We Find the Way

Financial Results Presentation for Q2, Fiscal Year Ending December 31, 2021

November 12, 2021
Nippon Express Co., Ltd.
Investor Relations Promotion Group
Corporate Planning Division

Contents

I. Financial Results for Q2, Fiscal Year Ending December 31, 2021 (Pro Forma)

I. Fiscal Year Ending December 2021 (Pro Forma)

Change in Fiscal Year End

As a result of the change in fiscal year-end, we will disclose our consolidated statements of income on a financial reporting basis (summary) and on a supplementary converted 12-month basis (*estimated).

*Forecasts 2021 have been calculated using simplified methods, including historical elimination ratios. Figures are unaudited and for reference only.

■ Converted 12-Month Basis

Domestic Business: FYE December 2020 Jan-Dec (12 months), FYE December 2021 Jan-Dec (12 months), FYE December 2022 Jan-Dec (12 months)
Overseas Business: FYE December 2020 Jan-Dec (12 months), FYE December 2021 Jan-Dec (12 months), FYE December 2022 Jan-Dec (12 months)

	2020				2021				2022			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Domestic Business	FY2020				FYE December 2021				FY2022			
Overseas Business												

■ Financial Results for FYE December 2021 (Jan- Sep)

*The following represent pro forma results for the period in question.

Domestic Business: FYE December 2020 Jan-Sep (9 months), FYE December 2021 Jan-Sep (9 months)
Overseas Business: FYE December 2020 Jan-Sep (9 months), FYE December 2021 Jan-Sep (9 months)

I. FYE December 2021 Q2 (Pro Forma)

A Financial Results for January-September, FYE December 2021

Overview (Consolidated)

(100 million yen) (rounded down to 100 million yen)

Item	Current-Year Results (Jan-Sep 2021)	Prior-Year Results (Jan-Sep 2020)	Difference YoY	Difference YoY (%)
Revenues	16,781	14,797	1,984	13.4
Operating income	646	372	274	73.7
Operating income margin	3.9	2.5	—	—
Ordinary income	680	330	349	105.8
Profit attributable to owners of parent	427	241	185	77.0
Overseas sales	4,583	3,054	1,529	50.1

*We posted ¥6.8 billion in overseas segment net income representing Jan-Mar 2021 results to retained earnings in connection with the change in fiscal year end.

I. FYE December 2021 Q2 (Pro Forma)

A Financial Results for April-September, FYE December 2021

Overview (Consolidated)

(100 million yen) (rounded down to 100 million yen)

Item	Current-Year Results (Apr-Sep 2021)	Prior-Year Results (Apr-Sep 2020)	Difference YoY	Difference YoY (%)	Apr-Sep 2021 (Previous Announcement)	Difference [%]
Revenues	11,042	9,725	1,317	13.5	10,900	142 [1.3]
Operating income	363	224	138	61.8	360	3 [0.8]
Operating income margin	3.3	2.3	—	—	3.3	— [—]
Ordinary income	406	255	150	59.0	380	26 [7.0]
Profit attributable to owners of parent	306	224	81	36.2	250	56 [22.5]
Overseas sales	3,165	2,089	1,076	51.5	2,896	269 [9.3]

Financial results for the cumulative consolidated second quarter of the fiscal year ending December 31, 2021, are as disclosed in these presentation materials.
Entering the second quarter, our overseas and international logistics businesses remained strong. However, the domestic business has yet to recover due to the impact of ongoing declarations of states of emergency. At the same time, consolidated business results showed an increase in revenue and an increase in every profit measure below operating income, reflecting a rebound from the impact of COVID-19 in the previous year.
Compared to the forecasts we published on August 13, revenues and profit measures below operating income outperformed forecast. However, In the East Asia bloc, China recorded high levels of doubtful accounts related the handling of ocean cargo, posting ¥1.2 billion in allowances. These allowances drove down performance in profit measures below operating income.

Overseas, higher volume for automobile-related goods and cost reduction measures implemented in the Americas beginning in the prior year contributed to increased profits. In Europe, we saw solid performance in automobile-related and electric and electronics-related components, as well as chartered air transport volume for apparel from Italy. As a result revenues and profits increased in both the Americas and Europe.
South Asia recorded higher revenues and profits as air export freight forwarding continued to be firm, mainly for automobile-related work. Ocean cargo transportation volume rose as well. On the other hand, revenues rose while profits declined in East Asia. Even though air export freight forwarding rose, automobile transportation volume was weak due to a decline in automobile-related production caused by a shortage of semiconductors, while we also posted a provision for doubtful accounts as mentioned earlier.

Japan recorded increased revenues and profit. While air and ocean forwarding, as well as e-commerce-related, performed solidly, the domestic business was sluggish due to state of emergency declarations, railway interruptions in the Sanyo region due to heavy rains, and factory stoppages due in the automotive industry due to semiconductor shortages.

As described above, we believe our management strategy to date has been successful in driving the performance of our overseas business and international logistics business as we utilize our global network. However, our domestic business remained sluggish due to cargo movement remaining below pre-COVID-19 levels, with the exception of certain industries.
Although the latest state of emergency declaration has been lifted and we expect a recovery in the future, it is vital that we respond to changes in the supply chain and capture areas of growth. At the same time, we are pursuing our growth strategy for our core businesses in Japan and globally.
We are treating the occurrence of doubtful accounts and the negative impact on financial performance this fiscal year as a serious issue. We intend to strengthen our credit management function once again. Although not related to the doubtful accounts just mentioned, we believe we must pay close attention to the tightening of controls by the Chinese authorities and the potential impact on our businesses.
As can be seen in the stagnation in air freight volume due to measures to prevent the spread of infection, regulations and controls have tightened at a very fast pace, particularly in China. Therefore, it is important that we be prepared for unforeseen circumstances at any time.
Accordingly, we believe that strengthening our global governance structure, one of the purposes of our transitioning to a holding company structure, is vital for raising the level and increase the speed of risk management as we keep in mind country risk around the globe, including risks in China.

I. FYE December 2021 Q2 (Pro Forma)

B Financial Results for July-September, FYE December 2021

Overview (Consolidated)

(100 million yen) (rounded down to 100 million yen)

Item	Current-Year Results (Jul-Sep 2021)	Prior-Year Results (Jul-Sep 2020)	Difference YoY	Difference YoY (%)
Revenues	5,591	4,965	626	12.6
Operating income	161	154	7	4.8
Operating income margin	2.9	3.1	—	—
Ordinary income	171	169	2	1.2
Profit attributable to owners of parent	154	125	29	23.3
Overseas sales	1,686	1,073	613	57.1

I. FYE December 2021 Q2 (Pro Forma)

C Japan and Overseas Results (not including adjustments)

(100 million yen) (rounded down to 100 million yen)

Segment	Item	Current-Year Results (Jan-Sep 2021)	Prior-Year Results (Jan-Sep 2020)	Difference YoY	Difference YoY (%)
Japan Total	Revenues	13,548	12,749	798	6.3
	Segment income	502	369	133	36.1
Overseas Total	Revenues	4,583	3,054	1,529	50.1
	Segment income	245	118	126	106.1

Overseas sales ratio	27.3%

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I. FYE December 2021 Q2 (Pro Forma)

D Results by Reportable Segment (Jan-Sep)

(100 million yen) (rounded down to 100 million yen)

Segment	Item	Current-Year Results (Jan-Sep 2021)	Prior-Year Results (Jan-Sep 2020)	Difference YoY	Difference YoY (%)
Japan	Revenues	9,805	8,561	1,244	14.5
	Segment Income	372	242	129	53.4
The Americas	Revenues	783	560	222	39.8
	Segment Income	46	(0)	47	—
Europe	Revenues	1,118	822	296	36.0
	Segment Income	44	14	30	201.7
East Asia	Revenues	1,471	884	586	66.3
	Segment Income	56	45	11	24.9
South Asia & Oceania	Revenues	1,209	786	423	53.8
	Segment Income	96	59	37	62.4
Security Transportation	Revenues	516	522	(5)	(1.1)
	Segment Income	(1)	(4)	3	—
Heavy Haulage & Construction	Revenues	333	359	(26)	(7.2)
	Segment Income	40	39	1	2.7
Logistics Support	Revenues	2,891	3,306	(414)	(12.5)
	Segment Income	92	92	(0)	(0.4)

I. FYE December 2021 Q2 (Pro Forma)

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D Results by Reportable Segment (Apr-Sep)

(100 million yen) (rounded down to 100 million yen)

Segment	Item	Current-Year Results (Apr-Sep 2021)	Prior-Year Results (Apr-Sep 2020)	Difference YoY	Difference YoY (%)	Apr-Sep 2021 Forecast (Previous Announcement)	Difference
Japan	Revenues	6,506	5,610	895	16.0	6,411	95
	Segment Income	205	138	67	48.6	221	(15)
The Americas	Revenues	552	354	197	55.7	557	(4)
	Segment Income	34	(0)	35	—	32	2
Europe	Revenues	793	547	245	44.8	696	97
	Segment Income	32	12	19	160.6	28	4
East Asia	Revenues	1,004	618	385	62.3	895	109
	Segment Income	22	39	(17)	(42.6)	30	(7)
South Asia & Oceania	Revenues	815	567	247	43.6	748	67
	Segment Income	59	52	7	14.3	56	3
Security Transportation	Revenues	342	343	(0)	(0.2)	343	(0)
	Segment Income	1	(9)	10	—	6	(4)
Heavy Haulage & Construction	Revenues	238	250	(12)	(4.9)	254	(15)
	Segment Income	30	28	2	9.1	28	2
Logistics Support	Revenues	1,628	2,076	(447)	(21.6)	1,650	(21)
	Segment Income	40	53	(13)	(25.2)	36	4

I. FYE December 2021 Q2 (Pro Forma)

D Results by Reportable Segment (Jul-Sep)

(100 million yen) (rounded down to 100 million yen)

Segment	Item	Current-Year Results (Jul-Sep 2021)	Prior-Year Results (Jul-Sep 2020)	Difference YoY	Difference YoY (%)
Japan	Revenues	3,240	2,877	362	12.6
	Segment Income	89	114	(24)	(21.7)
The Americas	Revenues	285	187	98	52.3
	Segment Income	14	(0)	15	—
Europe	Revenues	425	300	125	41.7
	Segment Income	15	10	5	50.1
East Asia	Revenues	544	291	253	86.7
	Segment Income	5	16	(11)	(67.5)
South Asia & Oceania	Revenues	431	294	136	46.4
	Segment Income	30	27	2	9.7
Security Transportation	Revenues	171	173	(2)	(1.4)
	Segment Income	0	(0)	1	—
Heavy Haulage & Construction	Revenues	114	119	(4)	(3.7)
	Segment Income	14	12	1	15.2
Logistics Support	Revenues	830	1,058	(227)	(21.5)
	Segment Income	22	26	(3)	(13.4)

I. FYE December 2021 Q2 (Pro Forma)
*Reference (Quarterly Results)

D Reference: Performance by Segment (Apr-Jun 2021 vs. Jul-Sep 2021)

(100 million yen) (rounded down to 100 million yen)

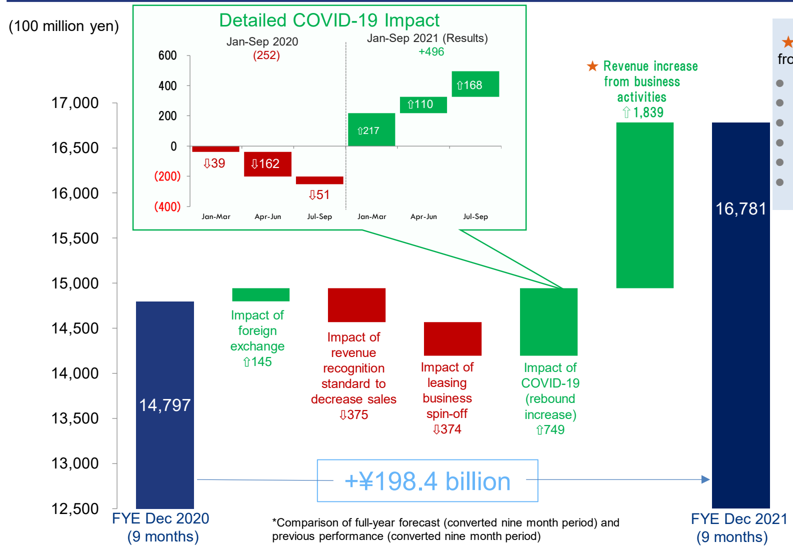
Segment	Item	Current-Year Results (Jul-Sep 2021)	Current-Year Results (Apr-Jun 2021)	Difference YoY	Difference YoY %
Japan	Revenues	3,240	3,266	(26)	(0.8)
	Segment Income	89	115	(25)	(22.4)
The Americas	Revenues	285	267	17	6.7
	Segment Income	14	19	(4)	(23.1)
Europe	Revenues	425	367	57	15.7
	Segment Income	15	17	(1)	(11.2)
East Asia	Revenues	544	459	84	18.5
	Segment Income	5	17	(12)	(68.7)
South Asia & Oceania	Revenues	431	383	47	12.3
	Segment Income	30	29	0	2.5
Security Transportation	Revenues	171	171	0	0.2
	Segment Income	0	0	(0)	(25.4)
Heavy Haulage & Construction	Revenues	114	123	(8)	(7.2)
	Segment Income	14	16	(1)	(9.4)
Logistics Support	Revenues	830	797	33	4.2
	Segment Income	22	17	4	28.2

I. FYE December 2021 Q2 (Pro Forma)

E Breakdown of Revenues and Operating Income

*Domestic and overseas total for January through September compared to the same period in the previous year

1. Revenues



★Breakdown of revenue decrease from business activities by segment

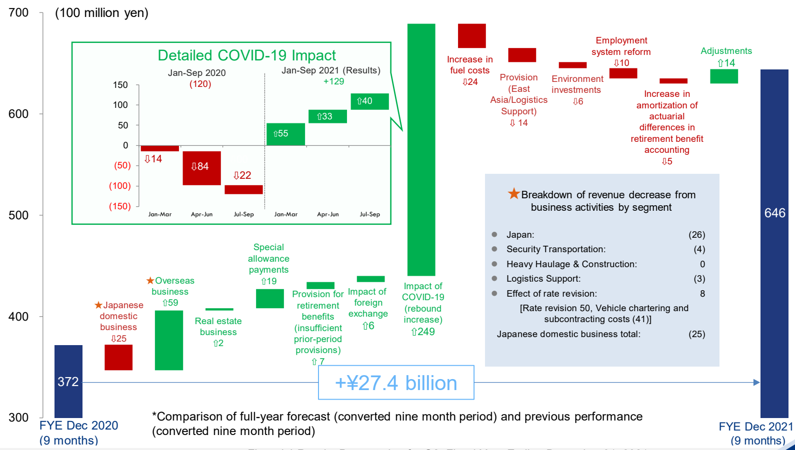
Japan:	834
Overseas total:	1,102
Security Transportation:	(16)
Heavy Haulage & Construction:	(29)
Logistics Support:	292
Adjustments:	(343)

I. FYE December 2021 Q2 (Pro Forma)

E Breakdown of Revenues and Operating Income

*Domestic and overseas total for January through September compared to the same period in the previous year

2. Operating income

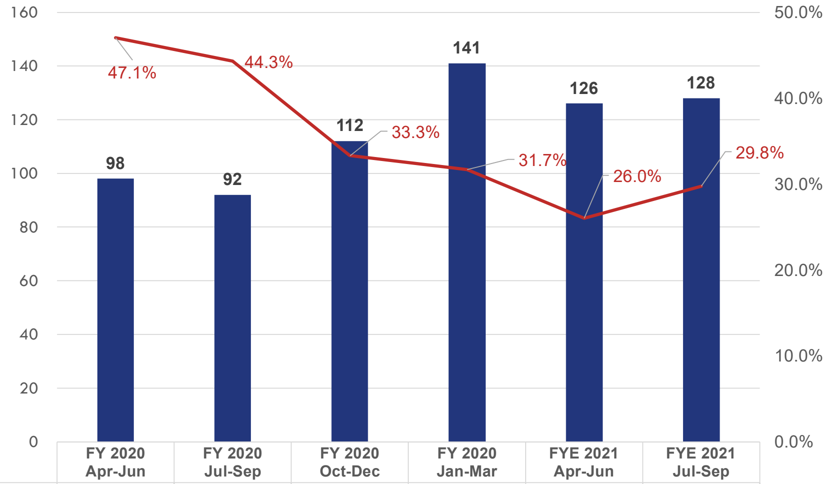


*Comparison of full-year forecast (converted nine month period) and previous performance (converted nine month period)

Reference Air Export Freight Forwarding Business Gross Profit and Gross Profit Margin by Quarter

*Air export freight forwarding gross profit: Net sales minus air usage fees
Gross profit margin: Ratio of gross profit from air export freight forwarding to net sales from air export freight forwarding

(100 million yen, %) (rounded down to 100 million yen)



	FY 2020 Apr-Jun	FY 2020 Jul-Sep	FY 2020 Oct-Dec	FY 2020 Jan-Mar	FYE 2021 Apr-Jun	FYE 2021 Jul-Sep
Air export freight forwarding gross profit	98	92	112	141	126	128
Gross profit margin	47.1%	44.3%	33.3%	31.7%	26.0%	29.8%

Air export freight forwarding gross profit — Gross profit margin

II. Financial Results Forecast for Fiscal Year Ending December 31, 2021 (Pro Forma)

II. Financial Results Forecast for Fiscal Year Ending December 31, 2021 (Pro Forma)

A Forecast for the FYE December 2021 (Jan-Dec 2021)

(100 million yen) (rounded down to 100 million yen)

Item	Revised Forecast (Announced November 12)	FYE Dec 2020 Results	Difference YoY	Difference YoY (%)	Previous Forecast (Announced August 13)	Difference [Difference %]
Revenues	22,538	20,522	2,016	9.8	22,238	300 [1.3]
Operating income	853	729	123	17.0	843	10 [1.2]
Operating income margin	3.8	3.6	—	—	3.8	—
Ordinary income	863	692	171	24.8	853	10 [1.2]
Profit attributable to owners of parent	571	503	67	13.4	511	60 [11.7]
Overseas sales	6,229	4,537	1,692	37.3	5,672	557

Item	FYE Dec 2021 Jan-Jun Results	FYE Dec 2021 Jul-Dec Forecast
Revenues	11,189	11,349
Operating income (Operating income margin)	484 [4.3]	368 [3.2]

*Comparison of full-year forecast (converted 12-month period) and previous performance (converted 12-month period)

*Segment income for Jan-Mar 2021 includes ¥6.8 billion in retained earnings in connection with change in fiscal year end.

II. Financial Results Forecast for Fiscal Year Ending December 31, 2021 (Pro Forma)

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A Forecast for the FYE December 2021 (Apr-Dec 2021)

(100 million yen) (rounded down to 100 million yen)

Item	Revised Forecast Apr-Dec 2021 (Announced November 12)	2020 Apr-Dec Results	Difference YoY	Difference YoY (%)	Previous Forecast (Announced August 13)	Difference
Revenues	16,800	15,450	1,349	8.7	16,500	300
Operating income	570	581	(11)	(2.0)	560	10
Operating income margin	3.4	3.8	—	—	3.4	—
Ordinary income	590	617	(27)	(4.5)	580	10
Profit attributable to owners of parent	450	486	(36)	(7.5)	390	60
Overseas sales	4,812	3,572	1,239	34.7	4,255	557

 Financial Results Presentation for Q2, Fiscal Year Ending December 31, 2021 17

In light of the current situation and outlook, we have revised our full-year forecasts upward for revenues, operating income, ordinary income, and net income by ¥30 billion, ¥1 billion, ¥6 billion, and ¥6 billion, respectively, compared to our previous announcement on August 13.

Although the outlook regarding the spread of infections remains unclear due to concerns of reemergence, at this stage we have assumed for the time being that our domestic business will recover gradually with the lifting of the latest state of emergency declaration.
With respect to our forwarding business, ocean forwarding will continue to face a shortage of space until the first half of next year. Air forwarding should remain firm at least until the Chinese New Year next year due to an increase in transportation demand toward the end of the year and the shift in demand to air from ocean cargo. More recently, since the beginning of October, air and ocean freight forwarding volume has experienced greater-than-expected growth, which is one of the main factors behind our upward revision. Although air and ocean forwarding costs remain high, we believe we must continue to maintain profit per unit, such as weight. The larger increase in our net income forecast is mainly due to an increase in gain on sales of shares held.

We have provided more details on initiatives under our business plan on each page.
In the context of our growth strategy for our core businesses, we have put into place a global sales structure and intend to implement Account Management as a means to grow sales.
We intend pursue a *customer (industry)* approach, identifying value from the customer's perspective, engaging in a market-in sales strategy by providing the products and services that meet customer needs.
At the same time, this approach is linked directly to the business and area axis approach. We intend to drive the growth of our core businesses with this three-axis approach encompassing axes defined by industry, business, and area.
Next, although we have achieved a certain level of success in reducing indirect costs and outsourcing costs in the context of our strategy to enhance domestic businesses in Japan, we believe there are many areas for improvement, including warehouse operation productivity. At the same time, by pursuing our growth strategy for our core businesses in Japan, we believe that we must expand industrial targets to areas of expected future growth, and design businesses that correspond to new business models.

II. Financial Results Forecast for Fiscal Year Ending December 31, 2021 (Pro Forma)

B Japan and Overseas Results Forecast (not including adjustments)

(100 million yen) (rounded down to 100 million yen)

Segment	Item	Current-Year Results (Jan-Dec 2021)	Prior-Year Results (Jan-Dec 2020)	Difference YoY	Difference YoY (%)
Japan Total	Revenues	18,021	17,393	627	3.6
	Segment Income	678	632	45	7.2
Overseas Total	Revenues	6,229	4,537	1,692	37.3
	Segment Income	319	222	97	43.9

Overseas sales ratio	27.6%

II. Financial Results Forecast for Fiscal Year Ending December 31, 2021 (Pro Forma)

C Forecasts by Reportable Segment

(100 million yen) (rounded down to 100 million yen)

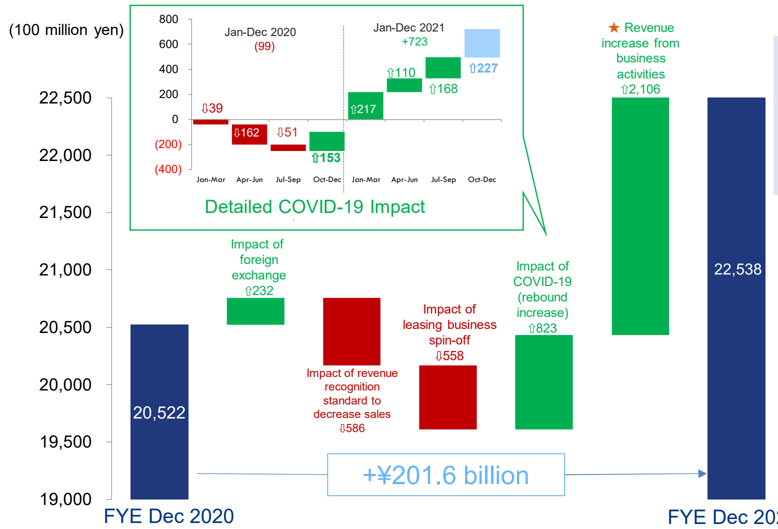
Segment	Item	1H Results (Jan-Jun)	2H Forecast (Jul-Dec)			Full-Year Forecast (Jan- Dec)				
			FYE Dec 2021 Revised Forecast	FYE Dec 2020 Prior-Year Results	Difference	FYE Dec 2021 Revised Forecast	FYE Dec 2020 Prior-Year Results	Difference	FYE Dec 2021 Previous Forecast	Difference
Japan	Revenues	6,565	6,453	6,095	358	13,019	11,779	1,240	13,003	16
	Segment Income	282	231	329	(98)	513	457	56	542	(29)
The Americas	Revenues	497	598	408	190	1,096	781	315	1,073	23
	Segment Income	32	35	5	30	67	4	62	54	13
Europe	Revenues	693	766	649	117	1,459	1,171	288	1,370	89
	Segment Income	29	26	29	(2)	56	34	22	56	0
East Asia	Revenues	926	1,122	843	278	2,048	1,436	611	1,769	279
	Segment Income	50	21	56	(34)	72	84	(12)	76	(4)
South Asia & Oceania	Revenues	778	846	655	190	1,624	1,147	477	1,458	166
	Segment Income	66	56	66	(10)	122	98	24	110	12
Security Transportation	Revenues	345	343	348	(4)	689	697	(7)	689	0
	Segment Income	(2)	3	2	0	0	(1)	2	4	(4)
Heavy Haulage & Construction	Revenues	219	226	231	(5)	445	472	(27)	465	(20)
	Segment Income	25	26	26	(0)	52	53	(0)	52	0
Logistics Support	Revenues	2,060	1,806	2,197	(390)	3,867	4,444	(577)	3,825	42
	Segment Income	69	41	56	(15)	110	123	(12)	110	0

II. Financial Results Forecast for Fiscal Year Ending December 31, 2021 (Pro Forma)

D Breakdown of Revenues and Operating Income

*Domestic and overseas total for January through December compared to the same period in the previous year

1) Revenues



★Breakdown of revenue decrease from business activities by segment

Japan:	774
Overseas total:	1,161
Security Transportation:	(19)
Heavy Haulage & Construction:	(34)
Logistics Support:	528
Adjustments:	(303)

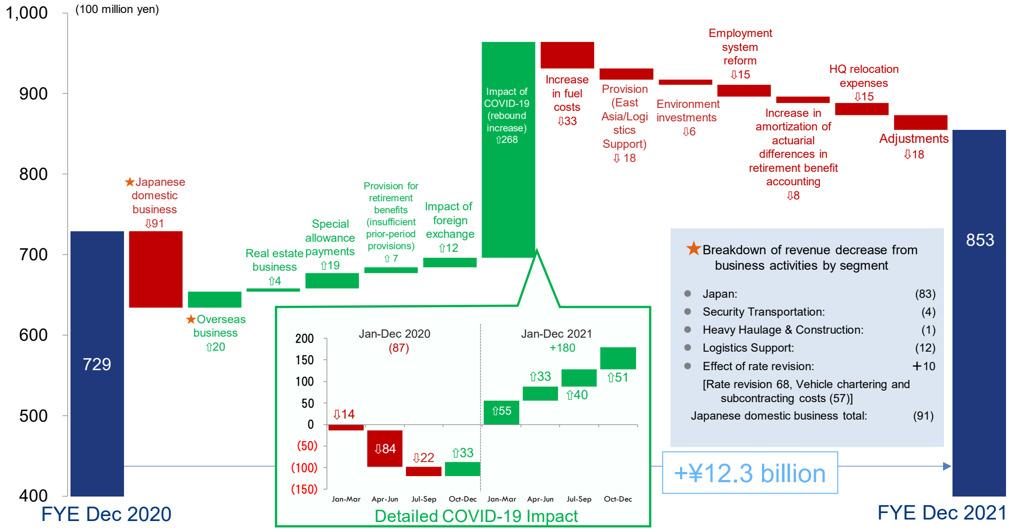
*Comparison of full-year forecast (converted 12-month period) and previous performance (converted 12-month period)

II. Financial Results Forecast for Fiscal Year Ending December 31, 2021 (Pro Forma)

D Breakdown of Revenues and Operating Income

*Domestic and overseas total for January through December compared to the same period in the previous year

2) Operating income



*Comparison of full-year forecast (converted 12-month period) and previous performance (converted 12-month period)

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II. -E Segment Overview, Fiscal Year Ending December 31, 2021

1. Japan Segment

(100 million yen)

1 Quarterly Results

Item	FYE Dec 2021 Jul-Sep Results	Vs. FYE Dec 2020		
		FYE Dec 2020	Difference	Difference (%)
Revenues	3,240	2,877	362	12.6
Operating income	89	114	(24)	(21.7)
Operating income margin	2.8	4.0	—	—

July-September Highlights

Cargo movement in the railway utilization and motor transportation businesses remained sluggish due to the impact of prolonged state of emergency declarations. The railway utilization business recorded revenues that were significantly lower due to the impact of torrential rains in August and a decrease in production in the automotive industry in September. The motor transportation business saw lower-than-usual yields in agricultural products and weaknesses in beverages. On the other hand, cargo demand exceeded the pace of the previous year in the air export freight forwarding business, mainly for automobile-related, electrical and electronics-related, and semiconductor-related products. The supply-demand balance for both air and ocean export freight forwarding was tight, with continued high freight rates, resulting in substantial revenue and profit growth. However, profit decreased due to slow recovery in our domestic business and the impact of soaring fuel costs.

2 Quarterly Results and Forecast

Item	Results and Forecast for FYE Dec 2021						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H Forecast	Full-Year Forecast
Revenues	3,299	3,266	6,565	3,240	3,213	6,453	13,019
Operating income	166	115	282	89	141	231	513
Operating income margin	5.1	3.5	4.3	2.8	4.4	3.6	3.9
Item	FYE Dec 2020 Results						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	2,950	2,733	5,683	2,877	3,217	6,095	11,779
Operating income	104	23	128	114	214	329	457
Operating income margin	3.5	0.9	2.3	4.0	6.7	5.4	3.9
Item	Comparison with FYE Dec 2020 (Upper：Difference / Lower：Difference (%))						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	348	532	881	362	(4)	358	1,240
	11.8	19.5	15.5	12.6	(0.1)	5.9	10.5
Operating income	62	92	154	(24)	(73)	(98)	56
	59.7	390.0	120.5	(21.7)	(34.1)	(29.8)	12.3

Special Factor

- Impact of fuel unit cost: [operating income] (20) [9 months], (28) [year]
- Cost increase associated with employee system reform:
  [operating income] (9) [9 months], (14) [year]
- Impact of COVID-19:
  [revenues] +421 [9 months], +466 [year]
  [operating income] +165 [9 months], +176 [year]
- Provision for retirement benefits:
  [operating income] +7 [Apr-Jun, year]
- Impact of special allowance payments:
  [operating income] +15 [Apr-Jun, year]
- Environment investments:
  [operating income] (6) [9 months], (6) [year]
- Real estate business:
  [operating income] +2 [9 months], +4 [year]
- HQ relocation expenses:
  [operating income] (15) [year]
- Impact of revenue recognition standard:
  [revenues] (11) [9 months], (0) [year]
- Impact due to actuarial differences in retirement benefits:
  [operating income] (4) [9 months], (6) [year]

3 Forecast Change

Item	Full-Year Financial Results Forecast		
	Revised Forecast	Previous Forecast	Difference
Revenues	13,019	13,003	16
Operating income	513	542	(29)
	3.9	4.2	—

Forecast for October-December 2021

High unit freight rates are expected to continue, and it is likely to take some time for ocean cargo transportation business to normalize. The air export freight forwarding business should continue to enjoy strong demand throughout the Christmas shopping season. We expect our domestic business, including railway and automobiles, to remain sluggish, falling below levels of the previous year, even after the domestic business is lifted. We forecast revenues to be on par with the previous year, while we project operating income to decrease due to the impact of soaring fuel prices and a negative rebound in response to spot business performance in the previous year.

II. -E Segment Overview, Fiscal Year Ending December 31, 2021

2. The Americas Segment

(100 million yen)

1 Quarterly Results

Item	FYE Dec 2021 Jul-Sep Results	Vs. FYE Dec 2020		
		FYE Dec 2020	Difference	Difference (%)
Revenues	285	187	98	52.3
Operating income	14	(0)	15	—
Operating income margin	5.2	(0.1)	—	—

July-September Highlights

The air transportation business saw growth in both imports and exports of automobile-related volume. The ocean cargo transportation business also saw an increase in volume. Revenues increased due to an increase in demand for forwarding to various locations in the US stemming from port congestion on the US West Coast. Warehousing and distribution processing saw increased volume for the garment-related business, launched in the previous quarter, as well as a contribution of volume from MDL, which we acquired in the previous year. While strong in the previous quarter, perishable food volume slowed. However, revenues increased and profit rose.

2 Quarterly Results and Forecast

Item	Results and Forecast for FYE Dec 2021						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H Forecast	Full-Year Forecast
Revenues	230	267	497	285	313	598	1,096
Operating income	12	19	32	14	20	35	67
Operating income margin	5.4	7.3	6.4	5.2	6.6	5.9	6.2
Item	**FYE Dec 2020 Results**						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	205	167	373	187	221	408	781
Operating income	(0)	(0)	(0)	(0)	5	5	4
Operating income margin	(0.0)	(0.2)	(0.1)	(0.1)	2.5	1.3	0.6
Item	**Comparison with FYE Dec 2020 (Upper: Difference / Lower: Difference (%))**						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	25	99	124	98	92	190	315
	12.2	59.5	33.4	52.3	41.8	46.7	40.3
Operating income	12	19	32	15	15	30	62
	—	—	—	—	273.3	566.8	—

Special Factor

- Impact of foreign exchange (weaker yen):
  [revenues] +4 [9 months], +18 [year]
  [operating income] +0 [9 months], +0 [year]
- Impact of COVID-19:
  [revenues] +48 [9 months], +62 [year]
  [operating income] +19 [9 months], +24 [year]
- Special allowance payments:
  [operating income] +0 [Apr-Jun, year]

3 Forecast Change

Item	Full-Year Financial Results Forecast		
	Revised Forecast	Previous Forecast	Difference
Revenues	1,096	1,073	23
Operating income	67	54	13
	6.2	5.1	—

Forecast for October-December 2021

We expect volume to increase during the Christmas shopping season. Unit freight rates for air and ocean export freight forwarding should remain at high levels, while we expect revenues and profits to increase year on year due to the impact of higher sales from apparel-related warehousing and distribution business, which began in the second quarter.

II. -E Segment Overview, Fiscal Year Ending December 31, 2021

3. Europe Segment

(100 million yen)

1 Quarterly Results

Item	FYE Dec 2021 Jul-Sep Results	Vs. FYE Dec 2020		
		FYE Dec 2020	Difference	Difference (%)
Revenues	425	300	125	41.7
Operating income	15	10	5	50.1
Operating income margin	3.5	3.4	—	—

July-September Highlights

The air forwarding business saw firm exports for automobile-related and electronic components. Volume for fashion-related products from Italy to the U.S. continued from the previous quarter, resulting in a significant increase in revenue compared with the previous year. Operating income increased, due in part to the impact of cost reduction measures implemented and ongoing since last year.

2 Quarterly Results and Forecast

Item	Results and Forecast for FYE Dec 2021						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H Forecast	Full-Year Forecast
Revenues	325	367	693	425	340	766	1,459
Operating income	12	17	29	15	11	26	56
Operating income margin	4.0	4.6	4.3	3.5	3.5	3.5	3.9

Item	FYE Dec 2020 Results						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	274	247	522	300	348	649	1,171
Operating income	2	2	4	10	19	29	34
Operating income margin	0.9	0.9	0.9	3.4	5.5	4.5	2.9

Item	Comparison with FYE Dec 2020 (Upper：Difference / Lower：Difference (%))						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	50	119	170	125	(8)	117	288
	18.6	48.4	32.7	41.7	(2.3)	18.0	24.6
Operating income	10	14	25	5	(7)	(2)	22
	397.0	652.7	516.1	50.1	(37.8)	(7.5)	67.0

Special Factor

- Impact of foreign exchange (weaker yen):
  [revenues] +58 [9 months], +75 [year]
  [operating income] +1 [9 months], +2 [year]
- Impact of COVID-19:
  [revenues] +131 [9 months], +150 [year]
  [operating income] +41 [9 months], +46 [year]
- Special allowance payments:
  [operating income] +0 [Apr-Jun, year]

3 Forecast Change

Item	Full-Year Financial Results Forecast		
	Revised Forecast	Previous Forecast	Difference
Revenues	1,459	1,370	89
Operating income	56	56	0
	3.9	4.1	—

Forecast for October-December 2021

We expect air forwarding revenue to be level with the same period in the previous year owing to steady volume in automobile- and fashion-related cargo. We project operating income to decrease due to the impact of a negative rebound in response to spot import performance last year.

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II. -E Segment Overview, Fiscal Year Ending December 31, 2021

4. East Asia Segment

(100 million yen)

1 Quarterly Results

Item	FYE Dec 2021 Jul-Sep Results	Vs. FYE Dec 2020		
		FYE Dec 2020	Difference	Difference (%)
Revenues	544	291	253	86.7
Operating income	5	16	(11)	(67.5)
Operating income margin	1.0	5.8	—	—

July-September Highlights

Air forwarding experienced firm cargo movement for automobile-, medical-, and electronics component-related goods. Ocean forwarding saw rising freight rates due to the shortage of containers, resulting in a significant year-on-year increase in revenues for both air and ocean forwarding. Operating income decreased due to higher expenses stemming from by soaring usage fees and allowance for doubtful accounts related to the handling of ocean cargo in China.

2 Quarterly Results and Forecast

Item	Results and Forecast for FYE Dec 2021						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H Forecast	Full-Year Forecast
Revenues	466	459	926	544	577	1,122	2,048
Operating income	33	17	50	5	16	21	72
Operating income margin	7.1	3.8	5.5	1.0	2.8	1.9	3.5

Item	FYE Dec 2020 Results						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	265	327	592	291	552	843	1,436
Operating income	5	23	28	16	39	56	84
Operating income margin	1.9	7.1	4.8	5.8	7.1	6.7	5.9

Item	Comparison with FYE Dec 2020 (Upper: Difference / Lower: Difference (%))						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	200	132	333	253	25	278	611
	75.6	40.6	56.3	86.7	4.5	33.0	42.6
Operating income	28	(5)	22	(11)	(23)	(34)	(12)
	560.8	(24.5)	80.0	(67.5)	(59.3)	(61.8)	(14.4)

Special Factor

- Impact of foreign exchange (weaker yen):
  [revenues] +59 [9 months], +103 [year]
  [operating income] +3 [9 months], +6 [year]
- Impact of COVID-19:
  [revenues] +18 [9 months], +32 [year]
  [operating income] (8) [9 months], (7) [year]
- Special allowance payments:
  [operating income] +0 [Apr-Jun, year]
- Allowance for doubtful accounts:
  [operating income] (12) [9 months], (12) [year]

3 Forecast Change

Item	Full-Year Financial Results Forecast		
	Revised Forecast	Previous Forecast	Difference
Revenues	2,048	1,769	279
Operating income	72	76	(4)
	3.5	4.3	—

Forecast for October-December 2021

We forecast higher revenues and lower profits. Although volume in the ocean forwarding business should be strong, we expect to see the impact of a negative rebound related to air export freight forwarding from the previous year's Christmas shopping season. At the same time, cost reduction measures implemented last year will have run their course.

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II. -E Segment Overview, Fiscal Year Ending December 31, 2021

5. South Asia & Oceania Segment

(100 million yen)

1 Quarterly Results

Item	FYE Dec 2021 Jul-Sep Results	Vs. FYE Dec 2020		
		FYE Dec 2020	Difference	Difference (%)
Revenues	431	294	136	46.4
Operating income	30	27	2	9.7
Operating income margin	7.0	9.4	—	—

July-September Highlights

Both air and ocean forwarding remained firm, and revenues increased substantially year on year. In Malaysia and the Philippines, unit purchase prices in the air export freight forwarding business rose. The supply chain in Vietnam experienced disruptions due to the lockdown in Ho Chi Minh City, and we continued to see emergency air cargo transportation for automobile-related volume. Revenues increased and operating income rose.

2 Quarterly Results and Forecast

Item	Results and Forecast for FYE Dec 2021						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H Forecast	Full-Year Forecast
Revenues	394	383	778	431	414	846	1,624
Operating income	36	29	66	30	26	56	122
Operating income margin	9.4	7.7	8.5	7.0	6.3	6.7	7.6

Item	FYE Dec 2020 Results						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	218	273	492	294	360	655	1,147
Operating income	7	24	31	27	39	66	98
Operating income margin	3.3	9.1	6.5	9.4	10.8	10.2	8.6

Item	Comparison with FYE Dec 2020 (Upper: Difference / Lower: Difference (%))						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	175	110	286	136	53	190	477
	80.4	40.5	58.2	46.4	15.0	29.1	41.6
Operating income	29	4	34	2	(13)	(10)	24
	412.0	19.6	108.1	9.7	(33.5)	(15.6)	24.4

Special Factor

- Impact of foreign exchange (weaker yen):
  [revenues] +23 [9 months], +34 [year]
  [operating income] +1 [9 months], +2 [year]
- Impact of COVID-19:
  [revenues] +82 [9 months], +52 [year]
  [operating income] +19 [9 months], +14 [year]
- Special allowance payments:
  [operating income] +0 [Apr-Jun, year]

3 Forecast Change

Item	Full-Year Financial Results Forecast		
	Revised Forecast	Previous Forecast	Difference
Revenues	1,624	1,458	166
Operating income	122	110	12
	7.6	7.6	—

Forecast for October-December 2021

In the run-up to the Christmas shopping season, both air and ocean export freight forwarding demand should be strong. However, we expect sales unit prices to remain in a downward trend at the same time that purchase unit prices in the air export freight forwarding business rise. Accordingly, we project increases in revenues and profits.

II. -E Segment Overview, Fiscal Year Ending December 31, 2021

6. Security Transportation Segment

(100 million yen)

1 Quarterly Results

Item	FYE Dec 2021 Jul-Sep Results	Vs. FYE Dec 2020 FYE Dec 2020	Difference	Difference (%)
Revenues	171	173	(2)	(1.4)
Operating income	0	(0)	1	—
Operating income margin	0.3	(0.6)	—	—

July-September Highlights

Our cash collection business, which was affected significantly by the spread of COVID-19 last year, recovered for another consecutive quarter. Despite the acquisition of new business center operations and revised fees, revenues were slightly lower due to the significant impact of fewer scheduled flights among certain customers. Operating income increased due to impairment losses recorded in the previous fiscal year.

2 Quarterly Results and Forecast

Item	Results and Forecast for FYE Dec 2021						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H Forecast	Full-Year Forecast
Revenues	174	171	345	171	172	343	689
Operating income	(3)	0	(2)	0	2	3	0
Operating income margin	(1.7)	0.4	(0.7)	0.3	1.6	1.0	0.1

Item	FYE Dec 2020 Results						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	179	169	348	173	174	348	697
Operating income	4	(8)	(3)	(0)	3	2	(1)
Operating income margin	2.5	(4.9)	(1.1)	(0.6)	1.9	0.7	(0.2)

Item	Comparison with FYE Dec 2020 (Upper：Difference / Lower：Difference (%))						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	(5)	1	(3)	(2)	(2)	(4)	(7)
	(2.8)	1.1	(0.9)	(1.4)	(1.3)	(1.4)	(1.1)
Operating income	(7)	9	1	1	(0)	0	2
	(169.0)	—	—	—	(16.2)	43.8	—

Special Factor

- Impact of fuel unit cost:
  [operating income] (3) [9 months], (4) [year]
- Cost increase associated with employee system reform:
  [operating income] (0) [9 months], (0) [year]
- Impact of COVID-19:
  [revenues] +10 [9 months], +11 [year]
  [operating income] +6 [9 months], +7 [year]
- Impact of special allowance payments:
  [operating income] +2 [Apr-Jun, year]
- Impact due to actuarial differences in retirement benefits:
  [operating income] (1) [9 months], (1) [year]

3 Forecast Change

Item	Full-Year Financial Results Forecast		
	Revised Forecast	Previous Forecast	Difference
Revenues	689	689	0
Operating income	0 0.1	4 0.7	(4) —

Forecast for October-December 2021

Despite the acquisition of new business and fee revisions for various services, we expect revenues to decrease slightly due to a negative rebound from the CSD replacement work performed last year. We also project operating income to remain flat year on year.

II. -E Segment Overview, Fiscal Year Ending December 31, 2021

7. Heavy Haulage & Construction Segment

(100 million yen)

1 Quarterly Results

Item	FYE Dec 2021 Jul-Sep Results	Vs. FYE Dec 2020		
		FYE Dec 2020	Difference	Difference (%)
Revenues	114	119	(4)	(3.7)
Operating income	14	12	1	15.2
Operating income margin	12.7	10.7	—	—

July-September Highlights

Although wind power-related performed well, we saw a decrease in volume for plant maintenance and plant construction due to a negative rebound in connection with large-scale projects last year. As a result, we recorded lower revenues and profits. Operating income rose due to the acquisition of follow-on construction work.

2 Quarterly Results and Forecast

Item	Results and Forecast for FYE Dec 2021						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H Forecast	Full-Year Forecast
Revenues	95	123	219	114	111	226	445
Operating income	9	16	25	14	12	26	52
Operating income margin	10.2	13.1	11.8	12.7	11.0	11.9	11.8
Item	FYE Dec 2020 Results						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	109	131	240	119	112	231	472
Operating income	11	15	26	12	14	26	53
Operating income margin	10.3	11.8	11.1	10.7	12.6	11.6	11.4
Item	Comparison with FYE Dec 2020 (Upper: Difference / Lower: Difference (%))						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	(13)	(7)	(21)	(4)	(1)	(5)	(27)
	(12.7)	(6.0)	(9.0)	(3.7)	(1.0)	(2.4)	(5.8)
Operating income	(1)	0	(0)	1	(2)	(0)	(0)
	(13.4)	4.1	(3.3)	15.2	(14.0)	(0.3)	(1.8)

Special Factor

- Impact of fuel unit cost:
  [operating income] (0) [9 months], (0) [year]
- Cost increase associated with the employee system reform:
  [operating income] (0) [9 months], (0) [year]
- Impact of COVID-19:
  [revenues] +3 [9 months], +7 [year]
  [operating income] +0 [9 months], +1 [year]
- Impact of special allowance payments:
  [operating income] +0 [Apr-Jun, year]
- Impact due to actuarial differences in retirement benefits:
  [operating income] (0) [9 months], (0) [year]

3 Forecast Change

Item	Full-Year Financial Results Forecast		
	Revised Forecast	Previous Forecast	Difference
Revenues	445	465	(20)
Operating income	52	52	0
	11.8	11.3	—

Forecast for October-December 2021

While we forecast firm volume for wind power-related business, plant maintenance and substation work are likely to be weak. Therefore, we project revenues and operating income to be level year on year.

![NIPPON EXPRESS]

II. -E Segment Overview, Fiscal Year Ending December 31, 2021

8. Logistics Support Segment

(100 million yen)

1 Quarterly Results

Item	FYE Dec 2021 Jul-Sep Results	Vs. FYE Dec 2020		
		FYE Dec 2020	Difference	Difference (%)
Revenues	830	1,058	(227)	(21.5)
Operating income	22	26	(3)	(13.4)
Operating income margin	2.7	2.5	—	—

July-September Highlights

Revenues declined due to the spin-off of our leasing business and a change in revenue recognition standards. LS business volume continued to increase following the first quarter in a positive rebound from performance in the previous year. Unit selling price increases in our petroleum gas sales business also combined for higher revenues year on year. Operating income decreased due to the impact of the spin-off of the leasing business and the posting of a provision against expected losses in our trading (trade brokering) business.

2 Quarterly Results and Forecast

Item	Results and Forecast for FYE Dec 2021						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H Forecast	Full-Year Forecast
Revenues	1,263	797	2,060	830	975	1,806	3,867
Operating income	51	17	69	22	18	41	110
Operating income margin	4.1	2.2	3.4	2.7	1.9	2.3	2.9
Item	FYE Dec 2020 Results						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	1,229	1,017	2,247	1,058	1,138	2,197	4,444
Operating income	38	27	66	26	30	56	123
Operating income margin	3.1	2.7	2.9	2.5	2.7	2.6	2.8
Item	Comparison with FYE Dec 2020 (Upper：Difference / Lower：Difference (%))						
	Jan-Mar	Apr-Jun	1H	Jul-Sep	Oct-Dec	2H	FY
Revenues	33	(219)	(186)	(227)	(162)	(390)	(577)
	2.7	(21.6)	(8.3)	(21.5)	(14.3)	(17.8)	(13.0)
Operating income	13	(10)	3	(3)	(12)	(15)	(12)
	34.2	(36.3)	4.7	(13.4)	(39.4)	(27.5)	(10.2)

Special Factor

- Cost increase associated with the employee system reform:
  [operating income] (0) [9 months], (0) [year]
- Impact of COVID-19:
  [revenues] +31 [9 months], +39 [year]
  [operating income] +3 [9 months], +4 [year]
- Impact of special allowance payments:
  [operating income] +1 [Apr-Jun, year]
- Impact of Revenue Recognition Standard:
  [revenues] (363) [9 months], (586) [year]
- Impact of the spin-off of the Nittsu Shoji leasing business:
  [revenues] (374) [9 months], (558) [year]
- Provision:
  [operating income] (2) [9 months], (5) [year]

3 Forecast Change

Item	Full-Year Financial Results Forecast		
	Revised Forecast	Previous Forecast	Difference
Revenues	3,867	3,825	42
Operating income	110	110	0
	2.9	2.9	—

Forecast for October-December 2021

We forecast a significant decrease in revenues due to the spin-off of our leasing business and lower revenues due to the impact of revenue recognition standards. In addition to the increase in unit sales prices in our petroleum division, we expect our LS business, logistics equipment, and distribution products to experience a positive rebound due to the impact of COVID-19 in the previous year. However, we forecast lower operating income stemming from the significant impact of the spin-off of our leasing business.

III. Challenges of the Business Plan (Progress)

III. Challenges of the Business Plan

A Nippon Express Group Business Plan 2023 KPIs of Growth Strategy for Core Businesses

Item Revenues	Domestic *1 2021 Jan-Sep Results	2020 Jan-Sep Results	Difference (%)	2021 Jan-Dec Forecast	Progress (%)	Overseas 2021 Jan-Sep Results	2020 Jan-Sep Results	Difference (%)	2021 Jan-Dec Forecast	Progress (%)
Electric and Electronics Industry	¥81.7 billion	¥67.0 billion	22%	¥97.0 billion	84%	¥121.4 billion	¥81.7 billion	49%	¥137.5 billion	88%
Automotive Industry	¥62.4 billion	¥43.0 billion	45%	¥74.0 billion	84%	¥73.1 billion	¥46.6 billion	57%	¥85.0 billion	86%
Apparel Industry	¥11.7 billion	¥11.7 billion	(1%)	¥16.5 billion	71%	¥53.0 billion	¥37.2 billion	42%	¥55.0 billion	96%
Pharmaceutical/Medical Industry	¥11.7 billion	¥10.8 billion	9%	¥15.0 billion	78%	¥16.5 billion	¥9.0 billion	84%	¥18.5 billion	89%
Semiconductor-Related Industries	¥19.6 billion	¥13.9 billion	41%	¥21.5 billion	91%	¥10.6 billion	¥6.6 billion	61%	¥11.0 billion	96%

Item	2021 Jan-Sep Results	2020 Jan-Sep Results	Difference (%)	2021 Jan-Dec Forecast	Progress (%)	FYE March 2022 Business Plan Interim Goals
Ocean forwarding business*2	550,000 TEU	480,000 TEU	16%	860,000 TEU	64%	1,000,000 TEU
Expand air forwarding business*2	700,000 t	490,000 t	44%	865,000 t	81%	1,200,000 t

Item Revenues	2021 Jan-Sep Results	2020 Jan-Sep Results	Difference (%)	2021 Jan-Dec Forecast	Progress (%)
Non-Japanese Customer Accounts (GAM・GTA*3)	¥48.3 billion	¥29.1 billion	66%	¥44.0 billion	110%

*1 Japan results, KPI figures are for non-consolidated Nippon Express. *2 Results, differences (%) rounded to the nearest whole number
*3 GAM is an abbreviation for global account management. GTA is an abbreviation for global target accounts.

Both ocean and air forwarding volume increased year on year. However, while we expect air forwarding to meet the 2021 forecast, we do not expect ocean forwarding to meet forecast due to container shortages.
While we expect ocean forwarding volume to increase significantly due to increased consumption in Europe and the U.S., the gap between supply and demand is growing wider due to port congestion and flight delays. Further, looking at the peak season, which begins in August, transportation demand is rising while freight rates are soaring. At the same time, certain European mega-carriers have stated that they do not intent to implement further spot rate hikes, etc., leading us to conclude that there will not be any major price hike revisions.

Meanwhile, there are no signs pointing to a resolution in ocean container shortages, and uncertain factors, including the renewal of labor agreements on the west cost of the U.S., cast doubts that the situation will improve quickly. The tightness of space is likely to continue through the first half of next year.
Amid these circumstances, we will rely on real-time information to identify space, lead times, and costs to offer customers optimal transportation methods. We believe customers will respond favorably, which in turn will lead to opportunities to expand the areas in which we do business. For this reason, we have been focused on the central management of real-time information related to ships waiting offshore and the status of overdue cargo in each channel, including ports and transcontinental railways in the U.S. and Europe. At the same time, our Global NVOCC Center (GNC) is focusing on securing space, as we work urgently to strengthen our systems for controlling logistics overall.
The most recent market environment for our air forwarding business has experienced steady cargo movement from Asia to North America, etc., mainly for electronics, electrical, and consumer goods. And while transportation demand has been high, the supply of space has not been able to keep up.

According to the IATA report, the supply of international air freight space in September was roughly 11% lower than that of 2019, due in part to reduced flights caused by the tighter quarantine restrictions in China. This mismatch between supply and demand continues. In 2022 as well, international passenger flight volume is expected to be more than 50% lower than pre-COVID-19 levels. It will take some time still to close this supply-demand gap.
Amid these circumstances, we project that the air forwarding business to remain strong until at least the Chinese New Year next year, as we expect demand to increase further, while demand also shifts to air from ocean transportation.
We will continue to exchange information closely with our customers and with the airlines, focusing on securing space to maintain uninterrupted supply chains. We believe the key will be controlling space in accordance with changes in supply and demand. We intend to secure roughly 70% of the space against our forecast by industry, using the remaining 30% to respond flexibly to changes in the market. Our ability to cover these changes will depend on the speed of information and the development of relationships with carriers, which we see as competitive advantages in our favor.

To this point, I have discussed the status of our forwarding business. Due to the shortage of space caused by the outbreak of COVID-19, we do not expect to achieve the interim volume target stated in our FYE December 2021 business plan.
As this year is an interim year in our business plan, we intend to revisit the final targets for FYE December 2023. We will make a decision on forwarding volume after conducting a full analysis of future prospects, and we will make an announcement of our decision in the future.

III. Challenges of the Business Plan

A Nippon Express Group Business Plan 2023 KPIs of Growth Strategy for Core Businesses

Item Revenues	Domestic *1					Overseas				
	2021 Jan-Sep Results	2020 Jan-Sep Results	Difference (%)	2021 Jan-Dec Forecast	Progress (%)	2021 Jan-Sep Results	2020 Jan-Sep Results	Difference (%)	2021 Jan-Dec Forecast	Progress (%)
Electric and Electronics Industry	¥81.7 billion	¥67.0 billion	22%	¥97.0 billion	84%	¥121.4 billion	¥81.7 billion	49%	¥137.5 billion	88%
Automotive Industry	¥62.4 billion	¥43.0 billion	45%	¥74.0 billion	84%	¥73.1 billion	¥46.6 billion	57%	¥85.0 billion	86%
Apparel Industry	¥11.7 billion	¥11.7 billion	(1%)	¥16.5 billion	71%	¥53.0 billion	¥37.2 billion	42%	¥55.0 billion	96%
Pharmaceutical/Medical Industry	¥11.7 billion	¥10.8 billion	9%	¥15.0 billion	78%	¥16.5 billion	¥9.0 billion	84%	¥18.5 billion	89%
Semiconductor-Related Industries	¥19.6 billion	¥13.9 billion	41%	¥21.5 billion	91%	¥10.6 billion	¥6.6 billion	61%	¥11.0 billion	96%

Item	2021 Jan-Sep Results	2020 Jan-Sep Results	Difference (%)	2021 Jan-Dec Forecast	Progress (%)	FYE March 2022 Business Plan Interim Goals
Ocean forwarding business*2	550,000 TEU	480,000 TEU	16%	860,000 TEU	64%	1,000,000 TEU
Expand air forwarding business*2	700,000 t	490,000 t	44%	865,000 t	81%	1,200,000 t

Item Revenues	2021 Jan-Sep Results	2020 Jan-Sep Results	Difference (%)	2021 Jan-Dec Forecast	Progress (%)
Non-Japanese Customer Accounts (GAM・GTA*3)	¥48.3 billion	¥29.1 billion	66%	¥44.0 billion	110%

*1 Japan results, KPI figures are for non-consolidated Nippon Express. *2 Results, differences (%) rounded to the nearest whole number
*3 GAM is an abbreviation for global account management. GTA is an abbreviation for global target accounts.

Next, I will address our efforts in priority industries.
We expect to achieve our 2021 forecast for the five priority industries defined in our business plan, outperforming our year-ago results, with the exception of the domestic apparel industry. Our projections are based on capturing logistics needs accurately, including air cargo transportation demand from the automobile, electric and electronics industries amid a recovery in the global economy.
The domestic apparel industry was impacted by factors including a change in warehouse handling among major customers to in-house facilities. However, we hope to catch up as clothing imports have been rising and we have begun operations at our new distribution center. Today, I will explain our efforts in the semiconductor and pharmaceutical industries; industries that we expect to particularly grow in the future.

We are seeing a dramatic change in the world map for semiconductors in the semiconductor industry, with the U.S. and China at the center. Given these circumstances, we believe the focus of our strategy should be on the global development of U.S. semiconductor manufacturers and Taiwanese foundries, as well as the trend toward in-house manufacturing in China.

The state of Arizona in the United States, in particular, is a location where U.S. semiconductor manufacturers are expanding manufacturing bases and Taiwanese foundries are setting up factories. We plan to begin operations of a 9,900 square meter warehouse dedicated to semiconductors within the next year in this state, and we believe that the success or failure of this project will be a touchstone for the expansion of our semiconductor industry-related logistics on a global level.
Japan is home to more than 140 factories involved in the manufacture of semiconductors. Most major manufacturers have their own logistics subsidiaries, and most of the work has traditionally been done in-house. In recent years, however, manufacturers have been putting their logistics subsidiaries up for sale to focus on their core business. This development represents one of the greatest opportunities for us to take over logistics services directly from manufacturers.

We are currently handling semiconductor manufacturing equipment in the main, but we intend to take on the challenge of semiconductor production logistics, pursuing logistics related to semiconductor production in Japan. Next September, we will begin operations of a 50,000 square meter warehouse in Yokkaichi, one of Japan's leading semiconductor manufacturing bases. From this new base, we aim to provide production logistics solutions to suppliers in addition to handling in-plant logistics. Our integrated domestic business will incorporate changes in the industrial structure and expand the number of target industries, including advanced industries.
As semiconductor manufacturing bases continue to reorganize, we expect semiconductor industry-related revenues to grow by more than 40% annually.

III. Challenges of the Business Plan

A Nippon Express Group Business Plan 2023 KPIs of Growth Strategy for Core Businesses

Item Revenues	Domestic *1					Overseas				
	2021 Jan-Sep Results	2020 Jan-Sep Results	Difference (%)	2021 Jan-Dec Forecast	Progress (%)	2021 Jan-Sep Results	2020 Jan-Sep Results	Difference (%)	2021 Jan-Dec Forecast	Progress (%)
Electric and Electronics Industry	¥81.7 billion	¥67.0 billion	22%	¥97.0 billion	84%	¥121.4 billion	¥81.7 billion	49%	¥137.5 billion	88%
Automotive Industry	¥62.4 billion	¥43.0 billion	45%	¥74.0 billion	84%	¥73.1 billion	¥46.6 billion	57%	¥85.0 billion	86%
Apparel Industry	¥11.7 billion	¥11.7 billion	(1%)	¥16.5 billion	71%	¥53.0 billion	¥37.2 billion	42%	¥55.0 billion	96%
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 Financial Results Presentation for Q2, Fiscal Year Ending December 31, 2021 33

We began full-scale operations at four dedicated pharmaceutical warehouses in February this year to serve the pharmaceutical industry. We have started handling products for major Japanese pharmaceutical manufacturers. By the beginning of next year, we plan to start new operations, including domestic distribution center operations for foreign pharmaceutical manufacturers and ultra-low temperature warehousing operations related to biopharmaceutical manufacturing.
Overseas, we are working to develop our airport CFS bases, which have obtained GDP certification. We expect to see an expansion of our pharmaceutical business, as we leverage our global network and high-quality forwarding products. Further, we are linking the sales structures in Japan and overseas, aiming for accelerated sales growth through using account management methods tailored for both Japanese and non-Japanese pharmaceutical manufacturers.

In this context, Japan still has no more than guidelines related to GDP, but foreign companies are already highly aware of this issue. Under these circumstances, we have already signed a contract with a major foreign customer, and we have received requests from other foreign manufacturers to participate in the bidding process. Prior to the bids, we received inquiries for forwarding services originating from overseas locations such as Singapore, etc. We intend to offer such services actively and contribute to the global supply chain of our customers in compliance with GDP. In addition, we believe that our leading the way in providing high-quality GDP-compliant logistics services may become a turning point in our pharmaceutical logistics services for Japanese manufacturers.
We believe the strategic scenario for the future has us establishing a position as the front-runner in this turning point (change), and we expect to achieve dramatic growth in our pharmaceutical industry-related sales.

To this point, I have explained two points regarding our growth strategy for our core businesses. We intend to make the global market our main battlefield as we practice global accounting management as a means to grow sales overseas.
We selected 10 major companies representing both Japanese and non-Japanese global customers, and we aim to grow sales by identifying value from the perspective of the customer, taking a market-in approach to developing products and services tailored to customer needs. At the same time, we intend to achieve further growth in our core businesses based on our ability to put ideas into practice, or in other words, based on our business focused approach. We are already in the process of hiring multinational foreign nationals in account management. Next year we will switch over to an English-based system to build a management structure to respond to the needs of global customers.

III. Challenges of the Business Plan (Non-Consolidated)

B Sales by Business: Q2, FYE December 2021 (Apr-Sep, Cumulative)

(Millions of yen,%)

	Results	Difference		Difference (%)	
		Vs. FYE 2020	Vs. FYE 2019	Vs. FYE 2020	Vs. FYE 2019
Railway utilization business	32,732	(694)	(6,000)	(2.1)	(15.5)
Small-lot shipment business	20,081	(92)	(2,189)	(0.5)	(9.8)
Chartered Truck business	89,251	777	(6,115)	0.9	(6.4)
Marine transportation business	64,890	22,068	16,048	51.5	32.9
Harbor transportation business	33,990	4,083	(1,085)	13.7	(3.1)
Air transportation business	139,399	53,460	50,002	62.2	55.9
Warehousing and storage business	71,685	2,181	2,360	3.1	3.4
In-factory business	28,045	2,979	3,680	11.9	15.1
Moving and relocation business	24,848	2,868	(6,767)	13.0	(21.4)
Other	101,262	(1,986)	(6,035)	(1.9)	(5.6)
Total	**606,187**	**85,643**	**43,898**	**16.5**	**7.8**

Domestic Business
- In the first quarter, we saw a positive rebound from the impact of COVID-19. In the second quarter onward, however, recovery has been slow and lacking in strength. Results were lower than the pre-COVID-19 period of FYE 2019, with the exception of international logistics, warehousing and storage, and in-factory businesses.

Railway Utilization Business
- Through the first quarter, the business was on a recovery track from the impact of COVID-19 in the previous year. However, in the second quarter, torrential rains and the impact of automobile industry production cutbacks due to semiconductor shortages resulted in lower revenues.

Small-Lot Shipment Business
- Revenues were trending toward a recovery through the first quarter. From the second quarter onward, revenues declined due to a decrease in volume for electronics- and food-related products.

Chartered Truck Business
- Revenues increased due to growth in volume for steel- and beverage-related transport, despite the impact of a decrease in harvests of agricultural products due to unseasonable weather.

Warehousing and Storage Business
- Storage volume increased due to the start of new storage operations, resulting in an increase in revenue.

In-Factory Business
- In addition to volume for new e-commerce-related transport, revenues increased due to a recovery in steel industry production, which had been depressed in the previous year.

Moving and Relocation Business
- In general, the moving and relocation business remained sluggish. The international moving service saw a decrease in the number of contracts, but an increase in unit sales prices due to soaring ocean freight rates resulted in an increase in revenue.

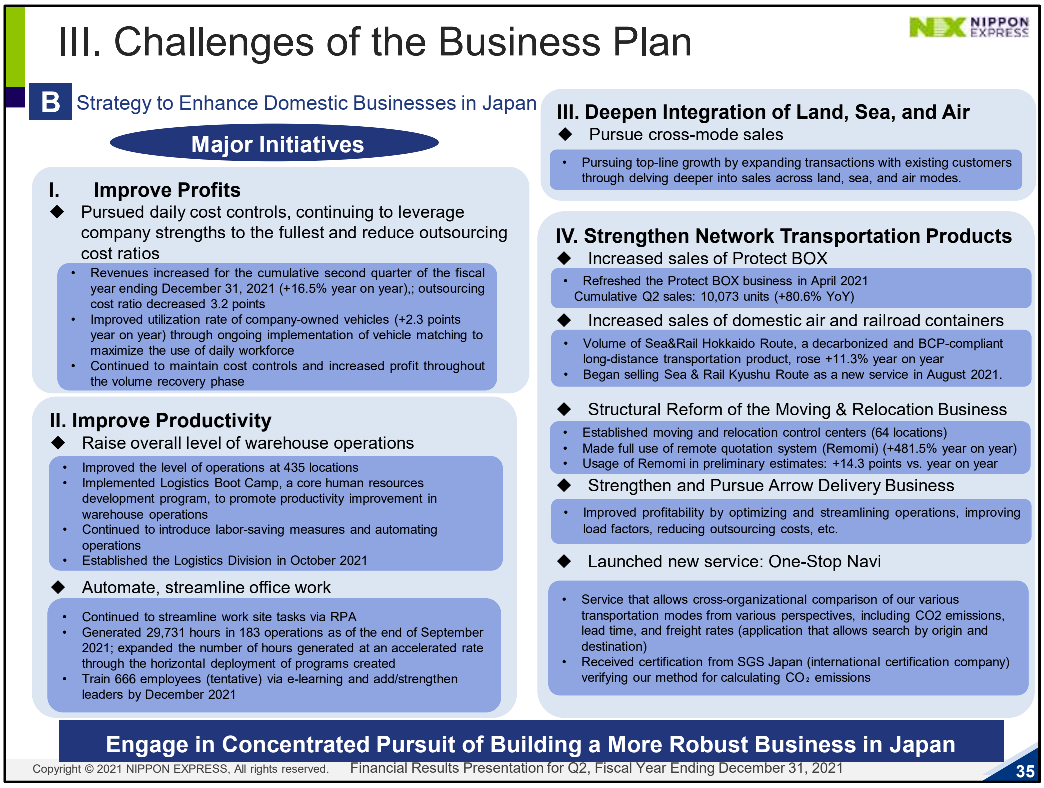
International Logistics

Volume for both imports and exports increased. Revenues increased due to the continued high level of freight rates.

This table shows non-consolidated revenues by business segment for the first half of the fiscal year. Although import/export volume grew significantly, the recovery in domestic business has been limited and, in general, has not reached pre-COVID-19 levels.

The prolonged state of emergency declarations, the semiconductor shortage, and flooding during the summer were the main factors for this result, but cargo movement has shown a certain degree of recovery since October.

Many uncertain factors remain, however, including the status of infections overseas, and we believe the future outlook remains unpredictable.



We are pursuing a variety of initiatives as part of our strategy to enhance domestic businesses in Japan.
The following is an overview of the major initiatives.
We have been working to reduce outsourcing costs since last fiscal year as one measure to improve profits. While total revenue increased 16.5% in the first half year on year, our outsourcing cost ratio decreased 3.2 points year on year. We also increased the utilization rate of company-owned vehicles by 2.3 points as a result of stronger efforts that included vehicle matching to maximize the use of our daily workforce. Our company maintains a fleet of about 20,000 vehicles, consisting of 14,000 company-owned vehicles and 6,000 vehicles used by operating companies under branches. For example, a utilization increase of 2.3 points means, roughly speaking, about 460 more vehicles in use every day, which has led to a reduction in outsourcing costs. We will continue to pursue these cost controls vigorously, particularly during the upcoming cargo movement recovery phase.

To improve productivity, we continue to raise the overall level of warehouse operations, while also automating and streamlining office work (RPA). In October of this year, we established a new Logistics Division to strengthen functions, including adopting advanced technologies, linked to improving overall warehouse operations.
To deepen the integration of land, sea, and air, we are focusing on increasing transactions by pursuing cross-mode sales nationwide as an initiative to strengthen our results during the COVID-19 pandemic.

Our presentation materials also describe our progress in strengthening our network transportation products.
In particular, first half sales of the *Protect Box* increased 80.6% year on year, making this product a major hit despite the COVID-19 pandemic.
In October of this year, we launched a new service called *One-Stop Navi*. One-Stop Navi allows users to search for various transportation routes, freightage expenses, and number of days by entering the origin and destination. The service can be used easily from a smartphone or other mobile device to find the best transportation route. Perhaps the most outstanding feature of One-Stop Navi is that it provides information on CO2 emissions (certified by a third-party organization) for each transportation route. This feature leverages our strength as a comprehensive logistics company covering land, sea, and air, to provide services that are in step with the times.

III. Challenges of the Business Plan

C Progress in FYE December 2021 Back Office Cost Reductions (as of September 30, 2021)

Human Resource System
- Employee categories
- Competency and grade system
- Extend retirement age in stages
- Vacation system

Salary/Wage System
- Equal labor, equal pay
- Extend retirement benefit plan
- Benefits system

Evaluation System
- Evaluate roles
- Evaluate value behaviors
- Performance evaluations

Reinforcing *Workplace Capabilities*
- CSR, assign health and safety officers
- Revise team system

Cost Impact

	FY2019	FY2020	FY2021	FY2023 cumulative
Projected	¥10.0 billion increase			¥20.0 billion increase
Forecast			¥1.4 billion increase *9-mo. Forecast	¥12.0 billion increase
Actual	¥4.8 billion increase	¥0.94 billion increase	¥0.8 billion increase *As of September 30, 2021	

This slide shows the status of cost increases related employee system reform. We have estimated the impact of reforms to be 1.4 billion yen in FYE2021 , but as of the end of September 2021, the actual impact was an increase of ¥0.8 billion.

This includes ¥0.4 billion due to the retirement age extensions on a non-consolidated basis and equal pay for equal labor among consolidated subsidiaries.

III. Challenges of the Business Plan

NIPPON EXPRESS

C Progress in FYE December 2021 Back Office Cost Reductions (as of September 30, 2021)

Enhancing Japanese Domestic Businesses	FY2023 Targets	Item	FY2019 Results [YoY]	FY2020 Results [YoY]	FYE December 2021 Results (Apr-Jun)	FYE December 2021 Results (Jul-Sep)	Cumulative	FYE December 2021 Target (Apr-Dec)
Further reorganization of organizations/ streamlining of administrative departments	-¥4.5 billion [-500 employees]	Further branch back office personnel reassignments	-¥1.10 billion [-124 employees]	-¥1.40 billion [-156 employees]	—	—	-¥3.34 billion [-374 employees]	—
		Reassign HQ employees	—	-¥0.82 billion [-91 employees]	—	-¥0.02 billion [-3 employees]		-¥0.07 billion [-8 employees]
Back office process reform	-¥5.0 billion	Overtime [back office personnel]	-¥1.10 billion	-¥1.32 billion	+¥0.19 billion	+¥0.27 billion	-¥3.21 billion	-¥0.47 billion
		Personnel dispatching cost [back office]	+¥0.15 billion	-¥1.04 billion	-¥0.3 billion	-¥0.06 billion		-¥1.08 billion
Total	-¥9.5 billion	Total	-¥2.05 billion	-¥4.58 billion	-¥0.11 billion	+¥0.19 billion	-¥6.55 billion	-¥1.62 billion

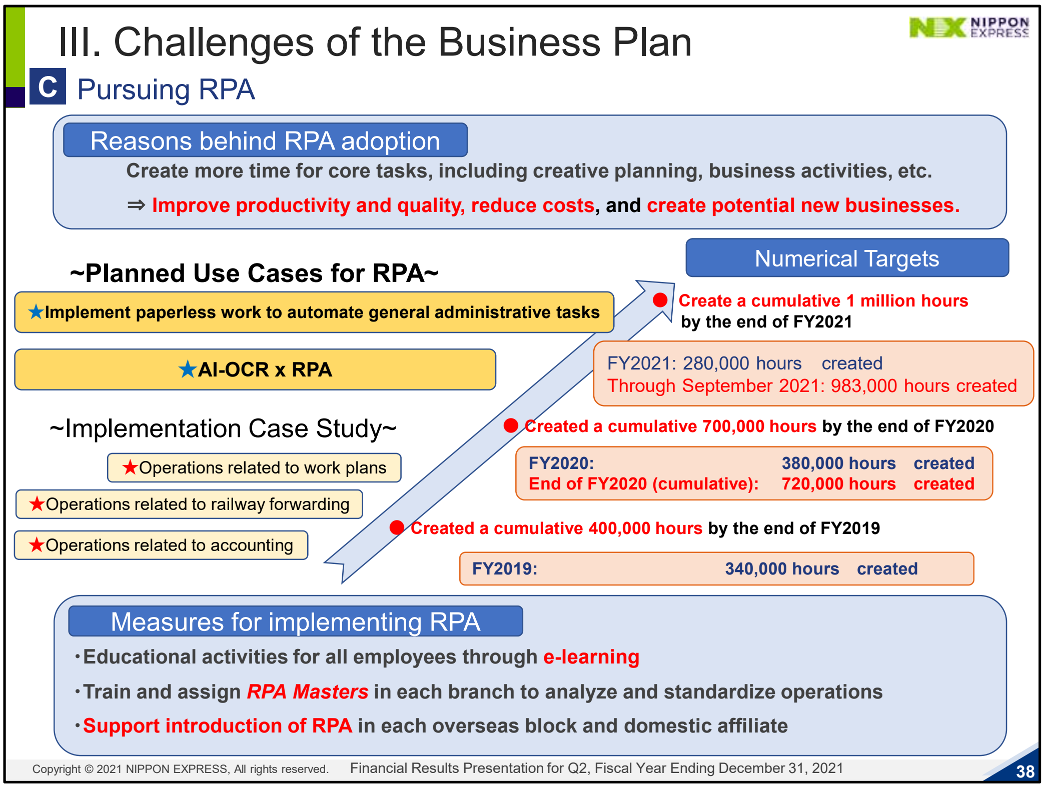
* Figures for results and targets related to "Further reorganization of organizations/ streamlining of administrative departments" indicate the scale and approximate amounts for measures that are to be implemented.

We consider 2021 to be a year in which we aim to firmly establish the new systems implemented during 2020 to consolidate our organization and streamline management, including branch back office personnel reassignments and head office personnel reassignments. Continuing from 2020, we plan to reassign eight head office staff and have already reassigned three staff during the first half of the fiscal year. We will continue pursuing organizational consolidation and streamlined administrative departments moving forward.

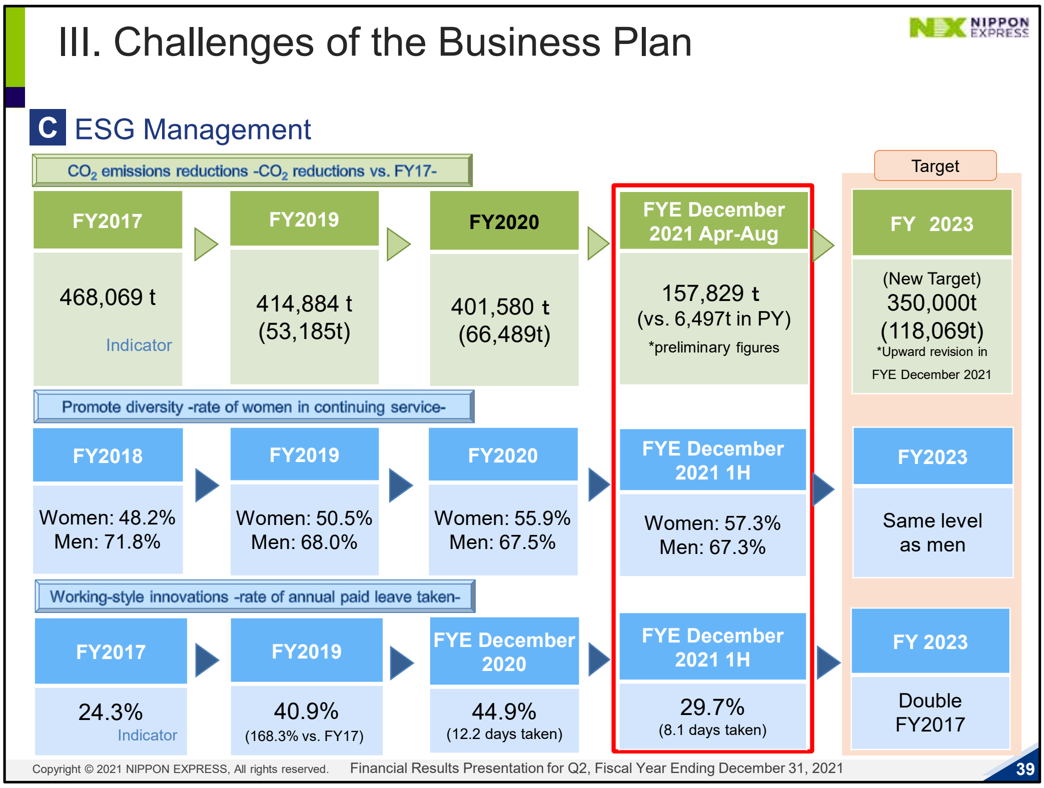
With respect to back office process reform, overtime increased temporarily by ¥0.27 billion in the second quarter, mainly due to a recovery in volume. We also incurred temporary overtime in connection with projects to accelerate and standardize our financial close process. In addition, personnel dispatch costs decreased by only ¥0.06 billion this fiscal year, as the impact of revisions implemented last year have run their course.

On the other hand, reducing the administrative burden at the work site by centralizing office work through RPA and SSC has curbed the increase in overtime costs, leading to a cumulative reduction of about ¥2 billion in overtime work since 2019.

As of the end of the first half of fiscal 2021, the cumulative reduction in indirect costs since fiscal 2019 was ¥6.55 billion, which is approximately 69% toward our target of ¥9.5 billion. We continue to centralize more back office tasks, automate expense reimbursements, use digitized invoicing, and engage in other ways to bring visibility to efficient usage at each branch, striving to reduce the burden of such tasks at the work-site level. Our aim is to achieve these goals through the centralization of tasks at integrated locations and advancements in paperless operations for greater productivity.



This slide shows the details of RPA initiatives as part of administrative process reforms.



Our progress toward the KPIs related to ESG management is as described in the presentation materials. However, I will provide a supplementary explanation regarding CO_2 emissions.

Last year, we moved up our long-term goal of reducing CO_2 emissions by 30% (compared to 2013) by the year 2030 by seven years. In other words, our goal is to reduce CO_2 emissions to 350,000 tons in two years, by the end of fiscal 2023. We are strengthening our efforts to this end; however, our cumulative emissions from April to August 2021 were 6,497 tons greater than the same period in the previous year. This increase was mainly due to an increase in the use of vehicles and forklifts in line with the increase in the volume of cargo handled, as well as an increase in electricity consumption in line with the operation of new warehouses.

Given these circumstances, our major current initiatives are to switch to LED lighting in our facilities to reduce CO_2 emissions from electricity, to shift to environmentally friendly vehicles to reduce CO_2 emissions from fuel, and to implement energy-saving measures for domestic vessels. However, it will be a challenge to achieve our target by these measures alone. We are considering new methods presently, including the use of renewable energy.

Further, we intend to align the medium- and long-term goals of the group as a whole, including goals and issues for becoming carbon neutral by 2050, and reflect these goals in our next business plan.

III. Challenges of the Business Plan

D Transition to a Holding Company Structure

- Establish new brand identity
- Operations of integrated NX Group locations

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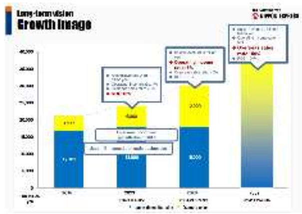
E Inorganic Growth Strategy

- Grow into a global mega-forwarder through M&A
- Build a global management foundation, a global customer base of non-Japanese customers, and a forwarding business foundation



F Exercising ESG-Oriented Business Management to Realize Sustainable Development

- Pursue sustainability management
- Implement digital transformation (DX)

We are preparing to introduce a new brand begin operations of integrated NX Group locations in conjunction to our transition to a holding company system next January. These activities will serve as the foundation for achieving our long-term vision.
We will disclose more about our transition to a holding company structure in the near future as soon as the organization and executive structure have been finalized.
In addition, we will continue with group restructuring to achieve further growth in global business and to build a structure that facilitates stronger group management. We are conducting specific studies on the allocation of global business operating functions, as well as the organization of businesses and functions that overlap within the group.

The second point is about our inorganic growth strategy In simple terms, inorganic growth strategy means our growth into a global mega forwarder through M&A. As President, this matter is at the very forefront of my mission.
To become a global mega-forwarder without lagging behind our global competitors, we must leverage M&A to build foundations for global management, for non-Japanese global customers, and for our forwarding business. At the same time, we believe the recent M&A trends of global mega forwarders indicates that they are pursuing an expansion of scale. Acquisition prices are at a high level of around 15 times the EBITDA.
We examine deals constantly to achieve our M&A strategy, but we are assessing acquisition prices carefully and seeking collaborations in pursuit of synergies.

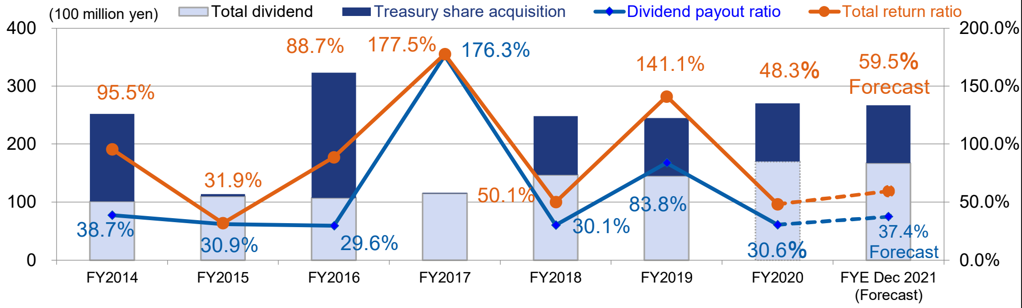
The third point I wish to address is exercising ESG-oriented business management to realize sustainable development and improve corporate value. Concern about the global environment is rising around the world, and we are looking to accelerate our efforts to become carbon neutral.
As part of the transition to a holding company structure, we have decided to establish a system to pursue sustainability, including climate change issues, with more focus as a group. We intend to align the medium- and long-term goals throughout the group as a whole, including the targets and issues involved in becoming carbon neutral by the year 2050. We will reflect these goals in our next business plan.
We are also engaged in a project to examine the details of our efforts to achieve digital transformation. In the near future, we hope to disclose the grand design and indicate the future direction and other information through IR Days and other briefings.
This year, 2021, is the mid-point of our business plan, as well as the year in which we intend to make a decision on whether to review plan targets based on progress to date and an outlook on the global economy and economic recovery trends. Although the future remains uncertain, we are making steady progress in each of the measures defined in the business plan to achieve our long-term vision. Looking forward to 2023, we will focus on accelerating organic growth through our growth strategy for our core businesses and our strategy to enhance domestic businesses in Japan. At the same time, we will also strive to reach our goals through the vector of M&A activities.

IV. Return to Shareholders

A Capital Policies

- ROE: 10%
- Dividend payout ratio 30% or more
- Total return ratio: Over 50% (cumulative total 2019-2023)
- Equity ratio: Target 35%

B Key Indicators



Dividend per Share (Full-Year)	10	11	11	120※	155	155	185	185 (Forecast)
ROE	5.1	6.8	6.9	1.2	9.2	3.2	10.0	7.5 (Forecast)

*The Company conducted a ten-for-one reverse stock split effective October 1, 2017.
The amounts of dividends from FY2017 onwards reflect this reverse split.

Our forecast for shareholder returns for the fiscal year ending December 31, 2021, calls for an interim dividend of ¥90 and a year-end dividend of ¥95 for an annual dividend of ¥185. This is the same amount we paid in dividends for the fiscal year ended March 31, 2021. We expect our payout ratio to be 37.4%, total return ratio including share buybacks to be 59.5%, and a total return ratio for the three years beginning fiscal 2019 to be 66.2%.

We will continue to strive to enhance shareholder returns, aware of our targets to provide a dividend payout ratio of 30% or more and a five-year cumulative total return ratio of 50% or greater, as stated in our business plan and on the basis of net income less asset sales, asset impairment, and other special factors.