



We Find the Way

September 9, 2021

IR Day 2021: Initiatives to Improve Capital Efficiency

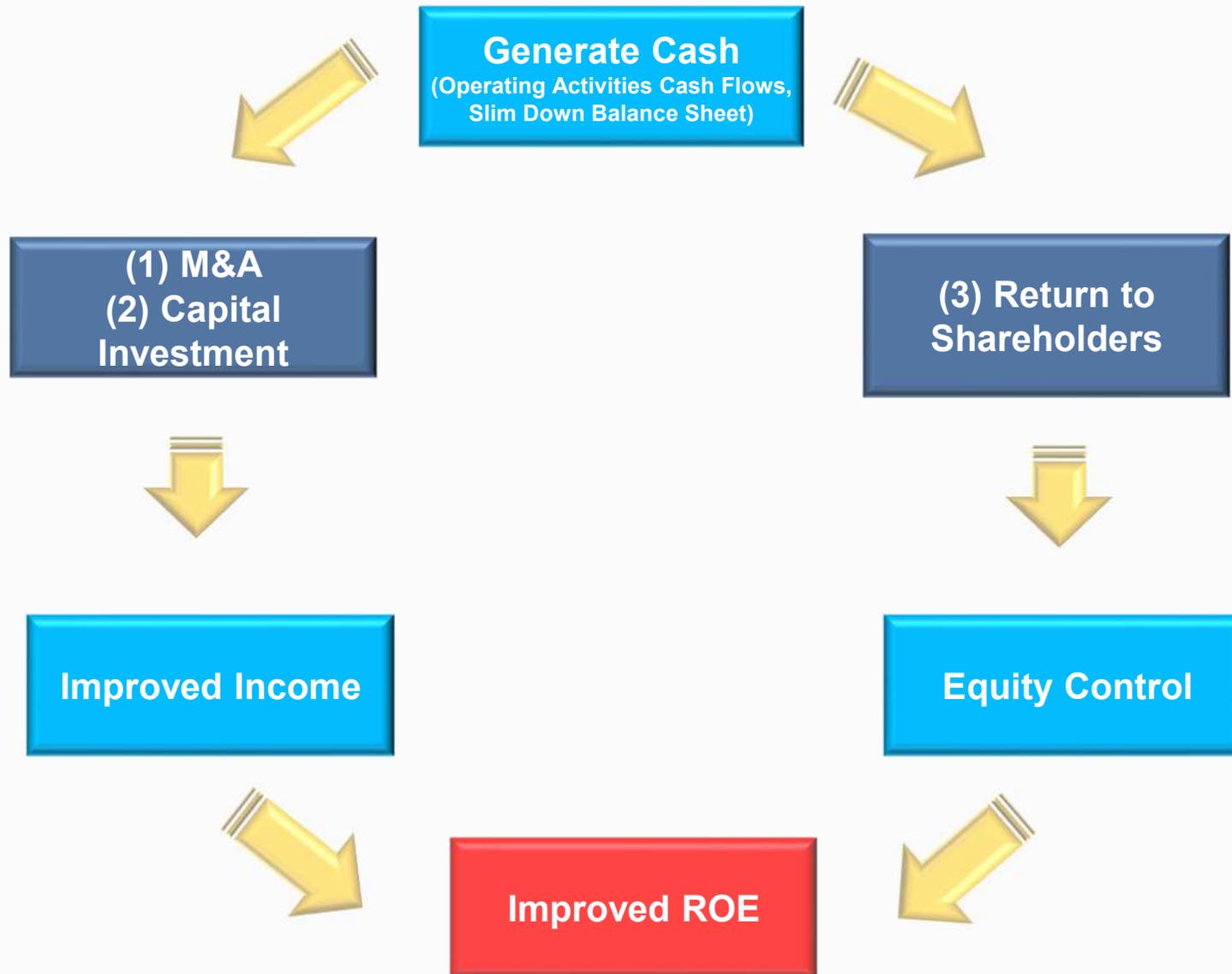
Session 3

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Nippon Express Co., Ltd.

September 9, 2021

Initiatives Toward Improved Capital Efficiency



Generate Cash (Results)

(1) Slim Down Balance Sheet

- Liquidization of the Mizonokuchi Distribution Center and pharmaceutical locations ¥50.0 billion
 - *We are currently developing a base in the Chubu region using a liquidization scheme.

- Spinning off leasing business Reduction in interest-bearing debt Approx. ¥140.0 billion
 - *We will also continue to restructure business portfolios.

(2) Sale of Strategic Shareholdings

- FY2019 (Results) ¥1.0 billion
- FY2020 (Results) ¥11.6 billion
- FY2021 (forecast) ¥5.0 billion
 - *From next fiscal year, we will also trim strategic shareholdings

Cash Generation Activities (Results)

(1) Capital Investments and M&A

- M&A results M&A with U.S. Company MD in FY2020
- Capital investment
 - FY2020 (results) ¥123.0 billion (including ¥31.7 billion in pharmaceuticals)
 - FY2021 (planned) ¥70.0 billion
- *Looking forward, we will leverage generated capital for aggressive investments targeting growth.

(2) Initiatives Toward Improved Capital Policies

- Achieve a dividend payout ratio of at least 30% and a cumulative total return ratio of at least 50%.

	Annual dividend per share (¥)	Total dividend (¥100 million)	Dividend payout ratio (%)	Share buyback (¥100 million)	Total return ratio (%)
FY2019 (results)	155	145	83.76	100	141.08
FY2020 (results)	185	170	30.59	100	48.31
FY2021 (forecast)	185	168	43.22	100	68.92

Improve Business Indicators

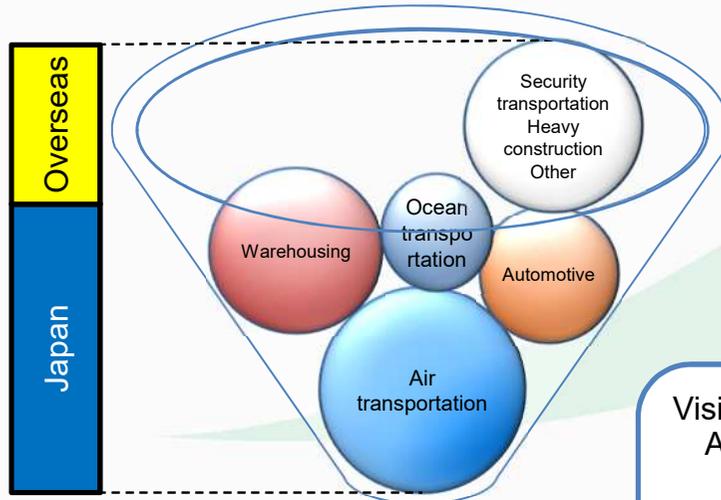
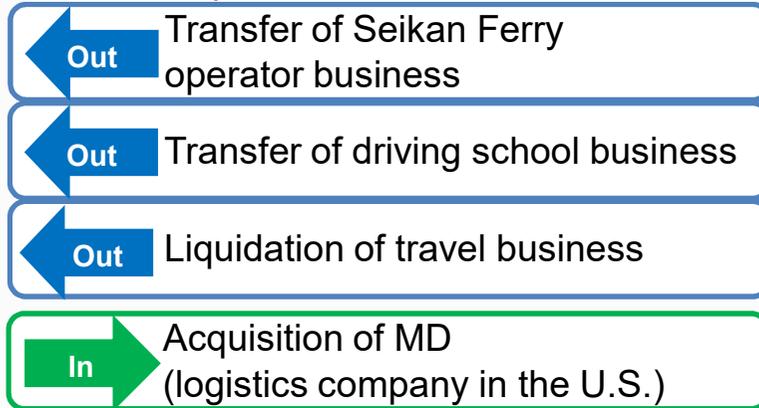
(1) Slim Down Balance Sheet and Improve Business Indicators

·Use transfers of our leasing business to slim down balance sheet and improve business indicators.

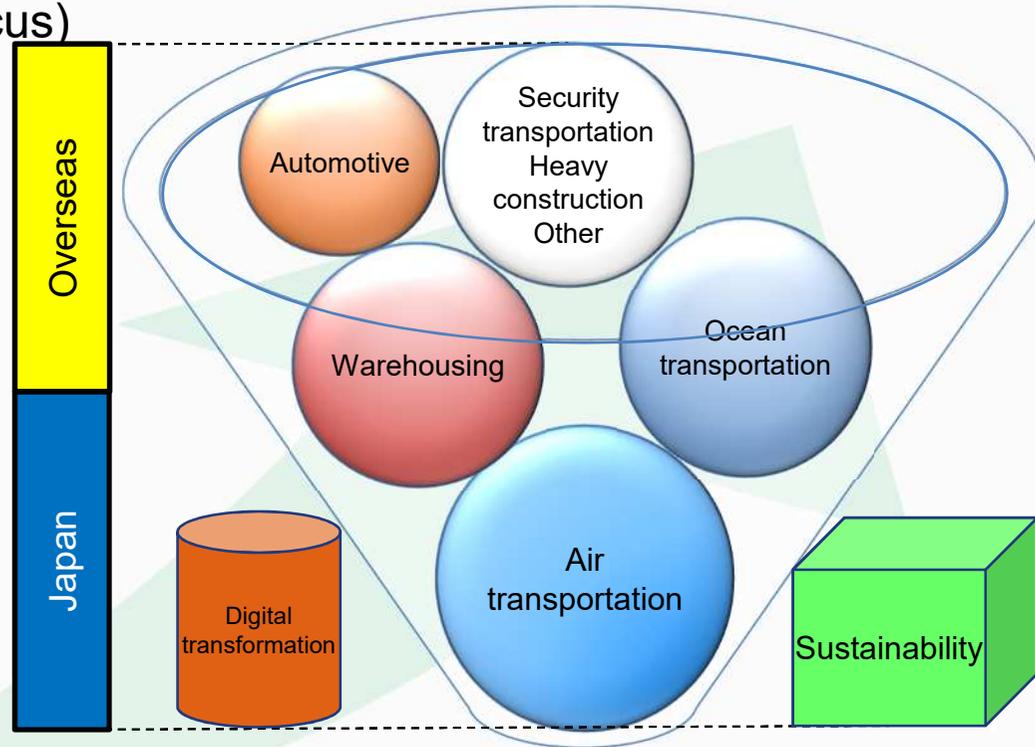
	Results	Results	Results	Forecast
Fiscal year	FY2018	FY2019	FY2020	FY2021
Ratio of revenue to net profit	2.3%	0.8%	2.7%	2.3%
Total asset turnover	140.0%	136.2%	132.0%	141.7%
Financial leverage	284.6%	282.0%	280.7%	264.7%
ROE	9.2%	3.2%	10.0%	8.6%

Optimize Business Portfolio & Vision for 2037

Results (business selection and focus)



2021 Net Sales
(Approx. ¥2,000 billion)



2037 Net Sales (¥3,500–4,000 billion)

Vision for 2037

A logistics company with a strong presence in the global market

- A global mega-forwarder with a 50% overseas sales ratio
- A company that can adapt to change to fundamental business changes by using digital transformations
- Company that can perceive sustainability as a business opportunity (Challenge of being a carbon-neutral energy business)

Nippon Express Thoughts on Relationship between Direction of Digital Transformations and Value Co-Creation Ideas

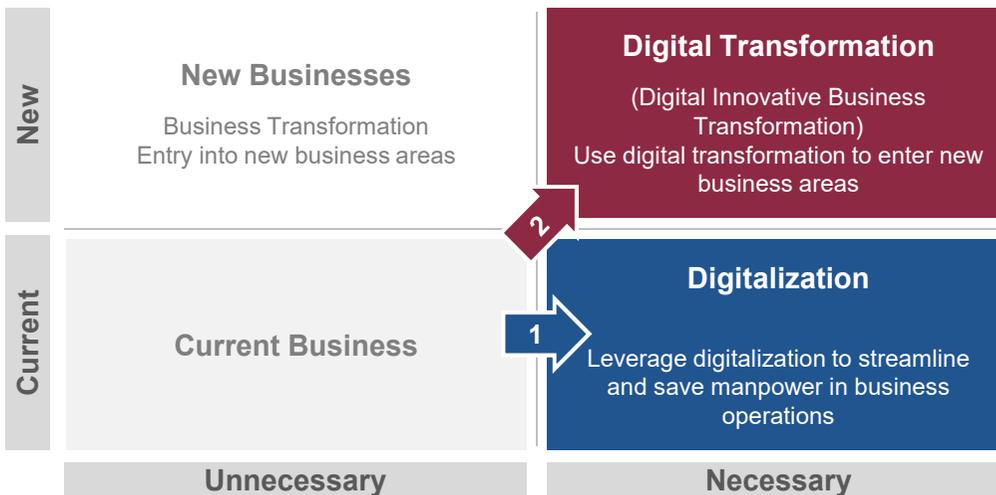
Nippon Express Thoughts on Relationship Between Direction of Digital Transformations and Value Co-Creation Ideas

Nippon Express Thoughts on Direction of Digital Transformations

Implement Group-wide ambidextrous growth. Strategically take the initiative.

- 1: Initiatives such as moving to digitalization and efficiencies in workplaces. Recall from workplaces, current businesses, and technology, short timeframe
- 2: Digital transformation, a business area that can represent the future. Business, company-wide strategy, social perspective, medium to long term

▲ Business areas (value provided to customers)



Utilization of digital technologies as a key resource ▶

Business Ideas by Theme to Co-Create Value (Business Collaboration With NEC Corporation)



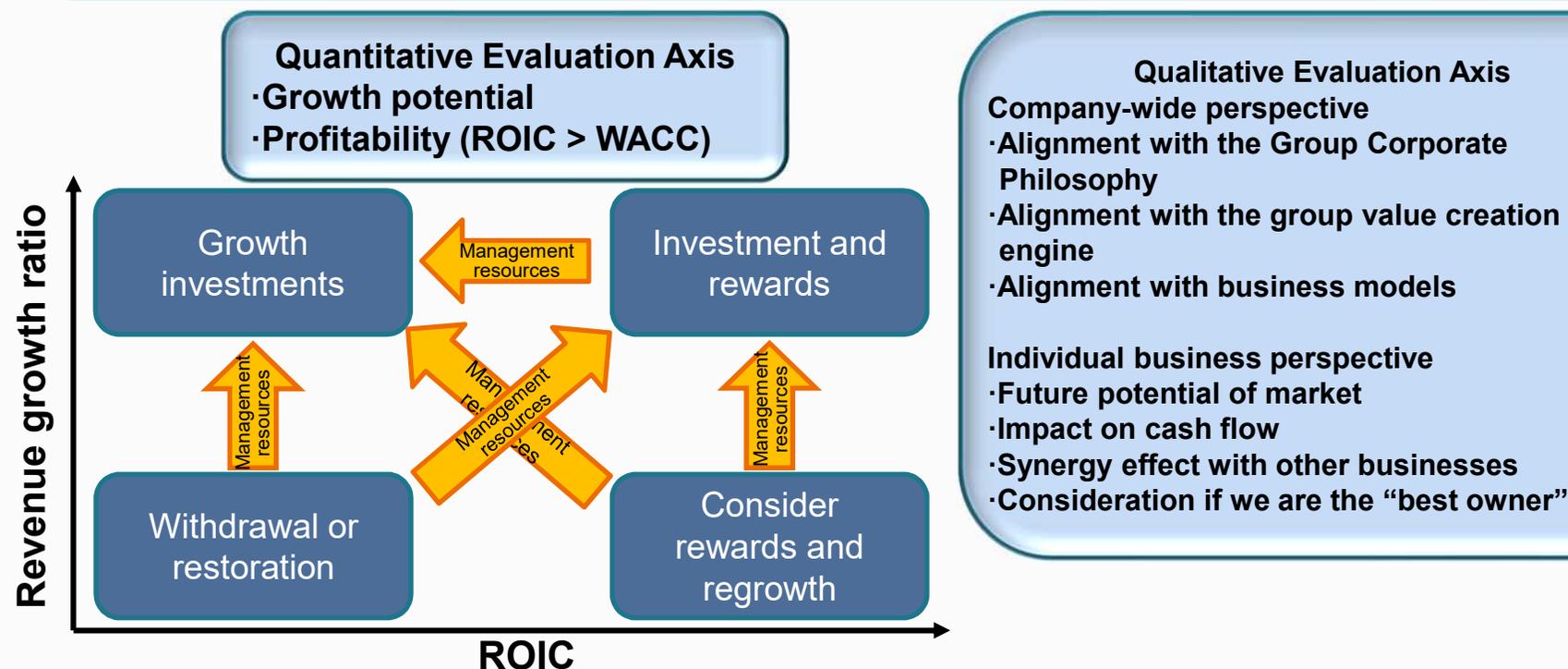
Business Portfolio Management Framework

NX Group Approaches to Portfolio Management ~Toward Achieving Our 2037 Vision~

- ◆ Create new value and make forays into new businesses themed around digital transformation and sustainability
- ◆ Existing business growth strategy and re-evaluation (selection and concentration of business)
- ◆ Eliminate functional overlap within the group
- ◆ Create a workplace in which diverse human resources can be active and enjoy their work
- ◆ Contribute to sustainable societies

Portfolio Management Committee (tentative name)

- Formulate a group portfolio strategy
- Formulate a management resource allocation policy including loans and investments
- Periodic monitoring of group portfolio



M&A Strategy (Toward Achieving Our Long-Term Vision)

(1) M&A Policy

- M&A for ~“Dynamic Growth”~
⇒ Growing into a global mega-forwarder
(secure global network, management foundation, non-Japanese customers, etc.)

(2) M&A History (Since 2011)

Company Name	Region	Acquisition Date
AGS	The Americas	March 2012
APC	East Asia	October 2012
Franco Vago	Europe	February 2013
Nittsu NEC Logistics	Japan	December 2013
Nittsu NP Logistics	Japan	January 2014
Wanbishi	Japan	December 2015
Traconf	Europe	March 2018
MD	The Americas	September 2020

8 companies

• Investment Approx. ¥160.0 billion

(FY2020)

• Revenues ¥217.2 billion

• Operating income ¥12.1 billion
(Operating income ratio 5.6%)

M&A Strategy (Toward Achieving Our Long-Term Vision)

(3) Initiatives to Create Synergies Through M&A

- Merged three Italian companies (Nippon Express Italia, FrancoVago and Traconf), and expanded on a global scale acting as a control tower for the fashion business in the Nippon Express Group.
- Constructed a global pharmaceutical logistics network by combining the logistics functions of MDL in the U.S. with the Group's international transportation network.

(4) Strengthen Post-Merger Integration (PMI) System

- Strengthen domestic and overseas sales capabilities to increase the synergy creation effect.
- Create mutual sales synergies through collaborations between acquired companies and overseas blocks

(5) Initiatives to Grow Into a Global Mega-Forwarder

Recent M&A market trends

- European mega-forwarders: K&N acquisition of APEX, DSV acquisition of Agility
- Asian mega-forwarders: SF acquisition of Kerry
 - ⇒ Heightened acquisition costs, M&A focused solely on increasing market scale (share)
- Keep away from price competition, and seek collaboration in order to pursue synergies
- Add digital transformation and sustainability-related businesses as M&A targets, and shift to a more forward-looking M&A strategy

M&A Strategy (Toward Achieving Our Long-Term Vision)

Global Forwarder Rankings Top 10

FY2019 6th place

Rank	Location of Headquarters	Provider	Gross Logistics Revenue (Millions of yen)*	Marine (TEU)	Air (Metric tons)
1		DHL Supply Chain & Global Forwarding	3,021,785	3,207,000	2,051,000
1		Kühne + Nagel	2,863,845	4,861,000	1,643,000
2		DB Schenker	2,141,547	2,294,000	1,186,000
3		DSV Panalpina	1,588,811	1,907,126	1,071,266
4		Sinotrans	1,239,616	3,770,000	502,000
5		Expeditors	904,809	1,125,137	955,391
6		Nippon Express	2,208,398	703,061	752,942
7		CEVA Logistics	788,484	1,050,000	416,000
8		UPS Supply Chain Solutions	1,029,545	620,000	965,700
9		C.H. Robinson	1,619,248	1,000,000	210,000
10		Kerry Logistics	583,726	1,250,038	409,408



FY2020 5th place

Rank	Location of Headquarters	Provider	Gross Logistics Revenue (Millions of yen)*	Marine (TEU)	Air (Metric tons)
1		DHL Supply Chain & Global Forwarding	2,973,339	2,862,000	1,667,000
1		Kühne + Nagel	2,694,742	4,529,000	1,433,000
2		DB Schenker	2,169,525	2,052,000	1,094,000
2		DSV Panalpina	1,909,111	2,204,902	1,272,405
3		Sinotrans	1,272,183	3,750,000	532,300
4		Expeditors	1,057,122	1,012,600	926,730
5		Nippon Express	2,021,762	660,152	720,115
6		CEVA Logistics	773,300	1,081,000	363,000
7		C.H. Robinson	1,618,705	1,200,000	225,000
8		Kerry Logistics	717,602	1,019,924	493,903
8		UPS Supply Chain Solutions	1,154,516	620,000	988,880

* Conversion rate as of the end of December 2019 (US\$1=¥110.68)

Source: Armstrong & Associates, Inc. A&A's Top 25 Global Freight Forwarders List, 2019
Ranked by taking a broad perspective of total revenue, marine and air transportation

* Based on the exchange rate as of December 2020 (US\$1 = ¥104.50).

Source: Armstrong & Associates, Inc. A&A's Top 25 Global Freight Forwarders List 2020.
Rank reflects overall consideration of total revenues, ocean transportation, and air transportation



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