Committee Members and those who are not. We have been holding seminars and liaison meetings for outside directors for some time now, and we would like to further deepen our collaboration.

**Ito:** Starting from around summer last year, we held three meetings outside of the Board of Directors meetings to discuss the details of the organizational design, the factors that were being considered, the progress of the review, and so on, and provided an opportunity for outside directors, including the outside auditors at the time, to convey a variety of opinions. And based on the discussions held there, we further examined the matters and refined the design proposal, which we believe was an extremely thorough process. I think it is very important to speed up decision-making by delegating authority to the executive side, as Shiba mentioned, and I feel that the transition to a company with an Audit and Supervisory

Committee also fits well with the HD system.

In addition, Japanese companies with an Audit and Supervisory Board are not well understood overseas. I believe that a company with an Audit and Supervisory Committee would be closer to the systems in major global markets and easier to understand.

As everyone has said, reporting is extremely important when it comes to a monitoring board. For example, with various initiatives such as PMI (Post Merger Integration) of acquired companies and projects to strengthen the Japan business, I think it would be a good idea to standardize the content of reports so that outside directors can report on what they need to see. In addition to monitoring, I understand that outside directors are also expected to contribute to strategic discussions from a variety of perspectives and backgrounds.

Finally, with regards to cooperation with Audit and Supervisory Committee Members, it is true that Audit and Supervisory Committee Members have more information than outside directors who are not Audit and Supervisory Committee Members. For that reason, I would like to do things like further strengthen cooperation and exchange opinions.

### Looking back on our previous business plan and formulating a new business plan

**Shiba:** About two years ago, we started to place more emphasis on ROIC, and although asset allocation and other issues have been extremely difficult, discussions are gradually progressing, and I have been informed that we are also considering visualizing ROIC by methods such as division on a management dashboard. I think that building such a system is very important, but what is most important is that employees understand it and promote it in a positive manner. e-learning on ROIC is currently being provided to employees, but I think it is also very important for management to discuss it at board meetings and communicate it to employees.

The new business plan also involved a review of Material Issues. While there are stakeholder and company perspectives, our outside directors have participated in



discussions with an emphasis on the stakeholder perspective. In particular, in discussions about sustainability, I think it is good that the Group views sustainability as a revenue opportunity and places emphasis not only on ROIC and capital efficiency but also on growth potential.

**Ito:** This new management plan recognizes items like that capital cost is 8% and sets target values for both ROE and ROIC at 10%, placing a strong emphasis on capital cost and capital efficiency. With regards to business portfolio management, I believe there are issues that still remain, but we are also running simulations by segment. I feel that awareness of capital costs, capital efficiency, and ROIC management has steadily increased over the past year.

Sustainability is also a major pillar of our new management plan. Specific targets have been set, such as for CO<sub>2</sub> emissions, and some of them seem quite challenging, but I believe they were formulated with great intentions. Since the executive side has had many discussions, I think they are also satisfied with the plan.

**Aoki:** The new management plan has been thoroughly explained to outside directors on a number of occasions, including at board meetings, pre-meetings, and other occasions. Outside directors asked various questions, made various suggestions, and made various requests. The results of the review were appropriately reviewed and

fed back to us, and we believe this was a very appropriate process. There are many important initiatives, and I hope that they will be achieved, but as an Audit and Supervisory Committee Member, I will be carefully monitoring their progress as we move along.



**Sanui:** There are two things I thought were important about the new management plan. The first is that our corporate philosophy, long-term vision, and the values we hold dear are presented in an easy-to-understand three-layered structure. I believe that clarity is extremely important in instilling basic concepts and philosophy in such a large organization. The second is that the business portfolio is illustrated, and quantitative and qualitative evaluations make it clear which direction each segment will head in the future. I think it was very good to have a tool that everyone can share.

### Points for increasing corporate value

**Sanui:** The difficulty lies in having to pursue both the seemingly contradictory elements of freedom, centrifugal force, and diversity that allow each of the affiliated

companies and businesses to demonstrate their strengths, and unity, centripetal force, and uniformity as a group. As a global company, I think that in order to increase cohesion across different cultures, we need to focus on communicating our messages and goals clearly and in an easy-to-understand manner. It is also important that all employees have a mindset that change is a good thing, and I think that creating mechanisms for this will be a challenge for the future.

**Aoki:** It is our human resources that will execute the strategies in our management plan to realize our long-term vision, and we are currently working on strengthening this workforce. At the external executive seminars, I listen to the presentations by the heads of each business division and see that we have talented people with a wide range of management backgrounds. I understand that strengthening and developing the human resources department that connects this talent to the growth of the company is extremely important for the growth of the company.

**Ito:** We have a business plan that incorporates various strategies for increasing corporate value, so it all comes down to implementing this plan not just by management, but by all employees. I think it is important for management to encourage all employees in the group to understand and act on their goals, including asking themselves “what can I do?”

Meanwhile, plans are just plans, and often the external environment does not turn out as planned. At such times, how they respond to change and bring about change yourself is extremely important. I think it is important to create a corporate culture in which everyone works together based on the mission, vision, and values, and as long as they keep these in mind, they can adapt to any amount of change and even initiate change themselves.

As an outside director, I will be closely watching whether the company is putting plans into action and whether it is responding to change.

**Shiba:** Regarding the long-term vision for 2037, the new president, Horikiri, has identified three challenges

for himself. The first is to what extent can we accelerate our global growth? The second is to what extent can we strengthen our domestic business? The third is how we should address social issues such as sustainability within our business. Increasing corporate value depends on executing these three things. For each of these issues, people and organization are key in execution. While maintaining a good organizational culture, I believe it is necessary to clearly distinguish between what should be changed and what should not be changed. Upon the appointment of new president Horikiri, former president Saito said, “He has the ability to listen carefully to what people say, digest it, make judgments, and put it into shape, and he is someone who understands people’s feelings well,” and we feel exactly the same way. I think he is what we call a manager with big ears. I have high hopes that this new president will lead the way in implementing this plan through people and the organization.



## Corporate Governance

The establishment of corporate governance is important for sound corporate management, sustainable growth, and improving corporate value. We also believe that it is an obligation to our shareholders. In its "2037 Vision", which sets out what NX GROUP wants to be in 2037, the 100th anniversary of the Group's founding, the company outlines the ideal image for shareholders as "a company that achieves sustainable growth by establishing corporate governance", and it will work on continuous governance reform to realize this.

In order to achieve sustainable growth and increase our corporate value, we will strengthen supervisory functions, including the Board of Directors and the Audit and Supervisory Committee, and we will promote efforts to ensure "safety, compliance, and quality," which form the foundation of our group's management and the source of our competitiveness. In addition, we will strive to enhance disclosure and proactively disseminate information in order to ensure management transparency and stimulate dialogue with our shareholders and investors.

### Basic Views on Corporate Governance

NX GROUP established basic policies, shown at right, for the Group governance toward practicing the corporate philosophy and realizing the long-term vision.

For corporate governance to function properly, it is essential to evolve Group management, promote Groupwide strategies, and establish a governance structure. We believe that the holding company structure with NIPPON EXPRESS HOLDINGS, INC. as the Group headquarters is the optimal Group management structure for properly promoting these goals and realizing our long-term vision.

### NX GROUP Basic Policy on Governance

#### [NX GROUP Corporate Philosophy]

Our Mission	Be a Driving Force for Social Development
Our Challenge	Create New Ideas and Value that Expand the Field of Logistics
Our Pride	Inspire Trust Every Step of the Way

#### [Long-Term Vision (2037 Vision)]

Business Growth	: A logistics company with a strong presence in the global market
Clients and Society	: A company that contributes to the realization of a sustainable society through logistics
Shareholders	: A company that achieves sustainable growth by establishing corporate governance
Employees	: A company whose employees come from a variety of backgrounds, are proud of their work supporting customers and society, and feel happy

### Basic View toward Realizing the Long-Term Vision

- NX GROUP upholds its mission to contribute to the sustainable development and growth of customers and society by solving social issues through logistics in accordance with NX GROUP Corporate Philosophy
- Toward realizing the long-term vision that depicts the ideal image of NX GROUP for 2037 founded on our Corporate Philosophy, we will meet the expectations of stakeholders and create value together
- To realize this, we shall establish corporate governance and construct the optimal Group governance systems that form the basis of that

#### Basic Views Toward Establishing Corporate Governance

To realize increased corporate value and sustainable growth, we will respect the positions of stakeholders, such as our shareholders, and build appropriate governance of offense and defense.

##### Corporate Governance to Aim for

- Expansion of global business based on "prompt/decisive decision-making and clarification of responsibility"
- Growth of a robust corporate group based on "ensuring thorough compliance and transparency of management"

##### Approaches Aimed at Establishing Corporate Governance

- Continuous improvement of governance in line with the meaning of each principle in the Corporate Governance Code
- Promotion of compliance management
- Construction of a strong group governance structure

#### Basic Concept Oriented Towards Evolving Group Governance

To ensure that corporate governance functions appropriately, and to realize maximization of value as a corporate group, the group governance structure will continue to be evolved globally.

##### Group Governance to Aim for

- Establishment of a group management structure that realizes "maximized value as a corporate group"
- Construction of a global governance structure that realizes "further expansion of overseas business"
- Sophistication of a business management structure that realizes "appropriate business portfolio management" and "customer-oriented optimization of the entire group"

##### Initiatives to Evolve Group Governance

- Strengthening of group management strategy functions based on a holding company structure, clarification of roles and responsibilities of Group companies, structural and organizational design for realizing an optimized Group as a whole
- Construction of a global risk management system based on linkage between holding companies and presiding companies
- Sophistication of group databases and promotion of data-oriented management

## Compliance with the Corporate Governance Code

NX GROUP is in compliance with all of the principles of the Tokyo Stock Exchange’s Corporate Governance Code. We have prepared Our Policy and Implementations of JPX’s Corporate Governance Code, which sets forth our policy and latest implementation details for principles of the Corporate Governance Code, and released it on our website.



Our Policy and Implementations of JPX’s Corporate Governance Code. [https://www.nipponexpress-holdings.com/en/pdf/ir/governance/2024-corporate-governance-policy-effort\\_en.pdf](https://www.nipponexpress-holdings.com/en/pdf/ir/governance/2024-corporate-governance-policy-effort_en.pdf)

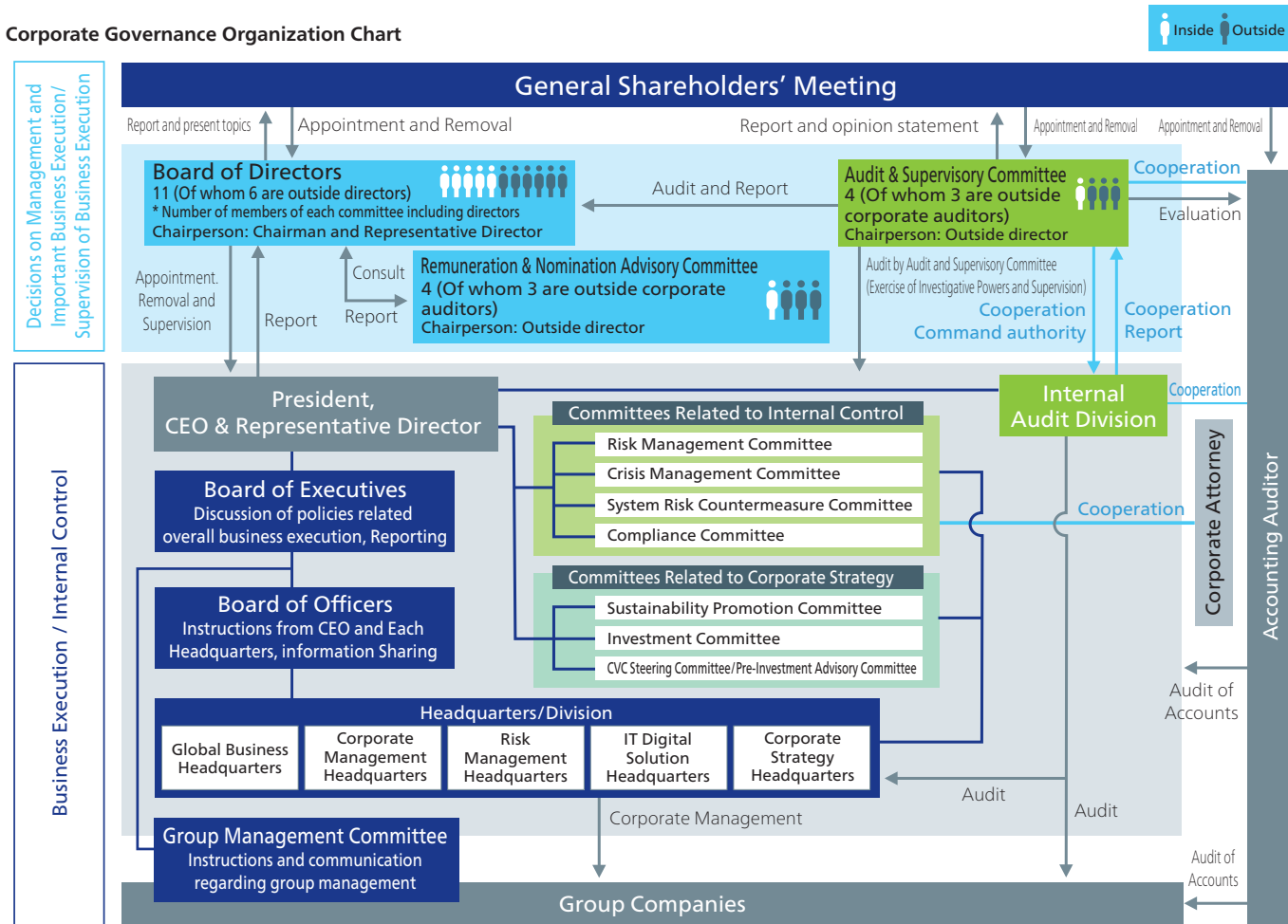
Our company is based on an the Group is a company with an Audit and Supervisory Committee. To obtain the opinions of independent outside directors concerning important matters such as the compensation and nomination of executive officers, our Group has established a discretionary Compensation and Nomination Advisory Committee as an advisory body to the Board of Directors. In addition, the Board of Directors has delegated some of its important business execution decisions to the President and CEO and has introduced an executive officer system to achieve swift decision-making and execution of duties, while separating oversight and execution, thereby strengthening the supervisory function of the Board of Directors. An overview of the Company’s corporate governance bodies and organization is shown to the right.

### A. Directors/Board of Directors

The Board of Directors, as entrusted by shareholders, is responsible for ensuring the sustainable growth of the Group and maximizing its enterprise value through the implementation of effective corporate governance. To fulfill these responsibilities, the Board of Directors not only deliberates and makes decisions on important business execution related to overall management, such as important management policies and business plans related to management issues, and on matters stipulated in the Companies Act to prevent the impairment of corporate value, but also exercises its supervisory function over management in general, supervises the business execution division, and strives to ensure management transparency. The Board of Directors also delegates some of the decision-making regarding business execution, excluding the

## Corporate Governance System

Corporate Governance Organization Chart



above-mentioned important business execution decisions, to the business execution division, including the President and CEO, and supervises the status of business execution.

#### [Overview of the Board of Directors]

- Authority: Decision-making regarding business execution regarding important management policies and matters stipulated by laws and regulations, etc., and supervision of the execution of duties by business execution divisions

- Chairperson: Non-executive Chairperson of the Board
- Composition: 11 Directors (as of March 31, 2024), including 7 Directors who are not Audit and Supervisory Committee Members (including 3 Outside Directors), 4 members who are Audit and Supervisory Committee Members (including 3 Outside Directors)
- Conduct of meetings: In principle, meetings are held once a month and as needed

- Major deliberations and reports at Board of Directors meetings  
The Company held a total of 19 Board of Directors meetings during the fiscal year ended December 31, 2023.

The main topics on the agenda include NX GROUP Sustainability Policy, formulation of the vision, review of Material Issues, review of NX GROUP CO<sub>2</sub> reduction target, formulation of NX GROUP Human Resources Policy, response to the Corporate Governance Code, acquisition of shares related to corporate acquisitions, resolutions such as important reorganizations and capital and business alliances of group companies, ongoing deliberations related to the formulation of the group management plan and other important management policies, and various reporting items related to other important investment projects and risk management.

Based on the opinions of outside officers obtained through the evaluation of the effectiveness of the Board of Directors, the Board of Directors also discusses and revises the agenda items for deliberation as necessary, such as annual planning of reporting items and reporting in the process of formulating important management strategies, etc., to ensure the implementation of the reporting items specified in the agenda standards for the Board of Directors.

### Main Agenda Items for the fiscal year ended December 31, 2023

Governance	Nippon Express Policy to JPX's Corporate Governance Code and the decision to update implementation details
	Verification of the appropriateness of cross-shareholding and decision to sell shares held by the Company
	Decision on organizational reform and revision of various regulations, etc.
Corporate Strategy	Decision on acquisition of shares in relation to corporate acquisitions
	Progress report on important organizational reform and group business restructuring
	Progress report on management plan and decision on NX GROUP Management Plan 2028
	Report on progress in DX promotion and DX human resource development efforts
Financial/Business Results	Decision on fiscal year 2024 budget
	Monthly business report
Risk Management	Periodic reports on compliance, safety management, and system risks
	Report on the impact of the situation in Ukraine and Russia on business
	Establishment of NX GROUP Business Continuity Policy
Sustainability	Establishment of NX GROUP Sustainability Policy and Vision
	Review of Material Issues in Sustainability Management
	Establishment of NX GROUP CO <sub>2</sub> Reduction Targets
	Formulation of NX GROUP Human Resources Policy
	Formulation of NX GROUP Human Rights Policy
	Formulation of NX GROUP Sustainable Procurement Policy
Reporting of NX GROUP Engagement survey results	

## B. Remuneration and Nomination Advisory Committee

To obtain the opinions of independent outside directors concerning important matters such as remuneration and nomination of officers, our Company has established a fair, highly transparent, discretionary Remuneration and Nomination Advisory Committee. Consisting of a majority of independent outside directors and chaired by an independent outside director, the committee functions as an advisory body to the Board of Directors, and the Board of Directors makes decisions based on the opinions of the committee to the maximum extent possible. Committee members are appointed by resolution of the Board of Directors, and the committee performs the functions of both a nominating committee and remuneration committee. The Committee deliberates mainly on officer personnel matters, including candidates for directors and officer positions, the establishment of the skill matrix that represents the composition of the Board of Directors, the CEO succession plan, and the policy and system of remuneration, in consultation with the President and CEO. It reports to the Board of Directors based on its decisions (it met seven times during fiscal year 2023, and the average attendance rate of the committee members during the relevant period was 100%).

The chair and members of the committee are as follows.  
(As of March 31, 2024)

<Chairperson>

Yojiro Shiba, Director (Independent Outside Director)

<Committee Member>

Mitsuru Saito, Director (Chairman and Representative Director)

Yumiko Ito, Director (Independent Outside Director)

Tsukiko Tsukahara, Director (Independent Outside Director)

## C. Auditors/Audit and Supervisory Board

Following the resolution of the second regular general meeting of shareholders held on March 28, 2024, the company has transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee of the Group plays an important role in the Group's supervisory function. As an independent body that audits the execution of duties by directors, it contributes to the sustainable improvement of corporate value and the realization of growth as a healthy corporate Group. The Audit and Supervisory Committee is made up of four members, one full-time director and three outside directors (part-time) who are also Audit and Supervisory Committee Members. The Audit and Supervisory Committee meets regularly (once a month in principle) and holds extraordinary meetings as necessary. They also assign

staff to assist the Audit and Supervisory Committee in its duties and strive to enhance the Audit and Supervisory Committee's auditing and supervisory functions.

When conducting audits by the Audit and Supervisory Committee, the accounting auditor works in cooperation with the Internal Audit Office, our Internal Audit Division, to ensure that audits are effective. The accounting auditor, using the Audit and Supervisory Committee as a liaison, sets up opportunities for "management discussions" and other such meetings with the president and other senior management and business execution departments to hear about the status of responses to management issues. In addition, regular monthly meetings are held with the Audit and Supervisory Committee to report on the status and results of accounting audits and exchange opinions to promote mutual cooperation.

In addition, the Internal Audit Office's audit policy and audit plans are subject to resolutions by the Audit and Supervisory Committee, making it clear that in addition to the president's command and control over management, the Audit and Supervisory Committee is also in charge of audits in terms of its duties.

An overview of the activities of the Audit and Supervisory Board, including audits by Audit and Supervisory Board Members for the fiscal year 2023 before the change in organization, is included in the Securities Report issued by the Group. Please refer to our website for the Annual Securities Report.



Securities Report (Japanese only)

<https://www.nipponexpress-holdings.com/ja/ir/library/securities/>

## D. Business Execution

Business execution is carried out under an executive structure consisting of the President and CEO and five headquarters, who have received important business execution decisions and delegation of duties from the Board of Directors. A specified level of authority is delegated to each headquarter so that it can swiftly execute business plans as a single management unit. In advancing business operations, each Group company carries out its role and responsibility within the scope of its own responsibility as delegated by the Company, which constitutes the Group headquarter, which supervises the advancement of business operations at each Group company. NX GROUP Governance Regulations and the Group Authorization Table accompanying the regulations stipulate the Group management system and matters delegated to Group companies. These are reviewed from time to time to promote efficient and effective Group management.

The next page is a summary of the various meetings related to the execution of business operations.

**[Board of Executives]**

- Role: As an advisory body to the President and CEO, it discusses important matters related to overall management and reports on the status of business execution by executive officers.
- Chairperson: President and CEO
- Composition: Vice President, Chief Managing Officers (four as of March 31, 2024), executive officers in charge of the departments proposing agenda items, oversight by directors and full-time Audit and Supervisory Committee Members
- Frequency of meetings: Once a month and as needed
- Main agenda items: Discussions regarding important business execution decisions such as investment projects delegated by the Board of Directors, progress reports on important matters and other matters decided at management meetings, etc.

**[Board of Officers]**

- Role: An organization for communicating and sharing information regarding resolutions made at the Board of Directors and management meetings, matters to be discussed, and instructions from the president and each division.
- Chairperson: President and CEO
- Composition: Executive officers (16 as of March 31, 2024), representatives of group companies, etc. Supervision by full-time audit and supervisory committee members, with group company executives and others present
- Frequency: In principle, held once a month (excluding months when the Group Management Committee is held)
- Main agenda: Instructions and communications from the president and each division head, reports on the status of business execution from each executive officer, etc.

\* In fiscal year 2023, we established a Management and Executive Committee that combines the functions of the Management Committee and the Executive Committee mentioned above, and it met 14 times. In light of our transition to a company with an Audit and Supervisory Committee and the partial delegation of important business execution decisions to the President and CEO, we have separated the meeting function and established Board of Executives and Board of Officers from March 2024 with the aim of separating and strengthening the consultative bodies that serve as advisory bodies to the President and CEO.

**[Group Management Committee]**

- Role: To strengthen inter-group cooperation and foster a sense of unity by instructing and communicating Group management policies and implementing reports on business promotion from business subsidiaries, etc.
- Chairperson: President
- Composition: Our holding company's executive officers, presidents of major Group companies, management executives, full-time Audit and Supervisory committee members of our holding companies, etc.
- Frequency: As needed (2 meetings in 2023)
- Main agenda: Instructions regarding Group management policies, communication of headquarters policies of each division of the company, reports from Group companies on individual themes related to Group management, etc.

**[Overview of Other Committees of Business Execution Departments]**

- The following committees discuss important issues and make the necessary reports related to internal control: The Risk Management Committee (held two times a year) responsible for formulating risk management policies and establishing the Group's risk management system. The Compliance Committee (held four times a year) responsible for establishing and promoting the Group's compliance system. The Crisis Management Committee (held twice a year) responsible for discussing the system in the event that risks emerge and a crisis becomes apparent, and responding to such risks after they emerge. The System Risk Countermeasure Committee (held twice a year) responsible for developing a structure for information system security and responding to the occurrence of security incidents. Important matters discussed by each committee are submitted to the Board of Directors for resolution or regularly reported to the Board of Directors, in accordance with the criteria for approval, and the Board of Directors supervises these activities.

- The following committees are among those established to discuss important issues and make the necessary reports related to management strategy: The Sustainability Promotion Committee (held twice a year) that addresses issues related to sustainability and formulates Group policies. The Investment Committee (held as needed) that discusses M&A-related matters. The CVC Steering Committee (held as needed) that discusses investment intentions for selected investments in CVC funds in which the Board of Directors has resolved to make an investment. Important matters discussed by the Sustainability Promotion Committee are submitted to the Board of Directors for resolution or regularly reported to the Board of Directors, depending on the criteria for approval, and the Board of Directors supervises these activities. In addition, the Investment Committee discusses and decides on corporate acquisitions and other matters, and the agenda is proposed to the Board of Directors for resolution in accordance with the criteria for decision-making. The progress of investment projects is reported regularly at meetings of the Board of Directors, and necessary discussions are held among the responsible departments and business subsidiaries at PMI Committee meetings and other meetings. The status of investments in CVC funds is also reported to the Board of Directors on a regular basis.
- The Group Management Committee and other committees have established subcommittees for individual themes such as human resources, DX, and safety, as well as councils with Group companies to promote Groupwide strategies and strengthen internal controls.

## Efforts to Improve Governance Effectiveness

### Evaluating the Effectiveness of the Board of Directors

Once each year, NX GROUP's Board of Directors uses an outside institution to conduct a survey of all directors and corporate auditors regarding the effectiveness of the Board of Directors as a whole, including the Remuneration and Nomination Advisory Committee, to evaluate the effectiveness of the Board of Directors and gather opinions on how to improve it. The Board of Directors will discuss and verify the results of the analysis and evaluation, and will evaluate its effectiveness based on the aggregate results from external institutions. In addition, based on the issues and opinions identified through the questionnaire, we will make improvements to enhance the effectiveness of the Board of Directors.

<Reference> Major themes of the evaluation of Board of Directors effectiveness conducted in December 2023: (1) board composition and operation, (2) management and business strategies, (3) corporate ethics and risk management, (4) performance monitoring and management evaluation, (5) dialogue with shareholders, etc., (6) free descriptions for each major category and others.

The Board of Directors secretariat has taken the lead in developing systems to make improvements with respect to the issues identified in past effectiveness evaluations, including Nippon Express Co., Ltd., which was a listed company prior to the transition to a holding company structure. Please refer to the chart for a description of improvements made at the Company in recent years.

Please refer to the Corporate Governance Report published by the Company for an overview of the effectiveness assessment.

### Training Policy for Directors

NX GROUP provides regular opportunities such as seminars and social gatherings to directors, intended to enable them to deepen their awareness of the Company's management issues as well as to acquire essential knowledge regarding corporate governance, finance, as well as laws and regulations. The Company bears the cost of such events.

Together with internal orientations for directors and at the time of appointment and as necessary, we provide training opportunities as needed, including participation in external

#### Major areas for improvement by the Board of Directors



Corporate Governance

<https://www.nipponexpress-holdings.com/en/ir/governance/>

seminars for our Group's newly appointed directors, in order to deepen their knowledge of corporate governance, particularly with respect to the performance of their duties, and to help them acquire the necessary knowledge of their roles and responsibilities as directors.

After they assume their positions, the Company continues to provide opportunities for seminars and social events, as appropriate, to enable them to acquire the necessary knowledge regarding the Company's management issues, financial matters, and legal compliance. Directors who are Audit and Supervisory Committee Members strive to acquire a wide range of knowledge. This is accomplished by attending meetings for members of Japan Audit and Supervisory Board Members Association and seminars held by the Japan Industrial Management & Accounting Institute. We provide opportunities for outside Directors to acquire knowledge of our business and related matters by allowing them to participate in various company events, facility tours, etc. In addition, in order to seek out management judgment from an independent perspective, we hold monthly Outside Officer Seminars, where executive officers and senior management make presentations. By doing so, we ensure that they have opportunities to understand our management issues, and the management vision, goals, and challenges of the divisions under their purview.

For internal executive officers and senior management candidates who are candidates for the representative

directorship, we provide opportunities to attend external MBA and other senior management development courses to acquire the knowledge of global management, financial literacy, management strategy, and governance that are necessary for senior management.

The above series of trainings are positioned as part of succession planning for senior management.

In order to confirm whether or not outside directors are taking appropriate measures regarding training, including the provision of internal information, the Company conducts surveys regarding opportunities to provide information to outside directors in its questionnaire for evaluating the effectiveness of the Board of Directors. The results of the survey are reported to the Board of Directors and discussed for future improvements and reflected in the next and subsequent activities.

### Holding Liaison Meetings for Outside Directors

To ensure the objectivity and neutrality of the management oversight function, a lead outside director is elected by mutual agreement from among the directors and liaison meetings are held for outside directors to freely discuss a wide range of topics, including NX GROUP's management and corporate governance, and to deepen cooperation among the outside directors. In addition, a system is in place to report discussions to the Board of Directors as necessary.



## Appointments of Directors

### Director Appointment Policy and Decision Procedures

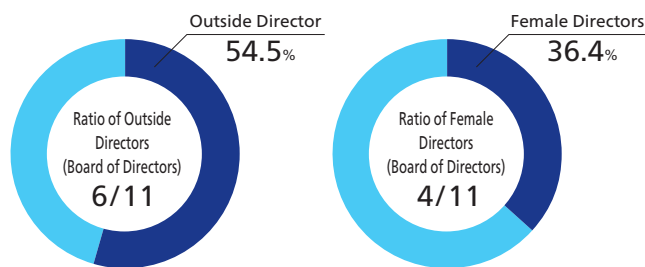
NX GROUP's Board of Directors appoints and dismisses directors to ensure that the Board of Directors as a whole maintains a balance of knowledge, experience, and ability by utilizing a skills matrix for the Board of Directors established in line with business strategies such as expanding the overseas sales ratio and promoting ESG management.

The selection of candidates for directors (excluding directors who are Audit and Supervisory Committee Members) is based on a wide range of perspectives, such as whether or not they have the experience and specialized knowledge necessary for a director. An evaluation is made of the progress of management plans in the businesses and areas in which they have been in charge, based on a multifaceted perspective, including their personality and insights, the Board of Directors makes a decision after consulting with the voluntary Remuneration and Nomination Advisory Committee, which is chaired by an independent outside director and has three independent outside directors as its members, and it also takes into account the opinion of the Audit and Supervisory Committee.

The selection of candidates for directors who are Audit and Supervisory Committee Members is based on a multifaceted perspective, such as the experience necessary for a director who is an Audit and Supervisory Committee Member. The knowledge, personality, and insight considered necessary to conduct audits of items such as finance, accounting, and legal affairs is resolved at a Board of Directors meeting after consulting with the Remuneration and Nomination Advisory Committee and obtaining the consent of the Audit and Supervisory Committee.

In addition, with regard to candidates for outside directors, we select people who are excellent in terms of character and insight, have experience in corporate management, a high level of expertise and knowledge in areas such as finance, accounting, law, and ESG, and who can oversee the management of the company's overall business from a multifaceted perspective.

#### Composition of Directors and Corporate Auditors



### Criteria for Determining the Independence of Independent Outside Directors

NX GROUP has established the following criteria for determining independence. In addition to the requirements for outside directors set forth in the Companies Act, we take into account the independence standards set forth by the financial instruments exchanges. We appoint outside Directors based on those standards. We consider candidates for outside Directors to be independent if none of the following items apply to them.

- 1. Persons who are currently Executive Officer at our company or one of our group companies. Persons who have been Executive Officers at our company or one of our group companies within the 10 years prior to the relevant appointment.**
- 2. Shareholders who hold 10% or more of the total voting rights of the Company's shares and business executors of such shareholders.**
- 3. Business executors of business partners whose transactions with the Company Group exceed 2% of the Company's consolidated net sales.**
- 4. Persons who have received remuneration in excess of 10 million yen in a single year from the Company as consultants, attorneys, certified public accountants, etc.**
- 5. Persons belonging to the audit corporation acting as the accounting auditor for our Company.**
- 6. Persons who belong to an organization, etc. that has received an average of 10 million yen or more in donations from us and our group companies for the past three fiscal years.**

(Note) Executives refers to executive Directors, Executive Officers, and other employees.

In appointing independent outside directors, we strive to appoint the following type of candidates – A person who we can expect to make effective proposals to the Board of Directors regarding our management policies and management improvement.

### Human Resource Development for Senior Management

NX GROUP recognizes that developing and utilizing the human resources who will lead the future of management is an important management issue, and it will systematically develop human resources who will be responsible for sustainable corporate operations based on the Group's corporate philosophy. Objectivity and transparency will be ensured in CEO succession planning by appropriately involving the Board of Directors and other relevant parties.

In addition, to ensure that there is a continuous supply of optimal leaders to lead the Group, we will focus on developing management talent that will become candidates while providing appropriate education and growth opportunities. We will formulate a CEO succession plan that includes the necessary requirements and qualities for the CEO of the Group, as well as the selection and training process for the candidate group. The CEO will select and train the successor based on the succession plan, select the final successor, and present it to the Compensation and Nomination Advisory Committee.

The Compensation and Nomination Advisory Committee is chaired by an independent outside director, and three of the four committee members are independent outside directors, ensuring objectivity and transparency. The committee will consider the succession planning plan objectively and from various angles from an independent perspective, and will be involved in providing advice as necessary. The Compensation and Nomination Advisory Committee also deliberates on the appropriateness of the successor proposed by the CEO and reports back to the Board of Directors.

The Board of Directors will receive reports from the Compensation and Nomination Advisory Committee on the succession planning process, verify its effectiveness and appropriateness, and provide appropriate oversight. The Board of Directors will deliberate and decide on the successor recommended by the Compensation and Nomination Advisory Committee.

## Cross Shareholdings

### Policy on Cross Shareholdings and Rationality of Ownership for Cross Shareholdings

Our basic policy regarding cross shareholdings is to reduce them. We do not respond to requests to acquire shares for the purpose of securing stable shareholders, and, in principle, we do not make new acquisitions. In exceptional cases, we may hold shares on a policy-specific basis. Examples include the expansion of business transactions and operations, strengthening of relationships with business partners, and the promotion of collaboration. These are cases in which we judge that such actions will contribute to the enhancement of our corporate value over the medium- to long-term.

Every year, our Board of Directors evaluates and verifies our cross shareholdings from both quantitative and qualitative perspectives. The rationale for holding each stock is based on a consideration of the cost of capital and the benefits of holding the stock. We describe specific verification points and the details of verification at NX GROUP Board of Directors meetings in the Annual Securities Report that we publish. Please refer to our website for the Annual Securities Report.



Securities Report (Japanese only)

<https://www.nipponexpress-holdings.com/ja/ir/library/securities/>

## Structure of an Internal Control System

### Basic Policies on Internal Control Systems and their Implementation Status

For a company to carry out its operations properly and efficiently, it is important to establish an internal control system. NX GROUP has established "NX GROUP Internal Control System Basic Policies", and we are building and operating our Group's internal control systems in accordance with these policies.

For more on "NX GROUP Internal Control System Basic Policies" and the current status of implementation, please refer to our website, or our published Corporate Governance Report, and Securities Report.



Matters Related to Internal Control Systems

<https://www.nipponexpress-holdings.com/en/ir/governance/systems/>

## Officer Remuneration

### Policy and Procedure for Determining Officer Remuneration

NX GROUP has established basic policies underlying the process for determining officer remuneration and compensation structure, etc.

The discretionary Compensation and Nominating Advisory Committee deliberates this process and basic policies and acts as an advisory body to the Board of Directors. Its chairperson is an independent outside director, three out of four members of the committee shall be independent outside directors, and the Board of Directors makes decisions based on the reports it issues.

The policy for officer remuneration will be as follows.

#### Policy on Officer Remuneration

a. Basic policy	<ol style="list-style-type: none"> <li>1. Compensation that enables the promotion of talented people who put our Corporate Philosophy into practice and provide compensation levels that are commensurate with the level of their roles and responsibilities.</li> <li>2. A remuneration system should motivate and encourage contributions to sustained growth and the improvement of sustainable corporate value over the medium to long term.</li> <li>3. The remuneration system will be fair, reasonable and explainable to all stakeholders.</li> </ol>
b. Remuneration structure	<ol style="list-style-type: none"> <li>1. Remuneration shall consist of base remuneration, which is fixed, and performance-linked remuneration, which fluctuates depending on the degree of target achievement. The composition of remuneration will be appropriately set to link short-term and medium- to long-term business performance, and will also reflect sustained corporate growth, contribution to sustainable enhancement of corporate value, and the degree of goal achievement.</li> <li>2. Remuneration for outside directors shall consist of base remuneration only, based on their roles and independent status.</li> </ol>
c. Base remuneration	The amount of base remuneration shall be determined by taking into consideration the standards at other companies based on surveys conducted by outside expert organizations and the role which the executive will fulfill.
d. Performance-based compensation	<ol style="list-style-type: none"> <li>1. As short-term, performance-based compensation, our company pays bonuses indexed to single-year targets.</li> <li>2. As medium- to long-term performance-linked compensation, our company provides share-based remuneration which reflects the level of achievement of our medium-term business plan and the increase in corporate value (stock value).</li> </ol>

#### Determination of officer remuneration

a. Fixed compensation	<ol style="list-style-type: none"> <li>1. We determine the remuneration (monthly) for each individual according to the role they play, based on the standard amount for their position.</li> <li>2. Fixed compensation is paid monthly.</li> </ol>
b. Bonuses	<ol style="list-style-type: none"> <li>1. We determine the bonus for each individual by their performance for the fiscal year, their track record in ESG management initiatives, and their contribution to improving corporate value, in accordance with their role.</li> <li>2. The bonus will be paid at the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending within one year after taking office.</li> </ol>
c. Performance-based stock compensation	<ol style="list-style-type: none"> <li>1. We will evaluate the degree to which the business plan has been achieved for each fiscal year during the medium-term business plan period and the degree to which the business plan has been achieved for the final year of the medium-term business plan period in financial and non-financial indicators in accordance with the Group and the individual's role. The shares to be granted to an individual and the amount equivalent to the cash value of the shares to be used for the payment of income taxes will then be determined on that basis.</li> <li>2. Performance-linked stock compensation will be paid in accordance with the conditions and timing stipulated in the stock issuance regulations, etc.</li> </ol>

The specific amount is determined within the scope resolved at the second ordinary general meeting of shareholders held on March 28, 2024, taking into consideration the company's performance, the level of other companies, employee salaries, etc.

In addition to the remuneration and bonuses for officers and corporate auditors, we introduced a performance-based stock compensation plan. It is using a trust and is for directors and Executive Officers (excluding outside directors, non-executive directors, directors who are Audit and Supervisory Committee Members, and those who do not reside in Japan). Its purpose is to further enhance the awareness of officers to contribute to the improvement of our company's corporate value and shareholder value over the medium- to long-term. This plan is partially funded by the existing basic remuneration. It is a medium- to long-term incentive system in which the number of company shares issued as remuneration varies depending on the recipient's position and the degree to which the recipient achieves company-wide performance targets, etc. The system has now been applied with an evaluation period of five fiscal years. The new plan will be implemented for the same period as the medium-term management plan, and the numerical management targets set out in the management plan will be used as KPIs. Specifically, at the end of each fiscal year and at the end of the evaluation period, performance will be evaluated based on items such as consolidated revenue, consolidated

business profit, consolidated ROE (return on equity), ESG-related non-financial indicators. The range of increase or decrease corresponding to the achievement of performance targets, etc. is as follows. The level corresponding to the achievement of performance targets, etc. is set at 100%. This is set for the entire standard annual performance evaluation and mid-term performance evaluation. The level can range from 0% to 150%.

The Group has established internal rules and regulations regarding items such as the decision-making process for executive compensation. The remuneration amounts for our Group's directors (excluding directors who are Audit and Supervisory Committee Members) are decided by the Board of Directors, after the Compensation and Nomination Advisory Committee deliberates and recommends the system and content in accordance with the above policy. The amount of compensation for each individual is based on job responsibilities, business execution status, etc., and is delegated to the Representative Director by a resolution of the Board of Directors. The authority to be delegated will determine the amount of base remuneration and evaluation allocation of bonuses for each director in accordance with the standards for setting director remuneration deliberated and determined in advance by the Compensation and Nomination Advisory Committee. The amount of remuneration for directors who are Audit and Supervisory Committee Members will be determined by the Audit and Supervisory Committee through discussion among the directors who are Audit and Supervisory Committee members.

### Total Remuneration by Officer Category, by Type, and by Number of Eligible Officers (fiscal year ended December 31, 2023)

Officer category	Total amount of compensation, etc.	Total amount of compensation, etc. by type				Number of eligible officers
		Fixed compensation	Performance-based compensation		Other	
	Bonuses		Stock compensation			
Directors [of which, Outside Directors]	357 million yen [42 million yen]	242 million yen [42 million yen]	81 million yen -	17 million yen -	16 million yen -	8 employees [4]
Audit & Supervisory Board Members [of which, Outside Auditors]	94 million yen [33 million yen]	90 million yen [33 million yen]	- -	- -	3 million yen -	5 employees [3]
Total [of which, Outside Officers]	451 million yen [76 million yen]	332 million yen [76 million yen]	81 million yen -	17 million yen -	19 million yen -	13 employees [7]

- Notes: 1. The total portion of remuneration, etc., to be paid in cash to directors from the date of the Company's establishment to the close of the Ordinary General Meeting of Shareholder for the fiscal year ending December 31, 2023 shall not exceed ¥660 million per year (not including salaries of company employees serving concurrently as employee and director), as provided for in Article 2, Paragraph 1 of the Supplementary Provisions of the Company's Articles of Incorporation. The number of directors at the time of the effective date of the said Articles of Incorporation is 9.
2. Of the compensation, etc., for the Company's directors (excluding outside directors), the stock compensation plan for the period from the date of the Company's establishment to the fiscal year ending December 31, 2023 is provided for in Article 2, Paragraph 2 of the Supplementary Provisions of the Company's Articles of Incorporation, but the above stock compensation is the amount of the provisions recorded for the fiscal year under review in accordance with the plan, and it differs from the total amount of payment.
3. The total amount of remuneration, etc., to be paid to corporate auditors from the date of the Company's establishment to the close of the Ordinary Meeting of Shareholders for the fiscal year ending December 31, 2023 shall not exceed ¥120 million per year, as provided for in Article 3 of the Supplementary Provisions of the Company's Articles of Incorporation. The number of corporate auditors at the time of the effective date of the said Articles of Incorporation is 5.
4. Other remuneration includes the amount borne by the Company for company housing provided to officers.
5. The remuneration for auditors relates to the period before the Company transitioned to a company with an Audit and Supervisory Committee.

## Risk Management

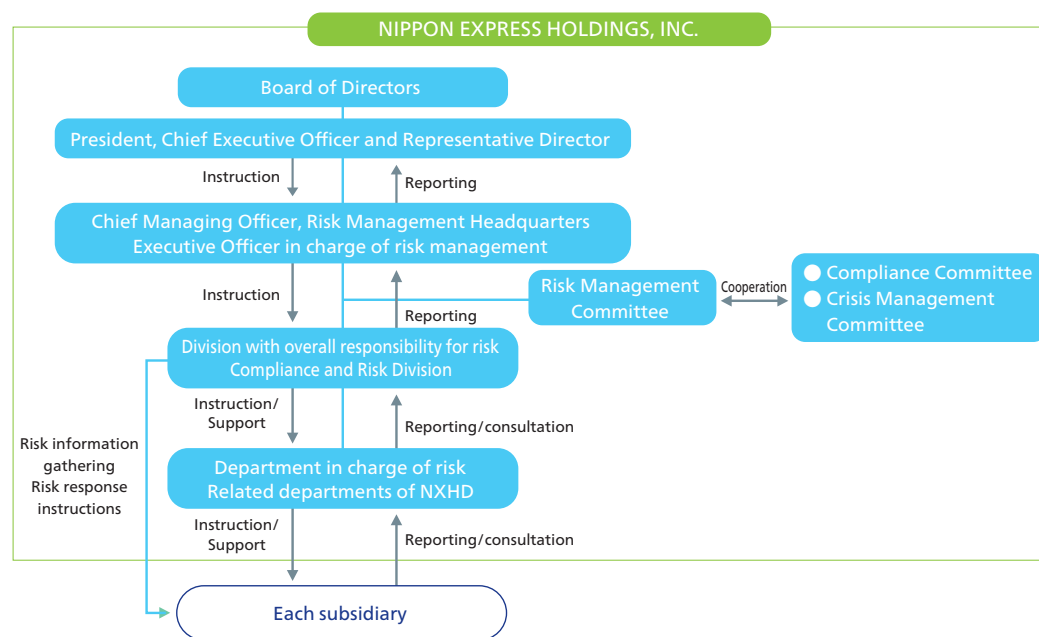
### Risk Management Basic Policy

NX GROUP has established NX GROUP Risk Management Regulations and NX GROUP Crisis Management Regulations as basic policies for the purpose of building a risk management system for the Group to reduce risks that may have a significant impact on corporate management, and to build a crisis management system for the Group that enables prompt and appropriate responses in the event of a crisis.

### Risk Management System

NX GROUP has established a Risk Management Committee, chaired by the president, to develop a Groupwide risk management system. Activities related to risk management in the Group are reported to the Risk Management Committee on a regular basis.

In FY2023, our Group inventoried, evaluated, and identified the material risks of each Group company, and discussed the results at the Risk Management Committee. In fiscal 2024, we will continue our efforts to inventory, assess, and identify critical risks at each of our Group companies, as well as promote follow-up and feedback on risk response measures at each of our Group companies.



## Crisis Management System

NX GROUP has established a Crisis Management Committee, chaired by the President, to develop a Groupwide crisis management system. Activities related to crisis management in the Group are reported to the Crisis Management Committee on a regular basis. In responding to a crisis, we will take all possible measures in cooperation with related companies and divisions to minimize damage, ensure the safety of employees, and prevent disruption of Group business operations.

Based on the above-mentioned rules, the Group responds to a wide range of risks, including wide-area disasters, outbreaks of new strains of influenza and other infectious diseases, information system risks, emergencies overseas, and other risks, while reinforcing collaboration within the Group.

Furthermore, the Group Companies of Nippon Express Co., Ltd. have also played a role in supporting the restoration and recovery of areas affected by disasters, including transporting emergency supplies as a designated public institution prescribed by the Basic Act on Disaster Management, Civil

Protection Act (Act on the Protection of the People in the Event of Armed Attacks), and the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response. In addition to preparing emergency stockpiles of supplies that include food and drinking water as well as hygienic items such as masks and gloves as countermeasures against infectious diseases, the Company has stationed satellite-based mobile phones in departments and divisions at the head office, in each region overseas, and at major domestic bases. This enables us to respond to disruptions in telephone networks due to disasters, and ensures prompt communication in the event of emergencies.

including "prioritizing human life and safety," "contributing to society," "supporting customers," "promoting the formulation of business continuity plans (BCP) at each Group company," and "preparing for normal times."

In addition, each company in our Group is promoting the formulation and maintenance of business continuity plans (BCP) based on this policy.

**WEB** [Basic Policy on Business Continuity](https://www.nipponexpress-holdings.com/en/sustainability/governance/basic-policy.html)  
<https://www.nipponexpress-holdings.com/en/sustainability/governance/basic-policy.html>

## Major NX GROUP Risks

We listed risks that have significant potential to impact NX GROUP financial state, business results, and cash flow in the Securities Report.

In order to identify Material Issues, we take risks and opportunities into consideration from the viewpoint of sustainability.

## System to Ensure Business Continuity (BCP)

In July 2023, NX GROUP established the "NX GROUP Business Continuity Policy", which serves as the basis for each Group company's business continuity plan (BCP). This policy has been published on our website and disclosed to customers and stakeholders, clarifying the basic stance of the Group,

## Compliance

### Promote Fair Business Practices

In order to embody its corporate philosophy, NX GROUP has established the "NX GROUP Code of Conduct," which specifies the nature of daily activities and indicates the direction of action, and the "NX GROUP Compliance Regulations," to conduct sound, transparent, and fair business activities.

The Compliance Committee discusses important policies and Material Issues across departments and groups, and promotes various compliance-related measures. Material Issues, including those discussed by the Compliance Committee, are reported to

outside directors in addition to regular reports to the board of directors as appropriate, and opinions are exchanged, with the aim of reflecting them in our initiatives.

In addition, the Code of Conduct is posted on portable compliance cards and on the company intranet so that employees can refer to it whenever necessary to ensure they understand the code and act accordingly. This information has been compiled in a booklet called the "NX GROUP Compliance Handbook" (16 languages), which has been distributed to all Group employees, including those at overseas Group Companies, and is also

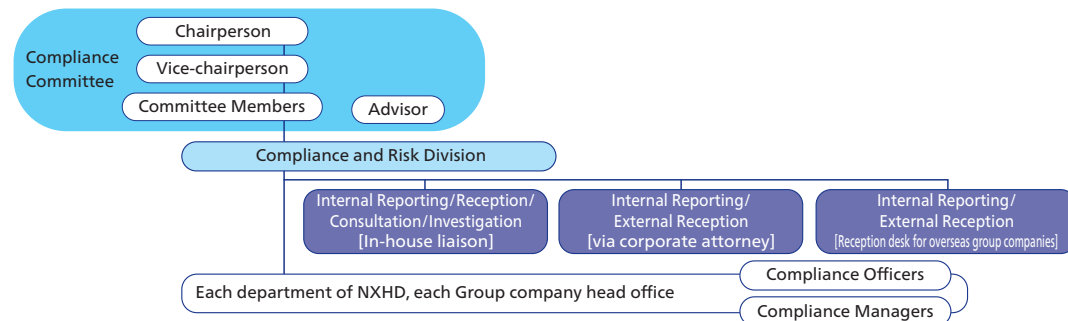
available for viewing on the company intranet. In addition, we raise awareness of these rules through group education such as training for specific company ranks and new employees, education in the workplace, and e-learning.

To further disseminate these rules to Group companies, including those overseas, we have established Group regulations including "Rules for Compliance with Competition Laws," "Rules for Preventing Bribery," and "Rules for Protecting Personal Information," and have established guidelines for each rule, while promoting the establishment of systems and their implementation.

### NIPPON EXPRESS HOLDINGS, INC. Compliance System and Roles

	Compliance management system	Roles
Compliance Committee	Chairperson President Vice-chairperson Chief Managing Officer of the Risk Management Headquarters Committee Members Chief Managing Officer of the Global Business Headquarters Chief Managing Officer of the Corporate Management Headquarters Chief Managing Officer of the IT Digital Solution Headquarters Chief Managing Officer of the Corporate Strategy Headquarters Officers in charge of overseas regions and other committee members as prescribed in the regulations Senior Advisors Legal counsels, certified public accountants, tax accountants, and others (Some advisors will be summoned when necessary) Secretariat Compliance and Risk Management Division	The Committee consists of the chairperson, vice chairperson, committee members, senior advisors, observers, and secretariat and works to promote NX GROUP compliance.  (Attendance by persons other than committee members) The Compliance Committee may request the attendance of persons other than Members when necessary in order to receive their opinions and reports.

### NIPPON EXPRESS HOLDINGS, INC. Compliance System



# Stakeholder Engagement (Shareholders and Investors)



See the Sustainability Data Book for details on all stakeholders

<https://www.nipponexpress-holdings.com/en/sustainability/report/>

## Policy for dialogue with shareholders

NX GROUP recognizes that constructive dialogue with shareholders is important for the company's sustainable growth and the improvement of its corporate value over the mid- to long-term, and is working to develop measures and systems to promote that constructive dialogue.

Through IR activities overseen by the executive in charge of the Corporate Planning Division, we strive to clearly communicate and gain understanding of our Group's management strategies and policies.

Opinions from shareholders and investors are reported to the Board of Directors once every six months and, following discussions with outside directors, we endeavor to reflect them in management.

## About the implementation of various information sessions for institutional investors

### 1. Financial results briefing

We hold financial results briefings twice a year, on the days when our annual and half-yearly financial results are announced, at which the President, Chief Executive Officer and Representative Director, each division chief and other executives explain the details and answer questions.

At the time of the announcement of the first and third quarter financial results, the Executive Officer in charge of finance will explain the details and answer questions via forums such as web conferences.

The details of each quarter's financial results briefings and key Q&A sessions are posted on our website. In addition, on-demand videos of annual and half-yearly financial results briefings are available in both Japanese and English.



Financial Results Briefings

<https://www.nipponexpress-holdings.com/en/ir/event/presentations/>

### 2. Small meetings and conferences hosted by securities companies

We hold small meetings between analysts and institutional investors, the President and CEO, and other senior management as appropriate.

#### [Events held in FY2023]

On March 7, 2023, we held a small meeting with our President, Chief Executive Officer, and Representative Director as the speaker.

We also actively participated in conferences hosted by securities companies, mainly as an opportunity to meet with overseas investors.

### 3. Investor Day (IR Day)

We hold business briefings and investor days (IR Days) as appropriate, where the President, Chief Executive Officer and Representative Director and each executive Officer will explain the Group's efforts on each business theme, primarily for fund managers, analysts, and institutional investors.

#### [Events held in FY2023]

The seminar was held on September 14, 2023, and covered topics such as promoting sustainability management, growth strategies for global businesses, expanding synergies and the PMI structure to achieve them, and our Group's management strategy.

## Status of individual dialogue with institutional investors

### 1. Dealing with institutional investors

We mainly conduct individual interviews with analysts via telephone or web conferences, etc., and explain our business

status, including trends in the logistics market and the business environment, using materials from financial results briefings and monthly disclosure information, etc.

### 2. Dealing with overseas investors

In addition to traveling to overseas investors and responding to interviews through in-person visits, we also proactively hold individual interviews via telephone and web conferences. The President, Chief Executive Officer and Representative Director and the Executive Officer in charge of the Corporate Planning Division regularly meet with overseas investors.

#### Status of dialogue with shareholders (fiscal year ending December 2023)

Item	Situation
Main responders	President and CEO, Executive Managing Director, Director and Executive Officer Investor Relations Promotion Group, Corporate Planning Division
Shareholders Overview	Domestic and overseas fund managers, analysts, ESG specialists, proxy voting officers
Number of individual meetings held	Number of individual meetings held with domestic and overseas institutional investors: 177 meetings with 263 companies * Includes overseas IR interviews (North America, Europe, Asia)
Main dialogue themes	(1) Overview and profitability of forwarding business
	(2) M&A strategy
	(3) Performance forecast
	(4) Status of business plan initiatives

## Matters based on dialogue with shareholders and investors

The Group engages in dialogue with investors in various ways and regularly reports the opinions received to the Board of Directors so that they can be reflected in management.

As an example of a specific item that has been incorporated based on the dialogue, in response to questions we have received about the Group's business trends, particularly the trends in the air and ocean freight forwarding business, we have included in the supplementary materials to our financial results briefings "Trends in gross profit and gross profit margin for the air export business originating from the Japan and overseas segment" from the second quarter of the fiscal year ending December 2022, and "Trends in gross profit per TEU for the ocean export business originating from the Japan and overseas segment" from the first quarter of the fiscal year ending December 2023, with the aim of promoting further understanding.

# List of Directors and Audit & Supervisory Board Members (as of March 31, 2024)

## Directors

**Mitsuru Saito** Born September 22, 1954

Chairman and Representative Director ● Stock ownership 19,600 shares  
Chairman of the Board of Directors ● Board meeting attendance 19 of 19 meetings (100%)



● **Biography, position and responsibilities at the company**

April 1978 Joined Nippon Express Co., Ltd.  
May 2009 Executive Officer, Regional General Manager, Tohoku Region and General Manager, Sendai Branch, Nippon Express Co., Ltd.  
May 2012 Managing Executive Officer, Nippon Express Co., Ltd.  
June 2012 Director and Managing Executive Officer, Nippon Express Co., Ltd.  
May 2014 Executive Vice President, Chief Operating Officer and Representative Director, Nippon Express Co., Ltd.  
May 2017 President, Chief Executive Officer and Representative Director, Nippon Express Co., Ltd.  
January 2022 President, Chief Executive Officer and Representative Director, the Company  
January 2024 Chairman and Representative Director, the Company (Incumbent)

**Satoshi Horikiri** Born October 25, 1960

President, Chief Executive Officer and Representative Director  
President and Chief Executive Officer ● Stock ownership 7,500 shares



● **Biography, position and responsibilities at the company**

April 1983 Joined Nippon Express Co., Ltd.  
May 2015 Executive Officer, Regional General Manager, North Kanto & Shin-Etsu Region, and General Manager, Gunma Branch, Nippon Express Co., Ltd.  
May 2017 Executive Officer, Nippon Express Co., Ltd.  
June 2017 Director and Executive Officer, Nippon Express Co., Ltd.  
May 2018 Director and Managing Executive Officer, Nippon Express Co., Ltd.  
April 2019 Director and Senior Managing Executive Officer, Nippon Express Co., Ltd.  
June 2019 Senior Managing Executive Officer, Nippon Express Co., Ltd.  
April 2020 Executive Vice President and Chief Operating Officer, Nippon Express Co., Ltd.  
June 2020 Executive Vice President and Chief Operating Officer and Representative Director, Nippon Express Co., Ltd.  
January 2022 Vice President, Chief Executive Officer and Representative Director, the Company  
January 2023 Vice President and Chief Executive Officer, the Company  
January 2023 President, Chief Executive Officer and Representative Director, Nippon Express Co., Ltd.  
January 2024 President and Chief Executive Officer, the Company (Incumbent)  
March 2024 President, Chief Executive Officer and Representative Director, the Company (Incumbent)

**Newly Appointed**

**Mamoru Akaishi** Born April 6, 1968

Directors ● Stock ownership 1,531 shares  
Executive Officer ● Board meeting attendance 14 of 14 meetings (100%)



● **Biography, position and responsibilities at the company**

April 1993 Joined Nippon Express Co., Ltd.  
March 2019 Group General Manager, Business Development Division, Nippon Express Co., Ltd.  
January 2022 Executive Officer, the Company  
March 2023 Director and Executive Officer, the Company (Incumbent)  
2023 (Responsibilities) In charge of the Corporate Planning Division and General Manager of the Corporate Planning Division

**Sachiko Abe** Born August 8, 1964

Directors ● Stock ownership 2,022 shares  
Executive Officer ● Board meeting attendance 19 of 19 meetings (100%)




● **Biography, position and responsibilities at the company**

April 1988 Joined Nippon Express Co., Ltd.  
October 2014 Group General Manager, CSR Division, Nippon Express Co., Ltd.  
May 2018 Director and President, Nittsu Tokyo Distribution Service Co., Ltd.  
January 2022 Audit & Supervisory Board Member, Nippon Express Co., Ltd.  
March 2024 Executive Director, the Company (Incumbent)  
2024 (Responsibilities) Internal Auditing Division

**Newly Appointed**

**Yojiro Shiba** Born August 7, 1950

Outside Director ● Stock ownership 0 shares  
● Board meeting attendance 19 of 19 meetings (100%)



● **Biography, position and responsibilities at the company**

April 1974 Joined The Industrial Bank of Japan, Limited (current Mizuho Bank, Ltd.)  
March 2003 Managing Executive Officer, Mizuho Bank, Ltd.  
May 2005 Executive Officer, Oriental Land Co., Ltd.  
April 2009 Representative Director and Executive Vice President Officer, Oriental Land Co., Ltd.  
June 2013 External Director, AMUSE INC.  
June 2015 Director and Vice Chairman, AMUSE INC.  
March 2018 Outside Director, Bridgestone Corporation (Incumbent)  
April 2019 Representative Director, President, AMUSE INC.  
June 2021 Director, Nippon Express Co., Ltd.  
January 2022 Director, the Company (Incumbent)

**Yumiko Ito** Born March 13, 1959

Outside Director ● Stock ownership 0 shares  
● Board meeting attendance 14 of 14 meetings (100%)



● **Biography, position and responsibilities at the company**

April 1984 Legislation Staff (Sanji), The Legislative Bureau of the House of Representatives of Japan  
April 1989 Admitted to the bar in Japan Joined Sakawa Law Office  
July 1991 Joined Tanabe & Partners  
April 2001 General Counsel, Legal & Patent Operation, GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)  
May 2004 Staff Counsel, Legal & Intellectual Property, IBM Japan, Ltd.  
March 2007 Executive Officer, Legal & Corporate Affairs, Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)  
April 2013 Executive Officer and General Counsel, Sharp Corporation  
June 2013 Director, Executive Officer and General Counsel, Sharp Corporation  
April 2014 Director, Executive Managing Officer and General Counsel, Sharp Corporation  
June 2016 Executive Managing Officer and General Counsel, Sharp Corporation  
April 2019 Established Ito Law Office Representative, Ito Law Office (Incumbent)  
June 2019 Outside Director, Kobe Steel, Ltd. (Incumbent)  
June 2019 Outside Corporate Auditor, Santen Pharmaceutical Co., Ltd.  
July 2022 Trustee, Nihon University (Incumbent)  
March 2023 Director, the Company (Incumbent)

## Directors

## Tsukiko Tsukahara

Born August 31, 1972

Outside Director

● Stock ownership 0 shares



Newly Appointed

## ● Biography, position and responsibilities at the company

- April 1995 Joined the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism)
- June 2001 Special Assistant to the Director for Policy Evaluation to Director-General for Policy Planning, Ministry of Land, Infrastructure, Transport and Tourism
- September 2003 Joined Boston Consulting Group
- January 2009 Principal, Boston Consulting Group
- July 2015 Vice President, Catalyst Japan Research and Consulting
- February 2018 Founded Kaleidist K.K. President, Kaleidist K.K. (Incumbent)
- April 2020 Co-Representative, G20 EMPOWER Japan (Incumbent)
- March 2024 Director, the Company (Incumbent)

## Takashi Nakamoto

Born June 28, 1962

Director and Audit and Supervisory Committee Member

● Stock ownership 3,000 shares



Newly Appointed

## ● Biography, position and responsibilities at the company

- April 1986 Joined Nippon Express Co., Ltd.
- June 2011 Group General Manager, Finance & Accounting Division, Nippon Express Co., Ltd.
- July 2013 General Manager, Finance & Accounting Division, NIPPON EXPRESS U.S.A., Inc.
- May 2017 General Manager, Tottori Branch, Nippon Express Co., Ltd.
- May 2018 Representative Director and President, Nippon Express Capital Co., Ltd.
- April 2019 General Manager, Financial Planning Division, Nippon Express Co., Ltd.
- January 2022 General Manager, Internal Auditing Division, the Company
- March 2024 Director, the Company (Incumbent)

## Yoshio Aoki

Born October 23, 1950

Outside Director and Audit and Supervisory Committee Member

● Stock ownership 0 shares  
● Board meeting attendance 19 of 19 meetings (100%)

Newly Appointed

## ● Biography, position and responsibilities at the company

- November 1974 Joined Peat, Marwick, Mitchell & Company
- November 1976 Joined Tohmatsu Awoki & Co. (Current Deloitte Touche Tohmatsu LLC)
- March 1978 Registered as Certified Public Accountant
- July 1988 Partner, Tohmatsu Awoki & Sanwa (Current Deloitte Touche Tohmatsu LLC)
- July 1995 Representative Partner, Tohmatsu & Co. (Current Deloitte Touche Tohmatsu LLC)
- October 2010 Head, Management Audit Office, Deloitte Touche Tohmatsu LLC
- December 2015 Director, Certified Public Accountant, Yoshio Aoki & Co. (Incumbent)
- March 2016 Audit & Supervisory Board Member, Nippon Denko Co., Ltd.
- June 2016 Audit & Supervisory Board Member, Polyplastics Co., Ltd.
- June 2016 Audit & Supervisory Board Member, Nippon Express Co., Ltd.
- January 2022 Audit & Supervisory Board Member, the Company
- March 2024 Director, the Company (Incumbent)

## Nobuko Sanui

Born April 7, 1955

Outside Director and Audit and Supervisory Committee Member

● Stock ownership 0 shares  
● Board meeting attendance 19 of 19 meetings (100%)

Newly Appointed

## ● Biography, position and responsibilities at the company

- April 1980 Joined Japan Federation of Employers' Associations
- July 2000 General Manager, International Division, Japan Federation of Employers' Associations
- May 2002 Chief General Manager, International Labor Policy Division, Japan Federation of Economic Organizations (name changed due to a merger)
- April 2005 Chief General Manager, Labor Law Division, Japan Federation of Economic Organizations
- June 2006 Chief General Manager, International Division II, Japan Federation of Economic Organizations
- May 2008 Managing Director, Japan Federation of Economic Organizations
- March 2012 Managing Director, KEIDANREN (Japan Business Federation) (name changed due to a transition into a general incorporated association)
- June 2014 Managing Director, KEIDANREN Business Services
- June 2021 Audit & Supervisory Board Member, Nippon Express Co., Ltd.
- January 2022 Audit & Supervisory Board Member, the Company
- March 2024 Director, the Company (Incumbent)

## Ryuji Masuno

Born October 30, 1953

Outside Director and Audit and Supervisory Committee Member

● Stock ownership 0 shares



Newly Appointed

## ● Biography, position and responsibilities at the company

- April 1977 Joined the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism)
- August 2005 Assistant Vice-Minister, Minister's Secretariat (concurrently in charge of Railway Bureau), Ministry of Land, Infrastructure, Transport and Tourism
- July 2006 Senior Deputy Director-General, Road Transport Bureau, Ministry of Land, Infrastructure, Transport and Tourism
- July 2007 Deputy Vice-Minister for Policy Coordination, Minister's Secretariat, Ministry of Land, Infrastructure, Transport and Tourism
- July 2009 Director-General, Road Transport Bureau, Ministry of Land, Infrastructure, Transport and Tourism
- August 2010 Deputy Vice-Minister for Transport Safety Policy, Minister's Secretariat, Ministry of Land, Infrastructure, Transport and Tourism
- September 2011 Vice Commandant, Coast Guard, Ministry of Land, Infrastructure, Transport and Tourism
- August 2013 Vice-Minister for International Affairs, Ministry of Land, Infrastructure, Transport and Tourism
- September 2014 President, Japan Maritime Center
- June 2017 Secretary General, Japan Trucking Association
- August 2023 Admitted to the bar in Japan (Tokyo Bar Association)
- March 2024 Director, the Company (Incumbent)

# Skills Matrix / Reasons for Selection

## Directors

Name	Areas in which the Company has particular expectations for its directors									Reasons for Appointing Directors
	Corporate Management		Legal/Risk Management	Finance/Accounting	Global Business	ESG/Sustainability	HR Strategy, Labor Management	On-site Management	Group Companies Other than Nippon Express Co., Ltd.	
	Corporate Management Experience Within the Group	Corporate Management Experience Outside the Group								
Mitsuru Saito	●		●	●	●	●	●	●	●	As President, Chief Executive Officer and Representative Director, Mitsuru Saito has swiftly and steadily implemented the transition to a holdings system, the introduction of the new Group brand NX, and the restructuring of the Group's businesses. We have determined that his extensive experience and insight in management are necessary for realizing the long-term vision of NX GROUP, and therefore have appointed him to continue in his position.
Satoshi Horikiri	●		●		●	●	●	●	●	As President, Chief Executive Officer and Representative Director of Nippon Express Co., Ltd., Satoshi Horikiri has been working on reforming the company's business structure and organizational culture. The Group appointed him based on the judgment that his leadership and management skills are necessary to swiftly and steadily implement the newly formulated business plan and realize NX GROUP long-term vision.
Mamoru Akaishi	●				●			●	●	Mr. Mamoru Akaishi was appointed as executive officer of the Group in January 2022, after gaining experience in departments that contribute to the business expansion of NX GROUP, including M&A and new business development. As the officer in charge of the corporate planning department, he has been working hard on overseas M&A and the formulation of new management plans, and we have determined that his experience and insight are necessary to realize the long-term vision of NX GROUP. Therefore, we have appointed him for another term.
Sachiko Abe	●		●				●	●	●	Ms. Sachiko Abe has gained experience mainly in corporate departments such as compliance, human resources, and operations, and at Nippon Express Tokyo Distribution Services Co., Ltd., she contributed to improving productivity within the group as president in charge of shared services for each NX GROUP company. In January 2022, she was appointed Audit and Supervisory Board Member of Nippon Express Co., Ltd., where she has conducted audits of the company with an accurate and fair perspective, leveraging her knowledge of compliance and experience in corporate management. Strengthening group governance is an important management issue in promoting group management going forward, and we have determined that her experience and insight are necessary, and therefore have appointed her as such.
Yojiro Shiba Outside Independent		●		●	●					Mr. Yojiro Shiba has a wealth of experience in corporate management and broad perspectives cultivated through responding to a wide range of customer needs. As NX GROUP accelerates its business growth in global markets, we expect him to provide supervision and advice based on his extensive experience and insight into corporate management, and have therefore continued to appoint him as its director.
Yumiko Ito Outside Independent		●	●			●				Ms. Yumiko Ito is an attorney and has held important positions, such as legal officer, in multiple companies with diverse backgrounds, and has extensive experience in the fields of corporate law and governance. As NX GROUP strengthens its global governance and risk management, we expect her to provide supervision and advice based on her advanced expertise and extensive corporate legal experience, and have therefore continued to appoint her as its director.
Tsukiko Tsukahara Outside Independent		●				●	●			Ms. Tsukiko Tsukahara has extensive knowledge and experience in the field of diversity and inclusion, including promoting women's participation in the workforce. She is currently engaged in advisory and consulting activities utilizing her experience as a consultant, and also plays a central role in diversity and inclusion organizations both in Japan and overseas. NX GROUP has appointed her director in anticipation of her supervision and advised based on her specialized and cutting-edge knowledge as the Group promotes sustainability management.

● : The mark indicates that each director has knowledge and expertise in each field. As of March 31, 2024



## Skills Matrix / Reasons for Selection

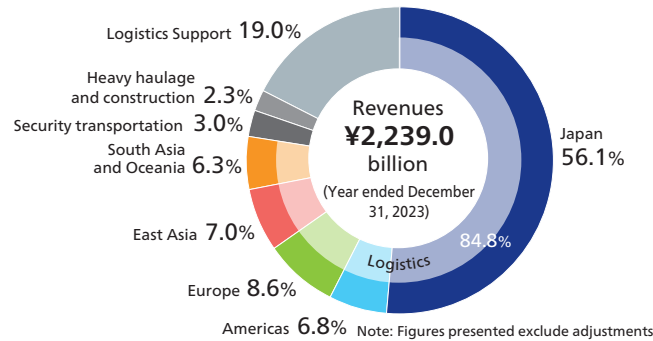
### Directors who are Audit and Supervisory Committee Members

Name	Areas in which the Company has particular expectations for its directors									Reasons for Appointing Directors
	Corporate Management		Legal/Risk Management	Finance/Accounting	Global Business	ESG/Sustainability	HR Strategy, Labor Management	On-site Management	Group Companies Other than Nippon Express Co., Ltd.	
	Corporate Management Experience Within the Group	Corporate Management Experience Outside the Group								
Takashi Nakamoto	●			●				●	●	Mr. Takashi Nakamoto has gained experience in the finance and accounting departments at domestic and overseas group companies, including Nippon Express Co., Ltd., and has used his extensive knowledge to contribute to strengthening the management foundation of the entire NX GROUP. In January 2022, he was appointed Head of the Internal Audit Department and worked hard to strengthen the audit system, including overseas. Given his experience and track record, the Group has determined that he is qualified to audit and supervise the management of the Group and has therefore appointed him as an Audit and Supervisory Committee member.
Yoshio Aoki Outside Independent			●	●						Mr. Yoshio Aoki was appointed as an outside member of the Company's Audit and Supervisory board in January 2022 for the position of monitoring management in all aspects of the Company's business based on his extensive experience as a certified public accountant and professional knowledge of finance and accounting. As NX GROUP strengthens its governance functions to increase its corporate value, we expect him to perform audits and supervision based on his specialized knowledge and abundant experience, and have therefore appointed him as an outside director and Audit and Supervisory Committee Member. While Mr. Aoki has no experience in corporate management other than as an outside director, it is our judgment based on the reasons above that he will be able to perform his duties appropriately as an outside director of the Audit and Supervisory Committee Member.
Nobuko Sanui Outside Independent		●				●	●			Ms. Nobuko Sanui has experience in the formulation of international rules in the field of labor at an employers' association and formulating policy recommendations that contribute to overseas expansion of companies. She is well versed in international and labor fields, and also has experience in managing organizations. Given her experience and knowledge, she is well suited to oversee management and was appointed as an outside auditor of the Group in January 2022. As NX GROUP strengthens its governance functions to increase its corporate value, we expect her to perform audits and supervision based on her abundant experience and knowledge, and have therefore appointed her as an outside director and Audit and Supervisory Committee Member.
Ryuji Masuno Outside Independent		●	●			●				Mr. Ryuji Masuno is an attorney and has extensive legal knowledge. He also has extensive knowledge of the logistics industry, having held key positions in the automobile and other transport division, including the consignment transport business, the public relations division, and the international division at the Ministry of Transport (now the Ministry of Land, Infrastructure, Transport and Tourism). During his previous term as Chairman of the Japan Trucking Association, he represented the industry by promoting efforts to resolve issues facing the automobile transport industry together with the government, thereby contributing to the healthy development of the trucking business. As NX GROUP strengthens its governance functions to increase its corporate value, we expect him to perform audits and supervision based on his specialized knowledge and abundant experience, and have therefore appointed him as an outside director and Audit and Supervisory Committee Member.

●: The mark indicates that each director has knowledge and expertise in each field. As of March 31, 2024

# At a Glance

## Reportable Segment Breakdown



## Revenues by Reportable Segment/ Reportable Segment Income (Unit: billion yen)

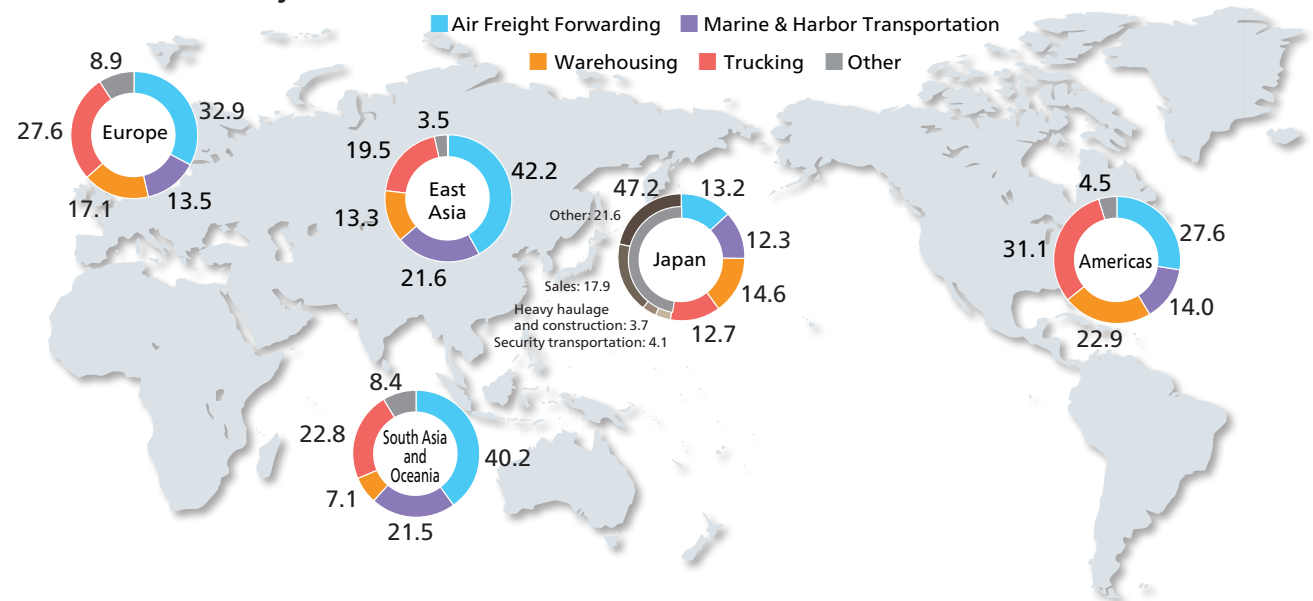
		Revenues	Segment Income (Business income)
Logistics	Japan	1,256.5	48.5
	Americas	151.2	9.2
	Europe	192.6	9.8
	East Asia	157.6	3.7
	South Asia & Oceania	140.8	8.3
	Security transportation	67.8	3.3
	Heavy haulage and construction	51.1	6.5
	Logistics support	425.8	13.8

NX GROUP provides a range of services via diverse transport modes in all regions in Japan and throughout the world to improve the efficiency and sophistication of our customers' supply chains and to enhance the added value of their goods.

## Areas of Operation/Products and Services

Segment	Areas of Operation										Main Products and Services
	Railway forwarding	Trucking	Air freight forwarding	Marine transportation	Harbor transportation	Warehousing	In-factory work	Information asset management	Real estate	Heavy haulage and construction	
Logistics	●	●	●	●	●	●	●	●	●	●	Railway utilization transportation, chartered truck services, combined delivery services, air freight forwarding, marine and harbor transportation, moving and relocation, warehousing and distribution processing, in-factory work, information asset management, real estate rental, fine arts transportation, heavy haulage and construction
Japan	●	●	●	●	●	●	●	●	●	●	
Americas		●	●		●	●					Air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services
Europe	●	●	●		●	●					Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services
East Asia	●	●	●		●	●					Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services
South Asia & Oceania	●	●	●		●	●				●	Railway utilization transportation, air freight forwarding, marine and harbor transportation, warehousing and distribution processing, moving and relocation, chartered truck services, heavy haulage and construction
Security transportation	Security guard, motor cargo transportation										Security transportation
Heavy haulage and construction	Heavy haulage and construction										Heavy haulage and construction
Logistics support	Sales of distribution equipment, wrapping and packaging materials, vehicles, petroleum, liquefied petroleum (LP) gas, etc., vehicle maintenance, insurance agency, brokerage, design, supervision, and management of real estate, survey and research business, logistics finance, employee dispatching										Sale of petroleum, other sales, real estate, finance, etc.

## Breakdown Revenues by Business (Unit: %)



## Segment Information Japan

### Main Initiatives in FY2023

#### Nippon Express Co., Ltd. launches NX Pharma-TC, new pharmaceutical logistics services

Nippon Express Co., Ltd. has launched NX Pharma-TC, a new pharmaceutical logistics service.

In this service, dedicated pharmaceutical bases that obtained Good Distribution Practice (GDP) certification in accordance with WHO standards (East Japan Pharmaceutical Center, West Japan Pharmaceutical Center, and Kyushu Pharmaceutical Center) and their transportation and delivery networks are used to transport pharmaceutical products to drug wholesalers across the country.

It is common for domestic pharmaceutical transportation in Japan to be carried out by a number of logistics companies, but NX GROUP has launched high-quality logistics services supported by a unified and standardized quality management system uniting pharmaceutical manufacturers' production facilities and drug wholesalers across the country.

#### Nippon Express Co., Ltd. concludes location agreement with Mashiki Town, Kumamoto Prefecture, toward the construction of Kumamoto Logistics Center

Nippon Express Co., Ltd. concluded a location agreement with Mashiki Town under the presence of representatives of Kumamoto Prefecture on May 19, 2023, toward the construction of the Kumamoto Logistics Center.

It is expected that Kumamoto will attract semiconductor-related companies in the future, and that there will sharp rise in logistics demand there. In response to this, we constructed our new warehouse, Kumamoto Logistics Center, in Mashiki Town, and started its operation in April 2024. This warehouse, which was developed by leveraging the expertise of Nippon Express with the latest logistics system and a wealth of experience, aims to serve as a hub to provide high-quality logistics services to customers including semiconductor-related companies, and contribute to the development of local communities such as by creating employment opportunities locally under a strong support system of Kumamoto Prefecture and Mashiki Town.

Prior to this, we also opened the Kumamoto Semiconductor Office on March 1, 2023, in Kumamoto City, and launched its operations. We will further enhance our system to support our customers' businesses in order to globally develop End-to-End solutions for semiconductor supply chains.



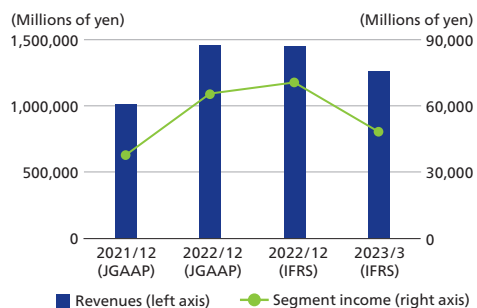
### Business Overview

Our employees, who maintain a strong awareness of safety, quality, and compliance, as well as a stance of placing the customer first, deliver optimal logistics service to our customer by leveraging various transport modes, including railways, automobiles, ships, and airplanes, as well as our extensive global network including NX GROUP companies. In addition, we provide the right solution for different needs in every area from business-to-business logistics to moving/relocation and transport of special goods, like fine arts and pharmaceuticals, by employing a logistics information system that combines our distribution centers, each of which boasts one of the largest warehousing floor areas in Japan, with our experience and know-how.

### Strategy and Policy

We will expand the areas of transactions with customers through strengthening account management in order to achieve the optimization of customer supply chains by utilizing our various transport modes and global network. In industry areas with potential for business growth such as those related to semiconductors or pharmaceuticals, we will expand bases and enhance their functions with proactive investments. We will also reform and revise business foundations and improve productivity by streamlining operations, aiming to achieve sustainable growth. Along with expanding sales in the metropolitan areas of Tokyo, Nagoya, and Osaka, where needs are concentrated, we are also focused on providing services that address the needs of major customers in each region.

### Revenues and Segment Income



Employees  
**40,981**

Capital investments  
**¥50.5 billion**

### FY2023 Performance

Affected by domestic logistics continuing to remain sluggish, a decrease in air and marine cargo handling volume, and a drop in unit sales prices, sales revenue amounted to ¥1,256.5 billion and segment income was ¥48.5 billion.

## Segment Information Americas

### Main Initiatives in FY2023

#### Garner 2000 Pharmaceutical Logistics Center opened in North Carolina, U.S.

MD Logistics LLC of NX GROUP opened Garner 2000 Pharmaceutical Logistics Center, a dedicated pharmaceutical warehouse, in North Carolina, U.S., and started its operation in January 2023. This facility is a warehouse dedicated to pharmaceuticals that is equipped with temperature control and security systems to meet even more sophisticated and diverse pharmaceutical logistics needs. MD Logistics, LLC will support the supply chains for customers of the pharmaceutical industry based on our extensive experience in the field of pharmaceutical logistics.

#### Mesa Logistics Center, a warehouse dedicated to semiconductors, opened in Mesa, Arizona

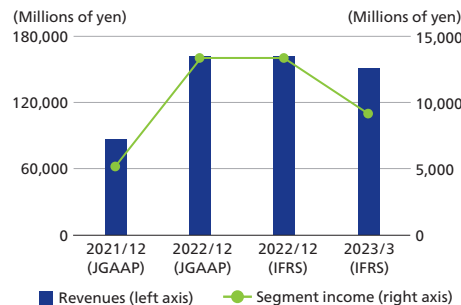
NIPPON EXPRESS U.S.A., INC. opened the Mesa Logistics Center in February 2023, a warehouse dedicated to semiconductors, in Mesa City, Arizona, which is attracting companies with cutting-edge technologies from various industries. This warehouse is compliant with Transportation Security Administration (TSA) requirements for air transport, and offers the environmental conditions (temperature and humidity levels, dust and static control) necessary for the handling of semiconductors and electronic components 24 hours a day, all year round. We will provide high-quality and efficient operations that can respond to urgent acceptances or deliveries to our customers in the semiconductor industry.



### Business Overview

In addition to our own offices in the U.S., Canada, Mexico, and Brazil, we also provide services throughout the Americas by establishing distributors in countries where we do not have local subsidiaries, thereby supporting NX GROUP's global network. In addition to marine and air transport, we have established a cross-border transportation system and warehousing capabilities for truck transportation between USMCA countries (U.S., Canada, and Mexico), where demand is high, and provide logistics solutions that strongly support our customers' supply chains.

### Revenues and Segment Income



Employees  
**3,356**

Capital investments  
**¥3.9 billion**

### Strategy and Policy

In NIPPON EXPRESS GROUP Business Plan 2028, we have set a goal of creating a robust business structure with balanced business segment portfolio by expanding warehousing, delivery and truck transportation businesses. As the return to production within the Americas is advancing in various manufacturing industries such as those for automobiles, semiconductors and pharmaceuticals, we will work on the enhancement and expansion of American domestic cross-border truck transportation business. As for priority industries, we will expand contract logistics business for the automobile and pharmaceutical industries. With regard to forwarding business, we will direct our efforts to acquiring demand in Trans-Atlantic and Latin American lanes. Through diversification, we aim to further expand our business.

### FY2023 Performance

Despite warehousing and distribution services remaining strong, there was a decrease in air and marine cargo handling volume, and a drop in unit sales prices, which resulted in sales revenue of ¥151.2 billion and segment income of ¥9.2 billion.

## Segment Information Europe

### Main Initiatives in FY2023

#### NX Ireland acquires GDP certification for company-owned warehouse

Ireland is one of the world's leading manufacturers and exporters of pharmaceutical products, attracting many life sciences companies around the National Institute for Bioprocess Research and Training (NIBRT). As the world's top ten pharmaceutical companies have set up operations in Ireland, the country is expecting to see growth in businesses related to pharmaceuticals. The recently GDP-certified NX Ireland Contract Logistics Centre is located approximately 3 km from Dublin International Airport and approximately 12 km from Dublin Port, making it an ideal site for both air and sea transport. It is equipped with a temperature-controlled facility (2,509 m<sup>2</sup>) that can accommodate two temperature ranges, refrigerated storage from 2°C to 8°C and constant-temperature storage from 15°C to 25°C, and provides a safe and high-quality pharmaceutical logistics platform by combining NX GROUP's international temperature-controlled transport services with temporary storage capabilities in a GDP-certified warehouse. NX GROUP will continue strengthening its efforts in the pharmaceutical industry, which is positioned as a priority industry in the Group's current business plan, as well as expanding and developing its services globally to meet increasingly sophisticated and diverse pharmaceutical logistics needs.

#### Initiatives for lifestyle and luxury high-fashion industries

While strengthening our efforts in the apparel industry, we are advancing the luxury fashion sector as a priority target of our global business.

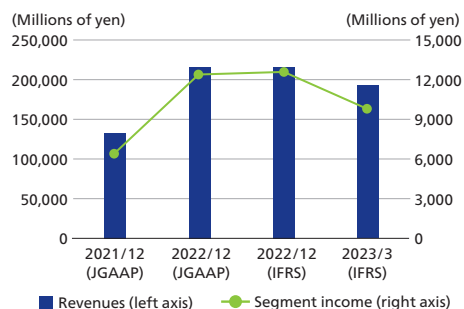
Toward the expansion of lifestyle-related logistics business operations with Italy as the base of origin, we acquired Franco Vago, which had been developing forwarding businesses addressing the needs of high-end fashion brands as major customers in 2013, Traconf, which had also been offering warehousing and delivery services addressing the needs of high-end fashion brands as major customers in 2018, and the Tramo Group, which had been highly regarded by the market for its accomplishment in providing freight forwarding, via land, sea and air, as well as white glove and storage services, mainly for high-end furniture manufactured in Italy, in October 2023. By integrating those companies' optimum functions for the collection and delivery of luxury interior products with our international transportation service, it will become possible to provide higher-quality services to customers.



#### Business Overview

NX GROUP operates locations in Germany, Italy, the Netherlands, and other major countries in Europe, as well as Türkiye and the United Arab Emirates. We provide logistics services mainly to our customers in the automobile, semi-conductor, medical and pharmaceutical, and lifestyle industries.

#### Revenues and Segment Income



Employees  
**4,287**

Capital investments  
**¥4.7 billion**

#### Strategy and Policy

In the forwarding sector, we aim to develop a scheme to enable competitive pricing and increase handling volume, and work on the formulation of sales strategies based on customer analyses and the expansion of business domains to handle (cross-selling and up-selling). In the logistics business, we direct our efforts to the enhancement of professional human resources, the development of solutions using advanced technology, and the strengthening of sales. We will also address the expansion of intra-regional truck transportation business, as well as on the business expansion in untapped areas and fields, such as business development in Northern Europe and Africa. Besides, we will appropriately respond to new regulations and systems for corporate social responsibility in Europe, such as the Corporate Sustainability Reporting Directive (CSRD) and the Supply Chain Due Diligence Directive (CSDDD).

#### FY2023 Performance

Affected by a decrease in air and marine cargo handling volume, and a drop in unit sales prices, sales revenue amounted to ¥192.6 billion and segment income was ¥9.8 billion.

## Segment Information East Asia

### Main Initiatives in FY2023

#### Efforts to improve NX GROUP's name recognition in the East Asia region and to expand the domestic logistics business in China

For the sixth consecutive year, our East Asia Region exhibited at the China International Import Expo (CIIE), a national-level event held annually in Shanghai since it was first held in 2018. We also first participated in the China International Supply Chain Exhibition (CISCE) spotlighted as the first exhibition focused on supply chain in China to showcase our services in China boasting the most massive consumer market in East Asia and spread the NX brand.



#### Two corporations in China, NX NIPPON EXPRESS LOGISTICS (CHINA) CO.,LTD. And NX NIPPON EXPRESS GLOBAISCM (Shanghai ) CO., LTD., introduces automated warehouses

These two corporations in China mainly developing logistics business are gradually advancing the introduction of automated equipment for the purpose of labor-saving, and the improvement of storage capacity and picking efficiency.

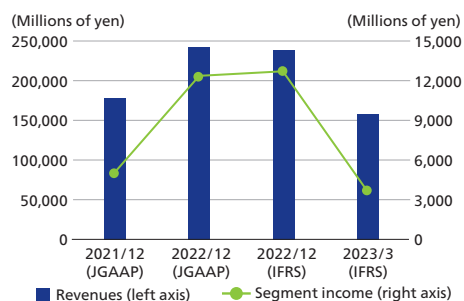
We are designing an automated warehouse with automated equipment incorporated with multiple facilities such as automated guided vehicles (AGVs), automatic sorters and labelers. We will also work on the introduction of remotely operated robots to provide warehousing work in hot and humid environments that can impose great burden on workers for the improvement of our labor environment.



### Business Overview

We have offices in the East Asian region including China, Hong Kong, Taiwan, and South Korea. In China, where domestic demand is large, we utilize mainline transport connecting major cities, an intra-city automobile delivery network, and warehouse bases located throughout the country to implement domestic logistics, including procurement and production logistics of home appliances and automotive parts, and sales logistics of general merchandise and apparel. In addition, to meet the growing demand for pharmaceutical logistics, we have established a dedicated branch to work on obtaining GDP certification and expanding our temperature-controlled transport services. Amid the trend toward increased trade with the rest of the region due to strengthened economic ties, we are expanding our cross-border transportation services with the Southeast Asian region in addition to our rail transport services for Europe and Central Asia. We are also implementing measures to expand specialized human resources in order to extend sales to e-commerce platformers boosting the quantity of physical distribution for overseas and reinforce market research.

### Revenues and Segment Income



Employees  
**4,500**

Capital investments  
**¥0.7 billion**

### Strategy and Policy

Accelerating our efforts toward organizational optimization under the policy of transforming into a company with a resilient management structure, we established the Greater Bay Area Headquarters in the Great Bay Area including Hong Kong and Guangdong Province, China, in January 2024, and started our activities to implement centralized management beyond the boundaries between a number of Group companies and operating companies existing in the same area. As our cargo-partner also has its base in the same area viewing it as an important strategic region for its forwarding to Europe, we aim to create synergies by promoting collaboration.

### FY2023 Performance

Affected by a decrease in air and marine cargo handling volume, especially in the semiconductor and automotive-related sectors, as well as by a drop in unit sales prices, sales revenue amounted to ¥157.6 billion and segment income was ¥3.7 billion.

## Segment Information

### South Asia and Oceania

#### Main Initiatives in FY2023

##### New logistics centers start operation in Northern and Southern Vietnam

Nippon Express (Vietnam) Co., Ltd. opened and started operations of NX Yen Phong Logistics Center in Bac Ninh Province, northern Vietnam in May 2023 and NX VSIP2 Logistics Center in Binh Duong Province, southern Vietnam in August 2023.

In addition to providing services such as those related to apparel, and electrical and electronic equipment, inventory control for retailers, sorting, and packing, these centers will also serve as distribution hubs for Hanoi and other parts of northern Vietnam, as well as for Ho Chi Minh City and surrounding areas.

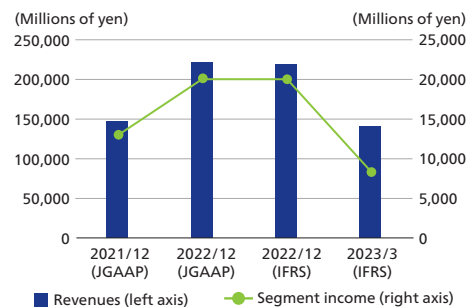
In addition, both centers have made it possible to provide bonded inventory management services for Export Processing Enterprises (EPEs).



#### Business Overview

NX GROUP operates bases in 15 countries, including ASEAN nations such as Singapore and Thailand, as well as India, Bangladesh, and Australia. As intra-regional economy becomes increasingly active as a production market and a consumer market, we are providing various transport services to support our customers' supply chains. We are also working on the acquisition of GDP certification for pharmaceutical logistics and the enhancement of various services such as temperature-controlled transport services, storage services and store-delivery services for apparel products and general consumable goods. In India, the largest economic sphere in the region, we are working to offer milk-run services for the efficient consolidation and delivery of automotive parts, as well as JIT logistics.

#### Revenues and Segment Income



Employees  
**8,392**

Capital investments  
**¥3.0 billion**

#### Strategy and Policy

We will accelerate our business growth, aiming to be a global logistics company with its strengths as a firm base in Asian growth markets. We are proceeding with the expansion of our network in the Indian Ocean Rim trade zone, which links India with the Middle East and East Africa, and in the Indian subcontinent, including Bangladesh and Pakistan. In our flagship ocean and air cargo forwarding businesses, we will expand trade lanes for Europe departing/arriving in Asia and India. We will also promote the expansion of warehousing and trucking business operations with a view to market growth in each country in the region.

#### FY2023 Performance

Affected by a decrease in air cargo handling of semiconductor-related products, and a drop in unit sales prices in marine transportation, sales revenue amounted to ¥140.8 billion and segment income was ¥8.3 billion.

## Segment Information

### Security Transportation Segment

#### Business Overview

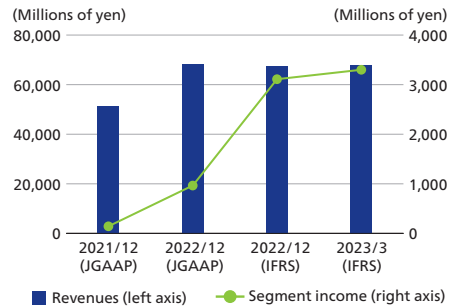
Since Nippon Express Co., Ltd. launched this business in 1965, the Security Transport Business Division has been a pioneer in the field of security for transporting valuables, having earned the largest market share in Japan.

In January 2023, we established NX Cash Logistics Co., Ltd. We are striving to become a cash logistics platform provider by reforming cash distribution in Japan. To this end, we will create a rational and low-social-impact system that will drastically eliminate waste and contribute to cost reductions for customers and society, thereby creating a "triple win" for customers, society, and our Group.

#### FY2023 Performance

There was a decrease in set-up services, which resulted in sales revenue of ¥67.8 billion, and segment income was ¥3.3 billion due to various cost reductions and other results.

#### Revenues and Segment Income



Employees  
7,071

Capital investments  
¥2.7 billion



#### Main Initiatives in FY2023

Toward the improvement of organizational capability based on the concept of the 5S principles, the Head Office organized 5S principles workshops to provide training to all employees at management level. From 2024 onwards, we will provide the training to many more employees.

Toward the development of a system to continuously ensure profit by expanding the share of cash logistics operations, we have worked on the following two initiatives. Firstly, we

are proceeding with the development of the Core System with the purpose of further improving sites with visualization and quantification of site operations. Secondly, considering the acceleration of the trend toward outsourcing operations within financial institutions, we will promote the enhancement of initiatives for acquiring businesses.

For the expansion of new business domains, we began collaboration between NX Cash Logistics Co., Ltd. and NX WAN-BISHI ARCHIVES CO., LTD., as part of our efforts to expand

business domains through group synergy. More specifically, by effectively utilizing management resources of these companies, we aim to achieve the unification of transportation and delivery and develop new services for customers, mainly for financial institutions. We began unifying transportation and delivery in the Nagoya area in October 2023. We will proceed with the initiative for the development of new services for financial institutions after selecting target areas.



# Segment Information

## Heavy Haulage and Construction Segment

### Business Overview

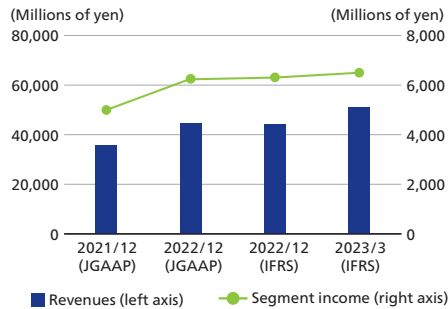
NX GROUP provides seamless service from the transportation and installation to assembly of equipment for the construction of wind energy stations, thermal power stations and petrochemical plants. Other services that NX GROUP provides includes the transport and installation of precision equipment such as one for clean rooms at a semiconductor manufacturing plant, and updating work for the equipment of road infrastructure including expressways.

In addition, since 1999, Nippon Express Co., Ltd. has been fully engaged in the transportation and installation of wind power generation equipment, which is in high demand in recent years due to its environmental friendliness, and 70% of the wind power generation facilities currently existing in Japan have been transported and installed by the Heavy Haulage & Construction Business Division of Nippon Express Co., Ltd.

### FY2023 Performance

Due to firm handling of wind power generation and industrial machinery-related cargo, sales revenue amounted to ¥51.1 billion and segment income was ¥6.5 billion.

### Revenues and Segment Income



Employees  
946

Capital investments  
¥3.1 billion



## Main Initiatives in FY2023

### Participation in the nation's largest offshore wind turbine project

Many construction sites for terrestrial wind turbine facilities are built on mountain ridge lines, so transporting the blades, which can be 40 to 60 m in length, and the nacelles (generators), which can weigh several tens of tons, while avoiding obstacles requires sophisticated technologies. Nippon Express

Co., Ltd. overcomes these challenges using trailers (blade standing systems) developed specifically for this purpose, together with detailed transport plans drafted by our highly experienced staff. In addition, we accepted an order in fiscal 2023 for the offshore wind turbine facilities utilizing wind turbines with the nation's largest capacity of 8.0 MW (Ishikari Bay New Port), and successfully completed construction. In

order to play a role in promoting the spread of renewable energy, which will expand as a global trend in the future, we will ensure high quality and safe operations and aim to maintain the top share of the Japanese market for transporting wind power generation equipment.

## Segment Information

### Logistics Support Segment

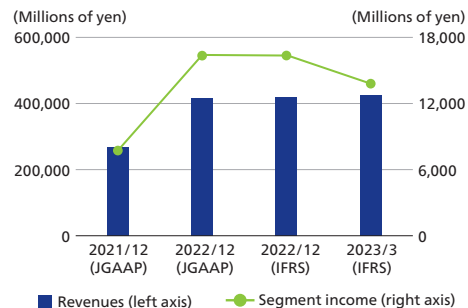
#### Business Overview

NX GROUP is developing businesses that make use of its network related to, or which are an extension of, its core business of logistics. They sell a variety of products essential for transportation, such as packaging materials, vehicles, oil and LP gas, and provide services in the industries of vehicle maintenance, insurance agency, logistics need research and surveys, logistics financing, worker dispatch, and real estate.

#### FY2023 Performance

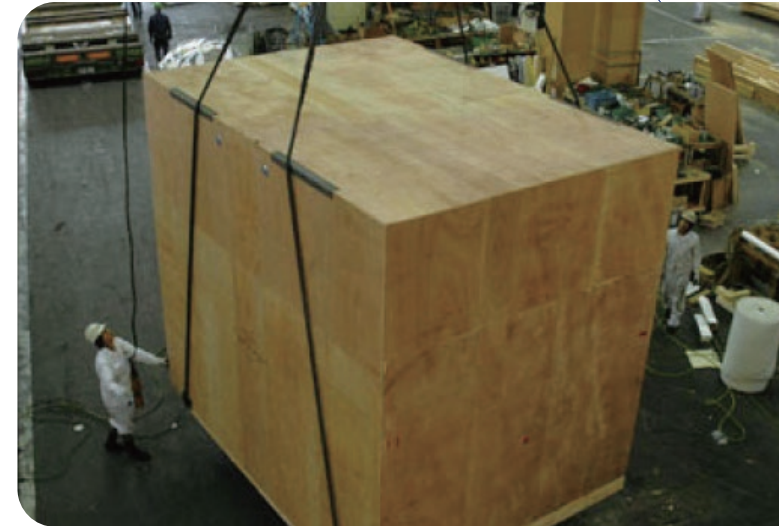
Due to an increase in the maintenance and production division's handling, sales revenue amounted to ¥425.8 billion, and due to a decrease in the handling by the petroleum division and the LP gas division, segment income was ¥13.8 billion.

#### Revenues and Segment Income



Employees  
4,631

Capital investments  
¥4.1 billion



### Main Initiatives in FY2023

#### Handling of carbon neutral LP gas by NX Shoji Co., Ltd.

Aiming to realize a decarbonized society, NX GROUP has started selling carbon neutral LP gas (hereinafter CNLPG). CNLPG is used for gas air-conditioners, hot-water supply systems and ranges in buildings. In regard to the CNLPG handled by

NX Shoji Co., Ltd., carbon credits certified by an international NGO in the U.S. are purchased to offset the CO<sub>2</sub> emitted from the mining and combustion of LPG, thereby reducing CO<sub>2</sub> emissions from LPG use to virtually zero.

NX GROUP is working to reduce CO<sub>2</sub> emissions to realize a

sustainable society and is working to utilize CNLPG as the LPG used at each site. We have created an original logo to be used for supply certificates and stickers, promoting CNLPG among a wide range of customers.

# Financial Information

## 11-Year Financial Summary

For 2013-2020, the consolidated fiscal years ended on March 31 of the following year  
From 2021, the consolidated fiscal year ends on December 31 each year

\* The end of a fiscal year for NX GROUP has been changed from March 31 to December 31 from FY2021. Therefore, consolidated results for the fiscal year ended December 31, 2021, a transitional period, comprise figures for the nine months from April 1 to December 31, 2021.

	Business plan 2023					Business plan 2018				Business plan 2015		
	2023(IFRS)	2022(IFRS)	2022 (JGAAP)	2021	2020	2019	2018	2017	2016	2015	2014	2013
For the fiscal year: (Millions of yen)												
Revenues <sup>*1</sup>	2,239,017	2,618,659	2,619,746	1,763,282	2,079,195	2,080,352	2,138,501	1,995,317	1,864,301	1,909,105	1,924,929	1,752,468
Revenues by reportable segment <sup>*2</sup> from the fiscal year through March 2011 to the fiscal year through March 2016												
Distribution & Transportation												
Domestic Companies												
Combined Business	—	—	—	—	—	—	—	—	—	736,568	742,356	721,717
Security transportation	—	—	—	—	—	—	—	—	—	53,803	55,401	54,651
Heavy haulage and construction	—	—	—	—	—	—	—	—	—	51,395	46,886	36,656
Air transportation	—	—	—	—	—	—	—	—	—	182,533	210,763	181,720
Ocean transportation	—	—	—	—	—	—	—	—	—	118,205	118,836	131,708
Overseas Companies												
Americas	—	—	—	—	—	—	—	—	—	94,697	79,160	69,066
Europe	—	—	—	—	—	—	—	—	—	84,579	83,609	72,788
East Asia	—	—	—	—	—	—	—	—	—	115,068	101,321	92,156
South Asia and Oceania	—	—	—	—	—	—	—	—	—	70,225	64,607	51,367
Sales	—	—	—	—	—	—	—	—	—	367,328	420,155	412,846
Other	—	—	—	—	—	—	—	—	—	173,632	143,602	61,460
Adjustment	—	—	—	—	—	—	—	—	—	(138,935)	(141,773)	(133,672)
Revenues by reportable segment from the consolidated year ended March 31, 2017 <sup>*2</sup>												
Logistics												
Japan	1,256,571	1,450,991	1,457,283	1,008,278	1,212,803	1,213,597	1,256,802 <sup>*3</sup>	1,188,695 <sup>*3</sup>	1,155,713	1,158,390	—	—
Americas	151,291	162,080	162,080	86,650	78,141	91,068	98,699	91,396	83,831	94,697	—	—
Europe	192,655	215,707	215,697	132,834	117,134	119,338	114,812	96,048	79,286	84,579	—	—
East Asia	157,663	241,529	242,009	178,079	143,689	112,048	122,754	117,487	101,746	115,068	—	—
South Asia and Oceania	140,840	221,886	221,854	146,838	114,738	90,112	91,874	85,382	70,343	70,225	—	—
Security transportation	67,892	68,088	68,478	51,361	69,239	72,589	72,647 <sup>*3</sup>	72,022 <sup>*3</sup>	54,781	53,803	—	—
Heavy haulage and construction	51,111	44,542	44,542	35,806	45,877	52,358	47,751	47,602	46,985	51,395	—	—
Logistics Support	425,896	421,609	414,836	267,132	447,837	471,201	483,965	443,264	403,994	410,906	—	—
Adjustment	(204,906)	(207,775)	(207,037)	(143,699)	(150,266)	(141,962)	(150,806)	(146,582)	(132,381)	(129,962)	—	—
Operating income	60,098	155,510	128,716	68,754	78,100	59,224	79,598	70,269	57,431	54,778	50,811	40,865
Profit attributable to owners of parent	37,050	108,318	109,809	54,049	56,102	17,409	49,330	6,534	36,454	35,659	26,382	26,345
At year-end: (Millions of yen)												
Total capital	817,806	779,150	771,274	656,952	600,707	556,506	560,444	547,494	552,985	538,018	550,137	509,954
Total assets	2,107,116	2,075,197	1,730,922	1,618,221	1,631,855	1,518,037	1,536,677	1,517,060 <sup>*4</sup>	1,521,800	1,484,953	1,453,617	1,377,443
Net cash provided by operating activities <sup>*5</sup>	185,705	295,206	241,107	44,024	146,605	98,206	72,698	91,865	102,360	78,844	74,519	57,892
Cash and cash equivalents <sup>*5</sup>	315,076	276,679	274,075	131,837	168,362	96,171	102,092	137,891	163,386	146,007	148,942	125,900
Per share <sup>*6</sup> (Yen):												
Equity attributable to owners of parent <sup>*7</sup>	9,097.87	8,485.15	8,391.95	7,035.33	6,354.98	5,805.12	5,749.60	5,519.09	5,586.52	521.77	531.06	483.38
Net income <sup>*7</sup>	418.58	1,202.34	1,218.89	595.19	604.79	185.06	515.13	68.06	371.32	35.61	25.87	25.62
Ratios (%):												
Operating income ratio	2.7	5.9	4.9	3.9	3.8	2.8	3.7	3.5	3.1	2.9	2.6	2.3
Ratio of equity attributable to owners of parent	38.0	36.5	43.2	39.3	35.7	35.5	35.4	34.9 <sup>*4</sup>	35.2	35.2	36.6	36.0
ROE attributable to owners of parent	4.8	15.5	15.9	8.9	10.0	3.2	9.2	1.2	6.9	6.8	5.1	5.2

\*1 Revenues do not include consumption taxes.

\*2 Effective from the consolidated fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008). The above listed revenues by segment do not include internal sales or money transfers between segments.

\*3 In accordance with organizational reforms of the Security Transportation business, part of the Japan (Logistics) segment was reorganized as the Security Transportation segment effective from the fiscal year ended March 31, 2019. The fiscal 2017 results have been adjusted to reflect this change.

\*4 Nippon Express Co., Ltd. has applied Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, issued February 16, 2018) since April 1, 2018. The total assets and equity ratio figures for fiscal 2017 have been retroactively adjusted to reflect this application.

\*5 From the fiscal year ended March 31, 2015 onward, cash related to CSD services and exchange money delivery services in the Security Transportation Business has been excluded from the scope of funds (i.e., cash and cash equivalents). The effect of this change has been retrospectively applied to the figures presented above for net cash provided by operating activities as well as cash and cash equivalents at end of year for the fiscal year ended March 31, 2014.

\*6 Ten shares of common stock were consolidated into one share effective as of October 1, 2017. Accordingly, net assets and basic earnings per share are calculated on the assumption that said consolidation of shares was implemented at the beginning of the fiscal year ended March 31, 2017.

\*7 The Company adopted an executive compensation BIP trust as of the fiscal year ended March 31, 2017. For the purpose of calculating net assets per share, the Company's shares held by the trust are included in treasury stock, which is excluded from the number of shares of common stock at the end of the year. For the purpose of calculating basic earnings per share, the Company's shares held by the trust are included in treasury stock, which is excluded from the calculation of the weighted average number of shares of common stock during the year.

# Non-financial Information

## 11-Year Non-financial Summary

For 2013-2020, the consolidated fiscal years ended on March 31 of the following year  
From 2021, the consolidated fiscal year ends on December 31 each year

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Environment</b>											
Energy consumption* <sup>1</sup> (crude oil equivalent) (kl)	308,973	312,150	317,317	328,322	347,244	351,783	366,671	370,122	373,367	381,386	—
Water usage* <sup>2</sup> (thousand m <sup>3</sup> )	1,467	2,734	1,161	1,140	1,223	1,401	1,292	974	1,208	1,041	1,237
CO <sub>2</sub> emissions (Scope 1, 2) (t-CO <sub>2</sub> )	739,376	745,500	756,861	791,382	855,452	873,029	918,388	942,363	961,431	970,994	970,438
CO <sub>2</sub> emissions (Scope 1, 2, Group companies in Japan) (t-CO <sub>2</sub> )	631,956	649,336	661,242	675,854	726,264	761,182	809,864	851,831	869,875	876,159	885,066
CO <sub>2</sub> emissions (Scope 1, 2, Group companies overseas) (t-CO <sub>2</sub> )	107,420	96,164	95,621	115,528	129,188	111,847	108,524	90,532	91,556	94,835	85,372
Industrial waste volume (Group companies in Japan) (Unit: ton)	33,238	37,117	37,968	38,883	39,802	36,902	35,698	33,250	39,769	35,869	39,206
Number of eco-friendly vehicles owned (Group companies in Japan) (Unit: vehicle)* <sup>3</sup>	12,811	12,726	12,426	12,076	11,972	11,300	10,176	9,166	7,922	7,393	6,652
<b>Social*<sup>4</sup></b>											
Number of employees	28,341	34,697	35,253	34,766	34,449	32,280	31,871	32,008	32,094	32,510	33,153
Female employee ratio (%)	22.2	18.9	18.4	17.6	17.3	15.1	14.2	14.0	13.6	13.0	13.3
Female hiring ratio* <sup>5</sup> (%)	48.4	45.1	47.1	40.9	33.6	34.5	33.5	32.9	31.5	30.7	26.6
Number of mid-career hires	30	14	8	17	15	6	14	6	7	4	4
Number of mid-career female hires	10	2	2	4	5	2	4	1	2	1	0
Percentage of women with managerial positions	2.3	2.0	1.7	1.5	1.3	1.2	1.1	1.0	—	—	—
Ratio of employees who return to work after childcare leave: males (%)	99.5	100	100	95	100	100	100	100	—	—	—
Ratio of employees who return to work after childcare leave: females (%)	99.4	97.5	97	97	96	90	97	98	—	—	—
Average years with the company	17.2	15.9	16.4	16.0	16.2	18.0	17.8	17.6	17.5	18.3	17.7
Employment rate of persons with disabilities* <sup>6</sup> (%)	2.34	2.33	2.30	2.28	2.29	2.23	2.12	2.08	2.06	1.96	1.98
Number of overseas employees	23,084	22,269	21,327	21,520	22,811	22,068	21,403	20,651	20,602	19,954	18,563
Number of overseas locally hired employees	22,575	21,803	20,858	21,094	22,369	21,615	20,941	20,176	20,131	19,500	18,144
<b>Governance</b>											
Number of Board of Directors' resolutions* <sup>7</sup> (items)	65	69	58	66	65	60	67	55	60	57	60
Directors' meetings* <sup>7</sup> (hours)	22	18	14	16	14	18	20	17	17	18	26
Occupational accidents: Accident frequency rate* <sup>8</sup>	1.85	1.99	1.83	1.42	1.98	1.94	1.59	1.17	1.13	1.78	1.53
Occupational accidents: Severity rate* <sup>9</sup>	0.16	0.03	0.03	0.02	0.09	0.03	0.10	0.10	0.10	0.19	0.03

\*1 The data shown here aggregate the energy consumption by Nippon Express Co., Ltd. and its consolidated companies in Japan and overseas (equivalent to Scope 1 and 2). For natural gas, 13A city gas (heat value of 45 GJ/thousand m<sup>3</sup>) applies.

\*2 The figures after FY2018 are the aggregate for NX GROUP companies in Japan. The figures for FY2009 to FY2017 refer to Nippon Express Co., Ltd.

\*3 We revised the calculation method for vehicles complying with the new long-term emissions regulations and post new long-term emissions regulations. We also revised the number of vehicles prior to FY2020. In addition to vehicles that meet the fuel efficiency standards for heavy-duty vehicles, we included vehicles that meet the fuel efficiency standards for heavy-duty vehicles at +5%, +10%, and +15%.

\*4 Figures from "Number of employees" to "Employment rate of persons with disabilities\*<sup>5</sup> (%)" refer to Nippon Express Co., Ltd., which was a business holding company until FY2021.

\*5 Until FY2019, figures were calculated by including those who changed employment categories.

\*6 Combined results of NIPPON EXPRESS HOLDINGS, INC and group application certified companies (calculated based on the Act for Promotion of Employment of Persons with Disabilities)

\*7 Until FY2021, the figures include the results of the Board of Directors meetings at Nippon Express Co., Ltd., which was a business holding company until FY2021.

\*8 Frequency rate is an international indicator that expresses the rate of occupational accidents.

Number of casualties per one million working hours = Number of casualties/Total number of working hours x 1,000,000

\*9 Severity rate is an international indicator that indicates the degree of injury caused by occupational accidents.

Days lost per 1,000 working hours = Workdays lost/Total number of working hours x 1,000

## External Evaluations

The principal ESG investment indices for which NX GROUP has been selected are as follows. (As of March 2024)

### MSCI Nihonkabu ESG Select Leaders Index

Among the stocks that constitute MSCI Nihonkabu IMI indexes, stocks with high ESG ratings in each industry are selected. This index is used by the Government Pension Investment Fund for Japan (GPIF) as one of its selection guidelines for ESG investment.

### 2024 CONSTITUENT MSCI NIHONKAB ESG SELECT LEADERS INDEX

The inclusion of NIPPON EXPRESS HOLDINGS, INC. in any MSCI index, and the use of MSCI logs, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of NIPPON EXPRESS HOLDINGS, INC. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

### MSCI Japan Empowering Women (WIN) Select Index

This index selects companies that it expects to attain sustainable, long-term growth by calculating a score based upon disclosed information about the ratio of women employed and in management positions, and about diversity. This index is used by the Government Pension Investment Fund for Japan (GPIF) as one of its selection guidelines for ESG investment.

### 2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

The inclusion of NIPPON EXPRESS HOLDINGS, INC. in any MSCI index, and the use of MSCI logs, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of NIPPON EXPRESS HOLDINGS, INC. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

### S&P/JPX Carbon Efficient Index

This is formulated by S&P Dow Jones Indices based on carbon emissions data provided by environmental assessment company Trucost. This uses the TOPIX stock universe, and determines the weighting of its constituent stocks with a focus on levels of environmental information disclosure and carbon efficiency (carbon emissions per unit of sales).



### FTSE Blossom Japan Sector Relative Index

In addition to FTSE Russell's ESG ratings, this selective ESG composite index screens using an assessment of the magnitude of a company's environmental impact and its management of climate change risk.



### FTSE Blossom Japan Sector Relative Index

### Morningstar Japan ex-REIT Gender Diversity Tilt Index

Indexes are designed to make it possible to make investments focusing on companies that have strong gender diversity policies embedded in their corporate culture and ensure equal opportunities to employees, regardless of their gender.

## The various initiatives carried out by NX GROUP have been evaluated highly by stakeholders

(Dates here indicate the release date of the news on our website, or of award receipt)

2023 June 1	Nippon Express Co., Ltd. receives a Two-Star Certification among a total of 407 offices in Japan under the Employee-Friendly Workplace Certification System
2023 June 7	Nippon Express Co., Ltd. wins Special Award at the 24th Logistics Environment Awards
2023 July 4	NX NP Logistics Co., Ltd. wins Logistics Improvement Award at the All Japan Logistics Improvement Case Conference 2023
2023 August 30	NIPPON EXPRESS (CHINA) CO., LTD., honored among the Top 50 Logistics Companies in China for seven consecutive years
2023 November 10	NX GROUP takes First Prize for Women's Division at the 38th National Forklift Operating Competition
2023 November 15	NX GROUP takes First Prize for 11-Ton Division and Women's Division at the 55th National Truck Driver Contest
2023 November 28	Nippon Express Co., Ltd. receives Award for Best Company Working on Modal Shift

## Company Information/Share Information (As of December 31, 2023)

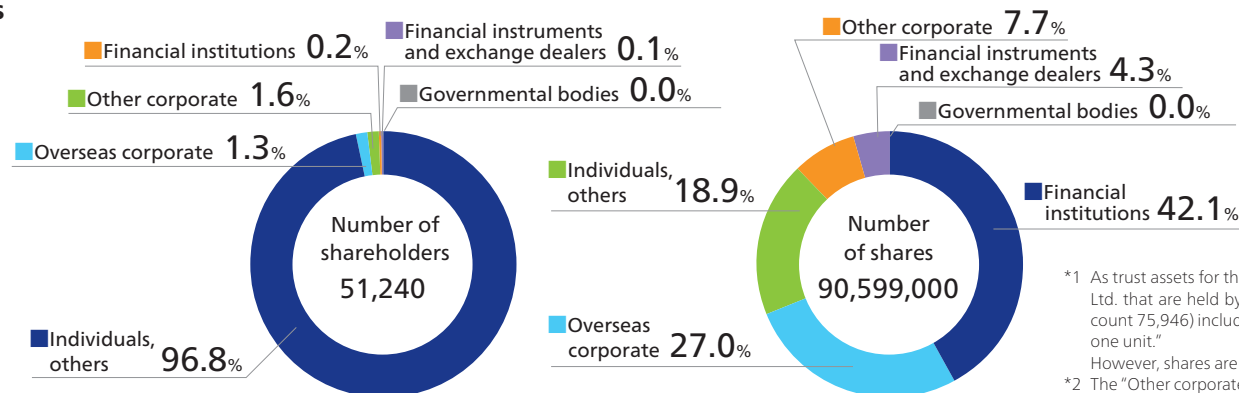
### Company Information

Company name	NIPPON EXPRESS HOLDINGS, INC.
Headquarters	Kanda-Izumicho 2, Chiyoda-ku, Tokyo, 101-0024 Japan TEL: +81-3-5801-1000 <a href="https://www.nipponexpress-holdings.com/">https://www.nipponexpress-holdings.com/</a>
Formal establishment	January 4, 2022
Paid-in capital	¥70,175 million
Business description	Management and administration of Group companies engaged in the trucking business and peripheral operations

### Share Information

Stock exchange	Tokyo
Number of shares	Total number of shares authorized: 340,000,000 Total number of shares outstanding: 90,599,225
Number of shareholders	51,240 employees
Administrator of shareholder registry Account managing institution of special account	Mitsubishi UFJ Trust and Banking Corporation

### Distribution of Shares



\*1 As trust assets for the performance-based stock compensation plan, shares of Nippon Express Co., Ltd. that are held by The Master Trust Bank of Japan, Ltd. (Executive Compensation BIP Trust Account 75,946) include 965 units under "financial institutions" and 19 shares under "shares less than one unit."

However, shares are recorded as treasury stock in the consolidated financial statements.

\*2 The "Other corporate" category contains ten units of shares in the name of Japan Securities Depository Center Inc.

### Major Shareholders

Name	Shares held (Thousands of shares)	Shareholding ratio: Total shares held to total number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,753	14.5
Custody Bank of Japan, Ltd. (Trust Account)	6,549	7.4
Asahi Mutual Life Insurance Company	5,601	6.4
Nippon Express Employees' Shareholding Association	4,073	4.6
Sompo Japan Insurance Inc.	3,567	4.1
Mizuho Trust & Banking Co., Ltd. as trustee for Retirement Benet Trust of Mizuho Bank, Ltd. (re-entrusted by Trust & Custody Services Bank, Ltd.)	2,850	3.2
STATE STREET BANK WEST CLIENT- TREATY 505234	1,519	1.7
JP Morgan Chase & Co.	1,433	1.6
JP MORGAN CHASE BANK 385781	928	1.1
Hino Motors, Ltd.	844	1.0

\* The number of shares owned by each trust bank company is related to trust business.

### Breakdown in Shareholding Ratio by Shareholder Category

